



INTERIM REPORT 2003



Infotainment renren Telecom Multi Media Services Telecommunication

CORPORATE INFORMATION

Executive Directors

Mak Chi Yeung, Chairman

Mak Shuk Yin

Independent Non-executive Directors

Lo Chi Man, Joseph

Wong Kwong Lung, Terence

Company Secretary

Mak Shuk Yin

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited

Liu Chong Hing Bank Limited

Share Registrar

Abacus Share Registrars Limited

Audit Committee

Lo Chi Man, Joseph

Wong Kwong Lung, Terence

Registered Office

Clarendon House, Church Street,

Hamilton HM11, Bermuda

Head Office and Principal Place of Business

Room 704, 1 Lyndhurst Tower, 1 Lyndhurst Terrace, Central

Hong Kong

The board of Directors of renren Holdings Limited (the “Company”) announces the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

In view of the gloomy market environment due to worldwide political uncertainties caused by the threat of war, and intense competition of the telecommunication industry, the business of the Group is currently operating under minimal profit margin.

The Group’s turnover from the operation of its business, including the provision of telecommunication products and services, for the six months period ended June 2003 was approximately HK\$679,000. which was a decrease of 96% compared to the same period in 2002 of HK\$15.3 million. The substantial decrease in turnover was due to the decrease in the sale of telecommunication products and services extended by the Group as a result of the direct badly effect from the outbreak of the atypical pneumonia in Hong Kong and the other parts of the world in March 2003.

For the six months period ended June 2003, the Group reported a net loss attributable to the Shareholders of approximately HK\$27.3 million which is reduced as compared to the same period in 2002. The loss was mainly due to the amortisation of goodwill which arose from pervious acquisitions of subsidiaries.

Capital Structure

To improve the financial situation of the Group, the Group has carried out a rights issue (Rights Issue) on the basis of one right share for every one share held at a price of HK\$0.018 per share payable in full on acceptance to raise gross proceeds of approximately HK\$11 million in April 2003. The Rights Issue was completed in May 2003. After deducting the rights issue expenses, approximately HK\$11 million was received by the Company. The Directors consider that the Rights Issue is in the best interest of the Group and the shareholders of the Company as a whole.

The proposed use of the net proceeds from the Rights Issue of Company and the actual use of such proceeds are set out as below:

	Proposed use of the net proceeds as disclosed in the Rights Issue Prospectus HK\$ million	Actual use of the net proceeds HK\$ million
Repayment of GE Capital	2.00	2.00
Repayment of borrowing, debts	3.00	3.00
General Working Capital	3.00	3.00
Development of business	3.00	3.00
	<hr/>	<hr/>
	11.00	11.00
	<hr/>	<hr/>

Liquidity and financial resources

The Group's financial position was affected by poor economic environment in Hong Kong. Cash and bank balances as of 30th June 2003 amounted to approximately HK\$62,000 (30th June 2002: HK\$4,564,000).

Aggregate trade payables and other borrowings and liabilities as of 30th June 2003 amounted to approximately HK\$12,495,000 (30th June 2002: HK\$24,979,000).

Employees

As at 30th June 2003, the Group maintained approximately 10 employees in Hong Kong. The employee remuneration packages are generally structured with reference to market terms and individual merit.

Employees Share Option Scheme

The Group has adopted an employee share option scheme on 26th June 2000. Details of the share option scheme were disclosed in the 2002 Annual Report of the Company.

Business Prospects

In view of the prolonged weak performance of the telecommunication business in Hong Kong, the Directors planned to diversify its existing business into media and infotainment business which the Directors believe that such businesses may have synergetic effect on the Group's existing business. Consequent to the formation of the CEPA which have benefit to those companies registering in HKSAR, the Directors are currently seeking investment opportunity in media and other business which can diversify its existing telecommunication business so as to broaden the earning base of the Group and diversify the risk involved in the telecommunication business. The Directors believe that such strategy is essential to the Group's development in the long-term and additional working capital from equity financing will facilitate such business development when opportunities arises.

INTERIM DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30th June 2003 (2002: Nil).

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 30th June 2003, the interests of the directors of the Company and their associates in the shares 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 under Section 29 of the SDI Ordinance and other interests of directors in the Company were as follows:–

Interests in the Company

Name of director	Nature of interest	Number of Ordinary shares held
Mak Chi Yeung	Corporate	632,184,558

632,184,558 shares are held by Rich Delta Development Limited, a company wholly owned by Sky Concord Development Limited which is wholly owned by Mr. Mak Chi Yeung.

Interest in Company Options

Name of director	Number of Share Options Outstanding as at 1st January 2003	Number of Share Option exercised during the Period	Number of Share Option outstanding as at 30th June 2003	Exercise Price HK\$
Mak Chi Yeung	576,000	–	576,000	4.05

The above options were granted to the director on 23rd July 2001. The director has not exercised any share option during the six months period ended 30th June 2003. The exercise period of the above share option is from 23rd July 2001 to 25th June 2010.

Save as disclosed above, none of the directors or their associates had any beneficial interest in the share capital of the Company and its associated corporations as recorded in the register required to be kept under Section 352 of the Securities and Future Ordinance nor as required to be notified to the Company and the Stock Exchange of Hong Kong Limited (“Stock Exchange”) pursuant to the Rules Governing the Listing of the Security on The Stock Exchange of Hong Kong Limited.

SUBSTANTIAL SHAREHOLDER

As at 30th June 2003, the register of substantial shareholder maintained under Section 336 of the Securities and Futures Ordinance shows that the Company had been notified of the following substantial shareholders’ interests, being 5% or more of the Company’s issued share capital.

Name of shareholder	Number of shares	Approximately Percentage of the Issued share capital
Rich Delta Development Limited	632,184,558	50.98%
Sky Concord Development Limited	632,184,558	50.98%
Mak Chi Yeung	632,184,558	50.98%

Save as disclosed above, the directors of the Company are not aware of any other person who as at 30th June 2003 was, directly or indirectly, interested in 5% or more of the issued share capital of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the period.

AUDIT COMMITTEE

The Audit Committee has reviewed and discussed with management the unaudited interim accounts for the six months ended 30th June 2003, appropriateness of accounting policies and the adequacy of disclosures.

CODE OF BEST PRACTICE

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 of in the Listing Rules of the Stock Exchange for the six months ended 30th June 2003.

By Order of the Board
Mak Chi Yeung
Chairman

Hong Kong, 25th September 2003

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

(unaudited)

		6 months ended	
		30th June	
		2003	2002
	<i>Notes</i>	HK\$000	<i>HK\$000</i>
Turnover	2	679	15,326
Cost of sales		(338)	(14,662)
Gross profit		341	664
Other revenue		117	251
Administrative expenses		(23,773)	(50,350)
Other operating expenses		(3,115)	(3,516)
Loss from operating activities	3	(26,430)	(52,951)
Finance costs		(872)	(753)
Loss before taxation		(27,302)	(53,704)
Taxation	4	–	–
Loss attributable to shareholders		(27,302)	(53,704)
Loss per share (basic)	5	(3.0) cents	(0.65) cents

There were no recognized gains or losses other than the net loss for the period.

CONDENSED CONSOLIDATED BALANCE SHEET

<i>(in HK\$ thousands)</i>	<i>Notes</i>	Unaudited 30th June 2003	Audited 31st December 2002
Non-current Assets			
Fixed assets		1,491	900
Goodwill		67,668	87,555
Interest in associates		3	3
Investment in securities	6	200	200
		69,362	88,658
Current Assets			
Accounts receivable	7	486	675
Deposits, prepayments and other receivables		11,487	15,976
Investments in securities	6	3,758	1,134
Pledged time deposits		581	581
Cash and cash equivalents		62	2,414
		16,374	20,780
Current Liabilities			
Accounts payable	8	133	698
Accrued liabilities and other payables		7,512	5,054
Short term loans		1,700	2,300
Promissory notes		–	7,000
Finance lease payable		3,150	4,842
		12,495	19,894
Net Current Assets		3,879	886
Net Assets		73,241	89,544
CAPITAL AND RESERVES			
Issued capital	9	12,400	6,200
Reserves	10	60,841	83,344
		73,241	89,544

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(unaudited)

(in HK\$ thousands)	6 months ended	
	2003	2002
	30th June	
Net cash outflow from operating activities	(2,084)	(42,909)
Net cash outflow from investing activities	(3,666)	(55,096)
Net cash inflow from financing activities	3,398	96,401
Decrease in cash and cash equivalents	(2,352)	(1,604)
Cash and cash equivalents at 1st January	2,414	6,168
Cash and cash equivalents at 30th June	62	4,564
Analysis of the balance of cash and cash equivalents		
Cash and bank balances	62	4,564

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Principal accounting policies

These unaudited condensed consolidated interim accounts (“interim accounts”) are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) No.25, “Interim Financial Reporting”, issued by the Hong Kong Society of Accountants, (as applicable to condensed interim accounts) and Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

2. Segment information

The Group’s principal activities are engaged in the provision of Telecommunication products and services.

An analysis of the Group’s turnover and contribution to the loss for the period by principal activities is as follows:

	6 months ended 30th June 2003			
	<i>HK\$000</i>			
	Online operations	Offline operations	Investment holding	Consolidated
Revenues	–	679	–	679
Segment results	<u>(23,032)</u>	<u>(1,309)</u>	<u>117</u>	<u>(24,224)</u>
Unallocated cost				<u>(2,206)</u>
Operating loss				<u>(26,430)</u>
Finance cost				<u>(872)</u>
Loss before tax				<u>(27,302)</u>
Tax				<u>–</u>
Loss attributable to shareholders				<u><u>(27,302)</u></u>

6 months ended 30th June 2002

HK\$000

	Online operations	Offline operations	Investment holding	Consolidated
Revenues	<u>–</u>	<u>15,326</u>	<u>–</u>	<u>15,326</u>
Segment results	<u>(26,476)</u>	<u>(1,372)</u>	<u>(21,587)</u>	<u>(49,435)</u>
Unallocated gain				<u>(3,516)</u>
Operating loss				<u>(52,951)</u>
Finance cost				<u>(753)</u>
Loss before tax				<u>(53,704)</u>
Tax				<u>–</u>
Loss attributable to shareholders				<u>(53,704)</u>

An analysis of the Group's turnover and contribution to operating loss for the period by geographical segment is as follows:

Geographical segment:	Unaudited Turnover 6 months ended 30th June		Unaudited Operating loss 6 months ended 30th June	
	2003 HK\$000	2002 HK\$000	2003 HK\$000	2002 HK\$000
Hong Kong	<u>679</u>	<u>15,326</u>	<u>(26,430)</u>	<u>(52,951)</u>

3. Loss from operating activities

Operating loss is stated after crediting and charging the following:

	Unaudited 30th June 2003 HK\$000	Unaudited 30th June 2002 HK\$000
Crediting		
Unrealised gain on holding investment in securities	<u>117</u>	<u>–</u>
Charging		
Loss on disposal of investment in securities	–	5,239
Amortisation of goodwill	19,887	10,758
Depreciation		
Owned fixed assets	87	638
Leased fixed assets	–	2,357
Unrealised holding loss on investment in securities	<u>–</u>	<u>19,864</u>

4. Taxation

No provision for Hong Kong Profits Tax has been made in the interim accounts as the Company and its subsidiaries have no assessable income for the period ended.

5. Loss per share

The calculation of the loss per share is based on the net loss from ordinary activities attributable to shareholders for the period ended 30th June 2003 of HK\$27,302,000 (2002: HK\$53,704,000), and the weighted average of 815,249,148 (2002: 8,211,271,603) ordinary shares in issue during the period. Diluted loss per share has not been calculated as no diluting events existed during both periods.

6. Investment in securities

	Unaudited 30th June 2003 HK\$000	Audited 31st December 2002 HK\$000
Investment securities:		
Unlisted in Hong Kong, at cost	<u>200</u>	<u>200</u>
Other investments:		
Listed in Hong Kong, at market value	<u>3,758</u>	<u>1,134</u>
	<u>3,758</u>	<u>1,134</u>
	<u>3,958</u>	<u>1,334</u>
Carrying amount analysed for reporting purpose as:		
Non-current	200	200
Current	<u>3,758</u>	<u>1,134</u>
	<u>3,958</u>	<u>1,334</u>

7. Accounts receivable

	Unaudited 30th June 2003 HK\$000	Audited 31st December 2002 HK\$000
Within 30 days	–	168
31-60 days	75	182
61-90 days	298	159
Over 90 days	<u>113</u>	<u>166</u>
	<u>486</u>	<u>675</u>

8. Accounts payable

	Unaudited 30th June 2003 HK\$000	Audited 31st December 2002 HK\$000
Within 30 days	54	182
31-60 days	79	147
61-90 days	–	99
Over 90 days	<u>–</u>	<u>270</u>
	<u>133</u>	<u>698</u>

9. Share capital

	Number of ordinary shares of HK\$0.01 each	Nominal value of ordinary shares <i>HK\$000</i>
<i>Authorised:</i>		
At 31st December 2002 and 30th June 2003	<u>30,000,000,000</u>	<u>300,000</u>
<i>Issued and fully paid:</i>		
At 31st December 2002	620,000,000	6,200
Exercise of warrants	554	–
Issue of shares	<u>620,000,554</u>	<u>6,200</u>
	<u>1,240,001,108</u>	<u>12,400</u>

10. Reserves

	Unaudited 30th June 2003 <i>HK\$000</i>	Audited 31st December 2002 <i>HK\$000</i>
Accumulated losses		
Balance brought forward	(444,777)	(521,826)
Cancelled paid-up ordinary share capital	–	166,382
Loss for the period or year	<u>(27,302)</u>	<u>(89,333)</u>
Balance carried forward	<u>(472,079)</u>	<u>(444,777)</u>
Share premium		
Balance brought forward	528,121	477,275
Issue of shares	4,960	55,601
Issue expenses	<u>(161)</u>	<u>(4,755)</u>
Balance carried forward	<u>532,920</u>	<u>528,121</u>
Total Reserves	<u>60,841</u>	<u>83,344</u>