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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)

DISCLOSEABLE TRANSACTION

**INDIRECT ACQUISITION OF 9.8% OF
YF LIFE INSURANCE INTERNATIONAL LIMITED**

The Board announces that on 17 December 2019 (after trading hours), YFIHL (a wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement with Meyu International to acquire the entire issued share capital of YUVAN. YUVAN holds 9.8% equity interest of YF Life, a non-wholly owned subsidiary of the Company which is currently owned as to 60% by the Company and as to the remaining 40% by seven other co-investors, including Meyu International. Meyu International will also assign a shareholder loan of an amount of HK\$1,563,419,242.00 owed by YUVAN to Meyu International as part of the Acquisition.

The consideration for the Acquisition is HK\$1,561,443,800.00 and is payable in cash at Completion.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Meyu International, YUVAN and their ultimate beneficial owners are third parties independent of the Company and its connected persons.

YF Life 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 on MPF regulated activities. YF Life also operates in Macau through a branch office and is licensed to sell life insurance products in Macau.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and accordingly, is subject to the reporting and announcement requirements but is exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

WARNING

Shareholders and potential investors of the Company should exercise caution when they deal or contemplate dealing in the Shares or other securities of the Company.

BACKGROUND TO THE ACQUISITION

Reference is made to the announcement of the Company dated 17 August 2017 and the circular of the Company dated 21 December 2017, where the Company announced, among other things, that the Company acquired 60% of YF Life and seven co-investors acquired the remaining 40% of YF Life. Meyu International is one of the co-investors and it acquired 9.8% of YF Life. The Company's 60% interest in YF Life is held by its wholly-owned subsidiary, YFIHL, and Meyu International's 9.8% interest in YF Life is held by its wholly-owned subsidiary, YUVAN.

The Board announces that on 17 December 2019 (after trading hours), YFIHL entered into the Sale and Purchase Agreement with Meyu International to acquire the entire issued share capital of YUVAN. Meyu International will also assign a shareholder loan of an amount of HK\$1,563,419,242.00 owed by YUVAN to Meyu International as part of the Acquisition.

SALE AND PURCHASE AGREEMENT

Date:	17 December 2019
Parties:	YFIHL (as purchaser) Meyu International (as vendor) YUVAN
Share to be sold:	One ordinary share in YUVAN Limited, representing the entire issued share capital of YUVAN
Assignment of shareholder loan:	Meyu International will assign a shareholder loan of a principal amount of HK\$1,563,419,242.00 owed by YUVAN to Meyu International to YFIHL upon Completion.
Consideration:	HK\$1,561,443,800.00 in cash
Conditions to Completion:	Completion of the sale and purchase of the entire issued share capital of YUVAN is conditional upon the satisfaction of the following conditions which cannot be waived: (i) each of the following government authorities having approved, or confirmed (in writing or orally to YFIHL) that it has no objection to, the sale and purchase of the entire issued share capital of YUVAN: - the Hong Kong Insurance Authority; and - the Autoridade Monetária de Macau; and

- (ii) confirmations having been received from each of the other shareholders of YF Life confirming, among other things, its consent to the sale and purchase of the entire issued share capital of YUVAN.

As of the date of this announcement, all Conditions set out above have been satisfied. The parties to the Sale and Purchase Agreement will proceed with Completion as soon as practicable.

CONSIDERATION

The Consideration is determined after arm's length negotiations between Meyu International and YFIHL, having taken into account the value of the assets and business of YF Life with reference to its embedded value and the prospects and market position of YF Life.

The Consideration will be paid in cash at Completion.

The Company intends to fund the Consideration by shareholder loan. The Company intends to seek and Key Imagination Limited, an indirect shareholder of the Company, has indicated its willingness to extend a shareholder loan to the Company at market terms and without security to fund the full amount of the Consideration for the Acquisition.

COMPLETION

Completion will take place on the third Business Day after the date on which the conditions set out above have been satisfied or such other date as agreed among the parties to the Sale and Purchase Agreement.

Upon Completion, the Company, through its wholly-owned subsidiary, YFIHL, will own 69.8% of YF Life and the remaining 30.2% will be owned by six other co-investors, which are independent from the Company and its connected persons. After Completion, the financial results of YF Life will continue to be consolidated into the financial results of the Company.

INFORMATION ON YUVAN AND YF LIFE

YUVAN is a company incorporated in Hong Kong whose only asset (other than certain cash at bank) is the 9.8% equity interest in YF Life. As at the date of this announcement, the only liability of YUVAN is the shareholder loan of principal amount of HK\$1,563,419,242.00 owed to Meyu International.

YF Life 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 on MPF regulated activities. YF Life also operates in Macau through a branch office and is licensed to sell life insurance products in Macau.

Based on the audited financial statements of YF Life for the financial years ended 31 December 2017 and 2018, prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), the audited profit before and after taxation of YF Life for the financial years ended 31 December 2017 and 2018 are set out below:

	For the year ended 31 December	
	2017 HK\$('000)	2018 HK\$('000)
Profit before taxation	667,000	1,230,000
Profit after taxation	622,000	1,181,000

Based on the audited financial statements of YF Life prepared in accordance with HKFRS, the audited net assets of YF Life as at 31 December 2018 was HK\$10,203 million.

The total asset value and the total liabilities (representing the shareholder loan owed to Meyu International) of YUVAN as at 30 June 2019 are HK\$1,561 million and HK\$1,564 million, respectively.

REASONS FOR AND BENEFITS OF THE ACQUISITION

With the aim of developing the Company as an insurance group and enhancing the Company's control of the life insurance businesses of the Group, the Acquisition will raise the Company's equity interest in YF Life from 60% to 69.8%. The Board believes that the Acquisition is consistent with the business development strategy of the Company. Since the completion of the acquisition of 60% equity interest in YF Life in November 2018, YF Life has demonstrated significant growth in business. For the first nine months of 2019, new premium income is HK\$2,289 million, representing 107% growth in comparing with the first nine months of 2018. After the Acquisition, the equity interest in YF Life to be held by the Group will increase from 60% to 69.8%. As a result, the profit, new business value and embedded value of YF Life attributable to shareholders of the Company will increase in long term.

Furthermore, based on the embedded value of YF Life as at 30 June 2019 of HK\$16,305 million, the Consideration represents a price to embedded value ratio of approximately 0.98 times, compared to the price to embedded value ratio of 1.18 times for the acquisition of 60% equity interest in YF Life announced in August 2017, based on the consideration paid then and the embedded value of YF Life as at 30 June 2017. Therefore, the Board considers that the Consideration is reasonable and attractive for the Company to increase its stake in YF Life.

GENERAL INFORMATION

The Company is an investment holding company. The principal activities of the Group are wealth management, securities broking, employee stock ownership plan administration, investment research, insurance brokerage and principal investment.

YF Life is an authorized 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 on MPF regulated activities. YF Life operates in Macau through a branch office and is licensed to sell life insurance products in Macau.

Meyu International is a company incorporated in Hong Kong with limited liability. Its primary business is investment holding. It is wholly-owned by Ms. Lu Xiaoyun. Ms. Lu is a professional investor in the investment management and asset management sector and has invested in multiple companies in the financial services sector.

YUVAN is a company incorporated in Hong Kong and is wholly-owned by Meyu International. YUVAN is an investment holding company whose only assets (other than certain cash at bank) is 9.8% equity interest in YF Life.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Meyu International, YUVAN and their ultimate beneficial owners are third parties independent of the Company and its connected persons.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and accordingly, is subject to the reporting and announcement requirements but is exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

WARNING

Shareholders and potential investors of the Company should exercise caution when they deal or contemplate dealing in the Shares or other securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Acquisition”	the acquisition of the entire issued share capital of YUVAN from Meyu International by YFIHL and the assignment by Meyu International of a shareholder loan of principal amount of HK\$1,563,419,242.00 owed by YUVAN to YFIHL
“Board”	the board of Directors of the Company
“Company”	Yunfeng Financial Group Limited, a company incorporated in Hong Kong with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 376)
“Completion”	completion of the sale and purchase of the entire issued share capital of YUVAN
“Consideration”	the cash consideration of HK\$1,561,443,800.00
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Meyu International”	Meyu International Company Limited (覓優國際有限公司), a limited liability company incorporated under the laws of Hong Kong
“MPF”	mandatory provident fund
“Sale and Purchase Agreement”	the sale and purchase agreement dated 17 December 2019 and entered into among Meyu International, the Company and YUVAN relating to, among other things, the sale and purchase of the entire issued share capital of YUVAN
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“YFIHL”	Yunfeng Financial International Holdings Limited (雲鋒金融國際控股有限公司), a limited liability company incorporated under the laws of Hong Kong, and a wholly-owned subsidiary of the Company
“YF Life”	YF Life Insurance International Limited (formerly known as MassMutual Asia Limited), a limited liability company incorporated under the laws of Hong Kong, and a non-wholly owned subsidiary of the Company
“YUVAN”	YUVAN Limited (優萬有限公司), a limited liability company incorporated under the laws of Hong Kong, a wholly-owned subsidiary of Meyu International and a 9.8% shareholder of YF Life
“%”	per cent.

By Order of the Board
Yunfeng Financial Group Limited
Li Ting

Executive Director and Chief Executive Officer

Hong Kong, 17 December 2019

As at the date of this announcement, the Board comprises Mr. Yu Feng (who is Chairman and non-executive director), Ms. Li Ting and Mr. Huang Xin (who are executive directors), Mr. Adnan Omar Ahmed, Ms. Hai Olivia Ou and Mr. Gareth Ross (who are non-executive directors), and Mr. Qi Daqing, Mr. Chu Chung Yue, Howard and Mr. Xiao Feng (who are independent non-executive directors).