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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)**

### **ANNOUNCEMENT**

### **PROFIT WARNING AND FINANCIAL UPDATE**

This announcement is made by Yingde Gases Group Company Limited (“**Company**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) 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).

#### **Profit Warning**

The Company would like to update the shareholders and potential investors that the Company is in the course of addressing certain issues and outstanding information in order to finalise the preliminary results of the Company and its subsidiaries (the “**Group**”) in respect of the financial year ended 31 December 2016 (the “**2016 Annual Results**”) which it is aiming to announce on 31 March 2017:

- (i) changes in the composition of the board of directors after the Company’s extraordinary general meetings on 8 March 2017 and changes in its senior management since 8 March 2017 such that the auditors need to obtain the views of the new management in settling its audit of the Group’s accounts for the year ended 31 December 2016;

- (ii) carrying amount of assets in the property, plant and equipment and construction in progress assets relating to one project, which requires further supporting information, including potential external valuation, as part of the Company's assessment process; and
- (iii) the indebtedness position of the Company as further elaborated below.

According to the Company's preliminary assessment of impairments, potential impairments and other adjustments to the unaudited consolidated management accounts of the Company and its subsidiaries for the year ended 31 December 2016, the Company's financial position may be materially adversely impacted (the "**Statement**").

Furthermore, the Company understands from its auditors that, if the auditors of the Company cannot obtain the required information and resolve the outstanding audit by 31 March 2017 when the Company plans to announce its annual results for the year ended 31 December 2016, the auditors may have to issue a modified audit opinion for the Company's accounts for the year ended 31 December 2016. The Company will continue to work with the auditors with a view to avoiding any modification of the auditors' opinion.

Reference is made to the announcement of PAGAC II-2 Limited ("**PAG**") dated 7 March 2017 and the offer document of PAG dated 10 March 2017 in relation to the offers made by PAG (the "**PAG Offers**"). The Company is currently in an offer period for the purpose of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Pursuant to the Takeovers Code, the Statement is considered to constitute a profit forecast under Rule 10 of the Takeovers Code. As such, the Company is required to comply with the requirements under Rule 10 of the Takeovers Code with respect to the Statement which has to be reported on by the Company's auditors and financial advisers and repeated in full, together with the above reports, in the next document in connection with the PAG Offers to be addressed to the Shareholders (the "**Shareholders' Document**"). Taking into account (i) the practical difficulties in terms of the additional time required for the preparation of the reports by the Company's auditors and financial advisers; and (ii) the requirements of timely disclosures of the inside information under Rule 13.09 of the Listing Rules and Part XIVA of the SFO, the Statement does not meet the standard required by Rule 10 of the Takeovers Code. The Company has arranged for the Statement to be reported on in accordance with Rule 10 of the Takeovers Code in the Shareholders' Document.

### **Financial Update on Indebtedness Position**

Reference is made to the Company's announcement dated 12 October 2015 regarding its syndicated loan facility agreement dated 12 October 2015 for a loan of US\$90,000,000 and HK\$77,500,000 (the "**Facility Agreement**") and the Company's announcement dated 9 February 2017 setting out the letter (the "**Letter**") from Mr. Zhongguo Sun ("**Mr. Sun**") and Mr. Trevor Raymond Strutt.

Under the Facility Agreement, Mr. Sun ceasing to be the Chairman of the board of directors (the “**Board**”) of the Company may enable the lenders to receive outstanding amounts under the Facility Agreement. On 5 November 2016 Mr. Sun was purportedly removed as the Chairman of the Board and re-designated as a non-executive director at a board meeting said to have been held on 5 November 2016. However, as stated in the Letter, on 19 December 2016 a writ of summons (as subsequently amended) was lodged by Bubbly Brooke Holdings Limited and Baslow Technology Limited (being shareholders in the Company) with the Grand Court of the Cayman Islands, seeking a declaration that the board meeting held on 5 November 2016 was invalid from the outset. In any event, Mr. Sun has been reinstated as Chairman of the Company on 12 March 2017. The Company is continuing active discussions with the facility agent for the Facility Agreement in relation to this matter.

The Board is also in discussion with other creditors and rating agencies of the Company in light of the recent developments at the Company.

**Shareholders and potential investors should note that the Statement does not meet the standard required by Rule 10 of the Takeovers Code and has not been reported on in accordance with the Takeovers Code. Accordingly, Shareholders are advised to exercise caution in placing reliance on the Statement in assessing the merits and demerits of the PAG 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, 23 March 2017

*As at the date of this announcement, the executive directors of the Company are Mr. Zhongguo Sun and Mr. Trevor Raymond Strutt; and the independent non-executive directors of the Company are Mr. Zheng Fuya, Dr. Wang Ching, Mr. Zhihe Mah and Mr. Rawen Zhi Hong Huang.*

*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.*