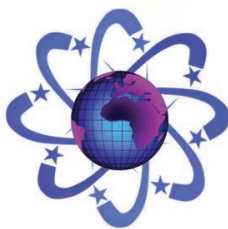


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*The directors (“**Directors**”) of Riverhill Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise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



RIVERHILL HOLDINGS LIMITED

山河控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

CLARIFICATION TO THE RESULT ANNOUNCEMENT ON 8 OCTOBER 2002

The Directors wish to make certain clarification to the Result Announcement in relation to the reasons for the qualified opinion expressed by the auditors of the Group on their auditors report for the year ended 30 June 2002.

Reference is made to the result announcement of the Company published on the GEM website on 8 October 2002 (the “**Result Announcement**”). Your attention is drawn to the last sentence of the paragraph headed “Discussion on auditors’ qualifications” in the section headed “Management Discussion and Analysis” (the “**Paragraph**”) which originally appeared on page 19 of the Result Announcement, “The directors have, on 30 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.” Capitalised terms used in the Result Announcement shall have the same meaning herein unless otherwise defined.

On 30 September 2002, the Company has formally requested the auditors of the Group, Ernst & Young, to provide a written reply on the basis for their qualified opinion arising from limitation of audit scope in assessing the carrying amount of the software (HK\$2,350,000) in respect of an impairment provision. The Company did not receive any written reply from the auditors of the Group until after the publication of the Result

Announcement, the Directors received two letters from the auditors of the Group detailing the basis on or about 10:00 p.m. on 8 October 2002 and in the morning of 9 October 2002. The auditors of the Group provided the following basis in arriving at their qualified opinion:

“The directors have advised that the software was purchased to generate future revenues for the Group arising from certain information technology contract services. In accordance with SSAP 31 “Impairment of assets”, in estimating the value in use of an asset, the cash flow projection should be based on reasonable and supportable assumptions. In this regard, we consider that the evidence available to us to support the directors’ view was limited.

1. Although in September 2002, the Group received a notice from the Ministry of Science and Technology (the “**Ministry**”) that the bidding for the project under the 863 Program was successful, however, the Group’s application for a subsidy of RMB2.5 million had not been confirmed. At this stage, it is uncertain whether the Ministry will grant RMB2.5 million to the Group.

In respect of the framework agreement entered with the Ministry of Railway, only one contract with a value of RMB180,000 was concluded up to date. It is uncertain whether the Group will generate any new revenue from the framework agreement.

2. Regarding the bidding of other projects involving the use of the software, no contract was concluded up to date. It is uncertain at this stage that any new contract will be forthcoming.

Based on the above, 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 30 June 2002.”

The Directors having considered the written explanation provided by the auditors of the Group have obtained a satisfactory understanding on the basis for their qualified opinion. However, the Directors still do not agree that the details furnished to the auditors do not constitute reasonable and supportable assumptions in the projection of future economic benefit. In this regard, the Group will duly update the shareholders in respect of any later confirmation of these forecast fund inflows. Given the above, the Directors have removed the last sentence of the Paragraph which originally appeared in the Result Announcement from the printed version of the annual report of the Company despatched to the Shareholders.

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

Hong Kong, 21 October 2002

This announcement will remain on the GEM website on the “Latest Company Announcement” page for 7 days from the day of its posting.

* *For identification purpose only*