



GREENCOOL TECHNOLOGY HOLDINGS LIMITED

格林柯爾科技控股有限公司*

(incorporated in the Cayman Islands with limited liability)

FIRST QUARTERLY REPORT 2003 FOR THE QUARTER ENDED 31 MARCH 2003

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 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.

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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 only

HIGHLIGHTS FOR THE THREE MONTHS ENDED 31 MARCH 2003

- Turnover was approximately RMB34.7 million for the three months ended 31 March 2003, representing a decrease of approximately 27% when compared with the same period in 2002
- Profit from operations was approximately RMB5.8 million, representing a decrease of approximately 66% when compared with the same period in 2002
- Earnings per share was RMB0.41 cents for the three months ended 31 March 2003

RESULTS

The board (“Board”) of directors (“Directors”) of Greencool Technology Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 31 March 2003 together with the comparative unaudited figures for the corresponding period in 2002 as follows:

		Three months ended	
		31 March	
	<i>Notes</i>	2003	2002
		RMB'000	RMB'000
Turnover	(2)	34,715	47,483
Cost of sales and services		(11,963)	(12,314)
Gross profit		22,752	35,169
Other operating income		2,182	2,763
Distribution costs		(6,109)	(5,667)
Administrative expenses		(13,044)	(15,424)
Profit from operations		5,781	16,841
Finance costs		(941)	(612)
Profit before taxation		4,840	16,229
Taxation	(3)	(737)	(1,048)
Net profit for the period		4,103	15,181
Earnings per share	(4)		
– Basic		RMB0.41 cents	RMB1.52 cents
– Diluted		RMB0.41 cents	RMB1.52 cents

Notes:

(1) Basis of presentation

The principal accounting policies adopted in preparing the unaudited consolidated results have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM.

(2) Turnover

Turnover during the relevant periods comprised the following:

	Three months ended	
	31 March	
	2003	2002
	RMB'000	RMB'000
Conversion engineering income	31,192	43,110
Sales of CFC-free refrigerants	3,523	4,373
	<u>34,715</u>	<u>47,483</u>

(3) Taxation

Taxation represents:

	Three months ended	
	31 March	
	2003	2002
	RMB'000	RMB'000
The People's Republic of China ("PRC") Enterprise Income Tax	<u>737</u>	<u>1,048</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% (2002: 7.5% to 15%).

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

No provision for deferred taxation has been made in the financial statements for the three months ended 31 March 2003 (three months ended 31 March 2002: nil) as there were no significant timing differences arising during the period or at the balance sheet date.

(4) Earnings per share

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

	Three months ended	
	31 March	
	2003	2002
	RMB'000	RMB'000
Net profit for the period for the purposes of basic and diluted earnings per share	<u>4,103</u>	<u>15,181</u>
	'000	'000
Weighted average number of shares for the purpose of basic earnings per share	1,000,000	1,000,000
Effect of dilutive potential shares on share options	—	355
Weighted average number of shares for the purpose of diluted earnings per share	<u>1,000,000</u>	<u>1,000,355</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	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 2002	106,000	429,961	353,394	64	405,835	1,295,254
Currency realignment not recognized 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>
At 1 January 2003	106,000	429,961	353,394	237	435,523	1,325,115
Net profit for the period	-	-	-	-	4,103	4,103
At 31 March 2003	<u>106,000</u>	<u>429,961</u>	<u>353,394</u>	<u>237</u>	<u>439,626</u>	<u>1,329,218</u>

INTERIM DIVIDEND

The Board of Directors does not recommend the payment of any interim dividend for the three months ended 31 March 2003 (three months ended 31 March 2002: nil).

BUSINESS REVIEW AND PROSPECTS

Business Review

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

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

The Group’s conversion engineering business targets primarily commercial and industrial customers who own or operate large scale refrigeration and air-conditioning systems (usually with an input of more than five horsepower), such as banks, telecommunication companies, hotels, shopping centres, restaurants, warehouses and cold storage, supermarkets, and recreational centres in China.

The Group’s distribution business represents the distribution of Greencool Refrigerants through either the Group’s sales force or authorised replacement project agents. The authorized replacement project agents undertake mainly replacement projects for small scale refrigeration and air-conditioning systems (usually with an input of five horsepowers or below).

Financial Performance

Turnover for the three months ended 31 March 2003 was approximately RMB34.7 million representing a decrease of approximately 27% when compared with the same period in 2002. Profit from operations was approximately RMB5.8 million, representing a decrease of approximately 66% when compared with the same period in 2002.

The Directors believe that seasonal factors have caused the low level of the Group's business in the first quarter of this year.

Gross profit margin decreased from 74% in the three months ended 31 March 2002 to 66% in the three months ended 31 March 2003.

For the first quarter ended on 31 March 2003, administrative expenses decreased to RMB13 million compared to RMB15.4 million in the same period of 2002 as a result of tighter control over expenses.

As a result of contraction in the Group's total turnover and gross profit margin, profit from operations decreased by approximately 66%.

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

Outlook

Facing the outbreak of severe acute respiratory syndrome ("SARS") around the world including China, the Group has adopted certain preventive measures to ensure a hygienic working environment.

As it is still not possible to assess the full impact of SARS on the growth of China's economy, its impact on the Group's business is still unclear. Depending on the degree of SARS's impact on China's economy, the Group's business in the second quarter of 2003 may be adversely affected.

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 be attracted to consider using the Greencool Refrigerants in their products due to possible improvement caused by the energy saving features of Greencool Refrigerants.

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST IN SECURITIES

As at 31 March 2003, the interests of the Directors and chief executive in the shares of the Company and its associated corporations within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or as otherwise

notified to the Company and the Stock Exchange pursuant to Rule 5.40 of the Rules Governing the Listing of Securities on GEM (“GEM Listing Rules”) were as follows:

(a) Shares in the Company

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

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

(b) Options to subscribe for shares in the Company

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

Name of Director	Date of Grant	Exercise price per share	Number of share options outstanding at 1 January 2003 and 31 March 2003
Mr. Gu	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

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

During the first quarter of 2003, 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 31 March 2003, the register of shareholders maintained under Section 16(1) of the SDI Ordinance showed that the Company had been notified of the following interests, being 10% or more of the Company's issued share capital.

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

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

COMPETING INTEREST

The refrigerants used by the Group are exclusively sourced from Greencool Refrigerant (China) Co., Ltd. (the "Tianjin Greencool Factory"), a limited liability company established in China and controlled by Mr. Gu.

Pursuant to the exclusive distribution agreement dated 28 June 2000 (the "Exclusive Distribution Agreement"), the Group obtained the exclusive distribution rights to obtain and sell Greencool Refrigerants and any further refrigerants invented by Mr. Gu in the future, manufactured by Tianjin Greencool Factory in China for a term of 20 years from 31 December 1999. The Group has priority over other customers of Tianjin Greencool Factory to purchase Greencool Refrigerants from Tianjin Greencool Factory if there is not enough supply. The Exclusive Distribution Agreement also provides that if Tianjin Greencool Factory fails to supply sufficient Greencool Refrigerants as ordered by the Group, the Group has the non-exclusive right to produce or contract with a third party to produce the relevant Greencool Refrigerants. Under this circumstance, Mr. Gu and Tianjin Greencool Factory will be obliged to provide the necessary know-how to the Group or the Group's contractors free of charge to enable them to produce the relevant Greencool Refrigerants. Further details can be found in the Company's prospectus dated 5 July 2000.

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

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

ANNUAL GENERAL MEETING

In the Company's annual general meeting held on 17 April 2003, the following resolutions were passed:

1. The audited financial statements for the year ended 31 December 2002 together with the Directors' and Auditors' reports were received and adopted.
2. Two directors, namely Mr. Chen Chang Bei and Mr. Zhang Xi Han, of the Company were required to retire by rotation pursuant to the Company's articles of association and they offered themselves for re-election and were re-elected. In addition, the Board of Directors was authorized to fix the remuneration of the directors.
3. Messrs. Deloitte Touche Tohmatsu was re-appointed the auditors of the Company until the conclusion of the next annual general meeting at a remuneration to be agreed by the Board of Directors.
4. Ordinary resolution no. 4 as set out in the Notice of Annual General Meeting dated 21 March 2003 (To grant a general mandate to the directors to allot and issue new shares) was approved.
5. Ordinary resolution no. 5 as set out in the Notice of Annual General Meeting dated 21 March 2003 (To grant a general mandate to the directors to repurchase shares of the Company) was approved.
6. Ordinary resolution no. 6 as set out in the Notice of Annual General Meeting dated 21 March 2003 (To extend the general mandate to the directors to issue new shares) was approved.

AUDIT COMMITTEE

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

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the period from 1 January 2003 to 31 March 2003.

By Order of the Board
Greencool Technology Holdings Limited

Gu Chu Jun
Chairman

Hong Kong, 14 May 2003

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