



IIN INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands with limited liability)



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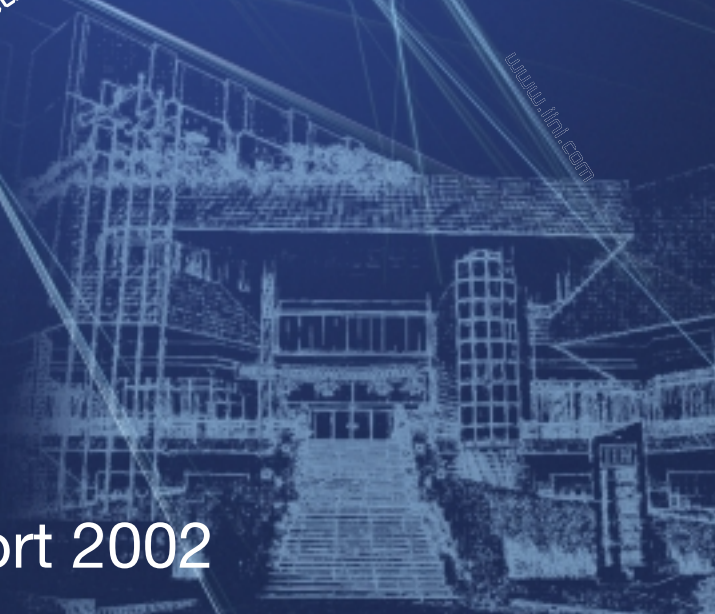
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Interim Report 2002



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 of Hong Kong Limited. 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.

Highlights

- Turnover for the quarter under review rose 82.5% to approximately HK\$31.2 million compared with the corresponding quarter last year.
- Gross profit margin rose to 49% for the quarter under review from 38% in the corresponding quarter last year.
- The increase in turnover together with the enhanced gross profit margin resulted in a net profit of approximately HK\$3.8 million for the quarter under review compared with a net loss of approximately HK\$4.8 million for the corresponding quarter last year.
- The Group made its landmark entry into the Yunnan Province by signing an agreement with the Provincial Telecommunications Corporation of China Telecom in Yunnan, participating in one of China Telecom's key projects to upgrade local exchange networks in the western region in the PRC.
- Looking forward, for the second half of the year, the Group is optimistic and confident in capturing the tremendous business opportunities presented by China Telecom's completed reorganisation.

Market Overview

The recently completed reorganisation of China Telecom, the largest telecommunications carrier of the People's Republic of China (the "PRC"), is a strong boost to the country's telecommunications market, opening up previously restricted opportunities. This market reform will create tremendous business opportunities for telecommunications network solutions providers such as IIN International Limited (the "Company") together with its subsidiaries (the "Group") as demand for new services and investments in technology will increase.

While China Telecom's reorganisation had delayed the Group's projects under negotiation for the six-month period under review, the Group remains optimistic and confident the projects will be finalised, and expects an upturn in business in the second half of the year.

Business Review

In the interim period ended 31 March 2002, providing network infrastructure solutions continued to be the Group's core revenue generator. It represented approximately HK\$31.4 million, or 65.2% of the Group's total turnover. Network management solutions business made up 24.0% of total turnover, amounting to approximately HK\$11.5 million. Another revenue source was the provision of network solutions for customers in other market sectors in the PRC. These included educational institutions, medical institutions, state-owned enterprises and government agencies. This brought in approximately HK\$5.3 million, representing 10.8% of the Group's total turnover for the interim period under review.

During the period under review, the Group's subsidiary, Hunan IIN-Galaxy Software Development Co., Ltd., signed an agreement to provide services to the Provincial Telecommunications Corporation of China Telecom in Yunnan in upgrading the Local Exchange Network Management and Monitoring System. The agreement, amounting to approximately RMB10.0 million (approximately HK\$9.3 million), is one of China Telecom's key projects to upgrade local exchange networks in the western region in the PRC, while also signifying the first time for the Group to establish a presence in the Yunnan Province.

Looking forward, the Group and its Board of Directors (the "Directors") are confident that the Group, with its capability in providing a comprehensive suite of proprietary network management solutions, is strategically poised to continue to take full advantage of the tremendous business opportunities in the PRC telecommunications industry.

Outlook

Despite the global downturn in high-tech industry, the PRC's information industry is advancing fast on a healthy track. According to market data for the beginning of 2002, revenue from telecommunications operators in the PRC reached approximately RMB370 billion (approximately HK\$345.8 billion), a 23% year-on-year growth.

Against the backdrop of China Telecom's recently completed restructuring, the PRC telecommunications market is poised to make a quantum leap into an exciting new era, one devoid of monopolies, and full of opportunities in a freer market. As competition will intensify in the more open PRC telecommunications market, service quality and operation efficiency will be key competitive differentiators, accelerating in particular the business growth for network management solutions. With its established presence in the network management solutions sector, coupled with its strength in research and product development, the Group is confident it will capitalise on high-yield opportunities created by the changing landscape of the new telecommunications market.

In order to survive in the progressively more competitive and sophisticated PRC telecommunications market, telecommunications service providers have to explore and tap new sources of revenue. The convergence trend of voice, data and video signals over a broadband network is inevitable. The Group has already signed Memorandum of Understanding with several leaders in the provision of broadband value-added services and is optimistic about the high-growth potential of this business.

Although business progress has, to some extent, been affected by China Telecom's restructuring in the first half of the financial year, the Group expects the pace of business to return to normal in the coming six months. The Group is optimistic that it will achieve business targets for the year, and continues to play a prominent role in providing network solutions to the PRC telecommunications sector, which is set to become one of the pillars of the country's economy.

Progress against Business Objectives

The following is a comparison of actual business progress in the six months ended 31 March 2002 ("Review Period") and the business objectives for the same period as set out in the Prospectus dated 26 November 2001 (the "Prospectus"). The Group reviews its business objectives and strategies on an ongoing basis and makes adjustments as necessary.

	Business objectives for the Review Period as set out in the Prospectus	Actual business progress in the Review Period
Internet Data Center Solution	Expects to secure the first sales contract relating to this solution by the end of 2001.	The Group will continue to work with several Provincial Telecommunications Corporations ("PTC") of China Telecom. The Group expects to sign a commercial contract in the third quarter of 2002.
IP Network Management and Monitoring System	Expects to secure a trial site for trial implementation of the system by the end of 2001.	The Group is in the process of finalising a trial agreement with a PTC.
Broadband Access Network Management System	Expects to commence the development of the system in early 2002.	Started initial design of the system, including detailed analysis of customer and market requirements.
Unified Communications System	Will commence and complete the feasibility study in relation to this system by the end of the first quarter of 2002 and expect to commence development of the system in the second quarter of 2002.	The feasibility study of the system was completed in November 2001. The integration with third party solutions is in progress. Marketing activities for the system have started and the Group expects to secure a commercial trial contract in the third quarter of 2002.

Research & Development

	Business objectives for the Review Period as set out in the Prospectus	Actual business progress in the Review Period
China Telecom version 7.0 and China Mobile version 2.0 for the CPEM 8000 Power and Environmental Monitoring System	Commence the development of the system by 31 March 2002.	Development of the system continues as planned.
China Mobile version 1.0 for the IIN-Acterna PSTN SS7 Signalling Monitoring System	Commence the development of the system by 31 March 2002.	The development of the system was delayed pending the completion of Initial Acceptance Test of the SS7 PSTN project with Changsha Telecom, which is expected to take place in May 2002.
China Telecom version 2.0 for the Network Management and Safeguard System	Commence the development of the system by 31 March 2002.	The Group continues the development of the system as planned.
China Telecom version 2.0 and China Mobile version 1.0 for the IP Network Management and Monitoring System	Commence the development of the system by 31 March 2002.	The development of the system was delayed due to China Telecom's restructuring impeding decisions for new project initiations. The Group expects to resume development in the second half of 2002 as the China Telecom restructuring is completed.
China Telecom version 1.0 for the Broadband Access Network Management System	Commence the development of the system by 31 March 2002.	The initial design of the system started including detailed analysis of customer and market requirements.
Unified Communications System	Commence and complete the feasibility study of the system by 31 March 2002.	The feasibility study of the system was completed in November 2001. The integration with third party solutions is in progress.
China Telecom version 1.0 for the Unified Communications System	Commence the development of the system by 31 March 2002.	Development of the system continues as planned.
China Telecom version 2.0 for the IIN-Acterna PSTN SS7 Signalling Monitoring System	Identify product specifications of the system by 31 March 2002.	The development of the system was delayed due to the extra time required to complete the Initial Acceptance Test of version 1.0 with Changsha Telecom, which is expected to take place in May 2002.

Sales & Marketing

	Business objectives for the Review Period as set out in the Prospectus	Actual business progress in the Review Period
China Telecom version 1.0 for the IIN-Acterna PSTN SS7 Signalling Monitoring System	Complete the trial implementation and formally launch the system by 31 March 2002.	The Group is in negotiations with several PTCs.
China Telecom version 1.0 for the IP Network Management and Monitoring System	Complete the trial implementation and formally launch the system by 31 March 2002.	Marketing of the system was delayed due to China Telecom’s restructuring that deferred new project initiatives. The Group expects to secure the first system trial site in the third quarter of 2002.

Strategic Alliances and Acquisitions

Business objectives for the Review Period as set out in the Prospectus	Actual business progress in the Review Period
Seek to extend partnership with Acterna for business development in the PRC mobile communications sector.	The Group continues discussions with Acterna while also exploring business cooperation with several SS7 vendors in the mobile sector.
Seek to identify suitable broadband value-added services providers for future business development.	The Group has signed Memorandum of Understanding with several vendors who are leaders in the provision of broadband value-added services.

Financial Review

The Group’s turnover for the quarter under review ended 31 March 2002 rose 82.5% to approximately HK\$31.2 million compared to approximately HK\$17.1 million for the same quarter in 2001. Gross profit margin rose to 49% for the quarter under review from 38% for the same quarter last year. The growth in turnover and gross profit margin is attributable to the higher profit margin and the satisfactory sales of one of the Group’s proprietary products, Local Exchange Network Management Solution. The Group achieved a net profit of approximately HK\$3.8 million for the quarter under review compared with a net loss of approximately HK\$4.8 million for the same quarter last year.

Due to the restructuring of China Telecom, delaying the finalisation of the Group’s projects under negotiation, turnover for the six months ended 31 March 2002 was approximately HK\$48.2 million, compared with approximately HK\$53.8 million for the corresponding interim period last year.

As the Group's results for the first quarter of 2002 was also affected by the delay in projects due to China Telecom's restructuring, net profit for the six months ended 31 March 2002 was approximately HK\$0.2 million. This compares with a net profit of approximately HK\$19.0 million for the corresponding six-month period in 2001 that included a net one-time extraordinary gain of approximately HK\$29.0 million for the disposal of the former subsidiaries of the Company including IIN Network Education Limited, IIN Medical Industrial Limited, Hunan IIN Network Education Co., Ltd. and Hunan IIN Medical Network Technology Development Co., Ltd.

Liquidity, Financial Resources and Capital Structure

The Group continues to be in a strong financial position. The Group's net current assets as at 31 March 2002 improved to approximately HK\$150.7 million (2001: approximately HK\$42.3 million).

As at 31 March 2002, the Group recorded an improvement in cash and bank balances of approximately HK\$103.3 million (2001: approximately HK\$18.2 million).

As at 31 March 2002, the Group's total bank borrowings amounted to approximately HK\$47.8 million (2001: approximately HK\$33.6 million) which are repayable within one year.

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

Use of Proceeds from the Initial Public Offering

The net proceeds raised from the initial listing of the shares of the Company on GEM on 30 November 2001 were approximately HK\$127.7 million. During the interim period, the Group has utilised approximately HK\$42.0 million for various purposes as detailed below, which are in line with the Prospectus.

- approximately HK\$37.0 million was used to repay the convertible bonds.
- approximately HK\$4.1 million was used to fund the research and development and upgrade the existing versions of network solutions.
- approximately HK\$0.9 million was used to purchase new network equipment for the existing offices of the Group to enhance operating efficiency.

Employees

As at 31 March 2002, the Group employed approximately 205 staff. The staff cost, including directors' emoluments was approximately HK\$8.5 million for the six months ended 31 March 2002 as compared with that of approximately HK\$5.9 million for the corresponding period of the preceding financial year.

Charges on Group Asset

As at 31 March 2002, certain of the Group's leasehold land and buildings situated in the PRC, with net book value of approximately HK\$19.4 million (30 September 2001: approximately HK\$19.6 million), time deposits of approximately HK\$36.6 million (30 September 2001: approximately HK\$16.6 million) were pledged to secure general banking facilities granted to the Group.

Contingent Liabilities

As at 31 March 2002, the Group did not have any significant contingent liabilities (30 September 2001: nil).

Gearing Ratio

As at 31 March 2002, the gearing ratio of the Group, based on total liabilities over total assets was approximately 35.1% (30 September 2001: approximately 60.2%).

Foreign Exchange Exposure

The Group mainly earns revenue and incurs cost in Renminbi. The Directors consider that the impact of foreign exchange exposure of the Group is minimal.

Segmental Information

Six months ended 31 March 2002 and 2001

	Network infrastructure solutions		Network management solutions		Other network solutions for sectors other than telecommunications		Elimination		Consolidated	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Turnover										
External sales	31,395	30,351	11,543	11,028	5,213	12,411	-	-	48,151	53,790
Inter-segment sale	529	529	-	173	-	-	(529)	(702)	-	-
Total turnover	31,924	30,880	11,543	11,201	5,213	12,411	(529)	(702)	48,151	53,790
Result										
Segment result	10,578	1,661	5,016	3,418	322	3,057			15,916	8,136
Unallocated corporate expenses									(16,347)	(18,621)
Operating loss									(431)	(10,485)
Finance costs									(2,373)	(1,479)
Gain on disposal of subsidiaries									455	29,046
Other revenue									1,019	1,257
Net profit/(loss) before minority interest									(1,330)	18,339

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 six months and three months ended 31 March 2002 together with the comparative unaudited figures for the corresponding periods in 2001 as follows:

	Notes	Three months ended 31 March		Six months ended 31 March	
		2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Turnover		31,164	17,127	48,151	53,790
Cost of sales		(15,994)	(10,673)	(28,318)	(38,991)
Gross profit		15,170	6,454	19,833	14,799
Other revenue	2	672	501	1,474	30,303
Selling and distribution costs		(2,825)	(2,639)	(3,917)	(6,663)
Administrative expenses		(8,920)	(8,523)	(15,663)	(17,960)
Other operating expenses		(340)	(424)	(684)	(661)
Profit/(loss) from operating activities	2	3,757	(4,631)	1,043	19,818
Finance costs		(630)	(720)	(2,373)	(1,479)
Profit/(loss) before tax		3,127	(5,351)	(1,330)	18,339
Tax	3	-	-	-	-
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		3,127	(5,351)	(1,330)	18,339
Minority interests		656	578	1,534	663
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		3,783	(4,773)	204	19,002
Dividend	4	-	-	-	-
EARNINGS/(LOSS) PER SHARE	5				
- Basic		HK0.27 cents	HK(0.52) cents	HK0.02 cents	HK2.09 cents
- Diluted		HK0.26 cents	N/A	HK0.02 cents	HK2.01 cents

Remarks:

The results of the Group for the six months ended 31 March 2001 has included the net gain resulting from the disposal of the Disposed Operations (as defined in Note 2) attributable to the Group on 31 December 2000 of HK\$29,046,000.

Unaudited Consolidated Balance Sheet

As at 31 March

	Notes	2002 HK\$'000	2001 HK\$'000
NON-CURRENT ASSETS			
Interests in joint venture		2	–
Fixed assets		28,470	26,030
Intangible assets		3,792	3,359
		32,264	29,389
CURRENT ASSETS			
Inventories		4,746	4,321
Trade and retention receivables		131,587	53,139
Prepayments, deposits paid and other receivables		7,505	9,665
Due from related companies		2,388	53,083
Due from directors		–	511
Pledged bank deposits		36,592	16,592
Cash and bank balances		66,663	1,587
		249,481	138,898
CURRENT LIABILITIES			
Trade payables		36,408	28,114
Accrued liabilities, deposits received and other payables		12,116	23,703
Interest-bearing bank loans, secured		47,757	33,645
Convertible bonds		–	10,000
Tax payable		2,488	1,088
		98,769	96,550
NET CURRENT ASSETS		150,712	42,348
TOTAL ASSETS LESS CURRENT LIABILITIES		182,976	71,737
MINORITY INTERESTS		(2,485)	(2,910)
		180,491	68,827
CAPITAL AND RESERVES			
Share capital		109,475	1,414
Reserves	6	71,016	67,413
		180,491	68,827

Unaudited Consolidated Cash Flow Statement

Six months ended 31 March 2002

	HK\$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(21,980)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	
Interest received	498
Interest paid	(4,790)
Net cash outflow from returns on investments and servicing of finance	(4,292)
TAX	-
INVESTING ACTIVITIES	
Development expenses	(36)
Cash outflow from disposal of subsidiaries	(90)
Purchases of fixed assets	(848)
Net cash outflow from investing activities	(974)
NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES	(27,246)
FINANCING ACTIVITIES	
Drawdown of bank loans, net	18,692
Repayment of convertible bonds	(37,000)
Issue of shares	127,709
Increase in pledged fixed deposits	(20,000)
Net cash inflow from financing activities	89,401
INCREASE IN CASH AND CASH EQUIVALENTS	62,155
Effect of foreign exchange rate changes, net	1
Cash and cash equivalents at beginning of period	4,507
CASH AND CASH EQUIVALENTS AT END OF PERIOD	66,663
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS	
Cash and bank balances	66,663

Notes:**1. Basis of preparation**

The unaudited financial statements of the Group have been prepared in accordance with the Statement of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

2. Other revenue

The results of the Group for the six months ended 31 March 2001 has included the results of IIN Network Education Limited, IIN Medical Industrial Limited, Hunan IIN Network Education Co., Ltd. and Hunan IIN Medical Network Technology Development Co., Ltd., former subsidiaries of the Company which were disposed of to certain controlling shareholders of the Group on 31 December 2000 (collectively referred to as the "Disposed Operations") on consolidation.

Accordingly, the net gain resulting from the disposal of the Disposed Operations attributable to the Group on 31 December 2000 of approximately HK\$29,046,000 had been included in the results of the Group for the six months ended 31 March 2001.

3. Taxation

No provisions for Hong Kong profits tax and China PRC corporate income tax have been made as the companies comprising the Group have no assessable profits for the six months ended 31 March 2002 (2001: Nil).

4. Interim dividend

The Directors do not recommend payment of an interim dividend for the period (2001: Nil)

5. Earnings/(Loss) per share

The calculation of the basic earnings per share for the three months and six months ended 31 March 2002 is based on the respective unaudited consolidated net profit attributable to shareholders of approximately HK\$3,783,000 and approximately HK\$204,000 (three months ended 31 March 2001: net loss attributable to shareholder of approximately HK\$4,773,000 and six months ended 31 March 2001: net profits attributable to shareholders of approximately HK\$19,002,000) and the weighted average number of 1,403,621,350 shares and 1,234,415,086 shares respectively (2001: 911,197,350 and 911,197,350 respectively) in issue during the period.

The calculation of the diluted earnings per share for the three months and six months ended 31 March 2002 is based on the net profits attributable to shareholders of approximately HK\$3,783,000 and approximately HK\$204,000 respectively. The weighted average number of ordinary shares used in the calculation of diluted earnings per share for the three months and six months ended 31 March 2002 is 1,446,767,998 shares and 1,274,221,396 shares respectively.

6. Reserves

Movement in reserves for the periods ended 31 March 2002 and 2001 were as follows:

	Share Premium	Retained Profit/ (accumulated loss)	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 October 2000	83,749	(23,586)	(11,752)	48,411
Profit for the period	-	19,002	-	19,002
As at 31 March 2001	83,749	(4,584)	(11,752)	67,413
As at 1 October 2001	83,749	24,954	(7,580)	101,123
Special dividend	(44,566)	-	-	(44,566)
Capitalisation of the share premium account	(69,652)	-	-	(69,652)
New issue and placing of shares to the public	98,217	-	-	98,217
Shares issued upon the exercise of the over-allotment option	11,101	-	-	11,101
Share issue expenses	(25,410)	-	-	(25,410)
Profit for the period	-	204	-	204
Exchange realignment	-	-	(1)	(1)
As at 31 March 2002	53,439	25,158	(7,581)	71,016

Directors' Interests in Share Capital

At the date of this report, the interests of the directors and their associates in the share capital of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")), as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance, were as follows:

Name of director	Personal	Number of issued ordinary shares of US\$0.01 each in the Company held and nature of interests			Total
		Family	Corporate	Other	
Mr. Chang Ye Min, William	26,840,000	-	-	-	26,840,000
Mr. Wu Shu Min	194,823,000	-	-	-	194,823,000
Mr. Zhu Rong	118,750,000	-	-	-	118,750,000
Mr. Lo Wai Shun	5,014,000	-	-	-	5,014,000
Mr. Li Zhi Sheng (Note 1)	-	48,705,000	-	-	48,705,000

Note 1: These shares are held by Ms. Zhou Jian Hong, the spouse of Mr. Li Zhi Sheng, an executive director of the Company.

Save as disclosed above, none of the directors of the Company or their associates had any personal, family, corporate or other interests in the issued share capital of the Company or any of its associated corporations, as defined in the SDI Ordinance.

Directors' Rights to Acquire Shares

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 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). Details of the Pre-IPO Share Options granted to the directors under the Pre-IPO Share Option Plan are as follows:

Name of director	Number of shares subject to Pre-IPO Share Option						Exercise period of share options
	As at 1 October 2000	Granted during the year	As at 30 September 2001	Adjusted for consolidation and capitalisation of shares subsequent to 30 September 2001	As at the date of this report	Adjusted exercise price per share, HK\$*	
Mr. Wu Shu Min	1,000,000	-	1,000,000	4,000,000	5,000,000	0.150	7 January 2000 to 6 January 2008
	2,000,000	-	2,000,000	8,000,000	10,000,000	0.150	26 February 2000 to 25 February 2008
Mr. Chang Ye Min, William	3,000,000	-	3,000,000	12,000,000	15,000,000	0.150	7 January 2000 to 6 January 2008
	1,000,000	-	1,000,000	4,000,000	5,000,000	0.515	23 May 2000 to 22 May 2008
Mr. Li Zhi Sheng	1,000,000	-	1,000,000	4,000,000	5,000,000	0.515	23 May 2000 to 22 May 2008
Mr. Cheng Wing Tsan	-	200,000	200,000	800,000	1,000,000	0.515	20 July 2001 to 19 July 2009
Mr. Zhu Rong	1,000,000	-	1,000,000	4,000,000	5,000,000	0.150	7 January 2000 to 6 January 2003
	9,000,000	200,000	9,200,000	36,800,000	46,000,000		

* The exercise price per share was adjusted for the consolidation and capitalisation issue of the Company's shares subsequent to the balance sheet date, as well as adjusted from the US currency to the HK currency.

Subsequent to the balance sheet date, 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. Details of the share options granted to the directors under the Scheme are as follows:

Name of director	Date of grant	Number of share option granted	Exercise price per share HK\$	Exercise period of options
Mr. Wu Shu Min	7 March 2002	10,000,000	0.465	7 March 2002 to 21 December 2011
Mr. Chang Ye Min, William	7 March 2002	10,000,000	0.465	7 March 2002 to 21 December 2011
Mr. Li Zhi Sheng	7 March 2002	10,000,000	0.465	7 March 2002 to 21 December 2011
Mr. Cheng Wing Tsan	7 March 2002	10,000,000	0.465	7 March 2002 to 21 December 2011

Save as disclosed above, at no time during the periods under review was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse, or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Substantial Shareholders

At the date of this report, the following parties had registered an interest of 10% or more in the issued share capital of the Company that were required to be recorded in the register of interests pursuant to Section 16(1) of the SDI Ordinance:

Name	Percentage of holding	Number of shares held
Mr. Wu Shu Min	13.88%	194,823,000
Multico Holdings Limited	25.86%	362,948,350

Save as disclosed above, no persons had registered an interest of 10% or more in the issued share capital of the Company that was required to be recorded in the register of interests pursuant to Section 16(1) of the SDI Ordinance.

Shares Pledged by Initial Management Shareholder

Referring to the announcement dated 7 March 2002, on 5 March 2002, Mr. Zhu Rong, one of the initial management shareholders, has pledged approximately 59.9 million of his shares in the Company to an authorised institution as security for an overdraft facility to himself. He has confirmed to the Company that the pledged shares will be held by a nominee of the authorised institution for the remaining term of the moratorium period up to and including 29 November 2002.

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 interest with the Group.

Sponsors' Interests

At the date of this report, the directors, employees or associates of Core Pacific – Yamaichi Capital Limited ("CPY"), did not have 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.

Audit Committee

The Company has established an audit committee (the "Committee") on 22 August 2000. The Committee comprises Mr. Chan Wai Dune and Mr. Ng Ching Wo, independent non-executive directors, and Mr. Wu Shu Min, an executive director. The Group's financial statements for the three months and six months ended 31 March 2002 have been reviewed by the Committee, who were of the opinion that such statements complied with the applicable accounting standards, and the Stock Exchange and legal requirements, and that adequate disclosures had been made.

Board Practices and Procedures

The Company has complied with Board Practices and Procedures as set out in Rule 5.28 to 5.39 of the Rules Governing the Listing of Securities on GEM for the interim period.

Purchase, Redemption or Sale of Listed Securities of the Company

During the six months ended 31 March 2002, 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, 10 May 2002