



GREENCOOL TECHNOLOGY HOLDINGS LIMITED

格林柯爾科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

GREENCOOL

ANNUAL REPORT 2001

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET  
(THE "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 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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## Highlights for The Twelve Month Period

- Revenue achieved approximately RMB516 million for the twelve months ended 31st December 2001, representing an increase of approximately 42 per cent. as compared with the same period in 2000
- Profit from operations increased to approximately RMB339 million, representing an increase of approximately 26 per cent. compared with the same period in 2000
- Interim dividend of HK cents 10 per share paid and a final dividend of HK cents 5 per share proposed
- New subsidiaries were set up in Jiangsu Province, Beijing and Shanghai
- As at 28th February, 2002, the contracts in hand amounted to approximately RMB352 million

### **BOARD OF DIRECTORS**

#### *Executive Directors*

Gu, Chu Jun (*Chairman & CEO*)

Hu, Xiao Hui (*Vice Chairman*)

Liu, Cong Meng

Xu, Wan Ping

Chen, Chang Bei

Zhang, Xi Han

Su, Xue Zhi

#### *Independent non-executive Directors*

Fan, Jia Yan

Margaret Man

### **COMPLIANCE OFFICER**

Chen, Chang Bei

### **COMPANY SECRETARY**

Mok, Henry Wing Kai,

FCCA, FHKSA, MBA, MSc

### **QUALIFIED ACCOUNTANT**

Mok, Henry Wing Kai,

FCCA, FHKSA, MBA, MSc

### **AUDIT COMMITTEE**

Fan, Jia Yan (*Chairman*)

Margaret Man

Hu, Xiao Hui

### **SPONSOR**

ING Bank N. V.

### **AUTHORISED REPRESENTATIVES**

Zhang, Xi Han

Chen, Chang Bei

### **AUDITORS**

Arthur Andersen & Co

### **WEBSITE ADDRESS**

[www.greencool.com.hk](http://www.greencool.com.hk)

### **HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA**

Room 1701-1739

Tai Feng Hui Zhong Mansion

No. 120 Zhushikou Xi Street

Xuanwu District

Beijing 100050 PRC

### **HONG KONG LIAISON OFFICE**

Unit 1406-07,

14/F., West Tower,

Shun Tak Centre

168-200 Connaught Road

Central,

Hong Kong

### **REGISTERED OFFICE**

Century Yard, Cricket Square

Hutchins Drive

P.O. Box 2681GT

George Town

Grand Cayman

British West Indies

### **PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

Bank of Butterfield International

(Cayman) Limited

Butterfield House

Fort Street, P.O. Box 705

George Town

Grand Cayman

The Cayman Islands

British West Indies

### **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

Hong Kong Registrars Limited

2nd Floor, Vicwood Plaza

199 Des Voeux Road Central

Hong Kong

### **PRINCIPAL BANKER**

Agricultural Bank of China

Citic Ka Wah Bank Ltd.

### **INVESTOR RELATIONS CONSULTANT**

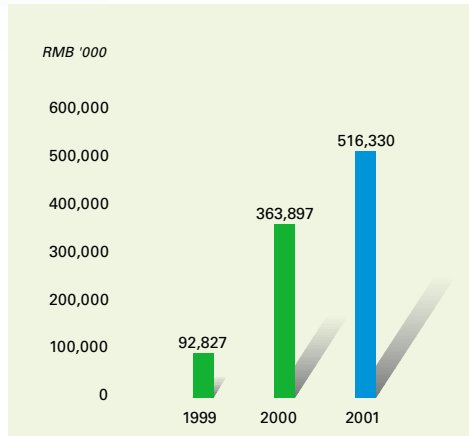
Strategic Financial Relations

(China) Limited

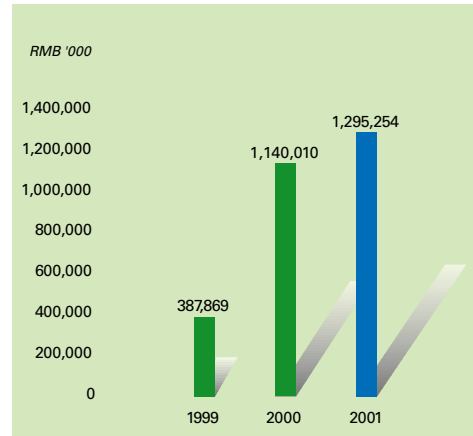
# GREENCOOL

## Financial Highlights

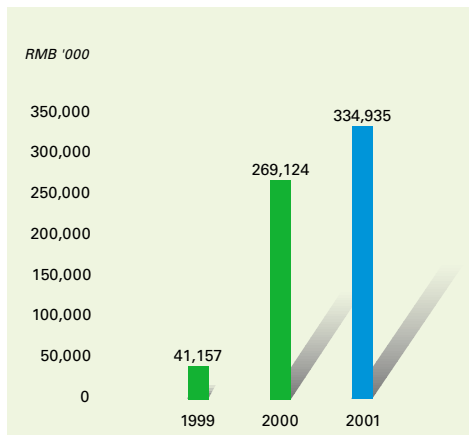
**Revenue**



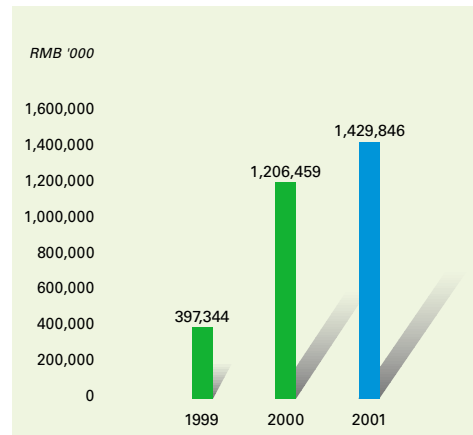
**Total Share Capital & Reserves**



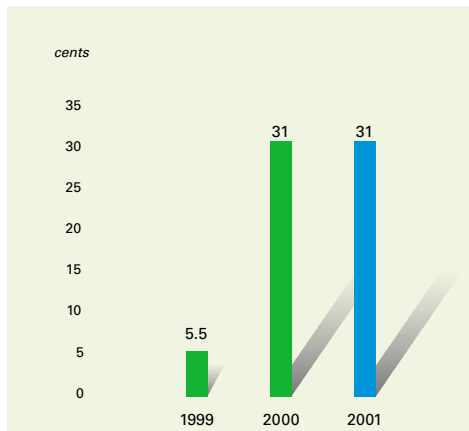
**Profit before tax**



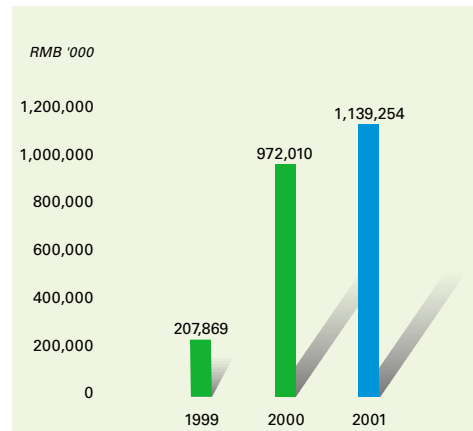
**Total Assets**



**Earnings per share (basic)**



**Net Tangible Assets**



# Business Territories of *Greencool*

# CHINA

Qinghai

Gansu

Sichuan

Guizhou

Shanxi

Shanxi

Hunan

Hebei

Shandong

Henan

Hubei

Anhui

Shenzhen

Zhuhai

Hainan

Jiangsu

Anhui

Jiangxi

Fujian

Zhejiang

Shanghai

● *Current subsidiaries*

● *Plan to set up subsidiaries in those area*





**Gu Chu Jun** *Chairman*

In 2001, Greencool recorded an audited revenue and net profit of approximately RMB516 million and RMB314 million, an increase of 42% and 17% respectively when compared to 2000. Earnings per share were RMB31 cents. The Board of Directors propose a final dividend of HK5 cents per share for shareholders and if this is approved by shareholders, this brings total dividend for the year to HK15 cents per share.

The business growth in 2001 was mainly driven by the increased rate of expansion in the Group's conversion engineering business. Apart from stepping up marketing efforts, customers' appreciation of the energy-saving levels of Greencool Refrigerants was also a key factor for the rapid development of the Group. We will strive to maintain steady growth of our conversion engineering business, and at the same time seek more opportunities to enhance the performance of our distribution business to pave the way for a brighter future for the Group.

During the period under review, the Group has set up new subsidiaries in Jiangsu province and Shanghai to capture the business growth opportunities arising from these two rapidly developing economies. The Group also established a training center in Hubei province to improve staff quality and strengthen their technical skills, further consolidating the Group's market leadership. In addition, in response to the central government policy, the governments of Jiangsu province and Wenzhou municipal in Zhejiang province have announced their intention to speed up the elimination of use of CFC substances, which is a development the Directors believe is highly beneficial to the Group for its market expansion.

With China's accession into the World Trade Organization, the demand for air-conditioning and refrigerating systems will surge accordingly, creating excellent business prospects for the Group. We also expect to benefit tremendously from Beijing's recent pledge to build a CFC-free environmentally friendly city for the 2008 Olympic Games.



## Chairman's Statement

In 2002, Greencool plans to establish new subsidiaries in Anhui, Fujian and Jiangxi provinces to reach more markets in the coastal affluent region and cooperates with their local plans of phasing out CFC substances. Being the exclusive distributor of Greencool Refrigerants in China, the Group is assessing and exploring with refrigerator and air-conditioner manufacturers the feasibility of adopting Greencool Refrigerants in their products to expand the distribution business of its refrigerants.

Greencool was named as one of the "World's Best 200 Small Companies" by Forbes Global in October 2001, and as one of the "Best Small Company" by AsiaMoney in December 2001. We are honored that investors recognize our efforts. In fact, there has not been any change in the Group's fundamentals. The refrigerants we offer are not only CFC-free (and therefore more environmentally friendly), but also have energy-saving advantages which is particularly important to and highly welcomed by the PRC market. To fulfill its obligation as a signatory of the Montreal Protocol, the PRC Government is committed to phasing out CFC substances by 2010. In view of both positive internal and external factors, and our relatively small market share in this huge market of the PRC, there still exists tremendous market potential for our expansion.



The Group has strong financial standing and will continue to provide high-quality technologies and services. It has also won strong support from local governments. In future, Greencool pledges to work closely with the government to build a CFC-free China, and will strive to become the market leader in China's environmental protection industry.

I would like to thank all the management and staff of our Group who share the same vision of creating substantial shareholders' value and a better environment for living.



**Gu Chu Jun**

*Chairman*

26th March 2002

## Report of The Directors

The Board of Directors ("Board") of Greencool Technology Holdings Limited ("the Company") is pleased to present their annual report and the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred as the "Group") for the year ended 31 December 2001.

### **REORGANISATION**

The Company was incorporated in Cayman Islands under the Companies Law (Revised) of the Cayman Islands ("Company Law") as an exempted company with limited liability on 10 January 2000. Pursuant to a group reorganization (the "Reorganization") in preparation for the listing of the Company's shares on The Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the ultimate holding company of the Group on 28 June 2000.

### **PRINCIPAL ACTIVITIES**

The Group is principally engaged in:

- (a) Conversion engineering: which means the replacement of chlorofluorocarbon ("CFC") and less energy-efficient CFC-free refrigerants with Greencool Refrigerants in refrigeration and air-conditioning systems; and
- (b) Sale of CFC-free refrigerants (collectively namely "Greencool Refrigerants").

# GREENCOOL

## Report of The Directors

### FINANCIAL RESULTS

(Expressed in thousands of RMB except for earnings per share)

	For the year ended 31 December	
	2001 RMB'000	2000 RMB'000
Revenue (Note)	<b>516,330</b>	363,897
Cost of sales	<b>(105,604)</b>	(67,724)
Gross profit	<b>410,726</b>	296,173
Other operating income	<b>25,871</b>	16,916
Distribution costs	<b>(28,431)</b>	(15,048)
Administrative expenses	<b>(68,801)</b>	(28,824)
Profit from operations	<b>339,365</b>	269,217
Finance cost	<b>(4,430)</b>	(93)
Profit before tax	<b>334,935</b>	269,124
Income tax expense	<b>(20,593)</b>	–
Profit attributable to shareholders	<b>314,342</b>	269,124
Dividends paid	<b>159,000</b>	53,000
Earnings per share		
– Basic	<b>RMB31 cents</b>	RMB31 cents
– Diluted	<b>RMB31 cents</b>	RMB31 cents

Note:

Revenue:

	For the year ended 31 December	
	2001 RMB'000	2000 RMB'000
Conversion engineering income	<b>476,726</b>	318,040
Sale of Greencool Refrigerants	<b>39,604</b>	45,857
	<b>516,330</b>	363,897

All revenue was derived in the PRC for the year ended 31 December 2001.

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### BUSINESS REVIEW

The Group is principally engaged in conversion engineering, which represents the replacement of 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 distribution business includes mainly the marketing and sale of Greencool Refrigerants to a number of authorized replacement project agents in China.



The total revenue for 2001 is approximately RMB516 million (2000: RMB364 million). The management is pleased that the Group has achieved an increase of approximately 42% in total revenue. In 2001, the income from conversion engineering accounts for around 92% of the total revenue while the distribution business accounts for around 8% of the total revenue.

Gross profit margin has been maintained at a high level of 80% (2000: 81%) because the Group maintained its leadership and competitive advantages in the market.

For 2001, profit attributable to shareholders amounted to RMB 314 million (2000: RMB269 million) representing 61% of total revenue (2000: 74%)

Decrease in percentage for profit attributable to shareholders divided by total revenue was mainly due to increases in administrative expenses such as rental, staff costs, advertising and promotion expenses and income tax expenses.

#### Conversion engineering

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 input of more than five horsepower), such as banks, telecommunication companies, hotels, shopping centres, restaurants, warehouses and cold storage, supermarkets, and recreational centers in China.

In 2001, the revenue from conversion engineering achieved a new record of RMB477 million, representing a growth of 50% as compared to that of 2000.

The Directors believe that the Group is currently the leading player in the conversion engineering business market in China.

### **Distribution business**



The Group's distribution business is conducted primarily with authorised replacement project agents in China. Generally, the Group supplies Greencool Refrigerants to the authorized replacement project agents, who will undertake replacement projects for small scale refrigeration and air-conditioning systems (usually with an input of five horsepowers or below).

By the end of 2001, the Group had appointed 92 authorised replacement project agents (2000: 75). Although there was an increase in number of replacement project agents, the business of distribution showed a slight decrease. The management believes that this is due to the seasonal demand for repair and maintenance services of small scale refrigeration and air-conditioning systems. In order to bring in more distribution business, the management has contacted certain manufacturers of refrigeration and air-conditioning equipment and invited those manufacturers to assess and explore the application of Greencool Refrigerants in their existing products or new products.

The management believes that the energy-saving feature of Greencool Refrigerants can improve the performance of certain refrigeration and air-conditioning systems as well as their competitiveness.

### **Market coverage**

Currently, the Group's businesses are mainly conducted in Beijing, Tianjin, Guangdong province, Hainan province, and Hubei province. In the second half year of 2001, the Group set up three new subsidiaries in Jiangsu province, Shanghai and Beijing respectively.



### **LIQUIDITY AND FINANCIAL RESOURCES**

The Group maintained a strong financial position with approximately RMB1,295 million shareholders' equity as at 31st December 2001 (2000: RMB1,140 million) and RMB1,139 million net tangible assets (2000: 972 million).

## Report of The Directors

As at 31st December 2001, the Group had a total of RMB851 million (2000: RMB851 million) cash and bank deposits that represent 66% (2000: 75%) of shareholders' equity. Cash and bank deposits are usually treated as liquid assets.

As at 31st December 2001, the net current assets ( representing total current assets less total current liabilities) amounted to approximately RMB1,095 million (2000: RMB946 million) represents 85% (2000: 83%) of shareholders' equity.

In 2001, the Group significantly increased its administrative expenses as a result of its increased activities in marketing and promotion.

### Short term borrowings and gearing ratio

The Group intended to build up credit history with banks in the People's Republic of China ("PRC") for the Group's possible future funding. The Group opened standby letters of credit against its cash deposit in a bank in Hong Kong to banks in PRC which offered loan facilities to subsidiaries of the Group.



As of 31st December 2001, the Group's short-term bank loans amounted to RMB80,000,000. These bank loans bore interest ranging from 4.65%-5.589% per annum are repayable within one year.



The Group's gearing ratio, measured in terms of total bank borrowings divided by shareholders equity, was 6.18% as at 31st December 2001 (2000: 1.75%). As of 31st December 2001, the Group's cash and cash equivalent, net of total bank borrowings, amounted to RMB777 million (2000: RMB835 million).

### Trade receivables

By end of 2001, the total gross trade receivables amounted to RMB102 million, around 20% of total revenue in 2001 (2000: around 24%). The decrease in the ratio of receivables to revenue represents the Group's tightened control in credit control and debt collection.

The management understands that around 12% of gross trade receivables are of aging over 180 days but less than 365 days. The marketing and sales staff and our management have reviewed the creditability of all customers relating to receivables aging over 180 days and have made specific provision for all receivables that are doubtful debts according to the particular circumstances.

The Group has provided approximately RMB5 million for provision of doubtful debts, which represents around 5% of the total gross trade receivables as of 31st December 2001. The directors believe that stronger control in credit control and debt collection can protect the interest of the Company and the shareholders.



### **Contingent liabilities**

As at 31 December 2001, the Group had no significant contingent liabilities.

### **Exposure to fluctuation of Foreign Exchange Rates**

The management believe that the Group does not have much exposure to fluctuation of foreign exchange rates because majority of the Group's assets, liabilities, revenue and expenses are denominated in currency of Renminbi and the reporting currency of the Group is also in Renminbi.



Moreover, as at the year end of 2001, the Group had some bank deposits in foreign currencies, mainly in Hong Kong dollars of which exchange rate to Renminbi was also stable in 2001.

As at the year end of 2001, the Group did not have any material liabilities in foreign currencies.

### **COST OF SALES**

The Group's cost of sales relates only to the cost of Greencool Refrigerants purchased from Greencool Refrigerant (China) Co., Ltd ("Tianjin Greencool Factory"). Under the exclusive distribution agreement dated 28 June 2000 (the "Exclusive Distribution Agreement"), Tianjin Greencool Factory will supply R405a and R411 refrigerants at RMB111 and RMB86 per kilogramme respectively, for the period from 1st July 2000 to 31st December 2003. After 1st January 2004, supply prices of Greencool Refrigerants will be adjusted

## Report of The Directors

annually in accordance with the previous year's annual national production price index as announced by the PRC Government.

### DISTRIBUTION COSTS

Distribution costs represents mainly amortization of intangible asset of RMB12 million each year and sales commission.

### ADMINISTRATIVE EXPENSES

Administrative expenses increased to RMB69 million in 2001 compared to RMB29 million in 2000.

Administrative expenses include mainly operating lease rentals, depreciation, staff costs, travelling expenses, and others. The operating lease rentals of land and buildings amounted to approximately RMB6 million (2000: RMB3.6 million); staff costs amounted to approximately RMB11.5 million (2000: RMB6.9 million); directors' emoluments amounted to approximately RMB8.4 million (2000: RMB4.1 million).

The directors believe the increase in administrative expenses are in line with increase in business activity and revenue.

### HUMAN RESOURCES

#### Staff number

A breakdown of the number of staff of the Group by responsibilities as at each year end of 31st December 2001 and 2000 are set out below:

Function	Number of staff at 31 December	
	2001	2000
Engineering	256	163
Sales	373	283
Administration	123	82
Management	71	43
	<u>823</u>	<u>571</u>





# GREENCOOL

## Report of The Directors

An analysis of the number of staff by the end of 2001 by locations is set out below:

<b>Locations</b>	<b>Number of staff</b>
Beijing	221
Shenzhen	230
Hainan	132
Hubei	119
Zhuhai	42
Tianjin	74
Hong Kong	5
	<hr/>
	823
	<hr/> <hr/>

As the business of subsidiary companies in Jiangsu province and Shanghai had not started by the end of 2001, the actual daily operations was taken up by staff from Beijing Greencool.



### **Remuneration policies and labour relations**

The Group remunerated its employees mainly based on industry practices and individual's performance and experience. On top of regular remuneration, discretionary bonus and share option may be granted to eligible staff by reference to the

Group's performance as well as individual's performance.

The Group maintains good relations with its staff and has not encountered any major difficulties in its recruitment and retention of its experienced personnel. There has not been any interruption to its operations as a result of labour disputes. In addition, the Group provides social security benefits, namely pension or mandatory provident fund and health insurance scheme, to its employees.

The Group's employees located in the PRC are entitled to the defined contribution retirement schemes organized by the respective local government authorities in the PRC. The Group has also put in place a defined contribution scheme for its employees in Hong Kong. The Group does not have any material liability arising from the relevant statutory retirement schemes.



### Training

The Group has set up a training center in Hubei province. The purpose of the training center is to provide lessons and practices to trainee engineers from the subsidiaries.

In the training center, there are 5 staff having doctor degree, 8 staff having master degree and 7 staff having bachelor degree.

### OUTLOOK



The Directors anticipate that China's economy will continue to grow and that China's entry into the World Trade Organization should bring new development for the China's economy which would accelerate the CFC replacement process.

As stated in 2001 interim report, Beijing was selected in July 2001 to be the host city for the Olympic Games in 2008 ("Olympic 2008"). The Olympic 2008 and the modernizing plan of Beijing would involve substantial investment in technology and related infrastructure projects within a five year period.

Ozone layer protection project, one of the major projects mentioned in the modernizing plan of Beijing, 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. The Directors believe that Greencool Refrigerants should play an important role in ozone layer protection projects.

In order to cope with the anticipated growth in potential market in Beijing, a new subsidiary called Beijing Greencool New Model Refrigerants Conversion Engineering Co., Ltd. had been set up.

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## Report of The Directors

As at 28th February 2002, the Group had contracts in hand of approximately RMB352 million.

For the year 2002, the Directors believe that certain manufacturers of refrigeration and air-conditioning systems would use the Greencool Refrigerants in their products due to possible improvement in product performance caused by the energy saving features of Greencool Refrigerants. The demand for Greencool Refrigerants would thus grow significantly.



To demand more Greencool Refrigerants from Tianjin Greencool Factory, the sole supplier to the Group, the Group is considering increasing the maximum amount of annual purchases from Tianjin Greencool Factory. In this event, it will comply with all requirements under the GEM listing rules.

In 2002, the Directors are looking forward to establish new subsidiaries in Anhui, Fujian and Jiangxi province.

The Directors are of full confidence that the business of the Group will have another very successful year in 2002.



### COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Business objectives as stated in the prospectus dated 13th 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 on major newspapers and mass media in China and the "Zero Cost" and "Zero Risk" selling strategies was continued throughout the year.

2. Government Support

Secure supports from two to four provincial government

Obtained support from Jiangsu Provincial Government for recommendation of accelerating phasing out of CFC refrigerants and set-up of a new subsidiary in Jiangsu.

#### Sales channels

1. Own network

Establish six to nine companies in different provinces of China

Subsidiary companies are set up in Jiangsu and Shanghai respectively.

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

The Company reviewed the strategy and resolved that instead of setting up representative offices around Beijing, a new subsidiary was set up in Beijing covering the business within the area. The plan of setting up of other representative officers is deferred to match development in phasing out schedule in different areas and will be re-considered in 2002.

2. Authorised sales agent network

Appoint about 100-150 authorised sales agents

As higher commission has to be paid to authorized sales agents and the Group wants to recruit top quality sales agents. As at end of 2001, the Group appointed 34 (2000: 23) authorised sales agents. Instead, the Group had substantially strengthened its own sales force with a total 373 sales staff as at 31st December 2001. As a result, the revenue of conversion engineering increased by 50% up to approximately RMB477 million.

3. Authorised replacement project agent network

Appoint about 300-400 authorised replacement project agents

At the end of 2001, the Group appointed 92 (2000:75) authorised replacement project agents, which was behind the original plan due to the heavy demand of CFC replacement work in 2001. During the year, the Group concentrated on its replacement engineering business because of its higher profit margin. In 2002, the management will try the best to achieve the mission of 300-400 authorised replacement project agents.

### New product market

The plant for packaging smaller size of Greencool commences operation Refrigerants

As stated in last year annual report, in order to minimize the capital expenditure, the Group appointed a sub-contractor in Guangdong province for packaging small packets of Greencool Refrigerants. The sub-contractor's product quality was satisfactory and thus the Group did not set up the plant in 2001 as well.

However, the Group is still planning to set up its own plant for packaging small packets of Greencool Refrigerants if the demand exceeds the full capacity of the existing sub-contractor.

### Service quality

- Further improve the service training centre
- Set up monitor and quality assurance system

The company has set up a part of training facilities in Hubei province to serve the training needs to technical staff of the Group and authorised replacement agents.

The management has set up a monitor and quality assurance system to ensure quality services are consistently provided for conversion engineering and distribution business.

### Research and development and training center

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

The management has planned to embrace part of the research and development facilities to Hubei training center because of high capability of technical research staff in Hubei training centre.

### Investment

Invest about RMB600-800 million

Injection of HK\$10,000,000 as capital contribution to Beijing Greencool New Model Refrigerants Conversion Engineering Co., Ltd. All registered capital requirement is fully satisfied.

Injection of US\$2,800,000 as capital contribution to Jiangsu Greencool.

Injection of US\$2,500,000 as capital contribution to Shanghai Greencool.

Injection of US\$1,200,000 as capital contribution to Tianjin Greencool.

The amount invested is not as much as management had expected at time of issue of the Company's prospectus as management did not come across investment opportunities which they felt merited investment.

# GREENCOOL

## Report of The Directors

### Use of Proceeds

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

As mentioned in previous section, in 2001, investment to four new subsidiaries amounted to approximately HK\$61 million.

Around HK\$1.3 million was injected to Zhuhai Greencool in 2000.

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

Additional contribution to Shenzhen Greencool, Hainan Greencool and Hubei Greencool were fully injected.

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

Around HK\$2 million and HK\$3.5 million were spent on advertising and public relations activities in 2000 and 2001, respectively.

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 in Hubei is in preliminary stage and no material capital expenditure has been incurred. As the Company decided to change the site of facilities to Hubei, the HK\$50 million will be used in Hubei facilities of research, development and training in future.

Unused proceeds are mainly kept as short term bank deposits and the Directors believe that the proceeds is sufficient for covering all stated objectives in the relevant periods stated in the prospectus dated 5th July, 2000.

### DIRECTORS AND SENIOR MANAGEMENT

#### Directors

##### Executive Directors

**Mr. Gu Chu Jun**, aged 42, has been the chairman of the Board, president and chief executive officer of the Company since incorporation. Mr. Gu is also the founder of the Greencool Group. He is responsible for setting the Group's overall business development and corporate strategies. He graduated with a master's degree in engineering from Tianjin University, the PRC and has over 15 years of experience in the refrigeration engineering and refrigerant industry. Prior to founding the Greencool Group, Mr. Gu taught in Tianjin University (天津大學) and actively participated in the research of thermodynamics and refrigeration engineering. Mr. Gu is the inventor of Greencool Refrigerants.

**Mr. Hu Xiao Hui**, aged 35, has been the vice-chairman of the Board since 1 June 2000. Mr. Hu assists in setting the Group's overall business strategies and coordinating its operations. He holds a bachelor's degree in engineering from the University of Science and Technology of China (中國科學技術大學). He has a wealth of experience in engineering thermophysics and refrigerant science. Being engaged in scientific research, engineering, marketing and management. Mr. Hu joined the Greencool Group in 1991 and the Group in May 1998.

**Mr. Liu Cong Meng**, aged 56, has been an executive Director and vice president of the Company since 1 June 2000. Mr. Liu studied International Relations and Economics in Beijing University, the PRC. He is experienced in environmental protection, international cooperation and management. He joined the Group in July 1998. Prior to joining the Group, Mr. Liu worked as Director General of the Department of International Cooperation of the Ministry of Agriculture of the PRC (中國農業部國際合作司), and had also held several government and public posts, being responsible for bilateral or multilateral cooperation between the PRC and the World Bank, other international organizations and other related countries for a long period.

**Mr. Xu Wan Ping**, aged 38, has been an executive Director and vice president of the Company since 1 June 2000. Mr. Xu is an engineer and holds a bachelor's degree in engineering from Beijing Aeronautics and Space-Flight University (北京航空航天大學). He has over eight years of experience in management. Mr. Xu joined Greencool Group in 1993 and the Group in December 1998 and is currently responsible for setting and implementing the Group's marketing strategies in the PRC.



**Mr. Chen Chang Bei**, aged 49, has been an executive Director and compliance officer of the Company since 1 June 2000. Mr. Chen holds a master's degree of Arts from the Shangdong University, the PRC and a master's degree of Arts from York University, Canada. He joined the Greencool Group in 1996 and the Group in December 1998. Mr. Chen is responsible for implementing the Group's development strategies for the PRC. Prior to joining the Greencool Group, Mr. Chen was a lecturer in Shan Dong University, and worked for MIC Inc. in Canada as a vice general manager.

**Mr. Zhang Xi Han**, aged 35, has been the executive Director and vice-president of the Company since 1 June 2000. Mr. Zhang holds a master's degree in low temperature and refrigerating engineering. He joined the Greencool Group in 1993 after obtaining his master's degree, and now is responsible for the engineering, marketing and management of the Group.

**Mr. Su Xue Zhi**, aged 67, holds a master's degree from Saint Petersburg Industrial University in the former Soviet Union. Mr. Su joined the Group in May 1998, and was the vice managing director of Shenzhen Greencool responsible for setting and implementing the Group's development strategies for the PRC. Prior to joining the Group, Mr. Su was the Director General of the Department of Science and Technology of the Ministry of Electronic Industry (中國電子工業部科學技術司) of the PRC.

### Independent Non-Executive Directors

**Mr. Fan Jia Yan**, aged 56, was appointed an executive director of The Hongkong Chinese Bank, Limited in 1993. He had been with CITIC Industrial Bank in Beijing for more than 10 years. He was also a director of The Hong Kong Building and Loan Agency Limited, a company listed in Hong Kong. Mr. Fan was appointed as an independent non-executive Director in June 2000.

**Mdm. Margaret Man**, aged 47, joined CITIC Ka Wah Bank Ltd as Senior Vice President in October 1998. Prior to that, Mdm. Man was a Deputy Managing Director of China Venturetechno International Co., Ltd and was a Division Chief in People's Bank of China for seven years. Mdm. Man graduated from the College of Finance and Economy of Shanxi province with a bachelor's degree in finance and obtained a master's degree in banking and finance from the Graduate School of the People's Bank of China. Mdm. Man completed a legal studies programme at Columbia University Law School in the United States in 1986. Mdm. Man was appointed as an independent non-executive Director in June 2000.

### QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

**Mr. Mok Henry Wing Kai**, aged 41, is the qualified accountant and company secretary of the Group. Mr. Mok has over 16 years of experience in the finance, accounting and company secretarial field. Mr. Mok holds a Master of Science degree of Manufacturing Systems Engineering from the University of Warwick in the United Kingdom and a Master of Business Administration degree jointly awarded by the University of Wales (Bangor) and the University of Manchester in the United Kingdom. He is a fellow member of the Hong Kong Society of Accountants and the Association of Chartered Certified Accountants in the United Kingdom. Mr. Mok joined the Group in April 2000.

### 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 chairman of the audit committee) and Ms. Man Margaret, the two independent non-executive Directors, and Mr. Hu Xiao Hui, an executive Director. The Audit Committee held two meeting during 2001.

### **Related party transactions**

Particulars of related party transactions are set out in note 3 to the financial statements.

### **Dividends**

The Board of Directors have recommended a final dividend of Hong Kong cents 5 per share payable to shareholders subject to the approval of such final dividend in the coming Annual General Meeting. If such final dividend was approved by the ordinary resolution in coming Annual General Meeting of the Company, such dividend will be payable on 15th May 2002 to whose names appear on the Register of Members of the Company on 26th April 2002 and for the Company's Registrars to complete the necessary work associated with this payment, the Register of Members will be closed from 4:00 pm on 25th April 2002 to 29th April 2002, during which period no share transfers would be effect.

For further details of dividends, please refer to note 20 to the financial statements.

### **Property, plant and equipment**

Details of movements in the property, plant and equipment of the Group are set out in note 4 to the financial statements.

### **Intangible assets**

Particulars of the Company's intangible assets are set out in note 5 to the financial statements.

### **Subsidiaries**

Particulars of the Company's subsidiaries at 31 December 2001 are set out in note 6 to the financial statements.

### **Bank borrowings**

Details of the Group's bank borrowings are set out in note 14 to the financial statements.

### **Share capital**

Details of the Company's authorized and issued share capital during the year are set out in note 11 to the financial statements.

## Report of The Directors

### **Pre-emptive rights**

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders

### **Reserves**

Details of movements in the reserves of the Company and the Group are set in note 13 to the financial statements.

### **Pension scheme**

The Group has put in place defined contribution schemes for its employees in the PRC and Hong Kong. Details of the pension scheme for the Group's employees in the PRC and the employer's pension costs charged to the profit and loss account for the year are set out in notes 18 to the financial statements, respectively.

### **Major customers and suppliers**

For the year ended 31 December 2001, the aggregate amount of revenue attributable to the Group's five largest customers accounted for approximately 14.8 per cent. of the Group's total revenue and the revenue attributable to the Group's largest customer was approximately 3.9 per cent. of the Group's total revenue. Tianjin Greencool Factory remains the only supplier to the Group and thus accounted for 100% of the Group's total purchase.

None of the directors of the Company, or any of their associates or shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital), had any beneficial interest in the Group's five largest customers.

**Directors**

Unless otherwise stated, the following are directors of the Company during the year and up to the date of this report were as follows:

**Executive Directors**

Gu, Chu Jun ( <i>Chairman &amp; CEO</i> )	(re-elected on 26 April 2001)
Hu, Xiao Hui ( <i>Vice Chairman</i> )	(re-elected on 26 April 2001)
Liu, Cong Meng	(re-elected on 26 April 2001)
Xu, Wan Ping	(re-elected on 26 April 2001)
Chen, Chang Bei	(re-elected on 26 April 2001)
Zhang, Xi Han	(re-elected on 26 April 2001)
Su, Xue Zhi	(re-elected on 26 April 2001)

**Independent non-executive Directors**

Fan, Jia Yan	(re-elected on 26 April 2001)
Margaret Man	(re-elected on 26 April 2001)

In accordance with the Company's articles of association, one-third of the directors of the Company, namely, Mr. Xu Wan Ping, Mr. Su Xue Zhi and Mr. Liu Cong Meng will retire and Mr. Xu Wang Ping and Mr. Liu Cong Meng, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

**Directors' service contracts**

Each of Messrs. Gu Chu Jun, Chen Chang Bei, Xu Wang Ping, Zhang Xi Han, Hu Xiao Hui, Liu Cong Meng, Su Xue Zhi, Fan Jia Yan and Ms. Margaret Man has entered into a service contract with the Company for a term of three years commencing 1 June 2000, which may be terminated by either party thereto giving to the other 6 months prior notice in writing, which notice period shall not expire until after the first two years.

**Directors' interests in contracts****1. Purchase of equipment**

Pursuant to a purchase agreement dated 20 May 1998, Beijing Greencool has appointed Greencool Canada Inc., a company incorporated in Canada with limited liability and wholly-owned by Mr. Gu ("GCI") as the agent to purchase equipment from overseas markets. The new equipment is used for the CFC replacement engineering work. Total purchase amounts under this agreement were US\$2,863,000 (equivalent to approximately HK\$22.3 million) and Beijing Greencool has paid RMB8.5 million (equivalently HK\$8 million) to GCI as deposit. Pursuant to the agreement, GCI agreed to provide to the Group auxiliary services including design, installation and testing of the purchased equipment. The Directors confirm that GCI has not charged and will not charge any fees in providing such services. The Directors believe that the terms of the purchase agreements have been negotiated at arm's length basis and are beneficial to the business of the Group.

## Report of The Directors

### 2. *Option to acquire interests in Tianjin Greencool Factory*

Mr. Gu has, in consideration of HK\$10, granted the Company any option (the "Tianjin Option") to purchase all of his interest in Tianjin Greencool Factory which, as at the date of issue of the Company's prospectus, was approximately 83.7% of the registered capital of Tianjin Greencool Factory. The Tianjin Option can be exercisable solely at the discretion of the Company during the three-year period commencing on 28 June 2000, being the date of the relevant deed of option, at a price which is equivalent to 80 per cent. of Mr. Gu's interest in Tianjin Greencool Factory as appraised by a valuer jointly appointed by Mr. Gu and the Company, but in any event not exceeding the amount determined by multiplying the audited consolidated profit after taxation and minority interests (in accordance with International Accounting Standards) of the Group comprising Tianjin Greencool Factory and the companies through which Mr. Gu holds his interest in Tianjin Greencool Factory for the financial year immediately prior to the exercise of the Tianjin Option by 12. The Tianjin Option is non-transferable and the exercise and non-exercise of the Tianjin Option would constitute connected transactions and would be subject to the relevant provisions of GEM Listing Rules requiring reporting announcement and shareholders' approval.

### 3. *Use of trademarks*

Pursuant to an agreement dated 28 June 2000, for the transfer of trademarks pending registration, Beijing Greencool, in a capacity similar to that of a trustee/agent, has agreed to transfer to Greencool Thermo-Tech Holdings Limited, a company incorporated in BVI with limited liability and is owned as to 100 per cent. by Mr. Gu, the trademarks (as listed in paragraph 8 of the appendix V of the prospectus) currently pending registration. Pursuant to a trademark licensing agreement entered into on 30 June 2000 between the Company and Greencool Thermo-Tech Holdings Limited, Greencool Thermo-Tech Holdings Limited has agreed to grant to the Company a licence to use the trademarks (as listed in paragraph 8 of appendix V of the prospectus) in the two registered classes in the PRC upon its acquisition of the same for nil consideration for a period of 10 years commencing 28 June 2000. The Directors consider that the terms of the granting the Tianjin Option and the use of trademarks have been negotiated at arm's length basis and are better than normal commercial terms in favour of the Group.

Save as disclosed in this annual report, there are 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 the year or at any time during the year.

### DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST IN SECURITIES

As at 31st December, 2001, 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:

<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	625,340,000	–	625,340,000	62.5

Gu Chu Jun ("Mr. Gu") is the sole shareholder and sole director of Greencool Capital Limited which is the holder of 62.5 per cent. of the share capital of the Company.

(b) Options to subscribe for shares in the Company

Pursuant to the Company's share option scheme granted on 28th June 2000, 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:

<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 5th March, 2002</b>
Gu Chu Jun	28th June, 2000	HK\$2.18	10,000,000
Liu Cong Meng	28th June, 2000	HK\$2.18	3,400,000
	26th September, 2000	HK\$1.68	20,000,000
Xu Wan Ping	28th June, 2000	HK\$2.18	3,400,000
	26th September, 2000	HK\$1.68	20,000,000
Zhang Xi Han	28th June, 2000	HK\$2.18	3,400,000
	26th September, 2000	HK\$1.68	20,000,000

## Report of The Directors

The options can be exercised within five years after the date of grant. The principal terms of the share option scheme are also set out in the Company's prospectus dated 5th July, 2000. All the above share options have not been exercised so far and there is no other share options scheme.

There were no share options at the beginning of 2000. There are also no options cancelled or lapsed during 2001 or up to date of this announcement.

Save as disclosed above, at no time during the periods under review were 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.

### Directors' and senior executives' remuneration

Details of the directors' and senior executives' remuneration are set out in note 22 to the financial statements.

### SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2001, the register of substantial shareholders maintained under Section 16(1) of the Securities (Disclosure of Interests) 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> )	625,340,000	62.5

*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.



### CONNECTED TRANSACTIONS

#### Continuing connected transactions

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 “Exclusive Distribution Agreement”), 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 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.

Independent non-executive directors would like to confirm here that:

- (a) the above connected transactions have been entered into by the Group in the usual and ordinary course of its business;
- (b) the transactions have been entered into on normal commercial terms (to the extent that there are comparable transactions) and on an arm’s length basis, and the transactions have been carried out in accordance with the terms of the agreements governing such transactions; and
- (c) the transactions have been entered into on terms that are fair and reasonable and in the interests of the shareholders of the company as a whole.

## Report of The Directors

### COMPETING INTEREST

#### Deed of Non-competition Undertaking

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 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) hold, 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 and the distribution of Greencool Refrigerants in China; and/or (b) any other business in China that is similar to any member of the Group as described in the prospectus dated 5th July, 2000.

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

### SPONSOR'S INTERESTS

To the best knowledge of ING Bank N.V. ("ING Bank"), the company's sponsor, ING Bank, its associates, directors and employees did not hold any shares of the Company as at 31st December, 2001.

Pursuant to the agreement dated 12th November 2001 entered in between the Company and ING Bank, ING Bank has received and will receive a fee for acting as the Company's sponsor for the period from 12th November 2001 to 31st December 2002.

### 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 1st January, 2001 to 31st December, 2001.

### **BOARD PRACTICES AND PROCEDURES**

For the year ended 31st December, 2001, the Company was in compliance with the Board Practices and Procedures as set out in rules 5.28 to 5.39 of the GEM Listing Rules.

### **AUDITORS**

Arthur Andersen & Co retire and a resolution for their appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

By Order of the Board

**Greencool Technology Holdings Limited**

**Gu Chu Jun**

*Chairman*

Hong Kong, 26 March 2002

# GREENCOOL

## Auditors' Report



Arthur Andersen & Co  
21st Floor Edinburgh Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

TO THE SHAREHOLDERS OF  
**GREENCOOL TECHNOLOGY HOLDINGS LIMITED**  
*(Incorporated in the Cayman Islands with limited liability)*

We have audited the accompanying balance sheet of Greencool Technology Holdings Limited (the "Company") and consolidated balance sheet of the Company and its subsidiaries (the "Group") as of 31 December 2001, and the related consolidated statements of income, recognized gains and losses, and cash flows of the Group for the year then ended. These financial statements set out on pages 35 to 66 are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above give a true and fair view of the financial position of the Company and the Group as of 31 December 2001 and of the results of operations and cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards, as published by the International Accounting Standards Board, and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**ARTHUR ANDERSEN & CO**  
*Certified Public Accountants*

Hong Kong,  
26 March 2002

## Balance Sheets

AS OF 31 DECEMBER 2001

(Expressed in thousands of Renminbi ("RMB"))

	Note	Group		Company	
		2001 RMB'000	2000 RMB'000	2001 RMB'000	2000 RMB'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	4	44,216	26,042	1,212	1,434
Intangible asset	5	156,000	168,000	-	-
Investment in subsidiaries	6	-	-	1,146,706	821,766
		<b>200,216</b>	194,042	<b>1,147,918</b>	823,200
<b>Current assets</b>					
Inventories	7	31,118	58,984	-	-
Trade receivables	8	96,666	86,207	-	-
Deposits, prepayments and other receivables		15,262	11,917	2,968	254
Due from related parties	3	229,983	-	-	-
Short-term investments	9	5,980	4,614	-	-
Cash and bank deposits		850,621	850,695	151,003	318,702
		<b>1,229,630</b>	1,012,417	<b>153,971</b>	318,956
Total assets		<b>1,429,846</b>	1,206,459	<b>1,301,889</b>	1,142,156
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves</b>					
Share capital	11	106,000	106,000	106,000	106,000
Reserves	13	1,189,254	1,034,010	1,189,190	1,033,848
		<b>1,295,254</b>	1,140,010	<b>1,295,190</b>	1,139,848
<b>Current liabilities</b>					
Accruals and other payables		10,182	2,847	6,699	2,308
Staff and workers' bonus and welfare funds		2,325	1,288	-	-
Due to related parties	3	6,963	31,585	-	-
Short-term borrowings	14	80,000	20,000	-	-
Tax payable		35,122	10,729	-	-
		<b>134,592</b>	66,449	<b>6,699</b>	2,308
Total equity and liabilities		<b>1,429,846</b>	1,206,459	<b>1,301,889</b>	1,142,156

Approved by and signed on behalf of the Board of Directors on 26 March 2002.

**Mr. Gu Chu Jun**  
Chairman

**Mr. Chen Chang Bei**  
Director

## Consolidated Statement of Income

FOR THE YEAR ENDED 31 DECEMBER 2001

(Expressed in thousands of RMB except for earnings per share)

	Note	2001 RMB'000	2000 RMB'000
Revenue	15	516,330	363,897
Cost of sales		(105,604)	(67,724)
Gross profit		410,726	296,173
Other operating income	16	25,871	16,916
Distribution costs		(28,431)	(15,048)
Administrative expenses		(68,801)	(28,824)
Profit from operations		339,365	269,217
Finance cost	17	(4,430)	(93)
Profit before tax	18	334,935	269,124
Income tax expense	19	(20,593)	–
Profit attributable to shareholders		314,342	269,124
Dividends paid	20	159,000	53,000
Earnings per share	21		
– Basic		RMB 31 cents	RMB 31 cents
– Diluted		RMB 31 cents	RMB 31 cents

## Consolidated Statement of Recognized Gains and Losses

FOR THE YEAR ENDED 31 DECEMBER 2001

(Expressed in thousands of RMB)

	Note	<b>2001</b> <b>RMB'000</b>	2000 RMB'000
Exchange differences on translation of the financial statements of foreign entities	13	<b>(98)</b>	162
Net (losses) gains not recognized in the income statement		<b>(98)</b>	162
Profit attributable to shareholders		<b>314,342</b>	269,124
Total recognized gains		<b>314,244</b>	269,286

## Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2001

(Expressed in thousands of RMB)

	Note	2001 RMB'000	2000 RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash provided by operations	23(i)	<b>124,980</b>	203,029
Interest paid		<b>(4,430)</b>	(93)
Income taxes paid		<b>(20,593)</b>	–
Net cash provided by operating activities		<b>99,957</b>	202,936
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of property, plant and equipment		<b>(22,062)</b>	(23,795)
Interest received		<b>22,495</b>	14,664
Net cash provided by (used in) investing activities		<b>433</b>	(9,131)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from issue of shares		–	577,700
Share issuance expenses		–	(41,845)
Dividends paid		<b>(159,000)</b>	(53,000)
Net cash (used in) provided by financing activities		<b>(159,000)</b>	482,855
Net (decrease) increase in cash and cash equivalents		<b>(58,610)</b>	676,660
Cash and cash equivalents at beginning of year		<b>835,309</b>	158,487
Effect of foreign exchange differences		<b>(98)</b>	162
Cash and cash equivalents at end of year	23(ii)	<b>776,601</b>	835,309



## Notes to the Financial Statements

31 DECEMBER 2001

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

### 1. GROUP ORGANIZATION AND OPERATIONS

Greencool Technology Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 10 January 2000 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. The Company’s shares have been listed on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited since 13 July 2000.

The Company and its subsidiaries are collectively referred to as the ‘Group’. Pursuant to a group reorganization (the “Reorganization”) in preparation for the listing of the Company’s shares on the GEM, the Company became the holding company of the Group on 28 June 2000.

The directors consider Greencool Capital Limited (“Greencool Capital”, incorporated in the British Virgin Islands (“BVI”)) to be the ultimate holding company.

The Company is an investment holding company. Its subsidiaries are principally engaged in the sale of chlorofluorocarbon (“CFC”)–free refrigerants and the conversion engineering of large-scale CFC-free air-conditioning systems in the People’s Republic of China (the “PRC”). The Group’s head office and principal place of business in the PRC is located at Tai Feng Hui Zhong Mansion, No. 120 Zhushikou Xi Street, Xuanwu District, Beijing. The registered office of the Company is located at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681GT, George Town, Grand Cayman, British West Indies.

The Group principally operates in the PRC and employed approximately 800 employees as at 31 December 2001 (2000: 600 employees).

### 2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in preparing the financial statements of the Company and the Group are as follows:

#### (a) Basis of presentation

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM. Except as otherwise stated, the accompanying financial statements are prepared under the historical cost convention.

Owing to the fact that the Group principally operates in the PRC and its business activities are principally transacted in RMB, the financial statements are prepared in RMB.

## Notes to the Financial Statements

31 DECEMBER 2001

(Amounts expressed in Renminbi ("RMB") unless otherwise stated)

### 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

#### (b) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries.

All significant intercompany balances and transactions, including intercompany profits and unrealized profits and losses, are eliminated on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

#### (c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss. The initial cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are recognized as expense in the period in which they are incurred. In situations where it is probable that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of the asset beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of the asset.

Depreciation is calculated using the straight-line method to write off the cost, after taking into account the estimated residual value, of each asset over its expected useful life. The expected useful lives are as follows:

Buildings	20 years
Machinery	7-10 years
Motor vehicles	5-7 years
Office equipment and other equipment	5-7 years

The useful lives of assets and depreciation method are reviewed periodically.

When assets are sold or retired, their costs and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement.

#### (d) Intangible asset

Intangible asset represents certain exclusive distribution right which is stated at cost (see Note 3 (i)) less accumulated amortization and accumulated impairment loss. Intangible assets are amortized on a straight-line basis. The amortization period and the amortization method are reviewed annually at each financial year-end.

## Notes to the Financial Statements

31 DECEMBER 2001

(Amounts expressed in Renminbi ("RMB") unless otherwise stated)

### 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

#### (e) Subsidiaries

A subsidiary is a company in which the Company has control. Control exists when the Company has the power to govern the financial and operating policies of the subsidiary so as to obtain benefits from its activities.

In the Company's financial statements, investment in subsidiaries are accounted for using the equity method. An assessment of investment in subsidiaries is performed when there is an indication that the asset has been impaired or the impairment losses recognized in prior years no longer exist.

#### (f) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost, calculated on the weighted average basis, comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

#### (g) Receivables

Receivables are stated at face value, after provision for doubtful accounts.

#### (h) Short-term investments

Marketable securities held for short-term purposes are stated initially measured at cost, which is the fair value of the consideration given for them, including transaction costs. They are subsequently carried at fair value, without any deduction for transaction costs by reference to their quoted market price at the balance sheet date. Changes in the carrying amount of short-term investments are included in the income statement.

Income from short-term investments is accounted for to the extent of interest and dividends received and receivable. Upon disposal of an investment, the difference between the net disposal proceeds and the carrying amount is included in the income statement.

## Notes to the Financial Statements

31 DECEMBER 2001

(Amounts expressed in Renminbi ("RMB") unless otherwise stated)

### 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

#### (i) Cash and cash equivalents

Cash represents cash in hand and deposits with banks which are repayable on demand.

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

#### (j) Provisions

A provision is recognized when, and only when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Gain from the expected disposal of assets are not taken into account in measuring the provision. Property, plant and equipment that is retired from active use is carried at the lower of the carrying amount or estimated net selling price less cost of disposal.

#### (k) Taxation

The Group companies provide for taxation on the basis of their income for financial reporting purposes; adjusted for income and expense items which are not assessable or deductible for income tax purposes.

Deferred taxation is provided under the balance sheet liability method in respect of significant taxable or deductible temporary differences between the carrying amount of assets or liabilities in the balance sheet and their respective tax bases. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purpose. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deferred tax assets can be utilized.

## Notes to the Financial Statements

31 DECEMBER 2001

(Amounts expressed in Renminbi ("RMB") unless otherwise stated)

### 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

#### (l) Turnover and revenue recognition

Turnover represents proceeds from sale of CFC-free refrigerants and conversion engineering of large-scale CFC-free air-conditioning systems, net of value added tax or business tax.

Provided it is probable that the economic benefits associated with a transaction will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized on the following bases:

##### (i) Sale of goods

Revenue is recognized when the significant risks and rewards of ownership of goods have been transferred to the buyer.

##### (ii) Rendering of conversion engineering services

Service income is recognized as revenue by reference to the stage of completion of the installation, unless it is incidental to the sale of a product in which case it is recognized when the goods are sold.

##### (iii) Interest income

Interest income from bank deposits is recognized on a time proportion basis that takes into account the effective yield on the assets.

##### (iv) Dividend income

Dividend income is recognized when the right to receive payment is established.

#### (m) Operating leases

Leases are classified as operating leases whenever substantially all the risks and rewards incidental to ownership of the leased assets remain with the lessor.

Leases payments under operating leases are recognized as an expense in the income statement on a straight-line basis over the lease term. Aggregate benefit of incentives on operating leases is recognized as a reduction of rental expense over the lease term on a straight-line basis.

## Notes to the Financial Statements

31 DECEMBER 2001

(Amounts expressed in Renminbi ("RMB") unless otherwise stated)

### 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

#### (n) Foreign currency transactions

The Company and its BVI subsidiaries maintain their books and records in Hong Kong dollars. The PRC subsidiaries maintain their books and records in RMB. Transactions denominated in other currencies are translated into the reporting currencies at exchange rates prevailing at the time of the transactions. Monetary assets and liabilities denominated in other currencies at the balance sheet date are re-translated at exchange rates prevailing at that date. Non-monetary assets and liabilities denominated in other currencies are translated into the reporting currencies at historical rates. Exchange differences arising on the settlement of monetary items at rates different from those at which they were recorded during earlier periods, other than those capitalized as a component of borrowing costs, are recognized in the income statement in the period in which they arise.

On consolidation, all of the assets and liabilities of group companies with reporting currencies other than RMB are translated into RMB at the applicable rates of exchange in effect at the balance sheet date; all of the income and expense items of group companies with reporting currencies other than RMB are translated into RMB at the average applicable exchange rates during the year. Exchange differences arising from such translation are dealt with as movements of cumulative translation adjustments in equity.

#### (o) Borrowing costs

Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.

Borrowing costs are expensed as incurred, except when they are directly attributable to the acquisition, construction or production of assets that necessarily takes a substantial period of time to get ready for their intended use in which case they are capitalized as part of the cost of that asset. Capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and the activities to prepare the asset for its intended use are in progress. Borrowing costs are capitalized at the weighted average cost of the related borrowings until the asset is ready for its intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

#### (p) Retirement schemes

The Group's contribution to retirement schemes are charged to the results of operations in the period to which they are related.

## Notes to the Financial Statements

31 DECEMBER 2001

(Amounts expressed in Renminbi ("RMB") unless otherwise stated)

### 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

#### (q) Financial instruments

Financial assets and financial liabilities carried on the balance sheet include cash and cash equivalents, trade and other receivables, payables, borrowings and balances with related parties. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this section.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group companies have a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

#### (r) Impairment of assets

Property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in income. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit.

Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The reversal is recorded in income.

#### (s) Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

#### (t) Subsequent events

Post-year-end events that provide additional information about a company's position at the balance sheet date or those that indicate the going concern assumption is not appropriate are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

## Notes to the Financial Statements

31 DECEMBER 2001

(Amounts expressed in Renminbi ("RMB") unless otherwise stated)

### 3. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

- (i) The Group had the following material transactions with related parties for the year ended 31 December 2001:

	<b>2001</b>	2000
	<b>RMB'000</b>	RMB'000
Purchase of raw materials from Greencool Refrigerant (China) Co., Ltd. ("Tianjin Greencool Factory")	<b>70,696</b>	112,397
Purchase of fixed assets from Greencool Canada Inc. ("GCI")	-	15,163

Mr. Gu Chu Jun ("Mr. Gu"), Chairman and ultimate majority shareholder of the Company, is the majority shareholder of Tianjin Greencool Factory and GCI.

All the CFC-free refrigerants used by the Group were purchased from Tianjin Greencool Factory which has been the Group's sole supplier of refrigerants since 1999. The patent of the CFC-free refrigerants manufactured by Tianjin Greencool Factory is owned by Mr. Gu.

Pursuant to an agreement dated 28 June 2000 entered into between a subsidiary of the Company, Mr. Gu and Tianjin Greencool Factory, which came into effect on 31 December 1999:

- the Group is granted an exclusive distribution right (the "Exclusive Distribution Right") in the PRC of CFC-free refrigerants manufactured by Tianjin Greencool Factory for 20 years commencing from 31 December 1999;
- the cost of the Exclusive Distribution Right was determined by the three parties to be RMB180,000,000, and has been reflected in the financial statements as an intangible asset; and
- CFC-free refrigerants supplied by Tianjin Greencool Factory to the Group in 2000-2003 will be at pre-determined prices; and from 1 January 2004 onwards will be at prices calculated in accordance with pre-determined bases.

The directors are of the opinion that the above transactions with related parties were conducted under normal commercial terms in the ordinary course of business.



## Notes to the Financial Statements

31 DECEMBER 2001

(Amounts expressed in Renminbi ("RMB") unless otherwise stated)

### 3. RELATED PARTY TRANSACTIONS (Continued)

- (ii) As of 31 December 2001, the Group had the following material balances with related parties:

	<b>2001</b> <b>RMB'000</b>	2000 RMB'000
Due from related parties		
– Tianjin Greencool Factory (a)	<b>229,983</b>	–
	<b>229,983</b>	–
Due to related parties		
– Beijing Huazhao Green Energy Refrigerant Engineering Co., Ltd. ("Huazhao", of which Mr. Gu is the majority shareholder)	<b>300</b>	–
– Tianjin Greencool Factory	–	24,922
– GCI	<b>6,663</b>	6,663
	<b>6,963</b>	31,585

- (a) The Group prepaid approximately RMB229,983,000 to Tianjin Greencool Factory for the purchase of CFC-free refrigerants in anticipation of expanded sales in 2002.

The balances with related parties were unsecured, interest free and repayable on demand.

- (iii) Pursuant to a trademark licensing agreement entered into on 30 June 2000 between the Company and Greencool Thermo-Tech Holdings Limited ("Greencool Thermo-Tech", incorporated in BVI and 100% owned by Mr. Gu), Greencool Thermo-Tech granted the Company a licence to use the trademarks of "Greencool" (both in Chinese and English) in the PRC for nil consideration for a period of 10 years commencing 28 June 2000.
- (iv) Mr. Gu has granted the Company an option (the "Tianjin Option") for a consideration of HK\$10, which is stated at cost, to purchase all of his equity interest in Tianjin Greencool Factory. The Tianjin Option is exercisable solely at the discretion of the Company during the three-year period commencing on 28 June 2000 at a price which is equivalent to 80% of the value of Mr. Gu's equity interest in Tianjin Greencool Factory as appraised by a valuer jointly appointed by Mr. Gu and the Company, but in any event not exceeding the amount determined by multiplying by 12 the audited consolidated profit after taxation and minority interests (in accordance with IFRS) of the group comprising Tianjin Greencool Factory and the companies through which Mr. Gu holds his equity interest in Tianjin Greencool Factory for the financial year immediately prior to the exercise of the Tianjin Option.
- (v) Certain banking facilities of the Group were secured by personal guarantee from Mr. Gu (See Note 14).

## Notes to the Financial Statements

31 DECEMBER 2001

(Amounts expressed in Renminbi ("RMB") unless otherwise stated)

### 4. PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment were:

	Group				2000	2001
	Buildings	Machinery	Motor vehicles	Office and other equipment		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost						
Beginning of year	–	15,370	11,104	1,506	27,980	4,313
Additions	10,060	107	9,446	2,449	22,062	23,795
Disposals	–	–	–	–	–	(128)
End of year	10,060	15,477	20,550	3,955	50,042	27,980
Accumulated depreciation						
Beginning of year	–	112	1,506	320	1,938	703
Charge for the year	–	937	2,683	268	3,888	1,257
Disposals	–	–	–	–	–	(22)
End of year	–	1,049	4,189	588	5,826	1,938
Net book value						
End of year	10,060	14,428	16,361	3,367	44,216	26,042
Beginning of year	–	15,258	9,598	1,186	26,042	3,610

## Notes to the Financial Statements

31 DECEMBER 2001

(Amounts expressed in Renminbi ("RMB") unless otherwise stated)

### 4. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Company					2000
	2001					
	Buildings	Machinery	Motor vehicles	Office equipment and other	Total	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost						
Beginning of year	-	-	1,311	492	1,803	-
Additions	-	-	35	128	163	1,803
End of year	-	-	1,346	620	1,966	1,803
Accumulated depreciation						
Beginning of year	-	-	262	107	369	-
Charge for the year	-	-	270	115	385	369
End of year	-	-	532	222	754	369
Net book value						
End of year	-	-	814	398	1,212	1,434
Beginning of year	-	-	1,049	385	1,434	-

The directors are of the opinion that the underlying value of property, plant and equipment was not less than their carrying value as of 31 December 2001.

## Notes to the Financial Statements

31 DECEMBER 2001

(Amounts expressed in Renminbi ("RMB") unless otherwise stated)

### 5. INTANGIBLE ASSET

	Group	
	2001	2000
	RMB'000	RMB'000
Cost		
Beginning of year	<b>180,000</b>	180,000
Addition	-	-
End of year	<b>180,000</b>	180,000
Amortization		
Beginning of year	<b>12,000</b>	-
Charge for the year	<b>12,000</b>	12,000
End of year	<b>24,000</b>	12,000
Net book value		
End of year	<b>156,000</b>	168,000
Beginning of year	<b>168,000</b>	180,000

Intangible asset represents the exclusive distribution right in the PRC of CFC-free refrigerants manufactured by Tianjin Greencool Factory (see Note 3 (i)). It is amortized over 15 years.

The directors are of the opinion that the underlying value of the intangible asset was not less than its carrying value as of 31 December 2001.

### 6. INVESTMENT IN SUBSIDIARIES

In the Company's balance sheet, investment in subsidiaries comprised the following:

	2001	2000
	RMB'000	RMB'000
Share of net identifiable assets of subsidiaries	<b>917,750</b>	653,733
Amounts due from subsidiaries	<b>228,956</b>	168,033
	<b>1,146,706</b>	821,766

The amounts due from subsidiaries were unsecured, interest free and had no fixed repayment date.

The directors are of the opinion that the underlying value of the subsidiaries was not less than their carrying value as of 31 December 2001.

## Notes to the Financial Statements

31 DECEMBER 2001

(Amounts expressed in Renminbi ("RMB") unless otherwise stated)

### 6. INVESTMENT IN SUBSIDIARIES (Continued)

As of 31 December 2001, the Company had the following subsidiaries:

Name	Date and place of incorporation/ establishment	Percentage of equity interest attributable to the Company		Capital		Principal activities
		Directly	Indirectly	Registered	Paid-up	
Greencool Pacific Holdings Limited	1 December 1999 British Virgin Islands	100%	-	US\$50,000	US\$10,000	Investment holding
SIMOG Capital Limited	6 December 2000 British Virgin Islands	100%	-	US\$50,000	US\$100	Investment holding
SEMIRE Capital Limited	6 December 2000 British Virgin Islands	100%	-	US\$50,000	US\$100	Investment holding
GTT Assets Management Limited	6 December 2000 British Virgin Islands	100%	-	US\$50,000	US\$100	Investment holding
Greencool Technology Inc.	24 October 1997 British Virgin Islands	-	100%	US\$50,000	US\$10,000	Investment holding
Greencool Concord Holdings Limited	9 September 1998 British Virgin Islands	-	100%	US\$1,000	US\$100	Investment holding
Greencool Everrise Holdings Limited	9 September 1998 British Virgin Islands	-	100%	US\$1,000	US\$100	Investment holding
Beijing Greencool Environmental Protection Engineering Co., Ltd. ("Beijing Greencool")	11 May 1998 PRC	-	100%	US\$12,090,000	US\$12,090,000	Sale of CFC-free refrigerants and the conversion engineering of large-scale CFC-free air-conditioning systems
Greencool Environmental Protection Engineering (Shenzhen) Co., Ltd. ("Shenzhen Greencool")	3 December 1998 PRC	-	100%	US\$6,000,000	US\$6,000,000	Sale of CFC-free refrigerants and the conversion engineering of large-scale CFC-free air-conditioning systems
Hainan Greencool Environmental Protection Engineering Co., Ltd. ("Hainan Greencool")	15 September 1999 PRC	-	100%	US\$12,000,000	US\$12,000,000	Sale of CFC-free refrigerants and the conversion engineering of large-scale CFC-free air-conditioning systems

## Notes to the Financial Statements

31 DECEMBER 2001

(Amounts expressed in Renminbi ("RMB") unless otherwise stated)

### 6. INVESTMENT IN SUBSIDIARIES (Continued)

As of 31 December 2001, the Company had the following subsidiaries:

Name	Date and place of incorporation/ establishment	Percentage of equity interest attributable to the Company		Capital		Principal activities
		Directly	Indirectly	Registered	Paid-up	
Hubei Greencool Environmental Protection Engineering Co., Ltd. ("Hubei Greencool")	8 December 1999 PRC	-	100%	US\$12,000,000	US\$12,000,000	Sale of CFC-free refrigerants and the conversion engineering of large-scale CFC-free air-conditioning systems
Greencool Environmental Protection Engineering (Zhuhai) Co., Ltd. ("Zhuhai Greencool")	6 November 2000 PRC	-	100%	HK\$2,000,000	HK\$2,000,000	Sale of CFC-free refrigerants and the conversion engineering of large-scale CFC-free air-conditioning systems
Tianjin Greencool Environmental Protection Engineering Co., Ltd.	21 November 2000 PRC	-	100%	US\$12,000,000	US\$5,399,987	Sale of CFC-free refrigerants and the conversion engineering of large-scale CFC-free air-conditioning systems
Beijing Greencool New Model Refrigerants Conversion Engineering Co., Ltd.	2 August 2001 PRC	-	100%	HK\$10,000,000	HK\$10,000,000	Sale of CFC-free refrigerants and the conversion engineering of large-scale CFC-free air-conditioning systems
Jiangsu Greencool Environmental Protection Engineering Co., Ltd.	15 September 2001 PRC	-	100%	US\$12,090,000	US\$2,800,000	Sale of CFC-free refrigerants and the conversion engineering of large-scale CFC-free air-conditioning systems
Shanghai Greencool Environmental Protection Engineering Co., Ltd.	14 October 2001 PRC	-	100%	US\$15,000,000	US\$2,500,000	Sale of CFC-free refrigerants and the conversion engineering of large-scale CFC-free air-conditioning systems

## Notes to the Financial Statements

31 DECEMBER 2001

(Amounts expressed in Renminbi ("RMB") unless otherwise stated)

### 7. INVENTORIES

Inventories represent CFC-free refrigerants for sale and installation.

### 8. TRADE RECEIVABLES

	Group	
	2001 RMB'000	2000 RMB'000
Within 90 days	58,770	63,721
Over 90 days but within 180 days	30,845	25,186
Over 180 days but within 365 days	12,330	–
	<u>101,945</u>	<u>88,907</u>
Less: Provision for doubtful debts	(5,279)	(2,700)
	<u><u>96,666</u></u>	<u><u>86,207</u></u>

The normal credit period granted by the Group is on average 30 to 90 days from the date of invoice.

### 9. SHORT-TERM INVESTMENTS

	Group	
	2001 RMB'000	2000 RMB'000
Listed marketable securities, at market value		
– Guangdong Kelon Electrical Holdings Company Limited	5,034	4,614
– GZITIC Hualing Holdings Limited	946	–
	<u>5,980</u>	<u>4,614</u>
Cost of marketable securities	<u><u>6,096</u></u>	<u><u>4,724</u></u>

### 10. DEFERRED TAXATION

There was no significant unprovided deferred taxation as of 31 December 2001 (2000: Nil).

## Notes to the Financial Statements

31 DECEMBER 2001

(Amounts expressed in Renminbi ("RMB") unless otherwise stated)

### 11. SHARE CAPITAL

	<b>2001</b>	2000	<b>2001</b>	2000
	<b>Number of</b>	Number of	<b>HK\$'000</b>	HK\$'000
	<b>shares</b>	shares		
	<b>'000</b>	<b>'000</b>	<b>RMB'000</b>	RMB'000
Authorized				
– ordinary shares of HK\$0.10 each	<u><b>5,000,000</b></u>	<u>5,000,000</u>	<u><b>500,000</b></u>	<u>500,000</u>
Issued and fully paid				
– ordinary shares of HK\$0.10 each	<u><b>1,000,000</b></u>	<u>1,000,000</u>	<u><b>100,000</b></u>	<u>100,000</u>
			<b>RMB'000</b>	RMB'000
			<u><b>106,000</b></u>	<u>106,000</u>

### 12. EMPLOYEE SHARE OPTIONS

The Company has an employee share option scheme (the "Employee Share Option Scheme") under which it may grant options to employees of the Group (including executive directors of the Company) to subscribe for shares in the Company, subject to a maximum of 10% of the nominal value of the issued share capital of the Company from time to time, excluding for this purpose shares issued on the exercise of options. The subscription price will be determined by the board of directors from time to time. The subscription price will not be less than the higher of the nominal value of the Company's shares and the average of the closing price of the shares quoted on the GEM on the five trading days immediately preceding the date of offer of the options. As of 31 December 2001, for nominal consideration, a total of 20,200,000 options and 60,000,000 options had been granted under the Employee Share Option Scheme which are exercisable over a period of five years commencing 28 June 2000 and 26 September 2000 respectively. The exercise price of the 20,200,000 options and the 60,000,000 options is respectively HK\$2.18 and HK\$1.68. As of 31 December 2001, none of these options had been exercised.



## Notes to the Financial Statements

31 DECEMBER 2001

(Amounts expressed in Renminbi ("RMB") unless otherwise stated)

### 13. RESERVES

Movements of reserves were:

	2001				2000	
	Share	Capital	Cumulative	Retained	Total	Total
	premium	reserve	translation	profits(i)		
	RMB'000	RMB'000	adjustments	RMB'000	RMB'000	RMB'000
			RMB'000	RMB'000		
Group						
Balance as at beginning of year	429,961	353,394	162	250,493	1,034,010	214,369
Premium on issue of ordinary shares	-	-	-	-	-	551,200
Share issuance expenses	-	-	-	-	-	(41,845)
Capitalization of share premium	-	-	-	-	-	(79,394)
Effect of the Reorganization	-	-	-	-	-	173,394
Translation adjustments	-	-	(98)	-	(98)	162
Net profit for the year	-	-	-	314,342	314,342	269,124
Dividends	-	-	-	(159,000)	(159,000)	(53,000)
Balances as at end of year	<u>429,961</u>	<u>353,394</u>	<u>64</u>	<u>405,835</u>	<u>1,189,254</u>	<u>1,034,010</u>
Company						
Balance as at beginning of year	429,961	502,621	-	101,266	1,033,848	-
Premium on issue of ordinary shares	-	-	-	-	-	551,200
Share issuance expenses	-	-	-	-	-	(41,845)
Capitalization of share premium	-	-	-	-	-	(79,394)
Effect of the Reorganization	-	-	-	-	-	502,621
Net profit for the year	-	-	-	314,342	314,342	154,266
Dividends	-	-	-	(159,000)	(159,000)	(53,000)
Balances as at end of year	<u>429,961</u>	<u>502,621</u>	<u>-</u>	<u>256,608</u>	<u>1,189,190</u>	<u>1,033,848</u>

## Notes to the Financial Statements

31 DECEMBER 2001

(Amounts expressed in Renminbi ("RMB") unless otherwise stated)

### 13. RESERVES (Continued)

- (i) PRC laws and regulations require wholly foreign-owned enterprises to provide for certain statutory funds, namely, reserve fund and staff and workers' bonus and welfare fund, which are appropriated from net profit after tax (based on the local statutory accounts of the Company's subsidiaries in the PRC) but before dividend distribution. The PRC subsidiaries are required to allocate at least 10% of their net profit to the reserve fund until the balance of such fund has reached 50% of their respective registered capital. Appropriation to the staff and workers' bonus and welfare fund is at the discretion of the directors of such subsidiaries. The reserve fund can only be used, upon approval by the relevant authority, to offset accumulated losses or increase capital. The staff and workers' bonus and welfare fund can only be used for special bonuses or collective welfare of the employees of the individual subsidiary, and assets acquired through this fund shall not be taken as the Group's assets. As of 31 December 2001, the reserve funds amounted to approximately RMB62,284,000 (2000: RMB27,016,000). Under IFRS, appropriations to the staff and workers' bonus and welfare fund have been included as expenses and the balance of the fund as a liability of the Group.

Under the Company's Articles of Association and the Companies Law (Revised) of the Cayman Islands ("Companies Law"), share premium and capital reserve are distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of share premium and capital reserve if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realizable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital account.

As at 31 December 2001, the Company's reserves available for distribution to shareholders amounted to approximately RMB1,189,190,000, computed in accordance with the Companies Law and the Company's Articles of Association. This includes the Company's share premium and capital reserve of approximately RMB429,961,000 and RMB502,621,000 respectively, plus retained profits of approximately RMB256,608,000, which is available for distribution provided that immediately following the date on which the dividend is proposed, the Company will be able to pay off its debts as they fall due in the ordinary course of business.

### 14. SHORT-TERM BORROWINGS

As of 31 December 2001, the Group's short-term bank loans amounted to RMB80,000,000, of which RMB50,000,000 was granted by Agricultural Bank of China, Shenzhen Branch, which was guaranteed by a stand-by letter of credit amounting to HK\$ 50,000,000 issued by the Citic Ka Wah Bank ("CKW"). This letter of credit was issued by CKW pursuant to a banking facility of HK\$100,000,000 granted to the Group, which was secured by pledged fixed deposits amounting to 50% of the facility utilized and personal guarantee from Mr. Gu. The other RMB30,000,000 was granted by Bank of Communications, Nanjing Branch and was unsecured. These bank loans bore interest ranging from 4.65%-5.589% per annum.

## Notes to the Financial Statements

31 DECEMBER 2001

(Amounts expressed in Renminbi ("RMB") unless otherwise stated)

### 15. REVENUE

	<b>2001</b> <b>RMB'000</b>	2000 RMB'000
Conversion engineering income	<b>476,726</b>	318,040
Sale of CFC-free refrigerants	<b>39,604</b>	45,857
	<b>516,330</b>	363,897

All revenue was derived in the PRC.

### 16. OTHER OPERATING INCOME

	<b>2001</b> <b>RMB'000</b>	2000 RMB'000
Interest income on bank deposits	<b>22,495</b>	14,664
Others	<b>3,376</b>	2,252
	<b>25,871</b>	16,916

### 17. FINANCE COST

	<b>2001</b> <b>RMB'000</b>	2000 RMB'000
Interest on bank loans wholly repayable within 5 years	<b>4,395</b>	81
Others	<b>35</b>	12
	<b>4,430</b>	93

## Notes to the Financial Statements

31 DECEMBER 2001

(Amounts expressed in Renminbi ("RMB") unless otherwise stated)

### 18. PROFIT BEFORE TAX

	<b>2001</b>	2000
	<b>RMB'000</b>	RMB'000
Profit before tax was determined after charging the following:		
Staff costs		
– salaries and wages	<b>9,681</b>	5,767
– provision for staff and workers' bonus and welfare fund	<b>1,355</b>	829
– contribution to retirement schemes (see Note 24)	<b>484</b>	326
	<b>11,520</b>	6,922
Depreciation of property, plant and equipment	<b>3,888</b>	1,257
Amortization of intangible asset included in distribution costs	<b>12,000</b>	12,000
Cost of inventories	<b>99,027</b>	66,138
Operating lease rentals of land and buildings	<b>6,045</b>	3,588
Auditors' remuneration	<b>1,400</b>	1,400
Provision for doubtful debts	<b>2,579</b>	2,160
Loss on disposal of property, plant and equipment	<b>–</b>	106

## Notes to the Financial Statements

31 DECEMBER 2001

(Amounts expressed in Renminbi ("RMB") unless otherwise stated)

### 19. INCOME TAX EXPENSE

Taxation consisted of:

	<b>2001</b> <b>RMB'000</b>	2000 RMB'000
PRC enterprise income tax (iii)	<u>20,593</u>	<u>–</u>

Notes:

(i) Overseas income tax

The Company is incorporated in the Cayman Islands and is exempt from taxation in the Cayman Islands until 2019. The Company's BVI subsidiaries are incorporated under the International Business Companies Acts of the BVI and, accordingly, are exempt from payment of the BVI income taxes.

(ii) Hong Kong profits tax

No Hong Kong profits tax was provided as the Group had no assessable profit arising in or derived from Hong Kong.

(iii) PRC enterprise income tax

Pursuant to the relevant income tax laws of the PRC applicable to enterprises with foreign investment and foreign enterprises, the Group's PRC subsidiaries are subject to enterprise income tax ("EIT") at rates ranging from 15% to 24%. All the PRC subsidiaries were granted certain preferential tax treatments. As a result of enjoying such preferential tax treatments, provision for PRC EIT in 2001 is approximately RMB20,593,000 (2000: Nil).

The reconciliation of statutory tax rate to effective tax rate is as follows:

	<b>2001</b>		2000	
	<b>RMB'000</b>		RMB'000	
Accounting profit before taxation	<u>334,935</u>	100%	<u>269,124</u>	100%
Tax at the statutory tax rate	<b>50,240</b>	15%	40,369	15%
– Tax benefit arising from tax regulations applicable to foreign enterprises in the PRC	<u>(29,647)</u>	(8.9%)	<u>(40,369)</u>	(15%)
Tax expense	<u><b>20,593</b></u>	<u>6.1%</u>	<u>–</u>	<u>0%</u>

There was no material deferred taxation (2000: nil).

## Notes to the Financial Statements

31 DECEMBER 2001

(Amounts expressed in Renminbi ("RMB") unless otherwise stated)

### 20. DIVIDENDS

	<b>2001</b>	2000
	<b>RMB'000</b>	RMB'000
Dividends paid		
– Interim dividend of HK\$0.10 (equivalent to RMB 0.106) per share	<b>106,000</b>	53,000
Dividends proposed after year end		
– Final dividend of HK\$0.05 (equivalent to RMB0.053) per share	<b>53,000</b>	53,000

Total dividends paid during the year of RMB159,000,000 included interim dividends for 2001 and final dividend for 2000.

### 21. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the consolidated net profit for the year attributable to shareholders of approximately RMB314,342,000 (2000: RMB269,124,000) divided by the weighted average number of ordinary shares outstanding during the year of 1,000,000,000 shares (2000: 867,486,000 shares).

Diluted earnings per share is computed by dividing the consolidated net profit for the year attributable to shareholders of approximately RMB314,342,000 by the weighted average number of ordinary shares outstanding during the year 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>2001</b>	2000
Weighted average number of ordinary shares used in calculating basic earnings per share	<b>1,000,000,000</b>	867,486,000
Deemed issue of ordinary shares for no consideration	<b>23,178,000</b>	6,096,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	<b>1,023,178,000</b>	873,582,000

## Notes to the Financial Statements

31 DECEMBER 2001

(Amounts expressed in Renminbi ("RMB") unless otherwise stated)

### 22. DIRECTORS AND SENIOR EXECUTIVES' EMOLUMENTS

(i) Details of directors' emoluments are:

	<b>2001</b>	2000
	<b>RMB'000</b>	RMB'000
Fees for executive directors	-	-
Fees for non-executive directors	-	-
Other emoluments for executive directors		
– Basic salaries and allowances	<b>7,800</b>	3,812
– Contribution to retirement scheme	-	-
Other emoluments for non-executive directors	<b>576</b>	297
	<b>8,376</b>	4,109

No director waived any emoluments during the year. No emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group.

Analysis of directors' emoluments by number of directors and emolument ranges is as follows:

	<b>2001</b>	2000
Executive directors		
– Nil to RMB1,000,000	<b>4</b>	7
– RMB1,000,000 to RMB1,500,000	<b>2</b>	-
– RMB1,500,000 to RMB2,000,000	-	1
– RMB2,500,000 to RMB3,000,000	<b>1</b>	-
Non-executive directors		
– Nil to RMB1,000,000	<b>2</b>	2
	<b>9</b>	10

During the year ended 31 December 2001, the seven (2000: eight) executive directors received individual emoluments of approximately RMB2,966,000, RMB1,241,000, RMB1,011,000, RMB837,000, RMB837,000, RMB837,000, and RMB71,000 respectively (2000: RMB1,529,000, RMB371,000, RMB371,000, RMB371,000, RMB140,000, RMB519,000, RMB371,000 and RMB140,000 respectively).

## Notes to the Financial Statements

31 DECEMBER 2001

(Amounts expressed in Renminbi ("RMB") unless otherwise stated)

### 22. DIRECTORS AND SENIOR EXECUTIVES' EMOLUMENTS (Continued)

- (ii) The five individuals whose emoluments were the highest in the Group (including directors and employees) were as follows:

	2001	2000
Directors	4	4
Employees	1	1
	5	5
	5	5

- (iii) Details of emoluments paid to the five highest paid individuals (including directors and other employees) are:

	2001 RMB'000	2000 RMB'000
Basic salaries and allowance	7,078	3,280
Contribution to retirement scheme	-	-
Others	-	53
	7,078	3,333
	7,078	3,333

Four (2000: four) of the highest paid individuals are directors of the Company, whose emoluments are included in Note 22 (i) above.

The emoluments of the highest paid individuals were within the following bands:

	2001	2000
Nil to RMB1,000,000	1	4
RMB1,000,000 to RMB1,500,000	3	-
RMB1,500,000 to RMB2,000,000	-	1
RMB2,500,000 to RMB3,000,000	1	-
	5	5
	5	5

During the year ended 31 December 2001, no emoluments of the five highest paid individuals (including directors and employees) were paid by the Group as inducement to join or upon joining the Group or as compensation for loss of office.



## Notes to the Financial Statements

31 DECEMBER 2001

(Amounts expressed in Renminbi ("RMB") unless otherwise stated)

### 23. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(i) Reconciliation from profit before tax to cash generated from operations:

	<b>2001</b>	2000
	<b>RMB'000</b>	RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Profit before tax	<b>334,935</b>	269,124
Adjustments for:		
Provision for doubtful debts	<b>2,579</b>	2,160
Depreciation of property, plant and equipment	<b>3,888</b>	1,257
Loss on disposal of property, plant and equipment	-	106
Interest expense	<b>4,430</b>	93
Interest income	<b>(22,495)</b>	(14,664)
Amortization of intangible asset	<b>12,000</b>	12,000
Operating profit before working capital changes	<b>335,337</b>	270,076
Decrease (increase) in inventories	<b>27,866</b>	(46,259)
Increase in trade receivables	<b>(13,038)</b>	(70,816)
(Increase) decrease in deposits, prepayments and other receivables	<b>(3,345)</b>	2,353
(Increase) decrease in amounts due from related parties	<b>(229,983)</b>	10,701
Increase in accruals and other payables	<b>7,335</b>	787
Increase in staff and workers' bonus and welfare funds	<b>1,037</b>	571
(Decrease) increase in amounts due to related parties	<b>(24,622)</b>	28,863
Increase in tax payable	<b>24,393</b>	6,753
Cash provided by operations	<b>124,980</b>	203,029

(ii) Analysis of the balances of cash and cash equivalents

	<b>2001</b>	2000
	<b>RMB'000</b>	RMB'000
Cash and bank deposits	<b>850,621</b>	850,695
Short-term investments	<b>5,980</b>	4,614
Short-term borrowings	<b>(80,000)</b>	(20,000)
	<b>776,601</b>	835,309

## Notes to the Financial Statements

31 DECEMBER 2001

(Amounts expressed in Renminbi ("RMB") unless otherwise stated)

### 24. RETIREMENT BENEFITS

The Company has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme ("the MPF Scheme"), a defined contribution scheme managed by an independent trustee. Each of the Company and its employees made monthly contributions to the MPF scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Both the Company's and the employees' contributions are subject to a cap of HK\$1,000 per month and thereafter contributions are voluntary.

Pursuant to the PRC laws and regulations, contributions to the basic old age insurance for the local staff of the Company's PRC subsidiaries are to be made monthly to a government agency based on 25% of the standard salary set by the provincial government, of which 7%-20% is borne by the Company's PRC subsidiaries and the remainder is borne by the staff. The government agency is responsible for the pension liabilities relating to such staff on their retirement. The Group accounts for these contributions on an accrual basis.

As of 31 December 2001, the Group had no significant obligation apart from the contribution as stated above.

Details of the pension contributions made by the Group, which have been dealt with in the consolidated results of operations of the Group for the current year, were as follows:

	<b>2001</b>	2000
	<b>RMB'000</b>	RMB'000
Contributions to retirement schemes	<b>484</b>	326

### 25. CONTINGENT LIABILITIES

As of 31 December 2001, the Group had no significant contingent liabilities.

### 26. FINANCIAL INSTRUMENTS

#### (i) Fair values

The carrying amounts of the Group's cash and cash equivalents, trade and other receivables, payables, borrowings, and balances with related parties approximate their fair values because of the short maturity of these instruments.

The Group did not enter into any foreign exchange forward contracts to hedge against fluctuations.

**Notes to the Financial Statements**

31 DECEMBER 2001

*(Amounts expressed in Renminbi ("RMB") unless otherwise stated)***26. FINANCIAL INSTRUMENTS** *(Continued)***(ii) Credit risk**

The carrying amounts of cash and bank deposits, trade and other receivables, and amount due from related party represented the Group's maximum exposure to credit risk in relation to financial assets.

Majority of the Group's trade receivables relate to sales of goods and installation income from third party customers. The Group performs ongoing credit evaluations of its customers' financial condition and generally does not require collateral on trade receivables. The Group maintains a provision for doubtful debts and actual losses have been within management's expectation. No single customer accounted for greater than 10% of total revenues during the year.

No other financial assets carry a significant exposure to credit risk.

**(iii) Interest rate risk**

Cash is placed with reputable banks and the weighted average effective interest rate on deposits was approximately 3%.

The interest rates and terms of repayment of short-term bank loans of the Group are disclosed in Note 14.

**(iv) Liquidity risk**

The Group policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities.

**27. SEGMENT INFORMATION**

The Group conducts its business in the PRC within one business segment-the business of sale of CFC-free refrigerants and conversion engineering of large-scale CFC-free air-conditioning systems. The Group also operates within one geographical segment because its revenues are primarily generated in the PRC and its assets are primarily located in the PRC. Accordingly, no segment information is presented.

## Notes to the Financial Statements

31 DECEMBER 2001

(Amounts expressed in Renminbi ("RMB") unless otherwise stated)

### 28. COMMITMENTS

Total future lease payments under non-cancellable operating leases were as follows:

	<b>2001</b>	2000
	<b>RMB'000</b>	RMB'000
Land and buildings		
– not later than one year	<b>2,713</b>	4,689
– later than one year and not later than five years	<b>139</b>	1,918
	<hr/> <b>2,852</b> <hr/>	<hr/> 6,607 <hr/>

# GREENCOOL

## Financial Summary

### Combined Income Statement

(Expressed in thousands of Renminbi ("RMB") except for earnings per share)

	For the years ended 31 December			
	2001	2000	1999	1998
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	<b>516,330</b>	363,897	92,827	113
Cost of sales	<b>(105,604)</b>	(67,724)	(34,698)	(520)
Gross profit (loss)	<b>410,726</b>	296,173	58,129	(407)
Other operating income	<b>25,871</b>	16,916	2,084	–
Distribution costs	<b>(28,431)</b>	(15,048)	(5,853)	(930)
Administrative expenses	<b>(68,801)</b>	(28,824)	(12,817)	(5,479)
Other operating expenses	–	–	(243)	28
Profit (loss) from operations	<b>339,365</b>	269,217	41,300	(6,788)
Finance cost	<b>(4,430)</b>	(93)	(143)	–
Profit (loss) before tax	<b>334,935</b>	269,124	41,157	(6,788)
Income tax expense	<b>(20,593)</b>	–	–	–
Net profit (loss) for the year	<b>314,342</b>	269,124	41,157	(6,788)
Dividends	<b>159,000</b>	53,000	–	–
Earnings (loss) per share				
– Basic	<b>RMB31 cents</b>	RMB31 cents	RMB5.5 cents	RMB(0.9 cents)
– Diluted	<b>RMB31 cents</b>	RMB31 cents	Not applicable	Not applicable

# GREENCOOL

## Financial Summary

### Combined Balance Sheet

(Expressed in thousands of RMB)

	2001 RMB'000	As of 31 December		
		2000 RMB'000	1999 RMB'000	1998* RMB'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	44,216	26,042	3,610	3,605
Intangible asset	156,000	168,000	180,000	–
	<b>200,216</b>	194,042	183,610	3,605
<b>Current assets</b>				
Inventories	31,118	58,984	12,725	27,340
Trade receivables, net	96,666	86,207	17,551	–
Deposits, prepayments and other receivables	15,262	11,917	14,270	11,223
Due from related parties	229,983	–	10,701	–
Short-term investments	5,980	4,614	–	–
Cash and bank deposits	850,621	850,695	158,487	28,078
	<b>1,229,630</b>	1,012,417	213,734	66,641
<b>Total assets</b>	<b>1,429,846</b>	1,206,459	397,344	70,246
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves</b>				
Share capital	106,000	106,000	173,500	75,000
Reserves	1,189,254	1,034,010	214,369	(6,788)
	<b>1,295,254</b>	1,140,010	387,869	68,212
<b>Current Liabilities</b>				
Accruals and other payables	10,182	2,847	2,060	1,810
Staff and workers' bonus and welfare funds	2,325	1,288	717	198
Due to related parties	6,963	31,585	2,722	–
Short-term borrowings	80,000	20,000	–	–
Tax payable	35,122	10,729	3,976	26
	<b>134,592</b>	66,449	9,475	2,034
<b>Total equity and liabilities</b>	<b>1,429,846</b>	1,206,459	397,344	70,246

\* 1998 figures are unaudited.