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## **China Graphene Group Limited**

**中國烯谷集團有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 63)**

### **ANNOUNCEMENT OF INTERIM RESULTS FOR SIX MONTHS ENDED 30 JUNE 2018**

The board of directors (the “Board”) of China Graphene Group Limited (the “Company”) announces that the unaudited consolidated financial results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2018, together with the comparative figures for the six months ended 30 June 2017, are as follows:

#### **CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*For the six months ended 30 June 2018*

		<b>Unaudited six months ended 30 June</b>	
		<b>2018</b>	<b>2017</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>	<b>4</b>	<b>8,026</b>	2,123
Cost of sales		<u>(699)</u>	<u>(374)</u>
<b>Gross profit</b>		<b>7,327</b>	1,749
Other income	5	164	5,352
Other gains and losses	6	(33)	54
Operating and administrative expenses		<u>(28,969)</u>	<u>(33,081)</u>
Loss from operations		<b>(21,511)</b>	(25,926)
Finance costs	8	(2,894)	(1,967)
Share of losses of associates		<u>(255)</u>	<u>(102)</u>
<b>Loss before tax</b>		<b>(24,660)</b>	(27,995)
Income tax expense	9	<u>—</u>	<u>—</u>
<b>Loss for the period attributable to owners of the Company</b>	<b>10</b>	<b><u>(24,660)</u></b>	<b><u>(27,995)</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

		Unaudited six months ended 30 June	
		2018	2017
	Note	HK\$'000	HK\$'000
Loss for the period		(24,660)	(27,995)
Other comprehensive income			
Exchange difference on translating foreign operation		<u>1,340</u>	<u>–</u>
Total comprehensive loss for the period		<u>(23,320)</u>	<u>(27,995)</u>
Total comprehensive loss for the period attributable to owners of the Company		<u>(23,320)</u>	<u>(27,995)</u>
Loss per share			
Basic	11	HK cent (0.87)	HK cent (0.99)
Diluted		<u>HK cent (0.87)</u>	<u>HK cent (0.99)</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2018

		Unaudited 30 June 2018 HK\$'000	Audited 31 December 2017 HK\$'000
	Note		
<b>Non-current assets</b>			
Property, plant and equipment		5,808	6,700
Investment properties		358,400	358,400
Investment in associates		12,286	12,541
Pledged bank deposits		12,185	13,769
Prepayment for property, plant and equipment		38,265	37,442
		<u>426,944</u>	<u>428,852</u>
<b>Current assets</b>			
Inventories		442	462
Trade receivables	13	1,874	767
Other receivables		25,380	6,699
Financial assets at fair value through profit or loss		703	737
Cash and cash equivalents		13,475	57,422
		<u>41,874</u>	<u>66,087</u>
<b>Current liabilities</b>			
Trade payables	14	58	150
Other payables		7,814	10,523
Bank loan	15	200,000	200,000
		<u>207,872</u>	<u>210,673</u>
<b>Net current liabilities</b>		<u>(165,998)</u>	<u>(144,586)</u>
<b>NET ASSETS</b>		<u>260,946</u>	<u>284,266</u>
<b>Capital and reserves</b>			
Share capital		140,955	140,955
Reserves		119,991	143,311
<b>TOTAL EQUITY</b>		<u>260,946</u>	<u>284,266</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2018*

## 1. GENERAL INFORMATION

China Graphene Group Limited (the “Company”) was incorporated in Bermuda with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The address of its principal place of business is Rooms 1904–1916, 19/F, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong. The Company’s shares are listed on the Main Board of the The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company is an investment holding company. The principal activities of its subsidiaries are property investment, property development, property management, provision of horticultural services, money lending, trading of securities, and manufacturing and sale of graphene and graphene-related products.

In the opinion of the Directors of the Company, HK Guoxin Investment Group Limited (“HK Guoxin”), a company incorporated in Hong Kong, is the immediate parent and Mr. Li Feng Mao, the sole beneficial owner of HK Guoxin and the Director of the Company, is the ultimate controlling party of the Company.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The interim condensed consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The interim condensed consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in the interim condensed consolidated financial statements.

### **Going concern basis**

The Group had net current liabilities of HK\$165,998,000 as at 30 June 2018. Notwithstanding this fact, the Directors consider it is appropriate to prepare the interim condensed consolidated financial statements on a going concern basis as the Group is expected to have sufficient financial resources to meet its obligation as they fall due for at least the next twelve months based on its projected cash flow forecasts. The Group’s management has reviewed the financial position of the Group as at 30 June 2018, including its working capital and bank and cash balances, together with the projected cash flow forecasts for the next twelve months and the Directors consider that the Group is financially viable to continue as a going concern.

Should the Group be unable to continue as a going concern, adjustments would have to be made to the interim condensed consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets as current assets. The effects of these potential adjustments have not been reflected in the interim condensed consolidated financial statements.

### 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 January 2018.

HKFRS 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from Contracts with Customers and the related Amendments</i>
Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i>
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2014–2016 Cycle</i>
Amendments to HKAS 40	<i>Transfer of Investment Property</i>
HK(FRIC) – Int 22	<i>Foreign Currency Transactions and Advance consideration</i>

The adoption of these new and revised HKFRSs and amendments has had no significant impact on the results and financial position of the Group.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

### 4. REVENUE

An analysis of the Group's revenue for the period is as follows:

	<b>Unaudited six months</b>	
	<b>ended 30 June</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Rental income	<b>5,404</b>	–
Sales of plants and provision of horticultural services	<b>2,412</b>	1,991
Provision of property management services	<b>136</b>	75
Sale of graphene	<b>74</b>	–
Loan interest income	<b>–</b>	57
	<b>8,026</b>	2,123

## 5. OTHER INCOME

	Unaudited six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Dividend income from equity investments	4	3
Rental income	–	5,180
Others	160	169
	<u>164</u>	<u>5,352</u>

## 6. OTHER GAINS AND LOSSES

	Unaudited six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Fair value gain/(loss) on financial assets at fair value through profit or loss	<u>(33)</u>	<u>54</u>

## 7. SEGMENT REPORTING

The Group has seven operating segments as follows:

- Property development: develops and sells properties.
- Property investment: engages in leasing out residential properties.
- Money lending: provides loan financing to corporate entities and individuals.
- Horticultural services: provides horticultural services.
- Graphene manufacturing: manufactures and sells graphene and graphene related products.
- Property management and other related services: provides building management services.
- Securities trading: engages in the trading of securities.

**(a) Information about operating segment profit or loss, assets and liabilities**

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

Segment profits or losses do not include unallocated administrative expenses, share of losses of associates, other income, other gains and losses, finance costs and income tax expense. Segment assets do not include pledged bank deposits, interests in associates and unallocated corporate assets. Segment liabilities do not include bank borrowings and unallocated corporate liabilities.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

	Property development HK\$'000	Property investment HK\$'000	Money lending HK\$'000	Horticultural services HK\$'000	Graphene manufacturing and sales HK\$'000	Property management and other related services HK\$'000	Securities trading HK\$'000	Total HK\$'000
For the six months ended 30 June 2018								
Revenue from external customers	-	5,404	-	2,412	74	136	-	8,026
Intersegment revenue	-	-	-	54	-	-	-	54
Segment profit/(loss)	(1,298)	(3,420)	-	(944)	(7,849)	104	(33)	(13,440)
Depreciation	-	-	-	-	567	-	-	567
Additions to segment non-current assets	-	-	-	-	95	-	-	95
As at 30 June 2018								
Segment assets	103	359,737	-	2,806	60,369	667	737	424,419
Segment liabilities	2,434	1,790	-	354	1,490	-	-	6,068

	Property development HK\$'000	Property investment HK\$'000	Money lending HK\$'000	Horticultural services HK\$'000	Graphene manufacturing and sales HK\$'000	Property management and other related services HK\$'000	Securities trading HK\$'000	Total HK\$'000
For the six months ended 30 June 2017								
Revenue from external customers	–	–	57	1,991	–	75	–	2,123
Intersegment revenue	–	–	–	68	–	–	–	68
Segment profit/(loss)	(9,770)	–	(5)	(1,207)	(7,237)	64	54	(18,101)
Depreciation	–	–	–	–	945	–	–	945
Additions to segment non-current assets	–	–	–	–	2,275	–	–	2,275
As at 31 December 2017								
Segment assets	9,031	358,400	–	2,584	62,526	876	737	434,154
Segment liabilities	4,745	–	–	527	2,055	43	–	7,370

For the six months ended 30 June 2018, revenue of approximately HK\$1,920,000 was derived from a single external customer who contributed more than 10% of total revenue of the Group. This revenue was attributable to the property investment segment.

For the six months ended 30 June 2017, revenue of approximately HK\$311,000 was derived from a single external customer who contributed more than 10% of total revenue of the Group. This revenue was attributable to the horticultural services segment.



(b) **Reconciliations of reportable segment revenue, profit or loss, assets and liabilities**

	<b>Unaudited six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue</b>		
Total revenue of reportable segments	<b>8,080</b>	2,191
Elimination of inter-segment revenue	<b>(54)</b>	(68)
Consolidated revenue	<b>8,026</b>	2,123
<b>Profit or loss</b>		
Total profit or loss of reportable segments	<b>(13,440)</b>	(18,101)
Elimination of inter-segment profits	<b>(54)</b>	(68)
Share of losses of associates	<b>(255)</b>	(102)
Unallocated amounts:		
– Other gains or losses	<b>164</b>	172
– Depreciation and amortisation	<b>(549)</b>	(895)
– Finance costs	<b>(2,894)</b>	(1,967)
– Unallocated corporate expenses	<b>(7,632)</b>	(7,034)
Consolidated loss before tax	<b>(24,660)</b>	(27,995)
	<b>Unaudited 30 June 2018</b>	<b>Unaudited 30 June 2017</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Assets</b>		
Total assets of reportable segments	<b>424,419</b>	434,154
Investment in associates	<b>12,286</b>	12,541
Unallocated corporate assets		
– pledged bank deposits	<b>12,185</b>	13,769
– cash and cash equivalent	<b>10,519</b>	31,185
– other assets	<b>9,409</b>	3,290
Consolidated total assets	<b>468,818</b>	494,939
<b>Liabilities</b>		
Total liabilities of reportable segments	<b>6,068</b>	7,370
Unallocated corporate liabilities		
– bank borrowings	<b>200,000</b>	200,000
– other liabilities	<b>1,804</b>	3,303
Consolidated total liabilities	<b>207,872</b>	210,673

(c) **Geographic information**

	<b>Revenue</b>		<b>Non-current assets</b>	
	<b>Unaudited</b>		<b>Unaudited</b>	<b>Audited</b>
	<b>six months ended 30 June</b>		<b>30 June</b>	<b>31 December</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong	<b>7,952</b>	2,123	<b>360,819</b>	361,326
Japan	<b>74</b>	–	<b>41,654</b>	41,216
	<b>8,026</b>	2,123	<b>402,473</b>	402,542

**8. FINANCE COSTS**

	<b>Unaudited six months</b>	
	<b>ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest on bank borrowings	<b>2,894</b>	1,967

**9. INCOME TAX EXPENSE**

No Hong Kong Profits Tax for the six months ended 30 June 2018 and 2017 has been provided for as the Group has no estimated assessable profits arising in Hong Kong.

**10. LOSS FOR THE PERIOD**

Loss for the period is stated at after charging the following:

	<b>Unaudited six months</b>	
	<b>ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Depreciation and amortisation	<b>1,116</b>	895
Cost of inventories	<b>699</b>	374
Operating lease charge		
– Land and buildings	<b>2,986</b>	2,498
Allowance for trade receivable	<b>27</b>	–

## 11. LOSS PER SHARE

### (a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of HK\$24,660,000 (2017: HK\$27,995,000) for the period and the weighted average number of approximately 2,819,102,000 (2017: 2,819,102,000) ordinary shares in issue during the period.

### (b) Diluted loss per share

Diluted loss per share is the same as basic loss per share as the Company does not have dilutive potential ordinary shares for the six months ended 30 June 2018 and 2017.

## 12. INTERIM DIVIDEND

The directors of the Company do not recommend the payment of any interim dividend for the six months ended 30 June 2018 (2017: Nil).

## 13. TRADE RECEIVABLES

	<b>Unaudited 30 June 2018 HK\$'000</b>	<b>Audited 31 December 2017 HK\$'000</b>
Trade receivables	<b>1,901</b>	958
Allowance for doubtful debt	<b>(27)</b>	(191)
	<b><u>1,874</u></b>	<u>767</u>

The Group's trade receivables are due within 30 days from the date of billing.

The aging analysis of trade receivables based on invoice date, and net of allowance as follows:

0 to 90 days	<b>657</b>	705
91 to 180 days	<b>1,213</b>	60
181 to 365 days	<b>4</b>	2
	<b><u>1,874</u></b>	<u>767</u>

#### 14. TRADE PAYABLES

	<b>Unaudited</b> <b>30 June</b> <b>2018</b> <i>HK\$'000</i>	<b>Audited</b> 31 December 2017 <i>HK\$'000</i>
Trade payables		
0 to 90 days	<b>58</b>	150

#### 15. BANK LOAN

	<b>Unaudited</b> <b>30 June</b> <b>2018</b> <i>HK\$'000</i>	<b>Audited</b> 31 December 2017 <i>HK\$'000</i>
Bank loan repayable		
– Within one year or on demand	<b>200,000</b>	120,000
– After 1 year but within 2 years	–	80,000
	<b>200,000</b>	200,000

#### 16. CONTINGENT LIABILITY

In previous years, a subsidiary of the Group sold a property to a buyer. The buyer alleged that the subsidiary made certain representations in selling of the property. The buyer filed a claim with the High Court in Hong Kong claiming the repayment of consideration of approximately HK\$9.8 million paid in purchasing the property and rescission of the contract together with related costs, interests and damages. The subsidiary filed a defense against the claim. The directors of the Company are of the view that the buyer's claim is based on unreasonable and invalid grounds and therefore unfounded. In view of the inherent uncertainties of the legal proceedings, the outcome of which cannot be estimated reliably at this stage, the directors of the Company considered that no specific provision should be made in the financial statements.

## **BUSINESS REVIEW AND PROSPECTS**

During the period, the Group continued to engage in property related businesses (including property investment, property management and other related services), provision of horticultural services, money lending business, securities trading business, manufacturing and trading of graphene and graphene-related products. The Group's revenue of the year was mainly derived from rental income from investment properties and from horticultural services.

The Group recorded a net loss for the period of approximately HK\$24,660,000, representing a decrease in loss of 12% when compared to the net loss of approximately HK\$27,995,000 for the corresponding period last year. Such decrease is mainly attributable to measures taken to reduce costs during the period.

For property related business, the Group generated increment of rental income and property management services income from its investment properties to approximately HK\$5,404,000 by around 4.3% (2017: HK\$5,180,000 recorded as other income) and HK\$136,000 by around 81.3% (2017: HK\$75,000) during the period respectively. Such increase was resulted from improvement of occupancy rate and increment of rental during the period. The Group targets to rent out all of the remaining units to maximize the rental income and to maximize the management services and related income by providing more value-added services to the tenants. This business segment is expected to provide stable income stream to the Group.

The Group operates horticultural services business under the brand "Cheung Kee Garden", which has over forty years' history and sound reputation in the local market. During the period, the Group recorded increment of revenue from sales of plants and provision of horticultural service to approximately HK\$2,412,000 (2017: HK\$1,991,000) by around 21.1%. Increase of revenue was resulted from increasing of number of customers and diversify of horticultural services. This business segment has a long established customer base and remained a stable income source of the Group. The Group intends to strengthen its products and service range, and expose new customer continuously in order to boarden its revenue base in this segment.

The Group started the new segment of graphene manufacturing and sales in by setting up a joint venture (named WI Graphene Co., Ltd. ("WIG")) in 2016. WIG had been actively seeking for suitable location for production base and had identified a suitable location for renting a factory for manufacturing and sales of graphene and related products in Japan. It is expected that formal tenancy agreement for the production base will be entered into by December 2018, the Directors expect that the production line will start from the first quarter of 2019. During the period, the Group purchased certain graphene product according to a customer's request and the sale of graphene was amounted to approximately HK\$74,000.

The net asset value of the Group per share as at 30 June 2018 was approximately HK\$0.09 (2017: HK\$0.10) based on the 2,819,102,084 (2017: 2,819,102,084) shares issued.

## **LIQUIDITY AND FINANCIAL RESOURCES**

All the Group's funding and treasury activities are centrally managed and controlled at the corporate level. There is no significant change in respect of treasury and financing policies from the information disclosed in the Company's latest annual report. The Group's monetary assets and liabilities are denominated and the Group conducts its business transactions principally in Hong Kong dollars. In view of the business segment in Japan, the Group manages its foreign currency risk by closely reviewing the movement of the foreign currency rate and considers hedging significant foreign currency exposure should the need arise.

As at 30 June 2018, there was HK\$200,000,000 bank loans outstanding (2017: HK\$200,000,000). The Group's working capital requirements are funded by bank loans.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2018.

## **CORPORATE GOVERNANCE CODE**

During the six months ended 30 June 2018, the Company had applied the principles of the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and complied with all the applicable code provisions of the Code, except that the Chairman of the Board, of the nomination committee and of the remuneration committee were absent from the annual general meeting of the Company due to other important engagement at the relevant time.

## **REVIEW OF AUDIT COMMITTEE**

The audit committee of the Company is responsible for reviewing and monitoring the financial reporting process, risk management and internal control systems of the Group. The audit committee has reviewed unaudited consolidated financial results of the Company for the six months ended 30 June 2018.

## **PUBLICATION OF INTERIM REPORT**

The interim report of the Company containing all the information required by the Listing Rules will be dispatched to its shareholders and published on the websites of the Stock Exchange of Hong Kong Limited ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company ([www.chn-graphene.com](http://www.chn-graphene.com)) in due course.

By order of the Board of  
**China Graphene Group Limited**  
**Zhou Chen**  
*Executive Director*

Hong Kong, 31 August 2018

*As at the date of this announcement, the Board comprises Mr. Chen Meng and Mr. Zhou Chen as executive Directors; Mr. Li Feng Mao as non-executive Director; and Mr. Wang Song Ling, Mr. Li Jing Bo and Mr. Li Wai Kwan as independent non-executive Directors.*