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## **Jianzhong Construction Development Limited**

### **建中建設發展有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 589)**

### **PROFIT WARNING**

This announcement is made by Jianzhong Construction Development Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

The board (the “**Board**”) of directors (the “**Directors**”) of the Company wishes to inform the shareholders (the “**Shareholders**”) and potential investors of the Company that, based on the preliminary review by the Board of the unaudited consolidated management accounts (the “**Management Accounts**”) of the Group for the eleven months ended 30 November 2020 (the “**Relevant Period**”), which have not been reviewed or audited by the independent auditors and/or audit committee of the Company, and the information currently available to the Board, the Group’s consolidated revenue and profit after tax for the Relevant Period is expected to decrease by approximately 21% and 77% as compared to the corresponding period of 2019. The unaudited profits after tax of the Group amounted to approximately RMB34.5 million for the Relevant Period. The Board considers that the said expected decrease was primarily attributable to, among other things, the adverse effect brought by the long lasting outbreak of COVID-19 on China’s economy, including cashflow of construction sector, which caused:

- (i) the extended adverse impact of the outbreak of COVID-19 resulted in certain property developers, project owners and/or customers suffering tight cashflow. Accordingly, they postponed, slowed down and/or terminated certain construction projects. Moreover, the Group had adopted a more prudent approach in tendering for new construction projects. This led to the drop in revenue and gross profit of the Group during the Relevant Period; and

- (ii) COVID-19 has severely affected the progress and cash flow of projects of customers. In order to preserve more cash to combat the adverse impact of the outbreak of COVID-19, the property developers and project owners slowed down their payment to the Group's customers which, in turn, delayed their payment to the Group (including payment for completed projects and work having been done by the Group). The delay in receipt of payment from customers resulting in more long-aged trade receivables and contract assets of the Group being recorded during the Relevant Period. The Group is now following up with customers for payment and taking appropriate legal actions against certain customers to safeguard its legal rights. Despite the Board believes that a considerable amount of the trade receivables and contract assets can be recovered, additional allowance for expected credit losses on trade receivables and contract assets was made during the Relevant Period in accordance with the relevant accounting standards. The Board will continue to adopt prudent and cautious approach to follow up this matter.

Furthermore, based on the information currently available to the Company, the operating environment of the Group remained challenging in December 2020 due to the prolonged outbreak of COVID-19. Accordingly, while the Company is still finalising the unaudited consolidated management accounts for December 2020, the Board expects that the Group's revenue and profit after tax for the year ended 31 December 2020 will decrease substantially as compared to that for the year ended 31 December 2019.

The Company is in the process of preparing the annual results of the Group for the year ended 31 December 2020. The information contained in this announcement is only based on the information currently available to the Company and the preliminary review by the Board of the Management Accounts for the Relevant Period, which have not been reviewed by the independent auditors and/or the audit committee of the Company. The actual annual results of the Group for the year ended 31 December 2020 may differ from what is disclosed in this announcement.

Further announcement in respect of this matter will be made by the Company as when appropriate in accordance with the Listing Rules.

Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company and to read carefully the announcement of annual results of the Group for the year ended 31 December 2020, which is expected to be published in March 2021 in accordance with the requirements of the Listing Rules.

By order of the Board  
**Jianzhong Construction Development Limited**  
**Xun Minghong**  
*Chairman and executive Director*

Hong Kong, 18 January 2021

*As at the date of this announcement, the Board of the Company comprises Mr. Xun Minghong, Mr. He Wenlin and Ms. Zheng Ping as Executive Directors; Mr. Yang Kaifa, Mr. Zeng Guohua and Mr. Xun Liangbao as Non-executive Directors; and Mr. Sze Irons, Mr. Wong Kun Kau and Mr. Zhu Diwu as Independent Non-executive Directors.*