



## **GREENCOOL TECHNOLOGY HOLDINGS LIMITED**

**格林柯爾科技控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

### **INTERIM REPORT**

**FOR THE SIX MONTHS ENDED 30/06/2001**

2Q/2001

Terms used in this document have the same meaning as those used in the Company's prospectus dated 5 July 2000 unless otherwise defined.

## **HIGHLIGHTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2001**

- Revenue achieved approximately RMB228.9 million for the six months ended 30 June 2001, representing approximately 35.5% growth when compared with the same period in 2000
- Profit from operations increased to approximately RMB161.7 million, representing approximately 40.8% growth when compared with the same period in 2000
- Basic earnings per share for the six months ended 30 June 2001 was RMB14.91 cents
- Interim dividend of Hong Kong cents 5 per share (equivalent to RMB5.3 cents), on a total of HK\$50,000,000 (equivalent to RMB53,000,000) is declared
- As at 30 June 2001, the contracts in hand amounted to approximately RMB300 million

## INTERIM REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2001

### **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 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 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.**

*The Stock Exchange takes no responsibility for the contents of this document, 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 document.*

*This document, for which the directors of Greencool Technology Holdings Limited (the "Company") 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 for the purpose of giving information with regard to the Company. 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 Greencool Technology Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months and three months ended 30 June 2001 together with the comparative unaudited figures for the corresponding periods in 2000 as follows:

	Notes	Six months ended 30 June		Three months ended 30 June	
		2001 RMB'000	2000 RMB'000	2001 RMB'000	2000 RMB'000
Revenue	(2)	228,871	168,863	179,387	134,910
Cost of sales		(45,464)	(40,462)	(36,775)	(29,166)
Gross profit		183,407	128,401	142,612	105,744
Other operating income		11,914	-	7,371	-
Distribution costs		(9,123)	(6,990)	(4,864)	(3,571)
Administrative expenses		(24,442)	(6,532)	(15,900)	(3,034)
Other operating expenses		(34)	(21)	(34)	(1)
Profit from operations		161,722	114,858	129,185	99,138
Finance cost		(2,473)	-	(1,971)	-
Profit before tax		159,249	114,858	127,214	99,138
Taxation	(3)	(10,111)	-	(7,846)	-
Net profit attributable to the shareholders		149,138	114,858	119,368	99,138
Dividends	(4)	53,000	-	53,000	-
Earnings per share	(5)				
- Basic		14.91 cents	15.31 cents	11.94 cents	13.22 cents
- Diluted		14.63 cents	Not applicable	11.61 cents	Not applicable

Notes:

### (1) Basis of presentation

The principal accounting policies adopted in preparing the unaudited consolidated results are in accordance with International Accounting Standards ("IAS") issued by the International Accounting Standards Committee, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM.

There was a reclassification of distribution costs and administrative expenses for the corresponding period in 2000 as the amortisation of intangible assets, grouped under administrative expenses originally, is now grouped under distribution expenses.

The reclassification of expenses does not have any impact on the revenue, gross profit or net profit of the Company and the Group.

## (2) Revenue

Revenue during the periods comprised the following:

	Six months ended 30 June		Three months ended 30 June	
	2001	2000	2001	2000
	RMB'000	RMB'000	RMB'000	RMB'000
Conversion engineering income	208,075	130,043	162,135	110,662
Sale of CFC-free refrigerants	20,796	38,820	17,252	24,248
	<u>228,871</u>	<u>168,863</u>	<u>179,387</u>	<u>134,910</u>

## (3) Taxation

Taxation represents:

	Six months ended 30 June		Three months ended 30 June	
	2001	2000	2001	2000
	RMB'000	RMB'000	RMB'000	RMB'000
PRC income tax	10,111	-	7,846	-
Hong Kong profits tax	-	-	-	-
Deferred tax	-	-	-	-
	<u>10,111</u>	<u>-</u>	<u>7,846</u>	<u>-</u>

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 tax holidays of each company in the Group are set out in the Company's annual report for the year ended 31 December 2000.

The Group had no income assessable under Hong Kong profits tax for the six months and three months ended 30 June 2001 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 30 June 2001 and 2000.

**(4) Dividends**

A final dividend of HK\$50,000,000 (equivalent to RMB53,000,000) for the year ended 31 December 2000 was distributed in May 2001.

**(5) Earnings per share**

The calculation of the basic earnings per share for the six months ended 30 June 2001 is based on the unaudited consolidated profit attributable to the shareholders of approximately RMB149,138,000 (six months ended 30 June 2000: RMB114,858,000) and the weighted average number of 1,000,000,000 shares (six months ended 30 June 2000: 750,000,000 shares) in issue.

The calculation of the basic earnings per share for the three months ended 30 June 2001 is based on the unaudited consolidated profit attributable to the shareholders of approximately RMB119,368,000 (three months ended 30 June 2000: RMB99,138,000) and the weighted average number of 1,000,000,000 shares (three months ended 30 June 2000: 750,000,000 shares) in issue.

The weighted average numbers of shares outstanding for the six months and three months ended 30 June 2000 are calculated assuming all ordinary shares outstanding at 31 December 2000, except for the 250,000,000 ordinary shares issued in July 2000 through placing, were outstanding throughout 1999.

Diluted earnings per share is computed by dividing the unaudited consolidated net profit for the six months and three months ended 30 June 2001 attributable to ordinary shareholders of approximately RMB149,138,000 and RMB114,858,000 respectively by the weighted average number of ordinary shares outstanding during the periods 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>Six months ended 30 June 2001</b>	<b>Three months ended 30 June 2001</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	1,000,000,000	1,000,000,000
Deemed issue of ordinary shares for no consideration	19,345,000	28,473,000
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Weighted average number of ordinary shares used in calculating diluted earnings per share	1,019,345,000	1,028,473,000
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Diluted earnings per share for the six months and three months ended 30 June 2000 is not presented because there were no dilutive potential ordinary shares in existence during the periods.

### **Interim Dividend**

The Board has declared an interim dividend of Hong Kong cents 5 per share (equivalent to RMB5.3 cents), a total of HK\$50,000,000 (equivalent to RMB53,000,000) for the year ending 31 December 2001. The dividend will be paid on Tuesday, 11 September 2001 to shareholders whose names are on the register of shareholders of the Company on Thursday, 30 August 2001. To enable the Company's Registrars to complete the necessary work associated with this payment, the Company's register of shareholders will be closed on Friday, 31 August 2001 during which period no share transfer will be effected. In order to qualify for the 2001 interim dividend, shareholders must lodge their transfer with all relevant share certificates with the Company's Hong Kong branch share registrar, Hong Kong Registrars Limited, at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong, not later than 4:00 p.m., Thursday, 30 August 2001.

## 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>Six months ended 30 June</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
Net profit for the three months ended 30 June	119,368	99,138
Balances as of 30 June	399,631	149,227

## Business Review and Prospects

### Financial Performance

The interim results of the Group for the fiscal year of 2001 showed a strong growth in revenue and profit. Revenue for the six months ended 30 June 2001 amounted to approximately RMB228,871,000, whereas gross profit and net profit attributable to shareholders amounted to approximately RMB183,407,000 and RMB149,138,000 respectively. As a result, net profit attributable to shareholders as a percentage of revenue for the six months ended 30 June 2001 was approximately 65.2%.

Revenue for the three months ended 30 June 2001 amounted to approximately RMB179,387,000, whereas gross profit and net profit attributable to shareholders amounted to approximately RMB142,612,000 and RMB119,368,000 respectively. As a result, net profit attributable to shareholders as a percentage of revenue for the three months ended 30 June 2001 was approximately 66.5%.

### Business Review

The Group is principally engaged in:

- (a) the conversion engineering, which is the replacement of chlorofluorocarbon ("CFC") and less energy-efficient CFC-free refrigerants with Greencool Refrigerants in refrigeration and air-conditioning systems and;



- (b) 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.

Currently the Group's conversion engineering and distribution business are mainly conducted in Beijing and Tianjin Municipality, Guangdong province, Hainan province and Hubei province of China through its wholly-owned subsidiaries.

The Group's strong growth for the six months ended 30 June 2001 is a result of the Group's significant efforts in market penetration, business development, expansion of human resources and stronger management.

Among the total revenue for the six months ended 30 June 2001, RMB208,075,000 was derived from the conversion engineering and approximately RMB20,796,000 was derived from the distribution of Greencool Refrigerants in PRC.

Subsequent to the period ended 30 June 2001, Greencool Environmental Protection Engineering (Shenzhen) Co., Ltd. ("Shenzhen Greencool") acquired a property in Shenzhen for office purpose for a consideration of approximately RMB9.2 million and it is expected that Shenzhen Greencool's existing rental expenses of office will be reduced in future.

### ***Comparison of business objectives with actual business Progress***

Business objectives as stated in the prospectus dated 5 July 2000	Actual business progress/change in business objective (if any)
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#### ***Marketing***

1. *Promotional efforts*

In line with the establishment of extensive nationwide distribution network, marketing focus will be in the regional level

Advertised in major regional newspapers and mass media in China.

2. *Government support*

Secure supports from two to four provincial governments

Actively conducted meetings with relevant authorities of Shanghai Municipality, Jiangsu and Anhui provinces with regard to expansion of business in those areas and all those local authorities' responses are positive.

## Sales channels

### 1. Own network

Establish six to nine companies in different provinces of China

The Group plans to set up 3 new subsidiaries, each in Shanghai, Jiangsu and Anhui province this year. The number of subsidiaries is less than the original plan because the management would like to focus on affluent areas along the coastal region.

Set up five to eight representative offices serving peripheral areas around Beijing, Liaoning province and Shanxi province in China

The setting up of additional representative offices is deferred because the Group has decided not to set up new subsidiaries in Liaoning and Shanxi provinces this year. Instead, the Group has set up representative offices in Shantou and Guangzhou in Guangdong province. This is in line with the Group's current development strategies.

### 2. Authorised sales agent network

Appoint about 100-150 authorised sales agents

As the Group finds that in house sales force is more efficient and cost effective, at the end of June 2001, the Group appointed 29 authorised sales agents. Instead, the Group had substantially strengthened its own sales force with a total of 331 sales staff as at the end of June 2001.

### 3. Authorised replacement project agent network

Appoint about 300-400 authorised replacement project agents

The Group appointed 84 authorised replacement project agents as at the end of June 2001, which was less than expected due to resources being reallocated to dealing with the heavy demand for CFC replacement work which has a higher profit margin.

### ***New product market***

The plant for packaging smaller size of Greencool Refrigerants commences operation

In order to minimize capital expenditure, the Group continues to use a sub-contractor in Guangdong province for the packaging of small packets of Greencool Refrigerants. The Group has decided not to build the small packets plant.

### ***Service quality***

Further improve the service training center

The Group is planning for the set-up of a training center in Guangzhou and is in good progress.

Set up monitor and quality assurance system

As an after sales service, the Group will have sales staff and engineers to monitor our customers' satisfaction level, with the support of the performance data of the air-conditioning and refrigeration systems which was recorded in a quarterly system performance review. Moreover, all engineers will have to take monthly internal examinations in order to make sure they have competent skills and knowledge to provide quality services.

### ***Research and development and training center***

Facility in Shenzhen for research and development as well as training in full operation

The management has decided to combine the research and development facilities with the training center in Guangzhou instead of setting it up in Shenzhen.

### ***Investment***

Invest about RMB 600-800 million

In May 2001, the Group had injected US\$1.2 million (approximately RMB9.9 million) to a subsidiary in Tianjin.

### ***Use of proceeds***

Up to approximately HK\$440 million to set up subsidiaries

As mentioned above, US\$1.2 million (approximately HK\$9.4 million) was injected to a subsidiary in Tianjin. Up to 30 June 2001, an aggregate of approximately HK\$10.7 million of proceeds had been used to set up subsidiaries.

Up to approximately HK\$150 million as additional contribution to Shenzhen Greencool, Hainan Greencool and Hubei Greencool

No additional contribution was made during the period from January to June 2001. Up to 30 June 2001, an aggregate of approximately HK\$85.4 million of proceeds had been injected as additional capital contribution.

Up to approximately HK\$30 million as advertising and public relation activities

Around HK\$1 million was used in advertising and public relation activities. Up to 30 June 2001, an aggregate of approximately HK\$3 million of proceeds had been used in this respect.

Up to approximately HK\$50 million to set up a facilities in Shenzhen for research and development as well as training activities for engineers

The set-up of research and development and training facilities has been deferred and, therefore, no material expenditure has been incurred in this respect. As the Company has decided to relocate the site of facilities to Guangzhou, the HK\$50 million will be used by the facilities in Guangzhou for research, development and training in the future.

## Outlook

In July 2001, Beijing was selected to be the host city for the Olympic Games in 2008 ("Olympic 2008").

"Green Olympics" is one of the themes of Beijing's guideline for hosting the Olympic 2008. As stated in the public announcement of the Chinese Government, China will invest a total of RMB45 billion in protecting the ecological environment in coming five years.

After committed to bid as the host city for Olympic 2008, in December 1999, Beijing Municipal Government announced 首都二四八重大創新工程 (the "Capital 248 Major Creative Engineering Projects" or "248 Project") which is a plan of modernizing Beijing through substantial investment in technology and related infrastructure projects within a five year period.

Ozone layer protection project, one of the major projects so mentioned in 248 Project, aims to make Beijing a "Non-CFC City" and "Green City".

The implementation of ozone layer projection project is aiming at cutting down the consumption of ozone depletion substances, pushing forward the relevant research and investment in the industry.

Greencool Refrigerants are recognized by the State Environmental Protection Administration of China as environmental friendly products. They will play an important role in ozone layer protection projects.

The Group's management believes that the success of getting the host city for Olympic 2008 is a catalyst to the implementation of 248 Project because the public's passion and confidence to the future development will accelerate the progress of relevant projects. The management expects that multi-billion renminbi business potential to the Group because substantial investment will be put into ozone layer protection projects as well as investment in new facilities that would require the air-conditioning and refrigeration systems.

The Group will actively market Greencool Refrigerants to 248 Project and Olympic 2008 projects and to convince people to use Greencool Refrigerants in air-conditioning and refrigeration systems in the Olympic 2008 related facilities.

Having extensive experience in conducting business in Beijing, our management has confidence in procuring additional business from 248 Project and Olympic 2008 projects.

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

As at 30 June 2001, the interests of the Directors, chief executive and their associates in the shares of the Company 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	616,150,000	–	616,150,000	61.6

Gu Chu Jun ("Mr. Gu") is the sole shareholder and sole director of Greencool Capital Limited which is the holder of 616,150,000 shares, representing approximately 61.6 per cent. of the issued 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:

Name of director	Date of Grant	Exercise price per share	Number of shares
			during the period and outstanding at 30 June 2001
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 of the above share options have not been exercised so far and there is no other share option scheme.

During the second quarter of 2001, no outstanding options were cancelled or lapsed.

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 executive 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 30 June 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.

Name	Number of Shares	Approximate percentage of holding
Greencool Capital Limited (Note)	616,150,000	61.6

Note: Greencool Capital Limited is a company incorporated 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.

Save as disclosed above, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the period from 1 January 2001 to 30 June 2001.

### ***Sponsor's Interests***

To the best knowledge of ING Barings Asia Limited ("ING Barings"), the Company's sponsor, ING Barings, its directors, associates and employees held 60,000 shares (0.006% of the issued share capital) of the Company as at 30 June 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.

### ***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 30 June 2001.

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

Hong Kong, 8 August 2001