



THIRD QUARTERLY REPORT

2005



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 The Stock Exchange of Hong Kong Limited (“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

Turnover recorded approximately HK\$52.0 million for the Review Period.

Net loss amounted to approximately HK\$20.8 million for the Review Period.

No dividend was declared for the Quarterly Period.

Business Review and Prospects

During the three months ended 30 June 2005 (the "Quarterly Period") and the nine months ended 30 June 2005 (the "Review Period"), the turnover of IIN International Limited (the "Company") together with its subsidiaries (the "Group") decreased by approximately 84% and 49% respectively as compared to that of the corresponding periods of last year.

With the Group's adjustment on business strategy, gradually phasing out from the systems integration business and switch to focusing on the development of electronic payment platform (the "e-Pay") and "Enterprise IP Network Management and Maintenance Service Platform" (the "IP Service"), the Group's turnover for the Quarterly Period was mainly attributable to the transmission business while no contribution was made to the Group from its network infrastructure solutions and network management solutions businesses. Therefore, turnover for the Quarterly Period and the Review Period both recorded significant decrease. The gross profit margin of transmission business for the Quarterly Period improved slightly due to the lower procurement price of some raw materials. During the past six months, the Group focused allocating its resources in the research and development of e-Pay and IP Service platforms. At the same time, the Group devoted its full effort to the promotion of its services and opinion exchange with potential customers. Recently, the Group co-operated with telecommunication operators and launched its IP Service platform to the market. Feedbacks have been positive and encouraging. The Group expects to achieve a breakthrough in the market in the nearest future. It will bring the Group a new income source and further strengthen the Group's business base.

As the technology development of e-Pay in the PRC market is still at a preliminary stage with a wide application range, the Group believes that its market potential for further market development is promising. Accordingly, the Group will continue its co-operation with vendors possessing core technology competence to perfect the e-Pay platform technology and promote market development. The Group is confident with this market and eagerly anticipates a breakthrough in such business bringing forth an improvement for the Group's overall performance and, particularly, offering higher returns for our shareholders.

As these two new businesses offer no immediate financial contribution to the Group, the Group's turnover will inevitably be affected. Considering the situation, the Group had continuously reviewed its business development and carried out appropriate adjustments in its structure as to meet the development needs. On the other hand, the Group strived to introduce cost control measures in order to control operating cost effectively and build up a corporate structure which will benefit to the future business development.

Financial Review

The Group's turnover during the Quarterly Period and the Review Period dropped approximately 84% and 49% to approximately HK\$6.4 million and HK\$52.0 million compared to approximately HK\$39.0 million and HK\$102.6 million for the corresponding periods last year. The decrease in turnover was mainly due to the gradual fade out of the network infrastructure solutions with lower gross profit margin as well as the network management solutions businesses. Besides, the market competition of transmission business was very fierce.

During the Review Period, turnover contributed from network infrastructure solutions and transmission segments which were of lower gross profit margin totalling approximately HK\$49.5 million, represents approximately 95% of the Group's turnover (corresponding period last year: approximately HK\$85.9 million, representing approximately 84% of the Group's turnover). As a result of the fading out of network infrastructure solutions business with lower gross profit margin and slight improvement on gross profit margin of transmission business during the Quarterly Period, the Group's gross profit margin for the Review Period increased to approximately 19% compared to approximately 16% for the corresponding period last year.

During the Review Period, the Group's net loss from ordinary activities attributable to shareholders amounted to approximately HK\$20.8 million which was increased 43% from approximately HK\$14.5 million for the corresponding period last year. The main reason was due to decrease in turnover during the Review Period as well as the increase on provision of doubtful debts to approximately HK\$5.5 million (corresponding period last year: approximately HK\$0.14 million).

Other operating expenses of the Group for the Review Period increased to approximately HK\$9.9 million from approximately HK\$3.5 million for the corresponding period last year. The increase in other operating expenses was mainly due to the provision of doubtful debts.

Selling and distribution costs of the Group for the Review Period amounted to approximately HK\$4.3 million compared to approximately HK\$7.2 million for the corresponding period last year. The decrease in selling and distribution costs was mainly attributable to the decrease in turnover.

Administrative expenses of the Group for the Review Period decreased by approximately 12% to approximately HK\$18.2 million from approximately HK\$20.7 million for the corresponding period last year. The decrease in administrative expenses was attributable to the Group's continuing effort in cost control.

Financial Results

The Board of Directors (the "Board") of IIN International Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months and nine months ended 30 June 2005 together with the comparative unaudited figures for the corresponding periods in 2004 as follows:

Condensed Consolidated Profit and Loss Account

| | Notes | Three months ended 30 June | | Nine months ended 30 June | |
|--|-------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | | 2005 HK\$'000 (Unaudited) | 2004 HK\$'000 (Unaudited) | 2005 HK\$'000 (Unaudited) | 2004 HK\$'000 (Unaudited) |
| Turnover | 2 | 6,366 | 39,003 | 52,015 | 102,622 |
| Cost of sales | | (5,214) | (35,583) | (42,298) | (86,420) |
| Gross profit | | 1,152 | 3,420 | 9,717 | 16,202 |
| Other revenue | | 59 | 12 | 1,094 | 1,600 |
| Selling and distribution costs | | (1,491) | (1,690) | (4,274) | (7,215) |
| Administrative expenses | | (5,678) | (6,674) | (18,194) | (20,670) |
| Other operating expenses | | (6,394) | (1,171) | (9,923) | (3,505) |
| Loss from operating activities | 3 | (12,352) | (6,103) | (21,580) | (13,588) |
| Finance costs | | (479) | (431) | (1,306) | (1,491) |
| Loss before tax | | (12,831) | (6,534) | (22,886) | (15,079) |
| Tax | 4 | - | (287) | (543) | (287) |
| LOSS BEFORE MINORITY INTERESTS | | (12,831) | (6,821) | (23,429) | (15,366) |
| Minority interests | | 2,840 | 332 | 2,584 | 893 |
| NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS | | (9,991) | (6,489) | (20,845) | (14,473) |
| Dividend | 5 | - | - | - | - |
| LOSS PER SHARE | 6 | | | | |
| Basic | | HK(0.65) cents | HK(0.45) cents | HK(1.35) cents | HK(1.01) cents |
| Diluted | | N/A | N/A | N/A | N/A |

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 Company's audit committee.

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 30 June | | Nine months ended 30 June | |
|---|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | 2005 HK\$'000 (Unaudited) | 2004 HK\$'000 (Unaudited) | 2005 HK\$'000 (Unaudited) | 2004 HK\$'000 (Unaudited) |
| Telecommunications network infrastructure solutions | – | 19,051 | 27,806 | 47,687 |
| Network management solutions | – | – | 905 | 2,647 |
| Other network solutions for sectors other than telecommunications | 306 | 2,086 | 1,567 | 14,113 |
| Transmission | 6,060 | 17,866 | 21,737 | 38,175 |
| | 6,366 | 39,003 | 52,015 | 102,622 |

3. Loss from operating activities

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

| | Three months ended 30 June | | Nine months ended 30 June | |
|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | 2005 HK\$'000 (Unaudited) | 2004 HK\$'000 (Unaudited) | 2005 HK\$'000 (Unaudited) | 2004 HK\$'000 (Unaudited) |
| Staff costs (including directors' emoluments) | 2,036 | 2,519 | 7,106 | 8,637 |
| Depreciation | 1,058 | 936 | 4,325 | 3,336 |
| Amortisation of deferred development costs | 100 | 172 | 444 | 786 |
| Amortisation of goodwill | 1,337 | 858 | 4,027 | 2,578 |
| Minimum lease payments under operating leases in respect of land and buildings | 542 | 426 | 1,468 | 963 |
| Provision for doubtful debts | 4,956 | 141 | 5,451 | 141 |

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 nine months ended 30 June 2005 (2004: 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 2005 (2004: 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 2005 (2004: Nil).

5. Dividend

The Board does not recommend payment of a dividend for the Review Period (2004: Nil).

6. Loss per share

The calculation of basic loss per share for the three months and nine months ended 30 June 2005 is based on the respective unaudited consolidated net loss from ordinary activities attributable to shareholders of approximately HK\$9,991,000 and HK\$20,845,000 (2004: approximately HK\$6,489,000 and HK\$14,473,000) and the weighted average of 1,543,160,470 shares and 1,543,160,470 shares respectively (2004: 1,440,033,057 shares and 1,437,684,975 shares respectively) in issue during the periods.

The diluted loss per share for the three months and nine months ended 30 June 2005 and 2004 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 2005 and 2004.

7. Reserves

Movement in reserves for the nine months ended 30 June 2005 and 2004 were as follows:

| | Share premium account HK\$'000 (Unaudited) | Capital reserve HK\$'000 (Unaudited) | Statutory reserve HK\$'000 (Unaudited) | Asset revaluation reserve HK\$'000 (Unaudited) | Exchange fluctuation reserve HK\$'000 (Unaudited) | Accumulated losses HK\$'000 (Unaudited) | Total HK\$'000 (Unaudited) |
|---|--|---|---|--|---|--|----------------------------------|
| At 1 October 2003 | 54,964 | (4,742) | 4 | 4,568 | (13) | (67,071) | (12,290) |
| New issue of shares upon acquisition of subsidiaries | 576 | - | - | - | - | - | 576 |
| Net loss for the period | - | - | - | - | - | (14,473) | (14,473) |
| Exchange realignment | - | - | - | - | (1) | - | (1) |
| At 30 June 2004 | 55,540 | (4,742) | 4 | 4,568 | (14) | (81,544) | (26,188) |
| At 1 October 2004 | 54,964 | (2,242) | 4 | 5,061 | (13) | (115,533) | (57,759) |
| Net loss for the period | - | - | - | - | - | (20,845) | (20,845) |
| At 30 June 2005 | 54,964 | (2,242) | 4 | 5,061 | (13) | (136,378) | (78,604) |

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

As at 30 June 2005, 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 5.68 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 | 10.03% |
| Mr. Chang Ye Min, William | 6,840,000 | Beneficial owner | 0.44% |
| Mr. Leong Ka Cheong, Christopher (<i>Note</i>) | 371,988,350 | Nominee | 24.11% |

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 30 June 2005, 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 2004 and 30 June 2005 | 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 30 June 2005, 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 | | Date of grant | Exercise period | Exercise price per share HK\$ |
|------------------------------|---|--------------|---------------|-------------------------------------|----------------------------------|
| | 2004 and | 30 June 2005 | | | |
| 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. Chang Xiao Hui | 6,000,000 | | 1 March 2002 | 1 March 2002 to 21 December 2011 | 0.475 |
| | 3,000,000 | | 5 June 2003 | 5 June 2003 to 21 December 2011 | 0.078 |
| Mr. Li Jun Chao | 2,000,000 | | 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 (Note) | 1,000,000 | | 5 June 2003 | 5 June 2003 to 21 December 2011 | 0.078 |

Note: Mr. Chen Junliang had resigned as independent non-executive Director of the Company effective on 1 July 2005.

Save as disclosed above, as at 30 June 2005, 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 5.48 to 5.67 of the GEM Listing Rules. At any time during the reporting period, there was no debt securities issued by the Group.

Interests Discloseable under SFO and Substantial Shareholders

So far as is known to the directors of the Company, as at 30 June 2005, 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 | 362,948,350 | 23.52% | – | 362,948,350 |
| Transpac Nominees Pte Ltd. (Note 1) | Nominee | 371,988,350 | 24.11% | – | 371,988,350 |
| Transpac Capital Pte Ltd. (Note 1) | Nominee | 371,988,350 | 24.11% | – | 371,988,350 |
| Ms. Lei Dong Ling (Note 2) | Interests of spouse | 154,823,000 | 10.03% | 28,000,000 | 182,823,000 |
| Mr. Zhu Rong (Note 3) | Beneficial owner | 86,894,000 | 5.63% | – | 86,894,000 |
| Ms. Wu Yong Jun (Note 3) | Interests of spouse | 86,894,000 | 5.63% | – | 86,894,000 |

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.
- (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.
- (3) Ms. Wu Yong Jun is the spouse of Mr. Zhu Rong. Under Section 316 of the SFO, Ms. Wu Yong Jun is deemed to be interested in all 86,894,000 shares in which Mr. Zhu Rong is interested.

Save as disclosed above, as at 30 June 2005, 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 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.

Disclosure of Trade Receivables under Chapter 17 of The GEM Listing Rules

As at 30 June 2005, there were 1,543,160,470 shares of the Company in issue. Based on the average closing price of the Company's shares of HK\$0.025 per share as stated in the Stock Exchange's daily quotation sheet for the trading days from 23 June 2005 to 29 June 2005 (both days inclusive), being the five trading days immediately preceding 30 June 2005, the total market capitalization of the Company was approximately HK\$38,600,000 (the "Total Market Capitalization").

As at 30 June 2005, each of the following trade receivables (the "Trade Receivables") exceeded 8% of the Total Market Capitalization.

| Customers | Amount due to the Group as at 30 June 2005 (HK\$) | Approximate Percentage of Total Market Capitalization |
|------------------|--|--|
| 北京國創華利科技有限公司 | 7,660,000* | 20% |
| 上海華立通信信息有限公司 | 3,100,000# | 8% |
| 上海吾凌通信工程有限公司 | 4,700,000 | 12% |
| 湖南省電信物資供應有限責任公司 | 5,300,000 | 14% |
| 湖南省網通新鄉分公司 | 6,400,000 | 17% |

* After provision of approximately HK\$2.24 million.

After provision of approximately HK\$2.50 million.

The Trade Receivables were arisen from sales to the customers by the Group during its ordinary course of business and on normal commercial terms. The Trade Receivables were unsecured and interest-free. The payment terms of the Trade Receivables are defined under the relevant contracts and by instalments with reference to the progress of the projects.

The above customers are independent of, and are not connected with the Company or its subsidiaries, the directors, chief executive, management shareholders or substantial shareholders of the Company or its subsidiaries and their respective associates (as defined in the GEM Listing Rules).

Save for the above, as at 30 June 2005, so far as was known to the Directors, there was no other advance which would give rise to disclose obligation under Rules 17.15 and 17.17 of the GEM Listing Rules.

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 one non-executive Director, namely Mr. Chang Ye Min, William and two independent non-executive Directors, namely, Mr. Chan Wai Dune and Mr. Liu Yang. 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.

Compliance with Board Practices and Procedures

During the Review Period, the Company was in compliance with the Board Practices and Procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules, which was then applicable before the amendment of the GEM Listing Rules relating to the Code on Corporate Governance Practices and Rules on Corporate Governance Report on 1 January 2005. The Code has become effective for accounting periods commencing on or after 1 January 2005. The Company has reviewed the Code and, if necessary, will adopt appropriate measures to comply with the same in due course.

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.

By Order of the Board
IIN International Limited
Wu Shu Min
Chairman

As of the date of this report, the Board of Directors of the Company comprises Mr. Wu Shu Min, Mr. Jin Feng, Mr. Chang Xiao Hui and Mr. Li Jun Chao as executive Directors, Mr. Leong Ka Cheong, Christopher and Mr. Chang Ye Min, William as non-executive Directors, Mr. Chan Wai Dune and Mr. Liu Yang as independent non-executive Directors. The Company currently only has two independent non-executive Directors and does not comply with Rule 5.05(1) of the GEM Listing Rules. The Company is actively seeking appropriate candidate who possesses the qualifications stipulated in Rule 5.09 of the GEM Listing Rules.

Hong Kong, 12 August 2005

