

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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

Financial adviser to the Company

Morgan Stanley

Independent Financial Adviser to the Independent Board Committee



References are made to (i) the announcement of PAGAC II-2 Limited (the “**Offeror**”) dated 7 March 2017 in relation to the Offers; (ii) the announcement of the Company dated 7 March 2017 in relation to the Company’s response to the Offers; (iii) the Offer Document dated 10 March 2017 issued by the Offeror in relation to the Offers; (iv) the profit warning and financial update announcement of the Company dated 24 March 2017; (v) the response document dated 25 March 2017 issued by the Company relating to the Offers (the “**Response Document**”); (vi) the announcement of the Company dated 26 March 2017 in relation to the despatch of the Response Document; and (vii) the final results announcement of the Company for the year ended 31 December 2016 dated 13 April 2017 (the “**2016 Results Announcement**”). Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Response Document.

Taking into account the 2016 Results Announcement, the Company wishes to announce the following updates in relation to the Response Document:

MATERIAL CHANGE

With reference and in addition to Part E of Appendix I to the Response Document and the 2016 Results Announcement, the Directors confirm that, as of the date hereof:

(A) save for the information set out in the 2016 Results Announcement as follows:

- (i) in the extraordinary general meetings of the Company on 8 March 2017, the removal of each of Mr. Zhao Xiangti, Mr. He Yuanping, Mr. Zhang Yunfeng, Mr. Suo Yaotang and Dr. Feng Ke as a director of the Company was approved by the shareholders and the appointment of Mr. Jhi-Ho Mah as a director of the Company was approved by the shareholders;
- (ii) discontinuation of the court proceedings in the Cayman Islands as disclosed in the Company's announcement dated 10 April 2017;
- (iii) the Company has renewed an existing contract with a collection agency in respect of the collection of certain receivables on the same terms. No payments have been made or are required to be made under such contract as of the date hereof;
- (iv) the Company is expected to incur between US\$10 million to US\$20 million of expenses as a result of or arising from the engagement of advisers in respect of the Offers; and
- (v) the section headed "Basis of preparation of the financial statements" in the 2016 Results Announcement whereby it was disclosed that the Group has not remedied an event of default under a syndicated loan of US\$90,000,000 and HK\$77,500,000 equivalent to RMB680,794,000 and (i) which gives the lenders the right to require the syndicated loan to be immediately repaid; and (ii) the Directors are in communication with the syndicated loan lenders about the syndicated loan and such event of default. If the Directors are unable to come to an acceptable arrangement with the syndicated loan lenders with regards to such event of default and the Company is unable to secure alternative funding to replace the syndicated loan, then an acceleration of repayment of the syndicated loan may trigger a cross default of other financial indebtedness and result in the Group being under an immediate repayment obligation for such financial indebtedness. As of the date hereof, the Company has not received notice from the syndicated loan agent to accelerate the repayment of the syndicated loan; and

(B) dismissals of 26 employees of the Company from 25 March 2017 to 6 April 2017 as they either failed to report to duty or the executive Directors of such time were of the view that they were obstructing the proper operations of the Company. The executive Directors of such time considered that the behaviour of these employees impacted the operations of the Company until their dismissals, as some of these employees operated certain onshore bank accounts of the Company and had financial and treasury functions at the Company. The entitlements of these employees to the issued Shares under the share allotment scheme adopted by the Company on 8 July 2013 have lapsed when they ceased to be an employee of the Company according to the relevant scheme rules. As of the date hereof, the Company has not received any notice of disputes from these former employees regarding the manner in which they were dismissed or their entitlements,

based on the information available to the Directors as of the date hereof and having regard to the suspension of trading of the Company's shares since 3 April 2017, the Directors are not aware of any other material change in the financial or trading position or outlook of the Company since 31 December 2016, being the date on which the latest published audited consolidated financial statements of the Company were made up (the "**Updated R10.11 Statement**").

INDEPENDENT FINANCIAL ADVISER'S RECOMMENDATION AS TO THE OFFERS

The Company has been informed by the Independent Financial Adviser that, the Independent Financial Adviser has reviewed and considered the 2016 Results Announcement and the Updated R10.11 Statement and has confirmed that its opinion and recommendations in respect of the Offers as contained in the Response Document remain unchanged.

The Independent Shareholders are strongly advised to consider the 2016 Results Announcement and the advice and recommendation from the Independent Financial Adviser before deciding whether to accept or reject the Offers. Shareholders and potential investors are advised to exercise caution in dealing in the securities of the Company.

By order of the Board
Yingde Gases Group Company Limited
盈德氣體集團有限公司
Zhongguo Sun
Chairman

Hong Kong, 13 April 2017

As at the date of this announcement, the executive directors of the Company are Mr. Zhongguo Sun and Mr. Trevor Raymond Strutt; the non-executive directors of the Company are Mr. Wong Tak-Wai, Mr. Qiu Zhongwei, Mr. Xiao Suining and Mr. He Hui David; and the independent non-executive directors of the Company are Mr. Zheng Fuya, Dr. Wang Ching, Mr. Jhi-Ho Mah, Mr. Rawen Zhi Hong Huang, Mr. David Chan and Mr. Deng Xipeng.

The directors of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this announcement, 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.