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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 regarding Originwater and Potential Change in Executive Office Progress on Standstill Agreement and Access to Data Room and Other Developments

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).

Reference is made to the announcements of the Company dated 10 January 2017, 13 February 2017 and 15 February 2017 (the “**Announcements**”). Unless stated otherwise, the capitalized terms used herein shall have the same meaning as those defined in the Announcements.

Originwater’s position and Mr. He Yuanping’s Intention to Transition His Duties

The Company announces that Mr. He Yuanping (“**Mr. He**”) has informed the Company on behalf of Originwater that, in response to certain rumours concerning Originwater’s intentions, Originwater has confirmed that it has no intention to pursue any strategic transaction with the Company and does not intend to increase its ownership of shares in the Company.

In addition, Mr. He, the Chief Executive Officer and Executive Director of the Company, has informed the Company that in light of the current strategic review of the Company, including an on-going sale process, he intends to cease to serve as the Chief Executive Officer of the Company and transition his duties to other

management members as soon as can be arranged in a manner not disruptive to the stability of the Company's operations. The Majority Board would like to take the opportunity to express its gratitude to Mr. He for his contribution to the Company, including his role in mediating the termination of the Originwater placement without penalty to the Company and his assistance in stabilizing the Company's financial situation. Mr. He will as a result be re-designated as a Non-Executive Director of the Company at such time and the Majority Board looks forward to his continued contribution as a Non-Executive Director.

Progress and Other Clarifications

Progress on standstill agreement and access to data room

The Company has been seeking a three month standstill agreement from Air Products and other potentially interested parties. Having considered the views received from shareholders and in order to press on with due diligence, the Company has decided not to insist on signing the standstill agreement with Air Products, or with others, and to start granting access to its data room as from 22 February 2017 provided the relevant investor has signed the non-disclosure agreement with the Company. In this manner, and for the avoidance of doubt, Air Products, is anticipated to have access to the data room from this date.

Shareholder approval for new share issues

To further avoid any unnecessary speculation, the Company and members of the Majority Board also re-affirm their position, first made in the announcement dated February 6, 2017, that they will forego the Company's general mandate currently in effect — i.e. that any future issuance of shares of the Company shall be authorized by a new general mandate or specifically approved at a general meeting of shareholders.

Proposal for Board Sub-Committee including Mr. Zhao and Mr. Sun or Mr. Strutt

The Company is in the process of establishing a subcommittee of the Board (the "**Sub-Committee**") to have day-to-day oversight of, and decision making on, the strategic review, including the sale process, conducted by Morgan Stanley. The Company shall offer to include as members of the Sub-committee at least Mr. Zhao and either Mr. Sun or Mr. Strutt (so long as each of them remains as a director of the Company) and other members of the Board as shall be decided in due course.

Progress and clarification on due diligence

Further to the Company's announcement dated 13 February 2017, a significant number of potential bidders have been approached by Morgan Stanley with respect to a potential transaction. The Company has continued its preparation of the data room. The Company wishes to clarify that, having met with Air Products on 8 February 2017 and conducted due diligence discussions then, it had started to prepare for further due diligence in the belief that, save for agreeing on the detailed terms of the standstill agreement which it understood Air Products was open to consider, the Company would continue with the due diligence process by providing more detailed due diligence information to Air Products. The Company will continue to explore ways to enable the process to be expedited.

Mr. Zhao willing to sell his shares in the Company

Mr. Zhao has also notified the Majority Board, in his capacity as a shareholder of the Company, that as long as he remains a director of the Company and as such is informed of the progress of any sale exercise, he is willing to sell his shares in any transaction involving all the issued shares of the Company and which is recommended by the Majority Board in the foreseeable future.

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, 21 February 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.