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**ZHENSHI GROUP (HK) HESHI
COMPOSITE MATERIALS
CO., LIMITED**

**振石集團(香港)和石
複合材料有限公司**

*(Incorporated under the laws of Hong Kong with
limited liability)*

**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)

JOINT ANNOUNCEMENT

**(1) PROPOSAL FOR PRIVATISATION OF
CHINA HENGSHI FOUNDATION COMPANY LIMITED
BY THE OFFEROR
BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 86 OF THE COMPANIES LAW)**

(2) PROPOSED WITHDRAWAL OF LISTING

(3) SPECIAL DEAL RELATING TO ROLLOVER ARRANGEMENT

(4) APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

AND

(5) RESUMPTION OF TRADING IN SHARES

Financial Adviser to the Offeror



華泰金融控股(香港)有限公司
HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED

SCHEME OF ARRANGEMENT

The respective directors of the Offeror and the Company jointly announce that on 1 April 2019, the Offeror requested the Board to put forward a proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Law.

The Scheme will provide that the Scheme Shares will be cancelled in exchange for HK\$2.50 in cash for each Scheme Share. Under the Scheme, the total consideration payable for cancellation of the Scheme Shares will be payable by the Offeror.

The Cancellation Price will not be increased, and the Offeror does not reserve the right to do so.

The Cancellation Price represents:

- a premium of approximately 8.23% over the last trading price of HK\$2.31 per Shares immediately before the halt of trading in the shares of the Company with effect from 1:00 p.m. on 1 April 2019;
- a premium of approximately 10.62% over the closing price of HK\$2.26 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 17.37% over the average closing price of approximately HK\$2.13 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- a premium of approximately 19.05% over the average closing price of approximately HK\$2.10 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- a premium of approximately 25.63% over the average closing price of approximately HK\$1.99 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day;
- a premium of approximately 27.55% over the average closing price of approximately HK\$1.96 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day; and
- a premium of approximately 42.05% over the audited consolidated net asset value per Share of approximately HK\$1.76 as at 31 December 2018.

Upon the Scheme having become effective, the Offeror will hold approximately 20.55% of the issued share capital of the Company, and the Offeror Concert Parties will hold approximately 79.45% of the issued share capital of the Company, and accordingly the entire issued share capital of the Company will be held by the Offeror and the Offeror Concert Parties.

The implementation of the Proposal and the Scheme will be conditional upon the fulfilment or waiver, as applicable, of all the Conditions as described in the section headed “Conditions of the Proposal and the Scheme” below. All of the Conditions must be fulfilled or waived, as applicable, on or before the Long Stop Date (or such later date as the Offeror and the Company may agree or, to the extent applicable, as the Executive may consent and the Grand Court may direct), failing which the Proposal and the Scheme will lapse.

As at the Announcement Date, the authorised share capital of the Company is US\$2,000,000 divided into 2,000,000,000 Shares, and the Company has 1,000,000,000 Shares in issue. As at the Announcement Date, the Scheme Shares, comprising 205,480,000 Shares, represent approximately 20.55% of the issued share capital of the Company.

On the basis of the Cancellation Price of HK\$2.50 per Scheme Share and 205,480,000 Scheme Shares in issue as at the Announcement Date, the amount of cash required for the Proposal is approximately HK\$513.7 million. The Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in issue as at the Announcement Date.

The cash required for the Proposal is financed by the internal resources of the Offeror. Huatai Financial, the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror for discharging its obligations in respect of the full implementation of the Proposal.

Under the Scheme, the share capital of the Company will, on the effective date of the Scheme, be reduced by cancelling and extinguishing the Scheme Shares, and forthwith upon such reduction, the share capital of the Company will be increased to its former amount by the issuance to the Offeror at par of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled. The reserve created in the Company’s books of account as a result of the capital reduction will be applied in paying up in full at par the new Shares so issued, credited as fully paid, to the Offeror.

SPECIAL DEAL RELATING TO ROLLOVER ARRANGEMENT

The Offeror would like to allow the Participating Shareholders to retain their shareholdings in the Company after the Scheme becomes effective. The Participating Shareholders hold in aggregate 33.39% of the issued share capital of the Company as at the Announcement Date.

The Offeror is of view that the Company can benefit from the commitment of the Participating Shareholders and it is important for the Company to retain the Participating Shareholders as Shareholders after the completion of the Scheme so that the Participating Shareholders will have incentives to continue to contribute to the future development and growth of the Group.

Rollover Agreement

The Offeror and the Participating Shareholders have entered into the Rollover Agreement, pursuant to which:

- (a) subject to, among others, the Independent Shareholders' approval as set out in the section headed "Independent Shareholders' Approval" below, the Participating Shareholders will remain as Shareholders after the Scheme becomes effective and none of the Shares held by the Participating Shareholders will constitute Scheme Shares or will be voted on the Scheme at the Court Meeting;
- (b) each of the Participating Shareholders has undertaken, to the extent permitted under the Takeovers Code, the Listing Rules and applicable laws, to exercise, or, as the case may be, to procure the exercise of the voting rights in respect of the Shares owned by them directly on resolutions in relation to the Scheme in accordance with the Offeror's directions, and in the absence of any such directions, to vote in favor of all resolutions which are necessary to implement the Scheme proposed at a general or class meeting of the Company, and that they shall be bound by, and take all actions necessary to implement the Scheme;
- (c) the Participating Shareholders have further undertaken that they shall not, directly or indirectly, sell, transfer, charge, encumber, grant any option over or otherwise dispose of any interest in any of the Shares held by them, nor will they accept any other offer in respect of all or any of such Shares; and
- (d) the Participating Shareholders will remain on the register of members of the Company immediately after the Scheme becomes effective.

The Rollover Agreement will be terminated if the Scheme lapses or is withdrawn in accordance with its terms.

INDEPENDENT BOARD COMMITTEE

An Independent Board Committee, which comprises all the independent non-executive directors of the Company, namely Mr. XIE Guoping, Mr. LOU Hetong, and Mr. ZHAO Jun, has been established by the Board to make a recommendation to the Independent Shareholders as to whether the terms of the Proposal, the Scheme and the Rollover Arrangement are fair and reasonable and as to voting.

Although Mr. ZHANG Yuqiang, Mr. ZHANG Jiankan, Mr. TANG Hsin-hua and Mr. WANG Yuan are non-executive directors of the Company, since:

- (1) each of Mr. ZHANG Yuqiang and Mr. ZHANG Jiankan holds as to 70.28% and 25.23% equity interest indirectly in the Offeror, respectively;
- (2) Mr. TANG Hsin-hua holds a 100% equity interest in Trade Power Investments Limited, which is a Participating Shareholder; and
- (3) Mr. WANG Yuan is a director and vice president of Zhenshi Holding, of which the Offeror is a wholly-owned subsidiary,

Mr. ZHANG Yuqiang, Mr. ZHANG Jiankan, Mr. TANG Hsin-hua and Mr. WANG Yuan are regarded as being interested in the Proposal and therefore have not participated in any vote of the Board in relation to the Proposal and the Scheme and will not form part of the Independent Board Committee.

The non-executive directors of the Company may have a material interest in the Proposal and have not participated in any vote of the Board in relation to the Proposal and the Scheme. The directors of the Company (excluding members of the Independent Board Committee) consider that the terms of the Proposal and the Scheme are fair and reasonable and in the interests of the Shareholders as a whole.

INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT BOARD COMMITTEE

In accordance with Rule 2.1 of the Takeovers Code, the Board is pleased to announce that Gram Capital Limited, a corporation licensed to carry out Type 6 (Advising on Corporate Finance) regulated activities under the SFO, has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in connection with the terms of the Proposal, the Scheme, the Rollover Arrangement, and voting thereon, and such appointment has been approved by the Independent Board Committee. The advice of the Independent Financial Adviser and recommendation of the Independent Board Committee will be included in the Scheme Document and despatched to the Shareholders in due course.

DESPATCH OF SCHEME DOCUMENT

The Scheme Document containing, inter alia, further details of the Proposal and the Scheme, the expected timetable, an explanatory memorandum as required under the Companies Law and the rules of the Grand Court, information regarding the Company, recommendations from the Independent Board Committee with respect to the Proposal, the Scheme, the Rollover Arrangement, the letter of advice from the Independent Financial Adviser to the Independent Board Committee, a notice of the Court Meeting and a notice of an extraordinary general meeting of the Company, together with forms of proxy in relation thereto, will be despatched to the Shareholders as soon as practicable and in compliance with the requirements of the Takeovers Code, the Companies Law, the Grand Court and other applicable regulations.

WITHDRAWAL OF LISTING OF SHARES

Upon the Scheme becoming effective, it is anticipated that listing of the Shares on the Stock Exchange will be withdrawn. The Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange immediately following the Scheme becoming effective.

IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES

The listing of the Shares on the Stock Exchange will not be withdrawn if the Scheme does not become effective or the Proposal otherwise lapses.

If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with the Offeror in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses, announce an offer or possible offer for the Company, except with the consent of the Executive.

HALT AND RESUMPTION OF TRADING IN THE SHARES

At the request of the Company, trading in the Shares on the Stock Exchange has been halted with effect from 1:00 p.m. on 1 April 2019 pending the issue of this announcement. Application has been made to the Stock Exchange for resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 4 April 2019.

WARNINGS

Shareholders and potential investors should be aware that the implementation of the Proposal is subject to the Conditions being fulfilled or waived, as applicable, and thus the Proposal may or may not be implemented and the Scheme may or may not become effective. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

This announcement is not intended to and does not constitute, or form part of, any offer to sell or subscribe for or an invitation to purchase or subscribe for any securities or the solicitation of any vote or approval in any jurisdiction pursuant to the Proposal or otherwise, nor shall there be any sale, issuance or transfer of securities of the Company in any jurisdiction in contravention of applicable law. The Proposal will be made solely through the Scheme Document, which will contain the full terms and conditions of the Proposal, including details of whether to vote in favour of or against the Proposal. Any acceptance or other response to the Proposal should be made only on the basis of information in the Scheme Document or any other document by which the Proposal is made.

The availability of the Proposal to persons who are not resident in Hong Kong may be affected by the laws of the relevant jurisdictions in which they are located or of which they are citizens. Persons who are not resident in Hong Kong should inform themselves about, and observe, any applicable legal or regulatory requirements of their jurisdictions. Further details in relation to overseas shareholders will be contained in the Scheme Document.

INTRODUCTION

On 1 April 2019, the Offeror requested the Board to put forward a proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Law involving the cancellation of the Scheme Shares and, in consideration thereof, the payment to the Scheme Shareholders of the Cancellation Price in cash for each Scheme Share, and the withdrawal of the listing of the Shares on the Stock Exchange.

If the Proposal is approved and implemented, under the Scheme, the share capital of the Company will, on the effective date of the Scheme, be reduced by cancelling and extinguishing the Scheme Shares. Upon such reduction, the share capital of the Company will be increased to its former amount by the issuance at par to the Offeror, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled. The reserve created in the Company's books of account as a result of the capital reduction will be applied in paying up in full at par the new Shares so issued, credited as fully paid, to the Offeror.

TERMS OF THE PROPOSAL

The Scheme

The Scheme will provide that the Scheme Shares will be cancelled and, in consideration thereof, each Scheme Shareholder will be entitled to receive HK\$2.50 in cash for each Scheme Share.

Under the Scheme, the total consideration payable for the Scheme Shares will be payable by the Offeror.

The Cancellation Price will not be increased, and the Offeror does not reserve the right to do so.

The Cancellation Price of HK\$2.50 per Scheme Share represents:

- a premium of approximately 8.23% over the last trading price of HK\$2.31 per Shares immediately before the halt of trading in the shares of the Company with effect from 1:00 p.m. on 1 April 2019;
- a premium of approximately 10.62% over the closing price of HK\$2.26 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 17.37% over the average closing price of approximately HK\$2.13 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- a premium of approximately 19.05% over the average closing price of approximately HK\$2.10 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;

- a premium of approximately 25.63% over the average closing price of approximately HK\$1.99 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day;
- a premium of approximately 27.55% over the average closing price of approximately HK\$1.96 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day; and
- a premium of approximately 42.05% over the audited consolidated net asset value per Share of approximately HK\$1.76 as at 31 December 2018.

The Cancellation Price has been determined on a commercial basis after taking into account the prices of the Shares traded on the Stock Exchange, the trading multiples of comparable companies listed on the Stock Exchange and with reference to other privatisation transactions in Hong Kong in recent years.

Highest and lowest prices

During the six-month period ended on and including the Last Trading Date, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$2.26 on 29 March 2019 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$1.71 on 22 November 2018, 23 November 2018, 26 November 2018, 27 November 2018, 28 November 2018, 29 November 2018, 30 November 2018, 3 December 2018 and 4 December 2018.

During the twelve-month period ended on and including the Last Trading Date, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$2.26 on 29 March 2019 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$1.61 on 17 July 2018.

Total Consideration and Financial Resources

On the basis of the Cancellation Price of HK\$2.50 per Scheme Share and 205,480,000 Scheme Shares in issue as at the Announcement Date, the Scheme Shares are in aggregate valued at approximately HK\$513.7 million. As at the Announcement Date, there are no outstanding warrants, derivatives or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Company that carry a right to subscribe for or which are convertible into Shares.

The cash required for the Proposal is financed by the internal resources of the Offeror. Huatai Financial, the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror for discharging its obligations in respect of the full implementation of the Proposal.

CONDITIONS OF THE PROPOSAL AND THE SCHEME

The implementation of the Proposal is, and the Scheme will become effective and binding on the Company and all Shareholders, subject to the fulfilment or waiver (as applicable) of the following conditions:

- (a) the approval of the Scheme (by way of poll) by a majority in number of the Scheme Shareholders representing not less than 75% in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting;
- (b) the approval of the Scheme (by way of poll) by Independent Shareholders holding at least 75% of the votes attaching to the Scheme Shares held by Independent Shareholders that are voted either in person or by proxy at the Court Meeting, provided that the number of votes cast (by way of poll) by Independent Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Scheme Shares held by all the Independent Shareholders;
- (c) (i) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at an extraordinary general meeting of the Company to approve and give effect to the reduction of the share capital of the Company by cancelling and extinguishing the Scheme Shares, and (ii) the passing of an ordinary resolution by the Shareholders at an extraordinary general meeting of the Company to immediately thereafter increase the issued share capital of the Company to the amount prior to the cancellation of the Scheme Shares and apply the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled as a result of the Scheme, credited as fully paid, for issuance to the Offeror;
- (d) the Grand Court's sanction of the Scheme (with or without modifications) and its confirmation of the reduction of the share capital of the Company, and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Grand Court for registration;
- (e) (i) the receipt of an opinion from the Independent Financial Adviser to the Independent Board Committee confirming that the Rollover Arrangement is fair and reasonable as far as the Independent Shareholders are concerned, (ii) the passing of an ordinary resolution by the Independent Shareholders at an extraordinary general meeting of the Company to approve the Rollover Arrangement, and (iii) the consent from the Executive to the Rollover Arrangement;
- (f) compliance, to the extent necessary, with the procedural requirements and conditions, if any, under sections 15 to 17 of the Companies Law in relation to the reduction of the issued share capital of the Company;

- (g) all necessary authorisations, registrations, filings, rulings, consents, opinions, permissions and approvals in connection with the Proposal having been obtained from, given by or made with (as the case may be) the Relevant Authorities, in the Cayman Islands, Hong Kong and any other relevant jurisdictions;
- (h) all necessary authorisations, registrations, filings, rulings, consents, opinions, permissions and approvals in connection with the Proposal remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any Relevant Authorities which is not expressly provided for, or is in addition to requirements expressly provided for, in relevant laws, rules, regulations or codes in connection with the Proposal or any matters, documents (including circulars) or things relating thereto, in each aforesaid case up to and at the time when the Scheme becomes effective;
- (i) all necessary consents which may be required for the implementation of the Proposal and the Scheme under any existing contractual obligations of the Company being obtained or waived by the relevant party(ies), where any failure to obtain such consent or waiver would have a material adverse effect on the business of the Group;
- (j) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order that would make the Proposal or the Scheme or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Proposal or the Scheme or its implementation in accordance with its terms), other than such actions, proceedings, suits, investigations or enquiries as would not have a material adverse effect on the legal ability of the Offeror to proceed with the Proposal or the Scheme; and
- (k) since the Announcement Date there having been no adverse change in the business, assets, financial or trading positions, profits or prospects of the Group (to an extent which is material in the context of the Group taken as a whole or in the context of the Proposal).

The Offeror reserves the right to waive conditions (g), (h), (i), (j) and (k) either in whole or in part, either generally or in respect of any particular matter. Conditions (a), (b), (c), (d), (e) and (f) cannot be waived in any event. Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Conditions as a basis for not proceeding with the Scheme if the circumstances which give rise to the right to invoke any such Condition are of material significance to the Offeror in the context of the Proposal. All of the above Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date (or such later date as the Offeror and the Company may agree or, to the extent applicable, as the Executive may consent and the Grand Court may direct), failing which the Proposal and the Scheme will lapse. The Company has no right to waive any of the conditions. In respect of conditions (g), (h) and (i), as at the Announcement Date, the Offeror and the Company do not reasonably foresee any necessary authorisations, registrations, filings, rulings, consents, opinions, permissions and approvals required for the Proposal and the Scheme, save for the consents from the Executive in relation to special deal relating to the Rollover Arrangement, which also forms part of condition (e)(iii), and the sanction of the Grand Court.

Warnings:

Shareholders and potential investors should be aware that the implementation of the Proposal is subject to the Conditions being fulfilled or waived, as applicable, and thus the Proposal may or may not be implemented and the Scheme may or may not become effective. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

SHAREHOLDING STRUCTURE OF THE COMPANY AND SCHEME SHARES

As at the Announcement Date, the authorised share capital of the Company is US\$2,000,000 divided into 2,000,000,000 Shares, and the Company has 1,000,000,000 Shares in issue.

As at the Announcement Date, the Offeror does not hold any Shares in the Company, the Offeror Concert Parties held in aggregate 794,520,000 Shares, representing approximately 79.45% of the issued share capital of the Company. Thus, the Scheme Shares, comprising 205,480,000 Shares, represent approximately 20.55% of the issued share capital of the Company.

As at the Announcement Date, Huachen Investment Limited, which is 95.95% owned by Mr. ZHANG Yuqiang, held 329,602,500 Shares (representing approximately 32.96% of the issued share capital of the Company) and Huakai Investment Limited, which is wholly-owned by Mr. ZHANG Jiankan, held 131,015,500 Shares (representing approximately 13.10% of the issued share capital of the Company). Such Shares will not form part of the Scheme Shares and will not be voted on the Scheme at the Court Meeting.

In addition, 333,902,000 Shares (representing 33.39% of the issued share capital of the Company) in aggregate held by the Participating Shareholders will not form part of the Scheme Shares pursuant to the Rollover Agreement, and will not be voted on the Scheme at the Court Meeting.

The table below sets out the shareholding structure of the Company as at the Announcement Date and immediately upon completion of the Proposal:

Shareholders	As at the Announcement Date		Upon completion of the Proposal	
	Number of Shares	%	Number of Shares	%
Offeror				
Heshi ¹	–	–	205,480,000	20.55
Offeror Concert Parties				
– Huachen Investment Limited ²	329,602,500	32.96	329,602,500	32.96
– Huakai Investment Limited ³	131,015,500	13.10	131,015,500	13.10
– Trade Power Investments Limited ⁴	225,000,000	22.50	225,000,000	22.50
– Joyfar Limited ⁵	75,000,000	7.50	75,000,000	7.50
– Mr. CAO Guorong ⁶	33,902,000	3.39	33,902,000	3.39
Aggregate number of Shares of the Offeror and the Offeror Concert Parties	<u>794,520,000</u>	<u>79.45</u>	<u>1,000,000,000</u>	<u>100.00</u>
Independent Shareholders	<u>205,480,000</u>	<u>20.55</u>	<u>–</u>	<u>–</u>
Total	<u>1,000,000,000</u>	<u>100.00</u>	<u>1,000,000,000</u>	<u>100.00</u>
Total number of Scheme Shares	205,480,000	20.55		

Notes:

- Heshi is wholly owned by Zhenshi Holding which is in turn, owned by Mr. ZHANG Yuqiang, Tongxiang Wushi Trading Co., Ltd.* (桐鄉務石貿易有限公司, a company wholly owned by Mr. ZHANG Jiankan), Mr. ZHANG Zhiqiang, Mr. ZHOU Senlin and Mr. YANG Guoming as to 70.28%, 25.23%, 2.03%, 1.8% and 0.66% respectively.
- Huachen Investment Limited is a company incorporated under the laws of the British Virgin Islands with limited liability, beneficially owned as to 95.95% by Mr. ZHANG Yuqiang, the controlling shareholder, a non-executive director and the chairman of the Company, and as to 2.77% by Mr. ZHANG Zhiqiang, 0.37% by Mr. ZHOU Senlin and 0.90% by Mr. YANG Guoming, respectively. Mr. ZHANG Yuqiang is a director of Huachen Investment Limited and is deemed to be acting in concert with Huachen Investment Limited pursuant to the definition of “Acting in concert” set out in the Takeovers Code. In addition, he is a director of the Offeror and deemed to be acting in concert with the Offeror pursuant to the definition of “Acting in concert” set out in the Takeovers Code. Accordingly, Huachen Investment Limited is deemed to be acting in concert with the Offeror.
- Huakai Investment Limited is a company incorporated under the laws of the British Virgin Islands with limited liability, and 100% beneficially owned by Mr. ZHANG Jiankan, a non-executive Director and the son of Mr. ZHANG Yuqiang. Mr. ZHANG Jiankan is a director of Huakai Investment Limited and is deemed to be acting in concert with Huakai Investment Limited pursuant to the definition of “Acting in concert” set out in the Takeovers Code. In addition, he is a director of the Offeror and deemed to be acting in concert with the Offeror pursuant to the definition of “Acting in concert” set out in the Takeovers Code. Accordingly, Huakai Investment Limited is deemed to be acting in concert with the Offeror.

4. Trade Power Investments Limited is a company incorporated under the laws of the British Virgin Islands with limited liability, and is 100% owned by Soar City Investments Limited, which is in turn 100% owned by Mr. TANG Hsin-hua, a non-executive director of the Company.
5. Joyfar Limited is a company incorporated under the laws of the British Virgin Islands with limited liability, and is 100% owned by Top Way Alliance Limited, which is in turn 100% owned by Mr. FANG Yan Zau Alexander.
6. Mr. CAO Guorong, who owns 3.39% Shares of the Company, is a deputy general manager of China Jushi Co., Ltd. (中國巨石股份有限公司) and a vice president of its wholly-owned PRC subsidiary Jushi Group Co., Ltd. (巨石集團有限公司). China Jushi Co., Ltd. is a joint stock company incorporated in the PRC with limited liability whose shares have been listed on the Main Board of the Shanghai Stock Exchange, in which Zhenshi Holding holds 15.59% equity interest.
7. All percentages in the above table are approximations rounded to two decimal places.

On the assumption that no new Shares will be issued from the Announcement Date up to the Record Date, and that there will be no change in shareholdings of the Company, following the effective date of the Scheme and the withdrawal of listing of the Shares on the Stock Exchange, the Offeror, together with Offeror Concert Parties, will hold in aggregate 100% of the issued share capital of the Company.

SPECIAL DEAL RELATING TO ROLLOVER ARRANGEMENT

The Offeror would like to allow the Participating Shareholders to retain their shareholdings in the Company after the Scheme becomes effective. The Participating Shareholders hold in aggregate 33.39% of the issued share capital of the Company as at the Announcement Date.

Trade Power Investments Limited is indirectly owned as to 100% by Mr. TANG Hsin-Hua, a non-executive director of the Company and the founder of the Company's business. Joyfar Limited, which is indirectly owned as to 100% by Mr. FANG Yan Zau Alexander, a pre-IPO investor of the Company who has been holding Shares prior to the initial public offering of the Company in 2015. Mr. TANG Hsin-hua and Mr. FANG Yan Zau Alexander have been long term business partners of Mr. ZHANG Yuqiang and Mr. ZHANG Jiankan. They have extensive operational expertise and in-depth understanding of Company's business, and share the same vision on the Company's long-term development strategy.

Mr. CAO Guorong is a deputy general manager of China Jushi Co., Ltd. and a vice president of its wholly-owned PRC subsidiary Jushi Group Co., Ltd. Zhenshi Holding, the parent company of the Offeror, owns 15.59% of the issued share capital of China Jushi Co., Ltd., and Mr. ZHANG Yuqiang also serves as a deputy chairman of the board of directors and the general manager of China Jushi Co., Ltd. Mr. CAO Guorong has been a long-term colleague of Mr. ZHANG Yuqiang, who has been working closely with each other. He has rich experience of business operation and deep understanding of the fiberglass industry, and shares the same view on Company's long-term development strategy.

The Offeror is of view that the Company can benefit from the commitment of the Participating Shareholders and it is important for the Company to retain the Participating Shareholders as Shareholders after the completion of the Scheme so that the Participating Shareholders will have incentives to continue to contribute to the future development and growth of the Group.

Rollover Agreement

The Offeror and the Participating Shareholders have entered into the Rollover Agreement, pursuant to which:

- (a) subject to, among others, the Independent Shareholders' approval as set out in the section headed "Independent Shareholders' Approval" below, the Participating Shareholders will remain as Shareholders after the Scheme becomes effective and none of the Shares held by the Participating Shareholders will constitute Scheme Shares or will be voted on the Scheme at the Court Meeting;
- (b) each of the Participating Shareholders has undertaken, to the extent permitted under the Takeovers Code, the Listing Rules and applicable laws, to exercise, or, as the case may be, to procure the exercise of the voting rights in respect of the Shares owned by them directly on resolutions in relation to the Scheme in accordance with the Offeror's directions, and in the absence of any such directions, to vote in favor of all resolutions which are necessary to implement the Scheme proposed at a general or class meeting of the Company, and that they shall be bound by, and take all actions necessary to implement the Scheme;
- (c) the Participating Shareholders have further undertaken that they shall not, directly or indirectly, sell, transfer, charge, encumber, grant any option over or otherwise dispose of any interest in any of the Shares held by them, nor will they accept any other offer in respect of all or any of such Shares; and
- (d) the Participating Shareholders will remain on the register of the Company immediately after the Scheme becomes effective.

The Rollover Agreement will be terminated if the Scheme lapses or is withdrawn in accordance with its terms.

The Offeror and the Participating Shareholders have confirmed that:

1. There are no consideration, compensation or benefits in whatsoever form paid or to be paid by the Offeror or parties acting in concert with it to any of the Participating Shareholders or their respective concert parties in connection with the Scheme or the Rollover Agreement; and
2. Other than the Rollover Agreement, there are no other understanding, arrangement, agreement or special deal between the Offeror or parties acting in concert with it on the one hand, and any of the Participating Shareholders or their respective concert parties on the other hand.

Independent Shareholders' Approval

As the Rollover Agreement was only entered into by and between the Offeror and the Participating Shareholders and the Rollover Arrangement thereunder is not offered to all Shareholders, the Rollover Arrangement constitutes special deals and requires the consent of the Executive under Rule 25 of the Takeovers Code. The Offeror will make an application for consent from the Executive in relation to the Rollover Arrangement conditional on the Independent Financial Adviser to the Independent Board Committee confirming that the Rollover Arrangement is fair and reasonable, and the passing of an ordinary resolution by the Independent Shareholders at an extraordinary general meeting of the Company to approve the Rollover Arrangement. Accordingly, as set out in Condition (e), the Proposal and the Scheme are subject to (i) the receipt of an opinion from the Independent Financial Adviser to the Independent Board Committee confirming that the Rollover Arrangement is fair and reasonable, (ii) the passing of an ordinary resolution by the Independent Shareholders at an extraordinary general meeting of the Company to approve the Rollover Arrangement, and (iii) the consent from the Executive to the Rollover Arrangement.

REASONS FOR AND BENEFITS OF THE PROPOSAL

(a) To facilitate a shift in strategy towards transformation and long-term growth

The Company plans to implement a series of long-term transformation and growth strategies. The Offeror and Offeror Concert Parties are of the view that such growth strategies will better unleash the Company's potential in the long run. However, such strategies may affect the Company's short-term growth profile and result in the divergence between the Offeror's and the Company's view on the Company's long-term value on one hand, and investors' views on the Company's share price on the other hand. Following the implementation of the Proposal, the Company can make strategic decisions focused on long-term benefits, free from the pressure of market expectations, profit visibility and share price fluctuation associated with being a publicly listed company.

(b) Low liquidity of Shares may continue to cause abnormal share price fluctuation and difficulty for the Company to raise funds

The average daily trading volume of the Shares for the 24 months up to and including the Last Trading Day was approximately 0.18 million Shares per day, representing only approximately 0.02% of the issued Shares as at the Announcement Date. The low trading liquidity of the Shares could make it difficult for Shareholders to execute substantial on-market disposals without adversely affecting the price of the Shares and also make it difficult for Shareholders to dispose of a large number of Shares when any event that has an adverse impact on the Company's share price occurs.

In addition, given the low liquidity of Shares, the directors of the Offeror believe that the Company's ability to raise funds from the public equity markets is currently limited and any significant improvement in the liquidity of the Shares in the foreseeable future is unlikely.

- (c) *A good opportunity for Scheme Shareholders to realise their investment for a premium*

The Proposal are intended to provide the Scheme Shareholders with an opportunity to realise their investment in the Company for cash at a premium to the market price. For reference purpose, the Cancellation Price of HK\$2.50 represents a premium of approximately 19.05% over the average closing price of the Shares for the 60 trading days up to and including the Last Trading Day, a premium of approximately 25.63% over the average closing price of Shares for the 120 trading days up to and including the Last Trading Day, or a premium of approximately 27.55% over the average closing price of Shares for the 180 trading days up to and including the Last Trading Day.

- (d) *Cost reduction from the saving of cost of listing and cost of investor relations*

The delisting of the Company would reduce the costs and management resources associated with the maintenance of the Company's listing status on the Stock Exchange, therefore the delisting of the Company is expected to result in a more efficient and cost-effective group structure and create more flexibility for the Group to manage its business in an efficient and sustainable manner.

INFORMATION ON THE COMPANY

The Company is an exempted company incorporated in the Cayman Islands with limited liability whose shares have been listed on the Main Board of the Stock Exchange since 21 December 2015. The Group is principally engaged in the design, manufacture and sale of fiberglass fabrics.

Set out below is a summary of selected audited consolidated financial information of the Group for the two financial years ended 31 December 2018 as extracted from the annual report of the Company for the year ended 31 December 2018:

	For the year ended	
	31 December	
	2018	2017
	RMB'000	RMB'000
Revenue	1,458,050	1,216,593
Profit/(loss) after tax	252,754	215,750
	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Consolidated net asset value	1,509,989	1,334,920

As at the Announcement Date, the Company is solvent and is not unable to pay its debts as they fall due and will not become unable to do so immediately after the Announcement Date.

INFORMATION ON THE OFFEROR

The Offeror, Heshi, is incorporated in Hong Kong with limited liability on 12 June 2009. The principal activity of Heshi is international trading and investment holding.

The Offeror is wholly owned by Zhenshi Holding, a limited liability company established in the PRC since 1989 and with registered capital of RMB197 million. Its principal businesses span various industries, including fiberglass manufactures, composite materials production, trading and logistics, special steel production, mineral development, real estate development, hotel management, tourism, healthcare, education and culture, financial investments and so on.

Mr. ZHANG Yuqiang, the controlling shareholder of the Company, a non-executive director of the Company and the chairman of the Board, is also a director of the Offeror, the controlling shareholder, the chairman and founder of Zhenshi Holding. As at the Announcement Date, Mr. ZHANG Yuqiang directly holds 70.28% equity interest in Zhenshi Holding. Mr. ZHANG Yuqiang is the father of Mr. ZHANG Jiankan.

Mr. ZHANG Jiankan, a non-executive director of the Company, is also a director of the Offeror, the director and the general manager of Zhenshi Holding. As at the Announcement Date, Mr. ZHANG Jiankan indirectly holds 25.23% equity interest in Zhenshi Holding through Tongxiang Wushi Trading Co., Ltd.* (桐鄉務石貿易有限公司), a company established under the laws of PRC and wholly owned by him. Mr. ZHANG Jiankan is the son of Mr. ZHANG Yuqiang.

Mr. ZHANG Zhiqiang, Mr. ZHOU Senlin and Mr. YANG Guoming, shareholders of Huachen Investment Limited (a company interested in 32.96% of the issued share capital of the Company) directly holds 2.03%, 1.80% and 0.66% equity interest in Zhenshi Holding, respectively. Mr. ZHANG Zhiqiang is Mr. Zhang Yuqiang's younger brother. Mr. Zhou Senlin is the younger brother of the wife of Mr. Zhang Yuqiang. Mr. ZHOU Senlin is also a director and a deputy general manager of China Jushi Co., Ltd. (中國巨石股份有限公司). Mr. YANG Guoming is a deputy general manager of China Jushi Co., Ltd. (中國巨石股份有限公司) and the president of Jushi Group Co., Ltd. (巨石集團有限公司), and has no family tie with Mr. ZHANG Yuqiang.

WITHDRAWAL OF LISTING OF SHARES

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. The Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange immediately following the Scheme becoming effective. The Scheme Shareholders will be notified by way of an announcement of the exact date of the last day for dealing in the Shares and on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective. A detailed timetable of the Scheme will be included in the Scheme Document, which will also contain, inter alia, further details of the Scheme.

IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES

The listing of the Shares on the Stock Exchange will not be withdrawn if the Scheme does not become effective or the Proposal otherwise lapses.

If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with them in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses, announce an offer or possible offer for the Company, except with the consent of the Executive.

Shareholders and potential investors should exercise caution when dealing in the Shares or other rights in respect of them. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

OVERSEAS SHAREHOLDERS

The making and implementation of the Proposal to Scheme Shareholders who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions in which such Scheme Shareholders are located. Such Scheme Shareholders should inform themselves about and observe any applicable legal, tax or regulatory requirements. It is the responsibility of any overseas Scheme Shareholders wishing to take any action in relation to the Proposal to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction. Any acceptance by the Scheme Shareholders will be deemed to constitute a representation and warranty from such persons to the Offeror and the Company and their advisers that those laws and regulatory requirements have been complied with.

SCHEME SHARES, MEETING OF SCHEME SHAREHOLDERS AND EXTRAORDINARY GENERAL MEETING OF THE COMPANY

As at the Announcement Date, the Offeror Concert Parties hold an aggregate of 794,520,000 Shares representing approximately 79.45% of the issued share capital of the Company. Such Shares will not constitute Scheme Shares and will not be voted on the Scheme at the Court Meeting.

Each of Offeror Concert Parties will undertake to the Grand Court that they will be bound by the Scheme, so as to ensure that they will comply with and be subject to the terms and conditions of the Scheme.

By reason of being the financial adviser to the Offeror, Huatai Financial is presumed to be acting in concert with the Offeror in relation to the Proposal. Details of holdings or borrowings or lendings of, and dealings in, Shares held by or entered into by the other part of Huatai Financial as a group will be obtained as soon as possible after this joint announcement has been made, and if necessary, a further announcement will be made, in accordance with Note 1 to Rule 3.5 of the Takeovers Code.

All Shareholders will be entitled to attend the extraordinary general meeting of the Company and vote on (i) the special resolution to approve and give effect to the reduction of the share capital of the Company by cancelling and extinguishing the Scheme Shares; (ii) the ordinary resolution to immediately thereafter increase the issued share capital of the Company to the amount prior to the cancellation of the Scheme Shares and apply the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled as a result of the Scheme, credited as fully paid, for issuance to the Offeror; and (iii) the ordinary resolution to approve the withdrawal of listing of the Shares upon the Scheme becoming effective. The Offeror Concert Parties have undertaken that if the Scheme is approved at the Court Meeting, they will cast the votes in respect of those Shares held by them in favour of the resolutions to be proposed at the extraordinary general meeting of the Company. As far as the resolution in connection with the special deal relating to the Rollover Arrangement is concerned, only the Independent Shareholders can vote thereon.

COSTS OF THE SCHEME

If the Independent Board Committee or the Independent Financial Adviser to the Independent Board Committee does not recommend the Proposal, the Scheme, or the Rollover Arrangement, and the Scheme is not approved, all expenses incurred by the Company in connection therewith shall be borne by the Offeror in accordance with Rule 2.3 of the Takeovers Code.

GENERAL

The Offeror have appointed Huatai Financial as their financial adviser in connection with the Proposal.

Save as disclosed in the sections headed “Rollover Arrangement” of this announcement, there are no arrangements (whether by way of options, indemnity or otherwise) in relation to Shares between the Offeror or any of the Offeror Concert Parties and any other person which might be material to the Proposal.

There are no agreements or arrangements to which Offeror is a party which relate to the circumstances in which they may or may not invoke or seek to invoke a condition to the Proposal.

The Offeror and the Offeror Concert Parties have not borrowed or lent any Shares or any other securities of the Company as at the Announcement Date.

There has been no dealing in the securities of the Company by the Offeror and the Offeror Concert Parties during the six months period prior to the Announcement Date.

As at the Announcement Date, there are no options, warrants or convertible securities in respect of the Shares held, controlled or directed by the Offeror or the Offeror Concert Parties, or outstanding derivatives in respect of the Shares entered into by the Offeror or the Offeror Concert Parties.

As at the Announcement Date, no irrevocable commitment to vote for or against the Scheme has been received by the Offeror or the Offeror Concert Parties.

Save as disclosed in the section headed “Special Deal Relating to the Rollover Arrangement” of this announcement, there is no other understanding, arrangement or agreement or special deal between (1) any shareholder of the Company; and (2)(a) the Offeror and Offeror Concert Parties, or (b) the Company, its subsidiaries or associated companies.

INDEPENDENT BOARD COMMITTEE

An Independent Board Committee, which comprises all the independent non-executive directors of the Company, namely Mr. XIE Guoping, Mr. LOU Hetong, and Mr. ZHAO Jun, has been established by the Board to make a recommendation to the Independent Shareholders as to whether the terms of the Proposal, the Scheme and the Rollover Arrangement are, or are not, fair and reasonable and as to voting.

Although Mr. ZHANG Yuqiang, Mr. ZHANG Jiankan, Mr. TANG Hsin-hua and Mr. WANG Yuan are non-executive directors of the Company, since:

- (1) each of Mr. ZHANG Yuqiang and Mr. ZHANG Jiankan holds as to 70.28% and 25.23% equity interest indirectly in the Offeror, respectively;
- (2) Mr. TANG Hsin-hua holds a 100% equity interest in Trade Power Investments Limited, which is a Participating Shareholder; and
- (3) Mr. WANG Yuan is a director and vice president of Zhenshi Holding, of which the Offeror is a wholly-owned subsidiary,

Mr. ZHANG Yuqiang, Mr. ZHANG Jiankan, Mr. TANG Hsin-hua and Mr. WANG Yuan are regarded as being interested in the Proposal and therefore have not participated in any vote of the Board in relation to the Proposal and the Scheme and will not form part of the Independent Board Committee.

The non-executive directors of the Company may have a material interest in the Proposal and have not participated in any vote of the Board in relation to the Proposal and the Scheme. The directors of the Company (excluding members of the Independent Board Committee) consider that the terms of the Proposal and the Scheme are fair and reasonable and in the interests of the Shareholders as a whole.

The Scheme Shareholders are reminded to carefully read the Scheme Document and the letter of advice from the Independent Financial Adviser to the Independent Board Committee contained therein before making a decision.

INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT BOARD COMMITTEE

In accordance with Rule 2.1 of the Takeovers Code, the Board is pleased to announce that Gram Capital Limited, a licensed corporation to carry out Type 6 (Advising on Corporate Finance) regulated activities under the SFO, has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in connection with the terms of the Proposal and the Scheme and such appointment has been approved by the Independent Board Committee. The advice of the Independent Financial Adviser and recommendation of the Independent Board Committee will be included in the Scheme Document and despatched to the Shareholders in due course.

DESPATCH OF SCHEME DOCUMENT

The Scheme Document containing, inter alia, further details of the Proposal and the Scheme, the expected timetable, an explanatory memorandum as required under the Companies Law and the rules of the Grand Court, information regarding the Company, recommendations from the Independent Board Committee with respect to the Proposal, the Scheme, the Rollover Arrangement, the letter of advice from the Independent Financial Adviser to the Independent Board Committee, a notice of the Court Meeting and a notice of an extraordinary general meeting of the Company, together with forms of proxy in relation thereto, will be despatched to the Shareholders as soon as practicable and in compliance with the requirements of the Takeovers Code, the Companies Law, the Grand Court and other applicable regulations.

The Scheme Document will contain important information and the Scheme Shareholders are urged to carefully read the Scheme Document containing such disclosures before casting any vote at (or providing any proxy in respect of) the Court Meeting or the extraordinary general meeting of the Company.

DISCLOSURE OF DEALINGS

Associates of the Offeror and the Company (as defined in the Takeovers Code, including shareholders holding 5% or more of the relevant securities (as defined in paragraphs (a) to (d) in Note 4 to Rule 22 of the Takeovers Code) of the Offeror or the Company) are hereby reminded to disclose their dealings in any securities of the Company under Rule 22 of the Takeovers Code during the offer period commencing on the Announcement Date.

In accordance with Rule 3.8 of the Takeovers Code, reproduced below is the full text of Note 11 to Rule 22 of the Takeovers Code:

“Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates of an offeror or the offeree company and other persons under Rule 22 and that those clients are willing to comply with them.

Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than \$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“acting in concert”	has the meaning ascribed to it in the Takeovers Code
“Announcement Date”	4 April 2019, being the date of this announcement
“associates”	has the meaning ascribed to it in the Takeovers Code
“Board”	the board of directors of the Company
“Cancellation Price”	the cancellation price of HK\$2.50 per Scheme Share payable in cash by the Offeror to the Scheme Shareholders pursuant to the Scheme
“Company”	China Hengshi Foundation Company Limited (中國恒石基業有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the ordinary shares of which are currently listed on the Main Board of the Stock Exchange
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961), as consolidated and revised, of the Cayman Islands
“Conditions”	the conditions to the implementation of the Proposal and the Scheme as set out in the section headed “Conditions of the Proposal and the Scheme” of this announcement
“Court Meeting”	a meeting of the Scheme Shareholders to be convened at the direction of the Grand Court at which the Scheme will be voted upon
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate thereof
“Grand Court”	the Grand Court of the Cayman Islands
“Group”	the Company and its subsidiaries

“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huatai Financial”	Huatai Financial Holdings (Hong Kong) Limited (華泰金融控股(香港)有限公司), the financial adviser to the Offeror in connection with the Proposal. Huatai Financial is a corporation licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
“Independent Board Committee”	the independent board committee of the Company established by the Board to make a recommendation to the Independent Shareholders in respect of, among others, the Proposal, the Scheme, the special deal relating to the Rollover Arrangement and voting in respect thereof
“Independent Financial Adviser”	Gram Capital Limited, a licensed corporation to carry out Type 6 (Advising on Corporate Finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee in relation to the Proposal, the Scheme and the special deal relating to the Rollover Arrangement
“Independent Shareholders”	the Shareholders other than the Offeror and the Offeror Concert Parties
“Last Trading Day”	29 March 2019, being the last trading day prior to the date of halt of trading in the Shares on the Stock Exchange before the issuance of this announcement by the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 December 2019 or such later date as the Offeror and the Company may agree or, to the extent applicable, as the Executive may consent and the Grand Court may direct
“Offeror” or “Heshi”	Zhenshi Group (HK) Heshi Composite Materials Co., Limited, a company incorporated under the laws of Hong Kong, wholly owned by Zhenshi Holding
“Offeror Concert Parties”	parties acting in concert or presumed to be acting in concert with any of the Offeror under the definition of “acting in concert” under the Takeovers Code, including Huachen Investment Limited, Huakai Investment Limited and the Participating Shareholders

“Participating Shareholders”	Trade Power Investments Limited, Joyfar Limited and Mr. CAO Guorong
“Proposal”	the proposal for the privatisation of the Company by the Offeror by way of the Scheme and the restoration of the share capital of the Company to the amount immediately before the cancellation of the Scheme Shares, on the terms and subject to the conditions set out in this announcement
“PRC”	the People’s Republic of China, but for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Record Date”	the appropriate record date to be announced for determining entitlements under the Scheme
“Relevant Authorities”	appropriate governments and/or governmental bodies, regulatory bodies, courts or institutions
“Rollover Agreement”	the rollover agreement entered into between the Offeror and the Participating Shareholder on 3 April 2019
“Rollover Arrangement”	the arrangement between the Offeror and the Participating Shareholders under the Rollover Agreement
“Scheme”	a scheme of arrangement under Section 86 of the Companies Law involving the cancellation of all the Scheme Shares
“Scheme Document”	the scheme document of the Company and the Offeror to be issued to all Shareholders containing, inter alia, further details of the Proposal together with the additional information specified in the section of this announcement headed “Despatch of Scheme Document” above
“Scheme Share(s)”	Share(s) other than those held by the Offeror and the Offeror Concert Parties
“Scheme Shareholder(s)”	Holder(s) of Scheme Shares as at the Record Date
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of US\$0.001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Code on Takeovers and Mergers
“trading day”	a day on which the Stock Exchange is open for the business of dealings in securities
“Zhenshi Holding”	Zhenshi Holding Group Co., Ltd.* (振石控股集團有限公司), a company established under the laws of PRC

* for identification purposes only

By Order of the Board of
**Zhenshi Group (HK) Heshi
Composite Materials Co., Limited**
Zhang Yuqiang
Director

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

Hong Kong, 4 April 2019

As at the Announcement Date, the directors of the Offeror are Mr. ZHANG Jiankan, Mr. ZHANG Yuqiang and Mr. Yin Hang.

As at the Announcement Date, the directors of the Zhenshi Holding are Mr. ZHANG Yuqiang, Mr. ZHANG Jiankan and Mr. WANG Yuan.

The directors of the Offeror and the directors of Zhenshi Holding jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than that relating to the Group) and confirms, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than those expressed by the directors of the Company) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

As at the Announcement Date, the directors of the Company are:

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

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

Independent non-executive Directors: Mr. XIE Guoping, Mr. LOU Hetong and Mr. ZHAO Jun

The directors of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, (having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

The exchange rate adopted in this joint announcement for illustration purpose only is HK\$1 = RMB0.856, being the exchange rate as quoted by the State Administration of Foreign Exchange on the Last Trading Day. Such conversion should not be construed as a representation that the currency could actually be converted into HK\$ at that rate or at all.