



Riverhill Holdings Limited

山河控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

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.

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The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this interim 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.

This interim 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; and (3) all opinions expressed in this interim result 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 (the “Board”) of the company presents 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 as follows:

	<i>Notes</i>	For the three months ended 31st December		For the six months ended 31st December	
		2001	2000	2001	2000
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Turnover	2	1,011,496	581,063	1,564,625	2,963,030
Cost of sales		<u>(958,337)</u>	<u>(1,184,287)</u>	<u>(1,045,284)</u>	<u>(2,024,939)</u>
Gross profit/(loss)		53,159	(603,224)	519,341	938,091
Other revenue	2	621,544	328,056	1,466,832	386,668
Selling and distribution costs		(640,853)	(130,451)	(1,332,768)	(344,568)
General and administrative expenses		(3,172,262)	(1,673,838)	(5,706,081)	(3,544,045)
Depreciation		<u>(789,245)</u>	<u>(31,158)</u>	<u>(1,512,663)</u>	<u>(72,985)</u>
Operating loss before finance costs		(3,927,657)	(2,110,615)	(6,565,339)	(2,636,839)
Finance costs		<u>(67,335)</u>	<u>—</u>	<u>(216,237)</u>	<u>—</u>
Loss before tax		(3,994,992)	(2,110,615)	(6,781,576)	(2,636,839)
Tax	3	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net loss attributable to shareholders		<u>(3,994,992)</u>	<u>(2,110,615)</u>	<u>(6,781,576)</u>	<u>(2,636,839)</u>
Loss per share — basic	4	<u>(0.96 cent)</u>	<u>(0.72 cent)</u>	<u>(1.63 cents)</u>	<u>(0.90 cent)</u>

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

Total revenue comprises:

	For the three months ended 31st December		For the six months ended 31st December	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Turnover:				
— Sales of software and hardware	986,636	581,063	1,539,765	655,198
— Provision of information technology contract services				
Internet related	—	—	—	2,307,832
GIS, GPS related	24,860	—	24,860	—
Total turnover	<u>1,011,496</u>	<u>581,063</u>	<u>1,564,625</u>	<u>2,963,030</u>
Other revenue:				
— Interest income	178,211	187,524	545,447	212,428
— Other income	443,333	140,532	921,385	174,240
Total other revenue	<u>621,544</u>	<u>328,056</u>	<u>1,466,832</u>	<u>386,668</u>
Total revenue	<u><u>1,633,040</u></u>	<u><u>909,119</u></u>	<u><u>3,031,457</u></u>	<u><u>3,349,698</u></u>

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 December 2001. (2000: Nil).

4. Loss per share

The calculation of the basic loss per share for the three months ended 31st December 2001 was based on the net loss attributable to shareholders for the period of HK\$3,994,992 (2000: net loss of HK\$2,110,615) and on the weighted average number of 415,000,000 ordinary shares (2000: 292,000,000).

The calculation of the basic loss per share for the six months ended 31st December 2001 was based on the net loss attributable to shareholders for the period of HK\$6,781,576 (2000: net loss of HK\$2,636,839) and on the weighted average number of 415,000,000 ordinary shares (2000: 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 six months ended 31st December 2001 (2000: Nil).

6. Movements of reserves

The movements in reserves for the six months ended 30th June 2001 are as follows:

	Share premium <i>HK\$</i>	Contributed surplus <i>HK\$</i>	Retained profits/ (accumulated losses) <i>HK\$</i>	Total <i>HK\$</i>
At 30th June 2000 and beginning of year	—	—	2,813,554	2,813,554
Arising on issue of shares for the acquisition of the entire issued share capital of Cyber World Technology Limited	—	7,906,202	—	7,906,202
Premium arising from issue of new shares to public	57,500,000	—	—	57,500,000
Transfer to share capital to pay up nil-paid shares allotted to shareholders	(29,189,800)	—	—	(29,189,800)
Share issue expenses	(12,022,207)	—	—	(12,022,207)
Loss for the period	—	—	(3,984,305)	(3,984,305)
At 30th June 2001	<u>16,287,993</u>	<u>7,906,202</u>	<u>(1,170,751)</u>	<u>23,023,444</u>

The movements in reserves for the six months ended 31st December 2001 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	<u>—</u>	<u>—</u>	<u>(6,781,576)</u>	<u>(6,781,576)</u>
At 31st December 2001.	<u>16,287,993</u>	<u>7,906,202</u>	<u>(7,952,327)</u>	<u>16,241,868</u>

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

Research and development

The Group's research and development team is constantly upgrading the existing applications, including CyberTown and CyberCommunity, in order to cope with the evolving needs of its customers. In addition, the Group is working closely with Peking University in bidding for one of the projects under the Hi-Tech Research and Development Program of China ("863 Program"), and it is encouraging that we are preliminarily shortlisted as one of the potential candidates. If we successfully win the bidding, the Group will receive a government grant of approximately Rmb12,000,000 over a period of not more than three years for advancing and commercializing the technology in wireless GIS and location-based services. Also, we are in negotiation with a company that is co-operating with one of the leading universities in China (in technological aspects), to design and develop an advanced GPS chip that allows the production of high precision hand-carry GPS devices with very low electricity consumption. The Group envisages that it may participate in the project through the provision of technological and marketing supports, or investment in the venture in order to share the economic benefits of this technological breakthrough.

Software and hardware distribution

During the six months ended 31st December 2001, the Group has successfully expanded its distribution network to Wuhan, Xian and Shanghai through investments in local companies. The Group has also established its Shenzhen office as a move to penetrate Southern China. The strategy of the Group is to identify the needs of potential customers in various industries, including environmental protection, railway and transportation, oil exploitation, and others, and to provide them with tailor-made solutions. The Group's sales and marketing team and research and development squad are working closely to achieve this end.

Geographic Information System and Global Positioning System

In August 2001, the Group successfully bid for the contract for the design and development of the railway geographic information platform of the Ministry of Railway, China. Also, in December 2001, the Group won the project of building a global positioning system monitoring center for a transportation company that has over 100 trucks running extensively in Northern China. The successful completion of these two projects will enable the Group to position itself advantageously in realizing the concept of seamlessly linking the highway and railway systems: a concept that is highly promoted by government officials and business advocates.

Investment

During the six months ended 31st December 2001, the Group has acquired 52%, 35% and 25% of the share capitals of Xi'an Giahe Information Consultation Industry Company Limited ("Xi'an Giahe"), Beijing Cityonmap Technology Co. Ltd. ("Cityonmap"), and Wuhan GIS Information Technology Ltd. Corp. ("Wuhan GIS"), respectively. Xi'an Giahe and Wuhan GIS are mainly engaged in the business of establishing and operating Internet kiosks in their local cities. They have been contacting customers, primarily local businesses which are interested in having their business information posted in our network, and the feedback is very positive. In January 2002, Cityonmap, teaming up with Beijing Hi-Tech Wealth Co. Ltd., the biggest PDA manufacturer and marketer in China, launched its first product: a personal computer with advanced navigation features. The user-friendly gadget has been formally approved and commented positively by government officials, and academic and professional experts. Cityonmap is also in possession of the electronic maps of over 200 cities and towns in China, covering all the big cities and the highway network linking them. These are valuable assets that the Group can consolidate with existing resources to underpin its competitiveness.

Financial Performance

For the six months ended 31st December 2001, the Group's gross profit margin improved to 33.2% (2000: 31.7%). Income in this period was derived mainly from the software distribution business. Several system integration projects, including the establishment of a GPS monitoring center and part of the railway geographic information platform, which are expected to be completed in the second half of this year, should improve the turnover figure for the whole financial year. Both selling and distribution expenses and operation overheads increased due to the Group's aggressive expansion during the period. The Group has formulated plans to further rationalize its corporate and expense structures so as to improve profitability. Such initiatives will be put in place no later than the first quarter of 2002. The Board believe that the investments in Xi'an Giahe, Wuhan GIS and Cityonmap will start to contribute to the Group's earnings no later than December 2002. Also, the potential receipt of a government grant under the 863 Program may provide the Group with additional resources to support its research and development activities.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Modification to the use of proceeds

Following the listing of the Company's shares on GEM on 1st June 2001, and up to 31st December 2001, the Group has utilized approximately HK\$2.0 million of the net proceeds of the Share Offer. Approximately HK\$1.5 million was spent on geographic expansion and marketing, and another HK\$0.5 million was spent on research and development. This differs from the intended use of the net proceeds of the Share Offer earmarked for the period from 11th May 2001, being the latest practicable date for ascertaining certain information in the prospectus, and up to 31st December 2001 (the "Relevant Period") as stated in the prospectus of the Company dated 18th May 2001 (the "Prospectus").

As stated in the Prospectus of the Company, the Group plans to use a total of HK\$23.6 million of the net proceeds of the Share Offer during the Relevant Period, and particularly (i) HK\$1.6 million for geographic expansion and marketing, (ii) HK\$2.5 million for research and development, (iii) HK\$12.5 million for setting up joint ventures, and (iv) HK\$7.0 million for investment in research and data centres. As at the date of this interim report, none of the net proceeds of the Share Offer has been spent for item (iii).

The prolonged negotiation relating to various joint venture investments has resulted in a delay in the execution of the Group's investment plan. The Group is currently in negotiation with a property developer in Beijing in finalizing the terms for the formation of a joint venture to provide services, including broad band access to intranet and the Internet, video on demand, intelligent security, etc.. In this regard, the Group has placed a deposit of HK\$2.0 million to an independent network provider, Digital Nunet Exchange Limited, to secure board band availability in Beijing. This facility will be used by the proposed joint venture and thus not a direct expense of the Group. The Group is also negotiating with a company who is engaged in the design and development of a state-of-the-art GPS chip. It is the Group's intention to participate in the production of the chips after its successful development.

The Group invested HK\$5.2 million to acquire a 35% stake in a research and technological venture, Cityonmap, which has launched its first product, a PDA with advanced navigation features, in January 2002. The Group's research and development team and Cityonmap are working closely to explore business opportunities in wireless GIS and location-based services. Since Cityonmap has also invested in a company in Shanghai that is engaged in the design and establishment of intelligent transport system, the Group is working through this Shanghai outlet to reach potential customers in Eastern China.

The Group has also repaid approximately HK\$5.6 million shareholder's loan. The unused proceeds, amounting to approximately HK\$32 million is placed in interest bearing deposits.

According to the business objectives as stated in the Prospectus for the Relevant Period

Actual business progress for the Relevant Period

BUSINESS DEVELOPMENT

- To increase the market share of the Group by seeking new projects through the promotion of the services provided by the Group via the new sales offices set up in Shanghai, Guangzhou, Chongqing, Xinjiang, Xian, Wuhan and Harbin

The Group has expanded its marketing network through its investments in the two companies in Wuhan and Xian, respectively. The Group also works through an associated company of Beijing CityOnMap in Shanghai to bolster its marketing activities.

RESEARCH AND DEVELOPMENT

- To start the upgrading of CyberTown
- To set up the upgrade plans for CyberCommunity
- To set up development plans for the improvement of traditional data mining technology using data visualization technology

The upgrading is in progress and scheduled to be completed within three months.

The upgrading plan has been completed and the upgrading is due to start in the first quarter of 2002.

The development plan has been completed and the improvement is due to start in the first quarter of 2002.

MARKETING

- To supply information on the Group's applications and solution to customers according to their needs identified in the customer database
- To participate in trade fairs nationwide and to seek potential local agents for the Group

The Group has been actively soliciting potential customers in different fields, including environment protection, oil exploitation and refinery, railway and transportation.

The Group has been participating in trade fairs including "Railway GIS Technological Forum and Exhibition," "Network and ITS Development Forum" and "National Forestry Information System Conference". The Group has also appointed 4 more local agents to expand its distribution network.

According to the business objectives as stated in the Prospectus for the Relevant Period

- To package products for specific needs of various industries

Actual business progress for the Relevant Period

The Group has been actively customizing its products to fit the needs of its customers in different fields. Therefore, the Group is able to win the biddings in respect of the design and development of the railway geographic information system and the establishment of a global positioning system monitoring center.

On behalf of the Board
He Xiao Feng
Chairman

Beijing, 5th February 2002

OTHER INFORMATION

Directors' interests in shares

As at 31st December 2001, 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 Interests) Ordinance (the "SDI Ordinance") were as follows:

Name of directors	Number of shares held and nature of interest		
	Personal	Corporate	Total
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

[#] 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 Mr. 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 December, 2001.

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 of options HK\$
		outstanding at 31st December 2001	
He Xiao Feng	14 May 2001	4,000,000	0.6
Wang Guo Wei	14 May 2001	1,760,000	0.6
Liu Hao	14 May 2001	8,160,000	0.6
Yick Chong San	14 May 2001	5,760,000	0.6
Hong Jun Yan	14 May 2001	400,000	0.6
Zhou Qi Ming	14 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 December 2001, 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 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%

Notes:

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

** Cyber City Technology Limited is beneficially owned as to 30% by Mr. 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 associates 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.

Directors' 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 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 has been 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;
- (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.

During the year, the Company granted 40,000,000 share 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 two times in the relevant period from 1st July 2001 to 31st December 2001.