



**GREENCOOL TECHNOLOGY HOLDINGS LIMITED**

**格林柯爾科技控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

**Interim Report** 20/2003  
For The Six Months Ended 30/06/2003

**GREENCOOL**



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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 (the “GEM Listing Rules”) 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.*



## HIGHLIGHTS FOR THE SIX MONTHS ENDED 30 JUNE 2003

- Turnover was approximately RMB54 million for the six months ended 30 June 2003, representing a decrease of approximately 73% when compared with the same period in 2002 as a result, primarily, of the negative impact of SARS
- Profit from operations was approximately RMB6.3 million, representing a decrease of approximately 92% when compared with the same period in 2002
- Basic earnings per share was RMB0.50 cents for the six months ended 30 June 2003

## RESULTS

The Board of Directors (the “Board” or “Directors”) of Greencool Technology Holdings Limited (the “Company”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months and three months ended 30 June 2003 together with the comparative unaudited figures for the corresponding periods in 2002 as follows:

### UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	For the six months ended 30 June		For the three months ended 30 June	
		2003 <i>RMB'000</i> <i>(unaudited)</i>	2002 <i>RMB'000</i> <i>(unaudited)</i>	2003 <i>RMB'000</i> <i>(unaudited)</i>	2002 <i>RMB'000</i> <i>(unaudited)</i>
Turnover	(3)	53,594	197,440	18,879	149,957
Cost of sales and services		(15,883)	(77,114)	(3,920)	(64,800)
Gross profit		37,711	120,326	14,959	85,157
Other operating income		6,184	4,394	4,002	1,631
Distribution costs		(12,359)	(12,023)	(6,250)	(6,356)
Administrative expenses		(25,243)	(33,914)	(12,199)	(18,490)
Profit from operations		6,293	78,783	512	61,942
Finance costs		(1,478)	(2,576)	(537)	(1,964)
Profit (loss) before taxation	(4)	4,815	76,207	(25)	59,978
Taxation credit (charge)	(5)	187	(4,456)	924	(3,408)
Net profit for the period		<u>5,002</u>	<u>71,751</u>	<u>899</u>	<u>56,570</u>
Dividends	(6)	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Earnings per share	(7)				
– Basic		<u>0.50 cents</u>	<u>7.18 cents</u>	<u>0.09 cents</u>	<u>5.66 cents</u>
– Diluted		<u>0.50 cents</u>	<u>7.17 cents</u>	<u>0.09 cents</u>	<u>5.66 cents</u>

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## CONDENSED CONSOLIDATED BALANCE SHEET

			At 30 June 2003	At 31 December 2002
	<i>Notes</i>		<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(audited)</i>
<b>Non-current assets</b>				
Property, plant and equipment	(8)		48,418	51,103
Intangible asset			138,000	144,000
Long term trade receivables	(9)		8,433	8,433
			<b>194,851</b>	<b>203,536</b>
<b>Current assets</b>				
Inventories			151,622	158,774
Trade receivables	(9)		32,618	44,267
Deposits, prepayments and other receivables			12,628	14,051
Investment securities			6,817	4,394
Amounts due from related parties			—	1,024
Pledged bank deposits			23,176	23,176
Bank balances and cash			1,050,040	1,031,033
			<b>1,276,901</b>	<b>1,276,719</b>
<b>Current liabilities</b>				
Other payables and accrued charges			54,131	57,411
Amounts due to related parties			17,002	17,002
Taxation payables			12,502	12,727
Bank loans			58,000	68,000
			<b>141,635</b>	<b>155,140</b>
<b>Net current assets</b>			<b>1,135,266</b>	<b>1,121,579</b>
<b>Net assets</b>			<b>1,330,117</b>	<b>1,325,115</b>
<b>Capital and reserves</b>				
Share capital			106,000	106,000
Reserves			1,224,117	1,219,115
<b>Shareholders' funds</b>			<b>1,330,117</b>	<b>1,325,115</b>

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## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(For the six months ended 30 June 2003)

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Translation reserve RMB'000	Accumulated profits RMB'000	Total RMB'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	-	-	-	(58)	-	(58)
Net profit for the period	-	-	-	-	71,751	71,751
2001 final dividend paid	-	-	-	-	(53,000)	(53,000)
At 30 June 2002	106,000	429,961	353,394	6	424,586	1,313,947
Currency realignment not recognised in the consolidated income statement	-	-	-	231	-	231
Net profit for the period	-	-	-	-	10,937	10,937
At 31 December 2002 and at 1 January 2003	106,000	429,961	353,394	237	435,523	1,325,115
Net profit for the period	-	-	-	-	5,002	5,002
At 30 June 2003	<u>106,000</u>	<u>429,961</u>	<u>353,394</u>	<u>237</u>	<u>440,525</u>	<u>1,330,117</u>

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## UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 June	
	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from operating activities	25,373	87,049
Net cash generated from investing activities	3,634	2,503
Net cash used in financing activities	—	(35,000)
Net increase in cash and cash equivalents	29,007	54,552
Cash and cash equivalents at 1 January	963,033	776,601
Effect of foreign exchange differences	—	(58)
Cash and cash equivalents at 30 June	<u>992,040</u>	<u>831,095</u>

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## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

(For the six months ended 30 June 2003)

### (1) General

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. The Company's shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited.

In the opinion of the directors, the Company's ultimate holding company is Greencool Capital Limited, a company incorporated in the British Virgin Islands with limited liability.

### (2) Basis of preparation and accounting policies

The condensed financial statements have been prepared under the historic cost convention, except for the revaluation of investment securities, and in accordance with International Financial Reporting Standard ("IFAS") 34 "Interim financial reporting". The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2002.

### (3) Turnover and segment information

An analysis of the Group's turnover is as follows:

	For the six months ended 30 June		For the three months ended 30 June		Interim Report 2 0 0 3
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000	
Conversion engineering income	47,406	128,424	16,214	85,314	
Sale of chlorofluorocarbon ("CFC") -free refrigerants	6,188	69,016	2,665	64,643	
	<u>53,594</u>	<u>197,440</u>	<u>18,879</u>	<u>149,957</u>	

#### Business segments

The Group's turnover and net profit for the period are almost entirely derived from the conversion engineering of large-scale 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 People's Republic of China (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.

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(4) Profit (loss) before taxation

For the six months ended 30 June		For the three months ended 30 June	
2003	2002	2003	2002
RMB'000	RMB'000	RMB'000	RMB'000

Profit (loss) before taxation has been arrived at after charging:

Amortisation of intangible asset	6,000	6,000	3,000	3,000
Cost of inventories	10,018	57,613	3,228	48,316
Depreciation	2,964	2,384	1,632	1,201
Interest on borrowings wholly repayable within five years	1,472	2,563	530	1,958

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and after crediting:

Interest income from banks	3,658	3,751	1,579	1,631
Unrealised holding gain on investment securities	2,423	—	2,423	—

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(5) Taxation credit (charge)

Taxation credit (charge) comprises:

For the six months ended 30 June		For the three months ended 30 June	
2003	2002	2003	2002
RMB'000	RMB'000	RMB'000	RMB'000

PRC Enterprise Income Tax

Current period	(1,086)	(4,456)	(349)	(3,408)
Overprovision in prior year	1,273	—	1,273	—



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%). 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 operation.

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

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

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(6) **Dividends**

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2003.

No interim dividend and no final dividend was declared for the six months ended 30 June 2002 and for the year ended 31 December 2002 respectively.

(7) **Earnings per share**

The calculation of the basic and diluted earnings per share for the six months and three months ended 30 June 2003 and 2002 is based on the following data:

	Six months ended 30 June		Three months ended 30 June	
	2003	2002	2003	2002
Net profit for the period and earnings for the purposes of basic and diluted earnings per share	<u>RMB5,002,000</u>	<u>RMB71,751,000</u>	<u>RMB899,000</u>	<u>RMB56,570,000</u>
Weighted average number of shares for the purpose of basic earnings per share	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
Effect of dilutive potential shares on share options	<u>—</u>	<u>577,712</u>	<u>—</u>	<u>222,712</u>
Weighted average number of shares for the purpose of diluted earnings per share	<u>1,000,000,000</u>	<u>1,000,577,712</u>	<u>1,000,000,000</u>	<u>1,000,222,712</u>

(8) **Property, plant and equipment**

During the period under review, the Group spent approximately RMB279,000 (1 January 2002 to 31 December 2002: RMB13,069,000) on acquisition of property, plant and equipment.

(9) **Trade receivables**

	At 30 June 2003 RMB'000	At 31 December 2002 RMB'000
Within 90 days	20,824	17,509
Between 91 to 180 days	8,673	22,186
Between 181 to 365 days	7,238	7,289
Over 365 days	<u>5,997</u>	<u>13,015</u>
	42,732	59,999
Less: Allowance for doubtful debts	<u>(1,681)</u>	<u>(7,299)</u>
	<u>41,051</u>	<u>52,700</u>

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



(10) Related party transactions

(a) During the period, the Group had no transactions with related parties:

	Six months ended		Three months ended	
	30 June		30 June	
	2003	2002	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000
Purchase of raw materials from Greencool Refrigerant (China) Co., Ltd. ("Tianjin Greencool Factory")	<u>-</u>	<u>115,355</u>	<u>-</u>	<u>63,426</u>
Sales of CFC-free refrigerants to a subsidiary of Guangdong Kelon Electrical Holdings Company Limited ("Kelon")	<u>-</u>	<u>23,077</u>	<u>-</u>	<u>23,077</u>

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

All the CFC-free refrigerants used by the Group were purchased from Tianjin Greencool Factory which has been the Group's sole supplier of refrigerants since 1999. The patent of the CFC-free refrigerants manufactured by Tianjin Greencool Factory is owned by Mr. Gu.

Pursuant to an exclusive distribution agreement dated 28 June 2000 entered between a subsidiary of the Company, Mr. Gu and the Tianjin Greencool Factory, which came into effect on 31 December 1999:

- 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 financial statements as an intangible asset; and
- CFC-free refrigerants supplied by Tianjin Greencool Factory to the Group for the 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.

(b) On 28 June 2000, Mr. Gu granted, in consideration of HK\$10, the Company an option (the "Tianjin Option") to purchase all of his interest in the Tianjin Greencool Factory which, at the date of issue of the Company's prospectus upon listing dated 5 July 2000, was approximately 83.7% of the registered capital of the Tianjin Greencool Factory. The Tianjin Option (as amended) can be exercisable solely at the discretion of the Company during the period ending 27 June 2006, at a price which is equivalent to 80% of Mr. Gu's interest in the Tianjin Greencool Factory as appraised by a valuer jointly appointed by Mr. Gu and the Company, but in any event not exceeding the amount determined by multiplying the audited consolidated profit after taxation and minority interests (in accordance with IFRS) of the Group comprising the Tianjin Greencool Factory and the companies through which Mr. Gu holds his interest in the Tianjin Greencool Factory for the financial year immediately prior to the exercise of the Tianjin Option by 12. The Tianjin Option is non-transferable.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review and Prospects

#### *Business Review*

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

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

#### *Financial Performance*

Turnover for the six months ended 30 June 2003 was approximately RMB54 million, representing a decrease of approximately 73% when compared with the same period in 2002. Profit from operations was approximately RMB6.3 million, representing a decrease of approximately 92% when compared with the corresponding period in 2002.

Gross profit margin was approximately 70% for the six months ended 30 June 2003.

The business of the Group suffered severely primarily as a result of the unpredictable impact of the outbreak of Severe Acute Respiratory Syndrome (“SARS”) around the world including China. SARS has caused deaths of hundreds of people in Hong Kong and China and changed the hygiene habits of the general public. It is generally believed that SARS can spread easily in closed ventilation systems or environment. As many customers of the Group worried about the spread of SARS in large-scale air-conditioning systems, the demand for large-scale air-conditioning systems was effected. As a result, many of the Group’s contracts relating to conversion engineering were either cancelled or delayed.

Moreover, the negative impact of SARS also affected the business of the Group’s authorized project agents and depressed the demand of Greencool Refrigerants by the manufacturers of household appliances.

For the first half of 2003, administrative expenses decreased to around RMB25 million compared to RMB33.9 million in the same period of 2002 mainly as a result of the outbreak of SARS caused diminishing of business and less business travelling and tighter controls over expenses.

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### *Market coverage*

Currently, the Group's conversion engineering 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.

### **Liquidity and financial resources**

The Group maintained a very strong financial position with approximately RMB1,330 million shareholders' equity as at 30 June 2003 (31 December 2002: RMB1,325 million) and approximately RMB1,192 million net tangible assets (31 December 2002: RMB1,181 million).

As at 30 June 2003, the Group had a total of RMB1,073 million (31 December 2002: RMB1,054 million) cash and bank deposits that represented approximately 81% (31 December 2002: 80%) of shareholders' equity. Cash and bank deposits are usually treated as liquid assets.

As at 30 June 2003, the net current assets (representing total current assets less total current liabilities) amounted to approximately RMB1,135 million (31 December 2002: RMB1,122 million) and represented approximately 85% (31 December 2002: 85%) of shareholders' equity.

### **Short term borrowings and gearing ratio**

#### *Trade receivables*

By 30 June 2003, the total gross trade receivables amounted to approximately RMB43 million (31 December 2002: RMB60 million).

The management notes that around 31% of gross trade receivables are with age over 180 days. The marketing and sales staff and our management have reviewed the credit worthiness of all customers relating to receivables over 180 days old and have made specific provision for all receivables that are doubtful debts according to the particular circumstances.

The Group has provided approximately RMB1.7 million for provision of doubtful debts, which represents around 4% of the total gross trade receivables as of 30 June 2003. The Group will continuously monitor credit control and strengthen debt collection procedures in order to protect the interest of the Company and the shareholders.

### **Contingent liabilities**

As at 30 June 2003, the Group had no significant contingent liabilities.

### **Exposure to fluctuation of Foreign Exchange Rates**

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

Moreover, as at 30 June 2003, the Group had some bank deposits in foreign currencies, mainly in Hong Kong dollars. The exchange rate of Hong Kong dollars against RMB was also stable throughout the period under review.

As at 30 June 2003, the Group did not have any material liabilities in foreign currencies.

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## Cost of sales and services

The Group's cost of sales and services relates mainly to the cost of Greencool Refrigerants purchased from Greencool Refrigerant (China) Co., Ltd ("Tianjin Greencool Factory").

## Distribution costs

Distribution costs represented mainly amortisation of an intangible asset of RMB6 million for half a year and sales commission.

## Administrative expenses

Administrative expenses amounted to RMB25 million for the 6 months ended 30 June 2003 compared to RMB33.9 million in the same period in 2002.

Administrative expenses include mainly operating lease rentals, depreciation, staff costs, traveling expenses, and others.

## Human Resources

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 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 scheme 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.

## Outlook

The performance for the first half of this year was severely affected by the outbreak of SARS. As a result, management believes that to continue with a single business could mean great risk for the Company even though the historical results were relatively good. Therefore, the Company will make greater efforts to diversify into related businesses and consider entering into the refrigeration-related manufacturing business, including the manufacture and/or sale of refrigeration compressors, cold rooms, central air-conditioners, supermarket freezer and other refrigerating related equipment, and actively explore new areas for profit growth.

Given management's deep concern about the resurgence of SARS, when choosing new businesses for development, the Company will first consider businesses that would not be or will only likely be affected to a minimum extent by SARS and those which complement the existing business of the Group.



The negative impact of SARS may continue to dampen the business of the Group. It is uncertain whether the performance of conversion engineering business will significantly improve during the second half of this year.

On the other hand, the Group's distribution network is growing with an increase in number of authorized project agents.

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.

With the possible improvement caused by the energy saving features of Greencool Refrigerants, the management would continue to persuade manufacturers of refrigeration and air-conditioning systems to use Greencool Refrigerants in their products.

In future, the Directors will consider new products and new business that may provide additional benefits to and synergy with the Group's existing business.

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## DISCLOSURE OF DIRECTORS' INTERESTS

As at 30 June 2003, the interests of the Directors and the chief executive of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to Rules 5.40 of the GEM Listing Rules relating to securities transactions by Directors, were as follows:

### Aggregate long positions in shares and underlying shares



Director	Name of company	Class of shares	Number of shares held			Aggregate percentage of long Position
			Personal interests	Family interests	Corporate interests	
Gu Chu Jun	The Company	Ordinary	10,000,000 underlying shares representing 1% of the shares then in issue (Note 1)	-	625,940,000 shares representing approximately 62.6% of the shares then in issue (Note 2)	63.6% (Note 3)
Gu Chu Jun	Greencool Capital Limited	Ordinary	104 shares representing 100% of the shares then in issue	-	-	-

*Notes:*

1. These are the underlying shares of the Company in respect of which an option was granted to Mr. Gu Chu Jun (details of which are set out below). The percentage was calculated on the basis of 1,000,000,000 shares in issue as at 30 June 2003.
2. These shares were held through Greencool Capital Limited, a company beneficially owned as to 100% by Mr. Gu Chu Jun.
3. Based on 1,000,000,000 shares in issue as at 30 June 2003.

Pursuant to the Company's share option scheme adopted by the Company on 28 June 2000, the following Directors of the Company have personal interests in options to subscribe for ordinary shares in the Company of HK\$0.10 each which have been granted to them for a consideration of HK\$1 as follows:

Name of Director	Date of grant	Percentage of vested options	Exercise price per share	Period	Outstanding number of share options at 1 January 2003 and 30 June 2003
Gu Chu Jun	28/6/2000	100%	HK\$2.18	28/6/2000 to 27/6/2005	10,000,000
Liu Cong Meng	28/6/2000	100%	HK\$2.18	28/6/2000 to 27/6/2005	3,400,000
	26/9/2000	100%	HK\$1.68	26/9/2000 to 25/9/2005	20,000,000
Xu Wan Ping	28/6/2000	100%	HK\$2.18	28/6/2000 to 27/6/2005	3,400,000
	26/9/2000	100%	HK\$1.68	26/9/2000 to 25/9/2005	20,000,000
Zhang Xi Han	28/6/2000	100%	HK\$2.18	28/6/2000 to 27/6/2005	3,400,000
	26/9/2000	100%	HK\$1.68	26/9/2000 to 25/9/2005	20,000,000

The abovementioned options were outstanding as at 1 January 2003 and remained outstanding as at 30 June 2003. None of the above options were exercised, cancelled or lapsed during the six months ended 30 June 2003. Such options constitute unlisted physically settled equity derivatives.

Save as disclosed herein, none of the directors and chief executives or their associates has any interests or short positions in any shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of the SFO) as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.40 of the GEM Listing Rules.



## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2003, the following substantial shareholder and person (other than a director or chief executive of the Company) who have interests or short positions in the shares and underlying shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Long position	Approximate percentage of shareholding
Greencool Capital Limited	625,940,000 shares in the Company	62.6%

Greencool Capital Limited also has a deemed short position in respect of the short position which arises from the options granted by the Company under its abovementioned share option scheme. The options are over 80,200,000 shares in the Company, representing 8.02% of the shares in issue as at 30 June 2003. Greencool Capital Limited has a deemed short position because it owns more than one-third of the shares of the Company.

Save as disclosed herein, no other person (other than a director or chief executive of the Company) has an interest or a short position in the shares and underlying shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

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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.

Tianjin Greencool Factory, under the exclusive distribution agreement with the Group dated 28 June 2000, is the sole supplier of Greencool Refrigerants to the Group.

As the supply of Greencool Refrigerants constitutes continuing connected transactions of the Company under GEM Listing Rules as long as Mr. Gu remains a connected person of the Company (as defined under GEM Listing Rules), such transactions would normally require full disclosure and, depending on the value of the transactions, prior approval by the independent shareholders of the Company.



Since the transactions under Exclusive Distribution Agreement are conducted in the ordinary and usual course of business and on a regular basis, the Company had applied to the Stock Exchange for granting waivers from strict compliance with the relevant requirements of GEM Listing Rules in respect of the above transaction.

At the time of the Company's listing in 2000, the Stock Exchange has granted waiver from the need to comply with the full requirements of the GEM Listing Rules (the "Waiver").

The Waiver expired on 31 December 2002. As at 31 December 2002, the Group had approximately RMB158,774,000 worth of Greencool Refrigerants in its inventory. The level of inventory was a result of orders in 2002. The Group has not made any purchases from Tianjin Greencool Factory from 1 January 2003 to date.

Taking into account the Group's inventory levels as at 30 June 2003 and after finalizing the Company's estimates of demand from the Group's customers and potential customers for Greencool Refrigerants for this year, it is expected that Greencool Refrigerants will be purchased from Tianjin Greencool Factory later. Such future purchases of Greencool Refrigerants will be made in compliance with the relevant GEM Listing Rules requirements including, where appropriate, issuing an announcement and a shareholder's circular.

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 recognized under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong) and for so long as Mr. Gu and his associates (as defined in the GEM Listing Rules) hold, whether individually or taken together, 10 per cent. or more of the issued shares in the Company or are otherwise regarded as substantial shareholders of the Company under the GEM Listing Rules or the rules of the relevant securities exchange, he will not and will procure that his associates will not directly or indirectly carry on or be engaged or concerned or interested in: (a) the business of replacement of CFC and CFC-free refrigerants using Greencool Refrigerants in China; and/or (b) any other business in China that is similar to any member of the Group as described in the Company's prospectus dated 5 July 2000.

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

## **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.

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## **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 30 June 2003.

## **BOARD PRACTICES AND PROCEDURES**

For the six months ended 30 June 2003, 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*

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Hong Kong, 12 August 2003

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