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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)

UPDATE ON PROPOSED PLACING TO ORIGINWATER AND RESUMPTION OF TRADING IN SHARES AND DEBT SECURITIES

This announcement is made by Yingde Gases Group Company Limited (the “**Company**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571 Laws of Hong Kong) (the “**SFO**”).

At the request of the Company, trading in the Company’s shares (stock code: 2168) and the debt securities (the “**Debt Securities**”) issued by the wholly-owned subsidiary of the Company and guaranteed by the Company (stock codes: 5926 and 5793) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) was halted from 9:00 a.m. on December 21, 2016 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Company’s shares and the Debt Securities with effect from 9:00 a.m. on December 23, 2016.

We refer to the Company’s announcement dated December 18, 2016, in relation to, among others, the proposed placing (the “**Proposed Placing**”) of 189,000,000 new shares of the Company to Originwater Hong Kong Environmental Protection Co., Limited (“**Originwater**”).

Disgruntled Directors continued to try to frustrate the Proposed Placing regardless the detriment to the Company and its shareholders as a whole

On December 19, 2016 (Cayman Islands time), two entities which are interested in the shares of the Company, namely Bubbly Brooke Holding Company Limited

(“**BBH**”) and Baslow Technology Limited (“**BTL**”), filed an *ex parte* application (i.e. unilateral application without giving any prior notice to the Company) to the Grand Court of the Cayman Islands (the “**Court**”). On December 20, 2016 (Hong Kong time), the Company received certain court documents (the “**Court Documents**”) from the legal counsel of BBH and BTL, in which the Court ordered, among other things, the Company is restrained up to and including December 29, 2016 or until further order of the Court (whichever is earlier) from:

- i. taking any steps to implement the resolutions passed at the meeting of the Company’s board of directors (the “**Board**”), in respect of, among others, the approval of the Proposed Placing, which occurred on December 18, 2016;
- ii. holding any Board meeting on less than seven (7) clear days’ notice to BBH and BTL; and
- iii. issuing any additional shares of any class.

The Court order is only an interim injunction and is not supposed to determine the merits of the case. The Company is currently seeking legal advice in order to discharge the interim injunction. The Company notes that, as set by the Court, a further hearing will take place on December 29, 2016. The Company will make further announcement(s) timely in respect of the above matters as and when appropriate in compliance with the Listing Rules and the SFO.

The Board (excluding Mr. Trevor Raymond Strutt (“**Mr. Strutt**”) and Mr. Zhongguo Sun (“**Mr. Sun**”) (collectively, the “**Disgruntle Directors**”)) hereby expresses its astonishment at the approach taken by BBH and BTL to commence *ex parte* legal proceedings apparently in order to frustrate the Proposed Placing, and reserves its rights to take all the appropriate legal actions.

To the Company’s knowledge and belief, the background of BBH and BTL is as follows:

BBH is 100% owned by Rouser Investments Inc. and ultimately owned by Equity Trustee Limited. Equity Trustee Limited is the trustee of a discretionary trust set up by Ms. Li Hongmei, the mother-in-law of Mr. Sun, a non-executive director of the Company. Mr. Sun is a beneficiary of the aforesaid trust.

BTL is 100% owned by Baslow Resources Limited and ultimately owned by Equity Trustee Limited. Equity Trustee Limited is the trustee of a discretionary trust set up by Mr. Strutt, a non-executive director of the Company.

Update on the repayment of bank loan

The proceeds of the Proposed Placing was to be primarily used to repay a substantial portion of a bank loan of the Company in an outstanding principal amount of HK\$820 million under a loan facility agreement whose termination date is January 3, 2017. The Company's payment obligation for the HK\$820 million has commenced on December 16, 2016. Due to the delay in the completion of the original proposed placing to Originwater as announced by the Company on November 6, 2016, the Company was not able to pay the HK\$820 million on December 16, 2016. Under the relevant loan agreement, the bank has the right to declare acceleration and enforce its rights and remedies, although it has not done so based on on-going negotiation with the Company.

Due to the Disgruntled Directors' continuing frustration of the proposed placing to Originwater and the resulting delay in completion of the proposed placing, the credit rating agencies including Moody, Fitch Rating and S&P Global have all downgraded the credit rating of the Company and its corporate notes, which is expected to have an adverse impact on the Company's financing activities and in particular, impose refinancing risks relating to the Company's offshore loans.

Although the Company is proactively making financial arrangements by all reasonable means to minimize the adverse impact brought by the delay in the completion of the Proposed Placing, the Company does not exclude the possibility of material default under the loan agreement. The Company will keep the shareholders and potential investors of the Company posted of any material development of the Company's financial position.

The Board (excluding the Disgruntled Directors) condemns the Disgruntled Directors for their frustration of the Proposed Placing and will do its best to protect the interest of the Company and its shareholders as a whole.

By order of the Board
Yingde Gases Group Company Limited
Zhao Xiangti
Chairman

Hong Kong, December 22, 2016

As at the date of this announcement, the executive directors of the Company are Mr. Zhao Xiangti, Mr. He Yuanping and Mr. Zhang Yunfeng; the non-executive directors of the Company are Mr. Zhongguo Sun, Mr. Trevor Raymond Strutt and Mr. Suo Yaotang; and the independent non-executive directors of the Company are Mr. Zheng Fuya, Dr. Wang Ching and Dr. Feng Ke.