



GREENCOOL TECHNOLOGY HOLDINGS LIMITED

格林柯爾科技控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8056)

FIRST QUARTERLY REPORT 2005 FOR THE QUARTER ENDED 31 MARCH 2005

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.

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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 2005

- Turnover was approximately RMB53.3 million for the three months ended 31 March 2005, representing an increase of approximately 135% when compared with the same period in 2004
- Profit from operations was approximately RMB7.8 million, representing an increase of approximately 147% when compared with the same period in 2004
- Earnings per share was RMB0.49 cents for the three months ended 31 March 2005

RESULTS

The board (“Board”) of directors (“Directors”) of Greencool Technology Holdings Limited (the “Company”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 31 March 2005 together with the comparative unaudited figures for the corresponding period in 2004 as follows:

		Three months ended 31 March	
	<i>Notes</i>	2005	2004
		RMB'000	RMB'000
Turnover	(2)	53,258	22,675
Cost of sales and services		(30,787)	(7,365)
Gross profit		22,471	15,310
Other operating income		4,329	5,065
Distribution costs		(6,518)	(6,110)
Administrative expenses		(12,436)	(11,094)
Profit from operations		7,846	3,171
Finance costs		(1,909)	(1,020)
Profit before taxation		5,937	2,151
Taxation	(4)	(1,049)	(691)
Net profit for the period		<u>4,888</u>	<u>1,460</u>
Earnings per share – Basic	(5)	<u>RMB0.49 cents</u>	<u>RMB0.15 cents</u>

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	
	2005	2004
	RMB'000	RMB'000
Conversion engineering income	20,057	22,459
Sales of refrigeration trucks and parts	20,835	–
Sales of CFC-free refrigerants	12,365	216
	<u>53,258</u>	<u>22,675</u>

(3) Business and Geographical Segments

Business segments

For management purposes, the Group is currently organised into two main operating divisions - provision of engineering services and sale of CFC-free refrigerants, as well as manufacture and sale of refrigeration trucks. The Group only commenced the manufacture and sale of refrigeration trucks in the second half of 2004.

In prior years, the Group's turnover and net profit for the year were 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 were related and were subject to common risks and returns.

Segment information about these business for the three months ended 31 March 2005 is presented below:

(i) Income statement

	Provision of engineering services and sale of CFC-free refrigerants <i>RMB'000</i>	Manufacture and sale of refrigeration trucks <i>RMB'000</i>	Consolidated <i>RMB'000</i>
TURNOVER	<u>32,422</u>	<u>20,835</u>	<u>53,258</u>
RESULT			
Segment result	<u>12,742</u>	<u>218</u>	12,960
Unallocated corporate expenses			<u>(5,114)</u>
Profit from operations			7,846
Finance costs			<u>(1,909)</u>
Profit before taxation			5,937
Taxation			<u>(1,049)</u>
Net profit for the period			<u>4,888</u>

(ii) Other information

	Provision of engineering services and sale of CFC-free refrigerants <i>RMB'000</i>	Manufacture and sale of refrigeration trucks <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Depreciation	1,634	566	2,200
Amortisation of intangible assets	3,000	–	3,000
Net allowance for doubtful debts	<u>591</u>	<u>–</u>	<u>591</u>

Geographical segment

The Group's operations and assets are primarily located in the PRC where it sources its revenue. Accordingly, no geographical segment information is presented.

(4) Taxation

Taxation charge represents:

	Three months ended 31 March	
	2005	2004
	RMB'000	RMB'000
The People's Republic of China ("PRC") Enterprise Income Tax	<u>1,049</u>	<u>691</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% (2004: 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 2005 (three months ended 31 March 2004: nil) as there were no significant temporary differences arising during the period or at the balance sheet date.

(5) Earnings per share

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

	Three months ended 31 March	
	2005	2004
	RMB'000	RMB'000
Net profit for the period for the purpose of basic earnings per share	<u>4,888</u>	<u>1,460</u>
	'000	'000
Weighted average number of shares for the purpose of basic earnings per share	<u>1,000,000</u>	<u>1,000,000</u>

No diluted earnings per share for the three months ended 31 March 2005 and 2004 has been presented as the exercise price of options granted by the Company was higher than the average market price per share.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Capital reserve	Translation reserve	Accumulated profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2004	106,000	429,961	353,394	70	444,147	1,333,572
Net profit for the period	–	–	–	–	1,460	1,460
At 31 March 2004	<u>106,000</u>	<u>429,961</u>	<u>353,394</u>	<u>70</u>	<u>445,607</u>	<u>1,335,032</u>
At 1 January 2005	106,000	429,961	353,394	70	460,768	1,350,193
Net profit for the period	–	–	–	–	4,888	4,888
At 31 March 2005	<u>106,000</u>	<u>429,961</u>	<u>353,394</u>	<u>70</u>	<u>465,656</u>	<u>1,355,081</u>

INTERIM DIVIDEND

The Board of Directors does not recommend the payment of any interim dividend for the three months ended 31 March 2005 (three months ended 31 March 2004: 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, 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 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).

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.

In August 2004, the Group acquired assets for manufacturing refrigeration trucks in Henan Province. The strategic acquisition not only complemented the Group’s conversion engineering and distribution businesses, but also enabled the Group to achieve a broader and more stable income base for long-term development.

Financial Performance

Turnover for the three months ended 31 March 2005 was approximately RMB53.3 million representing an increase of approximately 135% when compared with the same period in 2004. During the first quarter of 2005, the Group’s refrigeration truck manufacturing business contributed around 39.1% of the Group’s total turnover while conversion engineering accounted for around 37.7% and the remaining 23.2% of the total turnover came from the distribution of refrigerants. Profit from operations was approximately RMB7.8 million, representing an increase of approximately 147% when compared with the same period in 2004.

Overall gross profit margin was 42% for the three months ended 31 March 2005 compared to approximately 66% for the three months ended 31 March 2004. The decrease was due to relative lower gross profit margin for manufacturing and sale of refrigeration trucks in the first quarter of 2005.

For the first quarter ended on 31 March 2005, administrative expenses increased to approximately RMB12.4 million compared to RMB11.1 million in the same period of 2004 as a result of extension in business.

As a result of increase in the Group's total turnover, profit from operations increased by approximately 147% and net profit for the period increased by 235% as well.

Outlook

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 the second half of 2004, the Group acquired assets for manufacturing refrigeration trucks in Henan province. This strategic acquisition not only complemented the Group's existing conversion engineering and distribution business, but also empowered the Group with a broadened and stable income base for long-term development. In fact, the integration of business of refrigeration trucks contributed positively to the Group's turnover and profit.

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.

DISCLOSURE OF DIRECTORS' INTERESTS

As at 31 March 2005, 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:

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 31 March 2005.
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 31 March 2005.

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 2005 and 31 March 2005
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					<u>80,200,000</u>

The abovementioned options were outstanding as at 1 January 2005 and remained outstanding as at 31 March 2005. None of the above options were exercised, cancelled or lapsed during the three months ended 31 March 2005. 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 31 March 2005, the following substantial shareholder and person (other than a director or chief executive of the Company) had 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) had, as at 31 March 2005, 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 Greencool Refrigerant (China) Co., Ltd. (“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 three months ended 31 March 2005 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 then 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 with written terms of reference in compliance with Rule 5.28 and 5.30 of the GEM Listing Rules at that time. The audit committee's terms of reference have been reviewed by reference to the new GEM Listing Rules which came into effect on 31 March 2004 and the Company must comply with the new GEM Listing Rules by 30 September 2004. 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 until the Company's compliance with changes in the GEM Listing Rules comprises Mr. Fan Jia Yan (who is acting as the chairman of the audit committee), Ms. Man Margaret and Mr. Wang Jing Shi, the three independent non-executive Directors.

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 2005 to 31 March 2005.

BOARD PRACTICES AND PROCEDURES

For the three months ended 31 March 2005, the Company was in compliance with the Board Practices and Procedures as then set out in the GEM Listing Rules.

By Order of the Board
Greencool Technology Holdings Limited

Gu Chu Jun
Chairman

Hong Kong, 11 May 2005

As at the date of this announcement, 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.

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