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## **Yunfeng Financial Group Limited**

### **雲鋒金融集團有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 376)**

## **OPTIMISATION OF USE OF PROCEEDS**

Reference is made to (i) the circular of Yunfeng Financial Group Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) dated 21 September 2020 in relation to, among others, the Subscription of ordinary shares of the Company by Jade Passion Limited and MassMutual International LLC respectively (“**Circular**”) and (ii) the announcement of the Company dated 12 November 2021 (“**2021 Announcement**”) and the subsequent interim and annual reports (“**Financial Reports**”) relating to the update in the use of proceeds from the Subscription. Unless otherwise defined, capitalised terms used herein shall have the same meanings as defined in the 2021 Announcement.

## **PREVIOUS UPDATE IN USE OF PROCEEDS**

The total net proceeds received by the Company from the Subscription was HK\$2,040,588,934 (“**Net Proceeds**”).

As disclosed in the 2021 Announcement and the Financial Reports, the Company has not utilised any part of the 60% of the Net Proceeds (amounting to approximately HK\$1,224.6 million) which had been allocated for Strategic Investment (“**Unutilised Proceeds in Strategic Investment**”). Accordingly, there was an update in the use of proceeds where the Company intended to temporarily deploy in full or any part of Unutilised Proceeds in Strategic Investment to investments in medium term investments with investment horizon of around 1 to 3 years including (i) debt instruments such as bonds, debenture, notes and convertible notes, (ii) investments in private equity and (iii) exchange traded funds and hedge funds, and other fund investments types which terms are compatible with Company’s investment strategy (“**Medium Term Investments**”).

## OPTIMISATION OF USE OF PROCEEDS

As at the date of this announcement, the Unutilised Proceeds in Strategic Investment remains at HK\$1,224.6 million, out of which HK\$509.4 million has been temporarily deployed to Medium Term Investments and HK\$715.2 million has been placed as interest-bearing deposits in banks in Hong Kong as part of the treasury management of the Group.

In order to optimise the use of Net Proceeds, after due and careful consideration, the board of directors of the Company (“**Board**”) has resolved to change the use of Unutilised Proceeds in Strategic Investment so that (i) HK\$724.6 million is re-allocated towards funding the Group’s business activity in principal investment, and (ii) the remaining HK\$500 million will be re-allocated as general working capital of the Group (“**Proposed Change**”).

Details of the Proposed Change are set out below:

	Initial allocation of Net Proceeds as stated in the Circular (HK\$ million)	Updated allocation as disclosed in the 2021 Announcement (HK\$ million)	Unutilised Net Proceeds as at the date of this announcement (HK\$ million)	Revised allocation of unutilised Net Proceeds as at the date of this announcement (HK\$ million)	Expected timeline for utilising the remaining Net Proceeds (HK\$ million)
Strategic Investment	1,224.6	1,224.6 (Note 1)	1,224.6 (Note 2)	–	–
Asset management business	306.1	60.5	–	–	–
Securities brokerage business	306.2	–	–	–	–
Working capital	204.1	–	–	500 (Note 4)	Expected to be fully utilised on or before 31 December 2027
Principal investment	–	–	–	724.6 (Note 3)	Remaining HK\$215.2 million expected to be fully utilised on or before 31 December 2027
<b>Total:</b>	<b>2,041.0</b>	<b>1,285.1</b>	<b>1,224.6</b>	<b>1,224.6</b>	

Notes:

- (1) As disclosed in the 2021 Announcement, the Company intended to temporarily deploy the Unutilised Proceeds in Strategic Investment in Medium Term Investments while the Company continued to actively search for potential investment, joint venture and acquisition opportunity for Strategic Investment purposes.

- (2) Up to the date of this announcement, HK\$509.4 million of such Unutilised Proceeds in Strategic Investment has been temporarily deployed to Medium Term Investments mainly including debt instrument and equity investments (“**Existing Investment Portfolio**”).

The Existing Investment Portfolio includes multiple investments involving different amounts, different target entities and different counterparties. The Company has complied with the requirements under Chapter 14 and Chapter 14A of the Listing Rules with respect to such investments (individually and in aggregate (where applicable)).

- (3) The Board has resolved to deem the HK\$509.4 million which had been temporarily deployed to Medium Term Investments as particularised in Note (2) above as fully utilised on the Group’s business activity in principal investment as at the date of this announcement.

The Company will continue to comply with the requirements of the Chapter 14 and Chapter 14A of the Listing Rules when carrying out future principal investment activities.

- (4) If considered necessary and required, up to HK\$400 million out of such general working capital allocation may be used for the repayment of the Group’s interest-bearing bank borrowings under the term and revolving facilities which are due to mature in 2027, the purpose of which was entered into for firstly repaying the then existing bank loan, and then secondly financing the general working capital requirements of the Group.

## **REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF PROCEEDS**

The Group has been actively searching for potential strategic investments opportunities for business diversification and enhancement since the completion of the Subscription in October 2020. However, due to the continuing impact of COVID-19 pandemic in the past years and uncertainties which led to market volatility, the Company has yet to identify any suitable investment, joint venture or acquisition opportunity as at the date of this announcement. Given the uncertainties surrounding the global economy, the Board has decided to re-allocate the Unutilised Proceeds in Strategic Investment in order to further enhance the efficiency of the use of the Unutilised Proceeds in Strategic Investment to bring higher returns and coordinate the Group’s resources more efficiently to support its existing business. The Company will continuously assess the changing market conditions and keep watching out for strategic investment opportunities and may revise or update the use of unutilised Net Proceeds from time to time.

The re-allocation of the portion of Unutilised Proceeds in Strategic Investment to the Group’s principal investment is beneficial as it provides flexibility for the Group to make investments with a view to generate stable investment returns, which is consistent with the Company’s Treasury Management Model as previously disclosed in the Circular and Financial Reports. Moreover, as principal investment is one of the Group’s principal activities in its operating segment “Other financial services and corporate”, the Group has been continuously optimising its principal investment portfolios and identifying its investment opportunities based on the prevailing performance and future prospect of the target companies as well as potential investment return.

As the Existing Investment Portfolio is in the process of fulfilling the Group's Treasury Management Model objectives, the Board intends to capture the expected return on investment by deeming HK\$509.4 million deployed on Medium Term Investments as fully utilised and reserving a further HK\$215.2 million of Unutilised Proceeds in Strategic Investment as readily available capital to capture investment opportunities for principal investment to obtain expected investment returns.

The re-allocation of the remaining portion of Unutilised Proceeds in Strategic Investment in the amount of HK\$500 million to general working capital will allow the Group to meet its general operational and business needs and provide financial support to cope with the economic uncertainties in the future, and to capitalise on potential business opportunities that may arise from time to time.

The Board considers the above change in use of Net Proceeds is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

By Order of the Board  
**Yunfeng Financial Group Limited**  
**Chan Man Ko**  
*Company Secretary*

Hong Kong, 21 June 2024

*As at the date of this announcement, the Board comprises Mr. Yu Feng (who is Chairman and non-executive director), Mr. Fang Lin (who is executive director and chief executive officer), Mr. Huang Xin (who is executive director), Mr. Michael James O'Connor and Ms. Hai Olivia Ou (who are non-executive directors), and Mr. Qi Daqing, Mr. Chu Chung Yue, Howard and Mr. Xiao Feng (who are independent non-executive directors).*