

The Board of Directors of renren Media Limited (the “Company”) announces the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June 2001.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Review/Liquidity and Capital Structure**

Group revenue for the six months ended 30th June 2001 from the internet business was HK\$277,000 while in last year this business did not generate any income. On the other hand, the group’s previous business in distribution of motor vehicles and spare parts in Hong Kong, Macau and the People’s Republic of China (“PRC”) was disposed in January 2001. This business line did not generate any income to the group for the six months ended 30th June 2001 while in the same period last year generated HK\$55,908,000 revenue.

Loss attributable to the shareholders rose from HK\$48 million to current period of HK\$57 million representing a loss increase of 19%. The enlarged in loss was totally came from the internet business.

The Group’s activities during the period was operating one of the leading Chinese-language internet portal under the brand name of “renren”. The Internet portal operation and e-services business providing was subject to the global climate recession in internet business and the poor advertising rate.

In June 2001, the company received net proceeds of HK\$44.6 million cash in connection with the issuance of 1,300,000,000 new shares to various placing agents pursuant to the placing agreement signed on 13th June 2001. The proceeds, in about HK\$26 million will be used to the possible future investment in the technology business.

On 23rd July 2001, the Company announced the issue of HK\$12 million 2.5% interest bearing unlisted convertible bonds due one year after the issue date of the bonds. The issues further improve cash flow of the Group.

### **Employees and Share Option Scheme**

The Group has significantly reduced the numbers of employees from peak operation of approximately 300 down to approximately 20 full time employees as at 30th June 2001. The Group remunerates its employees based on their performance, working experience and degree of hardship of work.



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

## **Business Strategy**

Since the new management appointed by the controlling shareholder, Sky Concord Development Limited, which took over the control of the board in late of May 2001, the Group has taken substantial effort to reduce the monthly burn rate. The monthly running cost of the Group has been significantly reduced from the peak burn rate of over HK\$10 million to approximately HK\$2 million now.

The new management will diversify the Group's Internet business by leveraging the brand name of "renren". Our strategy is to seek investment opportunity with low risk, low cost and high return. We will focus our investment on three major areas including Media, Information Technology and Financial services and we have positioned ourselves for the approval of China's entry to the WTO and the just announced host of the 2008 Olympic Game.

## **Prospects**

The Group will expand its business to three main business areas.

### *1. Media business*

The Group will expand the business in advertising not only through internet but will focus on the traditional and solid advertising media, for example indoor and out-door media, ticketing advertising. The objective is to provide a cross media business to cover the traditional and dreaming business area.

### *2. Information Technology business*

With the experience gained in the internet technology and e-commerce business, the Group intends to expand the business in telecommunication business. The Group is expected to launch "renren tone" focus in telecommunication services in October 2001.

### *3. Financial Services*

The renren-TV financial news, the internet on-line securities information system and financial commentary services will be one of the major business development areas in the coming years.

The new business will provide a strong recurring income and profit basis to the company compared with the current business.



## Conclusion

In the short term, the outlook of the internet, media and advertising industry has been clouded by the uncertainties following the terrorists' attacks on the United States of America (US). In particular, any further deterioration in the US economy is likely to have negative effect on the economic activities worldwide; hence slow demand for media advertising. Consumption in telecommunication is expected to be increased due to substantial reduction in air traffic and the lack of travelling in this unstable period.

The Group is closely monitoring the operating costs and aggressively seeking any potential business development opportunity before the PRC to gain an expected formal entry to the WTO in the final quarter of 2001. We expect that if the PRC were joining the WTO, the global business climate will become better and our Media, Information Technology and Financial Services, through both the traditional and high technology method, through internet, can get a positive return in future.

