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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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO WINDING-UP PETITION AGAINST A SUBSIDIARY

This announcement is made pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcement of South China Holdings Company Limited (the "**Company**") dated 7 July 2026 (the "**Petition Announcement**") in relation to the winding-up petitions against Wah Shing Toys Company Limited ("**WST**"), which were delivered to WST's registered office on about 22 and 23 June 2026 respectively and came to the attention of the Company on 6 July 2026. The Company wishes to provide the following supplemental information. All capitalized terms used herein shall have the same meanings ascribed to them in the circular of the Company dated 22 May 2026 (the "**Circular**") and the Petition Announcement unless otherwise specified herein.

The principal reason for non-payment of the alleged amounts is WST's severe cash flow difficulties. The sales proceeds from the disposal of land use rights and plant building, as more particularly disclosed in the announcements dated 24 December 2025, 5 January 2026, 23 January 2026, 28 January 2026 and 5 May 2026 respectively, and the Circular, were primarily applied towards settlement of operating and labour costs, certain vendors and sub-contractors, overdue bank loans, and taxes. With a substantial decline in purchase orders since 2025, coupled with unsettled receivables by customers, the sustainability of WST's OEM manufacturing business was materially affected, resulting in its inability to settle trade payables on time.

For further information, the events subsequent to the issuance of the Circular are as follows:

(i) In May 2026, WST together with its subsidiary and affiliates (collectively, the "**WST Group**") continued to explore alternative means of obtaining additional facilities (other than through the provision of further collaterals and guarantees) from its lending bank to support the continued operations of its four remaining plants. Meanwhile, the WST

Group approached certain large customers in an effort to secure purchase order commitments for the second half of 2026 and the first half of 2027, with a view to sustaining its OEM manufacturing business.

(ii) In June 2026, it became apparent that (a) the lending bank was not prepared to extend further facilities to WST unless the Group provided additional collaterals and guarantees, which the Group determined was neither commercially feasible nor justifiable; and (b) the large customers of the WST Group did not commit to a minimum volume of purchase orders for the relevant periods. The Group therefore decided to reengineer and streamline its toys business by redeploying its resources to other businesses, including shifting from an OEM manufacturing model to a trading-based model as the trading-based model is asset- and labour-light (compared with the capital- and labour-intensive OEM manufacturing model), which was considered more sustainable and beneficial to the Company and its shareholders as a whole.

(iii) In July 2026, as the WST Group's operations were focused on OEM manufacturing, the Group determined that a clear delineation was necessary to deliver a consistent operational message to potential customers under the trading-based model. Moreover, maintaining idle factories and incurring ongoing operating expenses would undermine the viability of the new model. Accordingly, the Group resolved to cease non-commercially viable OEM manufacturing operations by closing plants, which in turn enabled the Group to converse cash and avoid ongoing operating expenses, thereby supporting the sustainability of the toys business under the trading-based model.

Subsequent to the recent cessation of operations of four factories in Guangxi as disclosed in the Circular, the current operating status of the remaining four factories is as follows:

(i) The production activities of the two remaining factories of WST located in Vietnam have ceased, with only several accounting and administrative staff retained to handle residual matters, including the disposal of equipment and machinery.

(ii) The situation of the factory in Dongguan is similar, with production halted and limited staff retained to manage outstanding administrative and accounting matters.

(iii) At the plant in Shenzhen, some accounting and administrative staff also remain employed and as this plant was primarily used for ancillary services in toys manufacturing and for storage purposes, the Group is considering alternative uses, including leasing it out, redeveloping it, or deploying it under the Group's new toys trading-based model.

Overall, the Group's focus is on resolving the outstanding trade-related payables and receivables of the WST Group by all practicable means to ensure that all OEM-related operations are properly ceased. Upon completion of this process, the Group will commence its toys trading-based model through other subsidiary(ies). This model, which is asset-and labour-light, will be implemented if the prevailing market sentiment remaining viable and is expected to provide a more sustainable platform for the Group's toys business going forward.

For the five months ended 31 May 2026, the WST Group accounted for approximately 28.2% of the Group's total revenue, 0.7% of the Group's net assets, and 57.5% of the Group's loss. As the OEM manufacturing business of the WST Group is no longer commercially viable and will cease operations, the loss derived from the WST Group will no longer erode the Group's performance in other key businesses. Accordingly, it is expected that the Group's overall loss position will improve substantially. On this basis, the Company's assessment is that the Petitions will not have a material adverse impact on the Group's business operations or financial performance as a whole. The Group's plan is to cease the non-commercially viable OEM manufacturing operations and transition to a trading-based model, which is expected to provide a more sustainable platform for the Group's toys business, improve overall financial performance, and leverage the Group's established competitive strengths.

In developing the trading-based model, the Group envisages acting as a light-asset intermediary, sourcing and coordinating production through qualified manufacturing partners while maintaining service standards for its established large customers. The model is designed to capture emerging opportunities in the toy market of the PRC, which exceeded RMB100 billion in 2025 and continues to grow strongly, particularly in smart toys and stress-relief products.

Operations will be supported by a network of manufacturing partners with proven compliance capabilities, enabling direct delivery to client-specified destinations and reducing capital and labour intensity. Importantly, the WST Group's five decades of manufacturing excellence provide deep expertise in production management, quality assurance, and compliance, which will serve as an added advantage in executing and sustaining the trading-based model. Leveraging this legacy strength and established credibility with global and local customers, the Group believes this transition will provide a more sustainable and scalable platform for its toys business, aligning with prevailing market trends and enhancing execution capability.

The Company hereby clarifies that there is no inconsistency between the Petition Announcement and the Circular regarding the toys business. The re-engineering and streamlining of the toys business includes transitioning from OEM manufacturing to a trading-based model. Under this new model, the Group may redeploy resources to other key businesses and explore new viable businesses in addition to the toys trading business, which is planned to be operated through another subsidiary distinct from the insolvent WST Group. The transition will be implemented following resolution of the WST Group's outstanding matters with customers, vendors, banks, and employees. At present, the Company has ceased its non-viable OEM manufacturing operations.

For the year ended 31 December 2025 and the five months ended 31 May 2026, the WST Group contributed 100% of the revenue of the Company's toy OEM manufacturing business. The WST Group was the principal operating arm of the Company's toys OEM manufacturing business. The total revenue from the WST Group amounted to approximately HK$1,621 million for the year ended 31 December 2025 and approximately HK$88.5 million for the five months ended 31 May 2026, representing the entire contribution to the Group's toy OEM manufacturing business. Notwithstanding the relatively significant amount of revenue, the WST Group's costs incurred were greater, which in turn led the WST Group to record a loss of approximately HK$191.8 million for the five months ended 31 May 2026, accounting for approximately 57.5% of the Group's loss.

This is to confirm that the Petitions are isolated to WST and arose solely from overdue trade debts owed by WST to two vendors in respect of trading transactions conducted exclusively by WST. None of the other subsidiaries of the Company were involved in such trades, and accordingly, the Petitions have no impact on the operations or financial position of the other subsidiaries.

The Group has maintained constructive discussions with its principal banks regarding the continuation of loan facilities, which remain available to support the operations of the Group's other key businesses, including shoes trading and property leasing. For the year ended 31 December 2025, (i) the revenue generated from the shoes trading business amounted to approximately HK$343.0 million with an operating profit amounted to approximately HK$5.3 million; and (ii) the revenue generated from the property leasing business amounted to approximately HK$170.0 million with an operating profit amounted to approximately HK$39.0 million. These businesses continue to operate on a sound footing and provide stable contributions to the Group's overall financial performance.

In light of the sufficiency of revenue generated from the Group's other key businesses, the financial difficulties of WST are confined to that subsidiary and shall not reflect the Group's ability to continue as a going concern. When the WST Group ceases operations on OEM manufacturing business, the losses derived from its OEM manufacturing business will no longer erode the performance of the Group's other businesses. The Board therefore expects that the Group's overall loss position will improve substantially following the cessation of WST's operations on OEM manufacturing business.

Save for certain trade-related claims and disputes between members of the WST Group and certain vendors arising from the cessation of OEM manufacturing business, which are currently being handled by the Group's in-house legal counsels and external lawyers respectively, and which are disputable, immaterial, and not considered inside information for the Group, The WST Group is concurrently engaged in progressive discussions with its customers to reach settlements of receivables with a view to improving its liquidity for the settlement of debts. None of the other subsidiaries of the Company, which are engaged in other businesses, are involved in any material disputes, litigation, claims, winding up proceedings, or overdue indebtedness.

Other than the major litigations already disclosed in the annual report of the Company for the year ended 31 December 2025, there have been no further major litigations up to the date hereof, and the Company is not aware of any discloseable inside information other than that disclosed in the Petition Announcement.

WST will continue to attempt to negotiate with the petitioners as disclosed in the Petition Announcement with a view to reaching settlement, notwithstanding its current tight cash flow position. If WST were ultimately wound up, the Company considers that this would not have a substantial impact on the Group's overall business outlook, given (a) the planned transition to a trading-based model operated through another subsidiary; (b) the removal of the WST Group's persistent operating losses from the Group's consolidated financial results; (c) the relatively diversified nature of the Group's other businesses; and (d) the Group's strong assets base of over HK$11,547 million as at 31 December 2025. Accordingly, the Company assesses that the Petitions are not material to the Group as a whole, being confined to WST and not affecting the operations or financial position of the Group's other subsidiaries.

The Company will keep the shareholders and the public informed of any major development in relation to the Petitions by issuing further announcement(s) as and when appropriate.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

By Order of the Board of
South China Holdings Company Limited
南華集團控股有限公司
Cheung Choi Ngor
Executive Director

Hong Kong, 4 August 2026

As at the date of this announcement, the directors of the Company 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.