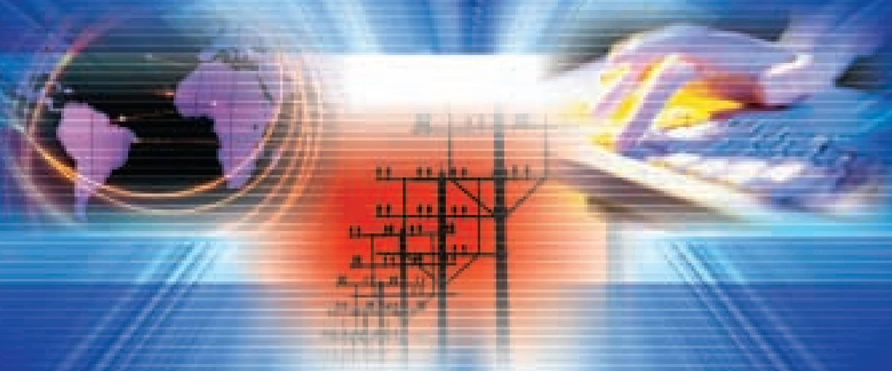

FIRST QUARTERLY REPORT

2004

IIN

IIN INTERNATIONAL LIMITED

(incorporated in the Cayman Islands with limited liability)

GEM Characteristics

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 and 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

- Gross profit margin for the three months ended 31 December 2003 (the "Review Period") increased to 22% as compared with 16% for the same quarter of last year.

- Recorded an earnings before interest, tax, depreciation and amortisation ("EBITDA") for the Review Period of approximately HK$1.1 million as compared to a loss before interest, tax, depreciation and amortisation ("LBITDA") of approximately HK$3.1 million for the same period of preceding year.

- Net loss for the Review Period narrowed to approximately HK$1.7 million as compared to approximately HK$5.5 million of the same quarter last year.

- Repeating orders on MAN projects from Shanghai PTC were successfully secured by the Group.

- Continued to make progress on cost control measures for the Review Period, the Group's administrative expenses decreased by 25% as compared to that of last year.

Business Review

During the Review Period, network infrastructure solutions and transmission solutions were the Group's core revenue generator. Compared to same period last year, the Group recorded improvements in gross profit margin from 16% to 22%, contributed by additional provision of technical services in network infrastructure projects.

During the Review Period, the Group successfully secured repeating orders from Provincial Telecommunications Corporation ("PTC") in Shanghai, amounting to approximately HK$17.7 million, for construction of Metropolitan Area Networks ("MAN"), demonstrating the Group's strength and customer satisfaction in the network infrastructure solutions market.

Continuing from previous quarters, the Group put in concerted efforts to streamline and consolidate workforce and operations, and further reinforced implementation of various cost control measures previously introduced. During the Review Period, administrative expenses dropped by 25% as compared to that of last year.

With improvements in gross profit margin and reduction in operating expenses during the Review Period, the Group is glad to report an EBITDA of approximately HK$1.1 million as compared to a LBITDA of approximately HK$3.1 million for the same period last year. Net loss from ordinary activities attributable to shareholders also narrowed to approximately HK$1.7 million from approximately HK$5.5 million for the same period last year.

Looking forward into 2004, the Group will continue to look for improvements in gross profit margin by the inclusion of more software and service contents in network solution projects, including dedicated efforts in capturing collaboration opportunities with multinational system integrators and their associated joint venture companies in the People's Republic of China ("the PRC") for the provision of communication and information network software and services.

Financial review

During the Review Period, turnover of the Group was approximately HK$43.7 million, which is in line with the turnover of the Group of approximately HK$43.8 million for the same quarter last year. Following the completion of the acquisition of Future Frontier Limited which holds a controlling interest in Wujiang Shengxin Optoelectronics Technology Co., Ltd. ("Shengxin") in December 2002, its results were consolidated to the Group's results thereon. During the Review Period, contribution from Shengxin amounted to approximately HK$12.7 million (2002: nil)

Gross profit margin of the Group during the Review Period increased to 22% compared with 16% in the same quarter last year. The increase was attributable to the completion of certain service contracts which were of higher profit margin during the Review Period.

As a result of cost control measures, including basic salary cut of its management and relocation of its Beijing office, implemented by the Group in 2003, administrative expenses of the Group for the Review Period dropped to approximately HK$6.9 million from approximately HK$9.2 million during the same quarter last year. Selling and distribution costs for the Review Period increased to approximately HK$3.2 million from approximately HK$2.3 million for the same quarter last year. This was due to the inclusion of Shengxin's selling and distribution costs of approximately HK$1.2 million.

During the Review Period, loss from operating activities, which included depreciation and amortisation of approximately HK$0.9 million (2002: approximately HK$1.0 million) and approximately HK$1.2 million (2002: approximately HK$0.5 million) respectively, amounted to approximately HK$1.0 million (2002: approximately HK$4.6 million). On a before deprecation and amortisation basis, the Group recorded an EBITDA of approximately HK$1.1 million (2002: LBITDA of approximately HK$3.1 million). The improvement in operating results, before depreciation and amortisation, was attributable to the cost control measures implemented by the Group in 2003.

Attributable to the cost control measures implemented by the Group in 2003, the net loss from ordinary activities attributable to shareholders for the Review Period narrowed to approximately HK$1.7 million compared to approximately HK$5.5 million for the same quarter last year.

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 2003 together with the comparative unaudited figures for the corresponding period in 2002 as follows:

	Notes	For the three months ended 31 December 2003 HK$'000	31 December 2002 HK$'000
Turnover	2	**43,679**	43,764
Cost of sales		**(34,099)**	(36,698)
Gross profit		**9,580**	7,066
Other revenue		**690**	318
Selling and distribution costs		**(3,225)**	(2,293)
Administrative expenses		**(6,860)**	(9,171)
Other operating expenses		**(1,203)**	(539)
Loss from operating activities	3	**(1,018)**	(4,619)
Finance costs		**(596)**	(856)
Loss before tax		**(1,614)**	(5,475)
Tax	4	**–**	–
LOSS BEFORE MINORITY INTERESTS		**(1,614)**	(5,475)
Minority interests		**(46)**	(32)
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		**(1,660)**	(5,507)
Dividend	5	**–**	–
LOSS PER SHARE	6		
Basic		**(0.12) cents**	(0.39) cents
Diluted		**–**	–

Notes:

1. Basis of preparation

The unaudited results of the Group have been prepared in accordance with the Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong

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

2. Turnover

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

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

	For the three months ended	
	31 December 2003	31 December 2002
	HK$'000	*HK$'000*
Telecommunications network infrastructure solutions	**20,226**	34,134
Network management solutions	**2,647**	1,653
Other network solutions for sectors other than telecommunications	**8,126**	7,977
Transmission	**12,680**	–
	43,679	43,764

3. Loss from operating activities

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

	For the three months ended	
	31 December 2003	31 December 2002
	HK$'000	*HK$'000*
Staff costs (including directors' emoluments)	**2,983**	4,550
Depreciation	**889**	1,004
Amortisation of deferred development costs	**344**	344
Amortisation of goodwill	**859**	195
Minimum lease payments under operating leases in respect of land and buildings	**257**	1,002

4. Tax

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the three months ended 31 December 2003 (2002: Nil).

PRC corporate income tax has not been provided as the Group did not generate any net assessable profits attributable to their operations in the PRC during the three months ended 31 December 2003 (2002: Nil).

There was no significant unprovided deferred taxation for the period.

5. Dividend

The Board does not recommend payment of an interim dividend for the period under review (2002: Nil).

6. Loss per share

The calculation of basic loss per share is based on the unaudited net loss from ordinary activities attributable to shareholders for the three months ended 31 December 2003 of HK$1,660,000 (three months ended 31 December 2002: HK$5,507,000) and the weighted average of 1,436,517,350 shares (three months ended 31 December 2002: 1,417,781,698 shares) in issue during the three months ended 31 December 2003.

The diluted loss per share amount for the three months ended 31 December 2003 and 2002 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 2003 and 2002.

7. Reserves

Movement in reserves for the three months ended 31 December 2003 and 2002 were as follows (unaudited):

	Accumulated losses HK$'000	Share premium account HK$'000	Statutory reserve HK$'000	Asset revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Capital reserve HK$'000	Total HK$'000
At 1 October 2002	(29,468)	54,102	4	4,463	(13)	(7,742)	21,346
New issue of shares upon acquisition of subsidiaries	–	862	–	–	–	–	862
Net loss for the period	(5,507)	–	–	–	–	–	(5,507)
At 31 December 2002	(34,975)	54,964	4	4,463	(13)	(7,742)	16,701
At 1 October 2003	(67,071)	54,964	4	4,568	(13)	(4,742)	(12,290)
Net loss for the period	(1,660)	–	–	–	–	–	(1,660)
At 31 December 2003	(68,731)	54,964	4	4,568	(13)	(4,742)	(13,950)

Directors' and Chief Executive'S Interests or Short Positions in the Share Capital of the Company and its Associated Corporation

As at 31 December 2003, 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 any of 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 5.40 to 5.58 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		Percentage of the Company's issued share capital
Name of director	**Total interests in shares**	**Capacity**	
Mr. Wu Shu Min	154,823,000	Beneficial owner	10.78%
Mr. Chang Ye Min, William	16,840,000	Beneficial owner	1.17%
Mr. Zhu Rong	88,750,000	Beneficial owner	6.18%
Mr. Leong Ka Cheong, Christopher *(note)*	371,988,350	Nominee	25.90%

Note: The sole shareholder of Multico Holdings Limited ("MHL") and Huiya South China Investments Limited ("Huiya") is Transpac Nominees Pte Ltd. ("TNPL") which is a wholly-owned subsidiary of Transpac Capital Pte Ltd. ("TCPL"). TNPL, through MHL and Huiya, holds the 371,988,350 shares as nominee for three investment funds, namely Transpac Capital 1996 Investment Trust, Transpac Capital Parallel 1996 Investment Trust and Transpac Managers III Ltd in respect of approximately 96.0 per cent, 3.0 per cent and 1.0 per cent of the 371,988,350 shares. TCPL is the manager of a number of venture capital funds including those specified herein and Mr. Leong is a director of TCPL. Transpac Managers III Ltd is a venture capital fund contributed by the staff of TCPL to invest in parallel to funds managed by TCPL.

(b) Long position under equity derivatives

(i) Pre-IPO share options

Prior to the listing of the Company's shares on the GEM of the Stock Exchange, the board of directors was authorised, at its absolute discretion, to grant options (the "Pre-IPO Share Options") to employees, including directors and chief executive of the Company or any of its subsidiaries, to subscribe for shares in the Company under the terms of a share option plan (the "Pre-IPO Share Option Plan") adopted by the Company on 7 January 2000. The Pre-IPO Share Option Plan became effective for a period of eight years commencing from 7 January 2000 (date of adopting the Pre-IPO Share Option Plan). As at 31 December 2003, 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 2003 and 31 December 2003	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
Mr. Chang Ye Min, William	15,000,000	7 January 2000	7 January 2000 to 6 January 2008	0.150
	5,000,000	23 May 2000	23 May 2000 to 22 May 2008	0.515

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

(ii) Post-IPO share options

On 22 November 2001, the Company conditionally adopted a further share option scheme (the "Scheme") for a period of ten years from the date on which the Scheme was adopted. The Scheme became unconditional upon the listing of the Company's shares on the GEM of the Stock Exchange on 30 November 2001. Under the

Scheme, the board of directors was authorised, at its absolute discretion, to grant options to employees, including directors of the Company or any of its subsidiaries, to subscribe for shares in the Company under the terms of the Scheme. As at 31 December 2003, the following directors of the Company were granted or interested in the following options under the Scheme:

Name of director	Number of share options outstanding as at 1 October 2003 and 31 December 2003	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. Chang Ye Min, William	10,000,000	7 March 2002	7 March 2002 to 21 December 2011	0.465
	3,000,000	5 June 2003	5 June 2003 to 21 December 2011	0.078
Mr. Jin Feng	3,000,000	5 June 2003	5 June 2003 to 21 December 2011	0.078
Mr. Ng Ching Wo	1,000,000	5 June 2003	5 June 2003 to 21 December 2011	0.078
Mr. Chan Wai Dune	1,000,000	5 June 2003	5 June 2003 to 21 December 2011	0.078
Mr. Chen Junliang	1,000,000	5 June 2003	5 June 2003 to 21 December 2011	0.078

Save as disclosed above, as at 31 December 2003, 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 5.40 to 5.58 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 2003, shareholders (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:

Name	Capacity	Interests in shares	Percentage of interests	Interests under equity derivatives	Aggregate interests
Multico Holdings Limited *(Note 1)*	Beneficial owner	362,948,350	25.27%	–	362,948,350
Transpac Nominees Pte Ltd. *(Note 1)*	Nominee	371,988,350	25.90%	–	371,988,350
Transpac Capital Pte Ltd. *(Note 1)*	Nominee	371,988,350	25.90%	–	371,988,350
Ms. Lei Dong Ling *(Note 2)*	Interests of spouse	154,823,000	10.78%	28,000,000	182,823,000
Ms. Wu Yong Jun *(Note 3)*	Interests of spouse	88,750,000	6.18%	–	88,750,000

Notes:

(1) Multico Holdings Limited ("MHL") and Huiya South China Investments Limited ("Huiya") held 362,948,350 shares and 9,040,000 shares respectively and the sole shareholder of MHL and Huiya is Transpac Nominees Pte Ltd. ("TNPL") which in turn is a wholly-owned subsidiary of Transpac Capital Pte Ltd. ("TCPL"). Both TNPL and TCPL therefore are deemed to be interested in 371,988,350 shares in which MHL and Huiya are interested. TNPL through MHL and Huiya, holds the 371,988,350 shares as nominee for three investment funds, namely Transpac Capital 1996 Investment Trust, Transpac Capital Parallel 1996 Investment Trust and Transpac Managers III Ltd in respect of approximately 96.0 per cent, 3.0 per cent and 1.0 per cent of the 371,988,350 shares. TCPL is the manager of a number of venture capital funds including those specified herein and Mr. Leong is a director of TCPL. Transpac Managers III Ltd is a venture capital fund contributed by the staff of TCPL to invest in parallel to funds managed by TNPL.

(2) Ms. Lei Dong Ling is the spouse of Mr. Wu Shu Min. Under section 316 of the SFO, Ms. Lei Dong Ling is therefore deemed to be interested in all 154,823,000 shares and 28,000,000 share options in which Mr. Wu Shu Min is interested.

(3) Ms. Wu Yong Jun is the spouse of Mr. Zhu Rong. Under section 316 of the SFO, Ms. Wu Yong Jun is therefore deemed to be interested in all 88,750,000 shares in which Mr. Zhu Rong is interested.

Save as disclosed above, as at 31 December 2003, the directors of the Company were not aware of any other person (other than directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required, pursuant to section 336 of the SFO, to be entered into the register referred to therein.

Competition and Conflicts of Interest

Mr. Leong Ka Cheong, Christopher, non-executive director of the Company, is a non-executive director of YesMobile Holdings Company Limited ("YesMobile") which provides services to the telecommunication industry in Asia. At the present time, the nature of the business of YesMobile is different from the Group but YesMobile does operate in the same business domain.

Save as disclosed above, 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.

Sponsor's Interests

As at 31 December 2003, as updated and notified by the Company's sponsor, Core Pacific – Yamaichi Capital Limited ("CPY"), neither CPY nor its directors, employees or associates (as referred to Note 3 to Rule 6.35 of the GEM Listing Rules) had any interest in the share capital of the Company or any of its subsidiaries, or any right to subscribe for or to nominate persons to subscribe for the share capital of the Company or any of its subsidiaries.

Pursuant to the agreement dated 26 November 2001 entered into between the Company and CPY, CPY received, and will receive, fees for acting as the Company's retained sponsor for the period from 30 November 2001 to 30 September 2004 or until the agreement is terminated pursuant to the terms and conditions set out therein.

Audit Committee

As required by Rule 5.23, 5.24 and 5.25 of the GEM Listing Rules, 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 comprises an executive director, Mr. Wu Shu Min, and two independent non-executive directors, namely, Mr. Chan Wai Dune and Mr. Ng Ching Wo. Mr. Chan Wai Dune 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.

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.

By Order of the Board
IIN International Limited
Chang Ye Min, William
President & Chief Executive Officer

Hong Kong, 13 February 2004