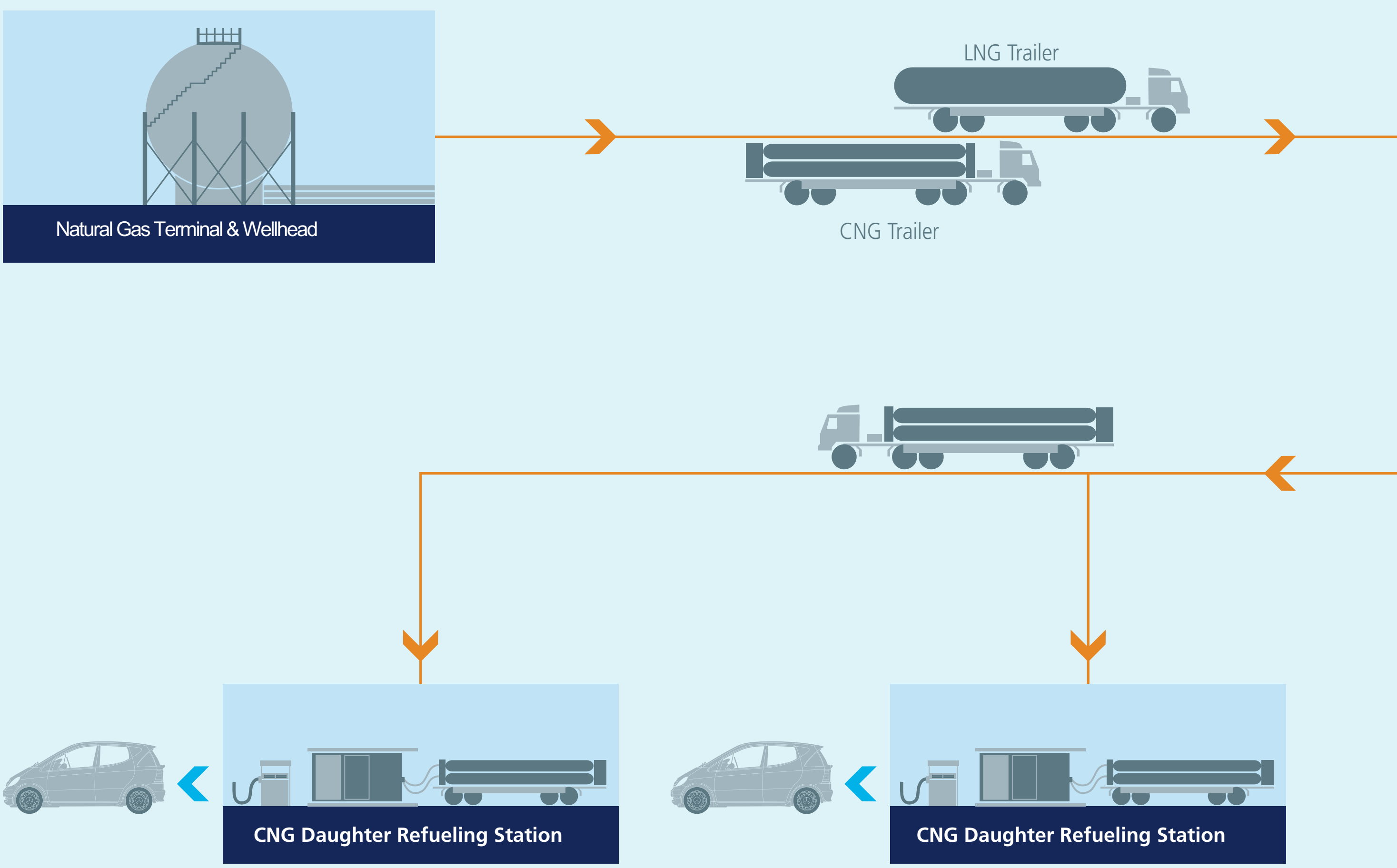
Management Discussion and Analysis

We are at a promising industry – annual investment in the PRC's gas equipment industry is forecasted to reach USD3.2 billion by 2020, a fivefold increase over 2000.

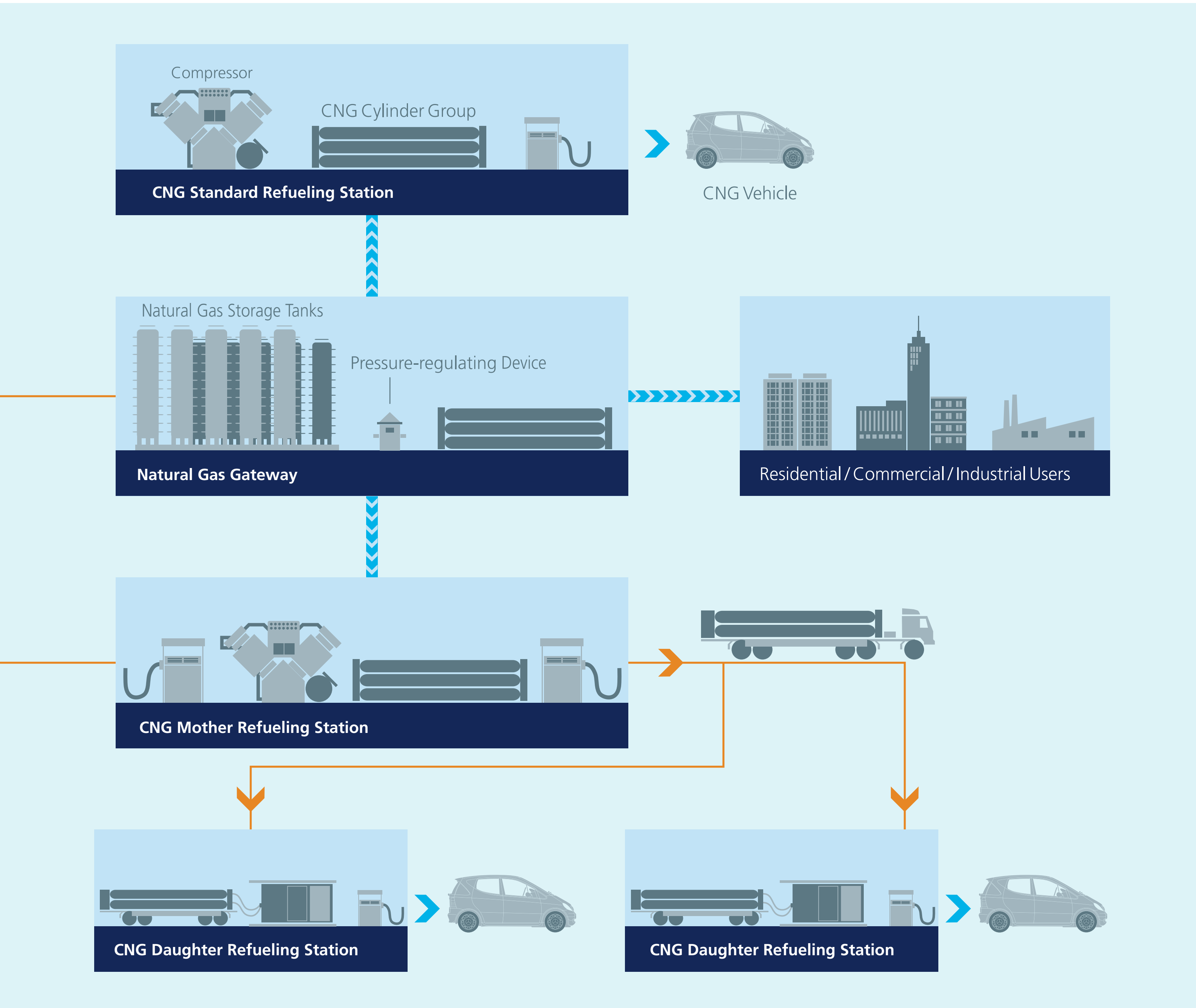
CNG Refueling Station Solutions



INDUSTRY OVERVIEW

Driven by rapid economic growth, the world's consumption of primary energy jumped significantly by 22.9% in past ten years. The present energy pattern relies heavily on coal and oil, totalling 64.2% of the overall consumption according to the BP Statistical Review of World Energy 2006. Burning coal and oil emits a great amount of greenhouse gases, which are the major culprits of deteriorating environmental problems. Coupled with the soaring oil price, many countries have turned to clean and economically-competitive fuels like natural gas. Global oil consumption grew by 1.3% in 2005, below the 10-year average, while that of natural gas grew by 2.3% in the same year with largest gains recorded in developing countries including China, signifying its hunger for energy.

The Chinese government has been taking active measures to introduce green alternatives to feed its voracious appetite for energy under rapid economic growth and to rationalise its energy consumption pattern which relies heavily on coal and oil. Natural gas, one of the cleanest and most economical fuels, has thus moved into the spotlight. China's consumption on natural gas rose by 97.5% from 2000 to 2005. According to the National Development and Reform Commission ("NDRC") of the Chinese government, the nation consumed 47.9 billion cubic metres ("bcm") of natural gas in 2005, merely 2.7% of the entire energy pie, reflecting a great development potential for the PRC gas market.



To fulfil the surging demand for natural gas, China recorded the world's largest gas production increase in 2005. Proven reserves of natural gas amounted to 2.35 trillion m^3 with discovery of several gas fields like Puguang Gas Field and Dabei Oil & Gas Field. An array of foreign countries has become China's strategic gas suppliers, such as Indonesia, Iran, Malaysia and Russia.

China's first LNG terminal located in Shenzhen commenced operation in June 2006 and hence opening an access to imported LNG. Other cities where terminals are scheduled to be built include Ningbo, Quanzhou, Rudong, Shanghai and Zhuhai etc.

Long-distance pipeline network is expanding. The West-East Pipeline Project has raised its daily supply capacity by 38.5% to 36,000,000 m^3 and the second phase is under planning. Other major pipelines including the Zhong-Wu Pipeline Project and the Shannxi-Beijing Pipeline Project have all come into operation in past two years.

The burgeoning of natural gas is also evidenced in the development of NGVs and gas refueling stations in the downstream. When more and more energy users recognise the serious pollution caused by the exhaust of petrol and are threatened by surging petrol price, natural gas is becoming a choice of vehicle fuel because of its non-polluting nature and relatively lower price.

The central and local governments have implemented a number of policies to accelerate the development of NGVs. Shenzhen is known as one of the most aggressive cities. The local government sets to have 20,800 NGVs running in the city by 2020 with 98 gas refueling stations to be added. Other cities which are fuelling its NGV projects include Xining, Wuhan, Zhengzhou, Shijiazhuang and Changsha.

According to the China Alternative Fuel Vehicles, the number of NGVs has jumped over thirty times to approximately 130,000 since the launch of the Clean Auto Action programme by the National Clean Auto Coordination Leading Group, which is supervised by the NDRC and the Chinese Ministry of Science and Technology, in 1999. However, there is merely approximately 0.18 NGV per 1,000 Chinese citizens. This figure remains far below that of the two largest NGV users — Argentina and Brazil, which is 40 and seven respectively. China's NGV market is yet to expand and the number of gas refueling stations will increase evidently to get in line with the rise of NGVs.

The favourable government policies and increasing gas sources have made natural gas a good choice of fuel in commercial, industrial, residential and transportation sectors. Gas equipment such as pressure vessels, gas refueling stations, trailers and compressors is set to grow with the gas.

BUSINESS REVIEW

The Group is a leading specialised energy equipment manufacturer and IBS provider in the PRC. It designs, manufactures and sells specialised gas equipment including seamless pressure cylinders, CNG trailers, CNG refueling station systems, LNG storage tanks, LNG trailers and natural gas compressors. The Group also offers IBS, 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.

Operational Performance

During the year ended 31 December 2006, the Group's operational performance was remarkable on the back of overwhelming market demand and ongoing technological enhancements.

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 CNG and 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 (2005: RMB262,606,000).

The fast development of NGVs 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 (2005: 51.2% and 25.9% 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 RMB47,050,000 (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 R&D of products and manufacturing technologies.

In April 2006, Beijing Enric Energy Technologies Limited ("Beijing Enric"), 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 energy 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 ASME, the Ministry of Commerce, Industry and Energy of Korea and the U.S. DOT 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 number of the Group's customers are energy giants, including PetroChina Company Limited ("PetroChina"), China Petroleum & Chemical Corporation ("Sinopec"), CNOOC Limited, The Hong Kong and China Gas Company Limited ("Towngas"), Xinao Gas Holdings Limited ("Xinao Gas"), Zhengzhou Gas Company Limited, Jincheng Anthracite Mining Group Inc., Liaohe Oil Field and Shengli Oil Field.

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 energy 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.

Management Discussion and Analysis

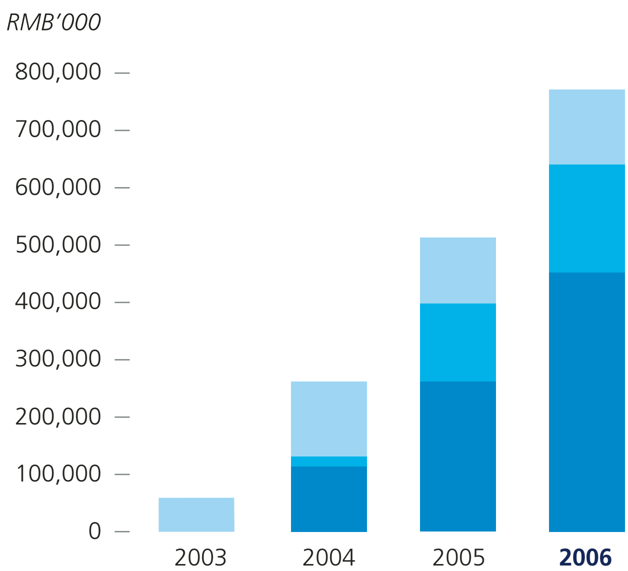
FINANCIAL ANALYSIS

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 IBS. Pressure vessels' turnover rose by 71.8% to RMB451,192,000 (2005: RMB262,606,000), turnover of IBS 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%.

Turnover

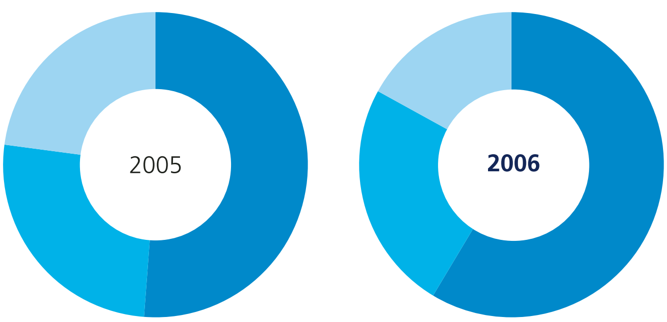


Pressure vessels:
2005: RMB262,606,000
2006: RMB451,192,000

Integrated business solutions:
2005: RMB132,894,000
2006: RMB187,886,000

Compressors:
2005: RMB117,513,000
2006: RMB130,874,000

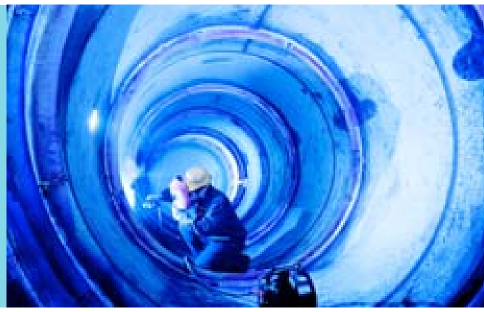
Segment Turnover Contribution



Pressure vessels:
2005: 51.2%
2006: 58.6%

Integrated business solutions:
2005: 25.9%
2006: 24.4%

Compressors:
2005: 22.9%
2006: 17.0%



Pressure Vessels

As the top grossing segment of the Group, pressure vessels specialises in the manufacture and sale of wide range of pressure vessels for the storage, transportation and distribution of natural gas such as CNG trailers, seamless pressure cylinders, LNG trailers and LNG storage tanks. During 2006, this segment accounted for 58.6% (2005: 51.2%) of the overall turnover.

Integrated Business Solutions

The Group specialises in the provision of IBS to operators of gas refueling stations and city gas projects. The service covers the entire project life-cycle from design and manufacture of gas equipment system, on-site installation to staff training as well as after-sales services. During the year, this segment contributed 24.4% (2005: 25.9%) of the overall turnover and was the second top grossing segment of the Group.

Compressors

The Group builds its gas equipment business on the foundation of manufacture and sale of compressors. Natural gas compressors are key equipment for the operation of standard gas refueling stations and mother refueling stations, and are used to compress and dispense natural gas to CNG trailers and NGVs. For 2006, this segment made up 17.0% (2005: 22.9%) of the overall turnover.

Gross Profit Margin and Profitability

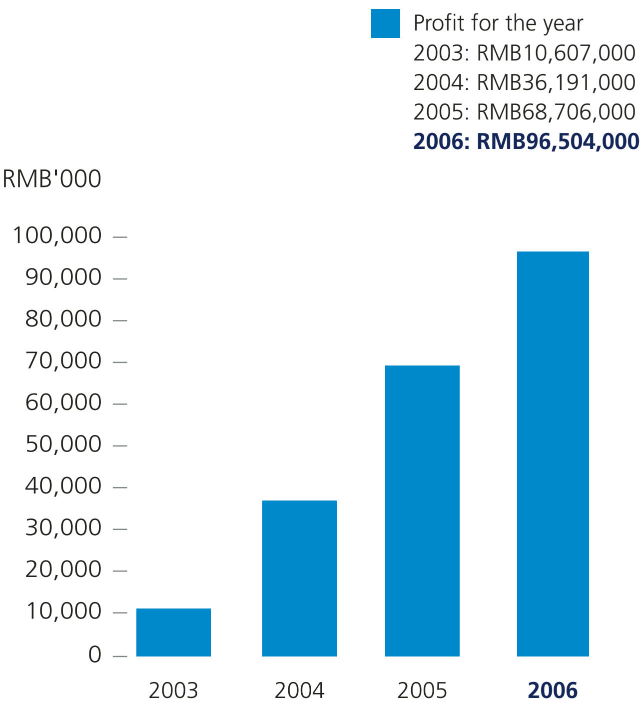
The pressure vessels segment managed to maintain the gross profit margin ("GP margin") at 24.0% (2005: 24.0%) through increasing the average selling price ("ASP") and economy of scale. In 2006, the compressors segment increased the sale of natural gas compressors to 154 units from 96 units in 2005 and 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 IBS 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 the 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.

Profit attributable to Shareholders



Cost of Sales

Cost of sales rose by 51.5% to RMB549,994,000 during 2006 (2005: RMB362,954,000). Within cost of sales, 90.1% (2005: 89.9%), 2.8% (2005: 2.7%), 1.6% (2005: 1.8%) and 5.5% (2005: 5.6%) were attributable to raw materials, wages, depreciation and factory overheads respectively. The cost structure has been stable over the past two years.

Cost Analysis (expressed as percentage of turnover)

	2006	2005	+/–
Cost of sales	**71.4%**	70.8%	0.6%
Selling expenses	**4.3%**	4.5%	–0.2%
Administrative expenses	**8.9%**	10.0%	–1.1%
Main Board listing expenses	**0.9%**	–	0.9%
Finance costs	**1.1%**	1.5%	–0.4%

Other Revenue

Other revenue totalling RMB5,151,000 in 2006 (2005: RMB3,538,000) comprised of bank interest income of RMB3,674,000 (2005: RMB1,634,000), government grants of RMB488,000 (2005: RMB1,184,000) and other operating revenue of RMB989,000 (2005: RMB720,000). The rise in bank interest income correlated to the increase in the average cash and bank balances in 2006.

Selling Expenses

Selling expenses rose by 43.4% over 2005. Selling expenses consisted transportation expenses, provision for product warranty, royalty fee, human resources, commission and other expenses directly attributable to selling activities. Selling expenses increased in proportion to the rise in turnover.

Administrative Expenses

Administrative expenses increased by 32.9% over 2005 which is at a rate slower than the growth in turnover indicating the Group has been enjoying economy of scale. During 2006, human resources, professional fees, share option, Directors' remuneration and R&D expenditure were the major contributors to the rising administrative expenses.

Other Net Expense

Other net expense amounted to RMB6,269,000 in 2006 (2005: RMB604,000) which principally consisted of loss on disposal of property, plant and equipment of RMB4,684,000 (2005: RMB119,000) and charitable donations of RMB1,640,000 (2005: RMB500,000). Loss on disposal of property, plant and equipment was mainly incurred in connection to the construction of a new seamless pressure cylinders production plant where certain aged buildings and production facilities were disposed of to make way for the new production plant.

Main Board Listing Expenses

In connection to transferring the Company's listing from the GEM to the Main Board of the Stock Exchange on 20 July 2006, the Group incurred RMB6,822,000 (2005: nil) for professional and other expenses. The Main Board listing expenses are non-recurring in nature and have a negative impact on the Group's net profit for the year 2006 only.

Finance Costs

During 2006, finance costs rose by 11.1% to RMB8,677,000 (2005: RMB7,814,000). Finance costs were mainly made up of bank loan interest of RMB5,074,000 (2005: RMB8,166,000) and exchange loss of RMB2,775,000 (2005: exchange gain of RMB714,000). The rise in exchange loss arose primarily on the surging Renminbi ("RMB") exchange rate against the Hong Kong Dollar ("HKD") and U.S. Dollar ("USD"), since a portion of the Group's bank deposits were denominated in HKD and USD.

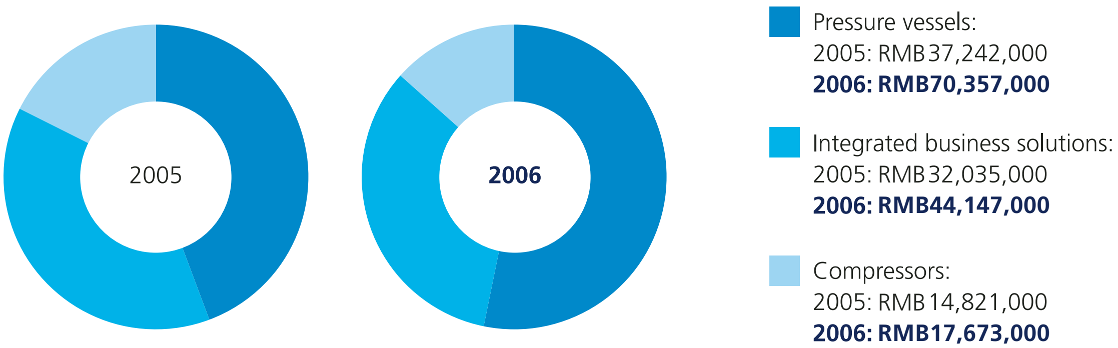
Taxation

Tax expenses for the Group totalled RMB5,287,000 for 2006 (2005: RMB1,882,000) representing a surge of 180.9% over 2005. This is due to the fact that Shijiazhuang Enric Gas Equipment Company Limited ("Enric Gas Equipment"), which specialises in the production of pressure vessels, has moved out from the tax-free period and is now liable to pay income tax at 7.5%. Nevertheless, Enric (Langfang) Energy Equipment Integration Company Limited ("Enric Integration"), which was still within the tax-free period, increased its profits contribution to the Group thereby offsetting the tax effect attributable to taxable profits generated by Enric Gas Equipment and Enric (Bengbu) Compressor Company Limited ("Enric Compressor"). As a result, the Group's effective tax rate only increased by 2.5 percentage points to 5.2% during 2006 (2005: 2.7%).

Segment Results

	2006 RMB	2005 RMB
Pressure vessels	**70,357,000**	37,242,000
Integrated business solutions	**44,147,000**	32,035,000
Compressors	**17,673,000**	14,821,000
Inter-segment elimination	**(290,000)**	(550,000)
Total segment results*	**131,887,000**	83,548,000

* *Total segment result = profit before unallocated operating income and expenses, finance costs and taxation*



FINANCIAL RESOURCES REVIEW

Liquidity and Financial Resources

At 31 December 2006, the Group recorded cash on hand of RMB318,721,000 (2005: RMB339,320,000) and bank loans of RMB167,733,000 (2005: RMB125,000,000). A portion of the Group's bank deposits totalling RMB26,014,000 (2005: RMB26,253,000), 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 (2005: zero times) as the Group retained a net cash balance of RMB150,988,000 (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.

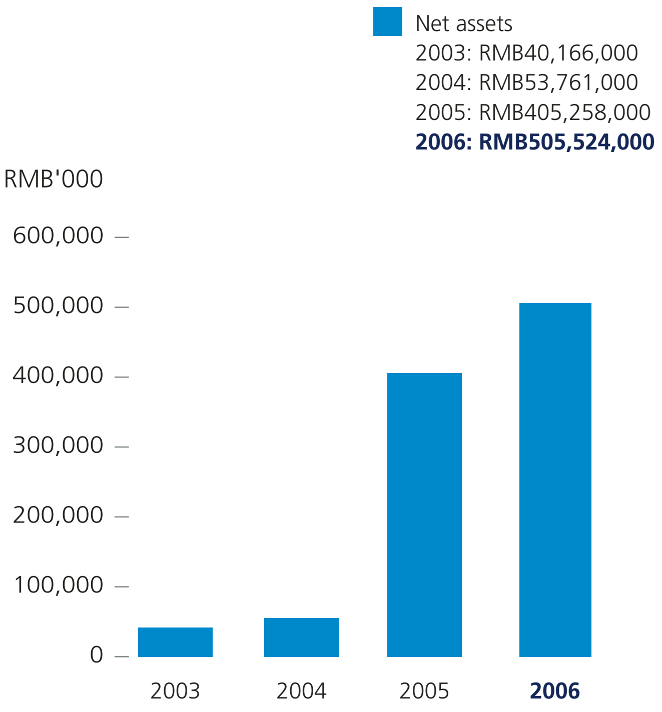
In order to fulfil sales orders on hand as of 31 December 2006, closing inventories level was increased by RMB89,787,000 (including inventories in-transit of RMB34,970,000) to RMB214,786,000, which occupied a portion of the Group's working capital.

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 increased to RMB1.14 at 31 December 2006 from RMB0.91 at 31 December 2005.

Net Assets



Contingent Liabilities

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

Capital Commitments

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, amongst others, 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 RMB and HKD. In the PRC, RMB is subject to a managed float against a basket of unspecified currencies. Despite the exchange rate between HKD and RMB was generally stable in 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.

DEVOTION TO
THE IBS BUSINESS

Our Integrated Business Solutions does not only provide customers with the design and manufacture of gas equipment system, but also with comprehensive services including on-site installation, staff training and after-sales services. This beyond-the-equipment package is an optimal solution for city gas operators and gas station operators.