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中國烯谷集團有限公司 China Graphene Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 63)

DISCLOSEABLE TRANSACTION IN RELATION TO THE PLANT SALE AND PURCHASE AGREEMENT

The Board is pleased to announce that on 13 January 2017 (after trading hours), the Joint Venture entered into the Plant Sale and Purchase Agreement with Graphene Platform for acquiring the Machinery and Equipment for Graphene production at the consideration of JPY700,000,000 (equivalent to approximately HK\$47,600,000).

As the applicable percentage ratio for the transaction contemplated under the Plant Sale and Purchase Agreement exceeds 5% but is less than 25%, the Plant Sale and Purchase Agreement constitutes a discloseable transaction of the Company.

THE PLANT SALE AND PURCHASE AGREEMENT

Reference is made to the announcement of the Company dated 15 September 2016 in relation to the formation of the Joint Venture (the “JV Announcement”). As disclosed in the JV Announcement, the capital of the Joint Venture in the amount of JPY700,000,000 (equivalent to approximately HK\$47,600,000) will mainly be used for purchasing Graphene production equipment that can produce 100 tons of Graphene per year.

On 13 January 2017 (after trading hours), the Joint Venture entered into the Plant Sale and Purchase Agreement with Graphene Platform for acquiring the Machinery and Equipment for Graphene production.

The principal terms of the Plant Sale and Purchase Agreement are set out below:

Date

13 January 2017

Parties

Purchaser: the Joint Venture

Vendor: Graphene Platform

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of the Announcement, Graphene Platform and its ultimate beneficial owner(s) are Independent Third Parties.

Subject of the sale and purchase

The Joint Venture would purchase and Graphene Platform would sell the Graphene production Machinery and Equipment with production capacity of up to 100 tons per year that can produce Graphene powder with 99% or more Graphene content by applying the technology under the Patent.

Consideration

Pursuant to the Plant Sale and Purchase Agreement, the Joint Venture shall purchase the Machinery and Equipment from Graphene Platform for a total consideration of JPY700,000,000 (equivalent to approximately HK\$47,600,000).

The Joint Venture shall, within three days upon fulfillment of the following conditions, make the first payment in the amount of JPY500,000,000 (equivalent to approximately HK\$34,000,000) as part of the consideration to Graphene Platform:

- (1) provision by Graphene Platform of a schedule stipulating a full breakdown of the proposed use of fund of JPY500,000,000 (being the first payment) (the "Schedule"); and
- (2) the Joint Venture has no comment on the Schedule.

The Joint Venture shall, within three days upon fulfillment of the following conditions, make the second payment in the amount of JPY200,000,000 (equivalent to approximately HK\$13,600,000) as the remaining balance of the consideration to Graphene Platform:

- (1) the Joint Venture having received a written notification from Graphene Platform that the construction of the Machinery and Equipment has completed;
- (2) the Joint Venture has confirmed in writing that the Machinery and Equipment has been completed and come to its satisfaction; and
- (3) the Joint Venture has confirmed satisfaction in writing that the actual use of the fund of JPY500,000,000 (being the first payment) by Graphene Platform complies with the Schedule.

The consideration was determined after arm's length negotiations between the Joint Venture and Graphene Platform with reference to the complexity of the design and the size of the construction of the Machinery and Equipment.

Construction Period

Graphene Platform shall be obliged to complete the construction of the Machinery and Equipment (1) within eight months after the date on which the first payment in the amount of JPY500,000,000 has been settled in full; or (2) within three months after the completion of the buildings, structures and the foundations where the Machinery and Equipment will be housed, whichever is later.

INFORMATION ON THE PARTIES

The Company, the Group and the Joint Venture

The Company was incorporated in Bermuda with limited liability and the shares of the Company are listed on the Stock Exchange. The Group is principally engaged in property related business and provision of horticultural services and plans to expand its business and to engage in the manufacturing of Graphene and production and sales of Graphene related products. The Joint Venture was incorporated in Japan and will be engaged in the manufacturing of Graphene and production and sales of Graphene related products.

Graphene Platform

According to the information provided by Graphene Platform, it is currently the only specialized enterprise to perform Graphene fundamental research. Graphene Platform, a Tokyo-based producer of Graphene and a licensor and technology provider, was the first to discover and has patented both Graphene material itself having crystalline disorder and a fundamental feature for production of Graphene through a graphite exfoliation. Over several years, Graphene Platform has established a proven track record within the research and development community for producing and distributing high quality exfoliated, CVD and epitaxial Graphene to its customers. The company has a network of its affiliates in Cambridge, UK and Singapore.

REASONS FOR AND BENEFITS OF ENTERING INTO THE PLANT SALE AND PURCHASE AGREEMENT

As disclosed in the JV Announcement, the purpose of the Joint Venture is to engage in the manufacturing of Graphene and production and sales of Graphene related products and the capital of the Joint Venture in the amount of JPY700,000,000 will mainly be used for purchasing Graphene production equipment that can produce 100 tons of Graphene per year.

In addition, on 13 January 2017, the Joint Venture as licensee and the Company as guarantor entered into the Licence Agreement with Graphene Platform as licensor for acquiring the licence to use the Patent.

Currently, the most common techniques available for the production of Graphene include micromechanical cleavage, chemical vapor deposition, epitaxial growth on SiC substrates, chemical reduction of exfoliated graphene oxide, liquid phase exfoliation of Graphite and unzipping of carbon nanotubes. One of the greatest challenges being faced today in commercializing Graphene is how to produce high quality material, on a large scale at low cost, and in a reproducible manner. The breakthroughs in the technology for mass production would be the key to boom the global demand and various applications.

According to the details of the Patent filed with the Japan Platform for Patent Information, the Patent claimed a method to provide a Graphite-based carbon material from which Graphene is easily peeled off when used as a precursor, with which graphene dispersion with high concentration is easily obtained, when the graphite-based carbon material is useful as a precursor, and which makes it possible to disperse graphene at a high concentration or to a high degree can be obtained. The Directors believe that the technology under the Patent will bring revolutionary changes in Graphene production industry once it succeeds.

In light of the above, the Directors believe that there is enormous business potential in the Graphene production and sales of Graphene related products and expect that this new business will enhance the Group's financial performance and accordingly, will help to gain attractive investment return for the Shareholders.

The Directors (including the independent non-executive Directors) have confirmed that the terms of the transactions contemplated under the Plant Sale and Purchase Agreement are fair and reasonable, the entering into of the Plant Sale and Purchase Agreement is on normal commercial terms which are made on arm's length basis and are in the interests of the Company and the Shareholders as a whole.

As none of the Directors have a material interest in the Plant Sale and Purchase Agreement, none of them was required to abstain from voting on the board resolution of the Company to approve the Plant Sale and Purchase Agreement and the transaction contemplated thereunder.

LISTING RULES IMPLICATION

As the applicable percentage ratio for the transaction contemplated under the Plant Sale and Purchase Agreement exceeds 5% but is less than 25%, the Plant Sale and Purchase Agreement constitutes a discloseable transaction of the Company.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“Board”	the board of Directors
“Company”	China Graphene Group Limited (stock code: 63), a company incorporated in Bermuda with limited liability, and the issued Shares of which are listed on the Stock Exchange
“Directors”	the directors of the Company
“Graphene Platform”	Graphene Platform Corporation, a company incorporated in Japan and a Party to the Shareholders' Agreement
“Group”	the Company and its subsidiaries

“Independent Third Parties”	a person, or in the case of a company, the company or its ultimate beneficial owner(s), who is, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiry, independent of and not connected with the Company and its subsidiaries and its connected persons (as defined in the Listing Rules) and its ultimate beneficial owner(s) or their respective associate(s)
“Joint Venture”	WI Graphene Co., Ltd., a limited liability joint venture company established by WI Capital in and under the laws of Japan pursuant to the Shareholders’ Agreement
“JPY”	Japanese Yen, the lawful currency of Japan
“Licence Agreement”	the licence agreement setting out the terms and conditions of the Patents to be entered into between Graphene Platform as licensor, the Joint Venture as licensee and the Company as Guarantor; as the applicable percentage ratio for the transaction contemplated thereunder is less than 5%, the licence agreement does not constitute any notifiable transaction
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Machinery and Equipment”	whole set of tailor made machinery and equipment for Graphene production with capacity of up to 100 tons Graphene powder per year
“Party or Parties”	the Joint Venture and Graphene Platform, together the Parties and each, a Party
“Patent”	the two patents which were registered in Japan and are owned by Graphene Platform, cover the technology with respect to a method known as “Graphene-based carbon material useful as Graphene precursor, as well as method of producing the same” for Graphene dispersion
“Plant Sale and Purchase Agreement”	the plant sale and purchase agreement to be entered into between Graphene Platform as vendor and the Joint Venture as purchaser for the sale and purchase of the Machinery and Equipment
“Shareholders”	the holders of the Shares
“Shareholders’ Agreement”	the shareholders’ agreement entered into between WI Capital and Graphene Platform on 15 September 2016
“Shares”	the ordinary shares of HK\$0.05 each in the issued share capital of the Company

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“WI Capital”	WI Capital Company Limited, a company incorporated in Japan and is an indirect wholly owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

The exchange rate adopted in this announcement for illustration purpose only is JPY 0.068 = HK\$1.00.

By order of the Board of
China Graphene Group Limited
Mak Tin Sang
Executive Director

Hong Kong, 13 January 2017

As at the date of this announcement, the Board comprises Mr. Chen Meng, Mr. Mak Tin Sang and Mr. Yuan Li Min as executive Directors; Mr. Li Feng Mao as non-executive Director and Mr. Leung Po Hon, Mr. Li Jing Bo and Mr. Shigeki Tanaka as independent non-executive Directors