

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 AUDITED ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

Reference is made to the announcement of Jiu Rong Holdings Limited (the “**Company**”) dated 31 March 2023 in relation to the audited annual results of the Company for the year ended 31 December 2022 (the “**2022 Audited Annual Results Announcement**”).

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\$170,190,000 (equivalent to approximately US\$5,196,000 and EURO15,457,000) from the Banco Nacional de Cuba (“**Cuba Trade Receivables**”).

Up to the date of this announcement, there is no update of change to the incident in relation to the Trade Receivables because the shortage of foreign currency continues to be fierce due to the U.S. Government intensified sanctions against Cuba and the U.S. Government has designated Cuba as a State Sponsor of Terrorism 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 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 timetable with the Banco	Auditors will propose qualification on (i) the balance of the Cuba Trade Receivables	The Group will not consider to provide impairment to the trade receivables as this will not solve

	<p>Nacional de Cuba and cannot recover the outstanding funds from the Banco Nacional de Cuba before issuance of the 2022 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>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>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 amounts. The Group will not provide any impairment on trade receivables until the</p>

			Banco Nacional de Cuba indicates that it will not settle the outstanding amounts.
--	--	--	---

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 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 the 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 2022. The Results Announcement has already disclosed the details of the modifications and their actual or potential impact to the Group’s financial position.

The management and the audit committee agreed with the auditor’s point of view in relation to the qualified opinion as the management and the audit committee 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 audit committee had reviewed and agreed with the management’s position concerning major judgmental areas that did not provide any impairment on the Cuba Trade Receivables and had discussed with auditors regarding the 2022 Audit Modification and the results.

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 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, 16 June 2023

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