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

Annual Report 2010

CONTENTS

CORPORATE PROFILE

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 2010.

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 other industrial 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.

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of Yingde Gases Group Company Limited (our "Company", together with its subsidiaries, referred to as our "Group"), I am pleased to present the annual results for the year ended 31 December 2010.

INDUSTRY REVIEW

Since the outburst of the global financial crisis, China's position in the global economy has been rapidly ascending, making it a major driving force for global economic growth. In 2010, as investment and consumption demand continued to be robust, China's gross domestic product grew by 10%, ranking second in the world. The rapid growth of industrial production has injected fresh vitality for future economic and financial development.

Industrial gas is the respiration system of various industry sections. China is at the heart of the global industrial gas industry and is witnessing strong growth of its economy. New application and outsourcing service, especially in the industries such as domestic metallurgy, petroleum, chemistry, electronics and renewable energy have developed very fast. The Chinese industrial gas market has been referred by experts as "the golden market of global industrial gas market" as it has seen phenomenal growth over the last few years.

Following the economic development, industrial gas market keeps expanding in the PRC. It is expected that the annual output value of industrial gases in the PRC may reach USD9.5 billion by 2015, with an annual growth rate of approximately 10.3%, outpacing the global average in terms of growth. In addition, China focused its macro-economic policies on adjustment of economic structure and promotion of energy saving and emission reduction. Therefore, the industrial gas industry in the PRC enjoys promising development prospects.

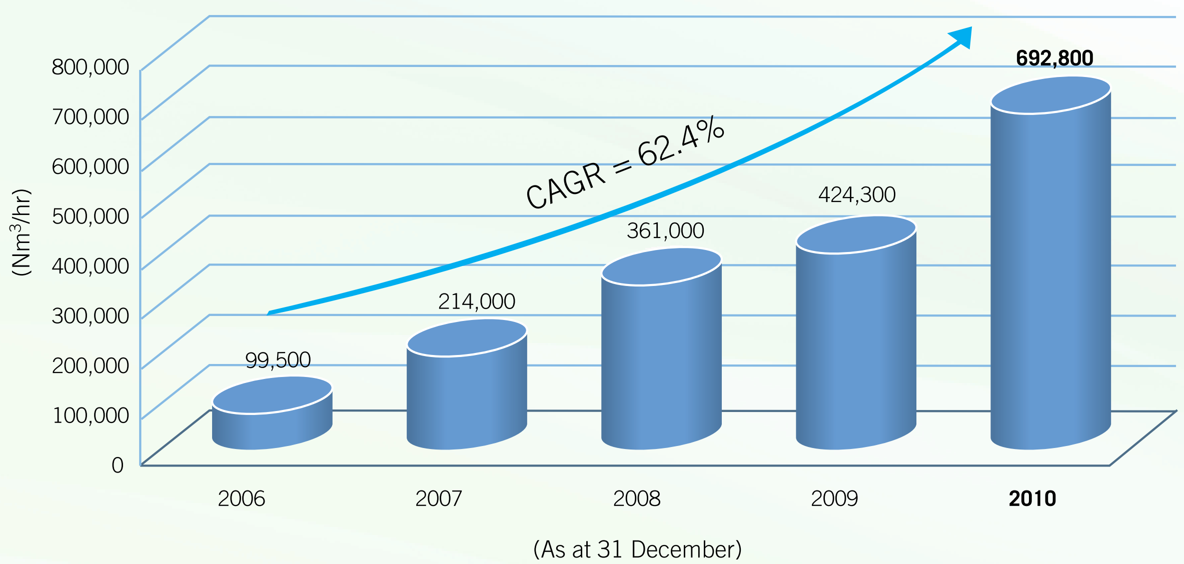
BUSINESS REVIEW

As the largest independent on-site industrial gas supplier in the PRC, our Group boasts high-quality mangement and operation mode, up-to-date product integration system which enables us to maximize our economic benefits throughout our operation and give prompt response to the gas demands from our customers. As at 31 December 2010, our Group had 28 production facilities in operation, with a total installed oxygen capacity of 692,800 Nm^3/hr.

On the customer front, our Group has established a quality customer base through screening of customers, including the leading iron and steel producers in the local province. In addition, our Group also endeavored to expand our customer base to other industries. On the product front, our Group vigorously increased our production capacity of major products, and planed to produce other industrial gases.

Our Group have strategically expanded our production base network in the PRC and assessed the value contribution of each gas production plant to the entire expansion plan. On one hand, we simultaneously established several production bases at different places, so that we could leverage on our existing production facilities to make up for the shortage and secure stable gas supply when a new project is developed. On the other hand, we focused our development on highly industrialized or resource-rich regions including Jiangsu, Shaanxi and Guangdong provinces where there exists huge demand for industrial gases. Our development in these regions is expected to bring admirable profit for our Group.

Total Installed Oxygen Capacity 2006-2010



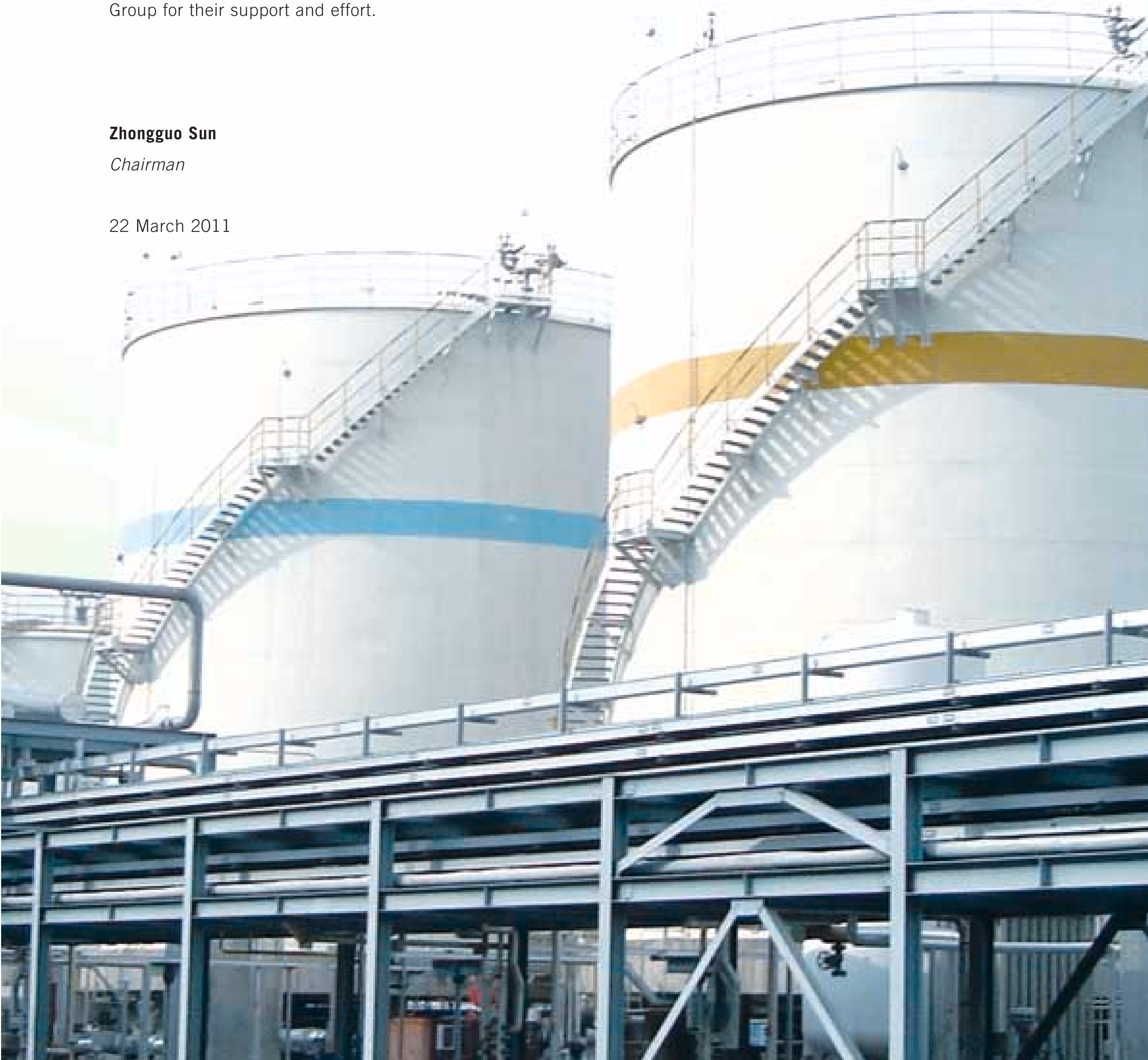
OUTLOOK

Looking forward to 2011, our Group will continue our efforts. We still strive to develop new customers and maintain our leading position in the industry. Our Group will seize the new growth opportunities to rapidly develop new businesses, make practical efforts to prevent any risks and continue to provide our customers with the best gas supply and professional management services.

Finally, I would like to take this opportunity to thank our business partners and customers for their support and trust. Meanwhile, I would like to express my sincere gratitude to the shareholders, directors, management and staff of our Group for their support and effort.

Zhongguo Sun
Chairman

22 March 2011



CEO'S REPORT AND MANAGEMENT DISCUSSION & ANALYSIS

On behalf of our Company's management team, I am pleased to report our Group's 2010 results to our shareholders as follows:

INDUSTRY REVIEW

Industrial gas is the respiration system of various industry sections. The world has been witnessing stable growth in the industrial gas industry. As the emerging market economies outpaced the mature market economies in terms of growth, it is expected that the growth pace of the emerging industrial gas markets will exceed that of the mature markets by a large margin. Accordingly, the continuous economic growth in mainland China will significantly drive the consumption of industrial gases, thus promoting the swift development of industrial gas industry in China. It is expected that the market capacity of China's industrial gases will reach USD9.5 billion by 2015, representing an annual growth rate of 10.3%.

In recent years, as China implemented energy saving and emission reduction measures to minimize environment pollution, demand for industrial gases from steel makers and chemical industry has increased substantially. Petrochemical and coal chemistry industry have overtaken the steel industry and become the largest customer of industrial gas. Annual demand for industrial gases in China in 2011 is expected to exceed USD6.5 billion in terms of value. Given that per capita gas consumption in developed countries is a lot bigger than that in China, the potential of industrial gas industry is tremendous.

BUSINESS REVIEW

Global economy started to recover in 2010 and China's demand for clean energy such as industrial gases expanded at dramatic pace. We seized this opportunity to actively develop on-site customers. Our turnover recorded a stable growth of 45.5% for the year.

Thanks to the favorable market conditions in the year, our capital conditions and operating capital flow were not impacted by our profit warning related to Zhangjiagang Yingde, which was announced on 7 January 2011 (the "Profit Warning"). We recorded remarkable return and achieved solid growth in results through further focusing on merchant gas market in the second half of the year.

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 2010. Our main gas products include oxygen, nitrogen and argon. For the year ended 31 December 2010, our on-site gas supply operation contributed about 79.3% of our total revenue. By virtue of our successful market policy and seven new production facilities coming into operation in 2010, turnover from our on-site gas operation saw over 30% growth from last year.

REVIEW OF ON-SITE GAS SUPPLY OPERATION

We are principally engaged in on-site gas supply, which generated approximately 79.3% of total revenue from operations for the year ended 31 December 2010. After years of continued development and with our professional management guidance, we currently possess a stable and quality customer base and have an established professional reputation in the industrial gas industry. We provide on-site services such as design, construction, operation and maintenance of gas production facilities on or in close proximity to our on-site customers' premises, in order to ensure the reliability and stability of gas supplies to such customers. We generally enter into long-term take-or-pay gas supply contracts with on-site customers so as to ensure the stability of our Group's operations and income.

As at 31 December 2010, our Group had a total of 28 gas production facilities in operation, which includes Baotou Shenhua Project with installed oxygen capacity of 240,000 Nm^3/hr coming into operation in November 2010 and 16 gas production facilities under development. The total installed capacity amounted to 692,800 Nm^3/hr in terms of installed oxygen capacity, representing a year-on-year growth of 63.3%. During the year under review, our Group sold 6,769 million Nm^3 of industrial gas in aggregate, representing a year-on-year growth of 19.4%. The total sales volume of oxygen products, nitrogen products and argon products were 3,491 million Nm^3, 2,899 million Nm^3 and 106 million Nm^3, respectively. It is expected that the total installed oxygen capacity will amount to 1,176,800 Nm^3/hr in 2013 upon completion of all production facilities currently under development.

EXPANSION BY NEW PROJECTS

At the report date, we signed following new long-term on-site gas supply contracts:

Location	Industry of customer	Expected installed oxygen capacity (Nm^3/hr)
Jiangsu	Steel	60,000
Hunan	Nonferrous Metal	16,000
Heilongjiang	Chemical	17,000
Henan	Chemical	60,000
Zhejiang	Glass	35,000
Shaanxi	Steel	30,000
Tianjin	Steel	35,000
Jiangsu	Steel	30,000

REVIEW OF MERCHANT GAS OPERATION

Our Group is determined to take an active role in relation to our merchant gas operation from 2009 onwards and implemented the "Go To Market" strategy, where we actively sought the right customers and utilized any remaining production capacity of our on-site gas production facilities to produce gases for selling to the merchant market. The customer network of our Group currently covers, among others, the electronics, glass, food, automotive and construction industries. For the year ended 31 December 2010, the total turnover of our Group's merchant gas operation amounted to RMB621 million, experiencing great increase about 127.2% over same period last year as a result of the substantial quantity and price increase in 2010.

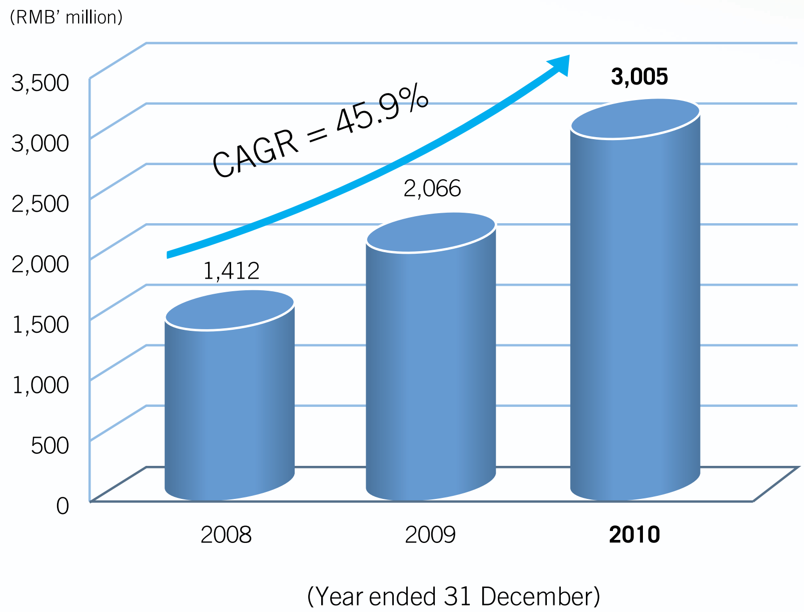
FINANCIAL REVIEW

Leveraging on our effective market policy, effective control over cost and expenditure, acquisition and development of business, devotion from our management and staff, we recorded significant increase in our production and sales. Despite our Profit Warning, this individual event did not have potential impact on our business development. We recorded admirable results for 2010. For the year ended 31 December 2010, our turnover increased by RMB939 million to RMB3,005 million from RMB2,066 million for the same period in 2009. The increase in turnover is mainly contributed from seven new production facilities commencing operation in 2010 and the production facilities which commenced production at various times in 2009 operating for the full year in 2010 and the increase of quantity and price of liquid gas products. For the year ended 31 December 2010, our Group recorded gross profit of RMB1,164 million, representing an increase of RMB389 million as compared with the same period in 2009, thus driving the overall gross profit margin to 38.7%. In addition, our Group recorded profit attributable to equity shareholders of our Company of RMB577 million (2009: RMB530 million). The earnings per share was RMB0.319 (2009: RMB0.340).

Turnover

Our turnover consists of proceeds from the sale of industrial gas products. Our turnover is recognized when our gas products are delivered to a customer's 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 and any trade discounts. Our turnover increased by 45.5% from RMB2,066 million for the year ended 31 December 2009 to RMB3,005 million for the year ended 31 December 2010. The increase was primarily due to seven new production facilities coming into operation during 2010 and increase of quantity and price of liquid gas products.



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

	Year ended 31 December			
	2010		2009	
	RMB'000	**(%)**	RMB'000	(%)
Turnover				
On-site	**2,384,091**	**79.3**	1,792,474	86.8
Merchant	**620,842**	**20.7**	273,211	13.2
Total	**3,004,933**	**100.0**	2,065,685	100.0

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

	Year ended 31 December	
	2010	2009
	Unit price (RMB/Nm^3)	
Oxygen	**0.91**	0.74
Nitrogen	**0.72**	0.68
Argon	**4.03**	1.62
Weighted average unit price:	**1.45**	0.91

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 on-site customers is determined on a case-by-case basis in accordance with the pricing arrangements stated 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 production facilities and the expected utility charges by the on-site customers.

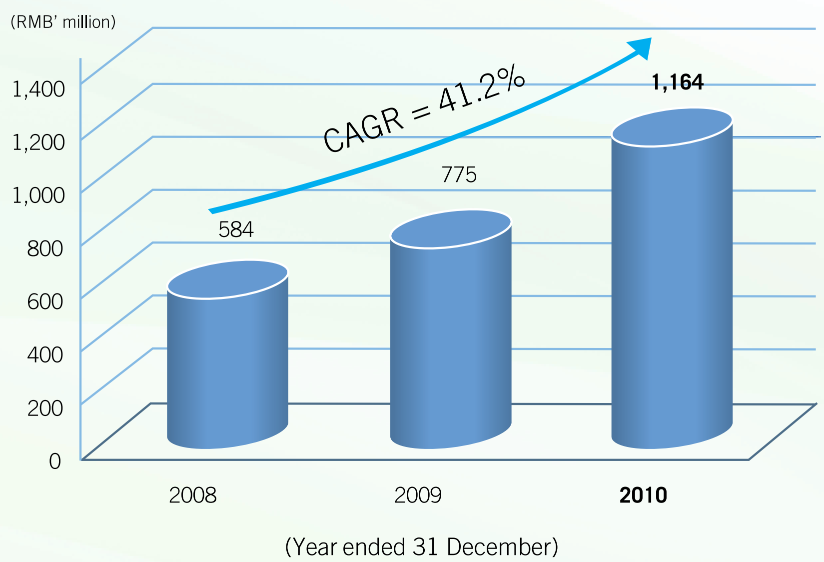
Cost of sales

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 88.7% and 88.3% of our total cost of sales for the year ended 31 December 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 that we pay to our employees or make for the benefit of our employees in our production team. Other expenses primarily consist of other consumables as well as repair and maintenance.

Cost of sales increased by 42.6% from RMB1,291 million for the year ended 31 December 2009 to RMB1,841 million for the year ended 31 December 2010 which is mainly driven by turnover growth. Cost of sales as a percentage of turnover decreased from 62.5% for the year ended 31 December 2009 to 61.3% in for the year ended 31 December 2010.

Gross profit and gross profit margin

Gross profit increased by 50.2% from RMB775 million for the year ended 31 December 2009 to RMB1,164 million for the year ended 31 December 2010. Our gross profit margin increased from 37.5% for the year ended 31 December 2009 to 38.7% for the year ended 31 December 2010, primarily reflecting increased sales quantity and price of liquid gases for merchant customers as described above.



Other revenue

Other revenue mainly includes subsidy and grant from local government authorities.

Selling expenses

Our selling expenses primarily consist of freight charges for distribution and logistics, travelling expenses and staff costs in connection with hiring and maintaining our sales team across different regions in the PRC. Selling expenses increased by 209.6% from RMB19 million for the year ended 31 December 2009 to RMB58 million for the year ended 31 December 2010, mainly reflecting the fast expansion on the merchant gas market.

Administrative expenses

Our administrative expenses primarily consist of staff costs in connection with hiring and maintaining our management and administrative staff at our headquarters and production plant level, travel and entertainment, external consulting fees and impairment loss of trade receivables, property, plant and equipment, construction in progress and intangible assets. Administrative expenses increased by RMB185 million from RMB137 million for the year ended 31 December 2009 to RMB322 million for the year ended 31 December 2010, mainly due to RMB179 million one-off impairment loss of Zhangjiagang Yingde as disclosed in note 5(c) to consolidated financial statements.

Profit from operations and operating profit margin

As a result of the foregoing, our profit from operations increased by 26.7% from RMB620 million for the year ended 31 December 2009 to RMB786 million for the year ended 31 December 2010. Operating profit margin decreased from 30.0% for the year ended 31 December 2009 to 26.2% for the year ended 31 December 2010.

Finance income

Our finance income mainly consists of interest income from bank deposits and finance income on receivables under finance lease.

Finance costs

Our finance costs primarily consist of interest payments for our loans with banks and other financial institutions; finance charges on obligations under finance lease and exchange loss.

Finance costs increased 109.4% from RMB61 million for the year ended 31 December 2009 to RMB128 million for the year ended 31 December 2010 as a combined result of increased interest expense on bank and other loan and foreign currency exchange loss related to the Renminbi appreciated against the US and HK dollar of cash and cash equivalents. Besides, a gain of RMB13 million related to fair value adjustment of a convertible redeemable preferred shares were recognized in 2009.

Income tax expenses

Income tax expenses increased 298.2% from RMB34 million for the year ended 31 December 2009 to RMB135 million for the year ended 31 December 2010 primarily due to certain subsidiaries being subject to higher income tax rates in 2010 as compared with 2009. The table below sets out the applicable enterprise income tax rate:

Subsidiaries	Tax holiday period	Applicable tax rate	
		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%**	–

Profit attributable to the equity shareholders of the Company

As a result of the foregoing, our profit attributable to the equity shareholders increased 8.9% from RMB530 million for the year ended 31 December 2009 to RMB577 million for the year ended 31 December 2010.

Profit attributable to the non-controlling interests

Profit attributable to non-controlling interests changed from a profit of RMB2 million for the year ended 31 December 2009 to a loss of RMB44 million for the year ended 31 December 2010.

Trade and other receivables

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Trade receivables	**332,695**	234,921
Bills receivable	**153,728**	73,191
Less: allowance for doubtful debts	**(20,437)**	(10,721)
Deposits and other receivables	**282,938**	74,193
	748,924	371,584

Our trade and other receivables increased from RMB372 million as at 31 December 2009 to RMB749 million as at 31 December 2010. Bills receivable increased to RMB154 million as at 31 December 2010, primarily due to increase in turnover as the number of our production facilities in operation increased from 21 as at 31 December 2009 to 28 as at 31 December 2010.

Turnover of trade receivables increased from 30 days during the year ended 31 December 2009 to 34 days for the year ended 31 December 2010 which was in line with the payment terms for our on-site customers trade receivables.

The following table sets forth the turnover of our trade receivables for the years indicated:

	Year ended 31 December	
	2010	2009
Turnover of trade receivables (days)*	**34**	30

Note:

* Calculated on the average of the beginning and ending trade receivables balances for the year, divided by turnover for the year, multiplied by 360 days for a year in respect of the years indicated.

Bank and other loans

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Short-term loans	**370,000**	505,000
Current portion of long-term loans	**413,963**	277,983
	783,963	782,983
Long-term portion of long-term loans	**1,132,137**	521,200
	1,916,100	1,304,183

The bank and other loans are denominated in RMB.

As at 31 December 2010, the carrying value of assets secured for bank and other loans were RMB1,912 million (2009: RMB872 million).

Liquidity and capital resources

We have historically 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 and other financial institutions.

As at 31 December 2010, the total assets of our Group was approximately RMB7,635 million, representing a year-on-year increase of RMB1,960 million. The cash at bank and in hand was RMB970 million, representing a decrease of RMB1,132 million over the previous year. The current ratio of our Group was 106.4%. The gearing ratio of our Group which is calculated at total liabilities divided by total assets was 42.8%.

Capital expenditure

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

The annual total capital expenditure for 2010 were RMB1,930 million (2009: RMB888 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 and bank and other loans.

Contingent liabilities

Details on the contingent liabilities of our Group and our Company are set out in note 29(c) and 29(d) to the consolidated financial statements.

STRATEGY AND PROSPECTS

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

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

- capitalize on the outsourcing trend and consolidate and further strengthen our leading position in the outsourcing on-site industrial gas market in China;
- "Go To Market" to expand our merchant gas operations;
- "Go Deep" and "Go Wide" to develop our business;
- further enhance and expand our target market through industry diversification;
- enhance our competitive strength in providing customized, unique and efficient solutions to our customers through continuous innovation and effort; and
- continue to attract and retain highly skilled personnel.

OTHER INFORMATION

Risk of Exposure to Exchange Rate Fluctuations and Related Hedging

During 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.

Employees and Remuneration Policy

Human resources and information technology have been essential to our Group's success. Our staff is crucial assets of our Group. As such, we review our remuneration policy from time to time to ensure it remains competitive. We have a balanced appraisal system to evaluate the staff's performance. For the long-term development of all concerned, we provide relevant training to our staff, such as providing financial supports to our staff for their further education and carrying out relevant trainings for our management. We have training and research centre in Hangzhou, where our staff could acquire more knowledge on industry safety and technology.

At 31 December 2010, our Group had 1,442 employees (at 31 December 2009: 970). The increased in headcount was mainly a result of the commencement of production at seven production facilities in 2010 and future expansion.

We believe that our Company's strong growth and maturity is credited to the expertise of our high-caliber staff and their full support to our Company's development strategy. Our Company values each staff member, and therefore put forward a people-oriented governance philosophy, endeavoring to provide our staff with an excellent working environment and a sound promotion system, and to offer newly promoted staff comprehensive position-specific training, with a view to fostering a sense of belonging among staff members and propping up their passion at work so that they may provide clients with higher quality services.

EXCELLENT MANAGEMENT

Our senior management and senior technicians have extensive experience in the operation of industrial gas enterprises, as well as industry knowledge and know-how, thereby leading our Group's businesses to head toward greater success. In addition to retaining management personnel, we also continued recruiting high-caliber technicians and improving our operation systems and production technologies, in order to provide customers with the best gas supply management solutions and other professional services.

DIVIDENDS

The Board has proposed to pay a final dividend of RMB0.10 per share for the year ended 31 December 2010 (2009: Nil).

INVESTOR RELATIONS

Communication with Stakeholders

Our Group's investor relations team is devoted to enabling the most effective communication between our Company, shareholders, the financial community and other stakeholders. We adhere to the best practices of high transparency and consistency in the disclosure of information whether the market is favorable to the industrial gas sector or otherwise. Our investor relations team is very pleased to have earned the recognition from shareholders, investors and analysts for our Group's integrity in communicating our Company's strategies and performance at earliest date in 2010.

Meanwhile, our Company also ensured that stakeholders had the opportunities to express their views on our Group's performance. We frequently reported to the management team and relevant departments about stakeholders' comments and opinions so that we could keep improving our efficiency and performance, with the ultimate goal of generating higher returns for our shareholders. Communication between the stakeholders and our Company is a two-way process. In 2010, our efforts involved:

Providing Updates to Stakeholders through the Following Channels:

— announcements and notices published on the website of the Hong Kong Stock Exchange, our Company website, and/or dispatched to our shareholders pursuant to the requirements of the Listing Rules;

— our financial statements and reports;

— our annual and extraordinary general meetings, attended by top management representatives and directors; and

— investors conferences and meetings.

Encouraging feedback from stakeholders through channels such as:

— face-to-face dialogue at our annual and extraordinary general meetings;

— email exchanges with stakeholders. We also replied to email enquiries from stakeholders directly. If they were a matter of general interest to stakeholders, we would seek to address it in subsequent corporate communication to all stakeholders; and

— site visits. In 2010, we organized over three site visits for the stakeholders to view our production facilities across China.

We collected and reported to the management team regularly about stakeholders' comments and suggestions on our operations.

We are grateful to all stakeholders who offered us support and provided us with feedback during 2010. If any stakeholder has questions or comments on our work, please contact us at information@yingdegas.com.

OUTLOOK

Looking forward, as China's economic growth stabilizes and more attentions are paid to global environmental protection, demand for industrial gases will continue to increase. Riding on such favourable trend, our Group will focus on its medium and long term development. Our Group will continue to identify quality customers within the industries we already serve, and endeavor to expand our customer base to cover other industries.

Pursuing the above goals, we will strive for outstanding performance in 2011 and reciprocate our shareholders with admirable return.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTOR AND CHAIRMAN

Mr. Zhongguo Sun, aged 47, was initially appointed as the chairman, chief executive officer and an executive director of our Company on 12 November 2007 and was subsequently re-elected as a director of our Company on 19 May 2010. Mr. Sun was one of the founders of our Group and has been a director and the general manager of our Group since 2001 responsible for the overall management and strategy of our Group. Mr. Sun has more than ten years experience in the industrial gas industry. Prior to establishing our Group, Mr. Sun was the business manager of applied gas solution at BOC Group plc. Mr. Sun received a Master of Science in Mechanical Engineering from the University of Pittsburgh in 1989.

EXECUTIVE DIRECTORS

Mr. Zhao Xiangti, aged 52, was initially appointed as an executive director of our Company on 12 November 2007 and was subsequently re-elected as a director of our Company on 19 May 2010. Mr. Zhao was one of the founders of our Group and has participated in our management, business development and expansion since October 2001. Mr. Zhao is responsible for domestic finance planning and support in the PRC within our Group. Mr. Zhao has years of experience in the industrial gas industry. Mr. Zhao received a Bachelor of Engineering from Hebei Science and Technology University in 1982.

Mr. Trevor Raymond Strutt, aged 59, was appointed as an executive director of our Company on 20 May 2010. He is also the chief operating officer of our Company. Mr. Strutt was one of the founders of our Group and has been the deputy general manager responsible for the overall operational aspects of our Group since establishment. Mr. Strutt has more than 20 years experience in the industrial gas industry. Prior to establishing our Group, he held various positions at BOC Group plc,. Mr. Strutt received a Bachelor of Science with Honors in Materials Science from the University of Sussex in 1975 and a Master of Business Administration from the University of Leeds in 2001. Mr. Strutt is a member of the Institute of Materials, Minerals and Mining, and is a registered member of the United Kingdom Engineering Council – Chartered Engineer.

Mr. Chen Yan, aged 43, was initially appointed as an executive director of our Company on 18 December 2008 and was subsequently re-elected as a director of our Company on 19 May 2010. He is also and a vice president of our Company. Mr. Chen is responsible for our Company's business planning, business structuring and restructuring, overseeing legal matters and investor relations. Mr. Chen joined our Group in June 2006. Mr. Chen has more than ten years experience in the industrial sector. Prior to joining our Group, Mr. Chen was the deputy director of the international division of Torch Automobile Group Company Limited. Mr. Chen also previously held the position of director at Shanghai Dragon Bat Wines & Spirits Limited, a subsidiary of Bacardi & Company (China) Limited, and at Avant-Garde City Group. Mr. Chen received a Bachelor of Electrical Engineering from Shanghai Jiao Tong University in 1990 and two Masters of Science degrees in Engineering from the University of Pennsylvania in 2000 and 2002.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Xu Zhao, aged 42, was initially appointed as an independent non-executive director of our Company on 12 September 2009 and was subsequently re-elected as a director of our Company on 19 May 2010. Mr. Xu is currently the chairman of Cathay Life Insurance Company Limited, which is a joint venture in the PRC between China Eastern Air Holding Company and Cathay Life Insurance Company Limited, a publicly listed company in Taiwan. Mr. Xu is also currently the chief financial officer of China Eastern Air Holding Company and a supervisor of China Eastern Airlines Corporation Limited, a company listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange. Mr. Xu has more than ten years experience in the accounting and finance areas. Mr. Xu received a Bachelor degree in Molding from Chongqing University in 1991 and a Master degree in Professional Accountancy from The Chinese University of Hong Kong in 2005. Mr. Xu is a certified public accountant in the PRC.

Mr. Zheng Fuya, aged 44, was initially appointed as an independent non-executive director of our Company on 12 September 2009 and was subsequently re-elected as a director of our Company on 19 May 2010. Mr. Zheng was a director of Comtech Group, Inc., a company listed on the NASDAQ and has since 1 January 2008 served as the chief financial officer of the same company. Mr. Zheng was previously vice president of travel service at eLong, Inc., one of the leading online travel service companies in China and listed on the NASDAQ, where Mr. Zheng was responsible for the overall operation of eLong Inc.'s travel services. Mr. Zheng has more than ten years experience in the service industry. Mr. Zheng received a Bachelor of Business Administration majoring in accounting from City University of New York in 1994.

Dr. Wang Ching, aged 55, was initially appointed as an independent non-executive director of our Company on 4 December 2009 and was subsequenty re-elected as a director of our Company on 19 May 2010. Dr. Wang has more than 19 years of experience in the global financial industry specializing in asset management, direct investment, corporate finance, equity and fixed income trading/sales with particular focus in the U.S. and the greater China region. Dr. Wang is currently an executive director of a Hong Kong listed closed end fund, Shanghai International Shanghai Growth Investment Limited (stock code: 770). He also serves as an independent non-executive director of Minth Group Limited (stock code: 425), a leading supplier of exterior automobile body parts in China as well as China Singyes Solar Technologies Holdings Limited (stock code: 750), a fast growing professional thin-film BIPV building engineering company, in which he advises senior management on business strategies and financial development in the fast changing China market. Between 1998 to 2006, Dr. Wang had taken senior positions for two Taiwanese and regional financial institutions including as the managing director of JS Cresvale International Securities, managing director of SinoPac Securities (Asia) Hong Kong, Chairman of FENB Securities in California, U.S., and chief executive officer of the Investment & Proprietary Trading Group for Jih Sun Financial Holding (stock code: 5820) in Taiwan. Before 1998, Dr. Wang had served as the director of investment banking at Standard Chartered Bank in Hong Kong from 1996, and associate director of Bear Stearns in New York and Hong Kong from 1992. Also, he was a consultant for Smith Barney and Merrill Lynch in New York prior to 1992. Dr. Wang received his B.A. in Economics in 1977 from National Taiwan University and obtained his Ph.D. in Finance in 1992 from Columbia University in New York.

SENIOR MANAGEMENT

Mr. Zhongguo Sun - please refer to his biography under the sub-section headed - "Executive Director and Chairman".

Mr. Zhao Xiangti - please refer to his biography under the sub-section headed - "Executive Directors".

Mr. Chen Yan - please refer to his biography under the sub-section headed - "Executive Directors".

Mr. Trevor Raymond Strutt - please refer his biography under the sub-section headed - "Executive Directors".

Ms. Wong Sze Wing, aged 32, joined our Group on 1 July 2008 and is chief financial officer and company secretary of our Company. Ms. Wong has over ten years of accounting experience in the industrial sector. Prior to joining our Company, Ms. Wong was the group chief financial officer of Orange Sky Entertainment Group (International) Holdings Limited, an investment holding company with subsidiaries engaging in media business in the PRC. She was previously employed as the financial controller of Avex China Company Limited, a PRC joint venture company established by Orange Sky Entertainment (International) Holdings Limited and Avex Group Holdings Inc. Avex Group Holdings Inc. is a company listed on the Tokyo Stock Exchange. Ms. Wong was also previously employed as a manager at PricewaterhouseCoopers. Ms. Wong holds a Bachelor of Business Administration from the University of Hong Kong. She is also undertaking an EMBA course at the China Europe International Business School. Ms. Wong became a chartered member of the Hong Kong Institute of Certified Public Accountants in 2003.

COMPANY SECRETARY

Ms. Wong Sze Wing - please refer to her biography under the sub-section headed - "Senior Management".

DIRECTORS' REPORT

The Board is pleased to present its report and the audited consolidated financial statements of our Company and of our Group for the year ended 31 December 2010.

PRINCIPAL PLACE OF BUSINESS

Our Company's principal place of business in Hong Kong is at Suite 4313, Tower One, Times Square, Causeway Bay, Hong Kong and has its registered office at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

PRINCIPAL OPERATIONS AND ANALYSIS OF OPERATIONS

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 2010.

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 are generally liquid gas distributors who purchase industrial gases from us on a spot market basis from time to time.

The analysis of our Group's revenue is set out in note 4 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

Results of our Group for the year ended 31 December 2010 are set out in the consolidated statement of comprehensive income on page 43.

FINAL DIVIDENDS

Our Board has proposed to pay a final dividend of RMB0.10 per ordinary share in respect of the year ended 31 December 2010 (2009: Nil).

FINANCIAL SUMMARY

A five-year financial summary of the results and of the assets and liabilities of our Group is set out on page 107.

RESERVES

Movements in the reserves of our Group and our Company during the year are set out in consolidated statement of changes in equity and note 26(a) to the consolidated financial statements, respectively.

DISTRIBUTABLE RESERVES

Our Company's total distributable reserves at 31 December 2010 amounted to RMB2,915 million.

SHARE CAPITAL

Movements in the share capital of our Company during the year ended 31 December 2010 are set out in note 25 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Movements in our Group's property, plant and equipment are set out in note 11 to the consolidated financial statements.

BORROWINGS AND CAPITALIZATION OF INTERESTS

Details of borrowings of our Group during the year are set out in note 22 to the consolidated financial statements. Details of our Group's capitalized interests expenses and other borrowing costs during the year are set out in note 5(a) to the consolidated financial statements.

RETIREMENT BENEFITS

Details of the retirement benefit plans of our Group are set out in note 5(b) to the consolidated financial statements.

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

Neither our Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of our Company during the year under review.

Pursuant to the Board resolution passed on 7 January 2011, the Company repurchased 2,402,500 shares of its own ordinary shares on the Stock Exchange at an aggregate consideration of RMB12 million in January 2011. The lowest and the highest price paid were HKD5.60 per share and HKD5.70 per share respectively. All the shares repurchased have been cancelled subsequently.

SHARE OPTION SCHEME

The Share Option Scheme was conditionally approved by a resolution of the shareholders on 12 September 2009 and adopted by a resolution of the Board on 12 September 2009. Unless it is terminated by the Board or our shareholders in general meeting in accordance with the terms of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of ten years on the date which it becomes unconditional. After the period, no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in full force and effect to exercise any subsisting options granted prior to the expiry of this ten year period or otherwise as handled in accordance with the provisions of the Share Option Scheme. The amount payable by a participant upon acceptance of a grant of option is RMB1.00. The Board may, at its absolute discretion, offer any employee, management member or director of our Company, or any of our subsidiaries and third party service providers the options to subscribe for shares on the terms set out in the Share Option Scheme. The purpose of the Share Option Scheme is to attract and retain skilled and experienced personnel, to incentivize them to remain with us and to give effect to our customer-focused corporate culture, and to motivate them to strive for our future development and expansion, by providing them with the opportunity to acquire equity interests in our Company.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme shall not in aggregate exceed 10% of the issued shares as at the date of approval of the Share Options Scheme (ie. a total of 180,923,250 shares).

No option may be granted to any one person such that the total number of shares issued and to be issued upon the exercise of options granted and to be granted to that person in any 12 month period up to the date of the latest grant exceeds 1% of our issued share capital from time to time, unless the approval of our shareholders is obtained.

The amount payable for each share to be subscribed for under an option upon exercise shall be determined by the Board and notified to a proposed beneficiary at the time of offer of the option and shall be not less than the higher of:

(a) the closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotation sheet on the date of grant, which must be a business day;

(b) the average closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of grant; and

(c) the nominal value of the Shares.

The Share Option Scheme does not contain any minimum period(s) for which a option must be held before it can be exercised. However, at the time of grant of the options, our Company may specify any such minimum period(s).

As at 31 December 2010, no options have been granted pursuant to the Share Option Scheme.

DIRECTORS

The directors of our Company during the year and up to the date of this annual report are:

Executive Directors

Mr. Zhongguo Sun	(chairman and chief executive officer, re-elected/appointed on 19 May 2010)
Mr. Zhao Xiangti	(re-elected/appointed on 19 May 2010)
Mr. Chen Yan	(re-elected/appointed on 19 May 2010)
Mr. Trevor Raymond Strutt	(appointed on 20 May 2010)

Non-executive Directors

Mr. Chen Dar Cin	(re-elected/appointed on 19 May 2010 and resigned on 20 May 2010)

Independent Non-executive Directors

Mr. Xu Zhao	(re-elected/appointed on 19 May 2010)
Mr. Zheng Fuya	(re-elected/appointed on 19 May 2010)
Dr. Wang Ching	(re-elected/appointed on 19 May 2010)

In accordance with Article 83 of the Articles of Association, Mr. Trevor Raymond Strutt who was newly appointed by the Board on 20 May 2010, will retire from office and being eligible, has offered himself for re-election at the forthcoming annual general meeting.

In accordance with Article 84 of the Articles of Association, Mr. Chen Yan and Mr. Zheng Fuya shall retire by rotation and being eligible, have offered themselves for re-election at the forthcoming annual general meeting.

Brief biographical details of directors are set out on pages 18 and 19.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with our Company or any member of our Company which is not determinable by our Company within one year without the payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance in relation to our Group's business to which our Company, any of its subsidiaries, its fellow subsidiaries or its parent company was a party and in which a director of our Company had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the financial year under review.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year under review was our Company or any of its subsidiaries or fellow subsidiaries a party to any arrangement that would enable the directors of our Company to acquire benefits by means of acquisition of shares in, or debentures of, our Company or any other body corporate, and none of the directors or any of their spouses or children under the age of 18, were granted any right to subscribe for the equity or debt securities of our Company or any other body corporate or had exercised any such right.

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

As at 31 December 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:

Name	Nature of interest	Number of Shares	Approximate percentage of shareholding
Mr. Zhongguo Sun	Beneficiary of a trust	295,200,000 (long position)	16.32%
Mr. Zhao Xiangti	Deemed interest, interest of controlled company	262,021,585 (long position)	14.48%
Mr. Trevor Raymond Strutt	Founder of a discretionary trust	181,661,461 (long position)	10.04%

Save as disclosed above, as at 31 December 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 31 December 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 Technology Limited	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 Holdings Limited	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	350,627,816 (long position)	
	Beneficial owner	892,000 (long position)	
		351,519,816 (long position)	19.43%
Rongton Investments Limited	Beneficial owner	261,129,585 (long position)	14.43%
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%

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

Name	Nature of interest	Number of Shares	Approximate percentage of shareholding
Equity Trustee Limited	Trustee (other than a bare trustee)	476,861,461 (long position)	26.36%
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	125,176,536 (long position)	6.92%
		107,127,036 (lending pool)	5.92%
Newton Investment Management Limited	Investment manager	109,853,000 (long position)	6.07%

Save as disclosed above, as at 31 December 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.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association of our Company and there is no restriction against such rights which would oblige our Company to offer new shares on a pro-rata basis to existing shareholders.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the directors of our Company have any ownership in other businesses which competes or is likely to compete, either directly or indirectly, with the businesses of our Group.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of our Company were entered into or existed during the year.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Our Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive directors and our Company considers that Mr. Xu Zhao, Mr. Zheng Fuya and Dr. Wang Ching to be independent.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2010, our Group had a total of 1,442 employees. Total staff costs (including directors' emoluments) incurred for the year ended 31 December 2010 amounted to approximately RMB94 million (2009: RMB78 million). Remuneration packages of the directors are recommended by the Remuneration Committee and approved by the Board. Employee remuneration will be determined by the management with reference to individual performance and experience and industry practice.

None of the directors waived any emoluments during the year ended 31 December 2010.

MAJOR SUPPLIERS AND CUSTOMERS

As we obtain our major raw material, air, at no cost, electricity, which comprises over 80% of our total cost of sales, is therefore the largest item of our total purchases. As we normally secure our electricity supply for our on-site gas operations through contractual arrangements with our on-site customers, our current five largest suppliers are all our on-site customers. We generally obtain electricity from our on-site customers at the market rate set by state-owned electricity grid companies. Electricity is usually supplied to our on-site customers by local electricity companies which are state-owned enterprises. As we generally collect our receivables from our on-site customers and make payment to on-site customers for our electricity usage at or around the same time, their payments to us are generally netted off to take into account our electricity expenses to our on-site customers. Our five largest suppliers together accounted for approximately 67.5% (2009: 73.1%) of the total purchases for the year ended 31 December 2010. For the year ended 31 December 2010, our largest supplier accounted for approximately 23.3% (2009: 29.5%) of our total purchases.

Our five largest customers together accounted for approximately 56.7% (2009: 64.8%) of our total revenues for 31 December 2010. For the year ended 31 December 2010, our largest customer accounted for approximately 17.7% (2009: 23.2%) of our total turnover.

As far as our Company is aware, neither the directors, their associates, nor those substantial shareholders who are interested in more than 5% of the Shares or underlying Shares of our Company had any interest in the five largest customers and suppliers of our Group.

CONTINUING CONNECTED TRANSACTIONS

The following continuing connected transactions of our Company are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

BACKGROUND

On 28 November 2008, our Group entered into a joint venture agreement with Hengyang Valin to establish a joint venture with industrial gas supply company, Hengyang Yingde, in Hengyang city, Hunan province in the PRC. As we own 70% interest in Hengyang Yingde and have the right to appoint two out of three members of its board of directors, we have control of Hengyang Yingde. Therefore, our Company accounts for Hengyang Yingde as our subsidiary. Hengyang Valin owns the remaining 30% interest in Hengyang Yingde.

As Hengyang Valin is a substantial shareholder of our Company's subsidiary, Hengyang Valin is a connected person of our Company pursuant to Rule 14A.11(1) of the Listing Rules. Therefore, any transaction between our Group and Hengyang Valin (including its associates) are connected transactions of our Company pursuant to Rule 14A.13(1)(a) of the Listing Rules which will be subject to the requirements under Chapter 14A of the Listing Rules.

DESCRIPTION OF THE TRANSACTIONS

Hengyang Gas Supply Contract

On 28 November 2008, Yingde BVI (on behalf of Hengyang Yingde) entered into a gas supply contract with Hengyang Valin, or the Hengyang Gas Supply Contract, pursuant to which Yingde BVI agreed to transfer the benefits and obligations under the Hengyang Gas Supply Contract to Hengyang Yingde upon its establishment, and Hengyang Yingde would supply and Hengyang Valin would purchase a specified minimum volume of industrial gases. The industrial gases supplied to Hengyang Valin by Hengyang Yingde include oxygen, nitrogen and argon which are the major industrial gas products offered by our Company. The duration of the Hengyang Gas Supply Contract is 20 years. The end date of the gas supply contract is 30 October 2029. Under the Hengyang Gas Supply Contract, Hengyang Valin is required to provide utilities (such as electricity) to Hengyang Yingde for its gas production facilities located on the site of Hengyang Valin. Hengyang Yingde would in turn be required to pay Hengyang Valin for those costs of gas production, such as the utility costs and rents for occupation of the site.

Gas Supply Transactions and Supply-related Transactions

The gas supply transactions from Hengyang Yingde to Hengyang Valin are referred to as the Gas Supply Transactions. The basis of pricing of the Gas Supply Transactions was reached between our Group and Hengyang Valin through arm's length negotiations taking into account factors including the price offered by competitors, our Company's investment in capital expenditure, the costs of gas production (including the costs charged by Hengyang Valin for the Supply-related Transactions described below), reputation and quality of Hengyang Valin, and the likely return to the shareholders of our Company. In connection with the Gas Supply Transactions, our Group will enter into certain related transactions with Hengyang Valin. These transactions involve payment of expenses (including but not limited to electricity expense, steam expense and rental expense) from Hengyang Yingde to Hengyang Valin under the Hengyang Gas Supply Contract, or the Supply-related Transactions. The basis of pricing of the Supply-related Transactions was reached between our Company and Hengyang Valin through arm's length negotiations taking into account factors including the price charged by the local utility companies and the rentals charged by landlords of adjacent properties.

Transaction Amounts for the Year Ended 31 December 2010

Prior to the commencement of gas supplies by Hengyang Yingde to Hengyang Valin in April 2009, there were no transactions between our Group and Hengyang Valin. The amount for the Gas Supply Transactions for the year ended 31 December 2010 was approximately RMB85 million (2009: RMB44 million), which represented the on-site sales revenue of Hengyang Yingde. The amount for the Supply-related Transactions for the year ended 31 December 2010 of gas supply by Hengyang Yingde to Hengyang Valin was approximately RMB61 million (2009: RMB24 million), which represented the electricity and water expenses of Hengyang Yingde.

The revised annual cap set for the total Supply-related Transactions for the year ended 31 December 2010 was RMB65 million (2009: RMB34 million). The actual aggregate amount Supply-related Transactions for the year ended 31 December 2010 was RMB61 million (2009: RMB24 million).

The annual cap set for the total Gas Supply Transactions for the year ended 31 December 2010 was RMB110 million (2009: RMB83 million). The actual aggregate amount Gas Supply Transactions for the year ended 31 December 2010 was RMB85 million (2009: RMB44 million).

In respect of the above continuing connected transactions, the Hong Kong Stock Exchange has granted a waiver to our Company from strict compliance with the disclosure or where appropriate, the shareholders' approval requirements stipulated in Chapter 14A of the Listing Rules subject to certain conditions.

Our independent non-executive directors have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

(1) in the ordinary and usual course of business of our Group;

(2) on normal commercial terms; and

(3) in accordance with the relevant agreements entered into on terms which are fair and reasonable and in the interests of the shareholders of our Company as a whole.

Opinion of Auditors on Continuing Connected Transactions

The auditors of the Company have reviewed the continuing connected transactions above and issued a letter to the Board, indicating that:

- they were not aware of any matter for which they would consider that the disclosed continuing connected transactions had not been approved by the Board;
- regarding the continuing connected transactions for which the Group provided goods or services, they were not aware of any matter for which they would consider that those transactions were not proceeded in accordance with the Company's pricing policy in all material aspects;
- they were not aware of any matter for which they would consider that those connected transactions were not proceeded pursuant to the terms of relevant agreements in all material aspects; and
- regarding each of the continuing connected transactions aforesaid, they were not aware of any matter for which they would consider that the total amount of the transaction for the year ended 31 December 2010 exceeded the revised cap amounts set for the total Supply-related Transactions as disclosed in the announcement of the Company dated 29 March 2010 and the cap amounts set for the total Gas Supply Transactions as disclosed in the prospectus of the Company dated 24 September 2009.

SUFFICIENT PUBLIC FLOAT

As at the date of this annual report, based on the information that is publicly available to our Company and within the knowledge of the directors, our Company has maintained a sufficient public float of more than 25 percent of our Company's issued Shares as required under the Listing Rules during the year.

OTHER REQUIRED DISCLOSURE PURSUANT TO RULE 13.18 AND RULE 13.21 OF THE LISTING RULES

Our Company entered into a facility agreement with a syndicate of banks on 4 March 2011 (the "Facility Agreement") for a 3-year term loan facility of up to US$150 million (the "Facility"). Pursuant to the Facility Agreement, it will be an event triggering mandatory prepayment, inter alia, if: (a) any one or more of Peace & Smooth (Hong Kong) Investments Ltd., Rongton Investments Limited, Baslow Technology Limited and Bubbly Brooke Holdings Limited solely (where there is only one Controlling Shareholder) or jointly (where there is more than one Controlling Shareholder) cease to control the Company or cease to own legally and beneficially directly or indirectly through wholly owned subsidiaries 35 per cent. or more of the issued share capital of the Company; or (b) either of Baslow Technology Limited and Bubbly Brooke Holdings Limited cease to own legally and beneficially directly or indirectly through wholly owned subsidiaries any issued share capital of the Company.

COMPLIANCE WITH THE MODEL CODE

Our Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding the securities transactions by the directors.

The Board is pleased to confirm, after making specific enquiries with all directors, that all directors have fully complied with standards required according to the Model Code set out in Appendix 10 of the Listing Rules during the year.

CORPORATE GOVERNANCE

Our Company is committed to maintaining a high level of corporate governance practices. Corporate governance practices adopted by our Company are set out in the Corporate Governance Report on pages 33 to 40.

AUDIT COMMITTEE

Our Company has established an audit committee comprising all three existing independent non-executive directors, namely Mr. Xu Zhao, Mr. Zheng Fuya and Dr. Wang Ching.

The audit committee has reviewed the consolidated financial statements for the year ended 31 December 2010, and is of the view that our Group's consolidated financial statements for the year ended 31 December 2010 are prepared in accordance with the applicable accounting standard, laws and regulations, and appropriate disclosures have already been made.

AUDITORS

The consolidated financial statements of our Group for the year ended 31 December 2010 have been audited by KPMG, Certified Public Accountants. A resolution for their re-appointment as auditors of our Company for the ensuring year will be proposed at the forthcoming annual general meeting.

By order of the Board

Zhongguo Sun
Chairman

Hong Kong, 22 March 2011

CORPORATE GOVERNANCE REPORT

The Board of Directors (the “Directors” or the “Board”) of the Company is committed to achieving high standard of corporate governance to ensure effective and responsible leadership for the Company and the protection of shareholders’ interests.

CORPORATE GOVERNANCE PRACTICES

For the year ended 31 December 2010, our Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the “Code”) set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) except for the deviation from code provision A.2.1 of the Code which stipulates that the roles of chairman and chief executive officer should be segregated. As at the date of this annual report, the chairman and the chief executive officer of our Company is Mr. Zhongguo Sun. However, the Board considers that this structure will not impair the balance of power and the authority of the Board. The Board currently comprises of 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 was the main founder of our Group. 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.

DIRECTORS’ SECURITIES TRANSACTIONS

Our Company has adopted procedures governing the Directors’ securities transactions in compliance with the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the “Model Code”). Specific confirmation has been obtained from the Directors to confirm compliance with the Model Code for the year ended 31 December 2010.

NON-EXECUTIVE DIRECTOR AND INDEPENDENT NON-EXECUTIVE DIRECTOR

For the year ended 31 December 2010, the Board at all times met Rule 3.10 of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

Our Company has received annual confirmations from each of the three independent non-executive directors in respect of their independence pursuant to Rule 3.13 of the Listing Rules. Our Company considers that all existing independent non-executive directors are independent parties in accordance with the independence guidelines set out in the Listing Rules and are free of any relationship that could materially interfere with the exercise of their independent judgements.

THE BOARD

Responsibilities

The Board is responsible for achieving the corporate goals, formulating the development strategy, regularly reviewing the organizational structure, and monitoring the business activities and the performance of management so as to protect and maximize the interests of our Company and our shareholders. Matters relating to the daily operations of our Group are delegated to the management. During the year, the Board considered and approved the annual budget and its performance under management supervision together with the business reports from the management. The Board also reviewed and approved the final results for the year ended 31 December 2010 and other critical business operations. The Board also assessed the internal control and the financial matters of our Group.

Board Composition

The Board currently consists of seven members, including:

Executive Directors

Mr. Zhongguo Sun (chairman and chief executive officer)
Mr. Zhao Xiangti
Mr. Chen Yan
Mr. Trevor Raymond Strutt

Independent Non-executive Directors

Mr. Xu Zhao
Mr. Zheng Fuya
Dr. Wang Ching

On 19 May 2010, Mr. Zhongguo Sun, Mr. Zhao Xiangti, Mr. Chen Yan, Mr. Chen Dar Cin, Mr. Xu Zhao, Mr. Zheng Fuya and Dr. Wang Ching being eligible, have offered themselves for re-election at the 2009 annual general meeting. On 20 May 2010, Mr. Trevor Raymond Strutt was appointed as an executive director of the Company after Mr. Chen Dar Cin's resignation as a non-executive director of the Company. As at the date of this annual report, the new Board consists of seven directors, including four executive directors and three independent non-executive directors. There is no financial, business, family or other relationship between the members of the Board.

The members of the Board represent a diverse and rich industry background with appropriate professional qualifications. Please refer to the section headed "Biographies of Directors and Senior Management" for the profiles of our directors.

To the best knowledge of the Board, there is no financial, business, family or other material/relevant relationship among members of the Board. Board members are free to exercise their independent judgment.

Under code provision A.4.1 of the Code contained in Appendix 14 of the Listing Rules, non-executive directors should be appointed for a specific term, subject to re-election. Our three independent non-executive directors are each appointed for a term of three years, subject to re-election when appropriate by our Company in general meeting.

BOARD MEETINGS

The Board conducts meeting on a regular basis and on an ad hoc basis, whenever it is needed. Our Company will convene at least four regular meetings every year. In 2010, the company convened seven board meeting. The attendance records of the Board meetings held during the period are set out below:

Name of Directors	Meeting attendance/ number of meetings	Attendance rate (%)
Executive Directors		
Mr. Zhongguo Sun	7 / 7	100%
Mr. Zhao Xiangti	7 / 7	100%
Mr. Chen Yan	1 / 7	14%
Mr. Trevor Raymond Strutt (appointed on 20 May 2010)	3 / 7	43%
Non-executive Director		
Mr. Chen Dar Cin (resigned on 20 May 2010)	4 / 7	57%
Independent non-executive Director		
Mr. Xu Zhao	7 / 7	100%
Mr. Zheng Fuya	7 / 7	100%
Dr. Wang Ching	7 / 7	100%

Notices of regular Board meetings are given to all directors at least 14 days before the meetings. For other Board committee meetings, reasonable notice is generally given.

The agendas and accompanying Board papers were given to all directors in a timely manner. All directors are properly discussed on issues arising at Board meetings by the chairman.

All directors have full and timely access to all relevant information with the advice of the company secretary, to ensure that Board procedures and all applicable rules and regulations are followed. Upon making request to the Board, all directors may obtain independent professional advice at our Company's expense for carrying out their functions.

The company secretary is responsible for taking and keeping minutes of all Board committee meetings. Draft and final versions of minutes are normally circulated to the directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

Training for Directors

For each newly appointed director, he/she will be provided with an induction course so as to ensure that he/she has appropriate understanding of the business and operations of our Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and the relevant regulatory requirements.

There are also arrangements in place for providing continuing briefing and professional development to directors whenever necessary. To assist their continuous professional development, the company secretaries recommends directors to attend relevant seminars and courses.

Directors' and Officers' Liability Insurance and Indemnity

Our Company has arranged for appropriate liability insurance to indemnify our directors and senior officers for their liabilities arising out of corporate activities. For the year ended 31 December 2010, no claim has been made against our directors and senior officers.

Board Committees

The Board has set up four Board committees, namely, the audit committee, the remuneration committee, the nomination committee and the compliance committee (collectively the "Board Committees"), for overseeing particular aspects of our Company's affairs.

The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at our Company's expense.

Audit Committee

The Board established the audit committee on 12 September 2009, with the written terms of reference in compliance with the Listing Rules. It is chaired by Mr. Xu Zhao and comprises two other members, namely Mr. Zheng Fuya and Dr. Wang Ching, all of whom are independent non-executive directors.

The primary duties of the audit committee are to make recommendations to the Board of our Company on the appointment and removal of the external auditors, review the financial statements, oversee and provide material advice in respect our financial reporting system and oversee the internal control procedures of our Company.

For the year ended 31 December 2010, the audit committee convened three meetings:

Name of Directors	Meeting attendance/ number of meetings	Attendance rate (%)
Mr. Xu Zhao (Chairman)	3 / 3	100%
Mr. Zheng Fuya	3 / 3	100%
Dr. Wang Ching	3 / 3	100%

During the year under review, the audit committee together with the management has reviewed, the accounting principles and practices adopted by the Group and discussed the Group's internal control and financial reporting matters, including review of the annual results for the year ended 31 December 2009 and the interim results for the six months ended 30 June 2010, with recommendation to the Board for approval. The audit committee has also recommended to the Board that, subject to our shareholders' approval at the forthcoming annual general meeting, KPMG, be re-appointed as the external auditors of our Company.

Remuneration Committee

The Board established the remuneration committee on 12 September 2009, with the written terms of reference in compliance with the Listing Rules. Mr. Zhao Xiangti is the chairman of the remuneration committee and Mr. Xu Zhao and Mr. Zheng Fuya are the other two members of the remuneration committee.

The primary functions of the remuneration committee are to evaluate the performance and make recommendations on the remuneration package of our directors and senior management, our retirement scheme and our performance assessment system and bonus and commission policies.

The remuneration of directors are based on their skills, knowledge, involvement in our Company's affairs and the performance, together with reference to the profitability of our Company, remuneration benchmarks in the industry, and prevailing market conditions.

No director or senior executive will be involved in any discussion in connection with his or her own remuneration. The remuneration committee may also consult the chairman about their proposals relating to the remuneration of other executive directors and has access to professional advice if necessary. The major objective of the remuneration policy is to ensure that our Company is able to attract, retain, and motivate a high caliber team which is essential to the success of our Company.

For the year ended 31 December 2010, the remuneration committee convened two meetings:

Name of Directors	Meeting attendance/ number of meetings	Attendance rate (%)
Mr. Zhao Xiangti (Chairman)	2 / 2	100%
Mr. Xu Zhao	2 / 2	100%
Mr. Zheng Fuya	2 / 2	100%

During the year under review, the remuneration committee has reviewed the remuneration policy and structure of the executive directors and senior management of our Company, and offered advice on the same to the Board.

Nomination Committee

The Board established the nomination committee on 12 September 2009, with the written terms of reference in compliance with the Listing Rules. It is chaired by Mr. Zheng Fuya and comprises two other members, namely Mr. Xu Zhao and Mr. Zhao Xiangti.

The primary functions of the nomination committee are to make recommendations to our Board regarding candidates to fill vacancies on our Board.

The duties of the nomination committee also includes reviewing the structure, number and composition of the Board; submitting proposals to the Board on the appointment of chief executive officer; reviewing the independence of the independent non-executive directors and submitting proposals to the Board. The authority and duties of the nomination committee are clearly sets out in its terms of reference.

For the year ended 31 December 2010, the nomination committee convened two meetings:

Name of Directors	Meeting attendance/ number of meetings	Attendance rate (%)
Mr. Zheng Fuya (Chairman)	2 / 2	100%
Mr. Xu Zhao	2 / 2	100%
Mr. Zhao Xiangti	2 / 2	100%

During the year under review, the nomination committee considered the appointment of one executive director. The nomination committee also recommended to the Board the matters concerning the re-election of one executive director and one non-executive director by shareholders pursuant to the Articles of Association having due regard to their performance and ability to continue to contribute to the Board and assessed the independence of all independent non-executive directors.

Compliance Committee

The Board established the Compliance Committee on 12 September 2009 with the written terms of reference in compliance with the Listing Rules. It is chaired by Mr. Zhongguo Sun and comprises two other members, namely Mr. Zhao Xiangti and Mr. Zheng Fuya. The primary functions of the compliance committee are to ensure compliance on regulatory matters and corporate governance.

The work performed by the compliance committee during the year under review included review of the adequacy and effectiveness of the internal control system and making recommendation to the Board for improvement of internal control, credit control and risk management.

For the year ended 31 December 2010, the compliance committee convened one meeting:

Name of Directors	Meeting attendance/ number of meetings	Attendance rate (%)
Mr. Zhongguo Sun (Chairman)	1 / 1	100%
Mr. Zhao Xiangti	1 / 1	100%
Mr. Zheng Fuya	1 / 1	100%

ACCOUNTABILITY

The directors of our Company acknowledged their responsibility to present a balanced, clear and understandable assessment in the consolidated financial statements of the annual and interim reports. When the directors were aware of material uncertainties relating to events or conditions that might cast significant doubt upon our Company's ability to continue as a going concern, such uncertainties would be clearly and prominently set out and discussed in detail in this Corporate Governance Report.

INTERNAL CONTROL

The internal controls of our Group are designed to help our Group protect its assets and information. The presence of internal controls empowers our Group to implement best business practices in challenging business environments. Our Group's internal controls cover a number of in-house procedures and policies. The system comprises, among others, the relevant financial, operational and compliance controls and risk management procedures.

The Board is responsible for the Group's system of internal control and its effectiveness. It has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, including strategic planning, corporate governance, financial reporting, core business processes, and compliance and risk management. The Group has conducted a high level review on the significant risks faced by the Group and the effectiveness of the internal control system for the year ended 31 December 2010.

The Board is not aware of any significant internal control weaknesses nor significant breach of limits or risk management policies.

INDEPENDENT AUDITOR'S REMUNERATION

Our Group's independent auditors is KPMG. KPMG is responsible for auditing and forming an independent opinion on our Group's annual consolidated financial statements.

During the year under review, the remunerations paid or payable to our Company's auditors, KPMG, are as follows:

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Audit service (including annual audit and interim review)	**3,350**	2,150
Non-audit services	**662**	–
Professional services provided in connection with the initial public offering	**–**	12,837
	4,012	14,987

Non-audit services include tax and internal control review services.

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

As one of the measures to safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting.

Upon the implementation of the amendments of the Listing Rules with effect from 1 January 2009, all resolutions proposed at shareholders' meetings will be voted by poll. The poll voting results will be posted on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and our Company (www.yingdegases.com) on the same day of the relevant general meetings.

Further information about investor relations are set out on page 16.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The directors acknowledge their responsibilities for the preparation of the financial statements of our Group and ensure that financial statements are in accordance with statutory requirements and applicable accounting standards.

The directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon our Company's ability to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

KPMG

TO THE SHAREHOLDERS OF
YINGDE GASES GROUP COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Yingde Gases Group Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 43 to 106, which comprise the consolidated and company statements of financial position as at 31 December 2010, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

22 March 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2010
(Expressed in Renminbi)

	Note	2010 RMB'000	2009 RMB'000
Turnover	4	**3,004,933**	2,065,685
Cost of sales		**(1,840,790)**	(1,290,505)
Gross profit		**1,164,143**	775,180
Other revenue		**2,223**	1,326
Selling expenses		**(57,668)**	(18,627)
Administrative expenses		**(322,454)**	(137,491)
Profit from operations		**786,244**	620,388
Finance income	5(a)	**10,372**	6,370
Finance costs	5(a)	**(128,237)**	(61,237)
Profit before taxation	5	**668,379**	565,521
Income tax	6	**(135,163)**	(33,946)
Profit and total comprehensive income for the year		**533,216**	531,575
Attributable to:			
Equity shareholders of the Company	9	**577,281**	530,037
Non-controlling interests		**(44,065)**	1,538
Profit and total comprehensive income for the year		**533,216**	531,575
Earnings per share (RMB)	10		
– Basic		**0.319**	0.340
– Diluted		**0.319**	0.340

The notes on pages 50 to 106 form part of these financial statements. Details of dividends are set out in Note 26(b).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2010
(Expressed in Renminbi)

	Note	2010 RMB'000	2009 RMB'000
Non-current assets			
Property, plant and equipment, net	11	**3,822,697**	2,191,897
Construction in progress	12	**1,024,363**	681,105
Lease prepayments	13	**65,043**	16,882
Intangible assets	14	**12,939**	9,597
Receivables under finance lease	15	**14,248**	14,752
Interest in an associate	16	**100,000**	–
Other non-current assets	18	**368,219**	156,275
Deferred tax assets	6(d)	**7,589**	2,680
Total non-current assets		**5,415,098**	3,073,188
Current assets			
Inventories		**30,075**	6,857
Trade and other receivables	19	**748,924**	371,584
Receivables under finance lease	15	**2,117**	2,117
Income tax recoverable	6(c)	**433**	3,133
Pledged bank deposits	20	**467,568**	114,860
Cash and cash equivalents	21	**970,458**	2,102,462
Total current assets		**2,219,575**	2,601,013
Current liabilities			
Bank and other loans	22	**783,963**	782,983
Trade and other payables	23	**1,244,295**	479,070
Obligations under finance lease	24	**2,963**	2,963
Income tax payable	6(c)	**55,673**	9,756
Total current liabilities		**2,086,894**	1,274,772
Net current assets		**132,681**	1,326,241
Total assets less current liabilities		**5,547,779**	4,399,429

The notes on pages 50 to 106 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

at 31 December 2010
(Expressed in Renminbi)

	Note	2010 RMB'000	2009 RMB'000
Non-current liabilities			
Bank and other loans	22	**1,132,137**	521,200
Obligations under finance lease	24	**28,112**	28,773
Deferred tax liabilities	6(d)	**20,979**	24,621
Total non-current liabilities		**1,181,228**	574,594
Net assets		**4,366,551**	3,824,835
Equity			
Share capital	25	**12**	12
Reserves		**4,352,819**	3,775,538
Total equity attributable to equity shareholders of the Company		**4,352,831**	3,775,550
Non-controlling interests		**13,720**	49,285
Total equity		**4,366,551**	3,824,835

Approved and authorised for issue by the board of directors on 22 March 2011.

Zhongguo Sun
Director

Zhao Xiangti
Director

The notes on pages 50 to 106 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

at 31 December 2010
(Expressed in Renminbi)

	Note	2010 RMB'000	2009 RMB'000
Non-current assets			
Property, plant and equipment, net		553	–
Investments in subsidiaries	17	1,044,169	1,044,169
Total non-current assets		1,044,722	1,044,169
Current assets			
Other receivables	19	1,675,075	130,252
Cash and cash equivalents	21	219,125	1,809,106
Total current assets		1,894,200	1,939,358
Current liabilities			
Accrued expenses and other payables	23	23,829	46,674
Total current liabilities		23,829	46,674
Net current assets		1,870,371	1,892,684
Net assets		2,915,093	2,936,853
Equity			
Share capital	25	12	12
Reserves	26(a)	2,915,081	2,936,841
Total equity		2,915,093	2,936,853

Approved and authorised for issue by the board of directors on 22 March 2011.

Zhongguo Sun
Director

Zhao Xiangti
Director

The notes on pages 50 to 106 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2010
(Expressed in Renminbi)

		Attributable to equity shareholders of the Company							
	Note	Share capital RMB'000 (Note 25)	Share premium RMB'000 (Note 26(c))	Statutory reserve RMB'000 (Note 26(d))	Other reserve RMB'000 (Note 26(e))	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2009		–	–	39,532	569,434	524,163	1,133,129	11,747	1,144,876
Reorganisation	25	9	776,577	–	(776,586)	–	–	–	–
Conversion of convertible redeemable preferred shares	25	1	267,582	–	(106,544)	–	161,039	–	161,039
Issue of new shares, net of issuing expenses	25	2	1,951,343	–	–	–	1,951,345	–	1,951,345
Capital contribution from a non-controlling shareholder		–	–	–	–	–	–	36,000	36,000
Total comprehensive income for the year		–	–	–	–	530,037	530,037	1,538	531,575
At 31 December 2009		12	2,995,502	39,532	(313,696)	1,054,200	3,775,550	49,285	3,824,835
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 non-controlling shareholder		**–**	**–**	**–**	**–**	**–**	**–**	**8,500**	**8,500**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**577,281**	**577,281**	**(44,065)**	**533,216**
Appropriation (Note)		**–**	**–**	**268,706**	**–**	**(268,706)**	**–**	**–**	**–**
At 31 December 2010		**12**	**2,995,502**	**308,238**	**(313,696)**	**1,362,775**	**4,352,831**	**13,720**	**4,366,551**

Note: The amount included appropriations from retained earnings to statutory reserve of RMB184,510,000 relating to prior years (Note 26(d)).

The notes on pages 50 to 106 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2010
(Expressed in Renminbi)

	Note	2010 RMB'000	2009 RMB'000
Operating activities			
Profit before taxation		**668,379**	565,521
Adjustments for:			
Depreciation		**157,687**	113,713
Amortisation		**1,331**	1,021
Finance income		**(10,372)**	(6,370)
Finance costs		**128,237**	61,237
Net loss/(gain) on disposal of property, plant and equipment		**292**	(67)
Impairment loss on property, plant and equipment, construction in progress, intangible assets and trade receivables		**192,088**	–
(Increase)/decrease in inventories		**(17,348)**	2,789
Increase in trade and other receivables		**(232,331)**	(183,984)
Increase in trade and other payables		**30,158**	10,190
		918,121	564,050
Interest received		**8,631**	4,458
Interest paid		**(96,584)**	(69,447)
Income tax paid		**(108,344)**	(35,468)
Income tax refund		**10,602**	14,848
Net cash generated from operating activities		**732,426**	478,441
Investing activities			
Capital expenditure		**(1,929,593)**	(888,404)
(Increase)/decrease in pledged bank deposits		**(352,708)**	112,562
Proceeds from disposal of property, plant and equipment		**25**	258
Collection of receivables under finance lease		**2,245**	2,031
Payment for acquisition of a subsidiary, net of cash acquired	27	**(47,012)**	–
Payment for other investment in equity securities		**(12,727)**	–
Payment for investment in an associate		**(100,000)**	–
Net cash used in investing activities		**(2,439,770)**	(773,553)

The notes on pages 50 to 106 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT (continued)

for the year ended 31 December 2010
(Expressed in Renminbi)

	Note	2010 RMB'000	2009 RMB'000
Financing activities			
Proceeds from bank and other loans		**1,957,400**	1,140,542
Repayment of bank and other loans		**(1,356,700)**	(736,971)
Proceeds from issuing of new shares		**–**	2,092,282
Payment of issuing expenses		**(13,151)**	(126,449)
Payment of obligations under finance lease		**(3,200)**	–
Capital injection from a non-controlling shareholder		**8,500**	–
Net cash generated from financing activities		**592,849**	2,369,404
Net (decrease)/increase in cash and cash equivalents		**(1,114,495)**	2,074,292
Cash and cash equivalents at 1 January		**2,102,462**	28,463
Effect of foreign exchange rate changes		**(17,509)**	(293)
Cash and cash equivalents at 31 December	21	**970,458**	2,102,462

The notes on pages 50 to 106 form part of these financial statements.

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 have been listed on the Stock Exchange since 8 October 2009.

The Group is regarded as a continuing group resulting from the Reorganisation under common control. The consolidated financial statements of the Group have been prepared as if the current group structure had been in existence throughout the year ended 31 December 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 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations promulgated by the International Accounting Standards Board ("IASB"). These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2010 comprise the Company and its subsidiaries and the Group's interest in an associate.

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

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

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

Judgements made by management in the application of IFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in Note 32.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests (previously known as "minority interests") represent the equity in subsidiaries not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Subsidiaries and non-controlling interests (continued)

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Notes 2(l) or (n) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(e)) or, when appropriate, the cost on initial recognition of an investment in an associate (see Note 2(d)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(i)), unless the investment is classified as held for sale.

(d) Associates

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the associate's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the associate's net assets and any impairment loss relating to the investment (see Note 2(i)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the associates and any impairment losses for the year are recognised in profit or loss, whereas the Group's share of the post-acquisition post-tax items of the associates' other comprehensive income is recognised in the consolidated statement of comprehensive income.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Associates (continued)

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that associate, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former associate at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(e)) or, when appropriate, the cost on initial recognition of an investment in an associate (see Note 2(d)).

(e) Other investments in equity securities

The Group's and the Company's policies for investments in equity securities, other than investments in subsidiaries and associates, are as follows:

Investments in equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At each year end date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in Notes 2(s)(ii) and (iii).

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the statement of financial position at cost less impairment losses (see Note 2(i)).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Other investments in equity securities (continued)

Investments in equity securities which do not fall into any of the above categories are classified as available-for-sale equity securities. At each year end date the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in Note 2(s)(ii). When these investments are derecognised or impaired (see Note 2(i)), the cumulative gain or loss is reclassified from equity to profit or loss.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(f) Property, plant and equipment

Property, plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (see Note 2(i)).

Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is initially recognised in the statement of financial position at cost. Cost comprises cost of materials, direct labour and an appropriate proportion of production overheads and borrowing costs (see Note 2(u)). The construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use, notwithstanding any delays in the issue of the relevant commissioning certificates by the relevant PRC authorities.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Buildings	15 - 35 years
Plant and machinery	10 - 20 years
Motor vehicles and other equipment	5 - 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(i)). Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful life of 5 to 10 years.

(h) Lease

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, except for land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Assets acquired under finance lease

Where the Group acquires the use of assets under finance lease, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance lease. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in Note 2(f). Impairment losses are accounted for in accordance with the accounting policy as set out in Note 2(i). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Lease (continued)

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iv) Receivables under finance lease

Where the Group leased out assets under finance lease the initial direct costs incurred on such assets are recorded as receivables under finance lease. Finance income implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the receivables for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(v) Lease prepayments

Lease prepayments represent the purchase costs of land use rights. Land use rights are carried at cost less accumulated amortisation and impairment losses (see Note 2(i)). Amortisation is charged to profit or loss on a straight-line basis over the period of the land use rights.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Impairment of assets

(i) Impairment of investments in equity securities and receivables

Investments in equity securities (other than investments in subsidiaries: see Note 2(i)(ii)) and current and non-current receivables that are stated at cost or amortised cost are reviewed at each year end date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For investments in associates recognised using the equity method (see Note 2(d)), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with Note 2(i)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with Note 2(i)(ii).

— For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Impairment of assets (continued)

(i) Impairment of investments in equity securities and receivables (continued)

— For trade and other current receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial assets' original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial asset's carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

— For available-for-sale equity securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Impairment of assets (continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each year end date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— construction in progress;

— lease prepayments;

— intangible assets;

— investments in subsidiaries;

— investment in an associate; and

— other non-current assets (excluding receivables).

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the cash-generating unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Note 2(i)(i) and (ii)).

Impairment losses recognised in an interim period in respect of available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

(j) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see Note 2(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(l) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(m) Convertible redeemable preferred shares

The Group's convertible redeemable preferred shares that can be converted to equity share capital at the option of the shareholder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of convertible redeemable preferred shares is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the other reserve until either the preferred shares are converted or redeemed.

If the preferred shares are converted, the other reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the preferred shares are redeemed, the other reserve is released directly to retained earnings.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with Note 2(r)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(p) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present value.

Obligations for contributions to PRC local government defined contribution retirement plans pursuant to the relevant labour rules and regulations in the PRC and Mandatory Provident Fund Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordiance, which is a defined contribution retirement plan administered by independent trustees, are recognised as an expense in profit or loss when incurred.

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the year end date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Income tax (continued)

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided that they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the year end date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each year end date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Income tax (continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with Note 2(r)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee (i.e. the amount initially recognised, less accumulated amortisation).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Financial guarantees issued, provisions and contingent liabilities (continued)

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when gas products are delivered at the customers' premises or collected by the customers which is taken to be the point in time when the customer has accepted the gas products and the related risks and rewards of ownership. Revenue excludes value added tax and other sales taxes and is after deduction of any trade discounts.

(ii) Dividends

Dividend income from unlisted investment is recognised when the shareholder's right to receive payment is established.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Translation of foreign currencies

Foreign currency transactions during the year are translated into RMB at the applicable rates of exchange quoted by the People's Bank of China ("PBOC") prevailing on the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into RMB at the applicable PBOC rates ruling at the year end date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using applicable PBOC rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the applicable PBOC rates ruling at the dates the fair value was determined.

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the year in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

(v) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group;

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Related parties (continued)

(iv) the party is a member of key management personnel of the Group or the Group's parent, or, a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

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.

Substantially all of the Group's external customers and non-current assets are located in the PRC.

3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued revised IFRSs, amendments to IFRSs and new interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 3 (revised 2008), *Business combinations*
- Amendments to IAS 27, *Consolidated and separate financial statements*

The above developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods. The details of these changes in accounting policy are as follows:

- As a result of the adoption of IFRS 3 (revised 2008), any business combination acquired on or after 1 January 2010 will be recognised in accordance with the new requirements and detailed guidance contained in IFRS 3 (revised 2008). These include the following changes in accounting policies:
  - Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.
  - If the Group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.
  - Contingent consideration will be measured at fair value at the acquisition date. Subsequent changes in the measurement of that contingent consideration unrelated to facts and circumstances that existed at the acquisition date will be recognised in profit or loss, whereas previously these changes were recognised as an adjustment to the cost of the business combination and therefore impacted the amount of goodwill recognised.
  - If the acquire has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, then any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy.
  - In addition to the Group's existing policy of measuring the non-controlling interests (previously known as "minority interests") in the acquiree at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, in future the Group may elect, on a transaction by transaction basis, to measure the non-controlling interest at fair value.

3 CHANGES IN ACCOUNTING POLICIES (continued)

In accordance with the transitional provisions in IFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other temporary deductible differences acquired in previous business combinations. No adjustments have been made to the carrying values of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

- As a result of the adoption of IAS 27 (amended 2008), the following change in policy will be applied as from 1 January 2010:

  If the Group loses control of a subsidiary, the transaction will be accounted for as a disposal of the entire interest in that subsidiary, with any remaining interest retained by the Group being recognised at fair value as if reacquired. Previously such transactions were treated as partial disposals.

Other changes in accounting policies which are relevant to the Group's financial statements are as follows:

- As a result of the amendments to IAS 27, as from 1 January 2010 any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transitional provisions in IAS 27, this new accounting policy is being applied prospectively and therefore previous periods have not been restated.

The Group has not applied any new standard, amendment or interpretation that is not yet effective for the current accounting period (see Note 33).

4 TURNOVER

The Group is principally engaged in the production and sales of industrial gases in the PRC. Turnover represents the aggregate of the invoiced value of goods sold, net of value added tax.

During the year ended 31 December 2010, the Group had three customers that individually exceeded 10% of the Group's turnover, being RMB531,743,000, RMB373,778,000 and RMB358,971,000 respectively.

During the year ended 31 December 2009, the Group had three customers that individually exceeded 10% of the Group's turnover, being RMB479,515,000, RMB247,870,000 and RMB231,380,000 respectively.

Details of concentration of credit risk arising from the customers are set out in Note 30(a).

5 PROFIT BEFORE TAXATION

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

	2010 RMB'000	2009 RMB'000
(a) Finance income/(costs):		
Interest income	8,631	4,458
Finance income on receivables under finance lease	1,741	1,616
Foreign currency exchange gain	–	296
Finance income	10,372	6,370
Interest on bank and other loans	(95,470)	(69,578)
Finance charges on obligations under finance lease	(2,539)	(2,588)
Interest on the liability component of convertible redeemable preferred shares	–	(6,787)
Total interest expenses	(98,009)	(78,953)
Less: borrowing costs capitalised	11,696	31,574
	(86,313)	(47,379)
Fair value adjustment on convertible redeemable preferred shares	–	(13,133)
Foreign currency exchange loss	(41,924)	(725)
Finance costs	(128,237)	(61,237)
	(117,865)	(54,867)

Borrowing costs have been capitalised at the following rates:

	2010	2009
Capitalisation rate (per annum)	5.4% - 6.1%	5.4% - 7.9%

5 PROFIT BEFORE TAXATION (continued)

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

	2010 RMB'000	2009 RMB'000
(b) Staff costs:		
Salaries, wages, bonuses and benefits	88,402	74,278
Contributions to defined contribution retirement schemes	5,416	3,432
	93,818	77,710

Staff costs included directors' remuneration (see Note 7).

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 year.

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.

5 PROFIT BEFORE TAXATION (continued)

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

	2010 RMB'000	2009 RMB'000
(c) Other items:		
Electricty	1,559,790	1,131,717
Depreciation	157,687	113,713
Amortisation		
– Land lease premium	651	363
– Intangible assets	680	658
Auditors' remuneration		
– Audit service	3,350	2,229
– Non-audit service	662	–
Listing expenses allocated to profit or loss	–	41,679
Consulting fees	3,696	802
Operating lease charges: minimum lease payment (land and buildings)	5,592	4,816
Net loss/(gain) on disposal of property, plant and equipment	292	(67)
Impairment losses		
– Non-current assets (Note)		
Property, plant and equipment	78,085	–
Construction in progress	92,170	–
Intangible assets	8,751	–
– Trade and other receivables	13,082	–

Note: Zhangjiagang Yingde Gases Co., Ltd. ("Zhangjiagang Yingde"), the Group's 75% owned subsidiary, is engaged in the business of producing fluorine related gas products in which the technical know-how of production of fluorine related gas products was contributed by Zhangjiagang Yingde's non-controlling shareholder. During the year ended 31 December 2010, production plant of Zhangjiagang Yingde was temporarily closed down because Zhangjiagang Yingde's non-controlling shareholder did not provide continued support on the required technical know-how for commercial production of fluorine related gas products. Without the required technical know-how, Zhangjiagang Yingde will not be cost-effective to produce quality fluorine related gas products for commercial sales. Accordingly, the Group has no plan to reactivate Zhangjiagang Yingde's production in the foreseeable future. The Group assessed the recoverable amounts of the production plant at Zhangjiagang Yingde and recognised impairment losses of RMB179,006,000 against the non-current assets of Zhangjiagang Yingde in the Group's consolidated financial statements for the year ended 31 December 2010. The estimate of impairment losses was made based on fair value less costs to sell with reference to valuation reports issued by independent valuers.

6 INCOME TAX

(a) Taxation in profit or loss

	2010 RMB'000	2009 RMB'000
Provision of PRC income tax for the year	**146,359**	20,316
Deferred tax	**(11,196)**	13,630
	135,163	33,946

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

	2010 RMB'000	2009 RMB'000
Profit before taxation	**668,379**	565,521
Expected PRC income tax expense at the statutory tax rate of 25%	**167,095**	141,380
Tax effect of non-deductible expenses	**15,033**	6,665
Tax effect of unused tax losses not recognised	**58,629**	–
Differential tax rate on subsidiaries' results	**(91,942)**	(109,235)
Tax credit of domestic equipment purchases (Note (ii))	**(7,477)**	(18,494)
Tax on distributable profits of subsidiaries in the PRC (Note (iii))	**(6,175)**	13,630
Actual income tax expense	**135,163**	33,946

Notes:

(i) 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 years.

The provision for PRC current income tax is based on a statutory rate of 25% (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) Reconciliation between tax expense and accounting profit at applicable tax rates (continued)

(ii) 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 year ended 31 December 2010, certain subsidiaries utilised the unused tax credit of RMB7,477,000 granted by the relevant local tax authorities prior to 31 December 2007 (2009: RMB18,494,000).

(iii) 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.

(c) Income tax (recoverable)/payable in the consolidated statement of financial position

	2010 RMB'000	2009 RMB'000
At 1 January	6,623	6,927
Provision for PRC income tax for the year	146,359	20,316
PRC income tax paid	(108,344)	(35,468)
PRC income tax refund	10,602	14,848
At 31 December	55,240	6,623
Representing:		
Income tax recoverable	(433)	(3,133)
Income tax payable	55,673	9,756
	55,240	6,623

6 INCOME TAX (continued)

(d) Deferred tax assets and liabilities recognised

(i) The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements are as follows:

The Group

	Property plant and equipment RMB'000	Allowance for doubtful debts RMB'000	Tax loss carry forwards RMB'000	Profits expected to distribute (Note) RMB'000	Total RMB'000
Deferred tax arising from:					
At 1 January 2009	–	(2,680)	–	10,991	8,311
Charged to profit or loss	–	–	–	13,630	13,630
At 31 December 2009	–	(2,680)	–	24,621	21,941
At 1 January 2010	–	(2,680)	–	24,621	21,941
Acquisition of a subsidiary	2,645	–	–	–	2,645
Charged/(credited) to profit or loss	(112)	432	(5,341)	(6,175)	(11,196)
At 31 December 2010	2,533	(2,248)	(5,341)	18,446	13,390

Note: Deferred tax liabilities on undistributed profits represent temporary differences relating to the distributable profits accumulated since 1 January 2008 of the Group's subsidiaries in the PRC that are expected to be distributed in the foreseeable future.

6 INCOME TAX (continued)

(d) Deferred tax assets and liabilities recognised (continued)

(ii) Reconciliation to the consolidated statement of financial position:

	2010 RMB'000	2009 RMB'000
Net deferred tax asset recognised in the statement of financial position	**7,589**	2,680
Net deferred tax liability recognised in the statement of financial position	**(20,979)**	(24,621)
	(13,390)	(21,941)

(e) Deferred tax liabilities not recognised

At 31 December 2010, temporary differences relating to the distributable profits accumulated since 1 January 2008 of the Group's subsidiaries in the PRC, that are not expected to be distributed in the foreseeable future, amounted to approximately RMB1,403,102,000 (2009: RMB777,118,000). Deferred tax liabilities of approximately RMB140,310,000 (2009: RMB77,712,000) have not been recognised in respect of the tax that would be payable on distribution of these retained earnings as the Group controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

7 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance are as follows:

	2010				
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Zhongguo Sun	–	1,201	2,048	–	3,249
Zhao Xiangti	–	684	–	36	720
Chen Yan	–	782	–	–	782
Trevor Raymond Strutt (appointed on 20 May 2010)	–	1,089	960	–	2,049
Non-executive director					
Chen Da Cin (resigned on 20 May 2010)	–	–	–	–	–
Independent non-executive directors					
Xu Zhao	306	–	–	–	306
Zheng Fuya	272	–	–	–	272
Wang Ching	221	–	–	–	221
Total	799	3,756	3,008	36	7,599

7 DIRECTORS' REMUNERATION (continued)

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance are as follows (continued):

	2009				
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Zhongguo Sun	–	1,200	1,200	–	2,400
Zhao Xiangti	–	684	–	29	713
Chen Yan	–	493	1,200	–	1,693
Non-executive director					
Chen Da Cin	–	–	–	–	–
Independent non-executive directors					
Xu Zhao	88	–	–	–	88
Zheng Fuya	75	–	–	–	75
Kam Son Leong (resigned on 25 October 2009)	31	–	–	–	31
Wang Ching (appointed on 4 December 2009)	9	–	–	–	9
Total	203	2,377	2,400	29	5,009

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with highest emoluments, two (2009: one) are directors whose emoluments are disclosed in Note 7. The aggregate of the emoluments in respect of the other three (2009: four) individuals are as follows:

	2010	2009
	RMB'000	RMB'000
Salaries and other emoluments	**3,696**	4,237
Discretionary bonuses	**3,200**	6,589
	6,896	10,826

The emoluments of the three (2009: four) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2010	2009
HKD2,000,001 to HKD2,500,000 (RMB1,702,000 to RMB2,127,000)	**1**	1
HKD2,500,001 to HKD3,000,000 (RMB2,127,000 to RMB2,553,000)	**1**	2
HKD3,000,001 to HKD3,500,000 (RMB2,553,000 to RMB2,978,000)	**1**	–
HKD4,500,001 to HKD5,000,000 (RMB3,829,000 to RMB4,255,000)	**–**	1
	3	4

9 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of RMB21,760,000 (2009: RMB58,661,000) which has been dealt with in the financial statements of the Company.

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB577,281,000 (2009: RMB474,717,000) and the number of shares in issue of 1,809,232,500 ordinary shares (2009: weighted average number of 1,395,574,000 ordinary shares) in issue during the year, calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company:

	2010 RMB'000	2009 RMB'000
Profit attributable to equity shareholders of the Company	577,281	530,037
Profit attributable to the holders of convertible redeemable preferred shares	–	(55,320)
Profit attributable to ordinary equity shareholders of the Company	577,281	474,717

(ii) Weighted average number of ordinary shares:

	2010 '000	2009 '000
Issued ordinary shares as at 1 January	1,809,233	1,270,000
Effect of issues of ordinary shares under the public offering	–	78,999
Effect of conversion of convertible redeemable preferred shares	–	46,575
Weighted average number of ordinary shares as at 31 December	1,809,233	1,395,574

(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 years.

11 PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles and other equipment RMB'000	Total RMB'000
Costs:				
At 1 January 2009	60,547	1,859,243	24,771	1,944,561
Additions	–	68,224	17,078	85,302
Transferred from construction in progress	73,310	395,221	–	468,531
Disposal	–	–	(773)	(773)
At 31 December 2009	133,857	2,322,688	41,076	2,497,621
At 1 January 2010	**133,857**	**2,322,688**	**41,076**	**2,497,621**
Additions	**46,658**	**1,402,443**	**41,694**	**1,490,795**
Acquisition of a subsidiary	**11,408**	**16,950**	**902**	**29,260**
Transferred from construction in progress	**21,752**	**325,082**	**–**	**346,834**
Disposal	**–**	**(443)**	**(2,748)**	**(3,191)**
At 31 December 2010	**213,675**	**4,066,720**	**80,924**	**4,361,319**
Accumulated depreciation and impairment losses:				
At 1 January 2009	(6,522)	(175,338)	(10,733)	(192,593)
Charge for the year	(4,485)	(104,750)	(4,478)	(113,713)
Written back on disposal	–	–	582	582
At 31 December 2009	(11,007)	(280,088)	(14,629)	(305,724)
At 1 January 2010	**(11,007)**	**(280,088)**	**(14,629)**	**(305,724)**
Charge for the year	**(7,983)**	**(141,162)**	**(8,542)**	**(157,687)**
Provision for impairment (Note 5(c))	**(39,115)**	**(38,557)**	**(413)**	**(78,085)**
Written back on disposal	**–**	**232**	**2,642**	**2,874**
At 31 December 2010	**(58,105)**	**(459,575)**	**(20,942)**	**(538,622)**
Carrying amounts:				
At 31 December 2010	**155,570**	**3,607,145**	**59,982**	**3,822,697**
At 31 December 2009	122,850	2,042,600	26,447	2,191,897

11 PROPERTY, PLANT AND EQUIPMENT (continued)

(a) The Group's property, plant and equipment are mainly located in the PRC.

(b) At 31 December 2010, certain of the Group's bank and other loans and bills payable were secured by the Group's plant and machinery with carrying amount of RMB1,962,929,000 (2009: RMB868,862,000).

(c) Certain of the Group's leased plant and machinery are considered as being held under finance lease (see Note 24). The lease term is 25 years and represents a major part of the economic life of the leased plant and machinery. Carrying amount of plant and machinery held under finance lease was as follows:

	2010	2009
	RMB'000	RMB'000
Carrying amount of plant and machinery held under finance lease	**25,235**	26,858

(d) The Group has entered into long-term gas supply agreements with certain customers for periods up to 25 years. Certain of the Group's buildings are located on land leased from these customers. Accordingly, building ownership certificate is not obtained in respect of such buildings. The carrying amount of such buildings amounted to RMB97,204,000 at 31 December 2010 (2009: RMB42,365,000).

(e) At 31 December 2010, the Group was in the process of applying for the ownership certificate for certain buildings with an aggregate carrying amount amounting to RMB10,996,000 (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.

12 CONSTRUCTION IN PROGRESS

	The Group	
	2010	2009
	RMB'000	RMB'000
At 1 January	**681,105**	488,655
Additions	**782,262**	663,340
Transferred to property, plant and equipment	**(346,834)**	(468,531)
Transferred to receivables under finance lease	**–**	(2,359)
Provision for impairment (Note 5(c))	**(92,170)**	–
At 31 December	**1,024,363**	681,105

13 LEASE PREPAYMENTS

Lease prepayments comprise interests in leasehold land held for own use under operating leases located in the PRC as follows:

	The Group	
	2010	2009
	RMB'000	RMB'000
Land use rights held under long term leases	**65,043**	16,882

The land use rights are amortised on a straight-line basis over the operating lease periods of 50 years.

At 31 December 2010, certain of the Group's bank and other loans were secured by the Group's land use rights with the carrying amount of RMB3,204,000 (2009: RMB3,274,000).

14 INTANGIBLE ASSETS

	The Group	
	2010	2009
	RMB'000	RMB'000
Cost:		
At 1 January	**12,446**	12,390
Additions	**3,133**	56
Acquisition of a subsidiary	**9,640**	–
At 31 December	**25,219**	12,446
Accumulated amortisation and impairment losses:		
At 1 January	**(2,849)**	(2,191)
Charge for the year	**(680)**	(658)
Provision for impairment (Note 5(c))	**(8,751)**	–
At 31 December	**(12,280)**	(2,849)
Carrying amounts:		
At 31 December	**12,939**	9,597

15 RECEIVABLES UNDER FINANCE LEASE

The gross investment and present value of receivables relating to future minimum lease payments under non-cancellable finance lease agreement or arrangement accounted for as finance lease are as follows:

	The Group			
	2010		2009	
	Present value of the minimum lease payments RMB'000	Gross investment RMB'000	Present value of the minimum lease payments RMB'000	Gross investment RMB'000
Within 1 year	2,117	2,245	2,117	2,245
After 1 year but within 2 years	1,898	2,245	1,898	2,245
After 2 years but within 5 years	4,603	6,734	4,603	6,734
After 5 years	7,747	20,895	8,251	23,140
	14,248	29,874	14,752	32,119
Total	16,365	32,119	16,869	34,364
Less: total future interest income		(15,754)		(17,495)
Present value of lease receivables		16,365		16,869

16 INTEREST IN AN ASSOCIATE

	The Group	
	2010 RMB'000	2009 RMB'000
Share of net assets	100,000	–

In November 2010, the Group and the other investors injected capital of RMB100,000,000 and RMB350,000,000, respectively, into Anyang Zhongying Fertilizer Co., Ltd. ("Anyang Zhongying") by cash for the establishment of Anyang Zhongying in the PRC. After the capital injection, the Group owns 22.22% equity interest in Anyang Zhongying. The principal activity of Anyang Zhongying is the production and sale of chemical products.

17 INVESTMENTS IN SUBSIDIARIES

	2010 RMB'000	2009 RMB'000
Unlisted shares, at cost	**1,044,169**	1,044,169

The following list contains the subsidiaries of the Group as at 31 December 2010:

Name of company	Place of incorporation/ establishment	Issued and fully paid up capital	Ownership interest held by Company	Ownership interest held by Subsidiary	Principal activities
Yingde Gases Investment Limited ("Yingde BVI")	BVI	USD14,700	100%	–	Investment holding
Ace Turbo Group Limited	BVI	USD1	–	100%	Import of equipment
Yingde Gases (Hong Kong) Company Limited	Hong Kong	HKD10,000	–	100%	Investment holding
Yingde Investment (Shanghai) Co., Ltd.	PRC	USD30,000,000	–	100%	Investment holding
Hunan Yingde Gases Co., Ltd.	PRC	RMB246,000,000	–	100%	Production and sales of industrial gases
Zhuhai Yingde Gases Co., Ltd.	PRC	RMB140,000,000	–	100%	Production and sales of industrial gases
Jiangsu Yingde Gases Co., Ltd.	PRC	RMB44,000,000	–	100%	Production and sales of industrial gases
Nanjing Yingde Gases Co., Ltd. (Previously named "Nanjing Xingang Argon Co., Ltd.")	PRC	USD2,100,000	–	100%	Production and sales of industrial gases
Shaanxi Yingde Gases Co., Ltd.	PRC	RMB110,000,000	–	100%	Production and sales of industrial gases

(Expressed in Renminbi)

17 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation/ establishment	Issued and fully paid up capital	Ownership interest held by Company	Ownership interest held by Subsidiary	Principal activities
Tianjin Yingde Gases Co., Ltd.	PRC	RMB60,000,000	–	100%	Production and sales of industrial gases
Zhangjiagang Yingde Gases Co., Ltd.	PRC	USD10,000,000	–	75%	Under construction
Yangzhou Yingde Gases Co., Ltd.	PRC	USD17,500,170	–	100%	Production and sales of industrial gases
Rizhao Yingde Gases Co., Ltd.	PRC	RMB219,400,000	–	100%	Production and sales of industrial gases
Zibo Yingde Gases Co., Ltd.	PRC	USD9,750,000	–	100%	Production and sales of industrial gases
Hebei Yingde Gases Co., Ltd.	PRC	RMB152,000,000	–	100%	Production and sales of industrial gases
Huai'an Yingda Gases Co., Ltd.	PRC	RMB64,000,000	–	100%	Production and sales of industrial gases
Laiwu Yingde Gases Co., Ltd.	PRC	USD10,049,964	–	100%	Production and sales of industrial gases
Zhuzhou Yingde Gases Co., Ltd.	PRC	USD8,000,000	–	100%	Production and sales of industrial gases
Guizhou Yingde Gases Co., Ltd.	PRC	USD20,000,000	–	100%	Under construction
Jiangsu Yingde Logistics Co., Ltd.	PRC	RMB5,000,000	–	100%	Transportation
Hengyang Yingde Gases Co., Ltd.	PRC	RMB120,000,000	–	70%	Production and sales of industrial gases
Shanxi Yingde Gases Co., Ltd.	PRC	USD12,000,100	–	100%	Under construction

17 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation/ establishment	Issued and fully paid up capital	Ownership interest held by Company	Ownership interest held by Subsidiary	Principal activities
Jiangyin Yingde Gases Co., Ltd.	PRC	USD500,000	–	100%	Under construction
Hangcheng Yingda Gases Co., Ltd.	PRC	USD26,400,000	–	100%	Under construction
Changshu Yingde Gases Co., Ltd.	PRC	USD12,000,000	–	100%	Under construction
Tongling Yingde Gases Co., Ltd.	PRC	USD12,000,000	–	100%	Under construction
Xuzhou Yingde Gases Co., Ltd.	PRC	RMB42,500,000	–	80%	Under construction
Chongqing Da'an Yingde Special Gases Co., Ltd.	PRC	RMB21,800,000	–	100%	Production and sales of industrial gases
Baotou Yingde Gases Co., Ltd.	PRC	RMB520,000,000	–	100%	Production and sales of industrial gases
Zhangjiagang Yingda Gases Co., Ltd.	PRC	USD20,000,000	–	100%	Under construction
Anyang Yingde Gases Co., Ltd.	PRC	USD20,000,000	–	100%	Under construction
Qiqihar Yingde Gases Co., Ltd.	PRC	USD1,500,000	–	100%	Under construction

18 OTHER NON-CURRENT ASSETS

	The Group 2010 RMB'000	The Group 2009 RMB'000
Prepayment for property, plant and equipment and land use right	**309,579**	156,275
Long-term receivables	**45,913**	–
Other investment in equity securities	**12,727**	–
	368,219	156,275

19 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables	**332,695**	234,921	**–**	–
Bills receivable	**153,728**	73,191	**–**	–
Less: allowance for doubtful debts	**(20,437)**	(10,721)	**–**	–
	465,986	297,391	**–**	–
Deposits and other receivables	**282,938**	74,193	**900**	–
Amounts due from subsidiaries	**–**	–	**1,674,175**	130,252
	748,924	371,584	**1,675,075**	130,252

All of the trade and other receivables are expected to be recovered within one year. Credit terms may be granted to customers, depending on the credit assessment carried out by the management on an individual basis. The Group does not hold any collateral over these balances.

(a) Ageing analysis

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

	The Group	
	2010	2009
	RMB'000	RMB'000
Current	**364,755**	239,903
Less than 1 month past due	**27,706**	16,460
1 to 3 months past due	**40,051**	41,028
More than 3 months but less than 12 months past due	**33,474**	–
Amounts past due	**101,231**	57,488
	465,986	297,391

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. Further details on the Group's credit policy are set out in Note 30(a).

19 TRADE AND OTHER RECEIVABLES (continued)

(b) Impairment of trade and bills receivables

Impairment losses in respect of trade and bills receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and bills receivables directly (see Note 2(i)(i)).

The movement in the allowance for doubtful debts during the year is as follows:

	The Group	
	2010	2009
	RMB'000	RMB'000
At 1 January	**10,721**	10,721
Impairment loss recognised	**13,082**	–
Write-back of impairment loss	**(3,366)**	–
At 31 December	**20,437**	10,721

During the year ended 31 December 2010, trade receivables of the Group, related to two merchant customers that were in financial difficulty and debt disputes, amounting to RMB13,082,000 was determined to be impaired.

Trade and bills receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Trade and bills receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

20 PLEDGED BANK DEPOSITS

Bank deposits are pledged to banks mainly for issuing bank accepted bills to the Group.

21 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and in hand	**970,458**	2,102,462	**219,125**	1,809,106

The Group's cash and bank balances in the PRC amounted to RMB714,091,000 as at 31 December 2010 (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.

Included in cash and cash equivalents in the statement of financial position are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group		The Company	
	2010	2009	**2010**	2009
	'000	'000	**'000**	'000
Hong Kong dollars	**HKD 104,942**	HKD 140,666	**HKD 100,296**	HKD 140,643
United States dollars	**USD 69,500**	USD 249,786	**USD 20,159**	USD 246,819
Euros	**EUR 124**	EUR –	**EUR 32**	EUR –

22 BANK AND OTHER LOANS

(a) The bank and other loans comprise:

	The Group	
	2010	2009
	RMB'000	RMB'000
Short-term loans	**370,000**	505,000
Current portion of long-term loans	**413,963**	277,983
	783,963	782,983
Long-term portion of long-term loans	**1,132,137**	521,200
	1,916,100	1,304,183

The Group's bank and other loans are denominated in RMB.

22 BANK AND OTHER LOANS (continued)

(a) The bank and other loans comprise (continued):

The interest rates per annum of bank loans and other loans were:

	The Group	
	2010	2009
Short-term loans	**5.3% - 6.1%**	5.0% - 6.9%
Long-term loans	**5.5% - 10.4%**	5.4% - 10.4%

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

	The Group	
	2010	2009
	RMB'000	RMB'000
Within 1 year	**783,963**	782,983
After 1 year but within 2 years	**361,323**	221,630
After 2 years but within 5 years	**632,480**	299,570
After 5 years	**138,334**	–
	1,916,100	1,304,183

(c) The bank and other loans were secured as follows:

	The Group	
	2010	2009
	RMB'000	RMB'000
Bank loans - secured	**1,866,100**	1,254,013
Other loans - secured	**50,000**	50,170
	1,916,100	1,304,183

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

	The Group	
	2010	2009
	RMB'000	RMB'000
Property, plant and equipment	**1,909,092**	868,862
Lease prepayments	**3,204**	3,274
	1,912,296	872,136

23 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables	**9,764**	3,912	**–**	–
Bills payable	**475,104**	146,617	**–**	–
Payable for property, plant and equipment	**671,208**	254,849	**–**	–
Accrued expenses and other payables	**88,219**	73,692	**7,085**	18,089
Amounts due to subsidiaries	**–**	–	**16,744**	28,585
	1,244,295	479,070	**23,829**	46,674

An ageing analysis of trade payables is as follows:

	The Group	
	2010	2009
	RMB'000	RMB'000
Due within 1 month or on demand	**8,417**	3,459
Due after 1 month but within 3 months	**1,323**	448
Due after 3 months but within 6 months	**24**	5
	9,764	3,912

24 OBLIGATIONS UNDER FINANCE LEASE

At 31 December 2010, the Group had obligations under finance lease repayable as follows:

	2010		2009	
	Present value of the minimum lease payments RMB'000	**Total minimum lease payments RMB'000**	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	**2,963**	**3,200**	2,963	3,200
After 1 year but within 2 years	**2,743**	**3,200**	2,743	3,200
After 2 years but within 5 years	**7,070**	**9,600**	7,070	9,600
After 5 years	**18,299**	**46,400**	18,960	49,600
	28,112	**59,200**	28,773	62,400
Total	**31,075**	**62,400**	31,736	65,600
Less: total future interest expenses		**(31,325)**		(33,864)
Present value of lease obligations		**31,075**		31,736

25 SHARE CAPITAL

	2010		2009	
	Number of shares '000	**Amount RMB'000**	Number of shares '000	Amount RMB'000
Authorised:				
Ordinary shares of USD0.000001 each	**50,000,000**		50,000,000	
Issued and fully paid:				
At 1 January	**1,809,233**	**12**	1,000	–
Reorganisation	**–**	**–**	1,269,000	9
Conversion of convertible redeemable preferred shares	**–**	**–**	200,000	1
Shares issued under the public offering	**–**	**–**	339,233	2
At 31 December	**1,809,233**	**12**	1,809,233	12

As part of the Reorganisation (see Note 1), on 10 July 2009, the Company, Yingde BVI and the then shareholders of Yingde BVI entered into a share exchange agreement pursuant to which the Company became the sole shareholder of Yingde BVI and the Company issued to the then shareholders of Yingde BVI the shares in the Company as consideration for exchanging their shareholding interest in Yingde BVI. Upon completion of the share exchange, the total number of shares in the Company in issue was increased to 1,270,000,000 shares and 200,000,000 preferred shares.

On 8 October 2009, the following share transactions were completed:

– The Company's convertible redeemable preferred shares were converted into the Company's ordinary shares.

– 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 raised approximately HKD2,214,669,000 (equivalent to RMB1,951,345,000) in total net of share issuing expenses. The excess of the net proceeds over the nominal value of the shares issued were credited to the share premium account of the Company.

26 RESERVES AND DIVIDEND

(a) Movements in components of equity

The reconciliation between the opening and closing balances of the Group's reserves is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2009	–	–	–	–	–
Reorganisation	9	776,577	106,544	–	883,130
Conversion of convertible redeemable preferred shares	1	267,582	(106,544)	–	161,039
Issue of new shares, net of issuing expenses	2	1,951,343	–	–	1,951,345
Total comprehensive income for the year	–	–	–	(58,661)	(58,661)
At 31 December 2009	12	2,995,502	–	(58,661)	2,936,853
At 1 January 2010	**12**	**2,995,502**	**–**	**(58,661)**	**2,936,853**
Total comprehensive income for the year	**–**	**–**	**–**	**(21,760)**	**(21,760)**
At 31 December 2010	**12**	**2,995,502**	**–**	**(80,421)**	**2,915,093**

Details of movements of the Company's share capital are set out in Note 25.

(b) Dividends

Dividends payable to equity shareholders of the Company attributable to the year:

	2010 RMB'000	2009 RMB'000
Final dividend proposed after the end of the reporting period of RMB0.10 (2009: Nil) per ordinary share	**180,683**	–

The final dividend proposed after the end of the reporting period date has not been recognised as a liability at the end of the reporting period.

26 RESERVES AND DIVIDEND (continued)

(c) Share premium

Under the Companies Law of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary courses of business.

(d) Statutory reserve

Pursuant to the Articles of Association of the Company's subsidiaries in the PRC, appropriations to the statutory reserve were made at a certain percentage of profit after taxation determined in accordance with the accounting rules and regulations of the PRC. The statutory reserve can be utilised in setting off accumulated losses or increasing capital of the subsidiaries and is non-distributable other than in liquidation.

(e) Other reserve

Other reserve mainly included the difference between the carrying value of non-controlling interest previously acquired and the consideration paid, and the amount recognised within equity in respect of conversion of a loan facility in prior years.

(f) Distributability of reserves

At 31 December 2010, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB2,915,081,000 (2009: RMB2,936,841,000).

(g) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

27 ACQUISITION OF A SUBSIDIARY AND NON-CONTROLLING INTERESTS

On 14 May 2010 and 14 September 2010, the Group acquired 95% and 5% equity interests in Chongqing Da'an Yingde Special Gases Co., Ltd., respectively, with total consideration of RMB48,020,000.

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)
Total net identifiable assets	48,020
Consideration transferred - cash	48,020

Analysis of net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash and cash equivalents acquired	1,008
Cash consideration	(48,020)
Net outflow of cash and cash equivalents	(47,012)

28 MATERIAL RELATED PARTY TRANSACTIONS

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 7 and certain of the highest paid employees as disclosed in Note 8, is as follows:

	2010 RMB'000	2009 RMB'000
Short-term employee benefits	**12,300**	13,644
Post-employment benefits	**36**	29
	12,336	13,673

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

The Group participates in various defined contribution post-employment benefit plans organised by municipal and provincial governments for its employees. Further details are disclosed in Note 5(b).

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

29 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

At 31 December 2010, the Group had capital commitments for acquisition and construction of properties and equipment as follows:

	The Group	
	2010 RMB'000	2009 RMB'000
Authorised and contracted for	**833,007**	592,894
Authorised but not contracted for	**2,134,282**	1,926,015
	2,967,289	2,518,909

29 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

(b) Operating lease commitments

At 31 December 2010, the Group's total future minimum lease payments under non-cancellable operating leases in respect of land and properties, are payable as follows:

	The Group	
	2010	2009
	RMB'000	RMB'000
Within 1 year	9,542	4,008
After 1 year but within 5 years	16,434	9,436
After 5 years	35,821	24,633
	61,797	38,077

None of the leases includes contingent rentals.

(c) Contingent liabilities

The Group had no material contingent liabilities at 31 December 2010 and 2009.

At 31 December 2010, contingent liabilities of the Company were as follows:

	The Company	
	2010	2009
	RMB'000	RMB'000
Guarantees given to banks by the Company in respect of bank loans utilised by certain subsidiaries	1,000,000	–

(d) Legal contingencies

The Group is the defendant in certain lawsuit as well as the plaintiff in other proceedings arising in the ordinary course of business. While the outcomes of such contingencies, lawsuit or other proceedings cannot be estimated at present, management believes that any resulting liabilities will not have a material adverse effect on the financial position or operating results of the Group.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk and concentration risk

The Group's credit risk is primarily attributable to trade and other receivables. The management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are generally due within 30 to 45 days from the date of billing. Moreover, extended credit terms are granted to certain on-site customers depending on the credit assessment carried out by the management on an individual basis.

Significant amounts of revenue are derived from a limited number of on-site customers. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At 31 December 2010, 32% (2009: 35%) and 68% (2009: 76%) of the total trade and bills receivables were due from the Group's largest customer and the five largest customers, respectively. The Group has no significant credit risk with any of these customers since the Group maintains stable business relationships with these large customers. Trade receivables are unsecured and denominated in RMB, and are derived from revenues earned from operations arising in the PRC. The Group performs ongoing credit evaluations of its customers' financial condition and generally does not require collateral on trade receivables.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in Note 19.

The Group does not provide any guarantees which would expose the Group to credit risk.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(b) Foreign currency exchange risk

Renminbi is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi must take place through PBOC or other institutions authorised to buy and sell foreign exchange. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the PBOC that would be subject to a managed float against an unspecified basket of currencies.

Foreign currency payments, including the remittance of earnings outside the PRC, are subject to the availability of foreign currency (which depends on the foreign currency denominated earnings of the Group) or must be arranged through the PBOC with government approval.

All the revenue-generating operations of the Group are transacted in Renminbi. The Group is exposed to foreign currency risk on financial assets that are denominated in currencies other than Renminbi. Depreciation or appreciation of the Renminbi against foreign currencies can affect the Group's results. The Group did not hedge its foreign currency exposure.

A 5 percent strengthening of Renminbi against United States dollars at the respective year end dates would decrease profit after tax by the amount shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	The Group	
	2010	2009
	RMB'000	RMB'000
Effect on profit	**23,684**	91,472

A 5 percent weakening of Renminbi against United States dollars at the respective year end dates would have had the equal but opposite effect on the above currencies to the amount shown above, on the basis that all other variables remain constant.

(c) Liquidity risk

The Group has to maintain a suitable level of liquidity to finance the daily operation, capital expenditure and repayment of borrowings. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(c) Liquidity risk (continued)

The following tables show details the remaining contractual maturities at the year end date of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Group can be required to pay.

	2010					
	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000
Bank and other loans	**1,916,100**	**2,162,770**	**886,894**	**421,645**	**710,299**	**143,932**
Trade and other payables	**1,244,295**	**1,244,295**	**1,244,295**	**–**	**–**	**–**
Obligations under finance lease	**31,075**	**62,400**	**3,200**	**3,200**	**9,600**	**46,400**
	3,191,470	**3,469,465**	**2,134,389**	**424,845**	**719,899**	**190,332**

	2009					
	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000
Bank and other loans	1,304,183	1,418,115	840,201	250,365	327,549	–
Trade and other payables	479,070	479,070	479,070	–	–	–
Obligations under finance lease	31,736	65,600	3,200	3,200	9,600	49,600
	1,814,989	1,962,785	1,322,471	253,565	337,149	49,600

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(d) Interest rate risk

The interest rates and terms of repayment of the Group's borrowings are disclosed in Notes 22 and 24 respectively. The Group has not used any forward contracts or derivatives to hedge its exposure to interest rate risk.

It is estimated that a general increase of 100 basic points in interest rates, with all other variables held constant, would decrease the Group's profit after tax by the amount as shown below:

	The Group	
	2010	2009
	RMB'000	RMB'000
Effect on profit	**12,175**	7,157

(e) Fair values

In respect of cash and cash equivalents, pledged bank deposits, trade and other receivables, and trade and other payables, the carrying amounts approximate fair value due to the relatively short term nature of these financial instruments.

In respect of bank and other loans, receivables/obligations under finance lease and long-term receivables, the carrying amounts are not materially different from their fair values at 31 December 2010 and 2009. The fair values are estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

Unlisted investments for which their fair values cannot be reliably measured are stated at cost less impairment losses.

31 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Pursuant to the written resolution passed by the board of directors on 7 January 2011, the Company repurchased 2,402,500 shares of its own ordinary shares on the Stock Exchange at an aggregate consideration of RMB12 million in January 2011. The lowest and the highest price paid were HKD5.60 per share and HKD5.70 per share respectively. All the shares repurchased have been cancelled subsequently.

(b) After the end of the reporting period the directors proposed a final dividend. Further details are disclosed in Note 26(b).

32 ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group's financial position and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of these financial statements. The Group bases the assumptions and estimates on historical experience and on various other assumptions that the Group believes to be reasonable and which form the basis for making judgements about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in condition and assumptions are factors to be considered when reviewing these financial statements. The principal accounting policies are set forth in Note 2. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of these financial statements.

(a) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(b) Impairment of assets

If circumstances indicate that the carrying amount of an asset may not be recoverable, this asset may be considered "impaired", and an impairment loss may be recognised in profit or loss. The carrying amounts of assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less costs to sell and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of sales revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales revenue and amount of operating costs.

32 ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(c) Determining whether an arrangement contains a lease

The Group has entered into long-term gas supply contracts with on-site customers for periods up to 30 years. The production facilities are built on or in close proximity to the on-site customers for the supply of industrial gases to such customers ("on-site facilities"). The Group receives fixed annual amounts over the terms of the long-term gas supply contracts plus variable charges based on the quantity of industrial gases supplied. The Group also sells gas products produced from the on-site facilities to merchant customers.

In determining whether the arrangement contains a lease, the Group has considered the terms of the long-term gas supply contracts. Pursuant to the terms of the long-term gas supply contracts, the on-site customers do not have the right to operate or control physical access to the on-site facilities. In addition, gas products produced from the on-site facilities are also sold to merchant customers. The amounts sold to the merchant customers are more than an insignificant amount of the total gas products produced from the on-site facilities. Accordingly, the Group concluded that the arrangement of long-term gas supply contracts does not contain any lease.

(Expressed in Renminbi)

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2010

Up to the date of issue of these financial statements, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2010 and which have not been adopted in these financial statements.

	Effective for accounting periods beginning on or after
Amendment to IAS 32, *Financial instruments:* Presentation - *Classification of right issues*	1 February 2010
IFRIC 19, *Extinguishing financial liabilities with equity instruments*	1 July 2010
Amendment to IFRS 1, *First-time adoption of International Financial Reporting Standards - Limited exemption from comparative IFRS 7 disclosures for first-time adopters*	1 July 2010
Improvement to IFRSs 2010	1 July 2010 or 1 January 2011
Revised IAS 24, *Related Party Disclosure (revised 2009): Impact on current period reporting by government-related entities*	1 January 2011
Amendment to IFRIC 14, IAS 19 - *The limit on a defined benefit asset, minimum funding requirements and their interaction - Prepayments of a minimum funding requirement*	1 January 2011
Amendments to IFRS 1, *First-time adoption of International Financial Reporting Standards - Severe hyperinflation and removal of fixed dates for first-time adopters*	1 July 2011
Amendments to IFRS 7, *Financial instruments: Disclosures - Transfers of financial assets*	1 July 2011
Amendments to IAS 12, *Income taxes - Deferred tax: Recovery of underlying assets*	1 January 2012
IFRS 9, *Financial Instruments; Basis for conclusions on IFRS 9; Amendments to other IFRSs and guidance on IFRS 9*	1 January 2013

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

FINANCIAL SUMMARY

SUMMARY DATA OF CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December				
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000	**2010** **RMB'000**
Turnover	485,054	783,717	1,411,713	2,065,685	**3,004,933**
Gross profit	228,488	319,551	583,557	775,180	**1,164,143**
Profit from operations	179,898	252,002	489,875	620,388	**786,244**
Profit before taxation	24,004	183,938	467,852	565,521	**668,379**
Profit and total comprehensive income for the year	24,004	175,883	428,660	531,575	**533,216**
Attributable to:					
Equity Shareholders of the Company	(6,729)	177,049	430,133	530,037	**577,281**
Non-controlling interests	30,733	(1,166)	(1,473)	1,538	**(44,065)**

SUMMARY DATA OF CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 December				
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000	**2010** **RMB'000**
Total non-current assets	729,760	1,538,375	2,415,609	3,073,188	**5,415,098**
Total current assets	244,652	506,792	394,209	2,601,013	**2,219,575**
Total assets	974,412	2,045,167	2,809,818	5,674,201	**7,634,673**
Total current liabilities	(530,016)	(801,336)	(1,224,216)	(1,274,772)	**(2,086,894)**
Total assets less current liabilities	444,396	1,243,831	1,585,602	4,399,429	**5,547,779**
Total non-current liabilities	(160,477)	(447,712)	(440,726)	(574,594)	**(1,181,228)**
Net assets	283,919	796,119	1,144,876	3,824,835	**4,366,551**
Total equity	283,919	796,119	1,144,876	3,824,835	**4,366,551**

CORPORATE INFORMATION

EXTERNAL AUDITORS

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

LEGAL ADVISOR

Hong Kong Legal Advisor:
Freshfields Bruckhaus Deringer
11th Floor, Two Exchange Square
8 Connaught Place, Central
Hong Kong

P.R.C 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

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

INVESTOR RELATIONS CONTACT

information@yingdegas.com

HEADQUARTERS/PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 4313, Tower One
Times Square, Causeway Bay
Hong Kong

"Board"	the board of directors of our Company
"Business Day"	a day that is not a Saturday, Sunday or public holiday in Hong Kong
"CAGR"	Compond annual growth rate
"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
"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
"Hengyang Valin"	Hengyang Hualing Lianzhaguan Company Limited*（衡陽華菱連軋管有限公司）, a subsidiary of Hunan Valin Steel Company Limited*（湖南華菱鋼鐵股份有限公司）, a company whose shares are listed on the Shenzhen Stock Exchange
"Hengyang Yingde"	Hengyang Yingde Gases Company Limited*（衡陽盈德氣體有限公司）incorporated in the PRC on 23 December 2008 pursuant to a joint venture agreement between Yingde BVI, Hunan Yingde and Hengyang Valin, which is a joint venture company owned as to 70% by us and 30% by Hengyang Valin
"HK$", "HKD" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) (as amended from time to time)
"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
"IFRS"	International Financial Reporting Standards
"independent third party"	a person or entity which is not a connected person 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)
"Nm^3/hr"	normal cubic meter/hour
"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
"SAI Report"	the industry report dated 15 March 2011 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)
"Share(s)"	ordinary share(s) with nominal value of US$0.000001 each in the share capital of our Company
"Share Option Scheme"	the share option scheme conditionally approved by our shareholders on 12 September 2009 and approved and adopted by the board of directors of our Company on 12 September 2009
"United States" or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$", "USD" or "US dollars"	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
"Zhangjiagang Yingde"	Zhangjiagang Yingde Gases Company Limited*（張家港盈德氣體有限公司）, a company established in the PRC on 31 December 2004 and a subsidiary of our Company in which we own 75% of the equity interest
"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*（淄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 annual 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*