



IIN International Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8128

First Quarterly Report

2006/07

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

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

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

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

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

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

HIGHLIGHTS

Turnover recorded approximately HK\$24.36 million for the Review Period.

Loss after tax amounted to approximately HK\$1.81 million for the Review Period.

No dividend was declared for the Review Period.

BUSINESS REVIEW AND PROSPECTS

During the three months ended 31 December 2006 (the “Review Period”) the turnover of IIN International Limited (the “Company”) together with its subsidiaries (the “Group”) showed marked growth as compared to that of the corresponding period of last year. The turnover of the Group during the Review Period was solely contributed by transmission segment which business is conducted by a 51% owned subsidiary of the Group, Wujiang Shengxin Optoelectronics Technology Co. Ltd. The significant increase in turnover during the Review Period was due to the fact that the transmission segment had secured some substantial contracts.

While the transmission segment became the main income generator, the management of the Group is of the firm belief that the business base of the Group should be expanded and diversified, therefore, the Group has been keen on exploring new business opportunities. The Group has persisted in pursuing the radio frequency identification (“RFID”) project and related projects.

In addition, the Group has continuously devoted great effort in identifying potential investors in order to bring in new funding for catering to the further development of the Group and the relief of financial constraints of the Group.

FINANCIAL REVIEW

The Group's turnover during the Review Period significantly increased 84.3% to approximately HK\$24.36 million compared to approximately HK\$13.22 million for the corresponding period last year. The significant increase in turnover was mainly attributable by transmission segment which has secured substantial orders in Shandong and Shanghai.

During the Review Period, the Group's turnover of approximately HK\$24.36 million entirely contributed by transmission segment (corresponding period last year: approximately HK\$12.93 million, represented approximately 97.8% of the Group's turnover). Due to transmission segment with lower gross profit margin is currently the main focal business of the Group, the Group's gross profit margin during the Review Period was approximately 12.6% compared to that of 13.5% of last year.

During the Review Period, the Group's net loss attributable to equity holder of the Company increased to approximately HK\$1.81 million from that of HK\$1.5 million of last year. The increase was mainly caused by the rise of selling cost of transmission segment during the Review Period.

The selling and distribution costs of the Group during the Review Period was HK\$1.75 million compared to approximately HK\$1.0 million for the corresponding period last year, representing an increase of 75% which was slightly lower than the increase of turnover.

During the Review Period, the Group's administrative expenses increased 24.9% to approximately HK\$2.76 million from HK\$2.21 million for the corresponding period last year. The increase of administrative expenses was mainly resulted from the growth of transmission business.

FINANCIAL RESULTS

The Board of Directors (the “Board”) of IIN International Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 31 December 2006 together with the unaudited comparative figures for the corresponding period in 2005 as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 31 December	
		2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)
Turnover	2	24,364	13,220
Cost of sales		(21,287)	(11,431)
Gross profit		3,077	1,789
Other revenue		650	611
Selling and distribution costs		(1,746)	(1,004)
Administrative expenses		(2,763)	(2,210)
Other operating expenses		(338)	(52)
Loss from operating activities	3	(1,120)	(866)
Finance costs		(614)	(325)
Loss before tax		(1,734)	(1,191)
Tax	4	(73)	(38)
Loss after tax		(1,807)	(1,229)
Attributable to:			
Equity holders of the Company		(1,811)	(1,500)
Minority interests		4	271
Loss for the period		(1,807)	(1,229)
Dividend	5	–	–
Loss per share attributable to the equity holders of the Company	6		
– Basic (HK cents)		(0.11)	(0.10)
– Diluted (HK cents)		N/A	N/A

Notes:

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 and methods of computation used in the preparation of this financial statements are the same as those adopted in preparing the annual audited financial statements for the year ended 30 September 2006. The consolidated results are unaudited but have been reviewed by the Company's audit committee.

Certain comparative figures have been reclassified to conform with the current period's presentation resulting from the adoption of the new HKFRSs.

2. TURNOVER

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

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

	Three months ended 31 December	
	2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)
Other network solutions	–	293
Transmission	24,364	12,927
	24,364	13,220

3. LOSS FROM OPERATING ACTIVITIES

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

	Three months ended 31 December	
	2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)
Staff costs (including directors' emoluments)	1,144	1,072
Depreciation	579	570
Amortisation of deferred development costs	–	52
Minimum lease payments under operating leases in respect of land and buildings	19	126

4. TAX

	Three months ended 31 December	
	2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)
PRC corporate income tax	73	38

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the three months ended 31 December 2006 (2005: Nil).

PRC corporate income tax has been provided at the relevant tax rate of the net assessable profits attributable to the Group's operations in the PRC during the three months ended 31 December 2006 (2005: Nil).

Deferred tax has not been provided as there were no significant timing differences which would give rise to a deferred tax liability as at 31 December 2006 (2005: Nil).

5. DIVIDEND

The Board does not recommend payment of a dividend for the Review Period (2005: Nil).

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

The calculation of basic loss per share for the three months ended 31 December 2006 is based on the unaudited consolidated net loss attributable to the equity holders of the Company of approximately HK\$1,811,000 (2005: approximately HK\$1,500,000) and the weighted average of 1,628,160,470 shares (2005: 1,543,160,470 shares) in issue during the period.

The diluted loss per share for the three months ended 31 December 2006 and 2005 has not been presented as the potential ordinary shares outstanding had an anti-dilutive effect on the basic loss per share for the three months ended 31 December 2006 and 2005.

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

For the three months ended 31 December 2006

	Attributable to equity holders of the Company									
	Issued share capital	Share premium	Capital reserve	Statutory reserve	Asset revaluation reserve	Exchange fluctuation reserve	Accumulated losses	Minority Total	Restated Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
As at 1 October 2005										
- as previously reported	120,359	54,964	4,960	4	4,698	(13)	(197,650)	(12,658)	7,981	(4,677)
- adjustment for adoption of										
HKFRS	-	-	(4,960)	-	-	-	4,960	-	-	-
HKAS17	-	-	-	-	(760)	-	760	-	-	-
As at 1 October 2005 (as restated)	120,359	54,964	-	4	3,938	(13)	(191,910)	(12,658)	7,981	(4,677)
Net loss for the period	-	-	-	-	-	-	(1,500)	(1,500)	271	(1,229)
As at 31 December 2005	120,359	54,964	-	4	3,938	(13)	(193,410)	(14,158)	8,252	(5,906)
As at 1 October 2006	126,989	54,964	-	4	766	(17)	(204,651)	(21,925)	10,195	(11,730)
Net loss for the period	-	-	-	-	-	-	(1,811)	(1,811)	4	(1,807)
As at 31 December 2006	126,989	54,964	-	4	766	(17)	(206,462)	(23,736)	10,199	(13,537)

8. LITIGATION

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

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

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

As advised by Chengdu TM that they are presently incapable of settling the outstanding amount, the penalty sum and the arbitration fee. The board of directors of Chengdu TM resolved that they will try to resolve this matter with Siemens through friendly negotiation.

Save as disclosed above, to the knowledge of the directors of the Company, no further action was taken by Siemens as at the date of this Report.

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

As at 31 December 2006, the interests or short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short position which they are taken or deemed to have taken under such provisions of the SFO), or which will be required to be entered into the register kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

(a) Long Position in Shares

Name of director	Number of issued ordinary shares of US\$0.01 each in the Company held and the capacity		Approximate Percentage of the Company's issued share capital
	Total interests in shares	Capacity	
Mr. Wu Shu Min	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 December 2006, the following director of the Company was 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 December 2006	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 December 2006, 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 December 2006	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 December 2006, none of the directors, chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short position which they are taken or deemed to have taken under such provisions of the SFO), or which will be required to be entered into the register kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors of the Company as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules. At any time during the reporting period, there was no debt securities issued by the Group.

INTERESTS DISCLOSEABLE UNDER SFO AND SUBSTANTIAL SHAREHOLDERS

So far as is known to the directors of the Company, as at 31 December 2006, persons (other than directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required pursuant to Section 336 of the SFO, to be entered into the register referred to therein, were as follows:

Long Positions

Name	Capacity	Interests in shares	Percentage of interests	Interests under equity derivatives	Aggregate interests
Multico Holdings Limited (Note 1)	Beneficial owner	356,540,350	21.89%	-	356,540,350
Transpac Nominees Pte Ltd. (Note 1)	Nominee	356,580,350	21.90%	-	356,580,350
Transpac Capital Pte Ltd. (Note 1)	Nominee	356,580,350	21.90%	-	356,580,350
AG Investment No. 1 Investment Partnership	Beneficial owner	85,000,000	5.22%	-	85,000,000
Ms. Lei Dong Ling (Note 2)	Interests of spouse	154,823,000	9.51%	28,000,000	182,823,000

Notes:

- (1) Multico Holdings Limited (“MHL”) and Huiya South China Investments Limited (“Huiya”) held 356,540,350 shares and 40,000 shares respectively and the sole shareholder of MHL and Huiya is Transpac Nominees Pte Ltd. (“TNPL”) which in turn is a wholly-owned subsidiary of Transpac Capital Pte Ltd. (“TCPL”). Both TNPL and TCPL therefore are deemed to be interested in 356,580,350 shares in which MHL and Huiya are interested. TNPL through MHL and Huiya, holds the 356,580,350 shares as nominee for three investment funds, namely Transpac Capital 1996 Investment Trust, Transpac Capital Parallel 1996 Investment Trust and Transpac Managers III Ltd in respect of approximately 96.0 per cent, 3.0 per cent and 1.0 per cent of the 356,580,350 shares. TCPL is the manager of a number of venture capital funds including those specified herein.
- (2) Ms. Lei Dong Ling is the spouse of Mr. Wu Shu Min. Under Section 316 of the SFO, Ms. Lei Dong Ling is deemed to be interested in all 154,823,000 shares and 28,000,000 share options in which Mr. Wu Shu Min is interested.

Save as disclosed above, as at 31 December 2006, 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 December 2006, options to subscribe for an aggregate of 15,000,000 shares were outstanding (including the directors of the Company as disclosed above). Details of which as at 31 December 2006 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 December 2006	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
	<u>15,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,000,000</u>		

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

(b) The scheme

As at 31 December 2006, options to subscribe for an aggregate of 18,400,000 shares were outstanding (including the directors of the Company as disclosed above). Details of which as at 31 December 2006 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 December 2006	Exercise period of share options	Exercise price per share HK\$
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		

COMPETITION AND CONFLICT OF INTERESTS

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

AUDIT COMMITTEE

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

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

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has not adopted its own code of conduct regarding securities transactions by directors, but having made specific enquiry of all directors and the Company was not aware of any non-compliance with the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules and its code of conduct regarding securities transactions by directors during the Review Period.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

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

By Order of the Board

IIN International Limited

Wu Shu Min

Chairman

Hong Kong, 12 February 2007