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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  
PROPOSED PRIVATISATION OF  
CHINA HENGSHI FOUNDATION COMPANY LIMITED  
BY THE OFFEROR  
BY WAY OF A SCHEME OF ARRANGEMENT  
(UNDER SECTION 86 OF THE COMPANIES LAW)  
DESPATCH OF SCHEME DOCUMENT**

**Financial Adviser to the Offeror**

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

**DESPATCH OF SCHEME DOCUMENT**

The Scheme Document together with the respective notices of the Court Meeting and EGM to be held on Tuesday, 18 June 2019 and the relevant proxy forms are despatched to Shareholders on Monday, 27 May 2019.

## **RECOMMENDATIONS OF THE INDEPENDENT BOARD COMMITTEE**

The Scheme Document contains, among other things, a letter from Gram Capital, the Independent Financial Adviser, giving its advice to the Independent Board Committee in connection with the Proposal, the Scheme and the Rollover Arrangement, and a letter from the Independent Board Committee containing its recommendations to the Scheme Shareholders in respect of the Proposal, the Scheme and the Rollover Arrangement, respectively. Scheme Shareholders are urged to read and consider carefully the recommendations of the Independent Board Committee and the advice of the Independent Financial Adviser, in relation to the Proposal, the Scheme and the Rollover Arrangement set out in the letter from the Independent Board Committee and the letter from the Gram Capital, respectively.

## **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determining the entitlements of Scheme Shareholders to attend and vote at the Court Meeting and Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Thursday, 13 June 2019 to Tuesday, 18 June 2019 (both days inclusive) and during such period, no transfer of Shares will be effected.

## **CONDITIONS OF THE PROPOSAL AND THE SCHEME**

Shareholders and/or potential investors should be aware that the implementation of the Scheme and the Proposal is subject to the Conditions as detailed in the Scheme Document 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. Assuming that the Conditions are fulfilled (or, as applicable, waived in whole or in part), it is expected that the Scheme will become effective on or before Monday, 1 July 2019 (Cayman Islands time). Details of the Conditions are set out in the Scheme Document. All the Conditions will have to be fulfilled or waived, as applicable, on or before 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), failing which the Scheme and the Proposal will lapse. Further announcements on any changes regarding the timetable of the Scheme and the Proposal will be made as and when necessary.

**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.**

References are made to (i) the joint announcement dated 4 April 2019 jointly issued by China Hengshi Foundation Company Limited (the “**Company**”) and Zhenshi Group (HK) Heshi Composite Materials Co., Limited (the “**Offeror**” or “**Heshi**”) in relation to the proposal for privatisation of the Company by the Offeror by way of a scheme of arrangement under section 86 of the Companies Law of the Cayman Islands; and (ii) the joint announcement dated 25 April 2019 jointly issued by the Company and the Offeror in relation to the extension of time for despatch of the scheme document of the Company and the Offeror (the “**Scheme Document**”).

Unless otherwise defined, terms used herein shall have the same meaning as those defined in the Scheme Document.

## **DESPATCH OF SCHEME DOCUMENT**

The Scheme Document together with the respective notices of the Court Meeting and EGM of the Company to be held on Tuesday, 18 June 2019 and the relevant proxy forms are despatched to Shareholders on Monday, 27 May 2019.

The Scheme Document contains, among other things, further details of the Proposal, the Scheme and the Rollover Arrangement, the expected timetable, the explanatory statement of the Scheme as required under the Companies Law, general information regarding the Company and the Offeror, the letters from the Board, the Independent Board Committee and the Independent Financial Adviser, the letters on the profit estimates from Linkers CPA Limited and Gram Capital, a notice of the Court Meeting and a notice of the EGM.

## **RECOMMENDATIONS OF THE 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 Scheme Shareholders as to whether the terms of the Proposal, the Scheme and the Rollover Arrangement fair and reasonable and as to voting. The Scheme Document contains, among other things, a letter from the Independent Board Committee containing its recommendations to the Scheme Shareholders in respect of the Proposal, the Scheme and the Rollover Arrangement.

Gram Capital has been appointed as the Independent Financial Adviser (with the approval of the Independent Board Committee) to advise the Independent Board Committee in connection with the Proposal, the Scheme and the Rollover Arrangement. The Scheme Document contains, among other things, a letter from Gram Capital, the Independent Financial Adviser, giving its advice to the Independent Board Committee in connection with the Proposal, the Scheme and the Rollover Arrangement.

Scheme Shareholders are urged to read and consider carefully the recommendations of the Independent Board Committee and the advice of the Independent Financial Adviser in relation to the Proposal, the Scheme and the Rollover Arrangement set out in the letter from the Independent Board Committee and the letter from Gram Capital, respectively.

## **COURT MEETING AND EGM**

The Court Meeting and the EGM are scheduled to be held at 9:30 a.m. and 10:30 a.m. (or immediately after the conclusion or adjournment of the Court Meeting convened on the same day and place), respectively, on Tuesday, 18 June 2019 at Whampoa 03, 1/F, Harbour Grand Kowloon, 20 Tak Fung Street, Whampoa Garden, Hunghom, Kowloon, Hong Kong. In accordance with the directions of the Grand Court, the Court Meeting will be held for the purpose of considering and, if thought fit, passing a resolution to approve the Scheme (with or without modifications). The EGM will be held for the purpose of considering and if thought fit passing (i) the special resolution by the Shareholders to approve and give effect to the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares; (ii) the ordinary resolution by the Shareholders to restore the share capital of the Company to its former amount by allotting and issuing to the Offeror the same number of the Shares as the number of Scheme Shares cancelled and extinguished; and (iii) the ordinary resolution by the Independent Shareholders to approve the Rollover Arrangement.

Notices of the Court Meeting and the EGM are also contained in the Scheme Document.

An announcement will be made by the Company and the Offeror in relation to the results of the Court Meeting and the EGM in accordance with Rule 19.1 of the Takeovers Code to the extent applicable and the relevant Listing Rules.

## **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determining the entitlements of Scheme Shareholders to attend and vote at the Court Meeting and Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Thursday, 13 June 2019 to Tuesday, 18 June 2019 (both days inclusive) and during such period, no transfer of Shares will be effected. In order to qualify to vote at the Court Meeting and the EGM, all transfers accompanied by the relevant share certificates must be lodged with Tricor Investor Services Limited, the Hong Kong branch share registrar of the Company, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. (Hong Kong time) on Wednesday, 12 June 2019.

## **CONDITIONS OF THE PROPOSAL AND THE SCHEME**

Shareholders and/or potential investors should be aware that the implementation of the Scheme and the Proposal is subject to the Conditions as detailed in the Scheme Document 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. Assuming that the Conditions are fulfilled (or, as applicable, waived in whole or in part), it is expected that the Scheme will become effective on or before Monday, 1 July 2019 (Cayman Islands time). Details of the Conditions are set out in the Scheme Document.

All the Conditions will have to be fulfilled or waived, as applicable, on or before 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), failing which the Scheme and the Proposal will lapse. Further announcements on any changes regarding the timetable of the Scheme and the Proposal will be made as and when necessary.

## EXPECTED TIMETABLE

The expected timetable for the Proposal is as follows:

### Hong Kong Time

Date of despatch of the Scheme Document . . . . .	Monday, 27 May 2019
Latest time for lodging transfers of Shares in order to qualify for attending and voting at the Court Meeting and the EGM . . . . .	4:30 p.m. on Wednesday, 12 June 2019
Register of members of the Company closed for determination of entitlements of Scheme Shareholders to attend and vote at the Court Meeting and of Shareholders to attend and vote at the EGM ( <i>Note 1</i> ) . . . .	from Thursday, 13 June 2019 to Tuesday, 18 June 2019 (both days inclusive)
Latest time for lodging forms of proxy in respect of Court Meeting ( <i>Note 2</i> ) . . . . .	9:30 a.m. on Sunday, 16 June 2019 (or be handed directly to the Chairman at the Court Meeting)
Latest time for lodging forms of proxy in respect of EGM ( <i>Note 2</i> ) . . . . .	10:30 a.m. on Sunday, 16 June 2019
Meeting Record Date . . . . .	Tuesday, 18 June 2019
Court Meeting ( <i>Note 3</i> ) . . . . .	9:30 a.m. on Tuesday, 18 June 2019
EGM ( <i>Note 3</i> ) . . . . .	10:30 a.m. on Tuesday, 18 June 2019 (or immediately after the conclusion or adjournment of the Court Meeting)
Announcement of the results of the Court Meeting and the EGM . . . . .	not later than 7:00 p.m. on Tuesday, 18 June 2019
Latest time for trading of the Shares on the Stock Exchange . . . . .	Close of trading hours on Tuesday, 25 June 2019

Latest time for lodging transfers of Shares in order to  
qualify for entitlements under the Scheme . . . . . 4:30 p.m. on  
Thursday, 27 June 2019

Register of members of the Company  
closed for determining entitlements to qualify  
under the Scheme (*Note 4*) . . . . . from Friday, 28 June 2019 onwards

Grand Court hearing of the petition to sanction  
the Scheme and to confirm the capital reduction . . . . . Friday, 28 June 2019  
(**Cayman Islands Time**)

Announcement of the result of the court hearing to sanction  
the Scheme and to confirm the capital reduction . . . . . Monday, 1 July 2019

Scheme Record Date . . . . . Monday, 1 July 2019

Effective Date (*Note 5*) . . . . . Monday, 1 July 2019  
(**Cayman Islands Time**)

Announcement of the Effective Date and  
the withdrawal of the listing of the  
Shares on the Stock Exchange . . . . . Tuesday, 2 July 2019

Expected withdrawal of the listing of Shares on the  
Stock Exchange becomes effective . . . . . 4:00 p.m. on Wednesday, 3 July 2019

Latest time to despatch cheques for cash payment  
under the Scheme . . . . . on or before Wednesday, 10 July 2019

**Shareholders should note that the above timetable is subject to change. Further  
announcement(s) will be made in the event that there is any change.**

Notes:

- (1) The register of members of the Company will be closed during such period for the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and of the Shareholders to attend and vote at the EGM. This book closure period is not for determining entitlements under the Scheme.
- (2) Forms of proxy should be lodged with the office of the Company's branch share registrar, Tricor Investor Services Limited as soon as possible and in any event no later than the times and dates stated above. If the **pink** form of proxy is not so lodged, it may also be handed to the chairman of the Court Meeting at the Court Meeting who shall have absolute discretion as to whether or not to accept it. In order to be valid, the **pink** form of proxy for the Court Meeting and the **white** form of proxy for the EGM must be lodged no later than the latest times and dates stated above. Completion and return of a form of proxy for the Court Meeting or the EGM will not preclude a Scheme Shareholder and Shareholder, respectively, from attending the relevant meeting and voting in person. In such event, the returned form of proxy will be deemed to have been revoked.

- (3) The Court Meeting and the EGM will be held at Whampoa 03, 1/F, Harbour Grand Kowloon, 20 Tak Fung Street, Whampoa Garden, Hunghom, Kowloon, Hong Kong at the times and dates specified above. Please see the notice of Court Meeting set out in Appendix VI of the Scheme Document and the notice of EGM set out in Appendix VII of the Scheme Document for details.
- (4) The register of members of the Company will be closed during such period for the purpose of determining Scheme Shareholders who are qualified for entitlements under the Scheme.
- (5) The Scheme shall become effective upon all the Conditions set out in the paragraph headed “4. Conditions of the Proposal and the Scheme” in the Explanatory Memorandum having been fulfilled or (to the extent permitted) waived (as the case may be).

## **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.**

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, 27 May 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. YIN Hang 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.*