

TARGET

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JIANZHONG CONSTRUCTION DEVELOPMENT LTD:

TOUGH TIMES IN STORE

The cockles of a number of investors' hearts, no doubt, were elated materially on Thursday, March 26, 2020, on reading the announcement of Jianzhong Construction Development Ltd () (Code: 589, Main Board, The Stock Exchange of Hongkong Ltd) in respect of the 2019 Financial Results.

In a nutshell, the Company informed its shareholders of the following financial Results:

Item	Financial Year, ended December 31		Percentage Increase
	All Figures Are Denominated In Renminbi'000, Except Where Otherwise Specified		
	2019	2018	
Revenue	1,578,218	1,192,750	32.32
Gross Profit	354,023	285,522	23.99
Net Profit Attributable to Shareholders	179,240	140,494	27.58

Under Note Five of this announcement, it was stated that, in respect of the 2019 Financial Year, the Government of the People's Republic of China (PRC) had awarded the Company with a grant in the amount of 12,196,000 renminbi (about \$HK13,252,905).

In the 2018 Financial Year, the PRC Government awarded a grant to the Company in the amount of only 1,692,000 renminbi (about \$HK1,838,629).

On the flip side of the coin, however, at Note Six to the accounts with regard to the 2019 Financial Results, it was stated that Finance Costs in respect of the 2019 Financial Year had risen to 17,363,000 renminbi (about \$HK18,867,678), an increase, Year-On-Year, of about 90.36 percent.

With regard to the 2019-Year's Loans and Borrowings, there had been a decrease, Year-On-Year, of about 13.29 percent, it was shown.

At Pages 24 through to 26 of this announcement, there was good news; and, there was bad news:

'During the year ended 31 December 2019, we have been awarded with 118 new construction projects with a total contract sum of approximately RMB1,203.4 million; and had completed 124 construction works projects with a total contract sum of approximately RMB1,138.9 million. As at 31 December 2019, we had 135 projects on hand (including projects in progress and projects which were awarded to us but have yet to commence) with an outstanding contract value to be completed of approximately RMB977.5 million ...

'The coronavirus outbreak since early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position. The Group has been closely monitoring the impact of the developments on the Group's businesses and has put in place contingency measures. These contingency measures include: (i) negotiating with major customers, suppliers and subcontractors about the arrangements for resumption of construction works; (ii) cutting unnecessary operating expenses and capital expenditure; and (iii) deferring the expansion of the fleet of construction machinery and equipment. The Group will keep the contingency measures under review as the situation evolves. As far as the Group's businesses are concerned, there were 60 projects on hand being affected and these projects have been resumed gradually since the end of February 2020. As the progress of these construction projects was delayed by about one month, approximately RMB51.9 million of the Group's revenue which should have been recognised in February 2020 has been delayed. In addition, the Group may waive rental fees of leasing of construction machinery, equipment and tools to certain customers of approximately RMB6.3 million depending on their respective specific circumstances. These may have consequential impacts on the Group's revenue for 2020. The actual impacts may differ from these estimates as situation continues to evolve and further information may become available. No adjustments have been made to the consolidated financial statements in this regard ...'

The Initial Public Offering (IPO) Of Jianzhong Construction Development Ltd

Jianzhong Construction Development Ltd published and disseminated its story in its Share Offer Prospectus, dated Saturday, February 29, 2020.

In this 566-Page document, distributed in the **Hongkong Special Administrative Region (HKSAR)** of the PRC, it was stated that the Company was Offering a total of 156.25 million, one-cent Shares at the Indicative Offer Price Per Share, ranging from a low of \$HK1.35 to a high of \$HK1.65.

Investors of the HKSAR were Offered the opportunity to subscribe to 15,628,000 Offer Shares (the HKSAR Offer Shares tranche) while 140,622,000 Offer Shares were aimed (presumably) at inducing Institutional Investors, Professional Investors and select, Well-Heeled Investors, along with their corporate entities in which this class of investor has equity control, to subscribe to these Offer Shares via Share Placements (the Placing Offer Shares tranche).

On Tuesday, March 17, 2020, it was announced that the Offer Price Per Share had been struck at \$HK1.65 – the highest level of the Indicative Offer Share Price range – and that the Company anticipated that it would net about \$HK202.80 million from the Share Offer.

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