In addition to other information in this document, you should carefully consider the following risk factors. If any of the possible events described below occur, our business, financial condition or results of operations could be materially and adversely affected.

RISKS RELATING TO OUR BUSINESS

We rely on a limited number of customers and gas products to derive the majority of our revenue.

We currently generate substantially all of our revenue from a limited number of customers, all of which are located in the PRC. Our five largest customers, all of which were our on-site customers, together accounted for approximately 82.1%, 65.3%, 62.8% and 66.9% of our total revenue for the three years ended December 31, 2006, 2007, 2008 and the six months ended June 30, 2009, respectively. For the same periods, our single largest customer accounted for approximately 21.9%, 15.1%, 21.5% and 24.3% of our total revenue, respectively. We further generate substantially all of our revenue from a limited number of gas products, namely, oxygen, nitrogen and argon. We anticipate that the revenue generated by these major customers in the PRC and these limited number of gas products will continue to represent a substantial proportion of our total revenue in the near future. Any significant decline in the business and financial conditions of our major customers, the industries in which our major customers operate or the PRC economy in general, could adversely affect these customers' ability to satisfy their obligations under the take-or-pay gas supply contracts they have entered into with us. This in turn could have a material adverse effect on our business, results of operations and financial condition.

We are exposed to the cyclical nature of our major customers' industries and the general economic conditions of the PRC.

We produce, supply and sell our gas products in the PRC to customers operating in a limited number of industries, primarily the iron and steel industries. These industries are cyclical in nature. The PRC economy has experienced significant growth in the past decade and such growth has contributed to, but may not necessarily be sufficient to sustain, an increase in demand for these products. A period of increased demand, which has caused the price of those products and the profit margins of our customers to increase, may be followed by a period of excess supply, causing prices and margins to decline. As most of our customers are primarily engaged in industries that are cyclical in nature, our results of operations are influenced by market cycles, cyclical volatility and the general economic conditions in the markets in which our customers operate. In addition, since late 2003, the PRC government has implemented certain measures to prevent the economy from overheating, which has had an adverse impact on the industries that supply capital goods, such as the iron and steel industries. In addition, the current major economic downturn precipitated by the global financial crisis beginning in early 2008 has had an adverse impact on the global economy, including the PRC economy and more specifically, the iron and steel industries in China. We expect that any continued slowdown in the PRC economy generally would result in reduced demand for capital goods, such as iron and steel and in turn the demand of these industries for our products, which would have an adverse effect on our business and results of operations.

As all of our operations are in the PRC, economic developments in the PRC have a significant impact on our customers and potential customers, and thus on the demand for our gas products. In addition, if our customers experience a period of declining demand in their major markets, our revenue may also decline. Furthermore, the effects of such developments may be amplified by the fact that our competitors and we cannot easily reduce excess production capacity and associated costs, or otherwise adapt to reductions in demand.

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.

Since early 2008, the global financial markets have been affected by a general slowdown of economic growth both in the United States and globally, substantial volatility in equity securities markets, and volatility and tightening of liquidity in credit markets. While it is difficult to predict how long these conditions will exist and the extent to which we may be affected, these developments could continue to present risks to our business operations for an extended period of time, including a potential slowdown in our gas supplies to customers, increase in interest expenses on our bank borrowings, or reduction in the amount of banking facilities currently available to us. The availability of credit to entities, such as ourselves, operating within emerging markets, is significantly influenced by levels of investor confidence in such markets as a whole and any factors that may impact market confidence (for example, a decrease in credit ratings or state or central bank intervention in a market) could affect the costs or availability of funding for entities including ourselves. These challenging market conditions have resulted in reduced liquidity, widening of credit spreads, lack of price transparency in credit markets, a reduction in available financing and a tightening of credit terms. It is difficult to predict how long these conditions will exist and the extent to which we may be affected. If this economic downturn continues or there are prolonged disruptions to the credit markets, this could limit our ability to borrow funds from our current or other funding sources or cause our continued access to funds to become more expensive, which would materially and adversely affect our business, liquidity, results of operations, financial conditions, results of operations and prospects. During the year ended December 31, 2008, we understand that one of our merchant customers was affected by the recent financial crisis and was consequently unable to settle amounts owed to us in respect of purchases of gas products on a timely basis. In addition, some of our customers have not been settling our trade receivables within the same time periods as they did previously. We consider that the continuation of the impact of the financial crisis may affect our other customers and as a result, may increase our credit risk and counterparty risk.

We are exposed to various risks in relation to building new production plants.

We face various execution risks in relation to building new production plants to satisfy our on-site customers' requirements. Our ability to build new production plants and commence supplies to our on-site customers in a timely manner may be adversely affected by factors such as the lack of available capital and funding, equipment and components, utilities, qualified personnel, unexpected technical problems, unforeseen developments at our construction sites, and issues in connection with construction subcontractors and other logistical difficulties. Our failure to construct new production plants or commence gas supplies to our on-site customers in a timely manner may expose us to actions for breach of contract and could cause damage to our reputation.

In addition, we may not be able to achieve our new investment plans as projected or at all due to any downturn in the general economic environment, that may affect China, our on-site customers and/or us or any unforeseen legal impediments, such as failure to obtain the required regulatory approvals. Each of these factors could have a material adverse effect on our business, financial condition and results of operations.

If we are unable to invest sufficiently in the expansion and modernization of our existing production capacities or in the creation of new production capacities, our ability to deliver our gas products in the quantity and quality demanded by our customers could be adversely affected, which in turn could materially weaken our competitive position and have a material adverse effect on our results of operations.

We are subject to risks relating to the operation of our production facilities.

In gas production plants such as the ones we own and operate, the risk of operational breakdowns cannot be excluded even if high technical and safety standards for the construction, operation and maintenance of such production facilities are met. Although most of our on-site production plants store back-up gas supplies to ensure that we can continue to supply to our customers in the event of unforeseen interruptions to production, the emergency storage capacity at each facility is limited. Any interruption in, or prolonged suspension of any part of production at, or any damage to or destruction of any of our production facilities arising from unexpected or catastrophic events may prevent us from supplying gas products to our customers, resulting in a material adverse impact on our results of operations and financial condition. If there is a prolonged interruption to production at any of our production plants, we may be required to source gas from our unaffected production plants or from external gas suppliers in order to continue to supply industrial gas products to our customers, which may lead to additional costs or delays and alternative sources may not be readily available.

Operation breakdowns can result from external factors beyond our control, such as natural disasters (including but not limited to flooding, cyclone, typhoon, earthquake, blizzard and snow storm), terrorism or other third-party interference, but may also be caused by accidents occurring during the operating process, including faulty construction and operator error, and can, in particular, lead to fire, explosions or the release of toxic or harmful substances. The same applies to our transportation vehicles, some of which are filled at high pressure or with explosive, highly toxic or highly inflammable substances. In all these cases, there is also a risk of injury or damage to persons, the property of others or the environment, which in turn can lead to considerable financial costs and may also have legal consequences.

Any breakdown or suspension of production or failure to supply our gas products to our customers in a timely manner according to the provisions of our gas supply contracts may result in breach of contract, and loss of revenue, as well as expose us to liability and the requirement to pay compensation under the relevant gas supply contracts, lawsuits and damage to our reputation, which could have a material adverse effect on our business, financial condition and results of operations. During the Track Record Period, we have not experienced any breakdown, serious injury or damage during our production process nor any failure to supply our gas products to our customers in a timely manner which have had a material and adverse effect on our operation.

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.

There may be a possible slowdown in our Group's growth and supply lead-time after the implementation of certain internal compliance guidelines. This includes our construction and production policies, and the inclusion of certain conditions precedent in our future gas supply contracts requiring on-site customers to provide proof of proper title to land and requiring on-site customers to provide all reasonable assistance to our Group to obtain the necessary construction planning permits and the construction permits. Compliance with our construction and production policies and satisfaction of conditions precedents in our future gas supply contracts may require time, and any delay in the commencement of operation of our production facilities may adversely affect our financial condition and results of operations.

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 generally enter into long-term take-or-pay gas supply contracts with our major on-site customers. However, if our major on-site customers terminate the gas supply contracts prior to the expiry of the agreed contractual term, become insolvent or otherwise default on payments under such contracts, fail to take delivery of our gas products in accordance with our long-term gas supply contracts or fail to comply with the price adjustment provisions in the gas supply contracts with respect to utility costs such as electricity, our expenditure for the construction, start-up and operation of the production plants may not be fully or partially recovered during the actual period of operations (as opposed to the planned period of long-term gas supply to the on-site customers). Our failure to make these expenditures economically viable could result in a loss of our investment, and have a material adverse effect on our business, financial condition and results of operations. During the Track Record Period, our Group has not experienced any premature termination of our gas supply contracts by our on-site customers.

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.

The industrial gas industry in which we operate is generally capital-intensive. We require significant capital to build our production plants and operating facilities and to purchase production equipment, develop new products and develop and implement new technologies. We incur a substantial portion of our capital expenditures in advance of any revenue to be generated by new or upgraded production facilities or technology. Our capital expenditures have increased as a result of our further upgrade of production facilities and expansion of our operations and we plan to continue such investments, which has increased, and will continue to increase, our funding needs.

Under most of our gas supply contracts, we are required to finance the construction of new production plants, purchase of equipment and/or performance of engineering maintenance before we receive progress payments from our customers. We therefore have significant capital expenditure and working capital requirements.

To the extent that our funding requirements exceed our financial resources, we will be required to seek additional financing or to defer planned expenditures. In the past, we have financed our working capital and capital expenditures through a combination of sources, including cash flow from our operations and bank and other borrowings. If we are unable to obtain financing in a timely manner, at a reasonable cost or on reasonable terms, our expansion plans or completion of new production facilities may be delayed, our proposed or potential projects may be hindered, and our growth, competitive position, financial position and results of operations may be adversely affected.

We purchase our equipment and components primarily from a limited number of suppliers.

Our main equipment and supporting equipment including parts, sub-assemblies, components and technical modules that we need for production are purchased from a limited number of international and domestic suppliers. We have three main equipment and component suppliers with respect to each of our major equipment and component supplies during the Track Record Period. Late or interrupted deliveries of essential equipment or parts may cause delays in the commencement of production or the supply of our gas products to our customers. This may result in delayed production or supply or additional time and costs to find alternative sources of supplies, which may adversely affect our business, financial position and results of operations. Our directors are of the view that there are alternative supply sources for each of the major equipment and components used by our Group and the prices charged by such alternative equipment and component supply sources are to a certain extent similar to the prices of our existing equipment and component suppliers.

Any interruption or instability in utility supplies may prevent us from operating our production plants.

Our production process requires a stable supply of utilities, such as electricity and water in large quantities. Our entire production process must stop if there is insufficient utility supplies or suspension of such supplies. Our Group does not have contingent back-up electricity measures.

Although we have not experienced any major shortage of utility supplies since we commenced business, there is no assurance that we can secure the level of utility supplies that we require in the future. Any interruption or instability in utility supplies will not only increase our costs of production, and adversely affect our financial condition and results of operations, but will also prevent us from producing and delivering our gas products to our customers as scheduled and may result in breach of contract, contractual damages and damage to our reputation.

Utility prices may fluctuate and may impact our cost of sales.

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. Our electricity prices and fuel costs may increase as our on-site customers may be required to increase the price of electricity they supply to us due to the increase in electricity prices effected by the PRC government. While we may experience increased electricity prices, most of our gas supply contracts allow us to mitigate the effects of such increases as we are generally entitled to make corresponding adjustments to the selling prices of our industrial gases by taking into account the fluctuations in electricity prices. As a result, we are able to fully cover the increase in utility prices from our on-site customers in accordance with our gas supply contracts. Some of our production plants experienced changes in electricity prices during the three years ended December 31, 2006, 2007 and 2008, for example: (i) in May 2006 the electricity price charged to Shaanxi Yingde decreased by approximately 64.7%; (ii) in July 2006 the electricity price charged to Zhuhai Yingde increased by approximately 13.5%; (iii) in February 2007 the electricity price charged to Jiangsu Yingde increased by 34.1%; and (iv) in July 2008 the electricity price charged to Jiangsu Yingde increased by approximately 9.1%. On each of these occasions, we made corresponding adjustments to the price of the gas products we supply to the relevant on-site customers to take into account the changes in electricity prices. We are also able to adjust the price of gas products for our merchant customers to factor in any increase in electricity or fuel costs as those sales are made at the market prices. If, however, we are not able to increase the prices we charge our on-site customers for any increase in electricity prices, or if we are unable to pass on the increase in electricity costs to our merchant customers, our results of operations may be adversely affected.

We rely on certain key personnel and hiring and retaining other qualified personnel to maintain our continued success.

The success of our business is, to a considerable extent, dependent on the services of Mr. Zhongguo Sun, Mr. Zhao Xiangti, Mr. Yang Yonggang, Mr. Trevor Raymond Strutt and other members of our senior management. Mr. Sun, Mr. Zhao, Mr. Yang and Mr. Strutt together with other members of our senior management, have been responsible for the development and business of our Company and have been the key drivers of our strategy and achievements to date. The loss of the services of any key member of our senior management or failure to recruit a suitable or comparable replacement could have a significant impact upon our ability to manage our business effectively and as a result, our business and future growth may be adversely affected.

Our future success is further dependent upon our continued ability to attract and retain key qualified personnel, who have the necessary experience and expertise. Competition for qualified personnel is intense in the PRC and we have from time to time experienced difficulties in recruiting suitable personnel. If we cannot recruit and retain the required qualified employees, our capabilities may be limited, which could reduce our profitability and limit our ability to grow.

We generally do not have fixed price gas supply contracts with the customers of our merchant operations and therefore the merchant market demand for, and the prices of our gas products, may fluctuate.

We generally do not have fixed price gas supply contracts with the customers of our merchant operations. Therefore, our industrial gas products for our merchant operations are generally sold at the market prices for any particular industrial gas product. Therefore, any decrease in the market prices for a particular industrial gas product that we sell will result in a decrease in the revenue generated by our merchant operations and hence, adversely affect the results of our operations.

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.

In accordance with applicable PRC laws and regulations, we are required to obtain and maintain various licenses and permits in order to commence and operate our business at each of our production facilities in the PRC including, without limitation, safe production permits issued by the State Administration of Work Safety or its local counterparts, and production permits for industrial products issued by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC or its local counterparts. We are required to comply with the applicable production safety standards in relation to our production processes. Our production plants and facilities are subject to inspections by the regulatory authorities for compliance with the Work Safety Law of the PRC. Failure to pass these inspections, or the revocation of or failure to obtain or renew our licenses and permits, could cause us temporarily or permanently to suspend some or all of our production activities, which could disrupt our operations and adversely affect our business.

Based on the opinion of our PRC legal advisors, we have obtained all material licenses and permits for the operations of our production facilities currently in operation and have passed inspections to obtain or renew our licenses and permits during the Track Record Period in all material respects, save for those matters disclosed in the sections headed "Business — Legal Proceedings and Regulatory Compliance", "Our Properties" and "Quality, Safety and Environmental Protection" in this document.

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.

The PRC government has published extensive environmental, safety and health regulations with which we are required to comply. Please refer to the section headed "Regulatory Overview" in this document for details of these requirements. Failure to comply with these regulations may result in penalties, fines, governmental sanctions, proceedings and/or suspension or revocation of our licenses or permits to conduct our business. Non-compliance with the relevant regulations may result in us being ordered to suspend or cease production, being fined up to three times the value of the products manufactured and having income derived from such manufacturing activity confiscated. Given the number and complexity of these regulations, compliance with them may be difficult or involve significant financial and other resources to establish efficient compliance and monitoring systems. In addition, these regulations are constantly evolving. There can be no assurance that the PRC government will not impose additional or stricter laws or regulations, the compliance with which may cause us to incur significant costs which we may be unable to pass on to our customers and may take significant time which may delay our project construction and operation schedule.

During the Track Record Period, we had a number of instances of non-compliance, including but not limited to, failure to renew certain of our business licenses in a timely manner, failure to obtain government approval before pledging duty free imported machinery to secure a bank loan, late application or filing for, or renewal of, safe production permits, production permits for industrial products and pollution discharge permits, and failure to obtain construction planning permits and construction permits, with respect to certain of our subsidiaries and the production facilities operated by those subsidiaries. Please refer to the sections headed "Business — Legal Proceedings and Regulatory Compliance", "Our Properties" and "Quality, Safety and Environmental Protection" in this document for more details. Our directors confirm that except for those disclosed in this document, we have complied with relevant environmental, safety and health regulations in all material respects and have not been subject to fines or penalties during the Track Record Period in any material respect.

We may not be able to manage future growth.

We have grown rapidly since we commenced our business. Our total turnover increased by approximately 191% from RMB485.1 million in 2006 to RMB1,411.7 million in 2008. Please refer to the sections headed "Business – Our Production Facilities" and "Financial Information" in this document for further details. We intend to continue to expand the volume and variety of gas products we offer, and expand our production capacity, as well as the geographical scope of our production and distribution network. When we continue to expand the variety of our gas product offering in the future, we may enter into arrangements with business partners. We cannot assure that such relationships with our business partners will succeed and/or that such arrangements would not be terminated before we can derive the expected benefits and if this occurs, it may result in our incurrence of penalty charges and may adversely affect our operations and financial results. Our business growth could place considerable strain on our managerial, operational and financial resources. Our ability to manage future growth depends on our ability to continue to implement and improve operational, financial and management information systems on a timely basis and to expand, train, motivate and manage our workforce. We cannot assure you that our personnel, systems, procedures and control measures as well as our financial resources will be adequate to support our future growth. Failure to manage our expansion effectively may lead to increased costs, a decline in total revenue and/or reduced profitability.

Our historical results were affected by the financial impact of certain financial instruments during the Track Record Period.

Our net (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 ended December 31, 2008. Please refer to the section headed "Financial Information – Factors Affecting Comparability" in this document for further details on the nature of the financial instruments, their effect on our financial performance over the Track Record Period and how they have impacted the comparability of our performance over the Track Record Period. Moreover, fair value adjustments may continue to have an impact on our future results of operations.

We may not successfully protect our know-how.

We adopt commercially sound procurement practices and use our technological know-how to lower initial capital expenditure and maximize operational efficiency across our operations. Our know-how is based on the past experience of our senior management team in the industrial gas supply industry in relation to the operation of our production equipment. We understand that such know-how cannot be registered in the PRC, and therefore we rely on confidentiality obligations on our employees to protect this know-how. We have been advised by our PRC advisors, that our know-how would be registrable in the PRC only if it satisfies the criteria to be registered as a patent. There can be no assurance that any of our know-how will not be misappropriated by or disclosed to or re-engineered by third parties, or that our competitors will not independently develop alternative technologies that are equivalent or superior to our technologies.

In addition, the legal regime governing intellectual property in China is still evolving and the level of protection of intellectual property rights and know-how in China may differ from those in other more developed jurisdictions. In the event that the steps we have taken and the protection provided by law do not adequately safeguard our intellectual property rights, we could suffer losses in profits due to the sales of competing products which exploit our intellectual property rights.

Our directors are not aware of any incident of infringement of our Group's intellectual properties during the Track Record Period.

Some of the properties that we lease or occupy have defective or unclaimed title.

We place our production facilities and equipment, and build our control rooms, storage units and offices on parcels of land provided or secured by our on-site customers or in close proximity to our on-site customers' production sites. Pursuant to the contractual undertakings given by our on-site customers in their respective gas supply contracts, most of our on-site customers are under a contractual obligation to secure appropriate parcels of land with valid title certificates for our use. If our on-site customers, in breach of their contractual undertakings, fail to provide or secure land with the necessary government approvals or the appropriate legal titles for our use, we may be required to relocate our production facilities and businesses. If any relocation is required for a particular on-site production facility, we estimate that it will cost approximately RMB10 million to relocate each production facility. Whilst most of our gas supply contracts require our on-site customers to pay us a specified amount of compensation in the event that the gas supply contract is terminated early because of the customer's breach of its obligations under the gas supply contract (for example, failure to provide or secure land for our use), we may not be able to recover the compensation resulting from the early termination of our gas supply contracts or claim such relocation expenses from our on-site customers.

In addition, in respect of the buildings and units that we have built on those parcels of land provided or secured by our on-site customers, as those parcels of land are not registered under our name, we are not permitted to obtain the relevant building title certificates under relevant PRC laws and regulations. Our PRC legal advisors are of the view that our use of those buildings and units is subject to claims from the local government authorities or the relevant on-site customers (or the relevant land title holders). Therefore, we may be required to relocate those buildings and units that we have constructed or to demolish them pursuant to local government orders. Please refer to the section headed "Business – Our Properties" in this document for more details.

As at the Latest Practicable Date, we have not been subject to any claim from the local government authorities or the relevant on-site customers (or the relevant land title holders) in respect of production facilities and equipment we placed, and buildings and units we constructed, on those parcels of land provided or secured by our on-site customers, or forced to relocate from these parcels of land or demolish any facilities, buildings or units on these parcels of land. Most of our gas supply contracts would require our on-site customers to pay us a specified amount of compensation in the event that the gas supply contract is terminated early because of the customer's breach of its obligation under the gas supply contract. Notwithstanding this, we may not be able to recover the compensation resulting from the early termination of our gas supply contracts or claim back such relocation expenses from our on-site customers.

We also leased nine properties for office and auxiliary uses out of which five have defective title as at July 31, 2009. Please refer to the section headed "Business – Our Properties" in this document for more details.

The properties (including the buildings and units we built on land provided or secured by on-site customers and leased properties) with defective titles or unregistered titles are mainly used for back office and future operational use. We cannot predict how our rights as a lessee or user of these properties, and our operations carried out on or from these properties, may be adversely affected as a result of the absence of vested legal title in these properties or sufficient right to lease or use these properties. We may be required to relocate our business operations carried out on properties that we do not have unassailable legal rights to use or occupy and such relocation could adversely affect our financial condition and results of operations. See the section headed "Business – Our Properties" in this document for further details.

There is no assurance that we will continue to receive the preferential tax treatment or other incentives currently enjoyed by us.

The rate of income tax applicable to companies in China varies depending on the availability of preferential tax treatment or subsidies based on their industry or location. Under the previous provisions of the Foreign Invested Enterprises and Foreign Enterprises Income Tax Law, the maximum enterprise income tax rate was 33% for foreign-invested manufacturing enterprises which were scheduled to operate for at least ten years and such enterprises were entitled to a tax holiday of a 2-year full exemption followed by a 3-year 50% exemption commencing from the first profit-making year after off-setting accumulated tax losses, if any ("2+3 tax holiday").

On March 16, 2007, the new Enterprise Income Tax Law of the PRC, or the PRC Enterprise Income Tax Law, was announced. On December 6, 2007, the Implementation Regulations of the PRC Enterprise Income Tax Law, or the Implementation Rules were published. The PRC Enterprise Income Tax Law and its Implementation Rules came into effect on January 1, 2008 and Foreign Invested Enterprises and Foreign Enterprises Income Tax Law was abolished accordingly. Under the PRC Enterprise Income Tax Law, in general, foreign-invested enterprises and domestic companies are subject to a uniform tax rate of 25%. The PRC Enterprise Income Tax Law and its related regulations provide certain grandfathering relieves for those enterprises established before March 16, 2007 which are enjoying preferential tax treatment, such as the 2+3 tax holiday, such treatment will continue until its expiration. However, where the preferential tax treatment has not commenced because of losses or accumulated losses not being fully off-set, such preferential tax treatment shall be deemed to commence from January 1, 2008. Although the Implementation Rules have been published, there is still uncertainty over the interpretation and application of some of the provisions under the PRC Enterprise Income Tax Law and its Implementation Rules. In addition, any increase in our effective enterprise tax rate in the future due to the introduction of the PRC Enterprise Income Tax could have an adverse effect on our financial condition and results of operations.

In addition, we currently enjoy certain tax rebates and income tax credits in connection with the purchase of equipment from local suppliers, and refund of value add tax paid. There is no assurance that we will continue to receive these preferential tax treatment in the future and our effective tax rate may increase, which could adversely affect our financial condition and results of operations.

We only have limited insurance coverage.

We face various risks in connection with our businesses and may not have adequate insurance coverage or may have no relevant insurance coverage. We may be held liable for losses, damages or injuries caused to third parties (including our on-site customers) or their properties by an accident caused by us. We do not maintain third party insurance in respect of our operations as it is neither industry practice nor a mandatory requirement under PRC law. We believe that our insurance coverage is sufficient for our present purposes and is consistent with coverage for other companies in our industry in China. Please see the section headed "Business – Insurance" in this document for more details. The occurrence of certain events including explosions and fire may result in an interruption to our operations and cause substantial losses or liabilities. If we incur substantial losses or liabilities and our insurance coverage is unavailable or inadequate to cover such losses or liabilities, our financial condition and results of operations may be materially and adversely affected.

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.

During the year ended December 31, 2008, dividends were declared and paid by our subsidiary Yingde BVI, to its then shareholders in the amount of RMB79.9 million which were fully settled in April 2008. Please see the section headed "Financial Information — Dividend Policy" and Note 6 of the Accountants' Report set out in Appendix I to this document for more details.

In the future, the amount of dividends that we may declare and pay will be subject to, among other things, the full discretion of our directors by reference to our dividend policy, and would depend upon our future operations and earnings, capital requirements and surplus, the general financial condition and any other factors which our directors may consider relevant. Accordingly, our historical dividend distributions are not indicative of our future dividend policy and therefore the amount of dividends paid previously should not be used as a reference or basis upon which our future dividends are determined.

We had net current liabilities as at December 31, 2006, 2007, 2008 and June 30, 2009.

As at December 31, 2006, 2007, 2008 and June 30, 2009, we had net current liabilities of approximately RMB285.4 million, RMB294.5 million, RMB830.0 million and RMB479.2 million, respectively. Our net current liabilities position was primarily due to the high level of trade and other payables and bank and other borrowings. The trade and other payables primarily included bills payable and payables for equipment as we were developing production facilities and purchased equipment for those facilities. The bank and other loans were borrowings that we required for capital expenditures and general working capital in order to finance the construction of additional production facilities for our business expansion purpose. In addition, the Convertible Loans and the Preferred Shares have also been recorded as current liabilities as at December 31, 2006, 2007, 2008 and June 30, 2009, respectively. Please see the section headed "Financial Information – Net Current Liabilities" in this document for more details. We may continue to have net current liabilities in the future. Our net current liabilities position exposes us to liquidity risk. Our future liquidity, the payment of trade and other payables and the repayment of our outstanding debt obligations as and when they fall due will primarily depend on our ability to maintain adequate cash inflows from operating activities and adequate external financing. As at the Latest Practicable Date, we had not experienced any liquidity problem in settling our payables in the ordinary course of business when they fell due. However, there can be no assurance that we will always be able to raise the necessary funding to finance our current liabilities and our capital commitments and in such circumstances, our business operation, financial position and prospects may be materially and adversely affected.

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.

The market for industrial gas supply in the PRC is characterized by strong competition generally consisting of a few large internationally active suppliers and a large number of smaller, mostly local suppliers. Since industrial gases are difficult or very expensive to transport at long distances, market share in regions where a supplier is already present with production plants can generally only be expanded or maintained by active measures to displace competitors, resulting in intensive price competition. Large suppliers, in particular, may therefore seek to gain or maintain market shares by offering low prices and attractive payment terms to new customers. This means that we may be subject to pricing competition, and as a result, we may be under pressure to reduce the prices of our gas products or margins for the products and services we offer. In addition, we face increasing competition from various small-scale local suppliers in different regions across the PRC in connection with our merchant operations.

The trend in China towards outsourcing on-site industrial gas supplies may also lead to an increase in competition and new entrants into the industrial gas market. New suppliers may enter the market and existing suppliers may expand their capacities in order to capture the increasing demand for outsourcing industrial gases.

Some of our competitors, especially international competitors, may have advantages over us in obtaining new customers in terms of more advanced equipment, a wider variety of product offering, established brand history and global networks, while some smaller domestic competitors may have advantages over us in terms of establishing local customer connections in the region where they primarily operate.

Our market position depends on our ability to anticipate and respond to various competitive factors, including pricing strategies adopted by competitors, changes in customer preferences, availability of capital and financing resources and the introduction of new or improved gas products. There can be no assurance that our current or potential competitors will not offer industrial gas products comparable or superior to those that we offer at the same or lower prices or adapt more quickly than we do to evolving industry trends or changing market conditions. We may lose our customers to our competitors if, among other things, we fail to keep our prices at competitive levels or sustain and upgrade our capacity and technology. Increased competition may result in price reductions, reduced profit margins and loss of market share and as a result, our results of operations and financial condition may be adversely affected.

In addition, while we endeavor to develop further the range of our product offerings and improve our production processes, our competitors may develop their product offerings and technologies or alternative gas products that are more attractively priced or are of better quality than our products. If newly developed gas products can be offered at prices more attractive than ours, or if such gas products are more attractive than ours for other reasons, demand for our gas products may fall, which may have a material adverse effect on our financial condition and results of operations.

Any regulatory change to the industrial gas supply industry in the PRC may affect our business and our results of operations.

We carry on our business in an industry that is heavily regulated in the PRC. We must therefore observe a large number of national or local laws and regulations across the country that may change frequently and become more stringent. Failure to comply with such laws or regulations may result in fines, suspension of operations, loss of permits or licenses and, in more extreme cases, criminal proceedings against an enterprise and its management within our Group.

In addition, compliance with these changing laws and regulatory requirements in our industry may cause us to incur considerable time and significant expenses, which we may be unable to pass on to our customers through higher prices for our products as we enter into long-term contracts with our customers.

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.

The economy of the PRC differs from the economies of most developed countries in a number of respects, including the degree of government involvement, control of capital investment, and the overall level of development. Before its adoption of reform and open door policies in 1978, China was primarily a planned economy. In recent years the PRC government has been reforming the PRC economic system and the government structure. These reforms have resulted in significant economic growth and social progress. Economic reform measures, however, may be adjusted, modified or applied inconsistently from industry to industry or across different regions of the country. As a result, we may not continue to benefit from all, or any, of these measures. In addition, we cannot predict whether changes in the PRC's political, economic and social conditions, laws, regulations and policies will have any adverse effect on our current or future business, financial condition and results of operations.

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.

Currently, Renminbi cannot be freely converted into any other foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that we will have sufficient foreign exchange to meet our foreign exchange requirements.

Under the current PRC foreign exchange control system, most of the foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require approval from the State Administration of Foreign Exchange, but we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry on foreign exchange business. Most of the foreign exchange transactions under the capital account conducted by us, however, must be approved in advance by the State Administration of Foreign Exchange. Any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or satisfy any other foreign exchange requirements. If we fail to obtain the approval from the State Administration of Foreign Exchange to convert Renminbi into any foreign exchange for any of the above purposes, our capital expenditure plans, and even our financial condition and results of operations, may be materially adversely affected.

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.

Any capital contributions or loans our Company, as an offshore entity, makes to PRC members of our Group are subject to PRC regulations. The aggregate amount of long and medium-term non-RMB loans, short-term non-RMB loans and RMB loans guaranteed by overseas institutions must be limited to the difference between the total investment amount and the registered capital of the PRC members of our Group as approved by the relevant examination and approval authority. PRC members of our Group may borrow foreign loans as long as the total sum of these loans remains within such permitted level. Our Group cannot assure investors that it will be able to obtain these approvals on a timely basis, or at all. If our Group fails to obtain such approvals, its ability to capitalize the relevant PRC members of our Group or fund its operations in the manner described in the section headed "Future Plans" in this document may be negatively affected, which could adversely affect the liquidity of the relevant PRC member of our Group, our Group's ability to grow through the members of our Group's operations and financial condition and results of operations of our Company.

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.

Most of our business and operations are governed by the legal system of China. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since the late 1970s, the PRC government has promulgated laws and regulations dealing with such economic matters as foreign investment, corporate organization and governance, commerce, taxation and trade. However, as these laws and regulations are relatively new and continue to evolve, the interpretation and enforcement of these laws and regulations involves significant uncertainties and different degrees of inconsistencies. Some of the laws and regulations are still at a developing stage and are therefore subject to policy changes. Many laws, regulations, policies and legal requirements have only been recently adopted by the PRC central or local government agencies, and their implementation, interpretation and enforcement may involve uncertainty due to the lack of established practice available for reference. We cannot predict the effect of future legal developments in China, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the pre-emption of local regulations by national law. As a result, there is substantial uncertainty as to the legal protection available to us and investors in the Shares. Furthermore, due to the limited volume of published cases and the non-binding nature of prior court decisions, the outcome of dispute resolution may not be as consistent or predictable as in other more developed jurisdictions, which may limit the legal protection available to us. In addition, any litigation in China may be protracted and result in substantial costs and the diversion of resources and management attention.

As an investor holding the Shares, you will hold an indirect interest in our operations in China through our Company. Our operations in China are subject to PRC regulations governing PRC companies. These regulations contain provisions that are required to be included in the articles of association of PRC companies and are intended to regulate the internal affairs of these companies. PRC company law and these regulations, in general, and the provisions for the protection of shareholders' rights and access to information, in particular, may be considered less developed than those applicable to companies incorporated in Hong Kong, the United States and other developed countries or regions.

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.

On October 21, 2005, the State Administration of Foreign Exchange issued a notice which became effective on November 1, 2005, referred to as Notice 75. Notice 75 requires PRC residents to register with the local State Administration of Foreign Exchange branch before establishing or controlling any company, referred to in the notice as a "special purpose offshore company", or SPV, outside China for the purpose of capital financing. In addition, PRC residents are required to amend their registration with the local branch of the State Administration of Foreign Exchange within 30 days after any material change in the capital of a SPV without any in-bound accompanying investment into the PRC. Moreover, Notice 75 is applicable retrospectively.

The State Administration of Foreign Exchange issued an implementation notice in May 2007 in relation to Notice 75, referred to as Circular 106. Circular 106 specified the circumstances under which PRC residents are required to comply with Notice 75 and the procedures to be complied with. Under Circular 106, for SPVs already established by PRC residents, where such PRC residents fail to file for registration with the State Administration of Foreign Exchange pursuant to Notice 75 prior to March 31, 2006, the dividends remitted by the PRC domestic subsidiary to such SPVs after April 21, 2005 shall be deemed illegal and a penalty will be imposed on the PRC domestic subsidiaries and their actual controlling person(s).

PRC resident beneficial owners of our Shares need to comply with the relevant State Administration of Foreign Exchange requirements in all material respects. If such beneficial owners fail to comply with the relevant requirements of the State Administration of Foreign Exchange, our PRC subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation, to us, and we may also be prohibited from investing further capital in those subsidiaries. Further, failure to comply with the various registration requirements of the State Administration of Foreign Exchange described above could result in liability on the beneficial owners of the Shares under PRC laws for evasion of applicable foreign exchange restrictions.

Our directors confirm that to the best of their knowledge and after making reasonable enquiries, all beneficial owners of the Shares have complied with the requirements of the State Administration of Foreign Exchange.

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.

Almost all of our assets and our subsidiaries are located in China. In addition, most of our directors and senior management reside within China, and the assets of our directors and senior management may also be located within China. As a result, it may not be possible to effect service of process from China upon most of our directors and senior management, including matters arising under applicable securities laws. Moreover, a judgment of a court of another jurisdiction may be reciprocally recognized or enforced if the jurisdiction has a treaty with China or if judgments of the PRC courts have been recognized before in that jurisdiction, subject to the satisfaction of other requirements. However, China does not have treaties providing for the reciprocal enforcement of judgments of courts with Japan, the

United Kingdom, the United States and most other western countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments of a court in these jurisdictions is subject to uncertainties.

The outbreak of any severe contagious diseases in the PRC, if uncontrolled, could adversely affect our business and results of operations.

The outbreak of any severe communicable disease in China, if uncontrolled, could adversely affect the overall business sentiments and environment in China, which in turn may lead to slower overall economic growth in China. As all of our sales are currently derived from China, any contraction or slow down in the economic growth of China will adversely affect our financial condition, results of operations and future growth.

In addition, if any of our employees is infected or affected by any severe communicable diseases outbreak, it could adversely affect or disrupt our production at the relevant production facility and adversely affect our business operations as we may be required to close our production facilities to prevent the spread of the disease. The spread of any severe communicable diseases in China may also affect the operations of our customers and suppliers, causing delivery disruptions, which could in turn adversely affect our 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.

Under the new PRC Enterprise Income Tax Law that took effect on January 1, 2008, enterprises established outside of China whose "de facto management bodies" are located in China are considered "resident enterprises" and will generally be subject to the uniform 25% enterprise income tax rate as to their global income (excluding dividends received from "resident enterprises"). Under the implementation regulations of the new PRC Enterprise Income Tax Law, "de facto management bodies" is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. Substantially all of our management is currently based in China. Therefore, we may be treated as a Chinese resident enterprise for enterprise income tax purposes. The tax consequences of such treatment are currently unclear, as they will depend on the implementation regulations and on how local tax authorities apply or enforce the new PRC Enterprise Income Tax Law or the implementation regulations. If our Company or any of our subsidiaries registered outside the PRC is treated as a "resident enterprise" under the PRC Enterprise Income Tax Law, our income tax expenses may increase significantly, and our profitability could decrease materially.

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.

We are a holding company and rely principally on dividends paid by our subsidiaries for cash requirements, including the funds necessary to service any debt we may incur. If any of our subsidiaries incurs debt in its own name in the future, the instruments governing the debt may restrict dividends or other distributions on its equity interest to us.

Furthermore, applicable PRC laws, rules and regulations permit payment of dividends by our combined PRC entities only out of their retained earnings, if any, determined in accordance with PRC accounting standards. Our combined PRC entities are required to set aside a certain percentage of their after-tax profit based on PRC accounting standards each year to their reserve fund in accordance with the requirements of relevant laws and provisions in their respective articles of associations. As a result, our combined PRC entities are restricted in their ability to transfer a portion of their net income to us whether in the form of dividends, loans or advances. Any limitation on the ability of our subsidiaries to pay dividends to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our businesses, pay dividends or otherwise fund and conduct our business. Under the new PRC Enterprise Income Tax Law and implementation regulations issued by the State Council, PRC income tax at the rate of 10% is applicable to dividends paid by Chinese enterprises to "non-resident enterprises" (enterprises that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business) subject to the application of any relevant income tax treaty that the PRC has entered into, which provides for a lower withholding tax rate. If our Company or our non-PRC subsidiaries are considered to be a "non-resident enterprise", any dividend that our Company or any such subsidiary receive from our PRC subsidiaries may be subject to PRC taxation at the 10% rate (or lower treaty rate).