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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)

VOLUNTARY ANNOUNCEMENT

FORMATION OF A SUBSIDIARY IN THE UNITED STATES

Reference is made to the announcement of the change in the use of the proceeds of China Hengshi Foundation Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 19 October 2016, in relation to the announcement of the commencement of the U.S. Expansion Plan (the “**U.S. Expansion Plan**”) by the board of directors (the “**Board**”) of the Company. After the preliminary exhaustive research, analysis and other preparatory works, the Board is pleased to announce that Hengshi USA Wind Power Materials Corporation (“**Hengshi USA**”, an indirect wholly-owned subsidiary of the Company) was duly organized on 1 January 2017 in South Carolina, the United States, and the State of South Carolina issued the Certificate of Existence on 6 February 2017.

Hengshi USA is 100% contributed by the Zhejiang Hengshi Fiberglass Fabrics Co., Ltd. (“**Hengshi Fiberglass**”), a wholly-owned subsidiary of the Company, and will construct a fiberglass fabric production line with annual designated production

capacity of approximately 10,000 tons ("**U.S. Expansion Plan Phase I**"). The U.S. Expansion Plan Phase I is expected to be put into operation by the end of 2017.

The establishment of Hengshi USA is another strategic plan for the international development of the Company following the set up of Hengshi Egypt Fiberglass Fabrics S.A.E, which, on one hand, can better meet the needs of the Group's customers in North America, further shorten the delivery time through "supply the overseas market with overseas plant", enhance the ability to secure supply goods, avoid the potential trade friction, thereby increasing the Group's market share in overseas markets and brand influence, and consolidating and improving the status of the Group as a leading global manufacturer and supplier of fiberglass fabrics used in wind turbine blades; on the other hand, it can attract talented local people in the United States to join the Group, fundamentally enhancing the Company's international level.

By Order of the Board of

CHINA HENGSHI FOUNDATION COMPANY LIMITED

Zhang Yuqiang

Chairman

Hong Kong, 7 February 2017

As at the date of this announcement, the directors of the Company 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