

DEVOTION TO
**RESEARCH AND
DEVELOPMENT**





We have our own R&D centre supported by a strong pool of expertise in the energy equipment industry. Beijing Enric has become operational in June 2006 as an arm for the R&D of products and manufacturing technologies.



Corporate Governance Report

The Company understands that shareholders' confidence and faith in the Company comes with good corporate governance, which is fundamental to enhancing shareholders' value and interests. The principles of the Company's corporate governance practices emphasise on an effective board, prudent internal and risk controls, transparency and quality disclosure, and, most importantly, accountability to shareholders. Continued efforts have been undertaken in reviewing and enhancing the quality of corporate governance practices with reference to local and international standards.

Since its listing in October 2005, the Company has adopted the Code on Corporate Governance Practices issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in November 2004 (the "CG Code") as its guideline in relation to corporate governance practices. For the purpose of its listing on the Main Board of the Stock Exchange by way of introduction (the "Main Board Listing"), the Company conducted a review on its accounting and management system, including, but not limited to, corporate governance policies in 2006.

Throughout the year ended 31 December 2006, the Company has fulfilled all the code provisions in the CG Code, and has, to further enhance its corporate governance standards, complied with those recommended best practices in the CG Code as set out herein, details of such are summarised hereinbelow.

COMPLIANCE OF THE CODE ON CORPORATE GOVERNANCE PRACTICES

A. DIRECTORS

A.1 The Board

Code Principle

The board should assume responsibility for leadership and control of the issuer; and be collectively responsible for directing and supervising the issuer's affairs. Directors should take decisions objectively in the interests of the issuer.

Code Provisions	Compliance	Details of Compliance
• At least four regular board meetings a year.	Yes	• The Board met at least quarterly and six meetings were held in 2006.

Details of Directors' attendance record of Board meetings and Board committees meetings held in 2006 are set out below:

Board meeting

Executive Directors	Attendance
Mr. Wang Yusuo	2/6
Mr. Jin Yongsheng	2/2*
Mr. Cai Hongqiu	6/6
Mr. Zhao Xiaowen	3/6
Mr. Zhou Kexing	6/6
Mr. Yu Jianchao	6/6
Mr. Cheong Siu Fai	— [#]
Non-executive Director	
Ms. Zhao Baoju	4/6
Independent Non-executive Directors	
Mr. Wong Chun Ho	4/6
Mr. Gao Zhengping	6/6
Mr. Shou Binan	3/6

* Mr. Jin was appointed as an Executive Director on 5 June 2006. Two Board meetings were held after his appointment and up to 31 December 2006.

Mr. Cheong was appointed as an Executive Director on 11 January 2007.

COMPLIANCE OF THE CODE ON CORPORATE GOVERNANCE PRACTICES (Continued)

A. DIRECTORS (Continued)**A.1 The Board** (Continued)

Code Principle (Continued)

Audit Committee meeting

Committee member	Attendance
Mr. Wong Chun Ho	7/7
Mr. Gao Zhengping	7/7
Mr. Shou Binan	5/7

Remuneration Committee meeting

Committee member	Attendance
Mr. Jin Yongsheng	1/1 *
Mr. Gao Zhengping	2/2
Mr. Shou Binan	1/2
Mr. Cai Hongqiu	1/1 #

* Mr. Jin was appointed as a member and the chairman of the Remuneration Committee on 5 June 2006. One Remuneration Committee meeting was held after his appointment and up to 31 December 2006.

Mr. Cai resigned as a member and the chairman of the Remuneration Committee on 5 June 2006. In 2006, one Remuneration Committee meeting was held during his office.

Nomination Committee meeting

Committee member	Attendance
Mr. Jin Yongsheng	1/1
Mr. Wong Chun Ho	1/1
Mr. Gao Zhengping	1/1

Code Provisions	Compliance	Details of Compliance
<ul style="list-style-type: none"> Opportunities to all directors to include matters in the agenda for regular board meetings. At least 14 days' notice given to all directors prior to a regular board meeting. 	Yes	<ul style="list-style-type: none"> Notice and agenda of a regular Board meeting are given to all Directors at least 14 days in advance. Directors are invited to include items which they wish to be included in the agenda for the same to be finalised and given to all Directors with the relevant meeting papers at least three days in advance.

Corporate Governance Report

COMPLIANCE OF THE CODE ON CORPORATE GOVERNANCE PRACTICES (Continued)

A. DIRECTORS (Continued)

A.1 The Board (Continued)

Code Principle (Continued)

Code Provisions	Compliance	Details of Compliance
<ul style="list-style-type: none"> Access to the advice and services of the company secretary. 	Yes	<ul style="list-style-type: none"> The Company Secretary is responsible for company secretarial matters of the Company, including Board procedures and corporate governance practices and regulations compliance, and giving advice to the Board on such matters. The Company retains legal advisors and company secretarial consultants to provide legal advice and secretarial services to the Company.
<ul style="list-style-type: none"> Minutes of meetings kept by company secretary and available for inspection. Draft and final versions of minutes of board meetings sent to all directors for comments and records within a reasonable time. 	Yes	<ul style="list-style-type: none"> The Company Secretary is responsible for taking minutes of Board and Board committees meetings. Draft minutes will be circulated to all Directors or Board committee members for review and comment for a reasonable period. Final version of the minutes signed by the chairman of the relevant meeting will be sent to all Directors or Board committee members for record within a reasonable time (generally within 14 days) after the relevant meeting and be kept by the Company Secretary and made open for inspection.
<ul style="list-style-type: none"> Agreed procedure for directors to seek independent professional advice at the issuer's expense. 	Yes	<ul style="list-style-type: none"> The Board has adopted a written procedure for the Directors to seek independent professional advice at the Company's expense.
<ul style="list-style-type: none"> If a substantial shareholder or a director has a conflict of interest in a material matter, a board meeting should be held. Such director must abstain from voting and not be counted in quorum. Independent non-executive directors who, and whose associates, have no interest in the transaction should be present at such board meeting. 	Yes	<ul style="list-style-type: none"> The articles of association of the Company stipulates the voting and quorum requirements conforming with the code provision. It is the practice of the Board to hold a Board meeting to decide on any matter in which a substantial shareholder or a Director (or any of its/his/her associates) has a material interest and to request for presence of Independent Non-executive Directors who, and whose associates, have no interest in such matter.

COMPLIANCE OF THE CODE ON CORPORATE GOVERNANCE PRACTICES (Continued)

A. DIRECTORS (Continued)**A.1 The Board** (Continued)*Code Principle (Continued)*

Recommended Best Practices	Compliance	Details of Compliance
<ul style="list-style-type: none"> Insurance cover in respect of legal action against directors. 	Yes	<ul style="list-style-type: none"> There is in place a directors and officers liabilities insurance covering the Directors and officers of the Group.
<ul style="list-style-type: none"> Board committees should adopt broadly the same principles and procedures. 	Yes	<ul style="list-style-type: none"> All Board committees adopt broadly the same principles and procedures applicable to the Board as stated in section A.1 hereinabove.

A.2 Chairman and Chief Executive Officer*Code Principle*

The management of the board and the day-to-day management of the issuer's business should be clearly divided and separately undertaken by different officers to ensure a balance of power and authority.

Code Provisions	Compliance	Details of Compliance
<ul style="list-style-type: none"> Roles and responsibilities of chairman and chief executive officer should be separate and clearly established and set out in writing. 	Yes	<ul style="list-style-type: none"> The roles and responsibilities of the Chairman and the Chief Executive Officer (the "CEO") are distinguished and clearly set out in writing. The Chairman, Mr. Wang Yusuo, is responsible for setting the Group's strategies and direction, identifying business goals and the related business plans, overseeing the functioning of the Board and monitoring the performance of senior management, and establishing good corporate governance practices. The CEO, Mr. Jin Yongsheng, focuses on leading the senior management to execute the strategies and plans set out by the Board, and reporting to the Board on the Group's operation from time to time to ensure proper discharge of the duties delegated by the Board.
<ul style="list-style-type: none"> The chairman should ensure that all directors are properly briefed on issues arising at board meetings. 	Yes	<ul style="list-style-type: none"> The Chairman is responsible for the provision of the necessary information, either through himself or other members of the management, to all Directors on issues arising at Board meetings.

Corporate Governance Report

COMPLIANCE OF THE CODE ON CORPORATE GOVERNANCE PRACTICES (Continued)

A. DIRECTORS (Continued)

A.2 Chairman and Chief Executive Officer (Continued)

Code Principle (Continued)

Code Provisions	Compliance	Details of Compliance
<ul style="list-style-type: none"> The Chairman should ensure that directors receive adequate information. 	Yes	<ul style="list-style-type: none"> The Board has implemented procedures to ensure the completeness and timeliness of the dissemination of information to Directors (see section A.6 – “Supply of and Access to Information” below). The Chairman will upon request provide the necessary information, either through himself or other members of the management, to all Directors for discharging their duties.

Recommended Best Practices	Compliance	Details of Compliance
<p>Various recommended roles for chairman including:</p> <ul style="list-style-type: none"> Drawing up and approving board agenda. Ensure establishment of good corporate governance practices and procedures. 	Yes	<ul style="list-style-type: none"> Board agenda is drawn up with the assistance of the Company Secretary with prior consultation with the Directors. The Chairman supervises and approves the preparation of the agenda. In 2006, the Board, under the leadership of the Chairman, took the following measures in relation to corporate governance practices: <ol style="list-style-type: none"> the Board continued to execute the CG Code as the guidelines in relation to the Company's corporate governance practices and procedures; the Board established guidelines regarding: <ol style="list-style-type: none"> the appointment policy of Directors; and the remuneration policy of Directors;

COMPLIANCE OF THE CODE ON CORPORATE GOVERNANCE PRACTICES (Continued)

A. DIRECTORS (Continued)**A.2 Chairman and Chief Executive Officer** (Continued)*Code Principle (Continued)*

Recommended Best Practices	Compliance	Details of Compliance
<ul style="list-style-type: none"> Encourage full and active contribution of all directors to board affairs and facilitate the effective contribution of non-executive directors and ensure constructive relations between executive and non-executive directors. Ensure the effective communication between the board and shareholders. 		<ol style="list-style-type: none"> the Board implemented the guidelines established in 2005, regarding: <ol style="list-style-type: none"> the roles and responsibilities of the Board and the senior management; the procedure for Directors to seek independent professional advice at the Company's expense; the division of responsibilities between the Chairman and the CEO; and the dealing in securities of the Company by employees of the Group; and the Company arranged training programmes and seminars relating to various topics including corporate governance, business management and PRC laws for the Directors. <ul style="list-style-type: none"> The Chairman plays a key role in ensuring good corporate governance practices and encouraging active participation and constructive contribution and relations of both Executive and Non-executive Directors. The Board has taken appropriate steps to provide effective communication with shareholders (see section E – "Communication with Shareholders" below).

Corporate Governance Report

COMPLIANCE OF THE CODE ON CORPORATE GOVERNANCE PRACTICES *(Continued)*

A. DIRECTORS *(Continued)*

A.3 Board Composition

Code Principle

The board should have a balance of skills and experience appropriate for the requirements of the business of the issuer. The board should also include a balanced composition of executive and non-executive directors (including independent non-executive directors) so as to exercise independent judgement effectively.

The Company's Board

At 31 December 2006, the Board consisted of six Executive Directors, one Non-executive Director and three Independent Non-executive Directors, as follows:

Executive Directors

Mr. Wang Yusuo (*Chairman*)
 Mr. Jin Yongsheng (*CEO*)
 Mr. Cai Hongqiu
 Mr. Zhao Xiaowen
 Mr. Zhou Kexing
 Mr. Yu Jianchao

Non-executive Director

Ms. Zhao Baoju

Independent Non-executive Directors

Mr. Wong Chun Ho
 Mr. Gao Zhengping
 Mr. Shou Binan

In addition to the Board members listed hereinabove, Mr. Cheong Siu Fai was appointed as an Executive Director with effect from 11 January 2007.

The Board members, possessing a wide range of professional and educational backgrounds, bring a diverse and balance set of skills and experience to the Board, which contributes to the effective direction of the Group. Biographical details and relationships (if any) of all Directors are given in the section headed "Directors and Senior Management" on pages 24 to 25.

The Board is responsible for formulating strategic business development, reviewing and monitoring the business performance of the Group as well as preparing and approving financial statements. The Board also gives clear directions as to the power delegated to the management for the administrative and management functions of the Group. Such arrangements are reviewed by the Board on a periodic basis and appropriate adjustments may, from time to time, be made to ensure the effective discharge of the Board's decision.

Throughout the year 2006 and up to the date of this report, the Board:

- reviewed the performance and formulated business strategies of the Group;
- set and approved budgets, as well as compared and analysed them with actual results on a quarterly basis;
- reviewed and approved financial statements of the Group for the six months ended 30 June 2006, for the three months ended 31 March 2006 and for the years ended 31 December 2006 and 2005 respectively;

COMPLIANCE OF THE CODE ON CORPORATE GOVERNANCE PRACTICES (Continued)

A. DIRECTORS (Continued)**A.3 Board Composition** (Continued)

- reviewed connected transactions of the Group;
- reviewed and refined the corporate governance practices of the Group;
- reviewed the effectiveness of internal controls taken by the Group;
- reviewed and approved the listing document for the listing of shares in the Company on the Main Board of the Stock Exchange;
- approved the “Policy on the Appointment of Directors” and the “Policy on Directors’ Remuneration”; and
- approved the appointment of Mr. Jin Yongsheng and Mr. Cheong Siu Fai as Executive Directors.

To streamline the duties of the Board and uphold good corporate governance, the Board has established three committees, which are the Nomination Committee, the Remuneration Committee and the Audit Committee with defined terms of reference. Further details of the three committees are set out in sections A.4 – “Appointments, Re-election and Removal”, B.1 – “The Level and Make-up of Remuneration and Disclosure” and C.3 – “Audit Committee” respectively.

Code Provisions	Compliance	Details of Compliance
<ul style="list-style-type: none"> • Identify independent non-executive directors in all corporate communications that disclose the names of directors of the issuer. 	Yes	<ul style="list-style-type: none"> • Composition of the Board, by categories of directors, including names of Chairman, Executive Directors, Non-executive Director and Independent Non-executive Directors, is disclosed in all corporate communications that disclose the names of Directors.
Recommended Best Practices	Compliance	Details of Compliance
<ul style="list-style-type: none"> • Maintain on website an updated list of directors identifying their roles, functions and (where applicable) whether they are independent non-executive directors. 	Yes	<ul style="list-style-type: none"> • Biographies of the Directors, including their names, titles, roles and responsibilities, are maintained on the Company’s website at www.enricgroup.com and updated from time to time.

A.4 Appointments, Re-election and Removal*Code Principle*

There should be a formal, considered and transparent procedure for the appointment of new directors to the board. All directors should be subject to re-election at regular intervals.

Nomination Committee

A Nomination Committee was set up on 23 June 2006 and currently consists of the following members:

Mr. Jin Yongsheng	(Executive Director and chairman of the Nomination Committee)
Mr. Wong Chun Ho	(Independent Non-executive Director)
Mr. Gao Zhengping	(Independent Non-executive Director)

Corporate Governance Report

COMPLIANCE OF THE CODE ON CORPORATE GOVERNANCE PRACTICES (Continued)

A. DIRECTORS (Continued)

A.4 Appointments, Re-election and Removal (Continued)

The Nomination Committee is responsible for the identification and recommendation to the Board of suitable candidate as Director, making recommendations to the Board on matters relating to the appointment or reappointment of and secession planning for Directors, and assessing the independence of Independent Non-executive Directors. In selecting a suitable candidate, the Nomination Committee considers various criteria such as education, qualification and experience to determine whether his/her attributes are relevant to the business of the Group and can complement to the capabilities of existing Directors. Full terms of reference are available on the Company's website at www.enricgroup.com.

In performing its duties in accordance with its terms of reference, throughout the year 2006 and up to the date of this report, the Nomination Committee:

- reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board and made recommendations to the Board regarding further refinement of the Board composition;
- nominated and recommended to the Board, Mr. Cheong Siu Fai, as an Executive Director. Mr. Cheong was subsequently appointed by the Board on 11 January 2007;
- assessed the independence of Independent Non-executive Directors; and
- formulated a "Policy on the Appointment of Directors" which clearly stipulates the procedures and criteria of the selection and nomination for directorship. The policy was approved by the Board and came into effect on 11 January 2007.

Code Provisions	Compliance	Details of Compliance
<ul style="list-style-type: none"> • Non-executive directors should be appointed for a specific term, subject to re-election. 	Yes	<ul style="list-style-type: none"> • Currently, the term of appointment of all Non-executive Directors (including Independent Non-executive Directors) is three years subject to retirement by rotation in accordance with the articles of association of the Company.
<ul style="list-style-type: none"> • All directors appointed to fill a casual vacancy should be subject to election at the first general meeting after their appointment. 	Yes	<ul style="list-style-type: none"> • Approved by shareholders at the 2006 annual general meeting of the Company, the articles of association of the Company was amended so that a Director appointed to fill a casual vacancy is subject to re-election at the next following general meeting after his/her appointment.
<ul style="list-style-type: none"> • Every director should be subject to retirement by rotation at least once every three years. 		<ul style="list-style-type: none"> • The articles of association of the Company also stipulates that all Directors are subject to retirement by rotation at least once every three years.

COMPLIANCE OF THE CODE ON CORPORATE GOVERNANCE PRACTICES (Continued)

A. DIRECTORS (Continued)

A.4 Appointments, Re-election and Removal (Continued)

Recommended Best Practices	Compliance	Details of Compliance
<ul style="list-style-type: none"> Further appointment of an independent non-executive director serving more than nine years requires (i) separate shareholders approval and (ii) explanatory statement to shareholders to provide information on his/her continual independence. 	Yes	<ul style="list-style-type: none"> Currently, none of the Independent Non-executive Directors has been served more than nine years. The Company will comply with this recommended best practice as and when the situation occurs. It is the practice of the Company that a separate resolution will be proposed at the general meeting for shareholders' approval in respect of each Director nominated for election or re-election.
<ul style="list-style-type: none"> A nomination committee should be established with specific written terms of reference and a majority of members should be independent non-executive directors. 	Yes	<ul style="list-style-type: none"> On 23 June 2006, the Board established a Nomination Committee with written terms of reference substantially the same as those contained in paragraph A.4.5 of the CG Code. Two out of three Nomination Committee members are Independent Non-executive Directors.
<ul style="list-style-type: none"> The terms of reference of the nomination committee should be made available on request and on the issuer's website. 	Yes	<ul style="list-style-type: none"> Full terms of reference of the Nomination Committee are available on request and on the Company's website at www.enricgroup.com.
<ul style="list-style-type: none"> The nomination committee should be provided with sufficient resources to discharge its duties. 	Yes	<ul style="list-style-type: none"> The terms of reference of the Nomination Committee provide that its members may seek outside legal and other independent professional advice as and when necessary at the costs of the Company. The Board and senior management will give full support to the Nomination Committee.
<ul style="list-style-type: none"> Information to shareholders regarding the independence of the independent non-executive director proposed to be appointed. 	Yes	<ul style="list-style-type: none"> Where Directors (including Independent Non-executive Directors) are subject to election or re-election at a general meeting, a circular disclosing detailed biographies, interests and (where appropriate) independence of such Directors will be issued to shareholders.

Corporate Governance Report

COMPLIANCE OF THE CODE ON CORPORATE GOVERNANCE PRACTICES (Continued)

A. DIRECTORS (Continued)

A.5 Responsibilities of Directors

Code Principle

All directors (including non-executive directors) shall keep abreast of their responsibilities as a director of an issuer and of the conduct, business activities and development of such issuer.

Code Provisions	Compliance	Details of Compliance
<ul style="list-style-type: none"> Every newly appointed director should receive a comprehensive, formal induction to ensure that he/she has a proper understanding of the business of the issuer and his/her responsibilities under regulatory requirements, and the business and governance policies of the issuer. 	Yes	<ul style="list-style-type: none"> The Board will provide an information memorandum on directors' duties and obligations under Cayman Islands law, Hong Kong law and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") to a newly appointed Director to assist him/her understand his/her responsibilities. The Board will also arrange for a meeting between the Company's legal advisors and a newly appointed Director in which the Company's legal advisors will explain to such Director his/her responsibilities under the relevant legal and regulatory requirements. The Chairman or the CEO will give a newly appointed Director a general briefing on the Group and the Company will provide relevant information and organise various activities, including site visits, etc. to ensure such Director properly understands the business and governance policies of the Company. Such Director will be given opportunities to raise questions and give comments.
<ul style="list-style-type: none"> Functions of non-executive directors should include: <ul style="list-style-type: none"> bringing an independent judgement to board meetings; taking the lead where conflicts of interests arise; serving on board committees if invited; and scrutinising the issuer's performance. 	Yes	<ul style="list-style-type: none"> Non-executive Directors are consulted as to the matters to be included for discussion at Board meetings and are provided with opportunities to raise questions or comments at Board meetings. In relation to each connected transaction or continuing connected transaction of the Company that requires shareholders' approval, an independent Board committee comprising Independent Non-executive Directors will be formed to give independent opinion on the transaction. All the Independent Non-executive Directors are members of the Audit Committee and are also members of the Remuneration Committee and/or the Nomination Committee. The three Board committees all serve the function of scrutinising the Company.

COMPLIANCE OF THE CODE ON CORPORATE GOVERNANCE PRACTICES (Continued)

A. DIRECTORS (Continued)**A.5 Responsibilities of Directors** (Continued)*Code Principle (Continued)*

Code Provisions	Compliance	Details of Compliance
<ul style="list-style-type: none"> Directors should ensure that they can give sufficient time and attention to the issuer's affairs. 	Yes	<ul style="list-style-type: none"> There were satisfactory attendance in general for Board meetings and Board committees meetings. Please refer to the Directors' attendance record of Board meetings and Board committees meetings set out in section A.1 – "The Board" hereinabove.
<ul style="list-style-type: none"> Directors must comply with their obligations under the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. 	Yes	<ul style="list-style-type: none"> The Company has adopted the Model Code as the code of conduct regarding Directors' dealing in securities of the Company. Each Director is specifically required to confirm with the Company that he/she has complied with the Model Code at least twice each year. During the year, the Directors complied with the required standards thereof. The Company has also issued a written guideline to employees of the Group, which provides, inter alia, that employees whose names are put in the dealing restrictions list of the Group must obtain prior written approval from the Board before they deal in the securities of the Company.
Recommended Best Practices	Compliance	Details of Compliance
<ul style="list-style-type: none"> Directors should participate in a programme of continuous professional development. 	Yes	<ul style="list-style-type: none"> The Directors attend various internal training programmes arranged by the Company on a regular basis. In 2006, the Company organised more than 10 internal training programmes for the Directors covering different topics including corporate governance, assets, financial and human resources management and PRC laws. There were satisfactory attendances in general and programme materials were sent to all Directors.
<ul style="list-style-type: none"> Each director should disclose to the issuer at the time of his/her appointment, and on a periodic basis, all offices held in public companies and other significant commitments. 	Yes	<ul style="list-style-type: none"> Details of each Director, including the offices held by such Director in other companies and other significant commitments (if any), are kept by the Company Secretary and updated at least once a year. Biography of each Director is updated from time to time and confirmed by such Director before being published in the Company's annual report and circular.

Corporate Governance Report

COMPLIANCE OF THE CODE ON CORPORATE GOVERNANCE PRACTICES (Continued)

A. DIRECTORS (Continued)

A.5 Responsibilities of Directors (Continued)

Code Principle (Continued)

Recommended Best Practices	Compliance	Details of Compliance
<ul style="list-style-type: none"> Non-executive directors should ensure regular and active participation in board meetings, board committees meetings and general meetings. 	Yes	<ul style="list-style-type: none"> Throughout the year, the Non-executive Directors actively participated in Board meetings, Board committees meetings and general meetings in general.
<ul style="list-style-type: none"> Non-executive directors should make a positive contribution to the development of the issuer's strategy and policies through independent, constructive and informed comments. 	Yes	<ul style="list-style-type: none"> During the year, the Non-executive Directors gave independent and constructive advice on the Company's business strategies from time to time.

A.6 Supply of and Access to Information

Code Principle

Directors should be provided in a timely manner with appropriate information in such form and of such quality as will enable them to make an informed decision and to discharge their duties and responsibilities as directors of an issuer.

Code Provisions	Compliance	Details of Compliance
<ul style="list-style-type: none"> Agenda and meeting papers should be sent in full to all directors at least three days before the date of board or board committees meeting. 	Yes	<ul style="list-style-type: none"> Agenda and meeting papers are currently sent in full to all Directors at least three days before the date of a regular Board or Board committees meeting.
<ul style="list-style-type: none"> Each director should have separate and independent access to senior management. 	Yes	<ul style="list-style-type: none"> Senior management will meet, formally or informally, with the Directors from time to time.
<ul style="list-style-type: none"> Directors should have access to board papers and steps must be taken to respond promptly and fully to directors' queries. 	Yes	<ul style="list-style-type: none"> Board and Board committees papers will be circulated to the Directors who may request for further information. Board and Board committees minutes are sent to all Directors for record after the meeting and are available for inspection by all Directors. Each Director will be given an opportunity to raise questions or comments at Board or Board committees meetings, and his/her questions will be answered at the meeting or promptly thereafter. Comments will be noted and appropriate action will be taken after discussion.

COMPLIANCE OF THE CODE ON CORPORATE GOVERNANCE PRACTICES (Continued)

B. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT**B.1 The Level and Make-up of Remuneration and Disclosure***Code Principle*

An issuer should establish a formal and transparent procedure for setting policy on executive directors' remuneration and for fixing remuneration packages for all directors. No director should be involved in deciding his/her own remuneration.

Remuneration Committee

A Remuneration Committee was set up on 26 September 2005 and currently consists of the following members:

Mr. Jin Yongsheng	(Executive Director and chairman of the Remuneration Committee)
Mr. Gao Zhengping	(Independent Non-executive Director)
Mr. Shou Binan	(Independent Non-executive Director)

Mr. Cai Hongqiu resigned as and Mr. Jin Yongsheng was appointed as a member and the chairman of the Remuneration Committee on 5 June 2006.

The Remuneration Committee is responsible for the establishment and supervision of a fair and transparent procedure for setting the Company's remuneration policies, including determining and reviewing the remuneration packages of Directors and senior management. In determining their remuneration packages, the Remuneration Committee will take into account certain factors, including the performance of the respective individual and the Company and the prevailing market rate. Full terms of reference are available on the Company's website at www.enricgroup.com.

In performing its duties in accordance with its terms of reference, throughout the year 2006 and up to the date of this report, the Remuneration Committee:

- determined the remuneration package of Mr. Jin Yongsheng and Mr. Cheong Siu Fai as an Executive Director; and
- formulated a "Policy on Directors' Remuneration" which clearly stipulates the procedures for determining the remuneration packages of all Directors (including Non-executive Directors). The policy was approved by the Board and came into effect on 11 January 2007.

Code Provisions	Compliance	Details of Compliance
<ul style="list-style-type: none"> • A remuneration committee should be established with specific written terms of reference (containing the minimum prescribed duties) and a majority of members should be independent non-executive directors. 	Yes	<ul style="list-style-type: none"> • The Board established a Remuneration Committee in 2005 with written terms of reference substantially the same as those contained in paragraph B.1.3 of the CG Code. Two out of three Remuneration Committee members are Independent Non-executive Directors.

Corporate Governance Report

COMPLIANCE OF THE CODE ON CORPORATE GOVERNANCE PRACTICES *(Continued)*

B. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

B.1 The Level and Make-up of Remuneration and Disclosure *(Continued)*

Code Provisions	Compliance	Details of Compliance
<ul style="list-style-type: none"> The remuneration committee should consult the chairman and/or chief executive officer about their proposals relating to the remuneration of other executive directors and have access to professional advice if necessary. 	Yes	<ul style="list-style-type: none"> The Remuneration Committee will consult the Chairman and/or CEO regarding proposed remuneration of other Executive Directors in formal or informal meetings, and will seek independent professional advice where necessary at the Company's expense.
<ul style="list-style-type: none"> The terms of reference of the remuneration committee should be made available on request and on the issuer's website. 	Yes	<ul style="list-style-type: none"> Full terms of reference of the Remuneration Committee are available on request and on the Company's website at www.enricgroup.com.
<ul style="list-style-type: none"> The remuneration committee should be provided with sufficient resources to discharge its duties. 	Yes	<ul style="list-style-type: none"> The terms of reference of the Remuneration Committee provide that its members may seek outside legal and other independent professional advice as and when necessary at the costs of the Company. The Board and senior management will give full support to the Remuneration Committee.

COMPLIANCE OF THE CODE ON CORPORATE GOVERNANCE PRACTICES (Continued)

C. ACCOUNTABILITY AND AUDIT**C.1 Financial Reporting***Code Principle*

The board should present a balanced, clear and comprehensive assessment of the company's performance, position and prospects.

Code Provisions	Compliance	Details of Compliance
<ul style="list-style-type: none"> Management should provide explanation and information to enable the board to make informed assessment of financial and other matters. 	Yes	<ul style="list-style-type: none"> Directors are provided with financial and other relevant information and analytical review of the Group on a monthly basis. Management meets with Directors regularly to present the quarterly results and discuss any variance between the budget and the actual results.
<ul style="list-style-type: none"> Acknowledgement of directors' responsibility for preparing the accounts and a statement by the auditors regarding their reporting responsibilities in the auditors' report. 	Yes	<ul style="list-style-type: none"> A statement of Directors' responsibility for financial statements is set out in the Directors' Report on pages 49 to 58. Auditors' reporting responsibilities statement is set out in the Independent Auditor's Report on page 59.
<ul style="list-style-type: none"> Board's responsibility to present a balanced, clear and understandable assessment in annual and interim reports, price-sensitive announcements and other financial disclosures and reports under statutory requirements. 	Yes	<ul style="list-style-type: none"> The Board is collectively responsible for ensuring the clear and understandable assessment in annual and interim reports, price-sensitive announcements and other financial disclosures and reports under statutory requirements. The Audit Committee was set up in 2005 to monitor the integrity of financial statements of the Group.

C.2 Internal Controls*Code Principle*

The board should ensure the issuer maintains sound and effective internal controls to safeguard the shareholders' investment and the issuer's assets.

Code Provisions	Compliance	Details of Compliance
<ul style="list-style-type: none"> The directors should at least annually conduct a review of the effectiveness of the internal control system of the issuer. 	Yes	<ul style="list-style-type: none"> The Directors conduct reviews of the effectiveness of the internal control system of the Group in accordance with the Listing Rules and the guideline of internal controls of the Company at least twice a year. The Directors considered the internal control system of the Group was effective and adequate throughout the year.

Corporate Governance Report

COMPLIANCE OF THE CODE ON CORPORATE GOVERNANCE PRACTICES *(Continued)*

C. ACCOUNTABILITY AND AUDIT *(Continued)*

C.3 Audit Committee

Code Principle

The board should establish formal and transparent arrangements for considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the company's auditors. The audit committee established should have clear terms of reference.

Audit Committee

An Audit Committee was set up on 26 September 2005 and currently consists of the following members:

Mr. Wong Chun Ho	<i>(Independent Non-executive Director and chairman of the Audit Committee)</i>
Mr. Gao Zhengping	<i>(Independent Non-executive Director)</i>
Mr. Shou Binan	<i>(Independent Non-executive Director)</i>

The major responsibilities of the Audit Committee are:

1. to oversee the relationship with the external auditors, including
 - (a) making recommendation to the Board on the appointment, reappointment and removal of the external auditors, approving the remuneration and terms of engagement of the external auditors, and addressing any questions of resignation or dismissal of such auditors;
 - (b) reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; and
 - (c) developing and implementing policy on the engagement of external auditors to supply non-audit services;
2. to monitor the integrity of financial statements and financial reports of the Company and to review significant financial reporting judgements contained in them; and
3. to review the effectiveness of the Group's financial reporting and internal control systems.

Full terms of reference are available on the Company's website at www.enricgroup.com.

In performing its duties in accordance with its terms of reference, throughout the year 2006 and up to the date of this report, the Audit Committee:

- reviewed and approved the remuneration and terms of engagement of the external auditors for the year 2006;
- reviewed with the management the effectiveness of the financial reporting procedures and internal control system of the Group and made recommendations to the Board;
- reviewed and monitored the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- reviewed with the external auditors the nature and scope of the audit and reporting obligations;
- reviewed the policy on engagement of external auditors to supply non-audit services;
- monitored the integrity of financial statements of the Company and reviewed the Company's annual accounts for the years ended 31 December 2006 and 2005, and the interim and quarterly results for the six months ended 30 June 2006 and the three months ended 31 March 2006 respectively; and
- reviewed the external auditors' management letters and management's response.

COMPLIANCE OF THE CODE ON CORPORATE GOVERNANCE PRACTICES (Continued)

C. ACCOUNTABILITY AND AUDIT (Continued)**C.3 Audit Committee** (Continued)*Auditors' Remuneration*

The Company engaged KPMG, the external auditors of the Group, (1) to prepare the Accountants' Report for the three financial years ended 31 December 2005 in relation to the Main Board Listing during the year for RMB670,000; (2) to review the financial statements of the Group for the six months ended 30 June 2006 for RMB315,000; and (3) to audit the financial statements of the Group for the year ended 31 December 2006 for RMB1,400,000. Save as disclosed above, the Company did not engage KPMG for any other services during the year under review.

Code Provisions	Compliance	Details of Compliance
<ul style="list-style-type: none"> Minutes should be kept by a duly appointed secretary and should be sent to all committee members within a reasonable time. 	Yes	<ul style="list-style-type: none"> Audit Committee minutes and papers are kept by the Company Secretary. Draft minutes are circulated to all committee members for comment and final version of minutes are sent to all Directors for record, in both cases, as soon as practicable after the relevant meeting.
<ul style="list-style-type: none"> A former partner of the issuer's existing auditing firm should not sit on the issuer's audit committee. 	Yes	<ul style="list-style-type: none"> None of the Audit Committee members is a former partner of the external auditors of the Group.
<ul style="list-style-type: none"> The terms of reference of audit committee should contain the minimum prescribed duties and should be made available on request and on the issuer's website. 	Yes	<ul style="list-style-type: none"> The terms of reference of the Audit Committee set out in writing are substantially the same as those contained in paragraph C.3.3 of the CG Code. The full terms of reference of the Audit Committee are available on request and on the Company's website at www.enricgroup.com.
<ul style="list-style-type: none"> Where the board disagree with the audit committee's view on the selection, appointment, resignation or dismissal of the external auditors, the audit committee's recommendation and the board's view should be disclosed. 	Yes	<ul style="list-style-type: none"> The Board did not have any disagreement with the Audit Committee on the selection, appointment, resignation or dismissal of external auditors. Should there be such a disagreement, the Board will include the relevant details in its corporate governance report.
<ul style="list-style-type: none"> The audit committee should be provided with sufficient resources to discharge its duties. 	Yes	<ul style="list-style-type: none"> The terms of reference of the Audit Committee provide that its members may seek outside legal and other independent professional advice as and when necessary at the costs of the Company. The Board and senior management will give full support to the Audit Committee.

Corporate Governance Report

COMPLIANCE OF THE CODE ON CORPORATE GOVERNANCE PRACTICES (Continued)

D. DELEGATION BY THE BOARD

D.1 Management Functions

Code Principle

An issuer should have a formal schedule of matters specifically reserved to the board for its decision. The board should give clear directions to management as to the matters that must be approved by the board before decisions are made on behalf of the issuer.

Code Provisions	Compliance	Details of Compliance
<ul style="list-style-type: none"> The board must give clear directions as to the powers of the management, including circumstances where management should obtain prior approval from the board. Formalise the functions reserved to the board and those delegated to management. 	Yes	<ul style="list-style-type: none"> The Board has set out in writing clear division of the responsibilities of the Board and the senior management. In general, the Board is responsible for establishing the strategies and direction of the Group, setting objectives and business development plans, monitoring the performance of senior management, and ensuring good corporate governance. The senior management, which is led by the CEO, is responsible for executing the strategies and plans set by the Board and reporting to the Board periodically to ensure proper execution.

Recommended Best Practices	Compliance	Details of Compliance
<ul style="list-style-type: none"> Formal letters of appointment for directors setting out the key terms and conditions relative to their appointment so that directors understand the delegation arrangements. 	Yes	<ul style="list-style-type: none"> It is the practice of the Company to enter into (i) a written service agreement with each Executive Director setting out the rights, obligations, duties, responsibilities and other terms and conditions of his appointment; and (ii) a letter of appointment with each Non-executive Director (including Independent Non-executive Directors) confirming the terms of his/her appointment.

D.2 Board Committees

Code Principle

Board committees should be formed with specific written terms of reference which deal clearly with the committees' authority and duties.

Code Provisions	Compliance	Details of Compliance
<ul style="list-style-type: none"> Clear terms of reference to enable proper discharge of committees' functions. 	Yes	<ul style="list-style-type: none"> The Board has established three committees, namely, Audit Committee, Nomination Committee and Remuneration Committee, each of which has adopted clear written terms of reference setting out details of its authorities and duties.
<ul style="list-style-type: none"> The terms of reference should require committees to report their decisions to the board. 	Yes	<ul style="list-style-type: none"> The terms of reference of each of the Board committees contain provisions which require such Board committee to report its findings, decisions and recommendations to the Board.

COMPLIANCE OF THE CODE ON CORPORATE GOVERNANCE PRACTICES (Continued)

E. COMMUNICATION WITH SHAREHOLDERS**E.1 Effective Communication***Code Principle*

The board should endeavour to maintain an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.

General Meetings

In 2006, the Company held one annual general meeting (the "AGM") and one extraordinary general meeting (the "EGM").

The most recent general meeting was the EGM held on 12 July 2006 at Vinson Room, Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Hong Kong. The resolutions proposed therein and the percentages of votes cast in favour of respective resolutions are as follows:

- The cessation of listing of the shares in the Company on the Growth Enterprise Market of the Stock Exchange ("GEM"), and the reduction of notice period required under Rule 9.19(3) of the Rules Governing the Listing of Securities on GEM (100%); and
- The adoption of the Main Board Share Option Scheme and the termination of the then existing GEM Share Option Scheme (87.5%).

All resolutions put to shareholders were passed at such meeting. The results of the EGM were published on the websites of the Stock Exchange and the Company and also in local gazetted newspapers.

Code Provisions	Compliance	Details of Compliance
<ul style="list-style-type: none"> • A separate resolution should be proposed by the chairman for each substantially separate issue. 	Yes	<ul style="list-style-type: none"> • At a general meeting, separate resolutions are proposed on each substantially separate issue, including the election or re-election of each Director nominated.
<ul style="list-style-type: none"> • The chairman of the board should attend the annual general meeting and arrange for the chairmen of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairman of such committees, another member of the committee, to be available to answer questions at the annual general meeting. • The chairman of the independent board committee (if any) should also be present at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval. 	Yes	<ul style="list-style-type: none"> • The Chairman and the respective chairman of the Audit Committee and the Remuneration Committee attended the AGM. • The Company will arrange for the chairman of an independent Board committee to attend the relevant general meeting for approving such transactions of the Company.

E.2 Voting by Poll*Code Principle*

The issuer should regularly inform shareholders of the procedure for voting by poll and ensure compliance with the requirements about voting by poll contained in the Listing Rules and the constitutional documents of the issuer.

Code Provisions	Compliance	Details of Compliance
<ul style="list-style-type: none"> • Disclosure in general meeting circulars of the procedures for and rights of shareholders to demand a poll. 	Yes	<ul style="list-style-type: none"> • The procedures for and rights of shareholders to demand a poll were set out in the circulars accompanying the notices of AGM and EGM dispatched to shareholders.
<ul style="list-style-type: none"> • Ensure votes cast are properly counted and recorded. 	Yes	<ul style="list-style-type: none"> • It is the current practice of the Company to appoint representatives of the share registrar of the Company as scrutineer for the voting procedure in general meetings.
<ul style="list-style-type: none"> • Chairman of meeting should explain the procedures for demanding a poll by shareholders and the procedures for conducting a poll at the commencement of such meeting. 	Yes	<ul style="list-style-type: none"> • At each of the AGM and EGM held in the review year, the chairman explained the procedures for demanding and conducting a poll at the commencement of such meeting.

Corporate Governance Report

ADDITIONAL CORPORATE GOVERNANCE INFORMATION

A. SHAREHOLDERS' RIGHTS

The Company is committed to providing shareholders with full and clear performance information of the Company on its efforts to enhance corporate governance standards and ensure shareholders' interests. The Company communicates with its shareholders through various channels, including half-year and annual reports, general meetings, circulars to shareholders, notices of general meetings, announcements, presentations, press releases and other corporate communications available on the Company's website.

Any registered shareholder is encouraged and entitled to attend all general meetings, provided that their shares have been recorded in the register of members of the Company. Prior notice of general meetings will be given to all registered shareholders by post.

Pursuant to article 58 of the articles of association of the Company, any one or more shareholder(s) (at the date of deposit of requisition holding not less than 10% of the paid up capital of the Company carrying voting right at a general meeting) shall have the statutory rights to require an extraordinary general meeting by sending a written requisition together with the proposed agenda items to the Board or the Company Secretary. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) from such failure shall be reimbursed by the Company.

B. INVESTOR RELATIONS

The Company believes that effective communications and the integrity of information provided are keys to maintain market confidence. An investor relations department has been established to facilitate liaison with investors. In 2006, the Executive Directors and senior management of the Company had frequent meetings with the investment community, including institutional shareholders, fund managers and analysts, and participated in numerous roadshows covering Germany, Hong Kong, Mainland China, Malaysia, Singapore, the United Kingdom and the United States. The Company also maintains regular communications with the media through press conferences, news releases to the media and on the Company's websites, and responding to enquires from the media.

The Company values feedbacks from shareholders, investors and the public. Enquiries and proposals are welcome and can be put to the Company via the following means:

By phone: (852) 2528 9386
 By fax: (852) 2865 9877
 By post: Rooms 3101-03
 31st Floor, Tower One, Lippo Centre
 No. 89 Queensway, Hong Kong
 Attention to: Mr. Cheong Siu Fai
 By email: enric@enricgroup.com

C. CHANGES OF ARTICLES OF ASSOCIATION

Certain minor and housekeeping changes were made to the Company's articles of associations during the year under review and were resolved by shareholders at the AGM. Such changes are set out in the notice of AGM dated 27 April 2006.

On behalf of the Board

Wang Yusuo

Chairman

Hong Kong, 10 April 2007