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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 AUDITED ANNUAL RESULTS ANNOUNCEMENT

Reference is made to the announcement of Jiu Rong Holdings Limited (the “**Company**”) dated 21 May 2020 in relation to the audited annual results of the Company for the year ended 31 December 2019 (the “**2019 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\$177,737,000 derived from the trading business of Soyea Jiu Rong Technology Company Limited ((“**Soyea Jiu Rong**”), an indirect wholly owned subsidiary of the Company) to Cuba. Soyea Jiu Rong received letter of credits from customers with Banco Nacional de Cuba (a state-owned commercial bank which is nationalized by the Government of Cuba on 26 November 1959) undertakes to settle the letters of credit at maturity before arrange shipment of the goods to Cuba. The Group was first aware the default of settlement by Banco Nacional de Cuba in March 2019, the trading manager of Soyea Jiu Rong visited Cuba customers and Banco Nacional de Cuba urging payment of the letters of credit in early April 2019 and approximately Euro 896,000 (equivalent to approximately HK\$7,800,000) has been collected after that in 2019. In December 2019, the general manager of Soyea Jiu Rong visited Cuba and had several meetings with customers in relation to the settlement of letter of credits and issued legal letters to several customers urging for the settlements. Those customers immediately forwarded the settlement messages to Banco Nacional de Cuba. The former president of Banco Nacional de Cuba personally met with the general manager of Soyea Jiu Rong to express his sincerely apology for the default of payment and issued an official letter to acknowledge the liabilities and undertakes to settle all the outstanding amount.

The Company withholds the trading business to Cuba in May 2019. As per the 2019 Audited Results, the Cuba trading contributed approximately 7.20% to the turnover, approximately 13.76% to the Group’s gross profit

respectively and Cuba's trade receivables represented approximately 8.67% to the total assets of the Group. The financials and operations of the Group will remain stable and healthy even though excluding the Cuba trading business.

The management agreed with the auditor's point of view in relation to the qualified opinion as the management considered the recovery of the funds from Banco Nacional de Cuba arose from the political issues of Cuba that is out of both Banco Nacional de Cuba and the company's control because Cuba has been running out of foreign currency and the Cuba Government strictly controlled the usage of foreign currency.

The audit committee also agreed with the auditor's point of view as well because they understood the political situations of Cuba with the Cuba Government strictly controlled the usage of foreign currency.

In order to address the audit issues and remove the audit qualification, the Group would like to provide below proposals and actions after discussion with auditors:

	Plans	Possible audit opinions	Groups' responses and feasibilities
1	The Group reaches a settlement plan with expected timetable with Banco Nacional de Cuba for the financial year ending 31 December 2021, and Banco Nacional de Cuba has to follow the agreed settlement plan to repay its outstanding debts accordingly, then such repayment evidences can be sufficient to justify the recoverability of the outstanding amounts.	Auditors will remove the qualified opinion for the financial year ending 31 December 2021.	The Group has been urging the outstanding amounts from Banco Nacional de Cuba, our staff in Hangzhou office contacted the responsible officers for the Asia's division of Banco Nacional de Cuba through emails and our staff in Cuba office personally visited to Banco Nacional de Cuba for repayment on a monthly basis. To response to the Group, Banco Nacional de Cuba has issued its outstanding amounts confirmation to the Group on a quarterly basis, i.e. At the end of March, June, September and December. The Group also obtained outstanding amounts confirmation letter as at 30 June 2020 from Banco Nacional de Cuba and repayment undertaking letter from the current president of Banco Nacional de Cuba (the " Undertaking Letter ") in July 2020

		<p>to replace the previous undertaking letter Issued by the former president of Banco Nacional de Cuba and the undertaking will continue in effect until Banco Nacional de Cuba fully repays the outstanding amounts.</p> <p>The Board has explored all possible ways to recover the outstanding amounts, including the settlement by way of Cuba local currency (CUC). In July 2020, the Group has received CUC171,000 (equivalent to approximately HK\$1,330,000) from Banco Nacional de Cuba on 13 July 2020, which will be utilized as general working capital of the Group's Cuba representing office for the coming 12 months. However, the Group will not accept the repayment in CUC to settle all the outstanding amounts as CUC is restricted currency which cannot transfer to other countries and can only spend in Cuba domestically. Moreover, the auditors will propose another qualification on CUC in the Group's financial cash and bank balances due to the restriction on CUC which the Group cannot assess the future economic benefits from CUC.</p> <p>Due to the shortage of the foreign currency and strict control of the usage of foreign currency by Cuba Government as explained in the Undertaking Letter, Banco Nacional de Cuba indicates that it is unable to provide a detailed settlement</p>
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			<p>timetable under current foreign exchange conditions and hence, the Group is unlikely to satisfy auditors' proposal to provide sufficient audit evidences to remove audit qualification in the financial year ending 31 December 2021.</p> <p>The Group will continue to urge Banco Nacional de Cuba for repayment on a monthly basis actively as mentioned above, moreover, our senior executive responsible for Cuba trading business will personally visit the president of Banco Nacional de Cuba urging for repayment when the COVID-19 becomes under control.</p>
2.	<p>If the Group fails to reach a settlement plan with expected timetable with Banco Nacional de Cuba and cannot recover the outstanding funds from 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 Banco Nacional de Cuba on the Group's financial statements. However, given that if</p>	<p>Auditors will propose qualification on (i) the balance of the 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 Banco Nacional de Cuba indicates that it will not settle the outstanding amounts and the amounts of the impairment loss becomes certain.</p> <p>For illustration purpose: If the Group provides impairment in 2021, auditors</p>	<p>The Group will not consider to provide impairment to the 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 Banco Nacional de Cuba that they will not need to repay the impairment amounts.</p>

	<p>Banco Nacional de Cuba continues to undertake that it will settle the outstanding amounts and Banco Nacional de Cuba is still in normal operation, impairment is not an appropriate accounting treatment.</p>	<p>will issue qualified opinions on (i) the balance of the trade receivables and (ii) impairment loss of the trade receivables for the financial year ending 31 December 2021.</p> <p>If Banco Nacional de Cuba indicates that it will not settle the outstanding amounts in 2023 and that the impairment loss and the balance of trade receivables becomes certain, the audit qualification will be removed for the financial year ending 31 December 2023.</p>	
3.	<p>If 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 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>For illustration purpose: If Banco Nacional de Cuba indicates that it will not settle the outstanding amounts in 2020, auditors will propose qualification on the impairment loss of the account</p>	<p>The Group will make impairment on the outstanding amounts when Banco Nacional de Cuba indicates that it will not settle the outstanding amounts. Yet, taken into account the current negotiation with Banco Nacional de Cuba, Banco Nacional de Cuba will keep on issuing 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 Banco Nacional de Cuba indicates that it will not settle the outstanding amounts.</p>

		<p>receivables due to uncertainties on whether such impairment loss should be recorded in current year or prior years in 2020 annual report. This qualification will last for two financial years as the 2020 profit and loss will affect the comparative figures of 2021 financial year.</p> <p>As a result, the qualification will only be able to remove for the financial year ending 31 December 2022.</p>	
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Taken into account that (i) Banco Nacional de Cuba will continue to issue its confirmation on the outstanding amounts to the Group on a quarterly basis and the current president of Banco Nacional de Cuba undertake to repay its outstanding amounts; and (ii) Banco Nacional de Cuba will not be able to provide a repayment schedule due to the shortage of foreign currency and strict control of the use of foreign currency by the Cuba Government. 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 Banco Nacional de Cuba indicates that it will not settle the outstanding amounts.

The Group really wants to recover all outstanding amounts and remove the audit qualifications and try all its means to liaise with 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 really cannot 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 trade receivables.

The closing price of Company's shares immediately before the date on which the share options were granted was HK\$0.126.

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

Hong Kong, 21 August 2020

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.