



GREENCOOL TECHNOLOGY HOLDINGS LIMITED

格林柯爾科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8056

INTERIM REPORT

FOR THE SIX MONTHS ENDED 30/6/2000

HIGHLIGHTS FOR THE SIX MONTHS PERIOD

- Turnover achieved approximately RMB168.8 million for the six months ended 30th June 2000, representing approximately of 13.1 times as compared with the same period in 1999
- Operating profit increased to approximately RMB114.8 million, representing around 22.7 times growth
- Earnings per share rose by 22.6 times to approximately RMB15.31 cents
- As at 30th June, 2000, the contracts on hand amounted to RMB300 million whilst proposed transactions in signed letters of intent amounted to RMB470 million
- Successfully listed on GEM and became a Hong Kong listed company on 13th July, 2000



INTERIM REPORT

For the six months ended 30 June 2000

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 further 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.

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 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 announcement, 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 announcement.

This announcement, for which the directors of Greencool Technology 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 Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Greencool Technology 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 announcement 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 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.



GREENCOOL TECHNOLOGY HOLDINGS LIMITED

RESULTS

The Board of Directors ("Board") of the Company is pleased to announce the unaudited combined results of the Company and its subsidiaries (the "Group") for the six and three months ended 30th June, 2000 together with the comparative unaudited figures for the corresponding periods in 1999 as follows:

| | <i>Notes</i> | Six months ended 30 June | | Three months ended 30 June | |
|--|--------------|-----------------------------|-----------------|-------------------------------|-----------------|
| | | 2000 RMB'000 | 1999 RMB'000 | 2000 RMB'000 | 1999 RMB'000 |
| Turnover | (2) | 168,863 | 11,998 | 134,910 | 8,760 |
| Cost of sales | | (40,462) | (1,770) | (29,166) | (1,174) |
| Gross profit | | 128,401 | 10,228 | 105,744 | 7,586 |
| Selling expenses | | (990) | (1,461) | (571) | (448) |
| General and administration expenses | | (12,532) | (3,927) | (6,034) | (2,787) |
| Operating profit | | 114,879 | 4,840 | 99,139 | 4,351 |
| Other (expenses) income, net | | (21) | 24 | (1) | 23 |
| Profit before taxation | | 114,858 | 4,864 | 99,138 | 4,374 |
| Taxation | (3) | - | - | - | - |
| Net profit attributable to the shareholders | | 114,858 | 4,864 | 99,138 | 4,374 |
| Earnings per share | (4) | 15.31 cents | 0.65 cents | 13.22 cents | 0.58 cents |

Notes:

(1) Group reorganisation and basis of presentation

The Company was incorporated in Cayman Islands under the Companies Law (Revised) of the Cayman Islands ("Company Law") as an exempted company with limited liability on 10th January, 2000. Pursuant to a group reorganisation (the "Reorganisation") in preparation for the listing of the Company's shares on The Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the ultimate holding company of the Group on 28th June, 2000. Further details of the Reorganisation are set out in the Company's prospectus dated 5th July, 2000. The Company's shares were listed on GEM of the Stock Exchange on 13th July, 2000.

The Reorganisation has been reflected in the accounts by regarding the Group, which comprises the Company and its subsidiaries, as a continuing entity. Accordingly, the Group's accounts for the six months ended 30th June, 1999 and 2000 have been prepared using the merger basis of accounting as if the group structure had been in existence since 1st January, 1999, and comprise the results of the companies now comprising the Group since 1st January, 1999 or the date of incorporation whichever is later. In the opinion of the Directors, the accounts prepared on the above basis present fairly the results and the state of affairs of the Group as a whole.

The principal accounting policies adopted in preparing the unaudited combined results conform with accounting principles generally accepted in Hong Kong.

(2) Turnover

Turnover during the relevant periods comprised the following:

| | Six months ended 30 June | | Three months ended 30 June | |
|-------------------------------|-----------------------------|-----------------|-------------------------------|-----------------|
| | 2000 RMB'000 | 1999 RMB'000 | 2000 RMB'000 | 1999 RMB'000 |
| Conversion engineering income | 130,043 | 11,998 | 110,662 | 8,760 |
| Sale of CFC-free refrigerants | 38,820 | - | 24,248 | - |
| | 168,863 | 11,998 | 134,910 | 8,760 |



(3) Taxation

Taxation represents:

| Notes | Six months ended 30 June | | Three months ended 30 June | |
|-----------------------|-----------------------------|-----------------|-------------------------------|-----------------|
| | 2000 RMB'000 | 1999 RMB'000 | 2000 RMB'000 | 1999 RMB'000 |
| PRC income tax | - | - | - | - |
| Hong Kong profits tax | - | - | - | - |
| Deferred tax | - | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

At present, all subsidiaries of the Group in the People's Republic of China ("PRC") are enjoying tax exemption holidays. Further details of the tax holidays of the Group companies are set out in the Company's prospectus dated 5th July, 2000.

The Group has no income assessable under Hong Kong profits tax for the six months and three months ended 30th June, 1999 and 2000.

The Company is exempt from taxation in the Cayman Islands until 2020.

There was no material deferred taxation for the six months and three months ended 30th June, 1999 and 2000.

(4) Earnings per share

The calculation of the basic earnings per share for the six months ended 30th June, 2000 is based on the unaudited combined profit attributable to shareholders of approximately RMB114,858,000 (six months ended 30th June, 1999: RMB4,864,000) and the weighted average number of 750,000,000 shares (six months ended 30th June, 1999: 750,000,000 shares) in issue.

The calculation of the basic earnings per share for the three months ended 30th June, 2000 is based on the unaudited combined profit attributable to shareholders of approximately RMB99,139,000 (three months ended 30th June, 1999: RMB4,374,000) and the weighted average number of 750,000,000 shares (three months ended 30th June, 1999: 750,000,000 shares) in issue.

In determining the weighted average number of shares in issue, a total of 750,000,000 shares issued on the establishment of the Company and on the Reorganisation of the Group is deemed to have been in issue since 1st January, 1999.

INTERIM DIVIDEND

The Board of Directors does not recommend the payment of interim dividend for the six months period ended 30th June, 2000 (six months ended 30th June, 1999: HK\$Nil).

BUSINESS REVIEW AND PROSPECTS

Financial Performance

The interim results of the Company and its subsidiaries (the "Group") for the fiscal year of 2000 showed a strong growth of in turnover and in profit. Turnover for the six months ended 30th June, 2000 amounted to approximately RMB168,863,000, whereas gross profit and net profit attributable to shareholders amounted to approximately RMB128,401,000 and RMB114,858,000 respectively. As a result, net profit attributable to shareholders as a percentage of turnover for the six months ended 30th June, 2000 was approximately 68%.

Turnover for the three months ended 30th June, 2000 amounted to RMB134,910,000, whereas gross profit and net profit attributable to shareholders amounted to approximated to RMB105,744,000 and RMB99,139,000 respectively. As a result, net profit attributable to shareholders as a percentage of turnover for the three months ended 30th June, 2000 was approximately 73%.

Business Review

The Group is principally engaged in the replacement of chlorofluorocarbon ("CFC") and less energy-efficient CFC-free refrigerants with Greencool Refrigerants in refrigeration and air-conditioning systems and the distribution of Greencool Refrigerants in China. The Directors believe that the Group is currently the leading player in the replacement business market in China.



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The Group's replacement business targets primarily commercial and industrial customers who own or operate large scale refrigeration and air-conditioning systems (usually with an input of more than five horsepower), such as banks, telecommunication companies, hotels, shopping centres, restaurants, warehouses and cold storage, supermarkets, and recreational centres in China.

Currently, the Group's replacement and distribution businesses are mainly conducted in Beijing, Guangdong province, Hainan province, and Hubei province of China through its wholly-owned subsidiaries.

The strong growth for the six and three months ended 30th June, 2000 is a result of the substantial activities of marketing and business development for past two years and the full operation of subsidiaries in Shenzhen and Hainan.

Moreover, the Hainan province government aims to make Hainan to be the first CFC-free province in PRC, thus strongly supporting the idea of replacement CFC substances.

Among the total turnover for first six months ended 30th June, 2000, there are RMB130,043,000 derived from conversion engineering work and there are RMB38,820,000 derived from distribution of Greencool Refrigerants in PRC.

Outlook

For the next two years, which the Directors consider as the growth stage, the Group will continue its brand building efforts in China. The listing of the Group in The Growth Enterprise Market of the Stock Exchange of Hong Kong Limited certainly enhanced the Group's reputation in China and strengthened the negotiation power of the Group companies with potential customers.

The Directors recognise that the Chinese economy continues to grow and expect that China's entry into the World Trade Organisation should bring another phase of substantial expansion for the China economy that would imply a strong support to demand for replacement CFC substances.

The Group plans to set up a new subsidiary in Tianjin Municipality in the second half of this year in order to meet the demand that the Directors believe would be created by the imposition of the guidelines for the phasing out of CFC substances in Tianjin jointly issued by Tianjin Municipality Economic Commission and Tianjin Municipality Environmental Protection Bureau on 26th June, 2000 and subsequently confirmed by the Tianjin Municipality Government on 14 July, 2000.

Moreover, the Group will continue to look into the schedule of the phasing out of CFC substances in Shanghai and Jiangsu province and fix the plan of the establishment of new subsidiaries.

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST IN SECURITIES

As at 31st July, 2000, being the latest practicable date and subsequent to the Company's listing date on 13th July, 2000, according to the register required to be kept by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), the interests of the Company's Directors, chief executive and their associates were as follows:

(a) Shares in the Company:

| Name of Director | Corporate Interests | Personal/Family/Other Interest | Total | Approximate Percentage of issued Shares |
|------------------|---------------------|--------------------------------|-------------|---|
| Gu Chu Jun | 711,150,000 | - | 711,150,000 | 71.1 |

Gu Chu Jun ("Mr. Gu") is the sole shareholder and sole director of Greencool Capital Limited which is the holder of 71.1 per cent. of the share capital of the Company.



(b) Options to subscribe for shares in the Company

Pursuant to the Company’s pre-listing share option scheme, certain directors of the Company have personal interests in share options to subscribe for shares of the Company which have been granted to them as follows:

| Name of director | Date of Grant | Exercise price per share | Number of shares during the period and outstanding at 30th June, 2000 |
|------------------|-----------------|--------------------------|---|
| Gu Chu Jun | 28th June, 2000 | HK\$2.18 | 10,000,000 |
| Liu Cong Meng | 28th June, 2000 | HK\$2.18 | 3,400,000 |
| Xu Wan Ping | 28th June, 2000 | HK\$2.18 | 3,400,000 |
| Zhang Xi Han | 28th June, 2000 | HK\$2.18 | 3,400,000 |

The options can be exercised within five years after the date of grant. The principal terms of the pre-listing option scheme are also set out in the Company’s prospectus dated 5th July, 2000. All the above pre-listing share options have not been exercised during the half-yearly period and there is no other post-listing share options scheme.

Save as disclosed above, at no time during the periods under review was the Company, its subsidiaries or holding company a party to any arrangements to enable the Directors (including their spouses or children under 18 years of age) or chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31st July, 2000, being the latest practicable date and subsequent to the Company’s listing date on 13th July, 2000, the register of substantial shareholders maintained under Section 16(1) of the Securities (Disclosure of Interests) Ordinance showed that the Company has been notified of the following interests, being 10% or more of the Company’s issued share capital

| Name | Number of Shares | Approximate percentage of holding |
|---|------------------|-----------------------------------|
| Greencool Capital Limited (<i>Note</i>) | 711,150,000 | 71.1 |

Note: Greencool Capital Limited is a company established in British Virgin Islands with limited liability and wholly owned by Mr. Gu, the Chairman, President and Chief Executive Officer of the Company.

COMPETING INTEREST

The refrigerants used by the Group are exclusively sourced from Greencool Refrigerant (China) Co., Limited (the “Tianjin Greencool”), a sino-foreign equity joint venture established in China on 3rd March 1995, which is owned as to approximately 83.7 per cent. indirectly by Mr. Gu and 16.3 per cent. by independent third parties.

Pursuant to the Exclusive Distribution Agreement dated 28th June, 2000, the Group obtained the Exclusive Distribution Right to obtain and sell Greencool Refrigerants and any further refrigerants invented by Mr. Gu in future manufactured by Tianjin Greencool in China for a term of 20 years from 31st December, 1999. The Group has priority over other customers of Tianjin Greencool to purchase Greencool Refrigerants from Tianjin Greencool if there is not enough supply. The Exclusive Distribution Agreement also provides that, if Tianjin Greencool fails to supply sufficient Greencool Refrigerants as ordered by the Group, the Group has the non-exclusive rights to produce or contract with a third party to produce the relevant Greencool Refrigerants. Under this circumstance, Mr. Gu and Tianjin Greencool will be obliged to provide the necessary know-how to the Group or the Group’s contractors free of charge to enable them to produce the relevant Greencool Refrigerants. Further details can be found in the prospectus dated 5th July, 2000.

Pursuant to the Deed of Non-competition Undertaking dated 28th June, 2000 entered into between Mr. Gu and the Company, Mr. Gu has undertaken that at any time during which securities of the Company are listed on the Sock Exchange or any other stock exchange recognised under the Securities Ordinance



(Chapter 333 of the Laws of Hong Kong) and for so long as Mr. Gu and his associates (as defined in the GEM Listing Rules) holds, whether individually or taken together, 10 per cent. or more of the issued shares in the Company or Mr. Gu and his associates are otherwise regarded as substantial shareholders of the Company under the GEM Listing Rules or the rules of the relevant securities exchange, he will not and will procure that his associates will not directly or indirectly carry on or be engaged or concerned or interested in: (a) the business of replacement of CFC and CFC-free refrigerants using Greencool Refrigerants in China; and/or (b) any other business in China that is similar to any member of the Group as described in the prospectus dated 5th July, 2000.

Saved as disclosed above, none of the Directors or the management shareholders (as defined in the GEM Listing Rules) of the Company had an interest in a business which competes or may compete with the business of the Group in the PRC.

SPONSOR'S INTERESTS

To the best knowledge of ING Barings Asia Limited ("ING Barings"), the associates of ING Barings were interested in 12,232,000 shares of the Company as at 31st July, 2000. ING Barings, the Company's sponsor, its directors and employees were not interested in the shares of the Company as at 31st July, 2000.

Pursuant to the agreement dated 4th July, 2000 entered in between the Company and ING Barings, ING Barings has received and will receive a fee for acting as the Company's retained sponsor for the period from 13th July, 2000 to 31st December, 2002.

YEAR 2000 COMPLIANCE RESULTS

The Board is pleased to announce that all accounting and financial applications in the Group were fully compliant and therefore, the fear of Year 2000 compliance issue did not create any material adverse impact on the business operations in all functional areas.

AUDIT COMMITTEE

The Company established an audit committee in February 2000 with written terms of reference in compliance with Rules 5.23 and 5.24 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee has three members comprising Mr. Fan Jia Yan (who is acting as the chairman of the audit committee) and Ms. Man Margaret, the two independent non-executive Directors, and Mr. Hu Xiao Hui, an executive Director.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the period from 13th July, 2000 (date of listing) to 31st July, 2000.

By Order of the Board
Greencool Technology Holdings Limited
Gu Chu Jun
Chairman

Hong Kong, 14th August, 2000

This announcement will remain on the GEM website on the "Latest Company Announcements" page for 7 days from the day of the posting.