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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)

**VOLUNTARY ANNOUNCEMENT
FORMATION OF A SUBSIDIARY IN TURKEY**

This is a voluntary announcement made by China Hengshi Foundation Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”).

The board of directors (the “**Board**”) of the Company is pleased to announce that after the preliminary exhaustive research, analysis and other preparatory works, Hengshi Turkey Fiberglass Industry and Trade (Commerce) Joint Stock Company (“**Hengshi Turkey**”) has been duly established in Turkey on 4 June 2018.

Basic Information of Hengshi Turkey

Hengshi Turkey is a directly wholly-owned subsidiary of the Zhejiang Hengshi Fiberglass Fabrics Co., Ltd., which in turn is a wholly-owned subsidiary of the Company. Hengshi Turkey is principally engaged in manufacturing and sales of fiberglass fabrics and will construct a fiberglass fabric production line with annual designated production capacity of approximately 10,000 tons.

As at the date of this announcement, Hengshi Turkey has not yet begun any business operations and has not recorded any revenue. The establishment of Hengshi Turkey is not

expected to have any material impact on the Group's operating results for the financial year ending 31 December 2018.

Reasons for the Establishment of the Hengshi Turkey

The establishment of Hengshi Turkey is another strategic plan for the international development of the Company following the set up of Hengshi Egypt Fiberglass Fabrics S.A.E (an indirect subsidiary of the Company) and Hengshi USA Wind Power Materials Corporation (an indirect wholly-owned subsidiary of the Company), which, on the one hand, the construction of overseas production bases can better meet the needs of the Group's customers located in Turkey and its neighboring countries, further shorten the delivery time through "supplying the overseas market with overseas plant", enhance the ability to secure goods supplies for overseas customers, thereby increasing overseas customers satisfaction and loyalty, consolidating and enhancing the Group's market share in overseas markets, brand influence and international level; on the other hand, it can help the Company avoid or reduce the possibility of damage from potential trade frictions in the future.

By Order of the Board of

CHINA HENGSHI FOUNDATION COMPANY LIMITED

Zhang Yuqiang

Chairman

Hong Kong, 20 June 2018

As at the date of this announcement, the directors of the Company 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