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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 the announcement of Yunfeng Financial Group Limited (the "**Company**") dated 16 September 2025 relating to the placing and top-up of 191,300,000 shares of the Company ("**Shares**") (the "**Placing Announcement**") and the announcement of the Company dated 17 December 2019 relating to the acquisition by Yunfeng Financial International Holdings Limited ("**YFIHL**"), a wholly-owned subsidiary of the Company, of 9.8% interest in YF Life Insurance International Limited ("**YF Life**") from Meyu International Company Limited (覓優國際有限公司) ("**Meyu**") (the "**Acquisition Announcement**").

As disclosed in the Placing Announcement, Jade Passion Limited, a controlling shareholder of the Company, placed 191,300,000 Shares to over six placees and then Jade Passion Limited subscribed from the Company the same number of Shares (the "**Top-up Placing**"). The net proceeds (after deducting all applicable fees, costs and expenses, including the commissions payable to the placing agents, stamp duty, the Stock Exchange trading fee and the SFC transaction levy) received by the Company from such subscription were HK$1,152.8 million (the "**Placing Proceeds**").

The Company announced in the Placing Announcement that the Company intended to apply the Placing Proceeds as to (i) approximately 70% (HK$807.0 million) for expenditure on system facility upgrades, recruitment of talents and related capital funding requirements including but not limited to the launching of comprehensive virtual asset trading services and virtual assets related investment management services ("**Virtual Assets Related Business**"); and (ii) approximately 30% (HK$345.8 million) for general working capital to cover expenses incurred in the ordinary course of business of the Group. All the Placing Proceeds were expected to be fully utilized by 31 December 2028.

Shareholder's Loan

As disclosed in the Acquisition Announcement, YFIHL acquired indirectly 9.8% interest in YF Life from Meyu in 2019. The consideration for this acquisition was approximately HK$1,561.4 million and was payable in cash. The Group funded the consideration in full by a shareholder's loan from Key Imagination Limited ("**Key Imagination**"), an indirect controlling shareholder of the Company (the "**Shareholder's Loan**"). The Shareholder's Loan is unsecured and carries interest at prevailing market rates from time to time. The Shareholder's Loan has an initial term of one year and is renewable annually for successive one-year period. In determining the prevailing market rate for the Shareholder's Loan interest, the Company will apply the same rate offered by banks to the Company for bank loans outstanding at the beginning of each term of the Shareholder's Loan. The current term of the Shareholder's Loan runs from 1 January 2026 to 31 December 2026. As at the date of this announcement, the outstanding principal amount of the Shareholder's Loan is HK$1,641.08 million.

Reallocation of Placing Proceeds

Since the Top-up Placing in September 2025, the Group has continued to pursue opportunities in Virtual Asset Related Business. However, the pace of development and capital deployment has been slower than originally anticipated because of changes in market conditions, the evolving regulatory framework and the time required to assess the commercial viability and implementation requirements of relevant business initiatives. The Board considers that maintaining substantial unutilised funds for investments which may not materialise would not represent the most efficient allocation of the Group's financial resources.

Meanwhile, the Group has an interest bearing outstanding Shareholder's Loan. The last two years reflect a period of persistently high interest rates, driven by the U.S. Federal Reserve's efforts to manage inflation. Across major forecasts, U.S. interest rates are expected to remain elevated. Against the backdrop of prevailing borrowing costs and continued uncertainty over the future direction of interest rates, the Board considers that reducing outstanding indebtedness would provide a more immediate and quantifiable financial benefit than retaining substantial funds pending future investment opportunities. Therefore, the Board has resolved to reallocate the use of the Placing Proceeds and use HK$350.0 million of Placing Proceeds originally allocated to Virtual Assets Related Business to repay the principal amount of the Shareholders' Loan. After the repayment, the outstanding principal amount of the Shareholders' Loan will be reduced to HK$1,291.08 million.

The following table summarizes the utilization of the Placing Proceeds and revised allocation of unutilized Placing Proceeds as at date of this announcement.

Use	Initial allocation of Placing Proceeds as stated in the Placing Announcement *(HK$ million)*	Unutilized Placing Proceeds as at 30 June 2026 *(HK$ million)*	Unutilized Placing Proceeds as at date of this announcement *(HK$ million)*	Revised allocation of unutilized Placing Proceeds as at date of this announcement *(HK$ million)*
Virtual Assets Related Business	807.0	717.2	708.8	358.8
General working capital	345.8	227.0	160.3	160.3
Repayment of principal amount of shareholder's loan				350.0
Total	**1,152.8**	**944.2**	**869.1**	**869.1**

Reasons for the reallocation of use of Placing Proceeds

The proposed repayment is expected to reduce the Group's recurring finance costs, improve its capital structure and enhance its financial flexibility. Based on the proposed principal repayment of HK$350.0 million and the prevailing borrowing rate, the Group estimates annualised gross interest savings of approximately HK$18 million. The gearing ratio of the Group will be reduced from 11.44% at 30 June 2026 to 9.94% immediately after the repayment of Shareholder's Loan of HK$350 million. In assessing the proposed reallocation, the Board has also considered the Group's liquidity requirements, its anticipated business development needs and its gearing ratio.

The Board believes that the proposed reallocation represents a prudent capital management decision rather than a departure from the Group's long-term development strategy. Given the current regulatory sentiment about virtual assets, and having taken into account the Group's current business development plans and funding requirements in relation to virtual assets, the Board considers that retaining HK$358.8 million Placing Proceeds to continue the development of the Virtual Assets Related Business is sufficient. The Group will continue to evaluate opportunities in virtual assets and digital finance based on their commercial merits and regulatory requirements, while prioritising capital efficiency and financial discipline.

Having considered the above factors, the Directors (other than Mr. Yu Feng and Mr. Huang Xin) consider that the reallocation is fair and reasonable and in the interests of the Company and its shareholders as a whole.

GENERAL

As at the date of this announcement, Mr. Yu Feng, Chairman of the Group and a non-executive director of the Company, holds 70.15% of the issued share capital of Yunfeng Financial Holdings Limited ("**YFHL**"), which in turn is interested in 91% of the equity interest in Key Imagination. Key Imagination is directly interested in 73.21% of the equity interest in Jade Passion Limited, which in turn holds approximately 45.02% of the issued share capital of the Company.

As at the date of this announcement, Mr. Huang Xin, an executive Director, is the sole shareholder of Perfect Merit Limited, which is interested in 9% of the equity interest in Key Imagination.

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

Hong Kong, 20 November 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).