



## **GREENCOOL TECHNOLOGY HOLDINGS LIMITED**

**格林柯爾科技控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

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**FIRST QUARTERLY REPORT**  
FOR THE QUARTER ENDED 31/03/2001

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1Q/2001



## HIGHLIGHTS FOR THE THREE MONTH PERIOD

- Revenue achieved approximately RMB49 million for the three months ended 31 March 2001, representing approximately 46% growth when compared with the same period in 2000
- Profit from operations increased to approximately RMB33 million, representing approximately 106% growth when compared with the same period in 2000
- Earnings per share rose from RMB2.1 cents for the three months ended 31 March 2000 to RMB3.0 cents for the same period in 2001
- As at 31 March 2001, the contracts in hand amounted to approximately RMB480 million



## First Quarterly Report 2001

For the quarter ended 31 March 2001

### 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.**

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*This document, 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 document 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 document misleading; and 3. all opinions expressed in this document 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 ("Board") of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months ended 31 March 2001 together with the comparative unaudited figures for the corresponding period in 2000 as follows:

	Notes	Three months ended 31 March	
		2001 RMB'000	2000 RMB'000
Revenue	(2)	49,484	33,953
Cost of sales		(8,689)	(11,296)
Gross profit		40,795	22,657
Other operating income		4,543	65
Distribution costs		(4,259)	(3,419)
Administrative expenses		(8,542)	(3,498)
Profit from operations		32,537	15,805
Finance cost		(502)	(85)
Profit before taxation		32,035	15,720
Taxation	(3)	(2,265)	–
Net profit attributable to the shareholders		29,770	15,720
Earnings per share	(4)		
– Basic		RMB3.0 cents	RMB2.1 cents
– Diluted		RMB3.0 cents	Not applicable

Notes:

### (1) Group reorganisation and basis of presentation

The Company was incorporated in the Cayman Islands under the Companies Law (Revised) of the Cayman Islands ("Company Law") as an exempted company with limited liability on 10 January 2000. Pursuant to a group reorganisation (the "Reorganisation") in preparation for the listing of the Company's shares on GEM of the Stock Exchange, the Company became the ultimate holding company of the Group on 28 June 2000. Further details of the Reorganisation are set out in the Company's prospectus dated 5 July 2000. The Company's shares were listed on GEM of the Stock Exchange on 13 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 three months ended 31 March 2000 has been prepared using the merger basis of accounting as if the group structure had been in existence since 1 January 2000, and comprise the results of the companies now comprising the Group since 1 January 2000 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.

For the three months ended 31 March 2001, the consolidated results include the unaudited operating results of the Group for the period then ended, after eliminating all significant intercompany transactions within the Group upon consolidation.

The principal accounting policies adopted in preparing the unaudited consolidated results conform to International Accounting Standards issued by the International Accounting Standards Committee.

## (2) Revenue

Revenue during the relevant periods comprised the following:

	<b>Three months ended 31 March</b>	
	<b>2001</b>	<b>2000</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Conversion engineering income	45,940	19,381
Sale of Greencool Refrigerants	3,544	14,572
	49,484	33,953
	49,484	33,953

## (3) Taxation

Taxation represents:

	<b>Three months ended 31 March</b>	
	<b>2001</b>	<b>2000</b>
	<i>RMB'000</i>	<i>RMB'000</i>
PRC income tax	2,265	-
Hong Kong profits tax	-	-
Deferred tax	-	-
	2,265	-
	2,265	-

Starting from 2001, three group companies, namely Beijing Greencool Environmental Protection Engineering Co. Ltd., Greencool Environmental Protection Engineering (Shenzhen) Co. Ltd. and Hainan Greencool Environmental Protection Engineering Co. Ltd. in the People's Republic of China ("PRC" or "China") are subject to Enterprise Income Tax at a rate of 7.5%. Save as so disclosed, all other subsidiaries of the Group in PRC enjoy tax holidays. Further details of the tax holidays of each company in the Group are set out in the Company's prospectus dated 5 July 2000 and annual report of the Company for the year ended 31 December 2000.

The Group had no income assessable under Hong Kong profits tax for the three months ended 31 March 2001 (three months ended 31 March 2000: Nil).

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

There was no material deferred taxation for the three months ended 31 March 2001 (three months ended 31 March 2000: Nil).

**(4) Earnings per share**

The calculation of the basic earnings per share for the three months ended 31 March 2001 is based on the unaudited consolidated profit attributable to shareholders of approximately RMB29,770,000 (three months ended 31 March 2000: RMB15,720,000) and the weighted average number of 1,000,000,000 shares (three months ended 31 March 2000: 750,000,000 shares) in issue. The weighted average number of shares outstanding for the three months ended 31 March 2000 is calculated assuming all ordinary shares outstanding as at 31 December 2000, except for the 250,000,000 ordinary shares issued by the Company in July 2000 in connection with the Company's listing on GEM, were outstanding throughout the period.

Diluted earnings per share is computed by dividing the consolidated net profit for the three months ended 31 March 2001 attributable to ordinary shareholders of approximately RMB29,770,000 by the weighted average number of ordinary shares outstanding during the period adjusted for the effects of all dilutive potential ordinary shares from exercise of share options.

Reconciliation of number of ordinary shares for calculation of basic and diluted earnings per share:

	<b>Three months ended 31 March 2001</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	1,000,000,000
Deemed issue of ordinary shares for no consideration	3,371,000
	1,003,371,000

Diluted earnings per share for the three months ended 31 March 2000 is not presented because there were no dilutive potential ordinary shares in existence during the period.



## **Interim Dividend**

The Board of Directors does not recommend the payment of any interim dividend for the three months ended 31 March 2001 (three months ended 31 March 2000: Nil).

## **Movement of Reserves**

There was no movement of reserves for the relevant periods in 2001 and 2000 except those disclosed as below:

	<b>Retained profits</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2001</b>	<b>2000</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Balances as of 1 January	250,493	34,369
Net profit for the three months ended 31 March	29,770	15,720
Balances as of 31 March	<u>280,263</u>	<u>50,089</u>

## **Business Review and Prospects**

### **Financial performance**

The first quarter results of the Group for 2001 showed a remarkable growth in revenue and profit. Revenue for the three months ended 31 March 2001 amounted to approximately RMB49,484,000, whereas gross profit and net profit attributable to shareholders for the same period amounted to approximately RMB40,795,000 and RMB29,770,000 respectively. As a result, net profit attributable to shareholders as a percentage of revenue for the three months ended 31 March 2001 was approximately 60%.

### **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.



In 1991, China signed the Montreal Protocol which requires that the entire nation completely eliminate CFC substances by 2010. Greencool Refrigerants are a good substitute for CFC refrigerants due to its energy saving effect and drop-in features that avoid substantial modification to existing cooling systems.

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 & Tianjin Municipality, Guangdong province, Hainan province and Hubei province of China through its wholly-owned subsidiaries.

The Group's strong growth for the three months ended 31 March 2001 is a result of the Group's significant efforts in market penetration, business development, expansion of human resources and stronger management.

Of the Group's total revenue for the three months ended 31 March 2001, approximately RMB45,940,000 was derived from replacement projects and approximately RMB3,544,000 was derived from distribution of Greencool Refrigerants in PRC.

Moreover, the Group has already applied to establish wholly-owned subsidiaries in Anhui province, Jiangsu province and Shanghai Municipality.

### **Outlook**

The Hainan provincial government has recently published new regulations to ensure the effective implementation of its environmental policy to terminate the consumption of R12, a chlorofluorocarbon refrigerant, in automobile air-conditioning systems.

The regulation requires all R12 refrigerants in automobiles to be replaced with CFC-free refrigerants, conforming to standards as set out by the PRC government. A corresponding environmental protection administration department will inspect the automobiles after the replacement. Upon approval, a certificate confirming the use of environmentally friendly refrigerants will be issued for display on the automobiles. This process constitutes the part of annual automobile inspection. All automobiles in Hainan are due for complete inspections by the end of 2001.



The CFCs in the R12 refrigerants are harmful to the environment, causing ozone depletion which leads to global warming, crop damage, threats to the survival of aquatic life, and the increasing risk of skin cancers, cataracts and other eye disorders in the human race.

The aggressive implementation of the environmental policy for automobile air-conditioning systems signifies that the Hainan provincial government is pushing forward to make Hainan province CFC-free. The Directors therefore believe that this will have a positive impact on Greencool's refrigerant distribution business. With these market opportunities, the Group is expected to grow healthily and to maintain its leading position in the environmentally friendly refrigerant market.

The Group has entered into heads of agreement with the Association of Environmental Protection Industry under the Environmental Protection Bureau of Guangzhou Municipal Government to set up a training centre in Guangzhou City. The centre is aimed at training the CFC practitioners to master the know-how of replacement with Greencool Refrigerants as well as to obtain the technology of minimizing leakage in the operation and usage of CFC and various refrigerants. Detailed terms of the agreement is under further negotiation.

The Group will continue to look into the schedule of the phasing out of CFC substances in other provinces and plan the establishment of new subsidiaries accordingly. However, the schedule for phasing out CFC substances have not yet been fixed by some of the provinces in the PRC and that may have an impact on the Company's overall business development. Although the Company is planning to set-up further new subsidiaries during this year, there is a lead-time between setting up a new subsidiary and generating business to the Group.

### ***Directors' and Chief Executive's Interest in Securities***

As at 31 March 2001, the interests of the Directors and chief executive in the shares of the Company and its associated corporations within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.40 of the Rules Governing the Listing of Securities on GEM ("GEM Listing Rules") were as follows:

**(a) Shares in the Company**

<b>Name of Director</b>	<b>Corporate Interest</b>	<b>Personal/ Family/ Other Interests</b>	<b>Total</b>	<b>Approximate Percentage of issued Shares</b>
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 approximately 71.1 per cent. of the share capital of the Company. Consequently, under the SDI Ordinance, Mr. Gu is deemed to be interested in all of the shares of the Company held by Greencool Capital Limited.

**(b) Options to subscribe for shares in the Company**

Pursuant to the Company's share option scheme adopted on 28 June 2000, certain directors of the Company have personal interests in options granted to them to subscribe for shares of the Company:

<b>Name of director</b>	<b>Date of Grant</b>	<b>Exercise price per share</b>	<b>Number of shares during the period and outstanding at 31 March 2001</b>
Gu Chu Jun	28 June 2000	HK\$2.18	10,000,000
Liu Cong Meng	28 June 2000	HK\$2.18	3,400,000
	26 September 2000	HK\$1.68	20,000,000
Xu Wan Ping	28 June 2000	HK\$2.18	3,400,000
	26 September 2000	HK\$1.68	20,000,000
Zhang Xi Han	28 June 2000	HK\$2.18	3,400,000
	26 September 2000	HK\$1.68	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 5 July 2000. All the above share options have not been exercised so far and there is no other share option scheme.

During the first quarter of 2001, no outstanding options were cancelled nor did they lapse.

Save as disclosed above, at no time during the period 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 31 March 2001, the register of shareholders maintained under Section 16(1) of the SDI Ordinance showed that the Company had been notified of the following interests, being 10% or more of the Company's issued share capital.

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

*Note:* Greencool Capital Limited is a company established in the British Virgin Islands with limited liability. Its sole shareholder and sole director is 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., Ltd. (the "Tianjin Greencool Factory"), a sino-foreign equity joint venture established in China on 3 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 28 June 2000, the Group obtained the Exclusive Distribution Right to obtain and sell Greencool Refrigerants and any further refrigerants invented by Mr. Gu in the future manufactured by Tianjin Greencool Factory in China for a term of 20 years from 31 December 1999. The Group has priority over other customers of Tianjin Greencool Factory to purchase Greencool Refrigerants from Tianjin Greencool Factory if there is not enough supply. The Exclusive Distribution Agreement also provides that, if Tianjin Greencool Factory 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 Factory 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 Company's prospectus dated 5 July 2000.

Pursuant to the Deed of Non-competition Undertaking dated 28 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 Stock 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 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 Company's prospectus dated 5 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 Company's sponsor, the directors, employees and associates of ING Barings were not interested in the shares of the Company as at 31 March 2001.

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

## ***Annual General Meeting***

In the Company's annual general meeting held on 26 April 2001, the following resolutions were passed:

1. The audited financial statements for the year ended 31 December 2000 together with the Directors' and Auditors' reports were received and adopted.
2. A final dividend of Hong Kong 5 cents per ordinary share for the year ended 31 December 2000 was approved for payment to shareholders registered on the Register of Members on 26 April 2001.
3. All directors of the Company were required to retire pursuant to the Company's articles of association but, being eligible, offered themselves for re-election and were re-elected. In addition, the Board of Directors was authorized to fix the remuneration of the directors.
4. Messrs. Arthur Andersen & Co was re-appointed the auditors of the Company until the conclusion of the next annual general meeting at a remuneration to be agreed by the Board of Directors.
5. Ordinary resolution no. 5 as set out in the Notice of Annual General Meeting dated 30 March 2001 (To grant a general mandate to the directors to allot and issue new shares) was approved.
6. Ordinary resolution no. 6 as set out in the Notice of Annual General Meeting dated 30 March 2001 (To grant a general mandate to the directors to repurchase shares of the Company) was approved.
7. Ordinary resolution no. 7 as set out in the Notice of Annual General Meeting dated 30 March 2001 (To extend the general mandate to the directors to issue new shares) was approved.



## ***Audit Committee***

The Company established an audit committee on 28 June 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 1 January 2001 to 31 March 2001.

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

Hong Kong, 7 May 2001