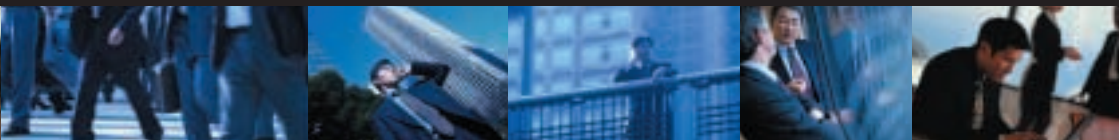




**renren**



INTERIM REPORT

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The Board of Directors (the “Board”) of renren Holdings Limited (the “Company”) reports the unaudited consolidated financial statements of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30th June, 2005 with comparative figures as follows:

Condensed Consolidated Income Statement

For the six months ended 30th June, 2005

		Six months ended 30th June,	
		2005	2004
		<i>(unaudited)</i>	<i>(unaudited)</i>
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Notes</i>		
Turnover	3	3,158	9,400
Cost of sales		(280)	(1,617)
Gross profit		2,878	7,783
Other income		158	2,776
Administrative expenses		(3,859)	(9,899)
Other expenses	5	(6,896)	(8,271)
Loss from operations	4	(7,719)	(7,611)
Finance costs	6	(33)	(497)
Loss before taxation		(7,752)	(8,108)
Taxation	7	—	—
Net loss attributable to shareholders		(7,752)	(8,108)
		<i>HK cents</i>	<i>HK cents</i> (Restated)
Loss per share — Basic	8	(0.110)	(0.145)

Condensed Consolidated Balance Sheet

At 30th June, 2005

		30th June, 2005 (unaudited) HK\$'000	31st December, 2004 (audited) HK\$'000
	<i>Notes</i>		
ASSETS			
Non-current assets			
Investment property	9	—	300
Fixed assets	9	200	213
Goodwill		—	8
Investment securities	10	—	900
Promissory notes receivable	11	—	5,322
		200	6,743
Current assets			
Investment securities	10	159	435
Promissory notes receivable	11	850	—
Loan receivable		—	1,500
Trade receivables	12	200	—
Deposits, prepayments and other receivable		703	4,811
Bank balances and cash		25,533	347
		27,445	7,093
Total assets		27,645	13,836
EQUITY AND LIABILITIES			
Equity			
Share capital	14	82,024	68,338
Reserves		(58,397)	(58,864)
Total equity		23,627	9,474
Current liabilities			
Trade payables	13	273	273
Other payables and accruals		2,386	1,454
Tax payable		1,359	1,359
Amount due to a director		—	1,276
Total liabilities		4,018	4,362
Total equity and liabilities		27,645	13,836

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2005

	Share capital (unaudited) HK\$'000	Share premium (unaudited) HK\$'000	Accumulated loss (unaudited) HK\$'000	Total (unaudited) HK\$'000
At 1st January, 2005	68,338	534,185	(593,049)	9,474
Reversal of paid up ordinary share capital being cancelled (Note a)	136	584	—	720
Issue of shares — share placing (Note b)	13,550	8,130	—	21,680
Share issue expenses	—	(495)	—	(495)
Net loss for the period	—	—	(7,752)	(7,752)
At 30th June, 2005	82,024	542,404	(600,801)	23,627
At 1st January, 2004	13,068	536,454	(545,562)	3,960
Issue of shares:				
Conversion of convertible bonds and accrued interests	491	1,081	—	1,572
Right issue	54,237	—	—	54,237
Exercise of share options	678	68	—	746
Share issue expenses	—	(2,691)	—	(2,691)
Net loss for the period	—	—	(8,108)	(8,108)
At 30th June, 2004	68,474	534,912	(553,670)	49,716

Notes:

(a) In August 2002, the Company converted certain convertible bonds having an aggregate principal value of HK\$720,000 into shares without the convertible bondholder's consent. A judgment was made by the High Court of Hong Kong to demand the Company to rectify the position by striking out the name of the convertible bondholder from the register of members of the Company and an entry was made to adjustment for the shares to be cancelled out from the share capital and share premium account as at 31st December, 2004.

However, subject to the Companies Act 1981 of Bermuda, rectification of the register of members of the Company must be made by way of an application to the Supreme Court of Bermuda (the "Bermuda Court"). Accordingly, the share cancellation has not, as such, become effective and the adjustment made in prior year in share capital and share premium is reversed pending the approval obtained from the Bermuda Court.

(b) On 7th June, 2005, 1,355,000,000 new shares were issued by way of a placing of shares to a number of placees at HK\$0.016 each, raising a total gross proceed of approximately HK\$21,680,000 for general working capital.

Condensed Consolidated Cash Flow Statement

For the six months ended 30th June, 2005

	Six months ended 30th June,	
	2005 <i>(unaudited)</i> <i>HK\$'000</i>	2004 <i>(unaudited)</i> <i>HK\$'000</i>
Net cash from (used in) operating activities	2,870	(26,219)
Net cash from (used in) investing activities	1,131	(22,230)
Net cash from financing activities	21,185	51,164
Net increase in cash and cash equivalents	25,186	2,715
Cash and cash equivalents at beginning of the period	347	260
Cash and cash equivalents at end of the period	25,533	2,975
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	25,533	2,975

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2005

1. Statement of Compliance and Accounting Policies

These interim financial statements have been prepared in accordance with the applicable requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”), the Hong Kong Accounting Standard (“HKAS”) 34: Interim Financial Reporting and other relevant HKASs and Interpretations, the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by The Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The accounting policies and basis of preparation adopted in these interim financial statements are consistent with those adopted in the Company’s 2004 Annual Report except for the new adoption of those HKFRSs and HKASs as disclosed in Note 2.

2. Impact of New HKFRSs and HKASs

The HKICPA has issued a number of new HKFRSs, and HKASs and Interpretations, which are generally effective for accounting periods beginning on or after 1st January, 2005. The Group has adopted HKFRSs and HKASs issued up to 30th June, 2005 which are pertinent to its operations and relevant to these interim financial statements.

These HKFRSs and HKASs prescribe new accounting measurement and disclosure practices. The impacts of the adoption of these HKFRSs and HKASs on the Group’s accounting policies and on amounts disclosed in the interim financial statements are, however, insignificant.

3. Segment Information

An analysis of the Group's turnover is as follows:

	Six months ended 30th June,	
	2005 (unaudited) HK\$'000	2004 (unaudited) HK\$'000
Provision of property development project management services	2,700	—
Rendering of web design and set-up services	450	—
Provision of financial services	—	7,800
Sale of goods	—	1,593
Operating lease rental income	8	7
	3,158	9,400

Segment information is presented by way of two segment formats:

- (i) on a primary segment reporting basis, by business segment; and
- (ii) on a secondary segment reporting basis, by geographical segment.

The businesses based upon which the Group reports its primary segment information are as follows:

- (a) Property development project management segment refers to the provision of advisory and project management services in relation to property development projects;
- (b) Online operations segment refers to the provision of internet services, web design and set-up services and etc; and

3. Segment Information (Continued)

- (c) Trading, financial services and investment holding segment refers to the general trading, the provision of financial services and the leasing of investment properties.

Segment information is presented below:

(i) In business segments

	Property development project management <i>HK\$'000</i>	Online operation <i>HK\$'000</i>	Trading, financial services and investment holding <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<i>Six months ended 30th June, 2005</i>				
Segment revenue				
External	2,700	450	8	3,158
Results				
Segment results	2,585	(280)	(4,730)	(2,425)
Unallocated other income				8
Unallocated corporate expenses				(5,302)
Finance costs				(33)
Net loss for the period				(7,752)
<i>Six months ended 30th June, 2004 (Restated)</i>				
Segment revenue				
External	—	—	9,400	9,400
Results				
Segment results	—	(2,000)	(5,641)	(7,641)
Unallocated other income				2,288
Unallocated corporate expenses				(2,258)
Finance costs				(497)
Net loss for the period				(8,108)

3. Segment Information *(Continued)*

(ii) In geographical segments

	Six months ended 30th June,	
	2005 <i>(unaudited)</i> HK\$'000	2004 <i>(unaudited)</i> HK\$'000
Segment revenue		
Hong Kong	458	9,400
Elsewhere in the PRC	2,700	—
	3,158	9,400

Contributions to profit or loss by geographical markets have not been presented as they are substantially similar with the contributions to profit or loss by business segments.

4. Loss from Operations

Loss from operations for the period has been arrived at after charging (crediting):

	Six months ended 30th June,	
	2005 <i>(unaudited)</i> HK\$'000	2004 <i>(unaudited)</i> HK\$'000
Cost of inventories sold and services provided	280	1,617
Staff cost, including directors' remuneration:		
— Salaries and other staff costs	1,412	3,962
— Pension contributions	19	—
	1,431	3,962
Auditors' remuneration		
— Under-provision in last year	120	—
— Current provision	200	—
	320	—
Depreciation of fixed assets	82	78
Interest income	—	(56)
Gain on disposal of subsidiaries	—	(2,098)

5. Other Expenses

	Six months ended 30th June,	
	2005 (unaudited) HK\$'000	2004 (unaudited) HK\$'000
Bad debts written off	—	5
Provision for doubtful debts	4,472	—
Loss on disposal of trading securities	—	2,115
Unrealised loss on investment securities	35	5,814
Impairment loss of investment securities	159	—
Impairment of goodwill	—	337
Loss on disposal of subsidiaries	70	—
Provision for losses on litigations (Note 16)	2,160	—
	6,896	8,271

6. Finance Costs

	Six months ended 30th June,	
	2005 (unaudited) HK\$'000	2004 (unaudited) HK\$'000
Interests expenses on:		
Convertible bonds	—	13
Short-term loan from a director	13	—
Other borrowings	20	484
	33	497

7. Taxation

No provision for profits tax has been made as the Group had no assessable profit for the period.

8. Loss per Share

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the period of HK\$7,752,000 (2004: HK\$8,108,000) and weighted average of 7,027,042,093 (2004: 5,608,480,074) ordinary shares in issue during the period. Diluted loss per share has not been calculated as there were no diluting events existed during the periods.

9. Investment Property and Fixed Assets

During the current period, the Group had disposed of an investment property at a consideration equal to its value of HK\$300,000. In addition, the Group acquired fixed assets at the total cost of HK\$69,000.

10. Investment Securities

	30th June, 2005 <i>(unaudited)</i> HK\$'000	31st December, 2004 <i>(audited)</i> HK\$'000
Investment securities:		
Unlisted in Hong Kong, at cost	—	900
Other investments:		
Listed in Hong Kong, at market value	—	117
Unlisted in overseas, at market value	159	318
	159	1,335
Carrying amount analyzed for reporting purposes as:		
Non-current	—	900
Current	159	435
	159	1,335

11. Promissory Notes Receivable

		30th June, 2005	31st December, 2004
		<i>(unaudited)</i>	<i>(audited)</i>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Promissory notes receivable due from			
Elephant Talk Communications, Inc.	<i>(a)</i>	7,800	7,800
Elephant Talk Communications, Inc.	<i>(b)</i>	2,844	2,844
	<i>(c)</i>	10,644	10,644
<i>Less: Provision for doubtful debt</i>		<i>(9,794)</i>	<i>(5,322)</i>
		850	5,322
<i>Less: Amount due within one year shown under current assets</i>		<i>(850)</i>	—
Amount due after one year		—	5,322

- (a) Promissory notes with principal amount of HK\$7,800,000 in aggregate were issued by Elephant Talk Communications, Inc. to Fantastic Fiesta Limited which assigned these promissory notes to a subsidiary of the Company as a fee for the provision of financial services to Fantastic Fiesta Limited.
- (b) Promissory notes with principal amount of HK\$2,844,000 in aggregate were issued by Elephant Talk Communications, Inc. as part of the consideration for the acquisition of certain investment securities from a wholly-owned subsidiary of the Company.

11. Promissory Notes Receivable *(Continued)*

- (c) Promissory notes are unsecured, convertible (in whole or in part) into shares of common stock of Elephant Talk Communications, Inc. in the case of default, and interest bearing at 2.5% per annum for the initial one-year and 4% per annum for the second year on the principal amount and all accrued interest unpaid. Promissory notes will mature on 31st March, 2006.

12. Trade Receivables

The Group has a policy of allowing an average credit period of 60 days to its trade customers. The following is an aging analysis of trade receivables at the reporting date:

	30th June, 2005 <i>(unaudited)</i> HK\$'000	31st December, 2004 <i>(audited)</i> HK\$'000
0 — 30 days	200	—

13. Trade Payables

The following is an aging analysis of trade payables at the reporting date:

	30th June, 2005 <i>(unaudited)</i> HK\$'000	31st December, 2004 <i>(audited)</i> HK\$'000
Over 90 days	273	273

14. Share Capital

	Number of shares	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 31st December, 2004 and 30th June, 2005	30,000,000,000	300,000
Issue and fully paid:		
At 1st January, 2005	6,847,373,585	68,338
Reversal of paid up ordinary share capital being cancelled	—	136
Issue of shares — share placing	1,355,000,000	13,550
At 30th June, 2005	8,202,373,585	82,024

15. Related Party Transaction

During the six months ended 30th June, 2005, the director of the Company, Mr. Yu Pan, provided an unsecured short term advance of HK\$4,000,000 to the Company at an interest calculated at 5% per annum. The advance was fully repaid during the period.

16. Litigations

During the current period, the Company settled legal actions raised by two former convertible bondholders for outstanding principal value of convertible bonds in a total amount of HK\$1,200,000 on the ground that the Company had wrongly allotted shares to the bondholders pursuant to the conversion of the bonds. The relevant shares wrongly issued will be cancelled pending the approval of the Supreme Court of Bermuda on the rectification of the members' register of the Company.

In the light of the outcome of the aforesaid legal actions, settlement arrangements were recently made with two other former convertible bondholders with threatened legal actions on similar grounds, and a provision of HK\$960,000 for losses has been made for the current period.

17. Post Balance Sheet Event

On 24th June, 2005, the Company announced a proposal of capital reorganization involving a consolidation of every 100 shares of HK\$0.01 each into one consolidated share of HK\$1.00, a reduction of the issued share capital of the Company by canceling paid-up capital to the extent of HK\$0.99 on each of the consolidated share, subdividing each consolidated share of HK\$1.00 each in the authorized but unsecured share capital into one hundred ordinary shares of HK\$0.01 each, and the cancellation of the entire amount of the share premium account of the Company (the "Capital Reorganization"). The credit arising from the share reduction and the cancellation of share premium will eliminate the entire accumulated deficit of the Company. The resolution about the Capital Reorganization was passed in a special general meeting and the Capital Reorganization was effective on 5th August, 2005.

18. Comparative Figures

Certain comparative figures have been reclassified and modified to conform with the current period's presentation.

Management Discussion and Analysis

Business Review

During the period under review, the Group records a loss attributable to shareholders of HK\$7,752,000 (2004: HK\$8,108,000).

The major attributable factor to the loss was a further provision of HK\$4,472,000 made on the promissory notes receivable against their carrying value in the books of HK\$5,322,000, the recoverability of which is considered doubtful. The exceptional provision reflected the directors' prudent view on the recoverability of the debt as a result of the deteriorating financial position of the debtor. Further, there are exceptional provisions amounting to a total of HK\$2,160,000 for the litigation actions or claims raised by four convertible bondholders for allegations of the Company's wrongful conversion of the bonds into shares in 2002. Excluding the effect of these provisions, the operating loss for the period was narrowed down to HK\$1,120,000. The sharp decrease in operating loss for the period was due to the effect of successful cost cutting resulting to reduced running expenses and streamlining of the group investment activities leading to loss on trading and investment securities being contained at low level.

Business Outlook

Since the change in management as followed by a changeover in controlling interest in late 2004, the new management has been developing strategies to turn around the Group's operating performance by bringing in new business strategies using the expertise of the new management. With the directors' completion of the streamlining of resources tied up in investment projects previously engaged by the Group, the Group is ready to step ahead into a new era in property development project management and related advisory service provision in the People's Republic of China. During the period, the Group has successfully contracted in the provision of property management services in respect of two property development projects in Guangzhou. This business will bring in a steady inflow of revenue to the Group.

The Group is now aggressively looking for business opportunities in property development and other investment opportunities with strong earning potential. In this connection, the Group is in process of negotiation with parties for development plans in some suitable sites for offices and residential units in Guangzhou. Notwithstanding the current market adjustments in Shanghai and Beijing in the property sector, market in Guangzhou has been relatively stable and healthy as enhanced by the strong demand of local buyers. With the competitive advantage from the past experience of the management, the directors of the Company are having a positive and favourable view on the business potential in the region.

Liquidity and Financial Resources

Capital structure and liquidity

The Group continued to have enhanced liquidity position throughout the period. The Group's bank balances amounted to HK\$25,533,000 and liquid assets were improved with the proceed raised from the share placing during the period. The current assets and current liabilities of the Group were HK\$27,445,000 and HK\$4,018,000 respectively such that the current ratio rose from 1.63:1 to 6.83:1. The net current assets increased from HK\$2,731,000 to HK\$23,427,000. The Group's gearing ratio (the ratio of total liabilities over total assets) decreased from 31.5% to 14.5%.

Bank borrowings and pledge of assets

The Group had no bank borrowings and pledge of assets as at 30th June, 2005.

Foreign Currency Management

The Group does not have significant exposure to foreign currency fluctuations as most of the transactions are settled in Hong Kong dollars.

Contingent liabilities

The Group had no significant contingent liabilities as at 30th June, 2005.

Employees

As at 30th June 2005, the Group maintained approximately 3 employees in Hong Kong. The Group's staff costs amounted to approximately HK\$521,000 (2004: HK\$877,000). Employees are remunerated according to qualifications and experience, job nature and performance, with pay scale aligned with market conditions.

The Group is working aggressively to recruit additional staff and senior management of suitable calibre to cope with the Group's business development.

Other Information

Interim Dividend

The Board does not recommend the payment of interim dividend in respect of the six months ended 30th June, 2005 (six month ended 30th June, 2004: Nil).

Directors' Interests in Shares and Underlying Shares

As at 30th June, 2005, the interests of the directors and chief executive in the share capital of the Company or its associated corporation (within the meaning of Part XV of Securities and Futures Ordinance (“SFO”)), as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules were as follows:

Name of director	Nature of interests	Number of ordinary shares held	Approximate percentage of shareholding
Mr. Yu Pan	Interest of Controlled Corporation (<i>Note</i>)	3,160,922,790 — <i>Long position</i>	38.5%

Note: These shares were held by Grand Cosmos Holdings Limited whose entire issued share capital is beneficially owned by Mr. Yu Pan.

Other than as disclosed above, none of the directors, chief executives nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30th June, 2005.

Substantial Shareholders

As at 30th June, 2005 other than the shares held by a director as abovementioned in the section headed “Directors’ Interests in Shares and Underlying Shares”, no other person had registered an interest of 5% or more in the issued share capital of the Company that was required to be recorded in the register of interests in shares and short positions required to be kept under Section 336 of the SFO Ordinance.

Share Options

During the period, the Company did not grant any options to subscribe for the Company's shares in the share option scheme adopted by the Company.

Advance to an Entity

As at 30th June, 2005, the Group had promissory notes receivable in an aggregate principal value of approximately HK\$10,644,000 from Elephant Talk Communications, Inc., as detailed in note 11 to the condensed consolidated financial statements.

Corporate Governance

None of the directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the 2005 interim financial statements, in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules except for the following deviations:

1. Under code provision A2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Due to the small size of the existing management team, both the roles of the chairman and chief executive officer of the Company are currently played by Mr. Yu Pan. The board of directors will review the situation and will set out a clear division of responsibilities at the board level and the day-to-day management team to ensure a proper balance of power and authority within the corporation.

2. Under code provision A4.1, non-executive directors should be appointed for a specific term and under A4.2, every director should be subject to retirement by rotation at least once every three years.

According to the Bye-laws of the Company, one-third of the directors for the time being shall retire from office by rotation at each annual general meeting. The directors to retire by rotation shall be those who wish to retire and not offer themselves for re-election, and any further directors who have been the longest in office since their last re-election or appointment. In addition, the chairman of the board and/or the managing director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year.

Corporate Governance *(Continued)*

2. *(Continued)*

As such, the existing Bye-laws of the Company are not in full compliance with the code provisions. The directors will review in the current year the relevant Bye-laws and propose any amendment, if necessary, to ensure compliance of the code provisions.

Model Code for Securities Transactions by Directors

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code of the Listing Rules. Following specific enquiry by the Company, all directors confirmed that they have complied with the required standards as set out in the Model Code throughout the period under review.

Purchase, Sale or Redemption of the Company's Listed Securities

Except for the new issue of shares as described in Note b under the "Condensed Statement of Changes in Equity", the Company or any of its subsidiaries did not purchase, sell or redeem any of the Company's listed securities during the period.

Audit Committee

The unaudited interim financial statements of the Group for the six months ended 30th June, 2005 have been reviewed by the audit committee and the external auditors of the Company.

By order of the Board

Yu Pan

Chairman

Hong Kong, 26th August, 2005