安 瑞 科 能 源 裝 備 控 股 有 限 公 司

Enric Energy Equipment Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3899)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

The Board of Directors of Enric Energy Equipment Holdings Limited (the "Company", and together with its subsidiaries, the "Group") is pleased to announce the audited financial results of the Group for the year ended 31 December 2006 together with the comparative figures for the year 2005.

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2006

	Note	**2006** *RMB*	2005 *RMB*
Turnover	*4*	**769,951,661**	513,013,890
Cost of sales		**(549,994,345)**	(362,953,734)
Gross profit		**219,957,316**	150,060,156
Other revenue		**5,150,569**	3,537,864
Selling expenses		**(33,207,484)**	(23,150,938)
Administrative expenses		**(68,341,794)**	(51,441,412)
Other net expense		**(6,268,710)**	(603,924)
Profit from operations		**117,289,897**	78,401,746
Professional and other expenses incurred in connection with the listing of the Company's shares on the Main Board		**(6,821,660)**	–
Finance costs		**(8,677,246)**	(7,813,959)
Profit before taxation	*5*	**101,790,991**	70,587,787
Income tax	*6*	**(5,287,472)**	(1,882,093)
Profit for the year attributable to equity shareholders of the Company		**96,503,519**	68,705,694
Earnings per share	*7*		
– Basic		**0.217**	0.225
– Diluted		**0.212**	0.224

CONSOLIDATED BALANCE SHEET
At 31 December 2006

	Note	**2006** *RMB*	2005 *RMB*
Non-current assets			
Property, plant and equipment		**173,563,440**	89,496,679
Construction in progress		**39,501,800**	12,333,721
Lease prepayments		**29,902,292**	30,566,484
Intangible assets		**7,801,264**	6,806,125
Deposits for land use right		**6,112,320**	–
Deferred tax assets		**1,884,384**	–
		258,765,500	139,203,009
Current assets			
Inventories		**214,786,252**	124,998,815
Trade and bills receivable	*9*	**70,471,040**	72,407,090
Deposits, other receivables and prepayments		**22,431,418**	26,731,532
Amounts due from related parties		**21,017,425**	20,297,299
Cash at bank and in hand		**318,721,317**	339,319,669
		647,427,452	583,754,405
Current liabilities			
Bank loans		**167,733,123**	125,000,000
Trade and bills payable	*10*	**115,198,434**	95,167,162
Other payables and accrued expenses		**86,257,047**	86,174,220
Income tax payable		**2,123,531**	928,539
Amounts due to related parties		**26,750,838**	9,147,663
Provisions		**2,605,539**	1,281,780
		400,668,512	317,699,364
Net current assets		**246,758,940**	266,055,041
Total assets less current liabilities		**505,524,440**	405,258,050
NET ASSETS		**505,524,440**	405,258,050
CAPITAL AND RESERVES			
Share capital		**4,630,080**	4,630,080
Reserves		**500,894,360**	400,627,970
TOTAL EQUITY		**505,524,440**	405,258,050

Notes:

1. **Reorganisation**

The Company was incorporated in the Cayman Islands on 28 September 2004 as an exempted company with limited liability under the Companies Law (Revised), Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a reorganisation (the "Reorganisation") of the Company and its subsidiaries (collectively referred to as the "Group") completed on 26 September 2005 to rationalise the structure of the Group in preparation for the public listing of its shares on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the subsidiaries now comprising the Group.

The Company's shares were listed on GEM on 18 October 2005. On 20 July 2006, the Company withdrew the listing of its shares on GEM and listed its entire issued share capital by way of introduction on the Main Board of the Stock Exchange.

2. Statement of compliance

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. The adoption of these new and revised HKFRSs did not result in substantial changes in the Group's accounting policies applied in the financial statements for the two years presented. The Group has not early adopted any new and revised HKFRSs that are available for early adoption for the current accounting period.

3. Basis of preparation

The Group is regarded as a continuing entity resulting from the Reorganisation and the consolidated financial statements have been prepared on the basis that the Company was the holding company of the Group throughout the year ended 31 December 2005, rather than from 26 September 2005. Accordingly, the consolidated financial statements of the Group for the year ended 31 December 2005 include the financial statements of the Company and its subsidiaries with effect from 1 January 2005 or where their respective dates of establishment are at a date later than 1 January 2005, from the respective dates of establishment, as if the current group structure had been in existence throughout the year ended 31 December 2005. In the opinion of the directors, the consolidated financial statements prepared on this basis present fairly the results of operations and the state of affairs of the Group as a whole.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. Turnover and segment information

The Group is principally engaged in the provision of integrated business solutions ("IBS") in the gas energy industry and the design, manufacture and sale of specialised gas equipment. Turnover represents the sales value of goods sold after allowances for returns of goods, excludes value added or other sales taxes and is after the deduction of any trade discounts.

Segment information is presented in respect of the Group's business segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting. As the Group mainly operates in the PRC, no geographical segment information is presented.

The following table presents the revenue and results for the Group's business segments for the year and their respective segment assets and liabilities as at 31 December 2006:

	Year ended 31 December 2006					Year ended 31 December 2005				
	Compressors	Pressure vessels	Integrated business solutions	Inter-segment elimination	Consolidated	Compressors	Pressure vessels	Integrated business solutions	Inter-segment elimination	Consolidated
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
Revenue from external customers	132,036,508	451,210,429	187,885,521	(1,180,797)	769,951,661	119,301,227	262,933,736	132,894,189	(2,115,262)	513,013,890
Segment result	17,673,005	70,356,914	44,146,778	(290,004)	131,886,693	14,821,172	37,242,183	32,035,373	(551,118)	83,547,610
Unallocated operating income and expenses					(14,596,796)					(5,145,864)
Profit from operations					117,289,897					78,401,746
Professional and other expenses incurred in connection with the listing of the Company's shares on the Main Board					(6,821,660)					–
Finance costs					(8,677,246)					(7,813,959)
Taxation					(5,287,472)					(1,882,093)
Profit for the year					96,503,519					68,705,694
Depreciation and amortisation for the year	3,183,951	7,969,645	1,202,543			3,489,803	5,674,755	2,157,667		
Segment assets	184,286,656	348,894,802	138,597,251	(9,408,063)	662,370,646	215,233,160	197,995,962	102,718,061	(70,935,728)	445,011,455
Unallocated assets					243,822,306					277,945,959
Total assets					906,192,952					722,957,414
Segment liabilities	103,334,049	111,256,473	45,010,167	(9,118,059)	250,482,630	146,832,681	132,119,347	47,266,086	(70,384,610)	255,833,504
Unallocated liabilities					150,185,882					61,865,860
Total liabilities					400,668,512					317,699,364
Capital expenditure incurred during the year	14,214,785	73,354,513	47,894,571			7,521,470	10,686,582	3,590,504		

5. Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	2006	2005
	RMB	*RMB*
Loss on disposal of property, plant and equipment	**4,684,412**	119,318
Interest on bank loans	**5,888,154**	8,165,598
Interest on convertible redeemable bonds	**–**	138,870
Borrowing costs capitalised	**(814,525)**	–
Auditors' remuneration	**2,745,652**	1,574,000
Depreciation of property, plant and equipment	**10,767,086**	9,719,262
Amortisation of intangible assets	**924,861**	908,860
Amortisation of lease prepayments	**664,192**	694,103
Equity-settled share-based payment expenses	**3,762,871**	1,830,928

6. Income tax in the consolidated income statement

(a) Taxation in the consolidated income statement represents:

	2006	2005
	RMB	*RMB*
Current tax		
Provision for the year	**7,171,856**	1,882,093
Deferred tax		
Origination of temporary differences	**(1,884,384)**	–
	5,287,472	1,882,093

No provision has been made for Hong Kong Profits Tax as the Group did not have assessable profits subject to Hong Kong Profits Tax during the year. Profits of the Company's subsidiaries in the PRC are subject to PRC income taxes.

Pursuant to the relevant laws and regulations in the PRC, certain subsidiaries in the PRC are entitled to exemption from state income tax for the first two years commencing from the year in which a taxable income is made after the offset of deductible losses incurred in prior years, and thereafter will be entitled to a 50% reduction in state income tax rate for the following three years.

Pursuant to the relevant laws and regulations in the PRC, certain subsidiaries in the PRC are either entitled to exemption from local income tax for the first five years commencing from the year in which a taxable income is made after the offset of deductible losses incurred in prior years, and thereafter will be entitled to a 50% reduction in local income tax rate for the following five years, or are fully exempted from local income tax.

During the year ended 31 December 2006, the Company's subsidiaries in the PRC were either enjoying the aforesaid tax relief or did not have taxable income and accordingly were subject to state income tax at 0% to 15% (2005: 0% to 15%).

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2006	2005
	RMB	*RMB*
Profit before taxation	**101,790,991**	70,587,787
Notional tax on profit before taxation, calculated at the applicable rates	**27,443,530**	17,572,992
Tax effect of tax holiday granted	**(21,699,355)**	(15,895,830)
Tax incentive granted	**(1,106,171)**	–
Tax effect of non-deductible expenses	**649,468**	204,931
Actual tax expense	**5,287,472**	1,882,093

7. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2006 is based on the profit attributable to ordinary equity shareholders of the Company of RMB96,503,519 and the weighted average number of 445,200,000 ordinary shares of the Company outstanding during the year ended 31 December 2006.

The calculation of basic earnings per share for the year ended 31 December 2005 is based on the profit attributable to ordinary equity shareholders of the Company of RMB68,705,694 and the weighted average number of 305,283,288 ordinary shares, after taking into account the 260,160,000 ordinary shares of the Company in issue and issuable as at the date of the prospectus on 10 October 2005 in relation to the listing on the GEM, as if the shares were outstanding throughout the year ended 31 December 2005, and the issuance of ordinary shares by conversion of convertible redeemable bonds and placing during the year ended 31 December 2005. The weighted average number of ordinary shares is calculated as follows:

	2006	2005
Issued and issuable ordinary shares at 1 January	**445,200,000**	260,160,000
Effect of conversion of convertible redeemable bonds	**–**	17,753,425
Effect of placing	**–**	27,369,863
Weighted average number of ordinary shares at 31 December	**445,200,000**	305,283,288

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB96,503,519 (2005: RMB68,705,694) and the weighted average number of ordinary shares of 454,406,023 (2005: 306,681,163), calculated as follows:

	2006	2005
Weighted average number of ordinary shares used in calculating basic earnings per share at 31 December	**445,200,000**	305,283,288
Effect of dilutive potential ordinary shares in respect of the Company's share options scheme	**9,206,023**	1,397,875
Weighted average number of ordinary shares used in calculating diluted earnings per share at 31 December	**454,406,023**	306,681,163

8. Dividends

No dividend has been paid or declared by the Company during the year ended 31 December 2006 (2005: Nil).

9. Trade and bills receivable

All of the trade and bills receivable (net of impairment losses for bad and doubtful debts) are expected to be recovered within one year.

An ageing analysis of trade and bills receivable (net of impairment losses for bad and doubtful debts) is as follows:

	2006	2005
	RMB	*RMB*
Aged within 3 months	**37,227,516**	32,898,075
Aged between 3 to 6 months	**8,171,579**	24,977,183
Aged between 6 months to 1 year	**19,455,599**	11,701,865
Aged over 1 year	**5,616,346**	2,829,967
	70,471,040	72,407,090

In general, debts are due for payment upon billing. Subject to negotiation, credit terms within a range of three to twelve months are available for certain customers with well-established trading and payment records on a case-by-case basis.

10. Trade and bills payable

An ageing analysis of trade and bills payable of the Group is as follows:

	2006	2005
	RMB	*RMB*
Due within 3 months or on demand	**103,884,783**	74,713,030
Due after 3 months but within 6 months	**11,149,664**	19,250,000
Due after 6 months but within 1 year	**163,987**	1,204,132
	115,198,434	95,167,162

All of the trade and bills payable are expected to be settled within one year.

BUSINESS REVIEW

Benefited from the natural gas boom in the PRC and our continued efforts in business expansion, the Group recorded a strong growth for the year ended 31 December 2006.

Net profit attributable to equity shareholders for the year ended 31 December 2006 reached RMB96,504,000 (2005: RMB68,706,000), up 40.5%. Basic and diluted earnings per share were RMB0.217 and RMB0.212 (2005: RMB0.225 and RMB0.224) respectively.

Operational Review

Under the 11th Five-Year Plan, the PRC government has been actively promoting natural gas for commercial, industrial, residential and vehicular use. City gas projects are being implemented inevitably in the PRC. City gas operators, gas station operators, public transportation corporations and logistic companies are showing huge demand for compressed natural gas ("CNG") and liquefied natural gas ("LNG") storage and transportation equipment. During the year, the Group sold 299 CNG trailers and 335 seamless pressure cylinders whereas 128 and 300 were sold respectively in 2005. Turnover in LNG products rose by 26.3% to RMB71,156,000 (2005: RMB56,350,000). Owing to the significant growth in CNG and LNG products, turnover of the pressure vessels segment increased by 71.8% to RMB451,192,000.

The fast development of natural gas vehicles ("NGV(s)") accelerates the Group's IBS business, which experienced an encouraging growth during the year. A total of 52 sets of gas refueling station and 100 CNG refueling station trailers were sold in 2006, contributing RMB179,361,000 to the Group's turnover, a surge of 48.1% over the previous year. Turnover of the IBS segment totalling RMB187,886,000 accounted for approximately 24.4% of the Group's total turnover (2005: 25.9%). The IBS segment also recorded the highest GP margin among the segments at 38.1% (2005: 39.4%). It is no question that the Group's IBS has been regarded as a short payback and one of the most efficient choices in the gas industry.

To bring the highest return to shareholders, the Group focused on more profitable business in recent years. While the contributions to turnover from segments of pressure vessels and IBS were 58.6% and 24.4% for 2006 respectively, the compressors segment fell to 17.0% of the overall turnover from 22.9% for 2005. Nevertheless, the compressors segment recorded a moderate growth of 11.4% to

RMB130,874,000 (2005: RMB117,513,000). Spurred by the rising number of CNG refueling stations being set up in both the PRC and the South Asian regions, turnover of the Group's natural gas compressors experienced a strong growth. During the year, the Group sold 154 sets of natural gas compressor which contributed RMB71,542,000 in turnover, up 52.1% over the turnover of 96 sets in the previous year. Given that natural gas compressors are indispensable for the set up of CNG standard and mother refueling stations, a steady growth of this product is anticipated.

Research and Development

For the year 2006, the Group devoted RMB7,433,000 (2005: RMB6,172,000) to the research and development ("R&D") of products and manufacturing technologies.

In April 2006, Beijing Enric Energy Technologies Limited, a wholly-owned subsidiary of the Company, commenced operations as an R&D arm of the Group.

During the year, the Group successfully developed a new product – LNG container – which can be used for the transportation of LNG by ships. The relevant certificate has been obtained from the China Classification Society. As more and more LNG plants and terminals are being built, it is expected the product will receive a positive market response.

Another newly-developed product of the Group is the liquefied-compressed natural gas ("LCNG") station system, which transports natural gas in LNG form and uses LNG as a feedstock to deliver natural gas either in compressed or liquefied form to vehicles. During the year, one set of LCNG system was sold. Given that it is more economical to transport natural gas in long distance in liquefied form than in compressed form as LNG is 2.5 times the density of CNG, the Group believes that it will be a unique and competitive product in market.

Product diversification and business acumen are fundamental to the success of any business. In anticipation of China's latest energy trend which stresses the importance of conservation and effective utilisation of energy, the Group is developing certain energy-efficient equipment as well as storage and transportation equipment for coalbed methane.

Productivity

The Group regards productivity enhancement as an important strategy in securing its leading position. A new production plant of seamless pressure cylinders with total construction cost of approximately RMB60,900,000 commenced operation in December 2006. This state-of-the-art production plant nearly triples the annual output of seamless pressure cylinders to 8,000 units from 3,000 units approximately, enabling the Group to capture surging market demand in coming years.

In 2006, the Group invested approximately RMB37,887,000 in the construction of an R&D complex and in the expansion of its IBS plant. The two projects are expected to be completed in 2007 upon which the R&D capability and productivity of the Group will be further strengthened.

Qualifications

The gas equipment industry sets high entry barriers. Not only has the Group obtained qualifications from local industry authorities such as the China Classification Society and the China Machinery Industry Federation (CMIF), but also been granted an array of manufacturing licenses from international bodies, including the American Society of Mechanical Engineers ("ASME"), the Ministry of Commerce, Industry and Energy of Korea and the U.S. Department of Transportation as well as the ISO9001 and ISO14001 certificates. All these enable the Group to export its products to the U.S. and other Asian countries.

Sales and Marketing

The Group's products and services have presence in over 29 provinces, autonomous regions and municipalities throughout the PRC. At 31 December 2006, the Group ran sales offices in nine cities, namely Bengbu, Chongqing, Guangzhou, Langfang, Shanghai, Shenyang, Urumqi, Xi'an and Wuhan.

A significant growth in export sales was achieved in 2006. Export sales increased to RMB32,390,000 (2005: RMB22,526,000), accounting for 4.2% of the overall turnover. Products were exported to Brazil and Asian countries like Pakistan and Thailand. In terms of product diversification, the Group successfully launched pressure vessels for specialty gases, providing a new source of revenue.

The Group understands that brand image and awareness are indispensable elements of success. During the year, the Group participated in gas equipment industry exhibitions and conventions in the PRC and placed advertisements on billboards and in professional magazines and websites within the gas industry.

Human Resources
The Group bases its competitive advantage on the excellence of its people, central to which is people development.

Competence-based training programmes and a performance management scheme were carried out throughout the year. Significant progress has been made in enhancing employees' skills and job knowledge as well as strengthening their commitment to attaining the Group's objectives.

Education and training aids are provided to motivate employees to take external training programmes for their self-improvement and career development.

At 31 December 2006, the total number of employees of the Group was approximately 1,600. Total staff costs (including Directors' emoluments and retirement benefits schemes contributions) were approximately RMB54,829,000 (2005: RMB36,257,000). As an equal opportunity employer, the Group's remuneration and bonus policies are determined with reference to the performance, qualifications and experience of individual employee and respective market rate. Other benefits include contributions to statutory mandatory provident fund scheme to employees in Hong Kong and contributions to government pension schemes to employees in Mainland China.

Customer Service
Success relies heavily on establishing a long-standing relationship with customers.

The Group is committed to providing the best customer service. In addition to a 24-hour customer service hotline, there is a service pledge undertaking timely delivery of after-sales service across the country.

Company visits are arranged regularly for local and overseas customers who are interested in gaining a better understanding of the daily operation and production processes of the Group. The Group also organises regular conferences where customers are encouraged to share their opinions on the Group's products and services.

Our dedication to quality customer service did not go unnoticed. During the year, the Group was awarded the "Chinese Customers Quality and Service Satisfaction Entity" jointly by the Chinese Association for Quality, the China Quality Service Science Association and the China Product Safety Evaluating and Monitoring Centre.

Recognition
In recognition of its profitability and growth prospect, the Company received awards from certain international financial magazines.

In October 2006, the Company was awarded the "Chinese Business 500" and the "Top 20 Business of Assets Growth" by Yazhou Zhoukan for the first time. The 500 enterprises are listed companies in Hong Kong, Indonesia, Malaysia, the Philippines, Singapore, Taiwan, Thailand and the U.S. owned by Chinese and are ranked by their market capitalisation as at 30 June 2006.

It was also first awarded the "2007 China's Potential 100" in January 2007 by Forbes China. The 100 award winners are small and medium enterprises which run their principal business in Mainland China with an annual turnover not exceeding RMB650 million. The ranking is based on the rate of return to shareholders, profitability and potential growth rate of these companies.

FINANCIAL ANALYSIS

Turnover
The natural gas industry is booming in the PRC which in turn drives the demand for natural gas storage and transportation equipment. Riding on the increased demand for these types of equipment, the Group's turnover for 2006 surged by 50.1% to RMB769,952,000 over last year (2005: RMB513,014,000). The increased turnover was mainly contributed by the rise in sales of pressure vessels and provision of integrated business solutions. Pressure vessels' turnover rose by 71.8% to RMB451,192,000 (2005: RMB262,606,000), turnover of integrated business solutions was RMB187,886,000 (2005: RMB132,894,000), representing an increase of 41.4%, and compressors' turnover was RMB130,874,000 (2005: RMB117,513,000) which grew by 11.4%.

Gross Profit Margin and Profitability

The pressure vessels segment managed to maintain the gross profit margin ("GP margin") at 24.0% (2005: 24.0%) through increasing the average selling price ("ASP") and economy of scale. In 2006, the compressors segment increased the sale of natural gas compressors to 154 units from 96 units in 2005 and sold less of the traditional low-margin general-purpose compressors than it did in 2005. Due to the aforementioned change in product mix, compressors raised its GP margin to 30.6% in 2006 (2005: 29.6%). This proves the Group's strategy to focus on the high-end natural gas compressors is starting to pay off. During the year, the integrated business solutions had continued to grow at a steady pace and sold 50 units of CNG hydraulic daughter refueling station with GP margin of 65.1% (2005: 36 units with GP margin of 64.5%) and 100 units of CNG daughter refueling station trailer with GP margin of 27.4% (2005: 68 units with GP margin of 27.6%). Mainly because of the change in sales proportion between the two abovementioned products, the GP margin for IBS was diluted by 1.3 percentage points to 38.1% in 2006 (2005: 39.4%).

As pressure vessels raised its proportion of the overall turnover from 51.2% in 2005 to 58.6% in 2006, this change in segment proportion lowered slightly the Group's overall GP margin by 0.7 percentage point to 28.6% (2005: 29.3%).

The profit from operations expressed as a percentage of turnover dropped by 0.1 percentage point to 15.2% (2005: 15.3%) which is attributable to three main reasons, namely the increase in share option expense, higher Directors' remuneration and loss on disposal of property, plant and equipment. Firstly, the fair value of share options granted to Directors and employees totalling RMB3,763,000 was recognised as an expense in 2006 while the amount for 2005 was RMB1,831,000, representing an increase of 105.5%. Moreover, it is worthwhile to note that this expense is non-cash in nature and does not have any effect on the shareholders' equity as the same amount was credited to the capital reserve account. Secondly, for three quarters of 2005 the Company was a private company and only since listing on GEM that the Directors started to be compensated at rates comparable to other listed companies; therefore, Directors' remuneration (excluding share-based payments) surged by 195.5% to RMB3,324,000 in 2006 (2005: RMB1,125,000). Thirdly, certain old buildings and production facilities were disposed of in connection with the construction of a new production plant for seamless pressure cylinders and, accordingly, loss on disposal of property, plant and equipment of RMB4,684,000 (2005: RMB119,000) was recorded during the year.

The net profit margin for the year ended 31 December 2006 decreased by 0.9 percentage point to 12.5% (2005: 13.4%). In addition to the aforesaid non-cash share option expense and non-recurring loss on disposal of property, plant and equipment, the fall in net profit margin was resulted from the one-off professional and other expenses of RMB6,822,000 incurred in relation to the Company's Main Board listing.

FINANCIAL RESOURCES REVIEW

Liquidity and Financial Resources

At 31 December 2006, the Group recorded cash on hand of RMB318,721,000 (31 December 2005: RMB339,320,000) and bank loans of RMB167,733,000 (31 December 2005: RMB125,000,000). A portion of the Group's bank deposits totalling RMB26,014,000 (2005: 26,253,000), which have more than three months of maturity at acquisition, were restricted for securing letters of credit and bills payable. The Group has maintained sufficient cash on hand for repayment of bank loans as they fall due. The Group has continued to take a prudent approach in future development and capital expenditure. Accordingly, the Group has been cautious in managing its financial resources and will constantly review and maintain an optimal gearing level.

At 31 December 2006, all bank loans of the Group were guaranteed by the Company's subsidiaries, bearing interest at rates from 5.6% to 6.8% per annum and repayable within one year. The net gearing ratio, which is calculated by dividing net debt over equity, was zero times (31 December 2005: zero times) as the Group retained a net cash balance of RMB150,988,000 (31 December 2005: RMB214,320,000). The Group's interest coverage was 21.1 times for 2006 (2005: 9.5 times) which demonstrates that the Group is fully capable of meeting its interest expense commitments.

In order to fulfil sales orders on hand as of 31 December 2006, closing inventories level was increased by RMB89,787,000 (including inventories in-transit of RMB34,970,000) to RMB214,786,000, which occupied a portion of the Group's working capital.

During 2006, net cash generated from operating activities amounted to RMB74,705,000 (2005: RMB90,977,000). The Group drew bank loans of RMB167,733,000 (2005: RMB140,000,000) and repaid RMB125,000,000 for 2006 (2005: RMB147,860,000). Apart from drawing bank loans, in 2006 the Group did not engage in any other forms of financing activity while in 2005 the Group raised approximately RMB236,000,000 from listing on the GEM board and issuing shares and convertible bonds to institutional investors.

Assets and liabilities

At 31 December 2006, total assets of the Group amounted to RMB906,193,000 (2005: RMB722,957,000) while total liabilities were RMB400,669,000 (2005: RMB317,699,000). The net asset value rose by 24.7% to RMB505,524,000 (2005: RMB405,258,000) which was mainly caused by net profit of RMB96,504,000 recorded for the year and the increase in capital reserve of RMB3,763,000 for the recognition of fair value of share options granted to the Directors and employees. As a result, the net asset value per share was increased to RMB1.14 at 31 December 2006 from RMB0.91 at 31 December 2005.

Contingent Liabilities

As at 31 December 2006, the Group did not have any significant contingent liabilities.

Capital Commitments

As at 31 December 2006, the Group had contracted but not provided for capital commitments of RMB36,069,000 (2005: RMB920,000), and authorised but not contracted for capital commitments of RMB537,000 (2005: RMB40,000,000). The contracted but not provided for commitments include RMB8,000,000 for investment in a new subsidiary and RMB21,855,000 for the expansion of the IBS plant and construction of an R&D complex.

Foreign Exchange Exposure

The Group earns revenue and incurs cost mainly in Renminbi ("RMB") and Hong Kong dollars ("HK dollars"). In the PRC, RMB is subject to a managed float against a basket of unspecified currencies. Despite the exchange rate between HK dollars and RMB was generally stable the past few years, the Group controls its exchange rate risks by raising funds in the denominations of its principal operating assets and revenue. Borrowings are also primarily denominated in RMB. During the year, RMB has appreciated against HKD and USD which caused an exchange loss of RMB2,775,000 mainly because a portion of the Group's bank deposits are denominated in the two abovementioned currencies. Since the Group's assets and liabilities are substantially denominated in RMB and also earns revenue and incurs cost in RMB, the Directors thus consider the impact of foreign exchange exposure on the Group to be minimal.

Future Plans for Material Investments and Expected Source of Funding

Currently, the Group's operating and capital expenditures are mainly financed by its internal resources such as operating cash flow and shareholders' equity, and to a lesser extent by bank loans. The Group has sufficient resources of funding and unutilised banking facilities to meet future capital expenditure and working capital requirement. As of 31 December 2006, the Group had total capital commitments of RMB36,606,000. Further details of the Group's future plans of material investments and expected source of funding are set out in the section headed "Future Plans and Prospects" of the Listing Document of the Company dated 27 June 2006.

PROSPECTS

The rapid growth of the PRC economy is expected to continue with an estimated GDP growth of 9.5% in 2007. Realising that a sufficient and balanced energy source is the backbone of sustainable economic growth, the PRC government has identified natural gas as a green and price competitive alternative to alleviate its pollution problems and heavy reliance on coal and oil. Natural gas has become an important energy in China. The PRC government targets to increase the proportion of natural gas in the overall primary energy consumption mix to 6% by 2010 and 10% by 2020 from the current 2.7%, signifying a huge development potential of the natural gas market.

Under the 11th Five-Year Plan, a series of policies is promulgated by the state and local governments to promote natural gas, such as "Opinion concerning the speeding up of the development of market economy in the public utilities sector" (《關於加快市政公用行業市場化進程的意見》), "Blueprint of the development of gas industry in Shenzhen in 2006–2020" (《深圳市燃氣行業發展規劃(2006–2020年)》) and "Report on the promotion of natural gas vehicles in Guangdong region" (《廣東地區推廣天然氣汽車的研究報告》).

To ensure a healthy and sustainable growth of the natural gas industry, the government has also put great efforts in establishing a stable and reliable gas source. State-owned oil and gas giants have been actively exploring new gas fields at home and abroad. According to the BP Statistical Review of World Energy 2006, proved natural gas reserves in China reached 2.35 trillion cubic metres at the end of 2005, up 6.8% over 2004. Supply of imported LNG has been realised since the nation's first LNG terminal commenced operation in Shenzhen in June 2006. More and more LNG terminals are scheduled to be built in costal cities such as Ningbo, Quanzhou, Rudong, Shanghai and Zhuhai.

Natural gas is used as a vehicle fuel because of its advantages over gasoline and diesel – lower cost, environmentally-friendly and safer. In 2005, there were approximately 130,000 NGVs in China. Nevertheless, the number of NGV per 1,000 people in China is merely 0.18. This reflects that room for further development of its NGV market is enormous and a stunning growth is expected. Car manufacturers in the PRC have recently begun to produce NGVs to meet market needs. Motivated by the price edge of natural gas against gasoline, more and more gasoline-powered vehicles in the Mainland have been converted into NGVs, most of which are taxis and buses. It is anticipated that both NGVs and CNG refueling stations will enter into a rapid growth stage in the PRC in coming years.

Against the business opportunities brought by the prosperous natural gas industry in China, our commitment to penetrating the vast overseas market will never falter.

Currently, export sales contributes 4.2% to the overall revenue. In the next three years, we will strive to have this figure lifted up by a considerable percentage. One of our major target markets is Southeast Asia. Countries in the region, such as Malaysia and Indonesia are rich in natural gas and demand for gas refueling stations and pressure vessels are ballooning. In light of this, our products including gas refueling station systems, CNG trailers and natural gas compressors are expected to receive positive response in these markets.

We also plan to export our pressure vessels to the United States. In addition to natural gas, our pressure vessels can be used in the storage and transportation of specialty gases, like hydrogen and nitrogen. Specialty gas producers in the U.S. require pressure vessels to transport the gases to downstream industrial users, creating a new business opportunity for the Group. To realise direct export to the U.S., the Group has already obtained relevant certificates from the U.S. Department of Transportation and the ASME.

To fulfil growing market needs, the Group is committed to enhancing its productivity and R&D capacity. In 2006, the Group completed the construction of a new seamless pressure cylinders production plant in Shijiazhuang upon which the annual production capacity of seamless pressure cylinders increased to 8,000 units. We have also started the construction of an R&D complex in order to centralise our R&D divisions and ensure an effective allocation of R&D resources.

Not only a company's growth and competitive edge depends on its ability to globalise its market and optimise its productivity, but also on its ability to operate at a lowest possible cost. Seamless steel pipes, most of which have been imported from overseas suppliers, occupies a major portion of the Group's cost of sales. With the continued technological enhancement at local steel plants, the Group, since the second half of 2006, has begun to purchase domestically-made seamless steel pipes which have the same quality as and more economical than imported ones. In 2007, the Group will gradually increase the proportion of seamless steel pipes sourced domestically to control its cost of sales more effectively.

On the back of favourable market conditions and our strength in R&D and business acumen, complemented by our leading market position, we are confident that the Group is well prepared to grasp opportunities ahead and will continue to grow and bring the best returns to our shareholders.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the year. Details of the Company's corporate governance practices will be set out in the Corporate Governance Report contained in the 2006 Annual Report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding Directors' transactions of the securities of the Company. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code in their securities transactions throughout the year ended 31 December 2006.

AUDIT COMMITTEE AND OTHER BOARD COMMITTEES

The Company has established an Audit Committee with written terms of reference in compliance with the Listing Rules. It has a membership comprising three Independent Non-executive Directors, namely Messrs Wong Chun Ho, Gao Zhengping and Shou Binan, among whom Mr. Wong has been appointed as the chairman. The primary duties of the Audit Committee are, amongst other things, to review and supervise over the financial reporting procedures and internal control system of the Group. The Audit Committee has reviewed and discussed with management the audited financial statements for the year ended 31 December 2006.

In addition to the Audit Committee, the Board has established a Remuneration Committee and a Nomination Committee. A majority of members of both committees are Independent Non-executive Directors. Each of the committees has its defined scope of duties and written terms of reference in compliance with the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

DIRECTORS

As at the date of this announcement, the Executive Directors of the Company are Mr. Wang Yusuo *(Chairman)*, Mr. Jin Yongsheng *(Chief Executive Officer)*, Mr. Cai Hongqiu, Mr. Zhao Xiaowen, Mr. Zhou Kexing, Mr. Yu Jianchao and Mr. Cheong Siu Fai; the Non-executive Director is Ms. Zhao Baoju; and the Independent Non-executive Directors are Mr. Wong Chun Ho, Mr. Gao Zhengping and Mr. Shou Binan.

By order of the Board
Enric Energy Equipment Holdings Limited
WANG Yusuo
Chairman

Hong Kong, 10 April 2007

The 2006 Annual Report will be dispatched to the shareholders and published on the websites of the Company and the Stock Exchange.