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GRAPHEX

GRAPHEX GROUP LIMITED

烯石電動汽車新材料控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6128)

VOLUNTARY ANNOUNCEMENT

BUSINESS UPDATE

COOPERATIVE AGREEMENT

**IN RESPECT OF COOPERATION WITH A GERMAN COMPANY
IN DISTRIBUTING BATTERY ANODE MATERIALS**

This announcement is made on a voluntary basis by the Company to provide its shareholders and potential investors with the latest business development of the Group.

THE PROPOSED COOPERATION

The Board wishes to announce that on 2 December 2021, the Company and Desatec entered into the Cooperation Agreement, pursuant to which the Parties agreed to cooperate in developing and promoting the sale of graphite anode materials for the production of anodes for lithium-ion batteries in the Exclusive Territories. Pursuant to the Cooperation Agreement, (i) Desatec may introduce the Company to the potential users and purchasers of graphite anode materials (the “**Prospects**”) in Europe and Africa (the “**Territory**”); (ii) Desatec and the Company will jointly seek opportunities to offer and sell services utilizing the Company’s Technologies for downstream users for the local production in the Territory; and (iii) Desatec intends to invest into and develop its role to become a reseller/ distributor of the graphite anode materials (collectively, the “**Proposed Cooperation**”).

Subject matter under the Cooperation Agreement

Pursuant to the Cooperation Agreement, Desatec shall deliver to the Company a detailed written plan (the “**Action Plan**”) for identifying, sourcing, contacting customers for the purchase and import of graphite anode materials from the Company within the Exclusive Territories and setting for the strategy and strategy and timing for achieving the foregoing and specifying the responsible parties for executing the Action Plan.

The Cooperation Agreement will be valid for a period of eighteen month (the “**Exclusive Period**”), during the Exclusive Period, the Company will appoint Desatec as its exclusive distributors (the “**Appointment**”) in the Exclusive Territories during which Desatec shall have the exclusive right (to the extent permissible applicable law) to

- (i) import or arrange for the import of graphite anode materials from the Company for end-users in the Exclusive Territories (the “**Prospects**”);
- (ii) arrange a license, partnership or other arrangement with respect to the Technologies in connection with establishing a spherical graphite processing and/or pitch coating facility within the Exclusive Territories; and/or
- (iii) manage the negotiation, inception, arrangements, development and operations for any manufacturing or processing of spherical graphite or pitch coated spherical graphite within the Exclusive Territories which involves the Company in any manner, even if such transactions or arrangement are procured by persons other than Desatec;

provided that the Appointment and the right of Desatec shall terminate in the event that (a) an Action Plan is not approved by the Company within two months following the date of the Cooperation Agreement or Desatec fails to execute in accordance with the Action Plan and the timeframes therein in any material respect; or (b) after nine months following the Cooperation Agreement, Desatec fails to arrange for either any significant arrangement or transaction concerning the Technologies within the Exclusive Territories or any purchase and import from the Company of graphite anode materials in reasonably sufficient minimal quantities.

Pursuant to the Cooperation, the Company shall not enter into any sale, transaction or arrangement with any Prospect within the Exclusive Territories unless Desatec is a participant in such sale, transaction or arrangement on terms and conditions acceptable to Desatec and the Company shall not in any way circumvent or attempt to circumvent Desatec for the purpose of transacting or consummating any transaction or arrangement with any Prospect within the Exclusive Territories without acceptable consideration or compensation from Desatec.

INFORMATIN OF DESATEC

Desatec is a company incorporated in Germany with limited liability. Desatec is one of the leading suppliers to the chemical industry throughout Europe and other regions, including Africa.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquires, each of Desatec and its ultimate beneficial owner is a third party independent of the Company and its connected persons.

REASONS FOR AND THE BENEFIT OF THE PROPOSED COOPERATION

The principal activities of the Group are the business of processing and sale of graphite and graphene related products in Mainland China ("**Graphene Products Business**"), and landscape architecture business mainly in Hong Kong and Mainland China. As disclosed in the Company's 2021 Interim Report, Graphene Products Business continued to be the major contributor of revenues to the Group during the reporting period. The demand for spherical graphite will be driven by the growing popularity of electric vehicles, grid energy storage systems and other applications which use batteries as power sources in the world. It has been the business strategy of the Group to explore growth and investment opportunities that may generate additional income for the Group. By virtue of the Proposed Cooperation, the Company can be introduced to the European and African market which is a great

opportunity for the Group to further develop its Graphene Products Business to become one of the major players in the industry. The Proposed Cooperation is expected to help expand and promote the growth of Graphene Products Business to the European and African market. It is also anticipated that the Proposed Cooperation will increase the Group's profitability and bring long term value to the Group. As such, the Directors consider that the terms of the Cooperation Agreement a fair and reasonable and the Proposed Cooperation is in the interest of the Company and its shareholders as a whole.

DEFINITIONS

“Board”	the board of Directors
“Company”	Graphex Group Limited (烯石電動汽車新材料控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Stock Exchange (stock code: 6128)
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Cooperation Agreement”	the business development agreement dated 2 December 2021 between the Parties in relation to the Proposed Cooperation
“Desatec”	Desatec GmbH, a company incorporated in Germany
“Director(s)”	the director(s) of the Company
“Exclusive Territories”	Germany, Portugal, Norway, Turkey and/or Saudi Arabia
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Parties”	the Company and Desatec
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Technologies”

all the intellectual property rights including patents, trade secrets and technological knowhow and the key personnel’s experience on various technological, design and processing applications in the proven production methodology for spherical graphite and graphene

By Order of the Board
Graphex Group Limited
Lau Hing Tat Patrick
Chairman

Hong Kong, 2 December 2021

As at the date of this announcement, the executive Directors are Mr. Lau Hing Tat Patrick, Mr. Chan Yick Yan Andross, Mr. Tian Ming, Mr. Yang Liu and Mr. Qiu Bin; the non-executive Director is Mr. Ma Lida; and the independent non-executive Directors are Ms. Tam Ip Fong Sin, Mr. Wang Yuncai, Mr. Liu Kwong Sang, Mr. Tang Zhaodong and Mr. Chan Anthony Kaikwong.