



renren

Holdings Limited

INTERIM REPORT 2004



Corporate Information

Executive Directors

Mak Chi Yeung, Chairman

Cheng Wai Keung

Kong Lung Cheung

Independent Non-executive Directors

Lo Chi Man, Joseph

Wong Kwong Lung, Terence

Qualified Accountant

Suen Mi Luk, CPA

Company Secretary

Cheung Mei Ha

Principal Bankers

The Hong Kong 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 B, 17 Floor, Wyndham Place,

40-44 Wyndham Street,

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 2004 (the "Period").

Management Discussion And Analysis

Financial Review

The Group's turnover for the Period was HK\$10,668,000 and yielded a gross profit of HK\$8,051,000 representing a substantial improvement compared to the same period of 2003. The increase in both turnover and gross profit was attributed to the Group's business diversifications, property and financial services, as the market demand remain strong in these sectors during the Period.

With the Management take stringent cost control on operation, the Group managed to save HK\$14,000,000 administration expenses for the Period. As a consequence, the loss of the Group was reduced from HK\$27,302,000 to HK\$8,108,000 compared to the same period last year. The Group has shown a significant improvement on cost controlling hence lay down a firm base for future profitability.

Capital Structure

To improve the financial situation of the Group, the Group has carried out a rights issue (Rights Issue) on the basis of four right shares for every one share held at a price of HK\$0.010 per share payable in full on acceptance to raise gross proceeds of approximately HK\$54 million in January 2004. The Rights Issue was completed in February 2004. After deducting the rights issue expenses, approximately HK\$52 million was received by the Company. The Directors consider that the Rights Issues is in the best interest of the Group and the shareholders of the Company as a whole. All convertible bonds have been exercised during the Period resulting in issue of approximately 49 million new shares and gross proceeds of approximately HK\$1.5 million. Details of these convertible bonds were disclosed in the 2003 Annual Report of the Company.

Liquidity and financial resources

As at 30th June 2004, the Group had shareholders fund of HK\$49.72 million comprising issued capital of HK\$68.47 million and deficit of HK\$18.75 million. The current assets and current liabilities of the Group were HK\$36.02 million and HK\$6.44 million respectively. The current ratio was 5.59.

Employees

As at 30th June 2004, 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 and 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 2003 Annual Report of the Company.

Business Prospects

The Group continues to develop the broadband TV "BBTV" service through the renren.com media platform. The improving interim result of the Group and the proven ground of cable TV market in Hong Kong and Mainland China region gave confidence to the Management to launch BBTV before the end of this year. With carefully controlled costing structure planned by the Management, the Management are confident and optimistic to the competition from other service providers, who are currently providing BBTV services in Hong Kong. To capitalise on the improving economic environment and recovering property market, the Group also diversifies its exposure to both property and financial service sector.

The Management believe the revenue and profit margin of the Group will show significant improvement as soon as the BBTV service launched in 2004 together with other revenue generate from the Group's strategic investments.

Interim Dividend

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30th June 2004 (2003: Nil).

Directors' Interests in Equity or Debt Securities

As at 30th June 2004, the interests of the directors in the share capital of the Company or its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO Ordinance"), were as follows:-

Interests in the Company

Name of director	Nature of interest	Number of Ordinary shares held
Mak Chi Yeung	Corporate	3,160,922,790

3,160,922,790 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 the Company Options

Name of director	Number of Share Options Outstanding as at 1st January, 2004	Number of Share Option Granted during the Period	Number of Share Option Outstanding as at 30th June, 2004	Exercise Price HK\$
Mak Chi Yeung	576,000	5,000,000	5,576,000	0.011

The director has not exercised any share option during the six months period ended 30th June, 2004. The exercise period of the above share option is from 23 July 2001 to 25 June, 2010.

Save as disclosed above, at 30th June 2004, none of the Directors of the Company had nor were they taken to or deemed to have, under Part XV of the SFO, any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations or any interests which are required to be entered into the register kept by the Company pursuant to section 352 of the SFO or any interests which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.

Substantial Shareholder

As at 30th June 2004, 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	3,160,922,790	48.38%
Sky Concord Development Limited	3,160,922,790	48.38%
Mak Chi Yeung	3,160,922,790	48.38%

Save as disclosed above, the directors of the Company are not aware of any other person who as at 30th June 2004 was as at 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 2004, 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 which would indicate that the Group is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited at any time during the Period, save that the independent non-executive directors were not appointed for a specific term are subject to retirement by rotation in accordance with the bye-laws of the Company.

By Order of the Board

Mak Chi Yeung

Chairman

Hong Kong, 27 September 2004

Condensed Consolidated Profit and Loss Account

(Unaudited)

6 months ended
30th June

		2004	2003
		HK'000	HK'000
	<i>Note</i>		
Turnover	2	10,668	679
Cost of sales		(2,617)	(338)
Gross Profit		8,051	341
Other revenue		2,508	117
Administrative expenses		(9,899)	(23,773)
Other operating expenses		(8,271)	(3,115)
Loss from operating activities	3	(7,611)	(26,430)
Finance costs		(497)	(872)
Loss before taxation		(8,108)	(27,302)
Taxation	4	–	–
Loss attributable to shareholders		(8,108)	(27,302)
Loss per share (basic)	5	(0.13) cents	(3.0) cents

Condensed Consolidated Balance Sheet

		Unaudited 30th June 2004 HK'000	Audited 31st December 2003 HK'000
Non-current assets			
Fixed assets		1,226	1,225
Goodwill		3,679	8,042
Interests in associates		–	3
Investment in securities	6	15,233	–
		<u>20,138</u>	<u>9,270</u>
Current assets			
Trade receivables	7	862	1
Notes receivables		7,800	–
Deposits, prepayments and other receivables		18,495	3,825
Investment in securities	6	5,889	2,685
Cash and cash equivalents		2,975	260
		<u>36,021</u>	<u>6,771</u>
Current liabilities			
Trade payables	8	973	652
Other payables and accruals		5,420	6,978
Tax payable		–	8
Amount due to a director		–	1,693
Short term loans		50	1,250
Convertible bonds		–	1,500
		<u>6,443</u>	<u>12,081</u>
Net current assets/(liabilities)		<u>29,578</u>	<u>(5,310)</u>
Net assets		<u>49,716</u>	<u>3,960</u>
CAPITAL AND RESERVES			
Issued capital	9	68,474	13,068
Deficit	10	(18,758)	(9,108)
		<u>49,716</u>	<u>3,960</u>

Condensed Consolidated Cash Flow Statement

(Unaudited)

<i>(in HK\$ thousands)</i>	6 months ended	
	30th June	
	2004	2003
Net cash used in operating activities	(26,219)	(2,084)
Net cash used in investing activities	(22,230)	(3,666)
Net cash from financing activities	51,164	3,398
Increase/(Decrease) in cash and cash equivalent	2,715	(2,352)
Cash and cash equivalents at 1st January	260	2,414
Cash and cash equivalents at 30th June	2,975	62

Condensed Consolidated Statements Of Changes In Equity

(unaudited)

	Share capital HK'000	Share Premium HK'000	Accumulated losses HK'000	Total HK'000
At 1 January 2004	13,068	536,454	(545,562)	3,960
Conversion of convertible bonds and accrued interests	491	1,081	–	1,572
Issue of shares by rights issue	54,237	–	–	54,237
Issue expenses	–	(2,691)	–	(2,691)
Exercise of share option	678	68	–	746
Net loss for the period	–	–	(8,108)	(8,108)
At 30th June 2004	68,474	534,912	(553,670)	49,716
At 1 January 2003	6,200	528,121	(444,777)	89,544
Issue of shares	6,200	4,960	–	11,160
Issue expenses	–	(161)	–	(161)
Net loss for the period	–	–	(27,302)	(27,302)
At 30th June 2003	12,400	532,920	(472,079)	73,241

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 Statements 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 general trading, financial services, investment holding and Broadband TV service provider.

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 2004				Consolidated HK'000
	Online operation HK'000	Offline operation HK'000	Trading and financial services HK'000	Investment holding HK'000	
Revenues	-	-	10,661	7	10,668
Segment results	(2,000)	(102)	3,010	(8,547)	(7,639)
Unallocated cost					(29)
Interest income					57
Loss from operating activities					(7,611)
Finance costs					(497)
Loss before tax					(8,108)
Tax					-
Loss attributable to shareholders					(8,108)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

(cont'd)

2. Segment information (cont'd)

	6 months ended 30th June 2003				Consolidated HK'000
	Online operation HK'000	Offline operation HK'000	Trading and financial services HK'000	Investment holding HK'000	
Revenue	—	679	—	—	679
Segment results	(23,032)	(1,309)	—	117	(24,224)
Unallocated cost					(2,206)
Loss from operating activities					(26,430)
Finance costs					(872)
Loss before tax					(27,302)
Tax					—
Loss attributable to shareholders					(27,302)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

(cont'd)

2. Segment information (cont'd)

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

	Unaudited Turnover 6 months ended 30th June		Unaudited Loss from operating activities 6 months ended 30th June	
	2004 HK'000	2003 HK'000	2004 HK'000	2003 HK'000
Geographical segment:				
Hong Kong:	<u>10,668</u>	<u>679</u>	<u>(7,611)</u>	<u>(26,430)</u>

3. Loss from operating activities

The Group's loss from operating activities is arrived at after charging / (crediting):

	Unaudited 30th June 2004 HK'000	Unaudited 30th June 2003 HK'000
Depreciation	78	87
Amortisation of goodwill	337	19,887
Unrealised loss/(gain) on investment in securities	5,814	(117)
Realised loss on investment in securities	2,115	-
Bad debts written off	5	-
Gain on disposal of subsidiaries	<u>(2,098)</u>	<u>-</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

(cont'd)

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.

5. Loss per share

The calculation of the loss per share is based on the net loss attributable to shareholders for the period ended 30th June 2004 of HK\$8,108,000 (2003: HK\$27,302,000), and the weighted average of 6,228,614,360 (2003: 815,249,148) ordinary shares in issue during the period, as adjusted to reflect the rights issue effected during the period. Diluted loss per share has not been calculated as no diluting events existed during the periods.

6. Investment in securities

	Unaudited 30th June 2004 HK'000	Unaudited 30th June 2003 HK'000
Investment securities		
Unlisted in Oversea, at cost	15,233	–
Other investments,		
Listed in Hong Kong, at market value	5,889	2,685
	21,122	2,685
Carried amount analysed for reporting purposes as:		
Non-current	15,233	–
Current	5,889	2,685
	21,122	2,685

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

(cont'd)

7. Trade receivables

	Unaudited 30th June 2004 HK'000	Unaudited 30th June 2003 HK'000
Within 30 days	–	1
31-60 days	<u>862</u>	<u>–</u>
	<u>862</u>	<u>1</u>

8. Trade payables

	Unaudited 30th June 2004 HK'000	Unaudited 30th June 2003 HK'000
31-60 days	973	–
60-90 days	<u>–</u>	<u>652</u>
	<u>973</u>	<u>652</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

(cont'd)

9. Share capital

	Number of ordinary shares of HK\$0.01	Nominal value of ordinary shares HK'000
Authorised:		
At 30 June 2004 and 31 December 2003	<u>30,000,000,000</u>	<u>300,000</u>
Issued and fully paid:		
At 1 January 2004	1,306,815,236	13,068
Conversion of convertible bonds and accrued interests	49,100,341	491
Rights issue of shares	5,423,662,308	54,237
Exercise of share option	<u>67,795,700</u>	<u>678</u>
	<u>6,847,373,585</u>	<u>68,474</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

(cont'd)

10. Group reserves

	Unaudited 30th June 2004 HK'000	Unaudited 30th June 2003 HK'000
Accumulated losses		
Balance brought forward	(545,562)	(444,777)
Net loss for the period	(8,108)	(100,785)
	<hr/>	<hr/>
Balance carried forward	(553,670)	(545,562)
Share premium		
Balance brought forward	536,454	528,121
Issue of shares	1,149	8,494
Issue expenses	(2,691)	(161)
	<hr/>	<hr/>
Balance carried forward	534,912	536,454
Total Deficit	(18,758)	(9,108)