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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)**

#### **VOLUNTARY ANNOUNCEMENT UPDATE ON SIGNING OF SUPPLEMENTAL SEWAGE TREATMENT INFRASTRUCTURE AGREEMENT**

Reference is made to the prospectus dated 29 February 2020 (the “**Prospectus**”) issued by Jianzhong Construction Development Limited (the “**Company**” and together with its subsidiaries, the “**Group**”). Unless the context requires otherwise, capitalised terms used in this announcement shall have the same meanings as those defined in the Prospectus. This announcement should be read in conjunction with the Prospectus.

The Prospectus mentioned, among others, that with respect to the Group’s sewage treatment operation business, the Sewage Treatment Operator and Customer I entered into a Supplemental Sewage Treatment Infrastructure Agreement on 9 November 2018, under which Jianzhong Environmental Technology, which is a subsidiary of the Group, was named and stated as the company responsible for the construction and maintenance of the New Sewage Treatment Infrastructure and its ongoing operation until 30 April 2030. However, as advised by the PRC Legal Advisers, the effectiveness of the Supplemental Sewage Treatment Infrastructure Agreement, which was signed between Customer I and the Sewage Treatment Operator, was subject to the official signing by the relevant parties.

The Prospectus also mentioned that if the Supplemental Sewage Treatment Infrastructure Agreement was not officially signed by the relevant parties by the end of June 2020 or the terms and conditions of the said agreement are less favourable in any material aspect than those originally agreed, Mr. Xun MH, being one of the Controlling Shareholders, has undertaken that he would use his personal funds to acquire the entire sewage treatment infrastructure operation business by acquiring the entire equity interest

in Jianzhong Environmental Technology, the project company thereof, from the Group at (i) the then fair market value evaluated by an independent third party valuer; or (ii) the cost incurred by the Group for this project, whichever is the higher.

The Board of the Company wishes to update the Shareholders and potential investors of the Company that, to the best knowledge of our Directors after making reasonable enquiries, the relevant local government authority has in principal approved the said agreement and the official signing of the Supplemental Sewage Treatment Infrastructure Agreement is therefore expected to be completed in due course. It is informed by Customer I that the said agreement is expected to be signed by July 2020. Set out below are the expected key changes to the contract terms of the Supplemental Sewage Treatment Infrastructure Agreement to those originally agreed:

<b>Key contract terms</b>	<b>Details</b>
Tentative unit price of the operation of the New Sewage Treatment Infrastructure	<i>(Original)</i> The tentative unit price of RMB0.793/cubic meter of wastewater treatment shall be subject to (i) final adjustments by the relevant government authorities; and (ii) the official signing of the Supplemental Sewage Treatment Infrastructure Agreement by the relevant parties, including the relevant government authorities.
	<i>(Expected revision)</i> The unit price is RMB0.782/cubic meter of wastewater treatment.
Payment	<i>(Original)</i> Customer I shall settle payment with respect to sewage treatment operation with Jianzhong Environmental Technology, being the operator of the New Sewage Treatment Infrastructure on time.
	<i>(Expected revision)</i> Customer I shall settle payment with respect to sewage treatment operation with the Project Company on time and the Project Company shall settle payment with Jianzhong Environmental Technology, being the operator of the New Sewage Treatment Infrastructure.

Having considered that

- (i) the expected adjustment of the unit price was only approximately 1.41% to that originally agreed and shall be considered as immaterial;
- (ii) the agreement to be signed between Jianzhong Environmental Technology, the Sewage Treatment Operator and the Project Company shall have a similar effect to the payment clause originally agreed in the Supplemental Sewage Treatment Infrastructure Agreement that Jianzhong Environmental Technology would be entitled to the payment with respect to sewage treatment operation; and
- (iii) based on the search report dated 29 June 2020 issued by an independent third party, (1) the Company is not aware of any litigations of the Sewage Treatment Operator and the Project Company in respect of their borrowings and loans since January 2016; and (2) the net asset value of the Project Company as of 31 December 2019 was positive. Accordingly, the Company considers that both the Sewage Treatment Operator and the Project Company do not encounter financial difficulties,

the Board is of the view that the expected revision of terms and conditions of the said agreement are not less favourable than those originally agreed in any material aspect.

The Board considers the sewage treatment operation business to be beneficial to the Group's development.

Based on the above, in particular, the relevant local government authority has in principal approved the said agreement, the Board (Mr. Xun MH being abstained from voting) agreed that the Supplemental Sewage Treatment Infrastructure Agreement to be signed on or before 31 July 2020.

The Company will inform the Shareholders and potential investors of the Company of any material development of the signing of the Supplemental Sewage Treatment Infrastructure Agreement. In particular, further announcement will be made in relation to the contract terms of the Supplemental Sewage Treatment Infrastructure Agreement upon completion of the signing thereof and such announcement is expected to be made by July 2020.

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

By order of the Board  
**Jianzhong Construction Development Limited**  
**Mr. Xun Minghong**  
*Chairman and Executive Director*

Hong Kong, 6 July, 2020

*As at the date of this announcement, the board of Directors 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.*