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GRAPHEX

GRAPHEX GROUP LIMITED

烯石電動汽車新材料控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6128)

**MEMORANDUM OF UNDERSTANDING
IN RELATION TO THE POSSIBLE ACQUISITION**

THE MEMORANDUM OF UNDERSTANDING

The Board wishes to announce that on 13 February 2023 (after trading hours of the Stock Exchange), the Company and the Vendors entered into the MOU pursuant to which the Company expressed an interest to purchase no more than 25.991% equity interest in the Target Company from the Vendors.

THE MOU

The key terms of the MOU are as follows:

Date: 13 February 2023 (after trading hours of the Stock Exchange)

Parties: The Company as the intended purchaser;
Mr. Chen, as one of the Vendors;
Mr. Han, as the other Vendor.

To the best of the Directors' information knowledge and belief, and having made all reasonable enquiry, each of the Vendors and other shareholders of the Target Company are all Independent Third Party.

Subject Matter

Pursuant to the MOU, the Company expressed an interest to purchase not more than 25.991% equity interest in the Target Company (the "Sale Shares") from the Vendors. As at the date of this announcement, the Target Company are held by Mr. Chen, Mr. Han, Chen Rui, China Agricultural Development Key Construction Fund Co., Ltd.*(中國農發重點建設基金有限公司) and Artek Technology Co., Ltd.*(阿泰克科技股份有限公司) as to 17.925%, 8.066%, 51.684%, 13.692% and 8.630% respectively.

Purchase Price

The purchase price of the Possible Acquisition will be determined by the parties upon further negotiation.

Exclusivity

The Vendors agree that it shall not, and will cause its employees, agents, advisors and representatives and the officers of Target Group and any of its subsidiaries and affiliates not to, at any time during the ninety (90) days period commencing on the date hereof (or such longer period as the Parties may mutually agree in writing) (the "Exclusivity Period"), solicit, initiate or encourage submission of further proposals or offers from any person, either directly or indirectly, relating to the Possible Acquisition or any possible disposal of any equity interest of the Sale Shares or assets of the Target Company or do anything which is inconsistent with or undermine the Possible Acquisition.

Due Diligence Review

The Target Company and the Vendors shall use their best efforts to assist the Company to carry out due diligence review for its assessment of the Possible Acquisition.

Non-legally Binding Nature

The MOU is non-legally binding save for the provisions relating to, among other things, the Exclusivity Period, confidentiality and governing law of the MOU.

REASONS FOR AND THE BENEFIT OF THE POSSIBLE ACQUISITION

The principal activities of the Group are the businesses of processing and sale of graphite and graphene related products in Mainland China (“**Graphene Products Business**”), and landscape architecture business mainly in Hong Kong and Mainland China.

The Target Company is a sino-foreign joint venture established in the PRC that integrates research and development, production and sales into one industrial chain for deep processing of graphite. Since its establishment in 2012, it has built a graphite production enterprise from the most basic flake graphite ore dressing to graphite deep-processing product spherical graphite, and then to the downstream products of spherical graphite for natural graphite anode materials in the lithium battery industry, forming a complete graphite production and production line and deep processing industry chain. Graphite flakes is the raw material for production of spherical graphite. The Target Company is the largest privately owned graphite flake manufacturer in Heilongjiang Province. Its annual capacity includes 100,000 metric tons of natural graphite flake, 30,000 metric tons of spherical graphite, and 4,000 metric tons of battery anode material. The Possible Acquisition will enable the Company to secure raw materials for the expansion of the spherical graphite production in Jixi Mashan Graphite Industrial Park.

As part of the Group’s business strategies, the Group intends to achieve further expansion and external growth of Graphene Products Business. The Group is strategically pursuing partnership and acquisition opportunities in expanding and stabilizing its leading position in Graphene Products Business in the PRC. The Directors consider that the Possible Acquisition, if materializes, presents a good opportunity for the Group to strengthen the Graphene Products Business in the PRC and solidify its leading market position.

GENERAL

The Possible Acquisition, if materializes, will constitute a notifiable transaction for the Company under the Listing Rules. Should the company enter into definitive agreement or decide to terminate the MOU or if there are any material developments with respect to the Possible Acquisition, the Company will make further announcement(s) in accordance with the Listing Rules as soon as possible.

The Board wishes to emphasize that the MOU is only for the purpose of obtaining exclusive right to facilitate further due diligence by the Company and negotiation between the Parties with respect to the Possible Acquisition. The MOU is not legally binding between the Parties and may or may not lead to the entering into the formal and definitive legally binding agreement. No actual transaction regarding the Possible Acquisition has been entered into by the Company as at the date of this announcement. As such the Possible Acquisition may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires the following terms and expressions shall have the following meanings when used herein.

“Board”	the board of Directors
“Company”	Graphex Group Limited (烯石電動汽車新材料控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Stock Exchange (stock code: 6128)
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“Exclusivity Period”	A period of 90 days after the signing of the MOU by the parties to the MOU
“Group”	the Company and its subsidiaries

“Independent Third Party”	third parties independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOU”	the non-legally binding memorandum of understanding dated 13 February 2023 entered into between the Company and the Vendors in relation to the Possible Acquisition
“Mr. Chen”	Chen Geng* (陳庚) an Independent Third Party
“Mr. Han”	Han Jun* (韓軍) an Independent Third Party
“Parties”	the parties to the MOU, namely, the Company and the Vendors and the “Party” refers to each of them
“Possible Acquisition”	the possible acquisition of the Sale Shares in the Target Company to be carried out by the Company as contemplated under the MOU and subject to the terms and conditions of the definitive agreements to be entered into
“PRC”	People’s Republic of China
“Sale Shares”	not more than 25.991% equity interest in the Target Company
“SFC”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.01 (each) in share capital of the Company
“Shareholder(s)”	the holder(s) of the issued Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Luobei Aoxing New Materials Co., Ltd.* (蘿北奧星新材料有限公司), a company established in the PRC with limited liability and is owned as to 17.925% and 8.066% by Mr. Chen and Mr. Han respectively as at the date of this announcement

“Vendors”

collectively, Mr. Chen and Mr. Han, and the
“Vendor” refers to each of them

“%”

per cent

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

Hong Kong, 13 February 2023

As at the date of this announcement, the executive Directors are Mr. Lau Hing Tat Patrick, Mr. Chan Yick Yan Andross and Mr. Qiu Bin; the non-executive Director is Mr. Ma Lida; and the independent non-executive Directors are Ms. Tam Ip Fong Sin, Mr. Wang Yuncai, Mr. Liu Kwong Sang, Mr. Tang Zhaodong and Mr. Chan Anthony Kaikwong.

** for identification purpose only*