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If you are in any doubt as to any aspect of this circular or as to any action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in Yingde Gases Group Company Limited, you should at once hand this circular and the accompanying 2009 Annual Report and the form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)

**PROPOSALS FOR
GENERAL MANDATES TO ISSUE SHARES AND REPURCHASE SHARES
AND
RE-ELECTION OF RETIRING DIRECTORS
AND
PROPOSED REVISED ANNUAL CAPS FOR CONTINUING
CONNECTED TRANSACTIONS
AND
NOTICE OF ANNUAL GENERAL MEETING**

*Independent financial adviser to the Independent Board Committee
and the Independent Shareholders*



**WALLBANCK BROTHERS
Securities (Hong Kong) Limited**

A letter from the Board is set out on pages 5 to 11 of this circular. A letter from the Independent Board Committee is set out on pages 12 to 13 of this circular. A letter from Wallbanck Brothers, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, is set out on pages 14 to 23 of this circular.

A notice convening an annual general meeting of Yingde Gases Group Company Limited to be held at Forum Room 1, B2 level, Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Wednesday, 19 May 2010 at 2:30 p.m. is set out on pages 39 to 43 of this circular. A form of proxy for use at the Annual General Meeting is also enclosed. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). Whether or not you are able to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to our Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude shareholders from attending and voting at the meeting if they so wish.

15 April 2010

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	5
Letter from the Independent Board Committee	12
Letter from Wallbanck Brothers	14
Appendix I — Details of Directors	24
Appendix II — Explanatory Statement	29
Appendix III — General Information	33
Notice of Annual General Meeting	39

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the followings meanings:

“Annual Caps”	the existing annual caps applicable to the Supply-related Transactions under the Gas Supply Contract for the year ending 31 December 2010, and thereafter, until 30 October 2029, which is RMB45 million per annum as disclosed in the Prospectus
“Annual General Meeting” or “AGM”	the annual general meeting of our Company to be held at Forum Room 1, B2 level, Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Wednesday, 19 May 2010 at 2:30 p.m. and the notice of which is set out on pages 39 to 43 of this circular, or where the context so admits, any adjournment thereof
“Articles of Association”	the articles of association of our Company adopted on 12 September 2009 and effective on 8 October 2009, and as amended from time to time
“associate(s)”	has the meaning given to it by the Listing Rules
“Baslow”	Baslow Technology Limited, an investment holding company incorporated in the British Virgin Islands
“Board”	the board of directors of our Company
“Bubbly Brooke”	Bubbly Brooke Holdings Limited, an investment holding company incorporated in the British Virgin Islands
“Cayman Companies Law”	the Companies Law (2007 Revision) of the Cayman Islands and any amendments or other statutory modifications thereof
“China” or “PRC”	the People’s Republic of China (excluding, for the purposes of this circular, Hong Kong, Macau and Taiwan)
“Company” or “we” or “us”	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
“Continuing Connected Transactions”	the connected transactions entered into between Hengyang Yingde and Hengyang Valin which include the Supply-related Transactions
“Gas Supply Contract”	the gas supply contract entered into between Yingde BVI (on behalf of Hengyang Yingde) and Hengyang Valin on 28 November 2008, pursuant to which Yingde BVI agreed to transfer the benefits and obligations under the gas supply contract to Hengyang Yingde upon its establishment, and valid until 30 October 2029

DEFINITIONS

“Group”	our Company and its subsidiaries
“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
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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
“Independent Board Committee”	the committee consisting of Mr. Xu Zhao, Mr. Zheng Fuya and Dr. Wang Ching who are the independent non-executive directors of our Company, formed to advise the Independent Shareholders in respect of the terms of the Proposed Revised Annual Caps for the Supply-related Transactions
“Independent Shareholders”	means the Shareholders who are not required to abstain from voting at the AGM to approve the Proposed Revised Annual Caps for the Supply-related Transactions
“Latest Practicable Date”	12 April 2010, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Mr. Nie”	Mr. Nie Kuang
“Mr. Strutt”	Mr. Trevor Raymond Strutt
“Mr. Sun”	Mr. Zhongguo Sun, chairman, chief executive officer and executive director of our Company
“Mr. Yang”	Mr. Yang Yonggang
“Mr. Zhao”	Mr. Zhao Xiangti
“Ms. Li”	Ms. Li Hongmei, Mr. Sun’s mother-in-law
“Peace & Smooth”	Peace & Smooth (Hong Kong) Investment Limited, an investment holding company incorporated in Hong Kong

DEFINITIONS

“Proposed Repurchase Mandate”	a general mandate proposed to be granted to the directors at the Annual General Meeting to repurchase Shares not exceeding 10 per cent of the aggregate nominal amount of the issued share capital of our Company as at the date of passing of the relevant resolution
“Proposed Revised Annual Caps”	the proposed revised annual caps in respect of Supply-related Transactions for the year ending 31 December 2010 and thereafter, until 30 October 2029 which is RMB65 million per annum
“Prospectus”	the prospectus of our Company dated 24 September 2009
“RMB” or “Renminbi”	the lawful currency of the PRC
“Reorganization”	the reorganization of the companies and businesses comprising our Group, as described in the section headed “Our History and Reorganization — Reorganization” in the Prospectus
“Rizhao Yingde”	Rizhao Yingde Gases Company Limited* (日照盈德氣體有限公司), a company established in the PRC on 30 October 2006 and a wholly owned subsidiary of our Company
“Rongton”	Rongton Investments Limited, an investment holding company incorporated in the British Virgin Islands
“Securities and Futures Ordinance” or “SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of nominal value of US\$0.000001 each in the capital of our Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supply-related Transactions”	the transactions involving payment of expenses (including but not limited to electricity expense, steam expense and rental expense) from Hengyang Yingde to Hengyang Valin under the Gas Supply Contract
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers, as amended from time to time

DEFINITIONS

“Torch”	Torch Automobile Group Company Limited* (湘火炬汽車集團股份有限公司), a company incorporated in the PRC which was listed on the Shenzhen Stock Exchange before its merger with Weichai Power Company Limited in 2006, a company currently listed on the Hong Kong Stock Exchange and Shenzhen Stock Exchange
“Wallbanck Brothers”	Wallbanck Brothers Securities (Hong Kong) Limited, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the Proposed Revised Annual Caps in respect of the Supply-related Transactions
“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
“Yingde Logistics”	Jiangsu Yingde Logistics Company Limited* (江蘇盈德物流有限公司), a company established in the PRC on 15 October 2008 and a wholly-owned subsidiary of our Company
“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

Our Company would like to caution readers about the forward-looking nature of certain of the statements herein. These forward-looking statements are subject to uncertainties and assumptions, some of which are beyond our control. Potential risks and uncertainties include those concerning the continued growth of the industrial gas industry, the development of the regulatory environment and other strategies and our Company's ability to successfully execute its business strategies. In addition, these forward-looking statements reflect our Company's current views with respect to future events but are not a guarantee of future performance. Our Company does not intend to update these forward-looking statements. Actual result may differ materially from the information contained in the forward-looking statements as a result of a number of factors.

* denotes English translation of the name of a Chinese company or entity, or vice versa, and is provided for identification purposes only

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Zhongguo Sun (*Chairman*)

Mr. Zhao Xiangti

Mr. Chen Yan

Non-executive Director:

Mr. Chen Dar Cin

Independent Non-executive Directors:

Mr. Xu Zhao

Mr. Zheng Fuya

Dr. Wang Ching

Registered office:

Cricket Square

Hutchins Drive

PO Box 2681

Grand Cayman

KY1-1111

Cayman Islands

*Head office and principal place
of business in Hong Kong:*

Suite 4313, Tower One

Times Square

Causeway Bay

Hong Kong

15 April 2010

To the Shareholders

Dear Sir or Madam,

**PROPOSALS FOR
GENERAL MANDATES TO ISSUE SHARES AND REPURCHASE SHARES
AND
RE-ELECTION OF RETIRING DIRECTORS
AND
PROPOSED REVISED ANNUAL CAPS FOR CONTINUING
CONNECTED TRANSACTIONS
AND NOTICE OF ANNUAL GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to provide the Shareholders with an explanatory statement containing information reasonably necessary to enable the Shareholders to make an informed decision

LETTER FROM THE BOARD

on whether to vote for or against the resolution to approve the Proposed Repurchase Mandate to the directors, the notice of Annual General Meeting and the following proposals to be put forward at the Annual General Meeting: (i) the grant of general mandates to the directors to issue and repurchase Shares (ii) the re-election of the retiring directors at the Annual General Meeting and (iii) the Proposed Revised Annual Caps for the Supply-related Transactions for the year ending 31 December 2010 and thereafter, until 30 October 2029.

GENERAL MANDATE TO ISSUE SHARES

In order to ensure flexibility and discretion to the directors, in the event that it becomes desirable to issue any Share, approval is to be sought from the Shareholders, pursuant to the Listing Rules, for a general mandate to issue Shares. At the Annual General Meeting, an ordinary resolution no. 4(A) will be proposed to grant a general mandate to the directors to exercise the powers of our Company to allot, issue and otherwise deal with new Shares in the share capital of our Company up to 20 per cent of the aggregate nominal amount of the issued share capital of our Company immediately after the passing of the resolution in relation to such general mandate. As at the Latest Practicable Date, the issued share capital of our Company comprised 1,809,232,500 Shares. Subject to the passing of ordinary resolution no. 4(A) and on the basis that no further Shares are issued or repurchased before the Annual General Meeting, our Company will be allowed to issue a maximum of 361,846,500 Shares. In addition, subject to a separate approval of the ordinary resolution no. 4(C), the number of Shares purchased by our Company under ordinary resolution no. 4(B) will also be added to the 20 per cent general mandate as mentioned in the ordinary resolution no. 4(A). The directors wish to state that they have no immediate plans to issue any new Shares of our Company pursuant to such general mandate.

In accordance with the Listing Rules, our Company may not make a new issue of Shares or announce a proposed new issue of Shares for a period of 30 days after any repurchase of Shares by our Company, whether on the Stock Exchange or otherwise, other than an issue of securities pursuant to the exercise of warrants, share options or similar instruments requiring our Company to issue securities which were outstanding prior to that purchase of its own securities, without the prior approval of the Stock Exchange.

GENERAL MANDATE TO REPURCHASE SHARES

In addition, an ordinary resolution will be proposed to approve the granting of a Proposed Repurchase Mandate to the directors to exercise the powers of our Company to repurchase Shares representing up to 10 per cent of the aggregate nominal amount of the issued share capital of our Company immediately after the passing of the resolution in relation to such Proposed Repurchase Mandate.

An explanatory statement required by the Listing Rules to be sent to the Shareholders in connection with the Proposed Repurchase Mandate is set out in Appendix II to this circular. This explanatory statement contains all information reasonably necessary to enable the Shareholders to make an informed decision on whether to vote for or against the relevant resolution at the Annual General Meeting.

LETTER FROM THE BOARD

RE-ELECTION OF RETIRING DIRECTORS

In accordance with Article 83 of the Articles of Association, 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 Annual General Meeting.

Details of the above named directors who are subject to re-election at the Annual General Meeting are set out in Appendix I to this circular in accordance with the relevant requirements of the Listing Rules.

RECOMMENDATION

The directors consider that the proposed granting of the general mandate to the directors to issue Shares and repurchase Shares and the proposed re-election of the retiring directors are in the interests of our Group and the Shareholders as a whole. The directors therefore recommend the Shareholders to vote in favour of all the resolutions to be proposed at the Annual General Meeting.

CONTINUING CONNECTED TRANSACTIONS

1. Background

Reference is made to the announcement of our Company dated 29 March 2010 and the Prospectus, in which our Company disclosed, among others, information in relation to the Supply-related Transactions which are governed by the Gas Supply Contract.

Reference is further made to the approval from the Stock Exchange granting a waiver to our Company from strict compliance with the reporting, announcement and independent shareholders' approval requirements in connection with the Supply-related Transactions between our Company and Hengyang Valin pursuant to the Gas Supply Contract which is set out on page 125 of the Prospectus.

Details of the Gas Supply Contract are as follows:

On 28 November 2008, Yingde BVI (on behalf of Hengyang Yingde) entered into a gas supply contract with Hengyang Valin, pursuant to which Yingde BVI agreed to transfer the benefits and obligations under the Gas Supply Contract to Hengyang Yingde upon Hengyang Yingde's 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 Gas Supply Contract is 20 years. The end date of the Gas Supply Contract is 30 October 2029. In connection with the Gas Supply Contract, our Group has entered into or will enter into certain related transactions with Hengyang Valin, which involve payment of expenses

LETTER FROM THE BOARD

(including but not limited to electricity expense, steam expense and rental expense) from Hengyang Yingde to Hengyang Valin. These transactions are referred to as 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.

Under the Gas Supply Contract, the Supply-related Transactions such as provision of electricity, water and steam by Hengyang Valin to our Group are required to meet certain pressure, volume and/or voltage specifications. Hengyang Yingde generally settles payment with Hengyang Valin for such electricity, water and steam supplies in cash at the end of each calendar month.

2. Annual Caps and Proposed Revised Annual Caps

The Annual Caps for the Supply-related Transactions are RMB45 million per annum for the year ending 31 December 2010 and thereafter, until 30 October 2029. Our directors have been closely monitoring the Supply-related Transactions. Based on internal estimates, our directors consider that the Annual Caps for the Supply-related Transactions will not be sufficient for our Group's current requirements, and therefore propose that the Annual Caps be amended accordingly as set out in this circular.

The historical amount for the Supply-related Transactions since the commencement of gas supply by Hengyang Yingde to Hengyang Valin in April 2009 to 31 December 2009 was approximately RMB24 million. The historical amount for the Supply-related Transactions for each of January and February in 2010 was RMB3.9 million and RMB4.7 million, respectively. Based on the nature of the Supply-related Transactions and the historical level of utilities required by Hengyang Yingde, we estimate the transaction amount to be no more than RMB65 million per annum for the Supply-related Transactions for the year ending 31 December 2010 and thereafter.

The increased Annual Caps for the Supply-related Transactions is primarily as a result of the increased consumption of electricity for Hengyang Yingde's gas production.

We expect that the Annual Caps for the Supply-related Transactions for the year ending 31 December 2010 will not be exceeded before approval has been obtained from the Independent Shareholders for the Proposed Revised Annual Caps at the forthcoming AGM.

3. Reasons and benefits for Supply-related Transactions

Hengyang Valin is a subsidiary of Hunan Valin Steel Company Limited, a company whose shares are listed on the Shenzhen Stock Exchange and is one of the largest steel companies in the PRC. On 28 November 2008, our Company entered into a joint venture agreement with Hengyang Valin to establish a joint venture industrial gas supply company, Hengyang Yingde, in Hengyang city, Hunan province in the PRC.

LETTER FROM THE BOARD

The Supply-related Transactions are an integral aspect of the Gas Supply Contract between Hengyang Yingde and Hengyang Valin. The Supply-related Transactions enable our Group to secure stable supplies of utilities required for Hengyang Yingde's operations pursuant to the Gas Supply Contract.

4. Information about our Company

Our Company produces, supplies and distributes 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. According to the industry report dated 22 March 2010 entitled "China Industrial Gas Market Analysis" published by Strategic Analysis Inc., our Company was the largest independent domestic industrial gas company in the PRC in terms of revenue for the year ended 31 December 2009.

5. Listing Rule implications

As at the Latest Practicable Date, Hengyang Yingde is our Company's non-wholly-owned subsidiary in which we own 70% interest and Hengyang Valin owns the remaining 30% interest. 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 including the Proposed Revised Annual Caps between our Company 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.

None of Hengyang Valin and Hunan Valin Steel Company Limited or their associates hold any Shares in our Company.

Under Rule 14A.35(2) of the Listing Rules, in respect of a continuing connected transaction which is not fully exempted from the reporting, announcement and Independent Shareholders' approval requirements, an annual cap must be set and disclosed. As far as our Company is aware, none of the Annual Caps has been exceeded as at the Latest Practicable Date.

The table below sets out the Annual Caps and the Proposed Revised Annual Caps for the Supply-related Transactions for the year ending 31 December 2010 and thereafter, until 30 October 2029.

Year	Annual Caps	Proposed Revised Annual Caps
	<i>RMB in million</i>	
Year ending 31 December 2010	45	65
Each year after 2010 until 30 October 2029	45	65

LETTER FROM THE BOARD

The Board is of the view that the Proposed Revised Annual Caps above are set so as not to hinder the ability of our Group to conduct its business in the ordinary and usual course and allow our Group to benefit from future growth.

As the Proposed Revised Annual Caps for the Supply-related Transactions exceeds 2.5% of the revenue ratio as set forth in the Chapter 14A of the Listing Rules on an annual basis, it is subject to the reporting, announcement and independent shareholders requirement under Chapter 14A of the Listing Rules. Accordingly, Independent Shareholders' approval for the Proposed Revised Annual Caps for the Supply-related Transactions during the duration of the Gas Supply Contract of 20 years to end on 30 October 2029 will be sought at the forthcoming AGM.

Our Company's directors (including the independent non-executive directors, whose views are set out on pages 12 to 13 of this circular) are of the opinion that the Supply-related Transactions and the Proposed Revised Annual Caps have been entered into, and will be carried out, in the ordinary and usual course of business of our Group and on normal commercial terms which are fair and reasonable to the interests of our Company and the Shareholders taken as a whole. There are other prior transactions of our Group with Hengyang Valin and/or its associates which require aggregation under Rule 14A.25 of the Listing Rules.

Any connected person with a material interest in the Supply-related Transactions, and any shareholder with a material interest in the Supply-related Transactions and its associates, will not vote at the forthcoming AGM. As at the Latest Practicable Date, our Company does not expect any Shareholder of our Company to abstain from voting in connection with approving the Proposed Revised Annual Caps given the Supply-related Transactions are connected transactions at our subsidiary level. Any vote of the Independent Shareholders at the forthcoming AGM shall be taken by poll. Our Company confirms that none of the independent non-executive directors has any interests in the Proposed Revised Annual Caps.

Our Company undertakes to comply with the rules in relation to annual review of continuing connected transactions set out in the Listing Rules. Our Company specifically undertakes upon any further material variation or renewal of the above relevant agreements, our Company will comply in full with all applicable requirements set out in Chapter 14A of the Listing Rules.

7. Conclusions and recommendations

Wallbank Brothers has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders with regard to the terms of the Proposed Revised Annual Caps in respect of the Supply-related Transactions.

Wallbank Brothers considers that the Proposed Revised Annual Caps in respect of the Supply-related Transactions are fair and reasonable, on normal commercial terms, and in the interests of our Company and the Shareholders as a whole so far as our Company and the Independent Shareholders are concerned. Accordingly, Wallbank Brothers would advise the Independent Shareholders, as well as recommend the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution 5 as set out in the notice of the Annual General Meeting at the end of this circular.

LETTER FROM THE BOARD

The Independent Board Committee, after taking into account, among other things, the advice of Wallbanck Brothers, concurs with the views of Wallbanck Brothers and considers that the Supply-related Transactions and the Proposed Revised Annual Caps have been entered into, and will be carried out in the ordinary and usual course of business of our Group and on normal commercial terms, which are fair and reasonable and in the interests of our Company and our Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the Annual General Meeting to approve Proposed Revised Annual Caps in respect of the Supply-related Transactions.

NOTICE OF ANNUAL GENERAL MEETING

Set out on pages 39 to 43 of this circular is the Notice of Annual General Meeting at which, *inter alia*, ordinary resolutions will be proposed to the Shareholders to consider and approve the grant to the directors of general mandates to issue and repurchase Shares, the Proposed Revised Annual Caps and the re-election of the retiring directors.

FORM OF PROXY

A form of proxy is enclosed for use at the Annual General Meeting. Such form of proxy is also published on the website of the Stock Exchange (www.hkexnews.hk). Whether or not you intend to be present at the Annual General Meeting, you are requested to complete the form of proxy and return it to our Company in accordance with the instructions printed thereon not less than 48 hours before the time fixed for the holding of the Annual General Meeting. Completion and delivery of the form of proxy will not preclude Shareholders from attending and voting at the Annual General Meeting if they so wish.

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. The chairman of the Annual General Meeting shall therefore demand voting on all resolutions set out in the notice of Annual General Meeting be taken by way of poll pursuant to Article 66 of the Articles of Association.

On a poll, every Shareholder present in person or by proxy or (being a corporation) by its duly authorised representative shall have one vote for every fully paid Share held. A Shareholder entitled to more than one vote needs not use all his votes or cast all the votes he uses in the same way.

Yours faithfully,
By order of the Board
Yingde Gases Group Company Limited
Zhongguo Sun
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

15 April 2010

To the Independent Shareholders

Dear Sir or Madam,

Proposed Revised Annual Caps for Continuing Connected Transactions

We refer to the circular issued by our Company to the Shareholders dated 15 April 2010 (the “Circular”) of which this letter forms part. The terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

On 29 March 2010, the Board announced the Proposed Revised Annual Caps for the Supply-related Transactions. Further details are contained in the letter from the Board set out on pages 5 to 11 of the Circular.

The Independent Board Committee was formed to make a recommendation to the Independent Shareholders as to whether, in its view the Proposed Revised Annual Caps for the Supply-related Transactions are fair and reasonable in so far as the Independent Shareholders are concerned. Wallbank Brothers has been appointed to act as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders with regards to the Proposed Revised Annual Caps for the Supply-related Transactions as described in the Circular.

The text of the letter of advice from Wallbank Brothers containing their recommendation and the principal factors they have taken into account in arriving at their recommendation are set out on pages 14 to 23 of this Circular.

The Independent Shareholders are recommended to read the letter of advice from Wallbank Brothers, the letter from the Board contained in the Circular as well as the additional information set out in the appendices to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

As your Independent Board Committee, we have discussed with the management of our Company the reasons for the Proposed Revised Annual Caps for the Supply-related Transactions; and the basis upon which the Proposed Revised Annual Caps have been determined. We have also considered the key factors taken into account by Wallbanck Brothers in arriving at its opinion regarding the Proposed Revised Annual Caps for the Supply-related Transactions.

The Independent Board Committee concurs with the view of Wallbanck Brothers and considers that the Supply-related Transactions and the Proposed Revised Annual Caps have been entered into, and will be carried out in the ordinary and usual course of business of our Group and on normal commercial terms, which are fair and reasonable and in the interests of our Company and our Shareholders as a whole. Our view related to fairness and reasonableness is necessarily based on the information, facts and circumstances currently prevailing. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions set out in the notice of the Annual General Meeting at the end of this Circular.

Yours faithfully
For and on behalf of
Independent Board Committee

Xu Zhao
Zheng Fuya
Wang Ching
(Independent non-executive directors)

LETTER FROM WALLBANCK BROTHERS

The following is the full text of a letter of advice from Wallbanck Brothers, the independent financial adviser to the Independent Board Committee and the Independent Shareholders regarding the Proposed Revised Annual Caps for the Supply-related Transactions, for the purpose of incorporation into this Circular.



**WALLBANCK BROTHERS
Securities (Hong Kong) Limited**

2601, Tower 2, Lippo Centre,
89 Queensway, Central,
Hong Kong

15 April 2010

*To the independent board committee and
the independent shareholders of
Yingde Gases Group Company Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders of Yingde Gases Group Company Limited (the “Company”) in respect of the Proposed Revised Annual Caps for the Supply-related Transactions, details of which are set out in the letter from the Board (the “Letter from the Board”) contained in the circular to the Shareholders dated 15 April 2010 (the “Circular”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires the otherwise.

According to the Letter from the Board, reference is made to the announcement of the Company dated 29 March 2010 and the Prospectus, in which the Company disclosed, among others, information in relation to the Supply-related Transactions which are governed by the Gas Supply Contract.

According to the Letter from the Board, reference is further made to the approval from the Stock Exchange granting a waiver to the Company from strict compliance with the reporting, announcement and independent shareholders’ approval requirements in connection with the Supply-related Transactions between the Company and Hengyang Valin pursuant to the Gas Supply Contract, which is set out on page 125 of the Prospectus.

LETTER FROM WALLBANCK BROTHERS

According to the Letter from the Board, the directors of the Company (the “Directors”) have been closely monitoring the Supply-related Transactions. Based on internal estimates, the Directors consider that the Annual Caps for the Supply-related Transactions will not be sufficient for the Group’s current requirements, and therefore propose that the Annual Caps be amended accordingly as set out in the Circular.

As at the Latest Practicable Date, Hengyang Yingde is the Company’s non-wholly-owned subsidiary in which the Company owns 70% interest and Hengyang Valin owns the remaining 30% interest. As Hengyang Valin is a substantial shareholder of the Company’s subsidiary, Hengyang Valin is a connected person of the Company pursuant to Rule 14A.11(1) of the Listing Rules.

The Company will seek approval of the Independent Shareholders by way of poll on the Proposed Revised Annual Caps for the Supply-related Transactions at the forthcoming AGM.

An Independent Board Committee comprising Mr. Xu Zhao, Mr. Zheng Fuya and Dr. Wang Ching (all being independent non-executive Directors) has been formed to advise the Independent Shareholders on the terms of the Proposed Revised Annual Caps for the Supply-related Transactions.

BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have relied on the accuracy of the information, opinions and representations provided to us by the Directors and management of the Company, and have assumed that all information, opinions and representations contained or referred to in this Circular were true and accurate at the time when they were made and will continue to be accurate at the Latest Practicable Date. We have also assumed that all statements of belief, opinion and intention made by the Directors in this Circular were reasonably made after due enquiry. We have no reasons to doubt that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. We consider that we have received sufficient information to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in this Circular to provide a reasonable basis for our opinions and recommendations. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in this Circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Directors and management of the Company, nor have we conducted an independent investigation into the business and affairs of the Company.

In formulating our opinion, we have relied on the financial information provided by the Company, particularly, on the accuracy and reliability of financial statements and other financial data of the Company. We have not audited, compiled nor reviewed the said financial statements and financial data. We shall not express any opinion or any form of assurance on them. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. The Directors have also advised us that no material facts have been omitted from the information to reach an informed view, and we have no reason to suspect that any material information has been withheld. We have not carried out any feasibility study on any past, and forthcoming investment decision,

LETTER FROM WALLBANCK BROTHERS

opportunity or project undertaken or to be undertaken by the Company. Our opinion has been formed on the assumption that any analysis, estimation, forecast, anticipation, condition and assumption provided by the Company are valid and sustainable. Our opinions shall not be constructed as to give any indication to the validity, sustainability and feasibility of any past, existing and forthcoming investment decision, opportunity or project undertaken or to be undertaken by the Company.

In formulating our opinion, we have not considered the taxation implications on the Independent Shareholders arising from the Proposed Revised Annual Caps for the Supply-related Transactions as these are particular to the individual circumstances of each Shareholder. It is emphasized that we will not accept responsibility for any tax effect on or liability of any person resulting from his or her decision to the Proposed Revised Annual Caps for the Supply-related Transactions. In particular, the Independent Shareholders who are overseas residents or are subject to overseas taxation or Hong Kong taxation on securities dealings should consult their own tax positions, and if in any doubt, should consult their own professional advisers.

Our opinions are necessarily based upon the financial, economic, market, regulatory and other conditions as they existed on, and the facts, information, representations, and opinions made available to us as of, the Latest Practicable Date.

Our opinions are formulated only and exclusively for the purpose of the Proposed Revised Annual Caps for the Supply-related Transactions and shall not be used for any other purpose in any circumstance nor for any comparable purpose with any other opinions.

Our opinions are based on the Directors' representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Supply-related Transactions.

Our opinions are based on the Directors' confirmation of receipt of our advice that the Directors and the management of the Company are responsible to take all reasonable steps to ensure that the information and representations provided in any press announcement, circular and prospectus concerning the Proposed Revised Annual Caps for the Supply-related Transactions are true, accurate, complete and not misleading, and that no material information or facts have been omitted or withheld.

Our opinions and their validity are subject to the views of the Board and to the risk factors set out in this letter concerning the Proposed Revised Annual Caps for the Supply-related Transactions.

We take no responsibility for the contents of the Letter from the Board, make no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this letter.

LETTER FROM WALLBANCK BROTHERS

ANALYSIS OF CONTINUING CONNECTED TRANSACTIONS

In arriving at our opinion to the Independent Board Committee in respect of the Proposed Revised Annual Caps for the Supply-related Transactions, we have taken into consideration the following information, principal factors, reasons and representations:

1) **Background**

According to the Letter from the Board, Hengyang Valin is a subsidiary of Hunan Valin Steel Company Limited, a company whose shares are listed on the Shenzhen Stock Exchange and is one of the largest steel companies in the PRC. On 28 November 2008, the Company entered into a joint venture agreement with Hengyang Valin to establish a joint venture industrial gas supply company, Hengyang Yingde, in Hengyang city, Hunan province in the PRC.

As at the Latest Practicable Date, Hengyang Yingde is the Company's non-wholly-owned subsidiary in which the Company owns 70% interest and Hengyang Valin owns the remaining 30% interest. As Hengyang Valin is a substantial shareholder of the Company's subsidiary, Hengyang Valin is a connected person of the Company pursuant to Rule 14A.11(1) of the Listing Rules.

According to the Letter from the Board, reference is made to the announcement of the Company dated 29 March 2010 and the Prospectus, in which the Company disclosed, among others, information in relation to the Supply-related Transactions which are governed by the Gas Supply Contract.

Reference is further made to the approval from the Stock Exchange granting a waiver to the Company from strict compliance with the reporting, announcement and independent shareholders' approval requirements in connection with the Supply-related Transactions between the Company and Hengyang Valin pursuant to the Gas Supply Contract, which is set out on page 125 of the Prospectus.

Details of the Gas Supply Contract are as follows:

On 28 November 2008, Yingde BVI (on behalf of Hengyang Yingde) entered into a gas supply contract with Hengyang Valin, pursuant to which Yingde BVI agreed to transfer the benefits and obligations under the Gas Supply Contract to Hengyang Yingde upon Hengyang Yingde's 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 the Company. The duration of the Gas Supply Contract is 20 years. The end date of the Gas Supply Contract is 30 October 2029. In connection with the Gas Supply Contract, the Group has entered into certain related transactions with Hengyang Valin, which involve payment of expenses (including but not limited to electricity expense, steam expense and rental expense) from Hengyang Yingde to Hengyang Valin. These transactions are referred to as the Supply-related Transactions.

LETTER FROM WALLBANCK BROTHERS

As indicated in the relevant pages of the Prospectus, the Group entered into long-term take-or-pay gas supply contracts generally with duration of 15 to 25 years with its on-site customers, which allows the Group to generate stable long-term earnings.

2) **Reasons and Benefits for the Supply-related Transactions**

According to the Letter from the Board, the Supply-related Transactions are an integral aspect of the Gas Supply Contract between Hengyang Yingde and Hengyang Valin. The Supply-related Transactions enable the Group to secure stable supplies of utilities required for Hengyang Yingde's operations pursuant to the Gas Supply Contract.

3) **Bases of Pricing of the Supply-related Transactions**

According to the Letter from the Board, the bases of pricing of the Supply-related Transactions was reached between the 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.

4) **Annual Caps and Proposed Revised Annual Caps**

According to the Letter from the Board, the Annual Caps for the Supply-related Transactions are RMB45 million per annum for the year ending 31 December 2010 and thereafter, until 30 October 2029. The Directors have been closely monitoring the Supply-related Transactions. Based on internal estimates, the Directors consider that the Annual Caps for the Supply-related Transactions will not be sufficient for the Group's current requirements, and therefore propose that the Annual Caps be amended accordingly as set out in the Circular.

The historical amount for the Supply-related Transactions since the commencement of gas supply by Hengyang Yingde to Hengyang Valin in April 2009 to 31 December 2009 was approximately RMB24 million. The historical amounts for the Supply-related Transactions for each month of January and February in 2010 was RMB3.9 million and RMB4.7 million respectively.

Based on the nature of the Supply-related Transactions and historical level of utilities required by Hengyang Yingde, the Company estimates the transaction amount to be no more than RMB65 million per annum for the Supply-related Transactions for the year ending 31 December 2010 and thereafter.

According to the Letter from the Board, the increased Annual Caps for the Supply-related Transactions are primarily as a result of the increased consumption of electricity for Hengyang Yingde's gas production.

The Board expects that the Annual Caps for the Supply-related Transactions for the year ending 31 December 2010 will not be exceeded before approval has been obtained from the Independent Shareholders for the Proposed Revised Annual Caps at the forthcoming AGM.

LETTER FROM WALLBANCK BROTHERS

5) Bases of Determining the Annual Caps

The Company previously estimated that its Supply-related Transactions will not exceed RMB45 million per annum from the year ending 31 December 2010 on the basis of the following formula:

$17,550 \text{ Nm}^3/\text{h}^{(a)} * 8,000 \text{ Hours}^{(b)} * 0.7 \text{ Electricity Kwh/Nm}^3 \text{ }^{(c)} * 0.41 \text{ RMB/Kwh}^{(d)} =$
approximately RMB40 million

Note (a): the estimated maximum hourly production of oxygen gas.

Note (b): the estimated production hours per year of oxygen gas.

Note (c): the estimated electricity consumption factor required to generate each normal cubic meter of oxygen gas.

Note (d): the price of electricity as agreed in the Gas Supply Contract.

If taking into account of all of the expenses (including but not limited to electricity, steam and rental expenses), the Company expected the Annual Caps to be RMB45 million.

6) Reasons for the Proposed Revised Annual Caps

The Company has advised that the assumption of electricity consumption factor, basing on the Group's electricity input required to generate each normal designated volume of oxygen gas, was underestimated.

The Company has subsequently found that the level of efficiency of Hengyang Yingde was such that it would require to increase the said assumption for the electricity consumption factor from 0.7 Kwh/Nm³ to 1.1 Kwh/Nm³ (approximately 1.57 times than its original estimation for the Annual Caps).

The management of the Company has provided us with the information on the actual electricity consumption factors required to generate each normal cubic meter of oxygen gas of Hengyang Yingde for a period of 12 months from April 2009 to March 2010. The average of the said actual electricity consumption factors for the said period of 12 months is 1.13 Kwh/Nm³.

Therefore, the Company proposes to adopt the said average actual electricity consumption factor of 1.1 Kwh/Nm³ as the value of the electricity consumption factor for the said formula for Proposed Revised Annual Caps for the Supply-related Transactions accordingly as follows:

$17,550 \text{ Nm}^3/\text{h}^{(a)} * 8,000 \text{ Hours}^{(b)} * 1.1 \text{ Electricity Kwh/Nm}^3 \text{ }^{(c)} * 0.41 \text{ RMB/Kwh}^{(d)} =$
approximately RMB63.3 million

Note (a): the estimated maximum hourly production of oxygen gas.

Note (b): the estimated production hours per year of oxygen gas.

Note (c): the estimated electricity consumption factor required to generate each normal cubic meter of oxygen gas.

Note (d): the price of electricity as agreed in the Gas Supply Contract.

If taking into account of all of the expenses (including but not limited to electricity, steam and rental expenses), the Company expects a revised annual cap of RMB65 million in relation to the Supply-related Transactions from the year ending 31 December 2010 and thereafter.

LETTER FROM WALLBANCK BROTHERS

The Company represents that the increase in the Proposed Revised Annual Caps of Hengyang Yingde as a result of increase of electricity expenses will be reflected in the costs of sale payable by Hengyang Valin, on the supply of gases by Hengyang Yingde to Hengyang Valin.

7) Additional Bases of Determining the Proposed Revised Annual Caps

In arriving at the Proposed Revised Annual Caps set out above, the Directors have further taken into account of the followings:

- (a) the minimum gas supply volume for each of oxygen, nitrogen and argon specified in the Gas Supply Contract;
- (b) potential additional gas supplies above the minimum gas supply volume that Hengyang Valin may purchase from Hengyang Yingde due to future expansion of production of Hengyang Valin, on the basis of the capacity of the existing facilities of Hengyang Yingde;
- (c) possible increase in the costs of gas production to be charged by Hengyang Valin (such as electricity); and
- (d) the average unit electricity consumption figures obtained by the Company since the commencement of gas supplies by Hengyang Yingde.

8) Review on the Historical Amounts of the Supply-related Transactions

According to the Letter from the Board, the historical amount for the Supply-related Transactions for a period of 9 months since the commencement of gas supply by Hengyang Yingde to Hengyang Valin from April 2009 to 31 December 2009 was approximately RMB24 million.

The historical amount for the Supply-related Transactions for each month of January 2010 and February 2010 was approximately RMB3.9 million and RMB4.7 million respectively.

For comparison amongst the historical amounts of the Supply-related Transactions, the Annual Caps and the Proposed Revised Annual Caps for the Supply-related Transactions, we have obtained from the management of the Company the electricity expenses of Hengyang Yingde, for a period of 12 months from April 2009 to March 2010, which, according to the management of the Company, represents approximately 95% of the expenses incurred from the Supply-related Transactions.

The historical amounts of monthly electricity expenses of Hengyang Yingde for the said period of 12 months, range from approximately RMB1,787,928 to RMB4,699,975, with a mean of approximately RMB3,023,520.

The historical amount of monthly electricity expenses was approximately RMB1,787,928 in April 2009, representing approximately 47.68% and 33.01 % of the averaged monthly Annual Caps of RMB45 million and averaged monthly Proposed Revised Annual Caps of RMB65 million respectively. The historical amount of monthly electricity expenses has gradually increased to approximately

LETTER FROM WALLBANCK BROTHERS

RMB4,167,889 in March 2010, representing approximately 111.14% and 76.95% of the averaged monthly Annual Caps of RMB45 million and averaged monthly Proposed Revised Annual Caps of RMB65 million respectively. The Company represents that such increase in electricity expenses was due to the gradual increase of production of gas since the commencement of gas supply in April 2009.

In view of the fact that such historical amounts of monthly electricity expenses from January 2010 have already exceeded the averaged monthly Annual Caps, it may be fair and reasonable to infer that it is fair and reasonable for the Directors to hold the view that the Annual Caps for the Supply-related Transactions will not be sufficient for the Group's current requirements.

9) **Comparison with Transactions of Similar Nature between the Group and Independent Third Parties**

In assessing the Proposed Revised Annual Caps for the Supply-related Transactions, we have obtained from the Company's management the information on electricity provided by independent third parties to two industrial gas supply companies of the Group, namely Hunan Yingde and Rizhao Yingde.

The average of the actual electricity consumption factors required to generate each normal cubic meter of oxygen gas for a period of 12 months from April 2009 to March 2010 of Hengyang Yingde is approximately 1.13 Kwh/Nm³.

The average of the actual electricity consumption factors required to generate each normal cubic meter of oxygen gas for a period of 12 months from April 2009 to March 2010 of Hunan Yingde is approximately 0.68 Kwh/Nm³.

The average of the actual electricity consumption factors required to generate each normal cubic meter of oxygen gas for a period of 12 months from April 2009 to March 2010 of Rizhao Yingde is approximately 0.72 Kwh/Nm³.

For comparison, the said averaged factor of Hengyang Yingde is approximately 1.66 and 1.57 times of those of Hunan Yingde and Rizhao Yingde respectively. The Company represents that such difference in actual electricity consumption factor was mainly attributable to lower energy efficiency of Hengyang Yingde, which is due to (1) the utilization rate of Hengyang Yingde is below the efficiency level; (2) the limited size and specific location of Hengyang Yingde's gas plant and the design of the machineries therein; and (3) the local air quality of Hengyang Yingde in particular, its humidity and pollution level.

The Company further represents that the price of electricity payable under the gas supply contract between Hunan Yingde, whose gas plant is also situate at Hunan province in the PRC, and independent third party is 0.41RMB/Kwh, the same as payable by Hengyang Yingde under the Gas Supply Contract for the Proposed Revised Annual Caps for the Supply-related Transactions.

LETTER FROM WALLBANCK BROTHERS

LISTING RULE IMPLICATIONS

According to the Letter from the Board, as at the Latest Practicable Date, Hengyang Yingde is the Company's non-wholly-owned subsidiary in which the Company owns 70% interest and Hengyang Valin owns the remaining 30% interest. As Hengyang Valin is a substantial shareholder of the Company's subsidiary, Hengyang Valin is a connected person of the Company pursuant to Rule 14A.11(1) of the Listing Rules.

Therefore, any transaction including the Proposed Revised Annual Caps between the Company and Hengyang Valin (including its associates) are connected transactions of the 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.

Under Rule 14A.35(2) of the Listing Rules, in respect of a continuing connected transaction which is not fully exempted from the reporting, announcement and Independent Shareholders' approval requirements, an annual cap must be set and disclosed. As far as the Company is aware, none of the Annual Caps has been exceeded as at the Latest Practicable Date.

The Proposed Revised Annual Caps for the Supply-related Transactions exceeds 2.5% of the revenue ratio under Chapter 14A of the Listing Rules. Accordingly, the Proposed Revised Annual Caps are subject to reporting, announcement and independent shareholders' approval requirements as prescribed under Chapter 14A of the Listing Rules. Independent Shareholders' approval for the Proposed Revised Annual Caps for the Supply-related Transactions during the duration of the Gas Supply Contract of 20 years to end on 30 October 2029 will be sought at the forthcoming AGM.

The Company will seek approval of the Independent Shareholders by way of poll on the Proposed Revised Annual Caps for the Supply-related Transactions at the forthcoming AGM.

According to the Letter from the Board, as at the Latest Practicable Date, the Company does not expect any Shareholder of the Company to abstain from voting in connection with approving the Proposed Revised Annual Caps given the Supply-related Transactions are connected transactions at subsidiary level.

RISK FACTORS

Independent Shareholders should consider fully and carefully of all information contained in this letter and, in particular, should fully aware and evaluate the following risk factors to and in connection with the Proposed Revised Annual Caps for the Supply-related Transactions.

1. *The Supply-related Transactions last for a term of 20 years*

As the Supply-related Transactions last for a term of 20 years, it may not be unreasonable to anticipate that the relevant factors, representations, assumptions and information as indicated in this letter may vary and/or change during the remaining term of the said 20 years.

LETTER FROM WALLBANCK BROTHERS

2. *No reference sample for transaction of similar nature between independent third parties*

No reference sample for transaction of similar nature between independent third parties can be obtained for the Supply-related Transactions as they are highly confidential and commercially sensitive in nature.

Our opinions and their validity are subject to the views of the Board and to the risk factors set out in this letter concerning the Proposed Revised Annual Caps for the Supply-related Transactions.

RECOMMENDATION

Having considered the above principal factors and reasons and the Directors' representations, on balance and in general terms, at this stage we are of the opinion that in such circumstances of the Group, the terms of the Proposed Revised Annual Caps for the Supply-related Transactions are on normal commercial terms and in the ordinary and usual course of business of the Company and are fair and reasonable so far as the Independent Shareholders are concerned and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the forthcoming AGM to approve the Proposed Revised Annual Caps for the Supply-related Transactions and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully,
For and on behalf of
WALLBANCK BROTHERS
Securities (Hong Kong) Limited
Phil Chan
Chief Executive Officer

The following are the particulars of the directors (as required by the Listing Rules) proposed to be re-elected at the Annual General Meeting.

Mr. Zhongguo Sun

Aged 46, was appointed as the chairman, chief executive officer and an executive director of our Company on 12 November 2007. 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.

Mr. Sun has entered into a service contract with our Company on 12 September 2009. The Articles of Association provides at least one-third (or the number nearest to one third) of the directors shall retire from office by rotation, and be eligible for re-election. Under the service contract, Mr. Sun is entitled to RMB2,400,000 in remuneration for the year ended 31 December 2009. His remuneration is determined by reference to the prevailing market conditions and his duties and responsibilities in our Company.

As at the Latest Practicable Date, Mr. Sun was deemed to be interested in 295,200,000 Shares of our Company, pursuant to Part XV of the Securities and Futures Ordinance.

Mr. Sun does not hold any directorship in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas. Save as disclosed, he has no other relationship with any directors, senior management, substantial or controlling Shareholders of our Company.

Save as disclosed above, there is no other matter concerning with Mr. Sun that needs to be brought to the attention of the Shareholders of our Company and there is no information relating to Mr. Sun's re-election which is required to be disclosed pursuant to any of the requirements of Rule 13.51(2) of the Listing Rules.

Mr. Zhao Xiangti

Aged 51, was appointed as an executive director of our Company on 12 November 2007. 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 more than seven years experience in the industrial gas industry. Mr. Zhao received a Bachelor of Engineering from Hebei Science and Technology University in 1982.

Mr. Zhao has entered into a letter of appointment which constitutes a service contract with our Company on 12 September 2009. The Articles of Association provides at least one-third (or the

number nearest to one third) of the directors shall retire from office by rotation, and be eligible for re-election. Under the letter of appointment, Mr. Zhao is entitled to RMB713,000 in remuneration for the year ended 31 December 2009. His remuneration is determined by reference to the prevailing market conditions and his duties and responsibilities in our Company.

As at the Latest Practicable Date, Mr. Zhao was deemed to be interested in 280,603,935 Shares of our Company, pursuant to Part XV of the Securities and Futures Ordinance.

Mr. Zhao does not hold any directorship in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas. Save as disclosed, he has no other relationship with any directors, senior management, substantial or controlling Shareholders of our Company.

Save as disclosed above, there is no other matter concerning with Mr. Zhao that needs to be brought to the attention of the Shareholders of our Company and there is no information relating to Mr. Zhao's re-election which is required to be disclosed pursuant to any of the requirements of Rule 13.51(2) of the Listing Rules.

Mr. Chen Yan

Aged 42, was appointed as an executive director on 18 December 2008 and is 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. 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.

Mr. Chen has entered into a letter of appointment which constitutes a service contract with our Company on 12 September 2009. The Articles of Association provides at least one-third (or the number nearest to one third) of the directors shall retire from office by rotation, and be eligible for re-election. Under the letter of appointment, Mr. Chen is entitled to RMB1,693,000 in remuneration for the year ended 31 December 2009. His remuneration is determined by reference to the prevailing market conditions and his duties and responsibilities in our Company.

As at the Latest Practicable Date, Mr. Chen was not interested in the Shares of our Company, pursuant to Part XV of the Securities and Futures Ordinance.

Mr. Chen does not hold any directorship in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas. Save as disclosed, he has no other relationship with any directors, senior management, substantial or controlling Shareholders of our Company.

Save as disclosed above, there is no other matter concerning with Mr. Chen that needs to be brought to the attention of the Shareholders of our Company and there is no information relating to Mr. Chen's re-election which is required to be disclosed pursuant to any of the requirements of Rule 13.51(2) of the Listing Rules.

Mr. Chen Dar Cin

Aged 43, was appointed as a non-executive director of our Company on 15 July 2008. Mr. Chen has nineteen years of experience in the private equity and banking industries in Asia and the United States, and is currently a managing director at Baring Private Equity Asia Limited. Prior to joining Baring Private Equity Asia Limited, he was an assistant director with Prudential Asset Management Asia in Hong Kong, and a principal with Bank of America Securities Asia Limited in Hong Kong. Mr. Chen received a Bachelor of Arts from the University of California at Berkeley in 1990.

Mr. Chen has entered into a letter of appointment which constitutes a service contract with our Company on 12 September 2009. The Articles of Association provides at least one-third (or the number nearest to one third) of the directors shall retire from office by rotation, and be eligible for re-election. Under the letter of appointment, Mr. Chen is not entitled to any remuneration for the year ended 31 December 2009.

As at the Latest Practicable Date, Mr. Chen was not interested any of the Shares of our Company, pursuant to Part XV of the Securities and Futures Ordinance.

Mr. Chen does not hold any directorship in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas. Save as disclosed, he has no other relationship with any directors, senior management, substantial or controlling Shareholders of our Company.

Save as disclosed above, there is no other matter concerning with Mr. Chen that needs to be brought to the attention of the Shareholders of our Company and there is no information relating to Mr. Chen's re-election which is required to be disclosed pursuant to any of the requirements of Rule 13.51(2) of the Listing Rules.

Mr. Xu Zhao

Aged 41, was appointed as an independent non-executive director of our Company on 12 September 2009. 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. Xu has entered into a letter of appointment which constitutes a service contract with our Company on 12 September 2009. The Articles of Association provides at least one-third (or the number nearest to one third) of the directors shall retire from office by rotation, and be eligible for re-election. Under the letter of appointment, Mr. Xu is entitled to RMB88,000 in remuneration for the year ended 31 December 2009. His remuneration is determined by reference to the prevailing market conditions and his duties and responsibilities in our Company.

As at the Latest Practicable Date, Mr. Xu was not interested any of the Shares of our Company, pursuant to Part XV of the Securities and Futures Ordinance.

Mr. Xu does not hold any directorship in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas. Save as disclosed, he has no other relationship with any directors, senior management, substantial or controlling Shareholders of our Company.

Save as disclosed above, there is no other matter concerning with Mr. Xu that needs to be brought to the attention of the Shareholders of our Company and there is no information relating to Mr. Xu's re-election which is required to be disclosed pursuant to any of the requirements of Rule 13.51(2) of the Listing Rules.

Mr. Zheng Fuya

Aged 43, was appointed as an independent non-executive director of our Company on 12 September 2009. 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.

Mr. Zheng has entered into a letter of appointment which constitutes a service contract with our Company on 12 September 2009. The Articles of Association provides at least one-third (or the number nearest to one third) of the directors shall retire from office by rotation, and be eligible for re-election. Under the letter of appointment, Mr. Zheng s entitled to RMB75,000 in remuneration for the year ended 31 December 2009. His remuneration is determined by reference to the prevailing market conditions and his duties and responsibilities in our Company.

As at the Latest Practicable Date, Mr. Zheng was not interested any of the Shares of our Company, pursuant to Part XV of the Securities and Futures Ordinance.

Mr. Zheng does not hold any directorship in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas. Save as disclosed, he has no other relationship with any directors, senior management, substantial or controlling Shareholders of our Company.

Save as disclosed above, there is no other matter concerning with Mr. Zheng that needs to be brought to the attention of the Shareholders of our Company and there is no information relating to Mr. Zheng's re-election which is required to be disclosed pursuant to any of the requirements of Rule 13.51(2) of the Listing Rules.

Dr. Wang Ching

Aged 54, was appointed as an independent non-executive director of our Company on 4 December 2009. Dr. Wang has more than eighteen years of working experience in the global financial industry specialising 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.

Dr. Wang has entered into a letter of appointment which constitutes a service contract with our Company on 4 December 2009. The Articles of Association provides at least one-third (or the number nearest to one third) of the directors shall retire from office by rotation, and be eligible for re-election. Under the letter of appointment, Dr. Wang is entitled to RMB9,000 in remuneration for the year ended 31 December 2009. His remuneration is determined by reference to the prevailing market conditions and his duties and responsibilities in our Company.

As at the Latest Practicable Date, Dr. Wang was not interested any of the Shares of our Company, pursuant to Part XV of the Securities and Futures Ordinance.

Save as disclosed above, Dr. Wang does not hold any directorship in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas. Save as disclosed, he has no other relationship with any directors, senior management, substantial or controlling Shareholders of our Company.

Save as disclosed above, there is no other matter concerning with Dr. Wang that needs to be brought to the attention of the Shareholders of our Company and there is no information relating to Dr. Wang's re-election which is required to be disclosed pursuant to any of the requirements of Rule 13.51(2) of the Listing Rules.

The following is an explanatory statement required to be sent to the Shareholders under the Listing Rules in connection with the Proposed Repurchase Mandate.

SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of our Company comprised 1,809,232,500 Shares of nominal value of US\$0.000001 each. Subject to the passing of the resolution granting the Proposed Repurchase Mandate and on the basis that no further Shares are issued or repurchased before the Annual General Meeting, our Company will be allowed to repurchase a maximum of 180,923,250 Shares which represent 10 per cent of the issued share capital of our Company during the period ending on the earlier of the conclusion of the next annual general meeting of our Company or the date by which the next annual general meeting of our Company is required to be held by law or the Articles of Association or the date upon which such authority is revoked or varied by a resolution of the Shareholders in general meeting.

REASONS FOR REPURCHASES

The directors believe that to give our Company additional flexibility, it is in the best interests of our Company and the Shareholders to seek a general authority from the Shareholders to enable our Company to repurchase its Shares on the Stock Exchange. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or its earnings per Share and will only be made when the directors believe that such a repurchase will benefit our Company and the Shareholders.

FUNDING OF REPURCHASES

Repurchases of Shares will be financed out of funds legally available for the purpose and in accordance with the Articles of Association and the Cayman Companies Law. The Cayman Companies Law provides that the amount of capital repaid in connection with a share repurchase may be paid out of the profits of our Company or the proceeds of a fresh issue of Shares made for the purpose of the repurchase or out of capital subject to and in accordance with the Cayman Companies Law. The amount of premium payable on repurchase may only be paid out of either the profits of our Company or out of the share premium account before or at the time our Company's Shares are repurchased in the manner provided for in the Cayman Companies Law.

The directors have no present intention to repurchase any Shares and they would only exercise the power to repurchase in circumstances where they consider that the repurchase would be in the best interests of our Company. The directors consider that if the general mandate to repurchase Shares were to be exercised in full at the current prevailing market value, it may have a material adverse impact on the working capital and on the gearing position of our Company, as compared with the positions disclosed in the audited consolidated financial statements of our Company as at 31 December 2009, being the date to which the latest published audited consolidated financial statements of our Company were made up. The directors do not propose to exercise the mandate to repurchase Shares to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing position of our Company which in the opinion of the directors are from time to time appropriate for our Company.

GENERAL

To the best of their knowledge, having made all reasonable enquiries, none of the directors or any of their associates, as defined in the Listing Rules, currently intends to sell any Shares to our Company or its subsidiaries, in the event that the Proposed Repurchase Mandate is approved by the Shareholders.

The directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the power pursuant to the Proposed Repurchase Mandate in accordance with the Listing Rules, the applicable laws of the Cayman Islands, and the Articles of Association.

No connected person (as defined in the Listing Rules) has notified our Company that he has a present intention to sell any Shares to our Company, or has undertaken not to do so, if the Proposed Repurchase Mandate is approved by the Shareholders.

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of Rule 32 of the Takeovers Code. Accordingly, a Shareholder, or group of Shareholders acting in concert, depending on the level of increase of the Shareholder's interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Saved as aforesaid, the directors are not aware of any consequences which would arise under the Takeover Code as a result of any repurchase of Shares pursuant to the Proposed Repurchase Mandate.

The following parties constitute the core group of shareholders who currently exercise voting control over the relevant shares of our Group held through the relevant shareholding companies: Baslow, Bubbly Brooke, Rongton and Peace & Smooth.

As Baslow, Bubbly Brooke, Peace & Smooth and Rongton currently collectively exercise control over more than 50% of the voting power of our Company, accordingly, these entities together with Ms. Li, Mr. Strutt, Mr. Nie, Mr. Zhao and Mr. Yang are considered to comprise the group of controlling shareholders of our Company and are therefore parties acting in concert for the purpose of the Takeovers Code. For further details, please refer to the section headed "Our History and Reorganization — Reorganization" in the Prospectus.

As at the Latest Practicable Date, to the best knowledge and belief of the directors, the interests or short positions of Ms. Li, Mr. Strutt, Mr. Zhao, Mr. Yang, Mr. Nie, Baslow, Bubbly Brooke, Peace & Smooth and Rongton in the Shares are as follows:

Name	Nature of interest	Shares owned	
		Number	Percentage
Baslow	Beneficial owner	181,661,461 (long position)	10.04%
Mr. Strutt ⁽¹⁾	Founder of a discretionary trust	181,661,461 (long position)	10.04%
Bubbly Brooke	Beneficial owner	295,200,000 (long position)	16.32%
Ms. Li ⁽²⁾	Founder of a discretionary trust	295,200,000 (long position)	16.32%
Peace & Smooth	Beneficial owner	181,498,231 (long position)	10.03%
Mr. Yang ⁽³⁾	Deemed interest, interest of controlled company	462,102,166 (long position)	25.54%
Mr. Nie ⁽⁴⁾	Deemed interest, interest of controlled company	181,498,231 (long position)	10.03%
Rongton	Beneficial owner	280,603,935 (long position)	15.51%
Mr. Zhao ⁽⁵⁾	Deemed interest, interest of controlled company	280,603,935 (long position)	15.51%

Notes:

- (1) The entire issued share capital of Baslow is ultimately held by Equity Trustee Limited (“Equity Trustee”). Equity Trustee is a professional trustee company acting as the trustee of The TRS Trust. The TRS Trust is a discretionary trust set up by Mr. Strutt as settlor. The beneficiaries under The TRS Trust are family members of Mr. Strutt. Mr. Strutt as founder of The TRS Trust is deemed to be interested in all the Shares held by Baslow under the Securities and Futures Ordinance.
- (2) The entire issued share capital of Bubbly Brooke is ultimately held by Equity Trustee. Equity Trustee is a professional trustee company acting as the trustee of The LHM Family Trust. The LHM Family Trust is a discretionary trust set up by Ms. Li as settlor. The beneficiaries under The LHM Family Trust are family members of Ms. Li as at the Latest Practicable Date. Ms. Li as founder of The LHM Family Trust is deemed to be interested in all the Shares held by Bubbly Brooke under the Securities and Futures Ordinance.
- (3) Mr. Yang controls 50% voting power in Peace & Smooth and 45% voting power in Rongton and therefore, is deemed to be interested in a total of 462,102,166 Shares held by Peace & Smooth and Rongton.
- (4) Mr. Nie controls 50% voting power in Peace & Smooth and therefore, is deemed to be interested in 181,498,231 Shares held by Peace & Smooth.
- (5) Mr. Zhao controls 55% voting power in Rongton and therefore, is deemed to be interested in 280,603,935 Shares held by Rongton.

Ms. Li, Mr. Strutt, Mr. Zhao, Mr. Yang, Mr. Nie, Baslow, Bubbly Brooke, Peace & Smooth and Rongton are therefore taken to have an interest in a total of 938,963,627 Shares, representing approximately 51.90 per cent of the issued share capital of our Company as at the Latest Practicable Date. In the event that the directors should exercise in full the Proposed Repurchase Mandate, then (if the present shareholdings otherwise remained the same), the deemed interest of each of Ms. Li, Mr. Strutt, Mr. Zhao, Mr. Yang, Mr. Nie, Baslow, Bubbly Brooke, Peace & Smooth and Rongton in our Company will be increased to approximately 57.66 per cent of the issued share capital of our Company. To the best knowledge and belief of the directors, such increase will not give rise to an obligation to make a mandatory offer under the Takeovers Code. The directors are not aware of any consequence which would arise under the Takeovers Code as a consequence of any purchase pursuant to the Proposed Repurchase Mandate.

The Listing Rules prohibit a company from making repurchase on the Stock Exchange if the result of the repurchase would be that less than 25 per cent (or such other prescribed minimum percentage as determined by the Stock Exchange) of the issued share capital would be in public hands. The directors do not propose to repurchase Shares which would result in less than the prescribed minimum percentage of Shares in public hands.

SHARE REPURCHASE MADE BY OUR COMPANY

No repurchase of Shares (whether on the Stock Exchange or otherwise) have been made by our Company from 8 October 2009 (the date on which the Shares commenced listing on the Stock Exchange) to the Latest Practicable Date.

SHARE PRICES

During the period from 8 October 2009 (the date on which the Shares commenced listing on the Stock Exchange) to the Latest Practicable Date, the highest and lowest traded prices for Shares recorded on the Stock Exchange were as follows:

	Highest traded prices	Lowest traded prices
	<i>HK\$</i>	<i>HK\$</i>
2009		
October	9.44	7.09
November	9.30	7.54
December	8.80	7.85
2010		
January	8.60	7.22
February	8.16	7.50
March	9.37	7.61
April (up to the Latest Practicable Date)	8.82	8.46

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to our Company. The directors collectively and individually accept full responsibility for the accuracy of information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this herein misleading.

2. DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of each director and chief executives of our Company in the shares, underlying shares and debentures of our Company and its associated corporations (within the meaning of Part XV of the "SFO"), which were required to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO), 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 by our Company pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules contained in Appendix 10 were as follows: (1) Mr. Zhao controls 55% voting power in Rongton and therefore, is deemed to be interested in 280,603,935 (approximately 15.51%) (long position) shares in our Company held by Rongton and (2) the entire issued share capital of Bubbly Brooke is ultimately owned by Equity Trustee. Equity Trustee is a professional trustee company acting as the trustee of The LHM Family Trust. The LHM Family Trust is a discretionary trust set up by Ms. Li Hongmei (Mr. Sun's mother-in-law) as settlor. Mr. Sun is a beneficiary of The LHM Family Trust and therefore, is deemed to have an interest in 295,200,000 (approximately 16.32%) (long position) shares in our Company under The LHM Family Trust pursuant to the SFO.

Save as disclosed above, as at 31 December 2009, none of the directors and the chief executives of our Company or their associates (including their spouses and children under 18 years of age) had any interest or short positions in any of the shares, underlying shares or debentures of our Company or any of its associated corporations, required to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO), 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.

As at the Latest Practicable Date, our Company had not granted its directors or their respective spouses or children below the age of 18 any rights to subscribe for the shares or debentures of our Company or any of its associated corporations and none of them has ever exercised any such right.

No contract, commitment or agreement of significance in relation to our Company's business, to which our Company or any of its subsidiaries was a party and in which any of the directors had a material interest, either directly or indirectly, subsisted as at the Latest Practicable Date. As at the Latest Practicable Date, none of the directors had any interest, direct or indirect, in any asset which since 31 December 2009, the date to which the latest published audited financial statements of our Group were made up, have been acquired or disposed of by or leased to any member of our Group or are proposed to be acquired or disposed of by or leased to any member of our Group.

As at the Latest Practicable Date, there was no benefit given or agreed to be given to any director as compensation for loss of office or otherwise in connection with the amendment to the Annual Caps. Save for the position held by Mr. Zhao at Rongton, as at the Latest Practicable Date, none of the directors was a director or an employee of any shareholders of our Company or a company which has an interest or short position in shares or underlying shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Since 31 December 2009, none of the directors had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group.

As at the Latest Practicable Date, there was no agreement, arrangement or understanding between any director and any other person which is conditional on/or dependent upon the outcome of the Proposed Revised Annual Caps or otherwise connected with the Proposed Revised Annual Caps.

As at the Latest Practicable Date, none of the directors was materially interested in any contract or arrangement to which any member of our Group was a party and which was significant to the business of our Group.

Any connected person with a material interest in the Supply-related Transaction, and any shareholder with a material interest in the transaction and its associates, will not vote on the Proposed Revised Annual Caps. As at the Latest Practicable Date, our Company does not expect any shareholder of our Company to abstain from voting in connection with approving the Proposed Revised Annual Caps given the Proposed Revised Annual Caps are subsidiary-level connected transactions. Save for such regulatory requirements, none of the Shareholders had, prior to the Latest Practicable Date, in any form irrevocably committed itself to vote in favour of or against the relevant resolutions in relation to the Proposed Revised Annual Caps.

3. MATERIAL INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF OUR COMPANY

As at the Latest Practicable Date, so far as is known to, or can be ascertained after reasonable enquiry by the directors, the persons (not being a director or chief executive of our Company) who had an interest or short position in the Shares and underlying shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Name	Nature of interest	Number of shares	Approximate percentage shares of shareholding
Baslow	Beneficial owner	181,661,461 (long position)	10.04%
Mr. Strutt ⁽¹⁾	Founder of a discretionary trust	181,661,461 (long position)	10.04%
Bubbly Brooke	Beneficial owner	295,200,000 (long position)	16.32%
Ms. Li ⁽²⁾	Founder of a discretionary trust	295,200,000 (long position)	16.32%
Peace & Smooth	Beneficial owner	181,498,231 (long position)	10.03%
Mr. Yang ⁽³⁾	Deemed interest, interest of controlled company	462,102,166 (long position)	25.54%
Mr. Nie ⁽⁴⁾	Deemed interest, interest of controlled company	181,498,231 (long position)	10.03%
Rongton	Beneficial owner	280,603,935 (long position)	15.51%
Mr. Zhao ⁽⁵⁾	Deemed interest, interest of controlled company	280,603,935 (long position)	15.51%
Baring Private Equity Asia III Holding (7A) Limited	Beneficial owner	231,126,424 (long position)	12.77%
Baring Private Equity Asia GP III Limited ⁽⁶⁾	Deemed interest, interest of controlled company	231,126,424 (long position)	12.77%
Jean Eric Salata ⁽⁶⁾	Deemed interest, interest of controlled company	231,126,424 (long position)	12.77%

Notes:

- (1) The entire issued share capital of Baslow is ultimately held by Equity Trustee Limited (“Equity Trustee”). Equity Trustee is a professional trustee company acting as the trustee of The TRS Trust. The TRS Trust is a discretionary trust set up by Mr. Strutt as settlor. The beneficiaries under The TRS Trust are family members of Mr. Strutt. Mr. Strutt as founder of The TRS Trust is deemed to be interested in all the Shares held by Baslow under the SFO.
- (2) The entire issued share capital of Bubbly Brooke is ultimately held by Equity Trustee. Equity Trustee is a professional trustee company acting as the trustee of The LHM Family Trust. The LHM Family Trust is a discretionary trust set up by Ms. Li as settlor. The beneficiaries under The LHM Family Trust are family members of Ms. Li as at the Latest Practicable Date. Ms. Li as founder of The LHM Family Trust is deemed to be interested in all the Shares held by Bubbly Brooke under the SFO.

- (3) Mr. Yang controls 50% voting power in Peace & Smooth and 45% voting power in Rongton and therefore, is deemed to be interested in a total of 462,102,166 Shares held by Peace & Smooth and Rongton.
- (4) Mr. Nie controls 50% voting power in Peace & Smooth and therefore, is deemed to be interested in 181,498,231 Shares held by Peace & Smooth.
- (5) Mr. Zhao controls 55% voting power in Rongton and therefore, is deemed to be interested in 280,603,935 Shares held by Rongton.
- (6) Baring Private Equity Asia GP III Limited is the general partner of a limited partnership (Baring Private Equity Asia GP III, L.P.), which is the general partner of another limited partnership (The Baring Asia Private Equity Fund III, L.P.1), which is one of the limited liability partnerships comprising The Baring Asia Private Equity Fund III and which controls more than one-third of the issued shares in Baring Private Equity Asia III Holding (7A) Limited. Jean Eric Salata is the sole shareholder of Baring Private Equity Asia GP III Limited. Each of Baring Private Equity Asia GP III Limited and Jean Eric Salata is therefore deemed to be interested in 231,126,424 Shares held by Baring Private Equity Asia III Holding (7A) Limited. Jean Eric Salata disclaims beneficial ownership of such Shares, other than to the extent of his economic interest in such entities.

Save for the aforesaid Shareholders, as at the Latest Practicable Date, the directors and the chief executive of our Company were not aware of any other person who had, or was deemed to have, an interest or short position in the Shares or underlying Shares, which would be required to be disclosed to our Company pursuant to Divisions 2 and 3 of Part XV of the SFO.

4. SUBSTANTIAL SHAREHOLDER IN SUBSIDIARIES

As at the Latest Practicable Date, so far as is known to the directors and chief executive, the following entities were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

Name of subsidiary	Name of shareholder	Total amount of registered capital of subsidiary	Percentage of shareholder's interest in registered capital RMB'000
Hengyang Yingde Gases Company Limited (衡陽盈德氣體有限公司)	Hengyang Hualing Lianzhaguan Company Limited (衡陽華菱連軋管有限公司)	RMB120,000,000	30%
Zhangjiagang Yingde Gases Company Limited (張家港盈德氣體有限公司)	China Hi-tech Group Company Limited (中國高科集團股份有限公司)	USD10,000,000	25%

5. SERVICE AGREEMENTS

As at the Latest Practicable Date, none of the directors have entered or proposed to enter into a service contract with any member of our Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

6. COMPETING INTEREST

As at the Latest Practicable Date, none of the directors had any ownership interest in any business, apart from the business of our Group, which competes or is likely to compete, either directly or indirectly, with that of our Group.

7. MATERIAL ADVERSE CHANGE

The directors are not aware of any material adverse change in the financial or trading position of our Group since 31 December 2009, being the date of the latest published audited financial statements of our Company.

8. LITIGATION

As at the Latest Practicable Date, neither our Company nor any of its subsidiaries was engaged in any material litigation or arbitration of material importance and there was no material litigation or claim of material importance known to the directors to be pending or threatened by or against any member of our Group.

9. QUALIFICATION OF EXPERT

The following are the qualifications of Wallbanck Brothers who has given their advice, letters or reports for the inclusion in this circular:

Name	Qualification
Wallbanck Brothers	A corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO.

10. CONSENT

- (a) Wallbanck Brothers issued a letter dated 15 April 2010 for the purpose of incorporation in this circular, in connection with its advice to the Independent Board Committee and the Independent Shareholders.
- (b) Wallbanck Brothers has given and has not withdrawn its written consents to the issue of this circular with the inclusion of its advice, letters, reports and references to its names and logos in the form and context in which it appears.

- (c) As at the Latest Practicable Date, Wallbanck Brothers do not have any shareholding in any member of our Group or the right to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

11. GENERAL

- (a) Our Joint Company Secretaries are Ms. Wong Sze Wing and Mr. Ngai Wai Fung.
- (b) Our Company's principal place of business in Hong Kong is Suite 4313, Tower One, Times Square, Causeway Bay, Hong Kong.
- (c) Our Company's Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of our Company in Hong Kong at Suite 4313, Tower One, Times Square, Causeway Bay, Hong Kong during normal business hours from the date of this circular up to and including the date of the AGM:

- (a) the articles of association of our Company;
- (b) the Gas Supply Contract;
- (c) the letter from Wallbanck Brothers to the Independent Board Committee and the Independent Shareholders the text of which is set out in the section headed "Letter from Wallbanck Brothers" of this circular;
- (d) the letter from the Independent Board Committee, the text of which is set out in the section headed "Letter from the Independent Board Committee" of this circular; and
- (e) the written consent referred to in the section headed "Consent" in this Appendix.

13. MISCELLANEOUS

Unless otherwise stated and save as the names of the companies established in the PRC and mentioned in this circular, the English text of this circular shall prevail over its Chinese text.

NOTICE OF ANNUAL GENERAL MEETING



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)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of Yingde Gases Group Company Limited (the “Company”) will be held at Forum Room 1, B2 level, Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Wednesday, 19 May 2010 at 2:30 p.m. for the following purposes:

Ordinary resolutions

1. To receive and adopt the audited consolidated financial statements of our Company and the reports of the directors and auditors for the year ended 31 December 2009.
2. To consider the re-election of the retiring directors of our Company and authorise the board of directors to fix the remuneration of the directors of our Company.
3. To consider the re-appointment of KPMG as the auditors of our Company and to authorise the board of directors of our Company to fix their remuneration.
4. To consider and, if thought fit, pass the following resolutions as ordinary resolutions:

(A) “**That:**

- (i) subject to paragraph (iii) below, the exercise by the directors of our Company during the Relevant Period (as hereinafter defined) of all the powers of our Company to allot, issue or otherwise deal with additional shares in the capital of our Company or securities convertible into shares, or options, warrants or similar rights to subscribe for shares or such convertible securities of our Company and to make or grant offers, agreements and/or options (including bonds, warrants and debentures convertible into shares of our Company) which may require the exercise of such powers, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time) (the “Listing Rules”), be and is hereby generally and unconditionally approved;

NOTICE OF ANNUAL GENERAL MEETING

- (ii) the approval in paragraph (i) above shall be in addition to any other authorisation given to the directors of our Company and shall authorise the directors of our Company during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and/or options which may require the exercise of such power after the end of the Relevant Period;

- (iii) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) by the directors of our Company during the Relevant Period pursuant to paragraph (i) above, otherwise than pursuant to (1) a Rights Issue (as hereinafter defined) or (2) the grant or exercise of any option under the option scheme of our Company or any other option, scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of our Company and/or any of its subsidiaries of shares or rights to acquire shares of our Company; or (3) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of our Company in accordance with the articles of association of our Company in force from time to time; or (4) any issue of shares in our Company upon the exercise of rights of subscription or conversion under the terms of any existing convertible notes issued by our Company or any existing securities of our Company which carry rights to subscribe for or are convertible into shares of our Company, shall not exceed the aggregate of 20 per cent of the aggregate nominal amount of share capital of our Company in issue as at the date of passing this resolution and the said approval shall be limited accordingly; and

- (iv) for the purpose of this resolution:-
 - (a) the “Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:-
 - (1) the conclusion of the next annual general meeting of our Company; and
 - (2) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of our Company in general meeting; and

 - (b) “Rights Issue” means an offer of shares in the capital of our Company, or an offer or issue of warrants, options or other securities giving rights to subscribe for shares, open for a period fixed by the directors of our Company to holders of shares in the capital of our Company or any class thereof on the register of members on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the directors of our Company may deem necessary or

NOTICE OF ANNUAL GENERAL MEETING

expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the exercise or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to our Company, any recognised regulatory body or any stock exchange applicable to our Company).”

(B) **“That:**

- (i) subject to paragraph (ii) below, the exercise by the directors of our Company during the Relevant Period (as hereinafter defined) of all the powers of and on behalf of our Company to repurchase issued shares or any other rights to subscribe shares in the capital of our Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or on any other stock exchange on which the shares of our Company may be listed and which is recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and/or the Listing Rules, be and is hereby generally and unconditionally approved;
- (ii) the aggregate nominal amount of the shares capital of our Company, which are authorised to be repurchased pursuant to the approval in paragraph (i) above during the Relevant Period (as defined below) shall not exceed 10 per cent of the aggregate nominal amount of the share capital of our Company in issue as at the date of passing of this resolution, and the said approval shall be limited accordingly; and
- (iii) subject to the passing of each of the paragraphs (i) and (ii) of this resolution, any prior approvals of the kind referred to in paragraphs (i) and (ii) of this resolution which had been granted to the directors and which are still in effect be and are hereby revoked; and
- (iv) for the purpose of this resolution:-

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:-

- (a) the conclusion of the next annual general meeting of our Company; and
- (b) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of our Company in general meeting.”

NOTICE OF ANNUAL GENERAL MEETING

(C) “**That** conditional upon the resolutions numbered 4(A) and 4(B) set out in the notice convening this meeting being passed, the general mandate granted to the directors of our Company to exercise the powers of our Company to allot, issue and otherwise deal with additional shares of our Company and to make or grant offers, agreements and options which might require the exercise of such powers pursuant to the ordinary resolution numbered 4(A) set out in the notice convening this meeting be and is hereby extended by the addition to the aggregate nominal amount of the share capital of our Company which may be allotted by the directors of our Company pursuant to such general mandate an amount representing the aggregate nominal amount of the share capital of our Company repurchased by our Company under the authority granted pursuant to ordinary resolution numbered 4(B) set out in the notice convening this meeting, provided that such extended amount shall not exceed 10 per cent of the aggregate nominal amount of the share capital of our Company in issue as at the date of passing of the this resolutions.”

5. To consider and if thought fit, pass the following resolution as ordinary resolution:

“**That** the Proposed Revised Annual Caps for the Supply-related Transactions for the year ending 31 December 2010 and thereafter, until 30 October 2029 as described in the circular dated 15 April 2010, be and are hereby approved, ratified and confirmed”.

By order of the Board
Yingde Gases Group Company Limited
Zhongguo Sun
Chairman

Hong Kong, 15 April 2010

Notes:

- (i) Resolution numbered 4(C) will be proposed to the shareholders for approval provided that ordinary resolutions numbered 4(A) and 4(B) are passed by the shareholders.
- (ii) A shareholder entitled to attend and vote at the above meeting is entitled to appoint another person as his/her proxy to attend and vote instead of him/her; a proxy need not be a shareholder of our Company.
- (iii) In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined as that one of the said persons so present whose name stands first on the register of members in respect of such share shall alone be entitled to vote in respect thereof.

NOTICE OF ANNUAL GENERAL MEETING

- (iv) In order to be valid, a form of proxy must be deposited at our Company's Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) not less than 48 hours before the time appointed for the holding of the above meeting or any adjournment thereof. The completion and return of the form of proxy shall not preclude shareholders of our Company from attending and voting in person at the above meeting or any adjourned meeting thereof, if they so wish.
- (v) The transfer books and register of members will be closed from Thursday, 13 May 2010 to Wednesday, 19 May 2010, both days inclusive, during which period no share transfers can be registered. All transfers accompanied by the relevant share certificates must be lodged with our Company's Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 12 May 2010.
- (vi) In respect of ordinary resolution numbered 2 above, 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 above meeting. Details of the above directors are set out in Appendix I to the accompanied circular dated 15 April 2010.
- (vii) In respect of the ordinary resolution numbered 4(A) above, the directors wish to state that they have no immediate plans to issue any new shares of our Company. Approval is being sought from the shareholders as a general mandate for the purpose of the Listing Rules.
- (viii) In respect of ordinary resolution numbered 4(B) above, the directors wish to state that they will exercise the powers conferred by the general mandate to repurchase shares of our Company in circumstances which they deem appropriate for the benefits of the shareholders. The explanatory statement containing the information necessary to enable shareholders to make an informed decision on whether to vote for or against the resolution to approve the repurchase by our Company of its own shares, as required by the Listing Rules, is set out in Appendix II to the accompanied circular dated 15 April 2010.

As at the date of this notice, the executive directors of our Company are Mr. Zhongguo Sun, Mr. Zhao Xiangti and Mr. Chen Yan; the non-executive director of our Company is Mr. Chen Dar Cin; and the independent non-executive directors of our Company are Mr. Xu Zhao, Mr. Zheng Fuya and Dr. Wang Ching.