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China Graphite Group Limited

中国石墨集团有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2237)

VOLUNTARY ANNOUNCEMENT NON-LEGALLY BINDING MEMORANDUM OF UNDERSTANDING IN RELATION TO THE POSSIBLE ACQUISITION OF THE TARGET COMPANY

This announcement is made by China Graphite Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) on a voluntary basis.

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce that, on 2 June 2023, the Company entered into a non-legally binding memorandum of understanding (the “**MOU**”) with certain vendors (collectively, the “**Vendors**”) and the Target Company (as defined below), pursuant to which the Company intends to acquire and the Vendors intend to sell not less than 51% equity interest (the “**Possible Acquisition**”) in Fujian Yongjiu Silicon-Carbon Material Co. Ltd* (福建永久硅碳材料有限公司) (the “**Target Company**”, together with its subsidiaries, the “**Target Group**”), a company incorporated in the People’s Republic of China (the “**PRC**”) and is principally engaged in the research and development, production and sales of carbon and silicon materials and owns 51% equity interest in Fujian Yongjiu Lithium Battery New Materials Co. Ltd.* (福建永久鋰電新材料有限公司), which is principally engaged in carbonization production lines in PRC, with its other 49% equity interest being held by the spouse of one of the Vendors.

The consideration for the Possible Acquisition shall be determined after arm’s length negotiations between the Company and the Vendors, taking into account of, amongst other factors, the result of the business, financial and legal due diligence and the valuation of the Target Group, and shall be set out in the definitive agreement if the Possible Acquisition is eventually determined to be proceeded.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, all of the Vendors are independent third parties independent of the Company and its connected persons (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The Group has been actively seeking to diversify its revenue sources, bringing substantial returns to shareholders of the Company (the “**Shareholders**”) and diversifying its existing business operation to related upstream and downstream business activities, thereby enhancing the overall business performance and broadening the revenue stream of the Group. As such, the Directors believe that the Possible Acquisition, if materialized, will bring synergy to its existing business and will be in the interests of the Company and the Shareholders as a whole.

DUE DILIGENCE AND EXCLUSIVITY PERIOD

The Company shall be entitled to conduct a business, financial, tax and legal due diligence exercise on the Target Group (the “**Due Diligence**”) that it may consider necessary or desirable with respect to the Possible Acquisition. The Vendors will not, for a period of six (6) months from the date of the MOU, negotiate or procure any of its directors, associated companies, employees, agents and consultants to negotiate, directly or indirectly, with any third party regarding the transfer of the business of, and/or equity interests in, the Target Company.

NON-LEGAL EFFECT

The MOU shall create no legal or binding obligations on the parties thereto save for provisions relating to confidentiality, exclusivity and governing law.

In the event that the Company and the Vendors enter into a definitive binding agreement or terminate the MOU, or there is any material development of the Possible Acquisition, the Company will make further announcement(s) in relation to the Possible Acquisition in accordance with the Listing Rules as and when appropriate.

The Company wishes to emphasize that the Possible Acquisition is subject to, amongst other things, satisfactory result of Due Diligence on the Target Group and the execution of the definitive binding agreements, the terms and conditions of which are yet to be agreed by the parties. Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

By order of the Board
China Graphite Group Limited
Zhao Liang

Chairman, executive Director and chief executive officer

Hong Kong, 5 June 2023

As at the date of this announcement, the Board comprises Mr. Zhao Liang and Mr. Lei Wai Hoi as executive Directors; and Mr. Chiu G Kiu Bernard, Mr. Shen Shifu, Mr. Liu Zezheng and Ms. Zhao Jingran as independent non-executive Directors.

* *The English translation of the Chinese names in this announcement, which indicated, are included for information purposes only, and should not be regarded as the official English names of such Chinese names.*