



RIVERHILL HOLDINGS LIMITED

山河控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

FIRST QUARTERLY RESULTS ANNOUNCEMENT

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “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 a market more suited to professional and other sophisticated investors.

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The Exchange 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 the contents of this announcement.

This announcement, for which the directors (the “Directors”) of Riverhill Holdings Limited 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 Exchange for the purpose of giving information with regard to Riverhill Holdings Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this 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; and (3) 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.

RESULTS

The board of Directors (the “Board”) of the company presents the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 30th September, 2002 together with the comparative unaudited figures for the corresponding period in 2001 as follows:

	<i>Notes</i>	For the three months ended 30th September, 2002 HK\$	For the three months ended 30th September, 2001 HK\$
TURNOVER	2	1,389,246	553,129
Cost of sales		<u>(835,513)</u>	<u>(86,947)</u>
Gross profit		553,733	466,182
Other revenue		57,414	845,288
Selling and distribution costs		(622,941)	(691,915)
General and administrative expenses		(3,518,013)	(2,533,818)
Depreciation		<u>(322,017)</u>	<u>(723,418)</u>
Operating loss before finance costs		(3,851,824)	(2,637,681)
Finance costs		–	(148,903)
Share of loss of associates		<u>(128,570)</u>	<u>–</u>
LOSS BEFORE TAX		(3,980,394)	(2,786,584)
Tax	3	<u>–</u>	<u>–</u>
Loss before minority interests		(3,980,394)	(2,786,584)
Minority interests		<u>122,563</u>	<u>–</u>
NET LOSS ATTRIBUTABLE TO SHAREHOLDERS		<u>(3,857,831)</u>	<u>(2,786,584)</u>
Loss per share – basic	4	<u>(0.93 cent)</u>	<u>(0.67 cent)</u>

Notes:

1. 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 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 represents the value of services rendered and the net invoiced value of goods sold, after allowances for returns, trade discounts and sales tax.

3. 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 period.

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 period.

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

4. Loss per share

The calculation of the basic loss per share for the three months ended 30th September, 2002 was based on the net loss attributable to shareholders for the period of HK\$3,857,831 (2001: net loss of HK\$2,786,584) and on the weighted average number of 415,000,000 ordinary shares (2001: 415,000,000).

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 period.

5. First quarterly dividends

The directors do not recommend the payment of any first quarterly dividends for the three months ended 30th September, 2002. (2001: Nil).

6. Movements of reserves

	Share premium		Contributed surplus		Accumulated losses		Total	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
At 1st July	16,287,993	16,287,993	7,906,202	7,906,202	(20,984,303)	(1,170,751)	3,209,892	23,023,444
Loss for the period	—	—	—	—	(3,857,831)	(2,786,584)	(3,857,831)	(2,786,584)
At 30th September	<u>16,287,993</u>	<u>16,287,993</u>	<u>7,906,202</u>	<u>7,906,202</u>	<u>(24,842,134)</u>	<u>(3,957,335)</u>	<u>(647,939)</u>	<u>20,236,860</u>

The Group's contributed surplus represents the difference between the aggregate of the nominal value of the shares and share premium account of the subsidiaries acquired pursuant to the Reorganisation and the nominal value of the Company's shares issued in exchange therefor.

Financial overview

For the three months ended 30th September, 2002, revenue derived from the software and hardware distribution business increased by 132% to approximately HK\$1,283,473 (2001: HK\$553,129), representing approximately 92% of the Group's total turnover for the relevant financial period. The improvement in sales was attributable to an expansion in the Group's client base and the Group's continuing marketing efforts. We believe that the marketing efforts would be further paid off as the concluded sales contracts in this business segment in the period from 1st July 2002 to 31st October, 2002 amounted to approximately HK\$2,773,166.

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 has implemented measures, including the further rationalization of the corporate and business structures with a view to improving profitability. Further actions will be taken to ensure the effective allocation of resources in ensuring the long term development of the Group.

Over this same period, revenue derived from the Group's GIS and GPS related services business amounted to approximately HK\$105,773 (2001: Nil). The Company is currently engaged in a few projects including the establishment of a GPS monitoring center for a transportation company, the establishment of a pollution monitoring system for the environmental protection authority in Xiamen, Fujian, the design and system integration of a railway geographic information system for the Ministry of Railway, the surveying of the landmarks of the major cities in China for a map publishing company and the establishment of a land ownership management system for a government authority in Jiangxi province. The directors believed that completion of these projects should improve performance of this division in this financial year.

During the three months ended 30th September, 2002, the Group recorded other income of approximately HK\$57,414 (2001: HK\$845,288).

As of 30th September, 2002, the Group has a cash balance of approximately HK\$20,846,209 placed in interest-bearing deposits in banks in Hong Kong and the PRC, with HK\$10,000,000 pledged in favour of overdraft facilities provided to a customer by a bank in Hong Kong. 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.

Business Review

Software and Hardware Distribution

During the three months ended 30th September, 2002, the Group has penetrated various industries such as environmental protection, railway and transportation, oil exploitation and other. 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\$2,773,166 for its software and hardware distribution business in the period from 1st July 2002 to 31st October 2002.

Public Geographic Information Services

The subsidiary of the Group in Xian and the three associate companies of the Group in Changsha, Wuhan and Jingzhou have received approval to establish and operate GIS kiosks in their cities respectively. They are actively soliciting business from the local commercial and government entities. The Group has been working 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. The Company believes that this cooperation will be executed shortly. 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

The Group is still working on various projects including the establishment of a GPS monitoring center for a transportation company, the design and development of a railway GIS for the railway system, the three-dimensional surveying for the landmarks of certain major cities in China for a map publishing company and the establishment of a pollution monitoring system with GIS features. In November 2002, the group has also won a project for the establishment of a land ownership management system for a government authority in Jiangxi province. The Company believes these projects will be completed within this financial year. The successful completion of these projects will enable the Group to enter the fields of transportation, environmental protection and surveying.

Research and Development

The Company has, jointly with Peking University, won the project “Wireless Applications for Spatial Information” under the Hi-Tech Research and Development Program of China (the “863 Program”) commissioned by the Ministry of Science and Technology, the PRC. The Group is making progress in the work under this project by launching its “MobilStar Mobile Application” in October 2002. In September, 2002, the Group won the other project, “The Research in the Application of 3S in the Logistic System in Railways”, 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. The Company is currently working with the relevant authorities to finalize the contract.

Acquisitions and disposals of subsidiaries and affiliated companies

In July 2002, the Company’s associate company, Beijing Cityonmap Technology Co. Limited (“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 subsidy 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 November, 2002 to catch the consumption high season around festivals like Christmas, New Year and Chinese New Year.

Working Capital

As at 30th September, 2002, the net current assets of the Group amounted to approximately HK\$28,890,668. The current assets comprised cash and cash equivalents of approximately HK\$20,846,209, and inventories, debtors, deposits and other receivables of approximately HK\$11,323,753. The Group's cash and cash equivalents of HK\$20,846,209, comprised of approximately HK\$19,377,195 and RMB1,571,846, are placed in interest bearing deposits with HK\$10,000,000 pledged in favor of an overdraft facility granted to a customer by a bank in Hong Kong. The current liabilities of the Group comprised of creditors, other payables and accruals, and other current liabilities of approximately HK\$3,279,294.

By Order of the Board
Yick Chong San
Director

Hong Kong, 13th November 2002

OTHER INFORMATION

Directors' Interests in Shares

At 30th September 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:

Ordinary shares of the Company

Name of director	Number of shares held and nature of interest		
	Personal	Corporate	Total
Wang Guo Wei	1,920,000	–	1,920,000
Liu Hao	1,200,000	–	1,200,000
Yick Chong San	–	105,921,569 *	105,921,569
	<u>3,120,000</u>	<u>105,921,569</u>	<u>109,041,569</u>

* 105,921,569 shares of the Company are held by Cyber Town Company Limited and are beneficially owned as to 30% by Mr. Yick Chong San.

Directors' Rights to Acquire Shares or Debentures

Pursuant to the Company's pre-IPO share option scheme (the "Pre-IPO Share Option Scheme"), on 14th May 2001, the Company granted certain options to the following directors which entitle the holders to subscribe for ordinary shares of the Company. Further details of the Pre-IPO Share Option Scheme are set out under the heading "Share option scheme" below. No share option was exercised by any director during the period.

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

Name of director	Date of grant	Number of	Exercise price
		options outstanding at 30th September 2002	
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
		<u>16,480,000</u>	

The directors will be entitled to exercise (i) one-third of the options after the expiry of 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.

Save as disclosed above, at no time during the period 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.

Share Option Schemes

Pursuant to the Company's share option scheme adopted on 14th May 2001 (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 "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;
- (4) the option holder will be entitled to exercise (i) one-third of the options after the expiry of 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.

Substantial Shareholders

At 30th September 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%

* *Cyber Town Company Limited is beneficially owned as to 30% by Mr. Yick Chong San.*

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, 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 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 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); and
- (iii) 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 period, 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.

Board Practices and Procedures

The Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules throughout the period ended 30th September 2002.

Audit Committee

The Company established an audit committee comprising two non-executive directors of the Company on 4th May 2001. A written terms of reference, which set out the authority and duties of the audit committee, was also approved by the directors on the same date. Six meetings have been held by the members of the audit committee since its formation.