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中国地利集团
China Dili Group

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

**(1) KEY FINDINGS OF THE INDEPENDENT FORENSIC INVESTIGATION;
(2) APPOINTMENT OF INDEPENDENT INTERNAL CONTROL CONSULTANT; AND
(3) CONTINUED SUSPENSION OF TRADING**

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 (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

References are made to the announcements of the Company (i) dated 28 October 2022 in relation to the suspension of trading in all securities of the Company on the Stock Exchange; (ii) dated 28 October 2022 in relation to inside information of the Company; (iii) dated 30 November 2022 in relation to the Initial Resumption Guidance received from the Stock Exchange; (iv) dated 12 December 2022 in relation to the appointment of an independent investigator; (v) dated 27 January 2023 in relation to the quarterly update on resumption progress; (vi) dated 28 March 2023 in relation to the expected delay in publication of annual results for the year ended 31 December 2022 and expected delay in despatch of annual report; (vii) dated 14 April 2023 in relation to the Additional Resumption Guidance received from the Stock Exchange and the quarterly update on resumption progress; and (viii) dated 27 July 2023 in relation to the quarterly update on resumption progress (collectively, the “**Announcements**”). Unless otherwise stated, capitalised terms used in this announcement shall have the same meanings as defined in the Announcements.

KEY FINDINGS OF THE INDEPENDENT FORENSIC INVESTIGATION

Background

One of the Resumption Guidance requires the Company to conduct an appropriate independent forensic investigation into the circumstances giving rise to the Guarantees and the Claims and the extent of other guarantee obligations undertaken by the Group, announce the findings and take appropriate remedial actions.

On 12 December 2022, the independent investigation committee of the Company (the “**IC**”) appointed Grant Thornton Advisory Services Limited (the “**Independent Investigator**”) to conduct the Independent Investigation.

On 6 April 2023, the Independent Investigator produced the first draft of the report of findings on the Independent Investigation to the IC, which was subject to performance of further work by the Independent Investigator prior to the finalisation of such draft report.

On 14 August 2023, the Independent Investigator issued a report of the Independent Investigation to the IC (the “**Independent Investigation Report**”).

This announcement outlines the key findings of the Independent Investigation and the observations made by the IC and the Board.

Scope of the Independent Investigation

To address the Resumption Guidance, the Independent Investigator conducted forensic investigation on (i) the Relevant Subsidiaries to ascertain the circumstances giving rise to the Guarantees and the Claims; and (ii) the following fifteen major operating subsidiaries of the Company (including the Relevant Subsidiaries, together the “**Investigated Subsidiaries**”) to understand the extent of the Other Possible Guarantees (if any).

Name of the Investigated Subsidiaries

1. 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)
2. Mudanjiang Muda Agricultural Produce and Side Products Co., Ltd.* (牡丹江牡達農副產品有限公司)
3. Shenyang Dili Agricultural Produce and Side Products Co., Ltd.* (瀋陽地利農副產品有限公司)
4. Shenyang Jindongmao Property Co., Ltd.* (瀋陽金東貿置業有限公司)
5. 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)
6. Harbin Youyi Warehouse Co., Ltd.* (哈爾濱友誼倉儲有限責任公司)
7. Liaoning Yindali Property Investment Co., Ltd.* (遼寧銀達利置業投資有限公司)
8. Guiyang Dili Agricultural Produce Logistic Park Co., Ltd.* (貴陽地利農產品物流園有限公司)
9. Shouguang Dili Agricultural Produce Logistic Park Co., Ltd.* (壽光地利農產品物流園有限公司)
10. Harbin Dili Agricultural Produce and Side Products Co., Ltd.* (哈爾濱地利農副產品有限公司)
11. Hangzhou Fruit-products Wholesale Co., Ltd.* (杭州果品批發有限公司)
12. Shenzhen City Jiali Supply Chain Co., Ltd.* (深圳市佳利供應鏈有限公司)
13. Shouguang Jiayuan Supply Chain Co., Ltd.* (壽光市佳源供應鏈有限公司)
14. Dili Agricultural Produce Group Co., Ltd.* (地利農產品集團有限公司)
15. Guiyang Juzhengrun Agricultural Produce Market Management Co., Ltd.* (貴陽聚正潤農產品市場管理有限公司)

The Investigated Subsidiaries were selected based on the following criterion:

- (i) Established in the People’s Republic of China (the “**PRC**”);
- (ii) Subsidiaries related to the Guarantees (i.e. the Relevant Subsidiaries);
- (iii) Other subsidiaries acquired by the Company together with the Relevant Subsidiaries in the acquisition that completed in August 2020 (the “**Acquisition**”);
- (iv) Top ten subsidiaries in terms of revenue and net assets for the six months ended 30 June 2022/ as at 30 June 2022;
- (v) Top ten subsidiaries in terms of revenue only for the six months ended 30 June 2022; and
- (vi) Top ten subsidiaries in terms of net assets only as at 30 June 2022.

For the purpose of the Independent Investigation, the Independent Investigator conducted the following procedures on the Investigated Subsidiaries:

With respect to the Guarantees and the Claims

With respect to the Other Possible Guarantees

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| <p>(i) obtained and reviewed relevant documents for the years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2022 (the “Review Period”), including but not limited to announcements, correspondences, copies of agreements, internal approval documents, internal control documents and litigation documents, to understand the background, details and latest status of the Relevant Bank Loans;</p> | <p>(i) obtained and reviewed relevant documents during the Review Period, including but not limited to the lists of loans, guarantees and usages of company chops, agreement registers, and underlying agreements and approval records (if any), to understand whether there are any unauthorised guarantee(s);</p> |
| <p>(ii) conducted company searches, independent background checks and independent credit report searches (as applicable) against among others, the Relevant Subsidiaries, the lender, borrowers and guarantors units related to the Relevant Bank Loans, to understand the background information and relationship of the search targets with the Group;</p> | <p>(ii) conducted company searches, independent background checks and independent credit report searches (as applicable) against the Investigated Subsidiaries and relevant personnels and individuals to understand whether there are any unauthorised guarantee(s);</p> |
| <p>(iii) conducted interviews with relevant personnels, including but not limited to business, finance and legal officers of the Group, other guarantors under the Relevant Bank Loans and legal advisors to the Group as to the laws of the PRC, to understand the background and circumstances giving rise to the Guarantees, and the internal control procedures of the Relevant Subsidiaries relating to the Guarantees;</p> | <p>(iii) conducted interviews with relevant personnels to understand whether there are any unauthorised guarantee(s) and the internal control measures of the Group relating to providing guarantees;</p> |

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| <p>(iv) independently issued confirmation letters to the lender and borrowers of the Relevant Bank Loans to ascertain its relationship(s) with the Group, details of the Relevant Bank Loans and the underlying guarantees;</p> <p>(v) obtained and reviewed internal control-related documents from the Group to understand the internal control procedures of the Group relating to the approval of guarantees, agreements, investment business and the use of company chop during the Review Period; and</p> <p>(vi) conducted an information technology forensic investigation.</p> | <p>(iv) independently issued confirmation letters to lenders and borrowers of the loans taken out by the Investigated Subsidiaries to ascertain the details of the outstanding loan amount and their guarantee obligations;</p> <p>(v) obtained and reviewed internal control-related documents from the Group to understand the internal control procedures of the Group relating to the approval of guarantees, agreements, investment business and the use of company chop during the Review Period; and</p> <p>(vi) conducted an information technology forensic investigation.</p> |
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Summary of key findings of the Independent Investigation

1. The Guarantees

Background

As disclosed in the announcement of the Company dated 28 October 2022, the Company noted that two litigation claims in the PRC had been brought by the creditor bank in respect of two onshore bank loans which were alleged to have been guaranteed by, among others, the Relevant Subsidiaries. Subsequent to the discovery of the Guarantees and the Claims, the Group has contacted the creditor bank through different means but was unable to obtain details relating thereto.

Findings

Based on the Independent Investigation and subject to limitations set out below, the Independent Investigator noted the details of the Guarantees as follows:

	Loan 1	Loan 2
Lender	Creditor bank	Creditor bank
Borrower	Zhengzhou Renhe Xintiandi Investment Management Co., Ltd.* (鄭州人和新天地投資管理有限公司) (“ Zhengzhou Renhe ”)	Mudanjiang Shuanghe China-Russia Agricultural Products Co., Ltd.* (牡丹江雙合中俄蔬菜果品有限責任公司) (“ Mudanjiang Shuanghe ”)
Purpose of bank loan	Revolving loan	Procurement

Guarantors (including the Relevant Subsidiaries)	Among others, 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) 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)	Among others, 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), 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 Mudanjiang Muda Agricultural Produce and Side Products Co., Ltd.* (牡丹江牡達農副產品有限公司)
Maximum guaranteed amount¹	RMB600,000,000	RMB195,000,000

The Guarantees were entered into by the Relevant Subsidiaries in September and November 2019, prior to them becoming subsidiaries of the Company in August 2020. The Independent Investigator also noted that, during the Review Period, Mr. Dai was indirectly interested in 100% and 7.9% of equity interest in Zhengzhou Renhe and Mudanjiang Shuanghe, respectively. Neither Mr. Dai nor his close associate has any directorship or management role(s) in Zhengzhou Renhe or Mudanjiang Shuanghe during the Review Period.

The Independent Investigator noted that the documents pertaining to the Relevant Bank Loans showed inconsistencies and/or abnormalities as follows:

- (i) none of the Relevant Subsidiaries were listed as guarantors required to provide guarantees for the Relevant Bank Loans in the respective loan agreements, which is inconsistent with the identities of the guarantors as listed in the documents relating to the Claims;
- (ii) with respect to Loan 1, the relevant directors'/shareholders' resolutions approving the guarantees to be given by the Relevant Subsidiaries were undated, therefore the Independent Investigator is unable to conclude that the underlying guarantees were properly authorised when they were executed; and
- (iii) with respect to Loan 2, the underlying guarantee agreements were dated over a month earlier than that of the relevant loan agreement.

¹ This is the maximum amount guaranteed by the Relevant Subsidiaries pursuant to the relevant guarantee contracts, exclusive of any overdue interest payments, default interest and/or other penalties. Based on the litigation claim documents available to the Company as at the date of this announcement, the total amount claimed by the creditor bank against all defendants under the Claims was approximately RMB1,084 million.

Based on the interviews conducted by the Independent Investigator, it was noted that:

- (a) matters relating to the Guarantees were coordinated and arranged by a previous member of the senior management of the Company, who passed away in 2020 and was then authorised by Mr. Dai. Nonetheless, Mr. Dai did not provide any final approval for the giving of the Guarantees. Since the relevant person has passed away, the Independent Investigator was unable to confirm with such individual matters relating to the Guarantees;
- (b) none of Mr. Dai or the other signatories to the relevant agreements were aware of the details regarding the Guarantees;
- (c) certain professional advisors, including reporting accountants and legal advisors as to the laws of the PRC, were engaged by the Group for the purpose of conducting due diligence work for the Acquisition, including but not limited to conducting searches on The Credit Reference Center, The People's Bank of China (中國人民銀行徵信中心) and other public searches, as well as holding discussions with the then management of the Relevant Subsidiaries, but none of such searches revealed the existence of the Guarantees; and
- (d) the Guarantees were not revealed during the annual audit procedures conducted by the Group and the auditors of the Company, which includes the review of credit search reports of the Relevant Subsidiaries and the obtaining of bank confirmation letters from principal banks of the Group.

Neither did the Independent Investigator's review of the reports prepared by the reporting accountants and the PRC legal advisors nor the credit search reports of the Relevant Subsidiaries reveal the existence of any of the Guarantees. The independent information technology forensic investigation also did not reveal (i) any deletion of large batch of files (ii) any matters relating to the Guarantees; or (iii) any matters inconsistent with other evidence.

Other than the aforementioned findings, due to the limitations listed below, the Independent Investigator was unable to present the full circumstances giving rise to the Guarantees in its report.

2. The Other Possible Guarantees

Background

As disclosed in the announcement of the Company dated 28 October 2022, the Group suspected that in addition to the Guarantees, similar guarantee arrangements may have been provided by members of the Group to secure other debts of third parties.

Findings

The Independent Investigator noted that information from different sources, such as the lists of loans, guarantees and usages of company chops and credit search reports, showed inconsistencies as to the number of guarantees given by the Investigated Subsidiaries. Nonetheless, given (i) the Group has provided satisfactory explanation and/or documentary proof such as approval or authorisation papers; (ii) the credit search reports independently

obtained by the Independent Investigator showed fewer number of guarantees given by the Investigated Subsidiaries than those shown in the Group's internal records; and (iii) the relevant banks were unable to provide an explanation as to the aforementioned shortfall in the number of guarantees given by the Investigated Subsidiaries, the Independent Investigator concluded that, subject to the limitations set out below, there is no indication of any Other Possible Guarantees given by the Investigated Subsidiaries.

3. Internal control measures

The Independent Investigator noted that the Relevant Subsidiaries were companies privately-owned prior to the Acquisition and therefore had relatively loose internal control functions. The Independent Investigator also noted that subsequent to the Acquisition and in view of the Claims, the Group has implemented an internal control policy that governs matters related to bank loans and relevant guarantees, and recommended that the Group conduct an all-round review of its internal control policies and procedures.

4. Limitations to the Independent Investigation

The Independent Investigator confirmed that the Company did not impose any unreasonable restrictions towards its investigation process. However, it was stated that the Independent Investigation is subject to the following limitations:

- (i) the Independent Investigator was not able to contact some personnels for the purpose of conducting of interviews due to reasons such as death or the personnels having left the Group's employment;
- (ii) as the Relevant Subsidiaries were not subsidiaries of the Company when the Guarantees were alleged to be given, the Independent Investigator was unable to obtain certain internal records and/or internal control policies of the Relevant Subsidiaries;
- (iii) certain abnormalities or inconsistencies (as disclosed above in paragraph 1(i) to (iii) and paragraph 2) were noted in the document review conducted by the Independent Investigator;
- (iv) with respect to the investigation related to the Other Possible Guarantees, the Independent Investigator has not yet received replies to three out of fifteen confirmation letters from lenders of loans taken out by the Investigated Subsidiaries; and
- (v) the Independent Investigation was conducted based on the voluntary cooperation of the Group and the relevant personnels, and therefore the Independent Investigator was unable to completely verify their responses or confirm that the investigation results are free from any error.

Views of the Board and the IC on the key findings of the Independent Investigation

The IC has reviewed and accepted the key findings of the Independent Investigation, which covered the Investigated Subsidiaries during the Review Period. Having considered that (i) save for the Guarantees and the Claims, the Group has not been notified and/or become aware of any other similar guarantees and/or claims since the Company's announcement dated 28 October 2022; and (ii) the Independent Investigator concluded that there is no indication of any Other Possible

Guarantees given by the Investigated Subsidiaries, the IC is of the view that the scope of the Independent Investigation is adequate. The Board shared the views of the IC towards the scope of the Independent Investigation and noted the findings in the Independent Investigation Report relating to the Guarantees, in particular:

- (i) the Guarantees were given prior to the Acquisition, where the Relevant Subsidiaries were not subsidiaries of the Company;
- (ii) neither did reports prepared by professional advisors engaged by the Group for the purpose of the Acquisition nor annual audit procedures conducted by the Group and the auditors of the Company indicate or reveal the existence of the Guarantees; and
- (iii) there are various inconsistencies and/or abnormalities in documents pertaining to the Relevant Bank Loans.

While accepting the key findings of the Independent Investigation regarding the Guarantees, the Board is of the view that given the reports prepared by professional advisors engaged by the Group for the purpose of the Acquisition did not disclose any information related to the existence of the Guarantees, the Company would not have been able to identify or be aware of the existence of the Guarantees prior to the Acquisition. Furthermore, given (i) the Guarantees were signed prior to the Acquisition; and (ii) there are various inconsistencies and/or abnormalities in the documents, the Board is unable to confirm the authenticity and/or proper authorisation of the Guarantees. Pursuant to the Independent Investigation Report, the relevant personnel who coordinated and arranged the Guarantees has passed away and neither Mr. Dai nor the other signatories to the relevant agreements were aware of the details regarding the Guarantees. As a result, the circumstances giving rise to the Guarantees are unable to be fully ascertained as at the date of this announcement and the Board does not hold a different view to that of the Independent Investigator.

The Board also does not hold a different view to the conclusion of the Independent Investigator that there is no indication of any Other Possible Guarantees given by the Investigated Subsidiaries.

Given (i) the Independent Investigation Report did not indicate that any individual is at fault with regards to the Guarantees; (ii) the Independent Investigator concluded that there is no indication of any Other Possible Guarantees given by the Investigated Subsidiaries; and (iii) save for Mr. Dai being named as one of the defendants in the Claims, none of the current management of the Company and/or any persons with substantial influence over the Company's management and operations has been involved in any other litigation claims relating to the Guarantees that involves personal liabilities on his/ her part, the Board considers that there is no evidence showing any concerns over the integrity and of the current management of the Company and/or any persons with substantial influence over the Company's management and operations, which may pose a risk to investors and damage market confidence.

APPOINTMENT OF INDEPENDENT INTERNAL CONTROL CONSULTANT

As stated in the Resumption Guidance, the Company is required to conduct an independent internal control review (the “**Internal Control Review**”) and demonstrate that the Company has in place adequate internal controls and procedures to meet its obligations under the Listing Rules.

In view of the foregoing, the Independent Investigator's recommendation and as a remedial action following the Independent Investigation, on 18 August 2023, the Board has appointed Grant Thornton Advisory Services Limited as the internal control consultant of the Company for the purpose of conducting the Internal Control Review and making appropriate recommendations.

Based on the current scope of work and working timetable provided by the internal control consultant, it is expected that a draft report of the result of the Internal Control Review will be available by end of November 2023 and the final report should be available as soon as practicable thereafter.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in all securities of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 28 October 2022, and will remain suspended until further notice.

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

By Order of the Board
China Dili Group
Wang Yan
Chairman

Hong Kong, 18 August 2023

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

** For identification purpose only*