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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)

### FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

The board (the “**Board**”) of directors (the “**Directors**”) of Graphex Group Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2021 together with comparative figures, as follows:

#### Financial Highlights

##### Results

	For the year ended 31 December		
	2021	2020	Change
	HK\$'000	HK\$'000	
Revenue	391,035	388,852	0.6%
Graphene products	242,921	215,462	12.7%
Landscape architecture	130,149	149,160	(12.7)%
Catering	17,965	24,230	(25.9)%
Adjusted EBITDA*	77,034	85,021	(9.4)%
Graphene products	53,872	49,743	8.3%
Landscape architecture	6,602	20,242	(67.4)%
Catering	16,560	15,036	10.1%
Loss before tax	(49,774)	(102,897)	(51.6)%
Loss attributable to owners of the parent	(53,546)	(91,696)	(41.6)%
	HK cents	HK cents	
Basic loss per share attributable to ordinary equity holders of the parent	(11.0)	(19.4)	(43.3)%

##### Results

	At 31 December		
	2021	2020	Change
	HK\$'000	HK\$'000	
Total assets	1,096,905	1,104,239	(0.7)%
Net assets	191,012	168,530	13.3%
Shareholder's equity	197,306	171,517	15.0%
Cash and bank balances	30,240	37,709	(19.8)%
Debt	469,759	546,649	(14.1)%

\* Adjusted EBITDA is defined as earnings before interest expense, taxation, depreciation and amortisation, and excludes fair value change on financial assets at fair value through profit or loss, written off of goodwill, impairment of other intangible assets and property, plant and equipment, share of loss of associates and joint ventures and impairment/(reversal of impairment) on financial and contract assets and corporate expenses.

## Consolidated Statement of Profit or Loss

Year ended 31 December 2021

	Notes	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>REVENUE</b>	5	<b>391,035</b>	388,852
Cost of sales	6	<b>(242,690)</b>	(231,834)
<b>GROSS PROFIT</b>		<b>148,345</b>	157,018
Other income and gains	5	<b>21,043</b>	12,335
Gain on extension of promissory note		<b>51,435</b>	—
Selling and marketing expenses		<b>(10,159)</b>	(13,823)
Administrative expenses		<b>(187,304)</b>	(156,869)
Impairment on financial and contract assets, net	6	<b>(11,342)</b>	(22,975)
Impairment of property, plant and equipment	6	<b>(1,726)</b>	(2,125)
Written off of goodwill	6	—	(3,112)
Impairment of other intangible assets	6	—	(20,047)
Fair value loss on financial assets at fair value through profit or loss	6	—	(1,201)
Finance costs	7	<b>(59,710)</b>	(51,565)
Share of loss of:	6		
Joint ventures		—	(114)
Associates		<b>(356)</b>	(419)
<b>LOSS BEFORE TAX</b>	6	<b>(49,774)</b>	(102,897)
Income tax (expense)/credit	8	<b>(1,253)</b>	6,905
<b>LOSS FOR THE YEAR</b>		<b>(51,027)</b>	(95,992)
Attributable to:			
Owners of the parent		<b>(53,546)</b>	(91,696)
Non-controlling interests		<b>2,519</b>	(4,296)
		<b>(51,027)</b>	(95,992)
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	10		
Basic			
– For loss for the year		<b>HK (11.0 cents)</b>	HK (19.4 cents)
Diluted			
– For loss for the year		<b>HK (11.0 cents)</b>	HK (19.4 cents)

## Consolidated Statement of Comprehensive Income

Year ended 31 December 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>LOSS FOR THE YEAR</b>	<b><u>(51,027)</u></b>	<b><u>(95,992)</u></b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	20,819	42,427
Release of exchange fluctuation reserve upon disposal of subsidiaries	<u>—</u>	<u>(70)</u>
	<b><u>20,819</u></b>	<b><u>42,357</u></b>
Other comprehensive income that will not to be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	40	365
Income tax effect	<u>(5)</u>	<u>(29)</u>
	<b><u>35</u></b>	<b><u>336</u></b>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>	<b><u>20,854</u></b>	<b><u>42,693</u></b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>	<b><u>(30,173)</u></b>	<b><u>(53,299)</u></b>
Attributable to:		
Owners of the parent	(33,088)	(49,174)
Non-controlling interests	<u>2,915</u>	<u>(4,125)</u>
	<b><u>(30,173)</u></b>	<b><u>(53,299)</u></b>

## Consolidated Statement of Financial Position

31 December 2021

	Notes	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>74,592</b>	92,507
Goodwill		<b>101,939</b>	101,939
Other intangible assets		<b>608,606</b>	639,336
Investments in joint ventures		—	—
Investments in associates		<b>521</b>	854
Equity investments designated at fair value through other comprehensive income		<b>1,312</b>	1,235
Prepayments, deposits and other receivables		<b>131</b>	3,387
Deferred tax assets		<b>3,316</b>	2,475
		<hr/>	<hr/>
Total non-current assets		<b>790,417</b>	841,733
<b>CURRENT ASSETS</b>			
Inventories		<b>37,809</b>	28,323
Trade and bills receivables	11	<b>123,520</b>	69,808
Prepayments, deposits and other receivables		<b>69,723</b>	72,347
Financial assets at fair value through profit or loss		—	—
Contract assets		<b>43,870</b>	47,547
Tax recoverable		<b>103</b>	556
Pledged bank deposits		<b>1,223</b>	6,216
Cash and bank balances		<b>30,240</b>	37,709
		<hr/>	<hr/>
Total current assets		<b>306,488</b>	262,506

	Notes	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>CURRENT LIABILITIES</b>			
Trade payables	12	8,875	16,138
Other payables and accruals		147,456	82,985
Lease liabilities		7,918	11,182
Interest-bearing borrowings		169,876	172,274
Tax payable		39,740	34,357
Dividends payable		—	4
		<u>373,865</u>	<u>316,940</u>
<b>NET CURRENT LIABILITIES</b>		<u>(67,377)</u>	<u>(54,434)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>723,040</u>	<u>787,299</u>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		53,232	62,197
Interest-bearing borrowings		11,577	76,286
Promissory note		264,681	298,089
Convertible notes		23,625	—
Consideration payable		86,500	86,500
Deferred tax liabilities		92,413	95,697
		<u>532,028</u>	<u>618,769</u>
<b>NET ASSETS</b>		<u>191,012</u>	<u>168,530</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital		5,091	4,823
Treasury shares		—	(99)
Other reserves		192,215	166,793
		<u>197,306</u>	<u>171,517</u>
<b>Non-controlling interests</b>		<u>(6,294)</u>	<u>(2,987)</u>
<b>Total equity</b>		<u>191,012</u>	<u>168,530</u>

## **1. CORPORATE AND GROUP INFORMATION**

The Company was incorporated in the Cayman Islands and has its registered office at Windward 3, Regatta Office Park, PO box 1350, Grand Cayman KY1-1108, Cayman Islands. The Group's principal place of business in Hong Kong is 11/F, COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong.

The principal activities of the Group are manufacturing and sale of graphene products (the "Graphene business") in Mainland China, landscape architecture in Hong Kong and Mainland China, and catering business in Mainland China.

## **2. BASIS OF PREPARATION**

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand except when otherwise indicated. All intra-group transactions and balances have been eliminated on consolidation.

## **3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

The Group has adopted the following amendments to IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i>

The application of the above amendments to IFRSs in the current year had no material impact on the Group's financial position and performance for the current and prior years and/or the disclosures set out in these consolidated financial statements.

#### 4. OPERATING SEGMENT INFORMATION

For management purposes, the Group has identified the following three major reportable segments. Certain segments have been aggregated to form the following reportable segments:

- (a) Processing and sale of graphite and graphene related products (“Graphene products segment”);
- (b) Providing landscape architecture services (“Landscape architecture segment”); and
- (c) The catering business focuses on the operation of restaurants (“Catering segment”).

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group’s profit/loss before tax except that finance costs, as well as head office and corporate income and expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, cash and bank balances and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payable, deferred tax liabilities, and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment revenue is eliminated on consolidation. Intersegment sales and transfers are transacted with reference to the service prices used for sales made to third parties at the then prevailing market prices.

The following tables present revenue, profit/loss and certain asset, liability and expenditure information for the Group’s operating segments for the year.

**Year ended 31 December 2021**

	<b>Graphene products business HK\$'000</b>	<b>Landscape architecture business HK\$'000</b>	<b>Catering HK\$'000</b>	<b>Total HK\$'000</b>
<b>Segment revenue (note 5)</b>				
Sales to external customers	242,921	130,149	17,965	391,035
Elimination of intersegment sales	—	—	—	—
<b>Segment results</b>	<b>(5,717)</b>	<b>(13,579)</b>	<b>10,943</b>	<b>(8,353)</b>
<i>Reconciliation</i>				
Unallocated income and gains				54,019
Unallocated expenses				(41,529)
Unallocated finance costs				(53,555)
Share of loss of associates				(356)
<b>Loss before tax</b>				<b>(49,774)</b>
<b>EBITDA</b>	<b>52,331</b>	<b>(1,283)</b>	<b>12,320</b>	<b>63,368</b>
<i>Reconciliation</i>				
Unallocated				13,515
<b>EBITDA (note (i))</b>				<b>76,883</b>
<b>Adjusted EBITDA (note (i))</b>	<b>53,872</b>	<b>6,602</b>	<b>16,560</b>	<b>77,034</b>
<b>Segment assets</b>	<b>932,181</b>	<b>174,209</b>	<b>9,940</b>	<b>1,116,330</b>
<i>Reconciliation</i>				
Elimination of intersegment receivables				(814,819)
Unallocated assets				795,394
<b>Total assets</b>				<b>1,096,905</b>
<b>Segment liabilities</b>	<b>97,803</b>	<b>165,856</b>	<b>68,258</b>	<b>331,917</b>
<i>Reconciliation</i>				
Elimination of intersegment payables				(814,819)
Unallocated liabilities				1,388,795
<b>Total liabilities</b>				<b>905,893</b>



	<b>Graphene products business HK\$'000</b>	<b>Landscape architecture business HK\$'000</b>	<b>Catering HK\$'000</b>	<b>Total HK\$'000</b>
<b>Other segment information</b>				
Share of loss of associates and joint ventures unallocated				356
Impairment recognised in the statement of profit or loss				
– Financial and contract assets	(1,541)	(7,916)	(1,811)	(11,268)
– Property, plant and equipment	—	—	(1,726)	(1,726)
<i>Reconciliation</i>				
Unallocated				(74)
Total				<u>(13,068)</u>
Depreciation and amortisation	53,033	11,348	1,184	65,565
<i>Reconciliation</i>				
Unallocated				1,382
Total				<u>66,947</u>
Income and gains allocated	2,351	10,423	5,685	18,459
Finance costs allocated	5,014	948	193	6,155
Investment in an associate unallocated				521
Capital expenditure (note (ii))	—	1,754	—	1,754
<i>Reconciliation</i>				
Unallocated				—
Total				<u>1,754</u>

Year ended 31 December 2020

	Graphene products business HK\$'000	Landscape architecture business HK\$'000	Catering HK\$'000	Total HK\$'000
<b>Segment revenue (note 5)</b>				
Sales to external customers	215,462	149,160	24,230	388,852
Elimination of intersegment sales	—	—	—	—
<b>Segment results</b>	(5,303)	(14,943)	(16,914)	(37,160)
<i>Reconciliation</i>				
Unallocated income and gains				3,564
Unallocated expenses				(23,235)
Unallocated finance costs				(45,533)
Share of loss of joint ventures and associates				(533)
<b>Loss before tax</b>				<u>(102,897)</u>
<b>EBITDA</b>	49,744	(2,036)	(11,223)	36,485
<i>Reconciliation</i>				
Unallocated				(20,203)
<b>EBITDA (note (i))</b>				<u>16,282</u>
<b>Adjusted EBITDA (note (i))</b>	49,743	20,242	15,036	85,021
<b>Segment assets</b>	908,640	211,866	21,768	1,142,274
<i>Reconciliation</i>				
Elimination of intersegment receivables				(87,592)
Unallocated assets				49,557
<b>Total assets</b>				<u>1,104,239</u>
<b>Segment liabilities</b>	93,555	77,287	77,120	247,962
<i>Reconciliation</i>				
Elimination of intersegment payables				(87,592)
Unallocated liabilities				775,339
<b>Total liabilities</b>				<u>935,709</u>

	Graphene products business HK\$'000	Landscape architecture business HK\$'000	Catering HK\$'000	Total HK\$'000
<b>Other segment information</b>				
Share of loss of associates and joint ventures unallocated				533
Impairment recognised in the statement of profit or loss				
- Financial and contract assets, net	—	22,980	(5)	22,975
- Goodwill	—	—	3,112	3,112
- Property, plant and equipment	—	—	2,125	2,125
- Other intangible assets	—	—	20,047	20,047
<i>Reconciliation</i>				
Unallocated				—
Total				<u>48,259</u>
Depreciation and amortisation	50,084	12,277	5,253	67,614
<i>Reconciliation</i>				
Unallocated				—
Total				<u>67,614</u>
Income and gains allocated	—	7,187	1,584	8,771
Finance costs allocated	4,962	630	440	6,032
Fair value loss, net	—	—	1,201	1,201
Investment in an associate unallocated				854
Capital expenditure (note (ii))	9,411	6,911	159	16,481
<i>Reconciliation</i>				
Unallocated				—
Total				<u>16,481</u>

Note:

- (i) Adjusted EBITDA is defined as earnings before interest expense, taxation, depreciation and amortisation, and excludes fair value change on financial assets at fair value through profit or loss, written off of goodwill, impairment of other intangible assets and property, plant and equipment, share of loss of associates and joint ventures and impairment/(reversal of impairment) on financial and contract assets and corporate expenses.
- (ii) Capital expenditure consists of additions to property and equipment and other intangible assets except for right-of-use assets.

## Geographical information

### (a) Revenue from external customers

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Mainland China	366,755	360,346
Hong Kong	23,220	23,984
Others	1,060	4,522
	<u>391,035</u>	<u>388,852</u>

The revenue information above is based on the locations of the companies.

During the years ended 31 December 2021 and 2020, other than Mainland China and Hong Kong, the Group derived revenue from Macau and Italy.

### (b) Non-current assets

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Mainland China	681,371	727,202
Hong Kong	3,791	10,117
	<u>685,162</u>	<u>737,319</u>

The non-current asset information above is based on the locations of the non-current assets and excludes goodwill and deferred tax assets.

## Information about major customers

Revenue of approximately HK\$56,452,000 (2020: HK\$67,224,000) was derived from sales to a single customer.

## 5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<i>Revenue for contracts with customers</i>		
Sale of graphene products	242,921	215,462
Landscape architecture services	130,149	149,160
Catering revenue	3,755	7,809
Catering management service	14,210	16,421
	<u>391,035</u>	<u>388,852</u>

### Revenue for contracts with customers

#### (i) *Disaggregated revenue information*

For the year ended 31 December 2021

	Graphene products business <i>HK\$'000</i>	Landscape architecture services <i>HK\$'000</i>	Catering <i>HK\$'000</i>	Total <i>HK\$'000</i>
Sale of graphene products	242,921	—	—	242,921
Landscape architecture services	—	130,149	—	130,149
Catering revenue	—	—	3,755	3,755
Catering management services	—	—	14,210	14,210
	<u>242,921</u>	<u>130,149</u>	<u>17,965</u>	<u>391,035</u>
<b>Geographical markets</b>				
Mainland China	242,921	105,869	17,965	366,755
Hong Kong	—	23,220	—	23,220
Others	—	1,060	—	1,060
	<u>242,921</u>	<u>130,149</u>	<u>17,965</u>	<u>391,035</u>
<b>Timing of revenue recognition</b>				
Goods transferred at a point in time	242,921	—	—	242,921
Services transferred over time	—	130,149	17,965	148,114
	<u>242,921</u>	<u>130,149</u>	<u>17,965</u>	<u>391,035</u>

**For the year ended 31 December 2020**

	<b>Graphene products business HK\$'000</b>	<b>Landscape architecture services HK\$'000</b>	<b>Catering HK\$'000</b>	<b>Total HK\$'000</b>
Sale of graphene products	215,462	—	—	215,462
Landscape architecture services	—	149,160	—	149,160
Catering revenue	—	—	7,809	7,809
Catering management services	—	—	16,421	16,421
<b>Total Revenue</b>	<b>215,462</b>	<b>149,160</b>	<b>24,230</b>	<b>388,852</b>
<b>Geographical markets</b>				
Mainland China	215,462	123,972	20,912	360,346
Hong Kong	—	23,984	—	23,984
Others	—	1,204	3,318	4,522
<b>Total Revenue</b>	<b>215,462</b>	<b>149,160</b>	<b>24,230</b>	<b>388,852</b>
<b>Timing of revenue recognition</b>				
Goods transferred at a point in time	215,462	—	7,809	223,271
Services transferred over time	—	149,160	16,421	165,581
<b>Total Revenue</b>	<b>215,462</b>	<b>149,160</b>	<b>24,230</b>	<b>388,852</b>

**(ii) Performance obligations**

Information about the Group's performance obligations is summarised below:

*Sale of graphene products*

The performance obligation is satisfied upon delivery of the graphene products and payment is generally due within two months to four months from delivery, except for new customers, where payment in advance is normally required.

*Landscape architecture services*

The performance obligation is satisfied over time as services are rendered. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

### *Catering services*

The performance obligation is satisfied upon delivery of catering products and payment at the same time.

### *Management services*

The performance obligation is satisfied over time as services are rendered. Management service contracts are for periods of more than one year.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<u>Other income</u>		
Service income	6,575	1,832
Dividend income from equity investments at fair value through other comprehensive income	102	250
Interest income	1,199	1,692
Waiver of interest on convertible notes	1,785	—
Profit guarantee compensation	1,686	—
Government grants	4,730	5,818
Foreign exchange differences, net	914	340
	<u>16,991</u>	<u>9,932</u>
<u>Gains</u>		
Payables written back	1,850	511
Gain on lease termination	867	83
Gain on disposal of subsidiaries	—	573
Gain on disposal of property, plant and equipment	—	925
Others	1,335	311
	<u>4,052</u>	<u>2,403</u>
	<u><u>21,043</u></u>	<u><u>12,335</u></u>

Government grants were received for government departments and for promoting the Group's business in the local area. There are no unfulfilled conditions or contingencies relating to these grants.

## 6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Notes	2021 HK\$'000	2020 HK\$'000
Cost of inventories sold		164,330	158,987
Cost of services provided		78,360	72,847
Cost of sales		<u>242,690</u>	<u>231,834</u>
Depreciation		17,277	20,285
– Plant, property and equipment		5,169	4,954
– Right-of-use assets		12,108	15,331
Amortisation of other intangible assets		49,670	47,329
Research and development costs:			
Current year expenditure		22,727	16,942
Written off of goodwill		—	3,112
Impairment of property, plant and equipment		1,726	2,125
Impairment of other intangible assets		—	20,047
Share of loss of joint ventures		—	114
Share of loss of associates		356	419
Fair value loss, net:			
Financial assets at fair value through profit or loss		—	1,201
Lease payments for lease less than 12 months		826	3,440
Audit and related services fees paid to:			
– Crowe (HK) CPA Limited		1,760	1,600
– Other auditors		2,781	3,208
Employee benefit expense (including directors' and chief executive's remuneration):			
Wages and salaries		102,785	100,196
Equity-settled share-based payment expenses		11,688	—
Pension scheme contributions (defined contribution scheme)		19,695	9,575
Welfare and other benefits		2,133	1,911
		<u>136,301</u>	<u>111,682</u>
Foreign exchange differences, net		(914)	(340)
Loss on disposal of property, plant and equipment		195	—
Impairment of financial and contract assets:			
Impairment of trade receivables, net	11	8,211	10,286
Impairment of contract assets, net		1,310	12,305
Impairment of financial assets included in prepayments, other receivables and other assets, net		1,821	384
		<u>11,342</u>	<u>22,975</u>



## 7. FINANCE COSTS

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on interest-bearing borrowings	21,008	22,149
Interest on convertible notes	8,119	—
Interest on promissory note	24,989	23,743
Interest on lease liabilities	5,594	5,673
	<u>59,710</u>	<u>51,565</u>

## 8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

泛亞景觀設計 (上海) 有限公司 continued to be granted with the qualification of High and New Technology Enterprises (“HNTE”) on 18 November 2020 and is entitled to a preferential corporate income tax rate of 15% (2020: 15%) for a period of three years ending 31 December 2022.

前海泛亞景觀設計 (深圳) 有限公司 was provided at the rate of 15% (2020: 15%) on the estimated assessable profits as its main principal activities, of engaging in interior design and landscape, are recognised as encouraged industries in Qianhai district, Shenzhen in Mainland China.

黑龍江省牡丹江農墾炭奧石墨烯深加工有限公司 was granted with the qualification of HNTE on 3 December 2019 and is entitled to a preferential corporate tax rate of 15% (2020: 15%) for a period of three years ending 31 December 2021.

Other subsidiaries located in Mainland China were subject to corporate income tax at the statutory rate of 25% for the year (2020: 25%) under the income tax rules and regulations in the PRC.

Graphex Technologies, LLC is incorporated in the US and is subject to corporate income tax at 21%.

Thai Gallery SRL is required to pay tax equivalent to 27.9% of taxable income, including 24% for the standard rate of Italy corporate tax (“IRES”) and 3.9% for the Italian regional production tax rate (“IRAP”).

	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Current – Mainland China	<b>7,993</b>	8,771
Current – Hong Kong	<b>—</b>	393
	<hr/>	<hr/>
	<b>7,993</b>	9,164
Deferred tax	<b>(6,740)</b>	(16,069)
	<hr/>	<hr/>
Total tax expenses/(credit) for the year	<b><u>1,253</u></b>	<u>(6,905)</u>

## 9. DIVIDEND

The Board does not recommend the payment of any final dividend in respect for the years ended 31 December 2021 and 2020.

## 10. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 487,825,400 (2020: 472,358,725) in issue during the year.

No adjustment has been made to the basic loss per share amount presented for the years ended 31 December 2021 and 2020 in respect of a dilution as the impact of the convertible notes, warrants and share options outstanding had an anti-dilutive effect on the basic loss per share amount presented.

The calculation of basic loss per share was based on:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss		
Loss attributable to ordinary equity holders of the parent	<u>(53,546)</u>	<u>(91,696)</u>
Shares		
Weighted average number of ordinary share in issue during the year used in the basic loss per share calculation	<u>487,825,400</u>	<u>472,358,725</u>

## 11. TRADE AND BILLS RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade and bills receivables	<b>182,132</b>	118,650
Impairment	<b>(58,612)</b>	(48,842)
	<u><b>123,520</b></u>	<u>69,808</u>

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is two months, extending up to six months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances. Trade and bills receivables are non-interest-bearing.

Included in the Group's trade and bills receivables were amounts billed of HK\$139,018,000 (2020: HK\$72,214,000) and billable of HK\$43,114,000 (2020: HK\$46,436,000).

An aging analysis of the trade and bills receivables at the end of each reporting period, based on the invoice date and net of loss allowance for lifetime expected credit losses is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 6 months	<b>108,532</b>	53,796
Over 6 months but within 1 year	<b>11,625</b>	6,955
Over 1 year but within 2 years	<b>2,570</b>	7,472
Over 2 years but within 3 years	<b>793</b>	1,585
	<u><b>123,520</b></u>	<u>69,808</u>

Included in the Group's trade and bills receivables are an amount due from Pubang Landscape Architecture Company Limited ("Pubang") of HK\$nil (2020: HK\$278,000), which is repayable on credit terms similar to those offered to the major customers of the Group.

## 12. TRADE PAYABLES

An aging analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Within 1 year	<b>2,913</b>	10,775
Over 1 year but within 2 years	<b>2,312</b>	2,880
Over 2 years but within 3 years	<b>1,143</b>	1,539
Over 3 years	<b>2,507</b>	944
	<b><u>8,875</u></b>	<u>16,138</u>

The trade payables are non-interest-bearing and are normally settled within three months.

Included in the Group's trade payables are an amount due to Pubang of HK\$1,103,000 (2020: HK\$1,072,000).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

2021 was another challenging year for individuals and businesses all over the world. As the more contagious omicron variant of the COVID-19 virus caused a wider spread of infection, the frailty of global supply chains and international trade were revealed in very dramatic terms and negatively affected the lives of citizens and the operations of many businesses, either directly or indirectly. Those supply chain disruptions, coupled with significant increase in the global demand for graphene products, have driven the decision to reposition our graphene business within the global supply chain in order to take advantage of favorable market conditions. In 2021, as in prior years, our graphene business was transacted solely within PRC. As a result, global supply chain disruptions did not significantly impact our flow of materials, products, and services from our raw material sources, through production, and on to our customers; however, the disruption in the supply chain that was felt globally has resulted in a seismic shift in priority for businesses in the US and Europe particularly, to seek sources of supply more local to their point of use. The convergence of a significant increase in projected electric vehicle (“EV”) production in US and Europe, coupled with strong buying signals and policy support to localize material supply into the EV ecosystems in those regions, presents an opportunity for Graphex to leverage our unique position in the battery anode material value chain to increase and geographically diversify our production of spherical graphite and coated spherical graphite, thereby increasing the customer base and revenue streams associated with that growth. In support of that growth strategy, we have announced our plans to expand production of spherical graphite in Jixi, Heilongjiang, PRC. We have also announced plans to establish a coated spherical graphite facility in Michigan, US to produce high quality battery anode materials to supply battery manufacturers and automakers in the United States via a joint venture with Emerald Energy Solutions LLC. We further announced a collaboration agreement with Desatec GmbH to supply our graphene products to European markets as well. Through these efforts, Graphex Group Limited is setting our goal to deliver high quality graphene products to the marketplace at the required volumes and in the desired locations in order to become a major link in the global supply chain for the EV industry.

#### **Graphene Products Business**

Our Graphene Business has been able to maintain its sales in terms of volume and revenue. For the year ended 31 December 2021, the Graphene segment contributed revenue of approximately HK\$242.9 million, representing approximately 62% of the Group’s total revenue, with an adjusted EBITDA of approximately HK\$53.9 million, representing approximately 70% of the Group’s total adjusted EBITDA. The gross profit margin of the business was 27.5% and adjusted EBITDA margin was 22.2%.

For the year ended 31 December 2021, our total output of spherical graphite, our primary product, was 12,000 metric tons. This increase in output volume over prior years was the result of enhancements that were implemented in production methods and equipment. All of our sales in the year were domestic, which served us well given the global disruption in supply chains that affected almost every industry. Having said that, given the meteoric increases in production and sales of EVs that are being projected by experts and announced by automakers globally, we anticipate strong demand for EV battery materials including our products.

Graphite anode material comprises 20-30% of the typical lithium-ion battery used in EVs. As EV production increases domestically as well as globally, there is intense focus being placed by battery manufacturers, automakers, and even governments, on the need to localize supply of critical minerals such as graphite for EV battery production. Because we control the mid-stream deep processing of graphite from its flake graphite stage into specialized battery anode material suitable for use in EVs, our Group is uniquely positioned to grow revenues both domestically and globally by meeting the needs of the industry – high-volume, high-quality materials, produced consistently and delivered timely and locally. We have already obtained the export license for our products, giving us additional control over the supply chain and offering increased stability of supply to our customers.

### **Landscape Architecture Business**

For the year ended 31 December 2021, the Landscape Architecture segment contributed revenue of approximately HK\$130.1 million, representing approximately 33% of the Group's total revenue, with an adjusted EBITDA of approximately HK\$6.6 million, representing approximately 9% of the Group's total adjusted EBITDA. The Gross profit margin of the Landscape Architecture business was 50% and adjusted EBITDA margin was 5%.

The reduce in revenue mainly because of the slowdown in real estate development in China. We have exercised rigorous cost control on our business to sustain our operation while maintaining the quality of our production. Meanwhile, we shall continue to promote our initiative in Recharge Cities. We believe our promotion in the utilization of energy storage with clean energy production is a way to practice our ESG commitments.

The number of new contracts and contract sum entered by the Group during 2019 to 2021 are set out as follows:

<b>Year ended 31 December</b>	<b>No. of new contracts</b>	<b>Contract sum (HK\$'million)</b>
2021	127	143.5
2020	140	226.0
2019	174	195.8

### **Catering Business**

For the year ended 31 December 2021, the catering segment contributed revenue of approximately HK\$18.0 million, representing approximately 5% of the Group's total revenue. The drop in revenue of the Catering business is mainly due to the closure of restaurants in various locations in 2020 and 2021 due to COVID-19 pandemics. We expect COVID-19 pandemics will still be an unfavourable factor for catering business in 2022. With the end of the profit guarantee period in 2021 of Thai Gallery (HK) Limited, the revenue of catering business is not expected to have significant contributions to the Group's performance and financial position.

## **FINANCIAL REVIEW**

### **Revenue**

In line with the new direction of the Group, during the reporting period the Company exhibited strong growth, driven by the Graphene segment. The Graphene segment contributed revenue of approximately HK\$242.9 million to the Group, representing an increase of approximately 12.7%, compared with HK\$215.5 million for the year ended 31 December 2020. The Group's total revenue rose to approximately HK\$391.0 million, compared with HK\$388.9 million for the year ended 31 December 2020, representing year-on-year growth of approximately 0.6%.

### **Cost of sales**

Cost of sales increased to approximately HK\$242.7 million for the year ended 31 December 2021, representing an increase of approximately 4.7%, as compared with that of approximately HK\$231.8 million for the year ended 31 December 2020. Cost of sales mainly represented staff cost in respect of the landscape architecture business and cost of inventories in respect of the catering and Graphene business. The increase was generally in line with the increase in revenue derived from the Graphene segment.



## **Gross profit and gross profit margin**

Gross profit decreased to approximately HK\$148.3 million for the year ended 31 December 2021, representing a decrease of approximately 5.5%, as compared with that of approximately HK\$157.0 million for the year ended 31 December 2020.

Gross profit margin decreased by approximately 2.5 percentage points to approximately 37.9% for the year ended 31 December 2021, as compared with that of approximately 40.4% for the year ended 31 December 2020. The overall decrease in gross profit margin was due to increasing focus on Graphene segment, which had a relatively lower gross profit margin, and decrease in gross profit margin in the landscape architecture segment during the reporting year.

## **Selling, marketing and administrative expenses**

Selling, marketing and administrative expenses increased to approximately HK\$197.5 million for the year ended 31 December 2021, representing an increase of approximately 15.7%, as compared with that of approximately HK\$170.7 million for the same period in 2020. The increase was mainly due to (i) the increase in share-based payment expenses including share options granted and share awards to directors, employees and consultants in 2021 while no such share-based payment expenses in 2020; (ii) the increase in research and development cost for new graphene products, and (iii) increase in accounting and professional fees in relation to the proposed initial public offering in the United States.

## **Impairment loss on financial and contract assets**

It mainly represented impairment loss of trade receivables, contract assets, and other receivables. Such impairment loss decrease to approximately HK\$11.3 million for the year ended 31 December 2021, representing a decrease of approximately 50.6%, as compared with that of approximately HK\$23.0 million for the same period in 2020. The decrease mainly reflected the improving of the Group's collectability on financial and contract assets related to landscape architecture segment.

## Other impairment loss

During the year ended 31 December 2021, the Group incurred the following impairment loss mainly on the catering segment, represented by Thai Gallery (HK) Limited, as a result of Covid-19 such that certain restaurants had to be ceased and/or downsized. The impairment loss on property, plant and equipment of approximately HK\$1.7 million and prepayments, deposits and other receivables of approximately HK\$1.8 million was mainly attributable to the cease of operations of restaurant in PRC, in July 2021.

	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Property, plant and equipment	<b>1,726</b>	2,125
Prepayments, deposits and other receivables	<b>1,811</b>	—
Goodwill	—	3,112
Other intangible assets		
– Backlog contract	—	15,257
– Brand names	—	4,790
Fair value loss on financial assets at fair value through profit or loss	—	1,201
	<b><u>3,537</u></b>	<u>26,485</u>

## Gain on extension of promissory note

On 9 December 2021, the Group and the promissory note holder entered into an agreement to extend the maturity date of the promissory note from 6 August 2023 to 6 August 2026. A gain on extension of promissory note of approximately HK\$51,435,000 is recognised in profit or loss for the year ended 31 December 2021.

## Net loss

As a result of the foregoing, the loss attributable to owners of the parent was approximately HK\$53.5 million for the year ended 31 December 2021, as compared with loss attributable to owners of the parent of approximately HK\$91.7 million for the year ended 31 December 2020.

## Liquidity, financial resources and gearing

The Group's objectives for capital management are to safeguard the Group's ability to continue as a going concern in order to maintain an optimal capital structure and reduce the cost of capital, while maximising the return to shareholders through improving the debt and equity balance.

	<b>As at 31 December 2021 HK\$'000</b>	As at 31 December 2020 HK\$'000
Current assets	<b>306,488</b>	262,506
Current liabilities	<b>373,865</b>	316,940
Current ratio	<b>0.8x</b>	0.8x

The current ratio of the Group at 31 December 2021 was approximately 0.8 times as compared to that of approximately 0.8 time at 31 December 2020.

At 31 December 2021, the Group had a total cash and bank balances of approximately HK\$30.2 million (31 December 2020: HK\$37.7 million). The cash and bank balances were mainly held in HKD and RMB.

At 31 December 2021, the Group's gearing ratio was approximately 245.9% (represented by total interest-bearing other borrowings, convertible notes and promissory note at the end of the period divided by total equity at the end of the respective period multiplied by 100%) (31 December 2020: 324.4%).

At 31 December 2021, the capital structure of the Company mainly comprised issued ordinary shares and debt securities. As of 31 December 2021, the Company had outstanding issued bonds of approximately HK\$158.2 million, issued promissory notes of approximately HK\$264.7 million, convertible notes of HK\$23.6 million and 509,116,921 shares ordinary shares in issue.

### Contingent liabilities

The Group had no significant contingent liabilities as at 31 December 2021.

## **Pledge of assets**

On 19 January 2021, Think High Global Limited, an indirect wholly-owned subsidiary of the Company established under the laws of the British Virgin Islands, which directly holds 100% of the equity interest of the graphene products business was charged in favour of Lexinter International Inc., a corporation incorporated under the laws of the Province of Ontario which is wholly owned by Jeffrey Abramovitz, an individual carrying Canadian nationality, who shall subscribe the convertible notes and warrants issued by the Company in the aggregate principal amount of US\$15,000,000 pursuant to the subscription agreement and supplemental agreement entered into on 19 January 2021 and 24 May 2021 respectively.

More details of the pledge were set out in the announcements of the Company dated 19 January 2021 and 24 May 2021, and circular of the Company dated 30 June 2021.

## **Capital commitment**

The Group had no significant capital commitment as of 31 December 2021.

## **Foreign exchange exposure**

The Group mainly operates and invests in Hong Kong and the PRC but most of the transactions are denominated and settled in HKD and RMB. No significant foreign currency risk has been identified for the financial assets in the PRC as they were basically denominated in a currency same as the functional currencies of the group entities to which these transactions relate. Nevertheless, the Directors will closely monitor the Group's foreign currency position and consider natural hedge technique to manage its foreign currency exposures by non-financial methods, managing the transaction currency, leading and lagging payments, receivable management, etc. Save for meeting working capital needs, the Group only holds minimum foreign currency.

## **Human resources and employees' remuneration**

As at 31 December 2021, the Group had around 489 employees. Employees are remunerated according to nature of the job, market trend and individual performance. Employee bonus is distributable based on the performance of the respective subsidiaries and the employees concerned.

The Group offers competitive remuneration and benefit package to employees. Employee benefits include mandatory provident fund, employee pension schemes in the PRC, contributions to social security system, medical coverage, insurance, training and development programs.

A share option scheme (the "Share Option Scheme") was adopted by the Company on 3 June 2014 and became effective on 25 June 2014. During the year ended 31 December 2021, there was 25,500,000 share options granted (2020: nil) under the Share Option Scheme.

On 21 August 2014, the Company has adopted one share award scheme (the "Share Award Scheme"). The principal objectives of the Share Award Scheme are (i) to recognise the contributions by employees and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group. Details of the Share Award Scheme were set out in the announcements of the Company dated 21 August 2014, 5 January 2015 and 7 September 2015.

On 19 January 2021, Earthasia (International) Limited, an indirect wholly-owned subsidiary of the Company, also adopted a share award scheme (the "EIL Share Award Scheme"). The purposes and objectives of the EIL Share Award Scheme are to recognise the contributions made or to be made by certain participants and to provide them with incentives in order to retain them for the continual operation and development of the Earthasia (International) Limited group and to attract suitable personnel for further development of the Earthasia (International) Limited group. Details of the EIL Share Award Scheme were set out in the announcement of the Company dated 19 January 2021.

## EVENTS AFTER THE REPORTING PERIOD

- (a) The Company received a deposit of US\$6,060,000 during the year ended 31 December 2021 from independent third parties and not a substantial shareholder for issuing convertible notes. The Group classified the deposit as other payable and accruals as at 31 December 2021. On 10 January 2022, the Company issued convertible notes in the principal amount of US\$6,910,000 due in 2024 which entitles the convertible note holder to convert into 82,338,461 conversion shares at the conversion price of HK\$0.65 per conversion share.
- (b) On 10 January 2022, the Company issued to the subscriber at the warrant purchase price of US\$1 for amount of US\$3,455,000 which entitle the warrant holder to subscribe for 41,194,230 new shares of the Company at the exercise price of HK\$0.65.
- (c) On 7 February 2022, a wholly-owned subsidiary of the Company entered into a memorandum of understanding with the joint venture partner in relation to the intention of forming the joint venture in Michigan, USA, for the development of Anode Material Processing Facilities in Michigan.
- (d) On 15 February 2022, the Company issued 2,384,615 new shares to an independent convertible note holder in the principal amount of US\$200,000 issued on 27 January 2022. Such conversion shares rank pari passu in all respect with all other existing shares in issue of the Company.
- (e) On 25 March 2022, the Company issued 323,657,534 preference shares to the promissory note holder for setting off against the Company's obligation to repay part of the extended promissory note, there was no cash proceeds from the issue of preference shares.

## PROSPECTS

Many of the global challenges that we saw in 2021 will linger into 2022. Nonetheless, we are confident that we have made intelligent and informed adjustments and we have recognized opportunities for growth that, taken together, will set us on a right course to profitability and sustainability of the Group. The accelerated development of the global electric vehicle (EV) industry has been astonishing on many levels. The overall worldwide commitment to transition to electrified mobility has driven advancements in technology, production methods, and most relevantly for the Group – significant growth trajectory for the production of EVs for at least the next decade and beyond.

Since every EV requires a battery and every battery is comprised of 20-30% graphite, the projected rise in EV production creates parallel demand for graphite production. Sustained, increasing demand for critical materials such as graphite to support this explosive growth in EVs presents a strategic opportunity for the Graphene Division. Global growth in EV sales will certainly create increased demand domestically, and our plans to increase production at our Jixi, Heilongjiang, PRC facility will be supported by that demand and revenues are expected to increase commensurately.

The EV industry is experiencing significant worldwide expansion as well, with automakers and affiliated battery manufacturers announcing plans to construct new battery “gigafactories” throughout the US and Europe to manufacture the batteries for these unprecedented numbers of EVs. In rough terms, a 10 gigawatt-hour (GWh) factory will require 10,000 metric tons of the highest value form of graphite that we produce - coated purified spherical graphite. Now, with already announced gigafactories in the US of 188 GWh, the demand for spherical graphite in the US alone will be in the range of 1.88 million metric tons or, stated differently, over 4.1 billion pounds of spherical graphite. Europe shows even more aggressive projections for EV production over the next decade. The fact of the matter is that the electrification of mobility is accelerating and there will be no turning back to a situation where internal combustion sees a rebirth, nor is there an alternative mode of transportation anywhere on the horizon that is close to viability in the automobile sector.

The industry experienced a shortage in supply of spherical graphite in 2021 and such shortages will likely continue for a period of time, creating intense demand for our products. According to a report by Benchmark Mineral Intelligence, the demand for spherical graphite will be approximately 400,000 metric tons in 2022 and grow by over 3x to 1.25 million metric tons by 2026. We believe our expansion plans are well-timed and intelligently planned. Our expertise and long-term experience in the mass production of anode material is an essential element in the realization of our expansion plans. The EV battery industry is requiring high volumes of graphite anode material, produced at consistent quality, and as locally as possible. Our record of performance in producing quality materials at high volume, coupled with our strategy to construct facilities close to point of use, will set us apart from competitors and offer opportunities to grow market share. As part of the global supply chain within the EV industry, we recognize the huge opportunities available to us and we are moving intelligently to seize them. Our commencement in the expansion of the production capacity of our graphene products in China and the anode material production facility in the United States are of utmost importance for the Group's goal to be the top anode material manufacturer in the global supply chain of the EV industry. Securing our own export license for our products is another key step. These growth areas will be our focus in 2022 as we expand our reach, grow our brand, and deliver a high volume of high-value products into an accelerating market.

We have strived to create value for shareholders of the Group. We believe the Graphene Product business of the Group will thrive as we implement our expansion plans.

COVID-19 and the slowdown of the real estate market in China will continue to have impact on Landscape Architecture and Catering business. The Group will implement effective cost control and aggressive marketing plan to maintain both the revenue and profitability of both segments. For Catering business, we shall monitor the efficient operation in response to the China's directives during the pandemic by controlling the staff number vs operation hours to avoid negative cost impact. For Landscape Architecture business, we will continue to identify sources of government works and government owned developers which will be sources of reliable revenue while most of private real estate developer are in undesirable situation.

## **CORPORATE GOVERNANCE PRACTICES**

The Company is committed to achieving high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company acknowledges the important role of its Board in providing effective leadership and direction to its business, and ensuring transparency and accountability of its operations. In the opinion of the Directors, the Company has complied with the applicable code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules during the reporting period ended 31 December 2021. The Company reviews its corporate governance practices regularly to ensure compliance with the CG Code.



## **COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors of the Company. Having made specific enquiries to all Directors, all of them confirmed that they had complied with the required standards as set out in the Model Code during the year ended 31 December 2021.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

## **FINAL DIVIDEND**

The Board does not recommend the payment of any final dividend in respect for the year ended 31 December 2021.

## **REVIEW OF ANNUAL RESULTS**

The Group’s annual results for the year ended 31 December 2021 have been reviewed by the audit committee of the Company, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements as well as the Listing Rules and adequate disclosures have been made.

## **SCOPE OF WORK OF CROWE (HK) CPA LIMITED**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Company’s auditors, Crowe (HK) CPA Limited, Certified Public Accountants (“**Crowe**”), to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by the Company’s auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company’s auditors on the preliminary announcement.

## **EXTRACT OF THE AUDITOR'S REPORT**

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2021.

### **OPINION**

We have audited the consolidated financial statements of Graphex Group Limited ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **MATERIAL UNCERTAINTY RELATED TO GOING CONCERN**

During the year ended 31 December 2021, the Group incurred a loss attributable to owners of the parent of HK\$53,546,000 and, as at 31 December 2021, the Group's current liabilities exceeded its current assets by HK\$67,377,000. These conditions, along with other matters as set forth in note 2.1 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in this respect.

### **PUBLICATION OF ANNUAL REPORT**

This announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and on the website of the Company at [www.graphexgroup.com](http://www.graphexgroup.com). The annual report will be available on the above websites in due course.

## **ACKNOWLEDGEMENT**

The chairman of the Board would like to thank the Board, the management and all of our staff for their hard work and dedication, as well as our shareholders of the Company for their support to the Group.

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

Hong Kong, 30 March 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.*