



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

QUARTERLY REPORT
FOR THE QUARTER ENDED 30/9/2000

3Q/2000



QUARTERLY REPORT

For the quarter ended 30th September, 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.

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The Exchange 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 (“Directors”) of the Greencool Technology Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the nine and three months ended 30th September, 2000 respectively together with the comparative unaudited figures for the corresponding periods in 1999 (the “Relevant Period”) as follows:

		Nine months ended 30th September,		Three months ended 30th September,	
	Notes	2000 RMB '000	1999 RMB '000	2000 RMB '000	1999 RMB '000
Turnover	(2)	324,616	20,072	155,753	8,074
Cost of sales		<u>(62,568)</u>	<u>(3,037)</u>	<u>(22,106)</u>	<u>(1,267)</u>
Gross profit		262,048	17,035	133,647	6,807
Selling expenses		(1,720)	(1,894)	(730)	(433)
General and administration expenses		<u>(28,166)</u>	<u>(8,029)</u>	<u>(15,614)</u>	<u>(4,102)</u>
Operating profit		232,162	7,112	117,303	2,272
Other (expenses) income, net		<u>6,642</u>	<u>43</u>	<u>6,642</u>	<u>19</u>
Profit before taxation		238,804	7,155	123,945	2,291
Taxation	(3)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net profit attributable to the shareholders		<u>238,804</u>	<u>7,155</u>	<u>123,945</u>	<u>2,291</u>
Earnings per share	(4)				
– Basic		<u>29.02 cents</u>	<u>0.95 cent</u>	<u>15.06 cents</u>	<u>0.30 cent</u>

Notes:

(1) Group reorganisation and basis of presentation

The Company was incorporated in Cayman Islands under the Companies Law (Revised) of the Cayman Islands 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 GEM of the 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 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 nine and three months ended 30th September, 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 consolidated results conform with accounting principles generally accepted in Hong Kong.



(2) Turnover

Turnover during the Relevant Periods comprised the following:

	Nine months ended 30 September,		Three months ended 30 September,	
	2000 RMB'000	1999 RMB'000	2000 RMB'000	1999 RMB'000
Conversion engineering income	279,473	20,072	149,429	8,074
Sale of CFC-free refrigerants	45,143	–	6,324	–
	<u>324,616</u>	<u>20,072</u>	<u>155,753</u>	<u>8,074</u>

(3) Taxation

Taxation represents:

Notes	Nine months ended 30 September,		Three months ended 30 September,	
	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 (the "PRC" or "China") 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 nine months and three months ended 30th September, 1999 and 2000.

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

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

(4) Earnings per share

The calculation of the basic earnings per share for the nine months ended 30th September, 2000 is based on the unaudited consolidated profit attributable to shareholders of approximately RMB238,804,000 (nine months ended 30th September, 1999: RMB7,155,000) and the weighted average number of 822,992,700 shares (nine months ended 30th September, 1999: 750,000,000 shares) in issue.

The calculation of the basic earnings per share for the three months ended 30th September, 2000 is based on the unaudited consolidated profit attributable to shareholders of approximately RMB123,945,000 (three months ended 30th September, 1999: RMB2,291,000) and the weighted average number of 822,992,700 shares (three months ended 30th September, 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 Directors have declared an interim dividend of Hong Kong cents 5 per share (equivalent to RMB5.31 cents), on a total of HK\$50,000,000 (equivalent to RMB53,075,279) for the year ending 31st December, 2000. The dividend will be paid on 11th December, 2000 to shareholders whose names are on the register of shareholders of the Company on 4th December, 2000. To enable our Registrars to complete the necessary work associated with this payment, the register of shareholders will be closed on Monday, 4th December, 2000, during which period no share transfers will be effected. In order to qualify for the 2000 interim dividend, shareholders must lodge their transfer with all relevant share certificates to the Company's Hong Kong branch share registrar, HKSCC Registrars Limited, at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road, Central, Hong Kong, not later than 4:00 p.m., 1st December, 2000.

BUSINESS REVIEW AND PROSPECTS

Financial Performance

The quarterly results of the Group for the nine months ended 30th September, 2000 showed a strong growth in turnover and in profit. Turnover for the nine months ended 30th September, 2000 amounted to approximately RMB324,616,000, whereas gross profit and net profit attributable to shareholders amounted to approximately RMB262,048,000 and RMB238,804,000 respectively. As a result, net profit attributable to shareholders as a percentage of turnover for the nine months ended 30th September, 2000 was approximately 74%.

Turnover for the three months ended 30th September, 2000 amounted to RMB155,753,000, whereas gross profit and net profit attributable to shareholders amounted to approximated to RMB133,647,000 and RMB123,945,000 respectively. As a result, net profit attributable to shareholders as a percentage of turnover for the three months ended 30th September, 2000 was approximately 80%.

Business Review

The Group is principally engaged in: (a) conversion engineering business, by using Greencool Refrigerants for the replacement of chlorofluorocarbon ("CFC") and some less energy-efficient CFC-free refrigerants in the refrigeration and air-conditioning systems; and (b) distribution of Greencool Refrigerants business.

The Directors believe that the Group is currently the leading player in the CFC replacement business in China.

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

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

The strong growth for the nine and three months ended 30th September, 2000 is a result of the substantial activities of marketing reinforced by the listing, business development for past two years and full operation of subsidiaries in Beijing, Shenzhen, Hainan and Hubei.



Among the total turnover for the nine months ended 30th September, 2000, RMB279,473,000 were derived from the conversion engineering business (1999: RMB20,072,000 derived from the conversion engineering business) and RMB45,143,000 were derived from the distribution business.

Corporate development

In August 2000, the Group invested US\$3,900,000 (equivalent to RMB32,291,000) as an additional capital contribution to Shenzhen Greencool for the expansion of its sales channel in South China. In August, 2000, the Group also made capital injection of US\$6,000,000 (equivalent to RMB49,679,000) and US\$1,050,000 (equivalent to RMB8,694,000) to Hubei Greencool and Hainan Greencool respectively, and cash capital requirements of Hubei Greencool and Hainan Greencool to be made by the Group have therefore been fulfilled. Hubei Greencool requires further capital contribution by intangible assets of US\$4,200,000 and equipments of US\$1,800,000 in future.

In October 2000, the relevant government authorities of Tianjin City have approved the establishment of Tianjin Greencool Environmental Protection Engineering Company Limited ("Tianjin Subsidiary") with a registered capital of US\$12,000,000.

The Group will set up Tianjin Subsidiary as a wholly owned subsidiary to deal with the huge demand which will be created by the imposition of the guidelines for the phasing out of CFC substances 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 14th July, 2000.

In order to minimize the capital expenditure, the Group has engaged a sub-contractor in Guangdong province for re-packaging Greencool Refrigerants into small packets. The sub-contractor's product quality is satisfactory and the Group may consider to establish its own factory to re-pack Greencool Refrigerants if the demand from distribution business increased substantially in the future.

Sales agents and replacement projects agents

The Group appointed 20 authorised sales agents as at 30th September, 2000. It is expected that more authorised sales agent will be appointed in the fourth quarter, 2000 which are mainly for soliciting contracts for the Group. The Group also appointed 59 authorised replacement projects agents as at 30th September, 2000 for carrying out the replacement business on cooling systems with 5 horsepowers or below. The Directors are focused more on the conversion engineering business than engaging more authorised sales or engineering agents as the conversion business is with a higher profit margin.

Training Centre

The Group is negotiating with the relevant government authorities in Guangzhou to set up a training centre to cope with the Guangzhou Government's determination and effort in phasing out CFC in Guangzhou.

Human Resources

By the end of September 2000, the Group had a total 518 staff comprising 162 staff in engineering, 235 staff in sales, 75 staff in administration and 46 staff in management functions.

Location of staff comprised of 158 staff in Beijing, 190 in Shenzhen, 101 in Hainan, 64 in Hubei subsidiaries and 5 in Hong Kong office.

In addition, the management has formulated staff incentive scheme for sales and engineering staff.



Outlook

The Directors are very pleased that the Group has successfully met the whole year's profit forecast by only the end of the third quarter. Due to seasonal effect, the turnover for the fourth quarter may expectly be less than that of the third quarter. At the meantime the Group will look into its business development plan for next year and the schedule of establishment of subsidiaries in some cities and provinces, such as Shanghai City, Fujian and Jiangsu provinces; and do some other marketing work.

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST IN SECURITIES

As at 30th September, 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 Interest	Personal/ Family/ Other Interests	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

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 September, 2000
Gu Chu Jun	28th June, 2000	HK\$2.18	10,000,000
Liu Cong Meng	28th June, 2000 26th September, 2000	HK\$2.18 HK\$1.68	3,400,000 20,000,000
Xu Wan Ping	28th June, 2000 26th September, 2000	HK\$2.18 HK\$1.68	3,400,000 20,000,000
Zhang Xi Han	28th June, 2000 26th September, 2000	HK\$2.18 HK\$1.68	3,400,000 20,000,000

The options can be exercised within five years after the date of grant. The principal terms of the option scheme are also set out in the Company's prospectus dated 5th July, 2000. All of the above share options have not been exercised so far.

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 30th September, 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.



GREENCOOL TECHNOLOGY HOLDINGS LIMITED

SPONSOR'S INTERESTS

To the best knowledge of ING Barings Asia Limited ("ING Barings"), the company's sponsor, its directors, employees and associates were not interested in the shares of the Company as at 30th September, 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 30th September, 2000.

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

Hong Kong, 7th November, 2000

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