



RIVERHILL HOLDINGS LIMITED

山河控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

INTERIM REPORT 2004

* *for identification purpose only*

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.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

The Exchange takes no responsibility for the contents of this report, 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 report.

This report, 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 report 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 report misleading; and (3) all opinions expressed in this report 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 of the Company presents the unaudited consolidated results of the Company and its subsidiaries (“the Group”) for the three months and six months ended 31st December 2003 together with the unaudited comparative figures for the corresponding periods in 2002 as follows:

		For the three months ended 31st December		For the six months ended 31st December	
		2003	2002	2003	2002
	Notes	HK\$	HK\$	HK\$	HK\$
TURNOVER	2	–	631,617	–	2,020,863
Cost of sales		–	(525,023)	–	(1,360,536)
Gross profit		–	106,594	–	660,327
Other revenue	2	–	162,178	–	219,592
Selling and distribution costs		–	(229,576)	–	(852,517)
General and administrative expenses		(376,059)	(3,692,039)	(805,435)	(7,532,069)
LOSS FROM OPERATING ACTIVITIES	3	(376,059)	(3,652,843)	(805,435)	(7,504,667)
Share of losses of associates		–	(157,228)	–	(285,798)
		(376,059)	(3,810,071)	(805,435)	(7,790,465)
Written off of investments in subsidiaries and associates		–	–	(8,570,218)	–
LOSS BEFORE TAXATION		(376,059)	(3,810,071)	(9,375,653)	(7,790,465)
Taxation	4	–	–	–	–
LOSS BEFORE MINORITY INTERESTS		(376,059)	(3,810,071)	(9,375,653)	(7,790,465)
Minority interests		–	110,319	–	232,882
NET LOSS ATTRIBUTABLE TO SHAREHOLDERS		<u>(376,059)</u>	<u>(3,699,752)</u>	<u>(9,375,653)</u>	<u>(7,557,583)</u>
Loss per share – basic	5	<u>(0.09 cent)</u>	<u>(0.89 cent)</u>	<u>(2.26 cents)</u>	<u>(1.82 cents)</u>

CONSOLIDATED BALANCE SHEET

As at 31st December 2003

	Unaudited 31st December 2003 HK\$	Audited 30th June 2003 HK\$
NON-CURRENT ASSETS		
Fixed assets	241,017	1,896,651
Interests in associates	–	7,301,035
	<u>241,017</u>	<u>9,197,686</u>
CURRENT ASSETS		
Cash and bank balances	24,485	350,782
Inventories	–	677,577
Prepayments, deposits and other receivables	13,217,566	16,998,697
Trade receivables	–	24,439
Tax recoverable	–	68,036
	<u>13,242,051</u>	<u>18,119,531</u>
CURRENT LIABILITIES		
Bank overdraft	–	91
Other payables and accrued liabilities	752,897	5,162,408
	<u>752,897</u>	<u>5,162,499</u>
NET CURRENT ASSETS	<u>12,489,154</u>	<u>12,957,032</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	12,730,171	22,154,718
MINORITY INTERESTS	–	48,894
	<u>12,730,171</u>	<u>22,105,824</u>
CAPITAL AND RESERVES		
Issued capital	41,500,000	41,500,000
Deficits	28,769,829	19,394,176
	<u>12,730,171</u>	<u>22,105,824</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31st December 2003

	Unaudited 31st December 2003 HK\$	Unaudited 31st December 2002 HK\$
Net cash outflow from operating activities	(426,206)	(1,858,174)
Net cash outflow from investing activities	–	(150,325)
Net cash inflow from financing activities	100,000	–
Decrease in cash and cash equivalents	(326,206)	(2,008,499)
Cash and cash equivalents at 1st July	350,691	8,075,149
Cash and cash equivalents at 31st December	<u>24,485</u>	<u>6,066,650</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)

For the six months ended 31st December 2003

	Share capital HK\$	Share premium HK\$	Contributed surplus HK\$	Accumulated losses HK\$	Total HK\$
At 1st July 2002	41,500,000	16,287,993	7,906,202	(20,984,303)	44,709,892
Loss for the period	–	–	–	(7,557,583)	(7,557,583)
At 31st December 2002	<u>41,500,000</u>	<u>16,287,993</u>	<u>7,906,202</u>	<u>(28,541,886)</u>	<u>37,152,309</u>
At 1st July 2003	41,500,000	16,287,993	7,906,202	(43,588,371)	22,105,824
Loss for the period	–	–	–	(9,375,653)	(9,375,653)
At 31st December 2003	<u>41,500,000</u>	<u>16,287,993</u>	<u>7,906,202</u>	<u>(52,964,024)</u>	<u>12,730,171</u>

Notes:

1. Basis of preparation

These unaudited financial statements are prepared in accordance with Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants, the disclosure requirements set out in Chapter 18 of the GEM Listing Rules and the disclosure requirements of the Hong Kong Companies Ordinance.

2. Turnover and segment information

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

Segment information is presented in respect of the Group's business. Summary details of the business segments are as follows:

- (a) the sales of software and hardware;
- (b) the provision of information technology contract services; and
- (c) the investment holding which refers to investments in subsidiaries and associates.

	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 customers	-	1,915,090	-	105,773	-	-	-	2,020,863
Other revenue	-	179,441	-	-	-	554	-	179,995
	<u>-</u>	<u>2,094,531</u>	<u>-</u>	<u>105,773</u>	<u>-</u>	<u>554</u>	<u>-</u>	<u>2,200,858</u>
Total	<u>-</u>	<u>2,094,531</u>	<u>-</u>	<u>105,773</u>	<u>-</u>	<u>554</u>	<u>-</u>	<u>2,200,858</u>
Segment results	<u>-</u>	<u>(2,141,721)</u>	<u>-</u>	<u>(2,555,407)</u>	<u>(805,435)</u>	<u>(2,847,136)</u>	<u>(805,435)</u>	<u>(7,544,264)</u>
Interest income							-	39,597
Loss from operating activities							(805,435)	(7,504,667)
Share of losses of associates							-	(285,798)
Written off of investments in subsidiaries and associates							(8,570,218)	-
Loss before taxation							(9,375,653)	(7,790,465)
Taxation							-	-
Loss before minority interests							(9,375,653)	(7,790,465)
Minority interests							-	232,882
Net loss attributable to shareholders							<u>(9,375,653)</u>	<u>(7,557,583)</u>

3. Loss from operating activities

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

	For the three months ended		For the six months ended	
	31st December		31st December	
	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$
Cost of inventories sold	–	525,023	–	1,268,161
Cost of services rendered	–	–	–	92,375
Depreciation	13,390	602,815	35,652	924,832
Minimum lease payments under operating lease in respect of land and buildings	19,500	450,761	39,000	938,939
interest income	–	(22,727)	–	(39,597)
	<u>–</u>	<u>(22,727)</u>	<u>–</u>	<u>(39,597)</u>

4. Taxation

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

Deferred tax liabilities have not been provided as there were no material timing differences as at 31st December 2003. Deferred tax asset arising from the tax losses has not been recognised as it is uncertain that such asset will be crystallized in the foreseeable future.

5. Loss per share

The calculation of the basic loss per share for the three months ended 31st December 2003 is based on the net loss attributable to shareholders for the period of HK\$376,059 (2002: HK\$3,699,752) and on the weighted average number of 415,000,000 (2002: 415,000,000) ordinary shares in issue during the period.

The calculation of the basic loss per share for the six months ended 31st December 2003 is based on the net loss attributable to shareholders for the period of HK\$9,375,653 (2002: HK\$7,557,583) and on the weighted average number of 415,000,000 (2002: 415,000,000) ordinary shares in issue during the period.

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.

6. Interim dividend

The directors do not recommend the payment of any interim dividend in respect of the six months ended 31st December 2003 (2002: Nil).

BUSINESS REVIEW

Financial Highlights

As already mentioned in the first quarter report 2004 of the Company, the assets of the PRC subsidiaries and the investments in the PRC associates have been written off. The amount was HK\$8,570,218. The Company no longer consolidates the results of the PRC subsidiaries and associates hence the Group did not record any turnover for the three months and six months ended 31st December 2003.

The general and administrative expenses was squeezed to HK\$376,059 and HK\$805,435 for the three months and six months ended 31st December 2003 respectively. The net assets value of the Group as at 31st December 2003 was about HK\$12.7 million mainly comprised of receivables.

Fundings for Operations

Loans have been made to the Company by a substantial shareholder of the Company to support the present operations. The loans are charged at commercial interest rates.

Staff

The Group has been maintaining only three staff (excluding the two independent non-executive directors) since July 2003.

Outlook in Business

The Company is in the concluding stage of launching a new business. It has lined up with two strategic partners and it will become a child education products supplier in the PRC. The details of this new set up together with the plan for resumption of trading of the Company's shares have already been submitted to the Exchange and the Company will further discuss them with the Exchange.

The initial scale of this new business will be small as the Company will not put in much resources at the beginning. The Company will try to minimize set up costs and operation expenditures. However the long term objective is to expand this business to different major cities in the PRC.

An announcement with full details on the new business and resumption of trading of the Company's shares will be published once the Exchange grants approval. But no agreements has ever been signed by the Company in relation to the new business and in the opinion of the directors of the Company, it will not be so until the Exchange can give a clear positive indication on the issue.

Major Acquisitions and Disposals of Assets

During the six months ended 31st December 2003 there was no major acquisitions and disposals of assets.

OTHER INFORMATION

Directors' Interests and Short Positions in Share Capital and Options

As at 31st December 2003, the interests and short positions of the directors and the former directors of the Company and their respective associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”) which require notification to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 or 345 of Part XV of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the Exchange, were as follows:

(a) Directors' Interests in Shares

Ordinary shares of the Company

Name of director	Number of shares held and nature of interest		
	Personal	Corporate	Total
Wang Guo Wei (resigned on 23rd July 2003)	1,920,000	–	1,920,000
Liu Hao (resigned on 23rd July 2003)	1,200,000	–	1,200,000
Yick Chong San (resigned on 23rd July 2003)	–	105,921,569 [#]	105,921,569
Shum Sai	2*	–	2
Cheung Kwok Chiu, Kris (appointed on 12th November 2003)	1,000*	–	1,000
	<u>3,121,002</u>	<u>105,921,569</u>	<u>109,042,571</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.

* The directors received the shares as dividend by being a shareholder of Styland Holdings Limited, the holding company of Global Eagle Investments Limited which is one of the substantial shareholders of the Company.

(b) 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 former 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 former director during the period.

Details of the share options outstanding at 31st December 2003 were as follows:

Name of director		Date of grant	Number of options outstanding at 31st December 2003	Exercise price of options <i>HK\$</i>
Wang Guo Wei	(resigned on 23rd July 2003)	14th May 2001	1,760,000	0.6
Liu Hao	(resigned on 23rd July 2003)	14th May 2001	8,160,000	0.6
Yick Chong San	(resigned on 23rd July 2003)	14th May 2001	5,760,000	0.6
Hong Jun Yan	(resigned on 3rd November 2003)	14th May 2001	400,000	0.6
Zhou Qi Ming	(resigned on 1st November 2003)	14th May 2001	400,000	0.6
			<u>16,480,000</u>	

The former 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

- (a) The Company adopted a share option scheme (the "Share Option Scheme") on 14th May 2001 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Under the

Share Option Scheme, the Company may grant options to the 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. The Share Option Scheme, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

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 Options 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.

- (b) Pursuant to a written resolution of the sole shareholder of the Company dated 4th May 2001, the Company also adopted 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 holders 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 31st December 2003 were as follows:

Categories of grantees	Date of grant	Number of options outstanding at 31st December 2003	Exercise price of options HK\$
Former directors of the Company and its subsidiaries	14th May 2001	16,480,000	0.6
Former employees of the Group	14th May 2001	23,520,000	0.6
		40,000,000	

SUBSTANTIAL SHAREHOLDERS

At 31st December 2003, the following interests of 5% or more in the issued share capital of the Company were recorded in the register:

Name of shareholder	Number of shares held	Percentage of share holding
Cyber Town Company Limited*	105,921,569	25.52%
Global Eagle Investments Limited#	79,806,031	19.23%
Cyber City Technology Limited	57,254,902	13.80%
Digital World Holdings Limited	29,433,725	7.10%

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

Global Eagle Investments Limited disposed 34,703,773 shares of the Company on 18th November 2003. The number of shares before such disposal was 114,509,804 representing 27.59% of share holding.

Save as disclosed above, no other person had an interest or short position in the share capital of the Company that was required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

PURCHASE, REDEMPTION OR SALES 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.

DIRECTORS' 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 December 2003.

AUDIT COMMITTEE

The Company established an audit committee comprising two independent non-executive directors of the Company on 4th May 2001. The duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group and to provide advice and comments to the Board. The audit committee has reviewed and approved this report.

On behalf of the Board
Ng Kay Kwok
Director

Hong Kong, 12th February 2004