



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

INTERIM REPORT 2Q/2002
FOR THE SIX MONTHS ENDED 30/06/2002

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

HIGHLIGHTS FOR THE SIX MONTHS ENDED 30 JUNE 2002

- Revenue achieved approximately RMB197.4 million for the six months ended 30 June 2002, representing a decrease of approximately 13.73% when compared with the same period in 2001
- Profit from operations was approximately RMB78.8 million, representing a decrease of approximately 51.28% when compared with the same period in 2001
- Basic earnings per share was RMB7.18 cents for the six months ended 30 June 2002
- As at 30 June 2002, the contracts in hand amounted to approximately RMB310 million

INTERIM REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2002

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

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

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

The Stock Exchange takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

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

RESULTS

The Board of Directors (the "Board" or "Directors") of Greencool Technology Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months and three months ended 30 June 2002 together with the comparative unaudited figures for the corresponding periods in 2001 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended 30 June		For the three months ended 30 June	
		2002 RMB'000	2001 RMB'000	2002 RMB'000	2001 RMB'000
Revenue	(4)	197,440	228,871	149,957	179,387
Cost of sales		(77,114)	(45,464)	(64,800)	(36,775)
Gross profit		120,326	183,407	85,157	142,612
Other operating income		4,394	11,914	1,631	7,371
Distribution costs		(12,023)	(9,123)	(6,356)	(4,864)
Administrative expenses		(33,914)	(24,442)	(18,490)	(15,900)
Other operating expenses		-	(34)	-	(34)
Profit from operations		78,783	161,722	61,942	129,185
Finance costs		(2,576)	(2,473)	(1,964)	(1,971)
Profit before taxation	(5)	76,207	159,249	59,978	127,214
Taxation	(6)	(4,456)	(10,111)	(3,408)	(7,846)
Net profit attributable to the shareholders		71,751	149,138	56,570	119,368
Dividends	(7)	-	53,000	-	53,000
		RMB	RMB	RMB	RMB
Earnings per share	(8)				
- Basic		7.18 cents	14.91 cents	5.66 cents	11.94 cents
- Diluted		7.17 cents	14.63 cents	5.66 cents	11.61 cents

CONDENSED CONSOLIDATED BALANCE SHEET

		At 30 June 2002 RMB'000 (unaudited)	At 31 December 2001 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	(9)	43,251	44,216
Intangible asset		<u>150,000</u>	<u>156,000</u>
		193,251	200,216
Current assets			
Inventories		88,860	31,118
Trade receivables	(10)	144,226	96,666
Deposits, prepayments and other receivables		8,817	15,262
Amount due from a related party		114,497	229,983
Short term investments		6,096	5,980
Bank balances, deposits and cash		<u>922,999</u>	<u>850,621</u>
		1,285,495	1,229,630
Current liabilities			
Other payables and accrued charges		10,817	10,182
Staff and workers' bonus and welfare funds		4,401	2,325
Amounts due to related parties		6,963	6,963
Short term borrowings		98,000	80,000
Taxation payable		<u>44,618</u>	<u>35,122</u>
		164,799	134,592
Net current assets		<u>1,120,696</u>	<u>1,095,038</u>
Net assets		<u>1,313,947</u>	<u>1,295,254</u>
Capital and reserves			
Share capital		106,000	106,000
Reserves		<u>1,207,947</u>	<u>1,189,254</u>
Shareholders' funds		<u>1,313,947</u>	<u>1,295,254</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(For the six months ended 30 June 2002)

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Translation reserve RMB'000	Accumu- lated profits RMB'000	Total RMB'000
At 1 January 2001	106,000	429,961	353,394	162	250,493	1,140,010
Net profit for the period	-	-	-	-	149,138	149,138
2000 final dividend paid	-	-	-	-	(53,000)	(53,000)
At 30 June 2001	<u>106,000</u>	<u>429,961</u>	<u>353,394</u>	<u>162</u>	<u>346,631</u>	<u>1,236,148</u>
At 1 January 2002	106,000	429,961	353,394	64	405,835	1,295,254
Exchange differences on translation of the financial statements of foreign subsidiaries	-	-	-	(58)	-	(58)
Net profit for the period	-	-	-	-	71,751	71,751
2001 final dividend paid	-	-	-	-	(53,000)	(53,000)
At 30 June 2002	<u>106,000</u>	<u>429,961</u>	<u>353,394</u>	<u>6</u>	<u>424,586</u>	<u>1,313,947</u>

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 June	
	2002 RMB'000	2001 RMB'000
Net cash generated from operating activities	87,049	55,462
Net cash generated from investing activities	2,503	2,144
Net cash generated from (used in) financing activities	(35,000)	27,000
Net increase in cash and cash equivalents	54,552	84,606
Cash and cash equivalents at 1 January	776,601	835,309
Effect of foreign exchange differences	(58)	–
Cash and cash equivalents at 30 June	831,095	919,915

Notes:

(1) General

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 Directors consider Greencool Capital Limited ("Greencool Capital"), which was incorporated in the British Virgin Islands ("BVI"), to be the ultimate holding company of the Company.

(2) Basis of preparation and accounting policy

The condensed financial statements have been prepared under the historical cost convention as modified for the revaluation of the short term investments. The interim report has been prepared in accordance with International Accounting Standard ("IAS") No. 34 "Interim financial reporting" and the accounting policies adopted by the Group are consistent with those followed in the Group's audited financial statements for the year ended 31 December 2001.

(3) Segment information

The Group conducts its business in the People's Republic of China (the "PRC" or "China"). The Group's single business segment is the business of sale of chlorofluorocarbon ("CFC") -free refrigerants and the conversion engineering of large-scale CFC and less energy efficient CFC-free air-conditioning systems. The Group's revenue is primarily generated in the PRC and its assets are primarily located in the PRC. Accordingly, no segment information is presented.

(4) Revenue

Revenue during the periods comprised the following:

	For the six months ended 30 June		For the three months ended 30 June	
	2002 RMB'000	2001 RMB'000	2002 RMB'000	2001 RMB'000
Conversion engineering income	128,424	208,075	85,314	162,135
Sale of CFC-free refrigerants	69,016	20,796	64,643	17,252
	197,440	228,871	149,957	179,387

(5) Profit before taxation

	For the six months ended 30 June		For the three months ended 30 June	
	2002 RMB'000	2001 RMB'000	2002 RMB'000	2001 RMB'000
Profit before taxation has been arrived at after charging:				
Amortisation of intangible asset	6,000	6,000	3,000	3,000
Cost of inventories	57,613	34,166	48,316	27,490
Depreciation of property, plant and equipment	2,384	1,469	1,201	784
Interest on borrowings wholly repayable within five years	2,563	2,140	1,958	1,148
and after crediting:				
Interest income from banks	3,751	10,584	1,650	6,347

(6) Taxation

Taxation charge represents:

	For the six months ended 30 June		For the three months ended 30 June	
	2002 <i>RMB'000</i>	2001 <i>RMB'000</i>	2002 <i>RMB'000</i>	2001 <i>RMB'000</i>
PRC Enterprise Income Tax	4,456	10,111	3,408	7,846

Starting from 2001, three group companies established in the PRC, namely Beijing Greencool Environmental Protection Engineering Co., Ltd., Greencool Environmental Protection Engineering (Shenzhen) Co., Ltd. and Hainan Greencool Environmental Protection Engineering Co., Ltd., are subject to PRC Enterprise Income Tax at a rate of 7.5%. Starting from 2002, another group company established in the PRC, namely Greencool Environmental Protection Engineering (Zhuhai) Co., Ltd., is subject to PRC Enterprise Income Tax at a rate of 7.5%. Save as disclosed, all other subsidiaries of the Group in the PRC currently enjoy tax holidays.

The Group had no income assessable under Hong Kong Profits Tax for the six months and three months ended 30 June 2002 and 2001.

The Company is exempt from taxation in the Cayman Islands until 2020 and the Company's subsidiaries incorporated in the BVI are exempt from taxation.

There was no material deferred taxation for the six months and three months ended 30 June 2002 and 2001.

(7) Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2002 (six months ended 30 June 2001: HK\$0.05 per share (equivalent to RMB0.053 per share)).

A final dividend of HK\$50,000,000 (equivalent to RMB53,000,000) for the year ended 31 December 2001 was paid in May 2002.

(8) Earnings per share

The calculation of the basic and diluted earnings per share for the six months and three months ended 30 June 2002 and 2001 is based on the following data:

	Six months ended 30 June		Three months ended 30 June	
	2002	2001	2002	2001
Earnings				
Net profit for the period and earnings for the purposes of basic and diluted earnings per share	RMB71,751,000	RMB149,138,000	RMB56,570,000	RMB119,368,000
Number of shares				
Weighted average number of shares for the purpose of basic earnings per share	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
Effect of dilutive potential shares:				
Share options	577,712	19,345,000	222,712	28,473,000
Weighted average number of shares for the purpose of diluted earnings per share	1,000,577,712	1,019,345,000	1,000,222,712	1,028,473,000

(9) Property, plant and equipment

During the period under review, the Group spent approximately RMB1,248,000 (six months ended 30 June 2001: RMB8,440,000) on acquisition of property, plant and equipment.

(10) Trade receivables

	At 30 June 2002 RMB'000	At 31 December 2001 RMB'000
Within 90 days	79,829	58,770
Over 90 days but within 180 days	27,788	30,845
Over 180 days but within 365 days	34,885	12,330
Over 365 days	7,003	-
	149,505	101,945
Less: Allowance for doubtful debts	(5,279)	(5,279)
	144,226	96,666

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

(11) Related party transactions

During the period, the Group had the following material transactions with related parties:

	Six months ended 30 June		Three months ended 30 June	
	2002	2001	2002	2001
	RMB'000	RMB'000	RMB'000	RMB'000
Purchase of raw materials from Greencool Refrigerant (China) Co., Ltd. ("Tianjin Greencool Factory")	115,355	38,881	63,426	38,881
Sales of CFC-free refrigerants to a subsidiary of Guangdong Kelon Electrical Holdings Company Limited ("Kelon")	27,000	-	27,000	-

Tianjin Greencool Factory is controlled by Mr. Gu Chu Jun ("Mr. Gu"), the Chairman and ultimate majority shareholder of the Company. Kelon is a company in which Mr. Gu has an indirect 20.84% equity interests.

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 the exclusive distribution agreement dated 28 June 2000:

- 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 was reflected in the Group's 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 distribution of Greencool Refrigerants in the People's Republic of China ("PRC" or "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 the end of 2001, the Group's distribution business was mainly the supply of Greencool Refrigerants to the authorised replacement project agents, who would undertake replacement projects for small scale refrigeration and air-conditioning systems (usually with an input of five horsepower or below).

Financial Performance

Revenue for the six months ended 30 June 2002 was approximately RMB197 million (2001: RMB228 million) representing a decrease of approximately 14% when compared with the same period in 2001. Profit from operations was approximately RMB79 million, representing a decrease of approximately 51% when compared with the same period in 2001.

Of the total revenue for the six months ended 30 June 2002, conversion engineering income amounted to approximately RMB128 million which represented around 65% of total revenue while the Group's distribution business amounted to approximately RMB69 million which represented around 35% of its total revenue. Compared to the same period of 2001, revenue from conversion engineering decreased by approximately 38% while revenue from distribution business increased by approximately 232%.

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 303 as at end of June, 2002.

Gross profit margin decreased from 80% in the six months ended 30 June 2001 to approximately 61% in the six months ended 30 June 2002.

For the six months ended on 30 June 2002, administrative expenses increased to approximately RMB34 million compared to approximately RMB24 million in the same period of 2001 as the Group's business was expanding and more subsidiaries have been 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 51%.

Market coverage

Currently, the Group's replacement and distribution businesses are mainly conducted in Beijing, Tianjin and Shanghai, Guangdong province, Hainan province, Hubei province and Jiangsu province of China through the Company's wholly-owned subsidiaries. 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 very strong financial position with approximately RMB1,314 million shareholders' equity as at 30 June 2002 (31 December 2001: RMB1,295 million) and approximately RMB1,164 million net tangible assets (31 December 2001: 1,139 million).

As at 30 June 2002, the Group had a total of RMB923 million (31 December 2001: RMB851 million) cash and bank deposits that represent 70% (31 December 2001: 66%) of shareholders' equity. Cash and bank deposits are usually treated as liquid assets.

As at 30 June 2002, the net current assets (representing total current assets less total current liabilities) amounted to approximately RMB1,121 million (31 December 2001: RMB1,095 million) and represented 85% (31 December 2001: 85%) of shareholders' equity.

Short term borrowings and gearing ratio

The Group intends to continue building up credit history and relationship with banks in the PRC for the Group's possible future funding.

As of 30 June 2002, the Group's short-term bank loans amounted to RMB98,000,000. These bank loans bore interest ranging from 5.1%-5.796% per annum and are repayable within one year.

The Group's gearing ratio, measured in terms of total bank borrowings divided by shareholders equity, was 7.5% as at 30 June 2002 (31 December 2001: 6.2%). As of 30 June 2002, the Group's cash and cash equivalent, net of total bank borrowings, amounted to approximately RMB825 million (31 December 2001: RMB771 million).

Trade receivables

By 30 June 2002, the total gross trade receivables amounted to approximately RMB150 million.

The management understands that around 28% of gross trade receivables are over 180 days old. The marketing and sales staff and our management have reviewed the credit worthiness of all customers relating to receivables over 180 days old 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 4% of the total gross trade receivables as of 30 June 2002. 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 30 June 2002, the Group had no significant contingent liabilities.

Exposure to fluctuation of Foreign Exchange Rates

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

Moreover, as at 30 June 2002, the Group had some bank deposits in foreign currencies, mainly in Hong Kong dollars the exchange rate of which against Reminbi was also stable throughout the period under review.

As at 30 June 2002, 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 1 July 2000 to 31 December 2003. From 1 January 2004, supply prices of Greencool Refrigerants will be adjusted 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 amortisation of an intangible asset of RMB6 million for half a year and sales commission.

ADMINISTRATIVE EXPENSES

Administrative expenses increased to RMB34 million in 2002 compared to RMB24 million in 2001.

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 RMB2 million (six months ended 30 June 2001: RMB3 million); staff costs amounted to approximately RMB11.6 million (six months ended 30 June 2001: RMB9.4 million).

The Directors believe the increase in administrative expenses are in line with increase in business activity and market coverage.

HUMAN RESOURCES

Staff number

A breakdown of the number of staff of the Group by responsibilities as at 30 June 2002 and 31 December 2001 are set out below:

Function	Number of staff	
	30 June 2002	31 December 2001
Engineering	286	256
Sales	380	373
Administration	136	123
Management	88	71
	890	823

An analysis of the number of staff by 30 June 2002 by locations is set out below:

Locations	Number of staff
Beijing	225
Shenzhen	234
Hainan	131
Hubei	123
Zhuhai	40
Tianjin	78
Jiangsu	24
Shanghai	25
Hong Kong	10
	890

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 organised 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 trainees of the Company's subsidiaries.

In the training center, there are 5 staff holding doctor's degrees, 8 staff holding master's degrees and 7 staff holding bachelor's degrees.

Outlook

The Directors believe that it would take time for the Group to consolidate the benefits from the significant increase in the Group's distribution network when compared to that as at 31 December 2001.

The Group will, as part of this strategy, increase its marketing efforts which will highlight the energy saving feature of Greencool Refrigerants which will result in cost savings for the Group's customers.

As stated in the Company's 2001 annual report, the Directors believe that in 2002, 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 the 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 303 as at end of June 2002. The Directors anticipate a substantial improvement in the distribution business as a result.

Furthermore, the profit generating subsidiaries of the Group have started to pay enterprise income tax. The Directors believe the Group has escaped from the gloomy business environment and is now entering a healthy market.

The Directors are pleased to see the 2001 annual report recently issued by the World Trade Organization ("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 WTO should bring new development for China's economy which would accelerate China's CFC replacement process.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Business objectives for the year ending 31 December 2002 as stated in the prospectus dated 5 July 2000

Actual business progress/change in business objective (if any)

Marketing

1. Promotional efforts

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

Advertised in major regional newspapers and mass media in China.

2. Government support

Secure supports from three to five provincial governments

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

Sales channels

1. Own network

Strengthen the sales and services network of newly set-up subsidiaries

The Group is adding financial and human resources to strengthen the sales and services network of newly set up subsidiaries in Shanghai and Jiangsu province.

Set up five to eight representative offices in the surrounding areas of the Group's subsidiaries

The setting up of additional representative offices is deferred because the Group forecasts that the existing subsidiaries and representative offices are well handling the market demand.

2. Authorised sales agent network

Appoint about 100-150 authorised sales agents

As the Group finds that in-house sales force is more efficient and cost effective, at the end of June 2002, the Group appointed 36 authorised sales agents. Also, the Group had substantially strengthened its own sales force with a total 380 sales staff as at the end of June 2002.

3. Authorised replacement project agent network

Appoint about 400-600 authorised replacement project agents

The Group appointed 303 authorised replacement project agents as at the end of June 2002, which was less than expected due to resources being reallocated to dealing with CFC replacement projects which have a higher profit margin.

New product market

Start to promote and sell the Group's new products produced from the packaging plant

In order to minimise capital expenditure, the Group continues to use a sub-contractor in Guangdong province for the packaging of small packets of Greencoool Refrigerants. The Group has decided not to build the small packets plant and there is no new product this year.

Service quality

- Set up a computer network to link up all the Group's subsidiaries and representative offices in China
- Set up a national chain of Greencool Refrigerants service centre in China

The Group has already installed desk top workstations for major subsidiaries that can communicate effectively and economically through internet.

A national chain of authorised replacement project agents has been set up in China that becomes the foundation of national coverage of maintenance of services.

Investment

Invest about RMB 300-400 million

USD3,000,000 was injected as capital contribution to Tianjin Greencool Environmental Protection Engineering Co., Ltd in first six months of 2002.

Use of proceeds

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

An aggregate of approximately HK\$85 million has been injected to new subsidiaries since the Company's listing.

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 relation activities

Around HK\$0.5 million was used in advertising and public relation activities during the first six months ended 30 June 2002. Up to 30 June 2002, an aggregate of approximately HK\$6 million of proceeds have been used in this respect.

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

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST IN SECURITIES

As at 30 June 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 of the Stock Exchange ("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 the following 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 share options outstanding at 30 June 2002
Gu Chu Jun	28 June 2000	HK\$2.18	10,000,000
Liu Cong Meng	28 June 2000	HK\$2.18	3,400,000
	26 September 2000	HK\$1.68	20,000,000
Xu Wan Ping	28 June 2000	HK\$2.18	3,400,000
	26 September 2000	HK\$1.68	20,000,000
Zhang Xi Han	28 June 2000	HK\$2.18	3,400,000
	26 September 2000	HK\$1.68	20,000,000

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

During the first six months 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 30 June 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 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) hold, 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 held 10,000 shares of the Company as at 30 June 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.

AUDIT COMMITTEE

The Company established an audit committee in 2000 with written terms of reference in compliance with Rules 5.23 to 5.27 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 30 June 2002.

BOARD PRACTICES AND PROCEDURES

For the six months ended 30 June 2002, the Company was in compliance with the Board Practices and Procedures as set out in rule 5.28 to 5.39 of the GEM Listing Rules.

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

Hong Kong, 12 August 2002