



GREENCOOL TECHNOLOGY HOLDINGS LIMITED

格林柯爾科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

GREENCOOL

Third Quarterly Report 3Q/2004
For the nine months ended 30/9/2004

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

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

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

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

The Stock Exchange takes no responsibility for the contents of this report, 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 report.

This report, 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 GEM of the Stock Exchange (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 report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2004

- Turnover was approximately RMB119 million for the nine months ended 30 September 2004, representing an increase of approximately 7% when compared with the same period in 2003
- Profit from operations for the nine months ended 30 September 2004 was approximately RMB19 million, representing a decrease of approximately 8% when compared with the same period in 2003
- Basic earnings per share was RMB3.39 cents for the nine months ended 30 September 2004

RESULTS

The board of Directors (the "Board") of the Company hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the nine months and three months ended 30 September 2004 together with the comparative unaudited figures for the corresponding periods in 2003 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the nine months ended 30 September		For the three months ended 30 September	
		2004 RMB'000 (unaudited)	2003 RMB'000 (unaudited)	2004 RMB'000 (unaudited)	2003 RMB'000 (unaudited)
Turnover	(3)	118,725	111,284	61,786	57,690
Cost of sales and services		(52,886)	(36,059)	(36,790)	(20,176)
Gross profit		65,839	75,225	24,996	37,514
Other operating income	(4)	6,379	14,548	2,832	8,364
Distribution costs		(17,762)	(30,123)	(5,962)	(17,764)
Administrative expenses		(35,120)	(38,733)	(12,812)	(13,490)
Profit from operations		19,336	20,917	9,054	14,624
Release of negative goodwill	(5)	20,611	–	20,611	–
Finance costs		(2,753)	(2,088)	(744)	(610)
Profit before taxation		37,194	18,829	28,921	14,014
Taxation (charge) credit	(6)	(3,262)	683	(1,022)	496
Net profit for the period		33,932	19,512	27,899	14,510
Dividends	(7)	–	–	–	–
Earnings per share	(8)	RMB	RMB	RMB	RMB
– Basic		3.39 cents	1.95 cents	2.79 cents	1.45 cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(For the nine months ended 30 September 2004)

	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 2003	106,000	429,961	353,394	237	435,523	1,325,115
Net profit for the period	–	–	–	–	19,512	19,512
At 30 September 2003	<u>106,000</u>	<u>429,961</u>	<u>353,394</u>	<u>237</u>	<u>455,035</u>	<u>1,344,627</u>
At 1 January 2004	106,000	429,961	353,394	70	444,147	1,333,572
Net profit for the period	–	–	–	–	33,932	33,932
At 30 September 2004	<u>106,000</u>	<u>429,961</u>	<u>353,394</u>	<u>70</u>	<u>478,079</u>	<u>1,367,504</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

(For the nine months ended 30 September 2004)

(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 GEM of the Stock Exchange.

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 2003, except for the follows:

Negative goodwill represents the excess of the Group's interest in the fair value of identifiable assets and liabilities at the date of acquisition over the cost of the acquisition. Under International Financial Reporting Standard No. 3 "Business combinations", negative goodwill is recognised in income statement immediately.

(3) Turnover

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

	For the nine months ended 30 September		For the three months ended 30 September	
	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
Conversion engineering income	83,206	102,473	26,855	55,067
Sale of chlorofluorocarbon ("CFC") – free refrigerants	725	8,811	137	2,623
Sale of refrigeration trucks	34,794	–	34,794	–
	<u>118,725</u>	<u>111,284</u>	<u>61,786</u>	<u>57,690</u>

(4) Other operating income

Other operating income represents mainly unrealised holding gain on investment securities and interest income.

(5) Release of negative goodwill

The negative goodwill of RMB20,611,000 arose on the Group's acquisition of manufacturing and production facilities and machineries for refrigeration trucks, together with liabilities, land and property in August 2004. The amount is released to the income statement during the period.

(6) Taxation (charge) credit

Taxation (charge) credit comprises:

	For the nine months ended 30 September		For the three months ended 30 September	
	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
PRC Enterprise Income Tax				
Current period	(3,262)	(798)	(1,022)	288
Overprovision in prior year	–	1,481	–	208
	<u>(3,262)</u>	<u>683</u>	<u>(1,022)</u>	<u>496</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% (2003: 7.5% to 15%). Certain of the Group's 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.

(7) Dividends

The Board does not recommend the payment of any interim dividend for the nine months ended 30 September 2004.

No interim dividend and no final dividend was declared for the nine months ended 30 September 2003 and for the year ended 31 December 2003 respectively.

(8) Earnings per share

The calculation of the basic earnings per share for the nine months and three months ended 30 September 2004 and 2003 is based on the following data:

	Nine months ended 30 September		Three months ended 30 September	
	2004	2003	2004	2003
Net profit for the period and earnings for the purposes of basic and earnings per share	<u>RMB33,932,000</u>	<u>RMB19,512,000</u>	<u>RMB27,899,000</u>	<u>RMB14,510,000</u>
Weighted average number of shares for the purpose of basic earnings per share	<u>1,000,000,000</u>	<u>1,000,000,000</u>	<u>1,000,000,000</u>	<u>1,000,000,000</u>

No diluted earnings per share has been presented as the exercise price of the Company's options was higher than the average market price per share.

(9) Related party transactions

- (a) Greencool Refrigerant (China) Co., Ltd. ("Tianjin Greencool Factory") is controlled by Mr. Gu Chu Jun ("Mr. Gu"), the Chairman and ultimate majority shareholder of the Company.

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.

During the nine months and three months ended 30 September 2004 and for the same period in 2003, the Group did not purchase any CFC-free refrigerants from the Tianjin Greencool Factory.

- (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

The Group's 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, the distribution of Greencool Refrigerants in China and manufacturing of refrigeration trucks 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 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 systems (usually with an input of five horsepowers or below).

The manufacturing of refrigeration trucks is a new business to the Group and is carried out by Shang Qiu Greencool Refrigeration Truck Corporation Limited in Shang Qiu City, Henan Province in the People's Republic of China. It is expected that the market for refrigeration trucks in China will grow.



Financial Performance

Turnover for the nine months ended 30 September 2004 was approximately RMB118.7 million representing an increase of approximately 6.7% when compared with the same period in 2003. The increase is mainly due to the additional contribution from sale of refrigeration trucks during the period. Profit from operations was approximately RMB19.3 million, representing a decrease of approximately 7.6% when compared with the same period in 2003.

The overall gross profit margin decreased from 67.6% in the nine months ended 30 September 2003 to approximately 55.5% in the nine months ended 30 September 2004. The Directors believe that such decrease is mainly due to the relative lower gross profit margin for the manufacture of refrigeration trucks which was introduced this year.

For the third quarter ended 30 September 2004, administrative expenses decreased to RMB35 million compared to RMB39 million in the same period of 2003 as a result of tighter control over expenses.

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 while the manufacturing of refrigeration trucks is conducted in Shang Qiu City, Henan Province in the People's Republic of China.

Outlook

Greencool Refrigerations are recognized by the State Environmental Protection Administration of China as environmental friendly products. The Directors believe that Greencool Refrigerations should play an important role in ozone layer protection projects.

The Directors believe that the market for refrigeration trucks in China is growing and the Group can diversify its overall business risk by expanding its business in the manufacturing and distribution of refrigeration trucks.

DISCLOSURE OF DIRECTORS' INTERESTS

As at 30 September 2004, 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 5.46 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 options held	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)	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:

- 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 September 2004.
- These shares were held through Greencool Capital Limited, a company beneficially owned as to 100% by Mr. Gu Chu Jun.
- Based on 1,000,000,000 shares in issue as at 30 September 2004.

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 2004 and 30 September 2004
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
Total					80,200,000

The abovementioned options were outstanding as at 1 January 2004 and remained outstanding as at 30 September 2004. None of the above options were exercised, cancelled or lapsed during the nine months ended 30 September 2004. 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 pursuant to Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2004, 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%

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.

COMPETING INTEREST

The refrigerants used by the Group are exclusively sourced from Tianjin Greencool Factory, a limited liability company established in China and is controlled by Mr. Gu.


Pursuant to the exclusive distribution agreement dated 28 June 2000 (the "Exclusive Distribution Agreement"), the Group obtained the exclusive distribution rights to obtain and sell Greencool Refrigerants and any further refrigerants invented by Mr. Gu in the future, manufactured by Tianjin Greencool Factory in China for a term of 20 years from 31 December 1999.

The Group has priority over other customers of Tianjin Greencool Factory to purchase Greencool Refrigerants from Tianjin Greencool Factory if there is not enough supply.

The Exclusive Distribution Agreement also provides that if Tianjin Greencool Factory fails to supply sufficient Greencool Refrigerants as ordered by the Group, the Group has the non-exclusive right to produce or contract with a third party to produce the relevant Greencool Refrigerants. Under this circumstance, Mr. Gu and Tianjin Greencool Factory will be obliged to provide the necessary know-how to the Group or the Group's contractors free of charge to enable them to produce the relevant Greencool Refrigerants.

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, at time of listing, applied for and was granted by the Stock Exchange waivers from strict compliance with the relevant requirements of GEM Listing Rules in respect of the above transaction for the period ended 31 December 2002. There have been no purchases under the Exclusive Distribution Agreement for the nine months and three months ended 30 September 2004 as the Group has been utilising its inventory. For future potential purchases, the Company will comply with the GEM Listing Rules requirements.

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 with the Group in the PRC.

AUDIT COMMITTEE

The Company established an audit committee in 2000 with written terms of reference in compliance with the GEM Listing Rules at that time. 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 comprises three independent non-executive Directors, namely Mr. Fan Jia Yan (who is the chairman of the audit committee), Ms. Man Margaret and Mr. Wang Jing Shi (newly appointed on 23 September 2004).

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 2004 to 30 September 2004.

BOARD PRACTICES AND PROCEDURES

For the nine months ended 30 September 2004, the Company was in compliance with Rules 5.34 to 5.45 of GEM Listing Rules concerning the board practices and procedures.

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules.

Having made specific enquiry of all Directors, the Directors have complied with the required standard of dealings and the Company's code of conduct regarding directors' securities transactions.

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

Hong Kong, 8 November 2004

As at the date of this report, the board of directors of the Company comprises six executive directors, being Mr. Gu Chu Jun, Mr. Hu Xiao Hui, Mr. Zhang Xi Han, Mr. Liu Cong Meng, Mr. Xu Wan Ping and Mr. Chen Chang Bei and three independent non-executive directors, being Mr. Fan Jia Yan, Ms. Margaret Man and Mr. Wang Jing Shi.