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SUNWAH KINGSWAY
新華滙富

SUNWAH KINGSWAY CAPITAL HOLDINGS LIMITED

新華滙富金融控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 00188)

**EXCEEDING ANNUAL CAP FOR
CONTINUING CONNECTED TRANSACTIONS**

From time to time, Kingsway Financial, a wholly-owned subsidiary of the Company, provides IPO Loans to its customers as part of its brokerage business. Some of these customers may be connected persons of the Company who will be granted IPO Loans on normal commercial terms and at the same interest rates as those offered to the other customers of Kingsway Financial who are Independent Third Parties.

On 17 December 2003, the Stock Exchange granted the Waiver to the Company which, among other things, exempted the Company from strict compliance with the announcement publication requirement if the aggregate amount of the Margin Financing Transactions (of which IPO Loans form part) entered into between the Group and the directors of the Group and their respective associates in a financial year does not exceed HK\$10 million.

For the financial year ended 30 June 2018, the aggregate amount of IPO Loans granted by Kingsway Financial to Mr. Cheung and Mr. So, who were both directors of Kingsway Financial, and the sister of Mr. So, together with interest received by the Group on such loans, amounted to approximately HK\$64.37 million, which exceeded the Annual Cap. Due to the inadvertent oversight of the Company, no announcement was published by the Company in respect of such loans.

Also, since Mr. Cheung, Mr. So and Mr. So's sister were all connected persons of the Company, the IPO Loans granted by Kingsway Financial to Mr. Cheung, Mr. So and Mr. So's sister constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the aggregate amount of the IPO Loans granted to Mr. Cheung was less than 1% under the applicable percentage ratios and the loans were granted on normal commercial terms, the IPO Loans to Mr. Cheung constituted fully-exempt continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the aggregate amount of the IPO Loans granted by Kingsway Financial to Mr. So and his sister for the financial year ended 30 June 2018 (collectively “**Mr. So’s Loans**”) exceeded 5% under the applicable percentage ratios and HK\$10,000,000, Mr. So’s Loans constituted non-exempt continuing connected transactions for the Company under Chapter 14A of the Listing Rules and were subject to the announcement, independent Shareholders’ approval and annual review requirements under the Listing Rules.

However, as (i) Mr. So and his sister were connected persons of the Company at the subsidiary level (ii) Mr. So’s Loans were on normal commercial terms (iii) the Board (including the independent non-executive Directors) has approved Mr. So’s Loans and confirmed that the terms thereof were fair and reasonable and in the interests of the Shareholders as a whole, pursuant to Rule 14A.101 of the Listing Rules, Mr. So’s Loans were subject to the reporting, announcement and annual review requirements but exempt from the circular, independent financial advice and shareholders’ approval requirements. Due to the inadvertent oversight of the Company, no announcement was published by the Company pursuant to Rule 14A.101 of the Listing Rules in respect of Mr. So’s Loans.

The Company was not aware of such non-compliance until recently in the course of preparing the Group’s consolidated financial statements for the financial year ended 30 June 2018. As soon as the Company discovered this inadvertent oversight, it immediately informed the Stock Exchange and now publishes this announcement to provide details of the IPO Loans to Mr. Cheung, Mr. So and Mr. So’s sister. Brief details of the Security Transactions and the Margin Financing Transactions will be disclosed in the Company’s forthcoming annual report to be despatched to the Shareholders.

Since 1 July 2018, the Group has not entered into any Margin Financing Transaction with any connected person of the Company and has recently decided that it will no longer conduct Margin Financing Transactions with connected persons of the Company.

INTRODUCTION

From time to time, Kingsway Financial, a wholly-owned subsidiary of the Company, provides IPO Loans to its customers as part of its brokerage business. Some of these customers may be connected persons of the Company who will be granted IPO Loans on normal commercial terms and at interest rates no less favourable to Kingsway Financial than the rates offered to the latter’s other customers who are Independent Third Parties.

On 17 December 2003, the Stock Exchange granted the Waiver to the Company which exempted the Company from strict compliance with the announcement publication requirement under the Listing Rules in respect of the Securities Transactions and Margin Financing Transactions. The Waiver was granted subject to, among others, the following conditions:

- (i) that the aggregate amount of the commission income to be received by the Group in respect of the Securities Transactions for each financial year of the Group will not exceed HK\$10,000,000 for the relevant financial year; and

(ii) the aggregate amount of the loans to be granted and the amount of interest to be charged by the Group in respect of the Margin Financing Transactions for each financial year of the Group will not exceed HK\$10,000,000 for the relevant financial year (“**Annual Cap**”).

Details of the other conditions are set out in the Company’s announcement dated 12 December 2003 regarding the Company’s application for the Waiver.

INFORMATION ON THE IPO LOANS

The aggregate amount of IPO Loans granted by the Group to connected persons of the Company, namely Mr. Cheung, Mr. So and Mr. So’s sister, for the three financial years ended 30 June 2016, 2017 and 2018 are set out below:

	2016	2017	2018
Total amount of IPO loans granted to (and interest received from) Mr. Cheung	HK\$1,963,590 (HK\$527)	0	HK\$5,702,074 (HK\$1,803)
Total amount of IPO loans granted to (and interest received from) Mr. So and his sister	N/A*	0	HK\$58,647,697 (HK\$19,897)
Total amount of IPO loans granted to (and interest received from) connected persons of the Company (HK\$)	HK\$1,963,590 (HK\$527)	0	HK\$64,349,771 (HK\$21,700)
Total amount of IPO loans granted to (and interest received by) the Group (HK\$)	HK\$26,528,291 (HK\$9,434)	HK\$123,660,322 (HK\$32,901)	HK\$1,051,284,888 (HK\$384,979)
Proportion of IPO loans granted to connected persons out of the total IPO loans granted	7.40%	0	6.12%
Proportion of IPO loans granted to Mr. So and his sister out of the total IPO loans granted by the Group	N/A*	0	5.58%

* Mr. So became a director of Kingsway Financial in October 2016.

For the financial year ended 30 June 2018, the aggregate amount of IPO Loans granted by Kingsway Financial to Mr. Cheung and Mr. So, who were both directors of Kingsway Financial, and the sister of Mr. So, together with interest received by the Group on such loans, amounted to approximately HK\$64.37 million, which exceeded the Annual Cap.

Details of Mr. So's Loans for the financial year ended 30 June 2018 are set out below:

Date of loan	Repayment date of loan	Amount of loans granted to Mr. So (HK\$)	Amount of interest received from Mr. So (HK\$)	Amount of loans granted to Mr. So's sister (HK\$)	Amount of interest received from Mr. So's sister (HK\$)
31/10/2017	07/11/2017	0	0	4,499,893	1,467
06/11/2017	10/11/2017	3,636,277	1,076	0	0
09/11/2017	15/11/2017	6,299,850	2,175	4,199,900	1,450
04/12/2017	08/12/2017	0	0	3,827,182	881
08/01/2018	12/01/2018	3,954,451	867	3,954,451	867
21/03/2018	27/03/2018	0	0	7,363,461	2,300
26/04/2018	03/05/2018	4,483,530	2,150	4,483,530	2,150
04/05/2018	10/05/2018	3,981,724	3,011	7,963,447	1,505
		<u>22,355,832</u>	<u>9,278</u>	<u>36,291,865</u>	<u>10,619</u>

The Board has confirmed that the above Mr. So's Loans were the only loans granted by the Group to Mr. So and his sister under the Margin Financing Transactions and all such Mr. So's Loans were repaid within eight days of their respective advance dates. Save for the total amount of Mr. So's Loans and the interest thereon as disclosed above, all other conditions of the Waiver have been satisfied.

Since 1 July 2018, the Group has not entered into any Margin Financing Transaction with any connected person of the Company and has recently decided that it would no longer conduct Margin Financing Transactions with connected persons of the Company.

REASON FOR EXCEEDING THE ANNUAL CAP

The Annual Cap was exceeded due to the inadvertent oversight of the Company. The Company was not aware of such non-compliance until recently in the course of preparing the Group's consolidated financial statements for the financial year ended 30 June 2018. As soon as the Company discovered this inadvertent oversight, it immediately informed the Stock Exchange and now publishes this announcement to provide details of the IPO Loans to Mr. Cheung, Mr. So and Mr. So's sister.

IMPLICATIONS UNDER THE LISTING RULES

Since Mr. Cheung, Mr. So and Mr. So's sister were all connected persons of the Company, the IPO Loans granted by Kingsway Financial to Mr. Cheung, Mr. So and Mr. So's sister constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the aggregate amount of the IPO Loans granted to Mr. Cheung was less than 1% under the applicable percentage ratios and

the loans were on normal commercial terms, the IPO Loans to Mr. Cheung constituted fully-exempt continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the aggregate amount of Mr. So's Loans for the financial year ended 30 June 2018 exceeded 5% under the applicable percentage ratios and HK\$10,000,000, Mr. So's Loans constituted non-exempt continuing connected transactions for the Company under Chapter 14A of the Listing Rules and were subject to the announcement, independent Shareholders' approval and annual review requirements under the Listing Rules.

However, as (i) Mr. So and his sister were connected persons of the Company at the subsidiary level (ii) Mr. So's Loans were on normal commercial terms (iii) the Board (including the independent non-executive Directors) has approved Mr. So's Loans and confirmed that the terms thereof were fair and reasonable and in the interests of the Shareholders as a whole, pursuant to Rule 14A.101 of the Listing Rules, Mr. So's Loans were subject to the reporting, announcement and annual review requirements but exempt from the circular, independent financial advice and shareholders' approval requirements. Due to the inadvertent oversight of the Company, no announcement was published by the Company pursuant to Rule 14A.101 of the Listing Rules in respect of Mr. So's Loans.

The Directors (including the independent non-executive Directors) has confirmed that the IPO Loans granted by Kingsway Financial to Mr. Cheung for the three financial years ended 30 June 2018 and the IPO Loans granted by Kingsway Financial to Mr. So and Mr. So's sister for the two financial years ended 30 June 2018 had been conducted in the ordinary course of business of the Group, on normal commercial terms, were fair and reasonable so far as the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Brief details of the Security Transactions and the Margin Financing Transactions will be disclosed in the company's forthcoming annual report to be despatched to the Shareholders.

MEASURES ADOPTED BY THE COMPANY FOR FUTURE COMPLIANCE

The Board considers the Company's inadvertent oversight and failure to disclose Mr. So's Loans on a timely basis regretful. In order to avoid any occurrence of similar events in the future, the Company will take additional measures to strengthen the reporting system and internal control procedures of the Group including:

- (i) closely monitoring and reviewing the aggregate amount of transactions conducted with connected persons of the Company on a regular basis;
- (ii) providing the aggregate value of transactions conducted with connected persons of the Company to the management of the Company for review on a monthly basis; and
- (iii) providing ongoing training on the Listing Rules to all managerial staff.

GENERAL

The Company is an investment holding company and the principal activities of the Group are investment in securities, stock, futures, commodities brokerage, provision of financial advisory services, asset management, money lending and other securities related financial services.

Mr. Cheung and Mr. So are both executive directors of Kingsway Financial.

DEFINITION

“Board”	the board of the Directors
“Company”	Sunwah Kingsway Capital Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company or any of its subsidiaries
“Group”	the Company and its subsidiaries
“IPO Loans”	loans provided by the Group to the customers of its brokerage business for the purpose of acquiring securities in initial public offerings of securities on the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Parties”	individual(s) or company(ies) who is/are not connected with (within the meaning of the Listing Rules) any directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates
“Kingsway Financial”	Kingsway Financial Services Group Limited (滙富金融服務有限公司), a limited liability company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company, and a licensed corporation to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance

“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Margin Financing Transactions”	the (a) loan services and margin financing to be granted by the Group to the directors of the Group and their respective associates; and (b) interest payable to the Group if such Security Transactions involve margin financing by the Group
“Mr. Cheung”	Mr. Cheung Wai Hung Simon, an executive director of Kingsway Financial
“Mr. So”	Mr. So Man Hong, an executive director of Kingsway Financial
“Mr. So’s Loans”	the IPO Loans granted by Kingsway Financial to Mr. So and his sister for the financial year ended 30 June 2018
“Security Transactions”	the transactions relating to the sale, purchase and/or application for securities conducted by the Group for the directors of the Group and their respective associates in return for commission income
“Shareholder(s)”	holder(s) of shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Waiver”	the conditional waiver from strict compliance with the requirements to publish announcements on ongoing connected transactions granted by the Stock Exchange to the Company on 17 December 2003 in connection with the Security Transactions and the Margin Financing Transactions

By Order of the Board
Sunwah Kingsway Capital Holdings Limited
Lai Vincent Wai Shun
Company Secretary

Hong Kong, 26 September 2018

As at the date of this announcement, the directors of the Company are Jonathan Koon Shum Choi as Chairman, Michael Koon Ming Choi as Chief Executive Officer & Executive Director, Janice Wing Kum Kwan and Lee G. Lam as Non-Executive Directors, Robert Tsai To Sze, Elizabeth Law and Huanfei Guan as Independent Non-Executive Directors.