

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their annual report together with the audited financial statements for the year ended 31 December 2005.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed on 15 February 2006 and with the approval of the Registrar of Companies in Bermuda on 17 February 2006, the name of the Company was changed from “renren Holdings Limited” to “Skyfame Realty (Holdings) Limited” in English and for identification purpose, “天譽置業(控股)有限公司” in Chinese.

PRINCIPAL ACTIVITIES

The principal activity of the Company continues to be investment holding. The principal activities of its subsidiaries during the year are property development, provision of property development project management services and rendering of web-design and development services.

During the year, the Group started in its new business activities in the rendering property project management services and property development whilst discontinued the businesses of web design and development services, general trading, financial advisory services, securities and property investment activities. Details are set out in note 1 to the financial statements.

SEGMENT INFORMATION

An analysis of the Group’s performance for the year by business and geographical segments is set out in note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2005 are set out in the consolidated income statement on page 23.

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2005.

SHARE CAPITAL

On 7 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.

On 5 August 2005, the Company underwent a capital re-organisation scheme involving a consolidation of 8,202,373,585 shares on the basis on 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 shares, a sub-division of each consolidated share of HK\$1.00 each in the authorised but unissued 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 Re-organisation”). The credit arising from the share reduction and cancellation of share premium eliminated the entire accumulated deficit of the Company on the date of the Capital Re-organisation.

SHARE CAPITAL *(Continued)*

On 9 November 2005, the Company cancelled 16,299 shares, those number of shares as adjusted by the Capital Re-organisation as referred in above and the capital re-organisation in August 2002, as a result of the rectification of the register of members of the Company as detailed in note 29 to the financial statements upon the approval of the Supreme Court of Bermuda.

On 16 December 2005, the Company issued 492,044,616 shares by way of a rights issue of shares in the proportion of 6 rights shares for every 1 share at a subscription price of HK\$0.30 per share, and issued 66,666,666 consideration shares at an issue price of HK\$0.30 per share to satisfy partly the consideration for the acquisition of an associate.

Details of movements in the Company's share capital during the year are set out in note 29 to the financial statements.

SHARE OPTIONS

Pursuant to a resolution passed on 4 August 2005, the 2000 share option scheme was terminated and a new share option scheme was adopted (the "2005 Scheme").

During the year, the Company did not grant any options to subscribe for the Company's shares under the 2005 Scheme.

Details of the share option scheme are set out in note 29 to the financial statements.

RESERVES/(DEFICIT)

Details of the movements in reserves/(deficit) of the Group and the Company during the year are set out in note 30 to the financial statements.

DISTRIBUTABLE RESERVES

The Company's contributed surplus is distributable to shareholders in accordance with the Companies Act 1981 of Bermuda. At 31 December 2005, the Company's reserves available for cash distribution and/or distribution in specie amounted to approximately HK\$25,387,000 (inclusive of the Company's contributed surplus) as computed in accordance with generally accepted accounting principles of Hong Kong. In addition, the Company's share premium account in the amount of approximately HK\$156,007,000 may be distributed in the form of fully paid bonus shares.

FIXED ASSETS AND INVESTMENT PROPERTY

Details of movements in fixed assets and investment property of the Group are set out in notes 17 and 18 to the financial statements respectively.

INTEREST IN ASSOCIATE

Details of the interest in associate of the Group are set out in note 20 to the financial statements.

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CONVERTIBLE NOTE

The 3% convertible note in the principal amount of HK\$60,000,000 was issued to satisfy partly the consideration for the acquisition of an associate.

Details of the convertible note of the Group are set out in note 27 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's largest customer and five largest customers accounted for approximately 66% and 100%, respectively, of the Group's total sales for the year.

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for approximately 82% and 100%, respectively, of the Group's total purchases for the year.

None of the directors, their associates, or any shareholders which, to the knowledge of the directors, own more than 5% of the Company's share capital, had any interest in the share capital of any other of the five largest customers or suppliers of the Group.

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 80.

RETIREMENT BENEFITS SCHEMES

Particulars of the retirement benefits schemes of the Group are set out in note 32 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year.

DIRECTORS AND SERVICE CONTRACTS

The directors during the year and up to the date of this report were as follows:

Executive Directors

Mr. Yu Pan	
Mr. Mai Zhi Hui	(resigned on 1 January 2006)
Mr. Lau Yat Tung, Derrick	(appointed on 6 May 2005)
Mr. Wong Lok	(appointed on 29 August 2005)
Mr. Zheng Jian Wei	(appointed on 11 January 2006)

Independent Non-executive Directors

Mr. Choy Shu Kwan
Mr. Cheng Wing Keung, Raymond
Ms. Chung Lai Fong

In accordance with clause 86(2) of the Company's bye-laws, Mr. Lau Yat Tung, Derrick, Mr. Wong Lok and Mr. Zheng Jian Wei, being appointed by the Board during the year and up to the date of this report, shall retire at the forthcoming annual general meeting ("AGM").

Pursuant to clause 87(1) of the Company's bye-laws and the Code on Corporate Governance Practices, Mr. Yu Pan and Mr. Choy Shu Kwan will retire at the AGM by rotation. All retiring directors, being eligible, will retire and, being eligible, will offer themselves for re-election for the forthcoming annual general meeting.

None of the directors being proposed for re-election at the forthcoming annual general meeting has any service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Except as those disclosed in the section of "Connected Transaction" of the report hereinafter, no contracts of significance to which the Company, its holding company or subsidiaries was a party and in which a 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.

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DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2005, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required, (i) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii), pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") of the Listing Rules, to be notified to the Company and the Stock Exchange of Hong Kong Limited, are as follows:

Name of director	Nature of interest	Number of ordinary shares (Long position)	Approximate shareholding percentage
Mr. Yu Pan ("Mr. Yu")	Interest of controlled corporation (<i>Note</i>)	390,418,304	60.93%

Note: These shares comprised 390,418,304 shares of the Company held by Grand Cosmos Holdings Limited ("Grand Cosmos"), of which the entire issued shares are held by Mr. Yu.

Save as disclosed above, as at 31 December 2005, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required, (i) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) pursuant to the Model Code of the Listing Rules to be notified to the Company and the Stock Exchange of Hong Kong Limited.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse or minor children to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or in any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the directors, the controlling shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that compete or may compete with the businesses of the Group or has any other conflict of interests with the Group.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2005, the Company has been notified that the long position and short position of the following substantial shareholders or other persons in the shares and/or underlying shares of the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of Part XV of the SFO were as follows:

(a) Long position in the Shares

Name of shareholders	Capacity	Number of issued ordinary shares held	Approximate shareholding percentage
Grand Cosmos	Beneficial owner	390,418,304 <i>(Note 1)</i>	60.93%
Leader Gain Limited	Beneficial owner	66,666,666 <i>(Note 2)</i>	10.40%
Ms. Azuma Sarina (“Ms. Azuma”)	Held by controlled corporation	66,666,666 <i>(Note 2)</i>	10.40%
Sunny Billion Holdings Limited (“Sunny Billion”)	Person having a security	66,666,666 <i>(Note 3)</i>	10.40%

(b) Long position in the underlying shares of the Company — Convertible note

Name of shareholders	Capacity	Number of issued ordinary shares held	Approximate shareholding percentage
Ableway Group Limited	Beneficial owner	181,818,181 <i>(Note 2)</i>	22.10%
Ms. Azuma	Held by controlled corporation	181,818,181 <i>(Note 2)</i>	22.10%
Sunny Billion	Person having a security	181,818,181 <i>(Note 3)</i>	22.10%

Notes:

- Mr. Yu is interested in the 390,418,304 shares in the Company held by Grand Cosmos by virtue of his 100% beneficial interest in the issued share capital of Grand Cosmos. Details of the interest are disclosed under the section headed “DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS IN SHARES AND UNDERLYING SHARES” above.
- Ms. Azuma beneficially owns the entire interest in Leader Gain Limited and Ableway Group Limited which respectively owns 66,666,666 shares of the Company and a 3% convertible note in the principal amount of HK\$60,000,000. The underlying shares of 181,818,181 shares represent the new shares to be issued at a conversion price of HK\$0.33 per share upon the exercise of the full conversion right pursuant to the rights attached to the 3% convertible note.

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SUBSTANTIAL SHAREHOLDERS *(Continued)*

(b) Long position in the underlying shares of the Company — Convertible note *(Continued)*

Notes: (Continued)

3. The 66,666,666 shares and the convertible note were pledged in favour of Sunny Billion by Leader Gain Limited and Ableway Group Limited to secure for the performance of obligations of Ms. Azuma under an agreement entered into by Ms. Azuma with Sunny Billion pursuant to which Ms. Azuma disposed of the entire interest in the associate of the Company to Sunny Billion.

Save as disclosed above, as at 31 December 2005, the Company had not been notified by any persons or corporations who had any long or short position in the shares and/or underlying shares of the Company, which were required to be recorded in the register required to be kept by the Company pursuant to section 336 of Part XV of the SFO.

CONNECTED TRANSACTIONS

Save as the transactions stated below, none of the directors, substantial shareholders or controlling shareholders of the Company and their respective associates was materially interested in any contract or arrangement entered into by any member of the Group subsisting as at 31 December 2005 which was significant in relation to the business of either the Group or has any material personal interest.

1. Pursuant to a deed of appointment entered into by the Company and its subsidiary, United Prime Limited, with an associate of the Company whereas the performance of United Prime Limited as the project manager was guaranteed by the Company which was in turn counter-indemnified by Mr. Yu in favour of the Company.
2. During the year, the director of the Company, Mr. Yu, provided an unsecured short term advance of HK\$4,000,000 to the Company at an interest approximately of HK\$13,000 calculated at 5% per annum. The advance was fully repaid during the year.
3. An underwriting agreement was entered into between the Company and Grand Cosmos to underwrite up to 169,153,715 right shares of the Company. As a result, the underwriting commission of rights issue of HK\$1,269,000 was paid to Grand Cosmos.
4. A lease agreement was entered into between a subsidiary of the Company, Guangzhou Yu Jun Consulting Service Company Limited (“Yu Jun”) and Guangzhou Chuang Yu Property Development Company Limited (“Chuang Yu”) for the lease of office premises owned by Chuang Yu on normal commercial terms for one year commencing from 1 November 2005 to 31 October 2006 at monthly rental of RMB41,000. In addition, Guangzhou Tian Yu Property Management Company Limited (“Tian Yu Property”) charged Yu Jun for building management and air-conditioning expenses. Mr. Yu, being a director of the Company, is a major shareholder of Chuang Yu and Tian Yu Property. Rental of RMB84,000 and management fee and air-conditioning charges of RMB114,000 respectively were charged to Yu Jun during the year.
5. During the year, the group disposed of the entire interest in a subsidiary, Jet Concord Inc., to Madam So Siu Ngan Amy, the spouse of a former director, Mr. Mak Chi Yeung, at a consideration of HK\$200,000.

CONNECTED TRANSACTIONS *(Continued)*

- The Group occupied during the year an office as its principal place of business in Hong Kong free of rental and all other outgoings relating to the office premises. The existing tenant of the premises is Yue Tian Development Limited (“Yue Tian”) of which 29% equity interest is held by Mr. Yu Pan who is also a director of Yue Tian.

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 final financial statements, in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules except for code provision A2.1, where the roles of chairman and chief executive officer of the Company is not separated as required but is currently 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 will, nonetheless, review the business growth of the Group and, when considered essential, 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.

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

During the year, the Company has adopted stringent procedures governing Directors’ securities transactions in compliance with the Model Code as set out in Appendix 10 of the Listing Rules. Specific confirmation has been obtained from all Directors to confirm compliance with the Model Code throughout the year ended 31 December 2005.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each Independent Non-executive Director an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the Independent Non-executive Directors are independent.

CONTINUING OBLIGATIONS UNDER THE LISTING RULES — ADVANCE TO AN ENTITY

In accordance with rule 13.16 of the Listing Rules, an announcement was made on 29 December 2005 disclosing the details of the loan advance to an associate (the “Advance”), Yaubond Limited (“Yaubond”) made by the members of the Group as at 16 December 2005 which exceeded 8% of the total market capitalization of the Company as stated in The Stock Exchange of Hong Kong Limited’s daily quotation sheets for the five trading days from 21 December 2005 to 29 December 2005.

As at 31 December 2005, the circumstances giving rise to the disclosure under rule 13.16 continued to exist. In accordance with rule 13.20 of the Listing Rules, details of the Advance to Yaubond from the Group as at 31 December 2005 are as follows:

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CONTINUING OBLIGATIONS UNDER THE LISTING RULES — ADVANCE TO AN ENTITY (Continued)

As at 31 December 2005, there were 640,718,718 shares of the Company in issue. Based on the average closing price of the Company's shares of HK\$0.34 per share as stated in the Stock Exchange's daily quotation sheets for the trading days from 22 December 2005 to 30 December 2005 (both days inclusive), being the five business days immediately preceding 31 December 2005, the market capitalisation of the Company was approximately HK\$217,844,000 as at 31 December 2005 (the "Total Market Capitalisation"). The Advance to Yaubond amounted to approximately HK\$82,892,000 as at 31 December 2005. The Advance is unsecured, interest free and repayable on demand, and represented approximately 38.05% of the Total Market Capitalisation.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its directors, the directors confirmed that the Company has maintained the amount of public float as required under the Listing Rules during the year and up to the date of this report.

POST BALANCE SHEET EVENTS

On 16 February 2006, a sale and purchase agreement was entered into between Ableway Group Limited, a company beneficially owned by Ms Azuma, and Grand Cosmos, for the transfer of a convertible note in the principal amount of HK\$60,000,000 with the right of conversion into ordinary shares of HK\$0.01 per share at a price of HK\$0.33 per share. On 20 February 2006, Grand Cosmos exercised the conversion right and was allotted a total of 181,818,181 shares of the Company.

AUDITORS

Albert Lam & Co. has been acting as the auditors of the Company to perform audits for the years ended 31 December 2002 to 2004. During the year, Albert Lam & Co. resigned and BDO McCabe Lo Limited were appointed auditors of the Company. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO McCabe Lo Limited as auditors of the Company.

On behalf of the Board

Yu Pan
Chairman

Hong Kong, 28 March 2006