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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 AUDITED RESULTS

The board of directors (the “Board”) of China Graphene Group Limited (the “Company”) presents the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 HK\$'000	2015 HK\$'000
Revenue	3	5,442	12,210
Cost of sales		(894)	(5,611)
Gross profit		4,548	6,599
Net gain/(loss) on trading securities		48	(73)
Other revenue	4	7,321	7,012
Other net income	4	5,052	519
Operating and administrative expenses		(59,848)	(40,652)
Finance costs	5(a)	(1,068)	–
Gain on disposal of a subsidiary		–	126
Loss before taxation	5	(43,947)	(26,469)
Income tax expense	6	–	–
Loss for the year		(43,947)	(26,469)
Attributable to:			
Equity shareholders of the Company		(43,947)	(26,469)
Non-controlling interests		–	–
Loss for the year		(43,947)	(26,469)
Loss per share	8		
— Basic		HK cent (1.56)	HK cent (0.99)
— Diluted		HK cent (1.56)	HK cent (0.99)

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

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Loss for the year	<u>(43,947)</u>	<u>(26,469)</u>
Other comprehensive income for the year		
Items that may be reclassified subsequently to profit or loss		
Available-for-sale financial assets: net movement in the fair value reserve (net of nil tax):		
— Changes in fair value recognised during the year	(200)	2,900
— Reclassification of cumulative fair value gain attributable to disposal of available-for-sale financial assets to profit or loss	<u>(4,930)</u>	<u>—</u>
	(5,130)	2,900
Exchange differences:		
— Exchange differences on translation of financial statements of operations outside Hong Kong	<u>(7,656)</u>	<u>—</u>
Other comprehensive (loss)/income, net of tax	<u>(12,786)</u>	<u>2,900</u>
Total comprehensive loss for the year	<u><u>(56,733)</u></u>	<u><u>(23,569)</u></u>
Attributable to:		
Equity shareholders of the Company	(56,733)	(23,569)
Non-controlling interests	<u>—</u>	<u>—</u>
Total comprehensive loss for the year	<u><u>(56,733)</u></u>	<u><u>(23,569)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	<i>Note</i>	2016	2015
		<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		6,630	4,335
Available-for-sale financial assets		–	6,500
Restricted bank deposits		8,120	–
		<u>14,750</u>	<u>10,835</u>
Current assets			
Trading securities		581	548
Inventories		248,750	244,811
Loan receivables	<i>10</i>	2,344	22,081
Trade and other receivables	<i>11</i>	26,739	4,461
Cash and cash equivalents		75,587	11,018
		<u>354,001</u>	282,919
Current liabilities			
Trade and other payables	<i>12</i>	17,198	5,468
Bank loan	<i>13</i>	120,000	–
		<u>137,198</u>	5,468
Net current assets		<u>216,803</u>	<u>277,451</u>
NET ASSETS		<u>231,553</u>	<u>288,286</u>
CAPITAL AND RESERVES			
Share capital		140,955	140,955
Reserves		90,598	147,331
Total equity attributable to equity shareholders of the Company		<u>231,553</u>	<u>288,286</u>
Non-controlling interests		–	–
TOTAL EQUITY		<u>231,553</u>	<u>288,286</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity shareholders of the Company							Non-controlling interests	Total equity	
	Share capital	Share premium	Capital redemption reserve	Share option reserve	Exchange reserve	Fair value reserve	Retained profits			Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2015	131,790	5,241	121	9,285	–	2,230	141,779	290,446	–	290,446
Comprehensive income:										
Loss for the year	–	–	–	–	–	–	(26,469)	(26,469)	–	(26,469)
Other comprehensive income:										
Fair value change on available-for-sale financial assets	–	–	–	–	–	2,900	–	2,900	–	2,900
Total comprehensive loss for the year	–	–	–	–	–	2,900	(26,469)	(23,569)	–	(23,569)
Share issued under share option scheme	9,165	21,529	–	(9,285)	–	–	–	21,409	–	21,409
At 31 December 2015	<u>140,955</u>	<u>26,770</u>	<u>121</u>	<u>–</u>	<u>–</u>	<u>5,130</u>	<u>115,310</u>	<u>288,286</u>	<u>–</u>	<u>288,286</u>
At 1 January 2016	140,955	26,770	121	–	–	5,130	115,310	288,286	–	288,286
Comprehensive income:										
Loss for the year	–	–	–	–	–	–	(43,947)	(43,947)	–	(43,947)
Other comprehensive income:										
Fair value changes on available-for-sale financial assets	–	–	–	–	–	(200)	–	(200)	–	(200)
Reclassification of cumulative fair value gain attributable to disposal of available-for-sale financial assets	–	–	–	–	–	(4,930)	–	(4,930)	–	(4,930)
Exchange differences on translation of financial statements of operations outside Hong Kong	–	–	–	–	(7,656)	–	–	(7,656)	–	(7,656)
Total comprehensive loss for the year	–	–	–	–	(7,656)	(5,130)	(43,947)	(56,733)	–	(56,733)
At 31 December 2016	<u>140,955</u>	<u>26,770</u>	<u>121</u>	<u>–</u>	<u>(7,656)</u>	<u>–</u>	<u>71,363</u>	<u>231,553</u>	<u>–</u>	<u>231,553</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The measurement basis used in the preparation of these financial statements is the historical cost basis except that, buildings and financial instruments classified as available-for-sale financial assets or as trading securities which are stated at their fair value.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA that are effective for the current accounting period.

Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interest in Joint Operations</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2010–2014 Cycle</i>

The application of the above new and amendments to HKFRSs in the current year has had no material effect on the Group’s financial performance and positions for the current and prior accounting periods and/or on the disclosures in the Group’s financial statements.

3. REVENUE

The principal activities of the Group are property development and construction, property management, money lending, provision of horticultural services, manufacturing and sale of graphene and graphene related products and securities trading. The amount of each significant category of revenue recognised during the years ended 31 December 2016 and 2015 are as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Sales of properties	–	7,100
Provision of property management services	121	175
Provision of horticultural services	4,830	4,854
Loan interest income	491	81
	<u>5,442</u>	<u>12,210</u>

4. OTHER REVENUE AND OTHER NET INCOME

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Other revenue		
Bank interest income	1	61
Management fee income	–	204
Rental income from operating leases	6,953	6,395
Dividend income from equity securities	27	23
Others	340	329
	<u>7,321</u>	<u>7,012</u>
Other net income		
Gain on disposal of available-for-sale financial assets (transfer from equity)	4,930	–
Gain/(loss) on disposal of property, plant and equipment	121	(8)
Surplus on revaluation of buildings	1	32
Others	–	495
	<u>5,052</u>	<u>519</u>

During the year, the interest income that was derived from financial assets not at fair value through profit or loss amounted to HK\$492,000 (2015: HK\$142,000).

5. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(a) Finance costs

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interest on bank loan	<u>1,068</u>	<u>–</u>
Total interest expense on financial liabilities not at fair value through profits or loss	<u><u>1,068</u></u>	<u><u>–</u></u>

(b) Staff costs (including directors' emoluments)

Contributions to defined contribution retirement plan	489	345
Salaries, wages and other benefits	<u>37,127</u>	<u>26,819</u>
	<u><u>37,616</u></u>	<u><u>27,164</u></u>

(c) Other items

Amortisation of leasehold land	12	21
Depreciation of property, plant and equipment	1,164	125
Auditor's remuneration		
– audit services	570	481
– other services	72	140
Operating lease charges: minimum lease payments		
– land and buildings	4,564	2,322
Cost of inventories	<u>894</u>	<u>5,611</u>

6. INCOME TAX

No Hong Kong Profits Tax for the years ended 31 December 2016 and 2015 has been provided for as the Group has no estimated assessable profits arising in Hong Kong for both years.

No Japan Profits Tax for the year ended 31 December 2016 has been provided for as the Group has no estimated assessable profits arising in Japan. No Japan Profits Tax for the year ended 31 December 2015 has been provided for as the Group only commenced the operations in Japan in the current year.

7. DIVIDEND

The directors of the Company do not recommend the payment of any dividend in respect of the year ended 31 December 2016 (2015: Nil).

8. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of HK\$43,947,000 (2015: HK\$26,469,000) and the weighted average number of approximately 2,819,102,000 (2015: 2,665,825,000) ordinary shares in issue during the year.

(b) Diluted loss per share

Diluted loss per share is same as basic loss per share as the Company does not have dilutive potential ordinary shares for the year ended 31 December 2016.

The calculation of diluted loss per share for the year ended 31 December 2015 does not assume the exercise of the Company's outstanding share options as the exercise of the share options would result in a decrease in loss per share.

9. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organized by business lines (products and services). In a manner consistent with the way in which information is reported internally to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and performance assessment, the Group has presented the following reportable segments. The Group commenced the graphene manufacturing business during the year ended 31 December 2016 and this was a new operating segment of the Group. The Company's directors are of the opinion that graphene manufacturing business will provide good opportunities for the Group to diversity and enhance the Group's revenue stream. No operating segments have been aggregated to form the following reportable segments.

- Property development: this segment develops and sells the Group's properties.
- Money lending: this segment provides loans financing to corporate entities and individuals.
- Horticultural services: this segment provides horticultural services.
- Graphene manufacturing: this segment manufactures and sells graphene and graphene related products.
- Property management and other related services: this segment mainly provides building management services.
- Securities trading: this segment engages in the trading of securities.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Company's executive directors monitor the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible and current assets with the exception of available-for-sale financial assets, deferred tax assets and other corporate assets. Segment liabilities include trade creditors, accruals and other payables attributable to the activities of the individual segments and managed directly by the segments with exception of other corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "adjusted EBITDA" i.e., "adjusted earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including bank interest income and investment income and "depreciation and amortisation" is regarded as including impairment losses on non-current assets. To arrive at adjusted EBITDA the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as auditor's remuneration and other corporate administration costs.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning revenue (including inter segment sales), interest income from cash balances managed directly by the segments, depreciation and amortisation, material non-cash items and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Information regarding the Group's reportable segments as provided to the Company's executive directors for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2016 and 2015 is set out below.

	Property development		Money lending		Horticultural services		Graphene manufacturing		Property management and other related services		Securities trading		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	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	-	7,100	491	81	4,830	4,854	-	-	121	175	-	-	5,442	12,210
Inter-segment revenue	-	-	-	-	80	23	-	-	-	-	-	-	80	23
Reportable segment revenue	-	7,100	491	81	4,910	4,877	-	-	121	175	-	-	5,522	12,233
Reportable segment (loss)/profit (adjusted EBITDA)	(23,526)	(18,982)	491	81	(2,025)	353	(5,581)	-	95	105	48	(73)	(30,498)	(18,516)
Reportable segment assets	251,554	249,423	2,344	22,081	2,296	1,458	49,548	-	873	961	581	575	307,196	274,498
Reportable segment liabilities	5,163	4,100	-	-	197	236	1,059	-	27	18	-	-	6,446	4,354

For the year ended 31 December 2016, revenue of approximately HK\$926,000 was derived from a single external customer who contributed 10% or more of total revenue of the Group. This revenue was attributable to the horticultural services segment.

For the year ended 31 December 2015, revenue of approximately HK\$7,100,000 was derived from a single external customer who contributed 10% or more of total revenue of the Group. This revenue was attributable to the property development segment.

(b) Reconciliations of reportable segment revenue and profit or loss, assets and liabilities

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue		
Reportable segment revenue	5,522	12,233
Elimination of inter-segment revenue	<u>(80)</u>	<u>(23)</u>
Consolidated revenue	<u><u>5,442</u></u>	<u><u>12,210</u></u>
Profit or loss		
Reportable segment loss	(30,498)	(18,516)
Elimination of inter-segment profit	<u>(80)</u>	<u>(23)</u>
Reportable segment loss derived from the Group's external customers	(30,578)	(18,539)
Other revenue and net income	5,299	641
Gain on disposal of a subsidiary	–	126
Depreciation and amortisation	(1,176)	(146)
Finance costs	(1,068)	–
Unallocated corporate expenses	<u>(16,424)</u>	<u>(8,551)</u>
Consolidated loss before taxation	<u><u>(43,947)</u></u>	<u><u>(26,469)</u></u>
Assets		
Reportable segment assets	307,196	274,498
Available-for-sale financial assets	–	6,500
Unallocated corporate assets		
— Restricted bank deposits	8,120	–
— cash and cash equivalents	47,145	7,653
— other assets	<u>6,290</u>	<u>5,103</u>
Consolidated total assets	<u><u>368,751</u></u>	<u><u>293,754</u></u>
Liabilities		
Reportable segment liabilities	6,446	4,354
Unallocated corporate liabilities		
– bank loan	120,000	–
– other liabilities	<u>10,752</u>	<u>1,114</u>
Consolidated total liabilities	<u><u>137,198</u></u>	<u><u>5,468</u></u>

(c) Other segment information

	Property development		Money lending		Horticultural services		Graphene manufacturing		Property management and other related services		Securities trading		Unallocated		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	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
Interest income	-	-	-	-	-	-	-	-	-	-	-	-	1	61	1	61
Interest expense	-	-	-	-	-	-	-	-	-	-	-	-	(1,068)	-	(1,068)	-
Rental income from operating leases	6,953	6,395	-	-	-	-	-	-	-	-	-	-	-	-	6,953	6,395
Depreciation and amortisation	-	-	-	-	-	(4)	(122)	-	-	(15)	-	-	(1,054)	(127)	(1,176)	(146)
Income tax expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gain on disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	126	-	126
Additions to non-current segment assets during the year	-	-	-	-	-	-	3,075	-	-	-	-	-	718	3,880	3,793	3,880

(d) Geographic information

	Revenue from external customers		Specified non-current assets	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Hong Kong (place of domicile)	5,442	12,210	4,000	10,835
Japan	-	-	2,630	-
	<u>5,442</u>	<u>12,210</u>	<u>6,630</u>	<u>10,835</u>

10. LOAN RECEIVABLES

	2016 HK\$'000	2015 HK\$'000
Balance due within one year	<u>2,344</u>	<u>22,081</u>

Loan receivables represents receivable arising from money lending business of the Group, and bear interests at the rate of 6%(2015: 4.7%) per annum. The grant of the loan was approved and monitored by the Group's management. No provision for impairment on loan receivable was made as at 31 December 2016 and 2015.

An aged analysis of the loan receivables as at the end of the reporting period, based on the payment due date, is as follows:

	2016 HK\$'000	2015 HK\$'000
Neither past due nor impaired	<u>2,344</u>	<u>22,081</u>

11. TRADE AND OTHER RECEIVABLES

Trade receivables are generally granted with credit period of not more than 30 days from the date of billing.

Included in trade and other receivables are trade debtors (net of impairment losses for bad and doubtful debts) with the following ageing analysis presented based on the invoice date, as of the end of the reporting period:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 1 month	482	619
After 1 month but within 3 months	348	123
Over 3 months	234	7
	<u>1,064</u>	<u>749</u>

12. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors with the following ageing analysis based on the date of receipt of goods/services, as of the end of the reporting period:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 1 month	605	10
After 1 month but within 3 months	–	150
Over 6 months	–	157
	<u>605</u>	<u>317</u>

13. BANK LOAN

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Bank loan, secured	<u>120,000</u>	<u>–</u>

During the year ended 31 December 2016, the Group obtained the banking facilities from a bank and the Group was able to meet all financial covenants imposed by such bank as at 31 December 2016.

The bank loan is secured by (i) the Group's completed properties held for sale of HK\$248,319,000 and the land and buildings of HK\$442,000, (ii) any assignment of rental income from completed properties held for sale and (iii) bank deposit of HK\$2,120,000. In addition, the Group shall maintain a deposit with the bank of no less than HK\$6,000,000.

14. 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 and securities trading business and established a new business segment of manufacturing and sales of Graphene and Graphene related products. The Group's revenue of the year was mainly derived from horticultural services.

The Group recorded loss for the year of approximately HK\$43,947,000. The increase in net loss was mainly due to decrease in revenue and increase in operating and administrative expenses in 2016.

The Company 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 Company was optimistic on the local property market and had retained the Group's development properties for leasing over the year of 2016.

In September 2016, the Company announced that the Group would establish a joint venture (the "Joint Venture") with a Japan Graphene intellectual property developer ("Japan Partner") for commencing the Graphene manufacturing and production and sales of Graphene related products. The capital of the Joint Venture in the amount of JPY700,000,000 would mainly be used for purchasing Graphene production machinery and equipment that can produce 100 tons of Graphene per year. The Directors believe that there is enormous business potential in Graphene industry and expect that this new business segment will enhance the Group's financial performance and accordingly, will help to gain attractive investment return for our Shareholders.

In November 2016, the Company changed its name from "Winfoong International Limited" to "China Graphene Group Limited" so as to better reflect its corporate image and identity with its new Graphene business as its direction of future business development.

In January 2017, the Joint Venture entered into two agreements with the Japan Partner. The first one is the Plant Sale and Purchase Agreement, whereby the Joint Venture as purchaser agreed to acquire from the Japan Partner the tailor made machinery and equipment for Graphene production with capacity of up to 100 tons Graphene powder per year. The another one is the License Agreement, whereby the Joint Venture as licensee agreed to acquire from the Japan Partner the license to use the two patents where were registered in Japan and cover the technology with respect to Graphene production. It is expected that the manufacturing of Graphene and Graphene related products could be commenced within the year of 2017.

The net asset value of the Company per share as at 31 December 2016 was approximately HK\$0.08 (2015: HK\$0.10) based on the 2,819,102,084 (2015: 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 new 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 2016, there was HK\$120,000,000 bank loan outstanding. The Group's working capital requirements are funded by bank loan.

As at 31 December 2015, there was no outstanding bank loan. The Group's working capital requirements are funded by bank deposits.

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 2016, 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 and complied with all the applicable code provisions of the Code, except the following code provision:

Under the code provision A.6.7 of the Code, independent non-executive directors should, inter alia, attend general meetings. Due to other important engagement at the relevant time, not all independent non-executive directors had attended both general meetings of the Company during the year under review.

The Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than the Code. The Company will periodically review and improve its corporate governance practices with reference to the latest development of corporate governance.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors, namely Mr. Leung Po Hon, Mr. Li Jing Bo and Mr. Shigeki Tanaka. 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 2016.

PUBLICATION OF ANNUAL ANNOUNCEMENT AND ANNUAL REPORT

The result announcement is published on the website of the Stock Exchange at www.hkex.com.hk and the Company's website at www.chn-graphene.com. The 2016 annual report of the Company containing all the information required by the Listing Rules 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
Mak Tin Sang
Executive Director

Hong Kong, 20 March 2017

As at the date of this announcement, the Board comprises Mr. Yuan Li Min, Mr. Chen Meng and Mr. Mak Tin Sang as executive Directors; Mr. Li Feng Mao as non-executive Director and Mr. Leung Po Hon, Mr. Li Jing Bo and Mr. Shigeki Tanaka as independent non-executive Directors