



Riverhill

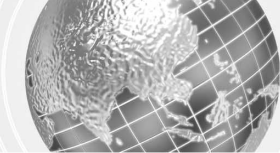
Holdings Limited

山河控股有限公司^o

(Incorporated in the Cayman Islands with limited liability)

THIRD QUARTERLY REPORT 2001

*For identification only



CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK 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 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 Stock 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 in order to obtain up-to-date information on GEM-listed issuers.

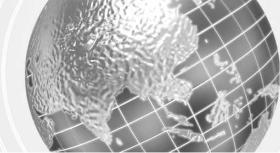
The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this quarterly result report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of this interim result report.

The quarterly result report, for which the directors of Riverhill Holdings Limited collectively and individually accept 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 for the purpose of giving information with regard to Riverhill Holdings Limited. The directors, having made all responsible enquiries, confirm that, to the best of their knowledge and belief (1) the information contained in this interim result 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 interim result report misleading; (3) all opinions expressed in this interim result report have been arrived at after due and careful consideration and founded on bases and assumptions that are fair and reasonable.

RESULTS

The board of Directors (the "Board") of the company presents the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months and nine months ended 31st March, 2002 together with the comparative unaudited figures for the corresponding periods in 2001 as follows:

	Notes	For the three months ended 31st March,		For the nine months ended 31st March,	
		2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Turnover	2	402,058	590,300	1,966,683	3,553,330
Cost of sales		(114,772)	(796,808)	(1,160,056)	(2,821,747)
Gross profit/(loss)		287,286	(206,508)	806,627	731,583
Other revenue		168,730	132,377	1,635,562	519,045
Selling and distribution costs		(439,387)	(468,079)	(1,772,155)	(812,647)
General and administrative expenses		(2,848,090)	(1,368,814)	(8,554,171)	(4,912,859)
Depreciation		(676,051)	(28,032)	(2,188,714)	(101,017)
Operating loss before finance costs		(3,507,512)	(1,939,056)	(10,072,851)	(4,575,895)
Finance costs		(52,082)	—	(268,319)	—
Loss before tax		(3,559,594)	(1,939,056)	(10,341,170)	(4,575,895)
Tax	3	—	—	—	—
Net loss attributable to shareholders		(3,559,594)	(1,939,056)	(10,341,170)	(4,575,895)
Loss per share — basic	4	(0.86 cent)	(0.66 cent)	(2.49 cents)	(1.56 cents)



Notes:

1. Group reorganisation and basis of preparation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 14th September, 2000. Pursuant to a reorganisation scheme to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Growth Enterprise Market ("GEM") operated by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in May 2001 (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group on 4th May, 2001. This was accomplished by acquiring the entire issued share capital of Cyber World Technology Limited in consideration of and in exchange for the Company's allotted and issued share capital. Further details of the Reorganisation and of the subsidiaries acquired pursuant thereto are set out in the Company's Prospectus dated 18th May, 2001. The shares of the Company were listed on the GEM on 1st June, 2001.

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.

The consolidated financial statements have been prepared using the merger basis of accounting.

2. Turnover

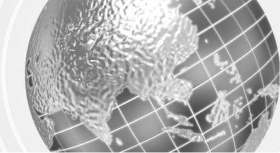
The Group's turnover represents the value of services rendered and the net invoiced value of goods sold, after allowances for returns, trade discounts and sales tax.

3. Taxation

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

Beijing Spatial Port Network Technology Ltd., the Company's subsidiary, is located in Haidian District, Beijing, one of the PRC's "High Technology Industrial Development Zones". In accordance with the relevant tax rules and regulations in the PRC, the company is entitled to exemption from corporate income tax ("CIT") for the three years from 2000 to 2002, and is entitled to a 50% exemption from CIT for the next three years from 2003 to 2005. It is subject to CIT at a reduced rate of 15%. The Company did not generate any assessable profits during the period.

Deferred tax liabilities have not been provided as there were no significant timing differences as at 31st March, 2002. (2001: Nil).



4. Loss per share

The calculation of the basic loss per share for the three months ended 31st March, 2002 was based on the net loss attributable to shareholders for the period of HK\$3,559,594 (2001: net loss of HK\$1,939,056) and on the weighted average number of 415,000,000 ordinary shares (2001: 292,000,000).

The calculation of the basic loss per share for the nine months ended 31st March, 2002 was based on the net loss attributable to shareholders for the period of HK\$10,341,170 (2001: net loss of HK\$4,575,895) and on the weighted average number of 415,000,000 ordinary shares (2001: 292,000,000).

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.

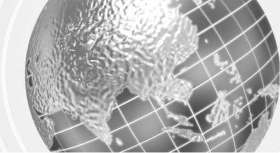
5. Interim dividend

The directors do not recommend the payment of any interim dividend for the nine months ended 31st March, 2002. (2001: Nil).

6. Movements of reserves

The movements in reserves for the nine months ended 31st March, 2001 are as follows:

	Share premium HK\$	Contributed surplus HK\$	Retained profits/ (accumulated losses) HK\$	Total HK\$
At 1st July, 2000	—	—	2,813,554	2,813,554
Loss for the period	—	—	(526,224)	(526,224)
At 30th September, 2000 and 1st October, 2000	—	—	2,287,330	2,287,330
Loss for the period	—	—	(2,110,615)	(2,110,615)
At 31st December, 2000 and 1st January, 2001	—	—	176,715	176,715
Loss for the period	—	—	(1,939,056)	(1,939,056)
At 31st March, 2001	—	—	(1,762,341)	(1,762,341)



The movements in reserves for the nine months ended 31st March, 2002 are as follows:

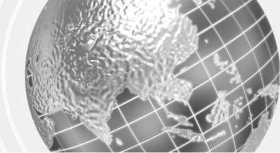
	Share premium HK\$	Contributed surplus HK\$	Retained profits/ (accumulated losses) HK\$	Total HK\$
At 1st July, 2001	16,287,993	7,906,202	(1,170,751)	23,023,444
Loss for the period	—	—	(2,786,584)	(2,786,584)
At 30th September, 2001 and 1st October, 2001	16,287,993	7,906,202	(3,957,335)	20,236,860
Loss for the period	—	—	(3,994,992)	(3,994,992)
At 31st December, 2001 and 1st January, 2002	16,287,993	7,906,202	(7,952,327)	16,241,868
Loss for the period	—	—	(3,559,594)	(3,559,594)
At 31st March, 2002	16,287,993	7,906,202	(11,511,921)	12,682,274

The Group's contributed surplus represents the difference between the aggregate of the nominal value of the shares and share premium account of the subsidiaries acquired pursuant to the Reorganisation and the nominal value of the Company's shares issued in exchange therefor.

BUSINESS REVIEW

Software and hardware distribution

Gross profit margin of the Company improved to 40.6% (2001: 38.7%) for the nine months ended 31st March, 2002 as a result of the Group's expanding sales and marketing efforts. The Company's sales and marketing teams are making substantial progress in penetrating the fields of railway and environmental protection. We believed that revenue from the software and hardware distribution business would increase accordingly after we have successfully entered these two fields. The Company's participation in the establishment of a national railway geographic information system platform provides an effective gateway for the access to potential customers in the railway field. Also, the negotiation between the Company's associated company, Beijing Cityonmap Technology Co. Ltd., and one of the environmental protection authorities in Fujian is reaching the final stage. We believed that the successful winning of this project will help induce further businesses in this field for our software and hardware distribution business.



Public Geographic Information Services

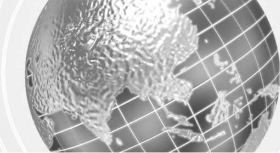
In January 2002, the Company invested approximately HK\$750,000 for 80% of the share capital of Changsha Tungbei Spatial Technology Co. Ltd., a company that has obtained approval from the Changsha government to establish Internet kiosks on the streets of the Changsha. Currently, the Company has invested in three companies in Xi'an, Wuhan and Changsha, respectively for the provision of public geographic information services. Wuhan GIS Information Technology Ltd Corp., and Xi'an Giahe Information Consultation Industry Company Limited have both started to generate revenue from the Internet kiosk services in March 2002.

Acquisitions

The Group is still in negotiation with a major property developer in Beijing to form a joint venture to provide services including, broad band access to intranet or the Internet, video on demand, intelligent security, intelligent estate management, virtual reality sales display system, etc. We expect the negotiation to be concluded by the end of this financial year. Our associated company, Beijing Cityonmap Technology Co. Ltd., has launched its first product, a personal navigation assistant with normal PDA functions, in February 2002. Sales of this gadget is picking up in March and April, and we believe that the investment in this associated company will provide positive contribution to the Company no later than the end of 2002.

Geographic Information System and Global Positioning System

The Company is currently working on a few projects, including the establishment of a GPS monitoring center and the design and development of a national railway GIS platform. We envisage that the completion of the two projects may help induce new businesses. In particular, the Company, together with Beijing Cityonmap Technology Co. Ltd., is bidding for two projects in the railway system, and we believe that the completion of the railway GIS platform may act as a showcase for our technological competence and help us in winning the bids. Also, the Company is closing a deal with one of the electricity authorities in Jinan to assist in the overhaul of their facility management system. It is expected that the details of this project will be finalized with the customer shortly.



Research and Development

The Company has, jointly with Peking University, won the project "Wireless Applications for Spatial Information" under the Hi-Tech Research and Development Program of China (the "863 Program") commissioned by the Ministry of Science and Technology, the PRC. Under the project, Peking University and the Company will receive a total subsidy of approximately Rmb12 million from the Ministry in a period of three to five years subject to the progress of the research and commercialization of the research results. The Company has already received the first batch of subsidy of Rmb0.5 million in April 2002. We are confident that additional funds will be received so long as we continue to make steady progress in the project.

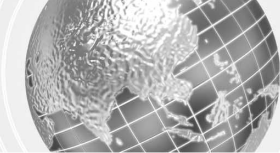
Financial Performance

The Company recorded a turnover of HK\$402,058 (2001: 590,300) and a total turnover of HK\$1,966,683 (2001: 3,553,330) in the three-months and nine months ended 31st March, 2002, respectively. Gross profit margin improved to 41% (2001: 20.6%) for the nine-months period ended 31st March, 2002. Turnover in the relevant period was mainly derived from the software and hardware distribution business. The Company is engaged in several GIS/GPS projects which are scheduled to be completed by the end of June 2002, and it should improve the turnover figure for the whole financial year. Due to the increase of number of staff and the expansion of sales network in China, the increase in general and administrative expenses has negatively affected the profitability of the Company. The Management has implemented certain measures, including the further rationalization of the corporate and business structures, in March 2002, in a view of improving profitability.

As of 31st March, 2002, the Company has a cash balance of HK\$17,532,980 placed in interest-bearing deposits in banks in Hong Kong and the PRC. We believe that the cash flow position and financial strength of the Company will be improved through further execution of our business and investment plans.

By Order of the Board
He Xiao Feng
Chairman

Beijing, 10th May, 2002



OTHER INFORMATION

Directors' Interests in Shares

As at 31st March, 2002, the interests of the directors in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interest) Ordinance (the "SDI Ordinance") were as follows:

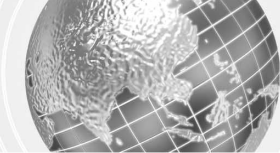
Name of director	Number of shares held and nature of interest		Total
	Personal	Corporate	
He Xiao Feng	—	163,176,471	163,176,471
Yick Chong San	—	105,921,569	105,921,569
Liu Hao	1,200,000	—	1,200,000
Wang Guo Wei	1,920,000	—	1,920,000

Note:

105,921,569 shares of the Company are held by Cyber Town Company Limited and are beneficially owned as to 35% by Prof. He Xiao Feng and 30% by Mr. Yick Chong San. In addition, 57,254,902 shares of the Company are held by Cyber City Technology Limited and are beneficially owned as to 30% by Prof. He Xiao Feng.

Directors' Rights to Acquire Shares

Pursuant to the Company's pre-IPO share option scheme (the "Pre-IPO Share Option Scheme"), on 14th May, 2001, the Company had granted the following share options to the following directors of the Company which entitle the holders to subscribe for ordinary shares of the Company. No such option have been exercised by any director during the period from the date of grant to 31st March, 2002.



Details of the share options outstanding at the balance sheet date are as follows:

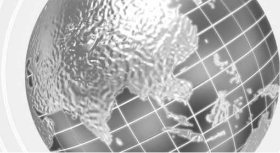
Name of director	Date of grant	Number of options	Exercise price
		outstanding at 31st March, 2002	of options HK\$
He Xiao Feng	14th May, 2001	4,000,000	0.6
Wang Guo Wei	14th May, 2001	1,760,000	0.6
Liu Hao	14th May, 2001	8,160,000	0.6
Yick Chong San	14th May, 2001	5,760,000	0.6
Hong Jun Yan	14th May, 2001	400,000	0.6
Zhou Qi Ming	14th May, 2001	400,000	0.6

Save as disclosed above, at no time during the year 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.

Substantial Shareholders

As at 31st March, 2002, the following interests of 10% or more in the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name of shareholder	Number of share held	Percentage of shares held
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%



Notes:

- * Cyber Town Company Limited is beneficially owned as to 35% by Prof. He Xiao Feng and as to 30% by Mr. Yick Chong San.
- ** Cyber City Technology Limited is beneficially owned as to 30% by Prof. He Xiao Feng.

Save as disclosed above, no other person had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

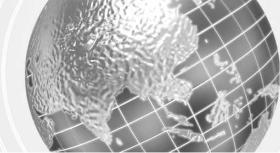
Purchase, Sale, or Repurchase of Shares

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

Sponsor's Interest

Anglo Chinese Corporate Finance, Limited has confirmed:

- (i) neither itself nor its associate has, or may have, any interest in any class of securities (including derivatives) of the Company, or any other company within the Riverhill Group (including options or rights to subscribe such securities);
- (ii) no director or employee or their associates of Anglo Chinese Corporate Finance, Limited who are involved in providing advice to the Company has or may have, any interest in any class of securities of the Company or any other Company within the Riverhill Group (including options or rights to subscribe such securities but, for the avoidance of doubt, excluding interests in securities that may be subscribed by any such Directors or employee pursuant to the Share Offer);
- (iii) neither itself nor its associates accrued any material benefit as a result of the successful outcome of the listing of the shares of the Company on the GEM; and
- (iv) no director or employee or their associates of Anglo Chinese Corporate Finance, Limited has a directorship in the Company or any other company within the Riverhill Group.



Director's Interest in Competing Business

During the year, 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.

Share Option

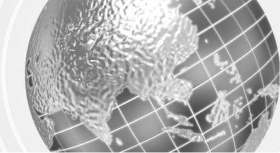
Pursuant to the Company's share option scheme adopted on 14th May, 2001 (the "Share Option Scheme"), the Company may grant options to executive directors and employees of the Group to subscribe for shares in the Company for a consideration of HK\$1 for each lot of share options granted. Options granted 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 option 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.

Pursuant to a written resolution of the sole shareholder of the Company dated 4th May, 2001, the Company also adopted a pre-IPO share option scheme (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; and
- (4) the option holders will be entitled to exercise (i) one-third of the options after the expiry to 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.

During the period, the Company had granted a total of 40,000,000 shares options pursuant to the Pre-IPO Share Option Scheme.

Audit Committee

The Company established an audit committee comprising two non-executive directors of the Company on 4th May, 2001, with written terms of reference for the purpose of reviewing and supervising the financial reporting process and internal control procedures of the Group. The audit committee had held meeting for three times in the relevant period from 1st July, 2001 to 31st March, 2002.

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 third quarterly report.