



GREENCOOL TECHNOLOGY HOLDINGS LIMITED

格林柯爾科技控股有限公司*

(incorporated in Cayman Islands with limited liability)

ANNUAL RESULTS ANNOUNCEMENT

FOR THE YEAR ENDED 31 DECEMBER 2002

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.

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

This announcement, 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 announcement 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 announcement 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.

* For identification purposes only

HIGHLIGHTS FOR THE TWELVE MONTH PERIOD

- Turnover achieved approximately RMB321 million for the twelve months ended 31st December 2002, representing a decrease of approximately 38 per cent. as compared with the same period in 2001
- Profit from operations decreased to approximately RMB103 million, representing an approximately 70 per cent. decrease compared with the same period of 2001
- No final dividend is proposed

RESULTS

The board (“Board”) of directors (“Directors”) of Greencool Technology Holdings Limited (“the Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st December 2002 together with the comparative audited figures for the corresponding periods in 2001 as follows:

| | <i>Notes</i> | 2002 <i>RMB'000</i> | 2001 <i>RMB'000</i> |
|----------------------------|--------------|-------------------------------|-------------------------------|
| Turnover | 2 | 321,420 | 516,330 |
| Cost of sales and services | | (128,524) | (105,604) |
| Gross Profit | | 192,896 | 410,726 |
| Other operating income | | 19,202 | 25,871 |
| Distribution costs | | (26,933) | (28,431) |
| Administrative expenses | | (81,797) | (68,801) |
| Profit from operations | 3 | 103,368 | 339,365 |
| Finance cost | 4 | (6,230) | (4,430) |
| Profit before taxation | | 97,138 | 334,935 |
| Taxation | 5 | (14,450) | (20,593) |
| Net profit for the year | | 82,688 | 314,342 |
| Dividends | | – | 159,000 |
| Earnings per share | 6 | | |
| – Basic | | <u>RMB8.3 cents</u> | <u>RMB31 cents</u> |
| – Diluted | | <u>RMB8.3 cents</u> | <u>RMB31 cents</u> |

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2002

(Expressed in thousands of Renminbi (“RMB”))

| | <i>Notes</i> | 2002 <i>RMB'000</i> | 2001 <i>RMB'000</i> |
|---|--------------|-------------------------------|-------------------------------|
| Non-current assets | | | |
| Property, plant and equipment | | 51,103 | 44,216 |
| Intangible asset | | 144,000 | 156,000 |
| Long term trade receivables | 8 | 8,433 | – |
| | | <u>203,536</u> | <u>200,216</u> |
| Current assets | | | |
| Inventories | | 158,774 | 31,118 |
| Trade receivables | 8 | 44,267 | 96,666 |
| Deposits, prepayments and other receivables | | 14,051 | 15,262 |
| Investment securities | | 4,394 | 5,980 |
| Amounts due from related companies | 10 | 1,024 | 229,983 |
| Pledged bank deposits | | 23,176 | – |
| Bank balances and cash | | 1,031,033 | 850,621 |
| | | <u>1,276,719</u> | <u>1,229,630</u> |
| Current liabilities | | | |
| Other payables and accrued charges | | 57,411 | 27,551 |
| Amounts due to related companies | 11 | 17,002 | 6,963 |
| Taxation payables | | 12,727 | 20,078 |
| Bank loans | 12 | 68,000 | 80,000 |
| | | <u>155,140</u> | <u>134,592</u> |
| Net current assets | | <u>1,121,579</u> | <u>1,095,038</u> |
| Net assets | | <u><u>1,325,115</u></u> | <u><u>1,295,254</u></u> |
| Capital and reserves | | | |
| Share capital | | 106,000 | 106,000 |
| Reserves | | 1,219,115 | 1,189,254 |
| Shareholders' funds | | <u><u>1,325,115</u></u> | <u><u>1,295,254</u></u> |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2002

(Expressed in thousands of Renminbi (“RMB”))

| | Share capital <i>RMB'000</i> | Share premium <i>RMB'000</i> | Capital reserve <i>RMB'000</i> | Translation reserve <i>RMB'000</i> | Accumulated profits <i>RMB'000</i> | Total <i>RMB'000</i> |
|---|--|--|--|--|--|--------------------------------|
| At 1 January 2001 | 106,000 | 429,961 | 353,394 | 162 | 250,493 | 1,140,010 |
| Currency realignment not recognised in the consolidated income statement | – | – | – | (98) | – | (98) |
| Net profit for the year | – | – | – | – | 314,342 | 314,342 |
| 2000 final dividend paid | – | – | – | – | (53,000) | (53,000) |
| 2001 interim dividend paid | – | – | – | – | (106,000) | (106,000) |
| At 1 January 2002 | 106,000 | 429,961 | 353,394 | 64 | 405,835 | 1,295,254 |
| Currency realignment not recognised in the consolidated income statement | – | – | – | 173 | – | 173 |
| Net profit for the year | – | – | – | – | 82,688 | 82,688 |
| 2001 final dividend paid | – | – | – | – | (53,000) | (53,000) |
| At 31 December 2002 | <u>106,000</u> | <u>429,961</u> | <u>353,394</u> | <u>237</u> | <u>435,523</u> | <u>1,325,115</u> |

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2002
(Expressed in thousands of Renminbi (“RMB”))

| | 2002 | 2001 |
|--|-----------------------|-----------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 97,138 | 334,935 |
| Adjustments for: | | |
| Interest income | (9,563) | (22,495) |
| Interest expense | 6,230 | 4,430 |
| Depreciation | 5,679 | 3,888 |
| Amortisation of intangible asset | 12,000 | 12,000 |
| Allowance for doubtful debts | 2,020 | 2,579 |
| Unrealised holding loss on investment securities | 1,586 | 116 |
| Loss on disposal of property, plant and equipment | 206 | – |
| Gain on disposal of investment securities | – | (4) |
| | <hr/> | <hr/> |
| Operating cash flows before movements in working capital | 115,296 | 335,449 |
| (Increase) decrease in inventories | (127,656) | 27,866 |
| Decrease (increase) in trade receivables | 41,946 | (13,038) |
| Decrease (increase) in deposits, prepayments and other receivables | 1,211 | (3,345) |
| Decrease (increase) in amounts due from related companies | 228,959 | (229,983) |
| Increase in other payables and accrued charges | 11,950 | 12,688 |
| Increase (decrease) in amounts due to related companies | 10,039 | (24,622) |
| | <hr/> | <hr/> |
| Net cash generated from operations | 281,745 | 105,015 |
| PRC Enterprise Income Tax paid | (3,891) | (516) |
| Interest paid | (6,230) | (4,430) |
| | <hr/> | <hr/> |
| NET CASH GENERATED FROM OPERATING ACTIVITIES | 271,624 | 100,069 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest received | 9,563 | 22,495 |
| Proceeds on disposal of property, plant and equipment | 297 | – |
| Purchase of property, plant and equipment | (13,069) | (22,062) |
| Increase in pledged bank deposits | (23,176) | – |
| Proceeds on disposal of investments securities | – | 200 |
| Purchase of investment securities | – | (1,678) |
| | <hr/> | <hr/> |
| NET CASH USED IN FROM INVESTING ACTIVITIES | (26,385) | (1,045) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Dividends paid | (53,000) | (159,000) |
| | <hr/> | <hr/> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 192,239 | (59,976) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR | 770,621 | 830,695 |
| EFFECT OF FOREIGN EXCHANGE RATE CHANGES | 173 | (98) |
| | <hr/> | <hr/> |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR | <u>963,033</u> | <u>770,621</u> |
| ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS | | |
| Bank balances and cash | 1,031,033 | 850,621 |
| Bank loans | (68,000) | (80,000) |
| | <hr/> | <hr/> |
| | <u>963,033</u> | <u>770,621</u> |

Notes:

(1) Basis of presentation

The principal accounting policies adopted in preparing the audited consolidated results conform with International Financial Reporting Standards (“IFRS”).

(2) Turnover

Turnover comprised the following:

| | 2002 <i>RMB'000</i> | 2001 <i>RMB'000</i> |
|-------------------------------|-------------------------------|-------------------------------|
| Conversion engineering income | 219,647 | 476,726 |
| Sale of CFC-free refrigerants | 101,773 | 39,604 |
| | <u>321,420</u> | <u>516,330</u> |

(3) Profit from operations

| | 2002 <i>RMB'000</i> | 2001 <i>RMB'000</i> |
|--|-------------------------------|-------------------------------|
|--|-------------------------------|-------------------------------|

Profit from operations has been arrived at after charging:

| | | |
|--|---------|--------|
| Allowance for doubtful debts | 2,020 | 2,579 |
| Amortisation of intangible asset, included in distribution costs | 12,000 | 12,000 |
| Auditors' remuneration | 1,060 | 1,400 |
| Cost of inventories | 108,073 | 99,027 |
| Depreciation | 5,679 | 3,888 |
| Loss and disposal of property, plant and equipment | 206 | – |
| Minimum lease payments under operating leases in respect of office premises | 8,303 | 6,045 |
| Staff costs, including directors' remuneration | 37,354 | 11,520 |
| Unrealised holding loss on investment securities | 1,586 | 116 |

and after crediting:

| | | |
|---|----------|----------|
| Gain on disposal of investment securities | <u>–</u> | <u>4</u> |
|---|----------|----------|

Note: As at 31 December 2002, the Group had approximately 800 (2001: 800) employees.

(4) Finance cost

| | 2002 <i>RMB'000</i> | 2001 <i>RMB'000</i> |
|---|-------------------------------|-------------------------------|
| Interest on bank borrowings wholly repayable within 5 years | 6,230 | 4,395 |
| Others | – | 35 |
| | <u>6,230</u> | <u>4,430</u> |

(5) **Taxation**

| | 2002 <i>RMB'000</i> | 2001 <i>RMB'000</i> |
|---------------------------|-------------------------------|-------------------------------|
| PRC Enterprise Income Tax | <u>14,450</u> | <u>20,593</u> |

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 PRC Enterprise Income Tax at rates ranging from 7.5% to 15% (2001: 15% to 24%). The Group's certain PRC subsidiaries are foreign investment enterprises of production nature established in the PRC. Accordingly, these subsidiaries are entitled to tax exemption for the first two years of profitable operations and 50% tax reduction in the following three years of operations. In addition, a PRC subsidiary is a foreign investment enterprise of production nature and is located in New and High Technology Development Zone in the PRC. Accordingly, this subsidiary is entitled to tax exemption for the first three years of operations and 50% tax reduction in the following three years of operations.

No provision for Hong Kong Profits Tax has been made in the financial statement as the Group's income is neither arises in nor is derived from Hong Kong.

The taxation charge can be reconciled to the profit before taxation per the consolidated income statement as follows:

| | 2002 <i>RMB'000</i> | 2001 <i>RMB'000</i> |
|--|-------------------------------|-------------------------------|
| Profit before taxation | <u>97,138</u> | <u>334,935</u> |
| Tax rates of 15% applicable to the Group's subsidiaries in the PRC (2001: 15%) | 14,571 | 50,240 |
| Tax benefit arising from the relevant income tax laws of the PRC applicable to foreign investment enterprises in the PRC | <u>(121)</u> | <u>(29,647)</u> |
| Taxation charge to the consolidated income statement | <u>14,450</u> | <u>20,593</u> |

No provision for deferred taxation has been made in the financial statements as there were no significant timing differences arising during the year or at the balance sheet date.

(6) **Earnings per share**

The calculation of the basic and diluted earnings per share is based on the following data:

| | 2002 <i>RMB'000</i> | 2001 <i>RMB'000</i> |
|--|-------------------------------|-------------------------------|
| Net profit for the year for the purposes of basic and diluted earnings per share | <u>82,688</u> | <u>314,342</u> |
| | <i>'000</i> | <i>'000</i> |
| Weighted average number of shares for the purposes of basic earnings per share | 1,000,000 | 1,000,000 |
| Effect of dilutive potential shares on share options | <u>578</u> | <u>23,178</u> |
| Weighted average number of shares for the purposes of diluted earnings per share | <u>1,000,578</u> | <u>1,023,178</u> |

(7) **Segment information**

Business segments

The Group's turnover and net profit for the year are almost entirely derived from the conversion engineering of large-scale CFC-free air-conditioning systems and sales of CFC-free refrigerants. In the opinion of directors, these activities constitute one business segment since the products are related and are subject to common risks and returns.

Geographical segments

The Group's operations are situated in the PRC in which its revenue was derived therefrom and the Group's assets are primarily located in the PRC. Accordingly, no geographical segment information is presented.

(8) **Trade receivables**

| | The Group | |
|--|---------------------|-----------------|
| | 2002 | 2001 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Trade receivables are repayable as follows: | | |
| Within one year | 44,267 | 96,666 |
| In the second to fifth year inclusive | 8,433 | — |
| | <u>52,700</u> | <u>96,666</u> |
| Less: Amount due within one year shown as current assets | (44,267) | (96,666) |
| Amount due after one year | <u><u>8,433</u></u> | <u><u>—</u></u> |

The aged analysis of trade receivables is as follows:

| | The Group | |
|------------------------------------|----------------------|----------------------|
| | 2002 | 2001 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Within 90 days | 17,509 | 58,770 |
| Between 90 to 180 days | 22,186 | 30,845 |
| Between 181 days to 365 days | 7,289 | 12,330 |
| Over 365 days | 13,015 | — |
| | <u>59,999</u> | <u>101,945</u> |
| Less: Allowance for doubtful debts | (7,299) | (5,279) |
| | <u><u>52,700</u></u> | <u><u>96,666</u></u> |

The normal credit period granted by the Group is on average of 30 to 90 days from the date of invoice. For certain customers, repayment schedules were pre-determined for a period up to 36 months.

(9) Related party transactions

During the year, the Group had the following significant transactions with related parties:

| | Twelve months ended | |
|--|----------------------------|----------------|
| | 31 December | |
| | 2002 | 2001 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Purchase of raw materials from Greencool Refrigerant (China) Co., Ltd. ("Tianjin Greencool Factory") | <u>230,023</u> | <u>70,696</u> |
| Sales of CFC-free refrigerants to Guangdong Kelon Electrical Holdings Co., Ltd. ("Kelon") | <u>23,077</u> | <u>–</u> |
| Purchase of property, plant and equipment from Greencool Canada Inc. ("GCI") | <u>9,999</u> | <u>–</u> |

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 the 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 the Tianjin Greencool Factory to the Group for a period from 1 January 2000 to 31 December 2003 will be at pre-determined prices; and from 1 January 2004 onwards will be at prices calculated in accordance with pre-determined bases.

(10) Amounts due from related companies

| <i>Name of related company</i> | The Group | |
|--|------------------|----------------|
| | 2002 | 2001 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| 順德市格林柯爾企業發展有限公司 | 712 | – |
| 洋浦格林柯爾製冷劑有限公司 | | |
| Yangpu Greencool Refrigerant Co., Ltd. | 163 | – |
| Kelon | 149 | – |
| Tianjin Greencool Factory | <u>–</u> | <u>229,983</u> |
| | <u>1,024</u> | <u>229,983</u> |

Mr. Gu Chu Jun ("Mr. Gu"), the Chairman of the Company, has beneficial interests in the above related companies.

The amounts are unsecured, non-interest bearing and repayable on demand.

(11) Amounts due to related companies

| Name of related company | The Group | |
|--|-----------------|-----------------|
| | 2002 RMB'000 | 2001 RMB'000 |
| Greencool Canada Inc. ("GCI") | 16,662 | 6,663 |
| Beijing Huazhao Green Energy Refrigerant Engineering Co., Ltd. | 300 | 300 |
| Tianjin Greencool Factory | 40 | — |
| | <u>17,002</u> | <u>6,963</u> |

Mr. Gu has beneficial interests in the above related companies.

The amounts are unsecured, non-interest bearing and repayable on demand.

(12) Bank loans

All of the Group's borrowings are in Renminbi, and carry interest at rates ranging from 5.31% – 5.52% (2001: 4.65% – 5.59%) per annum.

At 31 December 2002, the Group's bank loans of RMB22,000,000 were secured by pledged bank deposits of approximately RMB23,176,000 and the remaining bank loans of RMB46,000,000 were unsecured.

At 31 December 2001, an amount of bank loan of RMB50,000,000 which was granted by Agricultural Bank of China, Shenzhen Branch, 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 utilised and a personal guarantee from Mr. Gu. The other RMB30,000,000 was granted by Bank of Communications, Nanjing Branch and was unsecured.

COMPARATIVE FIGURES

Certain comparative figures of the consolidated cash flow statement for the year ended 31 December 2001 have been reclassified to conform with the requirements of International Financial Reporting Standards.

DIVIDENDS

| | 2002 RMB'000 | 2001 RMB'000 |
|---|-----------------|-----------------|
| Interim dividend of HK\$ nil (2001: HK\$0.10, equivalent to RMB0.106) per share | — | 106,000 |
| Proposed final dividend of HK\$ nil (2001: HK\$0.05, equivalent to RMB0.053) per share | — | 53,000 |
| | <u>—</u> | <u>159,000</u> |

RESERVES

THE GROUP

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 taxation (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 utilised for special bonuses or collective welfare of the employees of the individual PRC subsidiary, and assets acquired through this fund shall not be taken as the Group's assets. As of 31 December 2002, the reserve funds, included in accumulated profits, amounted to approximately RMB84,739,000 (2001: RMB62,284,000). Under IFRS, appropriations to the staff and workers' bonus and welfare fund are treated as expenses and the balance of this fund is regarded as a liability of the Group.

| | Share premium <i>RMB'000</i> | Capital reserve <i>RMB'000</i> | Accumulated profits <i>RMB'000</i> | Total <i>RMB'000</i> |
|----------------------------|--|--|--|--------------------------------|
| THE COMPANY | | | | |
| At 1 January 2001 | 429,961 | 502,621 | 101,266 | 1,033,848 |
| Net profit for the year | – | – | 314,342 | 314,342 |
| 2000 final dividend paid | – | – | (53,000) | (53,000) |
| 2001 interim dividend paid | – | – | (106,000) | (106,000) |
| At 1 January 2002 | 429,961 | 502,621 | 256,608 | 1,189,190 |
| Net profit for the year | – | – | 82,688 | 82,688 |
| 2001 final dividend paid | – | – | (53,000) | (53,000) |
| At 31 December 2002 | <u>429,961</u> | <u>502,621</u> | <u>286,296</u> | <u>1,218,878</u> |

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 realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital account.

The Company's reserves available for distribution to shareholders at the balance sheet date are as follows:

| | 2002 <i>RMB'000</i> | 2001 <i>RMB'000</i> |
|---------------------|-------------------------------|-------------------------------|
| Share premium | 429,961 | 429,961 |
| Capital reserve | 502,621 | 502,621 |
| Accumulated profits | 286,296 | 256,608 |
| | <hr/> | <hr/> |
| | <u>1,218,878</u> | <u>1,189,190</u> |

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the 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 2002 is approximately RMB321 million (2001: RMB516 million). In 2002, the income from conversion engineering accounts for around 68% of the total revenue while the distribution business accounts for around 32% of the total revenue.

Gross profit margin has been maintained at a high level of 60% (2001: 80%) which the management considers reasonable and believe the Group maintained its leadership in the market.

For 2001, net profit for the year amounted to RMB83 million (2001: RMB314 million) representing 26% of total turnover (2001: 61%)

Decrease in percentage for net profit for the year divided by total turnover 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 horsepowers), such as banks, telecommunication companies, hotels, shopping centres, restaurants, warehouses and cold storage, supermarkets, and recreational centers in China.

In 2002, the turnover from conversion engineering achieved RMB220 million, representing a decrease of 54% as compared to that of 2001.

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

Distribution business

The Group's distribution business represents sale of refrigerants through the Group's sales teams and 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 2002, the Group had appointed 309 authorised replacement project agents (2001: 92). In order to bring in more distribution business, the management has contacted certain manufacturers of refrigeration and air-conditioning equipments 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, Shanghai, Tianjin, Guangdong province, Hainan province, Hubei province and Jiangsu province.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a very strong financial position with approximately RMB1,325 million shareholders' fund as at 31st December 2002 (2001: RMB1,295 million) and RMB1,181 million net tangible assets (2001: 1,139 million).

As at 31st December 2002, the Group had a total of RMB1,054 million (2001: RMB851 million) cash and bank deposits, of which RMB23 million are pledged bank deposits, that represent 80% (2001: 66%) of shareholders' fund. Cash and bank deposits are usually treated as liquid assets.

As at 31st December 2002, the net current assets (representing total current assets less total current liabilities) amounted to approximately RMB1,122 million (2001: RMB1,095 million) represents 85% (2001: 85%) of shareholders' fund.

In 2002, the Group significantly increased its administrative expenses as a result of its increased activities in marketing and promotion.

Short term borrowings and gearing ratio

As of 31st December 2002, the Group's short-term bank loans amounted to RMB68,000,000. These bank loans bore interest ranging from 5.31%–5.52% (2001: 4.65%–5.59%) per annum are repayable within one year.

The Group's gearing ratio, measured in terms of total bank borrowings divided by shareholders equity, was 5.13% as at 31st December 2002 (2001: 6.18%). As of 31st December 2002, the Group's cash and cash equivalent, net of total bank borrowings and excluding pledge bank deposits, amounted to RMB963 million (2001: RMB771 million).

Trade receivables

By end of 2002, the total gross trade receivables amounted to RMB60 million, around 19% of total revenue in 2002 (2001: around 20%). The decrease in the ratio of receivables to turnover, represents the Group's tightened control in credit control and debt collection.

The management understands that around 34% of gross trade receivables are of aging over 180 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 RMB7 million for provision of doubtful debts, which represents around 12% of the total gross trade receivables as of 31st December 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 31 December 2002, 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 Reminbi and the reporting currency of the Group is also in Reminbi.

Moreover, as at the year end of 2002, the Group had some bank deposits in foreign currencies, mainly in Hong Kong dollars of which exchange rate to Reminbi was also stable in 2002.

As at the year end of 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 1st July 2000 to 31st December 2003. From 1st 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 represent mainly amortization of intangible asset of RMB12 million each year and sales commission.

ADMINISTRATIVE EXPENSES

Administrative expenses increased to RMB82 million in 2002 compared to RMB69 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 RMB8.3 million (2001: RMB6 million); staff costs including directors' remuneration amounted to approximately RMB37.4 million (2001: RMB11.5 million).

The directors believe the increase in administrative expenses are in line with increases in business activity and turnover from the distribution.

HUMAN RESOURCES

Staff number

A breakdown of the number of staff of the Group by responsibilities as at each year end of 31st December 2002 and 2001 are set out below:

| Function | Number of staff at 31 December | |
|----------------|-----------------------------------|------------|
| | 2002 | 2001 |
| Engineering | 223 | 256 |
| Sales | 381 | 373 |
| Administration | 122 | 123 |
| Management | 78 | 71 |
| | <u>804</u> | <u>823</u> |

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

| Locations | Number of staff |
|-----------|-----------------|
| Beijing | 228 |
| Shenzhen | 199 |
| Hainan | 116 |
| Hubei | 92 |
| Zhuhai | 42 |
| Tianjin | 64 |
| Hong Kong | 5 |
| Jiangsu | 21 |
| Shanghai | 37 |
| | <u>804</u> |

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 instruction to trainee engineers from the subsidiaries and authorised replacement project agents.

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.

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.

For the year 2003, the Directors believe that more 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.

In the next three years, the Directors are looking forward to establish new subsidiaries or representative offices in three to four provinces.

The Directors are of full confidence that the business of the Group should generate significant profit from the business.

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' initial 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 has deferred because the Group believes that the existing subsidiaries and representative offices are coping well with market demand.

2. *Authorised sales agent network*

Appoint about 100-150 authorised sales agents

As the Group's in-house sales force was more efficient and cost effective than anticipated, at the end of December 2002, the Group appointed 37 authorised sales agents. Also, the Group had substantially strengthened its own sales force with a total 381 sales staff as at the end of December 2002.

3. *Authorised replacement project agent network*

Appoint about 400-600 authorised replacement project agents

The Group appointed 309 authorised replacement project agents as at the end of December 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 continued to use a sub-contractor in Guangdong province for the packaging of small packets of Greencool 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

RMB2,120,000 was injected as capital contribution to 珠海市格林柯爾製冷工程有限公司 in 2002.

Use of proceeds

Up to approximately HK\$440 million to set up subsidiaries in a number of major cities and provinces

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. An aggregate of approximately HK\$87 million has been injected in 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 contributions 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\$0.8 million was used in advertising and public relation activities during 2002. Up to 31 December 2002, an aggregate of approximately HK\$6.3 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 Company has decided to set up such facilities in Hubei instead of Shenzhen. The set-up of research and development and training facilities in Hubei is in the preliminary stage and no material expenditure has therefore been incurred. As the Company has decided to change the site of such facilities to Hubei, HK\$50 million will be used in Hubei facilities for 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 CHIEF EXECUTIVE'S INTEREST IN SECURITIES

As at 31st December, 2002, the interests of the directors, chief executive and their associates in the ordinary shares of the Company as recorded in the register maintained by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), 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 62.6 per cent. of the share capital of the Company. Consequently, Mr. Gu is deemed to be interested in all of the shares of the Company held by Greencool Capital Limited under the SDI Ordinance.

(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:

| Name of director | Date of Grant | Exercise price per share | Number of shares during the period and outstanding at 31st December, 2002 |
|-------------------------|---|---------------------------------|--|
| Mr. Gu | 28th June, 2000 | HK\$2.18 | 10,000,000 |
| Zhang Xi Han | 28th June, 2000 26th September, 2000 | HK\$2.18 HK\$1.68 | 3,400,000 20,000,000 |
| Liu Cong Meng | 28th June, 2000 26th September, 2000 | HK\$2.18 HK\$1.68 | 3,400,000 20,000,000 |
| Xu Wan Ping | 28th June, 2000 26th 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 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 option scheme.

There were no share options at the beginning of 2000. There were also no options cancelled or lapsed during 2002 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 associate.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2002, the register of substantial 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 of shareholder | Number of Shares | Shareholding percentage |
|---|-------------------------|--------------------------------|
| 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 and wholly owned by Mr. Gu, the Chairman 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 28th 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 31st 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 prospectus dated 5th July, 2000.

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 of Hong Kong Limited or any other stock exchanges 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 a substantial shareholder 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 the PRC; and/or (b) any other business in the PRC that is similar to any member of the Group as described in the Company’s 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 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, its directors, employees or associates (as referred to in Note 3 to the Rule 6.35 of the GEM Listing Rules) held 10,000 shares in the Company as at 31st December, 2002.

Pursuant to the agreement dated 12th November 2001 ING Bank N.V. had been retained to act as the Company’s sponsor for the period up to 31st December, 2002 in return for an annual advisory fee payable on quarterly basis.

AUDIT COMMITTEE

The Company established an audit committee in February 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.

BOARD PRACTICES AND PROCEDURES

For the year ended 31st December, 2002, 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

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

Hong Kong, 18th March, 2003

This announcement will remain on the GEM website on the "Latest Company Announcements" page for 7 days from the day of the posting and at the Company's website at <http://www.greencool.com.hk>.