



**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

**FIRST QUARTERLY REPORT**  
FOR THE QUARTER ENDED 31/03/2002

**1Q/2002**

## **HIGHLIGHTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2002**

- Revenue was approximately RMB47.5 million for the three months ended 31 March 2002, representing a decrease of approximately 4% when compared with the same period in 2001
- Profit from operations was approximately RMB16.8 million, representing a decrease of approximately 48% when compared with the same period in 2001
- Earnings per share was RMB1.52 cents for the three months ended 31 March 2002
- As at 31 March 2002, the contracts in hand amounted to approximately RMB415 million

## First Quarterly Report 2002

For the quarter ended 31 March 2002

### Characteristics of The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Exchange”)

**GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast further profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

**The principal means of information dissemination on GEM is publication on the Internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.**

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*This document, for which the directors of Greencool Technology Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Greencool Technology Holdings Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: 1. the information contained in this document is accurate and complete in all material respects and not misleading; 2. there are no other matters the omission of which would make any statement in this document misleading; and 3. all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## Results

The board ("Board") of directors ("Directors") of Greencool Technology Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months ended 31 March 2002 together with the comparative unaudited figures for the corresponding period in 2001 as follows:

		<b>Three months ended 31 March</b>	
		<b>2002</b>	2001
	<i>Notes</i>	<b>RMB'000</b>	<i>RMB'000</i>
Revenue	(2)	<b>47,483</b>	49,484
Cost of sales		<b>(12,314)</b>	(8,689)
Gross profit		<b>35,169</b>	40,795
Other operating income		<b>2,763</b>	4,543
Distribution costs		<b>(5,667)</b>	(4,259)
Administrative expenses		<b>(15,424)</b>	(8,542)
Profit from operations		<b>16,841</b>	32,537
Finance cost		<b>(612)</b>	(502)
Profit before taxation		<b>16,229</b>	32,035
Taxation	(3)	<b>(1,048)</b>	(2,265)
Net profit attributable to the shareholders		<b>15,181</b>	29,770
Earnings per share	(4)		
– Basic		<b>RMB1.52 cents</b>	RMB3.0 cents
– Diluted		<b>RMB1.52 cents</b>	RMB3.0 cents

Notes:

### (1) Basis of presentation

The principal accounting policies adopted in preparing the unaudited consolidated results have been prepared in accordance with International Financial Reporting Standards 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.

## (2) Revenue

Revenue during the relevant periods comprised the following:

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2002</b>	2001
	<b>RMB'000</b>	RMB'000
Conversion engineering income	<b>43,110</b>	45,940
Sale of Greencool Refrigerants	<b>4,373</b>	3,544
	<u><b>47,483</b></u>	<u>49,484</u>

## (3) Taxation

Taxation represents:

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2002</b>	2001
	<b>RMB'000</b>	RMB'000
PRC income tax	<b>1,048</b>	2,265
Hong Kong profits tax	-	-
Deferred tax	-	-
	<u><b>1,048</b></u>	<u>2,265</u>

Starting from 2001, three group companies, namely Beijing Greencool Environmental Protection Engineering Co. Ltd., Greencool Environmental Protection Engineering (Shenzhen) Co., Ltd. and Hainan Greencool Environmental Protection Engineering Co., Ltd. in the People's Republic of China ("PRC" or "China") are subject to Enterprise Income Tax at a rate of 7.5%. Starting from 2002, one group company, namely Greencool Environmental Protection Engineering (Zhuhai) Co., Ltd. in the PRC is subject to Enterprise Income Tax at a rate of 7.5%. Save as so disclosed, all other subsidiaries of the Group in PRC currently enjoy tax holidays. Further details of the tax holidays of each company in the Group are set out in the Company's prospectus dated 5 July 2000 and annual report of the Company for the year ended 31 December 2001.

The Group had no income assessable under Hong Kong profits tax for the three months ended 31 March 2002 (three months ended 31 March 2001: Nil).

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

There was no material deferred taxation for the three months ended 31 March 2002 (three months ended 31 March 2001: Nil).

## (4) Earnings per share

The calculation of basic earnings per share for the three months ended 31 March 2002 is based on the unaudited consolidated net profit attributable to shareholders of approximately RMB15,181,000 (three months ended 31 March 2001: RMB29,770,000) and the weighted average number of 1,000,000,000 shares (three months ended 31 March 2001: 1,000,000,000 shares) in issue.

Diluted earnings per share is computed by dividing the unaudited consolidated net profit for the three months ended 31 March 2002 attributable to ordinary shareholders of approximately RMB15,181,000 (three months ended 31 March 2001: RMB29,770,000) by the weighted average number of ordinary shares outstanding during the period adjusted for the effects of all dilutive potential by the issue of ordinary shares from exercise of share options.

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

	<b>Three months ended 31 March</b>	
	<b>2002</b>	2001
Weighted average number of ordinary shares used in calculating basic earnings per share	<b>1,000,000,000</b>	1,000,000,000
Deemed issue of ordinary shares for no consideration	<b>355,000</b>	3,371,000
	<u><b>1,000,355,000</b></u>	<u>1,003,371,000</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u><b>1,000,355,000</b></u>	<u>1,003,371,000</u>

## Interim Dividend

The Board of Directors does not recommend the payment of any interim dividend for the three months ended 31 March 2002 (three months ended 31 March 2001: Nil).

## Movement of Reserves

There was no movement of reserves for the relevant periods in 2002 and 2001 except for those disclosed below:

	<b>Retained profits</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2002</b>	2001
	<b>RMB'000</b>	RMB'000
Balances as of 1 January	<b>405,835</b>	250,493
Net profit for the three months ended 31 March	<b>15,181</b>	29,770
Proposed final dividend	<b>(53,000)</b>	(53,000)
Balances as of 31 March	<b><u>368,016</u></b>	<u>227,263</u>

## Business Review and Prospects

### Business Review

The Group is principally engaged in conversion engineering, which represents the replacement of chlorofluorocarbon ("CFC") and less energy-efficient CFC-free refrigerants with Greencool Refrigerants in refrigeration and air-conditioning systems, and the distribution of Greencool Refrigerants in China.

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

The Group's 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 centres in China.

The Group's distribution business represents the distribution of Greencool Refrigerants through either the Group's sales force or authorised replacement project agents. From the date of establishment of the Group's business up to end of 2001, the Group's distribution business was mainly the supply of Greencool Refrigerants to the authorized replacement project agents, who would undertake replacement projects for small scale refrigeration and air-conditioning systems (usually with an input of five horsepowers or below).

## **Financial Performance**

Revenue for the three months ended 31 March 2002 was approximately RMB47.5 million representing a decrease of approximately 4% when compared with the same period in 2001. Profit from operations was approximately RMB16.8 million, representing a decrease of approximately 48% when compared with the same period in 2001.

The Directors believe that the declines in revenue and profit from operations were due to the damage to the Group's reputation caused by certain allegations made against the Group, among others reports, since December 2001.

Those allegations are denied and although the Directors believe that the fundamentals of the Group's business have remained unchanged, the Group's sales force had to expend more effort in light of such adverse publicity and, therefore, spent relatively longer time in negotiating and closing business contracts with its customers.

Of the total revenue for the three months ended 31 March 2002, conversion engineering income amounted to approximately RMB43 million which represented around 91% of total revenue while the Group's distribution business amounted to approximately RMB4.4 million which represented around 9% of its total revenue. Compared to the same period of 2001, revenue from conversion engineering decreased by approximately 6% while revenue from distribution business increased by approximately 23%.

Increase in revenue from the Group's distribution business was mainly due to an increase in the number of authorised replacement project agents from 92 at the end of 2001 to 301 as at end of March, 2002.

Gross profit margin decreased from 82% in the three months ended 31 March 2001 to 74% in the three months ended 31 March 2002.

For the first quarter ended on 31 March 2002, administrative expenses increased to RMB15.4 million compared to RMB8.5 million in the same period of 2001 as the Group's business was expanding and more subsidiaries were set up.



As a result of contraction in the Group's total revenue and gross profit margin as well as an increase in administrative expenses, profit from operations decreased by approximately 48%.

Currently, the Group's replacement and distribution businesses are mainly conducted in Beijing, Tianjin and Shanghai, Guangdong province, Hainan province, Hubei province of China through its wholly-owned subsidiaries.

## **Outlook**

The Directors believe that it would take time for the Group to regain its growth momentum as a result of the damage to the Group's reputation.

The Group's key task is to rebuild its customers' confidence. The Directors believe that this may be achieved by a consistent marketing campaign which highlights the energy saving feature of Greencool refrigerants which will result cost savings for the Group's customers.

As stated in the Company's 2001 annual report, 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.

In April 2002, the Company entered into a contract to sell Greencool Refrigerants at a total amount of RMB27 million to Guangdong Kelon Electrical Holdings Limited, one of the largest manufacturers of refrigerators and air-conditioners in PRC.

Moreover, as a result of the management's effort, the number of authorised replacement project agents increased from 92 as at the end of 2001 to 301 as at end of March 2002. The Directors anticipate a substantial improvement in the distribution business as a result.

The Directors are pleased to see the 2001 annual report recently issued by the WTO which mentioned that China experienced growth in its exports and became the fourth largest export country in the world. The Directors anticipate that China's economy will continue to grow and that China's entry into the World Trade Organization ("WTO") should bring new development for China's economy which would accelerate the CFC replacement process.

Other than the business opportunities that may arise from the Olympic Games to be held in Beijing in 2008, there may be potential business opportunities that may come from affiliated infrastructure to be invested in the Qing Dao municipality, a sister city to Beijing for hosting certain programs relating to Olympic Games in 2008. In fact, Qing Dao municipality is located in Shandong province where the Group intends to establish a subsidiary in the near future.

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

As at 31 March 2002, the interests of the Directors and chief executive in the shares of the Company and its associated corporations within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.40 of the Rules Governing the Listing of Securities on GEM ("GEM Listing Rules") were as follows:

### (a) Shares in the Company

Name of Director	Corporate Interest	Personal/Family/Other Interests	Total	Approximate Percentage of issued Shares
Gu Chu Jun	625,940,000	-	625,940,000	62.6

Gu Chu Jun ("Mr. Gu") is the sole shareholder and sole director of Greencool Capital Limited which is the holder of approximately 62.6% of the share capital of the Company. Consequently, under the SDI Ordinance, Mr. Gu is deemed to be interested in all of the shares of the Company held by Greencool Capital Limited.

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

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

Name of Director	Date of Grant	Exercise price per share	Number of shares during the period and outstanding at 31 March 2002
Gu Chu Jun	28 June 2000	HK\$2.18	10,000,000
Liu Cong Meng	28 June 2000 26 September 2000	HK\$2.18 HK\$1.68	3,400,000 20,000,000
Xu Wan Ping	28 June 2000 26 September 2000	HK\$2.18 HK\$1.68	3,400,000 20,000,000
Zhang Xi Han	28 June 2000 26 September 2000	HK\$2.18 HK\$1.68	3,400,000 20,000,000

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

During the first quarter of 2002, no outstanding options were cancelled nor did any lapse.

Save as disclosed above, there are no other rights to subscribe for equity or debt securities of the Company granted to any of the Directors (including their spouses or children under 18 years of age) or chief executive of the Company.

## Substantial Shareholders

As at 31 March 2002, the register of shareholders maintained under Section 16(1) of the SDI Ordinance showed that the Company had been notified of the following interests, being 10% or more of the Company's issued share capital.

Name	Number of Shares	Approximate percentage of holding
Greencool Capital Limited <i>(Note)</i>	625,940,000	62.6

*Note:* Greencool Capital Limited is a company established in the British Virgin Islands with limited liability. Its sole shareholder and sole director is Mr. Gu, the Chairman and an executive Director.

## Competing Interest

The refrigerants used by the Group are exclusively sourced from Greencool Refrigerant (China) Co., Ltd. (the "Tianjin Greencool Factory"), a limited liability company established in China 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 rights to obtain and sell Greencool Refrigerants and any further refrigerants invented by Mr. Gu in the future, manufactured by Tianjin Greencool Factory in China for a term of 20 years from 31 December 1999. The Group has priority over other customers of Tianjin Greencool Factory to purchase Greencool Refrigerants from Tianjin Greencool Factory if there is not enough supply. The Exclusive Distribution Agreement also provides that if Tianjin Greencool Factory fails to supply sufficient Greencool Refrigerants as ordered by the Group, the Group has the non-exclusive right to produce or contract with a third party to produce the relevant Greencool Refrigerants. Under this circumstance, Mr. Gu and Tianjin Greencool Factory

will be obliged to provide the necessary know-how to the Group or the Group's contractors free of charge to enable them to produce the relevant Greencool Refrigerants. Further details can be found in the Company's prospectus dated 5 July 2000.

Pursuant to the Deed of Non-competition Undertaking dated 28 June 2000 entered into between Mr. Gu and the Company, Mr. Gu has undertaken that at any time during which securities of the Company are listed on the Stock Exchange or any other stock exchange recognised under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong) and for so long as Mr. Gu and his associates (as defined in the GEM Listing Rules) holds, whether individually or taken together, 10 per cent. or more of the issued shares in the Company or are otherwise regarded as substantial shareholders of the Company under the GEM Listing Rules or the rules of the relevant securities exchange, he will not and will procure that his associates will not directly or indirectly carry on or be engaged or concerned or interested in: (a) the business of replacement of CFC and CFC-free refrigerants using Greencool Refrigerants in China; and/or (b) any other business in China that is similar to any member of the Group as described in the Company's prospectus dated 5 July 2000.

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

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

To the best knowledge of ING 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 31 March 2002.

Pursuant to the agreement dated 12 November 2001 entered into 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 12 November 2001 to 31 December 2002.

## **Annual General Meeting**

In the Company's annual general meeting held on 29 April 2002, the following resolutions were passed:

1. The audited financial statements for the year ended 31 December 2001 together with the Directors' and Auditors' reports were received and adopted.
2. A final dividend of Hong Kong 5 cents per ordinary share for the year ended 31 December 2001 was approved for payment to shareholders registered on the Register of Members on 26 April 2002.
3. Three directors, namely Liu Cong Meng, Xu Wan Ping and Su Xue Zhi, of the Company were required to retire by rotation pursuant to the Company's articles of association. Two of them, namely Liu Cong Meng and Xu Wan Ping, offered themselves for re-election and were re-elected. In addition, the Board of Directors was authorized to fix the remuneration of the directors.
4. Messrs. Arthur Andersen & Co. was re-appointed the auditors of the Company until the conclusion of the next annual general meeting at a remuneration to be agreed by the Board of Directors.
5. Ordinary resolution no. 5 as set out in the Notice of Annual General Meeting dated 4 April 2002 (To grant a general mandate to the directors to allot and issue new shares) was approved.
6. Ordinary resolution no. 6 as set out in the Notice of Annual General Meeting dated 4 April 2002 (To grant a general mandate to the directors to repurchase shares of the Company) was approved.
7. Ordinary resolution no. 7 as set out in the Notice of Annual General Meeting dated 4 April 2002 (To extend the general mandate to the directors to issue new shares) was approved.

## ***Audit Committee***

The Company established an audit committee on 28 June 2000 with written terms of reference in compliance with Rules 5.23 and 5.24 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee has three members comprising Mr. Fan Jia Yan (who is acting as the chairman of the audit committee) and Ms. Man Margaret, the two independent non-executive Directors and Mr. Hu Xiao Hui, an executive Director.

## ***Purchase, Sale or Redemption of Shares***

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the period from 1 January 2002 to 31 March 2002.

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

Hong Kong, 10 May 2002