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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)

**CONNECTED TRANSACTION
DISPOSAL OF SUBSIDIARIES**

DISPOSAL OF SUBSIDIARIES

On 10 October 2023, the Vendor, a direct wholly owned subsidiary of the Company, and the Purchaser entered into the Disposal Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the entire issued share capital of the Target Companies for a total consideration of HK\$3,269,000.

LISTING RULES IMPLICATIONS

Dr. Jonathan Choi is the Chairman and substantial shareholder of the Company and the indirect controlling shareholder of the Purchaser. Under the circumstances, the Purchaser is a connected person of the Company and the Disposal constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules. As all of the applicable percentage ratios in respect of the Disposal are less than 5%, the Disposal is only subject to the reporting and announcement requirements and is exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Furthermore, as all the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal are less than 5%, the Disposal is not a notifiable transaction under Chapter 14 of the Listing Rules.

THE DISPOSAL AGREEMENT

The principal terms of the Disposal Agreement are set forth below:

Date: 10 October 2023 (after trading hours of the Stock Exchange)

Parties: (a) the Vendor
(b) the Purchaser

Assets to be Disposed of

Pursuant to the Disposal Agreement, the Vendor, a direct wholly owned subsidiary of the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the entire issued share capital of the Target Companies comprising: (i) Dragon Sphere and (ii) Dragon Tycoon, both of which are investment holding companies.

As at the date of the Disposal Agreement, the principal assets of Dragon Sphere and Dragon Tycoon are a 70% direct equity interest and a 30% direct equity interest in Beijing Kingsway Dragon Sphere respectively.

Beijing Kingsway Dragon Sphere is an investment holding company, the principal asset of which is a 65% direct interest in Guang Dong GoldFull, which is engaged in the provision of management services for private equity and venture investment fund and is so registered with the Asset Management Association of China.

Upon Completion, the Target Companies and their subsidiaries will cease to be subsidiaries of the Company and their financial results will no longer be consolidated into the financial statements of the Company.

Consideration

The total consideration for the Disposal of the Target Companies is HK\$3,269,000 (payable in HK\$ or RMB at the prevailing exchange rate at the time of payment), which shall be satisfied by the Purchaser: (i) as to HK\$1,000,000, by a refundable cash deposit payable to the Vendor upon the execution of the Disposal Agreement and (ii) as to HK\$2,269,000 by a cash payment to the Vendor on the Completion Date. Of the total consideration, HK\$3,169,000 will be attributed in settlement of the intercompany debts owed by the Target Companies to the Vendor and HK\$100,000 will be proceeds for the Disposal.

The consideration was determined after arm's length negotiations between the parties by reference to (i) the unaudited consolidated total net liability of the Target Companies as at the date of the Disposal Agreement; (ii) the loss-making financial position of the Target Companies and their subsidiaries; (iii) the limited business prospects of Guang Dong GoldFull; and (iv) the reasons set out in the section headed "Reasons for and Benefits of the Disposal" in this announcement.

Conditions Precedent

Completion is conditional upon the following conditions being satisfied (or waived):

- (a) all necessary approvals or consents (if any) in relation to the transactions contemplated by the Disposal Agreement being granted by the Board of Directors of Sunwah Kingsway Capital Holdings Limited, the Stock Exchange, and the regulatory authorities of Hong Kong, and/or the PRC;
- (b) the approval, consent or acknowledgement of the Asset Management Association of China that the sale of the entire issued share capital of the Target Companies will not affect the registration of Guang Dong GoldFull as a manager of private equity and venture investment fund;
- (c) the Purchaser being satisfied that all pre-emption or third-party rights (if any) over the entire issued share capital of the Target Companies have irrevocably been revoked and/or waived; and
- (d) no material breach of any of the warranty or representation set out in the Disposal Agreement, which has not been disclosed to the Purchaser.

If the Conditions Precedent have not been fulfilled or waived by the Long Stop Date, the Disposal Agreement will be null and void and be of no effect and the Vendor shall refund the deposit paid by the Purchaser within five business days of said date.

Completion

Completion shall take place at the offices of the Vendor at 5:00 p.m. on the Completion Date (or at such other place, on such other time and/or day as the parties may agree) after the fulfilment or waiver of all conditions precedent abovementioned.

INFORMATION OF THE TARGET COMPANIES

The Target Companies comprise (i) Dragon Sphere, an indirect wholly owned subsidiary of the Company and an investment holding company and (ii) Dragon Tycoon, an indirect wholly owned subsidiary of the Company and an investment holding company.

The principal asset of Dragon Sphere is a 70% direct equity interest in Beijing Kingsway Dragon Sphere. The principal asset of Dragon Tycoon is a 30% direct equity interest in Beijing Kingsway Dragon Sphere.

Beijing Kingsway Dragon Sphere is an investment holding company, the principal asset of which is a 65% direct interest in Guang Dong GoldFull, which is engaged in the provision of management services for private equity and venture investment fund and is so registered with the Asset Management Association of China. To the best of the directors' knowledge, information and belief having made all reasonable enquiry, the direct and indirect owners of the other 35% equity interests in Guang Dong GoldFull are independent of and not connected with the Company and its connected persons.

FINANCIAL EFFECT OF THE DISPOSALS

Set out below is the unaudited consolidated financial information of each of the Target Companies for the year ended 30 June 2023 and for the two months ended 31 August 2023 prepared in accordance with the Hong Kong financial reporting standards.

	For the two-month period ended 31 August 2023 (Unaudited) HK\$'000	For the year ended 30 June 2023 (Unaudited) HK\$'000
Dragon Sphere Group		
Loss before tax	336	2,421
Loss for the period/year	336	2,421
Dragon Tycoon		
Loss before tax	1	15
Loss for the period/year	1	15

Upon Completion, the Company will receive proceeds from the Disposal of HK\$3,269,000. Of the total proceeds, HK\$3,169,000 will be attributed in settlement of the intercompany debts owed by the Target Companies to the Vendor and HK\$100,000 will be proceeds for the Disposal. It is estimated that the Company will realize an unaudited gain on disposal of approximately HK\$4,457,000, calculated based on the proceeds received from the Disposal and less net liabilities attributed to the Company of HK\$4,357,000.

INFORMATION OF THE PURCHASER

The Purchaser is a company established in the PRC and is principally engaged in business consulting in the PRC. The Purchaser is a subsidiary of 新華控股(廣東)有限公司, which was established in the PRC and is principally an investment holding company. 新華控股(廣東)有限公司 is a wholly owned subsidiary of Sun Wah Hi-Tech Holdings Limited (新華科技集團有限公司*), an investment holding company incorporated in the British Virgin Islands and owned and controlled by Dr. Jonathan Choi.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group's principal business is the provision of financial services, including securities and commodities and futures broking, corporate finance, asset management, money lending, property investments and propriety investments.

The Group engaged in the asset management service in the Mainland China after the completion of the acquisition of Guang Dong GoldFull by Beijing Kingsway Dragon Sphere in May 2020. The coronavirus epidemic was accelerating worldwide at that time. Over the past two years, the Hong Kong government and countries around the world have imposed severe travel restrictions and/or quarantine rules on travel to reduce the risk of Covid-19 transmission. Additionally, the escalating trade dispute between China and the USA has been intensifying over the last few years rather than abating. The business environment of the asset management service in the Mainland China has been difficult. As a result, the Target Companies have suffered financial losses since the acquisition of Guang Dong GoldFull.

Having considered the time and financial resources necessary to further invest in the Target Companies to develop the private equity management business in the Mainland China and that the Disposal will reduce the level of loss and improve the profitability of the Group, the Board is of the view that it would be more beneficial to the Company and its shareholders as a whole for the Group to focus on the financial and asset management market in Hong Kong.

The consideration proceeds of HK\$3,269,000 to be received on Completion will be used as general working capital of the Company.

Save for Dr. Jonathan Choi, who is the indirect controlling shareholder of the Purchaser, Ms. Janice Wing Kum Kwan who is the spouse of Dr. Jonathan Choi, and Mr. Michael Koon Ming Choi who is the brother of Dr. Jonathan Choi, none of the Directors has a material interest in the Disposal Agreement and none of them is required to abstain from voting on the resolutions of the Board for considering and approving the Disposal Agreement.

Taking into account the above factors and the unaudited gain on the Disposal, the Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the Disposal Agreement and the Disposal are fair and reasonable, on normal commercial terms and in the best interest of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

Dr. Jonathan Choi is the Chairman and substantial shareholder of the Company and the indirect controlling shareholder of the Purchaser. Under the circumstances, the Purchaser is a connected person of the Company and the Disposal constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios in respect of the Disposal are less than 5%, the Disposal is only subject to the reporting and announcement requirements and is exempt from circular and shareholders' approval requirement under Chapter Rule 14A of the Listing Rules.

Furthermore, as all the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal are less than 5%, the Disposal is not a notifiable transaction under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings when used herein.

“Board”	means the board of Directors;
“Business Day”	means a day (other than Saturdays, Sundays and days on which a tropical cyclone warning No.8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks are open in Hong Kong for general banking business;
“Beijing Kingsway Dragon Sphere”	means Beijing Kingsway Dragon Sphere Venture Investment Limited* 北京滙富龍域創業投資有限公司, a company incorporated in the PRC and whose registered capital is owned by Dragon Sphere as to 70% and Dragon Tycoon as to 30%;
“Company”	means Sunwah Kingsway Capital Holdings Limited, a company incorporated in Bermuda and the shares of which are listed on the main board of the Stock Exchange (Stock Code: 00188);
“Completion”	means the sale and purchase of the entire issued share capital of the Target Companies on the Completion Date;
“Completion Date”	means the 10th Business Day after the conditions precedents set out in the Disposal Agreement are fulfilled or otherwise waived (or such later date as the Vendor and the Purchaser may agree in writing prior to Completion);
“connected person(s)”	has the meaning ascribed to it in the Listing Rules;
“Director(s)”	means directors of the Company;

“Disposal”	means the sale of the entire issued share capital of the Target Companies to the Purchaser pursuant to the Disposal Agreement;
“Disposal Agreement”	means the sale and purchase agreement dated 10 October 2023, and entered into between the Vendor and the Purchaser for the sale of the entire issued share capital of the Target Companies to the Purchaser;
“Dr. Jonathan Choi”	Dr. Jonathan Koon Shum Choi, a substantial shareholder of the Company and Chairman of Board;
“Dragon Sphere Group”	means Dragon Sphere, Beijing Kingsway Dragon Sphere and Guang Dong GoldFull;
“Dragon Sphere”	means Dragon Sphere (HK) Holdings Limited, an investment holding company incorporated in Hong Kong with limited liability, whose entire issued share capital is legally and beneficially owned by the Vendor;
“Dragon Tycoon”	means Dragon Tycoon (HK) Holdings Limited, an investment holding company incorporated in Hong Kong with limited liability, whose entire issued share capital is legally and beneficially owned by the Vendor;
“Group”	means the Company and its subsidiaries;
“Guang Dong GoldFull”	means Guang Dong GoldFull Fund Management Company Limited* 廣東國富滙基金管理有限公司, a company incorporated in the PRC which is registered with the Asset Management Association of China as a manager of private equity and venture investment funds and a 65% owned subsidiary of Beijing Kingsway Dragon Sphere;
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC;
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong;
“Listing Rules”	means the Rules governing the listing of securities on the Stock Exchange;
“Long Stop Date”	means six months after the signing of the Disposal Agreement of such later date as the Vendor and the Purchaser may agree in writing;

“Mainland China”	means the PRC, for the purpose of this announcement excludes Hong Kong, Macau Special Administrative Region and Taiwan;
“PRC”	means The People’s Republic of China;
“Purchaser”	means Guandong Sunwah Technology Investment Company Limited* 廣東新華科技投資有限公司, a company established in the PRC, whose indirect controlling shareholder is Dr. Jonathan Choi;
“RMB”	means Renminbi, the lawful currency of the PRC;
“Shareholders”	means the shareholders of the Company;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“Target Companies”	means Dragon Sphere and Dragon Tycoon, while “Target Company” refers to anyone of those;
“USA”	means the United States of America;
“Vendor”	means SW Kingsway Capital Group Limited, a company established in the British Virgin Islands and wholly owned by the Company.

* For identification purposes only

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

Hong Kong, 10 October 2023

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.