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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017**

The board of directors (the “Board”) of China Graphene Group Limited (the “Company”) announces the audited consolidated financial results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2017, together with the comparative figures for the year ended 31 December 2016, as follows:

#### **CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*FOR THE YEAR ENDED 31 DECEMBER 2017*

	<i>Note</i>	<b>2017</b> <b>HK\$'000</b>	<b>2016</b> <b>HK\$'000</b>
<b>Revenue</b>	<b>4</b>	<b>4,446</b>	5,442
Cost of sales		<u>(703)</u>	<u>(894)</u>
<b>Gross profit</b>		<b>3,743</b>	4,548
Other income	5	<b>10,667</b>	7,321
Other gains and losses	6	<b>110,237</b>	5,100
Operating and administrative expenses		<u>(67,973)</u>	<u>(59,848)</u>
Profit/(loss) from operations		<b>56,674</b>	(42,879)
Finance costs	8	<b>(4,553)</b>	(1,068)
Share of losses of associates		<u>(223)</u>	<u>—</u>
<b>Profit/(loss) before tax</b>		<b>51,898</b>	(43,947)
Income tax expense	9	<u>—</u>	<u>—</u>
<b>Profit/(loss) for the year</b>	<b>10</b>	<b>51,898</b>	<b>(43,947)</b>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME (CONTINUED)**  
*FOR THE YEAR ENDED 31 DECEMBER 2017*

	<i>Note</i>	<b>2017</b> <b>HK\$'000</b>	2016 <i>HK\$'000</i>
<b>Other comprehensive income for the year</b>			
Items that may be reclassified to profit or loss:			
Fair Value changes of available-for-sale financial assets		—	(200)
Reclassification of cumulative fair value gain attributable to disposal of available-for-sale financial assets to profit or loss		—	(4,930)
Exchange differences on translating foreign operations		<b>815</b>	(7,656)
<b>Other comprehensive income for the year, net of tax</b>		<b>815</b>	(12,786)
<b>Total comprehensive income for the year</b>		<b>52,713</b>	(56,733)
<b>Profit/(loss) for the year attributable to owners of the Company</b>		<b>52,713</b>	(56,733)
<b>Total comprehensive income attributable to owners of the Company for the year</b>		<b>52,713</b>	(56,733)
<b>Earnings/(loss) per share</b>			
— Basic	13	<b>HK cents 1.84</b>	HK cents (1.56)
— Diluted		<b>HK cents 1.84</b>	HK cents (1.56)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2017**

			2017		2016
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Non-current assets</b>					
Property, plant and equipment			6,700		6,630
Investment properties			358,400		–
Investments in associates			12,541		–
Pledged bank deposits			13,769		8,120
Prepayment for property, plant and equipment			37,442		–
			<u>428,852</u>		<u>14,750</u>
<b>Current assets</b>					
Inventories		462		248,750	
Trade and other receivables	14	7,466		29,083	
Financial assets at fair value through profit or loss		737		581	
Cash and cash equivalents		57,422		75,587	
		<u>66,087</u>		<u>354,001</u>	
<b>Current liabilities</b>					
Trade and other payables	15	10,673		17,198	
Bank borrowings	16	200,000		120,000	
		<u>210,673</u>		<u>137,198</u>	
<b>Net current (liabilities)/assets</b>			<u>(144,586)</u>		<u>216,803</u>
<b>NET ASSETS</b>			<u>284,266</u>		<u>231,553</u>
<b>CAPITAL AND RESERVES</b>					
Share capital			140,955		140,955
Reserves			143,311		90,598
<b>TOTAL EQUITY</b>			<u>284,266</u>		<u>231,553</u>

# **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

## **FOR THE YEAR ENDED 31 DECEMBER 2017**

### **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 development, property management, property investment, provision of horticultural services, money lending and 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 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 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 consolidated financial statements.

#### **Going concern basis**

The Group had net current liabilities of HK\$144,586,000 as at 31 December 2017. Notwithstanding this fact, the Directors consider it is appropriate to prepare the 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 31 December 2017, 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.

## **2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)**

### **Going concern basis (Continued)**

In addition, the Group can also improve its financial position, immediate liquidity and cash flows, by adopting the following measures:

- (a) the Directors will take action to reduce costs;
- (b) the management will obtain/renew bank borrowings; and
- (c) the Directors will consider to sell certain investment properties if necessary.

Should the Group be unable to continue as a going concern, adjustments would have to be made to the 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 consolidated financial statements.

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

### **(a) Application of new and revised HKFRSs**

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 January 2017. None of these impact on the accounting policies of the Group. However, the Amendments to HKAS 7 Statement of Cash Flows: Disclosure Initiative require disclosure of changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

### **(b) New and revised HKFRSs in issue but not yet effective**

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2017. These new and revised HKFRSs include the following which may be relevant to the Group.

	<b>Effective for accounting periods beginning on or after</b>
HKFRS 9 Financial Instruments	1 January 2018
HKFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to HKAS 40 Investment Property: Transfers of investment property	1 January 2018
HKFRS 16 Leases	1 January 2019
HK(IFRIC) 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
HK(IFRIC) 23 Uncertainty over Income Tax Treatments	1 January 2019

#### 4. REVENUE

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

	2017 HK\$'000	2016 HK\$'000
Provision of property management services	201	121
Sale of plants and provision of horticultural services	4,122	4,830
Loan interest income	60	491
Sale of graphene	63	–
	<u>4,446</u>	<u>5,442</u>

#### 5. OTHER INCOME

	2017 HK\$'000	2016 HK\$'000
Interest income on bank deposits	1	1
Dividend income from equity investments	26	27
Rental income	10,126	6,953
Others	514	340
	<u>10,667</u>	<u>7,321</u>

#### 6. OTHER GAINS AND LOSSES

	2017 HK\$'000	2016 HK\$'000
Gain on disposals of available-for-sale financial assets	–	4,930
Gain on disposals of property, plant and equipment	–	121
Surplus on revaluation of buildings	–	1
Fair value gain on investment properties	110,081	–
Fair value gain on financial assets at fair value through profit or loss	156	48
	<u>110,237</u>	<u>5,100</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 and sales: manufactures and sells graphene and graphene-related products.
- Property management and other related services: provides building management services.
- Securities trading: engages in trading of securities.

## 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		Property investment		Money lending		Horticultural services		Graphene manufacturing and sales		Property management and other related services		Securities trading		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	-	-	-	-	60	491	4,122	4,830	63	-	201	121	-	-	4,446	5,442
Inter-segment revenue	-	-	-	-	-	-	121	80	-	-	-	-	-	-	121	80
<b>Reportable segment revenue</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>60</b>	<b>491</b>	<b>4,243</b>	<b>4,910</b>	<b>63</b>	<b>-</b>	<b>201</b>	<b>121</b>	<b>-</b>	<b>-</b>	<b>4,567</b>	<b>5,522</b>
<b>Segment profit/(loss)</b>	<b>(20,012)</b>	<b>(23,526)</b>	<b>110,081</b>	<b>-</b>	<b>60</b>	<b>491</b>	<b>(1,960)</b>	<b>(2,025)</b>	<b>(16,881)</b>	<b>(5,581)</b>	<b>184</b>	<b>95</b>	<b>156</b>	<b>48</b>	<b>71,628</b>	<b>(30,498)</b>
Depreciation	-	-	-	-	-	-	-	-	945	122	-	-	-	-	945	122
Addition to segment non-current assets	-	-	-	-	-	-	-	-	2,275	3,075	-	-	-	-	2,275	3,075
<b>Reportable segment assets</b>	<b>9,031</b>	<b>251,554</b>	<b>358,400</b>	<b>-</b>	<b>-</b>	<b>2,344</b>	<b>2,584</b>	<b>2,296</b>	<b>62,526</b>	<b>49,548</b>	<b>876</b>	<b>873</b>	<b>737</b>	<b>581</b>	<b>434,154</b>	<b>307,196</b>
<b>Reportable segment liabilities</b>	<b>4,745</b>	<b>5,163</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>527</b>	<b>197</b>	<b>2,055</b>	<b>1,059</b>	<b>43</b>	<b>27</b>	<b>-</b>	<b>-</b>	<b>7,370</b>	<b>6,446</b>

## Reconciliations of segment revenue and profit or loss

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>Revenue</b>		
Total revenue of reportable segments	4,567	5,522
Elimination of intersegment revenue	(121)	(80)
	<u>4,446</u>	<u>5,442</u>
Consolidated revenue	<u>4,446</u>	<u>5,442</u>
<b>Profit or loss</b>		
Total profit or loss of reportable segments	71,628	(30,498)
Elimination of intersegment profit	(121)	(80)
Share of losses of associates	(223)	–
Unallocated amounts:		
– Depreciation of property, plant and equipment	(1,096)	(1,176)
– Finance costs	(4,553)	(1,068)
– Other gains and losses	612	5,299
– Unallocated corporate expenses	(14,349)	(16,424)
	<u>51,898</u>	<u>(43,947)</u>
Consolidated profit/(loss) before tax	<u>51,898</u>	<u>(43,947)</u>

## Reconciliations of segment assets and liabilities

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>Assets</b>		
Total assets of reportable segments	434,154	307,196
Investments in associates	12,541	–
Unallocated:		
– Pledged bank deposits	13,769	8,120
– Cash and cash equivalents	31,185	47,145
– Other assets	3,290	6,290
	<u>494,939</u>	<u>368,751</u>
Consolidated total assets	<u>494,939</u>	<u>368,751</u>
<b>Liabilities</b>		
Total liabilities of reportable segments	7,370	6,446
Unallocated:		
– Bank borrowings	200,000	120,000
– Other liabilities	3,303	10,752
	<u>210,673</u>	<u>137,198</u>
Consolidated total liabilities	<u>210,673</u>	<u>137,198</u>



## Geographic information

	Revenue		Non-current assets	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Hong Kong	4,383	5,442	361,326	4,000
Japan	63	–	41,216	2,630
	<u>4,446</u>	<u>5,442</u>	<u>402,542</u>	<u>6,630</u>

## 8. FINANCE COSTS

	2017 HK\$'000	2016 HK\$'000
Interest on bank borrowings	<u>4,553</u>	<u>1,068</u>

## 9. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made in the financial statements since the Group has sufficient tax losses brought forward to set off against current year's assessable profit.

Tax charge on profits assessable elsewhere have been calculated at the rates of prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

## 10. PROFIT/(LOSS) FOR THE YEAR

The Group's profit/(loss) for the year is stated after charging/(crediting) the following:

	2017 HK\$'000	2016 HK\$'000
Amortisation of leasehold land	12	12
Depreciation of property, plant and equipment	2,029	1,164
Gain on disposals of property, plant and equipment	–	121
Fair value gain on investment properties	(110,081)	–
Operating lease charges		
– Land and buildings	5,773	4,564
Research and development expenditure	147	–
Auditor's remuneration		
– Current	705	570
– Under-provision in prior year	250	–
Cost of inventories sold	703	894
Allowance for inventories (included in cost of sales)	149	119
Allowance for trade receivables	<u>191</u>	<u>–</u>

## 11. EMPLOYEE BENEFITS EXPENSE

	2017 HK\$'000	2016 HK\$'000
Employee benefits expense:		
Salaries, bonuses and allowances	18,320	12,007
Retirement benefit scheme contributions	819	418
	<u>19,139</u>	<u>12,425</u>

## 12. DIVIDEND

The Directors of the Company do not recommend the payment of any dividend in respect of the year ended 31 December 2017 (2016: Nil).

## 13. EARNINGS/(LOSS) PER SHARE

### (a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to owners of the Company of HK\$51,898,000 (2016: loss of HK\$43,947,000) and the weighted average number of approximately 2,819,102,000 (2016: 2,819,102,000) ordinary shares in issue during the year.

### (b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share for the year ended 31 December 2017 and 2016 were same as basic earnings/(loss) per share.

## 14. TRADE AND OTHER RECEIVABLES

The credit term of trade receivables is generally 30 days.

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

	2017 HK\$'000	2016 HK\$'000
0 to 90 days	705	830
91 to 180 days	60	234
181 to 360 days	2	—
	<u>767</u>	<u>1,064</u>

## 15. TRADE AND OTHER PAYABLES

The aging analysis of trade payables, based on the date of receipt of goods, is as follows:

	<b>2017</b> <b>HK\$'000</b>	2016 <i>HK\$'000</i>
0 to 90 days	<u><b>150</b></u>	<u>605</u>

## 16. BANK BORROWINGS

	<b>2017</b> <b>HK\$'000</b>	2016 <i>HK\$'000</i>
Bank loans	<u><b>200,000</b></u>	<u>120,000</u>

Bank loans of HK\$200,000,000 (2016: HK\$120,000,000) are secured by (i) the investment properties of HK\$358,400,000; (ii) the land and buildings of HK\$423,000; (iii) the bank deposits of not less than HK\$6,000,000 and (iv) assignment of rental income from properties to a designated bank account which is charged to the bank.

## 17. 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 year, the Group continued to engage in property related businesses, 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 horticultural services.

In 2017, the Group changed its intention to hold The Icon, the developed properties as investment properties. The Group was optimistic on the local investment property market especially residential rental market. The Directors believed that holding the developed properties for long term investment to generate rental income will enhance the Group's financial performance. Rental indices for Hong Kong domestic property market raised from 100 in 2010 to 180 in 2017 proved that leasing properties to earn rental income helps to gain attractive investment return for our Shareholders.

As a result of the change of accounting policy from "developed properties for sale" to "investment properties", the Group recorded a fair value gain of approximately HK\$110 million in 2017. This change established a new business segment of property investment in year 2017.

The Group recorded profit for the year of approximately HK\$51,898,000. Such increase is mainly attributable to fair value gain of investment properties.

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. This business segment has a long established customer base and remained a stable income stream to the Group during the year under review.

The Group started the new segment of graphene manufacturing and sales since last year. The joint venture partner, Graphene Platform, shall be obliged to construct the graphene production machinery and equipment and it is still in progress. The Directors expect that the construction process will be finished in 2018 and the production line will start from the fourth quarter of 2018. During the year, the Group purchased certain graphene product according to a customer's request and the sale of graphene was amounted to approximately HK\$63,000.

The net asset value of the Group per share as at 31 December 2017 was approximately HK\$0.10 (2016: HK\$0.08) based on the 2,819,102,084 (2016: 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 31 December 2017, there was HK\$200,000,000 bank loans outstanding (2016: HK\$120,000,000). 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 year under review.

## **CORPORATE GOVERNANCE CODE**

During the year ended 31 December 2017, 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 was absent from the annual general meeting of the Company due to other important engagement at the relevant time.

## **AUDIT COMMITTEE**

The audit committee comprises three independent non-executive directors, namely Mr. Li Wai Kwan, Mr. Wang Song Ling and Mr. Li Jing Bo. The purpose of the establishment of the audit committee is for reviewing and supervising the financial reporting system, risk management and internal control systems of the Group. The audit committee has reviewed the Group's financial statements for the year ended 31 December 2017.

## **PUBLICATION OF ANNUAL ANNOUNCEMENT AND ANNUAL REPORT**

The result announcement is published on the website of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) and the Company's website at [www.chn-graphene.com](http://www.chn-graphene.com). The 2017 annual report of the Company will be dispatched to its shareholders and published on the above websites in due course.

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

Hong Kong, 29 March 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.*