



## RIVERHILL HOLDINGS LIMITED

山河控股有限公司\*

*(incorporated in the Cayman Islands with limited liability)*

(Stock Code: 8127)

### FINAL RESULT ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2004

#### 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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*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 purpose 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 30 June 2004 together with the comparative audited figures as follows:

		<b>2004</b>	<b>2003</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TURNOVER	4	–	4,282
Cost of sales		–	(4,087)
		<hr/>	<hr/>
Gross profit		–	195
Other revenue	4	–	312
Selling and distribution costs		–	(1,258)
General and administrative expenses		(2,170)	(13,470)
Other expenses	5	–	(8,736)
		<hr/>	<hr/>
LOSS FROM OPERATING ACTIVITIES	5	(2,170)	(22,957)
Share of losses of associates		–	(137)
Impairment loss on investments in subsidiaries not consolidated		(1,269)	–
Impairment loss on investments in associates		(7,301)	–
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LOSS BEFORE TAXATION		(10,740)	(23,094)
Taxation	6	–	316
		<hr/>	<hr/>
LOSS BEFORE MINORITY INTERESTS		(10,740)	(22,778)
Minority interests		–	174
		<hr/>	<hr/>
NET LOSS ATTRIBUTABLE TO SHAREHOLDERS		<u>(10,740)</u>	<u>(22,604)</u>
Loss per share – basic	7	<u>(2.59 cents)</u>	<u>(5.45 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”) is effective for the first time for the current year’s financial statements:

- SSAP 12 (Revised) : “Income taxes”

**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 30 June 2004. 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.

	Sales of software and hardware		Provision of information technology contract services		Investment holding		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	–	3,380	–	902	–	–	–	4,282
Other revenue	–	2	–	254	–	9	–	265
Total	<u>–</u>	<u>3,382</u>	<u>–</u>	<u>1,156</u>	<u>–</u>	<u>9</u>	<u>–</u>	<u>4,547</u>
Segment results	<u>–</u>	<u>(11,133)</u>	<u>–</u>	<u>(2,972)</u>	<u>(2,170)</u>	<u>(8,899)</u>	<u>(2,170)</u>	<u>(23,004)</u>
Interest income							–	47
Loss from operating activities							(2,170)	(22,957)
Share of losses of associates	–	–	–	(137)	–	–	–	(137)
Impairment loss on investments in subsidiaries not consolidated							(1,269)	–
Impairment loss on investments in associates							(7,301)	–
Loss before tax							(10,740)	(23,094)
Tax							–	316
Loss before minority interests							(10,740)	(22,778)
Minority interests							–	174
Net loss from ordinary activities attributable to shareholders							<u>(10,740)</u>	<u>(22,604)</u>
Segment assets	<u>–</u>	<u>3,084</u>	<u>–</u>	<u>4,022</u>	<u>13,075</u>	<u>20,211</u>	<u>13,075</u>	<u>27,317</u>
Segment liabilities	<u>–</u>	<u>3,308</u>	<u>–</u>	<u>883</u>	<u>1,709</u>	<u>971</u>	<u>1,709</u>	<u>5,162</u>
Other segment information:								
Depreciation and amortisation	–	–	–	411	81	596	81	1,007
Impairment of computer software	–	–	–	1,238	–	648	–	1,886
Amortisation and impairment of goodwill	–	–	–	87	–	930	–	1,017
Capital expenditure	<u>–</u>	<u>–</u>	<u>–</u>	<u>155</u>	<u>–</u>	<u>560</u>	<u>–</u>	<u>715</u>

**(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	
	2004	2003	China	2003	2004	2003
	HK\$'000	HK\$'000	2004	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	–	–	–	4,282	–	4,282
Segment results	(2,170)	(8,899)	–	(14,105)	(2,170)	(23,004)
Other segment information:						
Segment assets	13,075	20,210	–	7,107	13,075	27,317
Capital expenditure	–	560	–	155	–	715

**4. Turnover and revenue**

The Group did not receive any turnover for the current year. Turnover of last financial year represented the value of services rendered and the net invoiced value of goods sold, after allowances for returns, trade discounts and sales tax.

	2004	2003
	HK\$'000	HK\$'000
Turnover		
Sales of software and hardware	–	3,380
Provision of information technology contract services GIS, GPS related	–	902
	–	4,282
Other revenue		
Interest Income	–	47
Other income	–	265
	–	312
	–	4,594

## 5. Loss from operating activities

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

	<b>2004</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories sold	–	871
Cost of services rendered	–	3,216
Auditors' remuneration	50	200
Depreciation	81	534
Amortisation of computer software	–	473
Loss on disposal of fixed assets	–	662
Minimum lease payments under operating lease in respect of land and buildings	78	1,539
Staff costs (including directors' remuneration):		
Wages and salaries (including HK\$1,895,136 which was included in cost of services rendered)	787	5,868
Pension scheme contributions	39	40
Exchange losses, net	–	28
Interest income	–	(47)
Research and development costs	–	1,950
Impairment of computer software	–	1,886
Amortisation of goodwill	–	1,017
Impairment loss on investments in subsidiaries not consolidated	1,269	–
Impairment loss on investments in associates	7,301	–
Provision for other receivable	93	–
Bad debts written off	–	417
Provision of doubtful debts	–	235
Inventories written off	–	3,231
Assets written off	196	–

## 6. Taxation

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 (2003: Nil).

The amounts of taxation credited to the income statement represents:

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong Profits tax		
– over provision in respect of prior year	–	316

At the balance sheet date and for the year then ended, there was no material unprovided deferred tax assets or liabilities.

## 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\$10,740,000 (2003: HK\$22,604,000) and on the weighted average number of 415,000,000 (2003: 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	Contributed surplus	Accumulated losses	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 30 June 2002	16,288	7,906	(20,984)	3,210
Loss for the year	–	–	(22,604)	(22,604)
At 30 June 2003	16,288	7,906	(43,588)	(19,394)
Loss for the year	–	–	(10,740)	(10,740)
At 30 June 2004	16,288	7,906	(54,328)	(30,134)
Reserves retained by:				
Company and subsidiaries	16,288	7,906	(54,328)	(30,134)
Associates	–	–	–	–
At 30 June 2004	16,288	7,906	(54,328)	(30,134)
Company and subsidiaries	16,288	7,906	(43,120)	(18,926)
Associates	–	–	(468)	(468)
At 30 June 2003	16,288	7,906	(43,588)	(19,394)

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 (2003: Nil).

## **BUSINESS REVIEW**

### **Financial Highlights**

For the year ended 30 June 2004, the turnover of the Group was reduced to Nil (2003: HK\$4,282,000). Gross profit ratio was also decreased by 100%. The investments in PRC subsidiaries and PRC associates have been fully provided for impairment loss by the management of the Company as those subsidiaries and associates cannot generate any economic benefits to the Group. The Company no longer consolidates the results of the PRC subsidiaries, the Group did not record any turnover for the year ended 30 June 2004. Net loss attributable to shareholders was HK\$10,740,000 this year, about 52% decrease comparing to year 2003 of HK\$22,604,000.

The net assets value decreased from HK\$22,106,000 to HK\$11,366,000 this year. It was wholly due to the administrative cost and impairment loss on investments of subsidiaries and associates.

### **Outlook and Review in Business**

Under the former management's control, significant loss was incurred to the Group with no turnover was generated. The Company appointed a new executive director to the board of the Company. The new management was working intensively to squeeze down the operating expenses, developing new business strategy and now has established profitable business opportunities to the Company.

The year under review continued to be harsh for the business. The uncertainty in the Middle East and the actions against the Terrorism continued to affect on the world economy. However, the growth in PRC economy should generate benefit to help in recovery of the Hong Kong economy.

The Group has recently resumed its business operations by providing website design and hosting services (the "Operations") to small and medium enterprises in Hong Kong and The People's Republic of China ("SMEs"). The Group has, at the date hereof, 8 contracts on hand which have been signed and deposit paid. Mainly, each of the contracts are on an exclusive basis for a term of 3 years with each contract in the amount of HK\$500,000 per year. The deposit paid by the SMEs per contract is HK\$100,000. Nevertheless, the Group was also obtaining various amounts of contracts by providing services of system enhancement and system upgrade in order to widen up its customer base in the market. The Group has a further 16 contracts which it is in negotiations with SMEs.



Given the costs involved in staffing the Operations, it is currently proposed that the website design and hosting services will initially be sub-contracted to a company staffed by university graduates with expertise in website design and hosting. The Group has entered into an agreement with such company for it to provide its services to the Group on an exclusive basis for a term of 3 years. If necessary and when appropriate, it has been agreed that certain staff from this company will be appointed as employees of the Group on terms to be agreed.

## OTHER INFORMATION

### Directors' Interests in Shares

At 30 June 2004, the interests of the former directors in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO") 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 (resigned on 23 July 2003)	1,920,000	–	1,920,000
Liu Hao (resigned on 23 July 2003)	1,200,000	–	1,200,000
Yick Chong San (resigned on 23 July 2003)	–	105,921,569#	105,921,569
Shum Sai	2*	–	2
Cheung Kwok Chiu, Kris	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.

### Directors' Rights to Acquire Shares or Debentures

Pursuant to the Company's pre-IPO share option scheme (the "Pre-IPO Share Option Scheme"), on 14 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 30 June 2004 are as follows:

Name of former director	Date of grant	Number of options	Exercise price
		outstanding at 30 June 2004	of options HK\$
Wang Guo Wei (resigned on 23 July 2003)	14 May 2001	1,760,000	0.6
Liu Hao (resigned on 23 July 2003)	14 May 2001	8,160,000	0.6
Yick Chong San (resigned on 23 July 2003)	14 May 2001	5,760,000	0.6
Hong Jun Yan (resigned on 3 November 2003)	14 May 2001	400,000	0.6
Zhou Qi Ming (resigned on 3 November 2003)	14 May 2001	400,000	0.6
		16,480,000	

The former directors will be entitled to exercise (i) one-third of the options after the expiry of two years from 1 June 2001; (ii) one-third of the options after the expiry of three years from 1 June 2001; and (iii) the remaining options after the expiry of four years from 1 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

The Group has adopted a Pre-IPO Share Option Scheme and a share Option Scheme on 14 May 2001. More details can be found in the Report of Directors contained in the Annual Report of the Group.

## SUBSTANTIAL SHAREHOLDERS

At 30 June 2004, 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%

# Global Eagle Investments Limited disposed 34,703,773 shares of the Company on 18 November 2003. The remaining number of shares held is 79,806,031 representing 19.23% of share holding.

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

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.

### Major acquisitions and disposals of assets

During the year ended 30 June 2004 there was no major acquisitions and disposals of assets including subsidiaries, affiliated companies and investments made by the Group.

### Working capital

As at 30 June 2004 the net current assets was about HK\$11,366,000 comprised of cash at approximately HK\$6,000 and other receivables of approximately HK\$13 million.

### Liquidity and financial resources

The gearing ratio of the Group, based on total liabilities to shareholders' equity, was 0.15 as at 30 June 2004. (30 June 2003: 0.23). There was no bank loan or other loan outstanding as at 30 June 2004 but cash flow of the Group has been extremely tight since then.

## **Capital structure**

During the year ended 30 June 2004, there was no change in the Company's share capital.

## **Hedging policy**

During the year ended 30 June 2004, no hedging measures have been taken due to no turnover in other currency was generated.

## **Contingent liabilities**

As at 30 June 2004, there is no material contingent liabilities needed to be disclosed.

## **Staff**

As at 30 June 2004 the number of employees has been reduced to three (2003: less than are hundred). 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 14 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 22 December 2004.

## **PUBLICATION OF INFORMATION ON GEM WEBSITE**

The Annual Report of the Group will be published on the GEM website in due course.

**As at the date of this announcement, the Directors of the Company are:**

### **Executive Directors**

Mr. Sze Edvon Yeung Lung

Mr. Shum Sai

### **Independent Non-executive Directors**

Mr. Fu Wing Kwok, Ewing

Mr. Chu Chi Kong, Francis

Mr. Cheung Kwok Chiu, Kris

By order of the Board  
**Sze Edvon Yeung Lung**  
*Executive Director*

Hong Kong, 22 December 2004

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