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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)

PROPOSED CHANGE OF AUDITORS

This announcement is made by Jianzhong Construction Development Limited (the “**Company**”), together with its subsidiaries, the “**Group**”) pursuant to Rule 13.51(4) of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited.

The Board (“**Board**”) of directors (“**Directors**”) of the Company announces that the Company intends to remove KPMG as the auditors of the Company (the “**Proposed Removal**”) subject to the passing of an ordinary resolution at an extraordinary general meeting to be convened and held by the Company (the “**EGM**”). With the recommendation of the audit committee of the Company (the “**Audit Committee**”), subject to the Proposed Removal becoming effective by way of passing an ordinary resolution at the EGM, the Board proposes to appoint Crowe (HK) CPA Limited (“**Crowe**”) as the new auditors of the Company (the “**Proposed Appointment**”) to fill the vacancy arising from the Proposed Removal and hold office until the conclusion of the next annual general meeting of the Company.

PROPOSED REMOVAL OF KPMG

KPMG was re-appointed as the auditors of the Company at the last annual general meeting of the Company held on 27 June 2023 to hold office until the conclusion of the next annual general meeting of the Company.

However, the Company and KPMG have been unable to reach a consensus on the audit fee of KPMG for the financial year ended 31 December 2023 due to the additional work than previously envisaged on certain audit focus areas, including expected credit loss allowance for trade receivables and other receivables and contract assets, impairment of property, plant and equipment, and the going concern basis used in the preparation of the Group's financial statements. After considering the facts and circumstances, the Audit Committee, having been delegated the power to oversee the effectiveness of the external auditors, was of the view that it would be in the best interest of the Company and its shareholders (the "**Shareholders**") as a whole to replace KPMG with another sizeable accounting firm, and therefore made a recommendation to the Board to seek the approval of the Shareholders regarding the Proposed Removal and the Proposed Appointment. The Proposed Removal is subject to the passing of an ordinary resolution at the EGM pursuant to the articles of association of the Company (the "**Articles**").

The Board believes that the Proposed Removal would allow the Company to implement effective cost control measures and reduce operating expenses, thereby enhancing the Group's ability to adapt to future business development. The Board considers this decision to be in the best interest of the Company and its Shareholders as a whole.

The Company is incorporated under the laws of the Cayman Islands and to the knowledge of the Board, there is no requirement under the laws of Cayman Islands for the outgoing auditor to confirm whether or not there is any circumstance connected with the termination which they consider should be brought to the attention of the Shareholders. KPMG has therefore not issued such confirmation.

The Board would like to express its sincere gratitude to KPMG for their professional services provided to the Company in the past years.

PROPOSED APPOINTMENT OF CROWE

The Audit Committee has assessed and considered that Crowe is eligible, qualified and suitable to carry out duties of the auditors of the Company. The Board, with the recommendation of the Audit Committee, is of the view that Crowe is a sizeable accounting firm which should be able to devote appropriate and adequate resources to handle the Company's audit work for the financial year ended 31 December 2023, and therefore proposes to appoint Crowe as the new auditors of the Company to hold office until the conclusion of the next annual general meeting of the Company. The Proposed Appointment is subject to the Proposed Removal becoming effective, the passing of an ordinary resolution in respect of the Proposed Appointment at the EGM pursuant to the Articles and the completion of the relevant audit engagement acceptance procedures of Crowe.

IMPLICATIONS OF THE LISTING RULES

Pursuant to Article 176(b) of the Articles, the Shareholders may, at any general meeting convened and held in accordance with the Articles, remove the auditors by ordinary resolution at any time before the expiration of the term of office and shall, by ordinary resolution, at that meeting appoint new auditors in its place for the remainder of the term. Pursuant to Article 176(a) of the Articles, the Board may fill any casual vacancy in the office of auditors, but while any such vacancy continues the surviving or continuing auditors (if any) may act.

Pursuant to Rule 13.88 of the Listing Rules, (a) the Company must not remove its auditor before the end of the auditor's term of office without first obtaining Shareholders' approval at a general meeting; (b) the Company must send a circular proposing the removal of the auditor to the Shareholders with any written representations from the auditor not less than 10 business days before the general meeting; and (c) the Company must allow the auditor to attend the general meeting and make written and/or verbal representations to the Shareholders at the general meeting.

In compliance with the Articles and the Listing Rules, each of the Proposed Removal and the Proposed Appointment will be proposed at the EGM as an ordinary resolution.

The Board confirms that, save as disclosed in this announcement, there are no other circumstances or matters in connection with the Proposed Removal and the Proposed Appointment that should be brought to the attention of the Shareholders.

Accordingly, the Company will despatch to the Shareholders a circular containing, among other things, further information on the Proposed Removal and the Proposed Appointment together with a notice convening the EGM (the "**Circular**"), and the Company will also despatch a copy of the Circular to KPMG to invite them to attend the EGM and make written and/or verbal representations (if any) to the Shareholders at the EGM.

THE EGM

The EGM will be convened and held for the purposes of considering and, if thought fit, approving the Proposed Removal and the Proposed Appointment. The Circular is expected to be despatched to the Shareholders on or before 15 March 2024.

By order of the Board
Jianzhong Construction Development Limited
Xun Minghong
Chairman and chief executive officer

Fuzhou, 27 February 2024

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. Wang Wei and Mr. Xun Liangbao as Non-executive Directors; and Ms. Wang Huaping, Mr. Fu Binjie and Mr. Fan Wei as Independent Non-executive Directors.