



RIVERHILL HOLDINGS LIMITED

山河控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

FIRST QUARTERLY REPORT 2005

* *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 ended 30 September 2004 together with the unaudited comparative figures for the corresponding period in 2003 as follows:

		For the three months ended 30 September 2004	For the three months ended 30 September 2003
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TURNOVER	2	–	–
Cost of sales		–	–
Gross profit		–	–
Other revenue		–	–
Selling and distribution costs		–	–
General and administrative expenses		(127)	(429)
LOSS FROM OPERATING ACTIVITIES		(127)	(429)
Written off of investments in subsidiaries and associates		–	(8,570)
LOSS BEFORE TAXATION		(127)	(8,999)
Taxation	3	–	–
LOSS BEFORE MINORITY INTERESTS		(127)	(8,999)
NET LOSS ATTRIBUTABLE TO SHAREHOLDERS		(127)	(8,999)
Loss per share – basic	4	(0.03 cent)	(2.17 cents)

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. All intercompany transactions and balances within the Group have been eliminated on consolidation.

2. Turnover

The Group did not receive any turnover for current and prior period.

3. 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 temporary differences as at 30 September 2004. 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.

4. Loss per share

The calculation of the basic loss per share is based on the net loss attributable to shareholders for the three months ended 30 September 2004 of HK\$127,000 (2003: HK\$8,999,000) and on the weighted average number of 415,000,000 (2003: 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 periods.

5. First quarter dividend

The directors do not recommend the payment of any first quarter dividend in respect of the three months ended 30 September 2004 (2003: Nil).

6. Movements of reserves

	Share premium		Contributed surplus		Accumulated losses		Total	
	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July	16,288	16,288	7,906	7,906	(54,328)	(43,588)	(30,134)	(19,394)
Loss for the period	—	—	—	—	(127)	(8,999)	(127)	(8,999)
At 30 September	<u>16,288</u>	<u>16,288</u>	<u>7,906</u>	<u>7,906</u>	<u>(54,455)</u>	<u>(52,587)</u>	<u>(30,261)</u>	<u>(28,393)</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.

BUSINESS REVIEW

Financial Highlights

There has been no material changes to the state of the Company since the issue of the Company's annual report 2004. The general administrative expenses were squeezed to HK\$127,000.

Outlook in Business

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 certain deposits 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 accounts of contracts by providing services of system enhancement and systems upgrade in order to wider 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.

Major Acquisitions and Disposals of Assets

During the three months ended 30 September 2004 there was no major acquisitions and disposals of assets.

OTHER INFORMATION

Directors' Interests in Shares

At 30 September 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 September 2004 are as follows:

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

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 September 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.

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 30 September 2004.

AUDIT COMMITTEE

The Company established an audit committee comprising two independent non-executive directors of the Company on 4 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
Sze Edvon Yeung Lung
Executive Director

Hong Kong, 22 December 2004