

Chairman's Statement

BUSINESS HIGHLIGHTS

The economy of U.S. took an abrupt downturn by the beginning of 2001 with signs of discouraging statistical economic data and the dot.com bubble burst. The global economic environment, which was greatly affected by the U.S., was further driven down by the September 11 event. FY2001 was a difficult year for us as the group continued to suffer from the collapse of Internet bubble. The number of our staff has been trimmed down from about 300 to 20 which incurred a substantial sum of redundancy payment.

Following the change of controlling shareholder in May 2001, the company, now known as renren Holdings Limited, has re-positioned itself from a portal business to an investment business with concrete revenue model. New business were developed such as telecom value-added services, infotainment, trading of telephone handsets, as well as financial services with concentration on merger and acquisition. The new management has also gone through various discussions with other media enterprises to seek opportunity to further leverage the once popular "renren.com" platform, which had a record of 11 million page-views on one single day, to generate new business opportunities.

RESULTS & DIVIDENDS

As a result of the abovementioned market difficulties and the changes in business model, Group turnover for 2001 was HK\$17.6 million or 79% below that of 2000, and the loss attributable to shareholders reduced to HK\$84.8 million from the previous year of HK\$190.4 million. Some of the loss were attributed to the website development costs. Based on these results, the directors do not recommend the payment of a dividend in respect of the year.

OUTLOOK

The group has developed new business covering telecom value-added services, infotainment business and telecom product trading business. The well developed telephone infrastructure has given the group a good opportunity to explore value added service and products to customers. Moreover, the convergence of telecom, media and technology will merge the huge user base, new content, and innovative power together and generates the business potential for long-term growth. The group will continue to develop new business which can leverage convergence of the above industries. We will also treasure the opportunity to co-operate with other media companies through "renren.com" platform which would bring synergy to the company. The group will diversify and expand in the telecom related business and enhance the profitability through continuous merger and acquisitions exercises.

Finally, on behalf of the board, I hereby express my deepest gratitude to all the management and staff for their contribution during the year.

Mak Chi Yeung
Chairman