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CHINA HENGSHI FOUNDATION COMPANY LIMITED

中國恒石基業有限公司

(Incorporated under the laws of Cayman Islands with limited liability)

(Stock code: 1197)

HIGH CONCENTRATION OF SHAREHOLDING

This announcement is made at the request of the Stock Exchange in respect of the high concentration of shareholding of the Company in the hands of a limited number of Shareholders as at 6 April 2017.

In view of the high concentration of shareholding in a small number of Shareholders, Shareholders and prospective investors should be aware that the price of Shares could fluctuate substantially even with a small number of Shares traded, and should exercise extreme caution when dealing in the Shares.

This announcement is made at the request of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in respect of the high concentration of shareholding of China Hengshi Foundation Company Limited (the “**Company**”) in the hands of a limited number of shareholders of the Company (the “**Shareholders**”) as at 6 April 2017.

HIGH CONCENTRATION OF SHAREHOLDING

The Company noted that an announcement (the “**SFC Announcement**”) was published by the Securities and Futures Commission (the “**SFC**”) on 20 April 2017.

As disclosed in the SFC Announcement, the SFC has recently completed an enquiry into the shareholding of the Company. The SFC’s findings suggested that as at 6 April 2017, a group of 16 Shareholders held an aggregate of 197,815,200 shares of the Company (the “**Shares**”), representing 19.78% of the issued Shares. Such shareholding, together with 760,618,000 Shares (representing 76.06% of the issued Shares) held by four substantial Shareholders, represented 95.84% of the issued Shares as at 6 April 2017. As such, only 41,566,800 Shares (representing 4.16% of the issued Shares) were held by other Shareholders. To the best knowledge of the board (the “**Board**”) of the directors (the “**Directors**”) of the Company after making all reasonable enquiries, the Board confirmed it has no further knowledge of the identities of the 16 Shareholders referred to above other than the information provided in the SFC Announcement.

According to the SFC Announcement, as at 6 April 2017, the shareholding structure of the Company was as follows:

	Number of Shares held (Shares)	% of total number of issued Shares (%)
Huachen Investment Limited (<i>Note 1</i>)	329,602,500	32.96
Trade Power Investments Limited (<i>Note 2</i>)	225,000,000	22.50
Huakai Investments Limited (<i>Note 3</i>)	131,015,500	13.10
Joyfar Limited (<i>Note 4</i>)	75,000,000	7.50
A group of 16 Shareholders	197,815,200	19.78
Other Shareholders	41,566,800	4.16
	1,000,000,000	100.00

Note 1: Huachen Investment Limited is beneficially owned as to 95.95% by Mr. Zhang Yuqiang, who is a non-executive Director and chairman of the Company.

Note 2: Trade Power Investments Limited is beneficially owned by Mr. Tang Hsin Hua through Soar City Investments Limited. Mr. Tang is a non-executive Director.

Note 3: Huakai Investments Limited is beneficially owned by Mr. Zhang Jiankan, who is a non-executive Director and the son of Mr. Zhang Yuqiang.

Note 4: Joyfar Limited is beneficially owned by Mr. Fang Yan Zau Alexander through Top Way Alliance Limited.

As stated in the SFC Announcement:

- The closing price of the Shares hovered between HK\$2.03 and HK\$2.39 in the fourth quarter of 2016, with an average daily turnover of about 13,000 Shares. The Company's share price increased by 31% from HK\$2.13 on 30 December 2016 to HK\$2.80 on 6 April 2017, with an average daily turnover of about 506,000 Shares.
- As of 19 April 2017, the Share price closed at HK\$2.73, which was 28.2% higher than the closing price of HK\$2.13 on 30 December 2016.

The information above is extracted from the SFC Announcement and the Board has not independently verified such information other than (i) the shareholding held by Huachen Investment Limited, Trade Power Investments Limited, Huakai Investments Limited and Joyfar Limited based on disclosure of interests filings with the Company; and (ii) the closing price of the Shares on the above-mentioned dates. Please refer to the SFC Announcement for further details.

PUBLIC FLOAT

Based on the information available and to the best knowledge of the Board after making all reasonable enquires, the Company confirms that as at 6 April 2017 and the date of this announcement, not less than 25% of the issued Shares were held in the public hands, and the Company has maintained a sufficient public float as required under the Rules Governing the Listing of Securities on the Stock Exchange.

In view of the high concentration of shareholding in a small number of Shareholders, Shareholders and prospective investors should be aware that the price of Shares could fluctuate substantially even with a small number of Shares traded, and should exercise extreme caution when dealing in the Shares.

By Order of the Board
CHINA HENGSHI FOUNDATION COMPANY LIMITED
Zhang Yuqiang
Chairman

Hong Kong, 20 April 2017

As at the date of this announcement, the Directors are:

*Non-executive Directors: Mr. ZHANG Yuqiang (Chairman), Mr. ZHANG Jiankan,
Mr. TANG Hsin-hua, Mr. WANG Yuan*

Executive Directors: Mr. ZHOU Tingcai, Ms. HUANG Junjun

*Independent
non-executive Directors: Mr. FANG Xianbai, Mr. PAN Fei, Mr. CHEN Zhijie*