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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 ANNOUNCEMENT AND RESUMPTION OF TRADING IN SHARES AND DEBT SECURITIES

This announcement is made 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 (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”).

Reference is made to (1) the announcement (the “**Clarification Announcement**”) of Yingde Gases Group Company Limited (the “**Company**”) dated 14 December 2016; (2) the announcement (the “**Placing Announcement**”) of the Company dated 18 December 2016, in relation to, among others, the proposed placing (the “**Proposed Placing**”) of 189,000,000 new shares in the Company to Originwater; (3) the announcement (the “**Court Proceedings Announcement**”) of the Company dated 22 December 2016 in relation to, among others, an interim injunction from the Grand Court of the Cayman Islands (the “**Court**”) on 19 December 2016 and a further hearing (the “**Hearing**”) set by the Court; (4) the announcement (the “**Holding Announcement**”) of the Company dated 23 December 2016 in relation to, among others, the trading halt from 10:24 a.m. on 23 December 2016; and (5) the announcement (the “**Updated Court Proceedings Announcement**”) of the Company dated 4 January 2017. Unless stated otherwise, the capitalized terms used herein shall have the same meaning as those defined in the Clarification Announcement, the Placing Announcement, the Court Proceedings Announcement, the Holding Announcement and the Updated Court Proceedings Announcement.

The First Letter and the Second Letter from Stellars and the Second Board Meeting

Reference is made to the Holding Announcement and the Updated Court Proceedings Announcement.

The Order as referred to in the Updated Court Proceedings Announcement was agreed upon the Company's undertaking (the "**Undertaking**") to, among others, adjourn the meetings of its Board scheduled to be held on 31 December 2016 until such time as the board meeting to be held at 9:00 a.m. on 10 January 2017 (the "**First Board Meeting**").

To comply with the Undertaking, the board meeting (the "**Second Board Meeting**") which was originally scheduled on 31 December 2016 as set out in the Holding Announcement was now adjourned to 10 January 2017 to further consider, among others, the First Letter and the Second Letter from Stellars, which were expressly stated to be non-legally-binding. Stellars' sole director is Mr. Zhang Mao, who holds 50% of the issued share capital of Stellars and the other 50% is held by FreeS Partners Limited.

In addition, based on the following facts, the majority of Board members (being the board members excluding Mr. Zhongguo Sun (the "**Mr. Sun**") and Mr. Trevor Raymond Strutt ("**Mr. Strutt**") and including all the independent non-executive directors of the Company) (the "**Majority Board**"), maintained their preliminary view that neither the First Letter nor the Second Letter was a bona fide offer:

1. the First Letter dated 18 December 2016 was issued by Stellars which was only incorporated on 21 December 2016; and
2. as for the Second Letter dated 22 December 2016:
 - a. Stellars was incorporated on 21 December 2016 with a paid-up capital of HK\$1,000,000; and
 - b. the Company's representatives have paid site visit to Stellars' registered office and understood the office site is occupied by an accountant firm which provides company secretarial services.

Notwithstanding the preliminary view, the Company has sent a confidentiality agreement and an information request list to Stellars on 31 December 2016. Subject to receiving a duly signed confidentiality agreement by 10:00 a.m. on 9 January 2017, the Board will consider the Second Letter together with information provided by Stellars in the Second Board Meeting on 10 January 2017.

Mr. Zhao, the chairman of the Board, has despatched a letter dated 27 December 2016 (the “**Chairman Letter**”) to invite all the directors (including Mr. Sun and Mr. Strutt (collectively the “**Minority Directors**”)) to express their view on, among others, the First Letter and the Second Letter by 10:00 a.m. on 31 December 2016. No reply to the Chairman Letter has been received from the Minority Directors as at the time of this announcement. However, it is worth noting that at around 8:00 p.m. on 29 December 2016 (Hong Kong time), the Company was served with further documents for the Court Hearing set by the Court on 29 December 2016 which included the second affidavit from Mr. Strutt, para 16(a) of which indicates that Mr. Strutt is of the view that the Second Letter is a bona fide offer.

Letter of Interest from Air Products and Chemicals, Inc. and the Third Board Meeting

On 29 December 2016, a letter of interest from Air Products and Chemicals, Inc., a NYSE listed company (“**Air Products**”) was sent to each director of the Board expressing its interest to acquire the Company by way of a scheme of arrangement in consideration of cash. Air Products’ letter expressly states that, among others, the interest is non-legally-binding. The Majority Board considers that while it is not appropriate to disclose further details at this stage, it would be prudent to hold a board meeting on 10 January 2017 to consider the same. The Company has sent the confidentiality agreement and the information request list to Air Products on 31 December 2016. Subject to receiving the signed confidentiality agreement and the information requested by 10:00 a.m. on 9 January 2017, the Board shall consider the letter from Air Products together with further information provided during a board meeting (the “**Third Board Meeting**”) to be held on 10 January 2017.

Implications of the interest from Stellars and Air Products

The Majority Board is of the view that, based on the facts as stated above, among others, (1) the First Letter was sent by Stellars when it was not incorporated yet; (2) the Second Letter from Stellars and the letter from Air Products have expressly stated that their interest was non-legally-binding, and (3) board meetings will be held on 10 January 2017 to assess the subject matters, it is not appropriate to disclose further details at this stage. The Company will make further announcement after the board meetings to be held on 10 January 2017.

No intention to solicit general offer

Reference is made to the Clarification Announcement. Notwithstanding the Minority Directors’ interest in soliciting general offer as demonstrated in the Open Letter, the Majority Board would like to reiterate their views that they are not soliciting general offer for the issued share capital of the Company as at the date of this announcement.

Update on the Proposed Placing to Originwater

Reference is made to the Clarification Announcement, the Placing Announcement, the Court Proceedings Announcement and the Updated Court Proceedings Announcement.

As at the date of this announcement, the Securities and Futures Commission has taken a preliminary view (the “**Preliminary View**”) that Originwater is acting-in-concert with Ultra Growth Management Limited (“**Ultra Growth**”) (the Company’s share allotment scheme), Mr. Zhao Xiangti (“**Mr. Zhao**”, an executive director of the Company) and his concert parties. The Majority Board is of the view that, notwithstanding the Preliminary View, the Proposed Placing as set out in the announcement dated 18 December 2016 would not lead to Originwater, Ultra Growth and Mr. Zhao owning 30% or more than 30% of the total issued share capital of the Company and hence no general offer obligations would be triggered under Rule 26.1 of the Takeovers Code.

In addition, The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) has confirmed in writing that, based on the information provided, Originwater was not and would not be deemed as a “connected person” as defined under Chapter 14A of the Listing Rules with reference to the circumstances then existing.

The listing application has been submitted to the Stock Exchange with respect to the Proposed Placing as set out in the Placing Announcement, however, due to the Order as set out in the Updated Court Proceedings Announcement, the Proposed Placing will not proceed further until the same is ratified in the First Board Meeting to be held on 10 January 2017.

Dealing Disclosure

For the purposes of the Takeovers Code, the offer period has commenced on the date of this announcement, being 9 January 2017. In accordance with Rule 3.8 of the Takeovers Code, associates of the Company (as defined in the Takeovers Code, including shareholders holding 5% or more of the relevant securities (as defined in paragraphs (a) to (d) in Note 4 to Rule 22 of the Takeovers Code) of the Company) are hereby reminded to disclose their dealings in any securities of the Company under Rule 22 of the Takeovers Code during the offer period.

In accordance with Rule 3.8 of the Takeovers Code, reproduced below is the full text of Note 11 to Rule 22 of the Takeovers Code:

“Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 and that those clients are willing to comply with them.”

Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than \$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

Resumption of Trading

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 was halted from 10:24 a.m. on 23 December 2016. 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 9 January 2017.

The Company will make further announcement, as and when appropriate, according to the Takeovers Code, Rule 13.09 of the Listing Rules and the Inside Information Provisions under Part XIVA of the SFO. Save as disclosed herein, there is no other inside information that is required to be disclosed according to the Takeovers Code, Rule 13.09 of the Listing Rules and the Inside Information Provisions under Part XIVA of the SFO .

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

Hong Kong, 9 January 2017

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.

All directors of the Company (excluding Mr. Zhongguo Sun and Mr. Trevor Raymond Strutt) jointly and severally accept full responsibility for the accuracy of the information contained in this announcement in any material respect, and confirm, having made all reasonable enquires, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement contained in this announcement misleading in any material respect.

This announcement has been circulated to Mr. Zhongguo Sun and Mr. Trevor Raymond Strutt before it is published, no feedback or comments were received from Mr. Zhongguo Sun and Mr. Trevor Raymond Strutt.