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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 PURSUANT TO RULE 3.2 OF THE TAKEOVERS CODE IN RELATION TO UNCONDITIONAL MANDATORY GENERAL CASH OFFER AND RESUMPTION OF TRADING

Financial adviser to the Company

Wilson International Capital Limited

This announcement is made by China Graphene Group Limited (the “**Company**”, together with its subsidiaries as the “**Group**”) pursuant to Rule 3.2 of the Hong Kong Code on Takeovers and Mergers (the “**Takeovers Code**”) issued by the Securities and Futures Commission of Hong Kong (the “**SFC**”).

References are made to the announcements published by the Company on 20 February 2019, 22 February 2019, 22 March 2019, 18 April 2019, 17 May 2019 and 17 June 2019 (the “**Announcements**”) in relation to the possible mandatory general cash offer (the “**Possible Takeover**”) as a result of a possible change of controlling shareholder of the Company and the monthly progress updates in relation to the Possible Takeover. Unless otherwise specified, capitalized terms used herein shall have the same meanings as defined in the Announcements.

THE OFFER

On 21 June 2019 (before trading hours), the board (the “**Board**”) of directors (the “**Directors**”, and each a “**Director**”) of the Company was informed by Osman Mohammed Arab and Lai Wing Lun, both of RSM Corporate Advisory (Hong Kong) Limited (the Receivers appointed pursuant to a share charge dated 11 December 2017 over the 2,112,395,735 issued shares of the Company (“**Charged Shares**”) held by HK Guoxin Investment Group Limited (“**HK Guoxin**”) that the Receivers as receiver and Zhonghan International Holdings Group Limited (the “**Offeror**”) as purchaser entered into a sale and

purchase agreement (the “**Sale and Purchase Agreement**”), pursuant to which the Receivers agreed to sell and the Offeror agreed to acquire the Charged Shares (the “**Sale Shares**”) for a consideration of HK\$350,000,000 (equivalent to approximately HK\$0.166 per Sale Share) in accordance with the terms and conditions of the Sale and Purchase Agreement. The Sale Shares collectively represent approximately 74.93% of the existing issued share capital of the Company as at the date of this announcement. As informed by the Receivers, the completion of the Sale and Purchase Agreement took place on 21 June 2019.

On 21 June 2019, the Offeror published an announcement (the “**Offer Announcement**”) in respect of (i) the completion of the Sale and Purchase Agreement; and (ii) the unconditional mandatory general cash offer (the “**Offer**”) to be made by Guotai Junan Capital Limited for and on behalf of the Offeror for all the issued shares in the Company (the “**Shares**”), other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it pursuant to Rule 26.1 of the Takeovers Code.

PROPOSED CHANGE TO THE BOARD COMPOSITION OF THE COMPANY

As at the date of this announcement, the Board consists of six Directors, comprising of Mr. Chen Meng and Mr. Zhou Chen as executive Directors; Mr. Li Feng Mao as a non-executive Director; and Mr. Wang Song Ling, Mr. Gao Han and Mr. Chow Chi Ping as independent non-executive Directors. According to the Offer Announcement, the Offeror will nominate new Directors to facilitate the business operation, management and strategy of the Group. Any of such appointments of new Directors will be made in compliance with the Takeovers Code and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and may take effect on or after the earliest day permitted under the Takeovers Code, which is the date immediately after the offer document (the “**Offer Document**”) is posted. Details of the Directors will be set out in the Offer Document. Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and further announcements will be made as and when appropriate.

NUMBERS OF RELEVANT SECURITIES IN ISSUE

As at the date of this announcement, the Company has 2,819,102,084 ordinary Shares of HK\$0.05 each in issue. The Company has no other outstanding relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the date of this announcement.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

In accordance with Rule 2.1 and Rule 2.8 of the Takeovers Code, members of an independent committee of the board of a company, comprising all non-executive Directors who have no direct or indirect interest in the Offer or involvement in the Offer, should be established to make a recommendation (i) as to whether the Offer is, or is not, fair and reasonable and (ii) as to acceptance or voting. The independent committee of the Board (the “**Independent Board Committee**”) will be formed to make a recommendation to the independent shareholders of the Company other than the Offeror and any parties acting in concert with it (the “**Independent Shareholders**”) whether the Offer is fair and reasonable for acceptance or not.

Mr. Li Feng Mao, a non-executive Director, is the sole shareholder and sole director of HK Guoxin which was the sole beneficial owner of the Sale Shares before the receivership of the Sale Shares. He has conflict of interest in the Offer and will not be appointed as a member of the Independent Board Committee. Mr. Li Feng Mao has been in disagreement with the Board and has refused to respond and give confirmation (the “**Confirmation**”) as to the accuracy and completeness of the information contained in this announcement. An application will be made to the Executive pursuant to Rule 9.4 of the Takeovers Code to exclude Mr. Li Feng Mao from the responsibility statement contained in any documents to be issued by the Company in relation to the Offer, including this announcement.

Mr. Wang Song Ling, being an independent non-executive Director, has been uncontactable by the Company for obtaining his Confirmation although the Board has used its best endeavours to do so, and his Confirmation could not be obtained as at the date of this announcement. An application will be made to the Executive pursuant to Rule 9.4 of the Takeovers Code to exclude Mr. Wang Song Ling from the responsibility statement contained in this announcement.

Pursuant to Rule 2.1 of the Takeovers Code, the independent financial adviser (the “**Independent Financial Adviser**”) will be appointed after approval by the Independent Board Committee to advise the Independent Board Committee in respect of the Offer. The advice of the Independent Financial Adviser and the recommendation of the Independent Board Committee in respect of the Offer, in particular, as to whether the Offer is, or is not, fair and reasonable and as to its acceptance, will be included in the response document.

GENERAL

Pursuant to Rule 8.2 of the Takeovers Code, the Offeror is required to despatch the Offer Document containing, amongst other things, the terms and conditions of the Offer and the form(s) of acceptance and transfer in respect of the Offer, to the Independent Shareholders within 21 days of the date of the Offer Announcement. Pursuant to Rule 8.4 of the Takeovers Code, a response document, which will contain, amongst other things, the recommendation of the Independent Board Committee to the Independent Shareholders and the advice of the Independent Financial Adviser to the Independent Board Committee on the Offer, will be issued and despatched by the Company to the Shareholders within 14 days of the posting of the Offer Document by the Offeror in relation to the Offer, or as permissible pursuant to the Takeovers Code.

Dealing disclosure

In accordance with Rule 3.8 of the Takeovers Code, respective associates of the Company (as defined in the Takeovers Code, including among others, shareholders of the Company having interests of 5% or more in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company) and of the Offeror are hereby reminded to disclose their dealings in the securities of the Company pursuant to the requirements of the Takeovers Code.

In accordance with Rule 3.8 of the Takeovers Code, the full text of Note 11 to Rule 22 of the Takeovers Code is reproduced below:

“Responsibilities of stockbrokers, banks and other intermediaries

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates of an offeror or the offeree company and other persons under Rule 22 of the Takeovers Code and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant rules of the Takeovers Code. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7-day period is less than HK\$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

WARNING: SHAREHOLDERS AND POTENTIAL INVESTORS ARE THEREFORE ADVISED TO EXERCISE CAUTION WHEN DEALING IN THE SECURITIES OF THE COMPANY, AND IF THEY ARE IN DOUBT ABOUT THEIR POSITION, THEY SHOULD CONSULT THEIR PROFESSIONAL ADVISERS.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) has been halted from 9:00 a.m. on 21 June 2019 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 3 July 2019.

By order of the Board
China Graphene Group Limited
Chow Chi Ping
Independent non-executive Director

Hong Kong, 2 July 2019

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. Gao Han and Mr. Chow Chi Ping as independent non-executive Directors.

The directors of the Company, except Mr. Li Feng Mao and Mr. Wong Song Ling for the reasons stated above, jointly and severally accept full responsibility for the accuracy of information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.