



## **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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**THIRD QUARTERLY REPORT**  
**FOR THE QUARTER ENDED 30/09/2001**

3Q/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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2001**

- Revenue achieved approximately RMB467.6 million for the nine months ended 30 September 2001, representing approximately 44.0% growth of the revenue when compared with the same period in 2000
- Profit from operations increased to approximately RMB335.5 million, representing approximately 40.5% growth when compared with the same period in 2000
- Basic earnings per share for the nine months ended 30 September 2001 was approximately RMB31.2 cents

## Third Quarterly Report 2001

For the nine months ended 30 September 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.

*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 document, for which the directors ("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 of Hong Kong Limited 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 the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the nine months and three months ended 30 September 2001 together with the comparative unaudited figures for the corresponding periods in 2000 as follows:

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2001 RMB'000	2000 RMB'000	2001 RMB'000	2000 RMB'000
Revenue	(2)	467,601	324,616	238,730	155,753
Cost of sales		(93,595)	(62,568)	(48,131)	(22,106)
Gross profit		374,006	262,048	190,599	133,647
Other operating income		17,630	6,664	5,716	6,663
Distribution costs		(14,838)	(10,720)	(5,715)	(3,730)
Administrative expenses		(41,213)	(19,166)	(16,771)	(12,634)
Other operating expenses		(42)	(22)	(8)	(1)
Profit from operations		335,543	238,804	173,821	123,945
Finance cost		(3,904)	-	(1,431)	-
Profit before tax		331,639	238,804	172,390	123,945
Taxation	(3)	(19,685)	-	(9,574)	-
Net profit attributable to the shareholders		311,954	238,804	162,816	123,945
Dividends	(4)	106,000	-	53,000	-
Earnings per share	(5)				
- Basic		RMB31.20 cents	RMB29.02 cents	RMB16.28 cents	RMB15.06 cents
- Diluted		RMB30.59 cents	RMB28.78 cents	RMB15.83 cents	RMB14.94 cents

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 certain 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 costs.

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:

	Nine months ended 30 September 2001		Three months ended 30 September 2001	
	RMB'000	RMB'000	RMB'000	RMB'000
Conversion engineering income	426,993	279,473	218,918	149,429
Sale of CFC-free refrigerants	40,608	45,143	19,812	6,324
	<u>467,601</u>	<u>324,616</u>	<u>238,730</u>	<u>155,753</u>

## (3) Taxation

Taxation represents:

	Nine months ended 30 September 2001		Three months ended 30 September 2001	
	RMB'000	RMB'000	RMB'000	RMB'000
PRC income tax	19,685	-	9,574	-
Hong Kong profits tax	-	-	-	-
Deferred tax	-	-	-	-
	<u>19,685</u>	<u>-</u>	<u>9,574</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 nine months and three months ended 30 September 2001 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 30 September 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.

An interim dividend of HK\$50,000,000 (equivalent to RMB53,000,000) for the year ending 31 December 2001 was declared in August 2001 and distributed in September 2001.

#### **(5) Earnings per share**

The calculation of the basic earnings per share for the nine months ended 30 September 2001 is based on the unaudited consolidated profit attributable to the shareholders of approximately RMB311,954,000 (nine months ended 30 September 2000: RMB238,804,000) and the weighted average number of 1,000,000,000 shares (nine months ended 30 September 2000: 822,993,000 shares) in issue.

The calculation of the basic earnings per share for the three months ended 30 September 2001 is based on the unaudited consolidated profit attributable to the shareholders of approximately RMB162,816,000 (three months ended 30 September 2000: RMB123,945,000) and the weighted average number of 1,000,000,000 shares (three months ended 30 September 2000: 822,993,000 shares) in issue.

The weighted average numbers of shares outstanding for the nine months and three months ended 30 September 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 nine months and three months ended 30 September 2001 attributable to ordinary shareholders of approximately RMB311,954,000 and RMB162,816,000 (nine months and three months ended 30 September 2000: RMB238,804,000 and RMB123,945,000) respectively by the weighted average number of ordinary shares outstanding during the periods adjusted for the effects of all dilutive potential ordinary shares from the exercise of share options.

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

	Nine months ended		Three months ended	
	30 September		30 September	
	2001	2000	2001	2000
	RMB'000	RMB'000	RMB'000	RMB'000
Weighted average number of ordinary shares used in calculating basic earnings per share	1,000,000,000	822,993,000	1,000,000,000	822,993,000
Deemed issue of ordinary shares for no consideration	19,852,000	6,667,000	28,473,000	6,667,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>1,019,852,000</u>	<u>829,660,000</u>	<u>1,028,473,000</u>	<u>829,660,000</u>

### Interim Dividend

On 12 November 2001, the Board declared a second 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 Wednesday, 12 December 2001 to shareholders whose names are on the register of shareholders of the Company on Thursday, 29 November 2001. To enable the Company's Registrars to complete the necessary work associated with this payment, the register of shareholders will be closed on Friday, 30 November 2001 during which period no share transfer will be effected. In order to qualify for the 2001 second interim dividend, shareholders must lodge their transfer with all relevant share certificates to 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 4:00p.m., Thursday, 29 November 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>Nine months ended</b>	
	<b>30 September</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 nine months ended 30 September	311,954	238,804
Distribution of dividend	(106,000)	-
	<hr/>	<hr/>
Balances as of 30 September	<u>456,447</u>	<u>273,173</u>

## ***Business Review and Prospects***

### ***Financial Performance***

The third quarter results of the Group for the fiscal year of 2001 showed a strong growth in revenue and in profit. Revenue for the nine months ended 30 September 2001 amounted to approximately RMB467,601,000, whereas gross profit and net profit attributable to the shareholders amounted to approximately RMB374,006,000 and RMB311,954,000 respectively. As a result, net profit attributable to shareholders as a percentage of revenue for the nine months ended 30 September 2001 was approximately 66.7%.

Revenue for the three months ended 30 September 2001 amounted to approximately RMB238,730,000, whereas gross profit and net profit attributable to the shareholders amounted to approximately RMB190,599,000 and RMB162,816,000 respectively. As a result, net profit attributable to shareholders as a percentage of revenue for the three months ended 30 September 2001 was approximately 68.2%.



## **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 nine months ended 30 September 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 nine months ended 30 September 2001, approximately RMB426,993,000 was derived from conversion engineering and approximately RMB40,608,000 was derived from the distribution of Greencool Refrigerants in China.

## **Outlook**

The Board of Directors believes that the economy of China will continuously enjoy the growth in domestic market due to the relatively stable business environment in the coming few years.

Moreover, China's entry into the World Trade Organization is imminent and is expected to bring additional foreign investments to China.

Stable business environment is conducive to bringing new opportunities and prosperity as well as additional demand for high quality, environmentally friendly refrigeration and air-conditioning systems and products.

New subsidiaries were set up in Jiangsu Province and Shanghai Municipality in September 2001 and October 2001 respectively to cope with the expected surge in demand for CFC-free refrigerants in those markets.

In August 2001, Jiangsu Province issued a guideline to accelerate the phasing out of ozone depletion substances. Such guideline recommended all enterprises to use environmentally friendly substances to replace ozone depletion substances and disallowed the usage of CFC refrigerants in new equipments which are produced for industrial and commercial air-conditioning systems used in public areas from 1 January 2003. Moreover, the top up of CFC refrigerants, for industrial and commercial air-conditioning systems, will be disallowed from 1 January 2005.

In October 2001, Wen Zhou Municipal Government in Zhejiang Province also issued a guideline that accelerates the phasing out of ozone depletion substances. Under that guideline, CFC substances will be phased out by the end of 2005.

The Board of Directors believes that more provinces and cities would follow the practice of Jiangsu Province and the Wen Zhou Municipal Government in order to improve their environment.

The Board of Directors also expects that the electricity price along the coastal cities of China will be stable due to the balancing effect from growing demand for electricity and additional supply from new power plants, thus there is no requirement to adjust the existing marketing strategy of the Group.

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

As at 30 September 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	621,540,000	-	621,540,000	62.15

Gu Chu Jun ("Mr. Gu") is the sole shareholder and sole director of Greencool Capital Limited which is the holder of approximately 62.15 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:

<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 30 September 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 of the above share options have not been exercised so far and there is no other share option scheme.

During the third 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 September 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 ( <i>Note</i> )	621,540,000	62.15

*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., Limited (the "Tianjin Greencool Factory"), a sino-foreign equity joint venture established in China on 3 March 1995 and is controlled by Mr. Gu.

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

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 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.

Saved 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 September 2001.

### ***Sponsor's Interest***

ING Bank N.V. ("ING Bank"), and its subsidiaries and affiliated companies (together with ING Bank, the "ING Group") have recently undergone a rationalisation of businesses and have consolidated the number of legal entities through which ING Barings, a division of ING Bank, conducts its businesses within the ING Group. The purpose of the rationalisation and consolidation was to build a single wholesale organisation offering a comprehensive range of services to ING Group's international clients. All the staff and corporate finance activities of ING Bank's wholly owned subsidiary, ING Barings Asia Limited ("IBAL"), were transferred to ING Bank with effect from 1 July 2001 and, accordingly, IBAL applied to the Exchange for permission to transfer its GEM Sponsorship to ING Bank.

On 27 September 2001, ING Bank obtained the approval from the Exchange for the transfer of the registration as a Sponsor (as defined in Rule 6.66 of the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM Listing Rules")) from IBAL to ING Bank. ING Bank, a banking

corporation duly organised and existing under the law of The Netherlands, is an exempt dealer under the Securities Ordinance and an Authorised Institution under the Banking Ordinance in Hong Kong SAR.

The Company entered into a sponsor agreement (the "Sponsor Agreement") with IBAL pursuant to GEM Listing Rules 6.01 and 17.81 on 4 July 2000, whereby the Company appointed IBAL as the continuing sponsor to the Company for the period ending 31 December 2002. The Sponsor Agreement has accordingly been terminated and a new sponsor agreement was signed between the Company and ING Bank on 12 November 2001. ING Bank is pleased to announce that it will serve as the replacement Sponsor of the Company until 31 December 2002.

To the best knowledge of ING Bank, the Company's sponsor, ING Bank, its directors, employees or associates did not hold any shares of the Company as at 30 September 2001.

### **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 September 2001.

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

Hong Kong, 12 November 2001