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## CHINA ASIA VALLEY GROUP LIMITED

中亞烯谷集團有限公司

*(formerly known as China Graphene Group Limited)*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 63)**

### INSIDE INFORMATION SUSPECTED UNAUTHORISED TRANSFER OF EQUITY INTEREST IN A JAPANESE SUBSIDIARY OF THE GROUP

This announcement is issued by China Asia Valley Group Limited (the “**Company**”) pursuant to Rules 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Board of Directors of the Company (the “**Board**”) wishes to inform the shareholders of the Company and potential investors in relation to suspected unauthorized transfer of the Group’s equity interest in WI Graphene Co, Ltd (“**WI Graphene**”), a subsidiary of the Group incorporated under the laws of Japan. To the best knowledge of the Company, WI Graphene is wholly owned by WI Capital Co. Ltd (“**WI Capital**”), a company incorporated under the laws of Japan. WI Capital is wholly and indirectly owned by the Company through China Graphene Holdings Ltd, a BVI subsidiary of the Group for investment holding.

On 17 September 2020, the Company has instructed its Japanese lawyers to approach Mr. Masaru Futohashi (“**Mr. Futohashi**”), the sole director of WI Graphene and WI Capital, to request for the return of documents in his possession required for audit purpose in order to resolve the auditor’s Qualified Opinion on the Company’s financial statements for the years of 2018 and 2019. Mr. Futohashi informed the Company’s Japanese lawyers that he being the director of WI Capital has caused WI Capital to transfer all its equity interest in WI Graphene to an unknown Japanese individual (the “**Suspected Transfer**”). However, Mr. Futohashi refused to provide any details of the Suspected Transfer such as the date of transfer, the amount of transfer price, the identity of the purchaser and how he applied the transfer proceeds. Unfortunately, shareholding information of private companies in Japan is not open to public and therefore the Company’s Japanese lawyers was unable to verify if the Suspected Transfer did take place as claimed by Mr. Futohashi. The Company has instructed the Japanese lawyers to exhaust all available means to verify the Suspected Transfer and take legal actions as appropriate.

Before the cessation of operation of WI Capital and WI Graphene in the second half of 2018, the Company had been providing operating funds to them in support of the business of graphene manufacturing in Japan. In particular, the Company has remitted a fund in the amount of JPY800,000,000 (the “**Fund**”) to WI Capital in August 2016. The Company will take all necessary legal actions in Japan in order to recover its assets under the name of WI Graphene which has been illegitimately disposed of if the Suspected Transfer did happen as claimed by Mr. Futohashi. In any event, given that the prepayment for property, plant and equipment was written off from the 2018 annual financial statements of the Group of approximately HKD55 million, it will not have any material effect on the financial status of the Group in 2020.

The Company has caused WI Capital to pass shareholder’s resolution on 28 August 2020 appointing its nominee director to the board of WI Capital to replace Mr. Futohashi. However, the procedure of such appointment cannot be completed due to Mr. Futohashi’s persistent refusal of handing over the company seal of WI Capital which is necessary for registering the change of directorship with the relevant authority in Japan. Taking into account the Suspected Transfer, the Company considers that it has lost control over WI Capital and WI Graphene.

Due to the seriousness of the Suspected Transfer that no approval from the Group for the transfer of equity interest of WI Graphene has ever been obtained by WI Capital and Mr. Futohashi may have misappropriated the transfer proceeds which is an asset of the Group, the Company has made a prompt response by instructing its Japanese lawyers to report the matter to the police of Japan on 18 September 2020. The Company’s Japanese lawyers have made an appointment with the police on 29 September 2020 in relation to the Suspected Transfer and a formal report of the matter will be submitted to the police on that day.

The Company will keep the shareholders of the Company and potential investors updated in relation to the progress of the Company’s legal actions and police investigation in Japan. At this stage, it cannot be ascertained as to whether the Suspected Transfer did take place or not. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

By order of the Board  
**China Asia Valley Group Limited**  
**Huang Binghuang**  
*Chairman*

Hong Kong, 18 September 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.*