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)

SUPPLEMENTAL ANNOUNCEMENT
DISCLOSEABLE AND CONNECTED TRANSACTION
IN RESPECT OF THE DISPOSAL OF
THE ENTIRE ISSUED SHARE CAPITAL OF
TWO WHOLLY-OWNED SUBSIDIARIES

Reference is made to the announcement of the Company dated 27 August 2026 (the "**Announcement**") in relation to the entering into the Sale and Purchase Agreement under which the Vendor agreed to sell and the Purchaser agreed to purchase the entire issued share capital in the Target Companies (i.e. the Sale Shares), at the Consideration in accordance with the terms and subject to the conditions of the Sale and Purchase Agreement.

All capitalised terms used herein shall have the same meanings as those defined in the Announcement unless otherwise the context herein specifies.

In addition to the information disclosed in the Announcement, the Board would like to provide the Shareholders and the potential investors of the Company with the supplementary information as follows:

1. Ownership Titles of Buildings

The Buildings are the sole assets of the Target Group, but the ownership titles of the Buildings has not been able to obtain, notwithstanding the erection costs were borne by the Target Group because of the following historical issue:

In the 1980s to 1990s, the PRC was in a transitional stage of property development. Land sites were under socialist public ownership, being either state-owned or collectively owned, such that individuals and corporations could not own land outright but could only obtain land use rights. Given that the Land is collectively owned in nature, any application for ownership certificates for structures erected thereon (i.e. the Buildings) is subject to the precondition that the Land has been converted into state-owned land. As the conversion of the land use nature of the Land rests within the authority of the committee of Nanling Village (being the landowner) and has not been effected, the Target Subsidiary has been unable to apply for the ownership certificate for the Buildings and therefore does not hold ownership title to the Buildings. The Land is owned by the committee of Nanling Village, while the Target Subsidiary is the lessee thereof. Accordingly, the Land is not an asset of the Target Group.

2. Main Leasing Terms

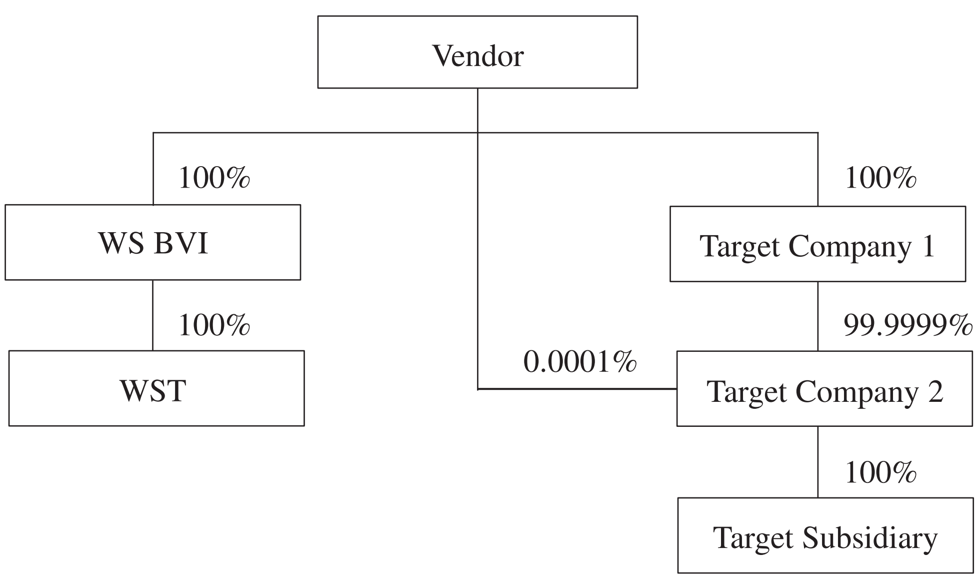
Under the leasing agreements in respect of the Land, the main terms are: (a) tenure for each lease being fifty (50) years; (b) total rent of HK$2,364,000 which was settled by one-off payment in 1994; and (c) total management fee of RMB96,800 per month.

3. Group Structure Clarification

For the sake of clarification, the Target Company 1 is a direct wholly-owned subsidiary of the Vendor which is an indirect wholly-owned subsidiary of the Company, while Wah Shing Toys Company Limited ("**WST**") is another direct wholly-owned subsidiary of Wah Shing (BVI) Limited ("**WS BVI**") which is a direct wholly-owned subsidiary of the Vendor.

WST was the sole entity within the Group responsible for sales order sourcing and customer relationship management. In fulfilling production functions, WST arranged for other fellow subsidiaries, including but not limited to the Target Group, to undertake the manufacturing of toy products for different customers. The Target Group's role was primarily focused on the production of electronic components for toys on an outsourcing basis pursuant to purchase orders allocated by WST.

Accordingly, the Target Group does not have any direct shareholding relationship with WST, and is not involved in the winding-up petitions disclosed in the Company's announcements dated 7 July 2026, 4 August 2026, 2 September 2026 and 16 September 2026. Please refer to the shareholding ownership of both the Target Group and WST as below:



All owned and leased plants of the Group in both the PRC and Vietnam have been closed following the cessation of OEM toys manufacturing business in or about July 2026. Upon completion of the Disposal, the Group will retain ownership of only one plant in Shenzhen, the PRC, which is intended to be either disposed of or leased to third-party tenants to enhance the Group's liquidity position. All other assets relating to OEM toys manufacturing operations have been fully impaired and therefore carry no book value.

The Group is in the process of incorporating a company in Hong Kong to facilitate its transition from OEM toys manufacturing to an asset- and labour-light trading-based model for the toys business. In this connection, the Group will aim to foster upstream and downstream partnerships, with the objective of exploring and developing new commercial opportunities.

4. Waiver of Inter-Company Balances

As disclosed in the Announcement, the Consideration was determined after arm's length negotiations, having taken into account the adjusted unaudited net asset value of the Target Group of approximately HK$3,028,000, reflecting the effect of the waiver of inter-company current account balances (the "**Waiver**"). The Waiver comprises (a) the total amount of approximately HK$39,375,000, being mainly sub-contracting fees due from subsidiaries of the Company to the Target Group; and (b) the total amount of approximately HK$1,922,000, being mainly advancements provided by other subsidiaries of the Company to finance the Target Group's operations. The Company would like to clarify that the Waiver has been structured as a condition precedent to Completion.

The basis and rationale for the Waiver are to eliminate complex post-closing true-up mechanisms and potential disputes regarding the collectability of receivables or demand for cash adjustments on the Consideration. By waiving these inter-group balances, the concerned parties establish a definitive and fixed economic baseline for the Disposal, thereby ensuring clarity and certainty in the transaction terms.

The Board considers that the Waiver arrangement is fair and reasonable, having regard to the nature of balances waived and the overall benefits to the Company and the Shareholders. Accordingly, the Board is of the view that the Waiver is in the interests of the Company and the Shareholders as a whole.

5. Board's Assessment of Valuation

The Board has reviewed the valuation of the Property and considered it fair and reasonable, having regard to the valuation approach, inputs and assumptions adopted. In particular, the Board:

(a) confirmed independence and expertise of the independent valuer;

(b) agreed the market approach was appropriate and consistent with industry practice, having regard to the nature of the Property and availability of comparable market data, while the other two generally accepted valuation approaches — income and cost are not applicable;

(c) considered adjustments to comparables as fair and in line with market practice; and

(d) verified compliance with valuation standards and supporting market evidence.

On this basis, the Board is satisfied that the valuation, methodology and the Consideration represent normal commercial terms, are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

6. Basis of Consideration

The Board has carefully considered the basis of the Consideration and is satisfied that it is fair and reasonable and in the interests of the Company and the Shareholders as a whole. In particular:

(a) the Consideration was determined with reference to the adjusted unaudited net asset value of the Target Group of approximately HK$3,028,000 as at 30 June 2026, together with the valuation gain of approximately HK$12,671,000, representing the difference between the market value of the Property of HK$37,357,000 and its book value of HK$24,686,000;

(b) based on the Consideration and the adjusted unaudited net asset value of the Target Group, it is estimated that the Group will record a gain on the Disposal of approximately HK$12,972,000 before tax and related expenses, which will strengthen the Group's financial position and provide additional working capital; and

(c) having regard to the valuation methodology adopted, the valuation amount derived and the resulting financial gain to the Group, the Board considers that the Consideration represents normal commercial terms, is fair and reasonable, and is in the interests of the Company and the Shareholders as a whole.

7. Market Condition and Disposal Rationale

Due to the defect in the ownership titles of the Buildings, their relatively deteriorated conditions (being over 30 years old), and the prevailing weak demand condition for production plants erected on leasehold lands, the Company, despite having approached some agencies and utilized its own internal sources, was unable to identify any prospective buyers willing to pay the Consideration, save for the Purchaser.

WARNING

The Shareholders and potential investors of the Company should be aware that completion of the Disposal is subject to a number of conditions precedent which may or may not be fulfilled or waived (as applicable), and the Disposal may or may be proceed. The Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 18 September 2026

As at the date of this announcement, the Directors are:

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.