Chairman's Statement

Wang Yusuo
Chairman

DEVOTION TO EXCELLENCE

Leveraging on advanced energy equipment and technologies, we are devoted to the efficient and clean use of energy.

On behalf of Enric Energy Equipment Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group"), I am pleased to present to shareholders the annual results of the Group for the year ended 31 December 2006.

MAIN BOARD LISTING

The Group turned over a new leaf on 20 July 2006, the day the entire issued share capital of the Company commenced listing by way of introduction on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Thanks to the support of shareholders and investors, on this memorable day, the share price closed at HKD4.975 with market capitalisation tripled to approximately HKD2,214,870,000 from approximately HKD667,800,000 on 18 October 2005, the date of listing on the Growth Enterprise Market of the Stock Exchange ("GEM").

RESULTS OF THE YEAR

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 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.

Turnover for the year under review was up 50.1% to RMB769,952,000 from RMB513,014,000 for 2005. The Group's compressed natural gas ("CNG") trailers, seamless pressure cylinders and CNG refueling station systems received very positive market response and therefore experienced high turnover growth. Turnover for the segments of pressure vessels and integrated business solutions ("IBS") rose by 71.8% to RMB451,192,000 (2005: RMB262,606,000) and 41.4% to RMB187,886,000 (2005: RMB132,894,000) respectively over last year. The compressors segment had a moderate growth and recorded a turnover of RMB130,874,000 (2005: RMB117,513,000), up 11.4%.

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 liquefied natural gas ("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 natural gas vehicles ("NGV(s)") in China. Nevertheless, the number of NGV per 1,000 Chinese citizens 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 ("DOT") and the American Society of Mechanical Engineers ("ASME").

To fulfil growing market needs, the Group is committed to enhancing its productivity and research and development ("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.

APPRECIATION

I would like to take this opportunity to express my heartfelt gratitude to all our shareholders, business partners and employees for their support and contribution in turning 2006 into a brilliant year.

Wang Yusuo
Chairman

Hong Kong, 10 April 2007