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**CHINA HENGSHI FOUNDATION
COMPANY LIMITED**
中國恒石基業有限公司
*(Incorporated under the laws of
Cayman Islands with limited liability)*
(Stock code: 1197)

**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)*

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)

(1) SANCTION OF THE SCHEME BY THE GRAND COURT

AND

(2) PROPOSED WITHDRAWAL OF LISTING OF SHARES

Financial Adviser to the Offeror



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

INTRODUCTION

Reference is made to the (i) scheme document jointly issued by the Company and the Offeror to the Shareholders on 27 May 2019 in relation to the proposed privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Law (the “**Scheme Document**”) and (ii) the announcement jointly issued by the Company and the Offeror on 18 June 2019 in relation to the results of the Court Meeting and EGM (the “**Announcement**”).

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

SANCTION OF THE SCHEME BY THE GRAND COURT

The Scheme was sanctioned without modification by the Grand Court on Friday, 28 June 2019 (Cayman Islands time). The reduction of the issued share capital of the Company involved in the Scheme was also confirmed by the Grand Court on the same day.

An official copy of the order of the Grand Court sanctioning the Scheme is expected to be delivered to the Registrar of Companies in the Cayman Islands for registration on Tuesday, 2 July 2019 (Cayman Islands time).

EXPECTED EFFECTIVE DATE

Reference is made to the application made by the Offeror for consent from the Executive in relation to the Rollover Arrangement. The Offeror has obtained the Executive's consent in relation to the Rollover Arrangement pursuant to Note 3 of Rule 25 of the Takeovers Code subject to the Rollover Arrangement being approved by a vote of the Independent Shareholders at the EGM. As mentioned in the Announcement, the ordinary resolution to approve the Rollover Arrangement was approved by the Independent Shareholders at the EGM.

All of the Conditions as set out on pages 44 to 46 of the Scheme Document in the section headed "4. Conditions of the Proposal and the Scheme" in the Explanatory Memorandum have been fulfilled, except for the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Grand Court for registration, which is expected to be completed by Tuesday, 2 July 2019 (Cayman Islands time). Therefore, Scheme is expected to become effective on Tuesday, 2 July 2019 (Cayman Islands time).

An announcement will be made when the Scheme has become effective.

PROPOSED WITHDRAWAL OF LISTING

The Stock Exchange has approved the withdrawal of the listing of the Shares on the Stock Exchange with effect from 4:00 p.m. on Thursday, 4 July 2019, subject to the Scheme becoming effective.

GENERAL

For further information in respect of the timetable of the Scheme, please refer to the remaining expected events and the corresponding dates and times in the section headed "Expected Timetable" in the Announcement.

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, 2 July 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.