

Report of the Directors

The directors submit their report together with the audited accounts for the year ended 31st December 2000.

Change of name

By a special resolution passed on 12th May 2000 and with the approval of the Registrar of Companies in Bermuda, the name of the company was changed from Ankor Group Limited to renren Media Limited with effect from 16th May 2000.

Group restructuring

The most significant achievement during the year under review was the company's restructuring under the renren Media Limited name, through the acquisition in March 2000 of the company (then "Ankor Group Limited") by the holding company renren Media Holdings Limited. The subscription for 5.872 billion new shares at HK\$0.039 per share, or an aggregate consideration of approximately HK\$229 million in cash, was completed on 22nd May 2000. The company is using the proceeds of the subscription to diversify its original car distribution business portfolio to include Internet and Internet-related media development.

The company now operates its Internet business leveraging an exclusive, long-term cooperation agreement with renren.com Holdings Limited, another subsidiary of renren Media Holdings Limited. This cooperation agreement grants the company full and exclusive licence to the name, intellectual property and technological knowhow associated with the "renren.com" brand.

Principal activities

The company is an investment holding company. The principal activities of its subsidiaries are the operation of the website "renren.com" and the provision of Internet products and services. The group is also engaged in the distribution and sale of motor vehicles in Hong Kong, Macau and the PRC and the provision of after sales service, including repair and maintenance services and the sale of spare parts.

An analysis of the group's turnover and loss for the year by principal activities and markets is as follows:—

| <i>(in HK\$ thousands)</i> | <i>Turnover</i> | <i>Profit/(Loss)</i> |
|---|-----------------|----------------------|
| <i>Principal activities:</i> | | |
| Distribution and sale of motor vehicles | 40,932 | (5,323) |
| Motor vehicle after sales service | 39,989 | 3,813 |
| Internet business | 1,395 | (188,914) |
| | <u>82,316</u> | <u>(190,424)</u> |
| <i>Principal markets:</i> | | |
| Hong Kong and Macau | 59,661 | (75,122) |
| Mainland China | 22,389 | (113,820) |
| United States | 266 | (1,482) |
| | <u>82,316</u> | <u>(190,424)</u> |

Report of the Directors (Continued)

Results and appropriations

The group's results for the year and the state of affairs of the group and the company as at 31st December 2000 are set out in the accounts on pages 17 and 18 respectively.

The consolidated cash flows of the group for the year are set out in the accounts on page 19.

No interim dividend was paid for the year ended 31st December 2000 and the directors do not recommend the payment of a final dividend.

Reserves

Details of movements in the reserves of the group and the company during the year are set out in note 21 to the accounts.

Fixed assets

The movements in fixed assets during the year are set out in note 10 to the accounts.

Subsidiaries

Particulars of the company's subsidiaries are set out in note 31 to the accounts.

Share capital and share options

The movements in the company's share capital and details of the company's share options are set out in note 20 to the accounts.

Bank loans, overdrafts and other borrowings

At 31st December 2000, the group's borrowings, being obligations under finance leases, were repayable over the following periods:—

| <i>(in HK\$ thousands)</i> | Other borrowings |
|------------------------------|------------------|
| On demand or within one year | 2,703 |
| In the second year | 3,136 |
| In the third year | 1,005 |
| | <hr/> |
| | 6,844 |
| | <hr/> <hr/> |

Pension schemes

Details of the group's pension schemes are set out in note 8 to the accounts.

Five year financial summary

A summary of the results and of the assets and liabilities of the group for the last five financial years is set out on page 42.

Report of the Directors (Continued)

Directors

The directors who held office during the year and up to the date of this report were:–

Executive directors:

| | |
|------------------------|---|
| Merle Michael Robinson | (appointed 22nd May 2000) |
| Anthony Shih-Wei Cheng | (appointed 22nd May 2000) |
| Brian J Doyle | (appointed 22nd May 2000) |
| Frederick J Long | (appointed 22nd May 2000) |
| Kathryn Fink | (appointed 22nd May 2000) |
| Lee Fook Kiong | (appointed 15th February 2000, and resigned 23rd January 2001) |
| Lars Christer Agell | (resigned 22nd August 2000) |
| Marina Agell | (resigned 22nd May 2000) |

Non-executive directors:

| | |
|-----------------------|---|
| Kung Kuo Chuan | (appointed 31st May 2000) |
| Lam Wai Yee | (appointed 16th October 2000) |
| Gordon Pun Ho Ching | (appointed 31st May 2000 and resigned 18th October 2000) |
| Herman Hu Shao Ming | (resigned 31st May 2000) |
| Brian Lee Kwok Cheung | (resigned 31st May 2000) |

In accordance with the bye-laws of the company, Brian J Doyle and Frederick J Long retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Directors and senior management

Biographical details of directors are as shown below:–

Merle Michael Robinson, aged 34, was appointed executive director of the company on 22nd May 2000. He is the Chairman of the group. He is one of the two co-founders of renren.com. He focused on Internet and telecommunications clients throughout Asia and the United States while he was a manager at McKinsey & Company, where he worked from October 1995 to September 1998. He holds a Ph.D. and M.S. in Physics from the University of Chicago.

Anthony Shih-Wei Cheng, aged 27, was appointed executive director of the company on 22nd May 2000. He is the Deputy Chairman of the group. He is the other founder of renren.com. He implemented strategy and information technology projects for multinational and pan-Asian clients while he was at McKinsey & Company, where he worked from September 1995 to July 1998. He holds a B.A. in Economics and Biochemistry with honours from Brown University.

Brian J. Doyle, aged 30, was appointed executive director of the company on 22nd May 2000. He is a Managing Director of Whitney & Co., based in Hong Kong. He joined Whitney & Co. in 1995 and previously worked at Morgan Stanley & Co. He holds a MBA from Harvard Business School and a B.S. in Finance from Miami University.

Report of the Directors (Continued)

Directors and senior management (Continued)

Biographical details of directors are as shown below (Continued)

Frederick J. Long, aged 40, was appointed executive director of the company on 22nd May 2000. He is a Managing Director and one of the co-founders of Olympus Capital Holdings Asia. From 1995 to 1997, he structured and managed Asia Development Partners, LP, a US\$150 million private equity fund. Previously, he was an Investment Manager with SEAVI (South East Advent Venture Investment, Advent International's Southeast Asian affiliate based in Singapore) and a Mergers and Acquisitions specialist with The First Boston Corporation (now Credit Suisse First Boston) in New York and Tokyo. He has seven years of experience in Asia's financial markets. He also co-founded and served for four years as Executive Director of the Management Institute for Environment and Business, a non-profit business and environment organization based in the U.S. He holds a MBA degree from the Stanford Graduate School of Business Administration and an AB degree from Brown University.

Kathryn Fink, aged 35, was appointed executive director of the company on 22nd May 2000. She is President of News Digital Ventures, a strategic investment group within News Digital Media, Inc. that focuses on the Internet and interactive investments. She has over ten years of experience in the media industry including various operational roles at The Herald and Weekly Times newspaper, Melbourne, corporate finance and business development positions at News Corporation headquarters in New York, and three years of experience in the Internet business, most recently as Senior Vice President of Business Operations of News Digital Media, Inc. She also serves on the Board of BET.com, a U.S.-based company. She holds a Bachelor of Arts honours degree from the University of Melbourne and Master in Business Administration degrees from the University of Melbourne and the University of Chicago.

Kung Kuo Chuan, aged 32, was appointed independent non-executive director of the company on 31st May 2000. He is a Principal of Carlyle Asia Investment Advisors Limited, a US\$750 million private equity fund under The Carlyle Group of Washington, D.C. He joined Carlyle in 1998 and previously worked at McKinsey & Company's New York and Greater China offices. He holds a MBA degree from Harvard Business School and a B.A. in Economics and Engineering from Dartmouth College.

Lam Wai Yee, aged 43, was appointed independent non-executive director of the company on 16th October 2000. She is Chief Executive Officer of the Mettle Group Limited, a company focused on building wireless data companies in Asia. She has over 16 years of experience in the IT, Telecom and Internet industries. She has held various technical and marketing roles with British Telecom plc and Cable & Wireless plc in England. Her experience in Asia includes positions as Director of International Marketing Development in Hong Kong Telecom; Chief Operating Officer of AsiaOnline Limited, one of the largest Internet Service Providers in Asia; and Chief Executive Officer of Infocom in the Philippines. She holds a Bachelor of Science degree in Psychology from London University, a Master of Science degree in Computing from University of Newcastle and a MBA degree from Cranfield School of Management.

Lars Christer Agell, aged 70, was the Chairman of the group. He co-founded the group in 1981. Prior to that, he was for six years the area marketing director for a major European vehicle manufacturer and was responsible for sales, marketing, assembly projects and strategic planning in South East Asia. He resigned on 22nd August 2000.

Report of the Directors (Continued)

Directors and senior management (Continued)

Biographical details of directors are as shown below (Continued)

Marina Agell, aged 58, is the wife of Lars Christer Agell and was Deputy Chairman of the group. She had been actively involved in the group since 1981 and played a major role in developing the Saab passenger car business in Hong Kong. She resigned on 22nd May 2000.

Lee Fook Kiong, aged 42, was the Managing Director of the group. He joined the group in February 2000. He has over 15 years of experience in financial services, the last 10 years of which were in merchant banking. He was, until February 1998, the Managing Director of Hambro Dah Sing Limited, a subsidiary of Hambros Bank Group of the United Kingdom. He obtained his master's degree in financial managerial controls from Southampton University, England. He is a fellow member of the Institute of Chartered Accountants in England and Wales and of the Chartered Institute of Management Accountants and of the Hong Kong Society of Accountants. He resigned on 23rd January 2001.

Gordon Pun Ho Ching, aged 38, was an independent non-executive director of the company. He is a partner of Pun & Associates. He obtained his law degree at the University of London, United Kingdom in 1983 and was in 1990 admitted as a solicitor of the Supreme Court of England & Wales, Supreme Court of Hong Kong and Supreme Court of the Australia Capital Territory of Australia. In the same year, he was admitted as a barrister of the High Court of Australia. He resigned on 16th October 2000.

Herman Hu Shao Ming, aged 47, was an independent non-executive director of the company. He is an executive director of the Ryoden group of companies where he has worked since 1976, and managing director of certain subsidiaries within that group. He is a member of the Shanghai People's Political Consultative Conference. He resigned on 31st May 2000.

Brian Lee Kwok Cheung, aged 51, was an independent non-executive director of the company. He was formerly Chief Executive of Polytec Holdings Limited and prior to that he was with Giordano Holdings Limited as their Chief Executive. He has over 11 years of experience in banking. He resigned on 31st May 2000.

Directors' service contracts

There is no service contract with the company, which is not determinable within one year without payment of compensation (other than statutory compensation), in respect of any director proposed for re-election at the forthcoming annual general meeting.

Directors' benefits from rights to acquire shares or debentures

The company has a share option scheme under which the directors may, at their discretion, invite employees and directors of the company and its subsidiaries to take up options to subscribe for shares in the company subject to the terms and conditions stipulated therein. As at 31st December 2000, there was an outstanding share option of 5 million shares at the exercise price of HK\$0.063 granted on 1st December 2000 to an independent non-executive director, Lam Wai Yee under this scheme.

Other than the above, at no time during the year was the company, its subsidiaries, its holding company or its fellow subsidiaries a party to any arrangements to enable the directors of the company to acquire benefits by means of the acquisition of shares in or debentures of the company or any other body corporate.

Report of the Directors (Continued)

Directors' interests in equity or debt securities

As at 31st December 2000, 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:-

(i) Interests in the company

| Name of director | Nature of interest | Number of ordinary shares held |
|--------------------------------|--------------------|--------------------------------|
| Lee Fook Kiong (<i>Note</i>) | Corporate | 350,000,000 |

Note:-

350,000,000 shares are held by Badgeworth Corporation, a company wholly owned by Mr Lee Fook Kiong.

Save as disclosed above, none of the directors or their associates had any beneficial interests in the share capital of the company and its associated corporations as recorded in the register required to be kept under Section 29 of the SDI Ordinance nor as required to be notified to the company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Substantial shareholders' interests in the share capital of the company

The register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance at 31st December 2000 shows that the following person or entity had an interest of 10% or more in the company's issued share capital.

| Name | Number of shares | Percentage of the issued share capital |
|-------------------------------|------------------|--|
| renren Media Holdings Limited | 5,201,550,000 | 68.44% |

Save as disclosed above, the directors of the company are not aware of any other person who as at 31st December 2000 was, directly or indirectly, interested in 10% or more of the issued share capital of the company.

Directors' interests in contracts

No contracts of significance in relation to the company's business to which the company, its subsidiaries, its holding company or its fellow subsidiaries was a party, and in which any director of the company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the company were entered into or existed during the year.

Report of the Directors (Continued)

Connected transactions

Related party transactions, which also constitute connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") required to be disclosed in accordance with Chapter 14 of the Listing Rules are as follows:–

| <i>(in HK\$ thousands)</i> | Group | |
|--|---------------|----------|
| | 2000 | 1999 |
| Payments to renren.com Limited (<i>Note</i>):– | | |
| Licence fee | 6,238 | — |
| Technical consultation services | 7,920 | — |
| Secondment of employees | 11,691 | — |
| | <u>25,849</u> | <u>—</u> |

Note:–

During the year, a co-operation agreement was entered into between the company and renren.com Holdings Limited, a fellow subsidiary of the company, under which renren.com Holdings Limited agreed to license its tradename of "renren.com" to the group in return for a licence fee equal to the higher of US\$100,000 or 5% of the gross receipts for each calendar month arising from the use of the tradename; and to provide technical consultation services and second employees to the group in return for consideration based on cost plus 5 per cent.

The independent non-executive directors of the company have reviewed the transactions, and they confirmed that:

- the transactions have been entered into by the group in the ordinary and usual course of business and on normal commercial terms or (where there are no available comparable transactions) on terms that are no less favourable than those available from independent third parties;
- the transaction have been entered into on terms that are fair and reasonable so far as the shareholders of the company are concerned and;
- the maximum amounts of connected transactions as set out in the waiver granted by The Stock Exchange of Hong Kong Limited have not been exceeded during the year.

Major suppliers

For the year ended 31st December 2000, the percentage of purchases attributable to the group's major suppliers are as follows:–

| | 2000 | 1999 |
|---------------------------------|------|------|
| The largest supplier | 46% | 51% |
| Five largest suppliers combined | 55% | 60% |

No directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the company's share capital) were interested at any time in the year in the above suppliers.

Report of the Directors (Continued)

Major customers

For the year ended 31st December 2000, the percentage of turnover attributable to the group's five largest customers combined is less than 30%.

Pre-emptive rights

There are no provisions for pre-emptive rights under the company's bye-laws and there are no restrictions against such rights under the laws of Bermuda.

Audit Committee

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants.

The Audit Committee provides an important link between the Board and the company's auditors in matters coming within the scope of the group audit. It also reviews the effectiveness both of the external and internal audit and of internal controls and risk evaluation. The Committee comprises two independent non-executive directors, namely Mr Kung Kuo Chuan and Ms Lam Wai Yee.

Compliance with the Code of Best Practice of the Listing Rules

Non-executive directors of the company are not appointed for a specific term as recommended under the Listing Rules Appendix 14 Guidelines. According to the bye-laws of the company, non-executive directors of the company will retire by rotation and their appointments will be reviewed when they are due for re-election. In the opinion of the company, this meets the same objective as is intended by the Code of Best Practice.

Save as disclosed above, none of the directors is aware of any information which would reasonably indicate that the company is not, or was not for any part of the year ended 31st December 2000, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

Purchase, sale and redemption of shares

The company has not redeemed any of its shares during the year. Neither the company nor any of its subsidiaries purchased or sold any of the company's shares during the year.

Auditors

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Merle Michael Robinson

Chairman

Hong Kong, 20th April 2001