SUMMARY

This summary aims to give you an overview of the information contained in this document. As it is a summary, it does not contain all the information that may be important to you. You should read the entire document.

Some of the particular risks are set out in the section headed "Risk Factors" in this document. You should read that section carefully.

OVERVIEW

We are the largest domestic independent industrial gas supplier specializing in on-site gas supply in China in terms of total revenue as at the end of 2008, based on the research information in the SAI Report.

We produce, supply and distribute a variety of industrial gas products to our on-site and merchant customers from a number of locations in the PRC, with oxygen, nitrogen and argon being our main gas products. Our on-site customers are customers for whom we have our gas production facilities located on or in close proximity to their premises and to whom we supply industrial gases directly. We own 100% equity interest in all of our subsidiaries conducting on-site operations, except for one joint venture company with one of our on-site customers (namely, Hengyang Yingde). Our merchant customers are generally liquid gas distributors who purchase industrial gases from us on a spot market basis from time to time.

We primarily focus on on-site gas supply which generated 80.6% of our total revenue for the year ended December 31, 2008. Through our on-site gas distribution operations, which we generally own independently from our on-site customers, we design, construct, operate and maintain gas production facilities on or in close proximity to our on-site customers' production sites, and supply our on-site customers with industrial gas products, assuring the reliability and stability of our industrial gas supplies to our on-site customers. Our on-site customers are primarily iron and steel companies, which use our gas products as part of their production processes. We also supply gas products to the chemical and non-ferrous metals industries. We enter into long-term take-or-pay gas supply contracts generally with duration of 15 to 25 years with our on-site customers, which allows us to generate stable and long-term earnings. Pursuant to the terms of these take-or-pay gas supply contracts, our on-site customers undertake to purchase a specified minimum quantity of industrial gases from us throughout the contract term and they are required to pay for this minimum quantity even if their usage does not reach such minimum level.

In addition, we maintain a merchant gas distribution operation for which we have one dedicated production facility in operation located in Nanjing and two production facilities under development in Yangzhou and Zhangjiagang, all located in Jiangsu province, as at the Latest Practicable Date. Gases that are sold through our merchant operations can be applied in the electronics, glass, food, automotive and construction industries. Remaining available capacity from our on-site gas production facilities is also utilized to produce gases for selling to the merchant market, which allows us to take full advantage of our production capacity to maximize sales revenue.

We differentiate our on-site operation and merchant operation as well as the revenue generated from the respective operations in accordance with the type of customers to which we sell our gas products. In relation to the on-site operation, we generate revenue by selling our gas products to those customers with whom we have entered into long-term gas supply contracts. In relation to the merchant operation, we generally generate revenue by selling our gas products (which are produced from the remaining available capacity of our on-site production facilities as well as our dedicated merchant production facilities) to local distributors on the spot market. We also enter into gas supply contracts with a selected number of merchant customers who have a stable and regular demand for our gas products. Pursuant to such contracts, we supply gas products on a regular basis during the term of the relevant gas supply contracts. The on-site production facilities referred to in this document relate to those which we constructed after having entered into long-term gas supply contracts with industrial companies. The merchant production facilities referred to in this document relate to those which we generally operate without entering into long-term gas supply contracts with customers.

Our business is electricity-intensive. For the three years ended December 31, 2006, 2007, 2008 and the six months ended June 30, 2009, electricity expenses, being the largest component of our cost of sales, constituted approximately 83.3%, 80.1%, 86.7% and 87.5% of our total cost of sales, respectively.

We distinguish ourselves in our industry by providing customized solutions, high quality products and competitive prices to a variety of on-site customers based on their specific needs. We have successfully built our customer base to include a group of established and high quality companies consisting of several leading iron and steel companies across different regions in China. We are generally the major outsourcing on-site industrial gas supplier for the production facilities of on-site customers we serve, and our industrial gases are essential to our on-site customers' production processes. Accordingly, we enjoy entrenched relationship with our on-site customers, who we believe are reliant on us. We are frequently engaged by our on-site customers to expand existing production plants, or to construct new production facilities in order to supply additional industrial gases for their expansion needs.

Since the establishment of our first subsidiary, Hunan Yingde, in October 2001 which commenced gas supply in May 2003, we have expanded our operations across the PRC to include 20 industrial gas production facilities currently in operation and have another 12 industrial gas production facilities currently under development. Upon completion of these production facilities that are under development, we expect to increase our total installed capacity to approximately 848,800 Nm^3/hr, in terms of installed oxygen capacity, representing a 135.1% increase from our total installed capacity of 361,000 Nm^3/hr at the end of 2008.

We believe that our increasing production capacity, together with our proven track record, experienced management team, local market knowledge and focused geographic expansion, will place us in an advantageous position to capture the opportunities presented by the expected growth of the outsourcing on-site industrial gas market in China.

For the three years ended December 31, 2008, our total revenue and profit from operations grew by a CAGR of 70.6% and 65.0%, respectively. For the year ended December 31, 2008, we generated total revenue and profit from operations of approximately RMB1,411.7 million and RMB489.9 million, respectively. For the six months ended June 30, 2009, we generated total revenue and profit from operations of approximately RMB917.2 million and RMB278.0 million, respectively. For the three years ended December 31, 2006, 2007, 2008 and the six months ended June 30, 2009, our (loss)/profit attributable to the equity holders of our Company were approximately RMB(6.7) million, RMB177.0 million, RMB430.1 million and RMB232.5 million, respectively. Our (loss)/profit attributable to the equity holders of our Company has taken into account finance costs in relation to fair value adjustments and termination gain/loss relating to certain financial instruments that we issued, which amounted to a loss of RMB135.1 million, RMB38.3 million and RMB11.0 million for the two years ended December 31, 2006 and 2007 and the six months ended June 30, 2009, respectively; and a gain of RMB21.3 million for the year end December 31, 2008. Please refer to the section headed "Financial Information — Factors Affecting Comparability" in this document for further details. In addition, we have in the past relied on bank borrowings as a source of funding for the operation of our Group and our total bank loans and other loans as at December 31, 2006, 2007, 2008 and June 30, 2009 were RMB287.3 million, RMB734.5 million, RMB900.6 million and RMB1,306.9 million, respectively. Please refer to the section headed "Financial Information — Cash flow from financing activities" in this document for more details.

Our Group was connected with Torch in terms of Torch's historical shareholding in Hunan Yingde, a subsidiary of our Group, when our Group commenced business in October 2001 and certain members of our board of directors and senior management team having held non-executive or executive positions in Torch or its subsidiaries. In 2004, the Shenzhen Stock Exchange issued a public sanction on Torch for its failure to make disclosures as required under the Shenzhen Stock Exchange Listing Rules in respect of a connected transaction involving the provision of financial assistance to a connected person. In 2006, the CSRC imposed public sanctions and fines on Torch for overstating profits for the financial years of 1997, 1998 and 1999, overstating the amount of proceeds from share placement used on certain projects in 2003, failure to disclose certain guarantees provided to its related companies and failure to account for the losses of an indirect non-wholly owned subsidiary in 2003. The CSRC imposed a fine of RMB600,000 on Torch. For further information on Torch’s historical investment in our Group, the connections between certain members of our board of directors and senior management team and Torch and its subsidiaries and the public sanctions and penalties imposed on Torch and its then management by the Shenzhen Stock Exchange or the CSRC, please refer to the section headed “Our History and Reorganization” in this document.

OUR COMPETITIVE STRENGTHS

We believe that our achievements to date and potential for future growth can be attributed to a combination of our competitive strengths, including:

- Market leader in the outsourcing on-site industrial gas market in China with a proven track record;
- Well positioned to capture future growth opportunities in the outsourcing on-site industrial gas market in China;
- Customized and efficient solutions resulting in short supply lead-time;
- Entrenched relationship with high quality customers;
- Strong and predictable earnings secured by long-term gas supply contracts;
- Optimized geographic coverage and self-supporting network; and
- Strong and experienced management and engineering teams with extensive operating experience and industry knowledge.

OUR STRATEGIES

We aim to consolidate and further strengthen our position as the leading domestic independent on-site industrial gas supplier in the PRC.

In order to achieve this, we intend to pursue the following strategies:

- Capitalize on the outsourcing trend and consolidate and further strengthen our leading position in the outsourcing on-site industrial gas market in China;
- Further enhance and expand our target market through industry diversification;
- Enhance our competitive strength in providing customized, unique and efficient solutions to our customers through continuous innovation and effort; and
- Continue to attract and retain highly skilled personnel.

RISK FACTORS

There are certain risks involved in our operations. These risks can be categorized into (i) risks relating to our business; (ii) risks relating to the industrial gas supply industry in China; and (iii) risks relating to the PRC. A detailed discussion of the risk factors is set forth in the section headed "Risk Factors" in this document. The following is a list of the risk factors:

Risks Relating to Our Business

- We rely on a limited number of customers and gas products to derive the majority of our revenue.
- We are exposed to the cyclical nature of our major customers' industries and the general economic conditions of the PRC.
- The global financial markets have experienced significant deterioration and volatility since early 2008, which have had negative repercussions on the global economy and, as a result, may adversely affect our business, liquidity, financial conditions, results of operations and prospects.
- We are exposed to various risks in relation to building new production plants.
- We are subject to risks relating to the operation of our production facilities.
- The implementation of our construction and production policies and the inclusion of certain conditions precedent in our future gas supply contracts may adversely affect our Group.
- We are exposed to risks that our on-site customers may prematurely terminate or default under our gas supply contracts, fail to take delivery of our gas products in connection with our long-term gas supply contracts or may not comply with the price adjustment provisions with respect to utility costs such as electricity in connection with our long-term gas supply contracts.
- We require substantial capital to expand our business and any failure to obtain sufficient capital on acceptable terms, or at all, may adversely affect our expansion plans and growth prospects.
- We purchase our equipment and components primarily from a limited number of suppliers.
- Any interruption or instability in utility supplies may prevent us from operating our production plants.
- Utility prices may fluctuate and may impact our cost of sales.
- We rely on certain key personnel and hiring and retaining other qualified personnel to maintain our continued success.
- We generally do not have fixed price gas supply contracts with the customers of our merchant operations and the merchant market demand for and the prices of our gas products may fluctuate.
- We require various licenses and permits to commence, operate or expand our business, and the loss of or failure to obtain or renew any or all of these licenses and permits could materially adversely affect our business and expansion plans.
- We are subject to various environmental, safety and health regulations in the PRC, compliance with which may be difficult or expensive and any failure to comply with such regulations may render us subject to penalties, fines, governmental sanctions, proceedings and/or suspension or revocation of our licenses or permits to conduct our business.
- We may not be able to manage future growth.

- Our historical results were affected by the financial impact of certain financial instruments during the Track Record Period.
- We may not successfully protect our know-how.
- Some of the properties that we lease or occupy have defective or unclaimed title.
- There is no assurance that we will continue to receive the preferential tax treatment or other incentives currently enjoyed by us.
- We only have limited insurance coverage.
- We cannot assure you that any amount of dividends we declare in the future will be at a similar level to that declared and paid by us previously.
- We had net current liabilities as at December 31, 2006, 2007, 2008 and June 30, 2009.

Risks Relating to the Industrial Gas Supply Industry in China

- We face competition from both domestic and international companies, which may affect our market share and profit margins.
- Any regulatory change to the industrial gas supply industry in the PRC may affect our business and our results of operations.

Risks Relating to the PRC

- Political and economic policies of the PRC government may affect our business and results of operations and may result in our inability to sustain our growth and expansion plans.
- Government control of currency conversion and future movements in foreign exchange rates may adversely affect our financial condition and results of operations, and our ability to remit dividends.
- PRC regulations of investment and loans by offshore holding companies to PRC entities may delay or prevent our Company from making additional capital contributions or loans to members of our Group.
- The legal system of the PRC is not fully developed, and there are inherent uncertainties which may affect the protection afforded to our business and our shareholders.
- Failure to comply with the State Administration of Foreign Exchange regulations relating to the establishment of offshore special purpose companies by PRC residents may adversely affect our business operations.
- It may be difficult to effect service of process upon, or to enforce judgments against, us, our directors or our senior management members who reside in the PRC, in connection with judgments obtained in non-PRC courts.
- The outbreak of any severe contagious diseases in the PRC, if uncontrolled, could adversely affect our business and results of operations.
- We may be deemed to be a Chinese resident enterprise under the new PRC Enterprise Income Tax Law and be subject to the PRC taxation on our worldwide income, which may significantly increase our income tax expenses and materially decrease our profitability or otherwise adversely affect the value of investment.
- We rely principally on dividends paid by our subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to pay dividends to us could have a material adverse effect on our ability to conduct our business.

SUMMARY OF HISTORICAL COMBINED FINANCIAL INFORMATION

The following tables set forth a summary data of our combined statements of comprehensive income, combined balance sheets and combined cash flow statements for the periods presented derived from the Accountants' Report in Appendix I to this document.

Summary Data of Combined Statements of Comprehensive Income

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 unaudited	RMB'000
Turnover	485,054	783,717	1,411,713	619,960	917,163
Cost of sales	(256,566)	(464,166)	(828,156)	(351,722)	(586,072)
Gross profit	**228,488**	**319,551**	**583,557**	**268,238**	**331,091**
Other revenue	1,037	987	1,352	499	208
Selling expenses	(8,909)	(9,933)	(15,088)	(7,727)	(7,834)
Administrative expenses	(40,718)	(58,603)	(79,946)	(25,739)	(45,448)
Profit from operations	**179,898**	**252,002**	**489,875**	**235,271**	**278,017**
Finance income	5,307	27,899	36,469	12,979	2,771
Finance costs	(161,201)	(95,963)	(58,492)	(26,563)	(44,030)
Profit before taxation	**24,004**	**183,938**	**467,852**	**221,687**	**236,758**
Income tax	—	(8,055)	(39,192)	(21,489)	(4,234)
Profit and total comprehensive income for the year/period	**24,004**	**175,883**	**428,660**	**200,198**	**232,524**
Attributable to:					
Equity holders of our Company	(6,729)	177,049	430,133	200,721	232,487
Minority interests	30,733	(1,166)	(1,473)	(523)	37

Summary Data of Combined Balance Sheets

	As at December 31, 2006	As at December 31, 2007	As at December 31, 2008	As at June 30, 2009
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment, net	611,025	1,123,091	1,751,968	2,176,570
Construction in progress	14,948	291,874	488,655	391,293
Other non-current assets	103,787	123,410	174,986	119,012
Total non-current assets	**729,760**	**1,538,375**	**2,415,609**	**2,686,875**
Current assets				
Trade and other receivables	82,089	167,786	126,676	284,463
Pledged bank deposits	37,652	154,530	227,422	231,546
Cash and cash equivalents	119,347	169,562	28,463	232,824
Other current assets	5,564	14,914	11,648	18,925
Total current assets	**244,652**	**506,792**	**394,209**	**767,758**
Current Liabilities				
Bank and other loans	157,334	316,754	500,262	560,115
Trade and other payables	117,031	317,092	572,710	515,064
Convertible Loans and Convertible Redeemable Preferred Shares	223,981	161,668	141,224	156,500
Dividends payable	26,930	—	—	—
Other current liabilities	4,740	5,822	10,020	15,307
Total current liabilities	**530,016**	**801,336**	**1,224,216**	**1,246,986**
Net current liabilities	**(285,364)**	**(294,544)**	**(830,007)**	**(479,228)**
Total assets less current liabilities	**444,396**	**1,243,831**	**1,585,602**	**2,207,647**
Non-current liabilities				
Bank and other loans	130,000	417,760	400,350	746,780
Obligations under finance lease	30,477	29,952	29,385	30,515
Deferred tax liabilities	—	—	10,991	16,952
Total non-current liabilities	**160,477**	**447,712**	**440,726**	**794,247**
Net assets	**283,919**	**796,119**	**1,144,876**	**1,413,400**
Total equity attributable to equity holders of the Company	**269,533**	**782,899**	**1,133,129**	**1,365,616**
Minority interests	**14,386**	**13,220**	**11,747**	**47,784**
Total equity	**283,919**	**796,119**	**1,144,876**	**1,413,400**

Summary Data of Combined Cash Flow Statements

	Year ended December 31, 2006	Year ended December 31, 2007	Year ended December 31, 2008	Six months ended June 30, 2008	Six months ended June 30, 2009
	RMB'000	RMB'000	RMB'000	RMB'000 unaudited	RMB'000
Net cash generated from operating activities	182,182	214,503	513,801	264,546	185,813
Net cash used in investing activities	(416,868)	(815,043)	(741,011)	(370,475)	(384,968)
Net cash generated from financing activities	334,090	651,499	86,122	15,562	403,590
Net increase/(decrease) in cash and cash equivalents	99,404	50,959	(141,088)	(90,367)	204,435
Cash and cash equivalents at beginning of year/period	20,095	119,347	169,562	169,562	28,463
Effect of foreign exchange rate changes	(152)	(744)	(11)	(77)	(74)
Cash and cash equivalents at end of year/period	119,347	169,562	28,463	79,118	232,824

DIVIDEND POLICY

Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Companies Law, including the approval of our shareholders. Our future declaration and payment of dividends may or may not reflect our historical declaration and payment of dividends and will be at the absolute discretion of the board of our Company.

During the year ended December 31, 2008, dividends were declared and paid by Yingde BVI to its then shareholders in the amount of RMB79.9 million which were fully settled in April 2008. You should note that our historical dividend distributions are not indicative of our future dividend policy.

Future dividend payments will also depend upon the availability of dividends received from our subsidiaries in China. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require foreign-invested enterprises, such as all of our subsidiaries in China, to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

PROFIT FORECAST FOR THE YEAR ENDING DECEMBER 31, 2009

Forecast combined profit attributable to the equity holders of our Company(1)	not less than RMB450 million	(Approximately HK$511 million)

Notes:

(1) The bases and assumptions on which the above profit forecast for the year ending December 31, 2009 has been prepared are set out in Appendix III.