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## LETTER FROM THE BOARD

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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)**

*Chairman*

Mr. Yu Feng (*Non-executive Director*)

*Executive Directors*

Mr. Huang Xin (*Interim Chief Executive Officer*)

*Non-executive Directors*

Mr. Michael James O'Connor

Ms. Hai Olivia Ou

*Independent Non-executive Directors*

Mr. Qi Daqing

Mr. Chu Chung Yue Howard

Mr. Xiao Feng

*Registered and Principal Office:*

Rooms 1803-1806

18th Floor, YF Life Centre,

38 Gloucester Road,

Wanchai, Hong Kong

28 March 2025

*To the Shareholders*

Dear Sir or Madam

**(1) MAJOR AND CONNECTED TRANSACTION  
ASSET-BACKED HYBRID FACILITY/INVESTMENT AGREEMENT  
WITH NEW ALTERNATIVE AND YUNFENG CAPITAL;  
AND  
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

Reference is made to the Announcement, pursuant to which the Board announced that on 7 March 2025 (after trading hours of the Stock Exchange), YF Life, a non-wholly-owned subsidiary of the Company (as lender), New Alternative (as borrower) and Yunfeng Capital (as guarantor) entered into the AHF/I Agreement. Under the AHF/I Agreement, YF Life agreed to provide New Alternative with a secured, non-revolving term loan facility in the principal amount of HK\$7.6 billion, subject to the terms and conditions therein.

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New Alternative shall use the funds from the Facility only for the purpose of making the Investments in compliance with the Investment Guidelines and for settling related management fees and other fees and/or expenses arising from the Investments, with Yunfeng Capital acting as investment manager and advising on the Investments. New Alternative shall pay at least the Base Interest, being simple interest rate of 5.5% per annum on the Outstanding Amount and, where applicable, the Bonus Interest, so that YF Life may receive in total interest income representing 80% of the net return from the Investments.

The purpose of this circular is to provide you with, amongst other things, (i) further details of the AHF/I Agreement and the transactions contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders on the AHF/I Agreement and the transactions contemplated thereunder; and (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the AHF/I Agreement and the transactions contemplated thereunder. A notice of the EGM containing the resolution to be proposed at the EGM is also set out in this circular.

### THE AHF/I AGREEMENT

The principal terms of the AHF/I Agreement are set out below:

<b>Date</b>	7 March 2025
<b>Parties:</b>	(1) YF Life (as lender);  (2) New Alternative (as borrower); and  (3) Yunfeng Capital (as guarantor)
<b>Principal amount:</b>	HK\$7.6 billion and non-revolving.
<b>Purpose:</b>	New Alternative shall only use the principal amount of the loan(s) drawdown under the AHF/I Agreement to make the Investments in compliance with the Investment Guidelines and for the settlement of related management fees and other fees and/or expenses arising out of the Investments.
<b>Term:</b>	Twelve (12) years commencing on the next Business Day following the date on which Independent Shareholders' approval for the AHF/I Agreement is obtained.
<b>Utilisation Period:</b>	For the purpose of making the Investments and payment of fees and expenses, in the first six (6) years of the Term; and for the purpose of payment of fees and expenses only, in the second six (6) years of the Term.

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**Base Interest:**

Simple interest rate of 5.5% per annum on the Outstanding Amount, which shall accrue daily and is calculated on the basis of the actual number of days elapsed (first and last days inclusive) and a year of 365 days.

New Alternative shall pay accrued Base Interest on the last Business Day of each quarter (being March, June, September and December), beginning from the quarter New Alternative or any SPV receives any return from the Investments until all Base Interest to which YF Life is entitled under AHF/I Agreement is paid. However, New Alternative is not obligated to pay any Base Interest due in full in any quarter provided that the full amount of return from the Investments received by New Alternative or any SPV by the relevant quarter has been paid to YF Life. New Alternative shall resume paying Base Interest (including any overdue Base Interest) in the quarter immediately after it or any SPV next receives any return from the Investments.

**Bonus Interest:**

Apart from and on top of the Base Interest, YF Life is entitled to the Bonus Interest, which shall be calculated as follows:

- *(Total Investment Return – Total Utilised Amounts) x 80% – Base Interest*
- Total Investment Return: the total amount of return generated from the Investments, including but not limited to (i) interest income, (ii) dividends (including scrip dividends), and (iii) proceeds from the disposals of the Investments received, such amounts as determined based on the audited accounts (consolidated where applicable) of New Alternative and all SPVs concerned.
- Total Utilised Amounts: the total aggregate amounts of drawdowns of the Facility made by New Alternative pursuant to the AHF/I Agreement.

The Bonus Interest is not payable if the resulting amount of the above formula is a negative figure.

The interest provisions in the AHF/I Agreement, which include the Base Interest and the Bonus Interest as described above, are structured in a way so that New Alternative shall pay at least the Base Interest, being simple interest rate of 5.5% per annum on the Outstanding Amount and also, where applicable, the Bonus Interest. Therefore, YF Life may receive in total interest income that represents 80% of the net return from the Investments.

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**Drawdown/Utilisation:** During the Utilisation Period, drawdowns may be requested by New Alternative by delivering a utilisation request (in the form substantially agreed under the AHF/I Agreement) not later than 11:00 a.m. on the 20th Business Day before the proposed Utilisation Date.

The drawdown amount under each utilisation request shall not exceed 5% of the principal amount of the Facility (i.e. HK\$380 million).

**Repayment** The loan drawn down under the AHF/I Agreement, the Bonus Interest and amounts which may become due and payable (including any outstanding Base Interest) under the AHF/I Agreement shall be repayable in full no later than the last day of the Remaining Period (i.e. the last day of the second six (6) years of the Term).

**Early repayment:** New Alternative may make early repayments in full or in part at any time during the Term. New Alternative shall notify YF Life in writing 10 Business Days in advance of the early repayment.

**Conditions precedent:** The Facility under the AHF/I Agreement would only be obliged to be made available by YF Life subject to the satisfaction of the following conditions precedent:

- (1) on the date of utilisation request and on the proposed Utilisation Date, the repeating representations as set out in the AHF/I Agreement are true in all respects and no event of default or potential event of default as set out in the AHF/I Agreement is continuing or would result from the proposed loan;
- (2) YF Life has received and is satisfied with all the documents and other evidence as requested by YF Life in relation to the proposed loan;
- (3) New Alternative and Yunfeng Capital have entered into an investment management agreement whereby New Alternative has engaged Yunfeng Capital to be an investment manager to advise on the Investments;
- (4) Yunfeng Capital has executed a share charge over the shares of New Alternative in favour of YF Life; and
- (5) Independent Shareholders' approval of the AHF/I Agreement and the transactions contemplated thereunder have been obtained at the EGM.

As at the Latest Practicable Date, none of the above conditions has been satisfied.

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**Guarantee:**

Yunfeng Capital unconditionally and irrevocably guarantees to New Alternative the full and prompt payment and performance of all obligations under the AHF/I Agreement by New Alternative.

In the event New Alternative fails to pay or perform any of the obligations under the AHF/I Agreement when due, Yunfeng Capital shall, upon written demand from YF Life, immediately pay or perform such obligations in accordance with the terms of the AHF/I Agreement.

**Security:**

Pursuant to the AHF/I Agreement, the share charge having been executed by Yunfeng Capital over the shares of New Alternative in favour of YF Life in respect of the obligations of New Alternative under and arising from the AHF/I Agreement is a condition precedent to any drawdown under the Facility.

Apart from the share charge, pursuant to the AHF/I Agreement, New Alternative undertakes that it shall execute the share charge(s) (in the form substantially agreed under the AHF/I Agreement) in favour of YF Life over the shares of any SPV as security for the obligations of New Alternative under and arising from the AHF/I Agreement.

The above share charges effectively provide YF Life with New Alternative's interests in all Investments as security for the Facility.

### YUNFENG CAPITAL AS INVESTMENT MANAGER

Pursuant to the AHF/I Agreement, an investment management agreement having been executed by New Alternative and Yunfeng Capital whereby New Alternative shall engage Yunfeng Capital to be an investment manager to advise on the Investments is a condition precedent to any drawdown under the Facility.

The investment management agreement shall specify the management fee and performance fee payable by New Alternative to Yunfeng Capital for acting as the investment manager to advise on the Investments and for the Investment Guidelines which shall be followed by Yunfeng Capital in advising on the Investments.

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The management fee payable to Yunfeng Capital under the investment management agreement shall be the sum of (i) 2.0% of the total principal amount under the AHF/I Agreement, being HK\$7.6 billion, payable each year in the first six (6) years of the Term; and (ii) 2.0% per annum, calculated as simple interest accrued daily on the basis of the actual number of days elapsed (first and last days inclusive) and a year of 365 days on the Outstanding Amount as of the last Business Day in the preceding year for each of the six (6) years of the Remaining Period. The rate and the other terms of the management fee payable under the investment management agreement are determined with reference to (i) the management fee charged by Yunfeng Capital for the US dollar private equity funds managed by it, where it charges 2% per annum on the total capital commitment of the fund (for the investment period of the fund) and 2% per annum on the total capital contributed in respect of unrealised investments (for the rest of the life of the fund); and (ii) the rate and terms of management fee charged by fund managers for other private equity funds, which are the same or similar as that charged by Yunfeng Capital. For reference only, YF Life paid between 1.5% to 2.25% per annum for the private equity funds it invested from 2021 to 2024. Similarly, for these private equity funds invested by YF Life, the per annum management fee rate applies to the total capital commitment for each year during the investment period and to the capital contributed or value attributable to the unrealised investments for each year after the investment period until the maturity of the funds.

The performance fee payable to Yunfeng Capital under the investment management agreement shall be calculated as follows:–

$$- \quad \text{Total Investment Return} - \text{Total Utilised Amounts} - \text{Bonus Interest} - \text{Base Interest}$$

For the avoidance of doubt, no performance fee shall be payable to Yunfeng Capital if the above formula results in a negative figure.

Total Investment Return, Total Utilised Amounts, Bonus Interest and Base Interest shall have the same meanings as defined in the AHF/I Agreement (see “Bonus Interest” and “Base Interest” under “Principal Terms of the AHF/I Agreement” above).

The rate and other terms of the performance fee payable under the investment management agreement is determined with reference to (i) the performance fee/carried interest charged by Yunfeng Capital for the US dollar private equity funds managed by it, where it charges 20% carried interest of the net return from the underlying investments; and (ii) the rate and terms of performance fee charged by fund managers for other private equity funds, which are the same or similar as that charged by Yunfeng Capital. For reference only, all except one private equity funds invested by YF Life from 2021 to 2024 provided for a carried interest or performance fee of 20% or above.

For the avoidance of doubt, the management fee and the performance fee under the investment management agreement are payable by New Alternative (and not by the Company) to Yunfeng Capital.

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### INVESTMENT GUIDELINES AND INVESTMENT LIMITS

Under the Investment Guidelines, the proposed Investments include private equity and private debt investment opportunities in global markets, with particular focus in Asia and in high growth areas including new economy, such as hard tech, business services, green energy, modern agriculture and biotech, as well as sectors that fit the investment objective of generating superior, long-term capital appreciation and/or interest income, which may include consumption sectors and companies backed by real assets. The proposed Investments may also include private credit investment opportunities with downside protection and alternative funds focused on compounding capital at high absolute rates of return while avoiding the risk of permanent loss.

The following investment limits, as set out in the Investment Guidelines, apply to the Investments:

- (i) no more than 5% of the total amount of the Facility (i.e. HK\$380 million) shall be allocated to any single investment or counterparty;
- (ii) any single holding shall not exceed 10% interest of the relevant Investment; and
- (iii) no more than 40% of the total amount of the Facility (i.e. HK\$3.04 billion) shall be invested in any financial year during the Utilisation Period.

### ACCOUNTING TREATMENT OF THE FACILITY

The Facility to be granted by YF Life under the AHF/I Agreement will be funded using the internal resources of YF Life. The amount of the Facility granted will be recorded as investments (under the line item “loan and receivables”) in the financial statements of the Company.

For illustrative purposes only, the total principal amount of the Facility (being HK\$7.6 billion) represents approximately 9.9% of the total investments (being approximately HK\$76.566 billion) and approximately 8.1% of the total assets (being approximately HK\$93.268 billion) of the Company on a consolidated basis as at 30 June 2024. The provision of the Facility will not have any material immediate effect on the earnings, assets and liabilities of the Company.

### REASONS AND BENEFITS FOR ENTERING INTO THE AHF/I AGREEMENT

The Company is an investment holding company principally engaged in the business of insurance through its 69.8%-owned subsidiary, YF Life. YF Life is involved in the life and annuity, linked long term, permanent health, and retirement scheme management long term insurance businesses.

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In connection with underwriting insurance policies, YF Life invests policy premiums to generate return that satisfy future insurance claims and dividend obligations. As at 30 June 2024, YF Life's investment portfolio (including general investments, direct participating contracts and unit-linked assets, but excluding Mandatory Provident Fund (MPF) scheme assets) was approximately HK\$83.24 billion. YF Life manages a diversified portfolio consisting of debt securities, mortgage loans, private debt, private equity, equity securities (including third-party managed alternative funds and other alternative investments including real asset investments) and cash for investment. With the aim of increasing the rate of return on YF Life's investment portfolio, which can in turn improve the investment income and profits of the Group, YF Life has consistently invested in debt securities and worked with various global asset managers, primarily in North America and Europe, who have demonstrated a superior and consistent investment track record. In 2024, YF Life invested over HK\$8.36 billion in debt and equity securities and continued to expand its global asset managers network both generally and to cover Asia investment opportunities by committing to invest in alternative funds.

As of December 2024, YF Life had approximately 11% of its investment portfolio allocated to equity assets, including public equity and alternative funds. Over the next five years, the equity assets mix is targeted to reach more than 24% of YF Life's investment portfolio, due to the projected increase of participating business as part of the overall business mix. Together with a target growth rate of 10% per annum of YF Life's investment portfolio over the next five years, YF Life targets to increase its investments in equity assets, including public and alternative funds, by over HK\$21.5 billion over the next five years. To meet the equity assets mix target, YF Life will continue to invest in third-party managed funds and may consider investment opportunities expected to generate equity-like investment returns with downside protection.

In view of YF Life's investment practice and strategies, the Board considers that entering into of the AHF/I Agreement is in line with the ordinary and usual course of business of the Group.

Under the AHF/I Agreement, YF Life may receive a total interest income that represents 80% of the net return of the Investments, including the Base Interest of 5.5% simple interest rate per annum, which is guaranteed. The key transaction terms were determined after arm's length negotiations between the parties with reference to (i) YF Life's investment yield of 5.5% in debt securities purchased in 2024 (with an average duration of over 14 years versus the 12-year Term of the AHF/I Agreement); (ii) the share charges over the shares of New Alternative and the SPV(s); and (iii) the Bonus Interest, which together with the Base Interest, represents 80% of the net return of the Investments. In assessing the Bonus Interest, the Group has considered Yunfeng Capital's 15-year established track record. In particular, YF Life has evaluated the investment track record of Yunfeng Fund, L.P., ("**YF Fund I**") and Yunfeng Fund II, L.P. ("**YF Fund II**"), being completed or maturing funds, which have been incepted for more than 12 years and managed by Yunfeng Capital. YF Fund I, which matured and was dissolved in December 2023, generated over 31% net internal rates of return (net of fees and expenses since inception up to 31 December 2023). YF Fund II generated over 22% net internal rates of return (net of fees and expenses since inception up to the Latest Practicable Date).



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The grant of the Facility under the AHF/I Agreement is consistent with YF Life's investment management approach of achieving a diversified investment portfolio. Under the AHF/I Agreement, the Base Interest offers an investment return similar to the yield generated from debt securities acquired by YF Life. On the other hand, the Bonus Interest may offer an equity-like investment return consistent with other private equity funds, which typically provide for the general partner or the fund manager to receive a carried interest of 20% of the net return of the investments of the private equity funds, allowing the investors to retain the remaining 80%. Yunfeng Capital, as an established private equity fund manager, charges 20% carried interest for the US dollar private equity funds that it managed. Together with the credit enhancement terms, including but not limited to the share charges of New Alternative and the SPV(s), the AHF/I Agreement generates investment return through a credit-enhanced structure from its underlying diversified portfolio to be constructed by Yunfeng Capital in compliance with the Investment Guidelines.

The grant of the Facility under the AHF/I Agreement aligns with YF Life's investment strategy of expanding its global asset managers network to cover, in particular, Asia investment opportunities and increasing its equity assets mix by committing to invest in alternative funds. Because of the loan nature and the investment return which includes both the Base Interest and the Bonus Interest, the Facility offers an equity-like investment return with downside protection, which also aligns with YF Life's investment strategy.

Having taken into account the reasons and benefits set out above as well as the following factors, the Directors (except for the independent non-executive Directors whose views are set out in the letter from the Independent Board Committee included on pages 19 to 38 of this circular) consider that the AHF/I Agreement has been entered into on normal commercial terms and in the ordinary and usual course of business of the Group, the terms of which are fair and reasonable in so far as the Independent Shareholders are concerned and the entering into of the AHF/I Agreement is in the interests of the Company and the Shareholders as a whole.

The factors that the Directors have taken into account include:

1. The Base Interest assures YF Life a guaranteed rate of return of 5.5% over a long term of up to 12 years while the Bonus Interest provides the Group with an upside return so that YF Life may receive in total interest income that represents 80% of the net return from the Investments. The Directors noted that investments in private equity or other funds do not generate any guaranteed profit.
2. The share charges over the shares of New Alternative and the SPV(s) that will be used to hold the Investments, respectively, effectively provide YF Life with security over the underlying Investments that are made for the purpose of generating return to support the payment of the Base Interest and the Bonus Interest, as well as the repayment of the Facility. The Directors noted that investments in private equity or other funds are generally not backed by any assets or security.

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3. The Investment Guidelines and the investment restrictions which govern the Investments to be made allow the potential of generating a considerable return from the Investments while ensuring that there is a diversified portfolio of at least 20 Investments to be made if the Facility is utilised in full, thereby reducing any concentration in any single sector or investment.
4. Mr. Yu Feng is a controlling shareholder of Yunfeng Capital, which in turn wholly owns New Alternative. He is also a controlling shareholder of the Company, indirectly interested in 47.25% of the issued shares of the Company as at the Latest Practicable Date. The net return from the Investments will be shared between New Alternative and YF Life, in the ratio of 20:80 in the case where the net return exceeds the total sum of the Base Interest payable. As such, the interests of Yunfeng Capital and New Alternative on the one hand, and YF Life on the other, in the transactions contemplated under the AHF/I Agreement are highly aligned.
5. The grant of the Facility to New Alternative for the purpose of making the Investments with Yunfeng Capital acting as investment manager constitutes related party transactions in the view of the Insurance Authority; and the Insurance Authority has given its consent for such related party transactions to be consummated.

Save for Mr. Yu Feng (who is a controlling shareholder of Yunfeng Capital) and Mr. Huang Xin (who is a senior management member of Yunfeng Capital), none of the Directors has any material interest in the transactions contemplated under the AHF/I Agreement and none of them is required to abstain from voting on the Board resolutions for approving the AHF/I Agreement and the transactions contemplated thereunder. Mr. Yu Feng and Mr. Huang Xin have abstained from voting on the relevant Board resolution for approving the AHF/I Agreement and the transactions contemplated thereunder.

### INFORMATION ON THE GROUP

The Company is an investment holding company. The principal activities of the Group are long-term assurance business, the provision of securities brokerage, wealth and asset management, fintech business and principal investment.

YF Life is a non-wholly-owned subsidiary of the Company. It is an authorised insurer licensed to carry on life and annuity, linked long term, permanent health, and retirement scheme management long term insurance businesses in Hong Kong. It is also registered as a principal intermediary for carrying out mandatory provident fund regulated activities. YF Life operates in Macau through a branch office and is licensed to sell life insurance products in Macau.

### INFORMATION ON NEW ALTERNATIVE AND YUNFENG CAPITAL

New Alternative is an investment holding company newly incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of Yunfeng Capital. As at the Latest Practicable Date, New Alternative does not have any assets under management.

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Yunfeng Capital, was founded in 2010 and is a private equity fund manager with a 15-year established track record. Since its establishment, Yunfeng Capital has managed multiple funds and has invested in and added value to over 200 Asian, European and US companies, mainly in the growth sectors of technology, healthcare, advanced technology and consumer goods. Yunfeng Capital is owned as to 60% by Mr. Yu Feng and as to 40% by Mr. Jack Ma.

Both New Alternative and Yunfeng Capital, being associates of Mr. Yu Feng, are connected persons of the Company under Chapter 14A of the Listing Rules.

### LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules with respect to the Facility granted to New Alternative exceeds 100%, but the transaction is neither an acquisition nor a disposal, the grant of the Facility constitutes a major transaction of the Company and is subject to the reporting, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

New Alternative is a wholly-owned subsidiary of Yunfeng Capital, which is in turn owned by Mr. Yu Feng as to 60% as at the Latest Practicable Date. Mr. Yu Feng is the Chairman, a non-executive Director and a controlling shareholder of the Company indirectly interested in 47.25% of the issued shares of the Company as at the Latest Practicable Date and hence, a connected person of the Company. As such, both New Alternative and Yunfeng Capital, being associates of Mr. Yu Feng, are connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the grant of the Facility also constitutes a connected transaction of the Company and is subject to the reporting, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the total amount of the Facility available to New Alternative under the AHF/I Agreement exceeds 8% under the assets ratio as defined under Rule 14.07(1) of the Listing Rules, the AHF/I Agreement is also subject to the general disclosure obligations under Rule 13.15 of the Listing Rules.

### THE EGM

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the AHF/I Agreement and the transactions contemplated thereunder. A notice of the EGM to be held at 5/F, YF Life Centre, 38 Gloucester Road, Wanchai, Hong Kong at 11:00 a.m. on Thursday, 17 April 2025 is set out on pages EGM-1 to EGM-2 of this circular.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the Independent Shareholders taken at the EGM to approve the resolutions proposed must be taken by poll. The results of the poll will be published on the websites of the Company and the Stock Exchange.

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A form of proxy for use at the EGM is enclosed with this circular and has been posted on the websites of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company ([www.yff.com](http://www.yff.com)), respectively. If you do not intend or are unable to attend the meeting and wish to appoint a proxy/proxies to attend and vote on your behalf, you are requested to complete the form of proxy and return it to the share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible but in any event not less than 48 before the time fixed for the holding of the EGM. Completion and delivery of the form of proxy will not prevent Shareholders from attending and voting at the EGM if they so wish.

Mr. Yu Feng and his associates will abstain from voting on the resolutions to be proposed for approving the AHF/I Agreement at the EGM. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholders or any of their associates has any material interests in the AHF/I Agreement and the transactions contemplated thereunder, and no other Shareholders would be required to abstain from voting on the resolution(s) in respect of the AHF/I Agreement at the EGM.

### CLOSURE OF REGISTER OF MEMBERS

To ascertain the identity of the Shareholders who are entitled to attend and vote at the EGM, the register of members of the Company will be closed from Monday, 14 April 2025 to Thursday, 17 April 2025, both days inclusive, during which period no share transfers can be registered. In order to be eligible to attend and vote at the EGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the share registrar of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 11 April 2025.

### INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee (comprising all the independent non-executive Directors namely Mr. Qi Daqing, Mr. Chu Chung Yue, Howard and Mr. Xiao Feng) has been formed to advise the Independent Shareholders on the AHF/I Agreement and the transactions contemplated thereunder as to (i) whether the terms of the AHF/I Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) how to vote on the resolution(s) at the EGM relating to the AHF/I Agreement and the transactions contemplated thereunder after taking into account the recommendations of the Independent Financial Adviser.

Oriental Patron has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the AHF/I Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on whether to vote in favour of the resolutions to be proposed for approving the AHF/I Agreement at the EGM.

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Your attention is drawn to the letter from the Independent Board Committee set out on pages 17 to 18 of this circular which contains its recommendation to the Independent Shareholders in relation to the AHF/I Agreement and the transactions contemplated thereunder, and the letter from the Independent Financial Adviser set out on pages 19 to 38 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

### RECOMMENDATIONS

The Directors (including the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) consider the AHF/I Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors (including the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information as set out in the appendices to this circular.

Yours faithfully

For and on behalf of the Board

**Yunfeng Financial Group Limited**

  
—Huang Xin

*Executive Director and interim Chief Executive Officer*