安瑞科能源裝備控股有限公司

Enric Energy Equipment Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3899)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

The Board of Directors of Enric Energy Equipment Holdings Limited (the "Company", and together with its subsidiaries, the "Group") is pleased to announce the unaudited financial results of the Group for the six months ended 30 June 2007 together with the comparative figures for the corresponding period in 2006. The interim financial results are unaudited but have been reviewed by the Company's auditors, KPMG, and the Company's Audit Committee.

The condensed consolidated financial statements and notes herein are expressed in Renminbi ("RMB") unless otherwise specified.

Consolidated Income Statement

For the six months ended 30 June 2007

		Six months ended 30 June	
		2007	2006
		Unaudited	Unaudited
	Note	**RMB**	RMB
Turnover	*4*	**402,608,436**	326,744,510
Cost of sales		**(285,377,859)**	(225,532,291)
Gross profit		**117,230,577**	101,212,219
Other revenue	*5*	**3,523,824**	2,899,672
Selling expenses		**(15,570,186)**	(14,493,212)
Administrative expenses		**(34,814,950)**	(29,075,020)
Other net income/(expenses)	*6*	**75,826**	(5,827,080)
Profit from operations		**70,445,091**	54,716,579
Professional and other expenses incurred in connection with the listing of the Company's shares on the Main Board		**–**	(5,250,881)
Finance costs	*6*	**(4,808,900)**	(3,791,614)
Profit before taxation	*6*	**65,636,191**	45,674,084
Income tax	*7*	**(5,584,237)**	(3,765,733)
Profit for the period and attributable to equity shareholders of the Company		**60,051,954**	41,908,351
Earnings per share	*9*		
– Basic		**0.134**	0.094
– Diluted		**0.132**	0.092

Consolidated Balance Sheet

At 30 June 2007

	Note	**At 30 June 2007 Unaudited RMB**	At 31 December 2006 Audited RMB
Non-current assets			
Property, plant and equipment	*10*	**187,825,389**	173,563,440
Construction in progress		**49,759,348**	39,501,800
Lease prepayments		**29,555,301**	29,902,292
Intangible assets		**7,461,608**	7,801,264
Deposits for land use right		**6,112,320**	6,112,320
Deferred tax assets		**1,521,998**	1,884,384
		282,235,964	258,765,500
Current assets			
Inventories	*11*	**354,360,995**	214,786,252
Trade and bills receivable	*12*	**97,474,239**	70,471,040
Deposits, other receivables and prepayments		**46,971,484**	22,431,418
Amounts due from related parties	*19(b)(I)*	**20,322,896**	21,017,425
Cash at bank and in hand	*13*	**200,348,898**	318,721,317
		719,478,512	647,427,452
Current liabilities			
Bank loans	*14*	**198,905,642**	167,733,123
Trade and bills payable	*15*	**154,194,193**	115,198,434
Other payables and accrued expenses		**51,462,892**	86,257,047
Income tax payable		**5,710,296**	2,123,531
Amounts due to related parties	*19(b)(II)*	**11,575,445**	26,750,838
Provisions		**2,433,543**	2,605,539
		424,282,011	400,668,512
Net current assets		**295,196,501**	246,758,940
Total assets less current liabilities		**577,432,465**	505,524,440
Non current liabilities			
Deferred tax liabilities		**614,385**	–
NET ASSETS		**576,818,080**	505,524,440
CAPITAL AND RESERVES			
Share capital	*17*	**4,699,424**	4,630,080
Reserves	*17*	**572,118,656**	500,894,360
TOTAL EQUITY		**576,818,080**	505,524,440

Notes to the Unaudited Interim Financial Statements

1. Basis of preparation

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial report has been prepared in accordance with the same accounting policies adopted by Enric Energy Equipment Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") in the preparation of the financial statements for the year ended 31 December 2006. Please refer to Note 2 for the discussion of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") adopted by the Group in 2007.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

In preparing the interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2006.

The condensed consolidated financial statements and notes herein do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs and should be read in conjunction with the Group's 2006 annual financial statements.

2. New and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs, which term collectively includes all applicable individual HKFRSs, HKASs and Interpretations issued by the HKICPA, that are effective or available for early adoption for accounting periods beginning on or after 1 January 2007. The Board of Directors has determined the accounting policies to be adopted in the preparation of the Group's annual financial statements for the year ending 31 December 2007, on the basis of HKFRSs currently in issue.

The HKFRSs that will be effective or are available for voluntary early adoption in the annual financial statements for the year ending 31 December 2007 may be affected by the issue of additional interpretations or other changes announced by the HKICPA subsequent to the date of issuance of this announcement. Therefore the policies that will be applied in the Group's financial statements for that period cannot be determined with certainty at the date of issuance of this announcement.

The adoption of these new and revised HKFRSs did not result in substantial changes in the Group's accounting policies applied in these financial statements for the periods presented.

3. Segment reporting

Segment information is presented in respect of the Group's business segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting. As the Group mainly operates in the People's Republic of China ("PRC"), no geographical segment information is presented.

The business segment of the Group comprises:

(i) the design, manufacture and sale of compressors;

(ii) the design, manufacture and sale of pressure vessels; and

(iii) the provision of integrated business solutions, from the design and manufacture of gas equipment system to on-site installation.

	Six months ended 30 June 2007 (Unaudited)					Six months ended 30 June 2006 (Unaudited)				
	Compressors RMB	**Pressure vessels RMB**	**Integrated business solutions RMB**	**Inter-segment elimination RMB**	**Consolidated RMB**	Compressors RMB	Pressure vessels RMB	Integrated business solutions RMB	Inter-segment elimination RMB	Consolidated RMB
Segment revenue	**71,522,225**	**237,428,817**	**96,278,563**	**(2,621,169)**	**402,608,436**	59,378,033	192,576,475	74,842,852	(52,850)	326,744,510
Segment result	**12,830,421**	**41,961,925**	**23,825,296**	**(574,314)**	**78,043,328**	8,279,587	33,163,471	20,167,813	(22,951)	61,587,920
Unallocated operating income and expenses					**(7,598,237)**					(6,871,341)
Profit from operations					**70,445,091**					54,716,579
Professional and other expenses incurred in connection with the listing of the Company's shares on the Main Board					**–**					(5,250,881)
Finance costs					**(4,808,900)**					(3,791,614)
Taxation					**(5,584,237)**					(3,765,733)
Profit for the period					**60,051,954**					41,908,351

4. Turnover

The Group is principally engaged in the provision of integrated business solutions in the gas energy industry and the design, manufacture and sale of specialised gas equipment. Turnover represents the sales value of goods sold after allowances for returns of goods, excludes value added or other sales taxes and is after the deduction of any trade discounts.

The Group's core products are pressure vessels, compressors and integrated business solutions for gas equipment.

5. Other revenue

	Six months ended 30 June	
	2007	2006
	Unaudited	Unaudited
	RMB	RMB
Government grants *(see note (i))*	**970,000**	400,000
Other operating revenue *(see note (ii))*	**1,147,320**	375,428
Interest income from bank deposits	**1,406,504**	2,124,244
	3,523,824	2,899,672

Notes:

(i) Government grants represent incentives and subsidies given to subsidiaries by the local governments.

(ii) Other operating revenue includes mainly income earned from the sale of steel materials left-over from production.

6. Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

(i) Other net (income)/expenses

	Six months ended 30 June	
	2007	2006
	Unaudited	Unaudited
	RMB	RMB
Loss on disposal of property, plant and equipment	**3,200**	4,288,415
Charitable donations	**–**	1,540,000
Other net income	**(79,026)**	(1,335)
	(75,826)	5,827,080

(ii) *Finance costs*

	Six months ended 30 June	
	2007	2006
	Unaudited	Unaudited
	RMB	RMB
Interest on bank loans	**4,556,849**	2,652,891
Foreign exchange (gain)/loss	**(137,692)**	570,407
Finance charges	**389,743**	568,316
	4,808,900	3,791,614

(iii) *Other items*

	Six months ended 30 June	
	2007	2006
	Unaudited	Unaudited
	RMB	RMB
Depreciation of property, plant and equipment	**8,276,851**	5,251,807
Amortisation of intangible assets	**553,157**	454,430
Amortisation of lease prepayments	**346,992**	317,200
Impairment losses for other receivables	**–**	384,015
Reversal of write-down of inventories	**(24,009)**	(202,585)
Research and development expenses	**4,892,352**	2,750,420
Operating lease charges for property rental	**1,033,698**	990,613
Provision for product warranties	**2,374,012**	2,696,781
Equity-settled share-based payment expenses	**839,937**	2,930,290

7. Income tax

	Six months ended 30 June	
	2007	2006
	Unaudited	Unaudited
	RMB	RMB
Current tax – PRC	**4,607,467**	3,765,733
Deferred taxation – PRC	**976,770**	–
	5,584,237	3,765,733

No provision has been made for Hong Kong Profits Tax as the Group did not have assessable profits subject to Hong Kong Profits Tax during the period. Profits of the Company's subsidiaries in the PRC are subject to PRC income taxes.

Pursuant to the relevant laws and regulations in the PRC, certain subsidiaries in the PRC are entitled to exemption from state income tax for the first two years commencing from the year in which a taxable income is made after the offset of deductible losses incurred in prior years, and thereafter will be entitled to a 50% reduction in state income tax rate for the following three years.

Pursuant to the relevant laws and regulations in the PRC, certain subsidiaries in the PRC are either entitled to exemption from local income tax for the first five years commencing from the year in which a taxable income is made after the offset of deductible losses incurred in prior years, and thereafter will be entitled to a 50% reduction in local income tax rate for the following five years, or are fully exempted from local income tax.

During the six months ended 30 June 2007, the Company's subsidiaries in the PRC were either enjoying the aforesaid tax relief or did not have taxable income and accordingly were subject to state income tax at 0% to 15% (corresponding period in 2006: 0% to 15%).

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China ("new tax law") which will take effect on 1 January 2008. As a result of the new tax law, the statutory income tax rate currently adopted by the Company and its subsidiaries will change to 25% effective from 1 January 2008.

According to the new tax law, certain high-tech enterprises will continue to be entitled to a reduced tax rate of 15%. However, the detailed implementation rules regarding the preferential tax policies have yet to be made public. Subject to the finalisation of the abovementioned detailed implementation rules, the existing preferential tax rate currently enjoyed by the Group will be gradually transited to the new standard rate of 25% from 1 January 2008 over a five-year transitional period. As the detailed instruction for the transition to the new tax rate is yet to be issued, the Group estimated that the applicable income tax rate under the preferential tax policy will be expired at the shorter of the existing preferential tax period and the five-year transitional period. The change in the carrying amount of the deferred tax assets and liabilities, as a result of the change in tax rate, is reflected in the financial statements of the Group for the six months ended 30 June 2007.

8. Dividends

No dividend has been paid or declared by the Company during the six months ended 30 June 2007 (corresponding period in 2006: Nil).

9. Earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2007 is based on the profit attributable to ordinary equity shareholders of the Company of RMB60,051,954 (corresponding period in 2006: RMB41,908,351) and the weighted average number of 448,546,409 (corresponding period in 2006: 445,200,000) ordinary shares of the Company outstanding during the six months ended 30 June 2007.

The calculation of diluted earnings per share for the six months ended 30 June 2007 is based on the profit attributable to ordinary equity shareholders of the Company of RMB60,051,954 (corresponding period in 2006: RMB41,908,351) and the weighted average number of 456,121,914 (corresponding period in 2006: 454,013,730) ordinary shares, calculated as follows:

	Six months ended 30 June	
	2007	2006
	Unaudited	Unaudited
Weighted average number of ordinary shares used in calculating basic earnings per share	**448,546,409**	445,200,000
Effect of dilutive potential ordinary shares:		
– Share options	**7,575,505**	8,813,730
Weighted average number of ordinary shares used in calculating diluted earnings per share	**456,121,914**	454,013,730

10. Property, plant and equipment

During the six months ended 30 June 2007, the addition of property, plant and equipment (including transfer from construction in progress) of the Group amounted to RMB22,543,199 (corresponding period in 2006: RMB24,266,551). Items of property, plant and equipment with net book value totalling RMB4,399 were disposed of during the six months ended 30 June 2007 (corresponding period in 2006: RMB5,050,126), resulting in a loss on disposal of RMB3,200 (corresponding period in 2006: RMB4,288,415).

11. Inventories

	At 30 June 2007 Unaudited RMB	At 31 December 2006 Audited RMB
Raw materials	**150,020,637**	69,539,206
Goods in transit	**38,880,642**	34,970,492
Work in progress	**89,319,218**	64,219,038
Finished goods	**76,140,498**	46,057,516
	354,360,995	214,786,252

12. Trade and bills receivable

All of the trade and bills receivable (net of impairment losses for bad and doubtful debts) are expected to be recovered within one year.

An ageing analysis of trade and bills receivable (net of impairment losses for bad and doubtful debts) is as follows:

	At 30 June 2007 Unaudited RMB	At 31 December 2006 Audited RMB
Aged within 3 months	**61,569,288**	37,227,516
Aged between 3 to 6 months	**17,178,099**	8,171,579
Aged between 6 months to 1 year	**7,631,946**	19,455,599
Aged over 1 year	**11,094,906**	5,616,346
	97,474,239	70,471,040

In general, debts are due for payment upon billing. Subject to negotiation, credit terms within a range of three to twelve months are available for certain customers with well-established trading and payment records on a case-by-case basis.

13. Cash at bank and in hand

	At 30 June 2007 Unaudited RMB	At 31 December 2006 Audited RMB
Cash and cash equivalents		
– Cash in hand and demand deposits	**147,902,634**	260,786,347
– Restricted bank deposits for letters of credit and bills payable within three months of maturity	**24,346,264**	31,920,970
	172,248,898	292,707,317
Restricted bank deposits for letters of credit and bills payable with maturity of more than three months	**28,100,000**	26,014,000
	200,348,898	318,721,317

14. Bank loans

	At 30 June 2007 Unaudited RMB	At 31 December 2006 Audited RMB
Bank loans – guaranteed	**198,905,642**	167,733,123

At 30 June 2007, the bank loans were guaranteed by subsidiaries of the Company. The annual rate of interest charged on the bank loans ranged from 5.6% to 6.8% for the six months ended 30 June 2007 (corresponding period in 2006: 5.6% to 6.8%).

15. Trade and bills payable

	At 30 June 2007 Unaudited RMB	At 31 December 2006 Audited RMB
Trade creditors	**86,294,193**	75,248,434
Bills payable	**67,900,000**	39,950,000
	154,194,193	115,198,434

An ageing analysis of trade and bills payable of the Group is as follows:

	At 30 June 2007 Unaudited RMB	At 31 December 2006 Audited RMB
Due within 3 months or on demand	**134,147,500**	103,884,783
Due after 3 months but within 6 months	**20,046,693**	11,149,664
Due after 6 months but within 1 year	**–**	163,987
	154,194,193	115,198,434

All of the trade and bills payable are expected to be settled within one year.

16. Equity-settled share-based transactions

The Company adopted the Pre-GEM Listing Share Option Plan which was approved by the then sole shareholder on 26 September 2005 whereby the Company invited certain directors and employees of the Group to take up options at HKD1 consideration to subscribe for 13,800,000 ordinary shares of the Company. The exercise price of such share options was determined based on the new issue price of the Company's shares on 18 October 2005.

The Pre-GEM Listing Share Option Plan was valid from 26 September 2005 to 17 October 2005, after which no further options were granted but its provisions will remain in force until 25 September 2015 so as to give effect to the exercise of any options granted.

The movements in the number of share options pursuant to the Pre-GEM Listing Share Option Plan during the period are as follows:

			Number of share options		
Category	Date of grant	Exercisable period	outstanding at 1 January 2007	exercised during the period	outstanding at 30 June 2007
Directors	26 September 2005	18 April 2006 – 25 September 2015	5,550,000	5,550,000	–
	26 September 2005	18 October 2007 – 25 September 2015	5,550,000	–	5,550,000
Employees	26 September 2005	18 April 2006 – 25 September 2015	1,350,000	1,350,000	–
	26 September 2005	18 October 2007 – 25 September 2015	1,350,000	–	1,350,000
			13,800,000	6,900,000	6,900,000

No options were exercised during the corresponding period in 2006.

During the six months ended 30 June 2007, options were exercised to subscribe for 6,900,000 ordinary shares in the Company at a consideration of HKD10,350,000 (equivalent to RMB10,401,749) of which HKD69,000 (equivalent to RMB69,344) was credited to share capital and HKD10,281,000 (equivalent to RMB10,332,405) was credited to the share premium account. In addition, RMB3,494,926 has been transferred from the capital reserve to the share premium account.

The options outstanding at 30 June 2007 had an exercise price of HKD1.50 and a weighted average remaining contractual life of 8.2 years.

17. Capital and reserves

	Attributable to equity shareholders of the Company						
	Share capital RMB	Share premium RMB	Contributed surplus RMB	Capital reserve RMB	General reserve fund RMB	Retained profits RMB	Total RMB
At 1 January 2006	4,630,080	260,619,986	15,709,935	1,830,928	9,843,732	112,623,389	405,258,050
Equity-settled share-based transactions *(note 16)*	–	–	–	2,930,290	–	–	2,930,290
Profit for the period	–	–	–	–	–	41,908,351	41,908,351
Transfer between reserves *(i)*	–	–	–	–	5,323,937	(5,323,937)	–
At 30 June 2006	4,630,080	260,619,986	15,709,935	4,761,218	15,167,669	149,207,803	450,096,691
At 1 January 2007	4,630,080	260,619,986	15,709,935	5,593,799	21,484,479	197,486,161	505,524,440
Equity-settled share-based transactions *(note 16)*	–	–	–	839,937	–	–	839,937
Exercise of share options *(note 16)*	69,344	13,827,331	–	(3,494,926)	–	–	10,401,749
Profit for the period	–	–	–	–	–	60,051,954	60,051,954
Transfer between reserves *(i)*	–	–	–	–	6,970,109	(6,970,109)	–
At 30 June 2007	**4,699,424**	**274,447,317**	**15,709,935**	**2,938,810**	**28,454,588**	**250,568,006**	**576,818,080**

(i) *General reserve fund*

The Group's wholly owned subsidiaries in the PRC are required to transfer 10% of their net profits, as determined in accordance with PRC accounting rules and regulations, to the general reserve fund until the balance reaches 50% of the registered capital.

The general reserve fund can be used for the subsidiaries' working capital purposes and to make up for previous years' losses, if any. This fund can also be used to increase capital of the subsidiaries, if approved. This fund is non-distributable other than upon liquidation. Transfers to this fund must be made before distributing dividends to the Company.

18. Commitments

(a) Capital commitments outstanding at 30 June 2007 not provided for in this announcement were as follows:

	At 30 June 2007 Unaudited RMB	At 31 December 2006 Audited RMB
Contracted for		
– Land and buildings	**9,704,506**	28,069,180
– Investment in subsidiary	**8,000,000**	8,000,000
	17,704,506	36,069,180
Authorised but not contracted for		
– Land and buildings	**–**	536,500
	–	536,500

Beijing Enric Energy Efficiency Equipment & Technology Limited ("Enric Energy Efficiency") is a joint venture established in Beijing in the PRC by Enric Langfang Investment Limited, a subsidiary of the Company, and Beijing Huaxingkangwo Energy-Efficient Technology Development Company Limited, an independent third party. Enric Energy Efficiency obtained an approval certificate (shang wai zi jing zi [2006] No. 18055) from the People's Government of Beijing on 11 October 2006, and a provisional business licence (No. 030290) on 23 November 2006 issued by Beijing Administration of Industry and Commerce of the PRC. Enric Energy Efficiency has not carried out any business since the date of its establishment. As at 30 June 2007, the Group has not made the required capital contribution of RMB8,000,000 into Enric Energy Efficiency.

(b) At 30 June 2007, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2007 Unaudited RMB	At 31 December 2006 Audited RMB
Within 1 year	**947,944**	1,555,559
After 1 year but within 5 years	**16,800**	126,901
	964,744	1,682,460

The Group leases a number of properties and office equipment under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

19. Material related party transactions

(a) Transactions

		Six months ended 30 June	
		2007 Unaudited RMB	2006 Unaudited RMB
Sales	*(i)*	**100,213,830**	13,743,833
Purchases	*(ii)*	**1,097,528**	73,474
Rental of property and office equipment and property management fee	*(iii)*	**812,015**	742,286
Connection fee	*(iv)*	**27,164**	–
Donations	*(v)*	**–**	500,000
Other services	*(vi)*	**–**	490,000

Notes:

(i) Sales to related parties mainly represent the sale of compressors, pressure vessels and integrated business solutions for gas equipment.

(ii) Purchases from related parties mainly represent purchases of natural gas and raw materials for production.

(iii) These relate to:

- the lease of property and office equipment by the Group from Xinao Group Solar Energy Company Limited, a related party controlled by Mr. Wang Yusuo ("Mr. Wang"), who is the Chairman and an Executive Director of the Company, for a term of 3 years from 30 September 2004 to 29 September 2007, at an annual rental of RMB520,000;

- property management services provided by Langfang Xinao Property Management Company Limited, a related party controlled by Mr. Wang, to the Group for a term of 3 years from 30 September 2004 to 29 September 2007, at an annual rate of RMB180,000;

- the lease of property and office equipment by the Group from Xinao Gas Investment Group Limited, a related party in which Mr. Wang and Ms. Zhao Baoju (a Non-Executive Director of the Company) have substantial interests, for a term of 3 years from 1 February 2005 to 31 January 2008, at an annual rental of HKD455,544; and

- the lease of property and office equipment by the Group from Langfang Xinao Gas Equipment Company Limited, a related party in which Mr. Wang and Ms. Zhao Baoju have substantial interests, for a term of 2 years and 4 months from 1 November 2005 to 29 February 2008, at an annual rental of RMB466,209.

(iv) During the six months ended 30 June 2007, Shijiazhuang Xinao Gas Company Limited, a related party in which Mr. Wang and Ms. Zhao Baoju have substantive interests, provided gas connection services to the Group.

(v) This represents a charitable donation made to the Xinao Charity Fund, a non-profit making organisation of which Mr. Wang is the legal representative.

(vi) This represents services provided to the Group by Xinao Group Golden Elephant Hotel Company Limited, a related party controlled by Mr. Wang, in relation to seminars and conferences held by the Group during the six months ended 30 June 2006.

(b) *Balances with related parties*

(I) Amounts due from related parties are as follows:

		At 30 June 2007 Unaudited RMB	At 31 December 2006 Audited RMB
Trade balances	*(i)*	**20,322,896**	21,017,425

Note:

(i) This represents receivables from sales of the Group's products to related parties.

(II) Amounts due to related parties are as follows:

		At 30 June 2007 Unaudited RMB	At 31 December 2006 Audited RMB
Trade balances	*(i)*	**10,733,833**	26,190,838
Rental and property management fee payable		**841,612**	560,000
		11,575,445	26,750,838

Note:

(i) This represents receipts in advance for sale of goods and payables for purchases of raw materials.

20. Post balance sheet events

On 30 July 2007, Xinao Group International Investment Limited ("XGII") and Charm Wise Limited, a wholly-owned subsidiary of China International Marine Containers (Group) Company Limited, entered into a share transfer agreement pursuant to which Charm Wise Limited acquired, on 7 August 2007, from XGII a total of 190,703,000 shares in the Company, representing approximately 42.18% of the entire issued share capital of the Company. Since then, XGII holds approximately 9.61% of the entire issued share capital of the Company and has ceased to be the parent of the Company.

21. **Possible impact of amendments, new standards and interpretations issued but not yet effective for the annual accounting period ending 31 December 2007**

Up to the date of issue of this announcement, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the accounting period ending 31 December 2007:

	Effective for accounting periods beginning on or after
HK(IFRIC) 11, HKFRS 2 – Group and treasury share transactions	1 March 2007
HK(IFRIC) 12, Service concession agreements	1 January 2008
HKFRS 8, Operating segments	1 January 2009
HKAS 23 (Revised), Borrowing costs	1 January 2009

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations in the period of initial application and has so far concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

Management Discussion and Analysis

Business Review

The Group is a leading specialised energy equipment manufacturer and integrated business solutions ("IBS") provider in the People's Republic of China (the "PRC"). It designs, manufactures and sells specialised gas equipment including seamless pressure cylinders, compressed natural gas ("CNG") trailers, natural gas refueling station systems, liquefied natural gas ("LNG") storage tanks, LNG trailers and natural gas compressors. The Group also offers IBS, which are comprehensive services comprising the design, manufacture and sale of gas equipment system, on-site installation, staff training and after-sales services. Products and services of the Group cater to the needs of city gas operators, gas refueling station operators and specialty gas suppliers and users, and are essential for the transportation, storage and distribution of natural gas and specialty gases.

Results for the six months ended 30 June 2007

Benefited from the continuous surge in the global demand for equipment for the storage and transportation of natural gas and specialty gases, the Group experienced a robust growth for the six months ended 30 June 2007.

Net profit attributable to equity shareholders for the six months ended 30 June 2007 rose to RMB60,052,000 from RMB41,908,000 for the corresponding period in 2006, representing an increase of 43.3%. Basic and diluted earnings per share were RMB0.134 and RMB0.132 (corresponding period in 2006: RMB0.094, and RMB0.092) respectively.

Turnover of the Group during the six months ended 30 June 2007 rose by 23.2% to RMB402,608,000 from RMB326,745,000 for the same period in 2006. The Group's seamless pressure cylinders, LNG trailers and natural gas refueling station systems have been well received by the market and therefore experienced a significant growth in turnover. Turnover for the segments of pressure vessels and IBS increased by 22.8% to RMB236,460,000 and 28.5% to RMB96,208,000 respectively over the corresponding period in 2006. The segment of compressors has been revitalised and recorded a 17.9% rise in turnover to RMB69,940,000 (same period in 2006: RMB59,324,000).

Gross profit margin and profitability

The Group's gross profit margin ("GP margin") for the period increased by 0.5 percentage point to 29.1% from 28.6% for the full year of 2006 while decreased by 1.9 percentage points from 31.0% for the corresponding period in 2006.

Segment-wise, the increase in the cost of raw materials and the change in product mix within the pressure vessels segment led to a decline in the segment's GP margin to 23.3% for the first half of 2007 from 26.2% for the same period in 2006. The GP margin for the compressors segment rose slightly to 32.5% from 32.4% for the same period in 2006 mainly because of a rise in the average selling price ("ASP") for both natural gas and special-purpose compressors and further decrease in turnover of low-margin general-purpose compressors. The Group's emphasis on high-end natural gas compressors over the recent years has brought about a steady rise in the compressors segment's GP margin. In relation to the segment of IBS, a standard set of the Group's unique CNG hydraulic refueling station system comprises a hydraulic power unit ("HPU") and two refueling station trailers. Depending on the requirements of the customers for such system, the proportion between the HPU and refueling station trailers may change, which would have an effect on the GP margin of the IBS segment. During the period, the HPU to refueling station trailer ratio was 1:1.84 in comparison with 1:1.44 for the same period in 2006, thus, the GP margin of IBS was dragged down by 1.0 percentage point to 41.1% for the period.

Profit from operations expressed as a percentage of turnover rose modestly by 0.8 percentage point to 17.5% for the six months ended 30 June 2007, which is attributable to two key reasons: (1) the Group is enjoying economy of scale which is evidenced by the slower pace of increase in selling and administrative expenses in relation to turnover; and (2) loss on disposal of property, plant and equipment of RMB3,000 was recorded during the first half of 2007 whilst RMB4,288,000 was incurred in the same period in 2006 as certain old buildings and production facilities were disposed of in connection with the construction of the new plant for seamless pressure cylinders which has become operational in late 2006.

The net profit margin for the six months ended 30 June 2007 surged by 2.1 percentage points to 14.9% from 12.8% for the same period in 2006. The main reasons for such a surge are the aforementioned economy of scale and the absence of the non-recurring loss on disposal of buildings and facilities.

Operational performance

The continuing rapid growth of the PRC economy drives the huge consumption of different kinds of energy. In particular, under the 11th Five-Year Plan of the PRC government, the annual natural gas consumption in the PRC is expected to increase from 47.9 billion cubic metres ("bcm") in 2005 to 93.8 bcm in 2010, representing a compound annual growth rate of 14.4%. At the same time, the specialty gas industry in the PRC has also entered into a fast growth stage. Accordingly, demand for the Group's specialised gas equipment remained very strong in the first half of 2007. The Group's export sales recorded an impressive growth during the period as well.

During the six months ended 30 June 2007, revenue contribution from natural gas and specialty gas storage and transportation equipment increased significantly to RMB213,730,000, representing a 36.8% growth over the same period in 2006. However, the performance of the pressure vessels segment was dragged down by the decline of 37.4% in sale of low-end chemical storage and transportation equipment of RMB22,731,000 for the period (corresponding period of 2006: RMB36,313,000).

The Group successfully launched the "Series 2000 HPU" during the period, which enhances the CNG refueling capacity over the first generation HPU. The ASP of HPU accordingly increased by 21.1% to approximately RMB1,308,000 over the same period of 2006. In the fourth quarter of 2006, the Group debuted a newly-developed liquefied-compressed natural gas refueling station system to the market and sold one set of it in Guangxi. In the first half of 2007, another set was sold in Guangdong, which contributed RMB4,350,000 in revenue to the Group. Accordingly, the revenue from the IBS segment for the period recorded a remarkable growth of 28.5% to RMB96,208,000 over the same period in 2006.

Natural gas compressors are indispensable for the set up of CNG refueling stations. The Group has successfully implemented its product strategy to produce and sell high capacity natural gas compressors with higher ASP for coping with the development of the industry. The revenue from natural gas compressors for the period increased by 16.0% to RMB35,623,000 over the same period of 2006. Moreover, the revenue from special-purpose compressors recorded a strong growth to RMB24,863,000, representing a surge of 33.3% over the same period in 2006.

Export sales

In order to maintain the Group's sustainable growth, proactive expansion of export business is one of the Group's long term development strategies. During the period, the Group exported products to Brazil, Indonesia, Pakistan, Taiwan and Thailand with turnover totalling RMB45,018,000, representing an encouraging growth of 228.7% over the same period of 2006.

Domestic procurement

Previously, most of the special steel pipes for the production of seamless pressure cylinders were imported from overseas suppliers. With the continuing technological advancement in the PRC, the Group has commenced to bulk source special steel pipes from China's domestic steel suppliers since May 2007. As the domestic steel price is significantly lower than that of overseas, the Group will gradually increase the proportion of special steel pipes sourced domestically to better control its cost of production in long run.

Research and development

In anticipation of China's mounting emphasis on the importance of conservation and effective utilisation of energy, in the first half of 2007, several projects such as energy-efficient equipment, coalbed methane liquefaction system, light-weight composite cylinders and 45MPa pressure cylinders for hydrogen fuel are under development. The Group devoted RMB4,892,000 (corresponding period of 2006: RMB2,750,000) to the research and development ("R&D") of new products and manufacturing technologies.

Production capacity

During the period, the Group invested RMB33,014,000 in capital expenditure. The new production plant of seamless pressure cylinders run into operation last year triples the annual output of seamless pressure cylinders to 8,000 units, sufficient for coping with surging market demand in coming years. The expansion of IBS plant commenced in late 2006 was completed in the first half of 2007 upon which the R&D and production capacity of the Group was further strengthened.

Qualifications

All the superior manufacturing certificates and qualifications are subject to periodical review by industry bodies. The Group relies on advanced technologies and stringent manufacturing processes to obtain renewal of such industry qualifications, in turn, to secure the Group's leading position. The Group possesses qualifications from both local and international industry authorities such as the China Classification Society and the China Machinery Industry Federation ("CMIF"), the American Society of Mechanical Engineers ("ASME"), the Ministry of Commerce, Industry and Energy of Korea and the U.S. DOT as well as the ISO9001 and ISO14001 certificates. All these strengthened the Group's ability to export its products to the global market as evidenced by the encouraging growth in export during the period.

Sales and marketing

The Group's products and services have presence in over 29 provinces, autonomous regions and municipalities throughout the PRC. At 30 June 2007, the Group ran sales offices in nine cities in the PRC.

During the period, the Group officially signed a product supply agreement with Air Products and has become one of its global equipment suppliers. Other international atmospheric gases corporations such as Air Liquide has also placed orders with the Group. A number of the Group's customers are energy giants, including PetroChina, Sinopec, CNOOC, Hong Kong and China Gas, Xinao Gas, Zhengzhou Gas, Jincheng Anthracite Mining Group, Liaohe Oil Field and Shengli Oil Field.

The Group has opened Indonesia and Taiwan markets in the period for the first time. The Group has activated development plan to launch products to emerging markets such as India, the Philippines and Nigeria.

Human Resources

Competence-based training programmes and a Balanced Score Card management tool have been implemented in the first half of 2007. Significant progress has been made in enhancing employees' skills and job knowledge as well as strengthening their commitment to attaining the Group's objectives. Education and training aids are provided to motivate employees to take external training programmes for their self-improvement and career development.

At 30 June 2007, the total number of employees of the Group was approximately 1,800. During the period, the Group shared results of the growth over the past few years and increased the monthly salary and staff benefits of most of the employees of the Group by a considerable amount. There have been no material changes in respect of employee incentive and bonus policies, share option scheme and training scheme as disclosed in the Annual Report 2006.

Financial Resources Review

Liquidity and capital resources

The Group has been cautious in managing its financial resources and gearing ratio. At 30 June 2007, the Group recorded cash on hand of RMB200,349,000 (31 December 2006: RMB318,721,000) and bank loans of RMB198,906,000 (31 December 2006: RMB167,733,000). A portion of the Group's bank deposits totalling RMB28,100,000 (31 December 2006: RMB26,014,000), which have more than three months of maturity at acquisition, were restricted for securing letters of credit and bills payable. The Group has maintained sufficient cash on hand for repayment of bank loans when they fall due. The Group will continue to take a prudent approach in future development and capital expenditures.

At 30 June 2007, all bank loans of the Group were guaranteed by the Company's subsidiaries, bearing interest at rates from 5.6% to 6.8% per annum and repayable within one year. The net gearing ratio, which is calculated by dividing net debt over equity, was zero times (31 December 2006: zero times) as the Group retained a net cash balance of RMB1,443,000 at 30 June 2007 (31 December 2006: RMB150,988,000). The Group's interest coverage for the period was 15.4 times (corresponding period in 2006: 18.2 times) which demonstrates that the Group is fully capable of meeting its interest expense commitments.

In order to fulfil the sales orders on hand as of 30 June 2007, closing inventories level increased by RMB139,575,000 to RMB354,361,000 at 30 June 2007, which occupied a portion of the Group's working capital.

During the period, net cash used in operating activities amounted to RMB126,646,000 (net cash generated from operating activities during the corresponding period in 2006: RMB13,798,000). The Group drew bank loans of RMB156,331,000 (corresponding period in 2006: RMB20,000,000) and repaid RMB125,316,000 during the period (corresponding period in 2006: RMB95,000,000). During the period, share option holders exercised 6,900,000 options and accordingly 6,900,000 ordinary shares of the Company were issued to option holders in a consideration of HK$1.50 per share under the Pre-GEM Share

Option Plan. Cash proceeds of RMB10,402,000 was received (corresponding period in 2006: Nil). Apart from drawing bank loans and cash proceeds from exercising of the abovementioned share options, the Group did not engage in other forms of financing activities.

Assets and liabilities

At 30 June 2007, total assets of the Group amounted to RMB1,001,714,000 (31 December 2006: RMB906,193,000) while total liabilities was RMB424,896,000 (31 December 2006: RMB400,669,000). The net asset value rose by RMB71,294,000 to RMB576,818,000 which was mainly caused by net profit of RMB60,052,000 recorded for the period, the increase in capital reserve of RMB840,000 for the recognition of fair value of share options granted to directors and employees and cash proceeds of RMB10,402,000 generated from the exercise of share options by share option holders. As a result, the net asset value per share increased to RMB1.29 at 30 June 2007 from RMB1.14 at 31 December 2006.

Contingent liabilities

At 30 June 2007, the Group did not have any significant contingent liabilities.

Capital commitments

At 30 June 2007, the Group had contracted but not provided for capital commitments of RMB17,705,000 (31 December 2006: RMB36,069,000), and authorised but not contracted for capital commitments of nil (31 December 2006: RMB537,000). The contracted but not provided for commitments include, amongst others, RMB8,000,000 for investment in a new subsidiary and RMB9,705,000 for the expansion of production plant.

Foreign exchange exposure

The Group earns revenue and incurs cost mainly in Renminbi ("RMB") and Hong Kong dollars ("HKD"). In the PRC, RMB is subject to a managed float against a basket of unspecified currencies. Despite the exchange rate between HKD and RMB was generally stable in the past few years, the Group controls its exchange rate risks by raising funds in the denominations of its principal operating assets and revenue. Borrowings are also primarily denominated in RMB. During the period, RMB has appreciated against HKD and USD which caused aggregately an exchange gain of RMB138,000 mainly because a portion of the Group's trade finance short term borrowings are denominated in USD. Since the Group's assets and liabilities are primarily denominated in RMB and the Group earns revenue and incurs cost in RMB, the Group thus considers the impact of foreign exchange exposure on the Group to be minimal.

Future plans for material investments and expected source of funding

Currently, the Group's operating and capital expenditures are mainly financed by its internal resources such as operating cash flow and shareholders' equity, and to an extent by bank loans. The Group has sufficient sources of funding and unutilised banking facilities to meet future capital expenditure and working capital requirement.

Prospects

The rapid growth of the PRC economy is expected to continue with an estimated GDP growth of 9.5% in 2007. Realising that a sufficient and balanced energy source is the backbone of sustainable economic growth, the PRC government has identified natural gas as a green and inexpensive alternative to alleviate its pollution problems and heavy reliance on coal and oil. Natural gas has become an important energy in China. The PRC government targets to increase the proportion of natural gas in the overall primary energy consumption mix to 5.3% (or 93.8 bcm) by 2010 and 10% (or 203.7 bcm) by 2020 from the current 2.7% (or 55.6 bcm), signifying a huge development potential of the natural gas market.

Proven natural gas reserves in China reached 2.45 trillion cubic metres at the end of 2006, up 109.4% in ten years. In order to ensure a healthy and sustainable growth of the natural gas industry, the government has put great efforts in establishing a stable and reliable gas source. State-owned oil and gas giants have made significant progress in exploring new gas fields in the country. Coupled with import LNG from overseas and negotiations of piped natural gas with Russia, all are proactive measures taken by the PRC government for securing stable and sufficient natural gas supply. In view of the favourable macro-economic conditions and macro-energy policies, the Group is fully confident that the high growth will continue in the second half of 2007.

One of the PRC government's strategic energy policies is energy diversification. High oil price and the abundance of coal resource in the PRC have made coalbed methane ("CBM") an emerging energy resource in the PRC. Other than conventional gas market, the Group is also a storage and transportation equipment supplier in the emerging CBM market in the PRC, which is often transported by trucks rather than pipelines to the end users. The Group strongly believes that a substantial amount of investment will be spent on the storage, transportation and liquefaction of CBM in the forthcoming years, which will bring another long term growth opportunity to the Group.

In response to high fuel price and environmental concerns, CNG has been heavily promoted for use in vehicles, in particular, taxies and buses, in China through favourable government policies. In 2005, there were approximately 130,000 natural gas vehicles ("NGV(s)") in China. Nevertheless, the number of NGV per 1,000 Chinese citizens is merely 0.18. This reflects that room for further development of its NGV market is enormous and a stunning growth is expected. Motivated by the price edge of natural gas against gasoline, more and more gasoline-powered public vehicles in the Mainland have been converted into NGVs. It is anticipated that both NGVs and CNG refueling stations will enter into a rapid growth stage in the PRC in coming years.

In the second half of 2007, the Group will continue its commitment to broadening the overseas market with a special focus on export to the U.S. market and other emerging markets.

On 30 July 2007, the then controlling shareholder of the Company, Xinao Group International Investment Limited ("XGII") entered into a share transfer agreement (the "Agreement") with Charm Wise Limited ("CWL"), a wholly owned subsidiary of China International Marine Containers (Group) Company Limited (the "CIMC (Group)"). Pursuant to the Agreement, XGII sold, on 7 August 2007, a total of 190,703,000 shares in the Company to CWL, representing approximately 42.18% of the entire issued share capital of the Company. Since then, CWL has become the controlling shareholder of the Company. In addition to continuing the existing business of the Group, CIMC (Group) will explore other business opportunities with a view to enhance the long term growth potential of the Group.

Supplementary Information

Directors' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2007, the interests and short positions of Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Interests in Shares and Underlying Shares of the Company

Name of Director	Capacity	Interests in shares		Total interests in shares	Interests in underlying shares subject to share options	Aggregate interests in shares and underlying shares	Approximate percentage of total issued share capital
		Personal	Corporate				
Mr. Wang Yusuo ("Mr. Wang")	Interest of controlled corporation and beneficial owner	–	234,144,000 *(Note 1)*	234,144,000	2,000,000 *(Note 2)*	236,144,000	52.23%
Ms. Zhao Baoju ("Ms. Zhao")	Interest of controlled corporation and interest of spouse	–	234,144,000 *(Note 1)*	234,144,000	2,000,000 *(Note 2)*	236,144,000	52.23%
Mr. Jin Yongsheng	Beneficial owner	–	–	–	1,000,000	1,000,000	0.22%
Mr. Cai Hongqiu	Beneficial owner	–	–	–	700,000	700,000	0.15%
Mr. Zhao Xiaowen	Beneficial owner	–	–	–	500,000	500,000	0.11%
Mr. Zhou Kexing	Beneficial owner	–	–	–	500,000	500,000	0.11%
Mr. Yu Jianchao	Beneficial owner	–	–	–	500,000	500,000	0.11%
Mr. Cheong Siu Fai	Beneficial owner	–	–	–	350,000	350,000	0.08%

Notes:

1. The two references to 234,144,000 shares relate to the same block of shares held by Xinao Group International Investment Limited ("XGII"), which is beneficially owned as to 50% by Mr. Wang and 50% by Ms. Zhao, the spouse of Mr. Wang.

2. Ms. Zhao, being the spouse of Mr. Wang, is deemed to be interested in these share options which were granted by the Company to Mr. Wang.

Details of the Directors' interests in underlying shares subject to share options granted by the Company are set out under the heading "Directors' rights to acquire shares".

Interests in Shares and Underlying Shares of Associated Corporation

Name of associated corporation	Name of Director	Capacity	Interests in shares		Total interests	Shareholding percentage
			Personal	Family		
XGII	Mr. Wang	Beneficial owner and interest of spouse	500	500	1,000	100%
XGII	Ms. Zhao	Beneficial owner and interest of spouse	500	500	1,000	100%

Directors' Rights to Acquire Shares

Pursuant to the Pre-GEM Listing Share Option Plan adopted by the Company on 26 September 2005, certain Directors were granted share options to subscribe for one ordinary share in the Company for each option granted, details of which as at 30 June 2007 were as follows:

Name of Director	Date of grant	Exercisable period	Exercise price per share HKD	Number of underlying shares subject to share options	Approximate percentage of total issued share capital
Mr. Wang	26.09.2005	18.10.2007 – 25.09.2015	1.50	2,000,000 *(Note 2)*	0.44%
Mr. Jin Yongsheng	26.09.2005	18.10.2007 – 25.09.2015	1.50	1,000,000	0.22%
Mr. Cai Hongqiu	26.09.2005	18.10.2007 – 25.09.2015	1.50	700,000	0.15%
Mr. Zhao Xiaowen	26.09.2005	18.10.2007 – 25.09.2015	1.50	500,000	0.11%
Mr. Zhou Kexing	26.09.2005	18.10.2007 – 25.09.2015	1.50	500,000	0.11%
Mr. Yu Jianchao	26.09.2005	18.10.2007 – 25.09.2015	1.50	500,000	0.11%
Mr. Cheong Siu Fai	26.09.2005	18.10.2007 – 25.09.2015	1.50	350,000	0.08%

Notes:

1. Subject to certain vesting conditions as stated in the Pre-GEM Listing Share Option Plan, 50% of the options granted to any grantee become exercisable upon the expiry of six months after 18 October 2005 up to 10 years from the date of grant of the options; another 50% of the options granted to any grantee become exercisable upon the expiry of 24 months after 18 October 2005 up to 10 years from the date of grant of the options.

2. Ms. Zhao, being the spouse of Mr. Wang, is deemed to be interested in the share options which were granted by the Company to Mr. Wang.

Save as disclosed above, as at 30 June 2007, no other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations were recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2007, the interests and short positions of every person, other than Directors and chief executives of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of shareholder	Capacity	Number of shares held	Approximate percentage of total issued share capital
XGII	Beneficial owner	234,144,000	51.79%
Commonwealth Bank of Australia	Interest in controlled corporation	41,013,000	9.07%
INVESCO Hong Kong Limited	Investment manager	33,936,000	7.51%
Symbiospartners Private Equity Limited	Beneficial owner	26,016,000	5.75%

Save as disclosed above, as at 30 June 2007, (i) the register required to be kept under section 336 of the SFO recorded no other interests or short positions in the shares or underlying shares of the Company; and (ii) the Directors are not aware of any other persons or corporations who were interested in 5% or more of the voting power at general meetings of the Company and were also, as a practicable matter, able to direct or influence the management of the Company.

On 30 July 2007, XGII and Charm Wise Limited, a wholly-owned subsidiary of China International Marine Containers (Group) Company Limited, entered into a share transfer agreement pursuant to which Charm Wise Limited acquired, on 7 August 2007, from XGII a total of 190,703,000 shares in the Company, representing approximately 42.18% of the entire issued share capital of the Company. Since then, XGII holds approximately 9.61% of the entire issued share capital of the Company.

Share Options

Share Option Scheme

In connection with the listing of the Company's shares on the Main Board of the Stock Exchange, the Company adopted a share option scheme (the "Share Option Scheme") and terminated the previous share option scheme adopted on 26 September 2005 pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company on 12 July 2006. The purpose of the Share Option Scheme is to provide incentives and rewards to employees and Directors and eligible persons for their contributions to the Group. Details of the terms thereof are set out in the Annual Report 2006.

As at the date of this announcement, no options have been granted under the Share Option Scheme.

Pre-GEM Listing Share Option Plan

Pursuant to a written resolution passed by the then sole shareholder on 26 September 2005, the Company adopted a Pre-GEM Listing Share Option Plan (the "Plan"). The purpose of the Plan is to recognise the contribution of certain existing and past employees and directors of the Group to the growth of the Group. The Plan was valid from 26 September 2005 to 17 October 2005, after which no further options would be granted but its provisions remain in force until 25 September 2015 as to give effect to the exercise of the options granted. The principal terms of the Plan are set out in the Annual Report 2006.

As of the date of this announcement, all options under the Plan have been granted and accepted by the respective participants. During the six months ended 30 June 2007, movements of the options under the Plan were as follows:

				Number of share options		
Grantee	**Date of grant**	**Exercisable period**	**Exercise price per share HKD**	**outstanding at 1 January 2007**	**exercised during the period**	**outstanding at 30 June 2007**
Mr. Wang	26.09.2005	18.04.2006 – 25.09.2015	1.50	4,000,000	2,000,000 *(Note 4)*	2,000,000
Mr. Jin Yongsheng	26.09.2005	18.04.2006 – 25.09.2015	1.50	2,000,000	1,000,000 *(Note 5)*	1,000,000
Mr. Cai Hongqiu	26.09.2005	18.04.2006 – 25.09.2015	1.50	1,400,000	700,000 *(Note 5)*	700,000
Mr. Zhao Xiaowen	26.09.2005	18.04.2006 – 25.09.2015	1.50	1,000,000	500,000 *(Note 5)*	500,000
Mr. Zhou Kexing	26.09.2005	18.04.2006 – 25.09.2015	1.50	1,000,000	500,000 *(Note 5)*	500,000
Mr. Yu Jianchao	26.09.2005	18.04.2006 – 25.09.2015	1.50	1,000,000	500,000 *(Note 5)*	500,000
Mr. Cheong Siu Fai	26.09.2005	18.04.2006 – 25.09.2015	1.50	700,000	350,000 *(Note 5)*	350,000
Employees	26.09.2005	18.04.2006 – 25.09.2015	1.50	2,700,000	1,350,000 *(Note 5)*	1,350,000
				13,800,000	6,900,000	6,900,000

No share options were granted, lapsed or cancelled during the six months ended 30 June 2007.

Notes:

1. Subject to certain vesting conditions as stated in the Plan, 50% of the options granted to any grantees become exercisable upon the expiry of six months after 18 October 2005 up to 10 years from the date of grant of the options; another 50% of the options granted to any grantees become exercisable upon the expiry of 24 months after 18 October 2005 up to 10 years from the date of grant of the options.

2. The market value per share on the date of grant was not available since the Company was still a private company on the date of grant.

3. The valuation of fair value of share options granted was measured based on a binomial option pricing model. The fair value per share on the date of grant was HKD0.49.

4. The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK$4.85.

5. The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK$5.23.

Competing Interests

During the six months ended 30 June 2007, none of the Directors was interested in any business apart from the Group's business which competes or may compete with the business of the Group.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as the Company's code of conduct regarding Directors' transactions of the securities of the Company. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code in their securities transactions throughout the six months ended 30 June 2007.

Corporate Governance

Due to an unexpected business commitment, the Chairman of the Board was unable to attend the annual general meeting of the Company held on 29 May 2007 (the "AGM"). Save for the abovementioned, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2007.

In light of the leading role taken by the Chief Executive Officer of the Company (the "CEO") in executing the strategies and plans set out by the Board, the Chairman of the Board arranged for the CEO, together with the chairmen of the audit committee and other Board committees, to attend the AGM for answering shareholders' questions.

Audit Committee and other Board Committees

The Company has established an Audit Committee with written terms of reference in compliance with the Listing Rules. It has a membership comprising three Independent Non-executive Directors, namely Messrs Wong Chun Ho, Gao Zhengping and Shou Binan, among whom Mr. Wong has been appointed as the chairman. The primary duties of the Audit Committee are, amongst other things, to review and supervise over the financial reporting procedures and internal control system of the Group. The Audit Committee has reviewed and discussed with management the unaudited interim financial report for the six months ended 30 June 2007.

In addition to the Audit Committee, the Board has established a Remuneration Committee and a Nomination Committee. A majority of members of both committees are Independent Non-executive Directors. Each of the committees has its defined scope of duties and written terms of reference in compliance with the Listing Rules. Full terms of reference are available by request and on the Company's website at www.enricgroup.com.

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 June 2007, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

Directors

As at the date of this announcement, the Executive Directors are Mr. Wang Yusuo *(Chairman)*, Mr. Jin Yongsheng *(Chief Executive Officer)*, Mr. Cai Hongqiu, Mr. Zhao Xiaowen, Mr. Zhou Kexing, Mr. Yu Jianchao and Mr. Cheong Siu Fai; the Non-executive Director is Ms. Zhao Baoju; and the Independent Non-executive Directors are Mr. Wong Chun Ho, Mr. Gao Zhengping and Mr. Shou Binan.

By order of the Board
Wang Yusuo
Chairman

Hong Kong, 12 September 2007

This announcement will be published on the websites of the Stock Exchange and the Company. The Interim Report 2007 will subsequently be published on the websites of the Stock Exchange and the Company and be despatched to the shareholders of the Company.