

INTERIM REPORT
2006/07



IIN

IIN International Limited
國訊國際有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 8128)

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.

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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

Revenue recorded approximately HK\$50.4 million for the Review Period.

Loss for the Review Period amounted to approximately HK\$1.6 million.

No dividend was declared for the Review Period.

FINANCIAL REVIEW

During the three months ended 31 March 2007 (the “Quarterly Period”) and the six months ended 31 March 2007 (the “Review Period”), the revenue of IIN International Limited (the “Company”) together with its subsidiaries (the “Group”) increased to approximately HK\$26.0 million and HK\$50.4 million respectively compared to approximately HK\$11.5 million and HK\$24.7 million for the corresponding periods last year, representing an increase of approximately 126.1% and 104.0% respectively. The significant increase in revenue was mainly attributable by transmission segment which has secured substantial orders in Shandong and Shanghai.

During the Review Period, the Group’s revenue of approximately HK\$50.4 million entirely contributed by transmission segment (corresponding period last year: approximately HK\$24.4 million, represented approximately 99% of the Group’s revenue). Due to transmission segment with lower gross profit margin is currently the main focal business of the Group and keen price competition, the Group’s gross profit margin during the Review Period decreased to approximately 13.6% from 17.5% for the corresponding period last year.

During the Review Period, the Group’s net loss attributable to equity holder of the Company was significantly narrowed down to approximately HK\$2.4 million from that of HK\$6.2 million of last year. The decrease was attributable by the increase of revenue of transmission segment during the Review Period and the continued implementation of cost control measures by the Group.

The selling and distribution costs of the Group during the Review Period was HK\$3.0 million compared to approximately HK\$2.2 million for the corresponding period last year, representing an increase of 36.4% which was greatly lower than the increase of revenue.

During the Review Period, the Group’s administrative expenses decreased 21.7% to approximately HK\$5.4 million from HK\$6.9 million for the corresponding period last year. The decrease of administrative expenses was mainly due to the cost control measures as pursued by the Group and the scaling down of the business scope.

Segmental Information

During the Review Period, revenue entirely generated from the transmission solutions by Wujiang Shengxin Optoelectronics Technology Co., Ltd. ("Shengxin"), a subsidiary of the Group, amounted to approximately HK\$50.4 million (2006: approximately HK\$24.4 million). Albeit the intensive market competition resulting to decrease of gross profit margin for the Review Period, the transmission segment has recorded improved operating results with a profit of approximately HK\$1.4 million (2006: approximately HK\$0.91 million).

The operating results for the provision of other network solutions for customers in other market sectors in the PRC recorded a substantial decrease in loss from HK\$6.3 million for the corresponding period of last year to approximately HK\$3.3 million for the Review Period.

Order Book

During the Review Period, the Group has secured approximately HK\$15.0 million contracts on hand.

Liquidity, Financial Resources and Capital Structure

Net current liabilities of the Group as at 31 March 2007 was approximately HK\$30.2 million (30 September 2006: approximately HK\$28.3 million). As at 31 March 2007, the Group had short-term cash and bank balances (including pledged deposits of HK\$59,000) of approximately HK\$4.3 million (30 September 2006: approximately HK\$3.5 million).

As at 31 March 2007, the Group's total bank and other borrowings amounted to HK\$34.2 million (30 September 2006: approximately HK\$27.5 million) at fixed interest rates ranging from 7.25% per annum to 11.0% per annum which are repayable within one year or on demand.

Business review and prospects

Due to concerted effort in enhancement of the existing business and the cost control measures being taken by the Group, we have successfully turned loss into profit during the Quarterly Period and recorded a slight profit of HK\$0.18 million. The Group also recorded substantial decrease on loss during the Review Period.

The revenue of the Group during the Review Period was solely contributed by transmission segment which business is conducted by Shengxin, a 51% owned subsidiary of the Group. In order to strengthen the business base of the Group, the management has been striving to seek for new business opportunities and valued co-operative partners. In future day, with an aim to bring in more valuable business for the Group, the management will continue pursuing toward this direction and belief with full devotion in exploring new business opportunities and co-operative partners.

Besides, in order to strengthen the financial condition of the Group, we will continuously put great effort in identifying potential investors. With new funding bringing in, it can facilitate the adoption of new business opportunities and cater for the further development of the Group.

CHARGES ON GROUP ASSET

As at 31 March 2007, the bank loans of the Group were secured by (1) charges on the Group's bank deposits of approximately HK\$59,000; (2) legal charges on the Group's leasehold lands, buildings, plant and machinery with carrying value of approximately HK\$3.4 million and HK\$10.7 million respectively; and (3) guarantees by a director of a subsidiary of the Company and 蘇州鼎盛擔保投資有限公司.

GEARING RATIO

As at 31 March 2007, the gearing ratio of the Group was approximately 118.5% (30 September 2006: approximately 119.4%). The gearing ratio was based on total liabilities over total assets.

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.

TREASURY POLICIES

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

MATERIAL ACQUISITION AND DISPOSALS

The Group had no material acquisitions and disposals of subsidiaries and affiliated companies during the Review Period.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

As at 31 March 2007, the Group does not have any future plans for material investment or capital assets.

CONTINGENT LIABILITIES

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.

EMPLOYEES

As at 31 March 2007, the Group employed 135 staff. The staff cost, including directors’ emoluments was approximately HK\$2.5 million for the Review Period (2006: approximately HK\$2.6 million). The Group’s remuneration and bonus policies are basically determined by the performance of individual employee.

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 six months ended 31 March 2007 together with the unaudited comparative figures for the corresponding periods in 2006 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

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

CONDENSED CONSOLIDATED BALANCE SHEET

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 31 March 2007

	Attributable to equity holders of the Company									
	Share capital HK\$'000	Share premium account HK\$'000	Capital reserve HK\$'000	Statutory reserve HK\$'000	Asset revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumu- lated losses HK\$'000	Total HK\$'000	Minority interests HK\$'000	Restated Total HK\$'000
At 1 October 2005, as previously reported	120,359	54,964	4,960	4	4,698	(13)	(197,630)	(12,658)	7,981	(4,677)
Effect of initial adoption of										
- HKFRS 3	-	-	(4,960)	-	-	-	4,960	-	-	-
- HKAS17	-	-	-	-	(760)	-	760	-	-	-
At 1 October 2005, as restated	120,359	54,964	-	4	3,938	(13)	(191,910)	(12,658)	7,981	(4,677)
Issuance of new shares	6,630	-	-	-	-	-	-	6,630	-	6,630
Net loss for the period	-	-	-	-	-	-	(6,183)	(6,183)	443	(5,740)
At 31 March 2006	126,989	54,964	-	4	3,938	(13)	(198,093)	(12,211)	8,424	(3,787)
At 1 October 2006	126,989	54,964	-	4	766	(17)	(204,631)	(21,925)	10,195	(11,730)
Adjustment for adoption of HKAS17	-	-	-	-	(766)	-	766	-	-	-
At 1 October 2006, as restated	126,989	54,964	-	4	-	(17)	(203,865)	(21,925)	10,195	(11,730)
Net loss for the period	-	-	-	-	-	(52)	(2,437)	(2,489)	816	(1,673)
At 31 March 2007	126,989	54,964	-	4	-	(69)	(206,302)	(24,414)	11,011	(13,403)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 March 2007

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

1. BASIS OF PREPARATION

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

The accounting policies adopted in preparing the unaudited consolidated financial statements for the six months ended 31 March 2007 are consistent with those followed in the annual report of the Company for the year ended 30 September 2006.

The condensed consolidated accounts have not been audited by the Company’s auditors, but have been reviewed by the Company’s audit committee.

2. SEGMENT INFORMATION

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

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

- (a) the telecommunications network infrastructure solutions segment consists of the sale of the broadband data network information platform developed by the Group as well as the integration of third-party software and hardware for telecommunications sectors;
- (b) the network management solutions segment consists of the sale of network management software for telecommunications sectors;
- (c) the other network solutions for sectors other than telecommunications segment consists of the design, implementation and maintenance of network systems for customers in sectors other than telecommunications sectors;
- (d) the transmission segment consists of manufacturing and marketing of communication cables and optical cables, primarily for communications sectors; and
- (e) the corporate and other segment consists of the Group’s investing holding, corporate assets and liabilities items.

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

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

(a) **Business Segments**

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

Group	Telecommunications network infrastructure solutions		Network management solutions		Other network solutions for sectors other than telecommunications		Transmission		Eliminations		Consolidated	
	Six months ended 31 March		Six months ended 31 March		Six months ended 31 March		Six months ended 31 March		Six months ended 31 March		Six months ended 31 March	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Revenue from external customers	-	-	-	-	-	293	50,366	24,413	-	-	50,366	24,706
Segment results	(2,058)	(4,355)	(674)	(864)	(609)	(1,060)	1,423	911			(1,898)	(5,368)
Unallocated other revenue											1,765	889
Loss from operating activities											(135)	(4,479)
Finance costs											(1,401)	(915)
Loss before tax											(1,536)	(5,394)
Income tax expense											(85)	(346)
Loss for the period											(1,621)	(5,740)

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

(b) Geographical Segments

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

3. INCOME TAX EXPENSE

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

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

PRC corporate income tax has been provided at the relevant tax rate of the net assessable profits attributable to the Group's operations in the PRC during the six months ended 31 March 2007 (2006: Nil).

Deferred tax has not been provided as there were no significant timing differences which would give rise to a deferred tax liability as at 31 March 2007 (2006: Nil).

4. PROFIT/(LOSS) FOR THE PERIOD

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

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

5. DIVIDEND

The Board does not recommend payment of an interim dividend for the Review Period (2006: Nil).

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

The calculation of basic loss per share for the six months ended 31 March 2007 is based on the respective unaudited consolidated net loss attributable to the equity holders of the Company of approximately HK\$2,437,000 (2006: approximately HK\$6,183,000) and the weighted average of 1,628,160,470 shares (2006: 1,551,660,470 shares) in issue during the periods.

The diluted loss per share for the six months ended 31 March 2007 and 2006 has not been presented as the potential ordinary shares outstanding had an anti-dilutive effect on the basic loss per share for the six months ended 31 March 2007 and 2006.

7. PROPERTY, PLANT AND EQUIPMENT

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

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

8. TRADE AND RETENTION RECEIVABLES

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

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

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

9. TRADE AND BILLS PAYABLES

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

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

10. SHARE CAPITAL

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

11. COMMITMENTS

(i) Operating lease commitments

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

(ii) Capital commitments contracted for

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

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

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

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

As at 31 March 2007, the interests or short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short position which they are taken or deemed to have taken under such provisions of the SFO), or which will be required to be entered into the register kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

(a) Long Position in Shares

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 March 2007, the following directors of the Company were granted or interested in the following options under the Pre-IPO Share Option Plan:

Name of director	Number of share options outstanding as at 1 October 2006 and 31 March 2007	Date of grant	Exercise period	Adjusted exercise price per share* HK\$
Mr. Wu Shu Min	5,000,000	7 January 2000	7 January 2000 to 6 January 2008	0.150
	10,000,000	26 February 2000	26 February 2000 to 25 February 2008	0.150

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

(ii) *Post-IPO share options*

On 22 November 2001, the Company conditionally adopted a further share option scheme (the “Scheme”) for a period of ten years from the date on which the Scheme was adopted. The Scheme became unconditional upon the listing of the Company’s shares on the GEM of the Stock Exchange on 30 November 2001. Under the Scheme, the board of directors was authorised, at its absolute discretion, to grant options to employees, including directors of the Company or any of its subsidiaries, to subscribe for shares in the Company under the terms of the Scheme. As at 31 March 2007, the following directors of the Company were interested in the following options under the Scheme:

Name of director	Number of share options outstanding as at 1 October 2006 and 31 March 2007		Date of grant	Exercise period	Exercise price per share HK\$
	1 October 2006	31 March 2007			
Mr. Wu Shu Min	10,000,000	10,000,000	7 March 2002	7 March 2002 to 21 December 2011	0.465
		3,000,000	5 June 2003	5 June 2003 to 21 December 2011	0.078
Mr. Xu Zhi Feng		1,000,000	5 June 2003	5 June 2003 to 21 December 2011	0.078

Save as disclosed above, as at 31 March 2007, none of the directors, chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short position which they are taken or deemed to have taken under such provisions of the SFO), or which will be required to be entered into the register kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors of the Company as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules. At any time during the reporting period, there was no debt securities issued by the Group.

INTERESTS DISCLOSEABLE UNDER SFO AND SUBSTANTIAL SHAREHOLDERS

So far as is known to the directors of the Company, as at 31 March 2007, persons (other than directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required pursuant to Section 336 of the SFO, to be entered into the register referred to therein, were as follows:

Long Positions

Name	Capacity	Interests in shares	Percentage of interests	Interests under equity derivatives	Aggregate interests
AG Investment No. 1 Investment Partnership	Beneficial owner	85,000,000	5.22%	–	85,000,000
Ms. Lei Dong Ling (<i>Note</i>)	Interests of spouse	154,823,000	9.51%	28,000,000	182,823,000

Note:

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

Save as disclosed above, as at 31 March 2007, the directors of the Company were not aware of any other person (other than directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required, pursuant to Section 336 of the SFO, to be entered into the register referred to therein.

OUTSTANDING SHARE OPTIONS

(a) Pre-IPO Share Options Plan

As at 31 March 2007, options to subscribe for an aggregate of 15,000,000 shares were outstanding (including the directors of the Company as disclosed above). Under the Pre-IPO Share Options Plan, the grantees may include (a) any full-time employee and director (including non-executive director and independent non-executive director) of the Company or any of its subsidiaries; (b) any part-time employee with weekly working hours of 15 hours and above of the Company or any of its subsidiaries; (c) any advisor or consultant (in the areas of technical, financial or corporate managerial) to the Company or any of its subsidiaries, and (d) any other person who, at the sole determination of the board of directors, has contributed to the Group based on certain assessment criteria. Details of which as at 31 March 2007 were as follows:

Date of grant of share options	As at 1 October 2006	Granted during the period	Cancelled during the period	Exercised during the period	Lapsed during the period	As at 31 March 2007	Exercise period of share options	Adjusted exercise price per share ^a
7 January 2000	5,000,000	-	-	-	-	5,000,000	7 January 2000 to 6 January 2008	0.150
26 February 2000	10,000,000	-	-	-	-	10,000,000	26 February 2000 to 25 February 2008	0.150
	15,000,000	-	-	-	-	15,000,000		

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

(b) The scheme

As at 31 March 2007, options to subscribe for an aggregate of 18,400,000 shares were outstanding (including the directors of the Company as disclosed above). Under the Scheme, the grantees may include (i) any full-time employee, director (including non-executive director and independent non-executive director) and part-time employee with weekly working hours of 15 hours and above of the Company and any of its subsidiaries; (ii) any advisor or consultant (in the areas of technical, financial or corporate managerial) to the Company or any of its subsidiaries; and (iii) any other person who, at the sole determination of the board of directors, has contributed to the Group based on certain assessment criteria. Details of which as at 31 March 2007 were as follows:

Date of grant of share options	As at 1 October 2006	Granted during the period	Cancelled during the period	Exercised during the period	Lapsed during the period	As at 31 March 2007	Exercise period of share options	Exercise price per share
1 March 2002	800,000	-	-	-	-	800,000	1 March 2002 to 21 December 2011	0.475
7 March 2002	10,000,000	-	-	-	-	10,000,000	7 March 2002 to 21 December 2011	0.465
5 June 2003	7,600,000	-	-	-	-	7,600,000	5 June 2003 to 21 December 2011	0.078
	18,400,000	-	-	-	-	18,400,000		

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.

CODE ON CORPORATE GOVERNANCE PRACTICE

The Company has complied with the code provisions of the Code on Corporate Governance Practice (the “CG Code”) set out in Appendix 15 of the GEM Listing Rules throughout the Review Period, except for the following deviations:

- (i) The roles of chairman and chief executive officer should be separate and should not be performed by the same individual;
- (ii) The non-executive directors should be appointed for a specific term, subject to re-election; and
- (iii) The Company has not yet disclosed the terms of reference of the remuneration committee and audit committee on the website of the Company.

Code Provision A.2.1

At present, the responsibilities of chairman and the chief executive officer of the Company are performed by Mr. Wu Shu Min, our Chairman. The management considered that there is no imminent need to change this arrangement and believe that this structure will enable the Group to make and implement decisions promptly and efficiently.

Code Provision A.4.1

At present, the non-executive directors and independent non-executive directors are not appointed for a specific term, but are subject to retirement by rotation and re-election in accordance with the Company’s Articles of Association.

Code B.1.4 and C.3.4

Appropriate actions are being taken to update the website for the Company, whereat the written terms of reference of the audit committee and remuneration committee will be disclosed. These terms of reference was also available from the Company on request.

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. Yukihiro 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, 11 May 2007