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## **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)**

### **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2025**

#### **GROUP RESULTS**

The board of directors (the “Board” or the “Directors”) of South China Holdings Company Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2025 together with comparative figures for the last financial year as follows:

#### **CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

	<i>Note</i>	<b>2025</b> <i>HK\$'000</i>	2024 <i>HK\$'000</i>
<b>Revenue</b>	3	<b>2,178,718</b>	3,231,529
Cost of sales		<u><b>(2,019,035)</b></u>	<u>(2,755,686)</u>
<b>Gross profit</b>		<b>159,683</b>	475,843
Other income and gains, net		<b>202,284</b>	258,869
Net fair value loss on investment properties inclusive of investment properties presented as non-current assets classified as held for sale		<b>(1,162,566)</b>	(81,920)
Selling and distribution expenses		<b>(36,572)</b>	(44,218)
Administrative expenses		<u><b>(460,160)</b></u>	<u>(310,260)</u>
<b>(Loss)/profit from operations</b>	3&4	<b>(1,297,331)</b>	298,314

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)

	<i>Note</i>	<b>2025</b> <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Finance costs		<u>(213,108)</u>	<u>(248,252)</u>
<b>(Loss)/profit before tax</b>		<b>(1,510,439)</b>	50,062
Income tax credit/(expense)	5	<u>46,619</u>	<u>(37,885)</u>
<b>(Loss)/profit for the year</b>		<u><b>(1,463,820)</b></u>	<u>12,177</u>
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>(1,447,769)</b>	696
Non-controlling interests		<u>(16,051)</u>	<u>11,481</u>
		<u><b>(1,463,820)</b></u>	<u>12,177</u>
<b>(Loss)/earnings per share</b>	6		
<b>Basic</b>		<u><b>HK(11.2) cents</b></u>	<u>HK0.01 cents</u>
<b>Diluted</b>		<u><b>HK(11.2) cents</b></u>	<u>HK0.01 cents</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

	<b>2025</b> <i>HK\$'000</i>	2024 <i>HK\$'000</i>
<b>(Loss)/profit for the year</b>	<b>(1,463,820)</b>	12,177
<b>Other comprehensive income</b>		
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>		
Surplus on revaluation of property, plant and equipment upon transfer to investment properties, net of tax	–	27,324
Exchange differences on translation of financial statements of operations outside Hong Kong, net of nil tax	<b>290,384</b>	(211,854)
Exchange reserve realised upon disposal of subsidiaries	<b>(28,003)</b>	–
<b>Other comprehensive income for the year</b>	<b>262,381</b>	(184,530)
<b>Total comprehensive income for the year</b>	<b>(1,201,439)</b>	(172,353)
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>(1,206,016)</b>	(169,743)
Non-controlling interests	<b>4,577</b>	(2,610)
	<b>(1,201,439)</b>	(172,353)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December 2025 <i>HK\$'000</i>	As at 31 December 2024 <i>HK\$'000</i>
	<i>Note</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	360,232	430,689
Investment properties	8	8,254,416	9,192,767
Construction in progress		152	145
Investment in a joint venture		–	285
Bearer plants		11,991	14,457
Other non-current assets		44,498	151,853
		8,671,289	9,790,196
<b>CURRENT ASSETS</b>			
Inventories		693,852	720,711
Properties under development		248,811	237,229
Trade receivables	9	353,783	399,041
Prepayments, deposits and other receivables		1,244,060	1,138,155
Financial assets measured at fair value through profit or loss		7,069	6,643
Amount due from a non-controlling shareholder of a subsidiary		29,611	29,611
Amounts due from associates		4,145	5,145
Amounts due from related parties		12,893	16,964
Tax recoverables		1,286	759
Cash and bank balances		220,649	621,514
		2,816,159	3,175,772
Non-current assets classified as held for sale		59,654	–
Total current assets		2,875,813	3,175,772

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

		As at 31 December 2025	As at 31 December 2024
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>CURRENT LIABILITIES</b>			
Trade payables	10	576,477	699,173
Other payables and accruals		661,941	499,745
Interest-bearing bank borrowings		2,952,267	2,073,370
Lease liabilities		59,691	60,638
Amounts due to non-controlling shareholders of subsidiaries		928	10,199
Amounts due to related parties		71,562	–
Tax payables		82,163	71,091
		<b>4,405,029</b>	<b>3,414,216</b>
		<b>(1,529,216)</b>	<b>(238,444)</b>
<b>NET CURRENT LIABILITIES</b>			
		<b>7,142,073</b>	<b>9,551,752</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings		272,222	1,597,999
Lease liabilities		221,090	265,344
Amounts due to non-controlling shareholders of subsidiaries		107	107
Amounts due to related parties		653,188	504,904
Other non-current liabilities		23,564	22,475
Deferred tax liabilities		1,026,271	1,043,461
		<b>2,196,442</b>	<b>3,434,290</b>
		<b>4,945,631</b>	<b>6,117,462</b>
<b>NET ASSETS</b>			
<b>CAPITAL AND RESERVES</b>			
Share capital	11	134,413	134,413
Reserves		4,498,308	5,693,128
		<b>4,632,721</b>	<b>5,827,541</b>
Total equity attributable to equity shareholders of the Company		<b>312,910</b>	<b>289,921</b>
Non-controlling interests		<b>4,945,631</b>	<b>6,117,462</b>
		<b>4,945,631</b>	<b>6,117,462</b>
<b>TOTAL EQUITY</b>			

## NOTES:

### 1. MATERIAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

The annual results set out in the announcement are extracted from the Group's consolidated financial statements for the year ended 31 December 2025.

The accounting policies and basis of preparation adopted in the financial statements are consistent with those adopted in the Group's audited 2024 annual financial statements except for changes in accounting policies as a result of the adoption of new and revised HKFRS Accounting Standards as set out in note 2.

The Group incurred a net loss of HK\$1,463,820,000 and as at that date, had net current liabilities of HK\$1,529,216,000 with bank borrowings amounted to HK\$2,952,267,000 due within twelve months from 31 December 2025 or on demand, while its cash and cash equivalents amounted to HK\$176,337,000 only.

Included in current borrowings as at 31 December 2025 were certain bank borrowings of HK\$2,541,891,000 of which the Group defaulted repayments for the outstanding principal amounts subsequent to 31 December 2025. Such non-repayment constituted an event of default under the loan agreements. If the bank requests immediate repayment of the borrowings and the Group cannot fulfil the request, the bank is entitled to take possession of the Group's investment properties and property, plant and equipment totalling HK\$2,304,745,000 securing the borrowings.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern.

In view of such circumstances, the directors have given careful consideration to the future liquidity of the Group and its available sources of finance in assessing the Group's ability to continue as a going concern. The directors have reviewed the Group's cash flow forecast prepared by management, which covers a period of at least twelve months from 31 December 2025. Certain plans and measures have been or will be taken to mitigate the Group's liquidity pressures and to improve the Group's financial position which include, but not limited to, the following:

- (i) The Group is currently in discussions with its lending banks as part of its financial restructuring plan to extend the maturity dates of the bank borrowings and to revise the repayment schedules.
- (ii) The Group is seeking potential buyers to acquire its properties strengthen its liquidity position.
- (iii) The Group will continue to implement measures to accelerate sales and collection of sales proceeds from sales of merchandise from trading and manufacturing businesses and sales of completed properties and rentals from the property investment and development businesses.
- (iv) The Group will continue to take active measures to control administrative and operating costs.

The directors are of the opinion that, assuming the success of the above-mentioned plans and measures, the Group will have sufficient working capital to maintain its operations and to meet its financial obligations as and when they fall due for at least twelve months from the end of the reporting period. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the Group will be able to achieve its plans and measures as described above. Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments might have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

## **2. CHANGES IN ACCOUNTING POLICIES**

The Group has applied amendments to HKAS 21, *The effects of changes in foreign exchange rates — Lack of exchangeability* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) to these financial statements for the current accounting period. The amendments do not have a material impact on these financial statements as the Group has not entered into any foreign currency transactions in which the foreign currency is not exchangeable into another currency.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## **3. REVENUE AND SEGMENTAL INFORMATION**

Revenue represents the net invoiced value of goods sold after allowances for returns and trade discounts, sales of properties, the value of services rendered and gross rental income received and receivable from investment properties during the year.

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

- (i) the trading and manufacturing segment is engaged in trading and manufacturing of merchandises including toys, footwear products and leather products;
- (ii) the property investment and development segment is engaged in property investment and development;
- (iii) the agriculture and forestry segment is engaged in the cultivation of fruit trees and crops, rearing of livestock and aquatic products, forestation and sale of relevant agricultural products; and
- (iv) the others segment mainly comprises, principally, the Group's investment holding related management functions.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted (loss)/profit before tax. The adjusted (loss)/profit before tax is measured consistently with the Group's (loss)/profit before tax except that share of profits and losses of associates and finance costs are excluded from such measurement.

### 3. REVENUE AND SEGMENTAL INFORMATION (continued)

#### Business segments

The following tables present revenue and profit for the Group's business segments for the years ended 31 December 2025 and 2024.

	Trading and manufacturing		Property investment and development		Agriculture and forestry		Others		Total	
	2025 HK\$'000	2024 HK\$'000	2025 HK\$'000	2024 HK\$'000	2025 HK\$'000	2024 HK\$'000	2025 HK\$'000	2024 HK\$'000	2025 HK\$'000	2024 HK\$'000
<b>Segment revenue</b>										
External sales	<u>1,974,209</u>	<u>3,007,310</u>	<u>203,590</u>	<u>223,328</u>	<u>919</u>	<u>891</u>	<u>-</u>	<u>-</u>	<u>2,178,718</u>	<u>3,231,529</u>
<b>Segment results</b>	(189,854)	202,646	(1,118,336)	16,520	(18,478)	(10,728)	29,337	89,876	(1,297,331)	298,314
Reconciliation:										
— Finance costs									(213,108)	(248,252)
(Loss)/profit before tax									<u>(1,510,439)</u>	<u>50,062</u>

#### Geographical segments

##### Revenue from external customers

	2025 HK\$'000	2024 HK\$'000
The People's Republic of China ("PRC"), including Hong Kong and Macau	284,265	333,570
The United States of America ("USA")	1,064,753	1,866,954
Europe	537,805	731,234
Japan	17,570	21,721
Others	274,325	278,050
	<u>2,178,718</u>	<u>3,231,529</u>

The revenue information above is based on the destination to which goods and services are delivered.

### 4. (LOSS)/PROFIT FROM OPERATIONS

(Loss)/profit from operations includes depreciation in respect of the Group's property, plant and equipment (including right-of-use assets) and bearer plants for the year ended 31 December 2025 amounting to approximately HK\$101,775,000 (2024: HK\$99,760,000).

For the year ended 31 December 2025, the Group recorded gains on disposals of subsidiaries amounted to approximately HK\$67,561,000 (2024: HK\$121,793,000).

## 5. INCOME TAX

Income tax comprises current and deferred taxes.

Hong Kong Profits Tax has been provided at the rate of 16.5% (2024: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

PRC Corporate Income Tax has been calculated at the rate of 25% (2024: 25%) on estimated assessable profits arising in the PRC during the year.

Deferred tax is provided on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

## 6. (LOSS)/ EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share is based on the loss for the year attributable to equity shareholders of the Company of HK\$1,447,769,000 (2024: profit of HK\$696,000), and the weighted average number of ordinary shares of 12,982,892,000 (2024: 12,982,892,000) in issue after deducting shares held for the share award scheme and treasury shares.

The calculation of diluted (loss)/earnings per share is based on the (loss)/profit for the year attributable to equity shareholders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares as used in the basic (loss)/earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on vesting, and the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted (loss)/earnings per share are based on:

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
<b>(Loss)/earnings</b>		
(Loss)/profit attributable to equity shareholders of the Company used in the basic and diluted (loss)/earnings per share calculation	<u>(1,447,769)</u>	<u>696</u>
	<b>Number of shares</b>	
	<b>2025</b>	2024
	<b>'000</b>	<b>'000</b>
<b>Shares</b>		
Weighted average number of ordinary shares used in the basic (loss)/earnings per share calculation	<b>12,982,892</b>	12,982,892
Effect of redeemable convertible preference shares	<u>–</u>	<u>219,951</u>
Weighted average number of ordinary shares used in the diluted (loss)/earnings per share calculation	<u><b>12,982,892</b></u>	<u>13,202,843</u>

The Company's share options have no dilution effect for the year ended 31 December 2024 because the exercise price of the Company's share options was higher than the average market price of the shares for the year and the share options are therefore anti-dilutive.

Diluted loss per share equals to basic loss per share for the year ended 31 December 2025 because the potential ordinary shares outstanding were anti-dilutive.

## 7. DIVIDENDS

The Company had not declared or paid any dividend during the year ended 31 December 2025 (2024: nil) and the Board did not recommend the payment of a final dividend for the year ended 31 December 2025 (2024: nil).

## 8. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the year ended 31 December 2025, interests in subsidiaries of the Group which hold an aggregate of property, plant and equipment of approximately HK\$1,083,000 and investment properties of approximately HK\$2,655,000 were disposed of.

During the year ended 31 December 2025, certain properties of the Group with an aggregated value of approximately HK\$12,925,000 and HK\$46,729,000 have been transferred from property, plant and equipment and investment properties to non-current assets classified as held for sale respectively.

## 9. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit with credit periods normally ranging from one to three months depending on a number of factors including trade practice, collection history and location of customers. Each customer has a maximum credit limit.

The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to monitor credit risk. Overdue balances are reviewed regularly by the senior management.

An ageing analysis of trade receivables net of loss allowance as at the end of the reporting period based on invoice date is as follows:

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Within 90 days	281,934	367,221
91 to 180 days	53,881	13,530
181 to 365 days	6,923	6,387
Over 365 days	11,045	11,903
	<u>353,783</u>	<u>399,041</u>

## 10. TRADE PAYABLES

An ageing analysis of trade payables as at the end of the reporting period based on invoice date is as follows:

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Within 90 days	343,189	466,387
91 to 180 days	127,608	159,782
181 to 365 days	33,348	5,760
Over 365 days	72,332	67,244
	<u>576,477</u>	<u>699,173</u>

The trade payables are non-interest-bearing and expected to be settled within one year.

## 11. SHARE CAPITAL

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Authorised:		
20,000,000,000 (2024: 20,000,000,000) ordinary shares of HK\$0.01 each	200,000	200,000
3,000,000,000 (2024: 3,000,000,000) redeemable convertible preference shares of HK\$0.02 each	60,000	60,000
Total authorised capital	<u>260,000</u>	<u>260,000</u>
Issued and fully paid:		
13,221,302,172 (2024: 13,221,302,172) ordinary shares of HK\$0.01 each	132,213	132,213
109,975,631 (2024: 109,975,631) redeemable convertible preference shares of HK\$0.02 each (Note)	2,200	2,200
Total issued and fully paid capital	<u>134,413</u>	<u>134,413</u>

*Note: The redeemable convertible preference shares are redeemable at the sole discretion of the Company at any time after the issuance thereof. Holders of the redeemable convertible preference shares shall be entitled to pro-rata share of dividend or distribution declared by the Board, at its discretion, to the ordinary shareholders of the Company. Dividends or distributions payable to the holders of the redeemable convertible preference shares are not cumulative. The redeemable convertible preference shares shall not confer on the holders thereof the right to receive notice of, or to attend and vote at, general meetings of the Company unless a resolution is proposed to vary or abrogate the rights or privileges of the holders of the redeemable convertible preference shares or for winding-up the Company. The redeemable convertible preference shares rank prior to the ordinary shares on distribution of assets on liquidation, winding-up or dissolution of the Company to the extent of the amount equal to the aggregate issue price of the relevant redeemable convertible preference shares. The remaining assets shall belong to and be distributed on a pari passu basis among the holders of the ordinary shares.*

There was no movement in the number of issued ordinary shares and redeemable convertible preference shares of the Company during the years ended 31 December 2025 and 2024.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL SUMMARY AND KEY PERFORMANCE INDICATORS

The Group recorded its total revenue of HK\$2,179 million for the year ended 31 December 2025 (the “Year”), representing a decrease of approximately 33% compared to 2024 (2024: HK\$3,232 million), and its loss after tax of HK\$1,464 million for the Year as compared to the profit after tax of HK\$12 million in 2024. The deterioration in results, shifting from profit to loss, was mainly attributed to (i) net fair value loss on investment properties, reflecting the softening of the relevant property markets; (ii) an operating loss from trading and manufacturing business as a result of decrease in sales orders received from a major customer and reduction of orders from overseas customers because of US tariff impact.

Loss per share attributable to equity shareholders of the Company for the Year was approximately HK11.2 cents (2024: basic earnings per share: HK0.01 cents).

### BUSINESS REVIEW

The principal businesses of the Group include trading and manufacturing, property investment and development and agriculture and forestry.

#### Trading and Manufacturing

The trading and manufacturing segment comprises (i) OEM production of toy products; (ii) trading of footwear products; and (iii) sales of branded ball products. During the Year, this segment’s revenue decreased by approximately 34% to HK\$1,974 million (2024: HK\$3,007 million), reflecting weak demands across key product categories from customers. This segment recorded an operating loss of HK\$189.9 million for the Year (2024: operating profit of HK\$202.6 million).

##### *(i) OEM toys production*

The OEM toys operation generated revenue of HK\$1,621 million for the Year (2024: HK\$2,725 million), representing a decrease of approximately 41% compared with 2024.

The Year was shaped by the appreciation of Renminbi (“RMB”), weak consumer sentiment, sluggish economic conditions, heightened geopolitical tensions and policies uncertainties, including the continuation of US tariffs. These factors collectively suppressed global demand for non-essential consumer goods, such as toys, and led the Group’s major US customers to adopt a more conservative and risk-averse ordering strategy.

The Group was further affected by a sharp decline in demand for a specific toy product from a major customer for 2025 season due to tariffs and sourcing diversification.

As a result, the Group's principal production facilities experienced significant underutilization of capacity. In response to the significantly reduced purchase orders and prolonged underutilization, the Group is undergoing a restructuring of its OEM toy production operations. This initiative aims to optimize resource allocation, streamline manufacturing processes, reduce operating costs and enhance operational efficacy.

*(ii) Trading of footwear products*

Revenue from this segment increased by approximately 28% to HK\$343 million during the Year (2024: HK\$269 million). This segment recorded a stable operating profit of HK\$10.3 million (2024: HK\$10.3 million). The notable growth in revenue was mainly attributable to successful expansion of the customer network. Operating profit remained stable because of the net effect of the increase in sales, the decrease in gross profit margin by offering attractive price to expand its customer base and lowering manufacturing costs by effective diversification of production in countries with lower production costs including Cambodia and Bangladesh.

*(iii) Sales of branded ball products*

Revenue from sales of branded ball products in Mainland China decreased by approximately 27% to HK\$8.0 million during the Year (2024: HK\$10.9 million). The decline was primarily attributable to a significant shift in purchase behaviour (i.e. from bulk procurement through tendering to purchasing on an as-needed basis) amongst educational institutions which have historically been the Group's major customers for ball products. This shift is likely a result of tighter budget allocations to the educational institutions by the local governments. To mitigate the impact of reduced reliance on bulk purchases by educational institutions, the Group will broaden its sales channels and enhance product exposure by leveraging the long-established "LeeSheng (利生)" brand, which has a history of over 100 years in Mainland China. This strategy aims to expand the Group's distribution network and strengthen its market presence.

## **Property Investment and Development**

Revenue from the property investment and development segment decreased by approximately 9% to HK\$204 million during the Year (2024: HK\$223 million). This segment recorded an operating loss of HK\$1,118.3 million, including the fair value change on investment properties (2024: operating profit of HK\$16.5 million). Excluding fair value changes, this segment generated an operating profit of HK\$44.2 million (2024: HK\$98.4 million), representing a decrease of approximately 55% compared with 2024 which was caused by decrease in sales of residential properties by HK\$17.2 million (2025: HK\$33.9 million, 2024: HK\$51.1 million) and increase in operating cost.

The Group's property investment portfolio comprises a total gross floor area ("GFA") of approximately 570,000 sq.m. (approximately 6,137,000 sq.ft.) in Mainland China and approximately 26,000 sq.m. (approximately 280,000 sq.ft.) in Hong Kong. The Group's investment properties for leasing in Mainland China are primarily located in prime areas of Nanjing, Shenyang and Tianjin.

As at the Year end, approximately 69% of the total saleable areas of residential towers and serviced apartment of the Group's flagship property project namely "Central Square" were sold. Situated in a prime residential area in Shenyang, Central Square is expected to continue contributing to the Group's sales and rental performance in 2025 and onwards. This outlook is supported by a series of measures introduced by the central government to stimulate the real estate market, including reductions in down payment ratios, lower purchase thresholds for non local buyers, and reductions in existing mortgage rates, all aimed at restoring market confidence and supporting a stable and healthy property market. In 2026, both central and local governments continued to roll out additional supportive measures, such as lowering purchase costs, encouraging transaction volumes, supporting housing consumption, and stabilising market sentiment. Nevertheless, a full recovery of the real estate market will take time and sustained demand growth has yet to materialize.

Despite the challenging market environment, the Group maintained stable rental income from its investment properties. Rental income generated from this segment during the Year was HK\$169.8 million (2024: HK\$171.9 million), representing a marginal decrease of less than 1% compared with 2024.

## **Agriculture and Forestry**

Revenue of this segment remained stable at HK\$0.9 million during the Year (2024: HK\$0.9 million). This segment recorded an operating loss of HK\$18.5 million (2024: HK\$10.7 million), mainly reflecting higher operating expenses and the absence of growth of revenue.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2025, the Group had a current ratio of 0.65 and a gearing ratio of 65% (31 December 2024: 0.93 and 60%, respectively). The gearing ratio is computed by dividing the Group's total bank borrowings of HK\$3,224.5 million by the Group's equity of HK\$4,945.6 million. The Group's operation and investments continued to be financed by internal resources and bank borrowings. The Group will closely monitor the liquidity risk and maintain a balance between continuity of funding and flexibility through the use of banking facilities.

## **EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES**

The Group operates in Hong Kong and Mainland China and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to RMB and United States dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in operations in Mainland China. The Group manages foreign exchange risk by closely monitoring the movements of the foreign currency rates and entering into forward contracts whenever appropriate.

## **CAPITAL STRUCTURE**

During the Year, there was no material change in the Group's capital structure.

## **SIGNIFICANT EVENTS DURING THE YEAR**

On 6 May 2025, South China Industries (China) Limited ("SCI China") and Sino Pioneer International Limited ("Sino Pioneer"), both being indirect wholly-owned subsidiaries of the Company, as vendors entered into a sale and purchase agreement with Splendid Enterprises Limited ("Splendid Enterprises"), a company wholly-owned by Mr. Ng Hung Sang ("Mr. Ng"), the controlling shareholder of the Company, chairman of the board of directors and an executive director of the Company, as purchaser, pursuant to which SCI China and Sino Pioneer conditionally agreed to sell and Splendid Enterprises conditionally agreed to purchase the entire issued share in World Mastery Limited, Crosslight Limited and Chun Wing Company Limited (those companies retained certain properties in Tianjin), at total consideration of HK\$26,960,296. The consideration was settled by set-off against an amount due to a connected party which is indirectly wholly-owned by Mr. Ng Hung Sang at completion. This transaction was approved by independent shareholders at the extraordinary general meeting held on 17 June 2025. The gain resulted from the disposal of subsidiaries was approximately HK\$67,561,000, which have been recognised to the consolidated statement of profit or loss during the Year. Details of the disposal are set out in the Company's announcements dated 6 May 2025, 7 May 2025, 27 May 2025 and 3 June 2025 respectively and the circular of the Company dated 10 June 2025.

On 24 December 2025, Everwin Toys (Dongguan) Company Limited (“Everwin Toys”), being an indirectly wholly-owned subsidiary of the Company as vendor and Dongguan City Yanyuan Supply Management Limited (“Yanyuan”) as purchaser entered into a sale and purchase agreement, pursuant to which Everwin Toys agreed to sell, and Yanyuan agreed to purchase, the land use right of and the plant building (including all erections and facilities thereof) erected on an area of approximately 200 mu situated at Xiekeng Management Zone and Erkeng Area of Xiekeng Village, Qingxi Town, Dongguan City, Guangdong Province, the PRC at the consideration of RMB290 million (equivalent to approximately HK\$318.7 million). On 24 December 2025, the Company obtained written shareholders’ approval from Mr. Ng Hung Sang, together with his associates, who are collectively holding 8,094,759,715 shares of the Company (representing approximately 61.23% of the issued share capital of the Company) for approving the aforesaid transaction in lieu of a resolution to be passed by the shareholders at a general meeting of the Company. Details of the disposal are set out in the Company’s announcements dated 24 December 2025, 5 January 2026 and 28 January 2026 respectively.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES**

Save as set forth in the section headed “Significant events during the Year” in this announcement, there was no other material acquisition and disposal of subsidiaries and associated companies of the Company during the Year.

## **PLEDGE OF ASSETS AND CONTINGENT LIABILITIES**

During the Year, the Group had entered into new bank loan facilities under which certain investment properties of the Group were pledged with the banks.

During the Year, the pledge over an investment property under a bank loan facility granted to an indirectly wholly-owned subsidiary of the Company has been released and discharged.

An indirect wholly-owned subsidiary of the Company in China provided guarantees to certain financial institutions in an aggregate amount of approximately RMB151.1 million (equivalent to approximately HK\$168.1 million) on behalf of independent purchasers of premises of the Central Square in relation to which the related premises ownership certificates had not been issued as at 31 December 2025. The said guarantees would be released upon the issuance of the premises ownership certificate to those buyers.

Save as aforesaid, there was no other material change in the Group’s pledge of assets and contingent liabilities during the Year.

## PROSPECTS

The global economic environment is expected to remain highly uncertain in 2026, weighed down by the continuation of US tariff policies, persistent geopolitical tensions, including the ongoing Russia-Ukraine conflict and instability in the Middle East — an uneven post-pandemic recoveries across major economies. These external factors will inevitably continue to affect the Group's overall business performance.

According to the World Economic Outlook published by International Monetary Fund, global economic growth is projected at 3.3% in 2026 and 3.2% in 2027. Growth in advanced economies is forecast at 1.8% in 2026 and 1.7% in 2027. In the United States, GDP is expected to expand by 2.4% in 2026 and 2.0% in 2027, supported by fiscal measures and a lower interest-rate environment, while the impact of elevated trade barriers is expected to gradually ease.

In the United States, inflationary pressure remains persistent. After declining sharply in mid-2022, inflation stabilized around 3% in 2025 before easing to 2.4% in January 2026, prompting the Federal Reserve to signal a gradual pace of interest-rate reductions during 2026. Lower borrowing costs and reduced mortgage rates may stimulate consumer spending and investment, although these benefits may be partially offset by the broad-based tariff on imported goods, which could raise costs for households and import-reliant businesses.

Improving market sentiment in the United States is expected to create additional business opportunities for the Group's OEM toy production segment. The US Fiscal Year 2026 budget proposal places emphasis on reducing living costs for working families through tax cuts and enhanced tax refunds, alongside initiatives to support job creation and strengthen small businesses. These measures may help underpin consumer demand for discretionary goods, including toys.

In Mainland China, economic growth is projected at 4.5% in 2026 and 4.0% in 2027, supported by continued policy measures under 15th Five-Year Plan. Increased government expenditure on social policies as well as upward adjustments on minimum wages are expected to bolster domestic consumption. Recent improvements in retail sales and resilience in the service sector suggest stabilizing consumer confidence and a gradual recovery in spending willingness. However, housing prices continue to decline, and real estate investment remains subdued, posing ongoing challenges to broader economic momentum.

The central government is expected to maintain a supportive monetary stance, accelerate local government bond issuance to drive infrastructure investment, and continue prioritizing consumption, innovation and structural reforms in 2026.

With consumer price inflation remaining below 1% and producer prices gradually emerging from deflation, the People's Bank of China has room to keep monetary conditions accommodative. The Group expected policymakers to prioritize stability and support domestic demand through a combination of front-loaded fiscal spending and targeted consumption-boosting measures.

While 2026 presents significant external challenges, proactive policy responses from governments of Mainland China, Hong Kong and the United States (the Group's core markets) are expected to mitigate the impact of tariff-related disruptions and on-going geopolitical tensions. A gradual improvement in consumer confidence is anticipated, supported by easing inflation and accommodative monetary policies. The Group maintains cautiously optimistic about its long-term prospects and will continue to adopt an agile approach in navigating evolving geopolitical and economic conditions, positioning itself to capture emerging opportunities as market conditions stabilise.

## **Trading and Manufacturing**

### *OEM toys production*

The OEM manufacturing sector is expected to continue operating in a challenging and complex global environment in 2026. Elevated interest rates, persistent geopolitical tensions, and evolving trade and tariff policies are shaping buyer behaviour and production planning across the industry. Demand from major export markets, particularly the United States and Europe, remains highly sensitive to consumer sentiment, retail inventory levels, and the financial health of downstream distributors. Buyers are expected to maintain conservative ordering patterns, shorter order cycles, and tighter cost control measures, which will continue to affect visibility and production planning for manufacturers (including the Group).

#### *Key market drivers affecting the segment*

- (i) **Tariffs and Sourcing Diversification** — Although Mainland China remains the world's largest production base for toys and consumer goods, international buyers are increasingly adopting a "China+1" sourcing strategy to optimize supply chain resilience and mitigate tariff exposure and geopolitical risks. This trend is expected to persist, influencing factory utilisation rates, capital allocation decisions, and the geographic distribution of future production. The Group anticipates that sourcing diversification will continue to reshape order flows and require greater flexibility in production deployment.
- (ii) **Cost Pressure** — Labour, logistics, and financing costs remain elevated across the manufacturing sector. At the same time, buyers continue to resist price adjustments and, in many cases, exert downward pressure on unit prices. This imbalance has resulted in margin compression, and certain production lines have recorded negative profitability. In addition, the appreciation of RMB imposed further cost pressure. The Group expects cost pressure to remain a key challenge in 2026, particularly as global inflation stabilises at levels above pre-pandemic norms.

- (iii) Supply Chain Adjustments — Geopolitical disruptions and volatility in global shipping routes have increased the complexity and cost of procurement and logistics planning. Manufacturers are required to maintain greater operational flexibility, diversify suppliers, and adjust inventory strategies to mitigate delays and cost fluctuations. These adjustments, while necessary, add to the overall cost burden of OEM operations.

*Impact on the Group and strategic response*

Under these market conditions, the Group's OEM manufacturing revenue has been significantly affected, particularly due to reduced order volumes, shorter lead times, and intensified price competition. In response, the Group has undertaken a series of measures since the second half of 2025 to strengthen operational resilience and maintain long term sustainability, aimed at aligning cost structures with current market demand while preserving the ability to scale up efficiently when market conditions improve. These measures include:

- (i) Restructuring of manpower to align staffing levels with current production needs;
- (ii) Consolidation of production lines to improve efficiency and reduce fixed overheads;
- (iii) Re-engineering of operational processes to enhance productivity and cost control; and
- (iv) Active negotiations with buyers to recalibrate ordering schedules and pricing strategies to secure more stable and sustainable margins.

Restructuring of manpower and consolidation of production lines will improve capabilities in encountering reduction in sales orders and increasingly cost pressures in short term and improve our effectiveness and efficiency in long run.

Despite these efforts, margin pressure remains substantial, driven by lower selling prices offered by buyers and higher material input and financing costs. The Group will continue to prioritise operational optimisation, cost discipline, and strategic customer engagement to navigate the challenging environment.

Looking ahead, the Group remains cautiously optimistic that gradual improvements in global consumer sentiment, supported by easing inflation, accommodative monetary policies, and stabilising retail inventories, may lead to a more favourable demand environment. However, the Group recognises that the OEM manufacturing landscape will remain highly competitive and will continue to adapt its production strategy, cost structure, and customer mix to capture opportunities as they arise.

### *Trading of footwear products*

Consistent with its long-standing strategy, the Group will continue to place orders with different plants endorsed by its customers across various countries, enabling it to balance production costs and optimize profit margins. To capture additional business opportunities, the Group has diversified its product offerings to include athletic footwear and apparels for its existing customers beginning in 2026. Meanwhile, the Group will continue to explore new business opportunities in this segment with the objective of maximizing returns and strengthening long-term competitiveness.

## **Property Investment and Development**

### *Property Investment*

The Mainland China property market continues to undergo structural adjustment, with residential demand remaining uneven across regions. First tier and selected second tier cities continue to demonstrate relatively stronger performance, while lower tier cities face slower absorption and weaker sentiment. In the commercial sector, leasing demand varies by asset class: retail properties benefit from improving domestic consumption, office properties face pressure from corporate consolidation and new supply, while industrial and logistics assets remain resilient due to sustained e-commerce and supply chain demand.

Against this backdrop, the Group will continue to enhance the performance of its property investment portfolio in Mainland China and Hong Kong through active tenant mix optimisation, facility upgrades, and the introduction of experiential retail concepts. At the Group's flagship retail property, Avenue of Stars in Shenyang, management keeps refining the tenant composition by introducing additional experiential offerings and upgrading facilities to attract fashion and family oriented retailers. These initiatives aim to strengthen the mall's appeal to young couples and families, thereby improving foot traffic and rental performance.

At Central Square (another flagship mixed-use property in Shenyang), the retail podium has recently broadened its tenant mix by leasing part of its space to boutique hotel operators, complemented by a diverse range of experiential and service based tenants, including food and beverage outlets, banking services, hair salons, convenience stores, and pet related services. This diversified ecosystem is expected to create stronger synergies among tenants and enhance the overall attractiveness of the development.

In early 2026, the central government of Mainland China significantly expanded its visa free policy to include more than 50 countries for stays of up to 30 days. This favourable policy is expected to attract more international visitors, providing a positive boost to the retail sector and reinforcing leasing demand. The Group anticipates that these developments will help broaden the customer base and generate incremental rental income across its investment properties.

In Hong Kong, overall visitors arrivals continued to recover, while outbound travel by local residents remained high, leading to an outflow of domestic retail activity. To address these dynamics, the Group is continually refining and strengthening its tenant mix to improve the rental performance of retail shops. The office market continues to face challenges from oversupply, however, the Hong Kong government has introduced supportive measures to stabilize conditions, including a pause on a new commercial land site releases, which is helping to ease inventory pressure. In addition, strong financial market activities including IPO listings and various talent schemes aimed at attracting professionals from Mainland China and overseas are expected to stimulate economic activity and support business expansion, leading to a more constructive outlook for office demand.

Recurring rental income from both Mainland China and Hong Kong is expected to remain a stable contributor to the Group's results.

### *Property Development*

The Mainland China real estate market is expected to remain in an adjustment phase in 2026, marked by gradual demand recovery and evolving policy support. Central and local governments have continued to introduce favourable measures aimed at reducing purchase costs, stimulating residential property transactions, supporting reasonable housing demand, and stabilising market sentiment. These policies are intended to restore confidence, support price recovery in first tier cities, and accelerate inventory reduction in second to fourth tier cities. While recovery is expected to be gradual, policy direction remains supportive.

The Group remains cautiously optimistic about the sales performance of the residential units at Central Square, given its prime location in one of Shenyang's most desirable residential districts. The development benefits from direct access to (i) its retail podium, (ii) the subway network, and (iii) a vibrant pedestrian street lined with restaurants and retail stores, all of which enhance its appeal to prospective buyers.

In Nanjing, the local authority and the Group have been in discussions regarding possible buy back arrangements of certain land parcels at compensation levels referenced to prevailing market values, as well as administrative support for exploring optimal and sustainable redevelopment plans, including infrastructure upgrades and revitalisation of underutilised land parcels. Such initiatives, if materialised, are expected to substantially enhance the value of the Group's land resources. Given that the Group's land banks in Nanjing were acquired at relatively low costs in earlier years, any realisation of these non core land assets is expected to generate positive financial contributions while enabling the Group to redeploy capital more efficiently.

Looking ahead, the Group will continue to study the conversion of certain industrial land bank assets to commercial use and solution of resolving low-efficiency land sites in Mainland China, with the objective of increasing land value and enhancing development returns. In addition, the central government has announced a number of development projects that may create new opportunities for the Group's land bank assets. The Group will continue to revisit business plans for land parcels located within these development zones and adopt a proactive approach in response to evolving planning progress. The Group will also continue to explore potential acquisition and disposal opportunities to optimise its land bank portfolio and maximise shareholders' interests.

### **Agriculture and Forestry**

The agriculture and forestry sector in Mainland China continues to be shaped by national policies promoting rural revitalisation, ecological conservation, and sustainable land use. Demand for agricultural products remains stable, supported by resilient domestic consumption and food security priorities. Forestry resources benefit from long term government support for carbon sequestration, environmental protection, and biodiversity initiatives. The Group currently holds long-term leases covering over 290,000 mu (approximately 193 million sq.m.) of woodland, farmland, fishponds, and lake spaces across major provinces in Mainland China. These land resources are primarily used for cultivating fruits and crops such as apples, winter dates, peaches, pears, and corn as well as sub-leasing of some farmland to third-party operators for maximizing the utilization and returns. Looking ahead, the Group will continue to explore opportunities to cultivate high-margin agricultural species, while prioritizing improvements in harvest yields, sales and distribution channels, resource utilization, and cost control to improve the operational performance of this segment. In addition, the Group will actively pursue opportunities to generate higher returns through the conversion of agricultural land usage, and will seek strategic cooperation with other agricultural operators to strengthen its market position, operational efficiency and unlock the long-term value of its agricultural land portfolio.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The following section lists out the key risks and uncertainties facing by the Group. It is a non-exhaustive list and there may be other risks and uncertainties additional to the key risk areas outlined below.

## **Risks relating to Trading and Manufacturing**

### *Macroeconomic environment*

The Group designs and manufactures a wide variety of toys, shoes and other leather products. Our customers sell such products worldwide to their consumers. The Group's financial performance, therefore, hinges on the level of discretionary consumer spending in the markets in which our products are eventually sold. Recessions, credit crises and other economic downturns can result in decrease in consumers' disposable income and lower consumption confidence. These factors would adversely affect orders from our customers.

### *Cost increase*

Cost increases, whether resulting from rising costs of materials, transportation, minimum wage legislations in Mainland China or compliance with existing or future regulatory requirements could impact the profit margins realised by the Group on the sale of its products. In addition, the Group could be the subject of future product liability lawsuits or product recalls, which could harm its business.

## **Risks relating to Property Investment and Development**

### *Risks associated with the property market in Mainland China*

A significant part of the Group's property portfolio is located in Mainland China and is therefore subject to the risks associated with Mainland China's property market. The Group's operations in Mainland China may also be exposed to the risks of policy change, RMB exchange rate change, interest rate change, demand-supply imbalance, and the overall economic conditions, which pose adverse impact on the Group's business, financial condition or results of operations.

### *Risks associated with the property market in Hong Kong*

The state of Hong Kong's economy and property market, legislative and regulatory changes, government policies and political conditions would affect the Group's revenue derived from the Group's property portfolio in Hong Kong. The government may introduce property cooling measures from time to time. Rental levels in Hong Kong are subject to competition arising from supply in the primary sector.

## **Risks relating to Agriculture and Forestry**

### *Risk associated with natural disasters or adverse weather conditions*

The Group's agriculture and forestry operations are susceptible to natural disasters and adverse weather conditions such as droughts, floods and earthquakes, and environmental hazards. The occurrence of any of the above events in or in close proximity to our cultivation area may cause a reduction or delay in our production output, which may adversely affect the Group's business and operating performance.

The Group will conduct regular reviews and focus on mitigating the risks exposure of each business unit.

## **UPDATE ON LITIGATION PROCEEDINGS**

### **(i) Against Nanjing Skytech Co., Limited and Others**

#### *Case on infringement of copyrights*

Reference is made to the relevant sections of the annual report of the Company for the year of 2024 (the "Annual Report") regarding the litigation in the PRC concerning infringement of copyrights of certain pieces of computer software that belong to Nanjing South China Skytech Technology Co., Limited (南京南華擎天資訊科技有限公司) ("South China Skytech").

The latest development in the legal proceedings is that several hearings were held before the Supreme People's Court of China (the "Supreme Court") from November 2024 to September 2025, following an appeal lodged by South China Skytech against the judgment of the Jiangsu High Court, under which the ownership of 3 out of the 31 disputed computer software programs was held to vest in South China Skytech, rather than all 31 as originally claimed. The outcome of the appeal remains uncertain. Even if the Supreme Court were to rule in favour of South China Skytech, the defendant may still have the right to seek retrial by filing an application with the Supreme Court.

Given the significant downturn in the Group's business performance during the Year, the Group recorded a loss of approximately HK\$1,463.8 million, the Company's management has resolved to prioritise the allocation of its financial and human resources towards restructuring and strengthening the Group's operations to support long term sustainability. In light of the substantial shareholder's assumption of litigation related costs and the inherent uncertainty and time consuming nature of the proceedings, the Company considers it appropriate to focus its resources on stabilising and improving the Group's core business operations.

In February 2026, Mr. Ng Hung Sang (“Mr. Ng”), the controlling shareholder and an executive director of the Company, acquired the entire issued share capital of the holding company of South China Skytech through his wholly owned subsidiary, as a result of which South China Skytech became an indirect wholly owned subsidiary of Mr. Ng. The aforesaid transaction constitutes a de minimis transaction and is fully exempt from independent shareholders’ approval, annual review and all disclosure requirements under Rule 14A.74 of the Listing Rules. Following completion of the acquisition, Mr. Ng has undertaken to assume responsibility for all costs and expenses arising from the litigation process.

*Case on liability dispute related to damaging the interests of the Company*

Reference is made to the relevant sections of the Annual Report in relation to the final judgment made by the Jiangsu High Court against Nanjing Skytech Co., Limited (南京擎天科技有限公司), Ms. Xin Yingmei, Mr. Wang Xiaogang and Mr. Zhang Hong (collectively, the “Defendants”) who had breached the non-competition obligation under China’s Company Law and were liable to make certain payments to South China Skytech. The latest development in the legal proceedings is that a final judgment was handed down by the Jiangsu High Court in October 2024, under which the Defendants were ordered to pay damages of approximately RMB28 million to South China Skytech. Subsequently, the Defendants applied to the People’s Procuratorate of Jiangsu Province for supervisory review. If the application were upheld, the case would be subject to retrial, the outcome of which would be uncertain.

For the same reasons as those set out in the above mentioned copyright infringement case, and following the disposal of the holding company of South China Skytech to Mr. Ng, Mr. Ng has undertaken, upon completion of the acquisition, to (i) assume responsibility for all costs and expenses arising from the litigation process; and (ii) in the event that the ultimate judgment is favourable to South China Skytech, unconditionally pay to the Company the adjudged amount of damages upon receipt of such amount from the Defendants.

**(ii) Case on infringement of land situated at Tianjin Binhai**

Reference is made to the relevant sections of the Annual Report in relation to the legal proceedings commenced by World Right Investments Limited (環威投資有限公司) (“World Right”) against Binhai Investment Group Holding Company Limited (濱海投資集團股份有限公司) (“Binhai Group”) and Tianjin Cheng Tou Binhai Property Company Limited (天津城投濱海房地產經營有限公司) for (i) discharge of a joint development agreement entered into between World Right and Binhai Group and (ii) compensation for losses.

For the same reasons as those set out in paragraph hereinabove, in February 2026, Mr. Ng acquired the entire issued share capital of the holding company of World Right through his wholly owned subsidiary, as a result of which World Right became an indirect wholly owned subsidiary of Mr. Ng. The aforesaid transaction constitutes a de minimis transaction and is fully exempt from independent shareholders’ approval, annual review and all disclosure requirements under Rule 14A.74 of the Listing Rules. Following completion of the acquisition, Mr. Ng has undertaken to assume responsibility for all costs and expenses arising from the litigation process.

**(iii) Case on arbitration related to Nansha land**

Reference is made to the relevant sections of the Annual Report in relation to the withdrawal of the arbitration application by Brightson Investments Limited (“Brightson”) as applicant in April 2024 while exploring other legal action(s) thereafter to safeguard the interests of the Group as a whole.

For the same reasons as those set out in paragraph hereinabove, in March 2026, Mr. Ng acquired the entire issued share capital of the holding company of Brightson through his wholly owned subsidiary, as a result of which Brightson became an indirect wholly owned subsidiary of Mr. Ng. The aforesaid transaction constitutes a de minimis transaction and is fully exempt from independent shareholders’ approval, annual review and all disclosure requirements under Rule 14A.74 of the Listing Rules. Following completion of the acquisition, Mr. Ng has undertaken to assume responsibility for all costs and expenses arising from the arbitration or litigation process.

Given the aforesaid, as at the Latest Practicable Date, so far as the Directors are aware, none of the member of the Group was engaged in any litigation or claim of material importance and no litigation or claim of material importance was pending or threatened against any member of the Group.

**FINAL DIVIDEND**

The Board does not recommend the payment of a final dividend for the year ended 31 December 2025 (2024: nil).

## EVENTS AFTER THE REPORTING PERIOD

- (1) On 6 November 2025, Thousand China Investments Limited (an indirect wholly-owned subsidiary of the Company) (“Thousand China”) and South China Financial Holdings Limited (“SCFH”) entered into a supplemental agreement pursuant to which the parties thereto conditionally agreed to alter, amend or change the terms of the outstanding HK\$89,840,000 convertible bonds (the “Bond”) issued by SCFH to Thousand China, as follows:
  - (i) the maturity date be extended from the date falling on the third (3rd) anniversary of the date of issue of the Bond to the date falling on the sixth (6th) anniversary of the date of issue of the Bonds;
  - (ii) the interest rate under the Bonds be increased from one (1)% per annum during the period from the date of issue of the Bonds to the third (3rd) anniversary of the date of issue of the Bonds to (a) one (1)% per annum during the period from the date of issue of the Bonds to the third (3rd) anniversary of the date of issue of the Bonds and (b) two (2)% per annum during the period from the date immediately following the date falling on the third (3rd) anniversary of the date of issue of the Bonds to the maturity date of the Bonds; and
  - (iii) the Conversion Price be changed from HK\$0.32 per the share(s) of SCFH to be issued pursuant to the exercise of the conversion rights attached to the Bonds (the “Conversion Share”) to HK\$0.28 per Conversion Share subject to adjustments in the manner provided in the Bonds which are constituted by a deed poll (including all amendments and modifications from time to time made thereto) dated 13 January 2023 executed by SCFH (collectively, the “Proposed Alterations”).

As disclosed in the Company’s announcement dated 6 November 2025 and the Company’s circular dated 4 December 2025 in relation to the Proposed Alterations and the Company’s announcement dated 12 January 2026 in relation to the poll results of the resolution passed at the Company’s extraordinary general meeting convened on 12 January 2026 (the “EGM”), the Proposed Alterations has been approved by the EGM and became effect on the same date.

- (2) Details of the other significant events after the Reporting Period are set out in the section headed “Update on Litigation Proceedings” above. Shareholders are advised to refer to the aforesaid section for further details.

## **EXTRACT FROM INDEPENDENT AUDITOR’S REPORT**

As disclosed in Note 1 to this announcement, there are conditions indicating the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. The Company’s auditor has indicated to the Company that, if the conditions at that time continue to indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern, then it expects to draw attention to this matter in the auditor’s report in the form set out below:

### **Opinion (Extract)**

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **Material uncertainty related to going concern**

We draw attention to note 2.1 to the consolidated financial statements, which indicates that the Group incurred a net loss of HK\$1,463,820,000 for the year ended 31 December 2025 and as at that date, had net current liabilities of HK\$1,529,216,000. Subsequent to 31 December 2025, the Group defaulted repayments for the outstanding principal amounts totalling HK\$2,541,891,000 of certain bank borrowings. The Group is currently in discussions with its lending banks as part of its financial restructuring plan to extend the maturity dates of the bank borrowing and to revise the repayment schedules and seeking buyers for its properties, amongst others. As stated in note 2.1, these conditions, along with other matters set forth in note 2.1, indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## **CORPORATE GOVERNANCE CODE**

Throughout the year ended 31 December 2025, the Company has complied with all the applicable code provisions of the Corporate Governance Code (the “CG Code”) set out in Appendix C1 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

## **PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 December 2025.

## **AUDIT COMMITTEE**

The Company has established an Audit Committee with written terms of reference in compliance with the Listing Rules. The Audit Committee currently comprises three Independent Non-executive Directors, namely Mr. Kam Yiu Shing Tony (Chairman of the Audit Committee), Ms. Pong Scarlett Oi Lan, BBS, J.P. and Mr. Wong Chun Tat, J.P..

The Group's annual results for the year ended 31 December 2025 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such annual results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

## **SCOPE OF WORK OF KPMG**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2025 as set out in the preliminary announcement have been agreed by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by KPMG on the preliminary announcement.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") set out in Appendix C3 of the Listing Rules as its code of conduct for dealings in securities of the Company by Directors. Following specific enquiries by the Company, all Directors have confirmed that they have complied with the required standards as set out in the Model Code throughout the year ended 31 December 2025.

## **ANNUAL GENERAL MEETING**

The Company's 2026 annual general meeting (the "2026 AGM") will be held on Tuesday, 16 June 2026, at 10:00 a.m.. The notice of the 2026 AGM will be published on the websites of the Stock Exchange and the Company and despatched to the shareholders of the Company in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determining the eligibility of shareholders of the Company to attend and vote at the 2026 AGM, the register of members of the Company will be closed from Wednesday, 10 June 2026 to Tuesday, 16 June 2026, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2026 AGM, all duly completed and signed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar and transfer office, Union Registrars Limited at Suites 3301–04, 33rd Floor, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not later than 4:00 p.m. on Tuesday, 9 June 2026.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.scholding.com](http://www.scholding.com)). The annual report of the Company for the year ended 31 December 2025 will be dispatched to the shareholders of the Company and available on the above websites in due course.

By Order of the Board  
**South China Holdings Company Limited**  
南華集團控股有限公司  
**Ng Hung Sang**  
*Chairman and Executive Director*

Hong Kong, 25 March 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.*

*Where the English and the Chinese texts conflicted, the English text prevails.*