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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)

INSIDE INFORMATION

This announcement is made by the board (the “**Board**”) of directors (the “**Directors**”) of 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 (Chapter 571 of the Laws of Hong Kong).

References are made to the announcement of the Company dated 26 February 2025 (the “**Announcement**”) in relation to the Auditor’s Letter. Unless otherwise stated, terms used herein shall have the same meanings as defined in the Announcement.

The Board wishes to provide the Shareholders and potential investors of the Company with further information on the Auditor’s Letter, a summary of its key content is set out below:

(1) Undisclosed Related Party Transactions

During the course of the audit of 2023 Annual Results, the Auditors noted that, as of 31 December 2023, Fujian Jianzhong Construction Technology Co., Ltd. (福建建中建設科技有限責任公司) (formerly known as Fujian Jianzhong Construction Technology Co., Ltd. (福建建中建設科技股份有限公司)) (“**Jianzhong Technology**”), a subsidiary of the Group, had trade payables to three suppliers in aggregate of approximately RMB11,062,000 (“**Three Payables**”), which had been settled by certain companies controlled by Mr. Xun Ming Hong, the chairman of the Board of the Company (“**Mr. Xun**”), on behalf of Jianzhong Technology in 2017 and 2018. The Auditors found that the Group had not recorded or disclosed related party transactions and the amounts owed by the Group to certain companies controlled by Mr. Xun in the Group’s annual reports, audited consolidated financial statements for 2022 and prior years and listing prospectus.

Subsequently, on 15 December 2023, Jianzhong Technology issued a commercial bill of RMB6,000,000 to a company controlled by Mr. Xun for settlement of one of the Three Payables. The commercial bill was accepted in January 2024 and was not recorded in the 2023 accounts.

(2) Use of Third-party Bank Accounts

As of 31 December 2023, one of the Group's trade receivables amounted to approximately RMB31,343,000 (the "**Receivable**"). As part of the subsequent settlement review procedures performed by Auditors, the management indicated that the Receivable had been repaid. However, the Auditors did not find any record of such collection in the bank ledger and bank statement of the Group, as it was collected by a third-party company on behalf of the Group.

The Auditors also noted that, an indirect wholly-owned subsidiary of the Group (the "**Subsidiary**"), had temporarily transferred the funds received from customers of the Group to the bank accounts of two third-party companies, which involved five bank accounts. When the Group needed the funds, the funds would be remitted from the third-party company's bank accounts to that Subsidiary to pay for the operating expenses. The third-party bank accounts were also used to make payments to certain companies and individuals in the ordinary course of the Group's operations. The Auditors also noted that the use of the third-party bank accounts was not formally approved by the Board.

(3) Requests from the Auditors

In light of the above preliminary observations, the Auditors expressed concern over the internal reporting and controls of the Group, and therefore requested that the Company perform the following tasks, including but not limited to:

- (i) provide reasons for the lack of reporting and disclosure in relation to the related party transactions and explain whether there were any deficiencies in the Group's internal control in relevant processes;
- (ii) obtain an opinion from an independent legal advisor on whether the related party transactions constitute connected transactions under the Listing Rules;
- (iii) confirm whether there any other undiscovered or undisclosed related party transactions;
- (iv) obtain an opinion from an independent legal advisor on whether the use of Third-party Bank Accounts is in compliance with applicable laws and regulations of the People's Republic of China;

- (v) evaluate and mitigate the legal, financial and tax risks in relation to the use of Third-party Bank Accounts and explain whether there were any deficiencies in the Group's internal control in relevant processes; and
- (vi) explain the considerations given in deciding to utilize the Third-party Bank Accounts.

Further, the Auditors recommended the Audit Committee to establish an independent investigation committee, and engage independent professional advisors to assist in investigating the aforementioned matters.

As disclosed in the Announcement, the Audit Committee has resolved to establish the Independent Investigation Committee (“IIC”). As at the date of this announcement, the IIC has engaged an Independent Investigator, Grant Thornton Advisory Services Limited. The IIC is still in the process of identifying other suitable independent professional advisor(s) to assist in conducting an independent investigation on the issues raised. The Company will make further announcement(s) in relation to the progress as and when appropriate.

At the request of the Company, trading in the Shares has been suspended with effect from 9:00 a.m. on 2 April 2024 and will remain suspended until the Company fulfils the Resumption Guidance.

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

By Order of the Board
Jianzhong Construction Development Limited
Xun Minghong
*Chairman, chief executive officer and
executive Director*

Fuzhou, the PRC, 7 March 2025

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. 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.