



RIVERHILL HOLDINGS LIMITED

山河控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

ANNUAL RESULT ANNOUNCEMENT

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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.

* For identification only

RESULTS

The Board of the Company is pleased to announce the audited consolidated results of the Company and its Subsidiaries (the “Group”) for the year ended 30th June 2003 together with the comparative audited figures as follows:

	<i>Notes</i>	2003 <i>HK\$</i>	2002 <i>HK\$</i>
TURNOVER	4	4,282,167	4,418,284
Cost of sales		<u>(4,087,076)</u>	<u>(5,005,773)</u>
Gross profit/(loss)		195,091	(587,489)
Other revenue	4	311,618	1,903,735
Selling and distribution costs		(1,258,127)	(935,318)
General and administrative expenses		(13,469,909)	(14,875,727)
Other expenses	5	<u>(8,736,219)</u>	<u>(4,921,304)</u>
LOSS FROM OPERATING ACTIVITIES	5	(22,957,546)	(19,416,103)
Finance costs		–	(268,319)
Share of losses of associates		<u>(136,661)</u>	<u>(331,262)</u>
LOSS BEFORE TAXATION		(23,094,207)	(20,015,684)
Taxation	6	<u>316,000</u>	<u>–</u>
LOSS BEFORE MINORITY INTERESTS		(22,778,207)	(20,015,684)
Minority interests		<u>174,139</u>	<u>202,132</u>
NET LOSS ATTRIBUTABLE TO SHAREHOLDERS		<u>(22,604,068)</u>	<u>(19,813,552)</u>
Loss per share – basic	7	<u>(5.45 cents)</u>	<u>(4.77 cents)</u>

Notes:

1. Impact of new and revised statements of Standard Accounting Practice

The following recently-issued and revised Hong Kong Statements of Standard Accounting Practice (“SSAPs”) are effective for the first time for the current year’s financial statements:

- SSAP 1 (Revised) : “Presentation of Financial Statements”
- SSAP 11 (Revised) : “Foreign Currency Translation”
- SSAP 15 (Revised) : “Cash Flow Statements”
- SSAP 34 : “Employee Benefits”

2. Summary of Significant Accounting Policies

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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 30th June 2003. The results of subsidiaries acquired during the year are consolidated from their effective dates of acquisition. All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

3. Segment information

(a) Business segments

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

Group

	Sales of software and hardware		Provision of information technology contract services		Investment holding		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Segment revenue:								
Sales to external customers	3,380,020	1,513,424	902,147	2,904,860	-	-	4,282,167	4,418,284
Other revenue	1,655	821,972	254,106	-	8,554	396,561	264,315	1,191,533
Total	<u>3,381,675</u>	<u>2,335,396</u>	<u>1,156,253</u>	<u>2,904,860</u>	<u>8,554</u>	<u>396,561</u>	<u>4,564,482</u>	<u>5,609,817</u>
Segment results	<u>(11,133,766)</u>	<u>(2,215,716)</u>	<u>(2,971,666)</u>	<u>(14,731,246)</u>	<u>(8,899,417)</u>	<u>(3,181,343)</u>	<u>(23,004,849)</u>	<u>(20,128,305)</u>
Interest income							47,303	712,202
Loss from operating activities							(22,957,546)	(19,416,103)
Finance costs							-	(268,319)
Share of losses of associates	-	-	(136,661)	(331,262)	-	-	(136,661)	(331,262)
Loss before tax							(23,094,207)	(20,015,684)
Tax							316,000	-
Loss before minority interests							(22,778,207)	(20,015,684)
Minority interests							174,139	202,132
Net loss from ordinary activities attributable to shareholders							<u>(22,604,068)</u>	<u>(19,813,552)</u>
Segment assets	<u>3,084,227</u>	<u>3,476,664</u>	<u>4,022,476</u>	<u>30,783,118</u>	<u>20,210,514</u>	<u>16,238,876</u>	<u>27,317,217</u>	<u>50,498,658</u>
Segment liabilities	<u>3,308,194</u>	<u>334,367</u>	<u>882,977</u>	<u>3,958,950</u>	<u>971,328</u>	<u>1,272,416</u>	<u>5,162,499</u>	<u>5,565,733</u>
Other segment information:								
Depreciation and amortisation	-	-	411,139	3,292,309	596,385	342,889	1,007,524	3,635,198
Impairment of computer software	-	-	1,237,500	901,398	648,808	-	1,886,308	901,398
Amortisation and impairment of goodwill	-	-	87,285	785,797	930,257	-	1,017,542	785,797
Other non-cash expenses	-	-	-	228,972	-	-	-	228,972
Capital expenditure	-	-	154,611	2,350,000	560,493	1,965,926	715,104	4,315,926

(b) *Geographical segments*

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

	Hong Kong		Elsewhere in Mainland		Consolidated	
	2003	2002	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Segment revenue:						
Sales to external customers	<u>–</u>	<u>1,680,000</u>	<u>4,282,167</u>	<u>2,738,284</u>	<u>4,282,167</u>	<u>4,418,284</u>
Segment results	<u>(8,899,417)</u>	<u>(6,580,807)</u>	<u>(14,105,432)</u>	<u>(13,547,498)</u>	<u>(23,004,849)</u>	<u>(20,128,305)</u>
Other segment information:						
Segment assets	20,210,514	25,197,851	7,106,703	25,300,807	27,317,217	50,498,658
Capital expenditure	<u>560,493</u>	<u>23,819</u>	<u>154,611</u>	<u>4,292,107</u>	<u>715,104</u>	<u>4,315,926</u>

4. Turnover and revenue

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

	2003	2002
	HK\$	HK\$
Turnover		
Sales of software and hardware	3,380,020	1,540,332
Provision of information technology contract services		
GIS, GPS related	902,147	2,906,168
Sales tax, discounts and allowances	<u>–</u>	<u>(28,216)</u>
	<u>4,282,167</u>	<u>4,418,284</u>
Other revenue		
Interest Income	47,303	712,202
Other income	<u>264,315</u>	<u>1,191,533</u>
	<u>311,618</u>	<u>1,903,735</u>
	<u>4,593,785</u>	<u>6,322,019</u>

5. Loss from operating activities

The Group's loss from operating activities is arrived at after charging/(crediting):

	2003 <i>HK\$</i>	2002 <i>HK\$</i> <i>(Restated)</i>
Cost of inventories sold	870,677	956,974
Cost of services rendered	3,216,399	4,048,799
Auditors' remuneration	200,000	800,000
Depreciation	534,372	342,889
Amortisation of computer software	473,152	2,827,180
Loss on disposal of fixed assets	661,545	–
Minimum lease payments under operating lease in respect of land and buildings	1,539,195	1,295,293
Staff costs (including directors' remuneration):		
Wages and salaries (including HK\$1,895,136 which was included in cost of services rendered)	5,868,145	7,183,146
Pension scheme contributions	40,465	310,076
<i>Less: Amount capitalised into contract work in progress</i>	–	(203,283)
Exchange losses, net	27,907	137,445
Interest income	(47,303)	(712,202)
Other expenses:		
Research and development costs	1,950,035	2,540,008
Impairment of computer software	1,886,308	901,398
Amortisation of goodwill	1,017,542	465,129
Impairment of goodwill on acquisition of a subsidiary	–	349,374
Impairment of goodwill on acquisition of an associate	–	436,423
Provision for other receivable	–	228,972
Bad debts written off	416,779	–
Provision of doubtful debts	234,801	–
Inventories written off	3,230,754	–

6. Tax

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profit arising in Hong Kong during the year (2002: Nil).

The amounts of taxation credited to the income statement represents:

	2003 <i>HK\$</i>	2002 <i>HK\$</i>
Hong Kong Profits tax		
– over provision in respect of prior year	316,000	–

At the balance sheet date and for the year then ended, there was no material unprovided deferred tax liability as there were no significant timing differences. Deferred tax asset arising from the tax losses has not been recognised as it is uncertain that such an asset will be crystallized in the foreseeable future.

7. Loss per share

The calculation of the basic loss per share is based on the net loss attributable to shareholders for the year of HK\$22,604,068 (2002: HK\$19,813,552) and on the weighted average number of 415,000,000 (2002: 415,000,000) ordinary shares in issue during the year.

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 years.

8. Reserves

	Share premium account <i>HK\$</i>	Contributed surplus <i>HK\$</i>	Accumulated losses <i>HK\$</i>	Total <i>HK\$</i>
At 30th June 2001	16,287,993	7,906,202	(1,170,751)	23,023,444
Loss for the year	<u>–</u>	<u>–</u>	<u>(19,813,552)</u>	<u>(19,813,552)</u>
At 30th June 2002	16,287,993	7,906,202	(20,984,303)	3,209,892
Loss for the year	<u>–</u>	<u>–</u>	<u>(22,604,068)</u>	<u>(22,604,068)</u>
At 30th June 2003	16,287,993	7,906,202	(43,588,371)	(19,394,176)
Reserves retained by:				
Company and subsidiaries	16,287,993	7,906,202	(43,120,448)	(18,926,253)
Associates	<u>–</u>	<u>–</u>	<u>(467,923)</u>	<u>(467,923)</u>
At 30th June 2003	<u>16,287,993</u>	<u>7,906,202</u>	<u>(43,588,371)</u>	<u>(19,394,176)</u>
Company and subsidiaries	16,287,993	7,906,202	(20,653,041)	3,541,154
Associates	<u>–</u>	<u>–</u>	<u>(331,262)</u>	<u>(331,262)</u>
At 30th June 2002	<u>16,287,993</u>	<u>7,906,202</u>	<u>(20,984,303)</u>	<u>3,209,892</u>

The Group's contributed surplus represents the differences between the aggregate of the nominal value of the shares and share premium account of the subsidiaries acquired pursuant to the reorganisation in May 2001 and the nominal value of the Company's shares issued in exchange therefor.

Dividend

The directors do not recommend the payment of any final dividend in respect of the year (2002: Nil).

Extraction of qualifications from Report of the Auditors

We planned 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. *Scope limitation and disagreement about accounting treatment and disclosure – interests in an associate*

Consolidated balance sheet comprised interests in an associate with carrying value of HK\$6,442,270, comprising of share of net assets of HK\$300,396 brought forward from 30th June 2002, related goodwill of HK\$2,896,812 and amount due from the associate of HK\$3,245,062, as included in the interests in associates of HK\$7,301,035. Due to the unavailability of the audited financial information or other documentary evidence, we have been unable to satisfy ourselves that the equity method has been properly adopted, related goodwill is fairly stated and the recoverability of the amount due from the associate.

2. *Scope limitation – other receivables*

Up to the date of approval of these financial statements, we have not been provided with sufficient evidence to support the recoverability of a sum of HK\$13,068,780 as included in the prepayments, deposits and other receivables of HK\$16,998,697. There are no other satisfactory audit procedures that we could adopt to obtain adequate assurance that this carrying amount is fairly stated in the consolidated balance sheet.

3. *Scope limitation – inventories*

We were initially appointed as auditors on the date which was subsequent to the end of the Group's financial year. In consequence we were unable to carry out auditing procedures necessary to obtain adequate assurance regarding the quantities and condition of inventories having a carrying amount of HK\$677,577 stated in the consolidated balance sheet. Also, in the absence of information regarding the subsequent sales of such inventories, we were unable to verify the valuation of such inventories at the balance sheet date.

Any adjustments to these figures might have a consequential significant effect on the net assets of the Group as at 30th June 2003 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 disclosure that might have been found necessary had we been able to obtain sufficient evidence relating to the matters mentioned 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 2003 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 matters mentioned in preceding paragraphs,

- 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.

Albert Lam & Co.

Certified Public Accountant

Business Review

Financial highlights

For the year ended 30th June 2003, the turnover of the Group was about HK\$4.2 million, slightly less than Year 2002 which was about HK\$4.4 million. Gross profit ratio has improved from negative in Year 2002 to 5% this year. However due to large expenses incurred there was still loss recorded from operating activities with amount more than HK\$22 million this year. The share of losses of associates reduced to about HK0.1 million this year compared to about HK\$0.3 million in Year 2002 but a qualification on interests in associates in the Report of the Auditors is needed to be noted. Net loss attributable to shareholders was HK22.6 million this year, about 14% higher than Year 2002 of HK\$19.8 million.

The net assets value decreased from HK\$44.7 million to HK\$22.1 million this year. It was wholly due to the loss incurred this year. As at 30th June 2003 there was HK\$0.35 million cash remained.

Outlook and review in business

As at 30th June 2003 the existing PRC operations were still running in a loss position with large demand for funding. Sales of software and hardware was about HK\$3.3 million (2002: HK\$1.5 million) and provision of GIS and GPS related information technology contract services was about HK\$0.9 million (2002: HK\$2.9 million). Interest income has been reduced to just about HK\$47,000 (2002: HK\$712,000). This was caused by much less bank balances.

As the existing PRC operations have not been generating any benefits to the Group, the new management of the Company is planning a new set up in Guangzhou to render software services in web database and resources planning system development. At initial stage the scale of operation will be minimal and hopefully the new business can eventually be profitable and expand. Strict control on overhead and budget will be imposed.

Major acquisitions and disposals of assets

During the year ended 30th June 2003 there was no major acquisitions and disposals of assets including subsidiaries, affiliated companies and investments made by the Group.

Working capital

As at 30th June 2003 the net current assets was about HK\$13 million comprised of cash HK\$0.35 million and receivables of approximately HK\$13 million which the recoverability was qualified by the Auditors of the Company.

Liquidity and financial resources

The gearing ratio of the Group, based on total liabilities to shareholders' equity, was 0.23 as at 30th June 2003. (30th June 2002: 0.12). There was no bank loan or other loan outstanding as at 30th June 2003 but cash flow of the Group has been extremely tight since then.

Capital structure

During the year ended 30th June 2003, there was no change in the Company's share capital.

Hedging policy

During the year ended 30th June 2003, the Group's revenue was denominated in Renminbi. As no material fluctuation was ever anticipated by the Group in Renminbi, no hedging measures have been taken.

Contingent liabilities

As at the date of this Announcement there is no material contingent liabilities needed to be disclosed.

Staff

As at 30th June 2003 the number of employees has been reduced to less than one hundred (2002: 135 employees). 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. More details can be found in the Report of the Directors contained in the Annual Report of the Group.

Compliance with Rules 5.28 to 5.39 of the GEM Listing Rules

The Board 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 year.

Purchase, Sale and Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities up to 26th September 2003.

Publication of information on GEM Website

The Annual Report of the Group will be published on the GEM website on or before 30th September 2003, in compliance with Rule 18.50C of the GEM Listing Rules.

By order of the Board
Ng Kay Kwok
Director

Hong Kong, 26th September 2003

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