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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:**

#### **(I) BOARD COMPOSITION**

#### **(II) UPDATE ON PROPOSED PLACING TO ORIGINWATER**

#### **(III) UPDATE ON LETTERS OF INTEREST**

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 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 announcement (the “**Announcement**”) of the Company dated 9 January 2017 in relation to, among others, the board meetings which are scheduled to be held on the date of this announcement. Unless stated otherwise, the capitalized terms used herein shall have the same meaning as those defined in the Announcement.

Two board meetings (collectively the “**Board Meetings**”) were held at 9:00 a.m. and 10:30 a.m. on the date of this announcement respectively, whereby all the directors (including Mr. Zhongguo Sun (“**Mr. Sun**”) and Mr. Trevor Raymond Strutt (“**Mr. Strutt**”, together with Mr. Sun as the “**Minority Directors**”) attended and expressed their views.

Immediately prior to the Board Meetings, the Minority Directors expressly challenged (the “**Validity Challenge**”) the validity of the Board Meetings and requested for a further adjournment of 7 clear days, although most of board meeting agendas were provided by the Minority Directors on 4 January 2017.

Nevertheless, the directors of the Company excluding the Minority Directors (the **“Majority Board”**, including the independent non-executive directors) considered that there is no basis for the Minority Directors to challenge the Board Meetings, as most of the meeting agendas were provided by the Minority Directors and proceeded to consider and resolve the following:

#### **I. Board composition and management restructuring**

1. Majority Directors unanimously cast affirmative votes to ratify the resolutions of the board passed on 5 November 2016 and 18 December 2016 (collectively the **“Ratified Resolutions”**) with respect to removal and re-designation of Mr. Sun and Mr. Strutt and appointment and designation of new board members and the Proposed Placing. For details of the Ratified Resolutions, please refer to the announcement of the Company on 6 November 2016 in relation to the changes to the board and senior management and the announcements on 6 November 2016 and 18 December 2016 in relation to the Proposed Placing to Originwater respectively.
2. The Majority Board has based its decision on the unsatisfactory performance and misconducts of the Minority Directors, while Mr. Zheng Fuya, an independent non-executive director, who has cast affirmative votes on the Ratified Resolutions, has expressed his personal view on the matter.
3. The Majority Board duly noted the Minority Directors’ challenge on the validity of board composition.
4. The Company will make appropriate announcement with respect to the further court proceedings brought by the Minority Directors with respect to the validity of board composition in due course.

#### **II. Update on Proposed Placing to Originwater**

5. The Majority Board maintains the view that the equity financing was and is still desirable, to the extent as allowed by the relevant rules and regulations:
  - (a) The Company’s current ratio that is calculated by dividing current liabilities by current assets have deteriorated year by year: 60.7% (2013 year end), 79.2% (2014 year end), 88.7% (2015 year end) and 131% (30 June 2016) .
  - (b) Mr. Sun and Mr. Strut have maintained that equity financing is only one of the financing options but did not provide any concrete alternative financing option.

6. The Majority Board duly noted the express interest from Air Products and considered that:
  - (a) there is no comparable between placing price and a potential privatization by way of scheme of arrangement, the pricing of which takes into account different factors; and
  - (b) the Majority Board emphasizes that the Ratified Resolutions in relation to the change of board composition and the Proposed Placing to Originwater were passed on solid grounds and should in due course have been ratified in today's meeting.
7. However, purely to end any unnecessary speculation which is not in the best interest of the Company but not otherwise, the Majority Board considers it in the best interest of the Company to terminate the Proposed Placing.
8. Notwithstanding the Validity Challenge, the Minority Directors have also confirmed their agreement on terminating the Proposed Placing.
9. Decision of the board of the Company duly communicated with Originwater and the Proposed Placing was terminated with immediate effect at the conclusion of the Board Meetings.

### **III. Further financing to the extent as allowed by relevant laws and regulations**

10. The Majority Board is mindful of the implications of the existing offer period under the Takeovers Code, but has considered that equity financing is still desirable for the Company to the extent as allowed by the relevant laws and regulations including the Takeovers Code, and have therefore approved the following resolution which was originally proposed by Mr. Zhao Xiangti (“**Mr. Zhao**”), a director of the Company:

*“the Company shall engage an independent placing agent (“Placing Agent”) to procure investors (“Placee”) who are interested in subscription (“Subscription”) for 189,057,350 shares of the Company at a placing price not lower than HK\$3.2 for a period from 10 January 2017 to 9 March 2017, subject to the board’s further approval of the Subscription by the Placee.”*
11. The Majority Board duly noted the implications of Rule 4 of the Takeovers Code and considers that the Subscription will be implemented only to the extent as allowed under the Takeovers Code and other relevant laws and regulations.

12. The Company will actively explore other available financing options in addition to equity financing. The Company will also strive to improve client relationships and enhance its own cash-generating capabilities.
13. The Majority Board duly noted the objection of the Minority Directors with respect to equity financing.

#### **IV. The First Letter and the Second Letter from Stellars**

14. In respect of the First Letter and the Second Letter from Stellars, the Company has sent a confidentiality agreement and an information request list to Stellars on 31 December 2016 requesting for feedback by 10:00 a.m. on 9 January 2017, however, Stellars requested for a '4-week extension' without even signing the confidentiality agreement. .
15. The Majority Board is of the view that:
  - (a) the First Letter dated 18 December 2016 from Stellars was not bona fide as Stellars was only incorporated on 21 December 2016; and
  - (b) the Second Letter dated 22 December 2016 was not bona fide either:
    - a. Stellars was incorporated on 21 December 2016 with a paid-up capital of HK\$1,000,000;
    - 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; and
    - c. Stellars has not even signed the confidentiality agreement nor provided any comments thereon by the stated timeline of 10:00 a.m. on 9 January 2017.
16. The Minority Directors didn't express view on the First Letter but was of the view that the Second Letter from Stellars was a bona fide offer.

#### **V. The Letter of Interest from Air Products**

17. In respect of the letter of interest from Air Products, the Company has sent a confidentiality agreement and an information request list to Air Products on 31 December 2016, and has received Air Products' comments on confidentiality agreement and a new letter of proposal on 9 January 2017.

18. Immediately prior to the Board Meetings, Mr. Zhao has proposed a 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 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 as required.”*

19. However, due to the Validity Challenge initiated by the Minority Directors, the Company will seek legal advice with respect to appropriate authorization for signing the confidentiality agreement and engaging in further discussion with Air Products.
20. Further announcement(s) setting out the progress of the possible offers (collectively the **“Possible Offers”**) from Stellars and Air Products (collectively the **“Possible Offerors”**) will be made as and when necessary in accordance with the Listing Rules and the Takeovers Code and on a monthly basis until the Possible Offerors make (i) an announcement of its firm intention to make the Possible Offers under Rule 3.5 of the Takeovers Code, or (ii) an announcement of their decision not to proceed with the Possible Offers.

## **VI. Further announcement**

21. As at the time of this announcement, the transcripts for the Board Meetings have not been completed, and a further announcement will be made, where appropriate, to elaborate and clarify the views exchanged among all directors during the Board Meetings.

## **VII. 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.”*

## **INFORMATION ON THE COMPANY**

As at the date of this announcement, the Company has one class of ordinary shares in issue and there are 1,890,573,500 shares in issue. The Company has also granted share options under a share option scheme and at the date of this announcement, there are (1) 1,225,000 outstanding options conferring to subscribe for 1,225,000 shares (the “**Shares**”) of the Company at a price of HK\$6.62 per Share; and (2) 2,607,500 outstanding options to subscribe for 2,607,500 Shares at a price of HK\$3.35 per Share.

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, 10 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.*