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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 update 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 of the Group for the six months ended 30 June 2023, 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 expects that the Group’s net loss for the six months ended 30 June 2023 is in a range from RMB60.0 million to RMB80.0 million (2022: approximately RMB36.8 million). The Board considers that the said expected net loss for the six months ended 30 June 2023 was primarily attributable to:

- i) the decrease in gross profit from equipment operation service and recognition of impairment losses on property, plant and equipment

Due to keen competition in the equipment operation service market in the PRC, the utilisation rate of the Group’s equipment and the unit service price were negatively impacted, leading to a decrease in revenue and gross profit of equipment operation service during the six months ended 30 June 2023.

In response to the current market sentiment, the Group reassessed the recoverable amount of the property, plant and equipment, mainly including machinery and equipment, as at 30 June 2023. An impairment loss was recognised for the six months ended 30 June 2023 to reduce the value of the property, plant and equipment to their recoverable amount, which was determined based on discounted cash flow projection, to reflect the decrease in unit service price and utilisation rate of the Group's equipment.

ii) the decrease in revenue and gross profit from construction service

In view of the current economic condition, the primary focus of the Group is to improve liquidity position and to retain more cash to cope with the challenging operating environment. The Group continues to adopt a prudent approach to tender for new construction projects, resulting in a decline in revenue and gross profit from construction service during the six months ended 30 June 2023.

The Company is in the process of preparing the interim results of the Group for the six months ended 30 June 2023. 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 unaudited consolidated management accounts of the Group for the six months ended 30 June 2023, which have not been reviewed by the independent auditors and/or the audit committee of the Company. The actual interim results of the Group for the six months ended 30 June 2023 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 interim results of the Group for the six months ended 30 June 2023, which is expected to be published in August 2023 in accordance with the requirements of the Listing Rules.

By Order of the Board
Jianzhong Construction Development Limited
Xun Minghong
Chairman and Executive Director

Fuzhou, PRC, 7 August 2023

As at the date of this announcement, the Board comprised executive Directors Mr. Xun Minghong (chairman of the Board), Mr. He Wenlin and Ms. Zheng Ping; non-executive Director Mr. Yang Kaifa, Mr. Wang Wei and Mr. Xun Liangbao; and independent non-executive Directors Mr. Sze Irons, Mr. Wong Kun Kau and Mr. Zhu Diwu.