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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)

SUPPLEMENTAL ANNOUNCEMENT

CONNECTED TRANSACTION

**REORGANIZATION OF CORPORATE STRUCTURE OF LICENSED ENTITIES
INVOLVING DISPOSAL OF YUNFENG FINANCIAL MARKETS LIMITED**

Reference is made to the announcement of Yunfeng Financial Group Limited (the “**Company**”) dated 18 September 2026 (the “**Announcement**”) relating to the reorganisation of the corporate structure of the Group’s Licensed Entities which involves the disposal of the entire issued share capital of Yunfeng Financial Markets Limited (“**YFML**”) to Mega Investment (HK) Limited (“**Mega**”) (the “**Disposal**”). This supplemental announcement provides further information on the financial results of YFML and the basis of the determination of the Consideration. Unless the context requires otherwise, terms used herein shall have the same meanings as that defined in the Announcement.

Historical Business of YFML

The audited profit after taxation of YFML for the year ended 31 December 2024 is approximately HK\$5.34 million while the audited loss after taxation of YFML for the year ended 31 December 2025 is approximately HK\$263.4 million. The substantial loss incurred in the year ended 31 December 2025 was mainly due to the recognition of an impairment loss of an amount of approximately HK\$269.3 million.

Prior to the takeover of the Company by Yunfeng Financial Holdings Limited (a company controlled as to 70.15% by Mr. YU Feng, the Company’s chairman) in November 2015, YFML was very active in its licensed business operations and generated revenue from placing underwriting fee, consultancy and advisory fee and referral fee. However, after the aforementioned takeover and especially after the acquisition by the Group of majority interests in YF Life Insurance International Limited in November 2018, the Group’s primary

business shifted to insurance business. Between 2015 to 2018, YFML's accrued revenue and received cash payment for approximately HK\$281.4 million in total. From 2019 to 2025, YFML's revenue, which was derived from providing advisory services to intra-group companies, was only around HK\$8.9 million per year on average. As stated in the Announcement, YFML is only one of the Group's licensed entities and it has always been the Group's financial management policy to allocate cash resources among its group companies. Throughout the years, for efficient financial management and better allocation of cash resources purpose, the cash and cash equivalents in YFML's accounts, less sufficient amounts to pay necessary operating expenses and to comply with applicable financial resources rules requirements under the Securities and Futures (Financial Resources) Rules (Cap. 571N of the laws of Hong Kong) ("FRR"), were transferred to the Company and another fellow subsidiary and retained within the Group. Such transfer was accrued and recorded as an accounts receivable in YFML's financial statements. As the Company intends to dispose of YFML, accrued accounts receivable of approximately HK\$269.3 million was written off or impaired in its entirety for the year ended 31 December 2025. As the accounts receivable represents only an accounting entry to record intra-group cash transfer for financial management purpose, the amounts due under the accounts receivable were unsecured, interest-free and have no fixed terms of repayment. Therefore, a one-off impairment loss of 100% of the accounts receivable is an appropriate accounting treatment to reflect the economic substance of the balances of the accounts receivable, which is that the cash revenue earned in the past has been transferred intra-group for the Group's overall financial planning and utilisation.

Difference in Target's NAV between 31 December 2025 and 30 June 2026

The audited Target's NAV as at 31 December 2025 is HK\$21,022,259 and the assets of the Target as at that date comprise primarily cash and cash equivalents of approximately HK\$15.89 million, amount due from a fellow subsidiary of approximately HK\$8 million, receivables and deposits of approximately HK\$0.35 million. The unaudited Target's NAV as at 30 June 2026 is HK\$4,054,998 and the assets of the Target as at that date comprise primarily cash and cash equivalents of approximately HK\$6.36 million.

The substantial decrease in the Target's NAV is primarily attributable to a net aggregate amount of approximately HK\$17 million of cash transferred by YFML to and retained by another company within the Group during the six months ended 30 June 2026 for efficient financial management and better allocation of cash resource purpose following the Group's financial management policy consistently like in previous years. Such transfers were recorded as an amount due from a fellow subsidiary in YFML's accounts. In contemplation of the proposed disposal of YFML, the relevant intra-group receivable was subsequently written off or impaired similar to that of year 2025, resulting in the corresponding reduction in the assets of the Target and the Target's NAV as at 30 June 2026.

Determination of Consideration

The Consideration (including the Licence Premium) was determined after arm's length negotiations between the parties with reference to, among other things, (i) the Target's NAV

as at 30 June 2026; (ii) the limited standalone commercial activities of the Target under the Group's current strategic framework and the termination of the current revenue generating intra-group business arrangement post Completion; and (iii) the prevailing market information in respect of comparable SFC-licensed entities in Hong Kong.

Although the Company is not required to appoint an independent financial adviser under the Listing Rules, the Company has voluntarily appointed an independent financial adviser to provide an opinion on the reasonableness of the Consideration and the basis of determining the Consideration. In particular, the independent financial adviser has obtained information including publicly available information on historical transactions involving Hong Kong listed companies acquiring or disposing SFC-licensed corporations with Types 1, 4 and/or 9 licences from 1 January 2025 up to the date of the Announcement. The three identified historical transactions primarily involved licensed corporations and only one of them has sufficient information disclosure (including but not limited to consideration), with implied premium (i.e. consideration before taking into account net asset value) of approximately HK\$2.66 million. Although the Company considers the historical transaction of approximately HK\$2.66 million to be a useful reference in formulating the Consideration, it nevertheless asked the independent financial adviser to conduct market inquiries to see if there is a higher indicative market price. The independent financial adviser conducted market inquiries with three separate financial institutions to check the indicative market price (or licence premium) through client inquiries for Types 1, 4 and 9 licensed entities (the "**Search**"). The Search was completed in September 2026. The Search was not a search of identified or completed transactions.

The independent financial adviser made inquiries with three separate financial institutions. Each institution had one potential buyer looking to acquire a Hong Kong corporation licensed with Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities, with minimal assets and business operations, and gave the indicative licence premium which that potential buyer was willing to offer.

Each indication was a licence premium over net asset value, and not a price inclusive of net assets. The first institution is a consultancy firm which reported an indicative licence premium (over net assets value) of HK\$2.5 million. The second institution is a local securities firm which reported an indicative licence premium (over net assets value) of HK\$3.0 million. The third institution is a Chinese bank which reported an indicative licence premium (over net assets value) of HK\$4.0 million.

The indications ranged from HK\$2.5 million to HK\$4.0 million, as stated in the Announcement. They are indicative and non-binding and do not represent price paid in completed transactions. Nevertheless, the independent financial adviser considers the indications to be relevant to the Disposal because:

(a) they relate to Hong Kong corporations licensed by the SFC for Type 1, Type 4 and Type 9, being the regulated activities for which YFML is licensed;

(b) each indication was given as a licence premium over net asset value, being the same component of the Consideration as the Licence Premium; and

(c) each potential buyer was looking for a licensed corporation with minimal assets and business operations. As stated in the Announcement, the Target has limited independent commercial activities, and its existing intra-group revenue-generating arrangements will terminate on Completion. In other words, what is being disposed of is principally the licensed corporate platform of YFML. Further, the Target's NAV as at 30 June 2026 was HK\$4,054,998, and pursuant to the terms of the Sale and Purchase Agreement, the Target's NAV as at the date falling five Business Days immediately preceding Completion shall not exceed HK\$8,000,000.

Board's Assessment

Taking into account the factors stated under "Basis of Consideration" in the Announcement, the opinion of the independent financial adviser as elaborated further above and the following reasons, the Directors (other than Mr. Yu Feng but including the independent non-executive Directors) believe that Consideration, comprising the Licence Premium and the Target's NAV, is fair and reasonable and that the Disposal is conducted on normal commercial terms or better:

- (i) The historical transaction of implied licence premium of approximately HK\$2.66 million is a useful reference in formulating the Consideration.
- (ii) As indicated by the Search results, it is not unusual to determine the consideration for licensed entities by agreeing a licence premium which reflects the price for the licensed corporate platform and add on to it the net assets value of the target. The Licence Premium of HK\$4 million is within the range of the Search results. As HK\$4 million is higher than the historical transaction of approximately HK\$2.66 million, it is in the interest of the Company and its shareholders as a whole to adopt a higher price.
- (iii) The fact that YFML still holds unclaimed client securities accounts or dormant client securities accounts makes it less attractive to potential purchasers and in any event, potential purchasers are likely to take this into account in negotiating the consideration and may result in a consideration lower than market benchmarks.
- (iv) The terms of the Disposal contain an adjustment mechanism whereby the Final Consideration will be adjusted to reflect the Target's NAV as at a date which is five Business Days immediately preceding Completion. As such, any fluctuation in the Target's NAV between signing of the Sale and Purchase Agreement and Completion will not prejudice the basis of the determination of the Consideration, which comprises the License Premium component and the Target's NAV component.
- (v) As stated in the Announcement, the Group intends to terminate the existing intra-group revenue generating business of YFML post Completion. As such, what is disposed of is only the corporate licensed platform of YFML and not a revenue generating business.

Hence, it should not be necessary to consider other methods of determining consideration, such as discount cashflow or earnings multiple.

As the Disposal is subject to fulfilment and/or waiver, if applicable, of the Conditions which may or may not be fulfilled and/or waived, there is no assurance that the Disposal will be completed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

By Order of the Board
Yunfeng Financial Group Limited
Huang Xin
*Executive Director and interim Chief
Executive Officer*

Hong Kong, 11 October 2026

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