



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) (於開曼群島註冊成立之有限公司)
Stock code 股份代號: 8289

First Quarterly Report **2006**
第一季度業績報告



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This report, for which the directors (the “Directors”) of Enric Energy Equipment 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 (the “GEM Listing Rules”) for the purposes 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.

FIRST QUARTERLY RESULTS (UNAUDITED)

The board of Directors (the "Board") of Enric Energy Equipment Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the three months ended 31 March 2006, together with the comparative figures for the corresponding period in 2005, as follows:

Unaudited Condensed Consolidated Income Statement

For the three months ended 31 March 2006

		For the three months ended 31 March	
		2006	2005
	Note	RMB'000 (unaudited)	RMB'000 (unaudited)
Turnover	2	128,313	83,127
Cost of sales		<u>(89,019)</u>	<u>(57,631)</u>
Gross profit		39,294	25,496
Other revenue		1,167	436
Selling expenses		(5,579)	(4,050)
Administrative expenses		(15,995)	(8,328)
Other net expenses		<u>(260)</u>	<u>–</u>
Profit from operations		18,627	13,554
Finance costs		<u>(2,032)</u>	<u>(2,102)</u>
Profit before taxation		16,595	11,452
Income tax	3	<u>(1,179)</u>	<u>(664)</u>
Profit for the period and attributable to equity shareholders of the Company		<u>15,416</u>	<u>10,788</u>
Earnings per share	4		
– Basic		<u>RMB 0.035</u>	<u>RMB 0.042</u>
– Diluted		<u>RMB 0.034</u>	<u>N/A</u>

Notes:

1. Reorganisation and basis of preparation

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 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 (the "Listing Date").

The unaudited consolidated results of the Group for the three months ended 31 March 2006 comprise the results of the Company and its subsidiaries for the three months then ended.

The Group is regarded as a continuing entity resulting from the Reorganisation and therefore the unaudited consolidated results for the three months ended 31 March 2005 have been prepared on the basis that the Company was the holding company of the Group for the corresponding period presented rather than from 26 September 2005. Accordingly, the unaudited consolidated results of the Group for the three months ended 31 March 2005 include the results of the Company and its subsidiaries with effect from 1 January 2005 or where their respective dates of incorporation/establishment are at a date later than 1 January 2005, from the respective dates of incorporation/establishment, as if the current group structure had been in existence throughout the three months ended 31 March 2005. In the opinion of the Directors, the unaudited consolidated results prepared on this basis present fairly the results of operations of the Group as a whole.

The Group's unaudited consolidated results 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 applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules"). The measurement basis used in the preparation of the unaudited consolidated results is the historical cost basis.

2. Turnover and segment information

The Group is principally engaged in the provision of integrated business solutions 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.

The Group's core products are pressure vessels, compressors and integrated business solutions for gas equipment.

	For the three months ended 31 March	
	2006 RMB'000 (unaudited)	2005 RMB'000 (unaudited)
Sales of pressure vessels	83,396	47,696
Sales of compressors	23,567	26,579
Provision of integrated business solutions	21,350	8,852
	<u>128,313</u>	<u>83,127</u>

3. Taxation

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 three months ended on 31 March 2006 (2005: Nil).

Profits of the Company's subsidiaries in the People's Republic of China (the "PRC") are subject to PRC income taxes.

The statutory state income tax rates applicable to the Company's subsidiaries in the PRC range from 15% to 30%. Pursuant to the relevant laws and regulations in the PRC, the Company's certain subsidiaries in the PRC, being foreign-invested enterprises of manufacturing nature, are entitled to exemption from PRC 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. During the three months ended 31 March 2006, these subsidiaries in the PRC were enjoying the tax relief period and were subject to state income tax ranging from 0% to 15% (2005: 0% to 15%).

The statutory local income tax rate applicable to the Company's subsidiaries in the PRC is 3%. Pursuant to the relevant laws and regulations in the PRC, the Company's certain subsidiaries in the PRC, being foreign-invested enterprises, are fully exempted from local income taxes while a subsidiary in the PRC is entitled to full exemption from the PRC 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. During the three months ended 31 March 2006, the Company's subsidiaries in the PRC were subject to local income tax rate of 0% (2005: 0%).

4. Earnings per share

The calculation of basic earnings per share for the three months ended 31 March 2006 is based on the profit attributable to ordinary equity shareholders of the Company of RMB15,416,000 and the weighted average number of ordinary shares of 445,200,000 of the Company outstanding during the three months ended 31 March 2006.

The calculation of basic earnings per share for the three months ended 31 March 2005 was based on the profit attributable to ordinary equity shareholders of the Company of RMB10,788,000 and on the ordinary shares of 260,160,000 of the Company in issue and issuable as at the date of the prospectus (10 October 2005), as if these shares were outstanding throughout the three months ended 31 March 2005.

The calculation of diluted earnings per share for the three months ended 31 March 2006 is based on the profit attributable to ordinary equity shareholders of the Company of RMB15,416,000 and the weighted average number of ordinary shares of 453,174,921, calculated as follows:

	For the three months ended 31 March	
	2006	2005
Weighted average number of ordinary shares used in calculating basic earnings per share	445,200,000	<u>260,160,000</u>
Effect of dilutive potential ordinary shares: Share options	<u>7,974,921</u>	
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>453,174,921</u>	

There were no dilutive potential ordinary shares in issue during the three months ended 31 March 2005.

5. Reserves

	Share premium RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000	General reserve fund RMB'000	Retained profits RMB'000	Total RMB'000
As at 1 January 2005 (audited)	–	–	–	2,478	51,284	53,762
Share premium	15,709	–	–	–	–	15,709
Profit for the period	–	–	–	–	10,788	10,788
As at 31 March 2005 (unaudited)	<u>15,709</u>	<u>–</u>	<u>–</u>	<u>2,478</u>	<u>62,072</u>	<u>80,259</u>
As at 1 January 2006 (audited)	260,620	15,710	1,831	9,844	112,623	400,628
Equity-settled share-based transactions	–	–	2,197	–	–	2,197
Profit for the period	–	–	–	–	15,416	15,416
As at 31 March 2006 (unaudited)	<u>260,620</u>	<u>15,710</u>	<u>4,028</u>	<u>9,844</u>	<u>128,039</u>	<u>418,241</u>

6. Dividend

No dividend has been paid or declared by the Company since its incorporation.

The Directors do not recommend the payment of any dividend for the three months ended 31 March 2006 (2005: Nil).

MANAGEMENT DISCUSSION & ANALYSIS

Executive Summary

Principal activities

The Group is an integrated business solutions provider in the gas energy industry and one of the leading specialised gas equipment manufacturers in the PRC. The Group designs, manufactures and sells specialised gas equipment including seamless pressure cylinders, compressed natural gas (“CNG”) trailers, natural gas refueling station system, liquefied natural gas (“LNG”) storage tanks, LNG trailers and gas compressors. In anticipation of market needs, the Group also offers integrated business solutions, a beyond-the-equipment package of one-stop services from the design and manufacture of gas equipment system and on-site installation to staff training and after-sales services. Products of the Group are essential for the transportation, storage and distribution of natural gas.

Results for the three months ended 31 March 2006

Benefited from the blooming natural gas industry in the PRC and the Group’s dedicated efforts to strengthen its specialised gas equipment business, the Group achieved strong growth for the three months ended 31 March 2006. Turnover of the Group during the period under review was RMB128,313,000 (2005: RMB83,127,000), representing an increase of 54.4%. Net profit attributable to shareholders for the three months ended 31 March 2006 reached RMB15,416,000 (2005: RMB10,788,000), representing 42.9% increase over the corresponding period in 2005. Basic and diluted earnings per share were RMB0.035 (2005: RMB0.042) and RMB0.034 (2005: not applicable) respectively.

In particular, the CNG seamless pressure cylinder storage and transportation equipment and CNG refueling station system received very positive market response during the three months ended 31 March 2006. The turnover of pressure vessels and integrated business solutions rose by 74.8% to RMB83,396,000 and 141.2% to RMB21,350,000 respectively over the corresponding period in 2005.

Financial position

As at 31 March 2006, the Group recorded cash on hand of RMB227,400,000 and bank loans of RMB80,000,000. The Group will continue to cautiously implement its development plan and invest wisely in capital expenditures. Accordingly, the Group will review and maintain an optimal gearing level from time to time.

Intention to list the Company's shares on the Main Board of the Stock Exchange

To further increase its public profile and recognition, the Company is preparing a listing of its shares on the Main Board of the Stock Exchange by way of introduction (the "Proposed Introduction"). On 30 March 2006, the Company submitted an advance booking form for the Proposed Introduction to the Stock Exchange. The Stock Exchange has also been notified of the Company's intention to implement the proposed voluntary withdrawal of the listing of its shares on GEM (the "Proposed Withdrawal"). However, the Directors would like to emphasise that both the Proposed Introduction and the Proposed Withdrawal are at a preliminary stage and that the definitive timetable for the Proposed Introduction and the Proposed Withdrawal has yet to be finalised. Further announcements will be made by the Company to keep the shareholders informed on the latest progress of the Proposed Introduction and the Proposed Withdrawal in accordance with the requirements of the GEM Listing Rules and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

Business Review

Sales and Marketing

The sales and marketing network of the Group is primarily based in the PRC. Specialised gas equipment for the storage, transportation, distribution, compression and pressure-regulating of natural gas is of keen demand across the gas sector from city gas operators and gas refueling station operators to natural gas logistic companies and natural gas infrastructure contractors, thus forming a diversified customer base for the Group. Some of our renowned customers include branch companies of PetroChina Company Limited ("PetroChina") and China Petroleum & Chemical Corporation ("Sinopec"), Shengli Oil Field, Liaohe Oil Field, Xinao Gas Holdings Limited ("Xinao Gas") and The Hong Kong and China Gas Company Limited's subsidiaries in the PRC. In addition, the Group has customers from industrial and chemical sectors which require the Group's equipment for production.

Corporate website is an excellent platform to publicise a company and maintain stable relationship with investors and customers worldwide. The Group continues to modify its official website to be more user-friendly and to disseminate the latest information on products, corporate governance and investor relations.

Research and Development

Enhancement of research and development capacity is one of the primary development strategies of the Group. During the period under review, the Group continued the development of the liquefied-compressed natural gas ("LCNG") refueling station system. The management believes that the LCNG product will be very competitive once it is launched as it is of higher refueling efficiency, larger storage capacity, increased safety and reduced size when compared with conventional refueling stations.

Productivity

As at 31 March 2006, the annual production capacities of pressure vessels and compressors were approximately 3,000 and 1,000 standard units respectively. To feed the appetite of the emerging gas equipment market, a number of productivity enhancement programs are under progress, such as the expansion of production line of seamless pressure cylinders and the upgrade of production facilities of integrated business solutions and compressors.

Qualifications

The gas equipment industry adheres to stringent statutory regulations and industry players must obtain relevant qualifications. Apart from the prerequisite manufacturing and design licences from the PRC government, the Group has also been granted qualifications from international bodies, such as the Ministry of Commerce, Industry and Energy of Korea, the American Society of Mechanical Engineers and the United States Department of Transportation, which allows the Group to sell its gas transportation products to the US. These professional and authoritative qualifications have not only sharpened the Group's competitive edge, but have also laid a solid foundation for the Group's future business development.

Aiming to secure its intellectual property rights, the Group has also registered several patents in the PRC. Currently, the Group is applying for the European Union's CE certification to secure its leading position in the industry and prepare for the overseas market.

Prospects

Under a rapidly developing global economy, energy shortage and environmental pollutions are threatening issues around the world. In China, one of the world's fastest-growing countries, the government is actively looking for renewable and environmental-friendly alternatives to alleviate the nation's heavy reliance on traditional energy sources like oil and coal. Natural gas, being a green and efficient energy and more price competitive than oil and liquefied petroleum gas, has become an important energy in the PRC.

Under the 11th Five-Year Plan of the PRC central government on the state's energy structure, a series of favourable policies is promulgated to promote the utilisation of natural gas. In February 2005, the State Council issued the "Opinions on encouraging the development of non-state-owned economy", which explicitly encourages private and foreign investors to enter the urban public utilities sector. Incentives are offered by local governments to promote the conversion of oil-powered or diesel-powered vehicles to natural-gas-fuelled. These favourable policies secure the healthy and sustainable growth of the gas equipment industry in the long run.

Substantial investment in natural gas infrastructure enlarges the natural gas's share in the nation's energy market. The natural gas equipment market is now experiencing an enormous growth. The International Energy Agency (the "IEA") forecasted that the annual investment in the PRC natural gas equipment market would rocket over five times from USD0.6 billion in 2000 to USD3.2 billion in 2020. The West-East Pipeline Project is the landmark natural gas infrastructure project in the PRC. Under this project, long distance gas pipelines were completed in 2004 and more branch pipelines are to be built in coming years. The Zhong-Wu Pipeline and the Shaanxi-Beijing Pipeline have also commenced operation in 2005. Other large-scale natural gas infrastructure projects in progress include the exploration of undersea natural gas, the importation of LNG as well as the construction of LNG terminals in southern cities such as Shenzhen, Shanghai, Zhuhai, Ningbo and Quanzhou. All of these projects imply that more and more cities and provinces in the PRC will be able to use natural gas as a major energy.

The prevalence of natural gas in turn accelerates the implementation of city gas projects and the construction of CNG refueling stations for vehicles, nurturing a vast and ever-growing natural gas storage, transportation and distribution equipment market in the PRC.

In addition to domestic and industrial use, natural gas has long been used as a vehicle fuel in South America, Europe and Canada due to its advantages over gasoline and diesel – lower cost, lower exhaust emissions and safer. A research by the International Association for Natural Gas Vehicles shows that Argentina and Brazil are the two largest natural gas vehicle ("NGV") users in the world. The numbers of NGV per 1,000 people in the two countries are 40 and 6 respectively which are hundred folds higher than China's figure of 0.07. Combined with the abundant gas reserve in the region, it is expected that there is a large room for the development of NGVs in the PRC, which sets a growth engine of the Group's business in natural gas refueling stations and associated products.

The thriving natural gas industry, supported by favourable policies and substantial investment in natural gas infrastructure by the PRC government, generates huge demand for specialised gas equipment for the storage, transportation and distribution of natural gas – bringing enormous business opportunities to the Group.

Well-positioned at the blooming gas equipment industry, we are confident that through careful financial planning, industry expertise and effective marketing strategies, we will take full advantage of every business opportunity ahead and bring excellent returns to our shareholders.

DISCLOSURE OF INTERESTS

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 March 2006, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which are required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) to be recorded in the register kept by the Company pursuant to section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

(1) Interests in the shares and underlying shares of the Company

Name of Director	Capacity	Interests in shares		Total interests in shares	Interests in underlying shares	Aggregate interests in shares and underlying shares	Approximate percentage of the Company's total issued share capital
		Personal	Corporate				
Mr. Wang Yusuo ("Mr. Wang")	Interest of controlled corporation and beneficial owner	-	234,144,000 (Note 1)	234,144,000	4,000,000 (Note 2)	238,144,000	53.49%
Ms. Zhao Baoju ("Ms. Zhao")	Interest of controlled corporation and interest of spouse	-	234,144,000 (Note 1)	234,144,000	4,000,000 (Note 2)	238,144,000	53.49%
Mr. Cai Hongqiu	Beneficial owner	-	-	-	1,400,000	1,400,000	0.31%
Mr. Yu Jianchao	Beneficial owner	-	-	-	1,000,000	1,000,000	0.22%
Mr. Zhao Xiaowen	Beneficial owner	-	-	-	1,000,000	1,000,000	0.22%
Mr. Zhou Kexing	Beneficial owner	-	-	-	1,000,000	1,000,000	0.22%

Notes:

1. The two references to 234,144,000 shares relate to the same block of shares held by Xinao Group International Investment Limited ("XGII"), which is beneficially owned as to 50% by Mr. Wang and 50% by Ms. Zhao, the spouse of Mr. Wang.
2. Ms. Zhao, being the spouse of Mr. Wang, is deemed to be interested in these share options which were granted by the Company to Mr. Wang.

Details of the Directors' interests in the underlying shares subject to share options granted by the Company are set out under the heading "Directors' rights to acquire shares".

(2) Interests in the shares and underlying shares of associated corporation

Name of associated corporation	Name of Director	Capacity	Interest in shares		Total interests	Shareholding percentage
			Personal	Family		
XGII	Mr. Wang	Beneficial owner and interest of spouse	500	500	1,000	100%
XGII	Ms. Zhao	Beneficial owner and interest of spouse	500	500	1,000	100%

(3) Directors' rights to acquire shares

Pursuant to the Pre-IPO Share Option Plan adopted by the Company on 26 September 2005, certain Directors were granted share options to subscribe for shares of the Company, details of which as at 31 March 2006 were as follows:

Name of Director	Date of grant	Exercisable period	Exercise price per share (HKD)	Number of underlying shares subject to share options	Approximate percentage of the Company's total issued share capital
Mr. Wang	26.09.2005	18.04.2006 – 25.09.2015	1.50	4,000,000 (Note 2)	0.90%
Ms. Zhao	26.09.2005	18.04.2006 – 25.09.2015	1.50	4,000,000 (Note 2)	0.90%
Mr. Cai Hongqiu	26.09.2005	18.04.2006 – 25.09.2015	1.50	1,400,000	0.31%
Mr. Yu Jianchao	26.09.2005	18.04.2006 – 25.09.2015	1.50	1,000,000	0.22%
Mr. Zhao Xiaowen	26.09.2005	18.04.2006 – 25.09.2015	1.50	1,000,000	0.22%
Mr. Zhou Kexing	26.09.2005	18.04.2006 – 25.09.2015	1.50	1,000,000	0.22%

Notes:

1. Subject to certain vesting conditions as stated in the Pre-IPO Share Option Plan, 50% of the options granted to any grantee become exercisable upon the expiry of 6 months after the Listing Date up to 10 years from the date of grant of the options; another 50% of the options granted to any grantee become exercisable upon the expiry of 24 months after the Listing Date up to 10 years from the date of grant of the options.
2. Ms. Zhao, being the spouse of Mr. Wang, is deemed to be interested in these share options which were granted by the Company to Mr. Wang.

Save as disclosed above, as at 31 March 2006, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares and underlying shares or interest in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which are required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) to be recorded in the register kept by the Company pursuant to section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

Substantial Shareholders

As at 31 March 2006, so far as the Directors are aware, the persons or corporations (other than the Directors or chief executives of the Company as disclosed above) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Interests in the shares of the Company

Name of shareholder	Capacity	Number of shares	Approximate percentage of the Company's total issued share capital
XGII	Beneficial owner	234,144,000	52.59%
Investec Bank (UK) Limited	Beneficial owner	51,840,000 <i>(Note)</i>	11.65%
Investec 1 Limited	Interest of controlled corporation	51,840,000 <i>(Note)</i>	11.65%
Investec SA	Interest of controlled corporation	51,840,000 <i>(Note)</i>	11.65%
Investec SARL	Interest of controlled corporation	51,840,000 <i>(Note)</i>	11.65%
Investec Holding Company Limited	Interest of controlled corporation	51,840,000 <i>(Note)</i>	11.65%
Investec Holdings (UK) Limited	Interest of controlled corporation	51,840,000 <i>(Note)</i>	11.65%
Investec PLC	Interest of controlled corporation	51,840,000 <i>(Note)</i>	11.65%
Symbiospartners Private Equity Limited	Beneficial owner	26,016,000	5.84%

Note:

All the references to 51,840,000 shares relate to the same block of shares held by Investec Bank (UK) Limited, which is a directly wholly-owned subsidiary of Investec 1 Limited and in turn an indirectly wholly-owned subsidiary of Investec SA, Investec SARL, Investec Holding Company Limited, Investec Holdings (UK) Limited and Investec PLC. On 3 May 2006, Investec Bank (UK) Limited disposed of such 51,840,000 shares, representing its entire interests in the Company.

Save as disclosed above, the Directors are not aware of any persons or corporations (other than Directors or chief executives of the Company) who, as at 31 March 2006, had interests or short positions in the shares or underlying shares of the Company which would be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under Section 336 of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company and was also, as a practicable matter, able to direct or influence the management of the Company.

On 3 May 2006, INVESCO Hong Kong Limited had interests in 43,784,000 shares of the Company, representing approximately 9.83% of the total issued share capital.

COMPETING INTERESTS

None of the directors or the management shareholders or the substantial shareholders of the Company, or any of their respective associates (as defined under the GEM Listing Rules) had any interest in a business that competes or may compete with the business of the Group.

COMPLIANCE ADVISOR'S INTERESTS

As updated and notified by the Company's compliance advisor, China Everbright Capital Limited (the "Compliance Advisor"), neither the Compliance Advisor, nor its directors, employees or associates (as defined under the GEM Listing Rules) had any interest in the share capital of the Company as at 31 March 2006 pursuant to Rule 6.36 of the GEM Listing Rules.

AUDIT COMMITTEE

The Company has established an Audit Committee on 26 September 2005 with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the Audit Committee are, among other things, to review and supervise over the financial reporting procedures and internal control system of the Group. Members of the Audit Committee are Mr. Wong Chun Ho, Mr. Gao Zhengping and Mr. Shou Binan, who are all independent non-executive Directors. Mr. Wong Chun Ho is the chairman of the Audit Committee. The Audit Committee has reviewed with the management the unaudited quarterly results for the three months ended 31 March 2006 of the Group and has obtained explanations from the management in carrying out the review.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the three months ended 31 March 2006, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company.

DIRECTORS

As at the date of this report, the executive Directors of the Company are Mr. Wang Yusuo (Chairman), Mr. Cai Hongqiu, Mr. Zhao Xiaowen, Mr. Zhou Kexing and Mr. Yu Jianchao, 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

Wang Yusuo

Chairman

Hong Kong, 10 May 2006



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