



renren Holdings Limited

人人控股有限公司*

(incorporated in Bermuda with limited liability)
(Stock Code: 059)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2004

The board (the “Board”) of directors (“the Directors”) of renren Holdings Limited (“the Company”) announces the audited consolidated results of the Company and its subsidiaries (together “the Group”) for the year ended 31 December 2004.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 December 2004

| | <i>Notes</i> | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
|---------------------------------------|--------------|--------------------------------|-------------------------|
| TURNOVER | 3 & 4 | 9,709 | 672 |
| Cost of sales | | (1,617) | (516) |
| Gross profit | | 8,092 | 156 |
| Other income | 3 | 8,174 | 737 |
| Administrative expenses | | (12,730) | (11,965) |
| Other operating expenses | | (49,269) | (86,805) |
| Loss on disposal of subsidiaries | | — | (1,546) |
| LOSS FROM OPERATING ACTIVITIES | 4 & 5 | (45,733) | (99,423) |
| Finance costs | 6 | (396) | (1,354) |
| LOSS BEFORE TAXATION | | (46,129) | (100,777) |
| Taxation | 7 | (1,359) | (8) |
| LOSS BEFORE MINORITY INTERESTS | | (47,488) | (100,785) |
| Minority interests | | 1 | — |
| NET LOSS ATTRIBUTABLE TO SHAREHOLDERS | 8 | (47,487) | (100,785) |
| LOSS PER SHARE – Basic | 9 | HK\$0.76 cents | HK\$9.01 cents |

Notes:

1. Qualified Audit Opinion

The auditors' report is qualified. The qualification is made on the ground that the evidence available to the auditors was limited. Included in the Group's non-current assets as at 31 December 2004 are promissory notes receivable amounting to HK\$5,322,000 after provision for doubtful debt of HK\$5,322,000 has been made. These promissory notes receivable, with maturity on 31 March 2006, are unsecured. The auditors were not provided with adequate evidence to ensure whether the issuer is able to settle these promissory notes on their maturity and the provision is adequate.

Any adjustment that might have been found to be necessary in respect of the matter set out above would have a consequential significant effect on the net assets of the Group as at 31 December 2004 and the loss for the year then ended.

Except for any adjustment that might have been found to be necessary had the auditors been able to obtain sufficient evidence relating to the matter set out above, in the opinion of the auditors, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2004 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

2. Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They are prepared under the historical cost convention, except for the periodic remeasurement of investments in securities and annual revaluation of investment property.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2004. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

3. Turnover and Income

Turnover represents the income from the provision of financial services, the value of services rendered and the net invoiced value of goods sold during the year, after allowances for returns and trade discounts.

| | 2004 HK\$'000 | 2003 HK\$'000 |
|---|------------------|------------------|
| Turnover | | |
| Provision of financial services | 7,800 | — |
| Sales | 1,593 | — |
| Rendering of telecommunication services | 300 | 666 |
| Operating lease rental income | 16 | 6 |
| | <u>9,709</u> | <u>672</u> |

| | | |
|---|---------------|--------------|
| Other income/gains | | |
| Commission income | 60 | — |
| Dividend income | 36 | — |
| Gain on disposal of investment services | 3,192 | — |
| Gain on disposal of subsidiaries | 3,703 | — |
| Interest income | 65 | 30 |
| Write back of accounts payable | 635 | 329 |
| Others | 483 | 378 |
| | <u>8,174</u> | <u>737</u> |
| Total income | <u>17,883</u> | <u>1,409</u> |

4. Segmental Information

The revenue and profit information for the Group's business segments are as follows:

| | Online operations | | Offline operations | | Investment holding | | Trading and financial | | Consolidated | |
|---------------------------------------|-------------------|----------------|--------------------|-----------------|--------------------|-----------------|-----------------------|----------|-----------------|------------------|
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Segment revenue: | | | | | | | | | | |
| Sales to external customers | <u>300</u> | <u>—</u> | <u>—</u> | <u>666</u> | <u>16</u> | <u>6</u> | <u>9,393</u> | <u>—</u> | <u>9,709</u> | <u>672</u> |
| Segment results | <u>(1,148)</u> | <u>(8,993)</u> | <u>(603)</u> | <u>(28,172)</u> | <u>(40,963)</u> | <u>(60,865)</u> | <u>(2,799)</u> | <u>—</u> | <u>(45,513)</u> | <u>(98,030)</u> |
| Interest and unallocated gains | | | | | | | | | 67 | 30 |
| Unallocated expenses | | | | | | | | | (287) | (1,423) |
| Loss from operating activities | | | | | | | | | (45,733) | (99,423) |
| Finance costs: | | | | | | | | | | |
| Segment finance costs | — | — | — | (8) | (391) | (1,346) | (5) | — | (396) | (1,354) |
| Loss before taxation | | | | | | | | | (46,129) | (100,777) |
| Taxation | | | | | | | | | (1,359) | (8) |
| Loss before minority interests | | | | | | | | | (47,488) | (100,785) |
| Minority interests | | | | | | | | | 1 | — |
| Net loss attributable to shareholders | | | | | | | | | <u>(47,487)</u> | <u>(100,785)</u> |

5. Loss from Operating Activities

The Group's loss from operating activities is arrived at after charging:

| | <i>Notes</i> | 2004 HK\$'000 | 2003 <i>HK\$'000</i> |
|--|--------------|--------------------------------|-------------------------|
| Cost of inventories sold and services provided | (i) | 1,617 | 516 |
| Depreciation | | 150 | 117 |
| Deposits written off | | 400 | 93 |
| Amortization of goodwill | | 2,692 | 39,782 |
| Impairment of goodwill | | 2,921 | 38,552 |
| Loss on disposal of fixed assets | | 27 | 513 |
| Loss on disposal of subsidiaries | | — | 1,546 |
| Unrealized holding loss on investment in securities | | 80 | 526 |
| Loss on disposal of trading securities | | 13,665 | 232 |
| Investment securities written off | | — | 200 |
| Impairment loss of Investment securities | | 16,029 | — |
| Provision for diminution in investment in securities | | 550 | — |
| Compensation to loss in trading securities | | — | 809 |
| Minimum lease payments under operating lease in respect of | | | |
| land and buildings | | 282 | 604 |
| equipment | | — | 2 |
| Bad debts written off | | 6,129 | 6,074 |
| Provision for doubtful debts | | 6,042 | — |
| Deficit on revaluation of investment property | | 643 | — |
| Preliminary expenses | | 26 | — |
| Auditors' remuneration | | 320 | 320 |
| Staff costs, including directors' emoluments: | | | |
| Wages and salaries | | 5,555 | 3,997 |
| Pension contributions | (ii) | 35 | 101 |
| | | 5,590 | 4,098 |

The deposits written off, the amortization of goodwill, the impairment of goodwill, the loss on disposal of fixed assets, the unrealized holding loss on investments in securities, the loss on disposal of trading securities, the provision for diminution in investment in securities, the compensation for loss in trading securities, the bad debts written off, the impairment loss of investment securities, provision for doubtful debts and the deficit on revaluation of investment property included in "Other operating expenses" on the face of the consolidated profit and loss account.

Notes:

- (i) The cost of inventories sold and services provided for the years ended 31 December 2004 and 31 December 2003 had not included any depreciation amount.
- (ii) At 31 December 2004 and 2003, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years.

6. Finance Costs

| | 2004 HK\$'000 | 2003 <i>HK\$'000</i> |
|-----------------------|--------------------------------|-------------------------|
| Interest expenses on: | | |
| Convertible bonds | 31 | 109 |
| Finance leases | — | 868 |
| Other borrowings | 365 | 377 |
| | 396 | 1,354 |

7. Taxation

Hong Kong Profits Tax has been provided for at the rate of 17.5% on the estimated assessable profit of the Group for the year. (2003: No Hong Kong profits tax has been provided for in the financial statements as the company has no assessable profits for the year. Under provision of Hong Kong profits tax for prior year has been provided at the rate of 16%.)

| | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
|---------------------------------|-------------------------|-------------------------|
| Hong Kong profits tax | | |
| — Provision for the year | 1,359 | — |
| — Under provision in prior year | <u>—</u> | <u>8</u> |
| | <u>1,359</u> | <u>8</u> |

There was no material unprovided deferred taxation.

8. Net Loss Attributable to Shareholders

The net loss attributable to shareholders for the year ended 31 December 2004 dealt with in the financial statements of the Company was HK\$208,563,000 (2003: HK\$27,283,000).

9. Loss per Share

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year of HK\$47,487,000 (2003: HK\$100,785,000), and the weighted average of 6,224,672,336 (2003: 1,119,035,981) ordinary shares in issue during the year, as adjusted to reflect the rights issue effected during the year.

Diluted loss per share for the years ended 31 December 2004 and 2003 have not been disclosed as the share options, bonus warrants, and the convertible bonds and notes outstanding during these years had an anti-dilutive effect on the basic loss per share for these years.

10. Dividends

The Directors do not recommend the payment of any dividend in respect of the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

During the accounting year ended 31 December 2004, the Group records a loss attributable to shareholders of HK\$47,487,000 (2003: HK\$100,785,000) and net asset of HK\$9,474,000 (2003: HK\$3,960,000). The loss was mainly caused by the loss on disposal of trading securities, provisions for impairment of goodwill, investment in securities, and provision and write-offs of doubtful receivables, totaling HK\$45,336,000. The loss per share for the current year is HK\$0.76 cents. The Group is continuously reviewing its existing investment portfolio. It will exercise stringent management of the existing resources to ensure efficient use so as to enhance the quality of assets.

In 2004, the Group's revenue was mainly from the general trading and provision of financial services. Due to the very keen competition and the drastic changes in the information technology industries, the project in the on-line game has been closed down. Nonetheless, the management has also reviewed conscientiously the project in the development of broadband television broadcasting service through the renren.com media platform and alliance with some digital technology companies and had suspended the investment project pending for further feasibility study to be carried out.

Outlook

The management is expecting a continuous, steady and strong economic growth in the mainland China. The change in management team in the end of 2004 has just about given a good opportunity for the business development in China. The new management can help the Group diversify the business with its expertise in telecommunication and property related interests.

The management will aggressively work on controlling costs as well as streamlining the capital and management structures, and is planning to enlarge the capital base of the Group to prepare for the needs of future growth. This will undoubtedly enable the Group to grasp the business opportunities that emerge in the fast growing economy in China for the satisfactory returns to the shareholders.

Financial review

(a) Capital structure and liquidity

As at 31 December 2004, the Group had shareholders fund of HK\$9,474,000. The current assets and current liabilities of the Group were HK\$7,093,000 and HK\$4,362,000 respectively such that the current ratio was 1.63:1. The Group's gearing ratio (on the basis of the amount of total liabilities divided by net assets) was 0.46:1. The group has no bank loan and pledge of assets.

The monetary assets and liabilities, revenues and expenditures are mainly carried and conducted in Hong Kong dollars. The exposure to foreign exchange risks is not material.

(b) Contingent liabilities

As at 31 December 2004, the Group had no significant contingent liabilities as at 31 December 2004.

Fund raising

In February 2004 a rights issue was completed resulted in additional 5,423 million new shares issued with net proceeds of HK\$52 million.

All convertible bonds have been exercised during the year resulting in issue of approximately 49 million new shares and gross proceeds of approximately HK\$1.5 million.

Employees

The number of full-time employees of the Group at 31 December 2004 is 3. Employee costs excluding director's remuneration is about HK\$906,000. During the year, all the employees share options were cancelled under the consent of the holders. The Group's remuneration policy are in line with the local practices and adhere to the market conditions.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code of Best Practice, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors of the Company.

CODE OF BEST PRACTICE

None of the Directors of the Company is aware of any information which would reasonably 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 year, save that the independent non-executive directors were not appointed for a specific term but are subject to retirement by rotation in accordance with the bye-laws of the Company.

PUBLICATION OF DETAILED RESULTS ON THE STOCK EXCHANGE'S WEBSITE

The annual report containing all the information required by paragraph 45 of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange at www.hkex.com.hk in due course.

ON BEHALF OF THE BOARD

Yu Pan
Chairman

Hong Kong, 25 April 2005

As at the date of this announcement, the Board comprises Mr. Yu Pan, Mr. Mai Zhi Hui as executive directors, and Mr. Choy Shu Kwan, Mr. Cheng Wing Keung, Raymond and Ms. Chung Lai Fong, la Fontaine as independent non-executive directors.

* *For identification only*

Please also refer to the published version of this announcement in The Standard.