

Chairman's Statement

In 2001, I took over the Company in light of the intrinsic value of the brand name, **renren.com**, as well as its high reputation in Hong Kong and China. At its height, there were 11 millions page views per day recorded in January 2001 and was ranked one of the top five Chinese portals in the greater China area.

The cyber world changed shortly after I chaired the Company as investors started to change their taste from new economy back to old economy. The fashionable words "B2B" (meant "Business to Business") at then shift its meaning to "Back to Basic". The bubble dream of the cyber world left a wake of over supply in the internet infrastructures. The echo of which sound the alarm of the telecom industries.

Big dreams always turned into nightmare. Renren Telecom was badly affected by the cut throat competition amongst competitors of the same industry in Hong Kong. The retail rate of call forwarding and international roaming has dropped from over 15 dollars to 49 cents per minute since July 2001. The penny stock crisis of 2002 blew the investments of the Company in pre-IPO companies as investors started to neglect IPO of small I.T. company. The proposed rights issue of the Group in September of 2002 was voted down by the shareholders as a result of downturn and glimpse outlook to the Hong Kong economy from the perspective of investing shareholders. In view of poor investment market sentiment, some of the investments of the Group were sold with an aim to alleviate the resulting financial impact to the Group.

The Iraq war and the SARS had dampened the economic condition of Hong Kong inherited since 1997's Asia Financial Storm. Travelling in early 2003 was a deadly attempt. The substantial lease payment liability with GE Capital due from the former management fall due, coupled with the sudden mute in travelling during SARS period, renren Telecom's operation was hampered. As a result of all the said unfortunate events, the Group has recorded a loss of HK\$100,785,000 for the year of 2003.

Leveraging on the diligence of the management and the support of the investing shareholders, we managed to cut down the yearly burn rate from approximately HK\$100 millions of 2001 to lately HK\$8 millions and the total debt of the Group from HK\$30m (as set out in 2000 annual report) to almost zero recently.

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With the recovery of the economy of Hong Kong and the fresh capital raised recently, I will treasure to maintain the present prevailing debt-free position and direct the Group forward to the development of businesses with higher margin and lower risk which is in line with the market trend and the strength that we possessed.

Mak Chi Yeung

Chairman