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中国地利集团
China Dili Group

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1387)

INSIDE INFORMATION

This announcement is made by China Dili Group (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to the inside information provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Onshore litigation claims

The Company noted that two litigation claims (the “**Claims**”) in the People’s Republic of China (the “**PRC**”) had been brought by a bank in the PRC (the “**creditor bank**”) in respect of two onshore bank loans (the “**Relevant Bank Loans**”) which were borrowed and guaranteed by (i) third party companies (the “**Relevant Third Parties**”) and (ii) a controlling shareholder of the Company, Mr. Dai Yongge (“**Mr. Dai**”) and companies controlled by him, the repayment of which had been overdue. The Relevant Third Parties, Mr. Dai and such companies controlled by him were defendants in the Claims and in addition, five subsidiaries of the Company (being Harbin Hada Agricultural Produce and Side Products Joint Stock Co., Ltd. (哈爾濱哈達農副產品股份有限公司), Mudanjiang Muda Agricultural Produce and Side Products Co., Ltd. (牡丹江牡達農副產品有限公司), Shenyang Dili Agricultural Produce and Side Products Co., Ltd. (瀋陽地利農副產品有限公司), Shenyang Jindongmao Property Co., Ltd. (瀋陽金東貿置業有限公司) and Qiqihar Hada Agricultural Produce and Side Products Co., Ltd. (齊齊哈爾哈達農副產品有限責任公司)) (the “**Relevant Subsidiaries**”) which were alleged to have provided guarantees in favour of the creditor bank for the Relevant Bank Loans (the “**Guarantees**”), together with Mr. Dai and the Relevant Third Parties, had also been made as defendants in the Claims. Based on information set out in the Claims, the total amount claimed by the creditor bank against all defendants under the Claims was approximately RMB1,150 million (the “**Claimed Amount**”).

It was noted that the creditor bank had applied for the preservation of assets of the defendants, including the Relevant Subsidiaries, and civil rulings (民事裁定書) from the relevant PRC courts (the “**Civil Rulings**”) had been received which ordered the deposits of the defendants, including the Relevant Subsidiaries, for the Claimed Amount, be frozen, or their assets of equivalent value be seized. As at the date of this announcement, an aggregate amount of approximately RMB36 million onshore bank deposits of the

Relevant Subsidiaries have been frozen pursuant to the Civil Rulings. PRC legal counsel had been engaged to advise on the Civil Rulings and vigorously defend against the Claims on behalf of the Relevant Subsidiaries, particularly on the lack of proper authority in executing the Guarantees.

Relevant Subsidiaries were not group companies of the Company at prevailing times of providing the Guarantees

Based on information set out in the Claims, the Relevant Subsidiaries entered into guarantee contracts as guarantors for the Relevant Bank Loans in September and November 2019 and Mr. Dai and one of the Relevant Third Parties also entered into guarantee contracts in or around the same time with the creditor bank. At the prevailing times of providing the Guarantees, the Relevant Subsidiaries were companies indirectly controlled by a close associate (as defined under the Listing Rules) of Mr. Dai and hence, not subsidiaries of the Company. The Company had subsequently acquired the Relevant Subsidiaries from a company controlled by such close associate of Mr. Dai in an acquisition which was announced in April 2020 and completed in August 2020. Based on preliminary internal enquiries, the existence of the Guarantees were not revealed in searches from The Credit Reference Center, The People's Bank of China (中國人民銀行徵信中心) nor the legal due diligence reports obtained by the Company for the purpose of the said acquisition in 2020. The existence of the Guarantees might have been in breach of certain continuing connected transactions requirements of the Listing Rules which the Company is in the process of investigating.

Launch of independent investigation and establishment of independent investigation committee

The Group also suspected that in addition to the Guarantees, similar guarantee arrangements (the “**Other Possible Guarantees**”) may have been provided by members of the Group to secure other debts of third parties which might have exposed the Company to an amount substantially higher than the Claimed Amount. No formal claims from the court has been received so far. As such, (i) in order to properly assess the potential magnitude of the matter, the total amounts involved in such guarantee arrangements and the financial impact on the Group; and (ii) given the potentially material impact of the Claims and Other Possible Guarantees on the operations of the Group, the board of directors of the Company (the “**Board**”) has requested an investigation (the “**Investigation**”) be launched to inquire the circumstances giving rise to the giving of the Guarantees by the Relevant Subsidiaries and the Claims and to ascertain the extent of other guarantee obligations undertaken by the Group. The Board has established an independent investigation committee (the “**IC**”), comprising all independent non-executive directors of the Company, which will lead the Investigation and assess (i) the potential implications of the Claims and Other Possible Guarantees on the Group; and (ii) the adequacy of the internal control system of the Group. The IC will commence the Investigation as soon as practicable and may engage professional advisor(s) to assist and/or advise on the on-going Investigation and will be reporting to the Board on its findings. The Company will make further announcement(s) in relation to the Investigation progress as and when appropriate.

At the request of the Company, trading in all securities of the Company on The Stock Exchange of Hong Kong Limited has been suspended with effect from 9:00 a.m. on

Friday, 28 October 2022 pending the on-going Investigation and will remain suspended until further notice.

Shareholders of the Company and other investors are reminded to exercise caution when dealing in the securities of the Company.

By Order of the Board
China Dili Group
Wang Yan
Chairman

Hong Kong, 28 October 2022

As at the date of this announcement, the Board consists of Mr. Wang Yan, Mr. Dai Bin and Ms. Qin Xiang as executive directors; Mr. Yin Jianhong and Mr. Liu Lizhen as non-executive directors; and Mr. Fan Ren-Da, Anthony, Mr. Wang Yifu, Mr. Leung Chung Ki and Mr. Tang Hon Man as independent non-executive directors.