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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)

INSIDE INFORMATION

**MEMORANDUM OF UNDERSTANDING IN RELATION
TO THE PROPOSED STRATEGIC INVESTMENT PROJECT**

The announcement relating to the MOU is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

THE MEMORANDUM OF UNDERSTANDING

The Board wishes to announce that on 14 February 2022 (after trading hours of the Stock Exchange), the Company entered into a non-legally binding MOU with the Jixi Mashan Government in relation to a proposed strategic investment project of which the Company intends to make an investment for setting up graphite deep processing and production lines within the Jixi (Mashan) Graphite Industrial Park with the intention to produce and process an annual output of 30,000 metric tons of high-purity spherical graphite and 10,000 metric tons of anode materials (the “**Proposed Project**”).

Set out below are the principal terms of the MOU:

- Date:** 14 February 2022 (after trading hours of the Stock Exchange)
- Parties:** (1) the Company
(2) the Jixi Mashan Government

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Jixi Mashan Government is an Independent Third Party.

Subject Matter

Pursuant to the MOU, the Company intends to make a strategic investment for setting up graphite deep processing and production lines within the Jixi (Mashan) Graphite Industrial Park with an intended annual output of 30,000 metric tons of high-purity spherical graphite and 10,000 metric tons of anode materials.

It is intended that the Company will invest RMB200 million in the Proposed Project.

Principal Terms of the Proposed Project

Under the MOU, it is intended that the Company will be responsible for:

- (i) all the preparatory work for the preliminary investment and construction of the Proposed Project; and
- (ii) obtaining all the approvals involved in the development and construction of the Proposed Project; and
- (iii) all the costs and expenses of the Proposed Project.

The Jixi Mashan Government will:

- (i) assist the Company in site selection, preliminary approval, policy support, and to provide the Company with a good investment environment in the implementation of the Proposed Project;
- (ii) provide the Company with 3 blocks of general industrial workshops of 15,000 square meters; and
- (iii) coordinate with relevant government departments to provide the Company with preferential policy in supporting the Proposed Project.

Documentation

The MOU merely provides the framework of the execution of the Proposed Project. The final terms and conditions of the Proposed Project are subject to the final approved feasibility study report and the formal agreement of the Proposed Project which the Company may subsequently enter into.

Termination and the Legal Effect

The MOU does not constitute legally binding obligations on the Parties and should be terminated automatically in the event of any change in the policy of the PRC or by reason of force majeure that renders the MOU incapable of being carried out.

The MOU is governed by and construed in accordance with the laws of the PRC.

REASONS FOR AND THE BENEFIT OF THE PROPOSED PROJECT

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 annual report of the Company for the year 2020 and the business update announcement of the Company dated 2 March 2021, demand for lithium-ion batteries was driven by electric and hybrid vehicles. Analysts forecasted a compound annual growth of 29% for electric vehicles sales over the next 10 years. Global electric vehicle sales were expected to grow from about 2.5 million in 2020 to 11.2 million in 2025, then almost triple to 31.1 million by 2030. By 2030, it is expected that electric vehicles will represent approximately 32% of the total market share for new car sales.

The Company is a leader in the graphene product industry, currently producing over 10,000 metric tons of spherical graphite annually. The Board is of the view that the Graphene Products Business is appealing with significant room for growth. Demand for the Company's product is expected to outstrip supply by 2023 and the Company is preparing to exert advantages brought by growth on demand through adding manufacturing capacity. The Group is determined to implement the Proposed Project to invest in and develop new production lines for spherical graphite in Heilongjiang Province, the PRC with a planned annual additional production capacity of up to 30,000 metric tons that will come into operation in phases before 2024.

There are two graphite industrial parks in Jixi City, namely, 雞西(恒山)石墨產業園 (transliterated as Jixi (Hengshan) Graphite Industrial Park) and Jixi (Mashan) Graphite Industrial Park, which are established for the development of graphite related businesses. With the assistance of Jixi Mashan Government, the Board believes that the Company can be benefited from the provision of factory buildings by Jixi Mashan Government and the preferential policies on encouraging investment for the Proposed Project which will be beneficial to the Company in maintaining its leadership in anode material processing industry. Thus the Board is of the view that entering into the MOU is in the benefit of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

If the Proposed Project materializes, it may constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules. Further announcement(s) will be made by the Company in accordance with all the applicable requirements of the Listing Rules as and when appropriate.

WARNING

As the Proposed Project may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires the following terms and expressions shall have the following meanings when used herein.

“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, OTCQX ADR code: GRFXV)
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Independent Third Party”	third parties independent of the Company and its connected persons
“Jixi City”	Jixi City, Heilongjiang Province, the PRC
“Jixi Mashan Government”	雞西市麻山區人民政府 (transliterated as Municipal Government of Mashan District, Jixi City, Heilongjiang Province, the PRC)
“Jixi (Mashan) Graphite Industrial Park”	雞西(麻山)石墨產業園 (transliterated as Jixi (Mashan) Graphite Industrial Park)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOU”	the non-legally binding memorandum of understanding dated 14 February 2022 entered into between the Company and the Jixi Mashan Government in relation to the Proposed Project
“Parties”	the parties to the MOU, namely, the Company and the Jixi Mashan Government and the “Party” refers to each of them

“Proposed Project”	the project of which the Company intends to invest in setting up graphite deep processing and production lines within the Jixi (Mashan) Graphite Industrial Park
“PRC”	People’s Republic of China
“RMB”	Reminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.01 (each) in share capital of the Company
“Shareholder(s)”	the holder(s) of the issued Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Hong Kong, 14 February 2022

As at the date of this announcement, the executive Directors are Mr. Lau Hing Tat Patrick, Mr. Chan Yick Yan Andross, 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.