*This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus carefully before you decide to invest in the Placing Shares.*

*There are risks associated with any investment. Some of the particular risks in investing in the Company are set out in the section headed "Risk factors" in this prospectus. You should read that section carefully before you decide to invest in the Placing Shares.*

## BUSINESS OVERVIEW

The Group is one of the leading specialised gas equipment manufacturers in the PRC and an integrated business solutions provider in the gas energy industry in the PRC. The Group is principally engaged in the design, manufacture and sale of specialised gas equipment including compressors, pressure vessels and other gas equipment including gas refueling station trailers that are essential to the transportation, storage and distribution of natural gas in the gas energy industry. With the established experience in the development and manufacture of specialised gas equipment and knowledge in the energy sector, the Group also provides integrated business solutions to its customers in the gas energy industry.

The PRC Government's initiatives to promote the use of natural gas in the PRC have resulted in rising expenditures in the gas equipment market over the last few years. The substantial investments made by the PRC Government in respect of the construction of gas pipelines and LNG import terminals and port infrastructure are poised to have a significant impact on the supply and thus the widespread usage of natural gas in regions where such source of energy was generally unavailable before.

According to China's Energy Development Report 2003 issued by Beijing Academy of Economic Development Institution in 2004, the demand of natural gas is forecasted to increase to approximately 200.0 bcm by 2020, representing an increase of approximately 784.96% when comparing to a demand of approximately 22.6 bcm in 2000. It is projected that approximately 37.5% of the total demand of natural gas in the PRC in 2020 will apply to the power generation sector and approximately 35.0% to the city gas sectors including natural gas vehicles. In view of the projected increasing demand in natural gas, the demand for gas equipment is also expected to increase.

With an anticipation of increasing demand of specialised gas equipment, the Group has efficiently utilised its production lines and established a strong research and development team for its development and manufacture of gas equipment. Furthermore, the Group has established sales network covering Beijing, Shanghai, Tianjin, Hebei province, Shanxi province, Jiangsu province, Zhejiang province, Anhui province, Guangdong province, Heilongjiang province, Jilin province, Liaoning province and Inner Mongolia Autonomous Region in the PRC and has, directly or through overseas sales agents, begun selling its products to overseas markets during the Track Record Period. In August 2004, the Group successfully obtained the certificate of registration for manufacturing of seamless pressure cylinder issued by the Ministry of Commerce, Industry and Energy of Korea. The Group has then commenced exporting its gas equipment to Korea since October 2004.

Although the Group commenced its development, manufacture and sale of specialised gas equipment in March 2002, the predecessor of the Group's development and manufacturing activities date back to the 1950s. In this respect, the predecessor company of Enric Compressor was Bengbu Compressor, a PRC state-owned enterprise owned by the People's Government of Bengbu, Anhui province and assets of which were acquired by the Group in March 2002 pursuant to the Bengbu Acquisition Agreement.

Over the Track Record Period, the Group had been actively engaged in the research and development of various types of gas equipment with the objective to better cater to the changing market demands through improving the quality and capability of its products. As a result, the Group has experienced significant growth in its business since its inception. For each of the two years ended 31 December 2004 and the six months ended 30 June 2005, the Group recorded turnover of approximately RMB68.9 million, RMB252.4 million and RMB209.7 million respectively. Such turnover of the Group for the year ended 31 December 2004 and the six months ended 30 June 2005 represent an increase of approximately 266.3% and 153.0% when comparing the turnover of the Group for the year ended 31 December 2003 and the six months ended 30 June 2004 respectively.

In order to further expand the spectrum of the Group's gas equipment products and to establish the Group's brandname in the gas equipment market, the Group established Enric Gas Equipment in 2003 and pursuant to the Tripartite Agreement, part of the assets, amongst other things, previously owned by Xinao Shijiazhuang were injected into Enric Gas Equipment as capital contribution on 31 March 2004. The Group then advanced the manufacture and sale of pressure vessels and other types of gas equipment, including various standards of stationary or mobile pressure vessels in 2004. Through the expansion of the Group's specialised gas equipment capabilities, the Group is able to establish a consolidated platform to further develop and provide integrated business solutions to its customers, which are essential in assisting them with the implementation of projects in the gas energy industry.

The Group has adopted advanced manufacturing technique for its products and has formed strategic relationship with international natural gas technology provider by way of introducing patented natural gas technology in its products for use in the PRC market.

In order to further streamline the Group's gas equipment business, the Group established Enric Integration as a focused arm to develop and market its integrated business solutions to its customers in the gas energy industry.

The Directors believe that the Group has an established reputation within the PRC for its capabilities in providing specialised gas equipment, which is reliable and of superior quality, and customer-oriented after-sales services. By virtue of the Group's proven series of products in the gas equipment market, the Group strives to become a leading energy equipment and comprehensive integrated business solutions provider in the gas energy industry. The Group also plans to market and sell its energy equipment products and integrated business solutions in the international markets.

## STRENGTHS OF THE GROUP

The Directors believe that the following principal strengths of the Group will ensure the Group's future success and fast growth:

- Specialised products tailored to satisfy expected demands pursuant to the future development of natural gas as a more prominent energy source;
- Advanced manufacturing techniques and foreign natural gas technology afford the Group with a technological advantage over competitors in the domestic market;
- Industry standards form high barrier to entry;
- Strong research and development capability and advanced technologies tailored to the PRC market;
- Comprehensive sales network and effective marketing strategies;
- Highly experienced management team; and
- Strong shareholder's background.

**Specialised products tailored to satisfy expected demands pursuant to the future development of natural gas as a more prominent energy source**

The Group is one of the leading specialised gas equipment manufacturers and an integrated business solution provider in the PRC with the focus of facilitating the storage, distribution and use of gas at different stages along the natural gas supply chain. In light of committed effort of the PRC Government to ensure more efficient energy usage and to identify alternative energy so as to tackle the possible energy shortage to be faced by the PRC, further development of the natural gas market has been designated as an initiative of the PRC Government to promote wider adoption of natural gas as fuel and to significantly increase its usage in the future. Accordingly, natural gas as an energy in the industrial and power generation, residential and vehicular sectors, is poised to be more prevalent and its market is expected to experience significant growth.

As the Group's gas equipment is designed to facilitate the transporting, compressing, storing and distributing of natural gas, the Directors believe that significant future development of natural gas market and its usage will inevitably result in significant increase in demand for the Group's products and services.

Further, the Directors believe that, by virtue of the favourable support from the PRC Government's policy, substantial investments in the infrastructure of the PRC's natural gas market, including the construction of natural gas pipelines and LNG ports etc, are likely to continue. As such, the Directors view that the downstream gas energy facilities that are necessary for the dispensation of natural gas to end-users, such as gas refueling stations, LNG trailers and CNG trailers, will experience growth in demand across China.

**Advanced manufacturing techniques and foreign natural gas technology afford the Group with a technological advantage over competitors in the domestic market**

The Group has obtained the ownership of the patented technologies for seamless pressure cylinders, gas storage cylinder group for use at gas refueling stations, and containers for seamless pressure cylinders. The Group has also obtained exclusive rights from Xinao Shijiazhuang to apply the technologies of Neogas for use in the Group's hydraulic refueling stations. Such technologies of Neogas have been granted a patent in United States while application has been made to the State Intellectual Property Office of the PRC for registration of such patent in the PRC. (Details of which are set out in sections headed "Business – Intellectual property – Patented technologies" and "Connected transactions" in this prospectus).

The Directors believe that such access to foreign technologies and advanced techniques affords the Group a technology edge over other manufacturers of pressure vessels and conventional refueling stations in the PRC.

**Industry standards form high barrier to entry**

The Group measures the quality of its products against international benchmark and has in place quality control system and procedures to ensure its products are of consistent and high standards that fulfill the requirements of both national and international standards. In addition to fulfilling the domestic industry standards and having obtained the relevant licences, the Group, at present, has further obtained the ASME certification from the U.S. and the certificate from Ministry of Commerce, Industry and Energy of Korea in order to improve the standards of and hence the competitiveness of its products.

The Directors believe that the high industry standards and strict regulations imposed on participants in the gas equipment manufacturing industry represent significant entry barriers to new entrants as the satisfaction of such industry standards require substantial up-front investment in the research and development of the gas equipment, coupled with stringent management and quality control system, all of which are results of years of manufacturing experience in the gas equipment industry and are difficult for new entrants to match.

**Strong research and development capability and advanced technologies tailored to the PRC market**

During the Track Record Period, the Group had achieved rapid growth through introduction of advanced foreign technologies to improve the performance of its products as well as continuous modification of its existing products to cater to the changing market needs. The Directors believe that such achievements were attributable to the Group's strong research and development team, comprising qualified professionals with years of specialised gas equipment industry experience. The Group's research and development team now consists of over 120 professionals.

As the PRC market has different characteristics from overseas, the Group's research and development team is responsible for the further development and enhancement of its imported technology in order to cater to the needs of the PRC market. For example, certain of the Group's products are tailor-designed to operate in low temperature environment in order to meet customers' special requirements in the PRC.

The Directors believe that the Group's research and development capability coupled with the Group's knowledge of the PRC market provides the Group with a competitive advantage over overseas competitors as it allows the Group to respond to the changing needs of the PRC gas equipment market promptly.

**Comprehensive sales network and effective marketing strategies**

The Group based its sales and marketing strategies on the concept of "Customers Come First". The Group has established a sales team of over 100 members and sale offices in 10 cities in the PRC, namely Shanghai, Bengbu, Guangzhou, ChongQing, Langfang, Xi'an, Zibo, Shenyang, Wuhan and Urumqi, in order to cover customers based in those cities and in the nearby regions. The Group's sales team provides technical support, product orientation and on-site order services to the Group's customers and assists them in the installation, operation and maintenance of the Group's products.

The Directors believe that an established sales and service network provides a competitive edge to the Group over its competitors, many of which are based overseas and thus slower in responding to the specific needs of the PRC customers.

**Highly experienced management team**

The Group's management team comprises experienced senior engineers and personnel with management, financial and legal skills. The team members are experienced in developing, manufacturing and selling specialised gas equipments and have the experience in the provision of integrated business solutions in the gas energy industry.

While the management team of the Group as a whole plays a significant role in the development of the Group's business, certain members of the team play key roles in the future success of the Company: Mr. Wang, the co-founder, chairman and one of the executive Directors of the Company, has over 18 years of experience in the investment in, and management of, the gas business in the PRC. The strategic leadership from Mr. Wang will be crucial to the Group's success due to his significant experience and knowledge in the natural gas industry in the PRC. Mr. Cai Hongqiu, the chief executive officer and an executive Director, has years of experience in managing industrial enterprises in the PRC. Mr. Cai, who holds a degree in Law and a master's degree in Science is fully responsible for the overall operations of the Group.

**Strong shareholder's background**

The Group strives to become a competitive and technologically advanced specialised gas equipment manufacturer and provider of integrated business solutions in the gas energy industry. Mr. Wang, a controlling shareholder of the Group and the co-founder, has substantial experience in the natural gas industry in the PRC. Apart from his interests in the Group, Mr. Wang also controls (i) Xinao Gas, one of the leading operators in gas transportation and distribution in the PRC and a company listed on the Main Board, with principal business of investing, operating and managing gas pipeline infrastructure and the sale and distribution of piped gas in the PRC; and (ii) XGCL Group, a private conglomerate engaged in various business activities including energy chemical and bio-chemical industry in the PRC (particulars of which are set out in the section headed "Relationship with the controlling Shareholders" in this prospectus). Mr. Wang, the chairman of XGCL and Xinao Gas, is the vice-chairman of the Ninth Executive Committee of the All-China Federation of Industry and Commerce and a member of the Tenth National Committee of the Chinese People's Political Consultative Conference.

## AWARDS AND HONOURS

As at the Latest Practicable Date, some of the major awards and honours received by the Group are set out as follows:

| **Date of grant** | **Awards and honours** |
|---|---|
| March 2005 | Chinese Customers Quality and Service Satisfaction Entity |
| September 2004 | Famous Brand Award of Anhui province, the PRC |
| February 2004 | The screw compressor was awarded the Science and Technology First Class Award of Bengbu City, Hebei Province, the PRC |
| December 2003 | Excellent Technological Private Enterprise of Anhui Province, the PRC |
| August 2003 | The screw compressor was awarded the 2003 New Product Award of Anhui Province, the PRC |
| July 2003 | Top 100 Private Enterprises in 2002 of Anhui Province, the PRC |

**FINANCIAL INVESTOR**

Pursuant to the Convertible Bond Subscription Agreement, EIGL issued to Investec, an Independent Third Party, a convertible redeemable bond in the principal amount of US$5,000,000 (equivalent to approximately HK$39,000,000). The Redeemable Convertible Bonds will be mandatorily converted to Shares in full upon (i) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of any options which have been or may be granted under the Pre-IPO Share Option Plan and the Share Option Scheme and the Over-allotment Option); and (ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any conditions by the Lead Manager, on behalf of the Underwriters) and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise, in each case at or before 8 a.m. on the Listing Date.

Upon the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned in this prospectus and the obligations of the Underwriters under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms of such agreement or otherwise, Investec will be allotted and issued such number of Shares which are expected to represent 12% of the enlarged issued share capital of the Company immediately following the completion of the Capitalisation Issue and the Placing (assuming that the Over-allotment Option is not exercised) in accordance with the Convertible Bond Subscription Agreement. Based on the number of Shares which are expected to be in issue on the Listing Date, Investec is expected to be allotted and issued 51,840,000 Shares. The Redeemable Convertible Bonds will bear interest at a rate of 2.5% per annum, payable quarterly. The conversion price will be approximately HK$0.75 per Share, and representing approximately 33.0% discount to the lowest range of the Placing Price of HK$1.12 per Share and approximately 55.4% discount to the highest range of the Placing Price of HK$1.68 per Share. Such conversion price represents a price earning ratio of approximately 5.4 times of the unaudited pro forma fully diluted forecast earnings per Share of approximately HK$0.14. The Shares to be held by Investec will be subject to a moratorium period of six months from the Listing Date. The Directors consider that this conversion price is arrived at based on arm's length negotiations after taking into consideration the reasons stated below and that Investec will be subject to a moratorium period.

Investec, an Independent Third Party, is a wholly owned subsidiary of Investec PLC. Investec PLC is an international investment and private banking group, the shares of which are listed on the London Stock Exchange. Investec Group provides corporate and investment banking, private banking, securities trading, asset management, property trading and management and trade finance services. In addition, Investec Group also engages in direct investment business. The net assets of Investec PLC were £980.45 million (equivalent to approximately HK$13.53 billion) as at 31 March 2005. Investec PLC recorded a net profit of £100.52 million (equivalent to approximately HK$1,387.2 million) for the year ended 31 March 2005. The market capitalisation of Investec PLC was approximately £1,591.19 million (equivalent to approximately HK$21.95 billion) as at 27 September 2005.

The Directors consider that the investment by Investec will enhance the Shareholders' base and promote corporate governance. In addition, following the Conversion, the Company's financial position, in particular its liquidity and gearing, will be further improved.

## OVERALL BUSINESS OBJECTIVES AND STRATEGIES

The Group's overall business objectives and strategies are as follows:

### Enhancing productivity through expanding and upgrading the Group's production and related facilities

In order to maintain the competitiveness of its products, the Group aims to enhance production efficiency and further improve the quality of its key products and components. The Group also aims to expand its production capacity for its core products such as the seamless pressure cylinder storage and transportation equipment series, the cryogenic liquid storage and transportation series and products relating to the Group's integrated business solutions.

In order to achieve the above objectives, the Group will upgrade its existing production and related facilities. The Group will carry out the following:

- construction of additional factories, warehouse and storage facilities to improve its manufacturing and logistics capabilities;
- investment in new facilities including production lines and processing systems;
- rationalisation of production facilities and techniques;
- purchase of more advanced and efficient equipment and facilities for production and enhancement of its quality control capability; and
- co-operation with international enterprises.

### Strengthening research and development capability to further develop key product series and technologies

The Group plans to expand into the international market through introducing its seamless pressure cylinders of various specifications. One of the main areas of development is in relation to the application of the CNG transportation vehicles. Another area of development is to upgrade the technical standard of the temperature control system for the cryogenic liquid storage and transportation series. In addition, the Group plans to further develop the technical standard of gas refueling station system and natural gas transportation system. The 25MPa natural gas daughter refueling station and daughter refueling station transportation equipment will become one of the Group's main areas of development.

In relation to the development of compressors in its natural gas compressor series, the Group plans to focus on the development of natural gas compressors and general-purpose heavy duty compressors with higher performance standards. Natural gas compressors are specifically designed for use with natural gas. They are technologically more sophisticated, more complex to manufacture and thus, more competitive in the market. Heavy duty compressors are designed for use with other gases. They have higher discharge capacity and compression ratio than natural gas compressors. The Group believes that since most of its compressors are developed in accordance with the requirements of its customers, this effectively promotes the Group's further development and expansion of its products such as compressors used at gas mother refueling stations, gas standard refueling stations and gas daughter refueling stations.

In connection with the above, the Group plans to adopt the following strategies:

- adopt advanced technology and management systems for its manufacturing processes. In this connection, the Group plans to invest in relevant hardware and related facilities to raise the standard for product design and manufacturing techniques;

- expand the variety, improve the design and the technical standard of the Group's products;

- upgrade the technologies used in hydraulic gas refueling station and to broaden its usage and adaptability;

- develop high pressure valves and cryogenic valves to increase the standard of domestically produced accessories so as to lower cost; and

- develop natural gas compressors with large discharge capacity and higher compression rate.

**Expanding sales and marketing network and efforts**

The Group plans to expand its sales and marketing network and market coverage by increasing the number of sale offices in other provinces, selling its products through dealers, and providing more efficient customer services. The Group will also strengthen the promotion of its brand name through channels such as professional media advertisement, professional conferences and internet so as to increase the recognition and popularity of its brand name. Apart from the continuous expansion in the PRC market, the Group will establish its overseas sales network and gradually explore the international market. In addition, the Group will strengthen technological and economic co-operation with foreign companies and/or organisations. The Group's sales and marketing strategies are as follows:

- promoting the Group's website and expanding its functions as an e-commerce platform;

- selecting well-known magazines in the PRC gas industry to enhance the Group's profile and promote its products and services; and
- setting up overseas sales offices to move into international market gradually.

**Upgrading business qualifications to reinforce leading position**

The Group has obtained necessary qualifications in the PRC for the design and manufacture of certain of its products. The Group has also obtained the certificate of registration for manufacturing of seamless pressure cylinder issued by the Ministry of Commerce, Industry and Energy of Korea in August 2004. The Group has then commenced exporting its specialised gas equipment to Korea since October 2004. In January 2005, the Group has also obtained the manufacturing licence for pressure vessels issued by ASME.

The Group has plans to continue to upgrade the level of its qualifications in future and is in the process of applying for relevant certificates from DOT and the European Union CE certification so as to establish a foundation for its expansion into the international market, including the European countries and the United States.

**Strategic business collaborations and acquisitions to accelerate growth**

The Directors consider that strategic business collaborations and acquisitions will help strengthen and accelerate the future growth of the Group. In line with the development of its product lines, the Group intends to look for opportunities to enter into strategic partnerships and collaborations through joint ventures or mergers and acquisitions with other manufacturers in the gas equipment industry. In particular, the Group is interested in collaborations with manufacturers of high pressure transportation equipment, cryogenic gas equipment and specialised compressor. The Directors believe that this strategy will further enhance the competitiveness of the Group's existing products and will help expand the Group's productivity and product scale and sales network, which in turn enlarge its market share and fuel continuous growth. The Group will seek to finance the required funding by its own generated resources and banking facilities. As at the Latest Practicable Date, there was no specific target or detailed plan for strategic business collaborations and acquisitions.

## TRADING RECORD

The following table summarises the Group's combined income statements for each of the two years ended 31 December 2004 and the six months ended 30 June 2004 and 30 June 2005 respectively. The summary should be read in conjunction with the accountants' report set out in Appendix I to this prospectus.

| | Year ended 31 December | | Six months ended | |
|---|---|---|---|---|
| | | | 30 June | 30 June |
| | 2003 | 2004 | 2004 | 2005 |
| | | | (Unaudited) | |
| | *RMB* | *RMB* | *RMB* | *RMB* |
| Turnover | 68,943,423 | 252,375,698 | 82,878,653 | 209,724,253 |
| Cost of sales | (40,771,008) | (177,790,799) | (56,169,505) | (143,756,435) |
| | 28,172,415 | 74,584,899 | 26,709,148 | 65,967,818 |
| Other revenue | 5,846,076 | 5,109,203 | 2,635,564 | 575,290 |
| Selling expenses | (7,633,349) | (12,803,532) | (5,118,139) | (8,966,704) |
| Administrative expenses | (11,636,603) | (23,110,803) | (8,708,109) | (19,834,140) |
| Other net income/ (expenses) | 302,158 | 2,681,210 | (93,427) | 3,440 |
| Profit from operations | 15,050,697 | 46,460,977 | 15,425,037 | 37,745,704 |
| Finance costs | (4,443,570) | (6,082,089) | (2,780,807) | (4,048,792) |
| Profit from ordinary activities before taxation | 10,607,127 | 40,378,888 | 12,644,230 | 33,696,912 |
| Taxation | – | (1,814,458) | (141,072) | (1,375,662) |
| Profit from ordinary activities after taxation | 10,607,127 | 38,564,430 | 12,503,158 | 32,321,250 |
| Attributable to: | | | | |
| Equity holders of the Company | 10,607,127 | 36,191,118 | 10,313,389 | 32,321,250 |
| Minority interests | – | 2,373,312 | 2,189,769 | – |
| Profit from ordinary activities after taxation | 10,607,127 | 38,564,430 | 12,503,158 | 32,321,250 |
| Basic earnings per Share[(1)] | 0.04 | 0.14 | 0.04 | 0.12 |

*Note:*

(1) The calculation of basic earnings per Share is based on the Group's profit attributable to equity holders of the Company for each of the years ended 31 December 2003 and 2004 and each of the six months ended 30 June 2004 and 2005 and the 260,160,000 Shares in issue and issuable, comprising 880 Shares in issue as at the date of the Prospectus and 260,159,120 Shares to be issued pursuant to the Capitalisation Issue as if these Shares were outstanding throughout the Track Record Period.

## REASONS FOR THE PLACING AND THE USE OF PROCEEDS

The Directors consider that the net proceeds from the Placing are necessary for the financing of the Group's business strategies and help the Group consolidate its position as an active player in the gas energy industry in the PRC. Based on the indicative Placing Price of HK$1.40 per Placing Share (being the mid-point of the stated range of the Placing Price between HK$1.12 and HK$1.68 per Placing Share), the Company intends to raise approximately HK$168.0 million. The net proceeds from the Placing, after deducting related listing expenses and without taking into account any proceeds from the exercise of the Over-allotment Option, are estimated to amount to approximately HK$144.2 million which are intended to be applied as follows:

- as to approximately HK$80.0 million for enhancing the productivity of the Group through expanding and upgrading the Group's production and related facilities, breakdown of which includes: (i) as to approximately HK$21.3 million for improving product quality and production capacity of Enric Compressor; (ii) as to approximately HK$23.0 million for upgrading the production facilities to further improve the production capacity of Enric Gas Equipment; and (iii) as to approximately HK$35.7 million for constructing production facility and new product assembly line of Enric Integration;

- as to approximately HK$29.8 million for strengthening research and development capability of the Group to further develop key products and technologies, breakdown of which includes: (i) as to approximately HK$4.8 million for Enric Compressor to further develop the natural gas compressor product; (ii) as to approximately HK$8.3 million for Enric Gas Equipment to conduct research for the optimisations of the design of high pressure valves and cryogenic valves to raise performing efficiency, and to invest in the localisation of the raw materials of seamless pressure cylinders; and (iii) as to approximately HK$16.7 million for Enric Integration to further research and develop the system design of LNG and CNG refueling station and to enhance the quality and efficiency of services provided to customers;

- as to approximately HK$16.1 million for expanding the Group's sales and marketing efforts by increasing sales offices and promotion;

- as to approximately HK$3.9 million for upgrading the Group's business qualifications, in particular, the application for relevant certificates from DOT and the European Union CE Certification, so as to establish a foundation for its expansion into these markets with an aim to further consolidate its position; and

- as to approximately HK$14.4 million for general working capital of the Group.

To the extent that the net proceeds from the Placing are not immediately applied for in accordance with the above purposes, it is the present intention of the Directors that such net proceeds will be placed on short term deposits with banks or financial institutions in Hong Kong and/or the PRC.

In the event that the Placing Price is fixed at HK$1.68 per Share, being the highest point of the indicative range of the Placing Price, the net proceeds will be approximately HK$176.5 million, representing an increase of approximately HK$32.3 million. The Directors intend to apply approximately HK$29.1 million for implementation of business plan during the last period of the Forward Looking Period. Such amount will be applied to (i) approximately HK$18.0 million for enhancing the productivity of the Group; (ii) approximately HK$7.0 million for strengthening research and development capability of the Group; (iii) approximately HK$4.0 million for expanding the Group's sales and marketing efforts; and (iv) approximately HK$0.1 million for upgrading the Group's business qualification. The remaining HK$3.2 million of the net proceeds will be used as additional general working capital of the Group. In the event that the Over-allotment Option is exercised, the Directors expect to earmark the additional proceeds of approximately HK$19.0 million for its expanding and upgrading the Group's production and related facilities and research and development of new products, with the remainder of approximately HK$2.0 million as general working capital.

In the event that the Placing Price is fixed at HK$1.12 per Share, being the lowest point of the indicative range of the Placing Price, the net proceeds will be approximately HK$111.9 million, representing a reduction of approximately HK$32.3 million. In such circumstances, the Directors intend to apply the net proceeds of approximately HK$111.9 million from the Placing for the implementation of business plan up to 30 June 2007, amounting to HK$111.5 million. The Directors believe that the further funding requirement of approximately HK$18.3 million for the implementation of business plan during the six months ending 31 December 2007, being the last period of the Forward Looking Period, will be satisfied by the remaining net proceeds of HK$0.4 million and the Group's internal resources and the proceeds from the Redeemable Convertible Bonds issued to Investec and/or banking facilities then available. In the event that the Over-allotment Option is exercised, the Directors expect to apply such net proceeds of approximately HK$14.0 million to finance the above funding requirements pursuant to the six months ending 31 December 2007, and the remaining funding requirements pursuant to the six months ending 31 December 2007 will be financed by internal resources or banking facilities available. No proceeds will be used as general working capital.

The Directors believe that the net proceeds from the Placing together with the Group's internally generated cash flow will be sufficient to finance all planned and/or intended projects of the Group throughout the Forward Looking Period as described in the section headed "Statement of business objectives and strategies" in this prospectus.

## PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2005

| | |
|---|---|
| Unaudited forecast combined profit after taxation attributable to equity holders of the Company *(Note 1)* | Not less than RMB65,000,000 (approximately HK$62,500,000) *(Note 5)* |
| Unaudited pro forma forecast earnings per Share – weighted average *(Note 2)* | Not less than RMB0.22 (approximately HK$0.21) *(Note 5)* |
| – fully diluted (without the exercise of the options granted under the Pre-IPO Share Option Plan) *(Note 3)* | Not less than RMB0.15 (approximately HK$0.14) *(Note 5)* |
| – fully diluted (with the exercise of the options granted under the Pre-IPO Share Option Plan) *(Note 4)* | Not less than RMB0.15 (approximately HK$0.14) *(Note 5)* |

*Notes:*

1. The unaudited forecast combined profit after taxation attributable to equity holders of the Company for the year ending 31 December 2005 is based on the audited combined results for the six months ended 30 June 2005, the unaudited combined results of the Group for the two months ended 31 August 2005 and a forecast of the combined results of the Group for the four months ending 31 December 2005. The bases and assumptions on which the above profit forecast has been prepared are summarised in Appendix IV to this prospectus.

2. The calculation of the unaudited pro forma forecast earnings per Share on a weighted average basis is based on the unaudited forecast combined profit after taxation attributable to equity holders of the Company for the year ending 31 December 2005 and a weighted average number of 298,765,151 Shares in issue for the year ending 31 December 2005 after the completion of the Capitalisation Issue, the Conversion and the Placing, without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the exercise of any options which have been granted under the Pre-IPO Share Option Plan or which may be granted under the Share Option Scheme, or which may be allotted and issued or repurchased by the Company pursuant to the mandates as set out in the section headed "Written resolutions of the Shareholder(s) passed on 26 September 2005 and 7 October 2005 respectively" in Appendix VII to this prospectus.

3. The calculation of the unaudited pro forma forecast earnings per Share on a fully diluted basis (without the exercise of the options granted under the Pre-IPO Share Option Plan) is based on the unaudited forecast combined profit after taxation attributable to equity holders of the Company for the year ending 31 December 2005 and as if the Capitalisation Issue, the Conversion and the Placing had been completed on 1 January 2005 and a total of 432,000,000 Shares were in issue throughout the year, without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the exercise of any options which have been granted under the Pre-IPO Share Option Plan or which may be granted under the Share Option Scheme, or which may be allotted and issued or repurchased by the Company pursuant to the mandates as set out in the section headed "Written resolutions of the Shareholder(s) passed on 26 September 2005 and 7 October 2005 respectively" in Appendix VII to this prospectus.

4. The calculation of the unaudited pro forma forecast earnings per Share on a fully diluted basis (with the exercise of the options granted under the Pre-IPO Share Option Plan) is based on the unaudited forecast combined profit after taxation attributable to equity holders of the Company for the year ending 31 December 2005 and as if the Capitalisation Issue, the Conversion and the Placing had been completed on 1 January 2005 and a total of 432,000,000 Shares were in issue throughout the year, as well as on the basis that the options granted under the Pre-IPO Share Option Plan were exercised in full on 1 January 2005, resulting in the issuance of 13,800,000 additional Shares, but without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option.

5. The RMB figures are translated at an exchange rate of RMB1.04 to HK$1.00.

## PLACING STATISTICS

| | Based on the Placing Price of HK$1.12 per Placing Share | Based on the Placing Price of HK$1.68 per Placing Share |
|---|---|---|
| Market capitalisation *(Note 1)* | HK$483.8 million | HK$725.8 million |
| Prospective pro forma price/earnings multiple | | |
| (a) weighted average *(Note 2)* | 5.3 times | 8 times |
| (b) fully-diluted *(Note 3)* | 8 times | 12 times |
| Unaudited pro forma adjusted net tangible asset value per Share *(Note 4)* | HK$0.47 | HK$0.62 |

*Notes:*

1. The market capitalisation of the Shares is calculated on the basis of 432,000,000 Shares in issue immediately following the completion of the Capitalisation Issue, the Conversion and the Placing, without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the exercise of any options which have been granted under the Pre-IPO Share Option Plan or which may be granted under the Share Option Scheme.

2. The calculation of prospective pro forma price/earnings multiple on a weighted average basis is based on the unaudited pro forma forecast earnings per Share on a weighted average basis of approximately RMB0.22 (approximately HK$0.21) for the year ending 31 December 2005, and on the respective Placing Price of HK$1.12 and HK$1.68 per Placing Share. The RMB figures are translated at an exchange rate of RMB1.04 to HK$1.00.

3. The calculation of prospective pro forma price/earnings multiple on a fully diluted basis is based on the unaudited pro forma forecast earnings per Share of RMB0.15 (approximately HK$0.14) for the year ending 31 December 2005 and on the respective Placing Price of HK$1.12 and HK$1.68 per Placing Share. The RMB figures are translated at an exchange rate of RMB1.04 to HK$1.00.

4. The unaudited pro forma adjusted net tangible assets value per Share is calculated on the basis of 432,000,000 Shares in issue immediately following the completion of the Capitalisation Issue, the Conversion and the Placing as if the Shares have been in issue for the whole year. The adjusted net tangible asset value per Share is based on an exchange rate of RMB1.04 to HK$1.00.

If the Over-allotment Option is exercised in full, the adjusted net tangible assets value per Share will be increased, while earnings per Share will be diluted correspondingly. The Directors believe that such increase and dilution will not be material.

## SUMMARY OF RISK FACTORS

### Risk factors relating to the Group

- Substainability of growth in turnover and profit
- Reliance on suppliers
- Reliance on key management
- Reliance on skilled employees
- Business licences, certificates and permits
- Bank loan guarantees provided by XGCL
- High gearing ratio
- Relatively long inventory turnover period
- Concentration of ownership
- Relationship with the controlling Shareholders
- Reliance on ultimate controlling Shareholder
- Production facilities held on lease term
- Legal risks on loan receivable of the Group
- Net current liabilities
- Product liability
- Environmental protection

### Risk factors relating to the industry

- Changes in the gas equipment industry in the PRC
- Reliance on other related industries

**Risk factors relating to the PRC**

- Economic development of China and government policies
- Changes in laws, regulations and policies
- Foreign exchange and currency conversion
- Fluctuations in interest rates
- China's accession to the WTO
- Tax exemption and reduction

**Risk factors relating to the Placing**

- Proceeds obtained in the Placing may not be sufficient to finance the entire business plan
- Potential dilutive effect of the Pre-IPO Share Option Plan

**Risk factors relating to the Shares**

- Risks relating to Share price fluctuations after the Listing

## STRUCTURE AND CONDITION OF THE PLACING

Under the Placing, the Company is initially offering 120,000,000 new Shares for subscription by way of placing. The Placing Shares will represent 27.78% of the Company's enlarged issued share capital immediately following the completion of the Capitalisation Issue, the Conversion and the Placing, without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the exercise of any options which have been granted under the Pre-IPO Share Option Plan or which may be granted under the Share Option Scheme. The Placing is fully underwritten by the Underwriters, subject to the terms and conditions of the Underwriting Agreement. Further details are set out in the section headed "Structure and conditions of the Placing" in this prospectus.

## SHARE OPTION SCHEMES

The Company has adopted the Pre-IPO Share Option Plan and the Share Option Scheme. The principal terms of the Pre-IPO Share Option Plan and the Share Option Scheme are summarised in the sections headed "Share Option Schemes – Summary of the terms of the Pre-IPO Share Option Plan" and "Share Option Schemes – Summary of the terms of the Share Option Scheme" respectively in Appendix VII to this prospectus.

The Company has granted options to five executive Directors, five members of the senior management and two employees of the Group under the Pre-IPO Share Option Plan to subscribe for an aggregate of 13,800,000 Shares, representing approximately 3.19% of the enlarged issued share capital of the Company immediately following the completion of the Capitalisation Issue, the Conversion and the Placing, without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the exercise of any options which have been granted under the Pre-IPO Share Option Plan or which may be granted under the Share Option Scheme. The exercise price of these options is the Placing Price.

## SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company immediately following the completion of the Capitalisation Issue, the Conversion and the Placing is summarised below:

| Shareholder | Date of first investment in the Group | Date of becoming Shareholder | Number of Shares held immediately upon the Listing (if Over-allotment Option is not exercised) | Approximate percentage of shareholding immediately upon the Listing (if Over-allotment Option is not exercised) | Approximate percentage of shareholding immediately upon the Listing (if Over-allotment Option exercised in full) | Lock-up period | Cost of investment | Cost of investment per Share |
|---|---|---|---|---|---|---|---|---|
| | | | | % *(Note 4)* | % *(Note 4)* | | *HK$* | *HK$* |
| *INITIAL MANAGEMENT SHAREHOLDER* | | | | | | | | |
| XGII *(Note 1)* | 14 March 2002 *(Note 12)* | 12 October 2004 *(Note 12)* | 234,144,000 | 54.20 | 52.59 | 12 months *(Note 5)* | 106,707,000 *(Note 7)* | 0.46 |
| Mr. Wang *(Note 1)* | 14 March 2002 *(Note 12)* | 12 October 2004 *(Note 12)* | 234,144,000 | 54.20 | 52.59 | 12 months *(Note 5)* | 106,707,000 | 0.46 |
| Ms. Zhao *(Note 1)* | 14 March 2002 *(Note 12)* | 12 October 2004 *(Note 12)* | 234,144,000 | 54.20 | 52.59 | 12 months *(Note 5)* | 106,707,000 | 0.46 |
| *SIGNIFICANT SHAREHOLDER* | | | | | | | | |
| Symbiospartners *(Note 2)* | 31 January 2005 | 26 September 2005 *(Note 11)* | 26,016,000 | 6.02 | 5.84 | 6 months *(Note 6)* | 14,820,000 *(Note 8)* | 0.57 |
| Investec *(Note 3)* | 6 September 2005 *(Note 9)* | 18 October 2005 *(Note 9)* | 51,840,000 | 12.00 | 11.64 | 6 months *(Note 6)* | 39,000,000 *(Note 9)* | 0.75 |
| *PUBLIC SHAREHOLDERS* | | | 120,000,000 | 27.78 | 29.93 | | | |
| Total | | | 432,000,000 | 100.00 | 100.00 | | | |

*Notes:*

1. The three references to 234,144,000 Shares relate to the same block of Shares. Such Shares are held by XGII which is owned as to 50% by Mr. Wang and 50% by Ms. Zhao. Ms. Zhao is the spouse of Mr. Wang and therefore both Mr. Wang and Ms. Zhao are deemed to be interested in such 234,144,000 Shares under the SFO.

2. Symbiospartners is an investment company incorporated in BVI on 2 January 2004 and is owned as to 50% by Symbiospartners Investment Limited, 35% by SinoBanker Group and 15% by Mr. Liang Zhengzhong ("Mr. Liang") respectively. Symbiospartners Investment Limited is a company

incorporated in BVI on 3 January 2003 and is indirectly owned as to approximately 81%, 14% and 5% by Mr. Hui Ching Lau ("Mr. Hui"), Mr. Liang and other independent securities and investment fund companies respectively. SinoBanker Group is a company incorporated in the Cayman Islands on 23 February 2000 and is owned as to approximately 56% and 44% by Mr. Liang and other independent securities and investment fund companies respectively. Accordingly, each of Mr. Liang and Mr. Hui holds approximately 41% interest in the issued share capital of Symbiospartners. Mr. Liang is also the founder, president and chief executive officer of SinoBanker Group. The principle business of each of Symbiospartners, Symbiospartners Investment Limited and SinoBanker Group is the investment in equities of listed and unlisted companies. Each of these companies do not have any interests in any company which competes or is likely to compete with the business of the Group. Each of Mr. Liang and Mr. Hui is an Independent Third Party. Symbiospartners will have no representation on the Board nor will it have any management functions in the Group.

3. Investec, an Independent Third Party, is a wholly owned subsidiary of Investec PLC. Investec PLC is an international investment and private banking group and the shares of which are listed on the London Stock Exchange. Investec Group provides corporate and investment banking, private banking, securities trading, asset management, property trading and management and trade finance services and direct investment business. Investec will have no representation on the Board nor will it have any management functions in the Group.

4. The shareholding percentages referred to in the above do not take into account any Shares which may be issued pursuant to the exercise of any options which have been granted under the Pre-IPO Share Option Plan and which may be granted under the Share Option Scheme. Please refer to the section headed "Outstanding options granted under the Pre-IPO Share Option Plan" in Appendix VII to this prospectus for details.

5. Each of XGII, Mr. Wang and Ms. Zhao is an Initial Management Shareholder and has entered into an undertaking with the Company and the Stock Exchange as described in the section headed "Substantial, Initial Management and Significant Shareholders – Restrictions on disposal of Shares by Initial Management and Significant Shareholders" in this prospectus not to dispose of the Shares during the Lock-up Period.

6. Each of Symbiospartners and Investec is a Significant Shareholder and has entered into an undertaking with the Company and the Stock Exchange as described in the section headed "Substantial, Initial Management and Significant Shareholders – Restrictions on disposal of Shares by Initial Management Shareholders and Significant Shareholders" in this prospectus not to dispose of the Shares for a period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date. In addition, Symbiospartners has voluntarily undertaken with EIGL not to dispose of its shares in EIGL or the company for 12 months after the Listing Date.

7. The total cost of investment by XGII in the Company mainly comprises of (i) the sale of 90% of the issued shares in EIGL to the Company in consideration of the issue of 791 Shares by the Company to XGII pursuant to a deed of sale and purchase dated 26 September 2005 (valued for this purpose at HK$58,647,057, representing 90% of the approximate net asset value of EIGL of HK$50,343,000 as at 31 December 2004 as adjusted by adding the capital contribution of US$1,900,000 by Symbiospartners pursuant to the subscription agreement dated 21 January 2005 between Symbiospartners, EIGL and XGII); and (ii) HK$40,500,000, being 90% of the cash advances due and owing by the Company to XGII in the sum of RMB45,000,000. Pursuant to the capitalisation agreement dated 26 September 2005 entered into between the Company and XGII, conditional upon the Listing, the Company will allot and issue a total of 260,159,120 Shares on capitalisation of the said advances from the shareholder, with 90% of such Shares being allotted and issued to XGII and 10% of such Shares being allotted and issued to Symbiospartners as nominated by XGII. Accordingly, only 90% of the said advances from the shareholder is taken into account in arriving at the total cost of investment by XGII.

8. The cost of investment by Symbiospartners in the Group consists of the sum of US$1,900,000 paid for the subscription of 88 shares in EIGL pursuant to the subscription agreement dated 21 January 2005 between Symbiospartners, EIGL and XGII, which shares were subsequently sold to the Company under a deed of sale and purchase dated 26 September 2005 in consideration of the issue of 88 Shares by the Company to Symbiospartners. As Symbiospartners was nominated by XGII to take up 26,015,912 Shares to be issued by the Company upon capitalisation of advances from the Shareholder due and owing by the Company to XGII pursuant to the capitalisation agreement dated 26 September 2005 entered into between the Company and XGII, there is no cost of investment by Symbiospartners in relation to the said 26,015,912 Shares.

9. The Company entered into the Convertible Bond Subscription Agreement with Investec, pursuant to which Investec subscribed redeemable convertible bonds in the aggregate principal amount of US$5,000,000 issued by EIGL, and conditional upon (i) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of any options which have been or may be granted under the Pre-IPO Share Option Plan, the Share Option Scheme and the Over-allotment Option; and (ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any conditions by the Lead Manager, on behalf of the Underwriters) and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise, in each case at or before 8 a.m. on the Listing date, the Redeemable Convertible Bonds will be mandatorily converted in Shares in full. Upon the Conversion, Investec will be allotted and issued such number of Shares which represents 12% of the enlarged issued share capital of the Company immediately following the completion of the Capitalisation Issue and the Placing (assuming that the Over-allotment Option is not exercised). The Redeemable Convertible Bonds will bear interest at a rate 2.5% per annum, payable quarterly. Based on the aggregate subscription amount of US$5,000,000 and 51,840,000 Shares which are expected to be issued, the conversion price is approximately HK$0.75 per Share.

10. XGII, which is owned by Mr. Wang and Ms. Zhao as to 50% each, acquired one Share from the initial subscriber on 12 October 2004. On 26 September 2005, the Company allotted and issued 791 Shares to XGII pursuant to the deed for sale and purchase of the entire share capital of EIGL referred to in the section headed "Summary of material contracts" in Appendix VII to this prospectus. Conditional upon the Listing, the Company will allot and issue 234,143,208 Shares to XGII pursuant to the capitalisation agreement referred to in the section headed "Summary of material contracts" in Appendix VII to this prospectus.

11. On 26 September 2005, the Company allotted and issued 88 Shares to Symbiospartners pursuant to the deed for sale and purchase of the entire share capital of EIGL referred to in the section headed "Summary of material contracts" in Appendix VII to this prospectus. Conditional upon the Listing, the Company will allot and issue 26,015,912 Shares to Symbiospartners (at the direction of XGII) pursuant to the capitalisation agreement referred to in the section headed "Summary of material contracts" in Appendix VII to this prospectus.

12. XGII made its first investment in the Group by acquiring Bengbu Compressor's main operating assets in March 2002 whereby Enric Compressor was set up as a wholly foreign owned enterprise of XGII in the PRC on 14 March 2002.

## DIVIDEND POLICY

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

Annual dividends, if any, will be declared by and subject to the discretion of the Board and must be approved at a general meeting of shareholders. In addition, the Board may from time to time pay to the shareholders such interim dividends as appear to the Board to be justified by the Group's profits. The Company may pay dividends to shareholders in the future; however, such payments will depend upon a number of factors, including the Group's results of operations, earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors considered relevant by the Board. The Board currently intends to retain all of the Group's earnings to finance the development and expansion of the business and therefore do not intend to declare or pay cash dividends.