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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 2019

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 2019, together with the comparative figures for the year ended 31 December 2018, as follows:

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

FOR THE YEAR ENDED 31 DECEMBER 2019

	<i>Notes</i>	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Revenue</b>	4	<b>13,458</b>	16,529
Cost of sales		<u>(973)</u>	<u>(1,590)</u>
<b>Gross profit</b>		<b>12,485</b>	14,939
Other income	5	<b>9,728</b>	2,604
Other gains and losses	6	<b>20,832</b>	(43,808)
Operating and administrative expenses		<u>(34,951)</u>	<u>(56,267)</u>
<b>Profit/(loss) from operations</b>		<b>8,094</b>	(82,532)
Finance costs	8	<b>(8,104)</b>	(5,943)
Share of losses of associates		<u>–</u>	<u>(330)</u>
<b>Loss before tax</b>		<b>(10)</b>	(88,805)
Income tax expenses	9	<u>–</u>	<u>(17)</u>
<b>Loss for the year attributable to owners of the Company</b>	10	<u><b>(10)</b></u>	<u>(88,822)</u>

	<i>Note</i>	<b>2019</b> <b><i>HK\$'000</i></b>	2018 <i>HK\$'000</i>
<b>Other comprehensive (expenses)/income</b>			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>(4)</u>	<u>1,412</u>
<b>Other comprehensive (expenses)/income for the year, net of tax</b>		<u>(4)</u>	<u>1,412</u>
<b>Total comprehensive expenses for the year attributable to owners of the Company</b>		<u><u>(14)</u></u>	<u><u>(87,410)</u></u>
<b>Loss per share</b>			
– Basic	<i>13</i>	<u><u>(HK cents 0.00)</u></u>	<u><u>(HK cents 3.15)</u></u>
– Diluted		<u><u>(HK cents 0.00)</u></u>	<u><u>(HK cents 3.15)</u></u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION***AS AT 31 DECEMBER 2019*

		2019		2018	
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>					
Property, plant and equipment			3,087		4,218
Right-of-use assets			2,733		–
Investment properties			390,000		369,200
Investment in associates			12,211		12,211
Pledged bank deposits			10,275		6,368
Deposits paid for investment properties	14		–		1,500
			<u>418,306</u>		<u>393,497</u>
<b>Current assets</b>					
Inventories		532		527	
Trade and other receivables	14	6,602		6,329	
Investments at fair value through profit or loss		–		645	
Cash and cash equivalents		<u>1,710</u>		<u>5,359</u>	
		<u>8,844</u>		<u>12,860</u>	
<b>Current liabilities</b>					
Trade and other payables	15	27,540		9,484	
Current tax liabilities		–		17	
Lease liabilities		2,768		–	
Bank borrowings	16	<u>200,000</u>		<u>200,000</u>	
		<u>230,308</u>		<u>209,501</u>	
<b>Net current liabilities</b>			<u>(221,464)</u>		<u>(196,641)</u>
<b>NET ASSETS</b>			<u>196,842</u>		<u>196,856</u>
<b>CAPITAL AND RESERVES</b>					
Share capital			140,955		140,955
Reserves			<u>55,887</u>		<u>55,901</u>
<b>TOTAL EQUITY</b>			<u>196,842</u>		<u>196,856</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

## 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 Room 1237-1240, 12/F, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company is an investment holding company.

In the opinion of the directors of the Company (the “Directors”), as at the date of issue of these consolidated financial statements, the Company became aware that a winding-up petition was made against China Asia Group (HK) Limited (“CAG”) in the High Court of Hong Kong on 8 January 2020 on the ground that the petitioner and CAG entered into an oral agreement pursuant to which the petitioner agreed to sell and CAG agreed to purchase the entire shareholding in China Asia Graphene Holding Group Co. Limited (previously known as Zhonghan International Holding Group Limited) (“Zhonghan”) at the consideration of HK\$60,000,000, which shall be paid upon the completion of the sale and purchase of shares in Zhonghan. CAG is the holder of 41% of issued share capital of Zhonghan. Up to the date of these consolidated financial statements, no significant information has been received by the Company so far. The Directors are of the view that the winding-up petition would not cause any material adverse impact to the operation of the Company. Zhonghan, a company incorporated in Hong Kong, is the immediate parent; and Zhengbo International Corporation, a company incorporated in the British Virgin Islands, is the ultimate parent, and controlled by Mr. Huang Binghuang (the “Controlling Shareholder”).

## 2. GOING CONCERN BASIS

The Group incurred a loss of approximately HK\$10,000 for the year ended 31 December 2019, the Group had net current liabilities of approximately HK\$221,464,000 as at 31 December 2019. 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 Directors has reviewed the financial position of the Group as at 31 December 2019, 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.

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; and
- (b) the Controlling Shareholder has agreed to provide adequate funds for the Group to meet its liabilities as they fall due.

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

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are relevant to its operations and effective for its accounting year beginning on 1 January 2019. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current year and prior years except as stated below.

The following explains the impact of the adoption of HKFRS 16 “Leases” (“HKFRS 16”) on the Group’s financial information and the new accounting policies that have been applied from 1 January 2019, where they are different to those applied in prior years.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting year, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 January 2019.

#### **Adjustments recognised on adoption of HKFRS 16**

On adoption of HKFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.125%.

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HKFRIC 4 Determining whether an Arrangement contains a Lease.

As a lessee, the Group's leases are mainly rentals of offices. The right-of-use assets were measured at the amount equal to the lease liability and there were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. The changes in the consolidated amounts reported in the consolidated financial statements as follows:

**1 January  
2019**  
*HK\$'000*

**At 1 January 2019**

Increase in right-of-use assets	5,467
Increase in lease liabilities	5,467

As a lessor, the Group's leases of investment properties are held for rental purposes are classified as operating leases. The accounting treatment of its lease arrangements for investment properties are held for rental purposes has not changed compared with HKAS 17.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

**4. REVENUE**

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

	<b>2019</b>	2018
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Rental income	6,874	10,747
Provision of property management services	–	289
Sale of plants and provision of horticultural services	6,584	4,894
Loan interest income	–	167
Sale of graphene	–	432
	<b>13,458</b>	16,529
	<b>13,458</b>	16,529

**5. OTHER INCOME**

	<b>2019</b>	2018
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Interest income on bank deposits	43	2
Dividend income from equity investments	–	29
Gain on disposals of property, plant and equipment	69	278
Gain on disposals of subsidiaries	9,112	–
Reversal of over-provided expenses in prior years	–	1,483
Reversal of allowance for trade receivables	27	164
Others	477	648
	<b>9,728</b>	2,604
	<b>9,728</b>	2,604

## 6. OTHER GAINS AND LOSSES

	<b>2019</b>	2018
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Fair value gain on investment properties	<b>20,800</b>	10,800
Fair value gain (loss) on investments at fair value through profit or loss	<b>32</b>	(92)
Write-off of prepayment for property, plant and equipment	—	(54,516)
	<b><u>20,832</u></b>	<b><u>(43,808)</u></b>

## 7. SEGMENT INFORMATION

The Group's operating segments are identified on the basis of internal report about the components of the Group that are regularly received by the chief operating decision maker in order to allocate resources to segments and to assess their performance. The chief operating decision maker is the Company's Directors.

The Group has five operating segments as follows:

Property investment – engages in leasing out residential properties

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

Money lending – provides loan financing to corporate entities and individuals

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, unallocated other income, unallocated 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, unallocated corporate liabilities, current tax liabilities and deferred tax 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.

(a) **Disaggregation of revenue**

Disaggregation of revenue from contracts with customers by major products or service and geographical location of customers is as follows:

	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
Disaggregated by major products or services		
– Provision of property management services	–	289
– Sale of plants and provision of horticultural services	<b>6,584</b>	4,894
– Sale of graphene	–	432
Revenue from contracts with customers	<b>6,584</b>	5,615
– Rental income	<b>6,874</b>	10,747
– Loan interest income	–	167
Total revenue	<b>13,458</b>	16,529
Disaggregated by geographical location of customers		
– Hong Kong	<b>6,584</b>	5,183
– Japan	–	432
	<b>6,584</b>	5,615

**Timing of revenue recognition**

	2019			2018		
	At a point in time HK\$'000	Over time HK\$'000	Total HK\$'000	At a point in time HK\$'000	Over time HK\$'000	Total HK\$'000
Provision of property management services	–	–	–	–	289	289
Sale of plants and provision of horticultural services	<b>1,122</b>	<b>5,462</b>	<b>6,584</b>	897	3,997	4,894
Sale of graphene	–	–	–	432	–	432
Total	<b>1,122</b>	<b>5,462</b>	<b>6,584</b>	1,329	4,286	5,615

**Provision of property management services**

Revenue from property management services recognised when the services are rendered.

**Sale of plants and provision of horticultural services**

The Group sells plants to the customers. Sales are recognised when control of the plants has transferred, being when the plants are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the plants and the customer has obtained legal titles to the plants.



Revenue from horticultural services is recognised when the services are rendered.

Sales of plants and provision of horticultural services to customers are normally made with credit terms of 30 days. A receivable is recognised when the plants are delivered or services are rendered to the customers as this is the point in time or over time that the consideration is unconditional because only the passage of time is required before the payment is due.

### Sale of graphene

The Group sells graphene to the customers. Sales are recognised when control of the graphene has transferred, being when the graphene is delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the graphene and the customer has obtained legal titles to the graphene.

Sales to customers are normally made with credit terms of 30 days. A receivable is recognised when the graphene is delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

### (b) Information about operating segment profit or loss, assets and liabilities:

Information regarding the Group's reportable segments as provided to the chief operation decision maker for the purposes of resource allocation and assessment of segment performance for the year is set out below.

Certain comparative figures on segment information have been reclassified to conform to the current year's presentation. The new classification on segment information was considered to provide a more appropriate presentation.

	Property investment	Horticultural services	Graphene manufacturing and sales	Property management and other related services	Money lending	Total
	2019	2019	2019	2019	2019	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Years ended 31 December 2019</b>						
Revenue from customers	6,874	6,587	–	–	–	13,461
Intersegment revenue	–	(3)	–	–	–	(3)
Revenue from external customers	<u>6,874</u>	<u>6,584</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>13,458</u>
Segment profit/(loss)	8,378	(86)	(2,270)	(3)	19	6,038
Depreciation of property, plant and equipment and right-of-use assets	3,353	55	462	–	–	3,870
Additions to segment non-current assets	162	473	–	–	–	635
<b>As at 31 December 2019</b>						
Segment assets	<u>396,051</u>	<u>2,975</u>	<u>3,728</u>	<u>–</u>	<u>583</u>	<u>403,337</u>
Segment liabilities	<u>8,617</u>	<u>1,369</u>	<u>7,108</u>	<u>–</u>	<u>–</u>	<u>17,094</u>

	Property investment	Horticultural services	Graphene manufacturing and sales	Property management and other related services	Money lending	Total
	2018	2018	2018	2018	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Years ended 31 December 2018</b>						
Revenue from customers	10,747	4,984	432	289	167	16,619
Intersegment revenue	–	(90)	–	–	–	(90)
Revenue from external customers	<u>10,747</u>	<u>4,894</u>	<u>432</u>	<u>289</u>	<u>167</u>	<u>16,529</u>
Segment profit/(loss)	52	(2,326)	(68,524)	224	47	(70,527)
Depreciation of property, plant and equipment	1,086	–	934	–	–	2,020
Additions to segment non-current assets	42	–	95	–	–	137
As at 31 December 2018						
Segment assets	<u>378,419</u>	<u>2,256</u>	<u>4,173</u>	<u>790</u>	<u>884</u>	<u>386,522</u>
Segment liabilities	<u>2,391</u>	<u>639</u>	<u>5,322</u>	<u>10</u>	<u>186</u>	<u>8,548</u>

#### Reconciliations of segment revenue and profit or loss

	2019	2018
	HK\$'000	HK\$'000
<b>Revenue</b>		
Total revenue of reportable segments	13,461	16,619
Elimination of intersegment revenue	<u>(3)</u>	<u>(90)</u>
Consolidated revenue	<u>13,458</u>	<u>16,529</u>
<b>Profit or loss</b>		
Total profit/(loss) of reportable segments	6,038	(70,527)
Elimination of intersegment profits	(3)	(90)
Share of losses of associates	–	(330)
Unallocated amounts:		
– Depreciation of property, plant and equipment	(5)	(16)
– Finance costs	(8,104)	(5,943)
– Other gains and losses	9,467	460
– Unallocated corporate expenses	<u>(7,403)</u>	<u>(12,359)</u>
Consolidated loss before tax	<u>(10)</u>	<u>(88,805)</u>

## Reconciliations of segment assets and liabilities

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Assets</b>		
Total assets of reportable segments	403,337	386,522
Investment in associates	12,211	12,211
Unallocated:		
– Pledged bank deposits	10,275	6,368
– Cash and cash equivalents	294	168
– Other assets	1,033	1,088
	<u>427,150</u>	<u>406,357</u>
Consolidated total assets	<u><u>427,150</u></u>	<u><u>406,357</u></u>
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Liabilities</b>		
Total liabilities of reportable segments	17,094	8,548
Unallocated:		
– Bank borrowings	200,000	200,000
– Other liabilities	13,214	936
– Current tax liabilities	–	17
	<u>230,308</u>	<u>209,501</u>
Consolidated total liabilities	<u><u>230,308</u></u>	<u><u>209,501</u></u>

## Geographical information

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue		Non-current assets	
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Hong Kong	13,458	16,097	393,919	372,565
Japan	–	432	1,901	2,353
	<u>13,458</u>	<u>16,529</u>	<u>395,820</u>	<u>374,918</u>
Consolidated total	<u><u>13,458</u></u>	<u><u>16,529</u></u>	<u><u>395,820</u></u>	<u><u>374,918</u></u>

Revenue from major customers contributing 10% or more to the Group's revenue are as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Rental income		
– Customer A	–	3,840
– Customer B	1,968	–
	<u><u>1,968</u></u>	<u><u>–</u></u>

## 8. FINANCE COSTS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interest on bank borrowings	6,042	5,943
Interest on other borrowing	1,946	–
Lease interests	116	–
	<u>8,104</u>	<u>5,943</u>

## 9. INCOME TAX EXPENSES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
Provision for the year	–	17
	<u>–</u>	<u>17</u>

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group has no assessable profit arising in Hong Kong for the year ended 31 December 2019. Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the year ended 31 December 2018.

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

The reconciliation between the income tax expenses and the product of loss before tax multiplied by the Hong Kong Profits Tax is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Loss before tax	<u>(10)</u>	<u>(88,805)</u>
Tax at the domestic income tax rate of 16.5% (2018: 16.5%)	(2)	(14,653)
Tax effect of expenses that are not deductible	3,142	12,465
Tax effect of income that is not taxable	(4,964)	(1,854)
Tax effect of unused tax losses not recognised	2,345	4,870
Tax effect of utilisation of tax losses not previously recognised	(50)	(91)
Tax effect of temporary differences not recognised	(471)	(339)
Effect of different tax rate of subsidiaries	–	(381)
	<u>–</u>	<u>17</u>

## 10. LOSS FOR THE YEAR

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Depreciation of property, plant and equipment and right-of-use assets	3,875	2,036
Fair value gain on investment properties	(20,800)	(10,800)
Loss on disposals of investment properties	550	–
Minimum lease payments under operating leases (under HKAS 17)	–	5,802
Expenses related to short-term leases	185	–
Auditor's remuneration		
– Current	830	830
– Under-provision in prior year	130	–
Cost of inventories sold	973	1,590
Allowance for (reversal of allowance for) inventories (included in cost of sales)	60	(2)
Write-off bad debts	–	37
Reversal of allowance for trade receivables	(27)	(164)
	<u>          </u>	<u>          </u>

## 11. EMPLOYEE BENEFITS EXPENSE

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Staff costs including directors' remunerations:		
Salaries, bonuses and allowances	16,067	30,881
Retirement benefit scheme contributions	123	1,476
	<u>          </u>	<u>          </u>
	<u>16,190</u>	<u>32,357</u>

## 12. DIVIDENDS

The board of directors (the "Board") does not recommend the payment of any dividend for the year ended 31 December 2019 (2018: Nil).

## 13. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Loss</b>		
Loss for the purpose of calculating basic and diluted loss per share attributable to owners of the Company	<u>          </u>	<u>          </u>
	<u>(10)</u>	<u>(88,822)</u>

<b>2019</b>	2018
<b>'000</b>	<b>'000</b>

**Number of shares:**

Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share

<b>2,819,102</b>	<b>2,819,102</b>
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The basic and diluted loss per share for the years ended 31 December 2019 and 2018 were the same as the Company had no dilutive potential ordinary shares in issue during the years.

**14. TRADE AND OTHER RECEIVABLES**

<b>2019</b>	2018
<b>HK\$'000</b>	<b>HK\$'000</b>

Trade receivables	<b>1,672</b>	2,032
Allowance for doubtful debts	–	(27)

<b>1,672</b>	<b>2,005</b>
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Deposits paid for investment properties	–	1,500
Other prepayments	<b>1,450</b>	1,067
Rental and other deposits	<b>2,278</b>	2,628
Other tax receivables	<b>442</b>	440
Other receivables	<b>760</b>	189

<b>6,602</b>	<b>7,829</b>
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**Analysed as:**

Current assets	<b>6,602</b>	6,329
Non-current assets	–	1,500

<b>6,602</b>	<b>7,829</b>
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The credit term is generally 30 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the Directors.

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

<b>2019</b>	2018
<b>HK\$'000</b>	<b>HK\$'000</b>

0 to 90 days	<b>1,671</b>	1,883
91 to 180 days	<b>1</b>	112
181 to 365 days	–	8
Over 365 days	–	2

<b>1,672</b>	<b>2,005</b>
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As at 31 December 2019, no allowance was made for trade receivables (2018: approximately HK\$27,000).

Reconciliation of allowance for trade receivables:

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
At 1 January	27	191
Reversal for the year	<u>(27)</u>	<u>(164)</u>
At 31 December	<u><u>–</u></u>	<u><u>27</u></u>

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on share credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	<b>Current</b>	<b>Up to 3 months past due</b>	<b>3 to 6 months past due</b>	<b>6 to 12 months past due</b>	<b>Over 12 months past due</b>	<b>Total</b>
<b>At 31 December 2019</b>						
Weighted average expected loss rate	–	–	–	–	–	
Receivable amount (HK\$'000)	376	1,296	–	–	–	1,672
Loss allowance (HK\$'000)	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
<b>At 31 December 2018</b>						
Weighted average expected loss rate	–	–	15%	100%	–	
Receivable amount (HK\$'000)	1,560	398	53	19	2	2,032
Loss allowance (HK\$'000)	<u>–</u>	<u>–</u>	<u>(8)</u>	<u>(19)</u>	<u>–</u>	<u>(27)</u>

## 15. TRADE AND OTHER PAYABLES

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade payables	63	96
Other payables and accrued charges	14,768	9,016
Amount due to immediate parent	12,000	–
Amount due to a director	314	–
Other tax payables	128	127
Receipt in advance	<u>267</u>	<u>245</u>
	<u><u>27,540</u></u>	<u><u>9,484</u></u>

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

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0 to 90 days	<u><u>63</u></u>	<u><u>96</u></u>

The amount due to immediate parent and a director is unsecured, interest-free and repayable on demand.

## 16. BANK BORROWINGS

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Bank loans	<u><u>200,000</u></u>	<u><u>200,000</u></u>

The bank borrowings are classified as current liabilities as they contain a repayment on demand clause. According to the repayment schedule, the bank borrowings are repayable as follow:

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 1 year	<b>200,000</b>	120,000
After 1 year but within 2 years	<u>–</u>	<u>80,000</u>
	<u><u>200,000</u></u>	<u><u>200,000</u></u>

The carrying amounts of the Group's bank borrowings are denominated in HKD.

The interest rate of the Group's bank borrowings as at 31 December 2019 and 2018 was 2% per annum over one-month HIBOR or 2% per annum below HKD prime rate, whichever is lower.

The bank loans are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

Bank loans of HK\$200,000,000 (2018: HK\$200,000,000) are secured by (i) the investment properties of HK\$390,000,000 (2018: HK\$369,200,000), (ii) a charge over deposits for the total principal amount of not less than HK\$4,000,000 together with interest accrued thereon (iii) 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.

During the year, the Company has violated several covenants attached to the interest-bearing borrowings. Breaches in meeting the covenants would permit the bank to immediately call borrowings.



## **EXTRACT OF INDEPENDENT AUDITOR’S REPORT ON THE COMPANY’S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

ZHONGHUI ANDA CPA Limited has expressed qualified opinion on the audited consolidated financial statements of our Group for the financial year ended 31 December 2019, an extract of which is as follows:

### **Qualified Opinion**

We have audited the consolidated financial statements of China Graphene Group Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out in the annual report of the Company, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **Basis for Qualified Opinion**

#### **1. Investment in associates**

##### **Five Color Stone Technology Corporation (“Five Color Stone”)**

No sufficient evidence has been provided to satisfy ourselves as to (i) the carrying amount of the investment in Five Color Stone with carrying value of approximately HK\$12,211,000 as at 31 December 2019 and 2018 and (ii) whether share of loss of HK\$Nil and approximately HK\$330,000 of Five Color Stone is properly recognised for the year ended 31 December 2019 and 2018, respectively.

#### **2. Limited accounting books and records of subsidiaries**

##### **WI Capital Co., Limited (“WI Capital”) and WI Graphene Co., Limited (“WI Graphene”)**

Due to the insufficiency of supporting documentation and explanations for accounting books and records in respect of WI Capital and WI Graphene for the years ended 31 December 2019 and 2018, we were unable to carry out audit procedures to satisfy ourselves as to whether the following income and expenses for the years ended 31 December 2019 and 2018 and the assets and liabilities as at those dates, and the segment information and other related disclosure notes in relation to the Group, as included in the consolidated financial statements of the Group, have been properly recorded and accounted for in the consolidated financial statements:

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Income and expenses for the years ended 31 December:</b>		
<b>Revenue</b>	–	432
Cost of sales	–	(431)
	<hr/>	<hr/>
<b>Gross profit</b>	–	1
Other revenue	–	291
Write-off of prepayment for property, plant and equipment	–	(54,516)
Administrative expenses	(2,263)	(14,300)
	<hr/>	<hr/>
<b>Loss from operations</b>	(2,263)	(68,524)
	<hr/>	<hr/>
<b>Other comprehensive (expenses)/income:</b>		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	(4)	1,412
	<hr/>	<hr/>
<b>Other comprehensive (expenses)/income for the year, net of tax</b>	(4)	1,412
	<hr/>	<hr/>
<b>Total comprehensive expenses for the year</b>	(2,267)	(67,112)
	<hr/> <hr/>	<hr/> <hr/>
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Assets and liabilities as at 31 December:</b>		
<b>Non-current asset</b>		
Property, plant and equipment	1,901	2,353
	<hr/>	<hr/>
<b>Current assets</b>		
Trade and other receivables	1,808	1,801
Cash and cash equivalents	13	13
	<hr/>	<hr/>
	1,821	1,814
	<hr/>	<hr/>
<b>Current liability</b>		
Trade and other payables	7,108	5,322
	<hr/>	<hr/>
<b>Net current liabilities</b>	(5,287)	(3,508)
	<hr/>	<hr/>
<b>Net liabilities</b>	(3,386)	(1,155)
	<hr/> <hr/>	<hr/> <hr/>

Any adjustments to the figures as described from points 1 and 2 above might have consequential effects on the consolidated financial performance and consolidated cash flows for the two years ended 31 December 2019 and 2018 and the consolidated financial positions of the Group as at 31 December 2019 and 2018, and the related disclosures thereof in the consolidated financial statements.

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “**Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### **Material Uncertainty Related to the Going Concern**

We draw attention to note 2 to this results announcement which states that the Group incurred a loss of approximately HK\$10,000 for the year ended 31 December 2019 and as at 31 December 2019, the Group’s current liabilities exceeded its current assets by approximately HK\$221,464,000. These conditions indicate a material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### **Emphasis of Matters**

We draw attention to note 1 to this results announcement which states that the Company became aware that a winding-up petition was made against China Asia Group (HK) Limited (“**CAG**”), which is the holder of 41% of issued share capital of the immediate parent of the Company.

We draw attention to note 16 to this results announcement which states that the Company has violated several covenants attached to the interest-bearing borrowings. Breaches in meeting the covenants would permit the bank to immediately call borrowings.

Our opinion is not modified in respect of these matters.

## **BUSINESS REVIEW AND PROSPECTS**

### ***Financial review***

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 rental income of investment properties and provision of horticultural services.

The Group recorded a net loss of HK\$10,000 for the year as compared to a net loss of HK\$88,822,000 for last year. The substantial reduction of loss was mainly due to the net effect of:

- (i) the operating and administrative expenses decreased by 38% as senior management’s remuneration for the year ended 31 December 2019 were reduced as compared to that for the year ended 31 December 2018;

- (ii) the value of assets held by the Group increased by 6% resulting in a significant increase in the valuation gains on assets recorded for the year ended 31 December 2019 by the Group;
- (iii) write-off of prepayment for property, plant and equipment of Japan subsidiaries for the year ended 31 December 2019 (HK\$ Nil) as compared 2018 amounted to HK\$54,516,000; and
- (iv) gain on disposal of subsidiaries for the year ended 31 December 2019 amounted to HK\$9,112,000 (2018: HK\$ Nil).

Total revenue decrease by 19% to HK\$13,458,000 (2018: HK\$16,529,000).

Revenue from rental income decrease by 36% year-over-year to HK\$6,874,000 (2018: HK\$10,747,000).

Revenue derived from horticultural services recorded a 35% increase to HK\$6,584,000 (2018: HK\$4,894,000).

Operating and administrative expenses decreased to HK\$34,951,000 from the prior year of HK\$56,267,000, representing a reduction of 38% year-over-year.

Finance costs amounted to HK\$8,104,000 (2018: HK\$5,943,000) increased by 36%, including interest cost on bank borrowing HK\$6,042,000 (2018: 5,943,000) and interest cost on other borrowings HK\$1,946,000 (2018: HK\$Nil). The increase is mainly due to the charge of 3.5% monthly interest rate on other borrowings and the amount was fully settled before the year end of September 2019.

Total equity of the Group remains approximately the same to HK\$196,842,000 (2018: HK\$196,856,000) as a result of substantial of reduction of loss for the year ended 31 December 2019.

The net asset value of the Group per share as at 31 December 2019 was HK\$0.07 (2018: HK\$0.07) based on the 2,819,102,084 (2018: 2,819,102,084) shares in issue.

### ***Business review***

The Group investment properties increased by 6% in market value and amounted to HK\$390,000,000 (2018: HK\$369,200,000) resulting a fair value gain on investment properties by HK\$20,800,000 (2018: HK\$10,800,000). However, rental income from investment properties decrease by 36% and amounted to HK\$6,874,000 (2018: HK\$10,747,000).

The Group operates horticultural services business under the brand “Cheung Kee Garden”, which has over forty years of history and sound reputation in the local market. This business segment has a long established customer base and recorded increase in sales volume of both sale of plants and provision of horticultural services business during the year under review.

On 11 April 2019, the Group disposed 100% of the issued share capital of Donwin Property Limited, a wholly owned subsidiary of the Company, at a consideration of HK\$9,500,000 with a net asset value HK\$404,0000, result in a gain of HK\$9,096,000 (2018: HK\$Nil).

On 28 December 2018, the Group disposed 100% of the share capital of Century Elegant Limited, a wholly owned subsidiary of the Company, at a consideration of HK\$200,000.

The Group started the segment of manufacturing and sales of graphene in Japan since 2016. However, in 2018, due to shortage of fund, the Group was unable to further support that business segment. After careful consideration, the Board had decided to discontinue the construction process and cease the business in Japan. As a result, the prepayment of equipment and machinery for manufacturing of graphene has been written off for the year ended 31 December 2018.

Following the completion of the sale and purchase of 2,112,395,735 shares of the Company (representing approximately 74.93% of the existing issued share capital of the Company as at the material time) on 21 June 2019 and the close of the unconditional mandatory general offer on 9 August 2019, China Asia Graphene Holding Group Co. Limited (previously known as Zhonghan International Holdings Group Limited), a company incorporated in Hong Kong and ultimately controlled by Mr. Huang Binghuang (“Mr. Huang”), has acquired approximately 74.94% of the entire issued share capital of the Company. After the completion of the unconditional mandatory general offer, the Company continues to operate its existing business. The Company is in the progress of conducting a detailed review of its business and operations in order to formulate a long-term strategy for the Group and explore other business opportunities for enhancing its future development and strengthening its revenue bases. Specifically, the Company, through its operating subsidiaries, is considering expanding its property management business into mainland China.

## **LIQUIDITY AND FINANCIAL RESOURCES**

All the Group’s funding and treasury activities are centrally managed and controlled at the corporate level. The Group’s monetary assets and liabilities are denominated and the Group conducts its business transactions principally in Hong Kong dollars same as compare to last year.

As at 31 December 2019, there was outstanding bank loans in the principal sum of HK\$200,000,000 (2018: HK\$200,000,000). The Group’s working capital requirements are funded by bank loans and shareholder’s loan of HK\$12 million in the fourth quarter of 2019. The bank has been conducting a credit review in respect of the existing banking facility. As at the date of this announcement, the bank has orally but not yet notified in written to the Company for the Company suggestion of the partially loan repayment via the support of shareholder’s loan proposal and the results is under review.

The Group recorded a net current liabilities of HK\$221,464,000 for the year ended 31 December 2019 (2018: HK\$196,641,000).

The Company has received written confirmation from Mr. Huang that he will continue to provide financial support to the Company to meet all the obligation of the Company to the extent that it is unable to meet those obligations itself.

## **PLEDGE OF ASSETS**

As at 31 December 2019, investment properties, certain land and buildings and bank deposits with an aggregate value of not less than of HK\$400,275,000 (2018: HK\$375,974,000) were pledged to the bank to secure bank loans granted to the Group.

## **EMPLOYEES**

As at 31 December 2019, the Group employed a total of 24 employees (2018: 36), including directors. Taking into account the financial challenges ahead and the operation needs of the Group, the Group has simplified its manpower by layoff twelve staff, with employee benefits expenses for the year ended 31 December 2019 amounted to HK\$16,190,000 (2018: HK\$32,357,000).

## **BOARD'S VIEW ON AUDITOR'S QUALIFIED OPINION**

The consolidated financial statements of the Group for the year ended 31 December 2019 were audited by ZHONGHUI ANDA CPA Limited (the “**Auditor**”). The Auditor expressed qualified opinion on the Group’s consolidated financial statements for the year ended 31 December 2019, the “except for” opinion on the availability of sufficient audit evidence from overseas associates and subsidiaries in 31 December 2019 and 31 December 2018. The details of which are set out in the extract of Independent Auditor’s Report on page 17 of this results announcement.

## **AUDIT COMMITTEE**

As at the date of this announcement, the audit committee comprises three independent non-executive directors, namely Mr. Chow Chi Ping (“**Mr. Chow**”), Mr. Gao Han (“**Mr. Gao**”) and Mr. Lum Pak Sum (“**Mr. Lum**”) and one non-executive director, namely Ms. Wang Lijiao (“**Ms. Wang**”). 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 2019.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the “**Model Code**”) as stipulated in Appendix 10 to the Listing Rules as its own code of conduct regarding Director’s securities transactions. Specific enquiry has been made to all the Directors, and the Directors have confirmed that they have complied with all relevant requirements as stipulated in the Model Code during the year ended 31 December 2019.

## **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 2019, save and except for disclosed herein, the Company had applied the principles of the Corporate Governance Code (the “**CG 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 CG Code, with the following exceptions:

1. The chairmen of the Board, the audit committee, the nomination committee and the remuneration committee were absent from the annual general meeting of the Company due to other important engagement at the relevant time and this deviates from code provision E.1.2 of the CG Code as set forth in Appendix 14 of the Listing Rules; and
2. As Mr. Huang serves as both the chairman of the Board and the Chief Executive Officer with effect from 30 September 2019, such practice deviates from code provision A.2.1 of the CG Code as set forth in Appendix 14 of the Listing Rules. The Board believes that vesting the roles of both the chairman of the Board and the Chief Executive Officer in the same person can facilitate the execution of the Group’s business strategies and boost effectiveness of its operation. Therefore, the Board considers that the deviation from the code provision A.2.1 of the CG Code is appropriate in such circumstance. In addition, under the supervision of the Board which is comprised of three executive Directors, one non-executive Director and three independent non-executive Directors, the Board is appropriately structured with balance of power to provide sufficient checks to protect the interests of the Company and its shareholders.

## **FAILURE TO SATISFY THE REQUIREMENTS ON INDEPENDENT NON-EXECUTIVE DIRECTORS AND COMPANY SECRETARY**

### **A. INDEPENDENT NON-EXECUTIVE DIRECTORS**

Pursuant to Rules 3.10(1), 3.10(2), and 3.21 of the Listing Rules, (i) the Board is required to have at least three independent non-executive Directors; (ii) at least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise; and (iii) the audit committee must comprise a minimum of three members, at least one of whom is an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise.

Following (i) the resignation of Mr. Li Wai Kwan as an independent non-executive Director, the chairman of audit committee and a member of both remuneration committee and nomination committee on 30 November 2018; and (ii) the resignation of Mr. Li Jing Bo as an independent non-executive Director, the chairman of remuneration committee and a member of both audit committee and nomination committee on 28 December 2018, the Company failed to satisfy the requirements under Rules 3.10(1), 3.10(2) and 3.21 of the Listing Rules during the period between 30 November 2018 and 27 February 2019. With effect from 28 February 2019, (i) Mr. Gao was appointed as an independent non-executive Director, the chairman of the remuneration committee, a member of both the nomination committee and the audit committee and (ii) Mr. Chow was appointed as an independent non-executive Director, the chairman of the audit committee, a member of both the

nomination committee and the remuneration committee. Following the appointment of both Mr. Gao and Mr. Chow, the number of independent non-executive Directors has satisfied the minimum number as stipulated under Rule 3.10(1) of the Listing Rules. Both Mr. Gao and Mr. Chow possess the professional qualifications as required under Rule 3.10(2) of the Listing Rules, and as such the Company has also complied with the said rule as well as Rule 3.21 of the Listing Rules regarding the composition of the audit committee of the Company.

Following the resignation of Mr. Wang Song Ling as an independent non-executive Director of the Company and his cessation to be a member of the audit committee with effect from 23 August 2019, the Company failed to satisfy the requirements under Rules 3.10(1) and 3.21 during the period between 23 August 2019 and 29 September 2019. With effect from 30 September 2019, Ms. Wang was appointed as a non-executive Director and a member to the audit committee and Mr. Lum was appointed as an independent non-executive director and the chairman of the audit committee. Following their appointments, the Company satisfied the requirements prescribed under Rules 3.10(1) and 3.21.

## **B. COMPANY SECRETARY**

Pursuant to Rule 3.28 of the Listing Rules, the Company must appoint an individual as its company secretary.

Following the resignation of Mr. Zhou Chen as the company secretary of the Company with effect from 27 June 2019, the Company failed to satisfy the above-mentioned requirement during the period between 27 June 2019 and 29 August 2019 as there is an outstanding appointment of company secretary. Mr. Zhou Chen was appointed as the company secretary of the Company again on 30 August 2019 and therefore the company satisfied the requirements prescribed under Rule 3.28.

## **DIVIDENDS**

The Board does not recommend the payment of any dividend for the year ended 31 December 2019 (2018: Nil).

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

The annual results announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.00063.cn](http://www.00063.cn). The 2019 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**  
**Huang Binghuang**  
*Chairman*

Hong Kong, 26 March 2020

*As at the date of this announcement, the Board consists of Mr. Huang Binghuang, Mr. Zhou Chen and Ms. Xia Ping as executive Directors; Ms. Wang Lijiao as non-executive Director; and Mr. Lum Pak Sum, Mr. Chow Chi Ping and Mr. Gao Han as independent non-executive Director*