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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)

CLARIFICATION ANNOUNCEMENT ON PROPOSED OFFER PRICES AND RESUMPTION OF TRADING

The Possible Air Products Offer and the Possible Stellars Offer are possible offers only and may or may not happen, shareholders and potential investors in the Company are advised to exercise caution when dealing in the shares or other securities of the Company.

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 (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), The Hong Kong Code on Takeovers and Mergers (the “**Takeovers Code**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the “**SFO**”).

Reference is made to the announcements (collectively “**Approach Announcements**”) of the Company dated 9 January 2017 and 11 January 2017 in respect of the non-legally-binding letter of interest from Air Products in relation to its interest to acquire the Company by way of a scheme of arrangement in consideration of cash (the “**Possible Air Products Offer**”) and the non-legally-binding letters from Stellars in respect of a possible general offer (the “**Possible Stellars Offer**”). Capitalized terms used in this announcement shall have the same meanings as ascribed to them in the Approach Announcements unless the context otherwise requires.

PROPOSED OFFER PRICES

We have noted that the prices of the Possible Air Products Offer and the Possible Stellars Offer (the “**Proposed Offer Prices**”) have been circulated on the Internet since 10 January 2017, including a popular investment website in the PRC (<https://xueqiu.com>) with high accuracy, that is, a price range of HK\$5.50 to HK\$6.00 per Share for the Possible Air Products Offer and a price of HK\$4.50 per Share for the Possible Stellars Offer. All the directors (excluding Mr. Zhongguo Sun and Mr. Trevor Raymond Strutt (the “**Minority Directors**”)) (the “**Majority Board**”) are concerned that there has been a leakage of the Proposed Offer Prices, which constitute inside information which

is discloseable pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions under the SFO. To the best of the Majority Board's knowledge, the leakage is not attributable to the Company.

As at the date of this announcement, a price of HK\$5.5 per Share (which could potentially rise to as high as HK\$6.0 per share subject to satisfactory due diligence results) has been mentioned in the Possible Air Products Offer. The latest price mentioned in the Possible Stellars Offer was HK\$4.5 per Share.

BOARD'S VIEW TOWARDS THE POSSIBLE OFFERS

Possible Air Products Offer

We have noted that there is rumor in an article from Zhitong Finance (<http://www.zhitongcaijing.com>) that the board of directors of the Company (the "**Board**") turned down the Possible Air Products Offer. The Board would like to clarify that the reported Board's rejection of the Possible Air Products Offer is untrue.

The Majority Board would wish to reiterate and clarify the following, most of which have been disclosed in the Approach Announcements:

- (1) In receipt of a letter of interest from Air Products on 29 December 2016, the Majority Board initiated to send a confidentiality agreement and information request list to Air Products on 31 December 2016, in anticipation of holding a board meeting ("**Board Meeting**") to discuss the matter on 10 January 2017;
- (2) On 9 January 2017, Air Products replied with comments on confidentiality agreement and certain information about the offer;
- (3) On 10 January 2017, after reviewing the information provided by Air Products on 9 January 2017 and prior to the Board Meeting, Mr. Zhao Xiangti ("**Mr. Zhao**") proposed the following resolution ("**Air Products Resolution**") for the Board's consideration:

*"To consider and, if thought fit, to resolve that, any director of the Company is authorized to execute the confidentiality agreement as revised by Air Products and circulated to the Company on 9 January 2017, and an independent board committee ("**IBC**") shall be formed in compliance with the Takeovers Code and other rules and regulations to consider the privatization proposal from Air Products, and to appoint independent financial advisor ("**IFA**") as required."*
- (4) Notwithstanding the Minority Directors challenging ("**Board Composition Challenge**") the current board composition and the unilateral declaration of the Board Meeting being invalid ("**Board Meeting Challenge**") immediately prior to the Board Meeting, **the Majority Board voted to pass the Air Products Resolution** on 10 January 2017. However, in light of the Board Composition Challenge as well as the Board Meeting Challenge, no IBC was formed and no IFA was appointed as at the date of this announcement; and
- (5) On 17 January 2017, **Mr. Zhao, has again despatched a board meeting notice** to convene a board meeting on 23 January 2017 to consider, among others, the establishment of IBC and appointment of IFA, with the wish that the Minority Directors would withdraw their Board Composition Challenge and Board Meeting Challenge so as to facilitate the progressing of the subject matter.

The Majority Board expects that, once the IBC was formed after the board meeting which is proposed to be held on 23 January 2017, the IBC will take lead in communicating with Air Products with respect to the confidentiality undertaking by Air Products, due diligence required by Air Products and other communications pertaining to the Possible Air Products Offer.

The Majority Board also wishes to confirm and clarify that they are **open-minded towards and would properly consider** any legal and valid acquisition proposals that are in full compliance with the relevant laws and regulations, and reflect a fair value of the Company.

No matter whether the potential privatization of the Company by Air Products would materialize or not, the Majority Board is of the view that it would be in the best interest of the Company and its shareholders as a whole to improve the Company's business and financial performance and improve its share price performance accordingly and any acquisition proposal should reflect the true and long-term value of the Company. The Company's annual volume weighted average share price has fallen during the past years: HK\$7.885 (year of 2013), HK\$6.723 (year of 2014), HK\$4.748 (year of 2015) and HK\$2.96 (six months ended 30 June 2016).

According to the letter dated 29 December 2016 from Air Products ("**First Air Products Letter**"), the Possible Air Products Offer is subject to certain pre-conditions that must be satisfied before Air Products can make a firm offer, which include, among others:

- Completion of due diligence with results that are satisfactory to Air Products;
- Confirmation being received that the Company's directors consider the offer to be fair and reasonable and in the interests of the Company's shareholders as a whole;
- Agreement on the terms of transaction documentation (including an agreement making provision for the implementation of Air Products' acquisition of the Company by way of a scheme of arrangement) in a mutually acceptable form;
- No changes being made to any of the Company's share option schemes (either formally or as a result of the exercise by the remuneration committee of its discretion);
- No dividends being declared or paid and no new indebtedness being incurred;
- Approval of Air Products' board of directors of a transaction and definitive transaction documentation; and
- No material adverse change in the Company's business, trading or financial position, results of operations or prospects.

According to the First Air Products Letter, the consummation of any offer would also be **subject to antitrust approval from the Ministry of Commerce of the People's Republic of China** and any other required regulatory approvals.

As there is no certainty of the potential privatization of the Company by Air Products in light of the relevant regulatory requirements including but not limited to PRC antitrust scrutiny, shareholders and potential investors in the Company are advised to exercise caution when dealing in the shares or other securities of the Company.

Possible Stellars Offer

The Majority Board maintained its view that the Possible Stellars Offer is not a bona fide one for, among others, the reasons disclosed in the Company's announcement dated 11 January 2017. In addition, a confidentiality agreement and an information request list were sent to Stellars on 31 December 2016 requesting for a signed confidentiality agreement and further information on or before 9 January 2017. On 8 January 2017, Stellars informed that its financial adviser will contact the Company by **6 February 2017** but the confidentiality agreement was not signed, without which the Company would not be able to provide any further information to Stellars. It is unthinkable that a bona fide offeror would take such an approach not to (i) sign a confidential agreement; (ii) provide information requested by the Company (including fund proof for the purported offer); or (iii) appoint a financial adviser/request its financial adviser to make a swift approach to the Company, where the first approach letter (the "**First Stellars Letter**") was communicated with the Company for over a month since 18 December 2016. In addition, it came to the Majority Board's attention that Stellars was only incorporated on 21 December 2016, which was **three days after** the date of the First Stellars Letter was communicated to the Company.

Dealing Disclosure

For the purposes of the Takeovers Code, the offer period has commenced on 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 9:00 a.m. on 16 January 2017. 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 1:00 p.m. on 20 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
盈德氣體集團有限公司
Zhao Xiangti
Chairman

Hong Kong, 20 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. Sun and Mr. 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.