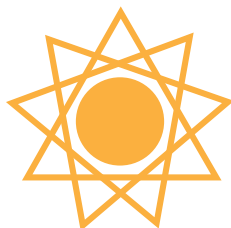


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China International Development Corporation Limited
中聯發展控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 264)

**SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO
THE ANNUAL RESULTS ANNOUNCEMENT AND
THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2019**

Reference is made to the further announcement of China International Development Corporation Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 30 March 2020 in relation to the annual results for the year ended 31 December 2019 (the “**2019 Annual Results Announcement**”) and the annual report of the Group for the year ended 31 December 2019 (the “**2019 Annual Report**”). Unless otherwise defined, terms used herein shall bear the same meanings as defined in the 2019 Annual Results Announcement and the 2019 Annual Report.

In addition to the information provided in the 2019 Annual Results Announcement and the 2019 Annual Report, the Board would like to provide further information to the Corporate Governance Report therein in relation to the disclaimer of opinion (the “**Audit Qualification**”) issued by the auditor of the Company, namely BDO Limited (“**BDO**”), in relation to the consolidated financial statements of the Group for the year ended 31 December 2019 pursuant to Code Provision C.1.3 of Appendix 14 to the Listing Rules.

**DETAILS OF THE AUDIT QUALIFICATION AND MANAGEMENT’S VIEW
ON THE AUDIT QUALIFICATION**

As set out in the 2019 Annual Results Announcement, given the conditions as detailed in note 3(d) to the consolidated financial statements for the year ended 31 December 2019 (“**Note 3(d)**”) therein, BDO considered that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern, which is dependent on the ongoing availability of financing to the Group, including the financial support from the ultimate controlling shareholder of the Company (i.e. Mr. Zhao Jingfei (“**Mr. Zhao**”)).

Despite that Mr. Zhao has committed in writing to provide financial support to the Group, BDO was of the view that other than Mr. Zhao having completed the injection of fund of approximately HK\$20 million into the Group's bank account, it could not be satisfied that Mr. Zhao had the financial ability to provide financial support to the Group in this regard. As explained by BDO, it was due to the difficulties in conducting a complete due diligence regarding the financial status of an individual (i.e. Mr. Zhao), in particular checking and examining an individual's indebtedness status.

Although Mr. Zhao is willing to inject such fund into the Group's bank account by way of shareholder's loan, unfortunately due to the outbreak of the COVID-19 epidemic and the lockdown measures taken by the governments, Mr. Zhao (who resides in Hubei Province) was unable to effect the necessary authorisation procedure in respect of the relevant fund transfer as per the bank's request, such as signing the fund transfer documents in person and witnessed by a bank officer. Alternatively, Mr. Zhao offered to execute a credit facility agreement or a letter of undertaking for the purpose of ensuring he shall inject funds into the Group as requested by the Company, but such arrangements were insufficient to satisfy BDO. As the lockdown measures were still implemented as of the date required for publishing the 2019 annual results, Mr. Zhao was unable to inject such funds into the Group by then.

In view of such circumstances, the management of the Group (the "**Management**") had assessed the Group's current liquidity, performance and available sources of financing in considering the Group's ability to continue as a going concern. The Management has also taken and will continue to implement the measures as mentioned in Note 3(d) to mitigate the Group's liquidity pressure and improve the conditions of cash flow. Furthermore, the Board had reviewed supporting information provided by Mr. Zhao and was of the view that Mr. Zhao was able to provide sufficient financial support as and when required by the Group, especially for repaying those outstanding amounts due to former fellow subsidiaries and a former intermediate holding company of approximately HK\$8.2 million and HK\$5.6 million. On the assumption of successful and continued implementation of the measures as mentioned in Note 3(d) (including the financial support from Mr. Zhao), and taking into account the Group's cash flow projections which covers a period up to 31 December 2021 (the "**Cash Flow Forecast**"), the Management and also the Board are satisfied that it is appropriate to prepare the Group's consolidated financial statements on a going concern basis.

The Board understands that the major consideration of BDO in arriving its view towards the Audit Qualification is the failure in effecting an actual fund injection of approximately HK\$20 million as a loan from Mr. Zhao for a term of two years before the publication of the 2019 Annual Results Announcement. However, as set out above, such failure is mainly due to the recent exceptional circumstances caused by the COVID-19 epidemic and the relevant lockdown measures. With the lift of the lockdown restrictions in the coming future, the Board is of the view that Mr. Zhao would further cooperate with the Group in taking actions to provide financial support.

ACTION PLAN OF THE GROUP TO ADDRESS THE AUDIT QUALIFICATION AND IMPACT OF THE AUDIT QUALIFICATION ON THE COMPANY'S FINANCIAL POSITION

Details of the action plan of the Group to address the Audit Qualification

In order to address the uncertainties which may cast doubt regarding the Group's ability to continue as a going concern, and with a view to removing the Audit Qualification, the Company has taken and intends to continue to implement the measures as mentioned in Note 3(d), including but not limited to:

(i) *Obtaining a shareholder's loan of approximately HK\$20 million from Mr. Zhao*

The Company and Mr. Zhao entered into a shareholder's loan agreement on 27 May 2020, pursuant to which (i) Mr. Zhao will grant an interest-free and unsecured loan facility up to approximately HK\$20 million for a term of two years; (ii) drawdown of the loan is conditional upon Mr. Zhao's instructing bank(s) is satisfied that Mr. Zhao has duly instructed and authorised the relevant fund transfer; and (iii) the Company may utilise such loan facility at any time to repay the outstanding amounts due to former fellow subsidiaries and a former intermediate holding company or as working capital.

(ii) Measures to improve the Group's operational performance and financial position

- regarding manufacturing business, the Group strives to consolidate the existing customer base and the Management will closely monitor and evaluate the recovery status of the markets so as to allocate marketing resources to those of a faster recovery pace. The Group will also continue to economise on expenditure and reduce further in the inventory level of raw materials, particularly, to consume those slow-moving ones.
- regarding retail business, the Management will constantly and critically review the performance of each of the Group's retail stores in Hong Kong and determine whether any relocation or further action is needed. Meanwhile, the Group will also proactively utilise e-commerce platforms (such as shopee.com and tmall.com) so as to explore overseas markets, widen customer base and generate more sales.
- the Group will also intensify rigorous cost management and focus on operational efficiency. Different cost reduction measures will be taken depending on the circumstances and currently the Group has frozen its headcount by pausing recruitment of new employees and replacement of resigned employees.

The Group will make effort to implement the measures to improve the Group's operational performance and financial position. However, the effectiveness of the measures taken is unavoidably subject to the evolving impact of the COVID-19 epidemic which is not within the control of the Group. The Board will constantly evaluate the business environment and identify new viable business opportunities to diversify the existing business portfolio of the Group and income streams and improve the profitability of the Group.

Impact of the Audit Qualification on the Company's financial position

As set out in the 2019 Annual Results Announcement, should the use of the going concern basis in preparation of the consolidated financial statements be considered to be inappropriate, adjustments would have to be made to write down the carrying amounts of the Group's assets to their net realisable values, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities to current assets and liabilities. The effect of these adjustments have not been reflected in the consolidated financial statements.

Removal of the Audit Qualification

Based on the discussion with BDO, it is considered that the proposed actions mentioned above, if successful, could improve the Group's liquidity and therefore could help to address the Audit Qualification (i.e. scope limitation relating to the going concern basis of preparing the consolidated financial statements). Also, the Board is given to understand that if the actual fund injection of approximately HK\$20 million from Mr. Zhao were made before the publication of the 2019 Annual Results Announcement, the Audit Qualification would not have been issued. However, as the Management's assessment of the Group's ability to continue as a going concern for the purposes of preparing the Group's consolidated financial statements for the year ending 31 December 2020 has to take into consideration of the then conditions and circumstances and could only be made at the end of the relevant reporting period, BDO is unable to ascertain at this moment whether the Audit Qualification can be removed in the next financial year purely based on the Company's action plan above.

AUDIT COMMITTEE'S VIEW ON THE AUDIT QUALIFICATION

The audit committee of the Company (the "**Audit Committee**") had critically reviewed the Audit Qualification, the Cash Flow Forecast and also the Management's position and action plan of the Group to address the Audit Qualification. The Audit Committee also had discussions with BDO, by which it understood that the main cause of the Audit Qualification is, as mentioned, the failure in effecting an actual fund injection of approximately HK\$20 million from Mr. Zhao before the publication of the 2019 Annual Results Announcement. In light of the above, the Audit Committee concurs with the Management's view with respect to the Audit Qualification, the Group's ability to continue as a going concern and the actions or measures to be implemented by the Group. The Audit Committee is also of the view that the Management should continue its efforts in implementing the actions and measures set out in the action plan with the intention of mitigating the Group's liquidity pressure and removing the Audit Qualification.

By order of the Board of
China International Development Corporation Limited
Zhao Jingfei
Chairman and Executive Director

Hong Kong, 27 May 2020

As at the date of this announcement, the executive Directors are Mr. Zhao Jingfei, Mr. Fan Xin and Mr. Qin Bohan; and the three independent non-executive Directors are Ms. Han Yu, Ms. Jia Lixin and Mr. Rong Yi.