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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 FORMATION OF A JOINT VENTURE**

This announcement 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 SFO.

THE MEMORANDUM OF UNDERSTANDING

The Board wishes to announce that on 7 February 2022 (after trading hours of the Stock Exchange), Graphex Technologies, a wholly owned subsidiary of the Company

entered into the MOU with the JV Partner in relation to the intention of forming the Joint Venture in Michigan (and/or other states) for the purposes of processing or otherwise enhancing graphite anode material or previously processed graphite, including without limitation spherical graphite processing and pitch coating of spherical graphite for use in any industry, including without limitation in connection with providing anode material for lithium-ion batteries utilized in EV (“**Anode Material Processing Facility(ies)**”).

THE MOU

Set out below are the principal terms of the MOU:

Date: 7 February 2022 (after trading hours of the Stock Exchange)

Parties: (1) Graphex Technologies
(2) the JV Partner

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the JV Partner and its ultimate beneficial owners are Independent Third Parties.

Subject Matter

Graphex Technologies and the JV Partner desire to form the Joint Venture in Michigan for the development of Anode Material Processing Facilities.

The JV Partner team will primarily be responsible for handling site searches and inspections, acquisitions, design, regulatory approval, construction and mechanical operation of the Anode Material Processing Facilities. The JV Partner will also provide all office and administrative support for the Joint Venture in the United States, initially expected to be near Detroit, Michigan. In addition, the JV Partner will have primary responsibility for providing and/or obtaining the requisite funding and capital to purchase, construct and operate the Anode Material Processing Facilities. The JV Partner will utilize its contacts to manage all governmental and regulatory concerns.

Graphex Technologies will provide all its patents, trade secrets, technological knowhow and expertise necessary or appropriate for building and operating the Anode Material Processing Facilities and will ensure that appropriate personnel are involved in all stages of development and operation of graphite processing and pitch coating. Graphex Technologies will further arrange for the offtake agreements with applicable mines for supplying the necessary or appropriate graphite flake for processing into high quality spherical graphite to be utilized in the Anode Material Processing Facilities.

Exclusivity

Pursuant to the MOU, the Parties shall act exclusively with each other with respect to the development of Anode Material Processing Facilities within the State of Michigan, and on a non-exclusive basis outside of Michigan but within the continental United States.

Documentation

Promptly following the signing of the MOU, the Parties shall within ninety (90) days enter into mutually agreeable definitive documentation based on the terms contemplated in the MOU. The Parties shall develop a mutually agreeable action plan with detailed phases and responsibilities for accomplishing development of the first Anode Material Processing Facility by the Joint Venture. The Parties shall negotiate in good faith the terms of any and all contributions, allocations, distributions, compensation, consideration, voting and ancillary rights and protections, which shall be based upon the reasonably determined equitable value of the contributions contemplated being made to the Joint Venture.

Non-Circumvention

Neither Graphex Technologies nor the JV Partner or their affiliates or principals shall enter into, or facilitate or arrange, any transaction or arrangement with respect to the development or operation of an Anode Material Processing Facility in Michigan unless the other party is a participant in such transaction or arrangement on terms and conditions acceptable to such other party. With respect to the development or operation of an Anode Material Processing Facility outside of Michigan but within the continental United States, each Party grants to the other Party a right of first offer and a right of first refusal to engage in such development or operation with such Party on reasonable terms and conditions similar to those to be contemplated with a third party. Neither Graphex Technologies nor the JV Partner shall in any way circumvent, or attempt to circumvent, the other party hereto for the purpose of transacting or consummating any transaction or arrangement covered by the MOU without including the other Party hereto on terms and conditions reasonably acceptable.

Legal Effect

The MOU does not constitute legally binding obligations on the Parties governing the substantive terms in relation to the possible establishment of the Joint Venture except for the provisions of Exclusivity and Non-Circumvention which shall be binding on the Parties for the ninety (90) days period immediately following the signing of the MOU. The MOU shall be governed by and construed in accordance with the laws of Delaware.

INFORMATION OF THE COMPANY AND GRAPHEX TECHNOLOGIES

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.

Graphex Technologies is a limited liability company incorporated in Delaware and is a wholly owned subsidiary of the Company. Graphex Technologies is established to promote the production and sales of graphene products in the United States and develop into an important link in the supply chain of the EV industry in the world.

INFORMATION OF THE JV PARTNER

The JV Partner is a limited liability company incorporated in Michigan. To the best of the knowledge, information and belief of the Board, the JV Partner maintains a relatively large team of professionals experienced in handling all aspects for the design, construction, regulatory, supply sourcing, legal and financial affairs for building first class manufacturing and processing facilities in the United States, in particular in Detroit, Michigan metropolitan area as well as other states. Its affiliated entity recently developed and currently owns and operates Emerald Business Park, a 23-acre industrial park located in Warren, Michigan with approximately 400,000 rentable square feet and its own newly constructed 12-megawatt electrical substation. In the heart of the automobile parts supply industry in the United States, the JV Partner’s team built this facility from a collection of empty shells into several manufacturing and first-class processing facilities to accommodate a single purpose highly regulated industry which requires precise, high-quality production. The JV Partner’s team has numerous strong relationships within the automotive industry and various regulatory authorities. In addition, the JV Partner has the necessary resources and will provide both its own funds and access to outside capital financing as well as potential government financing opportunities to fund the construction and start-up of an Anode Material Processing Facility.

REASONS FOR AND THE BENEFIT OF THE JOINT VENTURE

Processed spherical graphite constitutes the predominant anode material used to make lithium-ion batteries for the EV and renewable energy storage. With the manufacture, sale and use of the EV expected to grow exponentially worldwide over the next decade, and in particular in the United States, the growth in output by automobile battery manufacturers is correspondingly expected to soar. To accommodate this growth, it is necessary and anticipated that the processing and

output of pitch coated spherical graphite will greatly increase every year to satisfy this growing demand for EV. In the United States, the opportunity for anode material processing within the United States alone is enormous. Facilities based in the United States that have the expertise and capability to produce high quality anode materials at scale will create tremendous upside in the value chain by providing the benefits of localized supply, reducing external geopolitical risks, and developing first-rate processing materials.

The Company is a leader in the graphene product industry, currently producing over 10,000 metric tons of spherical graphite annually. Its operation is highly scalable, and it maintains a relatively large team of highly experienced personnel with the unique requisite knowledge base in the processing of high quality graphite anode material. Its team possesses patents and utility models covering various technological, design, and processing applications, in addition to trade secrets and technological expertise. The Company's key technical experts are uniquely experienced and knowledgeable in the proven production methodology for spherical graphite and coating. By virtue of the setting up of the Joint Venture, the Company can be introduced to the United States 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 setting up of the Joint Venture is expected to help expand and promote the growth of Graphene Products Business to the global market. It is also anticipated that the Joint Venture, if proceed, can enable the Group's profitability and bring long term value to the Group. As such, the Directors consider that the setting up of the Joint Venture is in the interest of the Company and its shareholders as a whole.

GENERAL

Shareholders and potential investors of the Company should be aware that the terms of the Joint Venture are subject to further negotiations between the Parties and are subject to the Parties entering into the definitive documentation for formation of the Joint Venture. If the formation of the Joint Venture 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 formation of the Joint Venture 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)
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Delaware”	State of Delaware, the United States
“Director(s)”	the director(s) of the Company
“EV”	electric vehicles
“Graphex Technologies”	Graphex Technologies, LLC, a limited liability company incorporated in Delaware, the United States and wholly owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Independent Third Parties”	third parties independent of the Company and its connected persons
“Joint Venture”	the possible setting up of a joint venture company in Michigan (and/or other states) between Graphex Technologies and the JV Partner for the purposes of processing or otherwise enhancing graphite anode material or previously processed graphite, including without limitation spherical graphite processing and pitch coating of spherical graphite for use in any industry, including without limitation in connection with providing anode material for lithium-ion batteries utilized in EV
“JV Partner”	Emerald Energy Solutions LLC, a limited liability company incorporated in Michigan

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Michigan”	State of Michigan, the United States
“MOU”	the non-legally binding memorandum of understanding dated 7 February 2022 entered into between Graphex Technologies and the JV Partner setting out the preliminary understanding in relation to the setting up of the Joint Venture
“Parties”	the parties to the MOU, namely Graphex Technologies and the JV Partner, and “Party” refers to each of them
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“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
“United States”	the United States of America

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

Hong Kong, 7 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.