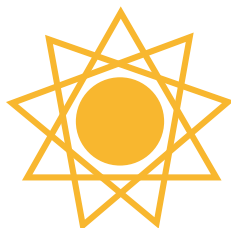


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**China International Development Corporation Limited**  
**中聯發展控股集團有限公司**

*(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 2021**

Reference is made to the announcements of China International Development Corporation Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 31 March 2022 and 17 May 2022 in relation to the annual results for the year ended 31 December 2021 (collectively as the “**2021 Annual Results Announcements**”) and the annual report of the Group for the year ended 31 December 2021 (the “**2021 Annual Report**”). Unless otherwise defined, terms used herein shall bear the same meanings as defined in the 2021 Annual Results Announcements and the 2021 Annual Report.

In addition to the information provided in the 2021 Annual Results Announcements and the 2021 Annual Report, the Board would like to provide further information to the Corporate Governance Report therein in relation to the disclaimer of opinion (the “**Disclaimer**”) issued by the auditor of the Company, namely Ascenda Cachet CPA Limited (“**Ascenda**”), in relation to the consolidated financial statements of the Group for the year ended 31 December 2021 pursuant to Code Provision D.1.3 of Appendix 14 to the Listing Rules.

## THE MANAGEMENT’S POSITION AND BASIS ON THE DISCLAIMER

As set out in the paragraph headed “going concern” in the Corporate Governance Report and note 2.1 to the consolidated financial statements for the year ended 31 December 2021 (“**Note 2.1**”) in the 2021 Annual Report, conditions including (i) a substantial loss of approximately HK\$21,000,000, (ii) net current liabilities and deficiency in assets of approximately HK\$33,300,000 and HK\$30,500,000 respectively, and (iii) minimal cash and cash equivalents of approximately HK\$1,500,000, existed such to indicate the existence of material uncertainties which may cast significant doubt on the Group’s ability to continue as a going concern.

In order to address these conditions, the management of the Group (the “**Management**”) has taken and will continue to implement the measures (the “**Measures**”) as mentioned in Note 2.1 and further elaborated in the section headed “The Company’s Action Plans and Timeline to Address the Disclaimer” below to mitigate the Group’s liquidity pressure and improve the conditions of cash flows.

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, and prepared the Group’s cash flow projections which covers a period up to 31 December 2022 (the “**Cash Flow Forecast**”) on the assumption of successful and continued implementation of the Measures (including the financial support from Mr. Zhao Jingfei (“**Mr. Zhao**”), who is the ultimate controlling shareholder and an executive Director of the Company). The Management and the Board are satisfied that it is appropriate to prepare the Group’s consolidated financial statements on a going concern basis.

Despite the effort by the Company to address the concern, Ascenda issued the Disclaimer and the Board understands that the major consideration of Ascenda in arriving its view towards the Disclaimer is the failure in validating on whether Mr. Zhao and Mr. Qin Bohan (“**Mr. Qin**”), who is an executive Director of the Company, will continue to have sufficient and adequate financial resources to provide the necessary financing to the Group under the loan facilities, undertakings and/or financial support. Based on discussion with Ascenda, the Company understands that Ascenda requires to validate the availability of sufficient financial resources to the Company pursuant to the relevant loan facilities from Mr. Zhao and Mr. Qin. Such validation principally includes the effecting of actual injection of sufficient working capital financing to the Company. Taking into account that, among others, (i) Mr. Zhao and Mr. Qin had granted unsecured interest-free loan facilities up to HK\$20,000,000 and HK\$30,000,000 respectively which are not utilized as of the date of this announcement and (ii) Mr. Zhao had provided funding of approximately HK\$16,000,000 in aggregate for the year ended 31 December 2021 and approximately HK\$3,400,000 in aggregate subsequently for the year ended 31 December 2022 up to the date of approving the 2021 Annual Report, i.e. 17 May 2022, the Board is of the view that Mr. Zhao and Mr. Qin are able and would continue to provide the necessary financial support to the Group.

## **THE COMPANY’S VIEW ON THE DISCLAIMER**

With respect to the Disclaimer, the Company believes that the Group is able to continue as a going concern with the Measures to be implemented by the Group. The Company will continue its efforts in implementing the Measures as set out in the action plans with the intention of mitigating the Group’s liquidity pressure and removing the Disclaimer. Assuming (i) all of the Measures can be completed as planned; and (ii) that there are no other material adverse changes to the business, operation and financial conditions of the Group, the Company expects that the Disclaimer could be removed on the consolidated financial statements for the year ending 31 December 2022.

## **THE AUDIT COMMITTEE’S VIEW ON THE AUDIT QUALIFICATION**

The audit committee of the Company (the “**Audit Committee**”) had critically reviewed the Disclaimer, the Management’s position and the Measures of the Group to address the Disclaimer. The Audit Committee is in agreement with the Management with respect to the Disclaimer and the Group’s ability to continue as a going concern, and in particular the Measures to be implemented by the Management.

## **THE COMPANY’S ACTION PLANS AND TIMELINE TO ADDRESS THE DISCLAIMER**

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 Disclaimer, the Company has taken and intends to continue to implement the following measures, including but not limited to:

### **1. Unutilised unsecured interest-free loan facilities from shareholder and director**

- On 27 May 2020, the Company and Mr. Zhao entered into a shareholder’s loan agreement, pursuant to which (i) Mr. Zhao granted an unsecured interest-free loan facility up to HK\$20,000,000 for a term of two years; and (ii) 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; in which the expiration date of the shareholder’s loan was further extended to 27 May 2024, none of which has been utilised as at the date of this announcement.

- On 28 August 2021, the Company and Mr. Qin entered into a director’s loan agreement, pursuant to which (i) Mr. Qin granted an unsecured interest-free loan facility up to HK\$30,000,000 from a director of the Company for a term of two years; and (ii) 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; none of which has been utilised as at the date of this announcement.
- Mr. Zhao confirmed that he intends to enter into an additional shareholder’s loan agreement with the Company in the fourth quarter of 2022, pursuant to which he will grant a further unsecured interest-free loan of HK\$10,000,000 (the “**Mr. Zhao’s Further Loan**”) and inject such loan to the Company upon the signing of such shareholder’s loan agreement. The Company may utilize such loan at any time to finance the Group’s working capital.

## **2. Obtaining letters of undertaking from shareholder and director and extend the maturity date of the loans and for further financial support if necessary**

- The Company has obtained a letter of undertaking from Mr. Qin, pursuant to which Mr. Qin agreed not to demand for repayment of (i) the loan from him with a principal amount of HK\$8,000,000; and (ii) the amount due to him of approximately HK\$501,000 as at 31 December 2021 until the Group is in a position to do so. The loan and the amount due to Mr. Qin are interest-free, unsecured and have no fixed terms of repayment.
- The Company has also obtained a letter of financial support from Mr. Zhao, pursuant to which, Mr. Zhao agreed not to demand for repayment of (i) the Shareholder Loans of approximately HK\$10,810,000; and (ii) other amount due to him of approximately HK\$8,791,000 as at 31 December 2021 until the Group is in a position to do so. Mr. Zhao has also confirmed his willingness to further provide adequate financial resources as is necessary to enable the Group both to meet its financial obligations as and when they fall due and to carry on its business for at least 24 months from 31 December 2021.

## **3. Measures to improve the Group’s operational performance and financial position**

- Regarding the manufacturing business, the Group strives to expand 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 further reduce the inventory level of raw materials, particularly to consume those slow-moving ones.

- Regarding the 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, close-down or any other further action is needed. Meanwhile, the Group has also proactively utilise e-commerce platforms (such as shopee.com, tmall.com and Company's website) so as to explore the PRC market, widen customer base and generate more sales. Also, the Fourteenth Five-Year Plan (the "**145 Plan**") sets out the development vision of the PRC for the next five years up to 2035. The 145 plan has active measures to increase the supply and demand of domestic consumers, which is a good omen for the future of the retail industry and is positive for the retail and e-commerce markets.
- The Group is striving to expand the existing customer base through business development and cooperation opportunities. The Group is currently dealing with not less than five new potential customers, which are internationally well-known fashion apparel brands located in Europe and the United States. In addition, the Group is maintaining its current existing client base and it is expected that the orders from the existing clients will be increased for the year ended 31 December 2022.
- The Group will continue to take proactive measures to control administrative expenses and other operating expenses through various channels including human resources optimization and containment of capital expenditures.

#### 4. Obtaining new sources of financing and strategic capital investments

- The Group will actively negotiate with external parties to obtain new sources of financing or strategic capital investments (the "**External Financing**") to finance the Group's working capital and improve the liquidity position. With the assistance of Mr. Zhao, the Company expects to seek to obtain External Financing to the extent of HK\$30,000,000 by the end of 2022. Mr. Zhao confirmed that he may assist the Company in obtaining such External Financing through provision of personal guarantee and/or share pledge financing, depending on the prevailing market conditions. The aggregate of the new working capital financing arising from Mr. Zhao's Further Loan and the External Financing will amount to in aggregate of not less than HK\$40,000,000 by the end of 2022. In addition, Mr. Zhao confirmed that in case the External Financing obtained at the relevant time is less than HK\$30,000,000, he intends to enter into another shareholder's loan agreement with the Company before the end of 2022, pursuant to which he will grant another unsecured interest-free loan (the "**Additional Shareholder Loan**") in the amount equals to the shortfall between HK\$30,000,000 and the actual amount of the External Financing obtained at the time. The Additional Shareholder Loan will be actually injected to the Company upon the signing of such shareholder's loan agreement before the end of 2022.

## **IMPACT OF THE DISCLAIMER ON THE COMPANY'S FINANCIAL POSITION**

The consolidated financial statements do not include any adjustment that would result from a failure to obtain such financing to the Group under the loan facilities, undertakings and/or financial support from Mr. Zhao and Mr. Qin, which indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Should the Group be unable to continue in business as a going concern, adjustments would have been made to restate the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities.

## **ASCENDA'S VIEW ON THE REMOVAL OF THE DISCLAIMER**

Based on the discussion with Ascenda, it is considered that the Measures mentioned above, if successful, could improve the Group's liquidity and therefore could help to address the Disclaimer. The Management's assessment of the Group's ability to continue as a going concern for the purpose of preparing the Group's consolidated financial statements for the year ending 31 December 2022 has to take into consideration of the then conditions and circumstances and could only be made at the end of the relevant reporting period. Assuming all the Measures can be completed as planned and no new circumstances and conditions have occurred, subject to satisfactory completion of review of the Management's assessment of the Group's going concern, together with the sufficient and appropriate evidence on the Management's assessment of the validity of Mr. Zhao's and Mr. Qin's financial support, Ascenda considers that the Disclaimer may be removed in connection with the audit of the consolidated financial statements of the Group for the year ending 31 December 2022.

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

Hong Kong, 8 July 2022

*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.*