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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
INTERNAL CONTROL REVIEW;
AND
(2) 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 the 2022 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; (viii) dated 27 July 2023 in relation to the quarterly update on resumption progress; (ix) dated 18 August 2023 in relation to the key findings of the Independent Investigation and the appointment of independent internal control consultant; (x) dated 30 August 2023 in relation to the further delay in publication of annual results for the year ended 31 December 2022 and in despatch of the 2022 annual report, expected delay in publication of interim results for the six months ended 30 June 2023 and in despatch of the 2023 interim report, and postponement of the 2023 annual general meeting; (xi) dated 27 October 2023 in relation to the quarterly update on resumption progress; (xii) dated 29 December 2023 in relation to the recent freezing of the Group’s onshore bank deposits; (xiii) dated 9 January 2024 in relation to update on litigation claims; (xiv) dated 9 January 2024 in relation to litigation claims against subsidiaries of the Company; (xv) dated 26 January 2024 in relation to the quarterly update on resumption progress; (xvi) dated 28 March 2024 in relation to the Further Resumption Guidance received from the Stock Exchange; and (xvii) dated 28 March 2024 in relation to the further delay in publication of annual results for the year ended 31 December 2022 and interim results for the six months ended 30 June 2023 and in despatch of the 2022 annual report and the 2023 interim report, and expected delay in publication of annual results for the year ended 31 December 2023 and in despatch of the 2023 annual report (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 INTERNAL CONTROL REVIEW

Background

One of the Resumption Guidance requires the Company to conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to meet its obligations under the Listing Rules.

On 18 August 2023, the Board appointed Grant Thornton Advisory Services Limited (the “**Internal Control Consultant**”) to conduct the Internal Control Review and make appropriate recommendations.

The Internal Control Consultant has produced the internal control review report to the Board (the “**Internal Control Report**”), which contains (among others) the findings of the Internal Control Review, recommendations of the Internal Control Consultant and the review results of the implementation status of the remedial actions in response to the recommendations made.

This announcement outlines the key findings of the Internal Control Review, response from and remedial actions conducted by the Group.

Scope of the Internal Control Review

To address the Resumption Guidance, the Internal Control Consultant conducted the Internal Control Review on the financial procedures, systems and internal control elements of the Company and the Relevant Subsidiaries, namely 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) (“**Harbin Hada**”), Mudanjiang Muda Agricultural Produce and Side Products Co., Ltd. (牡丹江牡達農副產品有限公司) (“**Mudanjiang Muda**”), Shenyang Dili Agricultural Produce and Side Products Co., Ltd. (瀋陽地利農副產品有限公司) (“**Shenyang Dili**”), Shenyang Jindongmao Property Co., Ltd. (瀋陽金東貿置業有限公司) (“**Shenyang Jindongmao**”) 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) (“**Qiqihar Hada**”).

Summary of key findings of the Internal Control Review

The internal control findings by the Internal Control Consultant in the Internal Control Review, the recommendations for improvement, response from the management and status of implementation of remedial actions are as follows:

1. Internal Control at Entity Level		
Findings	Recommendations for Improvement	Management’s Response and Status of Implementation of Remedial Actions
The written corporate governance policies of the Company need to be refined to ensure compliance with Appendix C1 (previously known as Appendix 14) to the Listing Rules.	The Company should refine written corporate governance policies to ensure compliance with Appendix C1 (previously known as Appendix 14) to the Listing Rules. Such policies should cover (without limitation): <ul style="list-style-type: none">• independence of independent	The Company accepts the recommendation of the Internal Control Consultant. The Group has been in compliance with Appendix C1 (previously known as Appendix 14) to the Listing

	<p>non-executive directors of the Company;</p> <ul style="list-style-type: none"> • procedures of meeting of and communication between the management, committees of the Board, and the Board; • procedures for certification and recording of meetings of the Board and committees of the Board; • regular meetings of the Board; and • reserved matters that should be presented to the Board by the management of the Company for approval. 	<p>Rules and will refine written policies. As at the date of the Internal Control Report, the Company has refined and implemented the enhanced written policies to ensure compliance with Appendix C1 (previously known as Appendix 14) to the Listing Rules.</p>
<p>The written risk management policy and related procedures of the Group need to be refined to improve the effectiveness of risk identification, response, reporting and follow-up by different departments of the Group.</p>	<p>The Company should refine its written risk management policy, which should cover (without limitation):</p> <ul style="list-style-type: none"> • determination of the goals of the Company; • strategies, plans and goals relating to risk management; • regular monitoring of corporate risks and operational environments; • identification, assessment, control, monitoring and reporting procedures relating to risks; and • plans to alleviate risks. 	<p>The Company accepts the recommendation of the Internal Control Consultant and will refine its written risk management policy.</p> <p>As at the date of the Internal Control Report, the Company has refined and implemented the enhanced written policy.</p>
<p>The written information disclosure and communication management policy needs to be refined.</p>	<p>The Company should refine its written information disclosure and communication management policy, which should cover (without limitation):</p> <ul style="list-style-type: none"> • nominating a person-in-charge for communications; • management reporting and financial data analysis; • handling and monitoring inside information and sensitive information prior to public announcement; 	<p>The Company accepts the recommendation of the Internal Control Consultant.</p> <p>The Group has been in compliance with the information disclosure obligations set out in the Listing Rules and the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). As at the date of the Internal Control Report, the Company has refined and implemented</p>

	<ul style="list-style-type: none"> timely publication of announcements; and mechanism for disclosure of inside information. <p>Relevant departments and the person-in-charge for communications should (without limitation):</p> <ul style="list-style-type: none"> implement measures to prevent negative impact caused to Company as a result of leakage of information; obtain internal and external information relating to the Company in a timely manner; and handle sudden, adverse and negative news. 	the enhanced written policy relating to the disclosure of inside information.
The environment, social and governance policy needs to be refined to ensure compliance with Appendix C2 (previously known as Appendix 27) to the Listing Rules.	<p>The Company should refine its environment, social and governance policy, which should cover (without limitation):</p> <ul style="list-style-type: none"> management framework; reporting period and principles of reporting; and procedures for information disclosure. 	<p>The Company accepts the recommendation of the Internal Control Consultant.</p> <p>The Group has been in compliance with Appendix C2 (previously known as Appendix 27) to the Listing Rules. As at the date of the Internal Control Report, the Company has refined and implemented the enhanced written policy.</p>

2. Financial Reporting and Control of Information Disclosure		
Findings	Recommendations for Improvement	Management's Response and Status of Implementation of Remedial Actions
The financial management policy of the Company needs to be refined.	<p>The Company should refine its financial management policy, which should cover (without limitation):</p> <ul style="list-style-type: none"> preparation and disclosure of financial reports; and procedures for identification and monitoring of connected transactions, and classification of notifiable transactions. 	<p>The Company accepts the recommendation of the Internal Control Consultant and will refined the financial management policy.</p> <p>As at the date of the Internal Control Report, the Company has refined and implemented the enhanced written policy.</p>

<p>Written review records of budget have not been kept by the management of the Company.</p>	<p>The Company should properly keep review records of the monthly and quarterly budget.</p>	<p>The Company accepts the recommendation of the Internal Control Consultant. The 2024 budget will be reviewed by the management of the Company and proper records would be kept.</p> <p>The Internal Control Consultant noted that, as at the date of the Internal Control Report, the 2024 budget of the Company has been reviewed and approved and relevant records have been kept.</p>
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3. Sales Management		
Findings	Recommendations for Improvement	Management's Response and Status of Implementation of Remedial Actions
<p>The sales management policy needs to be refined.</p>	<p>The Group should refine its current sales management policy to cover revenue recognition and receivables management.</p>	<p>The Company accepts the recommendation of the Internal Control Consultant and will update this sales management policy.</p> <p>As at the date of the Internal Control Report, the Company has updated and implemented the relevant policies.</p>

4. Procurement Management		
Findings	Recommendations for Improvement	Management's Response and Status of Implementation of Remedial Actions
<p>Completeness of the contracts ledger needs to be improved.</p>	<p>Harbin Hada should improve its management systems relating to procurement contracts. Harbin Hada should also designate responsible personnel for reviewing the ledger.</p>	<p>Harbin Hada accepts the recommendation of the Internal Control Consultant and will improve the management of its contracts ledger. Designated personnel will be in charge of reviewing the ledger and keeping proper records.</p> <p>As at the date of the Internal Control Report, Harbin Hada</p>

		has duly prepared the contracts ledger for November and December 2023, and designated personnel has regularly reviewed the contracts ledger and has kept proper records.
Written review records of accounting vouchers have not been kept.	The responsible financial personnel of Harbin Hada, Shenyang Dili and Shenyang Jindongmao should review accounting vouchers in a timely manner and keep written records.	Harbin Hada, Shenyang Dili and Shenyang Jindongmao accept the recommendation of the Internal Control Consultant. Going forward, they will ensure the review records of accounting vouchers are properly kept. As at the date of the Internal Control Report, the Internal Control Consultant has conducted a sampling check and noted that the relevant written review records have been kept.
The timing and approval process relating to the use of the company chop need to be improved. In particular, during the Internal Control Review, the Internal Control Consultant noted that an agreement of Qiqihar Hada was signed prior to it being approved. The Internal Control Consultant also noted that, in certain samples, the use of the company chops of Mudanjiang Muda, Shenyang Dili and Shenyang Jindongmao for the purpose of signing agreements was not pre-approved.	Such entities should ensure that both the signing of the agreement and the use of the company chop should be pre-approved.	Qiqihar Hada, Mudanjiang Muda, Shenyang Dili and Shenyang Jindongmao accept the recommendation of the Internal Control Consultant. It was noted that such incidents usually happen during urgent procurements. Such subsidiaries will further clarify the approval procedures and requirements for urgent procurements. As at the date of the Internal Control Report, the Internal Control Consultant noted that such subsidiaries have sent an email to all employees setting out the procedures for “corporate urgent matters” and reminding them to abide by such procedures. It was also noted that, up to the date of the Internal Control Report, no “corporate urgent matters” have happened since then.

<p>Review records of aging analysis of accounts payable of the Relevant Subsidiaries have not been kept.</p>	<p>Management of the Relevant Subsidiaries should keep proper review records of the monthly aging analysis of accounts payable.</p>	<p>The Relevant Subsidiaries accept the recommendation of the Internal Control Consultant.</p> <p>The current financial management systems of the Relevant Subsidiaries also have analytical tools for the aging analysis of accounts payable. Going forward, the relevant personnel will review the analysis on a monthly basis.</p> <p>As at the date of the Internal Control Report, the Internal Control Consultant has conducted a sampling check and noted that the said analysis have been properly reviewed by the relevant personnel.</p>
<p>No provisions for expense reimbursement have been made for the Relevant Subsidiaries.</p>	<p>Relevant personnel of the Relevant Subsidiaries should ensure that the expenses incurred are accurately reflected in the financial statements. They should also ensure that employees of the Relevant Subsidiaries adhere to the policies in place.</p>	<p>The Relevant Subsidiaries noted that the relevant expenses are booked on an accrual basis rather than on a cash basis. Where there is a need, relevant provisions will be made on different types of expenses.</p> <p>As at the date of the Internal Control Report, the Internal Control Consultant has conducted a sampling check and noted that the relevant expenses have been booked on an accrual basis.</p>

<p>5. Cash and Funds Management</p>		
<p>Findings</p>	<p>Recommendations for Improvement</p>	<p>Management's Response and Status of Implementation of Remedial Actions</p>
<p>Review records of the ledger relating to the receipt and payment of funds of the Relevant Subsidiaries have not been kept.</p>	<p>Management of the Relevant Subsidiaries should keep proper review records of the ledger relating to the receipt and payment of funds.</p>	<p>The Relevant Subsidiaries accept the recommendation of the Internal Control Consultant and will include a review function in their settlement system.</p>

		As at the date of the Internal Control Review, the Internal Control Consultant has conducted a sampling check and noted that a review function has been added, and that the relevant personal has reviewed the ledger relating to the receipt and payment of funds.
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As at the date of this announcement, all recommended rectification measures provided by the Internal Control Consultant pursuant to the Internal Control Review have been implemented by the Group.

Completion of the Internal Control Review

The Company is pleased to announce that all remedial actions as recommended by the Internal Control Consultant have been completed. The Internal Control Consultant has accordingly issued the Internal Control Report on 12 April 2024 following the follow-up assessment of remedial actions implemented by the Group.

Views of the Board

After considering the Internal Control Report and the recommendations thereunder, the Board considers that the measures recommended and the remedial measures implemented by the Company and the Relevant Subsidiaries are adequate and sufficient to address all the key findings in the internal control systems and procedures of such entities as identified by the Internal Control Consultant. The Board is of the view that the Group has in place adequate internal controls and procedures to meet its obligations under the Listing Rules.

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
Dai Bin

Executive Director and Chief Executive Officer

Hong Kong, 12 April 2024

As at the date of this announcement, the Board comprises Mr. Dai Bin as executive director; 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.