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Riverhill Holdings Limited

山河控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

SUPPLEMENTARY INFORMATION IN RELATION TO INTERIM RESULTS FOR THE 6 MONTHS ENDED 31ST DECEMBER, 2001 ON THE GROUP

The directors noted that certain disclosure requirements stipulated in the GEM Listing Rules which are applicable for accounting periods ended on or after 1st October, 2001 were not fully complied with in the Announcement and Interim Report, and would like to supplement those information in this announcement.

Reference is made to the preliminary announcement dated 6th February, 2002 (the "Announcement") and interim report dated 6th February, 2002 (the "Interim Report") of Riverhill Holdings Limited (the "Company") in relation to the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 31st December, 2001, together with the comparative audited figures for the corresponding period in 2000. Terms defined in the Announcement and the Interim Report shall have the same meanings herein. It has come to the notice of the directors that certain disclosure requirements which are applicable for accounting periods ended on or after 1st October, 2001 were not fully complied with in the Announcement and the Interim Report. The purpose of this announcement is to meet those requirements.

The board of directors of the Company (the “board”) would like to supplement certain information to its Announcement and its Interim Report in order to fully comply with the disclosure requirements stipulated in the GEM Listing Rules as follows:

A. STATEMENT OF MOVEMENT IN EQUITY

For the six months ended 31st December, 2001 and 2000.

	Share premium		Contributed surplus		Retained profits/ (accumulated losses)		Total	
	2001	2000	2001	2000	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
As at 1st July	16,287,993	—	7,906,202	—	(1,170,751)	2,813,554	23,023,444	2,813,554
Loss for the period	—	—	—	—	(6,781,576)	(2,636,839)	(6,781,576)	(2,636,839)
At 31st December	<u>16,287,993</u>	<u>—</u>	<u>7,906,202</u>	<u>—</u>	<u>(7,952,327)</u>	<u>176,715</u>	<u>16,241,868</u>	<u>176,715</u>

B. SEGMENT INFORMATION

a. Business segments

For the three months ended 31st December,

	Software and hardware		Internet related		GIS, GPS related		Consolidated	
	2001	2000	2001	2000	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
REVENUE								
Net sales	<u>986,636</u>	<u>581,063</u>	<u>—</u>	<u>—</u>	<u>24,860</u>	<u>—</u>	<u>1,011,496</u>	<u>581,063</u>
RESULTS								
Segment result	(4,459,761)	(2,438,671)	—	—	(89,440)	—	(4,549,201)	(2,438,671)
Unallocated								
— other revenue							621,544	328,056
— finance costs							(67,335)	—
Operating loss							<u>(3,994,992)</u>	<u>(2,110,615)</u>

For the six months ended 31st December,

	Software and hardware		Internet related		GIS, GPS related		Consolidated	
	2001	2000	2001	2000	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
REVENUE								
Net sales	<u>1,539,765</u>	<u>655,198</u>	<u>—</u>	<u>2,307,832</u>	<u>24,860</u>	<u>—</u>	<u>1,564,625</u>	<u>2,963,030</u>
RESULTS								
Segment result	(7,919,972)	(764,652)	—	(2,258,855)	(112,199)	—	(8,032,171)	(3,023,507)
Unallocated								
— other revenue							1,466,832	386,668
— finance costs							(216,237)	—
Operating loss							<u>(6,781,576)</u>	<u>(2,636,839)</u>

b. Geographical segments

No geographical segment information is presented as the Group's segment revenue and segment results were wholly derived from activities conducted inside the People's Republic of China (including Hong Kong) during the three months period and the six months period ended 31st December, 2000 and 31st December, 2001, respectively.

C. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25, Interim Financial Reporting, issued by the Hong Kong Society of Accountants and the disclosure requirements in relation to half-year results as set out in Chapter 18 of the GEM Listing Rules. They have been prepared under the historical cost convention.

The accounting policies adopted by the Group are consistent with those followed in the annual financial statements for the year ended 30th June, 2001.

D. ACCOUNTS RECEIVABLES

An ageing analysis of accounts receivable is set out below:

	As at 31st December, 2001 HK\$	As at 30th June, 2001 HK\$ (Audited)
0 – 30 days	93,458	8,335,299
31 – 60 days	—	541,682
61 – 90 days	—	—
91 – 120 days	—	—
Over 120 days	<u>1,648,879</u>	<u>83,833</u>
	<u><u>1,742,337</u></u>	<u><u>8,960,814</u></u>

The Group generally grants a credit period of 30 days to 120 days to customer, with some customers are required to pay in advance or cash on delivery.

E. ACCOUNTS PAYABLE

An ageing analysis of accounts payable is set out below:

	As at 31st December, 2001 HK\$	As at 30th June, 2001 HK\$ (Audited)
0 – 30 days	192,660	2,570,255
31 – 60 days	—	—
61 – 90 days	—	—
91 – 120 days	—	—
Over 120 days	<u>105,300</u>	<u>—</u>
	<u><u>297,960</u></u>	<u><u>2,570,255</u></u>

F. BOARD PRACTICES AND PROCEDURES

The Company has complied with Rules 5.28 to 5.39 of the GEM Listing Rules concerning board practices and procedures throughout the accounting period covered by the half-yearly report.

G. MANAGEMENT DISCUSSION AND ANALYSIS

Financial overview

For the six months ended 31st December, 2001, revenue derived from the software and hardware distribution business increased by 135% to approximately HK\$1.5 million (2000: HK\$0.7 million). The software and hardware distribution business represented approximately 98% of the Group's total turnover for the relevant financial period, and particularly, the improvement in sales was attributable to an expansion in the Group's client base and continuing businesses from existing customers. However, total operating costs increased as a result of an increase in overheads following the Group's expansion of its sales network in Shenzhen, Wuhan, Xi'an and Shanghai. The Group recorded a segmental loss in respect of software and hardware distribution of approximately HK\$7.9 million during this financial period.

During the relevant financial period, no revenue was generated from its Internet related services business (2000: HK\$2.3 million), resulting from the overall downturn in expectation of demand for Internet related services. The Company is now not actively engaged in this segment.

Over this same period, revenue derived from the Group's GIS and GPS related services business amounted to HK\$24,860 (2000: nil). The Group recorded a loss of HK\$112,199 (2000: nil) for this division during this financial period and is mainly attributable to an increase in overhead and headcount. The Company is currently engaged in a few projects, including the establishment of a GPS monitoring center, and design and system integration of a railway geographic information system. The directors believe that completion of these projects should improve sales in this division in the second half of this financial year.

During the six months ended 31st December, 2001, the Group also recorded other income of HK\$1.5 million (2000: HK\$0.4 million).

Acquisitions and disposals of subsidiaries and affiliated companies

During the six months period ended 31st December, 2001, the Group has expanded its marketing network through investments in two companies in Wuhan and Xi'an, respectively. The Group also acquired a 25% interest in Beijing Cityonmap. Reference should be made to the paragraph headed "Investment" in the section headed "Business review" in the Interim Report for details.

Saved as disclosed therein, the Group made no material acquisitions or disposals of subsidiaries and affiliated companies during the six months ended 31st December, 2001.

Investments

The Group made no material investments since 30th June, 2001.

Future plans for material investments and capital assets

In accordance with business objectives stated in the prospectus of the Group dated 18th May, 2001, the Group has continued its R&D efforts to upgrade the Group's existing applications, which is expected to be completed within three months. The Group will also continue to explore new opportunities in areas where the Group establishes sales offices by the promotion of the Group's services and bidding for new projects there. In particular, the Group is currently finalising the terms for the formation of a joint venture with a property developer in Beijing to provide internet-related services. In addition, the Group is also negotiating with a company engaged in the design and development of GPS chip. With respect to marketing, the Group will continue to promote the Group's products in Mainland China and participate in trade fairs nationwide. Reference should be made to the paragraph headed "Comparison of business objectives with actual business progress" in the Interim Report for details.

However, as stated in the Group's annual report for the year ended 30th June, 2001, rather than setting up their own sales offices, whose capital expenditure requirement is greater, the Group has modified its marketing policy such that they will invest in associated companies with existing marketing capabilities in cities where the Group intends to establish sales networks.

Working capital

As at 31st December, 2001, the net current assets of the Group amounted to approximately HK\$47.7 million. The current assets comprised cash and cash equivalents of approximately HK\$32.3 million, and inventories, debtors, deposits and other receivables of approximately HK\$25.7 million. The Group's cash and cash equivalents of HK\$32.3 million, comprised of approximately RMB10.4 million and HK\$22.6 million, are placed in interest bearing deposits. The current liabilities of the Group comprised of a shareholder's loan of approximately HK\$7.9 million, and creditors, other payables and accruals, and other current liabilities of approximately HK\$2.4 million.

Liquidity and financial resources

During the period under review, the Group has repaid approximately HK\$5.6 million shareholder's loan. As at 31st December, 2001, the Group had a shareholder's loan of approximately HK\$7.9 million (30th June, 2001: HK\$13.6 million). The shareholder's loan is subject to an interest rate of 3.125% and is due for repayment on 30th June, 2002. The Group has no other loans and does not intend to incur any borrowings to finance its current capital expenditure plan.

The Group did not have any outstanding charges on Group assets as at 31st December, 2001 (30th June, 2001: nil).

The gearing ratio of the Group, based on total liabilities to shareholder's equity, was 0.18 (30th June, 2001: 0.30) as at 31st December, 2001.

Capital structure

During the six months ended 31st December, 2001, there is no change in the Company's share capital. As at 31st December, 2001, the Group's operations were financed mainly by shareholder's equity. The Group will continue to adopt its treasury policy of placing the Group's cash and cash equivalents in interest bearing deposits, and to fund operations with internal resources.

Hedging policy

The Group primarily focuses on the PRC market, and revenue normally is denominated in the Renminbi. The Group believes that the Renminbi will not be devalued in the near future and, therefore no hedging measures have been taken for the present.

Contingent liabilities

There are no contingent liabilities as at 31st December, 2001 (30th June, 2001: nil).

Staff

As at 31st December, 2001, there were 88 employees of the Group (2000: 55). The remuneration of the Group amounted to approximately HK\$3.6 million for the six months ended 31st December, 2001 (2000: HK\$1.6 million). The increase in salary expenses was mainly attributable to salary increment and an increase in the total number of staff as compared with the financial period ended 31st December, 2000. 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. Details of the two options schemes are included in the section headed "Share Option Schemes" in the Interim Report and the prospectus of the Group dated 18th May, 2001. As at 31st December, 2001, the Company had granted 40,000,000 options under the Pre-IPO Share Option Scheme, of which four executive directors and two independent non-executive directors were granted options to subscribe for an

aggregate of 20,480,000 shares at an exercise price of HK\$0.60 each. For the six months ended 31st December, 2001, no option has been granted under the Share Option Scheme.

A shareholders' notification containing the supplementary information to the Interim Report and Announcement as set out in this announcement will be despatched to shareholders on or about 28th March, 2002.

By Order of the Board
Yick Chong San
Director

Hong Kong, 15th March, 2002

This announcement, for which the directors of the Company (the "directors") 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 Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") of the purpose of giving information with regard to the Company. 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 aspects 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.

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