

## Chairman's Statement

Since the change of controlling shareholder in May 2001, the Group has focused in developing new business covering telecom value-added services, infotainment business, telecom product trading business and media business. After the collapse of Internet bubble, the mission of the new management of the Group is to develop business with steady revenue stream to ensure a sustainable operation. At the same time, the new management has to formulate new business models to capture new business opportunities for future development.

In year 2002, the Group has built up the business through two approaches – building operating subsidiaries to generate steady revenue stream, and to make strategic investments to capture the opportunity of capital gain in successful projects.

renren Telecom is the major operating subsidiary of the Group and is actively providing International Long Distance Call services and engaging in the trade of telecom product. The Group has also invested into projects covering infotainment business and media business with potential to enter into the China market.

While the telecom business provides a steady revenue stream, the Group expects that the return of investment from different projects will be generated by disposal of equity including the trade sale of equity and listing the share of the projects in the security market. This approach formulates a new aspect of business for the Group in 2002 – taking equity through investment, enhancing value, and to exit by selling the equity or converting the equity into tradable securities.

Many people expect the turnaround for the world economy since 2001. However, there is no economic recovery in year 2002. Growth was sluggish globally except Mainland China. Economic growth in both United States and European Union were lackluster. The expected boom in the United States never materialized. Under such circumstances, the Hong Kong business environment and investment environment is very negative in 2002.

In 2002, many telecom operators entered into the IDD Call Forwarding business. Some new players have also entered into the IDD services by leveraging on their existing user base and service network. The increasing competition significantly reduces the profit margin of the Group's telecom operations. As the Group understands that the profit margin of the telecom services will continuously be thin in the future, the Group has been exploring other value-added services which can create new revenue sources from existing investment. The Group will further explore other value-added services which can bring in new revenue.

Because the investment atmosphere since 2002 is pessimistic and the investor community becomes more and more skeptical in investing into IPO projects, the Group finds it difficult to implement the original investment strategy which tries to convert the equity in different projects into tradable securities in the security market. Even under this environment, the Group has successfully sold out some investments in 2002. The management will continue to explore opportunity to dispose the investments for reasonable return.

## Chairman's Statement

As a result of above mentioned difficulties, the Group's turnover for 2002 was HK\$16.6 million, slightly less than the turnover of 2001. The gross gain for 2002 was HK\$0.9 million, and the net loss attributable to shareholders for 2002 was HK\$89 million. Around HK\$40 million loss was attributed to the written-off of goodwill in investment projects and unrealised holding loss on investments in securities.

**Mak Chi Yeung**

*Chairman*