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中基長壽科學

ZHONG JI LONGEVITY SCIENCE

Zhong Ji Longevity Science Group Limited

中基長壽科學集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 767)

**DECISION OF THE LISTING REVIEW COMMITTEE
TO OVERTURN LISTING COMMITTEE'S DECISION
TO SUSPEND TRADING IN THE COMPANY'S SHARES**

Financial Adviser to the Company



References are made to (i) the announcements of Zhong Ji Longevity Science Group Limited (the “**Company**” together with its subsidiaries, the “**Group**”) dated 18 December 2021, 29 December 2021, 30 March 2022 and 4 April 2022 (the “**Announcements**”) in relation to (i) the decision of the Stock Exchange that the Company has failed to maintain a sufficient level of operations as required under Rule 13.24 of the Listing Rules; (ii) the Company’s written request for the review of the decision of the Listing Division by the Listing Committee of the Stock Exchange (the “**Listing Committee**”); (iii) the decision of the Listing Committee to uphold the decision of the Listing Division to suspend trading in the Company’s shares under Rule 6.01(3) of the Listing Rules (the “**LC Decision**”); and (iv) the Company’s written request to the Listing Review Committee of the Stock Exchange (the “**Listing Review Committee**”) for the LC Decision to be referred to the Listing Review Committee for a further and final review (the “**LRC Review**”) pursuant to Rule 2B.06(2) of the Listing Rules respectively. Capitalized terms used herein, unless otherwise defined, unless otherwise stated, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

The Board wishes to inform the shareholders and potential investors of the Company that the Listing Review Committee heard (“**LRC Review Hearing**”) was held before the Listing Review Committee on 5 July 2022. On 25 July 2022, the Company received a letter from the Stock Exchange notifying the Company that the Listing Review Committee, having considered all the facts and evidence, and all the submissions presented by the Company and the Listing Division, the Listing Review Committee decided to overturn the Listing Committee’s decision to suspend trading in the Company’s shares under Rule 6.01 (3) of the Listing Rules (the “**LRC Decision**”).

The Listing Review Committee’s views:

1. The Listing Review Committee noted that in this matter it had been tasked with coming to a view on whether as at the time of the LRC Hearing, the Company had demonstrated to the Listing Review Committee’s satisfaction that the Company carried out its business with a sufficient level of operations and assets of sufficient value to support its operations so as to warrant the continued listing of the Company’s shares under Rule 13.24.
2. The Listing Review Committee observed that the Note to Rule 13.24 indicates that the assessment of compliance with Rule 13.24 is a qualitative test and that the Listing Review Committee should make its assessment in this matter based on the specific facts and circumstances faced by the Company. The Listing Review Committee noted that further guidance on sufficiency of operations for the purposes of Rule 13.24 was also provided and set out in Guidance Letter HKEX-GL106-19 (“**GL106-19**”) GL106-19.

FY2021 Annual Report

3. The Listing Review Committee noted that the Company had published its FY2021 Annual Report on 28 June 2022 in the week before the LRC Hearing. Draft accounts had however been published by the Company shortly after the LC Decision. The FY2021 Annual Report included, amongst other matters, the following financial information concerning the Company.
 - (a) Revenue of the Group for FY2021 was HK\$61,119,000 (down from HK\$80,022,000 for FY2020);
 - (b) gross profit for the Group for FY2021 was HK\$51,909,000 (down from HK\$72,458,000 for FY2020);
 - (c) Net profit for the Group for FY2021 was HK\$6,200,000 (up from a loss of HK\$10,700,000 for FY2020);
 - (d) Total net assets for the Group for FY2021 amounted to HK\$470,718,000 (up from HK\$454,886,000 for FY2020); and

(e) Net current assets for Group for FY2021 amounted to HK\$232,256,000 (up from HK\$156,120,000 for 2020).

4. The Listing Review Committee observed that the Company had produced an initial profit forecast for FY2021 in response to the Listing Division's show cause letter dated 11 November 2021. This forecast indicated that for FY2021 the Company would: (i) attain revenue of HK\$60,468,578, and (ii) there would be net loss after tax of HK\$5,251,609. It was apparent to the Listing Review Committee that the Company's financial results from the FY2021 Annual Report indicated its revenue forecast had been achieved and that the Company had exceeded its profit forecast.

P2P Business Cessation

5. The Listing Review Committee noted that evidence had been produced by the Company to the Listing Review Committee to clarify that the cessation of its P2P Business in 2020 was a result of the New P2P Regulations in the PRC which had essentially brought all P2P lending in the PRC to a halt, and that such cessation had not been instigated by the Company. The Listing Review Committee noted that the Listing Division had not disputed this contention. The Listing Review Committee accordingly accepted the Company's position on this and departed from the relevant finding in the LC Decision concerning this matter.
6. The Listing Review Committee also noted that the Listing Division's overall position as confirmed at the LRC Hearing was that P2P Business was no longer relevant to the assessment of the Company's compliance with Rule 13.24 because of the cessation of the same.

Money Lending Business (incorporating the Financial and Investment Advisory Services)

7. The Listing Review Committee observed that the Company's position was that it effectively only operated two business segments as at the date of the LRC Hearing, namely, (1) its Money Lending Business, and (2) its Longevity Science Business.
8. The Listing Review Committee observed that in the Note to Rule 13.24(1), there was specific guidance of assistance provided with respect to assessment of money lending businesses. This makes it clear that the Listing Review Committee in its assessment: "may consider, among other factors, the business model, operating scale and history, source of funding, size and diversity of customer base and loan portfolio and internal control systems of the money lending business taking into account the norms and standards of the relevant industry." The Listing Review Committee also noted the guidance given in GL106-19 at paragraph 13(a) that regard must be had to whether a money lending business is amongst other matters being carried out with a clear business objective or strategy, and maintains sufficient scale of operation.

9. The Listing Review Committee having considered the relevant evidence and submissions of the review parties came to the overall view that the Money Lending Business of the Company (incorporating the Financial and Investment Advisory Services) was a business that had substance and was viable and sustainable for the purposes of Rule 13.24. In so doing the Listing Review Committee came to a different view from that of the Listing Committee as expressed in the LC Decision. Amongst other matters:-
- (a) The Listing Review Committee considered that the Company's business model for its Money Lending Business which was conducted in conjunction with the Strategic Partners under a strategic cooperation model did in fact possess a broad customer base (of over 3,200 customers). The Listing Review Committee accepted the Company's submission that the operation of its Money Lending Business was intertwined with the Financial and Investment Advisory Services under the business model operated by the Company. The characterization of the Group having just three customers (i.e. the Strategic Partners) did not appear to fairly or accurately reflect the realities of the business operation given the overall circumstances and all the materials presented.
 - (b) The Listing Review Committee noted for example the leading role taken by the Company in the strategic cooperation model which included sourcing customers, data analysis, collateral valuation and credit evaluation, and enforcement with respect to overdue loans.
 - (c) The Listing Review Committee observed that overall the Money Lending Business (incorporating the Financial and Investment Advisory Services) had generated an aggregate operating revenue of HK\$38,660,000 for FY2021 as reflected in the FY2021 Annual Report and that this was without income from any loan components derived from P2P lending. The combined segment results for FY2021 showed a combined segment profit before tax of not less than HK\$27 million.
 - (d) It also appeared to the Listing Review Committee that the Company did have future plans in place for the expansion of the Money Lending Business and had in fact recently entered into new cooperation agreements with one of the Strategic Partners in this regard. The Company also had plans to expand and diversify its money lending business segment through its supply chain financing initiative commencing with a pilot scheme for milk formula suppliers/customers.
 - (e) As such, the Company's Money Lending Business (incorporating the Financial and Investment Advisory Services) could not be regarded as not being carried out with a clear objective or strategy and not maintaining sufficient scale of operations.

Longevity Science Business

10. The Listing Review Committee recognized that the Longevity Science Business was at a nascent stage having only been recently commenced in 2021. The Listing Review Committee observed that the FY2021 Annual Report and financial results indicated initial revenue for the Longevity Science Business had been HK\$22,446,000 for FY2021 with segment profits of HK\$3,800,000.
11. The Listing Review Committee noted that the Company had already set up infrastructure that was operating in the Longevity Science Business. It appeared from the various materials produced by the Company for the LRC Hearing that the Company also had in place extensive and detailed plans concerning the promotion and development of the sectors of its Longevity Science Business. Amongst other matters, it was noted: (i) that the Company had a not insignificant R&D team; (ii) the Group had two testing centres in Hong Kong already operating for Testing Services, with plans for establishment of a further centre in Shenzhen; (iii) the Group had cooperation agreements in place with significant third parties to develop medical testing; (iv) the Group's longevity products business was already substantive with for example 2,000 pharmacies in the PRC selling the same; (v) the Group had detailed plans concerning the expansion of its provision of longevity products, Testing Services, and other services to targeted high-net-worth individuals, and the Group had entered into a number of agreements with distributors, consignment agents and partners in this regard, and (vi) NMN products are high profit margin products.
12. The Listing Review Committee departed from the views of the Listing Committee in the LC Decision and overall was of the general view that the Longevity Science Business was promising and likely to develop in the future into a business that was of substance, viable and sustainable. It was also only natural that Mr. Yan, as a substantial shareholder and chairman of the Company, had been lending his full support to the Company to develop the Longevity Science Business. Notwithstanding the short track record of the Longevity Science Business, the Listing Review Committee was of the view that Company should not be "penalized" for pursuing a new line of business that the Company's management believed would further the commercial best interest of the Company.
13. On balance based on materials presented and submissions made it seemed to the Listing Review Committee that the Company might achieve its profit forecast for FY2022 (which had been reviewed by Elite Partners CPA Limited, Certified Public Accountants).

Overall assessment

14. Taking into account the above matters including the forecasts put forward by the Company for its businesses, overall the Listing Review Committee assessed and came to the view that the businesses of the Company as a whole appeared to be in compliance with Rule 13.24. As part of this the Listing Review Committee also considered that, based on the FY2021 Annual Report, the Company had a sufficient level of assets to service its businesses. However, the Listing Review Committee also considered that the Listing Division should continue to monitor the performance of the Company going forward and be at liberty to reconsider the Company's compliance with Rule 13.24 in the event that the Company failed to meet the latest forecasts presented to the Listing Review Committee or should any other matters of concern arise.

Decision

15. The Listing Review Committee therefore decided to overturn the LC Decision to suspend the Company's shares under Rule 6.01(3) on the ground that the Company had failed to comply with Rule 13.24.

Shareholders who have any queries about the implications of the LRC Decision are advised to obtain appropriate professional advice. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
Zhong Ji Longevity Science Group Limited
Yan Li
Chairman

Hong Kong, 25 July 2022

As at the date of this announcement, the Directors are:

Executive Directors

Mr. Yan Li (*Chairman*)
Mr. Yan Yifan (*Chief Executive Officer*)
Mr. Li Xiaoshuang
Ms. Cao Xie Qiong

Independent non-executive Directors

Mr. Lee See Barry
Mr. Wang Ning
Prof. Huang Cibo

Non-executive Directors

Dr. He Yiwu
Ms. Choi Ngai Wah

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