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ZJ
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)

SUPPLEMENTAL ANNOUNCEMENT TO 2021 ANNUAL REPORT

Reference is made to the annual report (the "**Annual Report**") of Zhong Ji Longevity Science Group Limited (the "**Company**") dated 28 June 2022 for the year ended 31 December 2021. Unless otherwise defined, terms used in this announcement shall have the same meanings as those defined in the Annual Report.

In addition to the information already disclosed, the Board would like to provide additional information as follows:

(A) MONEY LENDING BUSINESS AND FINANCIAL ADVISORY BUSINESS

Background

According to a letter addressed to the Company from Beijing Law Firm, since 2019, P2P platforms in mainland China has frequently experienced business suspension or liquidation due to default of P2P loans, and by mid-November 2020, all the P2P online lending institutions operating in Mainland China completely shut down. As a result of the policy change in P2P regulation in Mainland China, the Company's P2P business and related domestic subsidiaries were adversely affected, and it became necessary to cease all P2P operations. The Company's mainland subsidiaries were forced to adjust their business models and reorganize their money lending businesses in accordance with the law to comply with China's new policies.

The Company has never ceased its efforts in developing this segment even in face of challenges posed by the forced closure of its P2P business due to People's Republic of China ("**PRC**") government P2P Internet Finance policy changes, in particular 互聯網金融網絡借貸風險整治辦函(2019)83號 — 關於網絡借貸信息中借機構轉型小額貸款公司的指導意見"《Guidance on statutory demand in transform Internet Finance Lending Intermediaries into Small Loan Finance Companies》, has been undermined.

In 2019, following the PRC government's policy to totally curb P2P internet finance loans companies domicile in each cities, it also promogulated a new policy to transform the existing non-defaulting P2P loan business to small loans finance business (the "**Change in National Policy**"). Hence, the Company's decision to cease its P2P business and to relaunch and reform as a non-P2P money lending business (namely "**Money Lending & Financial Advisory Business**") is comply with laws and policies in the mainland PRC.

In light of the aforementioned circumstances, following the Change in National Policy, the Group has been focusing its Money Lending business and Financial Advisory Business as a wholly integrated **Money Lending & Financial Advisory Business** operate in Two models:

(a) A "**Strategic Partners Model**" managing a sizeable portfolio of loan assets (including outstanding principal and interest) via in cooperation with Strategic Partners (without Company assuming role of a direct lender). Such loan assets, which have been accounted for as *"Other receivables"* of *"Deposits, Prepayments & Other receivables"* in the Group's consolidated financial statements, amounted to HK$176,357,936 as at 31 December 2021.

(b) The **"Corporate and personal borrowers Model"** wherein Company act as a direct lender via Company's loan Agreements, with such loan assets (including outstanding principal and interest) accounted for as *"Loans & interests"* amounted to HK$217,864,153 as at 31 December 2021; all are business of substance that are viable and sustainable:

Business Model

"**Corporate & Personal Borrowers Model**"	Current: (i) Joy Wealth was Lender to corporate and/or personal client in Hong Kong and (ii) 上海鈺功財務諮詢有限公司 was Lender to corporate and/or personal client in PRC; of both loan recovery by Company as creditor.
Company act as Direct Lender	Future Development: Supply Chain Trade Financing in Hong Kong In June 2022, the Group entered into a Strategic Partners Agreement for money lending business with the operator of an e-commerce platform (namely HKCTSBUS MALL) and a pharmacy chain store in Hong Kong. The pilot segment would be the milk powder industry chain. The Group will provide short-term loans related to accounts receivable to milk powder suppliers on HKCTSBUS MALL. Following the success of the pilot project, the Group will replicate the model to discuss and cooperate with the Group's partners to bring the supply chain financing business model to the health sector. The Group's two major businesses are: (being Money lending and financial and investment advisory as well as longevity science) can build strong synergies through the supply chain business financing model.
"**Strategic Cooperation Model**"	Current: The Strategic partners for the integrated Money Lending & Financial Advisory Business are license fund manager companies of material sizes in the PRC, all are independent third parties, providing secure homeloans (1^{st} and 2^{nd} mortgages) to individual borrowers in PRC alike:

Strategic Partners as Direct lender	中國對外經濟貿易信託有限公司 China Foreign Economy and Trade Trust Co., Ltd. ("**FOTIC**", a state-owned asset management company in the PRC) operate at Beijing City; and 深圳泛華聯合投資集團有限公司 (Shenzhen Fanhua Joint Investment Group Co., Ltd.*) ("**Fanhua**", a sizeable financial services company listed on the New York Stock Exchange (stock code: CNF) offering loans across regions of: ChongQing, Chengdu, Shuzhou, Wuhan and few at Shanghai, Tianjing cities. These Strategic partners in integrated Money Lending & Financial Advisory Business take TWO major forms:

FORM 1: The Strategic Cooperation with **FOTIC** is outlined below:

(i) FOTIC would set up trust funds (the "**Trusts**") to which it would act as trustee. Investors would inject funds into the Trusts which would then be utilised to grant mortgage loans to borrowers. The Trusts would typically run for a period of one to five years, after which the investors would be entitled to redeem their investments in the Trusts plus a pre-agreed return. The Company would receive this *Trust loans accrued interests* after FOTIC expense.

(ii) The Company is required to maintain a sum equivalent to 5% of the investment amount of the investors as "a risk provision fund". When an investor in the Trust redeems its interest in the Trust and there is insufficient fund to settle such redemption, the Trust shall settle the redemption with the sum in the risk provision fund and require the Company to provide top-up funding for the redemption.

(iii) The Company shall, following the redemption, take over the *benefits from the post-redemption liquidation of any residual assets* in the Trusts (including but not limited to collection of any outstanding loans receivables and interest income, default interest and penalty).

(iv) The Company would co-manage the Trusts with FOTIC to monitor the risk profiles of individual borrowers, pursue loan collection, and assist FOTIC to take collateral enforcement actions, and provide management services including but not limited to client procurement, client's background check and credit rating due diligence. The Company would receive *a management service fee* from the Trusts and/or individual borrower for the aforesaid services.

FORM 2: The Strategic cooperation with **Fanhua** is summarized below:

(i) The Company would procure potential borrowers and, after performing credit assessment, refer them to Fanhua. In return, the Company would receive *loan origination fees/referral agency fees* from Fanhua or from individual borrower depending on the amount of actual interest income received by Fanhua and the repayment status of the loans.

(ii) As a protection to Fanhua, the Company would be required to maintain a sum equivalent to 20–30% of the initial loan principals borrowed by customers referred to Fanhua as "a risk provision fund". Such sum in the risk provision fund will be used to settle the payment of principals and/or interests in the event that the borrowers default.

(iii) The Company shall, following the liquidation, take over the benefits from the post-liquidation of any residual assets in the loans (including but not limited to collection of any outstanding loans receivables and interest income, default interest and penalty fees). The Company may choose to acquire the entire defaulted loan balance from Fanhua and seek recovery of the defaulted loans using its own means and resources.

Subject to terms and clauses of each Strategic Partners Agreement, the subsidiary earns (1) loans origination fees; (2) management service fee including client procurement, client's background check and credit rating due diligence; (3) recovery fees or penalty fees/ interest for deferred loans; and (4) accrued interest income by providing whole/partial funding secured loans via strategic partner's license. The Company subsidiary currently has 20 staffs who oversee and carry out various function such as financial control, risk management and legal compliance and customers' service.

Financial Advisory Business

The Group has provided 1^{st} and/or 2^{nd} mortgage loans to approximate 3,597 customers comprise: the Corporate & Personal loans of carrying loans portfolio value (*including outstanding principal and interest*) amounted to HK$217 million of Company act as direct lender.

Size and diversity of the clients

As at 31 December 2021, with Strategic Partners their loan portfolio carrying value (*including outstanding principal and interest)* was aggregate to HK$176 million, but with Strategic Partners act as direct lender and co-manage by the Company. Under FOTIC its average loans size (of 1^{st} and/or 2^{nd} mortgage) was approximately Rmb$1.5 million, with rarely few loans over Rmb$4 million or above, of loans made within Beijing city. The interest chargeable by FOTIC Trust to borrowers was arounds 10%–14% per 1^{st} or 2^{nd} mortgages made.

In contrast, with other Strategic Partners Fanhua/Haier its average loans size (of 1^{st} and/or 2^{nd} mortgage) was approximately Rmb$600,000 with only very few loans over Rmb$2 million, of all loans made across ChongQing, Chengdu, Shuzhou, Wuhan cities with few in Shanghai, Tianjing cities. The 1^{st} and 2^{nd} mortgages interest chargeable by Fanhua/Haier was 12%–18%.

	"Corporate & Personal Borrowers Model"	"Strategic Partners Model"
Brief description of Target customers	Lending to corporate client: target customers are enterprises having need of loan financing Supply Chain Trade Financing: target customers are suppliers selling goods on e-commerce platform	Subject to Strategic Partners Model with different strategic partners, individual borrowers (1^{st} and/or 2^{nd}) homeloans of tenure 10 to 20 years or small secured loans of tenure 1 to 5 years with average loan size less than HK$2m, over a wide spread of individual borrowers across mainly Beijing, Chongqing, Chengdu and other PRC cities.
Source of customers	Lending to corporate client: Originating from sales team of Joy Wealth (Hong Kong) and 天行紀元(北京)財務顧問有限公司 TXJY and Katar Global Limited.	Originating from team of financial Advisory business brokers of Group subsidiary and third-party brokers firms.

	"Corporate & Personal Borrowers Model"	**"Strategic Partners Model"**
Revenue Recognition	Accrued interest income (of Corporate & Personal loans originated by Money Lending segment) recognized under the Money Lending segment.	Accrued interest earned from the loans originated by Financial Advisory Business segment (via Strategic Partners Model) could ONLY be recognized under the Money Lending segment. Referral fee and/or loan origination fees for loan application of client, management service fees, debts recovery fees, penalty fees were recognized under Financial Advisory Business. All of above fees are payable by individual borrowers/broker firms to the Group subsidiary recognized as revenue under Financial Advisory Business segment.

In light of the abovementioned, the Company is of the view that:

(1) Financial Advisory business is merely one of the sources of the Money Lending Business which emphasis on Corporate & Personal loans on Company act as Lender;

(2) under the Strategic Partners Model whereby license Strategic Partners act as lender in PRC and the Company subsidiary co-manage these (1st and/or 2nd mortgage) homeloans or secured loans, therefore Money Lending Business and Financial Advisory Business could not be operated alone, but operated as integrate business; and

(3) the nature of Financial Advisory Business is similar to a sub-set of the Money Lending Business segment.

Further, from 2021 onwards, there will be no more impairment regarding P2P Finance Business to be made and no revenue relating loans interest receivables generated from the P2P platform or P2P related business will be recorded.

Accordingly, the Board is of the view that in the future financial reports, the results of Financial Advisory Business could be included into Money Lending Business segment, rather than presenting as a separate business segment.

(B) INTERNAL CONTROL SYSTEM FOR MONEY LENDING BUSINESS AND FINANCIAL ADVISORY BUSINESS

The Group follows similar loan approval procedures outlined as:

(1) Receiving and processing loan applications, due diligence, background check of loan applicants.

Loan application form should be completed by customers and the customers need to fill their loan information, personal information, employment information and financial information for the preliminary due diligence and background check of loan applicants. Besides, customer is requested to submit all original supporting documents as required by the Company to make photocopy. The due diligences documents include HKID/Passport Copy/PRC ID, address proof, certificate of incorporation copy etc. If necessary, external professional parties are engaged to perform the legal search, company search, land search, annual returns search and personal credit report search etc.

(2) Credit risk Assessment.

Default Rate Assessment (Credit Risk management)

Default rate is defined as gross amount of loan and interest receivables which are 180 days past due over the gross amount of loan and interest receivables as at each financial year end. In making this assumption, the Group considers that a default event occurs when:

(a) the borrower is unlikely to pay its credit obligations to the Group in full; or

(b) the loan receivables are 180 days past due.

According to Hong Kong Financial Reporting Standard 9 — Financial Instruments, there is a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due unless an entity has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The Group adopts a longer period (180 days) as loan receivables in default because the majority of loan receivables are secured by pledged assets and based on repayment history, the borrowers settled loan balances between due date and 180 days past due, therefore, there are still have probability for settlement of loan from borrowers with loan balance which are less than 180 days past due.

(3) Request for collateral.

Based on the creditability of customer, collateral is requested in a loan application. It is assessed case by case on a qualitative basis. Normally, if the borrower is a Person and/or a corporate entity borrower, a collateral is requested unless the loan has other guarantors and supporting documents of financial ability of borrower and/or guarantors could be provided for satisfactory assessment. Besides, for some potential borrowers who bargain for a better agreement terms like lower loan interest rate etc., collateral is normally requested for entering into a final loan agreement. As it is determined on a case-by-case basis, there is no direct internal policies or guidelines for this matter.

(4) Approval of loan applications.

The Group will consider all necessary supporting documents provided by the clients and conduct all necessary borrower background credits checkings, legal & financial due diligence, before approving loan application into grant the funds withdrawn.

(5) Monitoring and follow-up action on borrowers' repayment.

The Group continues to monitor the loan and will take any necessary follow-up action on borrowers' repayment. For *"Corporate & Personal Borrowers model*" the Company acting as Lender, the monthly repayments banking was arranged under the Company, *inter alia*, the Company credit team monitor our bank accounts on these mortgages' repayments, liaison and reconcile (adjustments on some minor lateness, if any) payments with these borrowers. If three or four consecutive mortgage repayments are in arrear such borrowers will follow-up by Recovery team to resolve with more complex repayment scheme, extension terms or other avenues. Under *"Strategic Partners model*" of present license regime and pursuant to the Strategic Partner Agreements the monitor on loans monthly repayments were executed by Strategic Partners (FOTIC, Fanhua, Haier) since repayments banking arrangements were set-up under these License Strategic Partners. There were quarterly review meetings on arrear loan repayments between Strategic Partners and the Company subsidiary team, whom follow-up reported arrear loans and its recovery.

(6) Receiving, processing and approving time extension of loan maturity (Extension).

For the process of extension procedure but in practice, borrowers who seek for loan extension due various reasons need to submit a written request for loan extension to the Company. Extensions of loan could be made subject to the criteria and processes on a case-by-case basis. Normally, the repayment of outstanding loan interests is one of the conditions for granting the loan extension to the borrowers. Besides, updated financial condition of borrowers has to be investigated before considering the approval of loan extension, including but not limited to interviewing with borrowers and asking for reasons for extension, and requesting to provide updated personal and financial information if necessary. Besides, the borrowers have to demonstrate that they are able to settle the loan and interest in the extended period according to the terms of agreement. If thought fit, all members of the credit committee formed by all directors of money lending company at the material time would approve the extension, and the extension agreement/extension letter would be executed.

(7) Recovery action of debts.

Following assessment on the loan repayments (except rare exemptional reasons), the Group procedurally will take necessary loan recovery actions in PRC and in Hong Kong, not limited but including legal statement of claims, Mareva Injunction, mortgagee sale, liquidation petitions, borrowers Company or living site visits and/or borrowers' employer or Company suppliers visit.

(C) IMPAIRMENT LOSSES IN OTHER RECEIVABLES

Refer in Year 2021 Annual Report page149 itemise: *"Impairment of Other Receivables*" HK$16,981,000, was indeed impairment loss HK$16,980,357 *(approximate HK$17m)* of the ECL Other receivables assets class. This impairment loss was assessed, ascertain and breakdown prepared by independent Valuer firm, *Royson valuation Advisory Limited,* which were cross-examined by Independent Auditors and its external ECL valuer during May and June 2022.

	2020 HK$	**2021 HK$**
Total Other Receivables	$186,111,104	$215,056,582
Total Other Receivables (related to Financial Advisory Business)		$200,600,369
Total Other receivables (Year 2021 ECL Fair-value impairment Loss)		($16,980,357)
Impairment ratio on Total Other Receivables (Related to Financial Advisory Business)		8.46%
Total Loan & Interest Receivables *(Note 1)*	$167,440,526	$217,864,153
Total Loan & Interest receivables *(Note 1)* (Year 2021 ECL Fair-value impairment Loss)		($5,167,857)
Impairment ratio on Total Loan & Interest Receivables**		2.37%

*Note**:* Total Loans were only related to Money Lending Business, but Total Interest Receivables were related both Money Lending Business and Financial Advisory Business.

The underlying reasons for impairment loss related to Financial Advisory Business, were mainly arose from:

(i) default situation of individual borrowers under loan portfolios cooperated with three Strategic Partners; and

(ii) penalty contributions made by a Company subsidiary to two Strategic Partners pursuant to the Strategic Partners Agreement. Both impairment losses for 2021 Year of an aggregate of HK$16,874,000 has been arisen, before any exchange realignment.

(D) MAJOR TERMS OF OTHER RECEIVABLES RELATED TO THE FINANCIAL ADVISORY BUSINESS

At present Other Receivables (related Financial Advisory Business) was comprise of:

(i) Receivables relating to Loan principal sum, that payable by Strategic Partners to subsidiary of the Group, pursuant to small secure loans originated by Financial Advisory Business; and

(ii) Receivables relating to all kinds of loan fees (not accrued interest) like: origination fees, management service fees, recovery fees and any penalty's payable by Strategic Partners and/or individual borrowers directly or indirectly (via third-party like broker firms) to subsidiary of the Group, was recognized under Financial Advisory Business segment revenue.

Capital Contributions

Subject to the terms and clauses the Loans Strategic Partners Agreements:

(a) the Group subsidiary attributes 10% loan principal sum of each small secure loans offer by two strategic partners namely: 深圳泛華聯合投資集團 ("**Fanhua**") and 重慶輝科諾企業管理有限公司 ("**Haier**"), while such Strategic Partners would attribute the 90% remaining loan principal themselves; and

(b) the Group subsidiary attributes 100% loan principal sum of each homeloans made under Strategic Partner 中國對外經濟貿易信託有限公司.

(E) AMOUNT OF OTHER RECEIVABLES (RELATED TO FINANCIAL ADVISORY BUSINESS

Total Other Receivables (related to Financial Advisory Business)	RMB$	Concentration	Secured Collateral Loan Leverage ratio
Borrower A (via FOTIC)*	$9,000,000	5.697%	69.92%
Borrower B + C (via FOTIC)*	$9,000,000	5.697%	63.11%
Borrower D (via FOTIC)*	$8,000,000	5.064%	39.51%
Borrower E (via FOTIC)*	$7,800,000	4.930%	60.00%
Borrower F (via FOTIC)*	$7,300,000	4.620%	69.19%
Borrower A (via Fanhua)*	$4,250,000	2.182%	49.71%
Borrower B (via Fanhua)*	$4,000,000	2.054%	38.10%
Borrower C (via Fanhua)*	$3,000,000	1.541%	35.42%
Borrower D (via Fanhua)*	$2,950,000	1.515%	54.03%
Borrower E (via Fanhua)*	$2,600,000	1.335%	69.32%

*Note**:* in aggregate 3,597 individual borrowers on secure loans of collaterals (residential house) via the Strategic Partners Model (FOTIC, Fanhua and Haier) act as Lender, since commencement of the relevant business.

In light of significant 100% of capital contribution pursuant its Loan Strategic Partners Agreement regarding the Beijing municipal government Strategic Partner: FOTIC 中國對外經濟貿易信託有限公司, the Top five loans borrower within FOTIC carrying loans value state in "Other Receivable" was topped at 5.697% concentration exposure, and their collaterals value leverage ratio range from 39.51% to 69.92%. For the other two Strategic Partners Fanhua and Haier (with 10% capital contribution), the Top 5 borrowers exposure topped at 2.182% within Fanhau/Haier carrying loans value state in "Other Receivables" loan Assets, and their collateral value leverage ratio range from 35.42% to 69.32%.

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

Hong Kong, 26 August 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

Non-executive Directors
Dr. He Yiwu
Mr. Lyu ChangSheng

Independent non-executive Directors
Mr. Lee See Barry
Mr. Wang Ning
Prof. Huang Cibo

In the case of any inconsistency, the English text of this announcement shall prevail over the Chinese text.