

**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your Shares in China Hengshi Foundation Company Limited, you should at once hand this circular, together with the accompanying form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

---



**CHINA HENGSHI FOUNDATION COMPANY LIMITED**  
**中國恒石基業有限公司**

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

**(Stock Code: 1197)**

**PROPOSALS FOR**  
**GENERAL MANDATES TO ISSUE SHARES AND REPURCHASE SHARES**  
**AND**  
**RE-ELECTION OF RETIRING DIRECTORS AND**  
**APPOINTMENT OF NEW DIRECTOR**  
**AND**  
**DECLARATION OF A FINAL DIVIDEND**  
**AND**  
**NOTICE OF ANNUAL GENERAL MEETING**

---

Capitalised terms used in this cover page shall have the same meanings as those defined in the section “Definitions” of this circular.

A notice convening the Annual General Meeting to be held at Inspirock Hotel, 199 Zhengxing East Road, Tongxiang, Zhejiang Province, the PRC on 22 May 2017 at 3 p.m. is set out on pages 13 to 17 of this circular.

A form of proxy for use at the Annual General Meeting is also enclosed with this circular. Such form of proxy is also published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.chinahengshi.com.cn](http://www.chinahengshi.com.cn)). Whether or not you intend to attend the Annual General Meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Hong Kong share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the Annual General Meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude any Shareholder from attending and voting in person at the Annual General Meeting and any adjournment thereof if you so wish and in such event the form of proxy shall be deemed to be revoked.

---

## CONTENTS

---

	<i>Page</i>
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM THE BOARD</b> .....	3
<b>APPENDIX I - DETAILS OF DIRECTORS PROPOSED FOR RE-ELECTION AND DIRECTOR PROPOSED FOR NEW APPOINTMENT</b> .....	7
<b>APPENDIX II - EXPLANATORY STATEMENT</b> .....	10
<b>NOTICE OF ANNUAL GENERAL MEETING</b> .....	13

---

## DEFINITIONS

---

*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:*

“Annual General Meeting”	The annual general meeting of the Company to be held at Inspirock Hotel, 199 Zhengxing East Road, Tongxiang, Zhejiang Province, the PRC on 22 May 2017 at 3 p.m., or any adjournment thereof and notice of which is set out on pages 13 to 17 of this circular
“Articles of Association”	the articles of association of the Company, as amended from time to time
“Board”	the board of Directors
“Cayman Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as amended, supplemented or otherwise modified from time to time
“Company”	China Hengshi Foundation Company Limited (中國恒石基業有限公司), a company incorporated in the Cayman Islands on 23 February 2015, with its Shares listed on the main board of the Stock Exchange
“Controlling Shareholders”	has the meaning ascribed to it in the Listing Rules and unless the context otherwise requires, refers to Mr. Zhang Yuqiang and Huachen Investment Limited
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Issue Mandate”	a general unconditional mandate to be granted to the Directors at the Annual General Meeting to allot, issue and/or deal in Shares of up to 20% of the number of the issued Shares of the Company as at the date of passing of the relevant resolution granting such mandate
“Latest Practicable Date”	31 March 2017, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Listing Rules of the Stock Exchange, as amended from time to time

---

## DEFINITIONS

---

“Mr. Zhang”	Mr. Zhang Yuqiang, the non-executive Director and Controlling Shareholder
“PRC”	the People’s Republic of China, and for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Repurchase Mandate”	a general unconditional mandate proposed to be granted to the Directors at the Annual General Meeting to repurchase such number of Shares on the Stock Exchange of up to 10% of the number of the issued Shares of the Company as at the date of passing of the relevant resolution granting such mandate
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Share(s)”	ordinary share(s) of nominal value of US\$0.001 each in the capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission of Hong Kong, as amended from time to time
“US\$”	United States dollar, the lawful currency of the United States of America
“%”	per cent

---

LETTER FROM THE BOARD

---



**CHINA HENGSHI FOUNDATION COMPANY LIMITED**  
**中國恒石基業有限公司**

*(Incorporated under the laws of the Cayman Islands with limited liability)*  
**(Stock Code: 1197)**

*Non-executive Directors:*

Mr. Zhang Yuqiang (*Chairman*)  
Mr. Zhang Jiankan  
Mr. Tang Hsin-hua  
Mr. Wang Yuan

*Registered office:*

190 Elgin Avenue  
George Town  
Grand Cayman KY1-9005  
Cayman Islands

*Executive Directors:*

Mr. Zhou Tingcai  
Ms. Huang Junjun

*Principal place of business and  
head office in the PRC:*

No. 1 Guang Yun South Road  
Tongxiang Economic Development Zone  
Tongxiang, Zhejiang Province  
PRC

*Independent non-executive Directors:*

Mr. Fang Xianbai  
Mr. Pan Fei  
Mr. Chen Zhijie

*Principal place of business  
in Hong Kong:*

36/F, Tower Two, Times Square  
1 Matheson Street, Causeway Bay  
Hong Kong

7 April 2017

*To the Shareholders*

Dear Sir or Madam,

**PROPOSALS FOR  
GENERAL MANDATES TO ISSUE SHARES AND REPURCHASE SHARES  
AND  
RE-ELECTION OF RETIRING DIRECTORS AND  
APPOINTMENT OF NEW DIRECTOR  
AND  
DECLARATION OF A FINAL DIVIDEND  
AND  
NOTICE OF ANNUAL GENERAL MEETING**

**INTRODUCTION**

The purpose of this circular is to provide Shareholders with the notice of Annual General Meeting and information and to seek your approval in respect of, among other matters, the following resolutions to be

---

## LETTER FROM THE BOARD

---

put forward as ordinary resolutions at the Annual General Meeting: (a) granting to the Directors the Issue Mandate and the Repurchase Mandate and the extension of the Issue Mandate; (b) re-election of retiring Directors; (c) appointment of new Director; and (d) the declaration of a final dividend.

### **ISSUE MANDATE**

In order to ensure flexibility and give discretion to the Directors in the event that it becomes desirable for the Company to issue any new Shares, an ordinary resolution will be proposed at the Annual General Meeting to grant a general mandate to the Directors to exercise all powers of the Company to allot, issue and deal with additional Shares of up to 20% of the number of Shares in issue as at the date of passing of such resolution in relation to the Issue Mandate.

As at the Latest Practicable Date, the number of issued Shares was 1,000,000,000 Shares. Subject to the passing of the ordinary resolutions and on the basis that no further Shares are issued or repurchased after the Latest Practicable Date and up to the Annual General Meeting, the Company will be allowed to allot, issue and deal with addition Shares of up to 200,000,000 Shares, representing 20% of the number of the Shares in issue.

In addition, subject to a separate approval of the ordinary resolution numbered 5(C), the number of the Shares repurchased by the Company under the proposed Repurchase Mandate will also be added to extend the 20% limit of the Issue Mandate provided that such additional number of the Shares shall not exceed 10% of the number of Shares in issue as at the date of passing the resolutions in relation to the Issue Mandate and the Repurchase Mandate.

### **REPURCHASE MANDATE**

An ordinary resolution will be proposed at the Annual General Meeting to approve the granting of the Repurchase Mandate to the Directors to exercise all powers of the Company to repurchase Shares representing up to 10% of the number of Shares in issue as at the date of passing of such resolution in relation to the Repurchase Mandate.

### **EXPLANATORY STATEMENT**

An explanatory statement required by the Listing Rules to be sent to the Shareholders in connection with the proposed Repurchase Mandate is set out in Appendix II to this circular. This explanatory statement contains all information reasonably necessary to enable the Shareholders to make an informed decision on whether to vote for or against the relevant resolution at the Annual General Meeting.

### **RE-ELECTION OF RETIRING DIRECTORS AND APPOINTMENT OF NEW DIRECTOR**

In accordance with article 105 of the Articles of Association, Mr. Pan Fei and Mr. Chen Zhijie will retire by rotation, and being eligible, offer themselves for re-election at the Annual General Meeting.

---

## LETTER FROM THE BOARD

---

Mr. Fang Xianbai has informed the Company that due to personal commitments, he will retire as an independent non-executive Director on the day before the Annual General Meeting in accordance with the letter of appointment signed with the Company and will also retired as the chairman of the audit committee of the Board, the chairman of the remuneration committee of the Board and a member of the nomination committee of the Board and no longer seek for re-election. Mr. Fang Xianbai confirms that he has no disagreement with the Board and the Company and there is no other matters relating to his retirement that needs to be brought to the attention of the Shareholders and the Stock Exchange.

To ensure that the composition of the Board complies with the relevant requirements of Rules 3.10A, 3.10(1) and 3.10(2) of the Listing Rules, Mr. Xie Guoping (謝國平先生) has been nominated by the Board as a nominee of the independent non-executive Director and is required to be approved by the Shareholders at the Annual General Meeting.

Details and biographical of the above retiring Directors who are standing for re-election and new director are set out in Appendix I to this circular.

### **FINAL DIVIDEND**

The Board recommends to distribute a final dividend for the year ended 31 December 2016 at RMB0.0885 per Share (2015: RMB0.0546) which is subject to the approval from the Shareholders at the Annual General Meeting and is expected to be distributed on 12 June 2017 to the Shareholders whose names appear on the register of members of the Company on 31 May 2017.

### **NOTICE OF ANNUAL GENERAL MEETING**

Set out on pages 13 to 17 of this circular is the notice convening the Annual General Meeting to consider and, if appropriate, to approve the ordinary resolutions in relation to, among others, the Issue Mandate, the Repurchase Mandate, the extension of the Issue Mandate, the declaration of a final dividend, the re-election of the retiring Directors and the appointment of new Director.

For determining eligibility to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Friday, 12 May 2017 to Monday, 22 May 2017, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfer of Shares, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 11 May 2017.

---

## LETTER FROM THE BOARD

---

### FORM OF PROXY

A form of proxy is enclosed for use at the Annual General Meeting. Such form of proxy is also published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.chinahengshi.com.cn](http://www.chinahengshi.com.cn)). Whether or not you intend to attend the Annual General Meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for the holding of the Annual General Meeting or any adjournment thereof. Completion and delivery of the form of proxy shall not preclude a Shareholder from attending and voting in person at the Annual General Meeting if you so wish and in such event the form of proxy shall be deemed to be revoked.

### VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any resolution put to the vote of the shareholders at a general meeting must be taken by poll except where the chairman of the general meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, each of the resolutions set out in the notice of Annual General Meeting will be taken by way of poll.

On a poll, every Shareholder present in person or by proxy or, in the case of a Shareholder being a corporation, by its duly authorised representative, shall have one vote for every fully paid Share of which he/she/it is the holder. A Shareholder entitled to more than one vote needs not use all his/her/its votes or cast all the votes he/she/it uses in the same way.

### RECOMMENDATION

The Board considers that the grant of the Issue Mandate, the Repurchase Mandate, the extension of the Issue Mandate, the re-election of the retiring Directors, the appointment of new Director and declaration of a final dividend are in the best interests of the Company and the Shareholders. Accordingly, the Board recommends the Shareholders to vote in favour of all the relevant resolutions to be proposed at the Annual General Meeting.

### APPENDICES

Your attention is also drawn to Appendices I and II of this circular.

By order of the Board  
**China Hengshi Foundation Company Limited**  
**Zhang Yuqiang**  
*Chairman*



---

## APPENDIX I      DETAILS OF DIRECTORS PROPOSED FOR RE-ELECTION AND DIRECTOR PROPOSED FOR NEW APPOINTMENT

---

*The following are the particulars of the Directors who will retire, and being eligible, offer themselves for re-election at the Annual General Meeting pursuant to the Articles of Association and the particulars of Director proposed for new appointment.*

As at the Latest Practicable Date, each of the following Directors, save as disclosed herein, did not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed herein, none of the following Directors holds any other position within the Company or any other member of the Group, nor has any directorships in other listed companies in Hong Kong or overseas in the past three years and nor has other major appointments and professional qualifications.

Save as disclosed therein, none of the following Directors has any relationship with any other Directors, senior management, substantial Shareholders or Controlling Shareholders of the Company.

Save as disclosed herein, there is no other information relating to the following Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there is no other matter which needs to be brought to the attention of the Shareholders in respect of the re-election of the following Directors and appointment of new Director.

### **DIRECTORS CANDIDATES:**

#### **Independent Non-executive Directors**

**Mr. PAN Fei** (潘飛先生), aged 61, is an independent non-executive Director. Mr. Pan was appointed as the Director in May 2015 and is primarily responsible for supervising and providing independent judgment to the Board. Mr. Pan has been the professor of accounting and deputy dean of the school of accountancy in Shanghai University of Finance and Economics (上海財經大學) since July 2000. Mr. Pan has been an independent director of Bright Dairy & Food Co., Ltd. (光明乳業股份有限公司), a company listed on the Shanghai Stock Exchange, from July 2009 to March 2016, an independent director of Shanghai M&G Stationery Inc. (上海晨光文具股份有限公司), a company listed on the Shanghai Stock Exchange, from June 2014 to March 2016 and an independent director of Universal Scientific Industrial (Shanghai) Co., Ltd. (環旭電子股份有限公司), a company listed on the Shanghai Stock Exchange, since March 2011. Mr. Pan was an independent director of Shanghai Bailian Group Co., Ltd. (上海百聯集團股份有限公司), a company listed on the Shanghai Stock Exchange, from June 2010 to March 2015, an independent director of Shanghai Wanye Enterprises Co., Ltd. (上海萬業企業股份有限公司), a company listed on the Shanghai Stock Exchange, from May 2012 to July 2014 and an independent non-executive director in Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (stock code: 1349), a company listed on the Stock Exchange, from June 2003 to May 2014. Since June 2015, Mr. Pan has been an independent non-executive director of Orient Securities Company Limited (東方證券股份有限公司) (stock code: 3958), a company listed on the Shanghai Stock Exchange and the Stock Exchange. From March 1983 to June 1995 and from July 1995 to June 2000, Mr. Pan had been a lecturer of accounting and an associate professor of accounting in Shanghai University of Finance and Economics. Mr. Pan obtained a bachelor degree, a master degree and a doctor degree in accounting from Shanghai University of Finance and Economics in Shanghai, China in January 1983, March 1991 and July 1998 respectively.

---

## APPENDIX I      DETAILS OF DIRECTORS PROPOSED FOR RE-ELECTION AND DIRECTOR PROPOSED FOR NEW APPOINTMENT

---

Mr. Pan has entered into a letter of appointment with the Company on 20 March 2017. Subject to the approval of his appointment at the Annual General Meeting, Mr. Pan's term will commence on 22 May 2017. The appointment may be extended for such period as the Company and Mr. Pan may agree and may be terminated by either party by giving at least one month's written notice. Mr. Pan is subject to retirement by rotation and re-election at the annual general meetings in accordance with the Articles of Association. He is entitled to receive a Director's fee of RMB120,000 per annum as determined by the Board with reference to the prevailing market conditions and his responsibility in the Company. Mr. Pan will not be entitled to any bonus payment.

As at the Latest Practicable Date, Mr. Pan did not have any interest in the Shares which is required to be disclosed under Part XV of the SFO.

**Mr. CHEN Zhijie (陳志傑先生)**, aged 45, is an independent non-executive Director. Mr. Chen was appointed as the Director in May 2015 and is primarily responsible for supervising and providing independent judgment to the Board. Mr. Chen has been the general manager of Huatai Ruilian Fund Management Company (華泰瑞聯基金管理公司), a subsidiary of Huatai Securities Company Ltd. (華泰證券股份有限公司), and the managing partner of Huatai Ruilian M&A Fund (華泰瑞聯併購基金) from September 2014 to December 2015. Mr. Chen has also acted as the director of Sunbird Yacht Co., Ltd. (太陽鳥遊艇股份公司), a company listed on the Shenzhen Stock Exchange, since September 2014. From October 2004 to April 2014, Mr. Chen had acted as the vice general manager, general manager of the department of merger and acquisition and private equity and the managing director of the investment banking department at Huatai United Securities Company Ltd. Mr. Chen obtained an MBA degree from Tsinghua University (清華大學) in Beijing, China in June 2001.

Mr. Chen has entered into a letter of appointment with the Company on 20 March 2017. Subject to the approval of his appointment at the Annual General Meeting, Mr. Chen's term will commence on 22 May 2017. The appointment may be extended for such period as the Company and Mr. Chen may agree and may be terminated by either party by giving at least one month's written notice. Mr. Chen is subject to retirement by rotation and re-election at the annual general meetings in accordance with the Articles of Association. He is entitled to receive a Director's fee of RMB120,000 per annum as determined by the Board with reference to the prevailing market conditions and his responsibility in the Company. Mr. Chen will not be entitled to any bonus payment.

As at the Latest Practicable Date, Mr. Chen did not have any interest in the Shares which is required to be disclosed under Part XV of the SFO.

**Mr. XIE Guoping (謝國平先生)**, aged 35, was nominated by the Board as an independent non-executive Director on 20 March 2017, who is primarily responsible for supervising and providing independent judgment to the Board.

Mr. Xie is a senior financial media practitioner. He has been the assistant to the director of Economic Information & Agency in Hong Kong since January 2017. Mr. Xie has been engaged as a part time lecturer for postgraduate students in the College of Media and International Culture of Zhejiang University in Hangzhou, China since February 2016. Mr. Xie has been the director of Zhejiang Office of Hong Kong Commercial Daily since January 2012. Besides, Mr. Xie is a committee member of Zhejiang Youth Federation. He was granted an interview with Mr. Wen Jiabao, the then Prime Minister of the State Council of the PRC in Beijing, China in March 2009. Mr. Xie graduated on the major of secretary

---

**APPENDIX I      DETAILS OF DIRECTORS PROPOSED FOR RE-ELECTION  
AND DIRECTOR PROPOSED FOR NEW APPOINTMENT**

---

(foreign) from Zhejiang University of Media and Communication in Hangzhou, China in July 2006. For the time being, Mr. Xie is still studying in the Victoria University in Switzerland (瑞士維多利亞大學) for a doctoral degree in business administration.

Mr. Xie has entered into a letter of appointment with the Company on 20 March 2017. If the appointment is approved at the Annual General Meeting, Mr. Xie's term will commence on 22 May 2017. The appointment may be extended for such period as the Company and Mr. Xie may agree and may be terminated by either party by giving at least one month's written notice. Mr. Xie is subject to retirement by rotation and re-election at the annual general meetings in accordance with the Articles of Association. He is entitled to receive a Director's fee of RMB120,000 per annum as determined by the Board with reference to the prevailing market conditions and his responsibility in the Company. Mr. Xie will not be entitled to any bonus payment.

As at the Latest Practicable Date, Mr. Xie did not have any interest in the Shares which is required to be disclosed under Part XV of the SFO.

*This appendix serves as an explanatory statement, as required by the Listing Rules, to provide the Shareholders with all the information reasonably necessary to enable you to make an informed decision on whether to vote for or against the ordinary resolution to approve the Repurchase Mandate.*

### **NUMBER OF ISSUED SHARES**

As at the Latest Practicable Date, the number of the issued Shares of the Company was 1,000,000,000 Shares with nominal value of US\$0.001 each. Subject to the passing of the resolution granting the Repurchase Mandate and on the basis that no further Shares are issued or repurchased before the Annual General Meeting, the Company will be allowed under the Repurchase Mandate to repurchase up to a maximum of 100,000,000 Shares, representing 10% of the number of issued Shares as at the Latest Practicable Date during the period ending on the earlier of (i) the conclusion of the next annual general meeting of the Company; or (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws or the Articles of Association to be held; or (iii) the date on which such authority is revoked or varied by an ordinary resolution of the Shareholders in annual general meeting of the Company.

### **REASONS FOR REPURCHASES**

The Directors believe that the Repurchase Mandate is in the best interests of the Company and the Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets and/or earnings per Share and will only be made when the Directors believe that such a repurchase will benefit the Company and the Shareholders.

### **FUNDING OF REPURCHASES**

Any repurchase of Shares by the Company will only be paid out of funds legally available for such purpose in accordance with the Articles of Association and the applicable laws and regulations of the Cayman Islands and the Listing Rules. The Company may not repurchase its own Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

There may be a material adverse impact on the working capital or gearing position of the Company as compared with the position disclosed in the audited financial statements of the Company for the year ended 31 December 2016 in the event that the Repurchase Mandate is to be exercised in full at any time during the repurchase period. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstance, have an adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

### **UNDERTAKING OF THE BOARD**

To the best of their knowledge, having made all reasonable enquiries, none of the Directors nor any of their close associates (as defined in the Listing Rules) have any present intention to sell any Shares to the Company, if the Repurchase Mandate is approved by the Shareholders.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the Cayman Companies Law.

**CONNECTED PERSONS**

No core connected person (as defined in the Listing Rules) has notified the Company that he/she/it has a present intention to sell Shares to the Company, or has undertaken not to do so, in the event that the Repurchase Mandate is approved by the Shareholders and exercised by the Board.

**EFFECT OF TAKEOVERS CODE**

If on exercise of the Company's powers to repurchase Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 32 of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert (within the meaning of the Takeovers Code), depending on the level of increase of the Shareholder's interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, to the best knowledge and belief of the Company, the following Shareholders were directly or indirectly interested in 10% or more of the nominal value of the issued Shares that carry a right to vote in all circumstances at general meetings of the Company:

<b>Shareholder</b>	<b>Number of Shares held</b>	<b>Approximate percentage of shareholding</b>
Huachen Investment Limited <sup>(1)</sup>	329,602,500	32.96%
Huakai Investment Limited <sup>(2)</sup>	131,015,500	13.10%
Trade Power Investments Limited <sup>(3)</sup>	225,000,000	22.50%

*Notes:*

- (1) Huachen Investment Limited directly held 329,602,500 Shares while Mr. Zhang Yuqiang directly held 95.95% issued share capital of Huachen Investment Limited and under the SFO, Mr. Zhang Yuqiang was deemed to be interested in the 329,602,500 Shares held by Huachen Investment Limited.
- (2) Huakai Investment Limited directly held 131,015,500 Shares while Mr. Zhang Jiankan directly held all issued share capital of Huakai Investment Limited and under the SFO, Mr. Zhang Jiankan was deemed to be interested in the 131,015,500 Shares held by Huakai Investment Limited.
- (3) Soar City Investments Limited directly held all issued share capital of Trade Power Investments Limited and was deemed to be interested in the 225,000,000 Shares held by Trade Power Investments Limited. Mr. Tang Hsin-hua indirectly held all issued share capital of Trade Power Investments Limited through all direct interests he held in Soar City Investments Limited and under the SFO, Mr. Tang Hsin-hua was deemed to be interested in the 225,000,000 Shares held by Trade Power Investments Limited.

In the event that the Directors exercise in full the power to repurchase Shares under the Repurchase Mandate, and assuming the interests of Huachen Investment Limited, Huakai Investment Limited and Trade Power Investments Limited in Shares as mentioned above remain unchanged, the interests of Huachen Investment Limited, Huakai Investment Limited and Trade Power Investments Limited in the Shares will respectively increase to approximately 36.62%, 14.56% and 25%. The increase of Huachen Investment Limited's interests in the Shares would give rise to an obligation to make a mandatory offer under the Takeovers Code. However, the increase in Huakai Investment Limited's and Trade Power Investments Limited's interests in the Shares would not give rise to an obligation to make a mandatory offer under the Takeovers Code. Saved as aforesaid, as at the Latest Practicable Date, the Directors are not aware of any consequence which may arise under the Takeovers Code even if the Repurchase Mandate was exercised in full. Nevertheless, the Directors do not intend to exercise the Repurchase Mandate to such extent as would, in the circumstances, trigger any potential consequence under the Takeovers Code.

Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue shall be conditional on the approval of the Stock Exchange to waive the Listing Rules requirements regarding public shareholding. It is believed that a waiver of this provision would not normally be granted other than in certain exceptional circumstances.

#### SHARE REPURCHASE MADE BY THE COMPANY

The Company had not repurchased any Shares (whether on the Stock Exchange or otherwise) in the past six months immediately preceding the Latest Practicable Date.

#### SHARE PRICES

The highest and lowest market prices at which the Shares have been traded on the Stock Exchange in the past twelve months prior to the Latest Practicable Date were as follows:

Month	Highest prices	Lowest prices
	HK\$	HK\$
<b>2016</b>		
March	2.72	2.31
April	2.65	2.50
May	2.58	2.15
June	2.56	2.17
July	2.45	2.28
August	2.30	1.81
September	2.26	2.18
October	2.25	2.00
November	2.41	2.10
December	2.26	2.12
<b>2017</b>		
January	2.45	2.14
February	2.80	2.22
March (up to the Latest Practicable Date)	2.95	2.59

---

## NOTICE OF ANNUAL GENERAL MEETING

---

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## CHINA HENGSHI FOUNDATION COMPANY LIMITED 中國恒石基業有限公司

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

**(Stock Code: 1197)**

### NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the annual general meeting (the “**Annual General Meeting**”) of China Hengshi Foundation Company Limited (the “**Company**”) will be held at Inspirock Hotel, 199 Zhengxing East Road, Tongxiang, Zhejiang Province, the People’s Republic of China on 22 May 2017 at 3 p.m. for the following purposes:

1. To receive and adopt the audited consolidated financial statements and the reports of the directors and auditors of the Company for the year ended 31 December 2016.
  2. To declare a final dividend for the year ended 31 December 2016.
  3. (a) To re-elect the following retiring directors of the Company (the “**Directors**”) who are standing for re-election at the Annual General Meeting:
    - i. Mr. Pan Fei as an independent non-executive Director; and
    - ii. Mr. Chen Zhijie as an independent non-executive Director.
  - (b) To appoint Mr. Xie Guoping as an independent non-executive Director.
  - (c) To authorise the board of directors of the Company (the “**Board**”) to fix the remuneration of the Directors.
4. To re-appoint Deloitte Touche Tohmatsu as auditor of the Company for the year 2017 and to authorise the Board to fix their remuneration for the year ended 31 December 2017.

---

## NOTICE OF ANNUAL GENERAL MEETING

---

5. To consider and, if thought fit, pass (with or without modification) the following resolutions as ordinary resolutions:

(A) **“That:**

- (i) subject to paragraph (iii) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of the Company (the “**Shares**”), and to make or grant offers, agreements and options (including bonds, warrants and debentures exchangeable for or convertible into Shares) and rights of exchange or conversion, which would or might require the exercise of such powers subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved;
- (ii) the approval in paragraph (i) of this resolution shall be in addition to any other authorisation given to the Directors and shall authorise the Directors during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options (including bonds, warrants and debentures exchangeable or convertible into Shares) and rights of exchange or conversion which may require the exercise of such power after the end of the Relevant Period;
- (iii) the aggregate number of the Shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) and issued by the Directors during the Relevant Period (as hereinafter defined) pursuant to paragraph (i) or (ii) of this resolution, otherwise than pursuant to:
  - (1) a Rights Issue (as hereinafter defined);
  - (2) the grant or exercise of any option under share option scheme of the Company (if applicable) or other option, scheme or similar arrangements for the time being adopted for the grant or issue to the Directors, officers and/or employees of the Company and/or any of its subsidiaries and/or other eligible participants specified thereunder of options to subscribe for Shares or rights to acquire Shares;
  - (3) any scrip dividend or similar arrangements providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company; or
  - (4) the terms of any existing convertible notes issued by the Company or any existing securities of the Company which carry rights to subscribe for or are convertible into Shares,



---

## NOTICE OF ANNUAL GENERAL MEETING

---

shall not exceed the aggregate of:

- (a) 20% of the number of the Shares in issue as at the date of passing this resolution 5(A); and
- (b) (if the Board is so authorised by resolution 5(C)) the number of the Shares repurchased by the Company subsequent to the passing of resolution 5(B) (up to a maximum equivalent to 10% of the number of the issued Shares as at the date of passing resolution 5(B)),

and the said approval shall be limited accordingly; and

(iv) for the purpose of this resolution:

- (a) “**Relevant Period**” means the period from the passing of this resolution until whichever is the earliest of:
  - (1) the conclusion of the next annual general meeting of the Company;
  - (2) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws or the articles of association of the Company to be held; or
  - (3) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and
- (b) “**Rights Issue**” means an offer of Shares open for a period fixed by the Directors to holders of Shares whose names appear on the register of members on a fixed record date in proportion to their holdings of Shares as at that date (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or, having regard to any restrictions or obligations under the laws of, or the requirements of, or the requirements of, any jurisdiction or any recognised regulatory body or any stock exchange in any territory applicable to the Company).”

---

## NOTICE OF ANNUAL GENERAL MEETING

---

(B) **“That:**

- (i) subject to paragraph (ii) of this resolution, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase Shares on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or on any other stock exchange on which the Shares may be listed and recognised for this purpose by the Securities and Futures Commission of Hong Kong and the Stock Exchange, subject to and in accordance with all applicable laws and/ or the requirements of the Rules Governing the Listing of Securities on the Stock Exchange, be and is hereby generally and unconditionally approved;
- (ii) the aggregate number of the Shares, which may be repurchased by the Company pursuant to the approval in paragraph (i) of this resolution above shall not exceed 10% of the aggregate number of the Shares in issue as at the date of passing of this resolution, and the said approval shall be limited accordingly;
- (iii) for the purpose of this Resolution:

“**Relevant Period**” means the period from the passing of this resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws or the articles of association of the Company to be held; or
- (c) the revocation or variation of the authority given under this resolution by ordinary resolution of the shareholders of the Company in general meeting.”

- (C) **“That** conditional upon resolutions 5(A) and 5(B) above being passed, the general mandate granted to the Directors to allot, issue and deal with additional shares and to make or grant offers, agreements, and options which might require the exercise of such powers pursuant to resolution 5(A) above be and is hereby extended by the additional thereto of an amount representing the aggregate number of the Shares of the Company repurchased by the Company under the authority granted pursuant to resolution 5(B) above, provided that such number of the Shares shall not exceed 10% of the aggregate number of the Shares in issue as at the date of passing the resolution.”

By order of the Board  
**China Hengshi Foundation Company Limited**  
**Zhang Yuqiang**  
*Chairman*

Hong Kong, 7 April 2017

---

## NOTICE OF ANNUAL GENERAL MEETING

---

<i>Registered office:</i> 190 Elgin Avenue George Town Grand Cayman KY1-9005 Cayman Islands	<i>Principal place of business and head office in the PRC:</i> No. 1 Guang Yun South Road Tongxiang Economic Development Zone Tongxiang, Zhejiang Province PRC	<i>Principal place of business in Hong Kong:</i> 36/F, Tower Two Times Square 1 Matheson Street Causeway Bay Hong Kong
---	---	---

*Notes:*

- (i) A shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more person(s) as his/her proxy to attend and vote instead of him/her. A proxy need not be a shareholder of the Company.
- (ii) In the case of joint holders of any Share, any one of such persons may vote at the Annual General Meeting, either personally or by proxy, in respect of such Share as if he/she were solely entitled thereto. However, if more than one of such joint holders be present at the Annual General Meeting personally or by proxy, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined as that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Share shall alone be entitled to vote in respect thereof.
- (iii) In order to be valid, a form of proxy must be completed, signed and returned to the Hong Kong share registrar of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) not less than 48 hours before the time appointed for the holding of the meeting. The completion and return of the form of proxy shall not preclude the shareholders of the Company from attending and voting in person at the meeting, in which case, the proxy shall be deemed to be revoked.
- (iv) The register of members of the Company will be closed from Friday, 12 May 2017 to Monday, 22 May 2017, both days inclusive, to determine the entitlement of the shareholders of the Company to attend and vote at the Annual General Meeting, during which period no Share transfers can be registered. All transfers accompanied by the relevant share certificates must be lodged with the share registrar of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 11 May 2017.
- (v) The register of members of the Company will be closed from Friday, 26 May 2017 to Wednesday, 31 May 2017, to determine the entitlement of the shareholders of the Company to receive final dividend, during which period no Share transfers can be registered. All transfers accompanied by the relevant share certificates must be lodged with the share registrar of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 25 May 2017.

*As at the date of this notice, 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