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JF Wealth Holdings Ltd

九方财富控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9636)

**SUPPLEMENTAL ANNOUNCEMENT
CONNECTED TRANSACTION
IN RELATION TO EQUITY ACQUISITION**

Reference is made to the announcement of JF Wealth Holdings Ltd (the “**Company**”) dated March 8, 2024 (the “**Announcement**”) in relation to the acquisition of the entire equity interest of Beijing Guangfa Insurance Brokerage Co., Ltd. (北京廣發保險經紀有限公司, “**Guangfa Insurance**” or the “**Appraised Entity**”) by JF Information (the “**Acquisition**”). Unless the context otherwise requires, capitalized terms in this supplemental announcement shall have the same meanings as defined in the Announcement.

The Company wishes to provide the shareholders and potential investors of the Company with additional information in relation to the Acquisition and, in particular, the valuation (the “**Valuation**”) of Guangfa Insurance.

Selection Criteria of the Comparable Companies for the Valuation

For the purpose of the Valuation, the Valuer, namely, Shanghai Orient Appraisal Co., Ltd. (上海東洲資產評估有限公司), has adopted the listed company comparison method of the market approach, and has selected Yunfeng Financial Group Limited (0376.HK), ZhongAn Online P&C Insurance Co., Ltd. (6060.HK) and Asia Financial Holdings Limited (0662.HK) as the comparable companies of the Appraised Entity (the “**Comparable Companies**”). The Valuer is of the view that the Comparable Companies selected are comparable with the Appraised Entity, and have been primarily selected from comparable company samples in accordance with industry-specific screening criteria and in compliance with the requirements under the Practice Standards for Asset Valuation – Asset Valuation Approach as published by the China Appraisal Society (中國資產評估協會) (the “**Asset Valuation Standards**”) as detailed below.

As the Company is listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), and Appraised Entity will become a subsidiary of the Company upon completion of the Acquisition, the Valuer considers that the comparable companies shall be sampled from companies listed on the Stock Exchange. While the Valuer, after performing research among companies listed on the Stock Exchange, has failed to identify any company principally engaged in the insurance brokerage business, which is a segment of the insurance business, the Valuer considers that it is appropriate to consider the Comparable Companies, which are principally engaged in the insurance business, as comparable companies for the Valuation on the following basis:

- (i) The insurance brokerage business, in which the Appraised Entity is principally engaged, is a segment of and thus included by the insurance business, in which the Comparable Companies are principally engaged. As both the Appraised Entity and the Comparable Companies generate income from the insurance brokerage business, the Valuer considers it appropriate to consider the Comparable Companies for the Valuation.
- (ii) Where comparable companies in a particular segment of a certain industry cannot be located, it is in line with the valuation custom and in compliance with the Asset Valuation Standards to consider companies in a different segment of the same industry. As no listed company on the Stock Exchange principally engaged in only the insurance brokerage business is available as the comparable company for the Valuation after due research conducted by the Valuer, the Valuer considers it appropriate to consider the Comparable Companies for the Valuation;
- (iii) In assessing and reaching at the appraised value of the total equity of the shareholder of the Appraised Entity (the “**Appraised Value**”), the Valuer has also considered, among others, the insurance intermediary license (the “**License(s)**”) held by the Appraised Entity and has placed significant emphasis on such License, concluding that the Appraised Value should take into account the premium contributed by such License in addition to the book value of the net assets of the Appraised Entity. As the Comparable Companies hold the same Licenses, the Valuer considers that the market value of the Comparable Companies can properly reflect the value of Appraised Entity and in particular, the premium contributed by the License it holds; and
- (iv) The Appraised Entity operates the insurance brokerage business leveraging its License, which is a sub-sector of the insurance service industry. While transactions involving the sale of business in such sub-sector (in particular the sale of business involving the License) are generally sold as part and parcel of transactions involving the sale of insurance business with no separate and distinct valuation attributed to the Licenses (apart from the overall valuation of the insurance business), the value of such License has been fully priced in such transactions and therefore leads to a premium in the consideration of such transactions.

Taking into account the factors as elaborated above, the Valuer is of the view that it is fair and reasonable to consider the Comparable Companies for the purpose of evaluating the Appraised Value of the Appraised Entity.

Revisions to the EV/S ratios of the Comparable Companies

In adopting the listed company comparison method of the market approach for the Valuation, the Valuer has further selected the EV/S ratio as the valuation multiple. Such selection was made in consideration of, among others: (i) that the P/E ratio is not suitable for companies without stable profits such as the Appraised Entity and the Comparable Companies; (ii) that the P/B ratio cannot reflect the value of intangible assets such as the License held by the Appraised Entity and the Comparable Companies; and (iii) that the EV/S ratio is applicable to the Appraised Entity and the Comparable Companies as they conduct their businesses in the insurance brokerage business, a sub-sector of the financial industry, that they have experienced a continuous increase in business volume, demonstrating preliminary signs of scalability and being positioned at an ascending stage of commercial development, and that they have shown stability and sustainability in business, which is conducive to their future growth.

In order to properly evaluate the Appraised Value, the Valuer has made certain revisions to the EV/S ratios of the Comparable Companies. Please refer to the Announcement for details of the magnitude of each of such revisions. Such revisions were made considering factors including the valuation custom, and the amount and nature of each of the revised items.

Selection Criteria of the Comparable Transaction Cases

While only the listed company comparison method of the market approach is adopted in reaching the Appraised Value, to ensure that the premium contributed by the License held by the Appraised Entity has been properly reflected in the Appraised Value, the Valuer has also referred to the transaction case comparison method of the market approach, which, despite being inapplicable to the Valuation, can reflect such premium of License in similar transactions for reference of the fairness and reasonableness of the Appraised Value.

The comparable transaction cases have been selected considering, among others, the following criteria: (i) that the acquired entities in the transaction cases are principally engaged in the same or similar business as the Appraised Entity; (ii) that the transaction cases are of an acquisition nature as the Acquisition; (iii) that the transaction cases are conducted in recent years; and (iv) that information in relation to such transaction cases are publicly disclosed and sufficiently available to the Valuer. Please refer to the table below for details of the comparable transaction cases selected as reference for the Valuation (the “**Comparable Transaction Cases**”).

Particulars of the Comparable Transaction Cases

(RMB in ten thousand unless otherwise specified)

Stock code	Abbreviation of the name of the purchaser	Description of the transaction	Related party transaction	Valuation date for the transaction	Consideration for the entire equity interests of the target	Financial position of the target (for the full financial year prior to the valuation date of the transaction)			Premium over the book value of the net assets of the target			
						Assets	Net assets	Revenue				
600588.SH	Yonyou Network	Acquisition of 60% equity interest in Qianhai Mintaian Insurance Brokers Co., Ltd. by the listed company	No	September 30, 2017	9,960	5,579	5,135	1,667	33	5.97	5,026	4,934
600588.SH	Yonyou Network	Acquisition of 20% equity interest in Qianhai Mintaian Insurance Brokerage Co., Ltd. by the listed company, upon completion of which the shareholding of the listed company increased to 80%	No	December 31, 2017	9,960	5,579	5,135	1,667	33	5.97	4,359	5,601
300773.SZ	Lakala	Acquisition of 100% equity interest in Beijing Dashu Insurance Brokerage Co., Ltd. by the listed company	Yes	August 31, 2018	8,000	7,988	4,957	79	-31	101.29	4,823	3,177
09636.HK	JF Wealth	Acquisition of 100% equity interest in Guangfa Insurance by the Company	Yes	January 31, 2024	5,200	1,814	1,211	4,574	-958	1.14	887	4,313

Notes:

- (1) The EV/S ratios in transaction cases of listed companies are relatively high. In the Acquisition, the EV/S ratio of the Appraised Entity at 1.14 is lower than those of the Comparable Transaction Cases, and is within a reasonable range.
- (2) The average premium of the respective transaction consideration over the book value of the net assets of the Comparable Transaction Cases (the "Average Premium") is RMB45.71 million. In respect of identifiable assets that are not booked of insurance brokerage companies, there are no other such physical assets or intangible assets that may generate premium, except for the premium of the License and the value of goodwill. As the premium of the Consideration for the entire equity interest of the Appraised Entity over the book value of the net assets of the Appraised Entity is close to the Average Premium, the evaluation of the premium contributed by the License in the Valuation is consistent with Comparable Transaction Cases.

As advised by the Valuer, in evaluating the premium contributed by the License to the Appraised Value, the Directors have taken into account the following:

- (i) As the License cannot be sold on its own, the transaction of the License is generally conducted by the transfer of the equity interests in companies holding such Licenses. The respective difference between the transaction consideration for the entire equity interest of, and the book value of the net assets of, each of the acquired companies in the Comparable Transaction Cases properly reflects the premium of the License in the market. As the difference between the Appraised Value of the entire equity interest of, and the book value of the net assets of, the Appraised Entity is close to the average of the premium of the License as reflected in the Comparable Transaction Cases, the Valuer is of the opinion that the premium of the License has been properly reflected in the Appraised Value;
- (ii) Pursuant to the relevant regulations for insurance brokers, the minimum registered capital for the establishment of an insurance brokerage company eligible for the application of the License is RMB50 million, while the Appraised Value of the entire equity interest of the Appraised Entity is RMB52 million, which is close to such minimum amount of registered capital as stipulated;
- (iii) According to the National Financial Regulatory Administration (國家金融監督管理總局) of the PRC, as at the end of the year 2023, only 509 insurance brokers were approved to hold the License in the market. In addition, only two Licenses have been granted by the competent authorities since the suspension of the approval of the License in 2018, indicating an increasingly stringent standard in approving and issuing, and increasing difficulty in obtaining, the License. Therefore, the License held by the Appraised Entity is scarce and of high value;
- (iv) The value of the License also depends on factors such as: the geographical scope permitted by the License to conduct insurance brokerage business, the company's business network within the insurance industry, and its history record of administrative penalties imposed. Considering that the License held by the Appraised Entity permits the Appraised Entity to conduct insurance brokerage business nationwide, that the Appraised Entity has entered into cooperation with insurance companies and insurance agency companies and that, to the best knowledge of the Valuer and the Directors, the Appraised Entity has no records of penalties in recent years, the License held by the Appraised Entity boasts superiority in the operation of the insurance brokerage business and is of a considerable value; and
- (v) Apart from the License, the Appraised Entity also features a comprehensive business structure, a management team with industry experience and adequate business relationship with client companies, and can spare the Company additional administrative and operational costs that might be incurred, should the Company choose to establish a new entity to engage in the insurance brokerage business instead of conducting the Acquisition.

As advised by the Valuer and based on the due and careful assessment conducted by the Directors of the analysis as set out above, the Directors are of the view that the selection of the Comparable Companies, the revisions made to the EV/S ratios of the Comparable Companies, and the comparison of the Comparable Transaction Cases with the Acquisition as reference for the Valuation are fair and reasonable.

The above supplemental information does not affect other information contained in the Announcement and, save as disclosed in this announcement, the contents of the Announcement remain correct and unchanged.

By order of the Board
JF Wealth Holdings Ltd
CHEN Wenbin
Chairman of the Board

Hong Kong, China, April 26, 2024

As at the date of this announcement, the executive Directors are Mr. CHEN Wenbin and Mr. CHEN Jigeng, the non-executive Directors are Mr. YAN Ming and Ms. CHEN NINGFENG and the independent non-executive Directors are Dr. ZHAO Guoqing, Mr. FAN Yonghong and Mr. TIAN Shu.