



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”)

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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.

* For identification purpose only

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 and nine months ended 31st March, 2003 together with the comparative unaudited figures for the corresponding periods in 2002 as follows:

		For the three months ended 31st March,		For the nine months ended 31st March,	
		2003	2002	2003	2002
	Notes	HK\$	HK\$	HK\$	HK\$
TURNOVER	2	1,369,574	402,058	3,390,437	1,966,683
Cost of sales		<u>(779,274)</u>	<u>(114,772)</u>	<u>(2,139,810)</u>	<u>(1,160,056)</u>
Gross profit		590,300	287,286	1,250,627	806,627
Other revenue		71,844	168,730	291,436	1,635,562
Selling and distribution costs		(147,102)	(439,387)	(999,619)	(1,772,155)
General and administrative expenses		(2,511,861)	(2,848,090)	(9,119,098)	(8,554,171)
Depreciation		<u>(366,277)</u>	<u>(676,051)</u>	<u>(1,291,109)</u>	<u>(2,188,714)</u>
LOSS FROM OPERATING ACTIVITIES		(2,363,096)	(3,507,512)	(9,867,763)	(10,072,851)
Finance costs		–	(52,082)	–	(268,319)
Share of losses of associates		<u>(109,129)</u>	–	<u>(394,927)</u>	–
LOSS BEFORE TAX		(2,472,225)	(3,559,594)	(10,262,690)	(10,341,170)
Tax	3	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
LOSS BEFORE MINORITY INTERESTS		(2,472,225)	(3,559,594)	(10,262,690)	(10,341,170)
Minority interests		<u>89,925</u>	–	<u>322,807</u>	–
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u>(2,382,300)</u>	<u>(3,559,594)</u>	<u>(9,939,883)</u>	<u>(10,341,170)</u>
Loss per share – basic	4	<u>(0.57 cent)</u>	<u>(0.86 cent)</u>	<u>(2.40 cents)</u>	<u>(2.49 cents)</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 (2002: Nil).

Deferred tax liabilities have not been provided as there were no significant timing differences as at 31st March, 2003. (2002: Nil).

4. Loss per share

The calculation of the basic loss per share for the three months ended 31st March, 2003 was based on the net loss attributable to shareholders for the period of HK\$2,382,300 (2002: net loss of HK\$3,559,594) and on the weighted average number of 415,000,000 ordinary shares (2002: 415,000,000).

The calculation of the basic loss per share for the nine months ended 31st March, 2003 was based on the net loss attributable to shareholders for the period of HK\$9,939,883 (2002: net loss of HK\$10,341,170) and on the weighted average number of 415,000,000 ordinary shares (2002: 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. Third quarterly dividend

The directors do not recommend the payment of any third quarterly dividend for the nine months ended 31st March, 2003 (2002: Nil).

6. Movements of reserves

	Share premium		Contributed surplus		Accumulated losses		Total	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$	2003 HK\$	2002 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 and at 1st October	16,287,993	16,287,993	7,906,202	7,906,202	(24,842,134)	(3,957,335)	(647,939)	20,236,860
Loss for the period	-	-	-	-	(3,699,752)	(3,994,992)	(3,699,752)	(3,994,992)
At 31st December and at 1st January	16,287,993	16,287,993	7,906,202	7,906,202	(28,541,886)	(7,952,327)	(4,347,691)	16,241,868
Loss for the period	-	-	-	-	(2,382,300)	(3,559,594)	(2,382,300)	(3,559,594)
At 31st March	<u>16,287,993</u>	<u>16,287,993</u>	<u>7,906,202</u>	<u>7,906,202</u>	<u>(30,924,186)</u>	<u>(11,511,921)</u>	<u>(6,729,991)</u>	<u>12,682,274</u>

FINANCIAL OVERVIEW

For the nine months ended 31st March, 2003, revenue derived from the software and hardware distribution business increased by 62.1% to approximately HK\$3,187,801 (2002: HK\$1,966,683), representing approximately 94% 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 March, 2003 amounted to approximately HK\$6 million with approximately HK\$2.4 million not yet recognized as of 31st March, 2003. The Group has started to provide system development support to NTT Data China in these few months. The Directors believe that the business from NTT Data China should increase and become one of the income streams of the Group if the Group continues to provide satisfactory outputs to NTT Data China.

Over this same period, revenue derived from the Group's GIS and GPS contract services business amounted to approximately HK\$0.2 million (2002: Nil). The Company is currently engaged in a few projects including the design and establishment of a land ownership management system for a government authority in Jiangxi province, and the system integration of a railway geographic information system for the Ministry of Railway. In February 2003, the Group has also received a notice regarding the Group's winning of the bidding for the establishment of a computerized administration system for the government authority in Chengdu. The directors believed that completion of these projects should improve performance of this segment in this financial year.

BUSINESS REVIEW

Software and Hardware Distribution

During the nine months ended 31st March, 2003, the Group has successfully penetrated into various industries including environmental protection, railway and transportation and oil exploitation. 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\$6.3 million in the ten months ended 30th April, 2003, i.e. already exceeded the Group's total turnover in the whole financial year ended 30 June 2002 (HK\$4,418,284). The Group will continue to strive for a better result in this segment in the last three months of the financial year.

Public Geographic Information Services

With the co-operation with the Beijing Tourism Administration, the Group is expanding its Internet kiosk network in Beijing. As of March 2003, the Group has set up a total of 18 terminals in various locations in Beijing. The Group is closely monitoring the response of the end users on these services. Further resource will be injected into this area if it is proven that the public is increasing the recognition of these services.

Geographic Information System and Global Positioning System

In November 2002, and February 2003, the Group has successfully bid for the contracts for the design and development of a land ownership management system in Jiangxi and a computerized administration system in Chengdu respectively. Also, the Group has started to provide system integration support for NTT Data China in the period. The co-operation started with a small project, and the Directors are confident that increasing projects will be granted to the Group from NTT Data China, provided that the Group continues to satisfy our customers' needs. In addition, the Group has been following up the bidding of a few projects, including the establishments of an electronic document control system for a publication company, an automated administration system for a government authority in Beijing and a pollution monitoring system for a government authority in Xiamen. The recent outbreak of the SARs (Severe Acute Respiratory syndrome) in two of the major business locations of the Group (Hong Kong and Beijing) may negatively affect the progress of these business negotiation. The Director believe that the efforts of the Group in following up these projects will be paid off in the coming months. With the completion of the ongoing projects, and the above new business developments, the Directors believe that the outlook of this segment is reasonably optimistic.

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 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 provide 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 Railways”, under the 863 Program. The Directors also believe that the progress the Group is making under this project will ensure addition inflow of fund.

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the nine months ended 31st March, 2003, the Group has not acquired or disposed any stake in any companies.

OTHER INFORMATION

Directors’ Interests in Shares

At 31st March, 2003, 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 options outstanding at 31st March, 2003	Exercise price of options HK\$
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; and
- (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.

No options were granted during the period. 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 31st March, 2003	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><u>40,000,000</u></u>	

No options have been cancelled and lapsed during the period.

Substantial Shareholders

At 31st March, 2003, 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 31st March, 2003.

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. Eight meetings have been held by the members of the audit committee since its formation.

By Order of the Board
Riverhill Holdings Limited
Yick Chong San
Director

Hong Kong, 14th May 2003

This announcement will remain on the GEM website on the “Latest Company Announcements” page for at least 7 days from the date of its posting.