



RIVERHILL HOLDINGS LIMITED

山河控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

FIRST QUARTERLY 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.

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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 30th September 2003 together with the unaudited comparative figures for the corresponding period in 2002 as follows:

	<i>Notes</i>	For the three months ended 30th September 2003 HK\$	For the three months ended 30th September 2002 HK\$
TURNOVER	2	–	1,389,246
Cost of sales		–	(835,513)
Gross profit		–	553,733
Other revenue		–	57,414
Selling and distribution costs		–	(622,941)
General and administrative expenses		(429,376)	(3,840,030)
LOSS FROM OPERATING ACTIVITIES		(429,376)	(3,851,824)
Share of losses of associates		–	(128,570)
		(429,376)	(3,980,394)
Written off of investments in subsidiaries and associates		(8,570,218)	–
LOSS BEFORE TAXATION		(8,999,594)	(3,980,394)
Taxation	3	–	–
LOSS BEFORE MINORITY INTERESTS		(8,999,594)	(3,980,394)
Minority interests		–	122,563
NET LOSS ATTRIBUTABLE TO SHAREHOLDERS		<u>(8,999,594)</u>	<u>(3,857,831)</u>
Loss per share – basic	4	<u>(2.17 cent)</u>	<u>(0.93 cent)</u>

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

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

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 timing differences as at 30th September 2003. 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 30th September 2003 of HK\$8,999,594 (2002: HK\$3,857,831) 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 periods.

5. First quarter dividend

The directors do not recommend the payment of any first quarter dividend in respect of the three months ended 30th September 2003 (2002: Nil).

6. Movements of reserves

	Share premium		Contributed surplus		Accumulated losses		Total	
	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1st July	16,287,993	16,287,993	7,906,202	7,906,202	(43,588,371)	(20,984,303)	(19,394,176)	3,209,892
Loss for the period	-	-	-	-	(8,999,594)	(3,857,831)	(8,999,594)	(3,857,831)
At 30th September	<u>16,287,993</u>	<u>16,287,993</u>	<u>7,906,202</u>	<u>7,906,202</u>	<u>(52,587,965)</u>	<u>(24,842,134)</u>	<u>(28,393,770)</u>	<u>(647,939)</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

The new management of the Company has decided to write off the assets of the PRC subsidiaries and the investments in PRC associates as in the opinion of the new management, those subsidiaries and associates cannot generate any economic benefits to the Company, and as a matter of fact they have never done so. The amount of the written off was HK\$8,570,218. This treatment has had a huge impact on the performance of the Group, but after thorough consideration the new management inclined this could reflect the position of the Group more correctly.

As the Company no longer consolidates the results of the PRC subsidiaries and associates, the Group did not record any turnover for the three months ended 30th September 2003. The general and administrative expenses was squeezed to HK\$429,376. The net assets value of the Group as at 1st July 2003 was about HK\$22 million. As at 30th September 2003 it was about HK\$13 million. The decrease was wholly due to the loss incurred during the three months ended 30th September 2003.

Outlook in Business

The Company is actively looking for new business opportunities and new financing. Although the previous operations of the Group was focused on software development and services, opportunities in other sectors with good potential will also be explored. However the initial scale of new operation will be small as the new management always takes a prudent approach in business development. Hopefully a new chapter on operation can be begun by the end of year 2003.

Major Acquisitions and Disposals of Assets

During the three months ended 30th September 2003 there was no major acquisitions and disposals of assets.

OTHER INFORMATION

Directors' Interests in Shares

At 30th September 2003, 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 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
		<u>3,120,000</u>	<u>105,921,569</u>	<u>109,041,569</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.

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 30th September 2003 are as follows:

Name of director		Date of grant	Number of options outstanding at 30th September 2003	Exercise price of options HK\$
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
			16,480,000	

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 30th September 2003 are as follows:

Categories of grantees	Date of grant	Number of options outstanding at 30th September 2003	Exercise price of options <i>HK\$</i>
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 30th September 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
Global Eagle Investments Limited [#]	114,509,804	27.59%
Cyber Town Company Limited*	105,921,569	25.52%
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 18th 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 30th September 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, 27th November 2003