



**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**

**THIRD QUARTERLY REPORT** **3Q/2002**  
FOR THE QUARTER ENDED 30/09/2002

## **HIGHLIGHTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2002**

- Revenue achieved approximately RMB299 million for the nine months ended 30 September 2002, representing a decrease of approximately 36% when compared with the same period in 2001
- Profit from operations was approximately RMB121 million, representing a decrease of approximately 64% when compared with the same period in 2001
- Basic earnings per share was RMB11.11 cents for the nine months ended 30 September 2002

## Third Quarterly Report 2002

For the nine months ended 30 September 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 (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 Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: 1. the information contained in this document is accurate and complete in all material respects and not misleading; 2. there are no other matters the omission of which would make any statement in this document misleading; and 3. all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## RESULTS

The Board of Directors (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 nine months and three months ended 30 September 2002 together with the comparative unaudited figures for the corresponding periods in 2001 as follows:

### Unaudited Condensed Consolidated Income Statement

|   | Notes | For the nine months ended<br>30 September |                 | For the three months ended<br>30 September |                 |
|---|-------|---|-----------------|--|-----------------|
|   |       | 2002<br>RMB'000                           | 2001<br>RMB'000 | 2002<br>RMB'000                            | 2001<br>RMB'000 |
| Revenue                                     | (2)   | <b>298,943</b>                            | 467,601         | <b>101,503</b>                             | 238,730         |
| Cost of sales                               |       | <b>(117,312)</b>                          | (93,595)        | <b>(40,198)</b>                            | (48,131)        |
| Gross profit                                |       | <b>181,631</b>                            | 374,006         | <b>61,305</b>                              | 190,599         |
| Other operating income                      |       | <b>7,870</b>                              | 17,630          | <b>3,476</b>                               | 5,716           |
| Distribution costs                          |       | <b>(19,057)</b>                           | (14,838)        | <b>(7,034)</b>                             | (5,715)         |
| Administrative expenses                     |       | <b>(49,391)</b>                           | (41,213)        | <b>(15,477)</b>                            | (16,771)        |
| Other operating expenses                    |       | -   | (42)            | -  | (8)             |
| Profit from operations                      |       | <b>121,053</b>                            | 335,543         | <b>42,270</b>                              | 173,821         |
| Finance costs                               |       | <b>(3,621)</b>                            | (3,904)         | <b>(1,045)</b>                             | (1,431)         |
| Profit before taxation                      |       | <b>117,432</b>                            | 331,639         | <b>41,225</b>                              | 172,390         |
| Taxation                                    | (3)   | <b>(6,291)</b>                            | (19,685)        | <b>(1,835)</b>                             | (9,574)         |
| Net profit attributable to the shareholders |       | <b>111,141</b>                            | 311,954         | <b>39,390</b>                              | 162,816         |
| Dividends                                   | (4)   | -   | 106,000         | -  | 53,000          |
| Earnings per share                          | (5)   | <b>RMB</b>                                | <b>RMB</b>      | <b>RMB</b>                                 | <b>RMB</b>      |
| - Basic                                     |       | <b>11.11 cents</b>                        | 31.20 cents     | <b>3.94 cents</b>                          | 16.28 cents     |
| - Diluted                                   |       | <b>11.11 cents</b>                        | 30.59 cents     | <b>3.94 cents</b>                          | 15.83 cents     |

Notes:

## (1) Basis of preparation and accounting policies

The condensed financial statements have been prepared under the historical cost convention as modified for the revaluation of the short term investments. The principal accounting policies adopted by the Group in preparing the unaudited consolidated financial statements are consistent with those followed in the Group's audited financial statements for the year ended 31 December 2001.

## (2) Revenue

Revenue during the periods comprised the following:

|                                | For the<br>nine months ended<br>30 September<br>2002 |                 | For the<br>three months ended<br>30 September<br>2002 |                 |
|--------------------------------|--|-----------------|---|-----------------|
|                                | RMB'000  | 2001<br>RMB'000 | RMB'000   | 2001<br>RMB'000 |
| Conversion engineering income  | <b>195,969</b>                                       | 426,993         | <b>67,545</b>   | 218,918         |
| Sales of CFC-free refrigerants | <b>102,974</b>                                       | 40,608          | <b>33,958</b>   | 19,812          |
|                                | <b>298,943</b>                                       | 467,601         | <b>101,503</b>  | 238,730         |

## (3) Taxation

Taxation charge represents:

|                           | For the<br>nine months ended<br>30 September<br>2002 |                 | For the<br>three months ended<br>30 September<br>2002 |                 |
|---------------------------|--|-----------------|---|-----------------|
|                           | RMB'000  | 2001<br>RMB'000 | RMB'000   | 2001<br>RMB'000 |
| PRC Enterprise Income Tax | <b>6,291</b>   | 19,685          | <b>1,835</b>  | 9,574           |

Starting from 2001, three companies within the Group established in the People's Republic of China (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 company within the Group 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 nine months and three months ended 30 September 2002 and 2001 respectively.

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 nine months and three months ended 30 September 2002 and 2001 respectively.

#### (4) Dividends

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2002 (for the six months ended 30 June 2001, the first interim dividend of HK\$0.05 per share (equivalent to RMB0.053 per share) was declared and the second interim dividend of HK\$0.05 per share (equivalent to RMB0.053) was declared for the three months ended 30 September 2001, making total interim dividends of HK\$0.10 (equivalent to RMB0.106) per share for the nine months ended 30 September 2001).

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.

#### (5) Earnings per share

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

|   | Nine months ended<br>30 September |                | Three months ended<br>30 September |                |
|---|-----------------------------------|----------------|------------------------------------|----------------|
|   | 2002                              | 2001           | 2002                               | 2001           |
| <b>Earnings</b>   |                                   |                |                                    |                |
| Net profit for the period and earnings for the purposes of basic and diluted earnings per share | <b>RMB111,141,000</b>             | RMB311,954,000 | <b>RMB39,390,000</b>               | RMB162,816,000 |
| <b>Number of shares</b>   |                                   |                |                                    |                |
| Weighted average number of shares for the purpose of basic earnings per share                   | <b>1,000,000,000</b>              | 1,000,000,000  | <b>1,000,000,000</b>               | 1,000,000,000  |
| Effect of dilutive potential shares:  |                                   |                |                                    |                |
| Share options   | <b>577,712</b>                    | 19,852,000     | -                                  | 28,473,000     |
| Weighted average number of shares for the purpose of diluted earnings per share                 | <b>1,000,577,712</b>              | 1,019,852,000  | <b>1,000,000,000</b>               | 1,028,473,000  |

## (6) Share capital and reserves

|  | Share<br>capital<br>RMB'000 | Share<br>premium<br>RMB'000 | Capital<br>reserve<br>RMB'000 | Translation<br>reserve<br>RMB'000 | Accumulated<br>profits<br>RMB'000 | Total<br>RMB'000 |
|--|-----------------------------|-----------------------------|-------------------------------|-----------------------------------|-----------------------------------|------------------|
| At 1 January 2001  | 106,000                     | 429,961                     | 353,394                       | 162                               | 250,493                           | 1,140,010        |
| Net profit for the period  | -                           | -                           | -                             | -                                 | 311,954                           | 311,954          |
| 2000 final dividend paid   | -                           | -                           | -                             | -                                 | (53,000)                          | (53,000)         |
| 2001 interim dividend<br>paid  | -                           | -                           | -                             | -                                 | (53,000)                          | (53,000)         |
| At 30 September 2001   | <u>106,000</u>              | <u>429,961</u>              | <u>353,394</u>                | <u>162</u>                        | <u>456,447</u>                    | <u>1,345,964</u> |
| At 1 January 2002  | 106,000                     | 429,961                     | 353,394                       | 64                                | 405,835                           | 1,295,254        |
| Exchange differences<br>on translation of the<br>financial statements of<br>foreign subsidiaries | -                           | -                           | -                             | (58)                              | -                                 | (58)             |
| Net profit for the period  | -                           | -                           | -                             | -                                 | 111,141                           | 111,141          |
| 2001 final dividend paid   | -                           | -                           | -                             | -                                 | (53,000)                          | (53,000)         |
| At 30 September 2002   | <u>106,000</u>              | <u>429,961</u>              | <u>353,394</u>                | <u>6</u>                          | <u>463,976</u>                    | <u>1,353,337</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 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.

## ***Financial Performance***

Revenue for the nine months ended 30 September 2002 was approximately RMB299 million (2001: RMB468 million) representing a decrease of approximately 36% when compared with the same period in 2001. Profit from operations was approximately RMB121 million, representing a decrease of approximately 64% when compared with the same period in 2001.

Of the total revenue for the nine months ended 30 September 2002, conversion engineering income amounted to approximately RMB196 million which represented around 66% of total revenue while the Group's distribution business amounted to approximately RMB103 million which represented around 34% of total revenue. Compared to the same period of 2001, revenue from conversion engineering decreased by approximately 54% while revenue from distribution business increased by approximately 154%.

Increase in revenue from the Group's distribution business was mainly due to the increase in number of authorised replacement project agents from 92 at the end of December 2001 to 309 as at the end of September 2002.

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

For the nine months ended 30 September 2002, administrative expenses increased to approximately RMB49 million compared to approximately RMB41 million in the same period of 2001 as the Group's business was expanding and the subsidiaries which were set up in the second half of 2001 became fully operational in 2002.

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 64%.

## ***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 of 2001, the Group set up three new subsidiaries in Jiangsu province, Shanghai and Beijing respectively.



### **Contingent liabilities**

As at 30 September 2002, the Group had no significant contingent liabilities.

### **Outlook**

As a result of management's efforts, the number of authorised replacement project agents increased from 92 as at the end of December 2001 to 309 as at the end of September 2002. The Directors believe that the significant increase in the Group's distribution network will continue to bring new business to the Group.

The Group will, as part of this strategy, increase its marketing efforts to highlight the energy saving features of Greencool Refrigerants which, if adopted by its customers, would result in cost savings for such customers.

With the aim of meeting customers' expectations, the Group would put in more resources in employee's training, knowledge management and corporate governance.

As stated in the Company's 2001 annual report, the Group was in negotiations with certain manufacturers of refrigeration and air-conditioning systems to use the Greencool Refrigerants in their products due to possible improvement in product performance caused by the energy saving features of Greencool Refrigerants. The Group will continue to develop business in this respect.

As disclosed in its Annual Report 2001, the Group made advance payments in 2001 in an aggregate sum of approximately RMB229,983,000 to Greencool Refrigerant (China) Co., Ltd. (the "Tianjin Greencool Factory") for Greencool Refrigerants which, as at 30 September 2002, have been delivered to the Group. The Group has not placed any new orders with Tianjin Greencool Factory for the nine months ended 30 September 2002.

The Directors believe that the Group as a whole has been performing satisfactorily in a difficult business environment and is now entering a healthy market. Certain profit generating subsidiaries of the Group have started to pay PRC Enterprise Income Tax.

The Directors anticipate that China's economy will continue to grow and that China's entry into the World Trade Organisation should result in new developments in China's economy which would accelerate the CFC replacement process in China.

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

As at 30 September 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 of Hong Kong Limited (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 registered 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 September 2002 |
|------------------|-----------------------------------|--------------------------|--|
| Gu Chu Jun       | 28 June 2000                      | HK\$2.18                 | 10,000,000   |
| Liu Cong Meng    | 28 June 2000<br>26 September 2000 | HK\$2.18<br>HK\$1.68     | 3,400,000<br>20,000,000                                  |
| Xu Wan Ping      | 28 June 2000<br>26 September 2000 | HK\$2.18<br>HK\$1.68     | 3,400,000<br>20,000,000                                  |
| Zhang Xi Han     | 28 June 2000<br>26 September 2000 | HK\$2.18<br>HK\$1.68     | 3,400,000<br>20,000,000                                  |

The options can be exercised within five years after the date of grant. The principal terms of the option scheme are 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 nine months of 2002, no outstanding options were cancelled nor had they lapsed.

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 September 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.

| <b>Name</b>                               | <b>Number of Shares</b> | <b>Approximate percentage of holding</b> |
|---|-------------------------|--|
| 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 executive Director of the Company.

## **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 that of 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 or their respective associates (as defined in the GEM Listing Rules) 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 September 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. The Audit Committee has also reviewed this report.

## **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 September 2002.

## **BOARD PRACTICES AND PROCEDURES**

For the nine months ended 30 September 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 November 2002