



SOUTH CHINA HOLDINGS COMPANY LIMITED

南華集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00413)

Executive Directors:

Mr. Ng Hung Sang
Ms. Cheung Choi Ngor
Mr. Ng Yuk Yeung Paul

Non-executive Directors:

Ms. Ng Yuk Mui Jessica
Mr. Yu Pui Hang

Independent Non-executive Directors:

Mr. Kam Yiu Shing Tony
Ms. Pong Scarlett Oi Lan, BBS, J.P.
Mr. Wong Chun Tat, J.P.

Registered Office:

P.O. Box 31119
Grand Pavilion
Hibiscus Way
802 West Bay Road
Grand Cayman
KY1-1205
Cayman Islands

***Head Office and Principal Place of
Business in Hong Kong:***

28th Floor, Bank of China Tower
1 Garden Road, Central, Hong Kong

10 June 2025

To the Shareholders

Dear Sir/Madam,

**(1) MAJOR AND CONNECTED TRANSACTION
IN RELATION TO THE DISPOSAL OF
THE ENTIRE ISSUED SHARE CAPITAL OF
WHOLLY-OWNED SUBSIDIARIES
AND
(2) NOTICE OF EGM**

INTRODUCTION

References are made to the announcements dated 6 May 2025, 7 May 2025, 27 May 2025 and 3 June 2025 of the Company in relation to the Disposal pursuant to Sale and Purchase Agreement and the transactions contemplated thereunder.

On 6 May 2025 (after trading hours), the Vendors (indirect wholly-owned subsidiaries of the Company) as vendors entered into the Sale and Purchase Agreement with the Purchaser (an associate of Mr. Ng who is the connected person of the Company) as purchaser, pursuant to which the Vendors conditionally agreed to sell and the Purchaser conditionally agreed to

purchase the entire issued share capital in the Target Companies (i.e. the Sale Shares), at the Consideration of HK\$26,960,296 in accordance with and subject to the terms and conditions of the Sale and Purchase Agreement.

Upon Completion, the Target Companies will cease to be subsidiaries of the Company, and the financial results of the Target Groups will cease to be consolidated in the consolidated financial statements of the Group.

The purpose of this circular is to provide you with, among other things, (a) further details of the Disposal; (b) other information as required by the Listing Rules; and (c) notice of convening the EGM.

SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are set out below:

Date

6 May 2025

Parties

- (a) the Vendor 1 as a vendor;
- (b) the Vendor 2 as another vendor;
- (c) the Purchaser as purchaser;
- (d) the Target Company A;
- (e) the Target Company B; and
- (f) the Target Company C

To the best knowledge, information and belief of the Board, having made all reasonable enquiries, the Purchaser is a company incorporated in the BVI with limited liability which is wholly-owned by Mr. Ng who is a controlling Shareholder and a Director (i.e. a connected person of the Company), and in turn is an associate of Mr. Ng and a connected person of the Company accordingly pursuant to Rule 14A.07 of the Listing Rules.

Sale Shares

Pursuant to the Sale and Purchase Agreement, the Vendors have conditionally agreed to sell and the Purchaser has conditionally agreed to purchase, the Sale Shares (representing the respective entire issued share capital of each of the Target Companies) at the Consideration.

Consideration

The Consideration for the Sale Shares is HK\$26,960,296 (HK\$1 for Target Company A Sale Shares; HK\$26,960,294 for Target Company B Sale Shares; and HK\$1 for Target Company C Sale Shares) which shall be satisfied by the Purchaser by way of set-off against the shareholder's loan owing to Mr. Ng or his associates on a dollar-for-dollar basis upon Completion.

Basis of the Consideration

The Consideration was determined after arm's length negotiation between the Vendors and the Purchaser, having taken into account of, among other things: (a) adjusted unaudited net asset value as at 31 December 2024 (i.e., the net book value of the Target Groups as at 31 December 2024 after deducting the non-controlling interests and waiver of all inter-company current account balances) plus (b) adjusted property value (being the net book value of the properties as at 31 December 2024 or the appraised value of the properties as at 31 March 2025, whichever is higher, less additional costs to be incurred after Completion), details of which are as follows:

- (a) The unaudited net asset value of each member of the Target Groups attributable to the Group as at 31 December 2024 was adjusted by taking into account the minority interests, i.e. 20% being held by an independent third party and the waiver of all inter-company current account balances (both credit and debit) between and amongst each member of the Target Groups and the respective affiliates (as more particularly set out in the sub-section headed "Conditions Subsequent" hereinbelow) is as follows:
 - (i) The unaudited net asset value of Target Group A as at 31 December 2024 was approximately HK\$(18,300,000) (a negative net asset value i.e. adjusted net liabilities), being (1) the unaudited consolidated net asset value of Target Group A as at 31 December 2024 of approximately HK\$5,916,000 (after deducting the non-controlling interests of approximately HK\$3,513,000 from the unaudited total net asset value of approximately HK\$9,429,000), less (2) inter-company current account balance due from its affiliates of approximately HK\$33,838,000 and plus (3) inter-company current account balance due to its affiliates of approximately HK\$9,622,000;
 - (ii) The unaudited net asset value of Target Group B as at 31 December 2024 was approximately HK\$989,000, being (1) the unaudited consolidated net asset value of Target Group B as at 31 December 2024 of approximately HK\$(22,200,000) (after deducting the non-controlling interests of approximately HK\$(1,790,000) from the unaudited total net asset/ (liability) value of approximately HK\$(23,990,000)), less (2) inter-company current account balance due from its affiliates of approximately HK\$1,407,000 and plus (3) inter-company current account balance due to its affiliates of approximately HK\$24,596,000; and

- (iii) The unaudited net asset value of Target Group C as at 31 December 2024 was approximately HK\$(13,506,000) (a negative net asset value i.e. adjusted net liabilities), being (1) the unaudited consolidated net asset value of Target Group C as at 31 December 2024 of approximately HK\$(83,952,000) (after deducting the non-controlling interests of approximately HK\$(20,179,000) from the unaudited total net asset/(liability) value of approximately HK\$(104,131,000)), less (2) inter-company current account balance due from its affiliates of approximately HK\$3,573,000 and plus (3) inter-company current account balance due to its affiliates of approximately HK\$74,019,000.
- (b) The valuation of the properties under each member of the Target Groups as at 31 March 2025 attributable to the Group appraised by Ravia Global Appraisal Advisory Limited (“**Ravia**”), an independent valuer, after deduction of additional costs to be incurred attributable to the Group in relation to the properties under each member of the Target Groups after Completion is as follows:
- (i) The value of the property (being the land (its carrying value is zero as it has been fully depreciated) without taking into account the value of building component as the value of the building component has already been reflected in the net book value of Target Group A) being located at 中國天津市河北區昆緯路116號 (No. 116 Kun Wei Road, Hebei District, Tianjin City, the PRC*), which is being under Target Group A (i.e. property No. 1 set out in the valuation report prepared by Ravia as shown in Appendix II hereto), is approximately HK\$4,674,000 being the value of approximately HK\$7,478,000 (being the Group’s attributable portion i.e. 80% of the appraised value RMB8,810,000 (equivalent to HK\$9,348,000)) appraised by Ravia by using Cost Approach — Depreciated Replacement Cost (“**DRC**”) method less additional costs to be incurred after Completion;
- (ii) The total value of the properties (being (1) the land located at 中國天津市南開區渭水道西頭16號 (No. 16 Wei Shui Road West, Nankai District, Tianjin City, the PRC*) (its carrying value is zero as it has been fully depreciated) without taking into account the building component thereon as the value of the building component has already been reflected in the net book value of Target Group B as at 31 December 2024; and (2) the land located at 中國天津市東麗區程林莊工業區之工業項目 (an industrial development located at Chenglinzhuang Industrial Zone, Dongli District, Tianjin City, the PRC*) (its carrying value is zero as it has been fully depreciated) and the building component thereon as no net book value was recorded as at 31 December 2024 since it has been fully depreciated) which are under Target Group B (i.e. property Nos. 2 and 3 respectively set out in the valuation report prepared by Ravia as shown in Appendix II hereto), is approximately HK\$25,970,000 being the value of approximately HK\$38,013,000 (being the Group’s attributable portion i.e. 80% of the

appraised value RMB44,780,000 (equivalent to HK\$47,517,000)) appraised by Ravia by using DRC method less additional costs to be incurred after Completion; and

- (iii) The total value of the properties (being 3 pieces of lands (their carrying value is zero as they have been fully depreciated) without taking into account the value of building component located on each of the lands as the value of the building component in each of the lands has already been reflected in the net book value of Target Group C) being located at (1) 中國天津市河北區崗緯路18號 (No. 18 Gang Wei Road, Hebei District, Tianjin City, the PRC*); (2) 中國天津市河北區崗緯路19號 (No. 19 Gang Wei Road, Hebei District, Tianjin City, the PRC*); and (3) 中國天津市南開區密雲一支路3號 (No. 3 Mi Yun Yi Zhi Road, Nankai District, Tianjin City, the PRC*), which are being under Target Group C (i.e. property Nos. 4, 5 and 6 respectively set out in the valuation report prepared by Ravia as shown in Appendix II hereto), is approximately HK\$13,250,000 being the value of approximately HK\$20,620,000 (being the Group's attributable portion i.e. 80% of the appraised value RMB24,290,000 (equivalent to HK\$25,775,000)) appraised by Ravia by using DRC method less additional costs to be incurred after Completion. For clarification purpose, a three-storey workshop building being located in property number 4 set out in the valuation report does not have its fair value as the workshop does not have its Real Estate Title Certificate given Target Subsidiary C is not able to provide the necessary information relating to the construction of the workshop that was erected in early 2006, i.e. almost 20 years ago, which is prerequisite for the application for the said title certificate as all such information were missed and could not be reproduced. In the absence of fair value of the workshop, the net book value of the workshop of approximately RMB866,000 has been reflected in the unaudited consolidated net asset value of Target Group C as at 31 December 2024 of approximately HK\$(83,952,000) as stated in sub-paragraph (a)(iii) hereinabove and was taken into account in determination of the Consideration.

The Board considers that the Consideration is fair and reasonable as the Consideration is derived from (i) the adjusted unaudited negative net asset value i.e. adjusted net liabilities of the Target Group A and the Target Group C after taking into account of the value of the properties under the Target Group A and the Target Group C respectively; and (ii) the adjusted unaudited net asset value of the Target Group B of approximately HK\$989,000 as well as the value of the properties under the Target Group B of approximately HK\$25,970,000. Summary of the adjusted unaudited net asset value and adjusted value of the properties under each of the Target Groups is as follows:

	Adjusted unaudited net asset value/ (net liabilities) <i>Approximately (HK\$)</i>	Adjusted property value <i>Approximately (HK\$)</i>	Allocated consideration <i>Approximately (HK\$)</i>
Target Group A	(18,300,000)	4,674,000	1*
Target Group B	989,000	25,970,000	26,959,000
Target Group C	(13,506,000)	13,250,000	1*

* A nominal consideration of HK\$1 was agreed upon because of net liabilities after taking into account of the adjusted property value.

Referring to the valuation report prepared by Ravia, the text of which is set out in Appendix II to this circular, DRC method (i) was chosen due to the practical limitations of applying the market and income approaches; and (ii) is widely recognized as the appropriate method for valuing specialized or non-transferable assets. In addition, the Board notes that Ravia has attributed no commercial value to the properties under each member of the Target Groups under their current legal status, which is consistent with market practice and regulatory requirements. However, for reference purpose, and to provide more meaningful information to the Shareholders, Ravia has also provided a market value opinion under the specific hypothetical assumption that the properties under each member of the Target Groups could be freely transferred in the market after fulfilling the necessary legal and administrative conditions. This approach provides a transparent basis for assessing the potential value of the properties should the conditions of conversion of land status and removal of title restrictions be satisfied. In view of the foregoing, the Board concurs that both the market and income approaches are less appropriate for measuring the value of the properties under each member of the Target Groups and that DRC method should be the most appropriate one, and is of the view that the appraised property values of the properties under each member of the Target Groups as set out in Appendix II to this circular, including the hypothetical scenario, are fair and reasonable, given that the properties under each member of the Target Groups are able to be transferred without restriction upon conversion of the land status from allocated to assigned land through proper government applications and full payment of respective required land premiums.

Conditions Precedent

Completion is conditional upon the following Conditions being satisfied (and/or waived by the Purchaser where applicable) on or before the Completion Date:

- (a) the passing of the necessary resolutions by the board of directors of each of the Vendors and the Purchaser approving the Sale and Purchase Agreement and the transactions contemplated thereunder;
- (b) the passing of the ordinary resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder by the Independent Shareholders at the EGM to be convened and held by the Company in accordance with the Listing Rules and the applicable laws and regulations;
- (c) the representations, warranties and undertakings given by the Vendors under the Sale and Purchase Agreement shall remain true, accurate and not misleading in all material respects from the date of the Sale and Purchase Agreement to and inclusive of the Completion Date; and
- (d) all requisite approvals, consents and waivers required to be obtained by the Vendors, the Purchaser and each Target Company in respect of the entering into the Sale and Purchase Agreement and the implementation of the transactions contemplated thereunder having been obtained and remaining in full force and effect, with full compliance with all applicable laws and regulations (including but not limited to the Listing Rules).

If any of the Conditions set out in sub-paragraphs (b) to (d) hereinabove has not been satisfied or waived (only the Condition set out in sub-paragraph (c) may be waived) by 5:00 p.m. on the Long Stop Date (the Condition (a) hereinabove has been satisfied by the Latest Practicable Date), then:

- (i) the Vendors and the Purchaser may agree in writing to postpone the Long Stop Date and, if the parties thereto agree to postpone the Long Stop Date, then the provisions of the Sale and Purchase Agreement should have applied as if the Long Stop Date were so postponed; or
- (ii) in the absence of occurrence of the event mentioned in sub-paragraph (i) hereinabove, the Sale and Purchase Agreement shall be terminated immediately after the Long Stop Date, pursuant to which all rights and obligations of the Vendors and the Purchaser under the Sale and Purchase Agreement will cease immediately upon termination and none of the parties thereto shall have any further claim or cause of action against any other party.

Completion

Completion shall take place on a date falling on the first (1st) Business Day upon the fulfilment (or the waiver, as the case may be) of the Conditions referred to above, but under no circumstance shall it be later than the Long Stop Date. Upon Completion, the Target Companies will cease to be subsidiaries of the Company, and the financial results of the Target Groups will no longer be consolidated into the consolidated financial statements of the Group.

Conditions Subsequent

Upon Completion,

- (a) the Vendor 1 shall undertake with the Purchaser that each of the Target Group A and the Target Group B shall use its best endeavours to procure all of its relevant affiliates (i.e. all relevant subsidiaries of the Company) to unconditionally and irrevocably waive all inter-company current account balances (both credit and debit) between and amongst them without having any liabilities or recourse by execution of a deed of waiver (in a form to be mutually agreed between the Vendor 1 and the Purchaser within five (5) Business Days or such other period to be mutually agreed between the Vendor 1 and the Purchaser) upon Completion or any other later date as the Vendor 1 and the Purchaser may agree in writing; and
- (b) the Vendor 2 shall undertake with the Purchaser that the Target Group C shall use its best endeavours to procure all of its relevant affiliates (i.e. all relevant subsidiaries of the Company) to unconditionally and irrevocably waive all inter-company current account balances (both credit and debit) between and amongst them without having any liabilities or recourse by execution of a deed of waiver (in a form to be mutually agreed between the Vendor 2 and the Purchaser within five (5) Business Days or such other period to be mutually agreed between the Vendor 2 and the Purchaser) upon Completion or any other later date as the Vendor 2 and the Purchaser may agree in writing.

If any deed of waiver referred to in sub-paragraphs (a) and (b) under this heading is not duly executed by the respective deadline as specified therein, the parties to the Sale and Purchase Agreement agree that all inter-company current account balances (both credit and debit) as more particularly set out in sub-paragraphs (a)(i), (ii) and (iii) under the heading of Basis of the Consideration hereinabove respectively shall be deemed to have been irrevocably waived immediately upon the Completion without having any liability or recourse against all parties concerned in relation thereto or resulting therefrom as if the deed of waiver had been respectively duly executed.

INFORMATION OF THE TARGET GROUPS

Target Company A is an investment holding company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company. Target Subsidiary A, a company incorporated in the PRC, is the only subsidiary of Target Company A which holds 80% of the paid-up capital of Target Subsidiary A, and the main business of Target Subsidiary A being the manufacturing of sports products has been entirely taken up by its affiliate (another indirect subsidiary of the Company) in the PRC since April 2025 resulting from internal restructuring. Therefore, Target Subsidiary A has become a company without having operations but leases the building located in the land of which it is the registered owner to its affiliate in return of rental income. The remaining 20% of the paid-up capital of Target Subsidiary A is being owned by an independent third party.

Target Company B is an investment holding company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company. Target Subsidiary B, a company incorporated in the PRC, is the only subsidiary of Target Company B which holds 80% of the paid-up capital of Target Subsidiary B, and the main business of Target Subsidiary B being the manufacturing of leather chemical products has been entirely ceased resulting from unsustainable business environment in the PRC. Therefore, Target Subsidiary B has become a company without having any operation but leases the building located in each of the lands of which it is the registered owner to its affiliate in return of rental income. The remaining 20% of the paid-up capital of Target Subsidiary B is being owned by an independent third party.

Target Company C is an investment holding company incorporated in Hong Kong with limited liability and an indirect subsidiary of the Company. Target Subsidiary C, a company incorporated in the PRC, is the only subsidiary of Target Company C which holds 80% of the paid-up capital of Target Subsidiary C, and the main business of Target Subsidiary C being the manufacturing and trading of footwear products has been entirely ceased resulting from unsustainable business environment in the PRC. Therefore, Target Subsidiary C has become a company without having any operation but leases the building located in each of the lands of which it is the registered owner to its affiliate in return of rental income. The remaining 20% of the paid-up capital of Target Subsidiary C is being owned by an independent third party.

FINANCIAL INFORMATION OF THE TARGET GROUPS

Set out below is a summary of the unaudited consolidated financial information of each of the Target Groups for the two financial years ended 31 December 2023 and 2024 respectively:

Target Group A

	For the year ended 31 December	
	2023	2024
	Approximately <i>HK\$'000</i> (unaudited)	Approximately <i>HK\$'000</i> (unaudited)
Profit/(loss) before taxation and extraordinary items	1,274	951
Profit/(loss) after taxation and extraordinary items	1,192	860

Target Group B

	For the year ended 31 December	
	2023	2024
	Approximately <i>HK\$'000</i> (unaudited)	Approximately <i>HK\$'000</i> (unaudited)
Profit/(loss) before taxation and extraordinary items	(464)	(628)
Profit/(loss) after taxation and extraordinary items	(464)	(628)

Target Group C

	For the year ended 31 December	
	2023	2024
	Approximately <i>HK\$'000</i> (unaudited)	Approximately <i>HK\$'000</i> (unaudited)
Profit/(loss) before taxation and extraordinary items	(1,980)	(761)
Profit/(loss) after taxation and extraordinary items	(1,980)	(761)

The unaudited total net asset value of Target Group A, Target Group B and Target Group C as at 31 December 2024 was approximately HK\$9,429,000, HK\$(23,990,000) and HK\$(104,131,000) respectively.

INFORMATION OF THE COMPANY

The Company is a company incorporated in the Cayman Islands, whose principal business is investment holding. Its principal subsidiaries are engaged in trading and manufacturing of toys and shoes, property investment and development, agriculture as well as forestry businesses.

INFORMATION OF THE VENDORS

The Vendor 1 is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company, which is principally engaged in investment holding.

The Vendor 2 is a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company, which is principally engaged in investment holding.

INFORMATION OF THE PURCHASER

The Purchaser is a company incorporated in the BVI with limited liability, which is ultimately wholly-owned by Mr. Ng and is principally engaged in investment holding.

FINANCIAL IMPACT OF THE DISPOSAL AND INTENDED APPLICATION OF PROCEEDS

Upon Completion, the Target Groups will cease to be subsidiaries of the Company, and the profit or loss as well as the assets and liabilities of each of the Target Groups will no longer be consolidated into the consolidated financial statements of the Group.

Having considered the Consideration and the adjusted unaudited total net asset value of the Target Groups as at 31 December 2024, it is estimated that upon Completion, the total assets of the Group will decrease by approximately HK\$9,827,000. The total liabilities of the Group will also decrease by approximately HK\$86,061,000. It is estimated that the net assets of the Group will have an increase of approximately HK\$76,234,000, being the net effect of the changes of the total assets and total liabilities of the Group. It is estimated that the Group will record a gain on the Disposal in the amount of approximately HK\$70,008,000, which is calculated based on (i) the Consideration; (ii) the adjusted unaudited total net asset and non-controlling interests of the Target Groups as at 31 December 2024; and (iii) reclassification of reserves before all taxes and related expenses in relation to the Disposal. The actual amount of gain as a result of the Disposal will be calculated based on the adjusted net book value of the Target Groups at Completion, net of any incidental expenses, and subject to be reviewed by the auditors of the Company.

The Group intends to use the net proceeds from the Disposal to settle its liabilities by having the Consideration settled directly by set-off against the shareholder's loan owing to Mr. Ng or his associates on a dollar-for-dollar basis. Notwithstanding the Group will not receive any cash from the Disposal, its overall financial position will be improved after the Disposal as the Group will be alleviated from the shareholder's loan owing to Mr. Ng or his associates.

The shareholder's loan (including the principal and interests) owing to Mr. Ng or his associates was amounted to approximately HK\$247,600,000 as at 30 April 2025. For illustration purpose only, assuming that the Completion took place on 30 April 2025, the shareholder's loan (including the principal amount and interests) owing to Mr. Ng or his associates would decrease to approximately HK\$220,640,000.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in manufacturing of toys, trading of footwear products, property investment and development, agriculture as well as forestry businesses. The Group has consistently reviewed its portfolio for maximization of its return by allocating resources to the core operations and eliminating non-performing ones. Given the Target Subsidiaries have ceased their main businesses, they are not expected to contribute meaningfully to the Group's operational or strategic goals. Both Target Group B and Target Group C had recorded net liabilities as at 31 December 2024, representing a financial burden to the Group due to their inactive status and lack of operational value. Notwithstanding Target Group A had recorded net assets of approximately HK\$9,400,000 as at 31 December 2024, its main business was taken up by its affiliate in the PRC since April 2025, i.e. it has not been in normal operations but merely has its retained property in Tianjin which is not a material asset to the Group's property portfolio.

The Disposal presents an opportunity to streamline the Group's property portfolio, mitigate risks, and unlock value. By divesting these entities, the Group may eliminate liabilities associated with low-value assets, and recognize a one-off disposal gain to strengthen its consolidated financial position.

In addition to the aforesaid poor financial performance of the Target Subsidiaries, the interest payable under the shareholder's loan (bearing the annual interest rate equivalent to the Hong Kong dollar prime lending rate charged by The Hong Kong and Shanghai Banking Corporation Limited from time to time) owing to Mr. Ng or his associates is also a financial burden of the Group, which continues to affect the profitability of the Group. As the operation scale and the performance results of those ceased businesses of the Target Groups are relatively insignificant and such ceased businesses are not the core businesses of the Group, the Disposal would allow the Group to deploy and allocate its resources (both time and manpower) to its profitable core business segments. Given the foregoing, for the benefit of the Group, Mr. Ng as the controlling Shareholder has conditionally agreed to alleviate the Group from the shareholder's loan owing to him or his associates by purchasing the Target Companies.

Having taken into account of the above, the Board (excluding (1) Mr. Ng and Ms. Cheung who have material interests in the transactions contemplated under the Sale and Purchase Agreement and do not express their opinion; and (2) the independent non-executive Directors who will give their view after taking into consideration of the advice of the independent financial adviser) is of the view that the terms of the Sale and Purchase Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Mr. Ng and Ms. Cheung are considered to have material interests in the Sale and Purchase Agreement and the transactions contemplated thereunder given Mr. Ng is the ultimate beneficial owner of the Purchaser and Ms. Cheung is a common director of the Company, each of the Target Companies and the Purchaser. As such Mr. Ng, Ms. Cheung, Mr. Paul Ng and Ms. Jessica Ng have abstained from voting on the Board resolutions approving the Sale and Purchase Agreement and the transactions contemplated thereunder.

LISTING RULES IMPLICATIONS

Pursuant to Rule 14.22 of the Listing Rules, a series of transactions shall be aggregated and treated as if they were one transaction if they are all completed within a 12-month period or are otherwise related. Pursuant to Rule 14.23 of the Listing Rules, one of the factors determining whether transactions shall be aggregated is that such transactions are entered into by a member of the Group with the same party or with parties who are connected or otherwise associated with one another. Given the purchaser under both the Sale and Purchase Agreement and the Berth and Debenture SPA is the same party (an associate of Mr. Ng who is the connected person of the Company), the transactions under both the Sale and Purchase Agreement and the Berth and Debenture SPA shall be aggregated. The highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) upon aggregation with the transactions under the Berth and Debenture SPA exceeds 25%, but is less than 75%, constituting a major transaction of the Company, which is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, (1) Mr. Ng and his associates hold approximately 68.81% of the total issued share capital of the Company; and (2) the Purchaser is ultimately wholly-owned by Mr. Ng who is a connected person of the Company pursuant to Rule 14A.07(1) of the Listing Rules. Accordingly, the Purchaser is an associate of Mr. Ng pursuant to Rule 14A.12 of the Listing Rules and therefore a connected person of the Company pursuant to Rule 14A.07(4) of the Listing Rules. Hence the Disposal constitutes a connected transaction of the Company, which is subject to the reporting, announcement and circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, a series of connected transactions shall be aggregated and treated as if they were one transaction if they are all completed within a 12-month period or are otherwise related. Pursuant to Rule 14A.82 of the Listing Rules, one of the factors determining whether a series of connected transactions shall be aggregated is that such connected transactions are entered into by a member of the Group with the same party or with parties who are connected with one another. Given the purchaser under both the Sale and Purchase Agreement and the Berth and Debenture SPA is the same party (an associate of the connected person of the Company), the connected transactions under both the Sale and Purchase Agreement and the Berth and Debenture SPA shall be aggregated. As the highest applicable percentage ratio upon aggregation with the connected transactions under the Berth and Debenture SPA exceeds 25%, but is less than 75%, the aggregated connected transactions are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder with a material interest in the relevant connected transaction contemplated under the Sale and Purchase Agreement is required to abstain from voting on the relevant resolution at the EGM. Given (1) the Purchaser is an associate of Mr. Ng who is a connected person of the Company; and (2) Ms. Cheung is a common director of the Company, each of the Target Companies and the Purchaser, Mr. Ng and Ms. Cheung are regarded as having material interests in the Sale and Purchase Agreement and the transactions contemplated thereunder to be proposed at the EGM. Accordingly, Mr. Ng and his associates (namely, Mrs. Ng, Ms. Jessica Ng, Mr. Paul Ng, Fung Shing, Parkfield, Bannock, Earntrade, Crystal Hub, Ronastar and Green Orient) and Ms. Cheung and her associates, holding approximately 69.12% of the total issued share capital of the Company as at the Latest Practicable Date, are required to abstain from voting on the relevant resolution(s) at the EGM. To the best of the Directors' knowledge and information, no other Shareholder is required to abstain from voting on the relevant resolution in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholder; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby such Shareholder has or may have temporarily or permanently passed control over the exercise of the voting right in respect of his or its Shares to a third party, either generally or on a case-by-case basis.

NOTICE OF THE EGM

The EGM will be convened for the purpose of considering and, if thought fit, passing the necessary resolution(s) to approve, among other matters, the entering into of the Sale and Purchase Agreement and the transactions contemplated thereunder. A notice convening the EGM to be held at 10:00 a.m. (Hong Kong time) on Thursday, 26 June 2025 at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong, or any adjournment thereof is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the Company's share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33rd Floor, Two Chinachem Exchange's Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than forty-eight (48) hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed, for the purpose of determining the identity of members who are entitled to attend and vote at the EGM, from Wednesday, 25 June 2025 to Thursday, 26 June 2025, both days inclusive, during which period no transfers of Shares will be effected. In order to be eligible to attend and vote at the EGM, all properly completed and duly stamped transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33rd Floor, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration no later than forty-eight (48) hours before the time appointed for the holding of the EGM or any adjournment thereof.

GENERAL

The Independent Board Committee comprising Mr. Kam Yiu Shing Tony, Ms. Pong Scarlett Oi Lan, BBS, J.P. and Mr. Wong Chun Tat, J.P., all being independent non-executive Directors, has been established to advise and give recommendation to the Independent Shareholders in respect of the Disposal contemplated under the Sale and Purchase Agreement. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in that connection.

RECOMMENDATION

The Board considers the terms of the Sale and Purchase Agreement to be fair and reasonable, and that the entering into of the Sale and Purchase Agreement and the Disposal is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the resolution in relation to the Disposal and the Sale and Purchase Agreement to be proposed at the EGM.

ADDITIONAL INFORMATION

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

Yours faithfully
By Order of the Board
SOUTH CHINA HOLDINGS COMPANY LIMITED
南華集團控股有限公司

Cheung Choi Ngor
Executive Director