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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.

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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,
RE-ELECTION OF DIRECTORS AND ELECTION OF DIRECTOR,
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 No. 288 Phoenix Lake Road, Tongxiang, Zhejiang Province, the PRC on 9 May 2019 at 3 p.m. is set out on pages 14 to 18 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) and the Company (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.

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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 No. 288 Phoenix Lake Road, Tongxiang, Zhejiang Province, the PRC on 9 May 2019 at 3 p.m., or any adjournment thereof and notice of which is set out on pages 14 to 18 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, the Shares of which are listed on the main board of the Stock Exchange (stock code: 1197)
“Controlling Shareholders”	has the meaning ascribed to it under 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”	Hong Kong Special Administrative Region of the PRC
“Issue Mandate”	a general unconditional mandate to be granted by the Shareholders to authorise the Directors at the Annual General Meeting to allot, issue and/or deal in new Shares of up to 20% of the total number of the issued Shares as at the date of passing of the relevant resolution granting such mandate
“Latest Practicable Date”	25 March 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“PRC”	the People’s Republic of China, and for the purpose of this circular, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Repurchase Mandate”	a general unconditional mandate proposed to be granted by the Shareholders to authorise the Directors at the Annual General Meeting to repurchase such number of Shares on the Stock Exchange of up to 10% of the total number of the issued Shares 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

Executive Directors:

Mr. Zhou Tingcai
Ms. Huang Junjun

Independent non-executive Directors:

Mr. Xie Guoping
Mr. Lou Hetong
Mr. Zhao Jun

Registered office:

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

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

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

*Principal place of business
in Hong Kong:*

19/F, Three Exchange Square
8 Connaught Place
Central, Hong Kong

29 March 2019

To the Shareholders

Dear Sir or Madam,

**PROPOSALS FOR
GENERAL MANDATES TO ISSUE SHARES AND REPURCHASE SHARES,
RE-ELECTION OF DIRECTORS AND ELECTION OF DIRECTOR
AND
DECLARATION OF A FINAL DIVIDEND**

INTRODUCTION

The purpose of this circular is to provide Shareholders with further information in respect of, among other matters, the following resolutions to be 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 Directors and election of Director; and (c) the declaration of a final dividend.

LETTER FROM THE BOARD

The notice of the Annual General Meeting at which the above resolutions will be proposed for Shareholders to consider and, if thought fit, approve, is also set out on pages 14 to 18 of this circular.

ISSUE MANDATE

In order to ensure flexibility and to provide 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 total 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 will be 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 additional Shares of up to 200,000,000 Shares, representing 20% of the total 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 repurchased shall not exceed 10% of the total 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 total 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 DIRECTORS

In accordance with article 101 of the Articles of Association, Mr. Zhang Yuqiang, Mr. Zhang Jiankan, Mr. Tang Hsin-hua, Mr. Wang Yuan and Ms. Huang Junjun shall hold office until the Annual General Meeting, and will be eligible, offer themselves for re-election as the Directors at the Annual General Meeting.

Mr. Zhou Tingcai has informed the Company that due to work arrangements, he will retire as an executive Director on the day before the Annual General Meeting and no longer seek for re-election. Mr. Zhou Tingcai 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.

LETTER FROM THE BOARD

ELECTION OF DIRECTOR

As Mr. Zhou Tingcai will retire as an executive Director on the day before the Annual General Meeting and will not offer himself for re-election in the Annual General Meeting, the Board proposes the election of Mr. Yin Hang as an executive Director at the Annual General Meeting.

Recommendations to the Board for the proposal for re-election each of Mr. Zhang Yuqiang, Mr. Zhang Jiankan, Mr. Tang Hsin-hua and Mr. Wang Yuan as a non-executive Director and Ms. Huang Junjun as an executive Director and election of Mr. Yin Hang as an executive Director were made by the nomination committee of the Company, after having considered a range of diversity perspectives including but not limited to gender, age, cultural and educational background, race, professional experience, skills, knowledge and length of service, as set out in the board diversity policy of the Company.

Biographical details of the above Directors who are standing for re-election or election are set out in Appendix I to this circular.

Saved as disclosed in this circular, there are no other matters in relation to the proposed re-election and election of Directors that need to be brought to the attention of the Shareholders.

FINAL DIVIDEND

The Board recommends to distribute a final dividend for the year ended 31 December 2018 at RMB0.08855 per Share (2017: RMB0.0864) which is subject to the approval from the Shareholders at the Annual General Meeting and is expected to be distributed on 27 May 2019 to the Shareholders whose names appear on the register of members of the Company on 20 May 2019.

In order to determine the identity of Shareholders who are entitled to the final dividend, the register of member of the Company will be closed from Thursday, 16 May 2019 to Monday, 20 May 2019, both days inclusive. In order to be eligible for receiving the final dividend, all completed transfer forms accomplished 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 Wednesday, 15 May 2019.

NOTICE OF ANNUAL GENERAL MEETING

Set out on pages 14 to 18 of this circular is the notice convening the Annual General Meeting to consider and, if appropriate, to approve resolutions in relation to, among others, the Issue Mandate, the Repurchase Mandate, the extension of the Issue Mandate, the re-election and election of the Directors, declaration of a final dividend.

For determining eligibility to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Monday, 29 April 2019 to Thursday, 9 May 2019, 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 Friday, 26 April 2019.

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) and the Company (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.

An announcement on the poll vote results will be published by the Company after the Annual General Meeting in the manner prescribed under Rule 13.39(5) of the Listing Rules.

RECOMMENDATION

The Board considers that the grant of the Issue Mandate, the Repurchase Mandate, the extension of the Issue Mandate, the re-election and election of the Directors, 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 ELECTION

The following are the particulars of the Directors who will be eligible, offer themselves for re-election and election at the Annual General Meeting pursuant to the Articles of Association.

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 and election of the following Directors.

DIRECTORS CANDIDATES:

Non-executive Directors

Mr. Zhang Yuqiang (張毓強先生), born in 1955, was re-appointed as the non-executive Director on 30 November 2018. Mr. Zhang Yuqiang is primarily responsible for formulating the overall development strategies and business plans of the Company. Mr. Zhang Yuqiang is also the chairman of the board of directors of Zhenshi Holding Group Co., Ltd. (“**Zhenshi**”), the deputy chairman and general manager of China Jushi Co., Ltd. (“**China Jushi**”), a company listed on the Shanghai Stock Exchange with stock code number 600176, and the chairman and the chief executive officer of Jushi Group Co., Ltd. (“**Jushi Group**”). Mr. Zhang Yuqiang is also the vice chairman of China Building Materials Federation (中國建築材料聯合會) and China Composites Industry Association (中國複合材料工業協會) as well as the vice chairman of China Fiberglass Industry Association. Mr. Zhang Yuqiang has over 40 years working experience in the fiberglass industry. Mr. Zhang Yuqiang obtained the qualification certificate of senior engineer (professor level) conferred by China National Building Material Company Ltd. (中國建築材料集團公司) in December 2008. Mr. Zhang Yuqiang has received numerous awards and enjoyed special government allowance from the State Council for his outstanding contribution to the building materials industry. Mr. Zhang Yuqiang is the father of Mr. Zhang Jiankan, another non-executive director of the Company.

Mr. Zhang Yuqiang has entered into a letter of appointment with the Company on 30 November 2018 and his term of appointment has commenced on 30 November 2018 until the date of the Annual General Meeting and shall then be eligible for re-election. If Mr. Zhang Yuqiang’s appointment is approved at the Annual General Meeting, his term will be three years commencing from the date of such approval. Mr. Zhang Yuqiang is subject to retirement by rotation and re-election at the annual general meetings at least once every three years in accordance with the Articles of Association. He is entitled to receive a director’s fee of RMB3,000,000 per annum as determined by the Board with reference to the prevailing market conditions and his responsibility in the Company.

As at the Latest Practicable Date, Mr. Zhang Yuqiang was deemed to be interested in 329,602,500 Shares held by Huachen Investment Limited within the meaning of Part XV of the SFO, representing approximately 32.96% of the issued share capital of the Company.

APPENDIX I DETAILS OF DIRECTORS PROPOSED FOR RE-ELECTION AND ELECTION

Mr. Zhang Jiankan (張健侃先生), born in 1983, was re-appointed as the non-executive Director on 30 November 2018. Mr. Zhang Jiankan participates in formulating the strategic development plans of the Company. Mr. Zhang Jiankan has also been the chairman of the board of directors of Zhejiang Hengshi Fiberglass Fabrics Co., Ltd. (“**Hengshi Fiberglass**”), a wholly-owned subsidiary of the Company, since September 2013 and the vice president of Zhenshi since January 2016. Mr. Zhang Jiankan served as the assistant to the president of Zhenshi from January 2009 to December 2015. Mr. Zhang Jiankan had acted as project manager at Beijing Hony Future Investment Advisor Ltd. (北京弘毅遠方投資顧問有限公司) from January 2008 to December 2008. Mr. Zhang Jiankan is the son of Mr. Zhang Yuqiang, another non-executive director of the Company.

Mr. Zhang Jiankan has entered into a letter of appointment with the Company on 30 November 2018 and his term of appointment has commenced on 30 November 2018 until the date of the Annual General Meeting and shall then be eligible for re-election. If Mr. Zhang Jiankan’s appointment is approved at the Annual General Meeting, his term will be three years commencing from the date of such approval. Mr. Zhang Jiankan is subject to retirement by rotation and re-election at the annual general meetings at least once every three years in accordance with the Articles of Association. He has received a director’s free of RMB694,000 as determined by the Board with reference to the prevailing market conditions and his responsibility in the Company for the year end 31 December 2018.

As at the Latest Practicable Date, Mr. Zhang Jiankan was deemed to be interested in 131,015,500 Shares held by Huakai Investment Limited within the meaning of Part XV of the SFO, representing approximately 13.10% of the issued share capital of the Company.

Mr. Tang Sin-hua (唐興華先生) (“**Mr. Tang**”), born in 1953, was re-appointed as the non-executive Director on 30 November 2018. Mr. Tang participates in formulating the strategic development plans of the Company. Mr. Tang is also the chairman of the board of directors of Jushi USA Fiberglass Co., Ltd. From November 2014 to December 2017, Mr. Tang had acted as the supervisor of China Jushi. Mr. Tang has also been a director of Hengshi Fiberglass since January 2004. From 1996 to 2003, Mr. Tang had acted as the chief executive officer of United Suntech Craft Inc. From 1995 to 2010, Mr. Tang had also acted as the chief executive officer of Gibson Enterprises Inc. Mr. Tang obtained a bachelor’s degree in urban planning from National Chengchi University (台灣政治大學) in June 1976.

Mr. Tang has entered into a letter of appointment with the Company on 30 November 2018 and his term of appointment has commenced on 30 November 2018 until the date of the Annual General Meeting and shall then be eligible for re-election. If Mr. Tang’s appointment is approved at the Annual General Meeting, his term will be three years commencing from the date of such approval. Mr. Tang is subject to retirement by rotation and re-election at the annual general meetings at least once every three years in accordance with the Articles of Association. He is not entitled to any director’s fees from the Company.

As at the Latest Practicable Date, Mr. Tang was deemed to be interested in 225,000,000 Shares held by Trade Power Investments Limited within the meaning of Part XV of the SFO, representing approximately 22.50% of the issued share capital of the Company.

Mr. Wang Yuan (王源先生) (“**Mr. Wang**”), born in 1978, was re-appointed as the non-executive Director on 30 November 2018. Mr. Wang participates in formulating the strategic development plans of the Company. Mr. Wang has also been the chairman of the board of directors of PT. ZHENSHI INDONESIA since 2011 and the vice president of Zhenshi since 2010. From May 2001 to August 2003, Mr. Wang had worked as the project manager at Beijing East Hollyhigh International Capital Consulting Co., Ltd. From September 2003 to August 2007, Mr. Wang had acted as deputy minister in the strategic investment department of Jushi Group. From 2007 to 2009, Mr. Wang had acted as the assistant to the president of Zhenshi. Mr. Wang obtained a bachelor’s degree in economics from Nanjing University of Aeronautics and Astronautics (南京航空航天大學) in Nanjing, the PRC, in June 2000 and a MBA degree from University of International Business and Economics (中國北京對外經濟貿易大學), in Beijing, the PRC, in June 2007.

Mr. Wang has entered into a letter of appointment with the Company on 30 November 2018 and his term of appointment has commenced on 30 November 2018 until the date of the Annual General Meeting and shall then be eligible for re-election. If Mr. Wang’s appointment is approved at the Annual General Meeting, his term will be three years commencing from the date of such approval. Mr. Wang is subject to retirement by rotation and re-election at the annual general meetings at least once every three years in accordance with the Articles of Association. He has received a director’s free of RMB693,000 as determined by the Board with reference to the prevailing market conditions and his responsibility in the Company for the year end 31 December 2018.

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

Executive Directors

Ms. Huang (黃鈞筠女士) (“**Ms. Huang**”), born in 1980, was re-appointed as the executive Director on 30 November 2018. She had been a deputy manager of Hengshi Fiberglass since 2008 with primary responsibilities in sales and foreign trade, and has become a deputy general manager since January 2014. From July 2003 to October 2004, Ms. Huang had worked as a president office staff of Jushi Group. From 2004 to 2006, Ms. Huang had been an executive in the general manager’s office of Jucheng Real Estate Development Co., Ltd. (巨成置業有限公司). From March 2008 to August 2008, Ms. Huang had worked as a marketing specialist in Jushi Group. From 2010 to 2013, in addition to her responsibilities at Hengshi Fiberglass, Ms. Huang had also been the assistant to the general manager in Zhejiang Meishi New Materials Company Ltd. (浙江美石新材料有限公司). She obtained a bachelor’s degree in finance from Hubei University (湖北大學) in Wuhan, the PRC, in June 2003.

Ms. Huang has entered into a letter of appointment with the Company on 30 November 2018 and her term of appointment has commenced on 30 November 2018 until the date of the Annual General Meeting and shall then be eligible for re-election. If Ms. Huang’s appointment is approved at the Annual General Meeting, her term will be three years commencing from the date of such approval. Ms. Huang is subject to retirement by rotation and re-election at the annual general meetings at least once every three years in accordance with the Articles of Association. She is not entitled to any director’s fee but has received RMB588,000, comprising the salaries, benefits and bonus for being the deputy general manager of the Company for the year ended 31 December 2018.

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

Mr. Yin Hang (尹航先生) (“**Mr. Yin**”), born in 1985, was nominated by the Board as a nominee of the executive Director on 25 March 2019. Mr. Yin was appointed as a joint company secretary of the Company on 7 May 2015. Mr. Yin has also been the head of the development strategy department of Zhenshi since January 2018. From January 2014 to December 2017, Mr. Yin acted as the deputy director of the development strategy department in Zhenshi. From March 2009 to December 2013, Mr. Yin acted as the secretary to the chairman of Jushi Group. From January 2011 to December 2012, Mr. Yin also acted as an investment strategy commissioner of Jushi Group. Mr. Yin obtained a bachelor’s degree in marketing from Washington State University in Washington, the United States, in July 2008.

If Mr. Yin’s appointment is approved at the Annual General Meeting, his term will be three years commencing from the date of such approval. Mr. Yin is subject to retirement by rotation and re-election at the annual general meetings at least once every three years in accordance with the Articles of Association. The emoluments of Mr. Yin will be determined by the Board with reference to various factors such as duties and level of responsibilities of Mr. Yin, the available information in respect of companies of comparable business or scale, and the prevailing market conditions.

As at the Latest Practicable Date, Mr. Yin 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 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 will be 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 2018 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 DIRECTORS

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 applicable laws of 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:

Shareholder	Number of Shares held	Approximate percentage of shareholding
Huachen Investment Limited ⁽¹⁾	329,602,500	32.96%
Huakai Investment Limited ⁽²⁾	131,015,500	13.10%
Trade Power Investments Limited ⁽³⁾	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 <i>HK\$</i>	Lowest prices <i>HK\$</i>
2018		
March	2.34	2.15
April	2.30	2.14
May	2.49	2.05
June	2.16	1.79
July	2.00	1.61
August	1.99	1.95
September	1.99	1.75
October	2.01	1.80
November	2.05	1.71
December	1.96	1.72
2019		
January	2.18	1.94
February	2.20	1.89
March (up to the Latest Practicable Date)	2.19	1.90

NOTICE OF ANNUAL GENERAL MEETING

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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 No. 288 Phoenix Lake Road, Tongxiang, Zhejiang Province, the People’s Republic of China on 9 May 2019 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 2018.
2. To declare a final dividend for the year ended 31 December 2018.
3. (a) To re-elect the following directors of the Company (the “**Directors**”) who are standing for re-election, at the Annual General Meeting:
 - i. Mr. Zhang Yuqiang as a non-executive Director;
 - ii. Mr. Zhang Jiankan as a non-executive Director;
 - iii. Mr. Tang Tsin-hua as a non-executive Director;
 - iv. Mr. Wangyuan as a non-executive Director; and
 - v. Ms. Huang Junjun as an executive Director.
- (b) To elect Mr. Yin Hang as an executive Director.
- (c) To authorise the board of directors of the Company (the “**Board**”) to fix the remuneration of the Directors.

NOTICE OF ANNUAL GENERAL MEETING

4. To re-appoint Deloitte Touche Tohmatsu as auditor of the Company for the year 2019 and to authorise the Board to fix their remuneration for the year ended 31 December 2019.
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

NOTICE OF ANNUAL GENERAL MEETING

- (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, shall not exceed the aggregate of:
- (a) 20% of the total 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).”

- (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;

NOTICE OF ANNUAL GENERAL MEETING

(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, 29 March 2019

Registered office:
190 Elgin Avenue
George Town
Grand Cayman
KY1-9005
Cayman Islands

*Principal place of business
and head office in the PRC:*
No. 1 Guang Yun South Road
Tongxiang Economic
Development Zone
Tongxiang, Zhejiang Province
PRC

*Principal place of business
in Hong Kong:*
19/F, Three Exchange Square
8 Connaught Place
Central, Hong Kong

NOTICE OF ANNUAL GENERAL MEETING

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 Monday, 29 April 2019 to Thursday, 9 May 2019, 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 Friday, 26 April 2019.
- (v) The register of members of the Company will be closed from Thursday, 16 May 2019 to Monday, 20 May 2019, 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 Wednesday, 15 May 2019.

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. XIE Guoping, Mr. LOU Hetong, Mr. ZHAO Jun