



Riverhill Holdings Limited

山河控股有限公司*

(incorporated in the Cayman Islands with limited liability)

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is market more suited to professional and other sophisticated investors.

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The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of this announcement.

This announcement for which the directors of Riverhill Holdings Limited (the “Directors”) collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“GEM Listing Rules”) for the purpose of giving information with regard to Riverhill Holdings Limited. The Directors, having made all responsible enquiries, confirm that, to the best of their knowledge and belief (1) the information contained in this audited announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and founded on bases and assumptions that are fair and reasonable.

RESULTS

The board of Directors (the “Board”) of the Company presents the audited consolidated results of Riverhill Holdings Limited (“the Company”) and its subsidiaries (the “Group”) for the year ended 30th June, 2002 with the comparative audited figures for the year ended 2001

| | <i>Notes</i> | Audited For the year ended 30th June, 2002 HK\$ | Audited For the year ended 30th June, 2001 HK\$ |
|--|--------------|--|--|
| TURNOVER | 2 | 4,418,284 | 14,228,828 |
| Cost of sales | | <u>(5,005,773)</u> | <u>(10,318,442)</u> |
| Gross profit/(loss) | | (587,489) | 3,910,386 |
| Other revenue | 2 | 1,903,735 | 1,739,119 |
| Selling and distribution costs | | (935,318) | (890,787) |
| General and administrative expenses | | (14,532,838) | (7,764,290) |
| Other operating expenses | 3 | (4,921,304) | (806,819) |
| Depreciation | | <u>(342,889)</u> | <u>(171,914)</u> |
| Operating loss before finance costs | | (19,416,103) | (3,984,305) |
| Finance costs | | (268,319) | — |
| Share of loss of associates | | <u>(331,262)</u> | <u>—</u> |
| LOSS BEFORE TAX | | (20,015,684) | (3,984,305) |
| Tax | 4 | <u>—</u> | <u>—</u> |
| Loss before minority interests | | (20,015,684) | (3,984,305) |
| Minority interests | | <u>202,132</u> | <u>—</u> |
| NET LOSS ATTRIBUTABLE TO SHAREHOLDERS | | <u>(19,813,552)</u> | <u>(3,984,305)</u> |
| Loss per share — basic | 5 | <u>(4.77 cents)</u> | <u>(1.29 cents)</u> |

CONSOLIDATED BALANCE SHEET

As at 30th June, 2002 and 2001

| | <i>Notes</i> | Audited 30th June, 2002 HK\$ | Audited 30th June, 2001 HK\$ |
|--|--------------|---|---|
| NON-CURRENT ASSETS | | | |
| Fixed assets | 7 | 2,581,472 | 1,129,105 |
| Intangible assets | 7 | 2,359,460 | 3,738,038 |
| Interests in associates | | 7,688,511 | — |
| Pledged deposit | | <u>10,000,000</u> | <u>—</u> |
| | | <u>22,629,443</u> | <u>4,867,143</u> |
| CURRENT ASSETS | | | |
| Inventories | | 4,165,974 | 1,392,879 |
| Trade receivables | 8 | 2,935,701 | 8,960,814 |
| Prepayments, deposits and other receivables | | 12,692,391 | 2,977,364 |
| Cash and bank balances | | <u>8,075,149</u> | <u>65,533,354</u> |
| | | <u>27,869,215</u> | <u>78,864,411</u> |
| CURRENT LIABILITIES | | | |
| Other payables and accrued liabilities | | 3,199,161 | 2,730,855 |
| Trade payables | 9 | 156,179 | 2,570,255 |
| Deferred revenue | | 1,894,393 | — |
| Tax payable | | 316,000 | 316,000 |
| Due to a shareholder | | <u>—</u> | <u>13,591,000</u> |
| | | <u>5,565,733</u> | <u>19,208,110</u> |
| NET CURRENT ASSETS | | <u>22,303,482</u> | <u>59,656,301</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 44,932,925 | 64,523,444 |
| MINORITY INTERESTS | | <u>223,033</u> | <u>—</u> |
| | | <u>44,709,892</u> | <u>64,523,444</u> |
| CAPITAL AND RESERVES | | | |
| Issued capital | 10 | 41,500,000 | 41,500,000 |
| Reserves | | <u>3,209,892</u> | <u>23,023,444</u> |
| | | <u>44,709,892</u> | <u>64,523,444</u> |

CONSOLIDATED CASH FLOW STATEMENT*For the year ended 30th June, 2002 and 2001*

| | <i>Note</i> | Audited 30th June, 2002 HK\$ | Audited 30th June, 2001 HK\$ |
|---|-------------|---|---|
| NET CASH OUTFLOW FROM OPERATING ACTIVITIES | 11 | (16,625,162) | (4,277,197) |
| RETURNS ON INVESTMENT AND SERVICING OF FINANCE | | | |
| Interest received | | 712,202 | 1,458,511 |
| Interest paid | | (268,319) | — |
| Net cash inflow from returns on investment and servicing of finance | | 443,883 | 1,458,511 |
| INVESTING ACTIVITIES | | | |
| Cash advances to the Group's staff, a related party and other borrowers | | (24,976,960) | — |
| Repayment of cash advances from the Group's staff, a related party and other borrowers | | 19,976,960 | — |
| Purchases of fixed assets | | (1,965,926) | (832,853) |
| Proceeds from disposal of fixed assets | | 142,495 | 38,885 |
| Additions of computer software | | (2,350,000) | — |
| Loans to an associate | | (2,506,372) | — |
| Acquisition of a subsidiary | | 221,914 | — |
| Acquisition of associates | | (6,414,953) | — |
| Increase in pledged deposit | | (10,000,000) | — |
| Net cash outflow from investing activities | | (27,872,842) | (793,968) |
| NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES | | (44,054,121) | (3,612,654) |
| FINANCING ACTIVITIES | | | |
| Repayment of amount due to a shareholder | | (13,591,000) | — |
| Capital injection from minority interests | | 186,916 | — |
| Gross proceeds from issue of share capital | | — | 69,000,000 |
| Share issue expenses | | — | (12,022,207) |
| Advances from shareholders | | — | 208,768 |
| Net cash inflow/(outflow) from financing activities | | (13,404,084) | 57,186,561 |
| INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | (57,458,205) | 53,573,907 |
| Cash and cash equivalents at the beginning of year | | 65,533,354 | 11,959,447 |
| CASH AND CASH EQUIVALENTS AT THE END OF YEAR | | <u>8,075,149</u> | <u>65,533,354</u> |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | | |
| Cash and bank balances | | <u>8,075,149</u> | <u>65,533,354</u> |

STATEMENT OF MOVEMENT IN EQUITY

For the year ended 30th June, 2002 and 2001

| | Share premium | | Contributed surplus | | Retained profits/ (accumulated losses) | | Total | |
|---|--------------------------|-------------------|-------------------------|------------------|---|--------------------|-------------------------|-------------------|
| | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 |
| | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ |
| As at 1st July | 16,287,993 | — | 7,906,202 | — | (1,170,751) | 2,813,554 | 23,023,444 | 2,813,554 |
| Arising on issue of shares for the acquisition of the entire issued share capital of Cyber World Technology Limited | — | — | — | 7,906,202 | — | — | — | 7,906,202 |
| Premium arising from issue of new shares to public | — | 57,500,000 | — | — | — | — | — | 57,500,000 |
| Transfer to share capital to pay up nil-paid shares allotted to shareholders | — | (29,189,800) | — | — | — | — | — | (29,189,800) |
| Share issue expenses | — | (12,022,207) | — | — | — | — | — | (12,022,207) |
| Loss for the year | — | — | — | — | (19,813,552) | (3,984,305) | (19,813,552) | (3,984,305) |
| At 30th June | <u>16,287,993</u> | <u>16,287,993</u> | <u>7,906,202</u> | <u>7,906,202</u> | <u>(20,984,303)</u> | <u>(1,170,751)</u> | <u>3,209,892</u> | <u>23,023,444</u> |

Notes:

1. Group reorganisation and basis of preparation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 14th September, 2000. Pursuant to a reorganisation scheme to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Growth Enterprise Market ("GEM") operated by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in May 2001 (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group on 4th May, 2001. This was accomplished by acquiring the entire issued share capital of Cyber World Technology Limited in consideration of and in exchange for the Company's allotted and issued share capital. Further details of the Reorganisation and of the subsidiaries acquired pursuant thereto are set out in the Company's Prospectus dated 18th May, 2001. The shares of the Company were listed on the GEM on 1st June, 2001.

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 have been prepared under the historical cost convention.

The consolidated financial statements have been prepared using the merger basis of accounting.

2. Turnover

The Group's turnover and loss from the operation for the year ended 30th June, 2002 by business segment and geographical market are as follows:

a. By business segment:

The following tables present revenue, loss and certain asset, liability and expenditure information for the Group's business segments.

| | Software and hardware | | Contract service | | Corporate and Other | | Consolidated | |
|---------------------------------------|---------------------------|--------------------|----------------------------|--------------------|---------------------------|--------------------|----------------------------|--------------------|
| | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 |
| | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ |
| Net sales | 1,513,424 | 7,609,569 | 2,904,860 | 6,619,259 | — | — | 4,418,284 | 14,228,828 |
| Other revenue | 821,972 | 280,608 | — | — | 396,561 | — | 1,191,533 | 280,608 |
| Total | <u>2,335,396</u> | <u>7,890,177</u> | <u>2,904,860</u> | <u>6,619,259</u> | <u>369,561</u> | <u>—</u> | <u>5,609,817</u> | <u>14,509,436</u> |
| Segment result | <u>(2,215,716)</u> | <u>(1,404,175)</u> | <u>(14,731,246)</u> | <u>(1,340,626)</u> | <u>(3,181,343)</u> | <u>(2,698,015)</u> | <u>(20,128,305)</u> | <u>(5,442,816)</u> |
| Interest income | | | | | | | 712,202 | 1,458,511 |
| Loss from operating activities | | | | | | | (19,416,103) | (3,984,305) |
| Finance costs | | | | | | | (268,319) | — |
| Share of loss of associates | | | | | | | (331,262) | — |
| Loss before minority interests | | | | | | | (20,015,684) | (3,984,305) |
| Minority interests | | | | | | | (202,132) | — |
| Net loss attributable to shareholders | | | | | | | <u>(19,813,552)</u> | <u>(3,984,305)</u> |
| Segment assets | <u>3,476,664</u> | <u>6,335,874</u> | <u>30,783,118</u> | <u>8,626,570</u> | <u>16,238,876</u> | <u>68,769,110</u> | <u>50,498,658</u> | <u>83,731,554</u> |
| Segment liabilities | <u>334,367</u> | <u>2,727,620</u> | <u>3,958,950</u> | <u>211,197</u> | <u>1,272,416</u> | <u>16,269,293</u> | <u>5,565,733</u> | <u>19,208,110</u> |
| Other segment information: | | | | | | | | |
| Depreciation | — | — | 3,292,309 | 2,699,226 | 342,889 | 171,914 | 3,635,198 | 2,871,140 |
| Capital expenses | — | — | 2,350,000 | — | 1,965,926 | 832,853 | 4,315,926 | 832,853 |

b. *By geographical segments:*

The following tables present revenue, loss and certain asset and expenditure information for the Group's geographical segments.

| | Hong Kong | | Elsewhere in Mainland China | | Consolidated | |
|----------------------------|--------------------|--------------------|--------------------------------|--------------------|---------------------|--------------------|
| | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 |
| | <i>HK\$</i> | <i>HK\$</i> | <i>HK\$</i> | <i>HK\$</i> | <i>HK\$</i> | <i>HK\$</i> |
| Net sales | <u>1,680,000</u> | <u>486,954</u> | <u>2,738,284</u> | <u>13,741,874</u> | <u>4,418,284</u> | <u>14,228,828</u> |
| Segment result | <u>(6,580,807)</u> | <u>(4,138,710)</u> | <u>(13,547,498)</u> | <u>(1,304,106)</u> | <u>(20,128,305)</u> | <u>(5,442,816)</u> |
| Other segment information: | | | | | | |
| Segment assets | 25,197,851 | 65,201,090 | 25,300,807 | 18,530,464 | 50,498,658 | 83,731,554 |
| Capital Expenditure | <u>23,819</u> | <u>347,496</u> | <u>4,292,107</u> | <u>485,357</u> | <u>4,315,926</u> | <u>832,853</u> |

3. Other operating expenses

| | Audited For the year ended 30th June, 2002 <i>HK\$</i> | Audited For the year ended 30th June, 2001 <i>HK\$</i> |
|---------------------------------|--|--|
| Research & development expenses | 2,540,008 | 806,819 |
| Impairment of goodwill | 785,797 | — |
| Amortization of goodwill | 465,129 | — |
| Impairment of fixed assets | 901,398 | — |
| Provision for other receivable | <u>228,972</u> | <u>—</u> |
| | <u>4,921,304</u> | <u>806,819</u> |

4. Taxation

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year.

Beijing Spatial Port Technology Ltd., the Company's subsidiary, is located in Haidian District, Beijing, one of the PRC's "High Technology Industrial Development Zones". In accordance with the relevant tax rules and regulations in the PRC, the company is entitled to exemption from corporate income tax ("CIT") for the three years from 2000 to 2002, and is entitled to a 50% exemption from CIT for the next three years from 2003 to 2005. It is subject to CIT at a reduced rate of 15%. The Company did not generate any assessable profits during the year.

Deferred tax liabilities have not been provided as there were no significant timing differences as at 30th June, 2002. (2001: Nil).

5. Loss per share

The calculation of the basic loss per share for the year ended 30th June, 2002 was based on the net loss attributable to shareholders for the year of HK\$19,813,552 (2001: net loss of HK\$3,984,305) and on the weighted average number of 415,000,000 ordinary shares (2001: 309,583,333).

The diluted loss per share has not been presented as the outstanding options had an anti-dilutive effect on the basic loss per share for the year.

6. Final dividend

The directors do not recommend the payment of any final dividend for the year ended 30th June, 2002. (2001: Nil).

7. (a) Fixed assets

| | Computer equipment and software <i>HK\$</i> | Furniture, fixture, motor vehicles and equipment <i>HK\$</i> | Total <i>HK\$</i> |
|-----------------------------------|---|--|-----------------------------|
| Cost: | | | |
| At the beginning of year | 8,812,056 | 607,790 | 9,419,846 |
| Reclassified to intangible assets | <u>(8,060,714)</u> | <u>—</u> | <u>(8,060,714)</u> |
| As restated | 751,342 | 607,790 | 1,359,132 |
| Additions | 414,814 | 1,551,112 | 1,965,926 |
| Disposals | <u>(9,813)</u> | <u>(213,200)</u> | <u>(223,013)</u> |
| At 30th June, 2002 | <u>1,156,343</u> | <u>1,945,702</u> | <u>3,102,045</u> |
| Accumulated depreciation: | | | |
| At the beginning of year | 4,479,028 | 73,675 | 4,552,703 |
| Reclassified to intangible assets | <u>(4,322,676)</u> | <u>—</u> | <u>(4,322,676)</u> |
| As restated | 156,352 | 73,675 | 230,027 |
| Provided for the year | 178,234 | 164,655 | 342,889 |
| Disposals | <u>—</u> | <u>(52,343)</u> | <u>(52,343)</u> |
| At 30th June, 2002 | <u>334,586</u> | <u>185,987</u> | <u>520,573</u> |
| Net book value: | | | |
| At 30th June, 2002 | <u>821,757</u> | <u>1,759,715</u> | <u>2,581,472</u> |
| At 30th June, 2001 | <u>594,990</u> | <u>534,115</u> | <u>1,129,105</u> |

(b) Intangible assets**Computer
software
HK\$**

Cost:

| | |
|--------------------------------|------------------|
| At the beginning of year | — |
| Reclassified from fixed assets | <u>8,060,714</u> |

| | |
|-------------|------------------|
| As restated | 8,060,714 |
| Additions | <u>2,350,000</u> |

| | |
|--------------------|-------------------|
| At 30th June, 2002 | <u>10,410,714</u> |
|--------------------|-------------------|

Accumulated amortisation and impairment:

| | |
|--------------------------------|------------------|
| At the beginning of year | — |
| Reclassified from fixed assets | <u>4,322,676</u> |

| | |
|--|----------------|
| As restated | 4,322,676 |
| Provided for the year | 2,827,180 |
| Impairment during the year recognised in the profit and loss account | <u>901,398</u> |

| | |
|--------------------|------------------|
| At 30th June, 2002 | <u>8,051,254</u> |
|--------------------|------------------|

Net book value:

| | |
|--------------------|-------------------------|
| At 30th June, 2002 | <u><u>2,359,460</u></u> |
|--------------------|-------------------------|

| | |
|--------------------|-------------------------|
| At 30th June, 2001 | <u><u>3,738,038</u></u> |
|--------------------|-------------------------|

8. Trade receivables

An ageing analysis of trade receivables is set out below:

| | Audited As at 30th June, 2002 HK\$ | Audited As at 30th June, 2001 HK\$ |
|----------------|---|---|
| Within 1 month | 2,928,224 | 8,335,299 |
| 1 to 2 months | — | 541,682 |
| Over 2 months | <u>7,477</u> | <u>83,833</u> |
| | <u>2,935,701</u> | <u>8,960,814</u> |

9. Trade payables

An ageing analysis of trade payables is set out below:

| | Audited As at 30th June, 2002 HK\$ | Audited As at 30th June, 2001 HK\$ |
|----------------|---|---|
| Within 1 month | — | 2,570,255 |
| 1 to 3 months | <u>156,179</u> | <u>—</u> |
| | <u>156,179</u> | <u>2,570,255</u> |

10. Share capital

| | Audited 30th June, 2002 HK\$ | Audited 30th June, 2001 HK\$ |
|--|---|---|
| Authorised: | | |
| 800,000,000 ordinary shares of HK\$0.10 each | <u>80,000,000</u> | <u>80,000,000</u> |
| Issued and fully paid: | | |
| 415,000,000 ordinary shares of HK\$0.10 each | <u>41,500,000</u> | <u>41,500,000</u> |

There was no movement in share capital during the year.

11. Consolidated cash flow statement

Reconciliation of loss before tax to net cash outflow from operating activities

| | Audited For the year ended 30th June, 2002 <i>HK\$</i> | Audited For the year ended 30th June, 2001 <i>HK\$</i> |
|---|--|--|
| Loss from operating activities | (19,416,103) | (3,984,305) |
| Depreciation | 342,889 | 194,158 |
| Amortisation of computer software | 2,827,180 | 2,676,982 |
| Interest income | (712,202) | (1,458,511) |
| Loss on disposal of fixed assets | 28,175 | — |
| Provision for impairment of intangible assets | 901,398 | — |
| Goodwill amortisation and impairment | 1,250,926 | — |
| Provision for other receivable | 228,972 | — |
| Discretionary bonus applied to pay up the shares under Pre-IPO Issue | — | 800,000 |
| Decrease/(Increase) in inventories | (2,773,095) | (738,864) |
| Decrease/(Increase) in trade receivables | 6,025,113 | (6,203,814) |
| Decrease/(Increase) in prepayments, deposits and other receivables | (4,943,158) | 4,210,740 |
| Increase/(Decrease) in other payables and accrued liabilities | 134,426 | 1,227,310 |
| Increase/(Decrease) in trade payables | (2,414,076) | 1,571,266 |
| Increase/(Decrease) in deferred revenue | 1,894,393 | (2,403,531) |
| Increase/(Decrease) in an amount due to shareholder | — | (168,628) |
| | <hr/> | <hr/> |
| Net cash outflow from operating activities | <u>(16,625,162)</u> | <u>(4,277,197)</u> |

REPORTS OF THE AUDITORS

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. However, the evidence available to us was limited as follows:

1. As further detailed in note 24 to the financial statements, the Group pledged a fixed deposit of HK\$10 million to a bank for a facility granted to an investee company of a shareholder of the Company. The pledge has not been released up to the date of approval of these financial statements. The directors have advised that the intended purpose of the pledged deposit is to secure the referral of future revenue to the Group by the company. However, no documentary evidence concerning the intended purpose of the pledged deposit was available to ourselves nor have we been able to obtain sufficient evidence to determine the recoverability thereof. There were no practical alternative audit procedures that we could perform to obtain sufficient evidence regarding the intended purpose and the recoverability of the pledged deposit. Any adjustment to the carrying amount of the pledged deposit would have a consequential impact on the Group's net assets as at 30th June 2002 and its loss for the year then ended.
2. As further detailed in note 13 to the financial statements, the Group purchased certain computer software at an aggregate cost of HK\$2,350,000. The net book value of the software at 30th June 2002 was approximately HK\$2,210,000. The directors have advised that the software was purchased to generate future revenues for the Group arising from certain information technology contract services. However, the evidence available to us to support the directors' view was limited. Only one contract with an insignificant value had been concluded by the Group as at the date of approval of these financial statements. Accordingly there is an indication that the carrying value of the software may be impaired potentially to the full extent. There were no other satisfactory audit procedures that we could perform to assess the recoverable amounts of the software as at 30th June 2002. Any adjustment to the carrying amount of the software in respect of an impairment provision would have a consequential impact on the Group's net assets as at 30th June 2002 and its loss for the year then ended.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Qualified opinion arising from limitation of audit scope

Except for any adjustments or disclosures that might have been found to be necessary had we been able to obtain sufficient evidence relating to the matters discussed in the preceding paragraphs, in our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30th June 2002 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.

In respect alone of the limitation on our work relating to the pledged deposit and the software,

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether proper books of account had been kept.

OTHER INFORMATION

Directors' interests in shares

As at 30th June, 2002, the interests of the Directors in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interest) Ordinance (the "SDI Ordinance") were as follows:

| Name of Director | Number of shares held and nature of interest | | |
|---|--|-------------|-------------|
| | Personal | Corporate | Total |
| He Xiao Feng (<i>Notes 1 & 2</i>) | — | 163,176,471 | 163,176,471 |
| Yick Chong San (<i>Note 1</i>) | — | 105,921,569 | 105,921,569 |
| Liu Hao | 1,200,000 | — | 1,200,000 |
| Wang Guo Wei | 1,920,000 | — | 1,920,000 |

Notes:

- (1) 105,921,569 shares of the Company are held by Cyber Town Company Limited and are beneficially owned as to 35% by Prof. He Xiao Feng and 30% by Mr. Yick Chong San. In addition, 57,254,902 shares of the Company are held by Cyber City Technology Limited and are beneficially owned as to 30% by Prof. He Xiao Feng.
- (2) Prof. He resigned from his position as Director on 24th June, 2002.

Directors' rights to acquire shares

Pursuant to the Company's pre-IPO share option scheme on 14th May, 2001 (the "Pre-IPO Share Option Scheme"), the Company had granted the following share options to the following directors of the Company which entitle the holders to subscribe for ordinary shares of the Company. No such option have been exercised by any director during the period from the date of grant to 30th June, 2002.

Details of the share options outstanding at the balance sheet date are as follows:

| Name of Director | Date of grant | Number of options outstanding at 30th June, 2002 | Exercise price of options HK\$ |
|--------------------------------|----------------------|---|---------------------------------------|
| He Xiao Feng (<i>Note 1</i>) | 14th May, 2001 | 4,000,000 | 0.6 |
| Wang Guo Wei | 14th May, 2001 | 1,760,000 | 0.6 |
| Liu Hao | 14th May, 2001 | 8,160,000 | 0.6 |
| Yick Chong San | 14th May, 2001 | 5,760,000 | 0.6 |
| Hong Jun Yan | 14th May, 2001 | 400,000 | 0.6 |
| Zhou Qi Ming | 14th May, 2001 | 400,000 | 0.6 |

Note:

(1) Prof. He resigned from his position as Director on 24th June, 2002.

Save as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Substantial shareholders

As at 30th June, 2002, the following interests of 10% or more in the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

| Name of shareholder | Number of shares held | Percentage of shares held |
|----------------------------------|------------------------------|----------------------------------|
| Global Eagle Investments Limited | 114,509,804 | 27.59% |
| Cyber Town Company Limited* | 105,921,569 | 25.52% |
| Cyber City Technology Limited** | 57,254,902 | 13.80% |

Notes:

* Cyber Town Company Limited is beneficially owned as to 35% by Prof. He Xiao Feng and as to 30% by Mr. Yick Chong San.

** Cyber City Technology Limited is beneficially owned as to 30% by Prof. He Xiao Feng.

Save as disclosed above, no other person had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

Purchase, sale, or repurchase of shares

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

Sponsor's interest

Anglo Chinese Corporate Finance, Limited has confirmed:

- (i) neither itself nor its associate has, or may have, any interest in any class of securities (including derivatives) of the Company, or any other company within the Group (including options or rights to subscribe such securities);
- (ii) no director or employee or their associates of Anglo Chinese Corporate Finance, Limited who are involved in providing advice to the Company has or may have, any interest in any class of securities of the Company or any other Company within the Riverhill Group (including options or rights to subscribe such securities but, for the avoidance of doubt, excluding interests in securities that may be subscribed by any such Directors or employee pursuant to the Share Offer);
- (iii) neither itself nor its associates accrued any material benefit as a result of the successful outcome of the listing of the shares of the Company on the GEM; and
- (iv) no director or employee or their associates of Anglo Chinese Corporate Finance, Limited has a directorship in the Company or any other company within the Group.

Director's interest in competing business

During the year, none of the directors nor the substantial shareholders of the Company had any interest in any business that directly or indirectly competed with the business of the Group.

Share option

Pursuant to the Share Option Scheme, the Company may grant options to executive directors and employees of the Group to subscribe for shares in the Company for a consideration of HK\$1 for each lot of share options granted. Options granted are exercisable at any time not less than three years and not more than ten years from the date of grant of the options.

The subscription price is not less than the highest of (i) the closing price of the shares on GEM as stated in the Stock Exchange's daily quotation sheet on the date of offer of the options; (ii) the average of the closing prices of the shares on GEM as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of offer of the options; and (iii) the nominal value of a share. The maximum number of shares in respect of which options may be granted under the Share Option Scheme and the pre-IPO share option scheme, as described below, shall not, in aggregate, exceed 30% of the issued share capital of the Company from time to time.

No option was granted by the Company under the Share Option Scheme since its adoption.

Pursuant to a written resolution of the sole shareholder of the Company dated 4th May, 2001, the Company also adopted a Pre-IPO Share option Scheme. The terms of the pre-IPO Share Option Scheme are substantially the same as those under the Share Option Scheme except that:

- (1) the subscription price is HK\$0.60;
- (2) the aggregate number of shares subject to the Pre-IPO Share Option Scheme is 40,000,000;
- (3) the grantees eligible for the options include employees who are not in full-time employment, independent non-executive directors and consultants and advisers to the Group; and
- (4) the option holder will be entitled to exercise (i) one-third of the options after the expiry to two years from 1st June, 2001; (ii) one-third of the options after the expiry of three years from 1st June, 2001; and (iii) the remaining options after the expiry of four years from 1st June, 2001.

No options were granted during the year. Details of the share options outstanding at the balance sheet date are as follows:

| Categories of grantees | Date of grant | Number of options outstanding at 30th June, 2002 | Exercise price of options HK\$ |
|---|----------------|--|--------------------------------------|
| Directors of the Company and its subsidiaries | 14th May, 2001 | 16,480,000 | 0.6 |
| Employees of the Group | 14th May, 2001 | <u>23,520,000</u> | 0.6 |
| | | <u>40,000,000</u> | |

Audit committee

The Company established an audit committee comprising two non-executive directors of the Company on 4th May, 2001, with written terms of reference for the purpose of reviewing and supervising the financial reporting process and internal control procedures of the Group. The audit committee had held meeting for four times in the relevant period from 1st July, 2001 to 30th June, 2002.

Board practices and procedures

The Company has complied with Rules 5.28 to 5.39 of the GEM Listing Rules concerning board practices and procedures throughout the accounting period covered by annual report.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial overview

For the year ended 30th June, 2002, revenue derived from the software and hardware distribution business decreased by 80% to approximately HK\$1,513,424 (2001: HK\$7,609,569), representing approximately 34% of the Group's total turnover for the relevant financial period due to ineffective execution of marketing plan and activities. Profit margin improved to 37% (2001: 13%). In order to address the issue of slow sales in this segment, the Group has stepped up its marketing activities covering major cities in the PRC in August 2002. We believe that the marketing efforts would be paid off as recognized sales and concluded sales contracts in this business segment in the period from July to September 2002 amounted to approximately HK\$2.4 million and the management envisages a better picture in the coming months. The Group was also appointed the reseller of another internationally renowned company, Trimble Navigation Limited for the sales and marketing of hardware for GPS and GIS. We believe that the inclusion of this company's products in the Group's product portfolio will enhance the Group's ability in providing total solutions to its customers.

Total operating costs increased as a result of an increase in overheads following the expansion of the Group's sales network in Shenzhen, Wuhan, Xi'an, Shanghai, Changsha and Jingzhou. The Group recorded a segmental loss in respect of its software and hardware distribution business of approximately HK\$2,215,716 during this financial year. The Group has implemented measures, including further rationalization of the corporate and business structures with a view to improving profitability. Further actions, including tightening cost control, will be taken to ensure effective allocation of resources to ensure the long term development of the Group. Also the cooperation with Peking University in winning various projects under the Hi-Tech Research and Development Program of China (the "863 Program") may allow the Group to obtain certain administrative and human resources from the university and thus reduce the expenditure of the Group. The directors believe that the subsidies received under the 863 Program can be utilized to share the Group's expenditure in research and development and other back up functions.

During the relevant financial period, revenue derived from the Group's GIS and GPS related and internet related services business decreased to approximately HK\$2,904,860 (2001: HK\$6,619,259) due to late completion and late confirmation of certain projects. The Group recorded a loss of HK\$14,731,246 (2001: HK\$1,340,626) for this division during this financial year and was mainly attributable to an increase in overheads and headcount. The Company is currently engaged in a few projects including the establishment of a GPS monitoring center for a transportation company, the design and system integration of a railway geographic information system for the Ministry of Railway and the surveying of the landmarks of the major cities in China for a map publishing company. The directors believed that completion of these projects should improve performance of this division in the following financial year.

During the year ended 30th June, 2002, the Group recorded other income of approximately HK\$1,903,735 (2001: HK\$1,739,119).

As of 30th June, 2002, the Group has a cash balance of approximately HK\$8,075,149 placed in interest-bearing deposits in banks in Hong Kong and the PRC. We believe that the cash flow position and financial strength of the Group will be improved through further execution of our business and investment plans.

Discussion on auditors' qualifications

The Directors would like to also draw the attention of our shareholders regarding the qualified opinion of our auditors in their auditors report. In respect of the pledge of a cash deposit of HK\$10,000,000 for the guarantee in favor of a customer of the Group (the "Customer"), the directors confirmed that the directors have reviewed the audited accounts of the major subsidiary of the Customer and a due diligence report on the Customer before the directors made the decision to grant the guarantee in favor of the Customer. The guarantee is provided to the Customer mainly for its investment in new trucks. The Group is engaged in the establishment of a GPS monitoring center for the Customer and the Customer is one of the founders of a proposed information technology platform for the logistic system in North Eastern China (the "Platform"). The directors believe that the provision of this financial assistance to the Customer will help secure the Group's status as the major technology provider of the Project. In June 2002, the Group has received a letter from the major subsidiary of the Customer indicating their intention to appoint the Group as the sole technology provider for the Platform. In addition, the directors have coordinated with the major shareholder of the Customer for the release of the pledge on our deposit and the progress is satisfactory. Therefore, the director believe that the pledge of the HK\$10,000,000 deposit will be released no later than the end of 2002.

In respect of the software that has an aggregate cost and carrying value of HK\$2.35 million and HK\$2.21 million respectively. The directors confirmed that the software was acquired for the bidding of various projects, including a project under the 863 Program and the execution of the sub-projects under a railway geographic information system project. It is encouraging that in September 2002, the Group received a notice from the Ministry of Science and Technology, the PRC, that our bidding for the project under the 863 Program was successful although the amount of government grant is not ascertained yet. In our bidding documents, the Group applied for a government subsidy of Rmb\$2.5 million. The Directors estimate that the Group will receive approximately Rmb2 to 2.5 million and will incur a further of approximately Rmb0.5 million in the project. The rest of the approximately Rmb1.5 to 2 million will be utilized to cover the acquisition cost of the software and share the research and development, administrative and management expenditures of the Group. Also, the Group is engaged in the design and development of the GIS platform for the railway system. The Group won the bidding in August last year and entered into a framework agreement with the Ministry of Railway, the PRC (the "Ministry"). The execution of the project started this year. The Group has entered into one contract with the Ministry with a contract sum of approximately HK\$168,000. The Board envisages that the total contract sums from these sub-projects under the framework agreement would be around HK\$1 million, with a contribution of approximately HK\$500,000. The directors believe that the above should support the sufficient future economic benefit inflow to recover the acquisition cost of the software pursuant to SSAP 31, and the directors do not agree that only concluded contracts are considered in the

ascertainment of future economic benefit. The directors have, on 30th September, 2002, provided the above details to the auditors and asked for a written reply on the reason of an impairment on the value of the assets but to no avail until date of the report.

Business review

Software and hardware distribution

During the year ended 30th June, 2002, the Group has successfully expanded its sales network to Shenzhen, Wuhan, Xi'an, Changsha, Jingzhou and Shanghai. This sales network provides access to potential customers in Southern, Central and Eastern China. The Group has endeavored to penetrate other industries such as environmental protection, railway and transportation, oil exploitation and other. To achieve this end, marketing efforts have been dedicated to building customer awareness and brand image for the Group in the long run. We believe that the Group's investment in marketing activities have already started to pay off as the Group has concluded sales contracts in the amount of approximately HK\$1,749,000 for its software and hardware distribution business in the month of September 2002. The aggregate amount of recognized sales and concluded sales orders amounted to approximately HK\$2.4 million for the period from July to September 2002, being 158% of the total turnover in this segment for the twelve months ended 30th June, 2002.

Public geographic information services

During the financial year ended 30th June, 2002, the Group has invested in four companies in Xi'an, Wuhan, Changsha and Jingzhou respectively to develop a network for the provision of public geographic information services. These four companies have received approval from local authorities to establish and operate GIS kiosks in their cities respectively. The Group has also entered into a co-operation agreement with the Inquiry Service Center of the Beijing Tourism Administration for the establishment and operation of touch-screen GIS terminals in the hotels and major tourist attractions in Beijing. The Group is also in co-operation with a related company of a public bus company of Beijing for the provision of GIS terminals at the bus stops in Beijing. As of September 2002, the Group has set up a total of 45 terminals in various locations in Beijing, Wuhan, Changsha and Xi'an. Revenue was derived from fees received from companies which have their company information posted on these GIS terminals. It is encouraging that the three companies have been receiving positive feedback from the business arena, particularly in Xi'an. The directors envisage that, with the support of the Beijing Tourism Administration, the Group can rapidly increase the coverage of its GIS terminals in Beijing and then expand its influence to other cities in China.

Geographic information system and global positioning system

In August 2001, the Group successfully bid for the contract for the design and development of the railway geographic information platform of the Ministry of Railway, China. Also, in December, 2001, the Group won the project of building a global positioning system monitoring center for a transportation company that has over 100 trucks running extensively in Northern China. Also, the Group is engaged in another project, namely the three-dimensional surveying for the landmarks of the major cities in China for a map publishing company. The successful completion of these projects will enable the Group to enter the

fields of transportation and surveying. Also, the Directors believe that the Group's success in winning relevant projects under the 863 Program may be considered a recognition of the technical competence of the Group and thus enhance the image of the Group in the market and induce new businesses, as the Group is targeting on certain projects, including those related to Olympics 2008.

Research and development

The Company has, jointly with Peking University, won the project "Wireless Applications for Spatial Information" under the 863 Program commissioned by the Ministry of Science and Technology, the PRC. Under the Project, Peking University and the Company will receive a total subsidy of approximately Rmb12,000,000 from the Ministry in a period of three to five years subject to the progress of the research and commercialization of the research results. The Company has received the first batch of subsidy of Rmb500,000 in April 2002. The directors are confident that additional funds will be received so long as the Company continues to make steady progress in the project. These proceeds from the 863 Program provides additional funds for the Group to support its research and development activities. In September, 2002, the Group won the other project, "The Research in the Application of 3S in the Logistic System in Railway", under the 863 Program. Funds will also be appropriated into the Group to support its research and development activities in the area covered in the project.

Acquisitions and disposals of subsidiaries and affiliated companies

During the year ended 30th June, 2002, the Group has expanded its marketing network through investments in four companies in Wuhan, Xi'an, Changsha and Jingzhou, respectively. All these four companies have obtained the approval from local authorities to establish and operate touch-screen GIS terminals on the streets of their respective cities, and they also assist in the marketing activities of the Group for the software and hardware distribution and system integration businesses. As of 15th September, 2002, the Group and its associated company have established a total of 45 touch-screen terminals in Beijing, Wuhan, Xi'an and Changsha.

The Group also acquired a 35% interest in Beijing Cityonmap Technology Co. Limited ("Cityonmap"). In January 2002, Cityonmap, teaming up with Beijing Hi-Tech Wealth Co. Ltd., one of the biggest PDA manufacturers and marketers in China, launched its first product: a personal computer with advanced navigation features. The user friendly gadget has been formally approved and received positive comments from the government officials, and academic and technical experts. In July 2002, Cityonmap was handpicked by the Beijing Economic Committee as one of the participants in the "Beijing Major Innovative Industrial Project, 2002" and will receive a subsidize of Rmb500,000 from the Committee to support its research and development activities. Also, the National Economic Committee has accredited the product of Cityonmap, i.e. the personal computer with advanced navigation features, as one of the "National New Products 2002". As of September, 2002, the first batch of approximately 500 pieces of this navigation personal computers, which was aimed to test the market, were sold out and over 95% of the sales proceeds have been received. The second generation of this gadget is scheduled to be launched in October, 2002 to catch the consumption high season around festivals like Christmas, New Year and Chinese New Year.

Investments

The Group made no material investment since 30th June, 2001.

Future plans for material investments and capital assets

The Group is still in negotiation with the property developer in Beijing with a view to forming a joint venture for the provision of broad band access and related network services to residents in the estates constructed or to be constructed by the property developer. In addition, the Group is negotiating with a company and the relevant government authorities in Guangxi province to invest in the establishment of network infrastructure and the realization of a “Digital Guangxi” which involve significant GIS elements. The investment, if concluded, will provide the necessary business presence of the Group in Guangxi, and certain leverage in bidding for projects in the province. Also, the management is closely monitoring the performance of Cityonmap, the Group may consider increasing its stake in Cityonmap provided that Cityonmap continues to make steady progress in its business performance. It aims to better consolidate the technological competence and marketing resources of the Group and Cityonmap.

The Group has adjusted its strategy for the expansion of its sales network. Instead of setting up their own sales offices, whose capital expenditure requirement is greater, the Group has modified its marketing policy such that they will invest in associated companies with existing marketing capabilities in cities where the Group intends to establish sales networks.

Working capital

As at 30th June, 2002, the net current assets of the Group amounted to approximately HK\$22,303,482. The current assets comprised cash and cash equivalents of approximately HK\$8,075,149, and inventories, debtors, deposits and other receivables of approximately HK\$19,794,066. The Group’s cash and cash equivalents of HK\$8,075,149, comprised of approximately HK\$6,136,842 and RMB2,073,988, are placed in interest bearing deposits. The current liabilities of the Group comprised of creditors, other payables and accruals, and other current liabilities of approximately HK\$5,565,733.

Liquidity and financial resources

During the period under review, the Group has fully repaid approximately HK\$13,591,000 of shareholder’s loan. The Group has no other loans and does not intend to incur any borrowings to finance its current capital expenditure plan.

The gearing ratio of the Group, based on total liabilities to shareholder’s equity, was 0.12 (30th June, 2001: 0.30) as at 30th June, 2002.

On 29th January, 2002, the Group has pledged a cash deposit of HK\$10,000,000 against a bank loan granted by Bank of East Asia Limited to a business partner of the Group, Well Pacific Investments Limited (“Well Pacific”). The term of the bank loan is one year. The Group is engaged in a project for the establishment of a GPS monitoring center for Well Pacific. The Group believes that the successful completion of the project and the provision of the performance bond can secure the Group’s position as the sole technology provider for the Information Technology Platform for the Logistic System in North Eastern China,

which was founded by Well Pacific and other entities, including certain government bodies. The Directors believe that the pledge will be released the latest, by December, 2002. Saved the above, the Group did not have any outstanding charges on Group assets as at 30th June, 2002 (2001: nil).

Capital structure

During the year ended 30th June, 2002, there was no change in the Company's share capital. As at 30th June, 2002, the Group's operations were financed mainly by shareholder's equity. The Group will continue to adopt its treasury policy of placing the Group's cash and cash equivalents in interest bearing deposits, and to fund operations with internal resources.

Hedging policy

The Group primarily focuses on the PRC market, and revenue normally is denominated in the Renminbi. The Group believes that the Renminbi will not be devalued in the near future and, therefore no hedging measures have been taken for the present.

Contingent liabilities

On 29th January, 2002, the Group has pledged a cash deposit of HK\$10,000,000 against a bank loan granted by the Bank of East Asia to a business partner of the Group, Well Pacific Investments Limited. The term of the bank loan is one year. Provided that Well Pacific fails to repay the loan, the Group's HK\$10,000,000 of deposit will be foreclosed by the Bank of East Asia.

Staff

As at 30th June, 2002, there were 135 employees of the Group (2001: 84). The remuneration of the Group amounted to approximately HK\$7,493,222 for the year ended 30th June, 2002 (2001: HK\$4,392,597). The increase in salary expenses was mainly attributable to salary increment and an increase in the total number of staff as compared with the financial year ended 30th June, 2002. The Group remunerated its staff based on their qualification, performance and the prevailing labour market condition.

Share Option Scheme

The Group has adopted a Pre-IPO Share Option Scheme and a Share Option Scheme on 14th May, 2001. Details of the two share options schemes are set out in the section headed "Share Option Schemes" in and the Prospectus of the Group dated 18th May, 2001 (the "Prospectus"). As at 14th May, 2001, the Company had granted 40,000,000 options under the Pre-IPO Share Option Scheme, of which three executive directors and two independent non-executive directors were granted options to subscribe for an aggregate of 16,480,000 shares at an exercise price of HK\$0.60 each. For the year ended 30th June, 2002, no option has been granted under the Share Option Scheme.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Modification to the Use of Proceeds

Following the listing of the Company's shares on GEM on 1st June, 2001, and up to 30th June, 2002, the Group has utilized approximately HK\$39 million of the net proceeds of the Share Offer. Approximately HK\$2.0 million was spent on geographic expansion and marketing, and another HK\$3.4 million was spent on research and development. This differs from the intended use of the net proceeds of the Share Offer earmarked for the period from 11th May, 2001, being the latest practicable date for ascertaining certain information in the Prospectus, and up to 31st December, 2001 (the "Relevant Period") as stated in the prospectus.

As stated in the Prospectus of the Company, the Group plans to use a total of HK\$25.9 million of the net proceeds of the Share Offer during the Relevant Period, and particularly (i) HK\$2.4 million for geographic expansion and marketing, (ii) HK\$4.0 million for research and development, (iii) HK\$12.5 million for setting up joint ventures, and (iv) HK\$7.0 million for investments in research and data centres.

The prolonged negotiation relating to various joint venture investments has resulted in a delay in the execution of the Group's investment plan. The Group is currently in negotiation with a property developer in Beijing in finalizing the terms for the formation of a joint venture to provide services, including broad band access to intranet and the Internet, video on demand, intelligent security, etc.. In this regard, the Group has placed a deposit of HK\$2.0 million to an independent network provider, Digital Nunet Exchange Limited, to secure broad band availability in Beijing. This facility will be used by the newly formed joint venture and thus not a direct expense of the Group.

The Group invested HK\$5.2 million to acquire a 35% stake in a research and technological venture, Cityonmap which has launched its first product, a PDA with advanced navigation features, in January 2002. The Group's research and development team and Cityonmap are working closely to explore business opportunities in wireless GIS and location based services. Since Cityonmap has also invested in a company in Shanghai that is engaged in the design and establishment of intelligent transport system, the Group is working through this Shanghai outlet to reach potential customers in Eastern China. The Group has also spent an aggregate of approximately HK\$2.6 million to acquire the stakes in four companies in Xi'an, Wuhan, Changsha and Jingzhou to expand the public geographic service and the marketing networks.

The Group has also repaid approximately HK13.6 million shareholder's loan during the financial year. The unused proceeds, amounting to approximately HK\$8 million is placed in interest bearing deposits with banks in Hong Kong.

According to the business objectives as stated in the Prospectus for the Relevant Period

Actual business progress for the Relevant Period

BUSINESS DEVELOPMENT

- To increase the market share of the Group by seeking new projects through the promotion of the services provided by the Group via the new sales offices set up in Shanghai, Guangzhou, Chongqing, Xinjiang, Xian, Wuhan and Harbin
- To launch the upgraded version of CyberTown
- To continue the exploration of new opportunities in areas where the Group establishes sales offices by the promotion of the services provided by the Group and bidding for new projects there

The Group has expanded its marketing network through its investments in the two companies in Wuhan and Xian, respectively. The Group also works through an associated company of CityOnMap in Shanghai to bolster its marketing activities. The company has no plan to open new sales office in the near future.

The upgraded version of Cyber Town has been launched in mid 2002.

The Group has adjusted its strategy for expanding its sales network to meet with the development of our public geographic information services. The Group has invested in four companies in Xi'an, Wuhan, Changsha and Jingzhou. The company has no plan to open new sales office in the near future.

RESEARCH AND DEVELOPMENT

- To start the upgrading of CyberTown
- To set up the upgrade plans for CyberCommunity
- To set up development plans for the improvement of traditional data mining technology using data visualization technology
- To set out the development plans of large scale browsing for CyberHouse

The upgrading has been completed in early 2002.

The upgrading plan has been completed and the upgrading is still in progress as of September 2002.

The development plan has been completed and the improvement is still in progress as of September 2002.

The development plans have been formulated.

According to the business objectives as stated in the Prospectus for the Relevant Period

- To start the upgrading of CyberCommunity
- To start the development of new data mining software

Actual business progress for the Relevant Period

The upgrading is still in progress and scheduled to complete by the end of 2002.

A demand analysis has been completed and the development work will start after the potential customers and their demands have been identified.

MARKETING

- To supply information on the Group's applications and solution to customers according to their needs identified in the customer database
- To participate in trade fairs nationwide and to seek potential local agents for the Group

The Group has been actively soliciting potential customers in different fields, including environment protection, oil exploitation and refinery, railway and transportation.

The Group has been participating in trade fairs including "Railway GIS Technological Forum and Exhibition", "Network and ITS Development Forum" and "National Forestry Information System Conference". The Group has also appointed four more local agents to expand its distribution network.

- To package products for specific needs of various industries

The Group has been actively customizing its products to fit the needs of its customers in different fields. Therefore, the Group is able to win the biddings in respect of the design and development of the railway geographic information system and the establishment of a global positioning system monitoring center.

- To set up the second batch of sales offices in Xiamen, Shenzhen, Changsha, Kunming and Guilin

The Group has set up its sales office in Shenzhen and also acquired some stake in a company in Changsha to support its sales activities. The Group has no plan to set up new offices in other cities. The marketing work in these cities is covered by the Group's marketing staff in Beijing, our Shenzhen branch and associate companies.

- To advertise the Group's products and applications in 20 selected cities in Mainland China

The Group has advertised its products on television and newspaper in various cities in China.

Reconciliation statement of unaudited and audited results of the Group for the year ended 30th June, 2002.

HK\$

| | |
|---|---------------------|
| Unaudited net loss | (19,770,099) |
| Understated the amount of: | |
| Depreciation charges of computer software | (37,500) |
| Impairment of computer software | <u>(5,953)</u> |
| Audited net loss | <u>(19,813,552)</u> |

By order of the Board
Wang Guo Wei
Director

Beijing, 8th October, 2002

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of Riverhill Holdings Limited (the “**Company**”) will be held at 11:00 a.m. on 8th November, 2002 at Room 101, 1/F, St. George’s Building, 2 Ice House Street, Central, Hong Kong to transact the following ordinary business:

1. to receive and consider the audited consolidated financial statements and the reports of the directors of the Company (the “**Directors**”) and auditors for the year ended 30th June, 2002;
2. to re-elect Directors and to authorise the board of Directors to fix the Directors’ remuneration;
3. to appoint auditors and to authorise the board of Directors to fix their remuneration;

and, as special business, to consider and, if thought fit, passing the following resolutions (the “**Resolution(s)**”) as ordinary resolutions:

4. “**THAT:**

- (a) subject to paragraph (c) below, pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market (“**GEM**”) (the “**GEM Listing Rules**”) operated by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), the exercise by the Directors during the Relevant Period (as herein defined) of all the powers of the Company to allot, issue and deal with unissued shares (each a “**Share**”) of HK\$0.10 each in the capital of the Company and to make or grant offers, agreements and options, including warrants to subscribe for Shares, which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as herein defined); or (ii) the exercise of any options granted under the share option scheme of the Company; or (iii) any scrip dividend or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company in force from time to time; or (iv) any issue of Shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into Shares, shall not exceed the aggregate of:
 - (aa) 20% of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this Resolution; and

(bb) (if the Directors are so authorised by a separate ordinary Resolution of the shareholders of the Company) the nominal amount of any share capital of the Company repurchased by the Company subsequent to the passing of this Resolution (up to a maximum equivalent to 10% of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of that Resolution),

and the authority pursuant to paragraph (a) of this Resolution shall be limited accordingly; and

(d) for the purposes of this Resolution:

“**Relevant Period**” means the period from the date of the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company, the Companies Law (Law 3 of 1961, as consolidated and revised) of Cayman Islands (the “Companies Law”), or any other applicable law of Cayman Islands to be held; and

(iii) the passing of an ordinary Resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this Resolution;

“**Rights Issue**” means an offer of Shares, or offer or issue of warrants, options or other securities giving rights to subscribe for Shares open for a period fixed by the Directors to holders of Shares on the register on a fixed record date in proportion to their then holdings of Shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction outside Hong Kong or any recognised regulatory body or any stock exchange outside Hong Kong).”

5. “**THAT:**

(a) the exercise by the Directors during the Relevant Period (as herein defined) of all powers of the Company to purchase the Shares on the Stock Exchange or any other stock exchange on which the Shares of the Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for such purpose, and otherwise in accordance with the rules and regulations of the Securities and Futures Commission, the Stock Exchange, the GEM Listing Rules and all other applicable laws in this regard, be and the same is hereby generally and unconditionally approved;

- (b) the aggregate nominal amount of Shares which may be purchased by the Company pursuant to the approval in paragraph (a) during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this Resolution and the authority pursuant to paragraph (a) of this Resolution shall be limited accordingly; and
- (c) for the purposes of this Resolution, “Relevant Period” means the period from the date of the passing of this Resolution until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company, the Companies Law, or any other applicable law of Cayman Islands to be held; and
 - (iii) the passing of an ordinary Resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this Resolution.”
6. “**THAT** the Directors be and they are hereby authorised to exercise the authority referred to in paragraph (a) of Resolution 4 above in respect of the share capital of the Company referred to in sub-paragraph (bb) of paragraph (c) of such Resolution.”

Hong Kong, 8th October, 2002

By order of the board of Directors
Riverhill Holdings Limited
Yick Chong San
Company Secretary

Registered Office:
Ugland House P.O. Box 309
South Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

*Registered and Principal Place of
Business in Hong Kong:*
Room 1503
Crocodile House II
50–55 Connuaght Road Central
Hong Kong

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be a member of the Company.
2. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the offices of the Company’s Hong Kong branch registrar, Tengis Limited at 4/F., Hutchison House, 10 Harcourt Road, Central, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting.

3. In relation to proposed Resolutions nos. 4 and 6 above, approval is being sought from the shareholders of the Company for the grant to the Directors of a general mandate to authorise the allotment and issue of shares under the GEM Listing Rules. The Directors have no immediate plans to issue any new shares of the Company other than shares which may fall to be issued under the share option scheme of the Company or any scrip dividend scheme which may be approved by shareholders of the Company.
4. In relation to proposed Resolution no. 5 above, the Directors wish to state that they will exercise the powers conferred thereby to repurchase shares in circumstances which they deem appropriate for the benefit of the shareholders of the Company. An explanatory statement containing the information necessary to enable the shareholders to make an informed decision to vote on the proposed resolution as required by the GEM Listing Rules will be set out in a separate document to be despatched to the shareholders with the annual report for the year ended 30th June, 2002.

This notice will remain on the GEM website on the "Latest Company Announcements" page for 7 days from the date of its posting.