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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 THE UNAUDITED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board of directors (the “Board”) of China Graphene Group Limited (the “Company”) announces that the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2020, together with the comparative figures for the six months ended 30 June 2019, are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2020

	<i>Notes</i>	Six months ended 30 June	
		2020	2019
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	4	6,943	6,647
Cost of sales		<u>(384)</u>	<u>(394)</u>
Gross profit		6,559	6,253
Other income	5	587	200
Other gains and losses	6	–	9,214
Operating and administrative expenses		<u>(10,769)</u>	<u>(18,549)</u>
Loss from operations		(3,623)	(2,882)
Finance costs	7	<u>(2,903)</u>	<u>(4,493)</u>
Loss before taxation		(6,526)	(7,375)
Income tax expenses	8	<u>–</u>	<u>–</u>
Loss for the period attributable to owners of the Company	9	<u>(6,526)</u>	<u>(7,375)</u>

		Six months ended 30 June	
		2020	2019
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Other comprehensive expenses			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>(5)</u>	<u>(17)</u>
Other comprehensive expenses for the period, net of tax		<u>(5)</u>	<u>(17)</u>
Total comprehensive expenses for the period attributable to owners of the Company		<u>(6,531)</u>	<u>(7,392)</u>
Loss per share	<i>10</i>		
Basic (HK cent per share)		<u>HK cent (0.23)</u>	<u>HK cent (0.26)</u>
Diluted (HK cent per share)		<u>HK cent (0.23)</u>	<u>HK cent (0.26)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

		As at 30 June 2020 <i>HK\$'000</i> (Unaudited)	As at 31 December 2019 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	12	2,633	3,087
Right-of-use assets		2,836	2,733
Investment properties		390,000	390,000
Investment in associates		12,211	12,211
Pledged bank deposits		10,317	10,275
		<u>417,997</u>	<u>418,306</u>
Current assets			
Inventories	13	535	532
Trade and other receivables	14	5,337	6,602
Cash and cash equivalents		1,525	1,710
		<u>7,397</u>	<u>8,844</u>
Current liabilities			
Trade and other payables	15	72,240	27,540
Lease liabilities		2,843	2,768
Bank borrowings	16	160,000	200,000
		<u>235,083</u>	<u>230,308</u>
Net current liabilities		<u>(227,686)</u>	<u>(221,464)</u>
NET ASSETS		<u>190,311</u>	<u>196,842</u>
Capital and reserves			
Share capital		140,955	140,955
Reserves		49,356	55,887
TOTAL EQUITY		<u>190,311</u>	<u>196,842</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. COMPANY 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. The principal activities of its principal subsidiaries are property investment, plant sales and provision of horticultural services, manufacturing and selling graphene and graphene-related products, property management and money lending.

As at the date of issuing these condensed consolidated financial statements, in the opinion of the directors of the Company (the “Directors”), China Asia Graphene Holding Group Co. Limited (previously known as Zhonghan International Holding Group Limited) (the “China Asia Graphene”), 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. BASIS OF PREPARATION

Going Concern

The Group incurred a loss of approximately HK\$6,526,000 for the six months ended 30 June 2020, the Group had net current liabilities of approximately HK\$227,686,000 as at 30 June 2020. Notwithstanding this fact, the Directors consider it is appropriate to prepare the condensed 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 condensed consolidated statement of financial position of the Group as at 30 June 2020, 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.

Should the Group be unable to continue as a going concern, adjustments would have to be made to the condensed 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 condensed consolidated financial statements.

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosures required by the Rules Governing the Listing of Securities on Stock Exchange.

These condensed consolidated financial statements should be read in conjunction with the 2019 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2019.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2020. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); 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 period and prior years.

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 AND SEGMENT REPORTING

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.

The accounting policies of the operating segments are the same as those described in note 2 to the condensed consolidated financial statements. 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:

	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Disaggregated by major products or services		
– Sale of plants and provision of horticultural services	<u>3,254</u>	<u>3,468</u>
Revenue from contracts with customers	3,254	3,468
– Rental income	<u>3,689</u>	<u>3,179</u>
Total revenue	<u>6,943</u>	<u>6,647</u>
Disaggregated by geographical location of customers		
– Hong Kong	<u>3,254</u>	<u>3,468</u>

	Timing of revenue recognition					
	Six months ended 30 June					
	2020			2019		
	At a point	Over time	Total	At a point	Over time	Total
	<i>in time</i>			<i>in time</i>		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Sale of plants and provision of horticultural services	<u>197</u>	<u>3,057</u>	<u>3,254</u>	<u>228</u>	<u>3,240</u>	<u>3,468</u>

(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 six months ended 30 June 2020 is set out below.

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

	Property investment <i>HK\$'000</i>	Horticultural services <i>HK\$'000</i>	Graphene manufacturing and sales <i>HK\$'000</i>	Property management and other related services <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 June 2020 (unaudited)						
Revenue from customers	3,689	3,257	-	-	-	6,946
Intersegment revenue	-	(3)	-	-	-	(3)
Revenue from external customers	<u>3,689</u>	<u>3,254</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,943</u>
Segment (loss)/profit	(380)	1,320	(1,129)	-	(7)	(196)
Depreciation of property, plant and equipment and right-of use assets	1,111	47	222	-	-	1,380
Additions to segment non-current assets	111	-	-	-	-	111
As at 30 June 2020 (unaudited)						
Segment assets	<u>395,028</u>	<u>2,764</u>	<u>3,516</u>	<u>-</u>	<u>587</u>	<u>401,895</u>
Segment liabilities	<u>8,995</u>	<u>1,580</u>	<u>8,025</u>	<u>-</u>	<u>-</u>	<u>18,600</u>

	Property investment <i>HK\$'000</i>	Horticultural services <i>HK\$'000</i>	Graphene manufacturing and sales <i>HK\$'000</i>	Property management and other related services <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 June 2019 (unaudited)						
Revenue from external customers	3,179	3,468	–	–	–	6,647
Segment loss	(8,836)	(723)	(4)	(200)	–	(9,763)
Depreciation of property, plant and equipment and right-of use assets	1,703	8	–	–	–	1,711
Additions to segment non-current assets	–	474	–	–	–	474
As at 31 December 2019 (audited)						
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>

Reconciliations of segment revenue and profit or loss

	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Revenue		
Total revenue of reportable segments	6,946	6,647
Elimination of intersegment revenue	<u>(3)</u>	<u>–</u>
Consolidated revenue	<u>6,943</u>	<u>6,647</u>
Profit or loss		
Total loss of reportable segments	(196)	(9,763)
Elimination of intersegment profits	(3)	–
Unallocated amounts:		
– Depreciation of property, plant and equipment	(1)	–
– Finance costs	(2,903)	(4,493)
– Other income	355	307
– Gain on disposal of subsidiaries	–	9,109
– Unallocated corporate expenses	<u>(3,778)</u>	<u>(2,535)</u>
Consolidated loss before tax	<u>(6,526)</u>	<u>(7,375)</u>

Reconciliations of segment assets and liabilities

	As at 30 June 2020 <i>HK\$'000</i> (unaudited)	As at 31 December 2019 <i>HK\$'000</i> (audited)
Assets		
Total assets of reportable segments	401,895	403,337
Investment in associates	12,211	12,211
Unallocated:		
– Pledged bank deposits	10,317	10,275
– Cash and cash equivalents	284	294
– Other assets	687	1,033
Consolidated total assets	425,394	427,150
	As at 30 June 2020 <i>HK\$'000</i> (unaudited)	As at 31 December 2019 <i>HK\$'000</i> (audited)
Liabilities		
Total liabilities of reportable segments	18,600	17,094
Unallocated:		
– Bank borrowings	160,000	200,000
– Amount due to the ultimate parent	40,000	–
– Other liabilities	16,483	13,214
Consolidated total liabilities	235,083	230,308

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	
	Six months ended		As at	As at
	30 June		30 June	31 December
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(audited)
Hong Kong	6,943	6,647	393,784	393,919
Japan	–	–	1,685	1,901
Consolidated total	6,943	6,647	395,469	395,820

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

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Rental income		
– Customer A	2,040	–

5. OTHER INCOME

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest income on bank deposits	43	–
Government subsidies	162	–
Share of building management fee income	166	107
Others	216	93
	587	200

6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Fair value gain on investments at fair value through profit or loss	–	32
Gain on disposal of subsidiaries (note)	–	9,109
Net gain on disposals of property, plant and equipment	–	73
	–	9,214

note:

Pursuant to a provisional agreement for sale and purchase of the entire issued share capital of a subsidiary of the Company entered into with an independent third party, the Group disposed of 100% interests in a wholly-owned subsidiary for a total cash consideration of approximately HK\$9,500,000, resulting in a gain on disposal of a subsidiary of approximately HK\$9,093,000. Completion took place on 11 April 2019.

Pursuant to an agreement entered into with an independent third party, the Group disposed of 100% interests in a wholly-owned subsidiary for a total cash consideration of approximately HK\$200,000, resulting in a gain on disposal of a subsidiary of approximately HK\$16,000. Completion took place on 4 January 2019.

7. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Interest on bank borrowings	2,867	3,078
Interest on other borrowing	–	1,354
Lease interests	36	61
	<u>2,903</u>	<u>4,493</u>

8. INCOME TAX EXPENSES

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2020 and 2019 as the Group has no assessable profits arising in Hong Kong during the periods.

No provision for overseas tax has been made for the six months ended 30 June 2020 and 2019 as the Group has no assessable profits arising outside Hong Kong during the periods.

9. LOSS FOR THE PERIOD

The Group's loss for the period is stated after charging the following:

	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment and right-of-use assets	1,381	1,711
Directors' remuneration	822	7,144
Expenses related to short-term leases	85	85
Cost of inventories sold	384	394

10. 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:

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss:		
Loss for the purpose of calculating basic and diluted loss per share attributable to owners of the Company	<u>(6,526)</u>	<u>(7,375)</u>
Number of shares:	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	<u>2,819,102</u>	<u>2,819,102</u>

The basic and diluted loss per share for the six months ended 30 June 2020 and 2019 were the same as the Company had no dilutive potential ordinary shares in issue during the periods.

11. INTERIM DIVIDENDS

The Board does not recommend the payment of any dividend for the six months ended 30 June 2020 (Six months ended 30 June 2019: Nil).

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired items of property, plant and equipment with a cost of approximately HK\$111,000 (six months ended 30 June 2019: approximately HK\$482,000). Certain property, plant and equipment with a net book value of HK\$Nil (six months ended 30 June 2019: approximately HK\$243,000) were disposed of by the Group during the six months ended 30 June 2020, resulting in a net gain on disposals of HK\$Nil (six months ended 30 June 2019: approximately HK\$73,000).

13. INVENTORIES

	As at	As at
	30 June	31 December
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Horticultural plants	<u>535</u>	<u>532</u>

14. TRADE AND OTHER RECEIVABLES

	As at 30 June 2020 <i>HK\$'000</i> (unaudited)	As at 31 December 2019 <i>HK\$'000</i> (audited)
Trade receivables	1,321	1,672
Other prepayments	975	1,450
Rental and other deposits	1,830	2,278
Other tax receivables	443	442
Other receivables	768	760
	<u>5,337</u>	<u>6,602</u>

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:

	As at 30 June 2020 <i>HK\$'000</i> (unaudited)	As at 31 December 2019 <i>HK\$'000</i> (audited)
0 to 90 days	1,268	1,671
91 to 180 days	53	1
	<u>1,321</u>	<u>1,672</u>

15. TRADE AND OTHER PAYABLES

	As at 30 June 2020 <i>HK\$'000</i> (unaudited)	As at 31 December 2019 <i>HK\$'000</i> (audited)
Trade payables	74	63
Other payables and accrued charges	16,981	14,768
Amount due to the ultimate parent	40,000	–
Amount due to the immediate parent	15,000	12,000
Amount due to directors	57	314
Other tax payables	128	128
Receipt in advance	–	267
	<u>72,240</u>	<u>27,540</u>

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

	As at 30 June 2020 HK\$'000 (unaudited)	As at 31 December 2019 HK\$'000 (audited)
0 to 90 days	<u>74</u>	<u>63</u>

The amount due to ultimate parent, immediate and directors are unsecured, interest-free and repayable on demand.

16. BANK BORROWINGS

	As at 30 June 2020 HK\$'000 (unaudited)	As at 31 December 2019 HK\$'000 (audited)
Bank loans	<u>160,000</u>	<u>200,000</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:

	As at 30 June 2020 HK\$'000 (unaudited)	As at 31 December 2019 HK\$'000 (audited)
Within 1 year	<u>160,000</u>	<u>200,000</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 30 June 2020 was 2% per annum over one-month HIBOR or 0.5% per annum below HKD prime rate, whichever is lower (31 December 2019: 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\$160,000,000 (31 December 2019: HK\$200,000,000) are secured by (i) the investment properties of HK\$390,000,000 (31 December 2019: HK\$390,000,000), (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, (iv) assignment of rental income from properties to a designated bank account which is charged to the bank, and (v) maintain an occupancy rate of 60% or above.

BUSINESS REVIEW AND PROSPECT

During the six months ended in 30 June 2020 (the “Period”), the Group continued to engage in property related business (including property investment, property management and other related services), plant sales and provision of horticultural services, money lending business and trading of graphene and graphene-related products. During the Period, the results were mainly derived from the property related business segment and the plant sales and provision of horticultural services segment.

Revenue of the Group for the Period was HK\$6,943,000, an increase of approximately 4.4%, when compared to HK\$6,647,000 for the corresponding period in 2019. Net loss of the Group during the Period was HK\$6,526,000, a decrease in loss of approximately 11.5%, when compared to the net loss amounted to HK\$7,375,000 for the same period in 2019. Such improvement of performance was mainly due to the result of decrease in staff cost and finance cost

Property related business

During the Period, rental income for the Group’s property related business was HK\$ 3,689,000, year on year revenue increased by approximately 16.0%, as compared to the first half of 2019 amounted to HK\$3,179,000. Such increase was due to the increase in occupancy rate, despite the average rental income per apartment unit was lower than that in the first six months of 2019. After the year ended 30 June 2020, the Group has through its wholly owned subsidiary 中亞熾谷物業管理(深圳)有限公司 entered into a new property management contract with 深圳市後亭雅苑投資有限公司 with effect from 13 August 2020 to develop the Group’s property management services in Mainland. The Group is expecting to increase the property related business income in the future.

Horticultural business

The Group also operates horticultural services business under brand name “Cheung Kee Garden Limited”, which has over forty years of history. Plant sales and provision of horticultural services revenue during the Period was decreased to HK\$3,254,000 by approximately 6.2% from HK\$3,468,000 for the six months ended in 2019. The decrease was mainly due to the effect of COVID-19 pandemic in Hong Kong, some clients believe that the watering services may carry virus during the visit while others believe horticulture creates environmental friendly atmosphere, thus a net reduction of service income per contract volume and a slow down of new clients accounts opening. Given this business segment has a long established and diversified customer base, which the Group believes that it can contribute us a stable source of income.

Graphene Business

The Group’s graphene business ceased operation in 2018 and no revenue was recorded for both six months ended in 30 June 2020 and 2019.

Bank Borrowings and Other Borrowings

As at 30 June 2020, there was HK\$160,000,000 bank loans outstanding (31 December 2019: HK\$200,000,000), shareholder's loan of approximately HK\$55,000,000 (31 December 2019: HK\$12,000,000).

Charge over the Group's assets

The Group has pledged its investment properties as collateral for bank borrowings. As at 30 June 2020, the fair value of the investment properties amounted to approximately HK\$390,000,000 (31 December 2019: HK\$390,000,000).

Bank loans of HK\$160,000,000 (31 December 2019: HK\$200,000,000) are secured by (i) the investment properties of HK\$390,000,000 (31 December 2019: HK\$390,000,000), (ii) a charge of 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 six months ended 30 June 2020, the Company did not aware that have any violation of bank covenants attached to the interest-bearing bank loan that triggers breaches of the covenants would permit the bank or lender to immediately call borrowings.

The net asset value of the Group per share as at 30 June 2020 was approximately HK\$0.07 (31 December 2019: HK\$0.07) based on the 2,819,102,084 (31 December 2019: 2,819,102,084) shares in issue.

Looking ahead, the Group targets to develop the property related business income which the Group is expecting to first increase this revenue stream.

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 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 30 June 2020, there was bank loans in the sum of HK\$160,000,000 outstanding (31 December 2019: HK\$200,000,000). The Group's working capital requirements are funded by bank loans, shareholder's loan and cash generated from its ordinary course of business.

The gearing ratio of the Group as at 30 June 2020 was 113% (31 December 2019: 108%). Gearing ratio was calculated based on total debts divided by total equity. The amount of total debts was calculated by aggregating the bank and other borrowings.

PROSPECT

The Group will strengthen the industrialization of property management and the platform-based consumption model, achieving a new win-win pattern in the industry chain through strategy promotion and the Internet. The Group will improve its sector with focus on the construction of a new generation of information technology and other high-tech industry management systems, make every effort to promote the development of smart community property management systems for living, working and travelling of a new generation, develop into the future to expand more property-related business income, develop first-class capabilities for corporate governance with collaborative development, actively contribute to the society and demonstrate the responsibility of enterprises with a high sense of social responsibility and seek the greatest return for shareholders by relying on the “industry + finance + platform + Internet collaboration” system.

DISCLOSURE OF INFORMATION ON DIRECTORS

During the Reporting Period, the changes in the directorship of the Company were as follows:

1. Mr. Zhao Juqun was appointed as the vice chairman of the Board and an executive Director with effect from 12 June 2020;
2. Mr. Duan Rihuang was appointed as an independent non-executive Director and a member of the Remuneration Committee, the Nomination Committee and the Audit Committee with effect from 12 June 2020;
3. Mr. Wong Yun Kuen was appointed as an independent non-executive Director and the chairman of the Remuneration Committee and a member of the Nomination committee and the Audit Committee with effect from 12 June 2020;
4. Mr. Zhou Chen retired from his position as an executive Director with effect from 12 June 2020;
5. Mr. Gao Han retired from his positions as an independent non-executive Director, and a member of the Nomination Committee and the Audit Committee with effect from 12 June 2020;
6. Mr. David Chow Chi-ping retired from his positions as an independent non-executive Director, and a member of the Remuneration Committee and the Audit Committee with effect from 12 June 2020.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2020.

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 set out 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 the required standard as set out in the Model Code during the six months ended 30 June 2020.

CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2020, the Company had applied the principles of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Listing Rules and complied with all the applicable code provisions of the CG Code, except for the deviations as disclosed below:

- (i) The Chairman of the Board was absent from the annual general meeting of the Company due to other important engagement at the relevant time and this deviate from code provision E1.2 of the CG Code as set forth in Appendix 14 of the Listing Rules; and
- (ii) The roles of Chairman and Chief Executive Officer of the Company are served by the same individual, Mr. Huang Binghuang and have not been segregated as required under code provision A.2.1 of the CG Code. Nevertheless, the Board believes that vesting the roles of both the Chairman of the Board and the Chief Executive Officer in 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 appropriately structured with balance of power to provide sufficient checks to protect the interests of the Company and its shareholders.

EVENT SUBSEQUENT TO 30 JUNE 2020

Save and except for the following event, no major subsequent events affecting the Group have occurred since the end of the Reporting Period and up to the date of this announcement.

As announced by the Company on 14 January 2020, a winding-up petition was filed against China Asia Group (HK) Limited (中亞集團(香港)有限公司) (“CAG”) in the High Court of the Hong Kong Special Administrative Region (the “High Court”) on 8 January 2020 (the “Winding-up Petition”). Upon joint application of the petitioner and CAG by way of consent summons, an order was made by the High Court on 10 August 2020 that, among others, the Winding-up Petition against CAG be struck out and dismissed.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2020.

REVIEW OF AUDIT COMMITTEE

The audit committee of the Company is responsible for reviewing and monitoring the financial reporting process, risk management and internal control systems of the Company.

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited interim financial statements of the Group for the six months ended 30 June 2020. They considered that the unaudited interim financial statements of the Group for the six months ended 30 June 2020 are in compliance with the relevant accounting standards, rules and regulations and that appropriate disclosures have been made.

PUBLICATION OF INTERIM REPORT

The interim report of the Company containing all the information required by the Listing Rules will be dispatched to its shareholders and published on the websites of the Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and the Company (www.00063.cn) in due course.

By order of the Board of
China Graphene Group Limited
Huang Binghuang
Chairman

Hong Kong, 26 August 2020

As at the date of this announcement, the Board consists of Mr. Huang Binghuang (Chairman and Chief Executive Officer), Mr. Zhao Juqun (Vice chairman) and Ms. Xia Ping as executive Directors; Ms. Wang Lijiao as a non-executive Director; and Mr. Lum Pak Sum, Dr. Wong Yun Kuen and Mr. Duan Rihuang as independent non-executive Directors.