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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

The board of directors (the "**Board**") of Enric Energy Equipment Holdings Limited (the "**Company**", and together with its subsidiaries, the "**Group**") is pleased to announce the audited financial results of the Group for the year ended 31 December 2008 together with the comparative figures for the year 2007.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Note	2008 RMB	2007 RMB
Turnover	3	**1,237,280,263**	940,991,256
Cost of sales		**(907,730,951)**	(686,513,120)
Gross profit		**329,549,312**	254,478,136
Other revenue		**12,903,177**	8,761,854
Other net (expenses)/income		**(1,230,400)**	296,264
Selling expenses		**(62,187,296)**	(42,460,347)
Administrative expenses		**(111,706,758)**	(85,188,282)
Profit from operations		**167,328,035**	135,887,625
Finance costs	4(a)	**(9,749,534)**	(11,716,448)
Profit before taxation	4	**157,578,501**	124,171,177
Income tax	5(a)	**(23,171,847)**	(5,295,118)
Profit for the year attributable to equity shareholders of the Company		**134,406,654**	118,876,059
Earnings per share	6		
– Basic		**0.293**	0.264
– Diluted		**0.293**	0.260

CONSOLIDATED BALANCE SHEET

At 31 December 2008

	Note	2008 RMB	2007 RMB
Non-current assets			
Property, plant and equipment		**226,136,331**	208,092,809
Construction in progress		**10,132,989**	15,074,608
Lease prepayments		**59,307,065**	40,705,310
Intangible assets		**8,551,942**	6,759,251
Deposits for land use right		**–**	6,112,320
Prepayments for equity investment		**17,070,063**	–
Deferred tax assets		**3,745,071**	2,195,763
		324,943,461	278,940,061
Current assets			
Inventories		**519,224,786**	276,905,649
Trade and bills receivable	8	**273,728,540**	194,116,262
Deposits, other receivables and prepayments		**77,140,195**	36,778,081
Amounts due from related parties		**2,052,942**	300,000
Cash at bank and in hand		**243,405,060**	273,875,471
		1,115,551,523	781,975,463
Current liabilities			
Bank loans		**166,803,157**	140,899,217
Trade and bills payable	9	**265,846,508**	168,618,289
Other payables and accrued expenses		**189,957,656**	85,743,772
Income tax payable		**9,330,751**	3,726,135
Amounts due to related parties		**20,072,177**	12,080,449
Provision		**4,850,717**	2,605,539
Deferred income		**–**	1,400,000
		656,860,966	415,073,401
Net current assets		**458,690,557**	366,902,062
Total assets less current liabilities		**783,634,018**	645,842,123
Non-current liabilities			
Deferred tax liabilities		**3,385,241**	–
NET ASSETS		**780,248,777**	645,842,123
CAPITAL AND RESERVES			
Share capital		**4,768,770**	4,768,770
Reserves		**775,480,007**	641,073,353
TOTAL EQUITY		**780,248,777**	645,842,123

Notes:

1. STATEMENT OF COMPLIANCE

The consolidated financial statements for the year ended 31 December 2008 comprise the Company and its subsidiaries (collectively referred to as the "Group").

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company.

The HKICPA has issued the following new Interpretations and an amendment to HKFRSs that are first effective for the current accounting period of the Group:

- HK(IFRIC) 11, *HKFRS 2 – Group and treasury share transactions*
- HK(IFRIC) 12, *Service concession arrangements*
- HK(IFRIC) 14, *HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction*
- Amendment to HKAS 39, *Financial instruments: Recognition and measurement*, and HKFRS 7, *Financial instruments: Disclosures – Reclassification of financial assets*

These HKFRS developments have had no material impact on the Group's financial statements as either they were consistent with accounting policies already adopted by the Group or they were not relevant to the Group's operations.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 10).

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3. TURNOVER AND SEGMENT INFORMATION

The Group is principally engaged in the provision of integrated business solutions ("**IBS**") 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 IBS for gas equipment.

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 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.

	Year ended 31 December 2008					Year ended 31 December 2007				
	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	179,020,558	773,050,332	292,524,511	(7,315,138)	1,237,280,263	163,152,413	539,525,330	242,262,886	(3,949,373)	940,991,256
Segment result	16,100,142	102,705,198	74,113,631	(1,278,629)	191,640,342	25,584,934	74,785,766	50,997,948	(518,665)	150,849,983
Unallocated operating income and expenses					(24,312,307)					(14,962,358)
Profit from operations					167,328,035					135,887,625
Finance costs					(9,749,534)					(11,716,448)
Taxation					(23,171,847)					(5,295,118)
Profit for the year					134,406,654					118,876,059
Depreciation and amortisation for the year	5,338,119	15,269,455	4,616,599		25,224,173	4,219,032	12,463,472	2,421,725		19,104,229
Segment assets	218,421,469	727,535,269	280,379,630	(52,387,108)	1,173,949,260	228,894,225	456,590,059	229,820,724	(21,446,949)	893,858,059
Unallocated assets					266,545,724					167,057,465
Total assets					1,440,494,984					1,060,915,524
Segment liabilities	100,663,929	265,257,595	107,363,491	(51,108,479)	422,176,536	106,456,167	118,445,314	101,275,310	(20,928,284)	305,248,507
Unallocated liabilities					238,069,671					109,824,894
Total liabilities					660,246,207					415,073,401
Capital expenditure incurred during the year	5,141,087	38,139,758	7,820,870		51,101,715	7,420,498	29,618,780	44,266,537		81,305,815

4. PROFIT BEFORE TAXATION

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

(a) Finance costs

	2008 RMB	2007 RMB
Interest on bank loans	**11,491,055**	11,169,710
Foreign exchange gain	**(2,818,810)**	(10,512)
Finance charges	**1,077,289**	557,250
	9,749,534	11,716,448

(b) Staff costs#

	2008 RMB	2007 RMB
Salaries, wages and allowances	**95,844,561**	71,356,538
Contributions to retirement schemes	**5,577,524**	5,058,819
Equity-settled share-based payment expenses	**–**	1,349,822
	101,422,085	77,765,179

(c) Other items

	2008 RMB	2007 RMB
Cost of inventories#	**907,730,951**	686,513,120
Auditors' remuneration	**2,542,604**	2,212,560
Depreciation of property, plant and equipment#	**22,579,561**	17,304,734
Amortisation of intangible assets	**1,364,277**	1,105,513
Amortisation of lease prepayments	**1,280,335**	693,982
Impairment losses for:		
– Trade receivables	**4,596,806**	1,718,169
– Other receivables	**419,558**	–
Write-back of impairment losses for trade receivables	**–**	(21,344)
Write down of inventories	**942,677**	–
Reversal of write down of inventory provision	**(763,995)**	(413,516)
Research and development costs	**20,743,596**	15,052,518
Operating lease charges for property rental	**3,197,867**	1,831,762
Provision for product warranties	**9,794,880**	6,704,427

\# Cost of inventories includes RMB47,843,071 (2007: RMB35,389,900) relating to staff costs and depreciation expenses, amount of which is also included in the respective total amounts disclosed separately above or in note 4(b) for each of these types of expenses.

5. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2008 RMB	2007 RMB
Current tax		
Provision for the year	**21,853,195**	5,606,497
Over-provision in respect of prior years	**(517,281)**	–
	21,335,914	5,606,497
Deferred tax		
Origination and reversal of temporary differences	**1,835,933**	(311,379)
	23,171,847	5,295,118

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 year. Profits of the Company's subsidiaries in the PRC are subject to PRC income taxes.

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 takes effect on 1 January 2008. As a result of the new tax law, the Company's subsidiaries in the PRC are subject to statutory income tax rate of 25% since then.

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.

According to the new tax law, the existing preferential tax rate currently enjoyed by the Group is gradually transited to the new standard rate of 25% over a five-year transitional period. The applicable income tax rate under the preferential tax policy of the Company's subsidiaries in the PRC expires at the shorter of the existing preferential tax period and the five-year transitional period.

During the year ended 31 December 2008, the Company's certain subsidiaries in the PRC were enjoying the aforesaid tax relief and accordingly the Company's subsidiaries were subject to income tax at 12.5% to 25% (2007: 0% to 15%).

In addition, according to the new tax law, PRC subsidiaries of the Company are levied the withholding tax on the dividends to their foreign investors arising from profits earned subsequent to 1 January 2008. Deferred tax liability amounting to RMB3,385,241 had been recognised in this regard.

(b) **Reconciliation between tax expense and accounting profit at applicable tax rates:**

	2008	2007
	RMB	RMB
Profit before taxation	**157,578,501**	124,171,177
Notional tax on profit before taxation, calculated at the applicable rates	**42,560,442**	28,816,583
Tax effect of tax holiday granted	**(20,676,811)**	(14,719,670)
Tax incentives granted	**(2,022,388)**	(8,955,468)
Tax effect of non-deductible expenses	**442,644**	153,673
Deferred tax charge on distributable profits withholding tax	**3,385,241**	–
Over-provision in prior years	**(517,281)**	–
Actual tax expense	**23,171,847**	5,295,118

6. EARNINGS PER SHARE

(a) **Basic earnings per share**

The calculation of basic earnings per share for the year ended 31 December 2008 is based on the profit attributable to ordinary equity shareholders of the Company of RMB134,406,654 (2007: RMB118,876,059) and the weighted average number of ordinary shares of 459,000,000 (2007: 451,059,041) in issue during the year, calculated as follows:

	2008	2007
Issued ordinary shares at 1 January	**459,000,000**	445,200,000
Effect of share options exercised	**–**	5,859,041
Weighted average number of ordinary shares at 31 December	**459,000,000**	451,059,041

(b) **Diluted earnings per share**

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB134,406,654 (2007: RMB118,876,059) and the weighted average number of ordinary shares of 459,000,000 (2007: 457,308,467), calculated as follows:

	2008	2007
Weighted average number of ordinary shares used in calculating basic earnings per share at 31 December	**459,000,000**	451,059,041
Effect of dilutive potential ordinary shares in respect of the Company's share options scheme	**–**	6,249,426
Weighted average number of ordinary shares used in calculating diluted earnings per share at 31 December	**459,000,000**	457,308,467

7. DIVIDENDS

No dividend has been paid or declared by the Company during the year ended 31 December 2008 (2007: Nil).

8. TRADE AND BILLS RECEIVABLE

	2008 RMB	2007 RMB
Trade debtors and bills receivable	**283,693,260**	199,484,176
Less: allowance for doubtful debts	**(9,964,720)**	(5,367,914)
	273,728,540	194,116,262

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

	2008 RMB	2007 RMB
Current	**122,315,582**	92,505,026
Less than 1 month past due	**39,079,826**	43,036,686
1 to 3 months past due	**43,046,037**	27,339,189
More than 3 months but less than 12 months past due	**52,058,941**	31,235,361
More than 12 months past due	**17,228,154**	–
Amounts past due	**151,412,958**	101,611,236
	273,728,540	194,116,262

Trade and bills receivable are expected to be recovered within one year. 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.

9. TRADE AND BILLS PAYABLE

	2008 RMB	2007 RMB
Trade creditors	**145,096,508**	99,118,289
Bills payable	**120,750,000**	69,500,000
	265,846,508	168,618,289

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

	2008 RMB	2007 RMB
Due within 3 months or on demand	**253,846,508**	151,118,289
Due after 3 months but within 6 months	**12,000,000**	17,500,000
	265,846,508	168,618,289

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

10. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2008

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2008 and which have not been adopted in these financial statements.

	Effective for accounting periods beginning on or after
HKFRS 8, *Operating Segments*	1 January 2009
Revised HKAS 23, *Borrowing Costs*	1 January 2009
Revised HKAS 1, *Presentation of Financial Statements*	1 January 2009
Amendments to HKFRS 2, *Share-Based Payment – Vesting Conditions and Cancellations*	1 January 2009
Revised HKFRS 3, *Business Combination*	Applied to business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009
Revised HKAS 27, *Consolidated and Separate Financial Statements*	1 July 2009
Amendments to HKAS 39, *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*	1 July 2009
HK(IFRIC) 17, *Distributions of Non-Cash Assets to Owners*	1 July 2009
HK(IFRIC) 18, *Transfers of Assets from Customers*	Effective for transfers of assets from customers received on or after 1 July 2009

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

BUSINESS REVIEW

The Group is a leading specialised energy equipment manufacturer and integrated business solutions provider in 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.

Operational performance

During the year ended 31 December 2008, revenue contribution from CNG trailers, compressed specialty gas trailers and storage cylinders increased significantly to RMB641,503,000, representing a 50.5% growth over 2007. However, the overall performance of the pressure vessels segment was dragged down by the decline of 6.3% in sale of LNG trailers and tanks of RMB51,951,000 (2007: RMB55,430,000).

The Group sold 81 sets of hydraulic power unit ("**HPU**") in the year, representing a 44.6% growth over 2007. However, the growth in sales volume was to some extent offset by a decrease in the average selling price ("**ASP**") of HPU of 5.8% which fell to approximately RMB1,223,000. In addition, the Group sold 147 CNG refueling station trailers in the year, representing an increase of 24 trailers compared with 2007. Overall, the revenue from the IBS segment for the year recorded a rise of 20.8% to RMB292,525,000 over 2007.

Compressors segment maintained a stable performance for 2008. The segment's growth is mainly attributed to the increase in turnover of special-purpose and general-purpose compressors. The number of special-purpose compressors sold rose to 165 sets (2007: 159 sets) with an increase in ASP by 7.9% to RMB435,000. General-purpose compressors turnover rose by 34.7% to RMB17,058,000. However, the segment's growth was slowed down by a slide in the sales of natural gas compressors by 4.0% to RMB69,134,000 over 2007. As a result, the compressors segment saw a slight growth of 8.2% with turnover increased to RMB174,826,000 over 2007.

Research and development

The Group devoted RMB20,744,000 (2007: RMB15,053,000) to the research and development ("**R&D**") of new products and manufacturing technologies and achieved remarkable results in the year.

The natural gas and coal-bed methane liquefaction system was successfully developed and brought to the market. The 45MPa pressure cylinders group for hydrogen fuel and a hydrogen refueling station were also developed. This station is one of the key R&D items under the 863 Program of the PRC's central government. Major projects presently under development include large-volume, light-weight composite cylinders, which made significant progress in the year.

These achievements signify the strong R&D strength of the Group, enabling it to master the pulse of market and maintain a pioneering position in the industry.

Production capacity

In 2008, the Group invested RMB51,102,000 in capital expenditure. The production plant of seamless pressure cylinders has increased to an annual output of approximately 10,000 units. For coping with future market demand, it will be further increased to approximately 12,000 units by the end of 2009.

Sales and marketing

The Group delivers its products and services to 29 provinces, autonomous regions and municipalities and runs sales offices in nine cities in the PRC.

The Group has become one of the global equipment suppliers of Air Products since 2007. A majority of products were, directly or indirectly, sold to oil and gas giants, including PetroChina, Sinopec, Petroleum Authority of Thailand, Xinao Gas, China Resources Gas and Jincheng Anthracite Mining Group, and to international atmospheric gases corporations like Air Liquide.

In order to maintain sustainable growth, proactive expansion of export business is one of the Group's long term development strategies. The Group has opened up the U.S. market in the first half of 2008 and products were also exported, directly or indirectly to Indonesia, Pakistan, Thailand, Taiwan, Vietnam, etc. with a total amounted to RMB240,740,000, representing a 240.0% boost over 2007.

Domestic procurement

Previously, most of the special steel pipes, the major raw material 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 Chinese steel suppliers since 2007.

During the year, the Group procured approximately 16,796 metric tons of special steel pipes from Chinese steel suppliers, which accounted for approximately 58.2% of total purchase of special steel pipes. As the domestic steel price is lower than that of overseas, the Group will gradually increase the proportion of sourcing Chinese special steel pipes to better control its cost of production in long run.

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 qualifications.

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. Department of Transportation ("**DOT**") as well as the ISO9000 certificate.

At present, the Group is preparing to apply for certain pressure vessels manufacturing licenses from the relevant authorities of India and Canada.

The array of qualifications has strengthened the Group's prime position over competitors and its export ability as evidenced by the encouraging growth in export during the year.

Customer service

The Group values long-standing relationship with customers. Timely delivery of after-sales service is pledged to customers across the country. Company visits are arranged regularly for local and overseas customers who are interested in gaining a better understanding of the daily operation and production processes of the Group.

During the year, the Group organised regular conferences where customers were encouraged to share their opinion on the Group's products and services.

In 2007, the Group, collaborating with the Chinese Institute of Specialty Equipment Inspection and Testing (中國特種設備檢測研究院), established its first examination centre for high pressure cylinder trailers in Changzhou. The second examination centre has been set up in Urumqi in the first half of 2008. CNG trailers and other high pressure cylinder trailers are required to pass certain safety examinations in accordance with relevant safety regulations in order to obtain special-vehicle license renewal. The centres are authorised to provide such examination services. The Group plans to establish more examination centres to optimise its after-sales service network across the PRC and expand its income stream.

Human resources

The Group bases its competitive advantage on the excellence of its people, central to which is people development. Competence-based training programmes and a balanced score card tool were carried out in the year. Education and training aids are provided to motivate employees to take external training programmes for their self-improvement and career development. Award presentations are held every year to recognise the outstanding performance of employees of the year.

As at 31 December 2008, the total number of employees of the Group was approximately 1,800. Total staff costs (including directors' emoluments and retirement benefits schemes contributions) were approximately RMB101,422,000 (2007: RMB77,765,000).

As an equal opportunity employer, the Group's remuneration and bonus policies are determined with reference to the performance, qualifications, and experience of individual employee and prevailing market rate. Other benefits include contributions to statutory mandatory provident fund scheme to employees in Hong Kong and contributions to government pension schemes to employees in Mainland China.

FINANCIAL ANALYSIS

Turnover

Due to the continuous rise in the global demand for equipment for the storage and transportation of natural gas and specialty gases, the Group experienced a robust growth during 2008. The turnover for 2008 rose by 31.5% to RMB1,237,280,000 over the previous year (2007: RMB940,991,000). The increased turnover was mainly contributed by the rise in sales of pressure vessels and provision of IBS. Pressure vessels' turnover rose by 43.3% to RMB769,929,000 (2007: RMB537,255,000), turnover of IBS was RMB292,525,000 (2007: RMB242,129,000), representing an increase of 20.8%, and compressors' turnover was RMB174,826,000 (2007: RMB161,607,000) which grew slightly by 8.2%.

Pressure vessels

As the top grossing segment of the Group, the pressure vessels segment specialises in the manufacture and sale of a wide range of pressure vessels for the storage, transportation and distribution of natural gas and specialty gases such as CNG trailers, seamless pressure cylinders, compressed specialty gas trailers, LNG trailers and LNG storage tanks. During 2008, this segment accounted for 62.2% (2007: 57.1%) of the overall turnover.

Integrated business solutions

The Group specialises in the provision of IBS to operators of gas refueling stations and city gas projects. The service covers the entire project life-cycle from design and manufacture of gas equipment system, on-site installation to staff training as well as after-sales services. During the year, this segment contributed 23.6% (2007: 25.7%) of the overall turnover and was the second top grossing segment of the Group.

Compressors

The Group builds its gas equipment business on the foundation of manufacture and sale of compressors. Natural gas compressors are key equipment for the operation of standard gas refueling stations and mother refueling stations, and are used to compress and dispense natural gas to CNG trailers and natural gas vehicles. For 2008, this segment made up 14.2% (2007: 17.2%) of the overall turnover.

Gross profit margin and profitability

The pressure vessels segment's gross profit margin ("**GP margin**") rose by 0.2 percentage point to 20.4% (2007: 20.2%) despite a rise in the cost of raw materials in the first half of 2008. The improvement in the segment's GP margin was mainly caused by an increase in the GP margin and in the sales of CNG storage and transportation products within the segment. These products managed to raise its GP margin because of the increased utilisation of domestically procured special steel pipes which are more economical than imported ones.

The GP margin for compressors segment decreased to 29.2% in 2008 from 31.8% in the previous year mainly due to a rise in the cost of raw materials.

In relation to the IBS segment, its GP margin is affected by the mix of the higher GP margin HPUs and the lower margin refueling station trailers. During the year, the HPU to refueling station trailer ratio was 1:1.82 in comparison with 1:2.20 for 2007 which means the lower margin refueling station trailers accounted for a smaller portion of the segment turnover in 2008. In addition, the GP margin for Series 2000 is better than the first generation HPU. These two factors combined to cause the IBS's segment GP margin to rise by 2.4 percentage points to 41.5% (2007: 39.1%).

In spite of the improved GP margins of both pressure vessels and IBS segments, pressure vessels, which has the lowest GP margin among the three segments, increased its proportion of the Group's overall turnover to 62.2% in the year (2007: 57.1%) , causing the Group's overall GP margin to decrease by 0.4 percentage point to 26.6% (2007: 27.0%).

Profit from operations expressed as a percentage of turnover dropped by 0.9 percentage point to 13.5% (2007: 14.4%) which is attributable to three main reasons, namely the increase in human resources costs, R&D spending and transportation costs. Firstly, the Group's total staff costs surged by 30.4% to RMB101,422,000 (2007: RMB77,765,000) due to a 34.3% increase in salary and staff related benefits that are aimed at attracting and retaining talents. Secondly, R&D spending increased by 37.8% to RMB20,744,000 (2007: RMB15,053,000) as the Group has devoted more manpower and resources in developing new products and enhancing existing products. Thirdly, transportation costs rose by 81.0% to RMB12,541,000 (2007: RMB6,928,000) due to an increase in the Group's export sales. The net profit margin for the year fell by 1.7 percentage points to 10.9% (2007: 12.6%) mainly as a result of the three abovementioned factors as well as an increase in taxation expenses by 337.6% to RMB23,172,000 (2007: RMB5,295,000).

FINANCIAL RESOURCES REVIEW

Liquidity and financial resources

At 31 December 2008, the Group recorded cash on hand of RMB243,405,000 (2007: RMB273,875,000) and bank loans of RMB166,803,000 (2007: RMB140,899,000). A portion of the Group's bank deposits totalling RMB37,134,000 (2007: RMB16,684,000), 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 as they fall due and has continued to take a prudent approach in future development and capital expenditure. Accordingly, the Group has been cautious in managing its financial resources and will constantly review and maintain an optimal gearing level.

At 31 December 2008, all bank loans of the Group were guaranteed by the Company's subsidiaries, bearing interest at rates from 5.6% to 7.5% per annum and repayable within one year. The net gearing ratio, which is calculated by dividing net debt over equity, was zero times (2007: zero times) as the Group retained a net cash balance of RMB76,602,000 (2007: RMB132,976,000). The Group's interest coverage was 14.7 times for 2008 (2007: 12.1 times) which demonstrates that the Group is fully capable of meeting its interest expense commitments.

In order to fulfill sales orders on hand as of 31 December 2008, closing inventories level increased by RMB242,319,000 to RMB519,225,000 (including inventories in-transit of RMB32,592,000), which occupied a portion of the Group's working capital. During 2008, net cash used in operating activities amounted to RMB101,000 (2007: net cash generated from operating activities RMB17,980,000). The Group drew bank loans of RMB298,577,000 (2007: RMB251,761,000) and repaid RMB270,226,000 (2007: RMB276,736,000). Apart from drawing bank loans, the Group did not engage in any other forms of financing activities in 2008.

Assets and liabilities

At 31 December 2008, total assets of the Group amounted to RMB1,440,495,000 (2007: RMB1,060,915,000) while total liabilities were RMB660,246,000 (2007: RMB415,073,000). The net asset value rose by 20.8% to RMB780,249,000 (2007: RMB645,842,000) which was attributed to the net profit of RMB134,407,000 for the year. As a result, the net asset value per share increased to RMB1.700 at 31 December 2008 from RMB1.407 at 31 December 2007.

Contingent liabilities

At 31 December 2008, the Group did not have any significant contingent liabilities.

Capital commitments

At 31 December 2008, the Group had contracted but not provided for capital commitments of RMB58,592,000 (2007: RMB4,792,000), and authorised but not contracted for capital commitments of RMB10,108,000 (2007: RMB700,000). The contracted but not provided for commitments include, amongst others, RMB10,601,000 for the expansion of the CNG production plant and RMB38,405,000 for acquisition of equity interest in Jingmen Hongtu Special Aircraft Manufacturing Co., Ltd. ("**Hongtu**", 荊門宏圖特種飛行器製造有限公司).

Foreign exchange exposure

The Group earns revenue and incurs cost mainly in renminbi ("**RMB**"). In the PRC, RMB is subject to a managed float against a basket of unspecified currencies. Despite the exchange rate of RMB had no drastic fluctuation 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 year, RMB has appreciated against Hong Kong dollar, U.S. dollar and euro which caused aggregately an exchange gain of RMB2,819,000 mainly because a portion of the Group's trade finance short term borrowings are denominated in U.S. dollar and euro. Since the Group's assets and liabilities are primarily denominated in RMB and the Group earns revenue and incurs cost mainly in RMB, the Group thus considers the impact of foreign exchange exposure on it 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 resources of funding and unutilised banking facilities to meet future capital expenditure and working capital requirement. As of 31 December 2008, the Group had total capital commitments of RMB68,700,000.

FUTURE PLANS AND STRATEGIES

In an unfavourable and uncertain business environment, customers tend to adopt an extra prudent approach in capital expenditure. The Group will continue to boost sales and attract new customers by active marketing strategies. One of the strategies is the provision of referral service for finance lease to customers. This could help relieving their financial concern when purchasing the Group's products.

The Group will, as usual, strive to broaden the overseas market with a special focus on Asia and the U.S.. Although uncertainties exist in these markets under the deepening financial crisis, the Group will continue to explore new markets and export more different kinds of products to balance business risks. Under stringent entry barrier and technological requirements, eligible players in the field are limited. Given that its products are certified by the ASME and the U.S. DOT, combined with competitive pricing strategy and good reputation, the Group enjoys a prime position in export.

The Group will maintain strong R&D capability in order to innovate new products and enhance existing ones to cater for changing market needs in a timely manner and secure its leading position in the industry. The development of large-volume, light-weight composite cylinders has made significant progress and is expected to be an unparalleled product in the market once launched.

By the end of 2008, the annual output of seamless pressure cylinders reached approximately 10,000 units. The Group plans to increase it to approximately 12,000 units in 2009 and will be more mindful of investment in capital expenditure.

On 28 August 2008, the Group entered into an equity transfer agreement with certain parties under which it agreed to acquire an aggregate of 80% of interests in Hongtu. Hongtu has established a sound record in the manufacture and sale of specialised transportation equipment, in particular, liquefied gas trucks and chemicals trucks. The Group believes it will be benefited from the synergy brought in terms of sales and marketing network, market share, manufacturing technologies and economy of scale, and have its business in liquefied gas storage and transportation equipment sector further strengthened. The acquisition is scheduled to be completed in 2009.

The Group's acquisitions of certain storage and transportation equipment companies in China and Europe from its controlling shareholder, China International Marine Containers (Group) Co., Ltd. (中國國際海運集裝箱(集團)股份有限公司), is also in progress. It wishes that, upon completion, it will be benefited from the operational economy of scales created and the cross-selling opportunities through the expanded sales networks and market segments, and be able to expand its business to different industries, such as liquid goods and chemicals, to mitigate the risks of business fluctuations.

The Group is rooted in the energy equipment industry embraced by supportive long-term policies of the PRC central government, in particular, on accelerating the use of natural gas, which is likely to provide a shelter in the current financial tsunami.

The year ahead will be full of challenges yet the roadmap objectives to become a world leading energy equipment manufacturer and integrated business solutions provider remain concrete. The Group is confident that the dedication of its staff, its solid fundamentals, a diligent approach to business, and the promising industry it is positioned at, lay a solid groundwork from which it can tackle these challenges effectively, and attain long-term growth.

CORPORATE GOVERNANCE

The Company complied with all the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange throughout the year.

The Company's corporate governance report will be set out in the soon published Annual Report 2008. Details of each of the audit committee, the remuneration committee and the nomination committee of the Company are also given in the annual report.

The audit committee has reviewed and discussed with management the annual results and the audited financial statements of the Group for the year ended 31 December 2008.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, 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 Board consists of Mr. Zhao Qingsheng (Chairman), Mr. Jin Yongsheng (Chief Executive Officer), Mr. Wu Fapei, Mr. Jin Jianlong, Mr. Yu Yuqun, Mr. Shi Caixing and Mr. Qin Gang as executive directors, Mr. Yang Yu as a non-executive director and Mr. Wong Chun Ho, Mr. Gao Zhengping and Mr. Shou Binan as independent non-executive directors.

By order of the Board
Enric Energy Equipment Holdings Limited
Zhao Qingsheng
Chairman

Hong Kong, 20 March 2009

The Annual Report 2008 will be dispatched to the shareholders and published on the websites of the Company and the Stock Exchange.