THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities

IIN INTERNATIONAL LIMITED
國訊國際有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8128)

MAJOR TRANSACTION

Financial adviser to IIN International Limited

Optima Capital Limited

A notice convening an Extraordinary General Meeting of IIN International Limited to be held at K-2 Room, Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Hong Kong on Monday, 22 October 2007 at 10:30 a.m. is set out on pages 182 to 183 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) for at least 7 days from the date of its posting.

3 October 2007

* *For identification purposes only*

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.

CONTENTS

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

"Acquisition"	acquisition of the Sale Interest by the Group pursuant to the Agreement
"Agreement"	the agreement dated 30 July 2007 (as amended by two supplemental agreements dated 13 August 2007 and 28 September 2007 respectively) for the sale and purchase of the Sale Interest
"Announcement"	the announcement of the Company dated 15 August 2007 in relation to, among other things, the Acquisition
"associates"	has the meaning ascribed to it in the GEM Listing Rules
"Board"	the board of Directors
"Business Day"	a day (except Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business
"China Standard"	China Standard Limited, a company incorporated in the British Virgin Islands with limited liability and a third party independent of the Company and its connected persons
"Company"	IIN International Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the GEM
"Completion"	completion of the sale and purchase of the Sale Interest in accordance with the Agreement
"Completion Date"	on or before 15 November 2007 or such other date as may be agreed by China Standard and the Purchaser in writing
"connected persons"	has the meaning ascribed to it under the GEM Listing Rules
"Consideration"	the total sum of HK$440,000,000, payable by the Purchaser to China Standard in consideration of China Standard procuring the Vendors as beneficial owners transferring the Sale Interest to the Purchaser
"Consideration Shares"	an aggregate of 500,000,000 new Shares to be allotted and issued to China Standard in satisfaction of part of the Consideration
"Convertible Notes"	the zero coupon convertible notes to be issued in the aggregate principal amount of HK$160,000,000, in satisfaction of part of the Consideration

"Conversion Price"	the initial conversion price of the Convertible Notes of HK$0.40 per Share (subject to adjustments)
"Conversion Shares"	the 400,000,000 new Shares to be issued by the Company upon the exercise of the conversion rights attaching to the Convertible Notes, based on the initial conversion price of HK$0.40 per Conversion Share
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder
"Enlarged Group"	the Group upon Completion
"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
"HKFRS"	Hong Kong Financial Reporting Standards
"Holdco(1)"	深圳市利得迅環保技術有限公司 (Shenzhen Lidesui Huanbao Jishu Company Limited), a company established with limited liability under the laws of the PRC
"Holdco(1) Sale Interest"	the entire registered capital of Holdco(1)
"Holdco(2)"	深圳市利賽園林綠化有限公司 (Shenzhen Lisai Gardens Luhua Company Limited), a company established with limited liability under the laws of the PRC
"Holdco(2) Sale Interest"	the entire registered capital of Holdco(2)
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"II Networks" or "Purchaser"	II Networks International Limited, a company incorporated in British Virgin Islands with limited liability and a wholly owned subsidiary of the Company
"Latest Practicable Date"	28 September 2007, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular

"Noteholders"	holders of the Convertible Notes
"PRC"	the People's Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Reorganisation"	the transfer of the interest in Shenzhen Lisai to Holdco(1) (as to 30% of the Shenzhen Lisai interest) and Holdco(2) (as to 70% of the Shenzhen Lisai interest) by the Vendors which, in the absolute opinion of the Purchaser, are satisfactory to the Purchaser in all respects
"Sale Interest"	the Holdco(1) Sale Interest and the Holdco(2) Sale Interest
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of US$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Shenzhen Lisai"	Shenzhen Lisai Industrial Development Co., Ltd., a company established under the laws of the PRC with limited liability
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Vendors"	two individuals, the registered and beneficial owners of the Sale Interest
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"US$"	United States dollars, the lawful currency of the United States of America
"%"	per cent.

In this circular, RMB are converted into HK$ on the basis of RMB0.985 = HK$1 unless stated otherwise.

For ease of reference, the names of certain PRC established companies and entities have been included in this circular in both the Chinese and English languages and the English names of these companies and entities are either English translation of their respective official Chinese names or English tradenames used by them. In the event of any inconsistency between the English names and their respective official Chinese names, the Chinese names shall prevail.

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)*
Fu Hui Zhong
Xu Zhi Feng

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

3 October 2007

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

INTRODUCTION

The Company announced on 15 August 2007 that on 30 July 2007, the Purchaser entered into the Agreement (as amended by two supplemental agreements dated 13 August 2007 and 28 September 2007 respectively) with China Standard whereby the Purchaser conditionally agreed to purchase or procure the purchase of, and China Standard agreed to procure the Vendors as beneficial owners to sell the Sale Interest for a total Consideration of HK$440 million, which shall be satisfied as to (i) HK$80 million by cash; (ii) HK$200 million by the issue of the Consideration Shares; and (iii) HK$160 million by the issue of the Convertible Notes.

The Sale Interest represents the entire equity interests in Holdco(1) and Holdco(2), which in turn together hold the entire equity interest of Shenzhen Lisai. Shenzhen Lisai is principally engaged in the businesses of synthetically utilization of marsh gas, disposal and handling of solid garbage, disposal and handling of solid dangerous rejectamenta, disposal of sewage and waste water and utilization of new energy sources.

The Acquisition constitutes a major transaction of the Company under Chapter 19 of the GEM Listing Rules and requires the approval of the Shareholders at the EGM. The EGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the Agreement and the transactions contemplated thereunder.

The purpose of this circular is to provide you with, among other things, further details of the Acquisition, financial information relating to the Group, Holdco(1), Holdco(2) and Shenzhen Lisai, the notice of the EGM and other information as required under the Listing Rules.

THE AGREEMENT DATED 30 JULY 2007 (as amended by two supplemental agreements dated 13 August 2007 and 28 September 2007 respectively)

1) Parties

(i) China Standard Limited, who will procure the Vendors as the beneficial owners to sell the Sale Interest

China Standard is an investment holding company which was incorporated on 2 January 2007. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, China Standard and its ultimate beneficial owners (who are two individuals) are third parties independent of the Company and its connected persons.

The Vendors are beneficial owners of the Sale Interest. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Vendors are third parties independent of the Company and its connected persons. Based on the representation of China Standard to the Company, China Standard and the Vendors are independent to each other.

(ii) II Networks International Limited, a wholly owned subsidiary of the Company (as the Purchaser of the Sale Interest)

2) Assets to be acquired

China Standard shall procure the Vendors as beneficial owners of the Sale Interest to sell and the Purchaser shall purchase or procure the purchase of the Sale Interest.

The Sale Interest represents the entire equity interests in Holdco(1) and Holdco(2), which in turn together hold the entire equity interest of Shenzhen Lisai as result of a group reorganisation effected by the Vendors and Shenzhen Lisai on 1 August 2007. The Reorganisation involved the transfer of the Vendors' direct shareholding interests in Shenzhen Lisai to Holdco(1) and Holdco(2), as a result of which, 30% interest of Shenzhen Lisai is held by Holdco(1) and 70% interest of Shenzhen Lisai is held by Holdco(2).

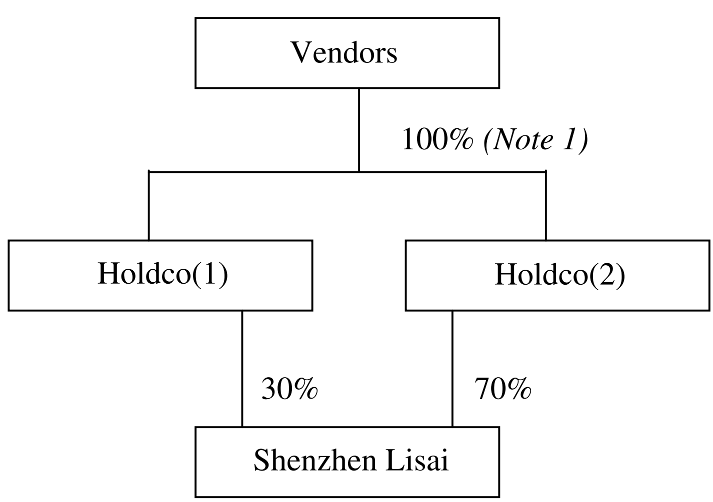
The Acquisition is conditional, among other things, on due diligence by the Purchaser on each of Holdco(1), Holdco(2) and Shenzhen Lisai including review of the legal aspects and obtaining legal opinion (see the paragraph headed "Conditions Precedent" below). Based on the representation of China Standard to the Company, the Vendors, through the Holdco(1) and Holdco(2), own Shenzhen Lisai legally and validly.

Shenzhen Lisai is a company established under the laws of the PRC with limited liability and presently engages in the businesses of synthetically utilization of marsh gas, disposal and handling of solid garbage, disposal and handling of solid dangerous rejectamenta, disposal of sewage and waste water and utilization of new energy sources.

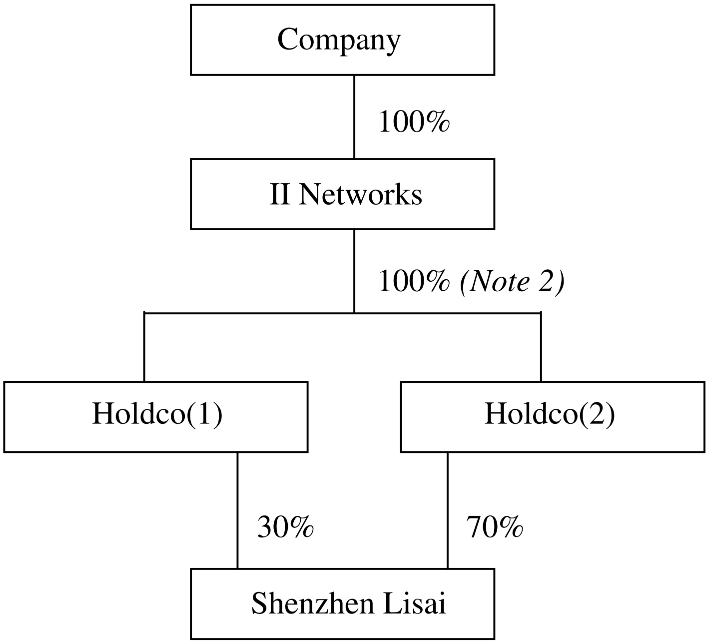
Under a separate agreement entered into between China Standard and the Vendors in June 2007 as disclosed to the Company by China Standard, the Vendors have agreed to sell to China Standard, or to third party(ies) as directed by China Standard, their ultimate beneficial interests in the entire registered capital of Shenzhen Lisai. The said sale shall be effected by the transfer to China Standard or third party(ies) as directed by China Standard, the entire registered capital of two companies established in the PRC which shall be beneficially held by the Vendors and the Vendors shall have transferred their entire equity holdings in Shenzhen Lisai to these two PRC companies. As mentioned above, on 1 August 2007, the Vendors have completed and effected the transfer of the shareholding in Shenzhen Lisai to Holdco(1) and Holdco(2) in the proportion stated above.

Set out below is the shareholding structure of Shenzhen Lisai:

Upon completion of Reorganisation



Upon Completion



Notes:

1. The Vendors are collectively interested in the entire registered capital of Holdco(1) and Holdco(2).

2. The shareholding represents indirect wholly-owned interests in Holdco(1) and Holdco(2).

Consideration

The total consideration of HK$440 million shall be satisfied by the Purchaser in the following manner:

(a) within 3 Business Days after the signing of the Agreement, a sum of HK$20,000,000, (being part payment of the Consideration) was paid in cash by the Purchaser to China Standard;

(b) upon Completion, the balance of HK$420,000,000 shall be satisfied by the Purchaser in the following manner:

(i) as to HK$200,000,000, by the allotment and issue of the Consideration Shares by the Company to China Standard, credited as fully paid at HK$0.40 per Consideration Share and which will rank pari passu with all the Shares then in issue;

(ii) as to HK$160,000,000, by the issue of the Convertible Notes; and

(iii) as to the balancing sum of HK$60,000,000, by cash payable to China Standard.

The Consideration is determined after arm's length negotiations between China Standard and the Company after considering the prospects and growth potential of Shenzhen Lisai. The Consideration for the Sale Interest values the entire equity interest of Shenzhen Lisai at HK$440,000,000 and represents a price-earnings multiple of approximately 5.4 times of the annualised guaranteed profit of Shenzhen Lisai for the 12 months ending 30 September 2008 of approximately RMB80,000,000 (or equivalent to HK$81,218,274) as detailed in the paragraph headed "Profit Guarantee" below. Given the prospects of the industry and the business potential of Shenzhen Lisai as more particularly discussed in the paragraph headed "Reasons for the Acquisition" below, the Board considers the Consideration fair and reasonable. The Group intends to finance the cash portion of the Consideration by internal resources and the proceeds from the placing of new Shares as announced by the Company on 19 September 2007.

The issue price of the Consideration Shares was determined after arm's length negotiations between the Company and China Standard with reference to the prevailing market price of the Shares. The issue price of HK$0.40 per Consideration Share represents:–

(i) a discount of approximately 2.44% to the closing price of the Shares of HK$0.41 per Share as quoted on the Stock Exchange on 9 July 2007, the date on which the memorandum of understanding was entered into between the Group and China Standard in connection with the Acquisition;

(ii) a discount of approximately 14.9% to the closing price of the Shares of HK$0.47 per Share as quoted on the Stock Exchange on 30 July 2007, being the last trading day of the Share prior to the suspension in trading pending the release of the Announcement;

(iii) a discount of approximately 12.7% to the average of the closing prices of the Shares of HK$0.458 per Share for the 5 consecutive trading days up to and including 30 July 2007;

(iv) a discount of approximately 12.7% to the average of the closing prices of the Shares of HK$0.458 per Share for the 10 consecutive trading days up to and including 30 July 2007; and

(v) a premium of approximately 92.3% over the closing price of the Shares of HK$0.208 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

An application will be made for the listing of and permission to deal in the Consideration Shares to be issued.

Profit Guarantee

China Standard warrants and guarantees to the Purchaser that the net profit after tax of Shenzhen Lisai attributable to the shareholders of the Shenzhen Lisai for the period of 24 months commencing from 1 October 2007 as reflected in the audited financial statements of the Shenzhen Lisai prepared in accordance with HKFRS shall not be less than RMB160,000,000.

In the event that the net profits after tax of the Shenzhen Lisai attributable to the shareholders of the Shenzhen Lisai as shown in the audited report is less than RMB160,000,000, China Standard shall pay to the Purchaser an amount in cash (in Hong Kong dollars) equivalent to such shortfall provided that China Standard shall (at the option of China Standard) be entitled to pay for such shortfall (or part thereof) by transferring to the Purchaser (for no consideration) Convertible Notes (or part thereof) for settlement such shortfall on a dollar-for-dollar basis within 30 days of the date on which the relevant financial statements are made available to China Standard. In accordance with the terms of the Convertible Notes, to the extent required by law, the Convertible Notes or such part(s) thereof assigned or transferred to the Purchaser shall be cancelled. For the avoidance of doubt, pursuant to a supplemental agreement dated 13 August 2007, in the event that Shenzhen Lisai incurs a loss, "shortfall" (i.e. the total amount payable by China Standard) shall mean the aggregate amount of (a) RMB160,000,000; and (b) the amount of the loss.

As a security of the obligations of China Standard under the profit guarantee, China Standard shall deposit the Convertible Notes with the Purchaser upon Completion pending satisfaction of all of China Standard's obligations under the profit guarantee. Notwithstanding the aforesaid, where the Purchaser is satisfied (in its absolute discretion) that the net profit after tax of Shenzhen Lisai attributable to the shareholders of Shenzhen Lisai for the period of 12 months commencing from 1 October 2007 as reflected in the audited financial statements of Shenzhen Liasi prepared in accordance with HKFRS shall be no less than RMB80,000,000, the Purchaser shall release the Convertible Notes deposited with the Purchaser in the principal amount of HK$80,000,000. Thus, the Convertible Notes will not be released if the aforesaid requirement cannot be fulfilled. For the avoidance of doubt, the Purchaser shall be entitled to continue to retain the remaining principal amount of HK$80,000,000 of the Convertible Notes pending satisfaction of all of China Standard's obligations under the profit guarantee. The Convertible Notes (or, where applicable, part thereof) are convertible during the conversion period as set out in the section headed "Principal terms of the Convertibles Notes – Conversion Period", which are not dependent on whether the Convertible Notes (or any part thereof) are deposited with the Purchaser as aforesaid but the conversion is restricted by the profit guarantee requirements pursuant to the terms of the Convertible Notes.

After Completion, Shenzhen Lisai will become an indirect subsidiary of the Company. In order to determine whether Shenzhen Lisai is able to meet the profit guarantee, it is intended that the Company will instruct Shenzhen Lisai to prepare audited financial statements in accordance with HKFRS for each of the 12 month periods ending 30 September 2008 and 30 September 2009 respectively. The terms of the Agreement do not specify a latest time for the completion of the relevant financial statements of Shenzhen Lisai. It is currently expected that such accounts will be completed around the time the Group accounts are completed (i.e. not more than 3 months from financial year end).

Conditions Precedent

Completion is conditional upon:

(a) the passing by the Shareholders in general meeting of the necessary resolutions approving the Agreement, the issue of the Consideration Shares, the Convertible Notes and the Conversion Shares, and other transactions contemplated in or incidental to the Agreement in accordance with the GEM Listing Rules;

(b) the directors and shareholders of Holdco(1), Holdco(2) and, where applicable, Shenzhen Lisai and the applicable PRC approval authorities including but not limited to the Administration for Industry and Commerce having approved the transfer of the Sale Interest and the relevant amendments to the articles of association of each of Holdco(1), Holdco(2) and Shenzhen Liasi and the transactions contemplated thereunder;

(c) (i) completion of the Reorganisation, which, in the absolute opinion of the Purchaser, are satisfactory to the Purchaser in all respects;

(ii) the Purchaser having completed its due diligence on each of Holdco(1), Holdco(2) and Shenzhen Lisai (including without limitation, review of business, legal, financial, commercial and taxation aspects), the results of which are, in the absolute opinion of the Purchaser, satisfactory and acceptable to the Purchaser in all respects;

(d) the Stock Exchange having granted approval for listing of and permission to deal in Consideration Shares and the Conversion Shares either unconditionally or subject to conditions to which neither China Standard nor the Purchaser reasonably objects and such conditions (if any) having been satisfied;

(e) there shall have been delivered to the Purchaser, in a form satisfactory to the Purchaser, in its absolute discretion, legal opinions, dated the Completion Date, of legal advisers as to PRC law and British Virgin Islands law acceptable to the Purchaser and such other resolutions, consents, authorities, documents and clearance relating to the Agreement and the transactions contemplated thereunder, as the Purchaser may reasonably require;

(f) all the representations, warranties and undertakings and indemnities made or given by China Standard to the Purchaser in the Agreement remaining true and accurate as at Completion; and

(g) all necessary waivers, consents, permits and approval (whether governmental, regulatory or otherwise, including, without limitation, those of the Stock Exchange) as may be required in respect of the Agreement and the transactions contemplated thereunder having been obtained.

The Purchaser shall be entitled in its absolute discretion to waive any of the conditions precedent (save that the conditions precedent in (a), (b), (d) and (g) cannot be waived) either in whole or in part. Pursuant to a supplemental agreement dated 28 September 2007, if any of the conditions precedent set out above has not been satisfied (or as the case may be, waived by the Purchaser) on or before 15 November 2007 (or such other date as the parties may agree), the Agreement shall terminate and none of the parties to the Agreement shall have any claim of any nature or liabilities thereunder whatsoever against any of the other parties under the Agreement (save for any antecedent breaches of the terms thereof) provided that China Standard shall return to the Purchaser the amount of HK$20,000,000 paid by it pursuant to the Agreement.

Completion

Completion shall take place on the Completion Date (or at such other time as the parties may agree in writing) when all acts and requirements set out in the Agreement shall be, or shall have been complied with.

Upon Completion, Shenzhen Lisai will become an indirect wholly-owned subsidiary of the Company. The results and net assets of Shenzhen Lisai will be consolidated in the Group accounts. Further details of Shenzhen Lisai are set out in the paragraph headed "Information on Holdco(1), Holdco(2) and Shenzhen Lisai" below. There is no provision in the Agreement nor is there any present intention of the Company regarding appointment of directors by China Standard to the Board.

PRINCIPAL TERMS OF THE CONVERTIBLE NOTES

Aggregate principal amount: HK$160 million

Conversion price: HK$0.40 per Share, subject to usual anti-dilution adjustments in certain events such as share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and other equity or equity derivatives issues.

The Conversion Price of HK$0.40 per Share represents:–

(i) a discount of approximately 2.44% to the closing price of the Shares of HK$0.41 per Share as quoted on the Stock Exchange on 9 July 2007, the date on which the memorandum of understanding was entered into between the Group and China Standard in connection with the Acquisition;

(ii) a discount of approximately 14.9% to the closing price of the Shares of HK$0.47 per Share as quoted on the Stock Exchange on 30 July 2007, being the last trading day of the Share prior to the suspension in trading pending the release of the Announcement;

(iii) a discount of approximately 12.7% to the average of the closing prices of the Shares of HK$0.458 per Share for the 5 consecutive trading days up to and including 30 July 2007;

(iv) a discount of approximately 12.7% to the average of the closing prices of the Shares of HK$0.458 per Share for the 10 consecutive trading days up to and including 30 July 2007; and

(v) a premium of approximately 92.3% over the closing price of the Shares of HK$0.208 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Conversion Price was determined after arm's length negotiations between the Company and China Standard with reference to then prevailing market price of the Shares.

Interest rate: The Convertible Notes does not bear any interest

Maturity: The fifth anniversary of the date of issue of the Convertible Notes

Redemption: The Convertible Notes shall be redeemed by the Company at its principal amount outstanding on maturity.

Transferability: The Convertible Notes or any part(s) thereof may be assigned or transferred only with the prior written consent of the Company and subject to compliance of the conditions thereunder and further subject to the conditions, approvals, requirements and any other provisions of or under:–

(a) the Stock Exchange (and any other stock exchange on which the Shares may be listed at the relevant time) or their rules and regulations;

(b) the approval for listing in respect of the Conversion Shares; and

(c) all applicable laws and regulations.

If the Convertible Notes or any part(s) thereof shall be transferred to any company or other person which is a connected person of the Company, the Company shall promptly notify the Stock Exchange.

Conversion period:	The Noteholders shall have the right to convert:

(i) on any Business Day, during the period commencing from the 5th Business Day after the Purchaser is satisfied (in its absolute discretion) that the net profit after tax of Shenzhen Lisai attributable to the shareholders of Shenzhen Lisai for the period of 12 months commencing from 1 October 2007 as reflected in the audited financial statements of Shenzhen Lisai prepared in accordance with HKFRS shall be no less than RMB80,000,000 and ending on the 5th Business Day prior to the maturity date of the Convertible Notes (both dates inclusive) the whole or any part(s) of up to HK$80,000,000 principal amount of the Convertible Notes (in aggregate) into Shares at the Conversion Price; and

(ii) on any Business Day during the period commencing from the 5th Business Day after the Purchaser is satisfied (in its reasonable discretion) that the obligations on profit guarantee as referred to in the Agreement has been satisfied (whether by meeting the profit requirements or by making payments or transfer of the Convertible Notes in the event of shortfall) and ending on the 5th Business Day prior to the maturity date of the Convertible Notes (both dates inclusive) the whole or any part(s) of the principal amount of the Convertible Notes into Shares at the Conversion Price,

provided that such part of the principal amount of the Convertible Notes to be converted shall not be less than HK$500,000 at any one time (save that if at any time the principal outstanding amount of the Convertible Notes shall be less than HK$500,000, the whole (but not part only) of the principal amount of the Convertible Notes may be converted).

The Noteholders shall exercise the right of conversion to the extent that the public float of the Company will not be less than 25% of the issued share capital of the Company immediately after such conversion.

Conversion Shares:	Upon full conversion of the Convertible Notes at the Conversion Price of HK$0.40 per Share, an aggregate of 400,000,000 Conversion Shares will be issued, representing approximately (i) 13.5% of the existing issued share capital of Company; (ii) 11.6% of the issued share capital of Company as enlarged by the issue of the Consideration Shares; and (iii) 10.4% of the issued share capital of Company as enlarged by the issue of the Consideration Shares and the Conversion Shares.
Voting:	The Noteholders shall not be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of it being the Noteholders.
Listing:	No application will be made for the listing of the Convertible Notes on the Stock Exchange or any other stock exchange. An application will be made for the listing of and permission to deal in the Conversion Shares to be issued as a result of the exercise of the conversion rights attached to the Convertible Notes.
Ranking:	The Convertible Notes will rank pari passu with all other present and future unsecured and un-subordinated obligations of the Company except for obligations accorded preference by mandatory provisions of applicable laws. The Conversion Shares to be issued as a result of the exercise of the conversion rights attached to the Convertible Notes will rank pari passu in all respects with all other Shares in issue at the date on which the conversion rights attached to the Convertible Notes are exercised.
Events of default:	The events of default provisions provide that on the occurrence of certain events of default specified in the Convertible Notes (e.g. liquidation), the holder(s) of the Convertible Notes representing not less than 75% of the principal amount of the Convertible Notes outstanding for the time being may give notice to the Company that the Convertible Notes, on the giving of such notice, are immediately due and payable at its principal amount then outstanding.

EFFECT ON THE SHAREHOLDING STRUCTURE

The shareholding structures of the Company (i) as at the Latest Practicable Date; (ii) upon Completion; and (iii) upon full conversion of the Convertible Notes at the initial conversion price of HK$0.40 are set out below:

	As at the Latest Practicable Date		Upon Completion		Upon full conversion of the Convertible Notes at the initial conversion price of HK$0.40	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*
Wu Shu Min *(Note 1)*	141,023,000	4.77%	141,023,000	4.08%	141,023,000	3.66%
Xu Zhi Feng *(Note 1)*	4,376,000	0.15%	4,376,000	0.13%	4,376,000	0.11%
China Standard *(Note 2)*	–	–	500,000,000	14.46%	900,000,000	23.33%
Public Shareholders	2,811,961,470	95.08%	2,811,961,470	81.33%	2,811,961,470	72.90%
Total	2,957,360,470	100.00%	3,457,360,470	100.00%	3,857,360,470	100.00%

Notes:

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

2. China Standard confirms that it and its concert parties will not hold 30% or more of interests of the Company upon Completion.

INFORMATION ON HOLDCO(1), HOLDCO(2) AND SHENZHEN LISAI

Holdco(1), established in July 2007 in the PRC, has not commenced business and was formed as an investment holding company for holding Shenzhen Lisai. As set out in the accountants' report on Holdco(1) in Appendix II to this circular, the net asset value of Holdco(1) as at 31 July 2007 is RMB0.10 million (or equivalent to HK$0.10 million).

Holdco(2), established in February 2002 in the PRC, is principally engaged in environmental engineering including the supply and design of plants for environmental protection purpose. As set out in the accountants' report on Holdco(2) in Appendix III to this circular, Holdco(2) recorded (i) total assets of approximately RMB2.17 million (or equivalent to HK$2.20 million) and net asset value of approximately RMB1.55 million (or equivalent to HK$1.57 million) as at 30 June 2007; (ii) loss (before and after tax) of RMB7,000 (or equivalent to HK$7,106) and RMB0.22 million (or equivalent to HK$0.22 million), for the two years ended 31 December 2005 and 2006 respectively; and (iii) loss (before and after tax) of RMB25,000 (or equivalent to HK$25,381) and RMB3,000 (or equivalent to HK$3,046), for the six months ended 30 June 2006 and 2007 respectively. Upon completion of the Reorganisation on 1 August 2007, Holdco(2) has transferred its entire assets and liabilities to the Vendors pursuant to the reorganisation agreement and has no longer had any assets or liabilities other than its interests in Shenzhen Lisai.

Shenzhen Lisai was established in April 2000 in the PRC and is engaged in businesses including but not limited to design, production processing, research and development of environmental protection related facilities. The major sources of turnover of Shenzhen Lisai include utilization of marsh gas, disposal and handling of solid garbage and solid dangerous rejectamenta, disposal of sewage and waste water and utilization of new energy sources. Shenzhen Lisai is one of the top companies in the garbage landfill's marsh gas utilisation industry in the PRC and has 7 years of experience in sewage treatment and solid waste processing. Shenzhen Lisai obtained the utilisation right of the marsh gas in Xiaping's garbage landfill ground in Shenzhen under which it can collect marsh gas from there for further utilisation. Shenzhen Lisai is the first company using patent technology in marsh gas utilization field in the PRC. Shenzhen Lisai has also obtained the operation certificates for handling household garbage, household sewage, industrial solid waste and industrial sewage treatment facilities from the Environmental Protection Bureau of the PRC including the "State Environmental Protection Administration of China". Shenzhen Lisai has a technical team comprising over 15 people who are specialized in sewage treatment and processing. The team is experienced in administering the river pollution projects as some of the professionals have participated in the emergency projects dealing with the river pollution of Guanlan River in Shenzhen City since year 2000.

Set out below is the summary of financial information of Shenzhen Lisai for each of the three years ended 31 December 2004, 2005 and 2006 and six months ended 30 June 2006 and 2007 extracted from accountants' report contained in Appendix IV to this circular:

	Year ended 31 December						**Six months ended 30 June**			
	2004		**2005**		**2006**		**2006**		**2007**	
	RMB million	*HK$ million equivalent*	*RMB million*	*HK$ million equivalent*	*RMB million*	*HK$ million equivalent*	*RMB million*	*HK$ million equivalent*	*RMB million*	*HK$ million equivalent*
Turnover	19.83	20.13	19.22	19.51	26.16	26.56	11.29	11.46	12.38	12.57
(Loss)/profit before tax	(0.35)	(0.36)	0.62	0.63	2.17	2.20	–	–	(1.39)	(1.41)
(Loss)/profit after tax	(0.35)	(0.36)	0.53	0.54	1.85	1.88	–	–	(1.39)	(1.41)

	As at 31 December						**As at 30 June**	
	2004		**2005**		**2006**		**2007**	
	RMB million	*HK$ million equivalent*	*RMB million*	*HK$ million equivalent*	*RMB million*	*HK$ million equivalent*	*RMB million*	*HK$ million equivalent*
Total assets	23.24	23.59	27.47	27.89	37.10	37.66	26.46	26.86
Net assets	12.05	12.23	12.58	12.77	14.43	14.65	13.04	13.24

The Directors have performed due diligence work on the performance of Shenzhen Lisai including but not limited to discussing with the management of Shenzhen Lisai about its historical performance and business prospects, researching the industry statistics and analyzing the regulatory framework and outlook of the environmental industry. The operations of Shenzhen Lisai in 2005 and 2006 are at initial phases and the results may not be indicative to its future performance. Although the profits for the aforesaid two years are relatively small, the Directors have taken into account the prospects of the industry and the business potential of Shenzhen Lisai. Apart from continuing with the existing projects, Shenzhen Lisai continues to explore new income sources. In May 2007, Shenzhen

Lisai was registered with the United Nations Framework Convention on Climate Change (UNFCCC) a clean development mechanism (CDM) project which will become a new income source of Shenzhen Lisai. Moreover, according to the estimation of the State Environmental Protection Administration of China, investments in environmental protection in China during the 2006-2011 period will reach RMB1.3 trillion, almost doubling the aggregate amount of RMB700 billion of the preceding five years. It is expected that local governments will render considerable support to enterprises engaged in the environmental protection industry.

MANAGEMENT DISCUSSION AND ANALYSIS

On Holdco(1)

Holdco(1) was established on 18 July 2007 under the laws of the PRC with limited liability. Holdco(1) has not yet commenced business since its incorporation. Holdco(1) was formed as an investment holding company for holding Shenzhen Lisai. Set out in Appendix II to this circular is the accountants' report on Holdco(1) covering the financial periods for the period from 18 July 2007 (date of incorporation) to 31 July 2007. There was no turnover recorded for the period and the net asset value of Holdco(1) as at 31 July 2007 is RMB0.10 million (or equivalent to HK$0.10 million). No assets of Holdco (1) were charged as at 31 July 2007.

On Holdco(2)

Holdco(2) was established in February 2002 in the PRC and was principally engaged in environmental engineering including design of planting in gardens, residential and recreational areas. Set out in Appendix III to this circular is the accountants' report on Holdco(2) covering the financial periods for each of the three financial years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2007.

For the year ended 31 December 2004

Turnover for the year was approximately RMB1.1 million (or equivalent HK$1.1 million) with gross profit of approximately RMB0.2 million (or equivalent to HK$0.2 million). After deducting the operating expense of RMB61,000 (or equivalent to HK$61,929) and administrative expenses of RMB0.1 million (or equivalent to HK$0.1 million), Holdco(2) recorded loss (before and after tax) of approximately RMB6,000 (or equivalent to HK$6,091). As at 31 December 2004, the net asset value of Holdco(2) is RMB1.78 million (or equivalent to HK$1.81 million).

For the year ended 31 December 2005

Turnover for the year remained approximately RMB1.0 million (or equivalent to HK$1.0 million) with gross profit of approximately RMB49,000 (or equivalent to HK$49,746). With administrative expenses of RMB56,000 (or equivalent to HK$56,853), Holdco(2) recorded loss (before and after tax) of approximately RMB7,000 (or equivalent to HK$7,107). As at 31 December 2005, the net asset value of Holdco(2) is RMB1.78 million (or equivalent to HK$1.81 million).

For the year ended 31 December 2006

Turnover for the year was approximately RMB0.6 million (or equivalent to HK$0.6 million) while the cost of sales was approximately RMB0.7 million (or equivalent to HK$0.7 million). Holdco(2) recorded loss (before and after tax) of approximately RMB0.2 million (or equivalent to HK$0.2 million). The company continued to suffer loss mainly because of high production cost, low profit margin and lack of long term projects. As at 31 December 2006, the net asset value of Holdco(2) is RMB1.56 million (or equivalent to HK$1.58 million).

Six months ended 30 June 2007

Turnover for the six months ended 30 June 2007 was approximately RMB7,000 (or equivalent to HK$7,106), while the cost of sales was approximately RMB9,000 (or equivalent to HK$9,137). For the first six months of the year, Holdco(2) recorded loss (before and after taxation) of approximately RMB3,000 (or equivalent to HK$3,046). As at 30 June 2007, the net asset value of Holdco(2) is RMB1.55 million (or equivalent to HK$1.57 million).

Current fund and financial resources

As at 31 December 2004, 2005 and 2006 and 30 June 2007, the cash position of Holdco(2) were approximately RMB0.1 million (or equivalent to HK$0.1 million), RMB0.2 million (or equivalent to HK$0.2 million), RMB0.1 million (or equivalent to HK$0.1 million) and RMB0.3 million (or equivalent to HK$0.3 million) respectively.

There was no bank borrowing for Holdco(2) as at 31 December 2004, 2005 and 2006 and as at 30 June 2007.

Charge on assets

No assets of Holdco(2) were charged as at 31 December 2004, 2005 and 2006 and as at 30 June 2007.

Foreign currency risk

The transactions of Holdco(2) are principally denominated in RMB. The foreign currency risk is minimal.

Business review and prospect

As Holdco(2)'s business was not profitable in view of the reasons mentioned above, Holdco(2) had not conducted any new business since 1 January 2007. Upon completion of the Reorganistion on 1 August 2007, Holdco(2) no longer has any liabilities nor material asset or property other than the shareholding interest in Shenzhen Lisai. As Holdco(2) has already ceased operation, there are no employee in the company. The Directors at present do not have any plan to commence business in the company which will only remain for holding the equity interest of Shenzhen Lisai.

On Shenzhen Lisai

Set out in Appendix IV to this circular is the accountants' report on Shenzhen Lisai covering the financial periods for each of the three financial years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2007. Based on information provided by Shenzhen Lisai, the management discussion and analysis in relation to Shenzhen Lisai for the aforesaid periods is set out below.

For the year ended 31 December 2004

Turnover for the year was approximately RMB19.83 million (or equivalent to HK$20.13 million) with gross profit at approximately RMB3.89 million (or equivalent to HK$3.95 million). After deducting the operating expense and administrative expenses, Shenzhen Lisai recorded loss before and after tax of approximately RMB0.35 million (or equivalent to HK$0.36 million).

For the year ended 31 December 2005

Turnover remained approximately RMB19.22 million (or equivalent to HK$19.51 million) with gross profit at approximately RMB4.44 million (or equivalent to HK$4.51 million). With an increase in gross profit and a drop in administrative expense, Shenzhen Lisai recorded profit before tax and profit after tax of approximately RMB0.62 million (or equivalent to HK$0.63 million) and RMB0.53 million (or equivalent to HK$0.52 million) respectively.

For the year ended 31 December 2006

Turnover reached approximately RMB26.16 million (or equivalent to HK$26.56 million) with gross profit at approximately RMB6.67 million (or equivalent to HK$6.77 million). The adjustment on financial assets at fair value was approximately RMB0.2 million (or equivalent to HK$0.2 million) giving rise to an increase in other revenue. With an increasing gross profit for the year, Shenzhen Lisai recorded profit before tax and profit after tax of approximately RMB2.17 million (or equivalent to HK$2.20 million) and RMB1.85 million (or equivalent to HK$1.88 million) respectively.

Six months ended 30 June 2007

Turnover for the six months ended 30 June 2007 was approximately RMB12.38 million (or equivalent to HK$12.57 million), almost half of figure for the year ended 31 December 2006. For the first six months of the year, Shenzhen Lisai recorded loss before and after tax of approximately RMB1.39 million (or equivalent to HK$1.41 million) principally due to the decrease in gross profit and increase in administrative expenses.

Current fund and financial resources

As at 31 December 2004, 2005 and 2006 and 30 June 2007, the cash position of Shenzhen Lisai were approximately RMB0.6 million (or equivalent to HK$0.6 million), RMB1.5 million (or equivalent to HK$1.5 million), RMB3.8 million (or equivalent to HK$3.9 million) and RMB0.9 million (or equivalent to HK$0.9 million) respectively.

As at 31 December 2004, 2005 and 2006 and 30 June 2007, the total equity of Shenzhen Lisai was approximately RMB12.05 million (or equivalent to HK$12.23 million), RMB12.58 million (or equivalent to HK$12.77 million), RMB14.43 million (or equivalent to HK$14.65 million) and RMB13.04 million (or equivalent to HK$13.24 million) respectively.

As at 31 December 2004, 2005 and 2006 and 30 June 2007, the total borrowings of Shenzhen Lisai was nil, nil, approximately RMB6.46 million (or equivalent to HK$6.56 million) and RMB4.42 million (or equivalent to HK$4.49 million) respectively.

The gearing ratios (total borrowings over total equity) of Shenzhen Lisai were nil, nil, 0.45 and 0.34 as at 31 December 2004, 2005 and 2006 and 30 June 2007.

Charge on assets

No assets of Shenzhen Lisai were charged as at 31 December 2004, 2005 and 2006 and as at 30 June 2007.

Foreign currency risk

The transactions of Shenzhen Lisai are principally denominated in RMB. The foreign currency risk is minimal.

Number of employees

As at 30 June 2007, Shenzhen Lisai had about 90 employees.

Business review and prospect

Shenzhen Lisai was established in April 2000 in the PRC and maintained a stable turnover for the year 2004 and 2005. The operations of Shenzhen Lisai are still in initial phases of its operations and the past results may not directly reflect its future performance. The revenue from sewage treatment in Guanlan River can provide stable income source for Shenzhen Lisai. In 2005, Shenzhen Lisai obtained the utilisation right of the marsh gas in Xiaping's garbage landfill ground in Shenzhen under which it can collect marsh gas from there for further utilisation.. Given its experience in the environmental protection industry and a strong technical team, Shenzhen Lisai is able to not only continue the existing projects, but also make use of the utilisation right to explore new income sources. In May 2007, Shenzhen Lisai has registered with United Nations Framework Convention on Climate Change (UNFCCC) a clean development mechanism (CDM) project which will become a new income source of Shenzhen Lisai. In future, Shenzhen Lisai will continue to seek new opportunities for business expansion.

REASONS FOR THE ACQUISITION

The Group is principally engaged in design, implementation and sale of network system and solutions, and manufacturing and sale of communication cables and optical fibre cables. The Group will continue its existing business. Over the past two years, the Group has been exploring new business opportunities in order to enhance the business base and to improve the performance of the Group. The Acquisition represents an attractive opportunity for the Group to diversify into a new business segment other than the transmission & telecommunication segments. The Directors consider the environmental protection problem as a global concern and the problem is serious in the PRC. The Directors believe that relevant international organisations and local government will give strong support to the enterprises for dealing with pollution problems. Furthermore, the Directors are of the view that the business carried on by Shenzhen Lisai is growing and they are optimistic about the earning potential of waste processing. In view of the growth potential of Shenzhen Lisai and future prospects of the industry, the Board considers the entering into of the Agreement to be in the interests of the Company and the Shareholders as a whole and that the terms of the Agreement are fair and reasonable. At present, the Directors do not have the experience in the new business. To facilitate the running of the new business, apart from relying on the existing technical team of Shenzhen Lisai, the Directors may also consider recruiting relevant professionals.

FINANCIAL EFFECT OF THE ACQUISITION ON THE GROUP

Following the completion of the Acquisition, Shenzhen Lisai will become an indirect subsidiary of the Company and its results would be consolidated into the accounts of the Group. The Acquisition would increase the total assets and liabilities of the Group. Given the historical financial performance of Shenzhen Lisai, the Acquisition is expected to have positive effects on the revenue and earnings of the Enlarged Group.

Pro forma financial information of the Enlarged Group is set out in Appendix V of this circular.

EGM

The Acquisition constitutes a major transaction of the Company under Chapter 19 of the GEM Listing Rules which requires the approval by the Shareholders at the EGM. To the best of the Directors' knowledge, information, belief and having made all reasonable enquiries, no Shareholders will be required to abstain from voting in the EGM.

The EGM will be convened and held for the Shareholders to consider and, if consider appropriate, to approve the Agreement and the transactions contemplated thereunder.

RECOMMENDATIONS

The Directors consider that the terms of the Acquisition are fair and reasonable and are in the interests of the Company and the Shareholders as a whole and so recommend the Shareholders to vote in favour of the resolution to be proposed at the forthcoming EGM.

GENERAL

Your attention is drawn to the additional information set out in the appendices to this circular.

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

1. SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and the assets, liabilities and minority interests of the Group for the last three financial years and the latest periods is set out below. This summary does not form part of the audited financial statements.

Results

	Nine months ended 30 June		Year ended 30 September		
	2007	**2006**	**2006**	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	74,182	46,995	71,013	60,069	113,944
Loss before tax	(3,746)	(7,860)	(13,232)	(86,334)	(51,625)
Income tax	(585)	(458)	(1,056)	(240)	(920)
Loss for the period/year	(4,331)	(8,318)	(14,288)	(86,574)	(52,545)
Attributable to:					
Equity holders of the Company	(5,405)	(8,950)	(16,204)	(82,097)	(48,462)
Minority interests	1,074	632	1,916	(4,477)	(4,083)
	(4,331)	(8,318)	(14,288)	(86,574)	(52,545)

Assets, liabilities and minority interests

	As at 31 March	As at 30 September		
	2007	**2006**	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	72,372	60,448	75,502	167,287
Total liabilities	(85,775)	(72,178)	(80,179)	(92,229)
Minority interests	(11,011)	(10,195)	(7,981)	(12,458)
Total equity	(24,414)	(21,925)	(12,658)	62,600

Note: Certain comparative figures have been restated due to the adoption of the new or revised standards and interpretations of Hong Kong Financial Reporting Standards effective from 1 October 2005.

2. AUDITED FINANCIAL INFORMATION ON THE GROUP

Set out below is a reproduction of the text of the audited financial statements of the Group together with the accompanying notes contained on pages 21 to 72 of the annual report of the Company for the year ended 30 September 2006.

"CONSOLIDATED INCOME STATEMENT

For The Year Ended 30 September 2006

	Notes	**2006** *HK$'000*	**2005** *HK$'000* (Restated)
Revenue	*6*	71,013	60,069
Cost of sales		(61,262)	(51,527)
Gross profit		9,751	8,542
Other income	*8*	4,795	1,381
Selling and distribution costs		(3,822)	(5,608)
Administrative expenses		(13,624)	(21,995)
Other operating expenses		(7,877)	(36,028)
Impairment of goodwill		–	(30,763)
Loss from operating activities	*9*	(10,777)	(84,471)
Finance costs	*10*	(2,455)	(1,863)
Loss before income tax		(13,232)	(86,334)
Income tax expense	*11*	(1,056)	(240)
Loss for the year		(14,288)	(86,574)
Attributable to:			
Equity holders of the Company		(16,204)	(82,097)
Minority interests		1,916	(4,477)
Loss for the year		(14,288)	(86,574)
Loss per share attributable to equity holders of the Company during the year	*13*		
Basic		HK(1.02 cent)	HK(5.32 cents)
Diluted		N/A	N/A

CONSOLIDATED BALANCE SHEET

As At 30 September 2006

	Notes	2006 HK$'000	2005 HK$'000 (Restated)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*15*	12,781	33,133
Prepaid land lease payments	*16*	3,371	3,283
Intangible assets	*17*	–	184
Rental deposits and golf club membership	*18*	379	873
		16,531	37,473
Current assets			
Inventories	*21*	5,578	4,443
Trade and retention receivables	*22*	32,103	18,995
Prepayments, trade deposits, other deposits and other receivables	*23*	2,719	5,640
Due from related companies	*24*	–	2,628
Pledged deposits	*25*	59	5,093
Cash and cash equivalents	*25*	3,458	1,230
		43,917	38,029
Current liabilities			
Trade and bills payables	*26*	17,929	30,865
Accrued liabilities, deposits received and other payables		20,768	19,727
Borrowings	*27*	27,522	23,998
Due to directors	*28*	1,394	1,476
Tax payable		4,565	4,113
		72,178	80,179
Net current liabilities		(28,261)	(42,150)
Net liabilities		(11,730)	(4,677)
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	*29*	126,989	120,359
Reserves	*31*	(148,914)	(133,017)
		(21,925)	(12,658)
Minority interests		10,195	7,981
Total equity		(11,730)	(4,677)

BALANCE SHEET

As At 30 September 2006

	Notes	2006 HK$'000	2005 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	20	–	–
Current assets			
Cash and cash equivalents	25	51	3
Current liabilities			
Accrued liabilities and other payables		749	928
Due to subsidiaries	20	27,094	–
		27,843	928
Net current liabilities		(27,792)	(925)
Net liabilities		(27,792)	(925)
EQUITY			
Issued capital	29	126,989	120,359
Reserves	31	(154,781)	(121,284)
Total equity		(27,792)	(925)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 30 September 2006

	Equity attributable to equity holders of the Company									
	Issued share capital	Share premium account	Capital reserve	Statutory reserve	Asset revaluation reserve	Exchange fluctuation reserve	Acc-umulated losses	Total	Minority interests	Restated Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 October 2004	120,359	54,964	(2,242)	4	5,061	(13)	(115,533)	62,600	12,458	75,058
Deficit arising on revaluation of buildings	–	–	–	–	(363)	–	–	(363)	–	(363)
Net expenses recognised directly in equity	–	–	–	–	(363)	–	–	(363)	–	(363)
Net loss for the year	–	–	–	–	–	–	(82,097)	(82,097)	(4,477)	(86,574)
Goodwill transferred to income statement on impairment	–	–	7,202	–	–	–	–	7,202	–	7,202
Total recognised income and expenses for the year	–	–	7,202	–	(363)	–	(82,097)	(75,258)	(4,477)	(79,735)
At 30 September 2005	120,359	54,964	4,960	4	4,698	(13)	(197,630)	(12,658)	7,981	(4,677)
At 1 October 2005, as previously stated	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	–	–	–
At 1 October 2005, as restated	120,359	54,964	–	4	4,698	(13)	(192,670)	(12,658)	7,981	(4,677)
Issuance of new shares	6,630	–	–	–	–	–	–	6,630	–	6,630
Surplus realised upon disposal of revalued assets	–	–	–	–	(4,243)	–	4,243	–	–	–
Surplus arising on revaluation of buildings	–	–	–	–	311	–	–	311	298	609
Currency translation	–	–	–	–	–	(4)	–	(4)	–	(4)
Net income recognised directly in equity	–	–	–	–	311	(4)	–	307	298	605
Net profit/(loss) for the year	–	–	–	–	–	–	(16,204)	(16,204)	1,916	(14,288)
Total recognised income and expenses for the year	–	–	–	–	311	(4)	(16,204)	(15,897)	2,214	(13,683)
At 30 September 2006	126,989	54,964	–	4	766	(17)	(204,631)	(21,925)	10,195	(11,730)

CONSOLIDATED CASH FLOW STATEMENT

For The Year Ended 30 September 2006

	Notes	**2006** *HK$'000*	**2005** *HK$'000*
Cash flows from operating activities			
Loss before income tax		(13,232)	(86,334)
Adjustments for:			
Interest income	*8*	(47)	(42)
Loss on disposal of property, plant and equipment	*9*	4,634	214
Loss on disposal of golf club memberships	*9*	143	–
Depreciation of property, plant and equipment	*9*	3,142	4,382
Loss on write-off of intangible assets	*9*	–	49
Amortisation of intangible assets	*9*	193	536
Amortisation of prepaid land lease payments	*9*	73	75
Amortisation of goodwill	*9*	–	5,213
Impairment of goodwill	*9*	–	30,763
Finance costs	*10*	2,455	1,863
Write-back of impairment loss on trade and retention receivables	*8*	(1,284)	–
Impairment loss on amounts due from related companies	*9*	2,250	–
Operating loss before working capital changes		(1,673)	(43,281)
Increase in inventories		(1,135)	(2,223)
(Increase)/decrease in trade and retention receivables		(11,824)	36,972
Decrease in rental deposits		114	–
Decrease in prepayments, trade deposits, other deposits and other receivables		2,921	3,968
Decrease in amounts due from related companies		378	522
(Decrease)/increase in due to directors		(82)	1,476
(Decrease)/increase in trade and bills payables		(12,936)	9,659
Increase/(decrease) in accrued liabilities, deposits received and other payables		1,041	(10,660)
Cash used in operations		(23,196)	(3,567)
Interest paid		(2,455)	(1,863)
Income tax paid in the PRC		(604)	(240)
Net cash outflow from operating activities		(26,255)	(5,670)

	Notes	2006 HK$'000	2005 HK$'000
Cash flows from investing activities			
Interest received		47	42
Purchase of property, plant and equipment		(351)	(808)
Proceeds from disposal of property, plant and equipment		1,388	226
Proceeds from disposal of golf club membership		237	–
Decrease in non-pledged time deposit with original maturity of more than three months when acquired		–	186
Decrease in pledged deposits		5,034	5,971
Net cash inflow from investing activities		6,355	5,617
Cash flows from financing activities			
Drawdown of bank loans		15,506	16,169
Drawdown of other loans		12,093	2,176
Repayment of bank loans		(5,491)	(27,290)
Repayment of other loans		(4,859)	(3,580)
Proceeds from issue of new shares		6,630	–
Net cash inflow/(outflow) from financing activities		23,879	(12,525)
Net increase/(decrease) in cash and cash equivalents		3,979	(12,578)
Cash and cash equivalents at beginning of year		1,230	13,808
Effect of foreign exchange rates, net		(1,751)	–
Cash and cash equivalents at end of year		3,458	1,230
Analysis of balances of cash and cash equivalents			
Cash and bank balances	25	3,458	1,230

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 September 2006

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 14 December 1999 as an exempted company with limited liability under the Company Law (1998 Revision) of the Cayman Islands. The address of its registered office is Huntlaw Building, George Town, Grand Cayman, Cayman Islands. The Company's principal place of business in Hong Kong is Unit 2201A, 22/F, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong. The Company's shares are listed on The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are sale and distribution of telecommunication equipment, sale of network management software and manufacturing and sale of communication cables and optical cables.

The financial statements on pages 21 to 72 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. The financial statements include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange ("GEM Listing Rules").

The financial statements for the year ended 30 September 2006 were approved by the board of directors on 29 December 2006.

2. ADOPTION OF NEW OR REVISED HKFRS

From 1 October 2005, the Group has adopted for the first time the new or revised standards and interpretations of HKFRS, which are relevant to its operations. These include the following new, revised and renamed standards:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transitional and Initial Recognition of Financial Assets and Financial Liabilities
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HK(SIC) Int-15	Operating Leases – Incentives

All the standards have been applied retrospectively except where specific transitional provisions require a different treatment and accordingly the 2005 financial statements and their presentation have been amended in accordance with HKAS 8. Due to the change in accounting policies, the 2005 comparatives contained in these financial statements differ from those published in the financial statements of the Group for the year ended 30 September 2005.

Significant effects on current, prior or future periods arising from the first-time application of the standards listed above in respect to presentation, recognition and measurement of accounts are described in the following notes:

2.1 Adoption of HKAS 1

The application of HKAS 1 led to an update of the presentation of the financial statements. Minority interests are now included as a separate line item within equity. Profit and loss attributable to minority interests and that attributable to equity holders of the Company are now presented as an allocation of the net result of the year.

2.2 Adoption of HKAS 17

In previous years, leasehold land and buildings were included in property, plant and equipment and carried at valuation less accumulated depreciation and accumulated impairment losses.

Upon the adoption of HKAS 17, the land and buildings elements are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid land lease payments under operating leases, which are carried at cost and subsequently amortised on a straight-line basis over the lease term. This change in accounting policy has been applied retrospectively.

2.3 Adoption of HKAS 36, HKAS 38 and HKFRS 3

These standards stipulate a prospective change to the accounting policies:

Goodwill

In previous years, goodwill arising on acquisition prior to 1 October 2001 was eliminated against reserve in the year of acquisition and was not recognised in the income statement until disposal or impairment of the acquired business.

Goodwill arising on acquisition on or after 1 October 2001 was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment.

In accordance with the provisions of HKFRS 3, with respect to goodwill previously capitalised on the consolidated balance sheet, the amortisation of goodwill has ceased from 1 October 2005 and the accumulated amortisation at 30 September 2005 was eliminated against the original gross amount of goodwill. Goodwill is now subject only to annual testing for impairment as well as when there is an indication of impairment. The Group has allocated the carrying amount of its goodwill to its cash generating units.

In respect of goodwill previously eliminated against or credited to reserves, HKFRS 3 does not require the Group to recognise that goodwill in profit or loss when it disposes of all or part of the business to which that goodwill relates or when a cash-generating unit to which the goodwill relates becomes impaired. Moreover, the Group is not required nor permitted to restate goodwill previously eliminated against reserves.

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss in the period in which the acquisition takes place.

In prior years, negative goodwill arising from acquisition prior to 1 October 2001 was credited to reserves. In accordance with the relevant transitional provisions in HKFRS 3, the Group derecognised the carrying amounts of negative goodwill on 1 October 2005 against accumulated losses.

2.4 Adoption of HKFRS 2

Prior to the adoption of HKFRS 2 on 1 October 2005, the Group did not recognise the financial effect of share options until they were exercised. The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to directors and employees of the Company and its subsidiaries and other parties, determined at the date of grant of the share options, over the vesting period with a corresponding credit to equity, unless the transaction is a cash settled share-based payment. The adoption of this standard had no significant impact on the Group.

2.5 Adoption of HKAS 32 and HKAS 39

In accordance with the transitional provisions of HKAS 39, it does not permit the recognition, derecognition and measurement of financial assets and liabilities in accordance with the standard on a retrospective basis. Accordingly, any adjustment to the previous carrying amount is recognised in the opening balance of accumulated losses on 1 October 2005 and the comparative figures have not been restated.

2.6 Other standards adopted

The adoption of other new or revised HKFRS did not result in significant changes to the Group's accounting policies. The specific transitional provisions contained in some of these standards were considered. The adoption of these other standards did not result in any significant changes to the amounts or disclosures in these financial statements.

2.7 The effect of changes in the accounting policies on the consolidated balance sheet is summarised below:

	Effect of adopting		
	HKAS 17#	**HKFRS 3***	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 October 2004			
Increase/(Decrease) in assets			
Property, plant and equipment	(3,358)	–	(3,358)
Prepaid land lease payments	3,358	–	3,358
At 30 September 2005			
Increase/(Decrease) in assets			
Property, plant and equipment	(3,283)	–	(3,283)
Prepaid land lease payments	3,283	–	3,283
At 1 October 2005			
Increase/(Decrease) in assets			
Property, plant and equipment	(3,283)	–	(3,283)
Prepaid land lease payments	3,283	–	3,283
Increase/(Decrease) in equity			
Capital reserve	–	(4,960)	(4,960)
Accumulated losses	–	4,960	4,960
At 30 September 2006			
Increase/(Decrease) in assets			
Property, plant and equipment	(3,371)	–	(3,371)
Prepaid land lease payments	3,371	–	3,371

* *adjustments which take effect prospectively from 1 October 2005*

adjustments which take effect retrospectively

2.8 New standards or interpretations that have been issued but are not yet effective

The Group has not early adopted the following standards or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the adoption of these standards and interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 19 (Amendment)	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures[2]
HKAS 21(Amendment)	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation[2]
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions[2]
HKAS 39 (Amendment)	The Fair Value Option[2]
HKAS 39 & HKFRS 4 (Amendment)	Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial Guarantee Contracts[2]
HKFRS 1 & HKFRS 6 (Amendments)	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources[2]
HKFRS 6	Exploration for and Evaluation of Mineral Resources[2]
HKFRS 7	Financial Instruments – Disclosures[1]
HK(IFRIC) – Int 4	Determining whether an Arrangement contains a Lease[2]
HK(IFRIC) – Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds[2]
HK(IFRIC) – Int 6	Liabilities arising from Participating in a Specific Market Waste Electrical and Electronic Equipment[3]
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]
HK(IFRIC) – Int 8	Scope of HKFRS 2[5]
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives[6]
HK(IFRIC) – Int10	Interim Financial Reporting and Impairment[7]

1 Effective for annual periods beginning on or after 1 January 2007
2 Effective for annual periods beginning on or after 1 January 2006
3 Effective for annual periods beginning on or after 1 December 2005
4 Effective for annual periods beginning on or after 1 March 2006
5 Effective for annual periods beginning on or after 1 May 2006
6 Effective for annual periods beginning on or after 1 June 2006
7 Effective for annual periods beginning on or after 1 November 2006

3. BASIS OF PRESENTATION

For the year ended 30 September 2006, the loss for the year attributable to equity holders of the Company amounted to HK$16,204,000 (2005: HK$82,097,000). As at 30 September 2006, the Group had net current liabilities of HK$28,261,000 and net liabilities of HK$11,730,000. Notwithstanding these, the financial statements have been prepared on the going concern basis which assumes that the Group will continue to operate as a going concern. In the opinion of the directors, the liquidity of the Group can be maintained in the coming year taking into consideration the proposed arrangements which include, but are not limited to, the following:

1) the directors are in the process of securing the ongoing support of the Group's major bankers and creditors (the "Ongoing Support"); and

2) the directors anticipate that the Group will generate positive cash flows from its businesses.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below.

The financial statements have been prepared on the historical cost basis except for the revaluation of certain assets and liabilities. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

4.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 30 September each year. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside equity holders in the operating results and net assets of subsidiaries.

4.3 Subsidiaries

Subsidiaries are entities over which the Company has the power to control the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

Acquired subsidiaries are subject to application of the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their revalued amounts, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is presented separately in the consolidated balance sheet. If the cost of acquisition is less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet, subsidiaries are carried at cost less any impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

4.4 Foreign currencies

The financial statements are presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Company.

In the separate financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the income statement.

In the consolidated financial statements, all separate financial statements of subsidiaries, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rates at the balance sheet date. Income and expenses have been converted into the Hong Kong dollars at the average rates over the reporting period. Any differences arising from this procedure have been dealt with in the exchange fluctuation reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into Hong Kong dollars at the closing rates.

4.5 Income and expense recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(ii) Revenue from the rendering of services is recognised when the agreed services have been rendered; and

(iii) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rate applicable.

Operating expenses are recognised in the income statement when incurred.

4.6 Intangible assets (other than goodwill) and research and development costs

Intangible assets (other than goodwill)

Intangible assets acquired separately are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives.

Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses. Intangible assets are tested for impairment as described below in note 4.10. Amortisation commences when the intangible assets are available for use.

Research and development costs

Cost associated with research activities are expensed in the income statement as they occur. Costs that are directly attributable to the development phase are recognised as intangible assets provided they meet the following recognition requirements:

(i) demonstration of technical feasibility of the prospective product for internal use or sale;

(ii) the intangible asset will generate probable economic benefits for internal use or sale;

(iii) sufficient technical, financial and other resources are available for completion; and

(iv) the intangible asset can be reliably measured.

Direct costs include employee costs incurred on development along with an appropriate portion of relevant overheads. The costs of internally generated product developments are recognised as intangible assets. They are subject to the same subsequent measurement method as externally acquired intangible assets.

All other development costs are expensed as incurred.

4.7 Goodwill

Goodwill arising on acquisition prior to 1 October 2005

Goodwill arising on acquisition of a subsidiary for which the agreement date is before 1 October 2005 represents the excess of the cost of acquisition over the Group's interest in fair value of the identifiable assets and liabilities of the relevant subsidiary at the date of acquisition.

Goodwill arising on acquisition prior to 1 October 2001 continues to be held in reserves and will be charged to the accumulated losses at the time when the business to which the goodwill relates is disposed of or when a cash-generating unit to which goodwill relates becomes impaired.

For previously capitalised goodwill arising on acquisition after 1 October 2001, the Group has discontinued amortisation from 1 October 2005 onwards, and such goodwill is tested for impairment annually and whenever there is indication that the cash-generating unit to which the goodwill relates becomes impaired.

Goodwill arising on acquisition on or after 1 October 2005

Goodwill arising on acquisition of a subsidiary for which the agreement date is on or after 1 October 2005 represents the excess of the cost of acquisition over the fair value of the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

On subsequent disposal of subsidiaries, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

4.8 Property, plant and equipment

(i) Depreciation

Depreciation on property, plant and equipment other than construction in progress is provided to write off the costs or revalued amounts over their respective estimated useful lives using the straight-line method. The estimated useful lives of the property, plant and equipment are as follows:

Buildings/Lease rights on medium term leases of properties	Over the lease terms
Leasehold improvements	5 years or over the lease terms, whichever is shorter
Plant and machinery	8 years
Computer equipment	4 to 8 years
Office equipment, furniture and fixtures	4 to 5 years
Motor vehicles	5 to 8 years

(ii) Measurement bases

All buildings are recognised at fair value, based on their use at the date of revaluation less subsequent accumulated depreciation and any subsequent impairment losses. Fair value is determined in appraisals by external professional valuers with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment other than construction in progress are stated at acquisition cost less accumulated depreciation and accumulated impairment losses.

Any surplus arising on revaluation of buildings is credited to the asset revaluation reserve in equity, unless the carrying amount of that asset has previously suffered a revaluation decrease or impairment loss as described in note 4.10. To the extent that any decrease has previously been recognised in income statement, a revaluation increase is credited to income statement with the remaining part of the increase dealt with in the asset revaluation reserve. A decrease in net carrying amount of buildings arising on revaluations or impairment testing is charged against any revaluation surplus in the revaluation reserve relating to the asset and the remaining decrease recognised in income statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The assets' residual value and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The gain or loss arising on disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement. Any revaluation surplus remaining in equity is transferred to accumulated losses on the disposal of buildings.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses and is not depreciated. Cost comprises direct cost of construction during the period of construction.

4.9 Prepaid land lease payments

Prepaid land lease payments represent up-front payments to acquire the land use rights/leasehold land. They are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated on a straight line basis over the lease term.

4.10 Impairment of assets

Goodwill, other intangible assets, property, plant and equipment, prepaid land lease payments and interests in subsidiaries are subject to impairment testing.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management controls the related cash flows.

Individual assets or cash-generating units that include goodwill (and other intangible assets with an indefinite useful life) are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation, if no impairment loss had been recognised.

4.11 Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Annual rentals applicable to such operating leases are charged to the income statement on a straight line basis over the lease terms.

4.12 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment losses. Any changes in their value are recognised in income statement.

Loans and receivables are provided against when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

4.13 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and in the case of work in progress and finished goods, comprise direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

4.14 Income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised in the income statement, or in equity if they relate to items that are charged or credited directly to equity.

4.15 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand as well as short term bank deposit.

4.16 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from the proceeds (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

4.17 Pension scheme and other retirement benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The Company's subsidiaries in the People's Republic of China except Hong Kong ("PRC") are required to participate in the employee retirement scheme operated by the relevant local government bureau in the PRC and to make contributions for their eligible employees. The contributions payable by these subsidiaries are calculated based on a certain percentage of the salaries and wages of those eligible employees and are charged to the income statement in the period to which they relate.

4.18 Share-based employee compensation

The Group operates equity-settled share-based compensation plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. The value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

All share-based compensation is recognised as an expense in income statement with a corresponding credit to share option reserve. If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally estimated.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

4.19 Financial liabilities

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognised as an expense in finance costs in the income statement.

Borrowings are recognised initially at fair value, net of transaction costs incurred, and are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest rate method.

4.20 Provisions and contingencies

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

4.21 Related parties

A party is considered to be related to the Group if:

(i) directly, or indirectly through one or more intermediaries, the party (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(ii) the party is an associate;

(iii) the party is a jointly-controlled entity;

(iv) the party is a member of the key management personnel of the Group or its parent;

(v) the party is a close member of the family or any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Depreciation

The Group depreciates the property, plant and equipment in accordance with the accounting policy stated in note 4.8. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

Impairment of receivables

The Group's management determines impairment of receivables on a regular basis. The estimate is based on the credit history of its customers and current market conditions. The management of the Group reassesses the impairment of receivables at the balance sheet date.

Allowance for inventories

In determining the amount of allowance required for obsolete and slow-moving inventories, the Group would evaluate aging analysis of inventories and compare the carrying value of inventories to their respective net realisable values. A considerable amount of judgement is required in determining such allowance. If conditions which have impact on the net realisable value of inventories deteriorate, additional allowances may be required.

6. REVENUE

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts where applicable and services rendered. All significant intra-group transactions have been eliminated on consolidation.

7. SEGMENT INFORMATION

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

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

Summary details of the business segments are as follows:

(a) the telecommunications network infrastructure solutions segment consists of the sale of the broadband data network information platform developed by the Group as well as the integration of third-party software and hardware for telecommunications sectors;

(b) the network management solutions segment consists of the sale of network management software for telecommunications sectors;

(c) the other network solutions for sectors other than telecommunications segment consists of the design, implementation and maintenance of network systems for customers in sectors other than telecommunications sectors;

(d) the transmission segment consists of the manufacturing and sale of communication cables and optical cables, primarily for communications sectors; and

(e) the corporate and other segment consists of the Group's investing holding, corporate assets and liabilities items.

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

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

(a) Business segments

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

Group

	Telecommunications network infrastructure solutions		Network management solutions		Other network solutions for sectors other than telecommunications		Transmission		Eliminations		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
												(Restated)
Segment revenue:												
Sales to external customers	–	27,806	–	861	308	2,173	70,705	29,229	–	–	71,013	60,069
Intersegment sales	–	8,641	–	–	–	3,422	–	–	–	(12,063)	–	–
Total	–	36,447	–	861	308	5,595	70,705	29,229	–	(12,063)	71,013	60,069
Segment results	(10,375)	(28,292)	(3,656)	(7,330)	(2,567)	(12,719)	1,026	(6,748)	–	–	(15,572)	(55,089)
Unallocated income and gains											4,795	1,381
Unallocated expenses											–	(30,763)
Loss from operating activities											(10,777)	(84,471)
Finance costs											(2,455)	(1,863)
Loss before income tax											(13,232)	(86,334)
Income tax expense											(1,056)	(240)
Loss for the year											(14,288)	(86,574)

Group

	Telecommunications network infrastructure solutions		Network management solutions		Other network solutions for sectors other than telecommunications		Transmission		Eliminations		Consolidated	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Restated)
Segment assets	1,272	4,353	930	1,751	34	141	56,175	46,065	–	–	58,411	52,310
Unallocated assets									2,037	23,192	2,037	23,192
Total asset											60,448	75,502
Segment liabilities	9,954	24,545	15,372	14,854	2,141	2,207	34,734	29,439	–	–	62,201	71,045
Unallocated liabilities									9,977	9,134	9,977	9,134
Total liabilities											72,178	80,179
Other segment information:												
Depreciation of property, plant and equipment	898	1,751	685	1,040	36	63	1,508	1,495	15	33	3,142	4,382
Amortisation of prepaid land lease payments	–	–	–	–	–	–	73	75	–	–	73	75
Impairment of goodwill	–	–	–	–	–	–	–	–	–	30,763	–	30,763
Amortisation of goodwill	–	–	–	–	–	–	–	–	–	5,213	–	5,213
Surplus/(Deficit) arising on revaluation of buildings – recognised directly in equity attributable to equity holder	–	–	–	–	–	–	–	–	311	(363)	311	(363)
Amortisation of deferred development cost	–	–	193	536	–	–	–	–	–	–	193	536
Impairment loss on trade and retention receivables	–	7,978	–	9,346	–	93	–	4,981	–	–	–	22,398
Impairment loss on other receivables	498	511	159	6,297	–	3	–	501	–	–	657	7,312
Impairment loss on amount due from related companies	922	–	1,328	–	–	–	–	–	–	–	2,250	–
Allowance for obsolete inventories	–	159	–	147	–	–	–	–	–	–	–	306
Loss on written-off of intangible assets	–	–	–	49	–	–	–	–	–	–	–	49
Loss on disposal of property, plant and equipment	4,634	214	–	–	–	–	–	–	–	–	4,634	214
Loss on disposal of golf club membership	–	–	–	–	–	–	–	–	143	–	143	–
Capital expenditure	–	10	–	–	–	–	351	798	–	–	351	808

(b) Geographical segments

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

8. OTHER INCOME

	Group 2006 HK$'000	Group 2005 HK$'000
Other income:		
Bank interest income	47	42
Write-back of impairment loss on trade and retention receivables	1,284	–
Tax refund and others	3,464	1,339
	4,795	1,381

9. LOSS FROM OPERATING ACTIVITIES

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

	Notes	Group 2006 *HK$'000*	Group 2005 *HK$'000* (Restated)
Cost of inventories sold and services provided		61,262	51,527
Depreciation of property, plant and equipment	*15*	3,142	4,382
Amortisation of prepaid land lease payments	*16*	73	75
Research and development costs:			
Deferred development costs amortised*	*17*	193	536
Loss on write-off of intangible assets*	*17*	–	49
		193	585
Goodwill:			
Amortisation for the year*	*19*	–	5,213
Impairment arising during the year	*19*	–	30,763
		–	35,976
Minimum lease payments under operating leases in respect of land and buildings		363	1,497
Auditors' remuneration		400	400
Staff costs (including directors' emoluments *(Note 14)*):			
Wages and salaries		5,595	10,135
Pension scheme contributions		17	144
		5,612	10,279
Impairment loss on trade and retention receivables*		–	22,398
Impairment loss on amounts due from related companies*		2,250	–
Impairment loss on other receivables*		657	7,312
Allowance for obsolete inventories*		–	306
Loss on disposal of property, plant and equipment*		4,634	214
Loss on disposal of golf club membership*		143	–

* *Included in "Other operating expenses" on the face of the consolidated income statement.*

10. FINANCE COSTS

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	1,770	1,516
Interest on other loans	685	347
	2,455	1,863

11. INCOME TAX EXPENSE

Hong Kong profits tax has not been provided as the Group had no assessable profits arising in Hong Kong during the year (2005: Nil). Taxes on profit assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof during both years.

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Current tax – PRC		
Charge for the year	1,056	240

The taxation for the year can be reconciled to the loss before income tax per the income statement as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Loss before income tax	(13,232)	(86,334)
Tax at the statutory tax rate of 17.5% (2005: 17.5%)	(2,316)	(15,108)
Effect of different tax rates of subsidiaries operating in other jurisdictions	360	(955)
Tax effect of non-deductible expenses	2,537	14,068
Tax effect of non-taxable revenue	(434)	(45)
Tax effect of tax losses not recognised	909	2,280
Income tax expense	1,056	240

At the balance sheet date, the Group has tax losses of approximately HK$99,997,000 (2005: HK$96,810,000) that are available for offsetting against future taxable profits of the companies which incurred the losses. Deferred tax assets have not been recognised in respect of these losses as it is not probable that future taxable profit will be available against which these unused tax losses can be utilised.

As at 30 September 2006, the Group and the Company did not have any significant unprovided deferred tax liabilities (2005: Nil).

12. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders includes a loss of HK$33,497,000 (2005: HK$63,525,000) which has been dealt with in the financial statements of the Company.

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

The calculation of basic loss per share is based on the loss for the year attributable to equity holders of the Company of HK$16,204,000 (2005: HK$82,097,000) and the weighted average of 1,594,393,347 (2005: 1,543,160,470) ordinary shares in issue during the year.

Diluted loss per share for the years ended 30 September 2006 and 2005 have not been disclosed as the potential ordinary shares outstanding had an anti-dilutive effect on the basic loss per share for these years.

14. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION

Directors' remuneration for the year disclosed pursuant to the GEM Listing Rules and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Fees		
Executive directors	–	–
Non-executive directors	–	–
Independent non-executive directors	248	268
	248	268
Other emoluments of executive directors		
Salaries, allowances and benefits in kind	1,565	1,750
	1,813	2,018

The emoluments of each director, on a named basis, for the year ended 30 September 2006 and 2005 are set out below:

	2006					
	Director fees	Salaries, allowances and benefits in kind	Discretionary bonus	Lump sum ex-gratia payment	Pension scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Independent non-executive directors:						
Liu Yang	96	–	–	–	–	96
Li Jun Lin**	80	–	–	–	–	80
Jin Dun Shen**	72	–	–	–	–	72
	248	–	–	–	–	248
Non-executive directors:						
Chang Ye Min, William (Mr. Chang)*#	–	–	–	–	–	–
Leong Ka Cheong, Christopher*	–	–	–	–	–	–
Wang Qian*	–	–	–	–	–	–
Yukihiko Izutsu**	–	–	–	–	–	–
	–	–	–	–	–	–
Executive directors:						
Wu Shu Min	–	1,440	–	–	–	1,440
Xu Zhi Feng**	–	125	–	–	–	125
Chang Xiao Hui*	–	–	–	–	–	–
Li Jun Chao*	–	–	–	–	–	–
Jin Feng*	–	–	–	–	–	–
	–	1,565	–	–	–	1,565
Total – 2006	248	1,565	–	–	–	1,813

Directors emoluments

	2005					
	Director fees	Salaries, allowances and benefits in kind	Discretionary bonus	Lump sum ex-gratia payment	Pension scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Independent non-executive directors:						
Chan Wai Dune^	100	–	–	–	–	100
Chen Junliang^	72	–	–	–	–	72
Ng Ching Wo^	32	–	–	–	–	32
Liu Yang^^	64	–	–	–	–	64
	268	–	–	–	–	268
Non-executive directors:						
Leong Ka Cheong, Christopher*	–	–	–	–	–	–
Lo Wai Shun^	–	–	–	–	–	–
Wang Qian*	–	–	–	–	–	–
Zhu Rong^	–	–	–	–	–	–
	–	–	–	–	–	–
Executive directors:						
Chang Ye Min, William ("Mr. Chang")*#	–	417	–	–	–	417
Wu Shu Min	–	627	–	–	–	627
Chang Xiao Hui*^^	–	160	–	–	–	160
Li Jun Chao*^^	–	160	–	–	–	160
Jin Feng*	–	386	–	–	–	386
	–	1,750	–	–	–	1,750
Total – 2005	268	1,750	–	–	–	2,018

^ *resigned during the year ended 30 September 2005.*

^^ *appointed during the year ended 30 September 2005.*

* *resigned during the year ended 30 September 2006.*

** *appointed during the year ended 30 September 2006.*

being an executive director in prior years and re-designated as a non-executive director on 28 January 2005.

During the year ended 30 September 2005, the emoluments which were paid to Mr. Chang were paid for his appointment as an executive director of the Company. On 28 January 2005, Mr. Chang was re-designated as a non-executive director and no emoluments were paid by the Group to him as the non-executive director for the year ended 30 September 2005.

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 30 September 2006 and 2005.

During the years ended 30 September 2006 and 2005, no share options were granted to the directors in respect of their services to the Group. The details of the share option schemes were set out in note 30 to the financial statements.

Five highest paid individuals

The five highest paid individuals in the Group during the year included two (2005: three) directors, details of whose emoluments are disclosed above. The emoluments paid to the remaining three (2005: two) non-director, highest paid individuals for the year are as follows:

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Salary, allowances and benefits in kind	1,130	722
Pension scheme contributions	12	12
	1,142	734

The number of non-director, highest paid individuals whose emoluments fell within the following band is as follows:

	2006	**2005**
Nil – HK$1,000,000	3	2

During the years ended 30 September 2006 and 2005, no emoluments were paid by the Group to the directors or any of the five highest paid employees of the Group as an inducement to join the Group or upon joining the Group, or as compensation for loss of office.

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Construction in progress HK$'000	Leasehold buildings HK$'000	Lease rights on medium term leases of properties HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Computer equipment HK$'000	Office equipment, furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000 (Restated)
At 1 October 2004									
Cost or valuation	–	23,842	1,355	2,623	9,348	12,868	5,036	3,311	58,383
Accumulated depreciation	–	–	(182)	(1,799)	(1,682)	(10,679)	(4,476)	(2,055)	(20,873)
Net book amount	–	23,842	1,173	824	7,666	2,189	560	1,256	37,510
Year ended 30 September 2005									
Opening net book amount	–	23,842	1,173	824	7,666	2,189	560	1,256	37,510
Additions	–	–	–	–	798	7	3	–	808
Depreciation	–	(562)	(25)	(440)	(1,110)	(1,354)	(458)	(433)	(4,382)
Revaluation	–	(363)	–	–	–	–	–	–	(363)
Disposal	–	–	–	(70)	–	(110)	(54)	(206)	(440)
Closing net book amount	–	22,917	1,148	314	7,354	732	51	617	33,133
At 30 September 2005									
Cost or valuation	–	22,917	1,355	1,830	10,146	12,426	4,590	3,029	56,293
Accumulated depreciation	–	–	(207)	(1,516)	(2,792)	(11,694)	(4,539)	(2,412)	(23,160)
Net book amount	–	22,917	1,148	314	7,354	732	51	617	33,133
Year ended 30 September 2006									
Opening net book amount	–	22,917	1,148	314	7,354	732	51	617	33,133
Additions	317	–	–	–	34	–	–	–	351
Depreciation	–	(556)	(26)	(191)	(1,050)	(868)	(208)	(243)	(3,142)
Disposal	–	(18,300)	(1,176)	(137)	–	(32)	(1)	(101)	(19,747)
Revaluation	–	609	–	–	–	–	–	–	609
Translation adjustment	–	–	54	14	295	882	301	31	1,577
Closing net book amount	317	4,670	–	–	6,633	714	143	304	12,781
At 30 September 2006									
Cost or valuation	317	4,670	–	235	10,677	7,208	2,013	1,978	27,098
Accumulated depreciation	–	–	–	(235)	(4,044)	(6,494)	(1,870)	(1,674)	(14,317)
Net book amount	317	4,670	–	–	6,633	714	143	304	12,781

All the Group's leasehold buildings included above are held under medium term leases in the PRC.

The Group's leasehold buildings were revalued individually at the balance sheet date by RHL Appraisal Ltd (2005: Malcolm & Associates Appraisal Limited), independent professionally qualified valuers, at an aggregate of HK$4,670,000 (2005: HK$22,917,000). During the year, one of the leasehold buildings with a carrying amount of HK$18,300,000 was disposed of to settle a bank loan (note 32). The remaining building was revalued at HK$4,670,000 using depreciated replacement costs basis. A revaluation surplus of HK$609,000 (2005: deficit of HK$363,000), resulting from the above valuations, has been credited to the relevant asset revaluation reserve.

Had these leasehold buildings been carried at historical cost less accumulated depreciation, their carrying amounts would have been approximately HK$3,996,000 (2005: HK$17,937,000).

At 30 September 2006, the Group's leasehold buildings and plant and machinery with carrying values of approximately HK$4,670,000 (2005: HK$22,917,000) and HK$6,633,000 (2005: HK$4,252,000) respectively, were pledged to secure general banking facilities granted to the Group (note 27).

The analysis of the cost or valuation at 30 September 2006 of the above assets is as follows:

	Construction in progress	Leasehold buildings	Lease rights on medium term leases of properties	Leasehold improvements	Plant and machinery	Computer equipment	Office equipment, furniture and fixtures	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At cost	317	–	–	235	10,677	7,208	2,013	1,978	22,428
At valuation	–	4,670	–	–	–	–	–	–	4,670
	317	4,670	–	235	10,677	7,208	2,013	1,978	27,098

The analysis of the cost or valuation at 30 September 2005 of the above assets is as follows:

	Leasehold buildings	Lease rights on medium term leases of properties	Leasehold improvements	Plant and machinery	Computer equipment	Office equipment, furniture and fixtures	Motor vehicles	Restated Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At cost	–	1,355	1,830	10,146	12,426	4,590	3,029	33,376
At valuation	22,917	–	–	–	–	–	–	22,917
	22,917	1,355	1,830	10,146	12,426	4,590	3,029	56,293

16. PREPAID LAND LEASE PAYMENTS

The Group's prepaid land lease payments represent upfront payments to acquire interests in the usage of land situated in the PRC, which are held under medium term leases.

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
		(Restated)
Outside Hong Kong, held on:		
– Leases of between 10 to 50 years	3,371	3,283

The above land use rights were pledged to secure bank loans (note 27).

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
		(Restated)
At the beginning of the year		
Cost	3,485	3,485
Accumulated amortisation	(202)	(127)
Net book amount	3,283	3,358
For the year ended		
Opening net book value	3,283	3,358
Amortisation	(73)	(75)
Translation adjustment	161	–
Closing net book amount	3,371	3,283
At end of the year		
Cost	3,657	3,485
Accumulated amortisation	(286)	(202)
Net book amount	3,371	3,283

17. INTANGIBLE ASSETS

Group

	Deferred development costs
	HK$'000
At 1 October 2004	
Cost	7,098
Accumulated amortisation	(6,329)
Net book amount	769
Year ended 30 September 2005	
Opening net book amount	769
Amortisation	(536)
Written off	(49)
Closing net book amount	184
At 30 September 2005	
Cost	6,284
Accumulated amortisation	(6,100)
Net book amount	184
Year ended 30 September 2006	
Opening net book amount	184
Amortisation	(193)
Translation adjustment	9
Closing net book amount	–
At 30 September 2006	
Cost	6,285
Accumulated amortisation	(6,285)
Net book amount	–

The Group's deferred development costs were amortised over the useful life of not exceeding five years.

18. RENTAL DEPOSITS AND GOLF CLUB MEMBERSHIP

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Rental deposits	–	114
Golf club membership *(note)*	379	759
	379	873

Note: The balance represents membership of a golf club in Beijing, the PRC, held by the Group. The membership is perpetual and freely transferable.

19. GOODWILL AND NEGATIVE GOODWILL

The amounts of the goodwill capitalised as an asset in the consolidated balance sheet, arising from the acquisition of subsidiaries, are as follows:

	Goodwill
	HK$'000
At 1 October 2004	
Gross carrying amount	48,521
Accumulated amortisation and impairment losses	(19,747)
Net carrying amount	28,774
Year ended 30 September 2005	
Opening net carrying amount	28,774
Amortisation	(5,213)
Impairment loss	(23,561)
Closing net carrying amount	–
At 30 September 2005	
Gross carrying amount	48,521
Accumulated amortisation and impairment losses	(48,521)
Net carrying amount	–

	Goodwill
	HK$'000
At 1 October 2005	
Gross carrying amount, as previously reported	48,521
Effect of initial adoption of HKFRS 3	(12,053)
Gross carrying amount, as restated	36,468
Year ended 30 September 2006	
Opening net carrying amount	–
Impairment loss	–
Closing net carrying amount	–
At 30 September 2006	
Gross carrying amount	36,468
Accumulated impairment losses	(36,468)
Net carrying amount	–

The amounts of the goodwill and negative goodwill remaining in consolidated reserves as at 30 September 2006, arising from the acquisition of subsidiaries prior to 1 October 2001, are as follows:

	Group	
	Goodwill eliminated against capital reserve	Negative goodwill credited to capital reserve
	HK$'000	*HK$'000*
At 1 October 2004		
Gross carrying amount	16,702	(4,960)
Accumulated impairment losses	(9,500)	–
Net carrying amount	7,202	(4,960)
Year ended 30 September 2005		
Opening net carrying amount	7,202	(4,960)
Impairment losses	(7,202)	–
Net carrying amount	–	(4,960)
At 30 September 2005		
Gross carrying amount	16,702	(4,960)
Accumulated impairment losses	(16,702)	–
Net carrying amount	–	(4,960)
At 1 October 2005		
Gross carrying amount, as previously reported	16,702	(4,960)
Effect of initial adoption of HKFRS 3	–	4,960
Gross carrying amount, as restated	16,702	–
At 30 September 2006		
Gross carrying amount	16,702	–
Accumulated impairment losses	(16,702)	–
Net carrying amount	–	–

20. INTERESTS IN SUBSIDIARIES

	Company	
	2006	2005
	HK$'000	*HK$'000*
Unlisted shares, at cost	43,437	43,437
Due from subsidiaries	146,750	141,668
Due to subsidiaries	(27,094)	(26,811)
	163,093	158,294
Impairment losses recognised	(190,187)	(158,294)
	(27,094)	–
Due to subsidiaries classified as current liabilities	(27,094)	–
	–	–

As at 30 September 2006, the balances with subsidiaries are unsecured, interest-free and repayable on demand. Accordingly, the amounts are classified as current.

As at 30 September 2005, the balances with subsidiaries were unsecured, interest-free and had no fixed terms of repayment. In the opinion of directors, no repayment would be demanded within 12 months from the balance sheet date. Accordingly, the amounts were classified as non-current.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Particulars of issued/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
II Networks International Limited	BVI	16,666,667 ordinary shares of US$0.01 each	100	–	Investment holding
IIN Network Technology Limited	Hong Kong	400,000,000 ordinary shares of HK$0.005 each	–	100	Investment holding and overseas trading
Hunan IIN Technologies Engineering Co., Limited#	PRC	US$1,300,000	–	100	Sale and distribution of telecommunication equipment
Hunan IIN-Galaxy Software Development Co., Limited##	PRC	RMB5,000,000	–	97	Network management solutions related business

Name	Place of incorporation/ registration and operations	Particulars of issued/ registered capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Hunan IIN International Co., Ltd.##	PRC	HK$38,000,000	–	97	Other network solutions related businesses
Hubei IIN-Galaxy Network Co., Limited###	PRC	RMB3,000,000	–	94	Other network solutions related businesses
Beijing IIN Data Network Technology Co., Ltd.##	PRC	RMB3,000,000	–	60	Data communications (including IP network management and monitoring system) and network infrastructure related business
Hunan Modern Time Technology Limited#	PRC	RMB1,000,000	–	100	Communication network system related business
Wujiang Shengxin Optoelectronics Technology Co. Ltd.##	PRC	RMB14,350,000	–	51	Manufacturing and sale of communication cables and optical cables
Chengdu TM Network Corporation	PRC	RMB30,000,000	–	51	Telecom network management

\# *registered as wholly-foreign owned enterprises under the PRC law.*

\## *registered as Sino-foreign joint ventures under the PRC law.*

\### *registered as a limited liability company under the PRC law.*

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

21. INVENTORIES

	Group 2006	Group 2005
	HK$'000	*HK$'000*
Raw materials	667	1,442
Work in progress	–	123
Finished goods	4,911	2,878
	5,578	4,443

22. TRADE AND RETENTION RECEIVABLES

The Group has a policy of allowing trade customers with credit terms pursuant to the provisions of the relevant contracts. An aged analysis of the Group's net trade receivables as at the balance sheet date is as follows:

	Group 2006	Group 2005
	HK$'000	*HK$'000*
0 – 90 days	19,061	9,618
91 – 180 days	6,997	6,764
181 – 365 days	5,741	2,597
Over 365 days	304	16
	32,103	18,995

23. PREPAYMENTS, TRADE DEPOSITS, OTHER DEPOSITS AND OTHER RECEIVABLES

As at 30 September 2006, the amounts of HK$706,000 (2005: nil) due from minority equity holders of subsidiaries were included in prepayment, trade deposits, other deposits and other receivables. The amounts due are unsecured, interest-free and repayable on demand.

24. DUE FROM RELATED COMPANIES

Particulars of the amounts due from related companies disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, are as follows:

Name of related companies	30 September 2006 HK$'000	Group Maximum amount outstanding during the year HK$'000	30 September 2005 HK$'000
IIN Medical Industrial Limited	–	197	197
Hunan IIN Network Education Co., Ltd.	–	1,777	1,777
Hunan IIN Medical Network Technology Development Co., Ltd.	–	640	640
IIN Network Education (BVI) Limited	–	14	14
	–	2,628	2,628

The amounts due from related companies are unsecured, interest-free and repayable on demand.

25. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

		Group		Company	
		2006	2005	2006	2005
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cash and bank balances		3,517	6,323	51	3
Less: Pledged deposits for bills payable repayable within one year	*27*	(59)	(5,093)	–	–
Cash and cash equivalents		3,458	1,230	51	3

Cash at bank earns interest at floating rates based on daily bank deposit rates.

As at 30 September 2006, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$1,974,000 (2005: HK$6,201,000), which were deposited with banks in the PRC or held in hand. The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

26. TRADE AND BILLS PAYABLES

The credit terms of trade payables varies according to the terms agreed with different suppliers. An aged analysis of the trade and bills payables as at the balance sheet date, is as follows:

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
0 – 90 days	920	10,515
91 – 180 days	3,062	5,487
181 – 365 days	645	9,356
Over 365 days	13,302	5,507
	17,929	30,865

27. BORROWINGS

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Current		
Secured bank loans	14,608	18,318
Unsecured other loans	12,914	5,680
	27,522	23,998

As at 30 September 2006, the Group's secured bank loans and other bank facilities were secured by i) charges on the Group's bank deposits of approximately HK$59,000, ii) legal charges on the Group's leasehold land, buildings, and plant and machinery with carrying values of approximately HK$3,371,000, HK$4,670,000 and HK$6,633,000 respectively; and iii) guarantees by a director of a subsidiary of the Company and 蘇州鼎盛擔保投資有限公司.

As at 30 September 2005, the Group's secured bank loans and other bank facilities were secured by i) charges on the Group's bank deposits of approximately HK$5,093,000 and ii) legal charges on the Group's leasehold land and buildings and plant and machinery with carrying values of approximately HK$26,200,000 and HK$4,252,000 respectively.

All bank loans of the Group were fixed interest rate bank loans with maturity date on or before the end of April 2007. The interest rates of the Group's bank loans ranged from 7.25% to 10.88% (2005: 7.25%) per annum.

The other loans of the Group were unsecured, bearing interest ranged from 7.25% to 12% (2005: 7%) per annum and were repayable on demand. As at 30 September 2005, the balances of the other loans included the borrowings of approximately HK$2.5 million from certain directors of the subsidiaries of the Company. The interest expenses incurred to these directors of the Company's subsidiaries during the year amounted to HK$60,000 (2005: HK$180,000).

28. DUE TO DIRECTORS

Amounts due to directors are unsecured, interest-free and repayable on demand.

29. SHARE CAPITAL

	Number of shares	Par value
	'000	*US$'000*
Authorised:		
Ordinary shares of US$0.01 each at 30 September 2005 and 2006	2,000,000	20,000

	Number of shares	Par value
	'000	*US$'000*
Issued and fully paid:		
Ordinary shares of US$0.01 each at 30 September 2004 and 2005	1,543,160	120,359
Issuance of ordinary shares of US$0.01 each	85,000	6,630
Ordinary shares of US$0.01 each at 30 September 2006	1,628,160	126,989

During the year ended 30 September 2006, the Company entered into a subscription agreement with an independent subscriber pursuant to which the subscriber subscribed 85,000,000 ordinary shares of US$0.01 each of the Company at a subscription price of HK$0.078 per share. The subscription of new shares raised total consideration of HK$6,630,000.

30. SHARE OPTION SCHEME

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

(a) Pre-IPO Share Option Plan

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

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

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

The share subscription price in respect of any particular option granted under the Pre-IPO Share Option Plan was determined by the board of directors from time to time. The maximum number of shares in respect of the options granted under the Pre-IPO Share Option Plan in an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time, excluding for this purpose shares issued upon the exercise of options granted under the Pre-IPO Share Option Plan. At 30 September 2006, the number of shares issuable under share options granted under the Pre-IPO Share Option Plan was 15,000,000 which represented approximately 0.9% of the Company's shares in issue as at that date.

Upon listing of the Company's shares on the GEM of the Stock Exchange on 30 November 2001, no further share options will be granted under the Pre-IPO Share Option Plan.

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

	Number of share options outstanding under Pre-IPO Share Option Plan							
	As at 1 October 2005	Exercised during the year	Cancelled during the year	Lapsed during the year	As at 30 September 2006	Date of grant of share options	Exercise period of share options	Adjusted exercise price per share* *HK$*
Directors								
Mr. Chang Ye Min, William	15,000,000	–	–	(15,000,000)	–	7 January 2000	7 January 2000 to 6 January 2008	0.150
	5,000,000	–	–	(5,000,000)	–	23 May 2000	23 May 2000 to 22 May 2008	0.515
Mr. Wu Shu Min	5,000,000	–	–	–	5,000,000	7 January 2000	7 January 2000 to 6 January 2008	0.150
	10,000,000	–	–	–	10,000,000	26 February 2000	26 February 2000 to 25 February 2008	0.150
	35,000,000	–	–	(20,000,000)	15,000,000			
Other employees								
In aggregate	3,678,000	–	–	(3,678,000)	–	*Note 1*	*Note 2*	0.150
	38,678,000	–	–	(23,678,000)	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$.*

Notes:

1. As at 1 October 2005, approximately 86% and 14% of the outstanding share options were granted on 7 January 2000 and 26 February 2000, respectively.

2. As at 1 October 2005, approximately 86% and 14 % of the outstanding share options granted are exercisable during the periods from 7 January 2000 to 6 January 2008 and 26 February 2000 to 25 February 2008, respectively.

(b) Share Option Plan

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

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

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

The maximum number of shares in respect of which options may be granted under the Share Option Plan and any other share option scheme of the Company is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time, excluding for this purpose shares issued upon the exercise of options granted under the Share Option Plan or any other share option scheme. At 30 September 2006, the number of shares issuable under share options granted under the Share Option Plan was 18,400,000, which represented approximately 1.1% of the Company's shares in issue as at that date. The limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Plan and any other schemes must not exceed 30% of the shares of the Company from time to time.

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

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

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

	Number of share options outstanding under Share Option Plan									
	As at 1 October 2005	Granted during the year	Exercised during the year	Reclassified during the year	Lapsed during the year	As at 30 September 2006	Date of grant of share options	Exercise period of share options	Exercise price of share options *HK$*	Company's share price at the date immediately before the grant date of options *HK$*
Directors										
Mr. Chang Ye Min, William	10,000,000	–	–	–	(10,000,000)	–	7 March 2002	7 March 2002 to 21 December 2011	0.465	0.455
	3,000,000	–	–	–	(3,000,000)	–	5 June 2003	5 June 2003 to 21 December 2011	0.078	0.045
Mr. Wu Shu Min	10,000,000	–	–	–	–	10,000,000	7 March 2002	7 March 2002 to 21 December 2011	0.465	0.455
	3,000,000	–	–	–	–	3,000,000	5 June 2003	5 June 2003 to 21 December 2011	0.078	0.045
Mr. Jin Feng	3,000,000	–	–	–	(3,000,000)	–	5 June 2003	5 June 2003 to 21 December 2011	0.078	0.045
Mr. Chan Wai Dune	1,000,000	–	–	–	(1,000,000)	–	5 June 2003	5 June 2003 to 21 December 2011	0.078	0.045
Mr. Chen Junliang	1,000,000	–	–	–	(1,000,000)	–	5 June 2003	5 June 2003 to 21 December 2011	0.078	0.045
Mr. Chang Xiao Hui	6,000,000	–	–	–	(6,000,000)	–	1 March 2002	1 March 2002 to 21 December 2011	0.475	0.470
	3,000,000	–	–	–	(3,000,000)	–	5 June 2003	5 June 2003 to 21 December 2011	0.078	0.045
Mr. Li Jun Chao	2,000,000	–	–	–	(2,000,000)	–	5 June 2003	5 June 2003 to 21 December 2011	0.078	0.045
Mr. Xu Zhi Feng#	–	–	–	1,000,000	–	1,000,000	5 June 2003	5 June 2003 to 21 December 2011	0.078	0.045
	42,000,000	–	–	1,000,000	(29,000,000)	14,000,000				
Other employees										
In aggregate	9,100,000	–	–	–	(8,300,000)	800,000	1 March 2002	1 March 2002 to 21 December 2011	0.475	0.470
	17,000,000	–	–	(1,000,000)	(12,400,000)	3,600,000	5 June 2003	5 June 2003 to 21 December 2011	0.078	0.045
	68,100,000	–	–	–	(49,700,000)	18,400,000				

\# *During the year ended 30 September 2006, Mr. Xu Zhi Feng was appointed as a director of the Company.*

As at the balance sheet date, the Company had 15,000,000 share options outstanding under the Pre-IPO Share Option Plan.

As at the balance sheet date, the Company had 18,400,000 share options outstanding under the Share Option Plan.

The exercise in full of the outstanding share options under the Pre-IPO Share Option Plan and the Share Option Plan would, under the present capital structure of the Company, result in the issue of 33,400,000 additional ordinary shares and cash proceeds to the Company of approximately HK$7,872,800, before related issuing expense.

31. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity on page 24.

The share premium account of the Group includes (i) the excess of the issue price over the nominal value of the Company's shares issued at a premium and (ii) the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the Group's reorganisation scheme in preparation for the public listing of the Company's shares on the GEM of the Stock Exchange (the "Reorganisation") in 2001 over the nominal value of the share capital of the Company issued in exchange therefor.

In accordance with the relevant PRC regulations and joint venture agreements, the Sino-foreign joint ventures established in the PRC shall set aside a portion of their respective profit after tax, if any, to the statutory reserve. Such amount will be determined at the discretion of the board of directors of the respective joint ventures.

(b) Company

	Share premium account	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 October 2004	44,929	(102,688)	(57,759)
Net loss for the year	–	(63,525)	(63,525)
At 30 September 2005 and 1 October 2005	44,929	(166,213)	(121,284)
Net loss for the year	–	(33,497)	(33,497)
At 30 September 2006	44,929	(199,710)	(154,781)

The share premium account of the Company includes (i) the excess of the issue price over the nominal value of the Company's shares issued at a premium; and (ii) the difference between the nominal value of the shares of the Company issued in exchange for the issued share capital of the subsidiaries and the value of the underlying net assets of the subsidiaries pursuant to the Reorganisation. Under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transactions

Save as those disclosed elsewhere in the financial statements, the Group had the following major non-cash transactions:

(i) During the year, the Group was defaulted in repayment of bank loan of HK$13,725,000 and the pledged property of the Group with a carrying value of HK$18,300,000 was assigned to the bank for settlement of the bank loan.

33. CONTINGENT LIABILITIES

The Group and the Company did not have any significant contingent liabilities at the balance sheet date (2005: Nil).

34. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to two years. None of the leases include contingent rentals.

At 30 September 2006, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Within one year	–	77

The Company did not have any significant operating lease arrangements at the balance sheet date (2005: Nil).

35. CAPITAL COMMITMENTS

At the balance sheet date, the Group had the following outstanding capital commitments:

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Contracted, but not provided for		
– Construction of building	467	–

The Company did not have any significant capital commitments at the balance sheet date (2005: Nil).

36. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following significant related party transactions:

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Amounts due from minority equity holders of subsidiaries *(i)*	706	–
Amounts due to directors *(ii)*	1,394	1,476

Note:

(i) Amounts due from minority equity holders of subsidiaries are unsecured, interest-free and repayable on demand and are included in note 23.

(ii) Amounts due to directors are unsecured, interest-free and repayable on demand and are included in note 28.

(iii) In the opinion of the directors, the key management personnel are the directors of the Company. The details of the remuneration paid to them are set out in note 14 to the financial statements.

37. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate measures to manage the Group's exposure to market risk, including principally changes in interest rate and currency exchange rates. Generally, the Group employs a conservative strategy regarding its risk management.

(a) Credit risk

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the balance sheet or in the notes to the financial statements. Credit risk, therefore, is only disclosed in the circumstances where the maximum potential loss differs significantly from the financial asset's carrying amount.

The Group's bank deposits are mainly deposited with banks in Hong Kong and the PRC.

The Group has concentration of credit risk due to its relatively small customer base. The Group performs ongoing credit evaluation of its customers' financial positions. Provision for impairment is based upon a review of the expected collectibility of all receivables.

(b) Foreign currency risk

The Group is mainly exposed to foreign exchange risk arising from the exposure of RMB against Hong Kong Dollar. The Group does not hedge its foreign currency risks, as the management of the Group does not expect any significant movements in the exchange rate between RMB and Hong Kong Dollar.

(c) Cash flow and interest rate risk

Cash flow and interest rate risks are managed by means of derivative financial instruments, where necessary, to ensure short to medium term liquidity.

(d) Fair value

The fair values of the Group's current financial assets and liabilities are not materially different from their carrying amount because of the immediate or short term maturity.

(e) Liquidity risk

As at 30 September 2006, the Group had net current liabilities of HK$28,261,000 and net liabilities of HK$11,730,000. The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflow from operations to meet its debt obligations and to obtain ongoing support from its major bankers and creditors."

3. UNAUDITED INTERIM FINANCIAL STATEMENT

Set out below is the reproduction of the text of the unaudited consolidated results of the Group for the three months and six months ended 31 March 2007 together with the unaudited comparative figures for the corresponding periods in 2006:

“CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Three months ended 31 March		Six months ended 31 March	
		2007	2006	2007	2006
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	*2*	26,002	11,486	50,366	24,706
Cost of sales		(22,229)	(8,938)	(43,516)	(20,369)
Gross profit		3,773	2,548	6,850	4,337
Other revenue		1,113	278	1,763	889
Selling and distribution costs		(1,235)	(1,235)	(2,981)	(2,239)
Administrative expenses		(2,659)	(4,701)	(5,422)	(6,911)
Other operating expenses		(7)	(503)	(345)	(555)
Profit/(Loss) from operating activities		985	(3,613)	(135)	(4,479)
Finance costs		(787)	(590)	(1,401)	(915)
Profit/(Loss) before tax		198	(4,203)	(1,536)	(5,394)
Income tax expense	*3*	(12)	(308)	(85)	(346)
Profit/(Loss) for the period	*4*	186	(4,511)	(1,621)	(5,740)
Attributable to:					
Equity holders of the Company		(626)	(4,683)	(2,437)	(6,183)
Minority interests		812	172	816	443
Profit/(Loss) for the period		186	(4,511)	(1,621)	(5,740)
Dividend	*5*	–	–	–	–
Loss per share attributable to the equity holders of the Company during the period	*6*				
– Basic (HK cent)		(0.04)	(0.30)	(0.15)	(0.40)
– Diluted (HK cent)		N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	31 March 2007 HK$'000 (Unaudited)	30 September 2006 HK$'000 (Audited) (As restated)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	7	13,006	12,781
Prepaid land lease payments		3,371	3,371
Rental deposits and golf club membership		379	379
		16,756	16,531
Current assets			
Inventories		8,999	5,578
Trade and retention receivables	8	37,799	32,103
Prepayments, trade deposits, other deposits and other receivables		4,473	2,719
Pledged deposits		59	59
Cash and cash equivalents		4,286	3,458
		55,616	43,917
Current liabilities			
Trade and bills payables	9	18,985	17,929
Accrued liabilities, deposits received and other payables		26,453	20,768
Interest-bearing bank and other loans		34,237	27,522
Due to directors		1,591	1,394
Tax payable		4,509	4,565
		85,775	72,178
Net current liabilities		(30,159)	(28,261)
Total assets less current liabilities		(13,403)	(11,730)
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	10	126,989	126,989
Reserves		(151,403)	(148,914)
		(24,414)	(21,925)
Minority interests		11,011	10,195
Total equity		(13,403)	(11,730)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 31 March 2007

	Attributable to equity holders of the Company									
	Share capital	Share premium account	Capital reserve	Statutory reserve	Asset revaluation reserve	Exchange fluctuation reserve	Accumu-lated losses	Total	Minority interests	Restated Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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	–	–	–
– HKAS17	–	–	–	–	(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	–	–	–	–	–	–	(6,183)	(6,183)	443	(5,740)
At 31 March 2006	126,989	54,964	–	4	3,938	(13)	(198,093)	(12,211)	8,424	(3,787)
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)
Net loss for the period	–	–	–	–	–	(52)	(2,437)	(2,489)	816	(1,673)
At 31 March 2007	126,989	54,964	–	4	–	(69)	(206,302)	(24,414)	11,011	(13,403)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 31 March 2007

	Six months ended 31 March 2007 *HK$'000* (Unaudited)	Six months ended 31 March 2006 *HK$'000* (Unaudited)
Net cash outflow from operating activities	(4,807)	(4,893)
Net cash inflow/(outflow) from investing activities	(1,080)	1,950
Net cash inflow from financing activities	6,715	11,209
Increase in cash and cash equivalents	828	8,266
Cash and cash equivalents at beginning of period	3,458	1,230
Cash and cash equivalents at end of period	4,286	9,496

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements as set out in Chapter 18 of the GEM Listing Rules.

The accounting policies adopted in preparing the unaudited consolidated financial statements for the six months ended 31 March 2007 are consistent with those followed in the annual report of the Company 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. SEGMENT INFORMATION

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

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

(a) the telecommunications network infrastructure solutions segment consists of the sale of the broadband data network information platform developed by the Group as well as the integration of third-party software and hardware for telecommunications sectors;

(b) the network management solutions segment consists of the sale of network management software for telecommunications sectors;

(c) the other network solutions for sectors other than telecommunications segment consists of the design, implementation and maintenance of network systems for customers in sectors other than telecommunications sectors;

(d) the transmission segment consists of manufacturing and marketing of communication cables and optical cables, primarily for communications sectors; and

(e) the corporate and other segment consists of the Group's investing holding, corporate assets and liabilities items.

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

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

(a) Business Segments

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

Group	Telecommunications network infrastructure solutions Six months ended 31 March		Network management solutions Six months ended 31 March		Other network solutions for sectors other than telecommunications Six months ended 31 March		Transmission Six months ended 31 March		Eliminations Six months ended 31 March		Consolidated Six months ended 31 March	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from external customers	–	–	–	–	–	293	50,366	24,413	–	–	50,366	24,706
Segment results	(2,038)	(4,355)	(674)	(864)	(609)	(1,060)	1,423	911			(1,898)	(5,368)
Unallocated other revenue											1,763	889
Loss from operating activities											(135)	(4,479)
Finance costs											(1,401)	(915)
Loss before tax											(1,536)	(5,394)
Income tax expense											(85)	(346)
Loss for the period											(1,621)	(5,740)

Group	Telecommunications network infrastructure solutions		Network management solutions		Other network solutions for sectors other than telecommunications		Transmission		Corporate and other		Consolidated	
	31 March 2007	30 September 2006	31 March 2007	30 September 2006	31 March 2007	30 September 2006	31 March 2007	30 September 2006	31 March 2007	30 September 2006	31 March 2007	30 September 2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Segment assets	596	1,272	718	930	30	34	69,833	56,175	–	–	71,177	58,411
Unallocated assets									1,195	2,037	1,195	2,037
Total assets											72,372	60,448
Segment liabilities	10,161	9,954	16,120	15,372	2,184	2,141	46,774	34,734	–	–	75,239	62,201
Unallocated liabilities									10,536	9,977	10,536	9,977
Total liabilities											85,775	72,178
Other segment information												
Depreciation of property, plant and equipment	102	898	208	685	5	36	813	1,508	–	15	1,128	3,142
Amortisation of prepaid land lease payments	–	–	–	–	–	–	39	73	–	–	39	73
Deficit/(Surplus) arising on revaluation of leasehold land and buildings-recognised directly in equity	–	–	–	–	–	–	–	–	–	311	–	311
Amortisation of deferred development costs	–	–	–	193	–	–	–	–	–	–	–	193
Impairment loss on other receivables	–	498	–	159	–	–	–	–	–	–	–	657
Loss on disposal of property, plant and equipment	–	4,634	–	–	–	–	–	–	–	–	–	4,634
Capital expenditure	–	–	–	–	–	–	1,080	351	–	–	1,080	351

(b) Geographical Segments

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

3. INCOME TAX EXPENSE

	Six months ended 31 March	
	2007	**2006**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
PRC corporate income tax	85	346

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 31 March 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 six months ended 31 March 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 31 March 2007 (2006: Nil).

4. PROFIT/(LOSS) FOR THE PERIOD

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

	Three months ended 31 March		Six months ended 31 March	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cost of sales	22,229	8,938	43,516	20,369
Staff costs (including directors' emoluments)	1,340	1,492	2,484	2,564
Depreciation	549	937	1,128	1,507
Amortisation of deferred development costs	–	52	–	104
Minimum lease payments under operating leases in respect of land and buildings	20	126	39	252
Provision for impairment of trade and retention receivables	–	451	–	451

5. DIVIDEND

The Board does not recommend payment of an interim 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 six months ended 31 March 2007 is based on the respective unaudited consolidated net loss attributable to the equity holders of the Company of approximately HK$2,437,000 (2006: approximately HK$6,183,000) and the weighted average of 1,628,160,470 shares (2006: 1,551,660,470 shares) in issue during the periods.

The diluted loss per share for the six months ended 31 March 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 six months ended 31 March 2007 and 2006.

7. PROPERTY, PLANT AND EQUIPMENT

The movements of property, plant and equipment of the Group were:

	31 March 2007	**30 September 2006**
	HK$'000	*HK$'000*
	(Unaudited)	(Audited) (As restated)
Net book value, beginning of period/year	12,781	33,133
Additions	1,080	351
Disposals	–	(19,747)
Depreciation	(1,128)	(3,142)
Translation adjustment	273	1,577
Revaluation	–	609
Net book value, end of period/year	13,006	12,781

8. TRADE AND RETENTION RECEIVABLES

Trade and retention receivables, which generally have credit terms pursuant to the provisions of the relevant contracts. The fair values of trade and retention receivables approximate their carrying amounts.

An ageing analysis of the Group's trade and retention receivables as at the balance sheet date, based on invoice date, and net of provisions, is as follows:

	31 March 2007	**30 September 2006**
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 – 90 days	5,777	19,061
91 – 180 days	30,689	6,997
181– 365 days	1,333	5,741
Over 365 days	–	304
	37,799	32,103

9. TRADE AND BILLS PAYABLES

An ageing analysis of the Group's trade and bills payables as at the balance sheet date is as follows:

	31 March 2007	30 September 2006
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 – 90 days	2,494	920
91 – 180 days	1,451	3,062
181– 365 days	1,205	645
Over 365 days	13,835	13,302
	18,985	17,929

10. SHARE CAPITAL

	31 March 2007	30 September 2006
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Authorised:		
2,000,000,000 (30 September 2006: 2,000,000,000) ordinary shares of US$0.01 each	156,000	156,000
Issued and fully paid:		
1,628,160,470 (30 September 2006: 1,628,160,470) ordinary shares of US$0.01 each	126,989	126,989

11. COMMITMENTS

(i) Operating lease commitments

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to two years. As at 31 March 2007, the Group had no future minimum lease payments under non-cancellable operating leases.

(ii) Capital commitments contracted for

At the balance sheet date, the Group had following outstanding capital commitments:

	31 March 2007	30 September 2006
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Contracted, but not provided for		
– Construction of building	–	467

The Group did not have any significant capital commitments at 31 March 2007.

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

As at 31 March 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

	Number of issued ordinary shares of US$0.01 each in the Company held and the capacity		
Name of director	**Total interests in shares**	**Capacity**	**Approximate Percentage of the Company's issued share capital**
Mr. Wu Shu Min	154,823,000	Beneficial owner	9.51%
Mr. Xu Zhi Feng	4,376,000	Beneficial owner	0.27%

(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 March 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 31 March 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 31 March 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 31 March 2007	Date of grant	Exercise period	Exercise price per share *HK$*
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 31 March 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 31 March 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
AG Investment No. 1 Investment Partnership	Beneficial owner	85,000,000	5.22%	–	85,000,000
Ms. Lei Dong Ling *(Note)*	Interests of spouse	154,823,000	9.51%	28,000,000	182,823,000

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 154,823,000 shares and 28,000,000 share options in which Mr. Wu Shu Min is interested.

Save as disclosed above, as at 31 March 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 31 March 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 31 March 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 31 March 2007	Exercise period of share options	Adjusted exercise price per share*
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 31 March 2007, options to subscribe for an aggregate of 18,400,000 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 31 March 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 31 March 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	–	–	–	–	7,600,000	5 June 2003 to 21 December 2011	0.078
	18,400,000	–	–	–	–	18,400,000 ”		

4. UNAUDITED THIRD QUARTER RESULTS

Set out below is the unaudited consolidated results of the Group for the three months and nine months ended 30 June 2007 as extracted from page 4 to 7 of the third quarterly report of the Company.

"CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Three months ended 30 June		Nine months ended 30 June	
		2007	2006	2007	2006
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Unaudited)	(Unaudited)	(Unaudited)	(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 HKFRSs") 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	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(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	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(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	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(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	Share premium account	Capital reserve	Statutory reserve	Asset revaluation reserve	Exchange fluctuation reserve	Accumulated losses	Total	Minority interests	Restated Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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"

5. MANAGEMENT DISCUSSION AND ANALYSIS

Set out below is the management discussion and analysis of the Group for the three years ended 31 December 2004, 2005 and 2006 and nine months ended 30 June 2007 extracted from the respective annual reports and quarterly report of the Company. References to page and note numbers in this section are to the page and note numbers of the relevant annual reports and quarterly report of the Company.

For the year ended 30 September 2004

"Financial Review

Turnover

Turnover for the fiscal year ended 30 September 2004 amounted to approximately HK$113.9 million compared with approximately HK$166.8 million last year, representing a drop of 31.7%. The decrease in turnover was mainly due to the keen market competition. Following the completion of the acquisition of Wujiang Shengxin Optoelectronics Technology Co, Ltd. ("Shengxin"), contribution from transmission solutions became a sizeable revenue source to the Group during the year under review.

Excluding provision of trade receivable and other receivable and impairment of goodwill totaling approximately HK$24.7 million (2003: approximately HK$13.4 million), the Group recorded net loss from ordinary activities attributable to shareholders of approximately HK$23.8 million during the year (2003: approximately HK$24.2 million). During the year, the Group continued its efforts in implementing cost control measures but the decrease in turnover during the year offset the effect of cost control measures taken.

Gross profit margin

Gross profit margin for the year under review was 14.2% which was in line with last year. As a result of the keen market competition, the gross profit margin for system integration solutions projects showed a downward trend. During the year under review, the group has taken cautious steps in its bidding price and did not submit tender for those projects of unacceptable margin. Therefore the Group still achieved last year's gross profit margin but unavoidably recorded a decrease in turnover.

Selling and distribution costs and administrative expenses

Selling and distribution costs for the year under review totaled approximately HK$9.3 million (2003: approximately HK$11.6 million). The decrease in selling and distribution cost was in line with the decrease in turnover of the Group during the year.

Administrative expenses decreased to approximately HK$28.2 million in 2004 (2003: approximately HK$32.4 million). The decrease in administrative expenses was due to the Group's concerted efforts to maximize operational efficiency and streamline operational expenses.

Segmental information

Turnover generated from providing network infrastructure solutions accounted for approximately HK$51.7 million, equivalent to 45.4% of turnover for the year under review (2003: approximately HK$95.5 million) and representing a decrease of 45.9%. The substantial decrease in turnover of network infrastructure solutions, customarily the Group's core revenue generator, was due to the keen market competition.

Turnover generated from providing network management solutions decreased to approximately HK$2.8 million (2003: approximately HK$23.2 million). This represented 2.5% of turnover for the year under review. Turnover generated from providing other network solutions for customers in other market sectors in the PRC, focusing on governmental and enterprise projects, was approximately HK$14.5 million, representing 12.7% of turnover for the year under review (2003: approximately HK$13.9 million). From the second quarter starting 1 January 2004 onwards, revenue from Shengxin was consolidated to the Group's financial results. Turnover generated from Shengxin amounted to approximately HK$44.9 million for the year under review, amounting to approximately 39.4% of the Group's turnover (2003: approximately HK$ 34.2 million).

Order book

As at the date of this report, the Group has secured approximately HK$20.0 million contracts on hand.

Financial resources and liquidity

Net current assets of the Group as at 30 September 2004 was approximately HK$8.4 million (2003: approximately HK$29.5 million). As at 30 September 2004, the Group has short-term cash and bank deposits of approximately HK$15.7 million (2003: approximately HK$68.8 million). The decrease in value of net current assets and cash and bank deposits balance was a result of the operating losses recorded during the year under review.

As at 30 September 2004, the Group's total bank and other borrowings amounted to approximately HK$36.5 million at fixed interest rates ranging from 5.04% p.a. to 8% p.a. (2003: approximately HK$58.7 million at fixed interest rates ranging from 5.04% p.a. to 6% p.a.). Among of which, approximately HK$22.5 million is repayable within one year or on demand and approximately HK$14.0 million is repayable beyond one year.

Charge on group assets

As at 30 September 2004, the Group's bank loans and other bank facilities are secured by:

(i) charges on the Group's fixed deposits of approximately HK$11.1 million (2003: approximately HK$46.0 million), legal charges on the Group's leasehold land and buildings, plant and machinery and motor vehicles with carrying values of approximately HK$27.2 million (2003: approximately HK$27.5 million), approximately HK$5.1 million (2003: approximately HK$6.0 million) and approximately HK$0.3 million (2003: approximately HK$0.3 million) respectively; and

(ii) corporate guarantee executed by an independent third party.

Exposure to fluctuations in exchange rates

The Group continues to adopt a conservative treasury policy with all bank deposits being kept in either Hong Kong Dollars, or in the local currencies of the operating subsidiaries, keeping a minimum exposure to foreign exchange risks.

Gearing ratio

The Group's gearing ratio as at 30 September 2004 increased to 55.1% (2003: 52.9%). The gearing ratio was based on the Group's total liabilities over its total assets.

Employees

As at 30 September 2004, the Group has 265 employees including 146 employees of Shengxin and 38 employees of Chengdu TM as compared with 287 for the same period of last year. The staff cost, including directors' emoluments, was approximately HK$13.3 million for the year under review (2003: approximately HK$17.0 million). During the year, the Group put concerted efforts to streamline operations and rationalize the costs. Improvements were reflected in the year under review as to the decreased number of employees (excluding employees of Shengxin and Chengdu TM) and the decreased amount of staff costs.

Share option schemes

The Group has adopted two share option schemes whereby certain directors and employees of the Group may be granted options to acquire shares of the Company. Details of the share option schemes are fully set out in the section under "Share Option Scheme" in the note 25 to financial statements.

Contingent liabilities

As at the date of this report, the Directors are not aware of any material contingent liabilities.

Dividend

The directors do not recommend the payment of a final dividend for the year ended 30 September 2004 (2003: Nil).

Capital structure

During the year under review, the movement of the share capital of the Company was as follows:

On 28 June 2004, 49,029,480 shares of US$0.01 each were allotted and issued to an independent third party for the acquisition of 51% interests in TM Technology and its subsidiaries.

On 28 June 2004, 57,613,640 shares of US$0.01 each were allotted and issued to two independent third parties for the assignment of two investor's loan due and payable by TM Technology to the two independent third parties.

As at 30 September 2004, 1,543,160,470 shares of the Company were issued and fully paid.

Capital commitment and significant investments

In June 2004, the Group completed the acquisition and subscription of 51% equity interest in TM Technology, the investment holding company that holds 100% equity interest in Chengdu TM (the "TM Acquisition") together with two investor's loan. The total consideration of HK$15.8 million was satisfied by the issue and allotment of 49,029,480 new shares and 57,613,640 new shares of the Company at an issue price of HK$0.13 per share and HK$0.088 per share, respectively and cash payment of HK$4.3 million.

Future plans for material investment or capital assets

As at the date of this report, the Group does not have any plans for material investment or capital assets.

Material acquisitions or disposals

Apart from the TM Acquisition, the Group did not have any material acquisitions or disposals during the year under review. Details of which were disclosed in the Company's circular dated 23 June 2004.

Disclosure of trade receivables under Chapter 17 of the GEM Listing Rules

As at 30 September 2004, there was a trade receivable due from 北京國創華利科技有限公司 ("Beijing Guochuang") amounted to approximately HK$9.9 million which was arisen from the provision of system integration solutions including the sales of software and hardware systems. The balance was overdue more than one year.

Since the disclosure made in the Company's third quarterly report dated 12 August 2004, an approximate amount of HK$1.4 million due from Beijing Guochuang was offset with the same amount due from the Group's subsidiaries to a supplier. Moreover, taking into account of the Group's progress in negotiation with Beijing Guochuang and its corresponding supplier, a provision of HK$5.2 million was made as at 30 September 2004. As a result of these, the net exposure of the amount due from Beijing Guochuang reduced to approximately HK$9.9 million. The Group will take appropriate steps to collect the trade receivable in accordance with the terms of the contracts.

The balance fell within the disclosure requirement under Chapter 17 of the GEM Listing Rules. Details of which is also disclosed in the "Report of the Directors".

Business Review

Network infrastructure solutions

The network infrastructure solutions business has been a significant revenue generator of the Group in the past few years and this remained the same for the year under review. However, profit margin of the projects in this business segment continued to be under pressure. We had taken cautious steps in selecting projects with acceptable profit margin. The turnover generated from this business segment dropped by 45.9% as compared to that of the previous year. During the year under review, the Group was awarded repeating orders from Provincial Telecommunications Corporation in Shanghai for construction of Metropolitan Area Networks.

Network management solutions

In fiscal year 2004, the turnover generated from network management solutions which usually has a higher profit margin dropped by 87.9% as compared to that of fiscal year 2003. The results recorded in this business segment was much lower than anticipated and it was mainly attributable to less contracts being secured from China Telecom due to the fact that the construction of local network management projects carried in the past few years was close to completion. For this business segment, we have based on our existing technology and transformed to focus in developing the software application of communication and information network services.

Other network solutions

The revenue contributed by the other network solutions recorded an increase of 4.3% as compared to that of previous year. Major projects included provision of network solutions to educational institute and construction of business intelligent platform for mobile customers.

Transmission solutions

The Group conducts the transmission business indirectly through its 51% equity interests of Shengxin. Shengxin is mainly engaged in manufacturing and sale of communication cables and optical fiber cables. This business segment attributed a sizeable portion of turnover of the Group in the year under review, representing 39.4%. However, the business of transmission solution was adversely affected by the elevation of cost of copper which is the key raw material. Some of the projects taken in the beginning of the year suffered loss as a result.

Research and development

Our research and development team has in fiscal year 2004 commenced research and development of "Enterprise IP Network Management and Maintenance Service Platform" to enable enterprises to centrally manage and maintain IP networks and elements.*Management Discussions and Analysis

Corporate development

In May 2004, the Group made strategic move to acquire 51% equity interests of TM Technology which in turn owned 100% of Chengdu TM, a company armed with a strong research and development team, engaged primarily in the businesses of research and development of software and hardware of computer, sale and provision of maintenance services to retail customers, provision of technical consultation services to automation control system and sophisticated computer network engineering and management system. Their products include (i) Calling Data Recording System, (ii) Wireless Management and Monitoring System; and (iii) IP Management System."

For the year ended 30 September 2005

"Financial Review

Turnover

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

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

Gross profit margin

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

Sales and distribution costs and administrative expenses

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

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

Segmental information

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

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

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

Order book

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

Financial resources and liquidity

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

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

Charge on Group assets

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

Exposure to fluctuations in exchange rates

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

Gearing ratio

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

Employees

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

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

Share option schemes

The Group has adopted two share option schemes whereby some directors and employees of the Group may be granted an option to subscribe for the shares of the Company. Details of the share option schemes are set out in the section under "Share Option Scheme" in the note 27 to the financial statements.

Contingent liabilities

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

Dividend

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

Capital structure

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

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

Capital commitment and substantial investments

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

Future plans for substantial investments or capital assets

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

Major acquisitions or disposals

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

Trade receivables discloseable under Chapter 17 of the GEM Listing Rules

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

Further disclosure of trade receivable under Chapter 17 of the GEM Listing Rules is disclosed in the "Report of the Directors".

Business Review

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

Network infrastructure solutions

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

Network management solutions and other network solutions

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

Electronic payment platform and enterprise IP network management and maintenance service platform

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

Transmission solutions

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

Research and development

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

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

For the year ended 30 September 2006

"Financial Review

Turnover

Turnover for the fiscal year ended 30 September 2006 amounted to approximately HK$71.0 million compared with approximately HK$60.1 million last year, representing an increase of 18.2%. The increase in turnover was mainly attributable to the success of the transmission solutions of Wujiang Shengxin Optoelectronics Technology Co, Ltd. ("Shengxin") to have secured significant market share in markets like Shandong and Shanghai during the year.

During the year under review, the Group's net loss attributable to equity holder of the Company was substantially narrowed down to approximately HK$16.2 million (2005: approximately HK$82.1 million). The Group remained committed to implementing cost control measures during the year resulting in a marked narrowing of loss.

Gross profit margin

Gross profit margin for the year under review was 13.7%, dropping slightly as compared with that of last year. During the year under review, the Group focused its business on transmission solutions, which was usually of lower gross profit margin as compared with other business segments of the Group.

Selling and distribution costs and administrative expenses

Selling and distribution costs for the year under review totaled approximately HK$3.8 million (2005: approximately HK$5.6 million). Sales during the year involved mainly transmission business, which was generally of lower sales expenses.

Administrative expenses decreased to approximately HK$13.6 million in 2006 (2005: approximately HK$22.0 million). The decrease in administrative expenses was a result of the Group's concerted efforts to maximize operational efficiency and streamline operational expenses.

Segmental information

Turnover generated from the transmission segment of Shengxin amounted to approximately HK$70.7 million, accounting for 99.6% of the turnover for the year under review (2005: approximately HK$29.2 million). In light of the intense market competition for the Company's existing business, the Company is gradual fading out of the other business segments while pioneering in new businesses.

Order book

As at the date of this report, the Group has secured approximately HK$20.0 million worth of contracts on hand.

Financial resources and liquidity

Net current liabilities of the Group as at 30 September 2006 were approximately HK$28.3 million (2005: approximately HK$42.2 million). As at 30 September 2006, the decrease of net current liabilities was because the Group had made up for bank loans with its real estates. The Group had short-term cash and bank deposits of approximately HK$3.5 million (2005: approximately HK$6.3 million). The decrease in cash and bank deposit balance was a result of the operating losses recorded during the year under review.

As at 30 September 2006, the Group's total bank and other borrowings amounted to approximately HK$27.5 million at fixed interest rates ranging from 7.25% p.a. to 12% p.a. (2005: approximately HK$24.0 million at fixed interest rates ranging from 7% p.a. to 7.25% p.a.).

Charge on Group assets

Details of the charge on Group assets are set out in note 27 to the financial statements.

Exposure to fluctuations in exchange rates

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

Gearing ratio

The Group's gearing ratio as at 30 September 2006 increased to 119.4% (2005: 106.2%). The gearing ratio was based on the Group's total liabilities over its total assets.

Employees

As at 30 September 2006, the Group has had 127 employees, including 115 employees of Shengxin, as compared with 175 employees for the same period last year. The staff costs, including directors' emoluments, totaled approximately HK$5.6 million for the year under review (2005: approximately HK$10.3 million). During the year under review, the Group strived to streamline operations and keep the costs under control so that the number of employees and the amount of staff costs could be reduced.

Share option schemes

The Group has adopted two share option schemes, whereby some directors and employees of the Group may be granted an option to subscribe for the shares of the Company. Details of the share option schemes are set out in the section under "Share Option Scheme" in note 30 to the financial statements.

Contingent liabilities

As at the date of this annual report, the Directors have had no knowledge of any material contingent liabilities.

Dividend

The Directors do not recommend the payment of a final dividend for the year ended 30 September 2006 (2005: Nil).

Capital structure

During the year under review, movement of the share capital of the Company was as follows:

In February 2006, the Company allotted 85,000,000 shares of US$0.01 each to an independent third party at a subscription price of HK$0.078 per share.

As at 30 September 2006, 1,628,160,470 shares of the Company were issued and fully paid.

Capital commitment and substantial investments

The Group did not have any capital commitment, other than HK$467,000 in respect of construction of building, and substantial investments during the year under review.

Future plans for substantial investments or capital assets

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

Major acquisitions or disposals

During the year, the Group was defaulted in repayment of bank loan of approximately HK$13.7 million and the pledged property of the Group with a carrying value of approximately HK$18.3 million was assigned to the bank for settlement of the bank loan.

Save as disclosed, the Group did not have any major acquisitions or disposals during the year under review.

Business Review And Outlook

Transmission solutions

During the year under review, the turnover of the Group mainly generated from the transmission segment which was a result of the strategic adjustment adopted by the Group in the past year in consideration of the development of the Group and the market conditions. The transmission segment carries business of manufacturing and sale of communication cables and optical fiber cables through Shengxin, a subsidiary that the Group owns 51% equity interest. Turnover attributable by this segment for the year under review was approximately HK$70.7 million, representing 99.6% of the turnover. For the fiscal year 2006, growth in turnover was recorded particularly some substantial orders were secured by Shengxin in the third quarter of the year. However, due to the copper price, the main raw material of this business, has remained high, the profit margin was still under pressure.

Corporate development

Considering that the existing business is insufficient to support the Group's development, the Group has embarked on the research and development and marketing of the RFID technology and other relevant projects.

For improving the Group's results and operational efficiency, stringent cost control measure was implemented during the year under review and the Group's structure and workforce had also been streamlined.

Over the past two years, the Group has been keen on exploring new business opportunities in order to enhance the business base and to improve the performance of the Group. We have pursued different business projects, such as electronic payment platform and RFID technology and relevant projects. However, these projects took longer time than expected to be realized. On the other hand, the financial constraint of the Group also affected the pace of implementation of some projects. Nevertheless, we're still confident in pursuing these new business opportunities and full effort will be devoted to the potential projects.

For the further business development and enhancement of the financial condition of the Group, we will continuously look for new funding, potential investors and business partners with strategic value."

For the nine months ended 30 June 2007

"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 rejectamenta, 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."

6. STATEMENT OF INDEBTEDNESS

Borrowings

As at the close of business on 31 July 2007 (being the latest practicable date for the purpose of this statement of indebtedness), the Enlarged Group had outstanding secured bank borrowings of approximately RMB26,980,000 (approximately HK$27,391,000) and unsecured other loans of approximately RMB13,245,000 (approximately HK$13,447,000) and amount due to a director of approximately HK$187,000.

Pledge of assets

The Enlarged Group has pledged its bank deposits of approximately RMB60,000 (approximately HK$61,000), its leasehold land, buildings and plant and machinery with carrying values of approximately RMB3,279,000 (approximately HK$3,329,000), RMB4,667,000 (approximately HK$4,738,000) and RMB6,118,000 (approximately HK$6,211,000) respectively as at 31 July 2007 to secure the bank borrowings granted to the Enlarged Group.

Disclaimer

Save as aforesaid and apart from intra-group liabilities, the Enlarged Group did not have, as at the close of business on 31 July 2007, any debt securities issued and outstanding, or authorised or otherwise created but unissued, or term loans or bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, obligations under hire purchase contracts or finance leases, guarantees, or other material contingent liabilities.

The Directors confirm that there has been no material change to the indebtedness or contingent liabilities of the Enlarged Group since 31 July 2007 and up to the Latest Practicable Date.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 30 September 2006, being the date to which the latest audited consolidated financial statements of the Group were made up.

8. WORKING CAPITAL

Taking account of the Enlarged Group's internal resources, presently available banking and other facilities, and the placing of new Shares as announced by the Company on 19 September 2007, the Directors are of the opinion that in the absence of unforeseen circumstances, the Enlarged Group shall have sufficient working capital for a period of twelve months from the date of this circular.

The following is the text of an accountants' report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong.

HLB 國衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

31/F., Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

3 October 2007

The Board of Directors
IIN International Limited
Unit 2201A, 22/F., Bank of America Tower
12 Harcourt Road
Central
Hong Kong

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding 深圳市利得迅環保技術有限公司 ("Lidesui") for the period from 18 July 2007 (date of incorporation) to 31 July 2007 (the "Relevant Period") for inclusion in the circular of IIN International Limited (the "Company") dated 3 October 2007 (the "Circular") in connection with the proposed acquisition of the entire equity interest of Lidesui by II Networks International Limited, a wholly-owned subsidiary of the Company.

Lidesui was established under the laws of the People's Republic of China (the "PRC") with limited liability. The address of the registered office and principal place of business of Lidesui is located at Room 110, Rong Sheng Building, No. 88 Baguasan Road, Fu Tian District, Shenzhen City, the PRC. During the Relevant Period, Lidesui has not yet commenced any business. No statutory financial statements of Lidesui have been prepared since the date of incorporation. Lidesui adopts 31 December as its financial year end date and the first financial statements will be prepared for the period ending 31 December 2007.

Basis of preparation

The Financial Information has been prepared by the directors of Lidesui based on the unaudited management accounts of Lidesui, after making adjustments as are appropriate (the "Underlying Financial Information"). Adjustments have been made, for the purpose of this report, to restate the Underlying Financial Information to conform with Hong Kong Financial Reporting Standards and the disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Respective responsibilities of directors and reporting accountants

The directors of Lidesui are responsible for the preparation of the Financial Information which gives a true and fair view. In preparing the Financial Information which gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on the Financial Information.

Basis of opinion

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have audited the Financial Information for the Relevant Period in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and we have carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of Lidesui in respect of any period subsequent to 31 July 2007.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Information. It also includes an assessment of the significant estimates and judgements made by the directors of Lidesui in the preparation of the Financial Information, and of whether the accounting policies are appropriate to the circumstances of Lidesui, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the Financial Information is free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of the Financial Information. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, for the purpose of this report, all adjustments considered necessary have been made and the Financial Information gives a true and fair view of Lidesui's financial position as at 31 July 2007 and of Lidesui's financial results and cash flows for the Relevant Period.

I. FINANCIAL INFORMATION

INCOME STATEMENT

For the period from 18 July 2007 (date of incorporation) to 31 July 2007

	Notes	*RMB'000*
Turnover	*5*	–
Administrative expenses		–
Profit before tax	*6*	–
Income tax expense	*7*	–
Profit for the period		–
Dividends	*8*	–

BALANCE SHEET
At 31 July 2007

	Notes	*RMB'000*
Current asset		
Bank balance		100
Total assets and liabilities		100
Capital and reserves		
Paid-up capital	*10*	100
Reserve		–
Total equity		100

STATEMENT OF CHANGES IN EQUITY

For the period from 18 July 2007 (date of incorporation) to 31 July 2007

	Paid-up capital
	RMB'000
At 18 July 2007 (date of incorporation) and at 31 July 2007	100

CASH FLOW STATEMENT

For the period from 18 July 2007 (date of incorporation) to 31 July 2007

	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before tax	–
Net cash generated from operating activities	–
CASH FLOWS FROM FINANCING ACTIVITIES	
Capital injection	100
Net cash generated from financing activities	100
Net increase in cash and cash equivalents	100
Cash and cash equivalents at the beginning of the period	–
Cash and cash equivalents at the end of the period	100
Analysis of balances of cash and cash equivalents	
Bank balance	100

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

Lidesui was incorporated in the PRC with limited liability. The address of the registered office and principal place of business of Lidesui is located at Room 110, Rong Sheng Building, No. 88 Baguasan Road, Fu Tian District, Shenzhen City, the PRC.

Lidesui has not yet commenced any business during the Relevant Period.

The Financial Information is presented in Renminbi ("RMB") which is the functional currency of Lidesui.

2. BASIS OF PREPARATION

The principal accounting policies applied in the preparation of this Financial Information are set out in note 3 below. These policies have been consistently applied to all the Relevant Period presented, unless otherwise stated.

The Financial Information has been prepared in accordance with the Hong Kong Financial Reporting Standards (the "HKFRSs") issued by the HKICPA. The Financial Information has been prepared under the historical cost convention.

The preparation of Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. It also requires management to exercise judgement in the process of applying the Lidesui's accounting policies.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The HKICPA issued a number of new or revised Hong Kong Accounting Standards ("HKASs") and HKFRSs and Interpretations ("INTs") (hereinafter collectively referred to "new HKFRSs") which are currently in use and effective for accounting periods beginning on or after 1 January 2007. For the purposes of preparing and presenting Financial Information of the Relevant Period, Lidesui has adopted all these new HKFRSs over the Relevant Period.

Lidesui has not early applied the following new and revised standards and interpretations that have been issued but are not yet effective. The directors of Lidesui anticipate that the application of these new standards and interpretations will have no material impact on the Financial Information of Lidesui.

HKAS 23 (Revised)	Borrowing costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions[2]
HK(IFRIC) – INT 12	Service Concession Arrangements[3]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 March 2007
3 Effective for annual periods beginning on or after 1 January 2008

A summary of significant accounting policies followed by Lidesui in the preparation of the Financial Information is set out below.

(a) Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in income statement.

Financial assets

Lidesui's major financial assets are bank balance which fall within the category of loans and receivables and the accounting policies adopted are set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by Lidesui are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of Lidesui after deducting all of its liabilities. Equity instruments issued by Lidesui are record at the proceeds received, net of direct issue costs.

(b) Impairment losses

At each balance sheet date, Lidesui reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(c) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable and deductible. Lidesui's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities of the financial information and the corresponding tax bases used in the computation of taxable profit and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and the deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to income statement except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the entity intends to settle its current tax assets and liabilities on a net basis.

(d) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(e) Provisions

Provisions are recognised when Lidesui has a present obligation as a result of a past event, and it is probable that Lidesui will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

(f) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

A transaction is considered to be a related party transaction where there is a transfer of resources or obligations between related parties.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management applies these policies continuously to manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

4.1 Financial risk factors

Market risk

Cash flow interest rate risk

Lidesui's cash flow interest rate risk primarily relates to variable-rate bank deposits. Lidesui's income and operating cash flows are substantially independent of changes in market interest rates as floating interest-bearing assets are not significant to Lidesui, no sensitivity analysis was disclosed to reflect the impact of changes in market interest rates.

Lidesui currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure if necessary.

Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due, and it results from amount and maturity mismatches of assets and liabilities.

The liquidity risk of Lidesui is not significant as Lidesui has no significant debt obligations.

Credit risk

Credit risk will cause a financial loss due to failure to discharge the obligation by the counterparties. Lidesui monitors the credit risk which mainly arises from deposits in bank by selecting the high credit rating banks.

There is no significant credit risk exposure to Lidesui and no financial assets were past due or impaired as at the balance sheet date.

4.2 Capital risk management

Lidesui's objectives of managing capital are to safeguard Lidesui's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, Lidesui may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, Lidesui monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. As Lidesui was still at the startup stage, no gearing ratio has been presented.

4.3 Fair value estimation

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions.

5. TURNOVER

No turnover was generated during the Relevant Period.

6. PROFIT BEFORE TAX

During the Relevant Period, no auditors' remuneration was incurred and no emolument was paid or payable by Lidesui to its directors for services rendered or as an inducement to join or upon joining or as compensation for loss of office. The directors have not waived any emoluments during the Relevant Period.

	Fee	Salaries, Allowance and bonus	Retirement benefit scheme contributions	Other fringe benefits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of director					
Wong Hanjian	–	–	–	–	–
Xiao Ying	–	–	–	–	–
	–	–	–	–	–

7. INCOME TAX EXPENSE

No provision for Hong Kong or overseas profits tax has been made as Lidesui did not generate any assessable profits during the Relevant Period.

There are no material unprovided deferred tax assets and liabilities at the balance sheet date.

8. DIVIDENDS

The directors of Lidesui do not recommend a payment of dividend nor transfer of any amount to reserves for the Relevant Period.

9. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful.

10. REGISTERED AND PAID-UP CAPITAL

	At 31 July 2007
	RMB
Registered, and fully paid-up capital	100

11. CONTINGENT LIABILITIES

Lidesui did not have any significant contingent liabilities at 31 July 2007.

12. SUBSEQUENT EVENTS

On 1 August 2007, Lidesui acquired 30% equity interest of Shenzhen Lisai Industrial Development Co., Ltd. ("Shenzhen Lisai"). Shenzhen Lisai is a private limited company incorporated in the PRC. The principal activity of Shenzhen Lisai is engaged in the businesses of designing, production processing, research and development of environment protection related facilities in the PRC. Shenzhen Lisai would become an associate of Lidesui after the acquisition.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for Lidesui in respect of any period subsequent to 31 July 2007. No dividend has been declared, made or paid by Lidesui in respect of any period subsequent to 31 July 2007.

Yours faithfully,
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

The following is the text of an accountants' report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong.

HLB 國衛會計師事務所
Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

31/F., Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

3 October 2007

The Board of Directors
IIN International Limited
Unit 2201A, 22/F., Bank of America Tower
12 Harcourt Road
Central
Hong Kong

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding 深圳市利賽園林綠化有限公司 ("Lisai Gardens") for each of the three years ended 31 December 2004, 2005 and 2006 and for the six months ended 30 June 2007 (the "Relevant Periods") for inclusion in the circular of IIN International Limited (the "Company") dated 3 October 2007 (the "Circular") in connection with the proposed acquisition of the entire equity interest of Lisai Gardens by II Networks International Limited, a wholly-owned subsidiary of the Company.

Lisai Gardens was established under the laws of the People's Republic of China (the "PRC") with limited liability. The address of the registered office and principal place of business of Lisai Gardens is located at Room 701A, Rong Sheng Building, No. 88 Baguasan Road, Fu Tian District, Shenzhen City, the PRC. During the Relevant Periods, the principal activity of Lisai Gardens is engaged in the businesses of environmental engineering including the supply and designing of plants for environmental protection purpose.

The financial statements of Lisai Gardens have been prepared by the directors of Lisai Gardens for the two years ended 31 December 2004 and 2005 in accordance with the relevant rules and accounting principles applicable to the PRC enterprises and were audited by 深圳中瑞泰會計師事務所. No audited financial statements of Lisai Gardens for the year ended 31 December 2006 was prepared as there is no statutory requirement to do so. Lisai Gardens has adopted 31 December as its financial year end date.

Basis of preparation

The Financial Information has been prepared by the directors of Lisai Gardens based on the PRC audited financial statements and the unaudited management accounts of Lisai Gardens, after making adjustments as are appropriate (the "Underlying Financial Information"). Adjustments have been made, for the purpose of this report, to restate the Underlying Financial Information to conform with Hong Kong Financial Reporting Standards and the disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Respective responsibilities of directors and reporting accountants

The directors of Lisai Gardens are responsible for the preparation of the Financial Information which gives a true and fair view. In preparing the Financial Information which gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on the Financial Information.

Basis of opinion

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have audited the Financial Information for the Relevant Periods in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and we have carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of Lisai Gardens in respect of any period subsequent to 30 June 2007.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Information. It also includes an assessment of the significant estimates and judgements made by the directors of Lisai Gardens in the preparation of the Financial Information, and of whether the accounting policies are appropriate to the circumstances of Lisai Gardens, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the Financial Information is free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of the Financial Information. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, for the purpose of this report, all adjustments considered necessary have been made and the Financial Information gives a true and fair view of Lisai Gardens' financial position as at 31 December 2004, 2005, 2006 and 30 June 2007 and of Lisai Gardens' financial results and cash flows for the Relevant Periods.

Comparative financial information

For the purpose of this report, we have also reviewed the unaudited financial information of Lisai Gardens including income statement, statement of changes in equity and cash flow statement for the six months ended 30 June 2006, for which the directors of Lisai Gardens are responsible, in accordance with Statement of Auditing Standard 700 "Engagements to review interim financial reports" issued by the HKICPA. A review consists principally of making enquires of group management and applying analytical procedures to the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the unaudited comparative financial information for the six months ended 30 June 2006.

On the basis of our review of the comparative financial information for the six months ended 30 June 2006 which does not constitute an audit, for the purpose of this report, we are not aware of any material modifications that should be made to the unaudited financial information presented for the six months ended 30 June 2006.

I. FINANCIAL INFORMATION

INCOME STATEMENT

		Year ended 31 December			Six months ended 30 June	
		2004	2005	2006	2006	2007
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Turnover	*6*	1,102	1,040	550	–	7
Cost of sales		(908)	(991)	(721)	–	(9)
Gross profit/(loss)		194	49	(171)	–	(2)
Other revenue	*7*	2	1	1	–	1
Operating expenses		(61)	(1)	–	–	–
Administrative expenses		(141)	(56)	(50)	(25)	(2)
Loss before tax	*8*	(6)	(7)	(220)	(25)	(3)
Income tax expense	*10*	–	–	–	–	–
Loss for the year/period		(6)	(7)	(220)	(25)	(3)
Dividends	*11*	–	–	–	–	–

BALANCE SHEET

		At 31 December			At 30 June
		2004	**2005**	**2006**	**2007**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current asset					
Property, plant and equipment	*13*	7	5	3	2
Current assets					
Trade receivables	*14*	332	217	217	228
Deposits paid, prepayments and other receivables	*15*	322	534	538	5
Amounts due from directors	*16*	1,908	1,872	1,149	1,678
Cash and bank balances		108	185	103	254
		2,670	2,808	2,007	2,165
Current liabilities					
Accruals and other payables	*17*	245	288	255	255
Receipt in advance		450	550	–	160
Amount due to a related company	*18*	200	200	200	200
		895	1,038	455	615
Net current assets		1,775	1,770	1,552	1,550
Total assets and liabilities		1,782	1,775	1,555	1,552
Capital and reserves					
Paid-up capital	*19*	2,000	2,000	2,000	2,000
Reserves		(218)	(225)	(445)	(448)
Total equity		1,782	1,775	1,555	1,552

STATEMENT OF CHANGES IN EQUITY

	Paid-up capital *RMB'000*	Accumulated losses *RMB'000*	Total equity *RMB'000*
At 1 January 2004	2,000	(212)	1,788
Loss for the year	–	(6)	(6)
At 31 December 2004 and 1 January 2005	2,000	(218)	1,782
Loss for the year	–	(7)	(7)
At 31 December 2005 and 1 January 2006	2,000	(225)	1,775
Loss for the year	–	(220)	(220)
At 31 December 2006 and 1 January 2007	2,000	(445)	1,555
Loss for the period	–	(3)	(3)
At 30 June 2007	2,000	(448)	1,552

UNAUDITED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2006

	Paid-up capital *RMB'000*	Retained profits *RMB'000*	Total equity *RMB'000*
At 1 January 2006	2,000	(225)	1,775
Loss for the period	–	(25)	(25)
At 30 June 2006	2,000	(250)	1750

CASH FLOW STATEMENT

	Year ended 31 December			Six months ended 30 June	
	2004	**2005**	**2006**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss before tax	(6)	(7)	(220)	(25)	(3)
Adjustments for:					
Depreciation	3	2	2	–	1
Interest income	(2)	(1)	(1)	–	(1)
Operating cash flows before working capital changes	(5)	(6)	(219)	(25)	(3)
Decrease/(increase) in trade receivables	155	115	–	–	(11)
(Increase)/decrease in deposits paid, prepayments and other receivables	(22)	(212)	(4)	60	533
(Decrease)/increase in amounts due to directors	(2,000)	36	723	–	(529)
(Decrease)/increase in accruals and other payables	(48)	43	(33)	(96)	–
(Decrease)/increase in receipt in advance	(350)	100	(550)	–	160
Cash (used in)/generated from operations	(2,270)	76	(83)	(61)	150
Interest received	2	1	1	–	1
Net cash (used in)/generated from operating activities	(2,268)	77	(82)	(61)	151
Net (decrease)/increase in cash and cash equivalents	(2,268)	77	(82)	(61)	151
Cash and cash equivalents at the beginning of the year/period	2,376	108	185	185	103
Cash and cash equivalents at the end of the year/period	108	185	103	124	254
Analysis of balances of cash and cash equivalents					
Cash and bank balances	108	185	103	124	254

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

Lisai Gardens was incorporated in the PRC with limited liability. The address of the registered office and principal place of business of Lisai Gardens is located at Room 701A, Rong Sheng Building, No. 88 Baguasan Road, Fu Tian District, Shenzhen City, the PRC.

The principal activity of Lisai Gardens is engaged in the businesses of environmental engineering including the supply and designing of plants for environmental protection purpose.

The Financial Information is presented in Renminbi ("RMB") which is the functional currency of Lisai Gardens.

2. BASIS OF PREPARATION

The principal accounting policies applied in the preparation of this Financial Information are set out in note 3 below. These policies have been consistently applied to all the Relevant Periods presented, unless otherwise stated.

The Financial Information has been prepared in accordance with the Hong Kong Financial Reporting Standards (the "HKFRSs") issued by the HKICPA, and accounting principles generally accepted in Hong Kong. The Financial Information has been prepared under the historical cost convention, except for certain financial instruments which are stated at fair values.

The preparation of Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. It also requires management to exercise judgement in the process of applying the Lisai Gardens' accounting policies. The areas involved a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information were disclosed in note 4.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The HKICPA issued a number of new or revised Hong Kong Accounting Standards ("HKASs") and Hong Kong Financial Reporting Standards and Interpretations ("INTs") (hereinafter collectively referred to "new HKFRSs") which are currently in use and effective for accounting periods beginning on or after 1 January 2007. For the purposes of preparing and presenting Financial Information of the Relevant Periods, Lisai Gardens has adopted all these new HKFRSs over the Relevant Periods.

Lisai Gardens has not early applied the following new and revised standards and interpretations that have been issued but are not yet effective. The directors of Lisai Gardens anticipate that the application of these new standards and interpretations will have no material impact on the Financial Information of Lisai Gardens.

HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions[2]
HK(IFRIC) – INT 12	Service Concession Arrangements[3]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 March 2007
3 Effective for annual periods beginning on or after 1 January 2008

A summary of significant accounting policies followed by Lisai Gardens in the preparation of the Financial Information is set out below.

(a) Revenue recognition

Revenue from the rendering of services is recognised when the relevant services have been rendered.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(b) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is computed utilising the straight-line method to write off the cost of these assets over their estimated useful lives as follows:

Office equipment	3 to 5 years

For acquisitions and disposals during the financial year/period, depreciation is provided from the month of acquisition and to the month before disposal respectively.

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment, if any.

Fully depreciated assets are retained in the books of accounts until they are no longer in use.

(c) Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in income statement.

Financial assets

Lisai Gardens' major financial assets are trade receivables, prepayments and other receivables, amounts due from directors and bank balances which fall within the category of loans and receivables and the accounting policies adopted are set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by Lisai Gardens are classified according to the substance of the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Financial liabilities including accruals, other payables, received in advance and amount due to a related company are classified as other financial liabilities which are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method.

An equity instrument is any contract that evidences a residual interest in the assets of Lisai Gardens after deducting all of its liabilities. Equity instruments issued by Lisai Gardens are record at the proceeds received, net of direct issue costs.

(d) Impairment losses

At each balance sheet date, Lisai Gardens reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(e) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable and deductible. Lisai Gardens's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities of the financial information and the corresponding tax bases used in the computation of taxable profit and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and the deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year/period when the liability is settled or the asset is realised. Deferred tax is charged or credited to income statement except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the entity intends to settle its current tax assets and liabilities on a net basis.

(f) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(g) Retirement benefit costs

Payments to defined contribution retirement benefit plans and state-managed retirement benefit schemes are charged as expenses when employees have rendered services entitling them to the contributions.

(h) Employee benefits

Salaries, bonus, paid annual leave, leave passage and the cost to Lisai Gardens of non-monetary benefits are accrued in the year/period when the associated services are rendered by the employees to Lisai Gardens. When payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(i) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Annual rentals applicable to such operating leases are charged to the income statement on a straight line basis over the lease terms.

(j) Provisions

Provisions are recognised when Lisai Gardens has a present obligation as a results of a past event, and it is probable that Lisai Gardens will be required to settle that obligations. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

(k) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

A transaction is considered to be a related party transaction where there is a transfer of resources or obligations between related parties.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Lisai Gardens makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Provision for impairment of receivables

The aged debt profile of trade receivables are reviewed on a regular basis to ensure that the trade receivables balances are collectible and follow up actions are promptly carried out if the agreed credit periods have been exceeded. However, from time to time, Lisai Gardens may experience delays in collection. Where recoverability of trade receivable balances are called into doubts, specific provisions for bad and doubtful debts are made based on credit status of the customers, the aged analysis of the trade receivable balances and write-off history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivable to the income statement. Changes in the collectability of trade receivables for which provisions are not made could affect our results of operations.

(b) Useful lives of property, plant and equipment

Lisai Gardens estimates the useful lives of property, plant and equipment that to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, and technical obsolescence arising from changes in the market demands or service output of the assets. Lisai Gardens also performs annual reviews on whether the assumptions made on useful lives continue to be valid.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management applies these policies continuously to manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

5.1 Financial risk factors

Market risk

i. Foreign exchange risk

Lisa Gardens operates mainly in the PRC and majority of transactions are dominated in RMB. Therefore, management believes that Lisai Gardens does not have significant foreign currency exchange risk. However, the conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

ii. Cash flow interest rate risk

Lisai Gardens cash flow interest risk primarily relates to variable-rate bank deposits. Lisai Gardens' income and operating cash flows are substantially independent of changes in market interest rates as floating interest-bearing assets are not significant to Lisai Gardens, no sensitivity analysis disclosed to reflect the impact of changes in market interest rates.

Lisai Gardens currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure if necessary.

Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due, and it results from amount and maturity mismatches of assets and liabilities.

The liquidity of Lisai Gardens is primarily dependent on its ability to maintain adequate cash inflow from operations to meet its debt obligations and to obtain ongoing support from its major bankers and creditors.

The financial liabilities of Lisai Gardens are all non-determinable payment term liabilities and the impact of discounting cash flow is not significant to Lisai Gardens.

Credit risk

Credit risk will cause a financial loss due to failure to discharge the obligation by the counterparties. The credit risk of Lisai Gardens mainly arises from the trade or other receivables. The management of Lisai Gardens performs ongoing credit evaluation of its customers' financial positions. Provision for impairment is based upon a review of the expected collectability of all receivables.

Lisai Gardens' bank balance are deposited with banks with high credit-rating and Lisai Gardens has limited exposure to any financial institution.

5.2 Capital risk management

Lisai Gardens's objectives of managing capital are to safeguard Lisai Gardens's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, Lisai Gardens may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, Lisai Gardens monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including borrowings and trade and other payables, as shown in the balance sheet) less cash and bank balances. Total capital is calculated as total equity, as shown in the balance sheet, plus net debt.

During the Relevant Periods, Lisai Gardens's strategy was to maintain its gearing ratios within 18% to 32%:

	At 31 December			At 30 June
	2004	2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total borrowings	895	1,038	455	615
Less: Cash and bank balances	(108)	(185)	(103)	(254)
Net debt	787	853	352	361
Total equity	1,782	1,775	1,555	1,552
Total capital	2,569	2,628	1,907	1,913
Gearing ratio	31%	32%	18%	19%

The decrease in the gearing ratio during the Relevant Periods resulted primarily from the decrease of deferred income.

5.3 Fair value estimation

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available for similar financial instruments.

6. TURNOVER

Turnover represents the aggregate amounts received and receivable from provision of services in relation to environmental protection during the Relevant Periods. Segment information is not presented as the Company is principally engaged in the businesses of environmental engineering including the supply and designing of plants for environmental protection purpose in the PRC, which over 90% of the Company's results and assets were related to during the Relevant Periods.

7. OTHER REVENUE

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Bank interest income	2	1	1	–	1

8. PROFIT BEFORE TAX

	Year ended 31 December			Six months ended 30 June	
	2004	**2005**	**2006**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Profit before tax is stated after charging:					
Auditors' remuneration	3	3	3	3	–
Depreciation of property, plant and equipment	3	2	2	–	1
Employee benefit expenses *(Note 9)*	174	45	46	25	–

9. EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December			Six months ended 30 June	
	2004	**2005**	**2006**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Directors' remuneration *(note (a))*	–	–	–	–	–
Salaries and wages	170	45	46	25	–
Retirement benefit scheme contributions	–	–	–	–	–
Staff welfare expenses	4	–	–	–	–
	174	45	46	25	–

(a) Directors' emoluments

The remuneration of every director of Lisai Gardens for the Relevant Periods is set out below:

	Fee	Salaries, allowance and bonus	Retirement benefit scheme contributions	Other fringe benefits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of director					
Year ended 31 December 2004					
Wong Hanjian	–	–	–	–	–
Xiao Ying	–	–	–	–	–
	–	–	–	–	–
Year ended 31 December 2005					
Wong Hanjian	–	–	–	–	–
Xiao Ying	–	–	–	–	–
	–	–	–	–	–
Year ended 31 December 2006					
Wong Hanjian	–	–	–	–	–
Xiao Ying	–	–	–	–	–
	–	–	–	–	–
Six months ended 30 June 2007					
Wong Hanjian	–	–	–	–	–
Xiao Ying	–	–	–	–	–
	–	–	–	–	–
Six months ended 30 June 2006 (Unaudited)					
Wong Hanjian	–	–	–	–	–
Xiao Ying	–	–	–	–	–
	–	–	–	–	–

(b) Five highest paid individuals

The aggregate emoluments to the five highest paid individuals of Lisai Gardens during the Relevant Periods are as follow:

	Year ended 31 December			Six months ended 30 June	
	2004	**2005**	**2006**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries and wages	170	45	46	25	–
Retirement benefits scheme contributions	–	–	–	–	–
Staff welfare expenses	4	–	–	–	–
	174	45	46	25	–

(c) During the Relevant Periods, no emolument was paid by Lisai Gardens to its directors or the five highest paid individuals as an inducement to join or upon joining Lisai Gardens as compensation for loss of office.

10. INCOME TAX EXPENSE

	Year ended 31 December			Six months ended 30 June	
	2004	**2005**	**2006**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
The charges comprise:					
Current tax					
– the PRC	–	–	–	–	–

Income tax expense for the Relevant Periods can be reconciled to loss for the year/period per income statement as follows:

	Year ended 31 December						Six months ended 30 June			
	2004		**2005**		**2006**		**2006**		**2007**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (Unaudited)	*%*	*RMB'000*	*%*
Loss before taxation	(6)		(7)		(220)		(25)		(3)	
Tax charge at the domestic income tax rate – 33%	(2)	33	(2)	33	(73)	33	(8)	33	(1)	33
Tax effect of expenses not deductible for tax purposes	2	(33)	2	(33)	73	(33)	8	(33)	1	(33)
Income tax expense and effective tax rate	–	–	–	–	–	–	–	–	–	–

11. DIVIDENDS

The directors of Lisai Gardens do not recommend a payment of dividend nor transfer of any amount to reserves for the Relevant Periods.

12. LOSS PER SHARE

Loss per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful.

13. PROPERTY, PLANT AND EQUIPMENT

	Office equipment
	RMB'000
Cost	
At 1 January 2004, 31 December 2004, 1 January 2005, 31 December 2005, 1 January 2006, 31 December 2006, 1 January 2007 and 30 June 2007	13
Accumulated depreciation:	
At 1 January 2004	3
Charge for the year	3
At 31 December 2004 and 1 January 2005	6
Charge for the year	2
At 31 December 2005 and 1 January 2006	8
Charge for the year	2
At 31 December 2006 and 1 January 2007	10
Charge for the period	1
At 30 June 2007	11
Net book value:	
At 31 December 2004	7
At 31 December 2005	5
At 31 December 2006	3
At 30 June 2007	2

14. TRADE RECEIVABLES

An aged analysis of trade receivables at the balance sheet date is as follows:

	At 31 December			At 30 June
	2004	2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 to 90 days	275	157	–	11
91 to 180 days	–	–	–	22
181 to 365 days	57	60	217	195
	332	217	217	228

Lisai Gardens allows a credit period ranging from 90 to 180 days to its trade customers. The carrying amounts of the trade receivables are denominated in RMB. The directors of Lisai Gardens consider that the carrying amounts of trade receivables approximate to their fair values.

Trade receivables of RMB57,000, RMB60,000, RMB217,000 and RMB195,000 as at 31 December 2004, 2005, 2006 and 30 June 2007 respectively were past due but not provided for as there has not been a significant change in credit quality and the amounts are still considered recoverable. Lisai Gardens does not hold any collateral over these balances.

15. DEPOSITS PAID, PREPAYMENTS AND OTHER RECEIVABLES

	At 31 December			At 30 June
	2004	2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits paid	55	5	5	5
Prepayments	20	–	–	–
Other receivables	247	529	533	–
	322	534	538	5

The carrying amounts of the deposits paid, prepayments and other receivables are denominated in RMB. The directors of Lisai Gardens consider that the carrying amounts of deposits paid, prepayments and other receivables approximate to their fair values and do not contain impaired assets.

16. AMOUNTS DUE FROM DIRECTORS

The amounts are unsecured, interest free and repayable on demand. The directors of Lisai Gardens consider that the carrying amounts of amounts due from directors approximate to their fair values.

17. ACCRUALS AND OTHER PAYABLES

	At 31 December			At 30 June
	2004	2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accruals	2	3	–	–
Other payables	243	285	255	255
	245	288	255	255

The carrying amounts of accruals and other payables approximate to their fair values.

18. AMOUNT DUE TO A RELATED COMPANY

The amount is unsecured, interest free and repayable on demand. The directors of Lisai Gardens consider that the carrying amount of amount due to a related company approximates to its fair value.

19. REGISTERED AND PAID-UP CAPITAL

	At 31 December			At 30 June
	2004	2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Registered, and fully paid-up capital	2,000	2,000	2,000	2,000

20. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed in notes 16, 18 and elsewhere to the Financial Information, there was no other material related party transaction occurred in the Relevant Periods.

Compensation for key management personnel of Lisai Gardens represented directors' remuneration is disclosed in note 9 to the Financial Information.

21. CONTINGENT LIABILITIES

Lisai Gardens did not have any significant contingent liabilities at 31 December 2004, 2005 and 2006 and 30 June 2007.

22. SUBSEQUENT EVENTS

On 1 August 2007, Lisai Gardens acquired 70% equity interest of Shenzhen Lisai Industrial Development Co., Ltd. ("Shenzhen Lisai"). Shenzhen Lisai is a private limited company incorporated in the PRC. The principal activity of Shenzhen Lisai is engaged in the businesses of designing, production processing, research and development of environment protection related facilities in the PRC. Shenzhen Lisai would become a subsidiary of Lisai Gardens after the acquisition.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for Lisai Gardens in respect of any period subsequent to 30 June 2007. No dividend has been declared, made or paid by Lisai Gardens in respect of any period subsequent to 30 June 2007.

Yours faithfully,
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

The following is the text of an accountants' report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong.

HLB 國衛會計師事務所
Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

31/F., Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

3 October 2007

The Board of Directors
IIN International Limited
Unit 2201A, 22/F., Bank of America Tower
12 Harcourt Road
Central
Hong Kong

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Shenzhen Lisai Industrial Development Co., Ltd. ("Shenzhen Lisai") for each of the three years ended 31 December 2004, 2005 and 2006 and for the six months ended 30 June 2007 (the "Relevant Periods") for inclusion in the circular of IIN International Limited (the "Company") dated 3 October 2007 (the "Circular") in connection with the proposed acquisition of the entire equity interests of 深圳市利得迅環保技術有限公司 ("Lidesui") and 深圳市利賽園林綠化有限公司 ("Lisai Gardens") by II Networks International Limited, a wholly-owned subsidiary of the Company.

Lidesui and Lisai Gardens in turn together hold the entire equity interest of Shenzhen Lisai upon completion of the reorganisation on 1 August 2007, which is described more fully in the section headed "Letter from the Board" in this circular.

Shenzhen Lisai was established under the laws of the People's Republic of China (the "PRC") with limited liability. The address of the registered office and principal place of business of Shenzhen Lisai is located at Block 5, Shajing Environment Industry Zone, Shayi Estate, Shajing Town, Baoan, Shenzhen City, the PRC. During the Relevant Periods, the principal activity of Shenzhen Lisai is engaged in the businesses of designing, production processing, research and development of environment protection related facilities.

The financial statements of Shenzhen Lisai have been prepared by the directors of Shenzhen Lisai for the three years ended 31 December 2004, 2005 and 2006 in accordance with the relevant rules and accounting principles applicable to the PRC enterprises and were audited by 深圳中瑞泰會計師事務所. Shenzhen Lisai has adopted 31 December as its financial year end date.

Basis of preparation

The Financial Information has been prepared by the directors of Shenzhen Lisai based on the PRC audited financial statements of Shenzhen Lisai, after making adjustments as are appropriate (the "Underlying Financial Information"). Adjustments have been made, for the purpose of this report, to restate the Underlying Financial Information to conform with Hong Kong Financial Reporting Standards and the disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Respective responsibilities of directors and reporting accountants

The directors of Shenzhen Lisai are responsible for the preparation of the Financial Information which gives a true and fair view. In preparing the Financial Information which gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on the Financial Information.

Basis of opinion

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have audited the Financial Information for the Relevant Periods in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and we have carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of Shenzhen Lisai in respect of any period subsequent to 30 June 2007.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Information. It also includes an assessment of the significant estimates and judgements made by the directors of Shenzhen Lisai in the preparation of the Financial Information, and of whether the accounting policies are appropriate to the circumstances of Shenzhen Lisai, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the Financial Information is free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of the Financial Information. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, for the purpose of this report, all adjustments considered necessary have been made and the Financial Information gives a true and fair view of Shenzhen Lisai's financial position as at 31 December 2004, 2005, 2006 and 30 June 2007 and of Shenzhen Lisai's financial results and cash flows for the Relevant Periods.

Comparative financial information

For the purpose of this report, we have also reviewed the unaudited financial information of Shenzhen Lisai including income statement, statement of changes in equity and cash flow statement for the six months ended 30 June 2006, for which the directors of Shenzhen Lisai are responsible, in accordance with Statement of Auditing Standard 700 "Engagements to review interim financial reports" issued by the HKICPA. A review consists principally of making enquires of group management and applying analytical procedures to the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the unaudited comparative financial information for the six months ended 30 June 2006.

On the basis of our review of the comparative financial information for the six months ended 30 June 2006 which does not constitute an audit, for the purpose of this report, we are not aware of any material modifications that should be made to the unaudited financial information presented for the six months ended 30 June 2006.

I. FINANCIAL INFORMATION

INCOME STATEMENT

		Year ended 31 December			Six months ended 30 June	
		2004	2005	2006	2006	2007
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Turnover	*6*	19,831	19,218	26,158	11,287	12,375
Cost of sales		(15,943)	(14,779)	(19,484)	(9,240)	(10,795)
Gross profit		3,888	4,439	6,674	2,047	1,580
Other revenue	*7*	12	10	36	7	10
Fair value change on financial assets at fair value through profit or loss		–	–	188	–	–
Gain on disposal of financial assets at fair value through profit or loss		–	–	–	–	485
Operating expenses		(755)	(707)	(753)	(360)	(48)
Administrative expenses		(3,489)	(3,117)	(3,503)	(1,476)	(3,229)
Finance costs	*8*	(1)	(1)	(468)	(215)	(190)
(Loss)/profit before tax	*9*	(345)	624	2,174	3	(1,392)
Income tax expense	*11*	–	(94)	(326)	–	–
(Loss)/profit for the year/period		(345)	530	1,848	3	(1,392)
Dividends	*12*	–	–	–	–	–

BALANCE SHEET

		At 31 December			At 30 June
		2004	**2005**	**2006**	**2007**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current asset					
Property, plant and equipment	*14*	1,986	1,530	12,364	12,827
Current assets					
Inventories	*15*	401	599	553	533
Trade receivables	*16*	4,087	2,953	5,105	10,216
Financial assets at fair value through profit or loss	*17*	–	–	3,188	–
Deposits paid, prepayments and other receivables	*18*	4,156	5,861	3,417	1,802
Amounts due from directors	*19*	11,790	14,869	8,467	–
Amount due from a related company	*19*	200	200	200	200
Cash and bank balances		622	1,460	3,801	885
		21,256	25,942	24,731	13,636
Current liabilities					
Trade payables	*20*	7,201	10,760	9,983	2,955
Deposits received, accruals and other payables	*21*	3,988	4,035	5,856	5,736
Tax payable		–	94	365	313
Bank loan - current portion	*22*	–	–	4,080	4,080
		11,189	14,889	20,284	13,084
Net current assets		10,067	11,053	4,447	552
Total assets less current liabilities		12,053	12,583	16,811	13,379
Non-current liability					
Bank loan – long term portion	*22*	–	–	2,380	340
Total assets and liabilities		12,053	12,583	14,431	13,039
Capital and reserves					
Paid-up capital	*23*	12,000	12,000	12,000	12,000
Reserves		53	583	2,431	1,039
Total equity		12,053	12,583	14,431	13,039

STATEMENT OF CHANGES IN EQUITY

	Paid-up capital *RMB'000*	Statutory reserve *RMB'000* *(Note)*	Retained profits *RMB'000*	Total equity *RMB'000*
At 1 January 2004	2,000	53	465	2,518
Capital injection	10,000	–	–	10,000
Loss for the year	–	–	(345)	(345)
Dividend paid	–	–	(120)	(120)
At 31 December 2004 and 1 January 2005	12,000	53	–	12,053
Transfer to statutory reserve	–	68	(68)	–
Profit for the year	–	–	530	530
At 31 December 2005 and 1 January 2006	12,000	121	462	12,583
Transfer to statutory reserve	–	15	(15)	–
Profit for the year	–	–	1,848	1,848
At 31 December 2006 and 1 January 2007	12,000	136	2,295	14,431
Loss for the period	–	–	(1,392)	(1,392)
At 30 June 2007	12,000	136	903	13,039

Note:

Statutory reserve

Statutory reserve of the Company comprises of statutory surplus reserve and statutory public welfare fund reserve.

Statutory surplus reserve

In accordance with the Company's articles of association, each entity shall appropriate 10% of its annual statutory net profit (after net off against any prior years' losses), prepared in accordance with the accounting principles and financial regulations (the "GAAP") applicable to companies established in the PRC, to the statutory surplus reserve. When the balance of such statutory surplus reserve reaches 50% of the entity's share capital, any further appropriation is optional.

Statutory welfare fund reserve

In accordance with the Company's articles of association, each entity shall appropriate 5% to 10% of its annual statutory net profit (after offset against any prior years' losses), prepared in accordance with the PRC GAAP, to the statutory public welfare fund reserve.

UNAUDITED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2006

	Paid-up capital *RMB'000*	Statutory reserve *RMB'000*	Retained profits *RMB'000*	Total equity *RMB'000*
At 1 January 2006	12,000	121	462	12,583
Profit for the period	–	–	3	3
At 30 June 2006	12,000	121	465	12,586

CASH FLOW STATEMENT

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES					
(Loss)/profit before tax	(345)	624	2,174	3	(1,392)
Adjustments for:					
Fair value change of financial assets of fair values through profit or loss	–	–	(188)	–	–
Gain on disposal of financial assets at fair values through profit or loss	–	–	–	–	(485)
Depreciation	461	575	552	269	399
Impairment of deposits paid, prepayment and other receivables	–	–	–	–	1,300
Interest income	(12)	(10)	(36)	(7)	(10)
Interest expense	–	–	249	–	188
Operating cash flows before working capital changes	104	1,189	2,751	265	–
Decrease/(increase) in inventories	18	(198)	46	110	20
(Increase)/decrease in the trade receivables	(3,266)	1,134	(2,152)	(3,705)	(5,111)
Decrease/(increase) in deposits paid, prepayment and other receivables	2,742	(1,705)	2,444	1,178	315
(Increase)/decrease in amounts due from directors	(11,790)	(3,079)	6,402	417	8,467
Increase in amount due from a related company	(200)	–	–	–	–
Increase/(decrease) in the trade payables	2,931	3,559	(777)	(7,656)	(7,028)
Increase/ (decrease) in deposits received, accruals and other payables	(89)	47	1,821	9,131	(120)
Cash (used in)/generated from operations	(9,550)	947	10,535	(260)	(3,457)
Interest expenses	–	–	(249)	–	(188)
Income tax paid	–	–	(55)	–	(52)
Net cash (used in)/generated from operating activities	(9,550)	947	10,231	(260)	(3,697)

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income	12	10	36	7	10
Purchase of financial assets at fair values through profit or loss	–	–	(3,000)	–	–
Sales proceeds of financial assets at fair values through profit or loss	–	–	–	–	3,673
Purchases of property, plant and equipment	(788)	(119)	(11,430)	(22)	(862)
Sales proceeds of property, plant and equipment	–	–	44	–	–
Net cash (used in)/generated from investing activities	(776)	(109)	(14,350)	(15)	2,821
CASH FLOWS FROM FINANCING ACTIVITIES					
Bank Loan raised	–	–	8,500	–	–
Repayment of bank loan	–	–	(2,040)	–	(2,040)
Capital injection	10,000	–	–	–	–
Dividend paid	(120)	–	–	–	–
Net cash generated from/(used in) financing activities	9,880	–	6,460	–	(2,040)
Net (decrease)/increase in cash and cash equivalents	(446)	838	2,341	(275)	(2,916)
Cash and cash equivalents at the beginning of the year/period	1,068	622	1,460	1,460	3,801
Cash and cash equivalents at the end of the year/period	622	1,460	3,801	1,185	885
Analysis of balances of cash and cash equivalents					
Cash and bank balances	622	1,460	3,801	1,185	885

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

Shenzhen Lisai was incorporated in the PRC with limited liability. The address of the registered office and principal place of business of Shenzhen Lisai is located at Block 5, Shajing Environment Industry Zone, Shayi Estate, Shajing Town, Baoan, Shenzhen City, the PRC.

The principal activities of Shenzhen Lisai is engaged in the businesses of designing, production processing, research and development of environment protection related facilities.

The Financial Information is presented in Renminbi ("RMB") which is the functional currency of Shenzhen Lisai.

2. BASIS OF PREPARATION

The principal accounting policies applied in the preparation of this Financial Information are set out in Note 3 below. These policies have been consistently applied to all the Relevant Periods presented, unless otherwise stated.

The Financial Information has been prepared in accordance with the Hong Kong Financial Reporting Standards (the ("HKFRSs") issued by the HKICPA, and accounting principles generally accepted in Hong Kong. The Financial Information has been prepared under the historical cost convention except for certain financial instruments, which are measure at fair value.

The preparation of Financial Information in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. It also requires management to exercise judgment in the process of applying the Shenzhen Lisai's accounting policies. The areas involved a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information were disclosed in Note 4.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The HKICPA issued a number of new or revised Hong Kong Accounting Standards ("HKASs") and Hong Kong Financial Reporting Standards and Interpretations ("INTs") (hereinafter collectively referred to "new HKFRSs") which are currently in use and effective for accounting periods beginning on or after 1 January 2007. For the purposes of preparing and presenting financial information of the Relevant Periods, Shenzhen Lisai has consistently adopted all these new and revised HKFRSs.

Shenzhen Lisai has not early applied the following new and revised standards and interpretations that have been issued but are not yet effective. The directors of Shenzhen Lisai anticipate that the application of these new standards or interpretations will have no material impact on the Financial Information of Shenzhen Lisai.

HKAS 23 (Revised)	Borrowing costs[1]
HKFRS 8	Operating segments[1]
HK(IFRIC) - INT 11	HKFRS 2 - Group and Treasury Share Transactions[2]
HK(IFRIC) - INT 12	Service concession arrangements[3]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 March 2007
[3] Effective for annual periods beginning on or after 1 January 2008

A summary of significant accounting policies followed by Shenzhen Lisai in the preparation of the Financial Information is set out below.

(a) Revenue recognition

Revenue from the rendering of services is recognized when the relevant services have been rendered.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(b) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is computed utilising the straight-line method to write off the cost of these assets over their estimated useful lives as follows:

Leasehold improvement	20 years
Furniture, fixtures and equipment	5 to 10 years
Motor vehicles	5 years

For acquisitions and disposals during the financial year/period, depreciation is provided from the month of acquisition and to the month before disposal respectively.

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment, if any.

Fully depreciated assets are retained in the books of accounts until they are no longer in use.

(c) Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in income statement.

Financial assets

The financial assets are classified into one of the two categories, including financial assets at fair value through profit or loss and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales of financial assets that requires delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Loans and receivables

Loans and receivables (including trade receivables, deposits paid, prepayments, other receivables, amounts due from directors, amount due from a related company and bank balances) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in income statement in the period in which they arise.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by Shenzhen Lisai are classified according to the substance of the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Financial liabilities including trade payables, deposits received, accruals, other payables and bank loans are classified as other financial liabilities which are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

An equity instrument is any contract that evidences a residual interest in the assets of Shenzhen Lisai after deducting all of its liabilities. Equity instruments issued by Lisai Gardens are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Shenzhen Lisai has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in income statement.

For financial liabilities, they are removed from the balance sheet (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expires). The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in income statement.

(d) Impairment losses

At each balance sheet date, Shenzhen Lisai reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(e) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable and deductible. Shenzhen Lisai's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities of the financial information and the corresponding tax bases used in the computation of taxable profit and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and the deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year/period when the liability is settled or the asset is realised. Deferred tax is charged or credited to income statement except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the entity intends to settle its current tax assets and liabilities on a net basis.

(f) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and in the case of work in progress and finished goods, comprise direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

(g) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(h) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

(i) Retirement benefit costs

Payments to defined contribution retirement benefit plans and state-managed retirement benefit schemes are charged as expenses when employees have rendered services entitling them to the contributions.

(j) Employee benefits

Salaries, bonus, paid annual leave, leave passage and the cost to Shenzhen Lisai of non-monetary benefits are accrued in the year/period when the associated services are rendered by the employees to Shenzhen Lisai. When payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(k) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Annual rentals applicable to such operating leases are charged to the income statement on a straight line basis over the lease terms.

(l) Provisions

Provisions are recognised when Shenzhen Lisai has a present obligation as a results of a past event, and it is probable that Shenzhen Lisai will be required to settle that obligations. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

(m) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

A transaction is considered to be a related party transaction where there is a transfer of resources or obligations between related parties.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying Shenzhen Lisai's accounting policies which are described in Note 3, management has made certain key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Provision for impairment of receivables

The aged debt profile of trade receivables are reviewed on a regular basis to ensure that the trade receivables balances are collectible and follow up actions are promptly carried out if the agreed credit periods have been exceeded. However, from time to time, Shenzhen Lisai may experience delays in collection. Where recoverability of trade receivable balances are called into doubts, specific provisions for bad and doubtful debts are made based on credit status of the customers, the aged analysis of the trade receivable balances and write-off history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivable to the income statement. Changes in the collectability of trade receivables for which provisions are not made could affect our results of operations.

(b) Useful lives of property, plant and equipment

Shenzhen Lisai estimates the useful lives of property, plant and equipment that to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, and technical obsolescence arising from changes in the market demands or service output of the assets. Shenzhen Lisai also performs annual reviews on whether the assumptions made on useful lives continue to be valid.

(c) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience and selling goods of similar nature. It could change significantly as a result of change in market condition. Management will reassess the estimations at the balance sheet date.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management applies these policies continuously to manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

5.1 Financial risk factors

Market risk

i. Foreign exchange risk

Shenzhen Lisa operates mainly in the PRC and majority of transactions are dominated in RMB. Therefore, management believes that Shenzhen Lisa does not have significant foreign currency exchange risk.

ii. Price risk

Shenzhen Lisa is exposed to equity securities price risk because investments held by Shenzhen Lisai are classified on the balance sheet as financial assets at fair value through profit or loss which are measured at fair value at each balance sheet date. Shenzhen Lisa manages the price risk exposure by maintaining a portfolio of investments with different risk profiles.

Cash flow and fair value interest rate risk

Shenzhen Lisai has no significant cash flow interest rate risk as there is no significant floating interest-bearing asset, Shenzhen Lisai's income and operating cash flows are substantially independent of changes in market interest rates and no sensitivity analysis disclosed to reflect the impact of changes in market interest rates.

Shenzhen Lisai's fair value interest rate risk mainly arises from bank loans which is bearing fixed interest rate. Shenzhen Lisai currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure if necessary.

Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due, and it results from amount and maturity mismatches of assets and liabilities.

The liquidity of Shenzhen Lisai is primarily dependent on its ability to maintain adequate cash inflow from operations to meet its debt obligations and to obtain ongoing support from its major bankers and creditors.

Credit risk

Credit risk will cause a financial loss due to failure to discharge the obligation by the counterparties. The credit risk of Shenzhen Lisai mainly arises from the trade or other receivables. The management of Shenzhen Lisai performs ongoing credit evaluation of its customers' financial positions. Provision for impairment is based upon a review of the expected collectability of all receivables.

The Shenzhen Lisai's bank balance are deposited with banks with high credit-rating and the Shenzhen Lisai has limited exposure to any single financial institution.

5.2 Capital risk management

Shenzhen Lisai's objectives of managing capital are to safeguard Shenzhen Lisai's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, Shenzhen Lisai may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, Shenzhen Lisai monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including borrowings and trade and other payables, as shown in the balance sheet) less cash and bank balances. Total capital is calculated as total equity, as shown in the balance sheet, plus net debt.

During the Relevant Periods, Shenzhen Lisai's strategy was to maintain its gearing ratios within 42% to 56%:

		At 31 December		At 30 June
	2004	**2005**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total borrowings	11,010	14,693	22,174	13,093
Less: Cash and bank balances	(622)	(1,460)	(3,801)	(885)
Net debt	10,388	13,233	18,373	12,208
Total equity	12,053	12,583	14,431	13,039
Total capital	22,441	25,816	32,804	25,247
Gearing ratio	46%	51%	56%	48%

The increase in the gearing ratio during the Relevant Periods resulted primarily from the acquisition of property, plant and equipment and increase in trade payables and long term borrowings.

5.3 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by Shenzhen Lisai is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available for similar financial instruments.

6. TURNOVER

Turnover represents the aggregate amounts received and receivable from provision of services in relation to environmental protection during the Relevant Periods. Segment information is not presented as the Company is principally engaged in the businesses of designing, production processing, research and development of environment protection related facilities in the PRC, which over 90% of the Company's results and assets were related to during the Relevant Periods.

7. OTHER REVENUE

	Year ended 31 December			Six months ended 30 June	
	2004	**2005**	**2006**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Bank interest income	12	10	36	7	10

8. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2004	**2005**	**2006**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Bank charges	1	1	219	215	2
Interest expenses on secured bank loan, wholly repayable within five years	–	–	249	–	188
	1	1	468	215	190

9. (LOSS)/PROFIT BEFORE TAX

	Year ended 31 December			Six months ended 30 June	
	2004	**2005**	**2006**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
(Loss)/profit before tax is stated after charging:					
Impairment loss of trade receivables	–	–	345	–	–
Impairment loss on deposits paid	–	–	–	–	1,300
Auditors' remuneration	3	3	3	–	–
Depreciation of property, plant and equipment	461	575	552	269	399
Operating lease rental in respect of business premises	125	130	241	121	37
Employee benefit expenses *(Note 10)*	2,032	2,186	2,319	1,411	1,327

10. EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December			Six months ended 30 June	
	2004	**2005**	**2006**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Directors' emoluments *(note (a))*	444	444	444	222	274
Staff salaries and wages	1,297	1,492	1,582	1,071	954
Retirement benefit scheme contributions	34	48	77	50	31
Staff welfare expenses	257	202	216	68	68
	2,032	2,186	2,319	1,411	1,327

(a) Directors' emoluments

The remuneration of every director of Shenzhen Lisai for the Relevant Periods is set out below:

Name of director	Fee	Salaries, allowance and bonus	Retirement benefit scheme contributions	Other fringe benefits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2004					
Wong Hanjian	–	120	–	–	120
Xiao Ying	–	144	–	–	144
Zhang Guangyu	–	180	–	–	180
	–	444	–	–	444
Year ended 31 December 2005					
Wong Hanjian	–	120	–	–	120
Xiao Ying	–	144	–	–	144
Zhang Guangyu	–	180	–	–	180
	–	444	–	–	444
Year ended 31 December 2006					
Wong Hanjian	–	120	–	–	120
Xiao Ying	–	144	–	–	144
Zhang Guangyu	–	180	–	–	180
	–	444	–	–	444
Six months ended 30 June 2007					
Wong Hanjian	–	72	–	–	72
Xiao Ying	–	94	–	–	94
Zhang Guangyu	–	108	–	–	108
	–	274	–	–	274
Six months ended 30 June 2006 (unaudited)					
Wong Hanjian	–	60	–	–	60
Xiao Ying	–	72	–	–	72
Zhang Guangyu	–	90	–	–	90
	–	222	–	–	222

(b) Five highest paid individuals

The aggregate emoluments to the five highest paid individuals of Shenzhen Lisai during the Relevant Periods are as follow:

	Year ended 31 December			Six months ended 30 June	
	2004	**2005**	**2006**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries and wages	552	552	565	282	338
Retirement benefit scheme contributions	11	13	21	11	9
Staff welfare expenses	–	–	–	–	–
	563	565	586	293	347

(c) During the Relevant Periods, no emolument was paid by Shenzhen Lisai to its directors or the five highest paid individuals as an inducement to join or upon joining Shenzhen Lisai as compensation for loss of office.

11. INCOME TAX EXPENSE

	Year ended 31 December			Six months ended 30 June	
	2004	**2005**	**2006**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
The charges comprise:					
Current tax – the PRC	–	94	326	–	–

Enterprise income tax in the PRC has been provided at the rates prevailing in the respective jurisdictions.

Pursuant to approval issued by the PRC tax bureau, Shenzhen Lisai is entitled to an exemption from the PRC enterprise income tax for the two years ended 31 December 2003 and 2004 and a 50% tax reduction for the three years ended 31 December 2005, 2006 and 2007 (the "Tax Exemption Period") under the relevant tax rules and regulations in the PRC.

The income tax expense for the Relevant Periods can be reconciled to (loss)/profit for the year/period per income statement as follows:

	Year ended 31 December						Six months period ended 30 June			
	2004		2005		2006		2006		2007	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (Unaudited)	*%*	*RMB'000*	*%*
(Loss)/profit before tax	(345)		624		2,174		3		(1,392)	
Tax at the applicable tax rate	(113)	33	206	33	717	33	1	33	(459)	33
Tax effect of tax exemptions granted	–	–	(112)	(18)	(391)	(18)	(1)	(33)	–	–
Tax effect of expenses not deductible for tax purposes	113	(33)	–	–	–	–	–	–	459	(33)
Tax charge at the effective tax rate for the year	–	–	94	15	326	15	–	–	–	–

12. DIVIDENDS

A final dividend of RMB120,000 declared in 2003 was paid during the financial year ended 31 December 2004.

The directors of Shenzhen Lisai do not recommend a payment of dividend for the Relevant Periods.

13. EARNINGS/(LOSS) PER SHARE

Earnings/(loss) per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement *RMB'000*	Construction in progress *RMB'000*	Plant, machinery and equipment *RMB'000*	Motor vehicle *RMB'000*	Total *RMB'000*
Cost:					
At 1 January 2004	159	–	419	1,730	2,308
Additions	–	–	25	763	788
At 31 December 2004 and 1 January 2005	159	–	444	2,493	3,096
Additions	–	–	119	–	119
At 31 December 2005 and 1 January 2006	159	–	563	2,493	3,215
Additions	90	10,167	660	513	11,430
Disposals	–	–	(85)	–	(85)
At 31 December 2006 and 1 January 2007	249	10,167	1,138	3,006	14,560
Additions	–	180	682	–	862
At 30 June 2007	249	10,347	1,820	3,006	15,422

	Leasehold improvement	Construction in progress	Plant, machinery and equipment	Motor vehicle	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Accumulated depreciation:					
At 1 January 2004	23	–	152	474	649
Charge for the year	33	–	74	354	461
At 31 December 2004 and 1 January 2005	56	–	226	828	1,110
Charge for the year	15	–	108	452	575
At 31 December 2005 and 1 January 2006	71	–	334	1,280	1,685
Charge for the year	16	–	68	468	552
Eliminated on disposals	–	–	(41)	–	(41)
At 31 December 2006 and 1 January 2007	87	–	361	1,748	2,196
Charge for the period	11	–	137	251	399
At 30 June 2007	98	–	498	1,999	2,595
Net book value:					
At 31 December 2004	103	–	218	1,665	1,986
At 31 December 2005	88	–	229	1,213	1,530
At 31 December 2006	162	10,167	777	1,258	12,364
At 30 June 2007	151	10,347	1,322	1,007	12,827

15. INVENTORIES

	At 31 December			At 30 June
	2004	2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Consumable materials	401	599	553	533

Consumable materials were carried at cost as at the balance sheet date.

16. TRADE RECEIVABLES

An aged analysis of trade receivables at the balance sheet date is as follows:

	At 31 December			At 30 June
	2004	2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 to 90 days	3,475	2,090	4,947	6,750
91 to 180 days	–	42	–	3,435
181 to 365 days	20	209	85	31
Over 365 days	592	612	418	345
	4,087	2,953	5,450	10,561
Impairment loss on trade receivables	–	–	(345)	(345)
	4,087	2,953	5,105	10,216

Shenzhen Lisai allows a credit period ranging from 90 to 180 days to its trade customers. The carrying amounts of the trade receivables are denominated in RMB. The directors of Shenzhen Lisai consider that the carrying amounts of trade receivables approximate to their fair values.

Trade receivables of RMB612,000, RMB821,000, RMB158,000 and RMB31,000 as at 31 December 2004, 2005, 2006 and 30 June 2007 respectively were past due but not provided for as there has not been a significant change in credit quality and the amounts are still considered recoverable. Shenzhen Lisai does not hold any collateral over these balances.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 31 December			At 30 June
	2004	**2005**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Listed investments:				
Mutual fund listed outside Hong Kong	–	–	3,188	–

As at 31 December 2006, all financial assets at fair value through profit or loss are stated at their fair values. Fair value of the above mutual fund was determined by reference to the quoted market bid prices available on the active market. Change in fair values of financial assets at fair value through profit or loss are recorded in the income statement.

18. DEPOSITS PAID, PREPAYMENTS AND OTHER RECEIVABLES

	At 31 December			At 30 June
	2004	**2005**	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits paid	3,025	2,500	2,711	2,711
Prepayments	638	2,529	241	30
Other receivables	493	832	465	361
	4,156	5,861	3,417	3,102
Impairment loss	–	–	–	(1,300)
	4,156	5,861	3,417	1,802

The carrying amounts of the deposits paid, prepayments and other receivables are denominated in RMB. Impairment loss of approximately RMB1,300,000 was recognized for the six months ended 30 June 2007 as the amounts were considered unrecoverable. The directors of Shenzhen Lisai consider that the carrying amounts of the deposits paid, prepayments and other receivables approximate to their fair values.

19. AMOUNTS DUE FROM DIRECTORS/A RELATED COMPANY

The amounts are unsecured, interest free and repayable on demand. The directors of Shenzhen Lisai consider that the carrying amounts of the amounts due from directors and the amount due from a related company approximate to their fair values.

20. TRADE PAYABLES

The aging analysis of the trade payables are as follows:

	At 31 December			At 30 June
	2004	2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 to 90 days	2,219	178	5,967	2,884
91 to 180 days	1,803	1,227	747	–
181 to 365 days	2,561	1,955	162	70
Over 365 days	618	7,400	3,107	1
	7,201	10,760	9,983	2,955

The directors of Shenzhen Lisai consider that the carrying amounts of trade payables approximate to their fair values.

21. DEPOSITS RECEIVED, ACCRUALS AND OTHER PAYABLES

	At 31 December			At 30 June
	2004	2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits received	3,734	2,355	1,397	1,329
Accruals	5	3	4	–
Other payables	249	1,677	4,455	4,407
	3,988	4,035	5,856	5,736

The directors of Shenzhen Lisai consider that the carrying amounts of deposits received, accruals and other payables approximate to their fair values.

22. BANK LOAN

	At 31 December			At 30 June
	2004	2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Secured bank borrowings	–	–	6,460	4,420
Less: repayable within a year	–	–	(4,080)	(4,080)
Secured bank borrowings - repayable over a year	–	–	2,380	340

The bank loan, maturing on 22 June 2008, bears interest at the fixed rates of 6.633%.

Ms. Xiao Ying, a director of the Company has pledged its own residential property at 31 December 2006 and 30 June 2007 respectively to secure the bank loan.

23. REGISTERED AND PAID-UP CAPITAL

	At 31 December			At 30 June
	2004	2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Registered, and fully paid-up capital	12,000	12,000	12,000	12,000

24. OPERATING LEASE COMMITMENTS

Shenzhen Lisai as lessee:

At the balance sheet dates, Shenzhen Lisai had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of rented properties which fall due as follows:

	At 31 December			At 30 June
	2004	2005	2006	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within a year	112	112	112	112
Two to five years	178	66	403	347
	290	178	515	459

25. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed in notes 19, 22 and elsewhere to the Financial Information, there was no other material related party transaction occurred in the Relevant Periods.

Compensation for key management personnel of Shenzhen Lisai represented directors' emoluments is disclosed in note 10(a) to the Financial Information.

26. CONTINGENT LIABILITIES

Shenzhen Lisai did not have any significant contingent liabilities at 31 December 2004, 2005 and 2006 and 30 June 2007.

27. SUBSEQUENT EVENTS

No significant subsequent events took place subsequent to 30 June 2007.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for Shenzhen Lisai in respect of any period subsequent to 30 June 2007. No dividend has been declared, made or paid by Shenzhen Lisai in respect of any period subsequent to 30 June 2007.

Yours faithfully,
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

The following is the text of a letter, prepared for the purpose of inclusion in this circular, received from the independent reporting accountants, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong.

HLB 國衛會計師事務所
Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

31/F., Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

3 October 2007

The Board of Directors
IIN International Limited
Unit 2201A, 22/F., Bank of America Tower
12 Harcourt Road
Central
Hong Kong

Dear Sirs,

We report on the unaudited pro forma statement of adjusted combined assets and liabilities (the "Pro Forma Financial Information") of IIN International Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), 深圳市利得迅環保技術有限公司 ("Lidesui") and 深圳市利賽園林綠化有限公司 ("Lisai Gardens") which in turn together hold the entire equity interest of Shenzhen Lisai Industrial Development Co., Ltd. ("Shenzhen Lisai") (together with the Group hereinafter referred to as the "Enlarged Group") set out on pages 169 to 173 under the headings of Unaudited Pro Forma Financial Information of the Enlarged Group in Appendix V of the Company's circular dated 3 October 2007 (the "Circular"), in connection with the proposed acquisition of the entire equity interest of Lidesui and Lisai Gardens (the "Acquisition"). The Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Acquisition might have affected the historical financial information of the Group as at 31 March 2007 presented therein. The basis of preparation for the Pro Forma Financial Information is set out in the accompanying introduction thereto.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS OF THE COMPANY AND THE REPORTING ACCOUNTANTS

It is the responsibility solely of the directors of the Company to prepare the Pro Forma Financial Information in accordance with paragraph 7.31 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") and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the Pro Forma Financial Information and to report our opinion solely to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

The Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 March 2007 or any future date.

OPINION

In our opinion:

a) the accompanying Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Yours faithfully,
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is an illustrative and unaudited pro forma statement of adjusted combined assets and liabilities of the Enlarged Group which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the acquisition of entire equity interest of Lidesui and Lisai Gardens as if the Acquisition took place on 31 March 2007.

The Pro Forma Financial Information is prepared based on the unaudited consolidated balance sheet of the Group as at 31 March 2007 extracted from the published unaudited interim report of the Company as set out in Appendix I of this circular, the audited balance sheet of Lidesui as at 31 July 2007 extracted from the Accountants' Report set out in Appendix II of this circular, the audited balance sheet of Lisai Gardens as at 30 June 2007 extracted from the Accountants' Report set out in Appendix III of this circular, and the audited balance sheet of Shenzhen Lisai as at 30 June 2007 extracted from the Accountants' Report set out in Appendix IV of this circular, after making pro forma adjustments relating to the Acquisition as if the Acquisition had been completed on 31 March 2007.

The Pro Forma Financial Information of the Enlarged Group has been prepared in accordance with, and to comply with, the requirements of Rule 7.31 of the GEM Listing Rules for the purpose of illustrating how the Acquisition might have affected the financial information presented. The Pro Forma Financial Information is prepared after making pro forma adjustments that are directly attributable to the transactions, expected to have a continuing impact on the Enlarged Group and factually supportable.

The Pro Forma Financial Information is prepared for illustrative purpose only. It is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and because of its nature, it does not purport to describe the actual financial position of the Enlarged Group that would have been attained after the Acquisition had been completed on 31 March 2007. The Pro Forma Financial Information may not be indicative of the financial position of the Enlarged Group as at the date to which they are made up to or at any future date.

For the purpose of preparing the Unaudited Pro Forma Financial Information of the Enlarged Group, the presentation currency of the financial information of Lidesui, Lisai Gardens and Shenzhen Lisai is converted from Renminbi to Hong Kong Dollars and the following exchange rate was used where appropriate:

HK$1 = RMB0.98

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED ASSETS AND LIABILITIES AS AT 31 MARCH 2007

	The Group as at 31 March 2007	Lidesui as at 31 July 2007	Lisai Gardens as at 30 June 2007	Shenzhen Lisai as at 30 June 2007	Pro forma adjustments	Notes	Pro forma adjustments	Notes	The Enlarged Group Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*		*HK$'000*
Non-current assets									
Property, plant and equipment	13,006	–	2	13,089	(2)	2			26,095
Prepaid land lease payments	3,371	–	–	–					3,371
Goodwill	–	–	–	–			256,393	*3(i)*	256,393
Rental deposits and golf club membership	379	–	–	–					379
	16,756	–	2	13,089					286,238
Current assets									
Inventories	8,999	–	–	544					9,543
Trade and retention receivables	37,799	–	233	10,424	(233)	2			48,223
Deposit paid, prepayments and other receivable	4,473	–	5	1,839	(5)	2			6,312
Amount due from a related company	–	–	–	204			(204)	*3(ii)*	–
Amounts due from directors	–	–	1,712	–	(1,712)	2	–		–
Pledged deposits	59	–	–	–					59
Cash and cash equivalents	4,286	102	259	903	(259)	2	(80,596)	*3(iii)*	(75,305)
	55,616	102	2,209	13,914					(11,168)
Current liabilities									
Trade and bills payables	18,985	–	260	3,016	(260)	2			22,001
Deposits received, accruals and other payables	26,453	–	163	5,853	(163)	2			32,306
Borrowings	34,237	–	–	4,163					38,400
Amount due to a related company	–	–	204	–	(204)	2			–
Due to directors	1,591	–	–	–					1,591
Tax payable	4,509	–	–	319					4,828
	85,775	–	627	13,351					99,126
Net current (liabilities)/assets	(30,159)	102	1,582	563					(110,294)
Total assets less current liabilities	(13,403)	102	1,584	13,652					175,944

	The Group as at 31 March 2007	Lidesui as at 31 July 2007	Lisai Gardens as at 30 June 2007	Shenzhen Lisai as at 30 June 2007	Pro forma adjustments	Notes	Pro forma adjustments	Notes	The Enlarged Group Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*Notes*	*HK$'000*
Non-current liabilities									
Borrowings	–	–	–	347					347
Convertible notes	–	–	–	–			96,241	*3(iv)*	96,241
Deferred tax liabilities	–	–	–	–			11,158	*3(v)*	11,158
	–	–	–	347					107,746
Total assets and liabilities	(13,403)	102	1,584	13,305					68,198

Notes to the unaudited pro forma statement of adjusted combined assets and liabilities:

1. Under HKFRS 3 Business Combination ("HKFRS 3") the Group will apply the purchase method to account for the acquisition of Lidesui, Lisai Gardens and Shenzhen Lisai. In applying the purchase method, the identifiable assets, liabilities and contingent liabilities of Lidesui, Lisai Gardens and Shenzhen Lisai will be recorded on the consolidated balance sheet of the Group at their fair value at the date of Completion. Any goodwill or discount arising on the acquisition will be determined as the excess or deficit of the purchase price to be incurred by the Group over the Group's interests in the net fair value of the identifiable assets, liabilities and contingent liabilities of Lidesui, Lisai Gardens and Shenzhen Lisai at the date of Completion. Negative goodwill resulting from the business combinations should be recognised immediately in the consolidated income statement.

2. In according to the agreement entered into between China Standard and the Vendors in June 2007, Lisai Gardens' assets and liabilities, contingent liabilities will be transferred to the independent Vendors with nil consideration. Upon completion of the Reorganisation on 1 August 2007, Lisai Gardens would no longer have any liabilities nor material asset or property other than the shareholding interest in Shenzhen Lisai pursuant to the reorganisation agreement.

3. (i) Goodwill of approximately HK$256,393,000 arising from the Acquisition which is derived from the calculation as follow:

	As at 31 March 2007 *HK$'000*
Cash consideration	80,000
Fair value of shares issued by the Company (Note)	29,000
Issue of Convertible notes	160,000
	269,000
Add: Transaction cost directly attributable to the Acquisition	800
Total Consideration:	269,800
Less:	
Fair value of net assets of Lidesui	(102)
Fair value of net assets of Lisai Gardens	–
Fair value of net assets of Shenzhen Lisai	(13,305)
Goodwill	256,393

Note: Pursuant to the agreement, the 500,000,000 ordinary shares of the Company with par value of USD 0.01 each will be issued on the actual date of Completion. The fair value of the shares to be issued is approximately HK$29,000,000 with reference to the market value of HK$0.058 per share of the Company's shares as at 30 March 2007, being the nearest trading date of 31 March 2007. The actual value of the Consideration Shares would be different on the Completion Date.

On Completion, the fair value of the acquired identifiable assets, liabilities and contingent liabilities will have to be reassessed. The market value of Company's Shares at the date of Completion, would also be different from the market value as at 31 March 2007. Accordingly, the actual goodwill at the date of Completion may be significantly different from the amount presented above.

(ii) Amount due from a related company of approximately HK$204,000 by Shenzhen Lisai was due from Lisai Gardens and which amount would be repaid before the completion of Acquisition.

(iii) The pro forma adjustment of cash and cash equivalents of approximately HK$80,596,000 is represented by HK$80,000,000 paid as part of the consideration of the Acquisition, amount to be received from a related company of approximately HK$204,000 for settlement of the amount due before the Completion as described in Note 3(ii) and transaction cost directly attributable to the Acquisition amounted to approximately HK$800,000.

The Group received net proceeds of approximately HK$30,000,000 through placing a total of 325,600,000 new shares at the placing price of HK$0.095 per placing share on 29 May 2007 and net proceeds of approximately HK$118,000,000 through placing a total of 1,000,000,000 new shares at the placing price of HK$0.12 per placing share on 27 July 2007. Details of the placings were disclosed in the Company's announcement dated 14 May 2007 and 6 June 2007 respectively. The Group entered into a placing agreement to place an aggregate of 390,752,000 placing shares at a price of HK$0.198 per placing share on 11 September 2007 which the net proceeds are expected to be approximately HK$75,000,000, details of the proposed placing was disclosed in the Company's announcement dated 19 September 2007. The Group will settle the remaining balance of HK$60,000,000 of the cash consideration of the Acquisition from the net proceeds of aforesaid placing of new shares.

(iv) The adjustment represents the liability components of the Convertible Notes issued for the Acquisition as if they were issued on 31 March 2007. The Convertible Notes issued are split into the equity component and liability component. The estimated fair value of the liability component of the Convertible Notes is approximately HK$96,241,000, determined using the discounted cash flow method and the estimated fair value of the equity component is approximately HK$63,759,000. The fair values of liability and equity components of the Convertible Notes are subject to change upon the Completion.

(v) Deferred tax liabilities of approximately HK$11,158,000 represent the resulting deferred tax liability of the equity components of Convertible Notes of approximately HK$63,759,000 at the Hong Kong Profits Tax rate of 17.5%.

4. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2007.

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. DISCLOSURE OF INTERESTS

Directors' and Chief Executive's Interests or Short Positions in The Share Capital of The Company And its Associated Corporations

As at the Latest Practicable Date, 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 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

	Number of issued ordinary shares of US$0.01 each in the Company held and the capacity		
Name of director	**Total interests in shares**	**Capacity**	**Approximate Percentage of the Company's issued share capital**
Mr. Wu Shu Min	141,023,000	Beneficial owner	4.77%
Mr. Xu Zhi Feng	4,376,000	Beneficial owner	0.15%

(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 the Latest Practicable Date, 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 the Latest Practicable Date	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 the Latest Practicable Date, 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 the Latest Practicable Date	Date of grant	Exercise period	Exercise price per share *HK$*
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 the Latest Practicable Date, 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.

Interests Discloseable Under SFO and Substantial Shareholders

So far as is known to the directors of the Company, as at the Latest Practicable Date, 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 *(Note 1)*	Interests of spouse	141,023,000	4.77%	28,000,000	169,023,000
Environment Protection International Limited *(Note 2)*	Beneficial owner	185,000,000	6.26%	–	185,000,000
Netvantage International Limited *(Note 2)*	Beneficial owner	185,000,000	6.26%	–	185,000,000
Tsutsumi Naoyuki *(Note 2)*	Beneficial owner	185,000,000	6.26%	–	185,000,000

Note:

1. 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.

2. Environment Protection International Limited is wholly owned by Netvantage International Limited ("Netvantage") which in turn is wholly onwed by Tsutsumi Naoyuki. Therefore, Netvantage and Tsutsumi Naoyuki are deemed to be interested in 185,000,000 shares of the Company under the SFO.

Save as disclosed above, as at the Latest Practicable Date, 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.

3. 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, among other things, 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.

As set out in the announcement of the Company dated 13 August 2007, the matter was resolved by a settlement agreement.

Save as disclosed above, as at the Latest Practicable Date, none of the members of the Enlarged 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 Enlarged Group.

4. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Enlarged Group) have been entered into by the members of the Enlarged Group within the two years immediately preceding the date of this circular and are or may be material:

(a) the Agreement;

(b) a placing agreement dated 11 September 2007 entered into between Pacific Foundation Securities Ltd. and the Company for placing of 390,752,000 new shares of the Company at HK$0.198 per share;

(c) a settlement agreement dated 8 August 2007 entered into between Hunan IIN International Co. Ltd. and Siemens in resolving the litigation initiated by Siemens against Chengdu TM Network Corporation, a subsidiary of 51% of its equity interest indirectly owned by the Company, for an outstanding amount of approximately RMB6,889,331.56;

(d) a placing agreement dated 5 June 2007 entered into between Quam Securities Co. Ltd. and the Company for placing of 1,000,000,000 new shares of the Company at HK$0.12 per share;

(e) a placing agreement dated 14 May 2007 entered into between Quam Securities Co. Ltd. and the Company for placing of 325,600,000 new shares of the Company at HK$0.095 per share; and

(f) a subscription agreement dated 27 January 2006 entered into between the Company and AG Investment No. 1 Investment Partnership in relation to a subscription of 85,000,000 new shares of the Company at HK$0.078 per share.

5. SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

6. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which have been, since 30 September 2007, being the date to which the latest published audited accounts were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which is subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

7. COMPETING 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.

8. 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.

9. EXPERT AND CONSENT

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

Name	Qualification
HLB Hodgson Impey Cheng	Chartered Accountants Certified Public Accountants

As at the Latest Practicable Date, HLB 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.

HLB has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its reports and the references to its name in the form and context in which they appear.

10. PROCEDURES FOR DEMANDING A POLL BY THE SHAREHOLDERS

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.

11. GENERAL INFORMATION

(a) The registered office of the Company is located at Huntlaw Building, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands. The Hong Kong branch share registrar and transfer office is located at shops 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(b) The head office and principal place of business of the Company in Hong Kong is located at Unit 2201A, 22/F, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

(c) The compliance officer of the Company is Mr. Wu Shu Min.

(d) The company secretary of the Company is Ms. Wong Lai Yuk and Ms. Wong is an associate member of The Hong Kong Institute of Chartered Secretaries.

(e) The qualified accountant of the Company is Ms. Chen Jing and Ms. Chen is a member of The Association of Chartered Certified Accountants.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong from the date of this circular up to and including the date of the EGM:

(a) the memorandum and articles of association of the Company;

(b) copy of each of the material contracts referred to in the paragraph headed "material contracts" in this appendix;

(c) the accountants' reports of Holdco(1), Holdco(2) and Shenzhen Lisai, the text of which is set out in Appendix II, III and IV to this circular respectively;

(d) the unaudited pro forma financial information of the Enlarged Group as set out in Appendix V to this circular;

(e) the letter(s) of consent referred to in the paragraph headed "expert and consent" in this appendix; and

(f) the third quarterly report 2006/2007, the interim report 2006/2007 and annual reports of the Company for the three years ended 30 September 2004, 30 September 2005, 30 September 2006.

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 an extraordinary general meeting ("**EGM**") of IIN International Limited (the "**Company**") will be held at K-2 Room, Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Hong Kong on Monday, 22 October 2007 at 10:30 a.m. for the purpose of considering and, if thought fit, passing, with or without modification, the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

1. "**THAT** the agreement dated 30 July 2007 (as amended by two supplemental agreements dated 13 August 2007 and 28 September 2007 respectively) (the "**Agreement**") made between II Networks International Limited (the "**Purchaser**") (a wholly-owned subsidiary of the Company) and China Standard Limited ("**China Standard**"), pursuant to which, among other thing, China Standard shall procure the beneficial owners of 深圳市利得迅環保技術有限公司 (Shenzhen Lidesui Huanbao Jishu Company Limited) ("**Holdco (1)**") (a company established with limited liability under the laws of the People's Republic of China) and 深圳市利賽園林綠化有限公司 (Shenzhen Lisai Gardens Luhua Company Limited) ("**Holdco (2)**") (a company established with limited liability under the laws of the People's Republic of China) to sell and the Purchaser shall purchase or procure the purchase of the entire registered capital of Holdco (1) and Holdco (2) at an aggregate consideration of HK$440 million on the terms and conditions set out in the Agreement, a copy of the Agreement has been produced to the meeting marked "A" and has been signed by the Chairman of the meeting for the purpose of identification, and the transactions contemplated under the Agreement be and are hereby approved and one or more of the directors of the Company be and is and are hereby authorised on behalf of the Company to do all such deeds, acts, matters and things as they may in their discretion consider necessary or desirable for the purpose of or in connection with effecting and implementing any of the foregoing matters in accordance with the terms of the Agreement."

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

Hong Kong, 3 October 2007

Head office and principal place of business in Hong Kong:
Unit 2201A
22/F., Bank of America Tower
12 Harcourt Road
Central, Hong Kong

Registered office:
Huntlaw Building
P.O. Box 2804
George Town
Grand Cayman
Cayman Islands

As at the date of this notice, the Board comprises Mr. Wu Shu Min, Mr. Fu Hui Zhong and Mr. Xu Zhi Feng as executive Directors and 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.