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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)

CLARIFICATION AND SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO 2022 ANNUAL/ 2023 INTERIM RESULTS AND REPORTS

Reference is made to the annual results announcement for the year ended 31 December 2022 (the"**Annual Results Announcement 2022**") of Zhong Ji Longevity Science Group Limited (the "**Company**") dated 19 April 2023; the annual report of the Company published on 28 April 2023 for the year ended 31 December 2022 (the "**Annual Report 2022**"); the interim results announcement for the six months ended 30 June 2023 (the "**Interim Results Announcement 2023**") of the Company dated 23 August 2023 and the interim report for the six months ended 30 June 2023 (the "**Interim Report 2023**") of the Company published on 22 September 2023. Unless otherwise defined, terms used in this announcement shall have the same meanings as those defined in the Annual Results Announcement 2022 and Annual Report 2022 and Interim Results Announcement 2023 and Interim Report 2023. The board of directors of the Company ("**Board**") would like to supplement the Annual Results Announcement 2022, the Annual Report 2022, the Interim Results Announcement 2023 and the Interim Report 2023 by the following additional information.

(A) SHARE AWARD SCHEME

In the Directors' Report in the Annual Report 2022 (page 36), the Directors report the adoption of a share award scheme ("**Share Award Scheme**") on 18 May 2021 ("**Adoption Date**"). The Company hereby sets out the major terms of the Share Award Scheme as follows:

(i) The purpose and objective of the Share Award Scheme are to recognise the contributions by the certain Participants to the development and growth of the Company and its subsidiaries (collectively "**Group**") and to provide them with incentives in order to retain them for the continual operation and development and to attract suitable personnel for further development of the Group.

(ii) The Share Award Scheme shall be subject to the administration of the Board and the Trustee in accordance with the rules of the Share Award Scheme and the Trust Deed.

(iii) The participants of the Share Award Scheme are Participants selected by the Board to participate in the Share Award Scheme.

(iv) The Share Award Committee (and/or the Trustee pursuant to its powers under the Trust Deed) is authorized by the Board, from time to time, at its absolute discretion select any Participant (excluding any Excluded Person) as a Selected Participant pursuant to the Share Award Scheme. In respect of each proposed Award, the Share Award Committee will consider, amongst others, the number of Restricted Shares, the vesting period and conditions for vesting.

(v) The Board shall not make any make any further Award which will result in the aggregated number of Restricted Shares granted pursuant to the Share Award Scheme (excluding Restricted Shares that have been forfeited in accordance with the Share Award Scheme) exceeding 10% of the issued share capital of the Company (i.e. 386,800,000 Shares, but with the consolidation of the shares of the Company (every 10 shares into 1 share) effected on 31 July 2023, the maximum number of Restricted Shares that may be awarded shall not exceed 38,680,000 shares) as at the Adoption Date. The maximum number of shares in the Company which may be awarded to a Selected Participant under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company as at the Adoption Date.

(vi) According to the Share Award Scheme, any Restricted Shares shall be new shares of the Company to be allotted and issued to the Trustee (which will hold the same on behalf of the Selected Participant(s)) by the Company pursuant to the general mandate granted by the shareholders of the Company at the annual general meeting of the Company from time to time.

(vii) In relation to a Selected Participant, subject to the fulfilment of all vesting conditions (if any) to the vesting of the Restricted Shares on such Selected Participant, the Restricted Shares held by the Trustee on behalf of the Selected Participant shall vest in such Selected Participant pursuant to the rules of the Share Award Scheme. The Board shall have absolute discretion to waive the fulfilment of any vesting condition. Any Restricted Shares granted under the Share Award Scheme but not yet vested shall be personal to the Selected Participant to whom it is made and shall not be assignable or transferrable and no Selected Participant shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to any Award, or enter into any agreement to do so.

(viii) Subject to any early termination as may be determined by the Board pursuant to the rules of the Share Award Scheme, the Share Award Scheme shall be valid and effective for a term of 10 years commencing from 18 May 2021 (the Adoption Date).

(ix) No Restricted Shares have been granted under the Share Award Scheme up to the date of this Supplemental Announcement and thus no shares in the Company would be issued accordingly.

for the purpose of this Section (A) the following expressions shall have the following meanings ascribed thereto

"Award(s)"	award of the Restricted Shares by the Board to the Selected Participant(s) pursuant to the Share Award Scheme
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Excluded Person(s)"	any Participant who is resident in a place where the Award and/or the vesting and transfer of the shares of the Company pursuant to the terms of the Share Award Scheme is not permitted under the laws and regulations of such place or where in the view of the Share Award Committee or the Trustee (as the case may be) compliance with applicable laws and regulations in such place make it necessary or expedient to exclude such Participant
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Participant(s)"	any person, being a consultant, advisor, distributor, contractor, customer, supplier, agent or service provider of any member of the Group

"Restricted Share(s)"	the shares of the Company granted to a Selected Participant in an Award
"Selected Participant(s)"	Participant(s) selected by the Board for participation in the Share Award Scheme
"Share Award Committee"	a share award committee of the Board established by the Board in accordance with the bye-laws of the Company
"Trust"	the trust constituted by the Trust Deed
"Trust Deed"	the trust deed dated 20 May 2021 entered into between the Company and the Trustee (as restated, supplemented and amended from time to time) for the operation and administration of the Share Award Scheme
"Trust Fund"	all the property (including shares of the Company, cash and non-cash income) from time to time held or deemed to be held upon Trust contributed by the Company or any other person
"Trustee"	such independent trustee as shall from time to time be appointed by the Company for the administration of the shares of the Company and other trust fund to be held by the Trustee for the implementation of the Share Award Scheme pursuant to and in accordance with the terms of the Trust Deed
"Vesting Date"	in respect of a Selected Participant, the date on which his/her entitlement to the Restricted Shares is vested in such Selected Participant in accordance with the Share Award Scheme

(B) MONEY LENDING & FINANCIAL ADVISORY BUSINESS

Background

In the announcement of the Company dated 26 August 2022, the Company announced that the Company decided to cease its P2P business and to relaunch and reform the business as a non-P2P money lending business (namely "**Money Lending & Financial Advisory Business**") in compliance with the laws and policies in the People's Republic of China ("**PRC**"). The Money Lending & Financial Advisory Business would operate in the following two models:

1. The ***"Strategic Partners Business Model*"** — offering related financial management and consulting service in the PRC via cooperation with PRC licensed strategic partners (without Company assuming role of a direct lender) with sizeable loans portfolio (including outstanding principals and interests) secured by residential assets. Such loan assets were accounted for as "Other receivables" under the category of "Deposits, Prepayments & Other receivables" of CURRENT ASSETS in the Annual Report 2022.

2. The ***"Corporate and personal borrowers Business Model*"** — wherein the Group act as a direct lender and such loan assets (including outstanding principals and interests) were accounted for as "Loans & interest receivables" of NON-CURRENT ASSETS and CURRENT ASSETS in the Annual Report 2022.

(C) THE "STRATEGIC PARTNERS" BUSINESS MODEL

The strategic partners under this model are PRC regulated trustee & fund manager companies of material sizes licensed in offering legitimate short to medium-term secured home loans (1st and 2nd mortgages) to individual borrowers across the regions of: Chongqing, Chengdu, Shuzhou, Wuhan, few at Shanghai, Tianjing and Wuxi cities. This kind of loan assets were accounted for as "Other receivables" under the category of "Deposits, Prepayments & Other receivables" under CURRENT ASSETS in the Consolidated Statement of Financial Position of the Group ("**Consolidated Statement**") as at 31 December 2022 (page 73 of the Annual Report 2022 and note 23 to the Consolidated Statement on pages 170–171 of the Annual Report 2022), and amounted to HK$183,983,000 (versus 2021: HK$176,358,000). By way of demonstration, as at 31 December 2022, the "Other receivables" loan assets were HK$239,247,000 (2021:HK$215,057,000) less impairment provision of HK$93,113,000 (2021:HK$57,056,889) resulting a Strategic Partners Model business loan assets net carrying value of HK$146,134,000, which figures were set out in the independent auditors' report on page 65 of the Annual Report 2022.All underlying borrowers under this model are independent third party.

Strategic Partners

Below are the current strategic partners in co-operation with the Company's wholly-owned Beijing subsidiary 天行紀元(北京)財務顧問有限公司 ("**TianXing**") in PRC:

(i) "*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) operating at Beijing City; and

(ii) "*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).

(iii) "*重慶輝科諾企業管理有限公司 via 重慶海爾小額貸款有限公司*" ("**Haier 海爾雲貸**") established since 2014 and owned by the electronic conglomerate Haier Group 海爾集團.

(iv) "*陝西省國際信託投資股份有限公司 Shanxi International Trust co. Ltd*" ("**Shanxi**") a state-owned trustee assets management company established since 1985 and listed on Shenzhen Stock Exchange (stock code: 00563).

Strategic Partners Corporation Agreements were performed in two kinds of arrangement:

Arrangement 1: strategic co-operation with FOTIC, Shanxi as outlined below:

(i) FOTIC, Shanxi set up registered regulated trust funds (the "**Trusts**") to which they would act as trustee. The Company through its wholly-owned Beijing subsidiary TianXing invested monies into these Trusts of FOTIC, Shanxi, whereby trustee through licensed strategic partners in PRC grant legitimate mortgage loans to borrowers. These Trusts typically run for a period of two to five years or longer on a pre-arranged return rate of 12% annually.

(ii) The Group would co-manage the Trusts with FOTIC, Shanxi to monitor the risk profiles of individual borrowers, collaborate to pursue loan collection, assist FOTIC, Shanxi 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 Group would receive a management service fee from the Trusts and others assistance fees (if any) from individual borrower for the aforesaid services.

(iii) As at 31 December 2022, all these trust units were redeemed hence the Group would receive those Trust underlying loans accrued interests, after FOTIC Shanxi's expenses, pursuant to debts transfer contracts, but the underlying loans security were still registered under Trustee name per loan license regime of PRC. Hence any legal mortgagee recovery or security realization would still lodge together with strategic partners. Nevertheless, the Group takes over all benefits from the post-redemption on all proceeds of mortgagee sale of any residual assets of mortgages registered in the Trustee name (including but not limited to collection of any outstanding loans receivables).

Arrangement 2: The Strategic cooperation with **Fanhua, Haier** is summarized below:

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

(ii) As a protection to Fanhua, Haier, the Group would be required to maintain a sum equivalent to 20–30% of the initial loan principals borrowed by customers referred to Fanhua, Haier as *"a risk provision top-up fund*". Such sum in the risk provision fund will be used to settle the payment of principals and/or interests in the event of the borrower's default or in case of long-terms arrears. *(At present, the Group was disputing with Fanhua and/or Haier on implications PRC National Covid-19 mortgage reliefs Policy triggered some loans in technical defaults or arrear repayments in postpone)*

(iii) The Group shall, following the liquidation of a particular borrower, 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 Group may choose to acquire the entire defaulted loan principal balance from Fanhua, Haier their portions and seek recovery of the whole defaulted loans using its own means and resources.

Major Terms of the Strategic Partners Business Model

Subject to terms and clauses of each strategic partners agreement, the Group earns:

(a) (1) loans origination fees; (2) management service fee rendered including services as 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; and

(b) At present, Other Receivables comprised of:

   (i) Receivables relating to Loan principal sum and its accrued interest payable by strategic partners to subsidiary of the Group, pursuant to small secured loans originated by the Money Lending & 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(ies) of the Group, were also recognized under Money Lending & Financial Advisory Business segment revenue.

(c) *Capital Contributions* — Subject to the terms and clauses of the related agreements:

   (i) the Company's subsidiary attributes 10% loan principal sum of each small secured loans offer by two strategic partners namely: 深圳泛華聯合投資集團 ("**Fanhau**") 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

   (ii) the Group subsidiary attributes 100% loan principal sum of each home loans made under strategic partner, FOTIC and Shanxi.

(D) IMPAIRMENT ON OTHER RECEIVABLES OF STRATEGIC PARTNERS BUSINESS

Reference is made to page 137 Annual Report 2022 in note 9 to the Consolidated Statement, item: *"Impairment loss of other receivables*" wherein is set at HK$39,374,000 for the reporting period. These *Other receivables* impairment provisions made for the periods are outlined below:

Items	2022 impairment	2021 impairment	Provision
Strategic Partners Business			
FOTIC loans Portfolio	60,193,419	43,388,506	16,804,913
Fanhua loans portfolio	11,260,011	9,692,519	1,567,492
Haier loans portfolio	2,146,420	2,355,820	(209,400)
Company Miscellaneous Trades			
Company newly setup Nanjing subsidiary in Year 2021	1,269,684	0	1,269,684
A Beijing Financial Advisory Agents Company, independent third party	2,658,360	672,574	1,985,786
A Shenzhen Internet Technology Company (港航科(深圳)空間技術有限公司)	1,242,224	314,287	927,937
A Personal debts sale (個人 — 李從年(債權轉讓 — 沈明月))	1,157,912	111,408	1,046,504
A Year 2022 HanZhou Hospital Acquisition (杭州醫院收購案貸款 — 徐方)	1,242,224	387,103	855,121
Other minority receivables (Including 深圳森傑雷貿易有限公司 and 北京市尚衡律師事務所通遼分所)	11,942,923	134,672	11,808,251
Impairments	93,113,177	57,056,889	36,056,288

The total impairment allowance of HK$39,374,000 made against Other receivables represent the Total impairment provisions subtotal of HK$36,056,288 within the reporting period, with the difference due to Exchange alignment of HK$3,317,000. Hence, the "Other receivables" impairments related to strategic partners business loans was HK$18,163,005 standing to 50.38% of total impairment provisions.

As show in above table, not related to strategic partners business, for Company's other miscellaneous trades impairments made onto Other receivables was amounted to HK$4,298,032 standing to 11.92% of impairment subtotal HK$36,056,288 provisions, these were miscellaneous impairments comprise: removal of Nanjing newly incorporated subsidiary, two past Company financial advisory services trading credits, two personal loans of one involved a year 2021 relinquished acquisition and a prior debts resale.

As show in above table, not related to the strategic partners loans, the "other minority receivables" impairments of HK$11,942,923 (2021:HK$134,672) represent another 32.75% of total impairment provision. The other minority receivables impairments of HK$11,942,923 were comprised of:

(a) Other receivables related to TianXing 10 ex-employees who mishandled some internal/external funds with an impairment provision of HK$395,768, including ex-employees as per the announced of the Company dated 23 February 2022, who were arrested, and/or restrained by PRC Beijing Haidian district Police as a result of their personal organized gambling criminal behaviors (not related to Company business); and

(b) Other receivables related to sum already paid to two PRC legal firms and two judgements sum due to receive from PRC Beijing Fourth Court and Beijing Arbitration Centre, impairments made for awaiting PRC professional legal expense invoices to be retrieved, amounting to HK$1,578,288. The retrieve of these invoices would not possess impossible except works descriptions to be clarified on by new staffs handling; and

(c) Other receivables related to a Guangdong Company trading loans made by arrested ex-employee, together with three trading Company credits on longevity products amounting to HK$9,818,221.

Why Impairments Were Made on Strategic Partners Business

The above "**Strategic Partners Business model**" was conducted via the Company wholly owned Beijing subsidiary TianXing together with four strategic partners which are regulated and licensed PRC operators on their respective loan portfolios *(including outstanding principals and interests)* and trade receivables as at 31 December 2022, the net carrying value of which is approximately HK$146,134,000, after impairment provision of HK$93,113,000 prudently made (by Royson valuer) against the "Other receivables" assets in the sum of HK$239,247,000 (2021: HK$215,057,000).

The whole 2022 year trading and business environment in PRC has subdued brokerage of home loans or secured loans accessibility. This coupled with hammered ebb-level property transactions level in PRC cities, and slow repayments from debtors were caused by the PRC government freeze on overall commercial activities during COVID-19 pandemic. Hence attributed to the Company's PRC subsidiary, TianXing and its strategic partners loans business in record impairments provision of approximately HK$18,163,005 on account within the reporting period. The impairments were mainly attributed to the inability to initiate, implement and complete legal and/or alternative recoveries amid COVID-19 pandemic statutory freeze measures in PRC within Year 2022 or before. Hence the independent valuer has to adopt a reasonable, fair impairment ratio of 38.92% against these strategic partners loan assets, taking that no recovery have been conducted or successfully conducted status.

Ex-post COVID-19 pandemic period in late Year 2022 and early 2023, the PRC central government council ("**國務院**") via General Office Of China Banking & Insurance Regulatory Commission 中國銀行保險監督管理委員會辦公廳 further launched COVID-19 relief policy by issue of 銀保監辦發 (2022) 37號 policy" and "銀發(2022) 252 號 policy" document dated 6 April 2022, which bind all lending banks and finance institutions and mandatorily allow borrowers to be exempted from repayments on maturity (during year 2022), arrear loans repayment demand from licensed lender institutions and hence any legal recovery actions. Penalty interest or default fees were not allowed be imposed against borrowers. Lenders might only recover normal interest and principal repayments 6 months or longer period after the same are due depending on individual city's determination. Consequentially, the borrowers might get exemption from lenders by merely in writing in asserting financial difficulties during the COVID-19 pandemic. All strategic partners FOTIC, Fanhua, Shanxi shared similar encountered on their loan customers, and have informed the Company in writing or in correspondence seeking the TianXing in agreeing over totally exempt deferred fees, waiver and postponement demands from borrowers on monthly repayments or principal repayments, and postpone repossession on collateral security. In the reporting period, the PRC court has observed not keen in executing forceful sale, hence negotiations for alternative or comprise settlements were the current practice adopted by the Company and its strategic partners, but that have made recovery paths not standard protocol for auditors and valuers to ascertain.

Current Progress

In late April 2023, the Board set up designated task team (whom engaged PRC Dongwei Law firm) working together with Strategic Partners responsible in recover these loans of "Other receivables" approximately HK$239,247,000, including the impaired parts thereof in PRC. Around September 2023, The Company managed to recover RMB$6.7 million cash from two arrear loans of Shanxi strategic partners (now escrow by Dongwei lawyer as stakeholder on behalf of the Company), in settling together approximately RMB$2.9 million cash in Shanxi trustee account held for TianXing in process settlement on Shanxi arrangement. Hence TianXing would retrieve in full on TianXing invested principal RMB$7,900,000 together with RMB$1,700,000 returns from the Shanxi strategic partner. The observed difficulties Company encounter in this recovery include: (i) PRC departments administrative dilemma with ultra slow response cycle ex-post COVID-19 past circumstance; (ii) current low-ebb property and commercial environment; (iii) slow administrative response from state banks and financial institutions and (iv) delay in compilation of and access to necessary mortgage collateral records due to change of Tian Xing new legal representative and new staffs, as a result of various ex-employees' personal organized gambling crime indictments.

Nevertheless, looking ahead the recovery on "Other receivables" remaining strategic partners loan assets held within FOTIC, FanHua, Haier of approximately HK$185,060,363 before impairments was promising or optimism against aforesaid impairment provisions. For reasons: (a) now the PRC property market has been more buoyant and stabilize as PRC government recently announced supporting measures, (b) that underlying securities and collaterals were account value booked at very low property prices in early prior years, but secured properties were mostly located at prime or central districts in PRC cities, with extensive developments and price already appreciated many over these years. Relied on these two reasons underpinned collaterals good property resale price in resolving the arrear loan principals and repayments, despite present low ebb property market, as demonstrated in the Shanxi case as well.

SIZE AND DIVERSITY OF BORROWERS FOR STRATEGIC PARTNERS LOAN BUSINESS

The strategic partners act as direct lender with the Company as co-manager. In case of FOTIC and Shanxi the average loans size (of 1st mortgage) was approximately RMB$1.3 million, with rarely few loans over RMB$2.4 million or above. The loans were made within Beijing city or major cities. The interest chargeable by FOTIC and Shanxi Trust to borrowers was arounds 10%～14% (per annum)of 1st mortgages made. In the case of other strategic partners, Fanhua & Haier, their average loans size (of 1st and 2nd mortgage) was approximately RMB$220,000 with only very few loans over RMB$300,000. The loans were made across Chongqing, Chengdu, Shuzhou, Wuhan cities with few in Shanghai, Tianjing, and Wuxi cities. The interest on 1st and 2nd mortgages chargeable by Fanhua & Haier was within 12%～18% (per annum) range, with 2nd mortgage loans mainly. Please take note of the following table.

Total Other Receivables (related to Financial Advisory Business)	**RMB$ loan principal**	**Concentration**	**Secured Collateral Loan Leverage ratio**
Borrower A (via FOTIC)*	$5,000,000	3.421%	50.92%
Borrower B (via FOTIC)*	$3,000,000	2.053%	74.69%
Borrower C (via FOTIC)*	$2,700,000	1.847%	69.82%
Borrower D (via FOTIC)*	$2,400,000	1.642%	68.57%
Borrower E (via FOTIC)*	$2,400,000	1.642%	31.79%
Borrower A (via Fanhua)*	$425,000	0.291%	49.71%
Borrower B (via Fanhua)*	$425,000	0.291%	49.71%
Borrower C (via Fanhua)*	$360,000	0.246%	30.00%
Borrower D (via Fanhua)*	$295,000	0.202%	37.82%
Borrower E (via Fanhua)*	$260,000	0.178%	30.59%

*Note**: in accumulated 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. "Other receivables" Strategic Partners loan assets (FOTIC, FanHua, Haier) approximately HK$185,060,363 before impairments, with net carrying value HK$146,133,467

In the case of the Beijing municipal government Strategic Partner: FOTIC (100% of capital contribution), the Top five loans borrowers within FOTIC carrying loans value stated in "Other Receivable" was topped at 3.421% concentration exposure, and their collaterals value leverage ratio ranges from 50.92% to 74.69%. For the other two Strategic Partners Fanhua and Haier (with 10% capital contribution), the Top 5 borrowers exposure topped at 0.291% within Fanhau/Haier carrying loans value stated in "Other Receivables" loan Assets, and their collateral value leverage ratio ranges from 30.59% to 49.71%.

(E) THE "CORPORATE AND PERSONAL BORROWERS" BUSINESS MODEL

The Company's corporate and personal borrowers loan business comprises of loans made to corporate entity and/or wealth personal borrowers via the Company wholly owned subsidiary in PRC and/or Hong Kong acting as a direct lender via loan agreements with security mostly, except few loans in past on were trade credits or unsecured or intangible security basis alike dividends rights. All borrowers are independent third party to the Company.

Impairments Made on Corporate and personal borrowers Business

This kind of loan assets was stated in the Consolidated Statement on page 73 and the notes to the Consolidated Statement on pages 161–167 of the Annual Report 2022, accounted as "Loans & interest receivables" under NON-CURRENT ASSETS and CURRENT ASSETS, as at 31 December 2022 with amounts of HK$138,135,000 (2021: HK$145,585,000) and HK$34,154,000 (2021: HK$72,279,000) respectively after impairment provisions of HK$644,100,412 or ECL impair ratio of 81.41% made accordingly by the independent valuer and concur by the auditor.

For the Hong Kong, loans were made via the Company's wholly owned subsidiary Joy Wealth Finance Limited **("Joy Wealth**") being a Hong Kong corporation with money lenders license (renewed and granted on 8 April 2023) under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). Loans made by Joy Wealth together with PRC subsidiaries' corporate and individual borrower loans, has accumulated a loan and interest receivables portfolio of approximately HK$2,536,000,000 since Year 2011. However, a significant impairment provision was made on "loan and interest receivables" of approximately HK$920,774,000 as at 31 December 2019 and subsequently of HK$656,119,000 as at 31 December 2020 respectively on account of prior P2P business-related transactions by therein directors of Year 2020 and 2021. At present, Joy Wealth has a loan portfolio of approximately HK$2,536,000 (2021: HK$2,526,000) with interest rates ranging from 12%–15% (2021: 10%–15%) in this reporting year.

As announced on 11 August 2022, the Company's new management setup an Independent Recovery Committee ("**IRC**") in charge of recovery of 36 impaired loans and interests thereon (against 19 borrowers and guarantors of both Hong Kong and PRC) in the aggregate amount of approximately HK$1,076,476,999 as at 31 December 2019, was an attempt to improve the financial situation of the Company in recovery its loan assets. The IRC initiated legal actions and commenced winding process against various borrowers and guarantors regarding various loans made by Joy wealth. Apart from legal actions, the IRC and/or its agents actively negotiate with the borrowers on repayment packages, review existing loan securities and explore new securities arrangements with borrowers. As state in page 16 of Annual Report 2022 and page 12 of Interim Report 2023 there were 2 borrowers' impaired loans of aforesaid borrowers their 36 impaired loans have been successfully recovered on partial settlements, by this IRC and its agent's recovery exercise.

For the PRC segment, "Loans & interest receivables" under NON-CURRENT ASSETS amount to HK$138,135,000 as at 31 December 2022 after impairments. The same were corporate loans made via the Company's two PRC wholly owned subsidiaries, 上海鈺功財務諮詢有限公司 ("**Shanghai Yugong**") and 北京匯聚財富管理諮詢有限公司 ("**HuijuCaiFu**"), with corporate loan and interest receivables approximately HK$112,903,086 (2021: HK$127,637,000) and HK$33,798,912 respectively, secured by underlying share charge over approximately 2.14% equity interest in a private-owned major online PRC bank entity with major and founder shareholders is Tencent Holdings Ltd., carrying a fixed interest rate of 6% per annum with maturity at 2024. Other corporate and individual borrower loans are secured by properties, financial assets, consumable goods or are unsecured, all carrying fixed interest rate ranging from 12% to 18% (2021: 12% to 18%) per annum, being disclosed on page 162 to 167 of Annual Report 2022 and page 53 to page 55 of Interim report 2023, together with these loans their ageing analysis and their impairments on prudent provision.

"Loans & interest receivables" under CURRENT ASSETS in the PRC segment amount to HK$34,154,000 (2021: HK$72,279,000) as at 31 December 2022 after impairments, they comprise minor loans from joint ventures Chongqing Juquan Business Information Consulting Co. Limited ("**Chongqing Juquan**") and WuXi Juquan Outsourcing Service Co. Limited ("**WuXi Juquan**"), which joint ventures acting as broker or loans introducer to the Group and also making loans to others.

In late April 2023, the Board sets up a task force in charge of the recovery of "Loan & interest receivables" of approximately HK$112,903,086 and HK$33,798,912 due and payable in the coming year.

SIZE AND DIVERSITY OF BORROWERS FOR CORPORATE AND PERSONAL BORROWERS BUSINESS

The Group acts as direct lender and manages these over 30 corporate and personal borrowers loans, despite some of the loans have been already impaired in Year 2022 or earlier. The loans principal size ranges from HK$1.5 million approximately for personal borrower to a corporate loan principal size of HK$142 million (or RMB$128 million), with interest rates ranging from 6% to 18%, mostly with security, but some unsecure or secure with certain company dividend or secure intangible assets. These loans were stated in the Consolidated Statement on page 73 and the notes to Consolidated Statement on pages 161–167 of the Annual Report 2022, accounted as "Loans & interest receivables".

Loan & Interest Receivables	**RMB$ loan principal**	**Concentration**	**Secured Collateral Loan Leverage ratio**
Borrower A	$128,000,000	74.29%	7x times covered
Borrower B (JV)	$3,000,000	1.74%	Company held 51% shareholding
Borrower C (JV)	$2,700,000	1.567%	Company held 51% shareholding
Borrower D	$2,400,000	1.393%	unsecured
Borrower E	$2,400,000	1.393%	Secured by two Beijing properties now registered under TianXing

*Note**: "Loan & Interest receivables" Corporate and personal borrower loan assets (HK, PRC) approximately HK$819,402,758 before impairments HK$647,113,500, yield net carrying value HK$172,289,258" after significant impairment in prior past years.

The Top five loans borrowers within "Loan & interest Receivable" were topped at 74.29% concentration exposure for a single corporate loan with pledged collateral over shares charge on a PRC bank's partial shareholding. The other corporate/individual borrowers concentration exposure were at 1.74% to 1.393% secured on properties or unsecured. The remaining corporate/individual borrowers were secured with financial assets, dividend rights as disclosed on page 162 of the Annual Report 2022. These loans were made in prior years on exiting P2P old business and subsequently impaired in later prior years. Nevertheless, the Group has recently initiated recovery actions on these previously partially or wholly impaired loans as above mentioned.

Difference On Strategic Partners Model versus Corporate & Individual Model

	"Corporate & Personal Borrowers Model"	**"Strategic Partners Business Model"**
Brief description of Target customers	Lending to corporate client:- target customers are enterprises having need of loan financing. Supply Chain Trade (valuable metals or materials) Financing: target customers are suppliers selling goods on e-commerce platform.	Subject to Strategic Partners Model with different Strategic partners, individual borrowers of (1st and/or 2nd mortgage) home loans of tenure 10 to 20 years or small secured loans of tenure 1 to 5 years with average loan size less than HK$1.5m, 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 TianXing and Katar Global Limited.	Originating from team of financial Advisory business brokers of Group subsidiary (JV companies) and third-party brokers firms,
Revenue Recognition	Accrued interest income (of Corporate & Personal loans originated recognized under Money Lending & Advisory Business segment and "Loan & interest receivables".	Accrued interest earned from the loans originated by Financial Advisory Business (via Strategic Partners Model). Referral and/or loan origination fees for loan application of client, management service fees, debts recovery fees, penalty fees; all of above said fees are payable by individual borrowers/broker firms to the Group subsidiary recognized as revenue under Money Lending & Advisory Business segment and "Other receivables"

Further, from Year 2021 onwards, there have been no more impairments made with regards to P2P Loans business and no revenues relating to loans interest receivables generated from the P2P platform or P2P related loans business have been recorded.

(F) INTERNAL CONTROL 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 long overdue 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.

(G) MANAGEMENT DISCUSSION AND ANALYSIS IN THE PUBLISHED ANNUAL/INTERIM RESULTS AND REPORTS

The Company wishes to clarify that:

(i) The following passage on page 24 of the Annual Results Announcement 2022 and on page 16 of the Annual Report 2022 shall be amended as follows (with amendments underlined):

Investment in shares of Imperial Pacific

The major balance of the aforementioned listed securities represented the Group's investment in 271,345,000 shares of Imperial Pacific International Holdings Limited ("Imperial Pacific", a company whose shares are listed on the Stock Exchange with stock code: 1076), representing approximately 3.8% of the issued share capital of Imperial Pacific as at 31 December 2022. Investment cost of the share interest in Imperial Pacific was approximately HK$76,490,000. Imperial Pacific, through its subsidiaries, is mainly engaged in gaming and resort business, including the development and operation of a hotel and casino resort on the Island of Saipan. As at 31 December 2022, the fair value of the shares of Imperial Pacific held by the Group amounted to <u>HK$Nil</u> (2021: approximately HK$24,145,000), representing <u>0%</u> (2021: 46.2%) of the Group's total investment in listed securities and approximately <u>0%</u> (2021: 4.7%) of the Group's total assets. Meanwhile, there was neither disposal nor addition of shares of Imperial Pacific during the reporting year (2021: Nil).

(ii) The following passage on page 27 of the Interim Results Announcement 2023 and on page 14 of the Interim Report 2023 shall be amended as follows (with amendments underlined):

Investment in shares of Imperial Pacific

The major balance of the aforementioned listed securities represented the Group's investment in 271,345,000 shares of Imperial Pacific International Holdings Limited ("Imperial Pacific", a company whose shares are listed on the Stock Exchange with stock code: 1076), representing approximately 3.8% of the issued share capital of Imperial Pacific as at 31 December 2022. Investment cost of the share interest in Imperial Pacific was approximately HK$76,490,000. Imperial Pacific, through its subsidiaries, is mainly engaged in gaming and resort business, including the development and operation of a hotel and casino resort on the Island of Saipan. As at 30 June 2023, the fair value of the shares of Imperial Pacific held by the Group amounted to HK$Nil (31 December 2022: approximately HK$Nil), representing 0% (31 December 2022: 0%) of the Group's total investment in listed securities and approximately 0% (31 December 2022: 0%) of the Group's total assets. Meanwhile, there was neither disposal nor addition of shares of Imperial Pacific during the Period under Review (six months ended 30 June 2022: Nil).

The above information does not affect any other information contained in the Annual Results Announcement 2022, the Annual Report 2022, the Interim Results Announcement 2023 and the Interim Report 2023, and save as disclosed and set out above, all other information in the Annual Results Announcement 2022, the Annual Report 2022, the Interim Results Announcement 2023 and the Interim Report 2023 remains unchanged.

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

Hong Kong, 17 November 2023

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
Mr. Lyu ChangSheng

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