



Riverhill

Holdings Limited

山河控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

FIRST 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.

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 ended 30 September, 2001 together with the comparative unaudited figures for the corresponding period in 2000 as follows:

	Notes	Period from 1 July to 30 September, 2001 HK\$	Period from 1 July to 30 September, 2000 HK\$
TURNOVER		553,129	2,381,967
Cost of sales		(86,947)	(840,652)
Gross profit		466,182	1,541,315
Other revenue		845,288	58,612
Selling and distribution costs		(691,915)	(214,117)
General and administrative expenses		(3,406,139)	(1,912,034)
Other expenses		—	—
PROFIT/(LOSS) BEFORE TAX		(2,786,584)	(526,224)
Tax	2	—	—
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS		(2,786,584)	(526,224)
Earnings/(loss) per share — basic	3	(0.67 cent)	(0.18 cent)

Notes:

1. Basis Of Presentation

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 14 September, 2000, under the Companies Law (2001 Revision) of the Cayman Islands under the name of Cyber World Group Limited. The company is an investment holding company for the Group with its principal activities being provision of information technology contract services and hardware and software distribution.

Pursuant to a reorganisation scheme to rationalise the Group structure 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"), the Company became the holding company of the Group on 4 May, 2001 (the "Reorganisation"). Details of the Reorganisation are set out in the prospectus of the Company dated 18 May, 2001. The shares of the Company began trading on the GEM of the Stock Exchange on 1 June, 2001.

All significant inter-company transactions and balances within the Group have been eliminated on consolidation.

2. Tax

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong for the three months ended 30 September, 2001, and the corresponding period in 2000.

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 year.

Deferred tax liabilities have not been provided as there were no significant timing differences as at 30 September, 2001 (2000: Nil).

3. Earnings/(Loss) Per Share

The calculation of the basic earnings/(loss) per share is based on the net loss attributable to shareholders for the three months of HK\$2,786,584 (2000: Net loss of HK\$526,224) and on the weighted average number of 415,000,000 ordinary shares (2000: Pro forma number of 292,000,000 ordinary shares deemed to be in issue) in issue during the year.

4. Interim Dividends

The directors do not recommend the payment of any interim dividend for the three months ended 30 September, 2001.

BUSINESS REVIEW

Research and development

Our relentless effort in research and development is the foundation of our success in the vigorous competition. The Group has made significant progress in the three months ended 30 September, 2001. The upgrading of CyberHouse has expanded its usage to property sales display and town planning. The Company aims to launch formally the system to the market no later than the end of this year and we believe that the demand for this product will be high. In respect of CyberGIS, we have been migrating it from a user application to a GIS platform that has higher flexibility and wider potential client base. The Group has concluded an agreement to acquire a 35% stake in a research venture, Beijing Cityonmap Technology Co. Ltd., on 31 October, 2001. The venture mainly focuses on the research and commercialization of wireless GIS and GPS technology, and it is teaming up with a PRC PDA manufacturer to launch, by the end of this year, a new model of PDA with advanced GIS and navigation features.

Software and hardware distribution

The Group has been maintaining sound relationship with our major suppliers, including Intergraph Greater China Ltd., Silicon Graphic Limited and MicrolImages, INC. The expansion of our sales network provides the basis for growth in our sales volume. The Group has also made progress in penetrating some major potential clientele, including railway and environment protection businesses. In August 2001, the Group successfully bid for the contract for the design and development of the railway geographic information platform. We believe that it is the starting point for the Group to enter the PRC railway system that will spend heavily on information system integration and modernization.

Public Geographic Information Services

In September 2001, the Group has invested in two companies in Xi'an and Wuhan respectively, with a view to establishing GIS kiosks on the streets of the two cities. The Group is also in negotiation with certain business partners in Changsha, Qingdao and Baotou, who have also obtained the approval from their local authorities to build and operate GIS kiosks. We envisage that the Group will have our kiosks covering at least these five cities by the end of this year. The expansion of this GIS kiosk network will not only provide the Group with business opportunities and publicity, but also enhance our sales and marketing network, since our business partners will actively provide assistance to our marketing team. In addition, with the co-operation of Beijing Cityonmap Technology Co. Ltd, the Group will enjoy the synergy between two of our major business developments, namely public geographic information services and location based services. We believe that it will provide us with ample business opportunities and bolster our growth.

Investment

The Group is in negotiation with a major property developer in Beijing to form a joint venture. In particular, the proposed venture will 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. Since we have been making encouraging progress in the negotiation over the past few weeks, we envisage that the negotiation will be concluded by the end of this year. Thus our research and development in CyberHouse and CyberCommunity will provide the necessary technological backing for the new joint venture.

Financial Performance

For the three months ended 30 September, 2001, the Group's turnover was primarily derived from the software distribution business. The gross profit margin improved to 84.3% (2000: 64.7%) due to the continuous enhancement of our product quality and corporate image. The Group also recorded an impressive increase in Other Revenue (2001: HK\$845,288; 2000: HK\$58,612). These revenues were mainly comprised of incomes derived from our training services and tax refunds received by our subsidiary in Beijing, owing to the tax exemption granted by the PRC tax authority. We believe that these income streams are of a recurring nature and will continue to make contributions to the Group's business performance and cash flow. Both selling and distribution expenses and operation overheads increased due to the Group's rapid expansion during the quarter. We envisage that our Shenzhen office and the investments in Xi'an Giahe Information Consultation Industry Company Limited and Wuhan GIS Information Technology Ltd. Corp., will start to provide contribution to the Group's performance in the near future.

As at 30 September, 2001, the Group maintained a healthy financial position with approximately HK\$56 million cash on hand. We believe that the financial strength and cash flow position of the Group will be improved after the successful execution of our investment and sales expansion plans.

On behalf of the Board

He Xiao Feng

Chairman

Hong Kong, 13 November, 2001

OTHER INFORMATION

Directors' Interests in Shares

As at 30 September, 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		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

[#] 105,921,569 shares of the Company are held by Cyber Town Company Limited and are beneficially owned as to 35% by Mr. 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 14 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 options have been exercised by any director during the period from the date of grant to 30 September, 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
		outstanding at 30 September, 2001	of options HK\$
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 30 September, 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 quarter.

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 14 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 4 May, 2001, the Company also adopted a 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 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.

The Company had granted a total of 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 4 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 one time in the relevant quarter ended 30 September, 2001.

Group Reserves

	Share premium HK\$	Contributed surplus HK\$	Retained profits/ (accumulated losses) HK\$	Total HK\$
Profit retained for the period	16,287,993	7,906,202	(1,170,751)	23,023,444
At 30 June, 2001 and beginning of period	16,287,993	7,906,202	(1,170,751)	23,023,444
Arising on issue of shares for the acquisition of the entire issued share capital of Cyber World Technology Limited	—	—	—	—
Premium arising from issue of new shares to public	—	—	—	—
Transfer to share capital to pay up nil-paid shares allotted to shareholders	—	—	—	—
Share issue expenses	—	—	—	—
Profit/Loss for the period	—	—	(2,786,584)	(2,786,584)
At 30 September, 2001	16,287,993	7,906,202	(3,957,335)	20,236,860

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.