



**YINGDE GASES GROUP COMPANY LIMITED**  
**盈德氣體集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

Stock Code: 02168

2010



**INTERIM REPORT**



Corporate Profile	2
Corporate Information	3
Management Discussion and Analysis	5
Review Report	11
Consolidated Statement of Comprehensive Income	12
Consolidated Balance Sheet	13
Consolidated Statement of Changes in Equity	15
Condensed Consolidated Statement of Cash Flows	16
Notes to the Unaudited Interim Financial Report	17
Other Information	29
Definitions	34



Our Company was established in the Cayman Islands on 25 September 2007. Our Group's history dates back to 2001 when Hunan Yingde was established in the PRC. Our Company's Shares were listed on the Main Board of the Hong Kong Stock Exchange on 8 October 2009. Our Company wholly owns Yingde BVI which is incorporated in the British Virgin Islands and is an investment holding company of our Group.

Based on the research information in the SAI Report, we were the largest domestic independent industrial gas supplier specializing in on-site gas supply in China in terms of total revenue for the year ended 31 December 2009.

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 those whose premises are located on or in close proximity to our gas production facilities and to whom we supply industrial gases directly. Our merchant customers generally include liquid gas distributors and different kinds of companies who purchase industrial gases from us on a spot market basis from time to time.

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 report 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 report relate to those which we generally operate without entering into long-term gas supply contracts with customers.

### BOARD OF DIRECTORS

#### Executive Director and Chairman

Mr. Zhongguo Sun

#### Executive Directors

Mr. Zhao Xiangti

Mr. Chen Yan

Mr. Trevor Raymond Strutt

#### Independent Non-executive Directors

Mr. Xu Zhao

Mr. Zheng Fuya

Dr. Wang Ching

### AUDIT COMMITTEE

Mr. Xu Zhao (*Chairman*)

Mr. Zheng Fuya

Dr. Wang Ching

### REMUNERATION COMMITTEE

Mr. Zhao Xiangti (*Chairman*)

Mr. Xu Zhao

Mr. Zheng Fuya

### NOMINATION COMMITTEE

Mr. Zheng Fuya (*Chairman*)

Mr. Xu Zhao

Mr. Zhao Xiangti

### COMPLIANCE COMMITTEE

Mr. Zhongguo Sun (*Chairman*)

Mr. Zhao Xiangti

Mr. Zheng Fuya

### JOINT COMPANY SECRETARIES

Ms. Wong Sze Wing

Mr. Ngai Wai Fung

### EXTERNAL AUDITOR

KPMG

8th Floor, Prince's Building

10 Chater Road, Central

Hong Kong

### LEGAL ADVISORS

Hong Kong Legal Advisor:

Freshfields Bruckhaus Deringer

11th Floor, Two Exchange Square

8 Connaught Place, Central

Hong Kong

PRC Legal Advisor:

Jun He Law Offices

32th Floor, Shanghai Kerry Center

1515 Nanjingxi Road

Shanghai, China

### COMPLIANCE ADVISOR

ICBC International Capital Limited

Level 18, Three Pacific Place

1 Queen's Road East, Admiralty

Hong Kong

### HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor

Hopewell Centre, 183 Queen's Road East

Wanchai

Hong Kong

## CORPORATE INFORMATION



### LISTING DATE

8 October 2009

### AUTHORIZED REPRESENTATIVES

Mr. Zhongguo Sun

Ms. Wong Sze Wing

### ALTERNATE AUTHORIZED REPRESENTATIVE

Mr. Trevor Raymond Strutt

### STOCK CODE

02168

### COMPANY WEBSITE

[www.yingdegases.com](http://www.yingdegases.com)

### INVESTOR RELATIONS CONTACT

[information@yingdegas.com](mailto:information@yingdegas.com)

### HEADQUARTERS/PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 4313, Tower One

Times Square, Causeway Bay

Hong Kong

### REGISTERED OFFICE

Cricket Square, Hutchins Drive

PO Box 2681, Grand Cayman

KY1-1111

Cayman Islands

### BUSINESS REVIEW

Embarking on 2010, driven by the recovery of the global economy, the PRC economy maintained its growth momentum and the domestic demand for industrial gas saw a steady increase. While the global economy gradually returned to its growth track, the PRC delivered an outstanding performance, made a swift recovery and is regarded as one of the countries with the strongest growth potential. As a leading company in the domestic industrial gas industry, we leveraged on the growth momentum of the economy in the first half of the year, actively expanded our customer base for on-site gas supply, maintained business growth and focused on the “Go To Market” strategy for its merchant gas operation, thereby fostering our business growth for the first half of 2010.

#### Review of On-Site Gas Supply Operation

We are one of the largest independent on-site industrial gas suppliers in the PRC with oxygen, nitrogen and argon as our major gas products. For the six months ended 30 June 2010, our on-site gas supply accounted for approximately 81.7% of revenue from operations of our Group. To increase and stabilize our revenue in the future, our Group has expanded our target customers to include, but not limited to, companies in the iron and steel, chemicals and non-ferrous metals industries and will identify more quality customers .

During the period ended 30 June 2010, two on-site gas supply facilities of our Group commenced production and our Group had a total of 23 facilities in operation and 16 new facilities under development. The total installed capacity amounted to 452,800 Nm<sup>3</sup>/hr in terms of installed oxygen capacity, representing a 6.7% increase as compared with 424,300 Nm<sup>3</sup>/hr as at 31 December 2009. During the period under review, our Group sold 3,260 million Nm<sup>3</sup> of industrial gas in aggregate, representing a period-to-period growth of 26.5%. The total sales volume of oxygen products, nitrogen products and argon products were 1,664 million Nm<sup>3</sup>, 1,393 million Nm<sup>3</sup> and 54 million Nm<sup>3</sup>, respectively. It is expected that the total installed oxygen capacity will amount to 1,008,800 Nm<sup>3</sup>/hr in 2013 upon completion of all facilities under development.

#### Review of Merchant Gas Operation

In the first half of 2010, the prices of liquid gases have increased substantially as a result of recovering of merchant gas market.

Our Group has accelerated the growth of our merchant gas operation through the “Go To Market” strategy implemented by our Group since the second half of 2009 and has increased the revenue from our merchant gas operation. In the first half of 2010, the total turnover of our Group’s merchant gas operation amounted to RMB241 million, representing a period-on-period growth of 145.6%, which helped our Group to achieve better results for our merchant industrial gas operation.

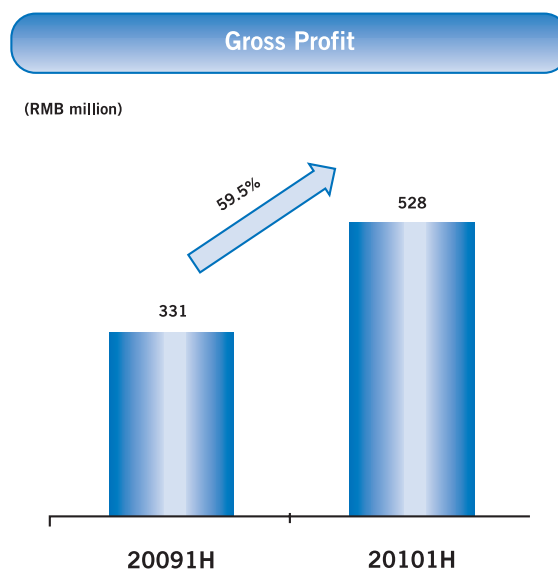
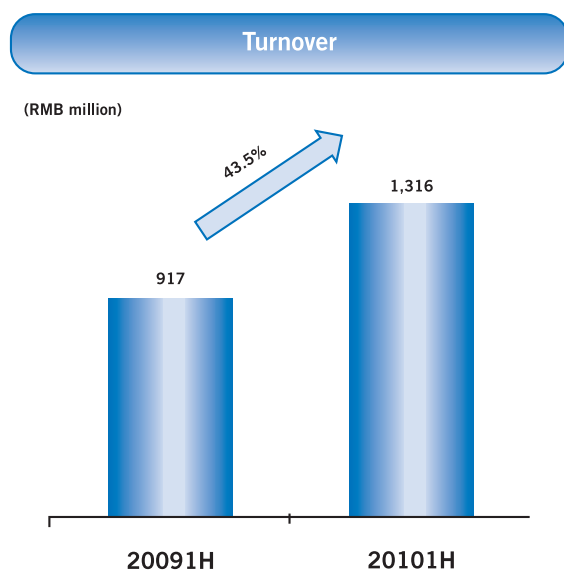


## FINANCIAL REVIEW

We have again achieved encouraging results in the first half of 2010. For the six months ended 30 June 2010, our Group's turnover amounted to RMB1,316 million, representing a 43.5% increase as compared with RMB917 million for the same period in 2009. The significant increase in turnover was mainly attributable to two new production facilities coming into operation and significant rise of prices of liquid gases. For the six months ended 30 June 2010, our Group recorded gross profit of RMB528 million, representing an increase of 59.5% as compared with the same period in 2009, thus driving the overall gross profit margin to 40.1%. In addition, our Group recorded profit attributable to equity shareholders of our Company of RMB326 million. The earnings per share was RMB0.18.

### Turnover

Our turnover consists of proceeds from the sale of industrial gas products. Our turnover is recognized when our gas products are delivered to the customers' premises and such customer has accepted the goods in which we have transferred the related risks and rewards of ownership. The turnover figures represent the aggregate of the invoiced value of goods sold, net of value-added tax.





The table below sets forth our turnover generated from our on-site and merchant customers for the periods indicated:

	For the six months ended 30 June			
	2010		2009	
	RMB'000	(%)	RMB'000	(%)
<b>Turnover</b>				
On-site	1,074,965	81.7	818,969	89.3
Merchant	241,122	18.3	98,194	10.7
<b>Total</b>	<b>1,316,087</b>	<b>100.0</b>	<b>917,163</b>	<b>100.0</b>

The table below sets out the weighted average unit price of gases sold to our merchant customers for the periods indicated:

	For the six months ended 30 June	
	2010	2009
	Unit price (RMB/Nm <sup>3</sup> )	
Oxygen	0.90	0.69
Nitrogen	0.73	0.68
Argon	2.93	1.60
<b>Weighted average unit price</b>	<b>1.31</b>	<b>0.89</b>

The main factors affecting the prices of the gases sold to our merchant customers include the local market spot prices, local supply and demand and local economic conditions. The pricing of our products sold to our on-site customers is determined on a case-by-case basis in accordance with the pricing arrangements in the gas supply contracts. The main factors affecting the price of gases sold to our on-site customers include the competitiveness of our pricing, the installed capacity of our facilities and the expected utility charges by the on-site customer.

## Cost of sales

Our cost of sales comprises utility expenses, depreciation expenses for property, plant and equipment related to production, staff costs for our production team and other expenses. Utility expenses, mainly consisting of electricity expenses, comprised 88.1% and 87.5% of our total cost of sales for the six months ended 30 June 2010 and 2009, respectively. Depreciation and amortization expenses relate primarily to property, plant and equipment we own and are calculated on a straight-line basis over the estimated useful lives of these assets. Staff costs mainly relate to salaries, bonuses, benefits and contributions we pay to our employees or make for the benefit of our employees of our production team. Other expenses primarily consist of other consumables and repair and maintenance.





Cost of sales increased by 34.4% from RMB586 million for the six months ended 30 June 2009 to RMB788 million for the six months ended 30 June 2010 which is mainly driven by greater turnover. Cost of sales as a percentage of turnover decreased from 63.9% for the six months ended 30 June 2009 to 59.9% for the six months ended 30 June 2010 mainly due to the significant rise in price of liquid gases for the first half of 2010 as mentioned above.

## Income tax expenses

Income tax expenses increased 1,716.7% from RMB4 million for the six months ended 30 June 2009 to RMB77 million for the six months ended 30 June 2010, primarily due to certain subsidiaries being subject to higher income tax rates in the first half of 2010 as compared with the corresponding period of 2009. The following table below sets out the applicable enterprise income tax rate:

Entity	Tax holiday period	Applicable tax rate	
		For the six months ended 30 June 2010	2009
Zhuhai Yingde	2005-2009	25%	12.5%
Rizhao Yingde	2008-2012	12.5%	–
Hebei Yingde	2008-2012	12.5%	–
Zibo Yingde	2008-2012	12.5%	–
Huai'an Yingda	2008-2012	12.5%	–
Laiwu Yingde	2008-2012	12.5%	–

## Bank and other loans

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Short-term loans	375,000	505,000
Current portion of long-term loans	351,140	277,983
	<b>726,140</b>	<b>782,983</b>
Long-term portion of long-term loans	481,040	521,200
	<b>1,207,180</b>	<b>1,304,183</b>

As at 30 June 2010, the carrying value of assets secured for bank and other loans was RMB804 million (as at 31 December 2009: RMB872 million).

In addition, certain bank loans were secured by our Group's 75% equity interests in Zhuhai Yingde, Shaanxi Yingde, Tianjin Yingde and Rizhao Yingde as at 30 June 2010.

### Liquidity and capital resources

We have met our working capital and other capital requirements principally from equity provided by our shareholders, cash provided by operations, cash at bank and in hand and through short-term and long-term borrowings from banks.

As at 30 June 2010, the total assets of our Group was approximately RMB5,961 million, representing an increase of RMB287 million as compared with the amounts as at 31 December 2009. The cash at bank and in hand was RMB1,689 million, representing a decrease of RMB414 million as compared with the amounts as at 31 December 2009. The current ratio of our Group was 193.5%. The gearing ratio of our Group which is calculated as total liabilities divided by total assets was 30.2%.

### Capital expenditure

Capital expenditures principally comprise expenditures for the construction of new production facilities and purchase of property, plant and equipment.

The total capital expenditure for the six months ended 30 June 2010 were RMB573 million (six months ended 30 June 2009: RMB382 million), principally comprised expenditures for the construction of new production facilities and purchase of property, plant and equipment, which were financed by a combination of our internal cash resources and operating cash flow, net proceeds from shares issued in October 2009, and bank borrowings.

### Foreign Exchange

During the six months ended 30 June 2010, our Group had no investments in hedging of any speculative derivatives. In view of the potential Renminbi exchange rate fluctuations, our Group will consider arranging for proper financial instruments at appropriate times to avoid the corresponding risks.

### Pledge of Assets

Details on the pledge of assets of our Group are set out in note 12 to the unaudited interim financial report.

## HUMAN RESOURCES

The expertise of our staff and their passion at work are the most important assets of our Group. Our Group values the efforts made by each staff member and believes that they will provide clients with higher quality services by boosting their enthusiasm at work.

As at 30 June 2010, our Group had 1,255 employees, representing an increase of 285 as compared with the headcount as at 31 December 2009. The increase of headcount was mainly as a result of the commencement of production in two production facilities in the first half of 2010 and future expansion.



### EXCELLENT MANAGEMENT

The senior management and all levels of technicians of our Group have extensive experience in the industrial gas industry, as well as professional backgrounds and international outlook. Our Group also provides position-related training for our staff, in order to provide customers with the best possible gas supply management and professional services.

### INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

### FUTURE OUTLOOK

As a leading enterprise in the industrial gas industry, we will seize the current opportunities arising from the steadily growing economy in the PRC and the growing importance of the industrial gas market by close market monitoring and customer diversification, in order to ensure the stability of our Group's gas supply and boost our capacity. Against the challenges set by the steel industry in the future, our Group will use our best endeavors in maintaining the on-site gas operation and adopting an aggressive retail strategy to generate the greatest returns to the shareholders.



## TO THE BOARD OF DIRECTORS OF YINGDE GASES GROUP COMPANY LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

### INTRODUCTION

We have reviewed the interim financial report set out on pages 12 to 28 which comprises the consolidated balance sheet of Yingde Gases Group Company Limited (the “Company”) as at 30 June 2010 and the related consolidated statement of comprehensive income and statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, “Interim financial reporting”, adopted by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of interim financial information performed by the independent auditor of the entity”, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34, “Interim financial reporting”.

#### **KPMG**

*Certified Public Accountants*

8th Floor, Prince’s Building  
10 Chater Road  
Central, Hong Kong

24 August 2010

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2010 – unaudited  
(Expressed in Renminbi)



	Note	Six months ended 30 June	
		2010 RMB'000	2009 RMB'000
<b>Turnover</b>		<b>1,316,087</b>	917,163
Cost of sales		<b>(787,909)</b>	(586,072)
<b>Gross profit</b>		<b>528,178</b>	331,091
Other revenue		2,124	208
Selling expenses		(20,510)	(7,834)
Administrative expenses		(60,132)	(45,448)
<b>Profit from operations</b>		<b>449,660</b>	278,017
Finance income	5(a)	4,756	2,771
Finance costs	5(a)	(51,787)	(44,030)
<b>Profit before taxation</b>	5	<b>402,629</b>	236,758
Income tax	6	(76,920)	(4,234)
<b>Profit and total comprehensive income for the period</b>		<b>325,709</b>	232,524
<b>Attributable to:</b>			
Equity shareholders of the Company		325,597	232,487
Minority interests		112	37
<b>Profit and total comprehensive income for the period</b>		<b>325,709</b>	232,524
<b>Earnings per share (RMB)</b>	7		
Basic		0.180	0.158
Diluted		0.180	0.158

The notes on pages 17 to 28 form part of this interim financial report. Details of dividends are set out in Note 14.

## CONSOLIDATED BALANCE SHEET

at 30 June 2010 – unaudited  
(Expressed in Renminbi)

	Note	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment, net	8	2,434,779	2,191,897
Construction in progress		784,201	681,105
Lease prepayments	9	34,010	16,882
Intangible assets		19,204	9,597
Receivables under finance lease		14,507	14,752
Other non-current assets		245,799	156,275
Deferred tax assets		2,680	2,680
<b>Total non-current assets</b>		<b>3,535,180</b>	<b>3,073,188</b>
<b>Current assets</b>			
Inventories		17,206	6,857
Trade and other receivables	10	628,125	371,584
Receivables under finance lease		2,117	2,117
Income tax recoverable		1,592	3,133
Pledged bank deposits		88,438	114,860
Cash and cash equivalents	11	1,688,774	2,102,462
<b>Total current assets</b>		<b>2,426,252</b>	<b>2,601,013</b>
<b>Current liabilities</b>			
Bank and other loans	12	726,140	782,983
Trade and other payables	13	477,755	479,070
Obligations under finance lease		3,077	2,963
Income tax payable		47,143	9,756
<b>Total current liabilities</b>		<b>1,254,115</b>	<b>1,274,772</b>
<b>Net current assets</b>		<b>1,172,137</b>	<b>1,326,241</b>
<b>Total assets less current liabilities</b>		<b>4,707,317</b>	<b>4,399,429</b>

The notes on pages 17 to 28 form part of this interim financial report.

## CONSOLIDATED BALANCE SHEET (continued)

at 30 June 2010 – unaudited  
(Expressed in Renminbi)



	Note	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
<b>Non-current liabilities</b>			
Bank and other loans	12	481,040	521,200
Obligations under finance lease		29,880	28,773
Deferred tax liabilities		35,618	24,621
<b>Total non-current liabilities</b>		<b>546,538</b>	<b>574,594</b>
<b>Net assets</b>			
<b>Equity</b>			
Share capital		12	12
Reserves		4,101,135	3,775,538
<b>Total equity attributable to equity shareholders of the Company</b>		<b>4,101,147</b>	<b>3,775,550</b>
<b>Minority interests</b>		<b>59,632</b>	<b>49,285</b>
<b>Total equity</b>		<b>4,160,779</b>	<b>3,824,835</b>

Approved and authorised for issue by the board of directors on 24 August 2010.

**Zhongguo Sun**

*Director*

**Zhao Xiangti**

*Director*

The notes on pages 17 to 28 form part of this interim financial report.



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2010 – unaudited  
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company						Minority interests	Total equity
	Share capital	Share premium	Statutory reserve	Other reserve	Retained earnings	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2009	-	-	39,532	569,434	524,163	1,133,129	11,747	1,144,876
Capital contributions from a minority shareholder	-	-	-	-	-	-	36,000	36,000
Total comprehensive income for the period	-	-	-	-	232,487	232,487	37	232,524
At 30 June 2009	-	-	39,532	569,434	756,650	1,365,616	47,784	1,413,400
At 1 January 2010	12	2,995,502	39,532	(313,696)	1,054,200	3,775,550	49,285	3,824,835
Capital contribution from a minority shareholder	-	-	-	-	-	-	8,500	8,500
Acquisition of a subsidiary	-	-	-	-	-	-	1,735	1,735
Total comprehensive income for the period	-	-	-	-	325,597	325,597	112	325,709
At 30 June 2010	12	2,995,502	39,532	(313,696)	1,379,797	4,101,147	59,632	4,160,779

The notes on pages 17 to 28 form part of this interim financial report.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2010 – unaudited  
(Expressed in Renminbi)



	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Net cash generated from operating activities	291,287	185,813
Net cash used in investing activities	(574,363)	(384,968)
Net cash (used in)/generated from financing activities	(113,184)	403,590
Net (decrease)/increase in cash and cash equivalents	(396,260)	204,435
Cash and cash equivalents as at 1 January	2,102,462	28,463
Effect of foreign exchange rate changes	(17,428)	(74)
Cash and cash equivalents as at 30 June	1,688,774	232,824

The notes on pages 17 to 28 form part of this interim financial report.

### 1 CORPORATE INFORMATION AND GROUP REORGANISATION

Yingde Gases Group Company Limited (the “Company”) was incorporated in the Cayman Islands on 25 September 2007 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company and its subsidiaries (the “Group”) are principally engaged in the production and sales of industrial gases in the People’s Republic of China (the “PRC”).

Pursuant to a group reorganisation completed on 10 July 2009 (the “Reorganisation”) to rationalise the group structure for the public listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company became the holding company of the subsidiaries comprising the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 24 September 2009. The Company issued 339,232,500 ordinary shares with par value of USD0.000001 each at a price of HKD7.00 per share by way of public offering of the Company’s ordinary shares to Hong Kong and overseas investors. The Company’s shares were listed on the Stock Exchange on 8 October 2009.

The Group is regarded as a continuing group resulting from the Reorganisation under common control. The relevant comparative information of the Group has been prepared as if the current group structure had been in existence throughout the period ended 30 June 2009, or since their respective dates of incorporation or establishment of the group companies, rather than from the date when the Company became the holding Company of the Group pursuant to the Reorganisation.

### 2 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard 34, “Interim financial reporting”, (“IAS 34”) adopted by the International Accounting Standards Board (“IASB”). It was authorised for issue on 24 August 2010.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2009 annual financial statements.

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



### 2 BASIS OF PREPARATION (continued)

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2009 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, “Review of interim financial information performed by the independent auditor of the entity”, issued by the Hong Kong Institute of Certified Public Accountants. KPMG’s independent review report to the board of directors is included on page 11.

The financial information relating to the financial year ended 31 December 2009 that is included in the interim financial report as being previously reported information does not constitute the Group’s annual financial statements prepared under IFRSs for that financial year but is derived from those financial statements. The Group’s annual financial statements for the year ended 31 December 2009 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 29 March 2010.

### 3 NEW AND REVISED IFRSs

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group. The adoption of amendments to IFRSs did not result in significant changes to the Group’s accounting policies applied in this interim financial report for the periods presented.

The Group has not applied any new standard, amendment or interpretation that is not yet effective for the current accounting period.

### 4 SEGMENT REPORTING

The Group is engaged in the production and sales of industrial gases in the PRC. Although the industrial gases are sold to on-site and merchant customers, the Group’s most senior executive management regularly review their consolidated financial statements to assess the performance and make resource allocation decisions. Accordingly, no segment information is presented.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi)

### 5 PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
<b>(a) Finance income/(costs):</b>		
Interest income	3,658	1,798
Finance income on receivables under finance lease	877	796
Foreign currency exchange gain	221	177
	<u>4,756</u>	<u>2,771</u>
Finance income	4,756	2,771
Interest on bank and other loans	(38,437)	(34,510)
Finance charges on obligations under finance lease	(1,221)	(1,244)
Interest on the liability component of convertible redeemable preferred shares	-	(4,373)
	<u>(39,658)</u>	<u>(40,127)</u>
Total interest expenses	(39,658)	(40,127)
Less: borrowing costs capitalised	5,520	7,213
	<u>(34,138)</u>	<u>(32,914)</u>
Finance costs	(34,138)	(32,914)
Fair value adjustment on convertible redeemable preferred shares	-	(10,953)
Foreign currency exchange loss	(17,649)	(163)
	<u>(51,787)</u>	<u>(44,030)</u>
Finance costs	(51,787)	(44,030)
	<u>(47,031)</u>	<u>(41,259)</u>
Borrowing costs have been capitalised at the following rates:		
Capitalisation rate (per annum)	<u>5.4% - 5.9%</u>	<u>5.4% - 7.9%</u>

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi)



### 5 PROFIT BEFORE TAXATION (continued)

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

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
<b>(b) Other items:</b>		
Electricity	694,135	513,045
Depreciation	67,657	52,983
Amortisation		
– Land lease premium	245	181
– Intangible assets	327	331
Staff costs	47,116	35,784
Operating lease charges: minimum lease payment (land and buildings)	2,877	2,243
Net gain on disposal of property, plant and equipment	(14)	(10)
	<u>                    </u>	<u>                    </u>

### 6 INCOME TAX

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Provision/(write-back) of PRC income tax for the period	68,568	(1,727)
Deferred tax	8,352	5,961
	<u>                    </u>	<u>                    </u>
	<u>76,920</u>	<u>4,234</u>

- (a) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and BVI.

No provision has been made for Hong Kong profits tax as the Group does not earn any income subject to Hong Kong profits tax during the current and prior periods.

The provision for PRC current income tax is based on a statutory rate of 25% (six months ended 30 June 2009: 25%) of the assessable profit as determined in accordance with the relevant income tax rules and regulations of the PRC, except for certain subsidiaries of the Group, which are entitled to full or 50% exemption of the income tax pursuant to the grandfathering arrangement under the Corporate Income Tax Law of the PRC.

## 6 INCOME TAX (continued)

- (b) Before 31 December 2007, certain subsidiaries of the Group in the PRC obtained the approval of income tax credit for purchasing qualified domestic equipment from the local tax authorities in accordance with the relevant tax regulations issued by the State Administration of Taxation. Pursuant to Guoshuifa [2008] No.52 issued by the State Administration of Taxation in May 2008, such tax credit policy ceased to be effective since 1 January 2008. During the six months ended 30 June 2010, certain subsidiaries utilised the unused tax credit of RMB7,477,000 granted by the relevant local tax authorities prior to 31 December 2007 (six months ended 30 June 2009: RMB18,494,000).
- (c) Withholding tax at 10%, unless reduced by a treaty or agreement, is imposed when dividends are distributed by a PRC-resident enterprise to its immediate holding company outside mainland China for earnings generated beginning on 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax.

## 7 EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2010 is based on the profit attributable to ordinary equity shareholders of the Company for the period of RMB 325,597,000 (six months ended 30 June 2009: RMB200,856,000) and the number of shares in issue during the six months ended 30 June 2010 of 1,809,232,500 ordinary shares (six months ended 30 June 2009: 1,270,000,000 ordinary shares in issue pursuant to the Reorganisation as if these shares were outstanding throughout the six months ended 30 June 2009).

Profit attributable to ordinary equity shareholders of the Company:

	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>RMB'000</b>	RMB'000
Profit attributable to equity shareholders of the Company	<b>325,597</b>	232,487
Profit attributable to the holders of convertible redeemable preferred shares	—	(31,631)
Profit attributable to ordinary equity shareholders of the Company (basic)	<b>325,597</b>	200,856





### 7 EARNINGS PER SHARE (continued)

#### (b) Diluted earnings per share

The amount of diluted earnings per share is the same as basic earnings per share as there were no dilutive potential ordinary shares in existence during both the current and prior periods. Since the impact on earnings of conversion of convertible redeemable preferred shares to ordinary shares is greater than that on the weighted average number of ordinary shares, convertible redeemable preferred shares were treated as anti-dilutive during the six months ended 30 June 2009.

### 8 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2010, the additions of property, plant and equipment (including acquisition of a subsidiary and transferred from construction in progress) of the Group amounted to RMB310,564,000 (six months ended 30 June 2009: RMB477,752,000). Items of property, plant and equipment with net book value of RMB25,000 were disposed of during the six months ended 30 June 2010 (six months ended 30 June 2009: RMB167,000).

Certain of the Group's leased plant and machinery are considered as being held under finance lease. The lease term is 25 years and represents a major part of the economic life of the leased plant and machinery. Net book value of plant and machinery held under finance lease as at 30 June 2010 was RMB26,046,000 (31 December 2009: RMB26,858,000).

As at 30 June 2010, the Group was in the process of applying for the ownership certificate for certain buildings with an aggregate net book value amounting to RMB11,116,000 (31 December 2009: RMB11,424,000). The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy and use of the above mentioned buildings.

### 9 LEASE PREPAYMENTS

Lease prepayments comprise interests in leasehold land held for own use under operating leases located in the PRC with the carrying amount of RMB34,010,000 as at 30 June 2010 (31 December 2009: RMB16,882,000), of which RMB17,373,000 were newly acquired during the six months ended 30 June 2010.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi)

### 10 TRADE AND OTHER RECEIVABLES

	<b>At 30 June 2010 RMB'000</b>	At 31 December 2009 RMB'000
Trade receivables	411,027	234,921
Bills receivable	102,943	73,191
Less: allowance for doubtful debts	(10,721)	(10,721)
	<hr/>	<hr/>
	503,249	297,391
Deposits and other receivables	124,876	74,193
	<hr/>	<hr/>
	<b>628,125</b>	<b>371,584</b>
	<hr/> <hr/>	<hr/> <hr/>

All of the trade and other receivables are expected to be recovered within one year.

Included in trade and other receivables are trade receivables and bills receivable (net of allowance for doubtful debts) with the following ageing analysis:

	<b>At 30 June 2010 RMB'000</b>	At 31 December 2009 RMB'000
Current	405,345	239,903
Less than 1 month past due	26,538	16,460
1 to 3 months past due	33,513	41,028
More than 3 months but less than 12 months past due	37,853	–
	<hr/>	<hr/>
	503,249	297,391
	<hr/> <hr/>	<hr/> <hr/>

The credit terms for trade receivables are generally 30 to 45 days. The bills receivable are normally due within 180 days from the date of issuing.

### 11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the consolidated balance sheet and the condensed consolidated statement of cash flows comprise cash at bank and in hand.

The Group's cash and bank balances in the PRC amounted to RMB428,945,000 as at 30 June 2010 (31 December 2009: RMB281,669,000). RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi)



### 12 BANK AND OTHER LOANS

(a) The bank and other loans comprise:

	<b>At 30 June 2010 RMB'000</b>	At 31 December 2009 RMB'000
Short-term loans	375,000	505,000
Current portion of long-term loans	<u>351,140</u>	<u>277,983</u>
	726,140	782,983
Long-term portion of long-term loans	<u>481,040</u>	<u>521,200</u>
	<u><u>1,207,180</u></u>	<u><u>1,304,183</u></u>

(b) The bank and other loans were repayable as follows:

	<b>At 30 June 2010 RMB'000</b>	At 31 December 2009 RMB'000
Within 1 year	726,140	782,983
After 1 year but within 2 years	229,960	221,630
After 2 years but within 5 years	<u>251,080</u>	<u>299,570</u>
	<u><u>1,207,180</u></u>	<u><u>1,304,183</u></u>

(c) The carrying value of assets secured for bank and other loans were as follows:

	<b>At 30 June 2010 RMB'000</b>	At 31 December 2009 RMB'000
Property, plant and equipment	800,945	868,862
Lease prepayments	<u>3,239</u>	<u>3,274</u>
	<u><u>804,184</u></u>	<u><u>872,136</u></u>

In addition, certain bank loans were secured by the Group's 75% equity interests in Zhuhai Yingde Gases Co., Ltd., Shaanxi Yingde Gases Co., Ltd., Tianjin Yingde Gases Co., Ltd. and Rizhao Yingde Gases Co., Ltd. as at 30 June 2010.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi)

### 13 TRADE AND OTHER PAYABLES

	<b>At 30 June 2010 RMB'000</b>	At 31 December 2009 RMB'000
Trade payables	<b>54,688</b>	3,912
Bills payable	<b>96,524</b>	146,617
Payable for property, plant and equipment	<b>268,099</b>	254,849
Accrued expenses and other payables	<b>58,444</b>	73,692
	<hr/> <b>477,755</b> <hr/>	<hr/> 479,070 <hr/>

An ageing analysis of trade payables is as follows:

	<b>At 30 June 2010 RMB'000</b>	At 31 December 2009 RMB'000
Due within 1 month or on demand	<b>53,689</b>	3,459
Due after 1 month but within 3 months	<b>747</b>	448
Due after 3 months but within 6 months	<b>252</b>	5
	<hr/> <b>54,688</b> <hr/>	<hr/> 3,912 <hr/>

### 14 DIVIDENDS

The board of directors of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

(Expressed in Renminbi)



### 15 ACQUISITION OF A SUBSIDIARY

On 14 May 2010, the Group obtained control of Chongqing Da'an Special Gases Co., Ltd. ("Chongqing Da'an") by acquiring 95% equity interest in Chongqing Da'an.

The following summarises the consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

Identifiable assets acquired and liabilities assumed:

	RMB'000
Property, plant and equipment	29,260
Other non-current assets	15,815
Inventories and receivables	20,285
Cash and cash equivalents	1,008
Bank and other loans	(12,000)
Payables	(3,703)
Deferred tax liabilities	(2,645)
	<hr/>
Total net identifiable assets	48,020
Less: minority interest	(1,735)
	<hr/>
Consideration transferred - cash	<u>46,285</u>

## 16 MATERIAL RELATED PARTY TRANSACTIONS

Remuneration for key management personnel of the Group is as follows:

	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>RMB'000</b>	RMB'000
Short-term employee benefits	<b>3,405</b>	2,790
Post-employment benefits	<b>15</b>	14
	<b><u>3,420</u></b>	<u>2,804</u>

Total remuneration is included in “staff costs” (see Note 5(b)).

Pursuant to the relevant labour rules and regulations in the PRC, the Group’s PRC subsidiaries participate in defined contribution retirement benefit schemes (the “Schemes”) organised by the respective local government authorities whereby the Group is required to make contributions to the Schemes at rates in the range of 10% to 22% of the eligible employees’ salaries during the periods presented.

The Group also operates a Mandatory Provident Fund Scheme (the “MPF scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HKD20,000. Contributions to the plan vest immediately.

The Group has no other material obligation for the payment of pension benefits beyond the annual contributions described above.

There were no other significant related party transactions during both the current and prior periods.



## 17 COMMITMENTS

### (a) Capital commitments

As at 30 June 2010, the Group had capital commitments for acquisition and construction of properties and equipment as follows:

	<b>At 30 June 2010 RMB'000</b>	At 31 December 2009 RMB'000
Authorised and contracted for	<b>431,287</b>	592,894
Authorised but not contracted for	<b>2,379,656</b>	1,926,015
	<b><u>2,810,943</u></b>	<u>2,518,909</u>

### (b) Operating lease commitments

As at 30 June 2010, the Group's total future minimum lease payments under non-cancellable operating leases in respect of land and properties, are payable as follows:

	<b>At 30 June 2010 RMB'000</b>	At 31 December 2009 RMB'000
Within 1 year	<b>6,800</b>	4,008
After 1 year but within 5 years	<b>15,717</b>	9,436
After 5 years	<b>29,098</b>	24,633
	<b><u>51,615</u></b>	<u>38,077</u>

None of the leases includes contingent rentals.



**PURCHASE, SALE OR REDEMPTION OF OUR COMPANY'S LISTED SECURITIES**

During the period from 1 January 2010 to 30 June 2010, neither our Company nor any of our subsidiaries has purchased, sold or redeemed any of the listed securities of our Company.

**DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES OR DEBENTURES OF OUR COMPANY AND OUR ASSOCIATED CORPORATIONS**

As at 30 June 2010, the interests and short positions of the Directors and chief executive of our Company in the Shares, underlying Shares or debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO), which were required to be entered in the register kept by our Company under Section 352 of the SFO or as otherwise notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code of the Listing Rules contained in Appendix 10 were as follows:

<b>Name</b>	<b>Nature of interest</b>	<b>Number of Shares</b>	<b>Approximate percentage of shareholding</b>
Mr. Zhongguo Sun	Beneficiary of a trust	295,200,000 (long position)	16.32%
Mr. Zhao Xiangti	Deemed interest, interest of controlled company	262,913,585 (long position)	14.53%
Mr. Trevor Raymond Strutt	Founder of a discretionary trust	181,661,461 (long position)	10.04%

Save as disclosed above, as at 30 June 2010, none of the Directors and the chief executive of our Company or their associates (including their spouses and children under 18 years of age) had any interest or short positions in the Shares, underlying Shares or debentures of our Company or our associated corporations, recorded in the register required to be kept under section 352 of the SFO or required to be notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code.



### SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF OUR COMPANY

As at 30 June 2010, the following persons (other than the Directors and chief executive of our Company) had notified our Company of interests or short positions in the Shares or underlying Shares of our Company as recorded in the register required to be kept by our Company under Section 336 of Part XV of the SFO as follows:

Name	Nature of interest	Number of Shares	Approximate percentage of shareholding
Baslow	Beneficial owner	181,661,461 (long position)	10.04%
Baslow Resources Limited	Deemed interest, interest of controlled company	181,661,461 (long position)	10.04%
Bubbly Brooke	Beneficial owner	295,200,000 (long position)	16.32%
Li Hongmei	Founder of a discretionary trust	295,200,000 (long position)	16.32%
Yang Yonggang	Deemed interest, interest of controlled company	352,411,816 (long position)	19.48%
Rongton	Beneficial owner	262,913,585 (long position)	14.53%
Baring Private Equity Asia III Holding (7A) Limited	Beneficial owner	131,126,424 (long position)	7.25%
Baring Private Equity Asia GP III Limited	Deemed interest, interest of controlled company	131,126,424 (long position)	7.25%
Baring Private Equity Asia GP III, L.P.	Deemed interest, interest of controlled company	131,126,424 (long position)	7.25%
The Baring Asia Private Equity Fund III, L.P.1	Deemed interest, interest of controlled company	96,133,109 (long position)	5.31%

<b>Name</b>	<b>Nature of interest</b>	<b>Number of Shares</b>	<b>Approximate percentage of shareholding</b>
Equity Trustee Limited	Trustee (other than a bare trustee)	476,861,461 (long position)	26.30%
Rouser Investments Inc.	Deemed interest, interest of controlled company	295,200,000 (long position)	16.32%
Jean Eric Salata	Deemed interest, interest of controlled company	131,126,424 (long position)	7.25%
JP Morgan Chase & Co.	Deemed interest, interest of controlled company	126,886,299 (long position)	7.01%
		118,176,299 (lending pool)	6.53%
Newton Investment Management Limited	Investment manager	95,803,000 (long position)	5.30%

Save as disclosed above, as at 30 June 2010, our Company were not aware of any person (other than the Directors and chief executive of our Company) who had an interest or a short position in the Shares or underlying Shares of our Company as recorded in the register required to be kept by our Company under Section 336 of Part XV of the SFO.



### COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Our Company is committed to high standards of corporate governance. The Board of Directors of our Company believes that our Company has complied with all the code provisions of the Code in Appendix 14 of the Listing Rules for the six months ended 30 June 2010 except for the deviation from the Code provision A.2.1, which stipulates that the roles of chairman and chief executive officer should be separated. The chairman and the chief executive officer of our Company is Mr. Zhongguo Sun. Nevertheless, the Board considers that this structure will not impair the balance of power and the authority of the Board. The Board currently comprises four executive directors and three independent non-executive directors, with independent non-executive directors representing approximately 42.9% of the Board, which is higher than the Recommended Best Practices of the Code under the Listing Rules. Such a high percentage of independent non-executive directors on the Board can ensure their views carrying significant weight and reflecting independence of the Board.

Mr. Sun is the main founder of our Group and he has been responsible for operational management since the establishment of our Group. He has played an important role during our expansion. Mr. Sun possesses rich working experience in the industrial gas industry and excellent operational management ability. At present, the Board believes that it is beneficial to the management and development of our Group's businesses for Mr. Sun to be both the chairman and chief executive officer as it helps to fasten the Board's decision-making. The Board would still consider segregating the role of chairman and chief executive officer to comply with the Code if appropriate.

### COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

Our Company has adopted the Code of Conduct on terms no less than the required standards of the Model Code as set out in Appendix 10 of the Listing Rules to govern securities transactions by the directors. Having made specific enquiry to all Directors of our Company, our Company confirmed that all the Directors have complied with all required standards under the Code of Conduct throughout the period from 1 January 2010 to 30 June 2010.

### AUDIT COMMITTEE REVIEW

The audit committee of our Company currently comprises Mr. Xu Zhao (chairman), Mr. Zheng Fuya and Dr. Wang Ching, who are all independent non-executive directors of our Company. The audit committee has reviewed the unaudited interim financial report of our Group for the six months ended 30 June 2010. The audit committee has also discussed matters such as the accounting policies and practices adopted by our Group and internal control with the senior management of our Company.



### INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2010.

### SHARE OPTION SCHEME

Our Company has adopted the Share Option Scheme on 12 September 2009. A summary of principle terms and conditions of Share Option Scheme are set out in the section headed “Share Option Scheme” in Appendix VI of the Prospectus of our Company dated 24 September 2009. Up to 30 June 2010, no option has been granted pursuant to the Share Option Scheme.

## DEFINITIONS



“Baslow”	Baslow Technology Limited, an investment holding company incorporated in the British Virgin Islands
“Board” or “Board of Directors”	the board of directors of our Company
“Bubbly Brooke”	Bubbly Brooke Holdings Limited, an investment holding company incorporated in the British Virgin Islands
“China” or “PRC”	the People’s Republic of China, but for the purpose of this annual report and for geographical reference only and except where the context requires, references in this annual report to “China” and the “PRC” do not include Taiwan, the Macau Special Administrative Region and Hong Kong
“Code”	the Code on Corporate Governance Practices
“Code of Conduct”	a code of conduct regarding securities transactions by directors
“Director(s)”	Director(s) of our Company
“Hebei Yingde”	Hebei Yingde Gases Company Limited* (河北盈德氣體有限公司), a company established in the PRC on 4 December 2006 and a wholly-owned subsidiary of our Company
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Huai’an Yingda”	Huai’an Yingda Gases Company Limited* (淮安盈達氣體有限公司), a company established in the PRC on 26 January 2007 and a wholly-owned subsidiary of our Company
“Hunan Yingde”	Hunan Yingde Gases Company Limited* (湖南盈德氣體有限公司), a company established in the PRC on 29 October 2001 and a wholly-owned subsidiary of our Company
“Laiwu Yingde”	Laiwu Yingde Gases Company Limited* (萊蕪盈德氣體有限公司), a company established in the PRC on 30 January 2007 and a wholly-owned subsidiary of our Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)

“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers
“Nm <sup>3</sup> /hr”	normal cubic meter/hour
“Peace & Smooth”	Peace & Smooth (Hong Kong) Investment Limited, an investment holding company incorporated in Hong Kong
“Prospectus”	the prospectus of our Company dated 24 September 2009
“Renminbi” or “RMB”	the lawful currency of the PRC
“Rizhao Yingde”	Rizhao Yingde Gases Company Limited* (日照盈德氣體有限公司), a company established in the PRC on 30 October 2006 and a wholly-owned subsidiary of our Company
“Rongton”	Rongton Investments Limited, an investment holding company incorporated in the British Virgin Islands
“SAI Report”	the industry report dated 22 March 2010 entitled China Industrial Gas Market Analysis published by Strategic Analysis Inc.
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended from time to time)
“Shaanxi Yingde”	Shaanxi Yingde Gases Company Limited* (陝西盈德氣體有限公司), a company established in the PRC on 24 June 2003 and a wholly-owned subsidiary of our Company
“Share(s)”	ordinary share(s) with nominal value of US\$0.000001 each in the share capital of our Company
“Share Option Scheme”	the share option scheme conditionally approved by our shareholders on 12 September 2009 and approved and adopted by the board of directors of our Company on 12 September 2009
“Tianjin Yingde”	Tianjin Yingde Gases Company Limited* (天津盈德氣體有限公司), a company established in the PRC on 17 September 2004 and a wholly-owned subsidiary of our Company
“United States” or “US”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction



“USD”	United States dollars, the lawful currency of the United States
“Yingde BVI”	Yingde Gases Investment Limited* (盈德氣體投資有限公司), a company incorporated in the British Virgin Islands on 18 April 2006 and a wholly-owned subsidiary of our Company and investment holding company in our Group
“Zhuhai Yingde”	Zhuhai Yingde Gases Company Limited* (珠海盈德氣體有限公司), a company established in the PRC on 8 April 2003 and a wholly-owned subsidiary of our Company
“Zibo Yingde”	Zibo Yingde Gases Company Limited* (濰博盈德氣體有限公司), a company established in the PRC on 8 November 2006 and a wholly-owned subsidiary of our Company

### **In this interim report:**

- “Company”, “our Company”, “our”, “we” and “us” refer to Yingde Gases Group Company Limited 盈德氣體集團有限公司, an exempted company incorporated in the Cayman Islands with limited liability on 25 September 2007 and, except where the context otherwise requires, include all of its subsidiaries or where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries were engaged in and which were subsequently assumed by it;
  - “Group” means our Company and its subsidiaries from time to time; and
  - the terms “associate”, “connected person”, “connected transaction”, “controlling shareholder”, “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.
- \* denotes English translation of the name of a Chinese company or entity, or vice versa, and is provided for identification purposes only