Prospective investors should carefully consider all of the information set out in this prospectus and, in particular, the following risks and special considerations associated with the Group before making any investment decision in relation to the Placing Shares.

This prospectus contains certain forward-looking statements relating to the Group's plans, objectives, expectations and intentions, which involve risks and uncertainties. The Group's actual results could differ materially from those discussed in this prospectus. Factors that could cause or contribute to such differences include those discussed below; as well as those discussed elsewhere in this prospectus.

RISK FACTORS RELATING TO THE GROUP

Sustainability of growth in turnover and profit

During the year ended 31 December 2004 and the six months ended 30 June 2005, the Group had experienced a growth rate in turnover of approximately 266.3% and 153.0% respectively and a growth rate in net profit attributable to equity holders of the Company of approximately 241.2% and 213.4% respectively (further details are set out in the section headed "Financial information" in this prospectus). Apart from the growth in sales of compressors in 2004, the substantial growth in turnover in 2004 was attributed to the injection of assets by Xinao Shijiazhuang to Enric Gas Equipment on 31 March 2004 pursuant to the Shijiazhuang JV Agreement (particulars of which are set out in the section headed "History and development — Corporate development" in this prospectus) which quickly advanced the Group's production capabilities in pressure vessels and enhanced the Group's platform in the provision of integrated business solutions in the gas energy industry. The Group's financial results in 2004 reflected the results of the two new product lines launched under Enric Gas Equipment. The substantial growth in the turnover and net profit for the six months ended 30 June 2005 as compared to the six months ended 30 June 2004 was primarily due to the increase in demand for natural gas and therefore there was a strong demand for the Group's specialised gas equipment. In addition, Enric Gas Equipment started operations on 1 April 2004 and accordingly the turnover and net profit for the six months ended 30 June 2004 only included Enric Gas Equipment's three months' operations whereas the turnover and net profit for the six months ended 30 June 2005 reflected the full six-month period operations of the Group. There is no assurance that the turnover or the net profit after tax and minority interests will continue to grow at these rates in the coming years.

The turnover and net profit after taxation and minority interests will depend, in part, on its ability to develop new products and services that address the varied needs of prospective customers. Thus the change in technology, industry standards and market condition from time to time could have a material adverse effect on the Group if it cannot adjust its marketing strategy in view of the changing environment or its new products cannot cope with customers' requirements.

Reliance on suppliers

For each of the two years ended 31 December 2004 and the six months ended 30 June 2005, purchases from the largest supplier of the Group, accounted for approximately 10.7%, 20.3% and 26.0% of the total purchases of the Group respectively and the Group's purchases from the five largest suppliers accounted for approximately 36.6%, 37.8% and 48.3% of the total purchases of the Group respectively. For each of the two years ended 31 December 2004 and the six months ended 30 June 2005, the Group's purchases from related parties accounted for approximately 11.8%, 31.1% and 0.05% of the total purchases of the Group respectively. In addition, the Group also purchased from other suppliers products manufactured in Germany, Italy and Holland. If any of the Group's major suppliers cease to supply to the Group or increase the price of the materials drastically, the operation and profitability of the Group may be adversely affected.

In addition, the Group currently outsources the processing of certain parts and components, principally steel pipes, pressurised soft pipes and pressurised valves, for its major products. A reliable supply of outsourced parts and components, which are subject to price fluctuations, is crucial to the operations of the Group. The outsourced parts and components accounted for less than 1% of the total purchases of the Group for each of the two years ended 31 December 2004 and the six months ended 30 June 2005. Whilst the Directors confirmed that the Group had not experienced any material interruptions, delays or shortages in the supply of outsourced parts and components during the Track Record Period, there is no guarantee that the Group will not suffer from any interruptions, delays or shortages in the supply of these parts and components in the future. As such, potential investors should be aware that any interruptions, delays or shortages in the supply of any type of outsourced parts and components or any significant fluctuations in any of the prices of these outsourced parts and components may have an adverse impact on the Group's operation and profitability.

Reliance on key management

To a certain extent, the Group's success is attributable to, among other things, the technical expertise and experience of the Group's key management team (particulars of which as stated in the section headed "Directors, senior management and staff" in this prospectus), in particular, Mr. Wang and Mr. Cai Hongqiu, both being executive Directors. Mr. Wang is the co-founder and chairman of the Company. He is responsible for overseeing the Group's overall strategic planning. Mr. Cai is the chief executive officer of the Company. He is fully responsible for the overall operations of the Group.

Each of the executive Directors has entered into a service agreement with the Group for an initial term of three years commencing on 1 October 2005. The service agreement may be terminated by the executive Director giving not less than six months' notice in writing, provided that such notice is not to be given at any time prior to the six months before expiry of the initial term. Each of the key technical and management personnel (as referred to in the section headed "Directors, senior management and staff – Senior management" in this prospectus) has entered into a service agreement with the Group for a fixed term of at least two years subject to termination by the personnel's giving not less than three months' notice in writing. Each of the executive Directors has undertaken not to engage in a competing business against the Company during and for two years after the termination of his appointment thereof; and not to divulge or communicate confidential information of the Group during and after the termination of his appointment thereof without limit in point of time except authorised or required by his duties. However, there is no assurance that the Group is able to retain member(s) of the key management team or further recruit competent personnel for its future development. If any of the executive Directors or the key management personnel ceases to be involved in the operation of the Group or if any of them fails to observe and perform their obligations under their service agreements and the Group fails to find immediate and adequate replacement or if the Group is unable to further recruit competent successors or competent personnel for its future development, the implementation of the Group's business strategies may be affected and may lead to certain adverse impact on the operations and business of the Group.

Reliance on skilled employees

The Group requires skilled employees in the manufacture of its products. In order to maintain its competitiveness, it has successfully trained a group of experienced and skilled employees to engage in the Group's production process. Although the Group had remunerated salary and benefits or offer career development opportunities to these skilled employees annually throughout the Track Record Period, other competitors may attract such employees through offering more attractive salaries and/or fringe benefits, and the loss of services of such skilled employees may have an adverse effect on the operations and business of the Group. Therefore, there can be no assurance that the Group can retain its skilled employees or that it can attract more of such employees and retain them in the future. If the Group fails to retain and recruit the necessary employees, the Group's operation and business may be adversely affected.

Business licences, certificates and permits

As certain specialised gases could be highly dangerous when mishandled, the gas equipment industry is heavily regulated in general and supervised by specific governmental organisation such as the GAQSIQ in the PRC. Under the current industry regulations, the Group is required to obtain, or periodically renew, all relevant and necessary licences, certificates or permits for the design and manufacture of its products. Although the operating subsidiaries of the Group have success in obtaining or renewing the requisite licences, certificates or permits in the past for their respective activities, there is no assurance that they (or any other member of the Group when it becomes necessary) will be able to obtain or renew these licences, certificates or permits in the future. Any failure or delay of the Group in this respect might adversely affect the Group's future business, operation and financial conditions.

Bank loan guarantees provided by XGCL

As at 31 August 2005, the Group had total outstanding bank borrowings amounting to RMB140.0 million which was repayable within one year, and comprising term loans amounting to RMB65.0 million and utilised banking facilities amounting to RMB75.0 million. Out of the total term loans of RMB65.0 million, RMB55.0 million were guaranteed by XGCL, a connected party to the Company under the GEM Listing Rule, and the remaining RMB10.0 million was guaranteed by Enric Compressor, a subsidiary of the Company. In addition, the Group had aggregate banking facilities of RMB85.0 million, of which RMB75.0 million had been utilised. The banking facilities of RMB85.0 million are also guaranteed by XGCL. Details of these guarantees have been set out in the section headed "Financial information – Borrowings, securities and banking facilities" in this prospectus. Regarding to the term loans and the banking facilities guaranteed by XGCL, although the Company has obtained in principle consents from the relevant banks to replace such guarantees with those from the Group upon or prior to the Listing, the Group has been dependent upon XGCL to obtain financing from banks. As such, without the guarantees from XGCL or other related companies, it is uncertain if the Company can obtain bank loans of similar size in the future, which in turn may adversely affect the financial condition of the Group.

High gearing ratio

The Company generally finances its operation with internally-generated cashflow, term loans and banking facilities provided by its principal bankers in the PRC. As at 31 December 2003, 31 December 2004 and 30 June 2005, the gearing ratios (defined as the total bank loans plus amount due to related parties (non-trade) of the Group divided by the total assets of the Group) were approximately 63.8%, 58.7% and 42.9% respectively. In general, such high gearing ratio is due to rapid expansion of the Group's production and operation scales and acquisition of production facilities and machinery which was not met by a comparative growth rate of internal financial resources. There is no guarantee that the existing banking facilities will be continued. In the event that the Group is unable to obtain other financing arrangements or the Group's bankers become reluctant to continue extending the loans, the Group's operation and financial position may be adversely affected.

Relatively long inventory turnover period

The average inventory turnover days of the Group for each of the two years ended 31 December 2004 and the six months ended 30 June 2005 were 194, 110 and 124 respectively. Taking into account the relatively long inventory turnover days, should the Group fail to manage its inventory properly, which might lead to stock obsolescence and stock provision, the liquidity and performance of the Group might be adversely affected.

Concentration of ownership

Mr. Wang and/or Ms. Zhao is/are the controlling shareholder(s) of many related parties of the Group. Some of these companies are engaged in gas related businesses and provide the Group with rights, services and facilities that are necessary for the Group's business activities, including the following:

- provision of piped gas, LPG and other raw materials;
- provision of gas connection services;
- leasing of properties;
- provision of property management services;
- provision of finance lease.

These related party transactions will continue after the Listing. If the provision of these rights, services and facilities is terminated, the Group will have to relocate or seek alternative means of securing comparable services and facilities.

The Group also sells its products and provides services to some of these related companies, including the following:

- provision of repair and maintenance services for the gas equipment manufactured by the Group; and

- supply of gas-related machinery and equipment.

These related party transactions will continue after the Listing. If the provision of products and services to these related parties is terminated, the performance and profitability of the Group may be adversely affected.

Relationship with the controlling Shareholders

Immediately following the completion of the Capitalisation Issue, the Conversion and the Placing, XGII will control approximately 54.20% of the total issued share capital of the Company, 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. Accordingly, XGII will, for the foreseeable future, exercise substantial influence over the Group's operations and business strategy. Such voting control may discourage certain types of transactions, including those involving an actual or potential change of control of the Company. In the event that there is a divergence of the Group's strategic and other interests from those of XGII in the future, there can be no assurance that XGII will not use its influence over the affairs of the Group in a manner which is not in the best interests of the Group.

Reliance on the ultimate controlling Shareholder

The Group has been and will continue to carry out certain connected transactions with companies controlled, directly or indirectly, by Mr. Wang, in particular sales of products to Xinao Gas Group and Hebei Finance Leasing Company Limited.

For the year ended 31 December 2003, the sales of products by the Group to Xinao Gas Group, amounted to approximately RMB1.0 million, representing approximately 1.5% of the total turnover of the Group for the corresponding period.

For the year ended 31 December 2004, the sales of products by the Group to Xinao Gas Group, amounted to approximately RMB28.7 million, representing approximately 11.4% of the total turnover of the Group for the corresponding period.

For the six months ended 30 June 2005, the sales of products by the Group to Xinao Gas Group, amounted to approximately RMB42.8 million, representing approximately 20.4% of the total turnover of the Group for the corresponding period.

The Directors estimate that the maximum amount of annual sales of products to Xinao Gas Group will not exceed RMB111 million, RMB185 million and RMB271 million for each of the three years ending 31 December 2007 respectively, representing approximately 44%, 73% and 107% of the Group's total turnover in 2004 respectively. As for sale of products to Hebei Finance Leasing Company Limited, the Directors estimate that the maximum amount of annual sales will not exceed RMB14 million, RMB23 million and RMB31 million for each of the three years ending 31 December 2007 respectively, representing approximately 6%, 9% and 12% of the Group's total turnover in 2004 respectively.

For further information on these connected transactions, please refer to the section headed "Connected transactions" in this prospectus. There is no guarantee that Xinao Gas Group and/or Hebei Finance Leasing Company Limited will continue to purchase products from the Group. In the event that Xinao Gas Group and/or Hebei Finance Leasing Company Limited cease to purchase products from the Group, the performance and profitability of the Group may be adversely affected.

Production facilities held on lease term

The Group is currently identifying a more suitable location in Langfang for its integrated business solutions' activities and hence has rented on a temporary basis a premises in Langsen Vehicle Industrial Zone as the workshop of Enric Integration, one of the operating subsidiaries of the Group. The term of the existing lease is one year which commenced on 1 November 2004 and will expire on 31 October 2005. On 26 April 2005, the Group entered into a renewal agreement, to extend the term of the lease for an additional year and the new term will expire on 31 October 2006. Further details of the leases regarding the Group's integrated business solutions' activities are set out in the sections headed "Business – Production" and "Financial information – Property interests" in this prospectus. In the event that a more suitable location is not identified and obtained on acceptable terms and Enric Integration fails to renew the existing lease when it expires, its business and operation may be adversely affected.

Legal risk on the loan receivable of the Group

Pursuant to the PRC General Rules of Loan (《貸款通則》) promulgated by PBOC on 28 June 1996 and the decision on how to give judgment for overdue loans by borrower of a corporate lending contract (《關於對企業借款方逾期不歸還借款應如何處理的批復》) issued by the High Court of the PRC on 23 September 1996, if a lending corporate is engaged in any litigation against the borrowers, the Court will protect the lender to the claim on the principal amount but not the interest elements. If such lending contract involves unlawful loans, the court may confiscate the total interest amount stipulated under such lending contract plus interest amount generated up to the date of the court's decision made. PBOC may also penalise the lender and the penalties by PBOC will be one to five times the interest accrued from the unsettled loans. In addition, pursuant to the Law for Implementation of the Administrative Punishment (《行政處罰法》), if such lending of unlawful loans has not been discovered within two years from the date after the principal amount is repaid, the penalties will be withdrawn.

As the Group had no outstanding loans receivable as at 31 December 2004 and 30 June 2005 and was not involved in any litigation proceedings in relation to uncollected loans receivable, the PRC legal advisers to the Company expect the possibility for the Group to be penalised by PBOC on its unlawful loans receivable between related companies is remote.

During the Track Record Period, the interests accrued from the Group's loans was approximately RMB7.2 million in aggregate. Although the controlling Shareholder agreed to indemnify the Group for the possible penalty, in the event that PBOC decides to penalise the Group for its loans and the controlling Shareholder does not indemnify the Group for such penalties as agreed, the penalties will be up to approximately RMB36.0 million, being five times the interests accrued from the loans which has been received by the lender. In such event, the Group's future operations, working capital and cashflow position may be adversely affected.

Net current liabilities

As at 31 December 2004 and 30 June 2005, the Group had net current liabilities of approximately RMB75.1 million and RMB29.0 million respectively. As at 31 December 2004, the Group's current liabilities were mainly comprised of short-term bank loans of approximately RMB132.9 million, amounts due to related parties of approximately RMB65.2 million and trade payables of approximately RMB41.7 million. As at 30 June 2005, the Group's current liabilities were mainly comprised of short-term bank loans of approximately RMB125.0 million, amounts due to related parties of approximately RMB54.3 million and trade and bills payables of approximately RMB83.7 million. Details of indebtedness and liquidity, financial resources and capital structure of the Group are set out in the section headed "Financial information" in this prospectus.

In the event that the Group is unable to generate sufficient cash flow from its operations to meet its operating expenditure, the operations of the Group will have to be funded by other financing activities. In the unlikely event that the Group is unable to obtain adequate financing to fund its operations, the existing operations, performance and prospects of the Group are likely to be adversely affected.

Product liability

The products developed or to be developed by the Group are important to the operations of its customers. The Group has maintained product liability insurance to cover potential claims arising from or as a result of defects of certain of its products. However, the insurance only covers the personal injuries, illness, death and the relevant financial losses caused to the customers and other third parties by the products manufactured or sold by the Group but not other pure economic losses caused to the business of the customers and other third parties. Should there be any defect or error in such products that cause damage to operations and/or business of the customers and other third parties, the Group may have to incur additional expenses either to rectify the defect or error or to indemnify the customers for any losses that the customers may suffer as a result of such defect or error. Any occurrence of product liability claims arising from defects in the Group's products may have an adverse impact on the Group's business and financial position.

As at the Latest Practicable Date, so far as the Directors are aware, no legal claim was made against any members of the Group by any customers of the Group in relation to any products and services provided by the Group. Nevertheless, there is no assurance that such claim will not be made in the future.

Environmental protection

The Group's operations are subject to environmental protection laws and regulations promulgated by both national and local environmental protection authorities of the PRC. The Directors believe that all of the Group's facilities and operations are in material compliance with requirements of the relevant environmental protection laws and regulations. However, the amendment to existing laws or regulations may impose additional or more stringent requirements. In addition, the Group's compliance with such laws or regulations may require the Group to incur significant capital expenditures or other obligations or liabilities, which could create a substantial financial burden on the Group.

RISKS FACTORS RELATING TO THE INDUSTRY

Changes in the gas equipment industry in the PRC

The competitive landscape in the gas equipment industry may change due to the emergence of new entrants in the industry or the increase in production capacity of existing competitors.

As the gas equipment industry in the PRC continues to develop, the Group has to improve its existing products, develop new technologies, enhance product quality and production capacity to maintain competitiveness. Although some of the Group's technologies are unique, they may be copied or infringed by other competitors. As such, the long-term prospects of the Group will depend to a large extent on its ability to develop new or enhanced products at competitive prices. Any failure or delay in doing so may have a significant impact on the business and prospects of the Group.

Reliance on other related industries

The production and sale of the Group's major products are largely dependent on the development of related industries. For instance, the sales of facilities used in CNG refueling stations depend on each country's restrictions on the development of the natural gas industry; CNG trailers and LNG trailers are mainly used for the transportation of natural gas and the sale of such vehicles are affected by the locations of natural gas supply and consumption. In addition, the sale of different kinds of compressors are affected by the development of relevant industries using these compressors. Although the Group's major products are used in key industries that are encouraged by the PRC Government, if changes are made to existing government policies, the Group's sales to such industries may be adversely affected.

RISK FACTORS RELATING TO THE PRC

Since substantially all of the Group's business is operated in the PRC, the profitability, financial position and prospects of the Group may be affected by the PRC's economic, political and regulatory regime.

Economic development of China and government policies

In addition to the fast growth of China's economy, the PRC Government's initiatives to promote and increase the natural gas usage 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 of natural gas and thus the widespread usage of natural gas in regions where such source of energy was generally unavailable before. The PRC Government's policy on the pricing of natural gas or other sources of energy may also have an impact on the future development of the natural gas market, which could either be favourable or unfavourable to the Group.

Should there be any adjustments made to the above-mentioned economic policies or if there is any change of market demand, the Group's businesses may be affected.

Changes in laws, regulations and policies

The PRC legal system is a civil law system. Unlike the common law system, the civil law system is based on written statutes in which decided legal cases have little precedential value.

In 1979, the PRC began to promulgate a comprehensive system of laws and has since introduced many laws and regulations to provide general guidance on economic and business practices in the PRC and to regulate foreign investment. Progress has been made in the promulgation of laws and regulations dealing with economic matters such as corporate organisation and governance, foreign investment, commerce, taxation and trade. The promulgation of new changes to existing laws and the abrogation of local regulations by national laws could have a negative impact on the business and prospects of the Group. In addition, as these laws, regulations and legal requirements are relatively recent, their interpretation and enforcement involve significant uncertainty.

In the PRC, the operation of the manufacturing business of gas equipment companies is under the supervision of a number of government ministries and departments, including NDRC and GAQSIQ. As such, the Group must comply with the relevant requirements of certain regulations, including without limitation, to Regulations for Safety Supervision of Pressure Vessels Made of Steel (《鋼製壓力容器安全監察規程》) and Regulations for Safety Supervision of Gas Cylinders (《氣瓶安全監察規程》).

The Directors believe that the reforms in the political, economic and social conditions, laws, regulations and policies of the PRC will generally have a positive effect on the Group's overall and long term development. However, there is no assurance that these reforms will not adversely affect certain aspects of the Group's business, operations and financial conditions.

Foreign exchange and currency conversion

RMB is not freely convertible into other currencies, except under certain circumstances. Since 1996, a number of rules, regulations and notices regarding foreign exchange control have been issued by the PRC Government which are designed to allow a degree of convertibility of RMB, under which foreign investment enterprises are permitted to convert RMB into foreign currencies for current account transactions (including, for example, distribution of profits and payment of dividends to foreign investors) through designated foreign exchange banks by complying with various procedural requirements. Control over the conversion of RMB into foreign currencies for capital account transactions (including, for example, direct investment, loan and investment in securities), however, is more stringent and such conversion is subject to a number of restrictions. The PRC Government may, however, at its discretion, restrict access in the future to foreign currencies for current account transactions and prohibit the Group from converting the Group's RMB sales into foreign currencies. If this were to occur, the Group might not be able to pay dividends or satisfy other foreign exchange requirements.

The value of RMB against other foreign currencies is subject to changes in the PRC's policies and international economic and political developments. Under the current unified floating exchange rate system, the conversion of RMB into foreign currencies, including HK$ and US$, has been based on rates set by the People's Bank of China, which are quoted daily based on the previous day's inter-bank foreign exchange market rates and current exchange rates on the world financial markets. Since 1994, the official exchange rates for the conversion of RMB into HK$ and US$ generally have been stable. On 21 July 2005, PBOC announced the RMB was unpegged from US$ and there would now be subject to a managed float against an unspecified basket of currencies, introducing a new level of flexibility into foreign exchange rates. Such announcement resulted in RMB appreciating against US$ and HK$ by approximately 2%. Should there be significant changes in the exchange rates of US$ against HK$ or RMB, the Group's financial condition and results of operations may be adversely affected.

Fluctuations in interest rates

Fluctuations in bank interest rates will affect the Group's investments and operations. At present, although price indices are stable, interest rates and cost of financing are relatively low in the PRC, as the Company funds part of its operation and expansion by bank borrowings, any significant increase in interest rate may have an adverse impact on the Group's business, operations and financial conditions.

China's accession to the WTO

The Group's products are superior in terms of technology and quality. Comparing with imported products, the Directors believe the Group's cost of production is lower. With China's accession to the WTO, certain tariffs will be lowered. This may lead to a reduction in the price of products produced in foreign countries. Potential investors should be aware of the risk that the price of the Group's products may not be as competitive as similar foreign products, which may affect the Group's business.

Tax exemption and reduction

The Group's operating subsidiaries, namely Enric Gas Equipment, Enric Compressor and Enric Integration, are wholly foreign owned companies and are entitled to a tax holiday permitting an initial two-year exemption from and a subsequent three-year 50% reduction of the national enterprise income tax in accordance with the PRC Income Tax Law for Enterprises with Foreign Investment and Foreign Enterprises (《中華人民共和國外商投資企業和外國企業所得稅法》) and The Detailed Implementing Rules of the PRC Income Tax Law for Enterprises with Foreign Investment and Foreign Enterprises (《中華人民共和國外商投資企業和外國企業所得稅法實施細則》) which are promulgated by the State Council in 1991. However, there is no assurance that these preferential tax treatments will continue to apply to these Group's subsidiaries with China's development in accordance with the global economy as well as its accession to the WTO. In the event of any unfavourable changes in relation to such preferential tax treatments, the Group's profitability and financial position may be adversely affected.

RISKS RELATING TO THE PLACING

Proceeds obtained from the Placing may not be sufficient to finance the entire business plan

The Group's business plans as scheduled up to the year ending 31 December 2007 are expected to be financed by the net proceeds from the Placing and Investec's investment and from internal resources and/or borrowings. If 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, a short fall of HK$17.9 million requires for implementation of the Group's business plan. Other financing activities for additional funds raising will be expected to launch not until the last 6 months in 2007. In the event that the net proceeds, internal resources and/or borrowings are insufficient to finance the business plans of the Group and that the Group is unable to raise additional funds on acceptable terms through other financing activities, the business plans of the Group may not materialise or be executed as set out in this prospectus.

Potential dilutive effect of the Pre-IPO Share Option Plan

The Company has granted options over an aggregate of 13,800,000 Shares pursuant to the Pre-IPO Share Option Plan to a total of 12 participants (including five executive Directors, five members of the senior management and two employees of the Group).

Such options are all exercisable at an exercise price equal to the Placing Price. If the above options are exercised in full, the Shares to be issued would represent 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 exercise of the Over-allotment Option or the exercise of the options which have been granted under the Pre-IPO Share Option Plan and may be granted under the Share Option Scheme). Furthermore, if such options are exercised in full, the unaudited pro forma fully diluted earnings per Share will be approximately RMB0.15 (approximately HK$0.14), the amount of which is not significantly different when compared with the unaudited pro forma fully diluted earnings per Share without the exercise of the options granted under the Pre-IPO Share Option Plan. Full particulars of the options that have been granted pursuant to the Pre-IPO Share Option Plan are set out under the section headed "Summary of the terms of Pre-IPO Share Option Plan" in Appendix VII to this prospectus.

RISKS RELATING TO THE SHARES

Risks relating to Share price fluctuations after the Listing

Although the Placing Price is determined based on several factors, the market price for the Shares is likely to vary from the Placing Price after the commencement of trading in the Shares on GEM. This could result in substantial losses for investors. The market price of the Shares may fluctuate significantly in response to a number of factors, some of which are beyond the Group's control. Some of these factors include:

- changes in financial estimates by securities analysts;
- announcements by the Group or its competitors of new products and service offerings, significant contracts, acquisitions or strategic relationships;
- additions or departures of key personnel;
- any future sales of or offer for Shares or other securities; and
- stock market price and volume fluctuation of public traded companies in general, especially those engaged in similar business providing gas equipment products.