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JIU RONG HOLDINGS LIMITED

久融控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2358)

**FURTHER INFORMATION TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

Reference is made to the announcement of Jiu Rong Holdings Limited (the “**Company**”) dated 31 March 2022 in relation to the audited annual results of the Company for the year ended 31 December 2021 (the “**2021 Audited Annual Results Announcement**”) and the annual report of the Company for the year ended 31 December 2021 (the “**Annual Report**”).

The Board of Directors would like to provide further information in relation to the auditors’ qualified opinion as a result of the auditors were unable to obtain sufficient appropriate audit evidence to satisfy themselves as to the recoverability of the trade receivables of approximately HK\$179,490,000 (equivalent to approximately US\$5,196,000 and EURO15,465,000) from the Banco Nacional de Cuba (“**Cuba Trade Receivables**”).

Up to the date of this announcement, the Group did not have any trading business to Cuba since May 2019. The Cuba Trade Receivables was approximately US\$5,196,000 and EURO15,465,000 as at 31 December 2021 and US\$5,206,000 and EURO15,491,000 as at 31 December 2020 respectively, the decrease of approximately US\$10,000 and EURO26,000 in 2021 represented the settlement agreed by the Banco Nacional de Cuba, such subsequent settlement of approximately US\$10,000 and EURO26,000 has been received by the Group in January and March 2022. The difference in the Outstanding Receivables between HK\$186,776,000 as at 31 December 2020 to HK\$179,490,000 as at 31 December 2021 was the exchange differences of USD and EUR converted to Hong Kong Dollars.

The Company considered below alternative methods to address the audit Modification:

	Alternative methods	Possible audit opinions	Feasibilities
1.	If the Group fails to reach a settlement plan with expected	Auditors will propose qualification on (i) the balance	The Group will not consider to provide impairment to the

	<p>timetable with the Banco Nacional de Cuba and cannot recover the outstanding funds from the Banco Nacional de Cuba before issuance of the 2021 audited annual results and the shortage of Cuba foreign currency remains unlikely to improve in the foreseeable future, the Group may consider to provide an impairment loss of the outstanding amounts due from the Banco Nacional de Cuba on the Group's financial statements. However, given that if the Banco Nacional de Cuba continues to undertake that it will settle the outstanding amounts and the Banco Nacional de Cuba is still in normal operation, impairment is not an appropriate accounting treatment.</p>	<p>of the Cuba Trade Receivables and (ii) impairment loss of the trade receivables due to limitation on the amount of the impairment loss and whether such impairment loss should be recorded in current or prior years. This qualification will only be removed when the Banco Nacional de Cuba indicates that it will not settle the outstanding amounts and the amounts of the impairment loss becomes certain.</p>	<p>trade receivables as this will not solve the audit issues and will lead to other audit qualifications. Moreover, when the Group provides impairment loss on the trade receivables, this may mislead the Banco Nacional de Cuba that they will not need to repay the impairment amounts.</p>
2.	<p>If the Banco Nacional de Cuba indicates that it will not settle the outstanding amounts and the Group then provides an impairment loss in response to that, auditors will remove the qualified opinion on the recoverability of the outstanding balance based on the situation that no settlement will be received from the Banco Nacional de Cuba.</p>	<p>Auditors will propose qualification on the impairment loss of the account receivables due to uncertainties on whether such impairment loss should be recorded in current year or prior years. This qualification will last for two financial years as the current year's profit and loss will affect the comparative figures of next year's financial report.</p>	<p>The Group will make impairment on the outstanding amounts when the Banco Nacional de Cuba indicates that it will not settle the outstanding amounts. Yet, taken into account the current negotiation with the Banco Nacional de Cuba, the Banco Nacional de Cuba will keep on issuing confirmation on its outstanding amounts to the Group on a quarterly basis and undertakes to repay the outstanding</p>

			amounts. The Group will not provide any impairment on trade receivables until the Banco Nacional de Cuba indicates that it will not settle the outstanding amounts.
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The auditors of the Company requested the Group to reach a settlement plan with expected timetable with the Banco Nacional de Cuba, however, the Banco Nacional de Cuba could not provide such timetable and settlement plan of the Cuba Trade Receivables before issuance of the 2021 audited annual results. There are no other satisfactory audit procedures that auditors could adopt to determine whether any allowance for non-recovery of the amount should be made in the consolidated financial statements, as a result, auditors issued the qualified opinion to the Cuba Trade Receivables for the year ended 31 December 2021. In 2021, our staff in Hangzhou office contacted the responsible officers for the Asia's division of the Banco Nacional de Cuba through emails and our staff in Cuba office personally visited to the Banco Nacional de Cuba for repayment on a monthly basis, as well as obtaining the confirmation of trade receivable balances from the Banco Nacional de Cuba on a quarterly basis (the Group will keep on approaching the Banco Nacional de Cuba through the above ways to seek for settlement of the Cuba Trade Receivables in 2022). However, the Banco Nacional de Cuba is still unable to provide a detailed settlement plan due to the shortage of foreign currency and the Cuba Government strictly controlled the usage of foreign currency that all Cuban companies that need to remit foreign exchange to purchase goods must apply to the Cuba National Special Committee for approval. After discussion with auditors, these steps are still unable to provide sufficient appropriate audit evidence to satisfy themselves as to the recoverability of the trade receivables.

Taken into account that the Banco Nacional de Cuba is a state-owned commercial bank and the Banco Nacional de Cuba continues to undertake that it will settle the Cuba Trade Receivables and the Banco Nacional de Cuba is still in normal operation, the management believes that Banco Nacional de Cuba will be able to settle the Cuba Trade Receivables when the shortage of foreign currency of Cuba being improved, as a result, the management did not provide any impairment on the Cuba Trade Receivables and auditors do agree with the Group that impairment is not an appropriate way and will not solve the audit issues and leads to other audit qualifications unless the Banco Nacional de Cuba indicates that it will not settle the Cuba Trade Receivables. However, as auditors were unable to obtain sufficient appropriate audit evidence to satisfy themselves as to the recoverability of the Cuba Trade Receivables. There are no other satisfactory audit procedures that auditors could adopt to determine whether any allowance for non-recovery of the amount should be made in the consolidated financial statements, as a result, auditors issued the qualified opinion to the Cuba Trade Receivables for the year ended 31 December 2021. The audit committee had reviewed and agreed with the management's position that did not provide any impairment on the Cuba Trade Receivables. The audit committee had discussed with auditors regarding the 2021 Audit Modification and the results and agreed with the auditor's point of view in relation to the qualified opinion after considered the recovery of

the Cuba Trade Receivables arose from the political issues of Cuba that is out of both the Banco Nacional de Cuba and the Company's control because the Cuba has been running out of foreign currency and the Cuba Government strictly controlled the usage of foreign currency.

The core sources of foreign exchange income of Cuba are tourism and export of medical service experts. Due to the U.S. Government intensified sanctions against Cuba and the U.S. Government has designated Cuba as a State Sponsor of Terrorism in January 2021, South America countries expelled medical experts of Cuba and there was almost no foreign exchange income from exports of medical experts in 2021. Moreover, as a result of the spread of the highly contagious Omicron variant of COVID-19, Cuba closed its border from June 2021 to November 2021, as a result of the closure, foreign visitors is expected to decrease from approximately 1,080,000 in 2020 to only around 200,000 in 2021 and the foreign exchange income from tourism decreased significantly. The shortage of foreign currency continues to be fierce and the Cuba Government will continue to strict control the usage of foreign currency. Due to Cuba's shortage of foreign exchange, the Cuba government utilized approximately 60% of its foreign exchange to purchase food, medicines and other materials that are urgently needed for the Cuba people's livelihood. All Cuban companies that need to remit foreign exchange to purchase goods must apply to the Cuba National Special Committee for approval.

The Group actively approaches and wants to reach a settlement timetable with the Banco Nacional de Cuba to seek for repayment on the Cuba Trade Receivables (such as our staff in Hangzhou office contacted the responsible officers for the Asia's division of the Banco Nacional de Cuba through emails and our staff in Cuba office personally visited to the Banco Nacional de Cuba for repayment on a monthly basis, as well as obtaining the confirmation of trade receivable balances from the Banco Nacional de Cuba on a quarterly basis). Yet, the Banco Nacional de Cuba is still unable to provide a detailed settlement plan due to the shortage of foreign currency and the Cuba Government strictly controlled the usage of foreign currency. After discussion with the auditors, these steps are still unable to provide sufficient appropriate audit evidence to satisfy themselves as to the recoverability of the trade receivables. As a result, auditors will continue to issue the qualified opinion to the Cuba Trade Receivables for the financial year ending 31 December 2022. The above company's views and actions have been discussed and agreed with the auditors.

The Group really wants to recover all outstanding amounts and remove the audit qualifications and try all its means to liaise with the Banco Nacional de Cuba, yet, the current foreign currency shortage of Cuba is a political issue which is out of the Group's control, the Group is really unable to provide a specific timeline to address the audit issue. Further announcement(s) will be issued by the Company as and when necessary if there are material developments of the auditors' qualified opinion in relation to the Cuba Trade Receivables.

By order of the Board
Jiu Rong Holdings Limited
Siu Chi Ming
Executive Director

Hong Kong, 20 May 2022

As at the date of this announcement, Mr. Siu Chi Ming and Mr. Yin Jianwen are the Executive Directors; Mr. Wang Ning, Mr. Chen Zheng and Mr. Yuan Qian Fei are the Independent Non-executive Directors.