

Management Discussion & Analysis

Review of Operations

The group's activities during the year under review covered the distribution of motor vehicles and spare parts in Hong Kong, Macau and the People's Republic of China ("PRC"), as well as the operation of one of the leading Chinese-language Internet portals, renren.com. Following the subscription by renren Media Holdings Limited for new shares in the company in May last year, the company grew its Internet portal operation and e-services business through a series of acquisitions. The company also streamlined portal operations in August to reduce costs.

The company now operates its Internet businesses leveraging an exclusive, long-term cooperation agreement with renren.com Holdings Limited, another subsidiary of the holding company, renren Media Holdings Limited. This cooperation agreement grants the company full and exclusive licence to the name, intellectual property and technological knowhow associated with the "renren.com" brand.

On 31st December 2000, General Motors Asia Inc did not renew the car distribution agreements with the group upon their expiration. As a result, the group divested its aftersales service business and all its dormant motor business related subsidiaries in January 2001.

Capital Raising

In February 2000, the company received net proceeds of HK\$28.4 million in cash in connection with the issue of 350,000,000 new shares and 198,000,000 new shares to Mr Lee Fook Kiong and a placement agent respectively pursuant to the subscription agreement and the placing agreement signed on 21st December 1999. The proceeds were used to reduce the indebtedness of the group at that time.

The company (then "Ankor Group Limited") restructured itself under the renren Media Limited name in May 2000 following the issue of new shares to renren Media Holdings Limited. The subscription for 5.872 billion new shares at HK\$0.039 per share, for an aggregate consideration of approximately HK\$229 million in cash, was completed on 22nd May 2000, making renren Media Holdings Limited the major shareholder of the company. The company has been using the proceeds of the subscription to diversify its original car distribution business portfolio by adding Internet and Internet-related media development services.

Strategic Partnership with The News Corporation

The company also benefited from a long-term financial and strategic partnership with The News Corporation ("News Corp") to jointly develop global Chinese-language Internet content. Following such an alliance to co-develop content with News Corp, the company signed a Memorandum of Understanding with Twentieth Century Fox International and one with Channel V to establish co-branded websites. These websites generated considerable website traffic, but their revenue fell short of that required to cover maintenance costs. Therefore, these MOUs were discontinued during a streamlining exercise in February 2001.

Later in 2000, the company created the official website for *I Do*, the first movie from Fortune Star of Star Corporation, a division of News Corp. The development work generated revenues, while hosting the website increased pageviews for the group's portal operations. The company leveraged this experience to create additional e-services that also benefit from the portal business.

Management Discussion & Analysis (Continued)

e-service Development

Later in the year, the company began growing its e-services business substantially to offset eroding revenues from the limited Internet advertising market. These e-services include, but are not limited to: e-consulting, e-marketing and web development. The renren.com portal provided the company significant experience of using the Internet to perform one-to-one, consumer-focused marketing and communications. The company served large clients seeking such targeting and technology skills including heavily branded FMCG corporations such as Foster's Brewing Group, Wrigley Company and Swire Group.

PRC website acquisitions

The group actively sought out merger and acquisition opportunities, particularly in the PRC. In June, the group entered into long term technology services agreements with two major Mainland-based websites (www.hirechina.com and www.dazhela.com) as well as a rich content library (Beijing Square Digi-Tech Company Limited) to strengthen the breadth of offerings and services within the group, and to provide a platform for e-commerce revenue generation. In October, the group acquired Same Dream, a web development group, which also owned the website www.do1do.com. These websites and assets provided significant traffic and additional revenue through increased services, but since they were not meeting their operating milestones, the group chose to terminate all such technology services agreements (with the exception of Beijing Square Digi-Tech Company Limited) in February 2001. Ending the technology services agreements allows the group focus on the higher-margin e-services business.

Staff

The group employed approximately 100 staff in the PRC and Hong Kong as at 31st December 2000. The remuneration package adopted by the group includes bonus and share options being granted to eligible staff based on their performance. Training courses are also provided on a regular basis.

Prospects

The company faces a challenging year ahead. The consensus view on the outlook for Internet advertising sales is that growth will be much lower than previously expected. For example, Merrill Lynch recently downgraded its forecast for 2001 growth in the Internet advertising market in the PRC from 200% to 100%. In preparation for this difficult period, the group streamlined website costs again in February 2001 to focus its efforts on higher-margin e-services.

The purchase of the company by Sky Concord Development Limited will allow it concentrate on developing several business areas: first, to leverage the strength of the renren brand, in which the company has already invested considerable resources; secondly, to diversify from e-services and Internet advertising sales into other, more profitable media related business; and finally, the group should also be in a position to take advantage of investment opportunities which will emerge following the PRC's accession to the WTO.

The group has neither bank borrowings nor long-term indebtedness. The cash balance at the end of December 2000 is sufficient to fund the company's short- to medium- term strategy, which is to gradually scale up e-services with increasing revenues. The company's suite of corporate services are a possible solution for international clients wishing to gain access to the Greater Chinese consumer market.

Merle Michael Robinson

Chairman

Hong Kong, 20th April 2001