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## **renren HOLDINGS LIMITED**

**人人控股有限公司\***

*(incorporated in Bermuda with limited liability)*

### **CAPITALISATION OF LOAN**

- On 18th March, 2003, the Company entered into the Addendum to the Tomlin Order with renren Limited, a wholly owned subsidiary of the Company and GE Capital pursuant to which the Company has been approved to settle the claim in the total sum of HK\$5,690,000 from GE Capital by five instalments and the 5th instalment amounting to HK\$2,650,000 can be settled by way of cash or by allotment and issue of shares of the Company to GE Capital on or before 25th December, 2003, for the same amount based upon the net asset value of the Company, based on the Company's then latest published audited or interim report (i.e. the 2002 annual report) or the average closing price for 30 days immediately preceding the date of the new Shares to be issued and delivered. As the 4th instalment will be settled by cash on 15th August, 2003, the management of the Company intend to settle the 5th and final instalment earlier by allotment and issue new Shares to GE Capital in order to lower the gearing ratio of the Company and to fully settle the claim in the total sum of HK\$5,690,000 from GE Capital at the same time. An aggregate of 18,351,801 new Shares at issue price of HK\$0.1444 per Share will be issued to GE Capital as 5th and final settlement of remaining HK\$2,650,000. The issue price of HK\$0.1444 per new Share is calculated based on the net asset value of the Group divided by the total number of issued shares as stated in the 2002 annual report of the Company, which represents a premium of 588% to the closing price of HK\$0.021 per share as quoted on the Stock Exchange on 29th July, 2003, being the last trading day prior to the suspension of trading of the shares of the Company on 30th July, 2003. The management of the Company believes that the issue of new Shares to GE Capital at such high premium would benefit the Company and the existing shareholders of the Company as the dilution effect on the shareholding would be less.
- As at the date of this announcement, the Company was indebted to GE Capital in the total sum of HK\$3,150,000, of which HK\$500,000 being the 4th instalment will be paid off by cash and the remaining HK\$2,650,000 being the 5th and last instalment, is to be settled by allotment and issue of shares of the Company to GE Capital.
- The new Shares to be issued represent approximately 1.48% of the existing issued share capital of the Company and approximately 1.46% of the issued share capital of the Company as enlarged by the allotment and issue of the new Shares.

\* for identification purpose only

- Details of the claim in the total sum of HK\$5,690,000 from GE Capital were set out in the circular of the Company dated 21st March, 2003. As the management of the Company had no intention to settle the 5th and final instalment by allotment and issue of new Shares of the Company to GE Capital at the time of despatch of the circular of the Company dated 21st March, 2003, the details of the Addendum to the Tomlin Order were not disclosed in the circular of the Company. This constitutes a breach of paragraph 2 of the Listing Agreement and as such the Stock Exchange has expressly reserved its rights to take appropriate action against the Company and/or its Directors.
- Trading in the Shares on the Stock Exchange was suspended at the request of the Company from 9:30 a.m. on 30th July, 2003 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in Shares at 9:30 a.m. on, 1st August, 2003.

## **DEBT CAPITALIZATION**

On 18th March, 2003, the Company entered into the Addendum to the Tomlin Order with renren Limited, a wholly owned subsidiary of the Company and GE Capital pursuant to which the Company has been approved to settle the claim in the total sum of HK\$5,690,000 from GE Capital by five instalments and the 5th instalment amounting to HK\$2,650,000 can be settled by way of cash or by allotment and issue of shares of the Company to GE Capital on or before 25th December, 2003, for the same amount based upon the net asset value of the Company, based on the Company's then latest published audited or interim report (i.e. the 2002 annual report) or the average closing price for 30 days immediately preceding the date of the new Shares to be issued and delivered. As the 4th instalment will be settled by cash on 15th August, 2003, the management of the Company intend to settle the 5th and final instalment earlier by allotment and issue new Shares to GE Capital in order to lower the gearing ratio of the Company and to fully settle the claim in the total sum of HK\$5,690,000 from GE Capital at the same time. An aggregate of 18,351,801 new Shares at issue price of HK\$0.1444 per Share will be issued to GE Capital as 5th and final settlement of the remaining HK\$2,650,000. The issue price of HK\$0.1444 per new Share is calculated based on the net asset value of the Group divided by the total number of issued shares as stated in the 2002 annual report of the Company, which represents a premium of 588% to the closing price of HK\$0.021 per share as quoted on the Stock Exchange on 29th July, 2003, being the last trading day prior to the suspension of trading of shares of the Company on 30th July, 2003.

Details of the claim in the total sum of HK\$5,690,000 from GE Capital were set out in the circular of the Company dated 21st March, 2003. As the management of the Company had no intention to settle the 5th and final instalment by allotment and issue of new Shares of the Company to GE Capital at the time of despatch of the circular of the Company dated 21st March, 2003, the details of the Addendum to the Tomlin Order were not disclosed in the circular of the Company. This constitutes a breach of paragraph 2 of the Listing Agreement and as such the Stock Exchange has expressly reserved its rights to take appropriate action against the Company and/or its Directors.

As at the date of this announcement, the Company was indebted to GE Capital in the total sum of HK\$3,150,000, of which HK\$500,000 being the 4th instalment will be paid off by cash and the remaining HK\$2,650,000 being the 5th and last instalment is to be settled by allotment and issue of shares of the Company to GE Capital.

The new Shares to be issued represent approximately 1.48% of the existing issued shares capital of the Company and approximately 1.46% of the issued share capital of the Company as enlarged by the allotment and issue of the new Shares.

## MANDATE TO ISSUE NEW SHARES

The mandate to issue new Shares has been granted by the shareholders of the Company at the annual general meeting held on 12th June, 2003.

## RIGHTS

The new Shares, when issued and allotted, will rank equally in all respects among themselves and with the Shares in issue on the date of allotment and issue of the new Shares.

## CONDITION OF THE CAPITALISATION

The Capitalization is conditional upon, among other things, the following condition has been fulfilled:

- the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the new Shares.

## COMPLETION

Completion will take place within five business days after the condition of the Capitalization is fulfilled.

In accordance with the terms of the Tomlin Order and the Addendum to the Tomlin Order, there will be no board representation from GE Capital upon completion of the debt capitalization.

## SHAREHOLDING STRUCTURE BEFORE AND AFTER COMPLETION

The shareholding structure of the Company before and after completion of the Capitalisation is as follows:

	Before the Capitalisation		After the Capitalisation	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Rich Delta ( <i>Note</i> )	632,184,558	50.98	632,184,558	50.24
Sky Concord ( <i>Note</i> )	632,184,558	50.98	632,184,558	50.24
Mr. Mak Chi Yeung	632,184,558	50.98	632,184,558	50.24
GE Capital	0	0	18,351,801	1.46
Public	607,816,550	49.02	607,816,550	48.30
Total Issued Shares	<u>1,240,001,108</u>	<u>100</u>	<u>1,258,352,909</u>	<u>100</u>

*Note:* The entire issued share capital of Rich Delta is wholly-owned by Sky Concord in turn is wholly-owned by Mr. Mak Chi Yeung

## REASONS FOR THE CAPITALIZATION

The Group is engaged in the media and telecommunication businesses.

In view of the limited working capital position of the Group, the Directors believe that it is in the best interest of the Company to convert the Loan into equity capital. The Directors also consider that the Capitalization will enlarge the capital base of the Company and will reduce the gearing level of the Group thereby strengthening the financial position of the Group.

Application will be made by the Company to the Stock Exchange for the granting of the listing of, and permission to deal in, the new Shares.

Trading in the Shares on the Stock Exchange was suspended at the request of the Company from 9:30 a.m. on 30th July, 2003 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in Shares at 9:30 a.m. on 1st August, 2003.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“Addendum to the Tomlin Order”	the addendum entered into between GE Capital, renren Limited, a wholly owned subsidiary of the Company and the Company on 18th March, 2003 in respect of the settlement of 5th and final instalment amounting to HK\$2,650,000 of the Claim
“Capitalization”	the subscription of the Subscription Shares at HK\$0.1444 per Subscription Share by GE Capital under the Tomlin Order and the Addendum to the Tomlin Order by capitalizing the HK\$2,650,000 due from the Company to GE Capital
“Claim”	as at the date of the Tomlin Order and the Addendum to the Tomlin Order, both dated 18th March, 2003, the Company was indebted to GE Capital in the total sum of HK\$5,690,000, of which HK\$3,040,000 was settled by cash
“Company”	renren Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Capitalization pursuant to the Addendum to the Tomlin Order
“Directors”	directors (including the independent non-executive directors) of the Company
“GE Capital”	GE Capital (Hong Kong) Limited, a limited company incorporated in Hong Kong

“Group”	the Company and all of its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“new Shares”	an aggregate number of 18,351,801 new Shares to be issued to GE Capital pursuant to the Tomlin Order and the Addendum to the Tomlin Order
“Rich Delta”	Rich Delta Development Limited, a company incorporated in the British Virgin Islands with limited liability and the beneficial owner of 632,184,558 Shares which represents approximately 50.98% of the entire issue share capital of the Company
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Sky Concord”	Sky Concord Development Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly owned by Mak Chi Yeung and is the beneficial owner of the entire issued share capital of Rich Delta
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tomlin Order”	Court Order dated 18th March, 2003 issued from the High Court of the Hong Kong Special Administrative Region to the Company and renren Limited, a wholly owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“%”	per cent.

By Order of the Board  
**renren Holdings Limited**  
**Mak Chi Yeung**  
*Chairman*

Hong Kong, 31st July, 2003

“Please also refer to the published version of this announcement in The Standard”.