

## STATEMENT OF BUSINESS OBJECTIVES AND STRATEGIES

### THE GROUP'S MISSION

The Group's goal is to become a top tier specialised gas equipment and integrated business solutions provider in the gas energy industry. It has in the recent years become one of the leading players in the domestic gas equipment market through manufacturing gas equipment of international standards and providing integrated business solutions in connection with the implementation of natural gas refueling stations in the gas energy industry. The Group will leverage on its expertise and established experience in the development and manufacture of high quality gas equipment to tailor-design new integrated business solutions in order to cater the changing needs in the energy sector. In particular, the Group plans to achieve and thereafter maintain, a leading position as a provider of energy equipments and integrated business solutions for use in the gas energy industry.

The Group's business strategy model involves manufacturing of high quality gas equipment employing imported technologies, applying advanced technologies and customer-oriented services. The Group provides its customers with customised integrated business solutions and comprehensive services, including without limitation, system design, the manufacture of related equipments, on-site installation, commissioning and testing, the training for the customers' staff, technical support and services in relation to management and operation of such system. In reliance of the above business strategy, the Group strive to remain a competitive provider of gas equipment and integrated business solutions domestically and in due course, achieve similar success in the global market.

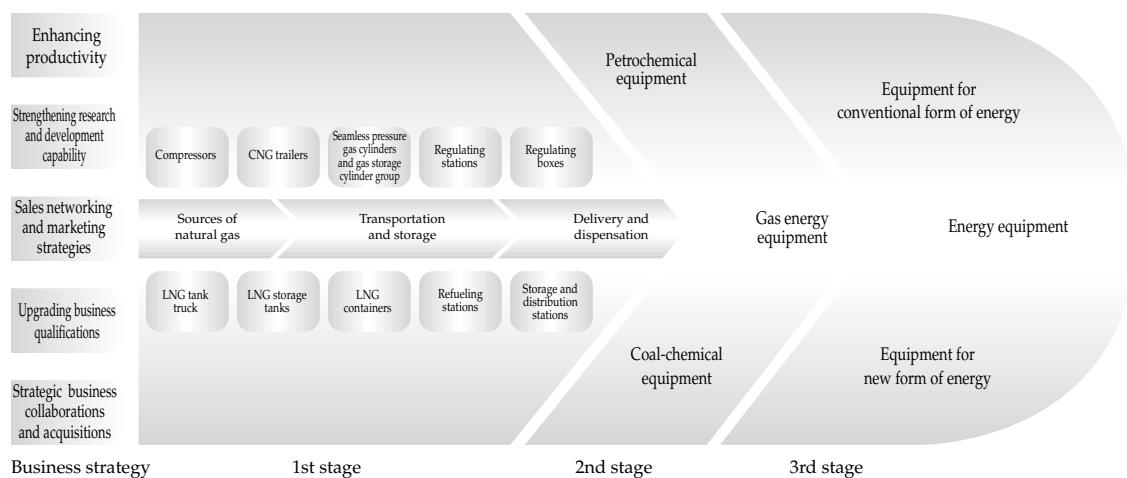
Presently, the use of natural gas is highly encouraged as an alternative source of fuel in the PRC. In view of the construction of the "West-to-East Pipeline" project (which carries natural gas deposits from Xinjiang province to the eastern provinces) and other large scale construction projects of gas infrastructure in the PRC, the continued exploration of gas fields under the sea and the purchasing of imported LNG, the Directors believe that there is significant market potential for equipment especially for the processing, storage and transportation of natural gas including gas compressors, equipments for CNG and LNG etc. at various stages along the supply chain and downstream equipment for the purpose of distribution of gas to end-users such as gas refueling stations. Due to the wide geographical spread of gas consumers and substantial investment involved in the pipeline construction, the Directors believe that the need for gas transportation and storage equipment will continue to be in demand to ensure continuous supply of gas before critical mass is attained at urban areas to justify pipeline construction. Further, as gas access become more prevalent and readily available, the Directors believe that the demand for the Group's gas refueling stations which are designed to distribute gas to end users in the vehicular sector, will experience rapid growth.

The Directors believe that the Group has established a solid experience in the gas equipment industry. With the advancement of the technologies involved and the increase in demand for CNG transportation vehicles and LNG storage and delivery facilities, the Directors believe that the Group is well positioned to enjoy significant growth in the future. Moreover, due to the recovery of chemical energy industry in the PRC, the Directors view that the increasing market demand for large size specialised compressors which is used in connection with natural gas transportation and other industries, is expected to continue.

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The PRC Government encourages the use of environmentally friendly energy. Given the energy equipment industry is directly affiliated to the energy industry, the PRC Government's favourable policy towards the energy industry would have a direct and beneficial impact on the future development of the energy equipment industry.

### OVERALL BUSINESS OBJECTIVES



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 equipment 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 etc.;
- rationalisation of production facilities and techniques; and
- purchase of more advanced and efficient equipments and facilities for production and enhancement of its quality control capability.

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### **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 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 compressors 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 of models, improve the design and the technical standard of the Group's products;
- upgrade the technologies used in hydraulic gas refueling station 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.

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### **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 the Group's overseas 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

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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.

### FUTURE BUSINESS PLAN

The Group has the following business plans for the period commencing on the Latest Practicable Date to 31 December 2007 for the purpose of achieving its business objectives and strategies. Investors should note that the following business plans and time schedules are formulated on the bases and assumptions referred to in the section headed "Bases and assumptions" in this section. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular, the risk factors set out in the section headed "Risk factors" in this prospectus. The Company's actual course of business may vary from the business objectives set out in this prospectus. Should there be any material change in the Group's business plans, the Company will make relevant announcements as stipulated in the GEM Listing Rules to inform its Shareholders.

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## IMPLEMENTATION PLAN

### Productivity enhancement

From the Latest Practicable Date to 31 December 2005	For the six months ending 30 June 2006	For the six months ending 31 December 2006	For the six months ending 30 June 2007	For the six months ending 31 December 2007
<p>1. Bengbu Facilities – construct additional factory space of, and invest in facilities for, production and inspection such as, vertical and horizontal processing centre, CNC milling machine, with an aim to improve production capacity; complete the rebuilding of the warehouse of raw materials and components</p>	<p>1. Bengbu Facilities – improve and rationalise the electricity distribution system and logistics system in the factory</p>	<p>1. Bengbu Facilities – enhance processing centre, and improve on core technologies for the equipment</p>	<p>1. Bengbu Facilities – expand factories, improve processing centre and fault detection facilities such as digital-controlled production facilities and testing platform</p>	<p>1. Bengbu Facilities – purchase additional processing equipment</p>
<p>2. Shijiazhuang Facilities – construct additional workshop space for production and improved processing of high pressure and cryogenics products</p>	<p>2. Shijiazhuang Facilities – improve on LNG vacuum flow detection system and construct additional warehouse storage facilities</p>	<p>2. Shijiazhuang Facilities – invest in traveling crane and additional fault detection facilities to enhance production capability for the Group’s LNG products</p>	<p>2. Shijiazhuang Facilities – construct factory and purchase additional equipment for production of high pressure and cryogenic products</p>	<p>2. Shijiazhuang Facilities – improve on techniques for work procedures and enhance production capacities for CNG &amp; LNG products</p>
<p>3. Langfang Facilities – purchase production equipment to raise production capability and productivity</p>	<p>3. Langfang Facilities – construct assembly workshop, research and development centre and administration facilities</p>	<p>3. Langfang Facilities – expand facilities and equipment according to products and technical needs</p>	<p>3. Langfang Facilities – construct new facilities for core products</p>	<p>3. Langfang Facilities – add processing and testing equipment</p>

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From the Latest Practicable Date to 31 December 2005	For the six months ending 30 June 2006	For the six months ending 31 December 2006	For the six months ending 30 June 2007	For the six months ending 31 December 2007
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## Research and development

<p>1. Enhance the production facilities of high pressure valves and cryogenic valves to raise the efficiency of performance</p>	<p>1. Enhance the design and techniques applied in LCNG refueling stations</p>	<p>1. Standardise the on-site installation and commissioning of integrated business solutions to increase efficiency and quality</p>	<p>1. Improve management system to improve design and manufacturing capabilities</p>	<p>1. Develop the applicability of gas turbine</p>
<p>2. Improve the design of gas pressure regulating facilities</p>	<p>2. Continue to develop compressor mother refueling station and compressor daughter refueling station</p>	<p>2. Improve the design of LNG and LCNG gas refueling station</p>		<p>2. Develop cryogenic and adiabatic gas cylinder which is used for LNG trailer</p>
<p>3. Enhance the standard of CNG products, broaden the scope of usage and breath of CNG series products</p>		<p>3. Develop information system for the operation and management of refueling stations</p>		
<p>4. Develop cryogenic liquid storage and transportation equipment production lines on own or co-operate with international enterprises</p>		<p>4. Research and develop on products for the implementation of distributed energy</p>		
<p>5. Research on the application of hydraulic gas daughter refueling station</p>				
<p>6. Continue to develop natural gas compressor with a large discharge capacity</p>				
<p>7. System design of LNG and LCNG refueling station</p>				

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From the Latest Practicable Date to 31 December 2005	For the six months ending 30 June 2006	For the six months ending 31 December 2006	For the six months ending 30 June 2007	For the six months ending 31 December 2007
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## Marketing of business

1. Promotional activities through advertising in magazines in the PRC gas or related industry	1. Expand the functions of the Group's website for e-commerce	1. Promotional activities through advertising in magazines in the PRC gas or related industry	1. Promotional activities through advertising in magazines in the PRC gas or related industry	1. Promotional activities through advertising in magazines in the PRC gas or related industry
2. Participate in exhibitions in relation to gas equipment industry in the PRC and Europe	2. Promotional activities through advertising in magazines	2. Participate in exhibitions in relation to gas equipment industry in the PRC	2. Participate in exhibitions in relation to gas equipment industry in the PRC and overseas gas equipment industry	
3. Produce video compact disc about energy equipment and integrated business solutions of the Group and other marketing and promotional materials regarding gas refueling station and environmental protection	3. Create promotional gift	3. Expand the Group's sales network domestically and establish administrative offices in America and Europe	3. Expand the functions of the Group's website for e-commerce	

## Business qualifications

1. Obtain DOT certification	1. Obtain qualifications for project design and construction	1. Obtain the necessary qualifications in accordance with the development of the Group's business and the then prevailing market condition	1. Obtain the necessary qualifications in accordance with the development of the Group's business and the then prevailing market condition	1. Obtain the necessary qualifications in accordance with the development of the Group's business and the then prevailing market condition
2. Obtain licence conversion of vehicles for carrying high pressure vessels				
3. Obtain European Union's CE certification				
4. Enric Integration to obtain ISO9000 certification				
5. Obtain manufacturing certificate for LNG container				



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### Cost of implementation of business objectives

The estimated costs of implementing the Group's business objectives as stated in this section are as follows:

	From Listing Date to 31 December 2005 <i>HK\$ (million)</i>	For the six months ending 30 June 2006 <i>HK\$ (million)</i>	For the six months ending 31 December 2006 <i>HK\$ (million)</i>	For the six months ending 30 June 2007 <i>HK\$ (million)</i>	For the six months ending 31 December 2007 <i>HK\$ (million)</i>	Total <i>HK\$ (million)</i>
Productivity enhancement	17.3	26.4	17.7	11.0	7.6	80.0
Research and development	4.2	6.4	6.4	6.4	6.4	29.8
Marketing	2.1	3.8	3.4	3.1	3.7	16.1
Business qualifications	0.8	1.3	0.6	0.6	0.6	3.9
<b>Total</b>	<b>24.4</b>	<b>37.9</b>	<b>28.1</b>	<b>21.1</b>	<b>18.3</b>	<b>129.8</b>

### BASES AND ASSUMPTIONS

The business objectives of the Group stated above are subject to the following bases and assumptions:

1. there will be no material change (whether in the PRC, Hong Kong or any other parts of the world) in the existing laws, policies or industry or regulatory treatments relating to the Group or in the political, economic or market conditions in which the Group operates;
2. the GDP growth in the PRC will remain stable and the inflation rate will be kept within an acceptable limit;
3. there will be no material change on anticipated market demand and the future growth of compressors, pressure vessels and integrated business solutions;
4. the Group will not be materially and/or adversely affected by any change in interest rates from those currently prevailing;
5. suitable personnel can be recruited and retained by the Group;
6. the Group will not be materially and/or adversely affected by any change in PRC tax system;
7. there will be no disaster, natural, political or otherwise, which would materially disrupt the business or operations of the Group or cause substantial loss, damage or destruction to its properties or facilities;

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8. the Group will not be materially affected by the risk factors set out under the section headed “Risk factors” in this prospectus; and
9. the Group can succeed in implementing its development plans.

### 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 output 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 optimisations of the design of high pressure valves and cryogenic valves to raise the 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 development of the system design of LNG and LCNG 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 market with an aim to further consolidate its position; and
- as to approximately HK\$14.4 million for general working capital of the Group.

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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 of 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 apply the additional net proceeds of approximately HK\$19.0 million for expanding and upgrading the Group's production and related facilities and research and development of new products with 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 requirement 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 this section.