RAINBOW.

RAINBOW CAPITAL (HK) LIMITED
滙 博 資 本 有 限 公 司

14 August 2026

To the Independent Board Committee

Dear Sir or Madam,

MANDATORY UNCONDITIONAL CASH OFFER BY CONSTANCE CAPITAL LIMITED FOR AND ON BEHALF OF WISE TRIUMPH LIMITED TO ACQUIRE ALL OF THE ISSUED SHARES OF SHEUNG YUE GROUP HOLDINGS LIMITED (OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED TO BE ACQUIRED BY WISE TRIUMPH LIMITED, ITS ULTIMATE BENEFICIAL OWNER OR PARTIES ACTING IN CONCERT WITH ANY OF THEM)

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offer, details of which are set out in the "Letter from the Board" of this Composite Document to the Independent Shareholders dated 14 August 2026, of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in this Composite Document.

On 15 July 2026 (after trading hours of the Stock Exchange), the Offeror (as the purchaser) and the Vendors (as the vendors) entered into the Sale and Purchase Agreement, pursuant to which the Vendors agreed to sell and the Offeror agreed to acquire, the Sale Shares (i.e. a total number of 502,140,000 Shares, representing approximately 73.33% of the entire issued share capital of the Company), free from all encumbrances, for a total cash Consideration of HK$143,009,472, equivalent to HK$0.2848 per Sale Share. Completion took place on the Completion Date, being 15 July 2026 and the Consideration was fully settled immediately upon the signing of the Sale and Purchase Agreement.

Immediately prior to Completion, none of the Offeror, Mr. Chen (i.e. the Offeror's ultimate beneficial owner) and parties acting in concert with any of them owned, controlled or had direction over any Shares or voting rights of the Company or any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Immediately following Completion and as at the date of this joint announcement, the Offeror, Mr. Chen (i.e. the Offeror's ultimate beneficial owner) and parties acting in concert with any of them are interested in an aggregate of 502,140,000 Shares, representing approximately 73.33% of the entire issued share capital of the Company.

Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is therefore required to make a mandatory unconditional cash offer for all the issued Shares (other than those Shares already owned or agreed to be acquired by the Offeror, its ultimate beneficial owner or parties acting in concert with any of them). Constance Capital Limited is, for and on behalf of the Offeror, making the Offer to acquire all of the Offer Shares at the Offer Price of HK$0.2848 per Offer Share.

Pursuant to Rules 2.1 and 2.8 of the Takeovers Code, the Independent Board Committee, comprising all the independent non-executive Directors (namely, Mr. Li Hon Hung, *BBS, MH, JP*, Mr. Cheng Chi Hung and Mr. Wong Yip Kong) who have no direct or indirect interest in the Offer, has been established to give a recommendation to the Independent Shareholders as to whether the Offer is fair and reasonable and as to the acceptance of the Offer. We, Rainbow Capital (HK) Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee in the same regard and such appointment has been approved by the Independent Board Committee in accordance with Rule 2.1 of the Takeovers Code.

As at the Latest Practicable Date, we are not associated or connected financially or otherwise with the Company, the Vendors, the Offeror and its ultimate beneficial owner, their respective substantial shareholders and professional advisers, or any party acting, or presumed to be acting, in concert with any of them. In the last two years prior to the commencement of the Offer Period, there was no engagement or connection between the Group, the Vendors, the Offeror and its ultimate beneficial owner, or the parties acting in concert with any of them on one hand and us on the other hand. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, the Vendors, the Offeror and its ultimate beneficial owner, their respective substantial shareholders and financial or other professional advisers, or any party acting, or presumed to be acting, in concert with any of them. Accordingly, we are considered eligible to give independent advice to the Independent Board Committee in respect of the Offer.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have considered, among other things, (i) the information and facts contained or referred to in this Composite Document; (ii) the annual reports of the Company for the years ended 31 March 2025 and 2026 (the "**2025 Annual Report**" and the "**2026 Annual Report**", respectively); (iii) the information and opinions provided by the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in this Composite Document were true, accurate and complete in all material respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in this Composite Document are true in all material respects at the time they were made and continue to be true in all material respects as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the management of the Group and those as set out or referred to in this Composite Document were reasonably made after due and careful enquiry.

We have no reason to doubt the truth, accuracy and completeness of such information and representations provided to us by the Directors and the management of the Group.

The Independent Shareholders will be informed by the Company and us as soon as possible if there is any material change to the information disclosed in this Composite Document in accordance with Rule 9.1 of the Takeovers Code during the Offer Period, in which case we will consider whether it is necessary to revise our opinion and inform the Independent Board Committee and the Independent Shareholders accordingly.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in this Composite Document so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company, the Offeror or any of their respective subsidiaries and associates.

We have not considered the tax and regulatory implications on the Independent Shareholders of acceptance or non-acceptance of the Offer since these depend on their individual circumstances. In particular, the Independent Shareholders who are residents overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions and, if in any doubt, should consult their own professional advisers.

PRINCIPAL TERMS OF THE OFFER

Constance Capital, for and on behalf of the Offeror, is making the Offer to acquire all of the Offer Shares in accordance with the Takeovers Code and on the terms set out in this Composite Document and in the Form of Acceptance on the following basis:

Offer Price for each Offer Share. . . . . **HK$0.2848 in cash**

The Offer Price of HK$0.2848 per Offer Share is equivalent to the Consideration paid by the Offeror (i.e. HK$143,009,472), divided by the number of the Sale Shares (i.e. 502,140,000 Shares).

The Offer is unconditional in all respects and is not conditional upon acceptances being received in respect of a minimum number of Shares or any other conditions.

The Offer is extended to all Independent Shareholders, being Shareholders other than the Offeror, Mr. Chen and parties acting in concert with any of them in accordance with the Takeovers Code. The Offer Shares to be acquired under the Offer shall be fully paid and free from all encumbrance and together with all rights and benefits attached and accrued thereto, including all rights to any dividend or other distribution declared, made or paid on or after the date on which the Offer is made, being the date of despatch of this Composite Document.

As at the Latest Practicable Date, 684,750,000 Shares were in issue and the Company does not have any outstanding options, derivatives, warrants or other securities (as defined in Note 4 to Rule 22 of the Takeovers Code) which are convertible or exchangeable into Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or other relevant securities which are convertible or exchangeable into Shares.

The Company confirms that, as at the Latest Practicable Date, it has not declared any dividend which is not yet paid and it does not have any intention to declare or pay any future dividend or make other distributions prior to and including the date of closing of the Offer.

Further details of the Offer including, among other things, the expected timetable and the terms and procedures for acceptance of the Offer are set out in the sections headed "Expected Timetable", "Letter from Constance Capital" and "Further Terms and Procedures for Acceptance of the Offer" to this Composite Document and the Form of Acceptance.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation to the Independent Board Committee and Independent Shareholders with regard to the Offer, we have taken into account the following principal factors and reasons:

1. Background information of the Group

The Company was incorporated in the Cayman Islands with limited liability and its issued shares are listed on the Main Board of the Stock Exchange. The Company is principally engaged in the provision of construction-related foundation works and ancillary services in Hong Kong.

Set out below is a summary of the consolidated financial information of the Group for the years ended 31 March 2024, 2025 and 2026 ("**FY2024**", "**FY2025**" and "**FY2026**", respectively) as extracted from the 2025 Annual Report and the 2026 Annual Report:

(i) Financial performance

	FY2026 *HK$'000* (audited)	**FY2025** *HK$'000* (audited)	**FY2024** *HK$'000* (audited)
Revenue	217,941	264,770	361,257
Cost of services	(213,359)	(245,788)	(330,009)
Gross profit	4,582	18,982	31,248
Other income	1,458	3,442	3,378
Other gains, net	(518)	403	6
Reversal of/(allowance for) expected credit loss on financial assets, net	(2,992)	1,096	(950)
Impairment loss on plant and equipment	(328)	–	–
Impairment loss on right-of-use assets	(2,814)	(5,190)	–
Administrative expenses	(17,840)	(22,683)	(23,874)
Finance costs	(3,110)	(5,702)	(5,522)
(Loss)/profit before tax	(21,562)	(9,652)	4,286
Income tax expense	–	–	–
(Loss)/profit attributable to the Shareholders	(21,562)	(9,652)	4,286

FY2025 as compared to FY2024

At the beginning of FY2024, the Group had 9 construction related foundation work projects on hand with total contract sum amounting to approximately HK$512.1 million. The Group obtained 13 new construction related foundation work projects during FY2024 and completed a total of 13 construction related foundation work projects during FY2024, with an average revenue of HK$27.8 million per project. At the beginning of FY2025, the Group had 9 construction related foundation work projects on hand with total contract sum amounting to approximately HK$450.3 million. The Group obtained 17 new construction related foundation work projects during FY2025 and completed a total of 18 construction related foundation work projects during FY2025, with an average revenue of HK$14.7 million per project. The Group's revenue decreased by approximately 26.7% from HK$361.3 million for FY2024 to HK$264.8

million for FY2025, primarily due to a reduction in the average scale of foundation work projects undertaken during the year.

Consistent with the decrease in revenue, the Group's gross profit decreased by approximately 39.3% from HK$31.2 million for FY2024 to HK$19.0 million for FY2025. The Group's gross profit margin decreased to 7.2% for FY2025 from 8.6% for FY2024, which was mainly due to lower profit margins from new foundation work projects as a result of rising material and labour costs, and an increase in subcontracting costs incurred during the year. The Group may act as a main contractor or subcontractor in foundation work projects, and relies on subcontractors to complete foundation work projects in line with the usual practice of the foundation industry in Hong Kong. During the three years ended 31 March 2026, the subcontracting costs accounted for approximately 74.3%, 73.5%, and 83.0% of the Group's total cost of services, respectively.

The Group recorded a loss attributable to the Shareholders of HK$9.7 million for FY2025, compared to a profit attributable to the Shareholders of HK$4.3 million for FY2024. The turnaround from profit to loss was mainly driven by the decrease in gross profit discussed above and the one-off impairment loss of HK$5.2 million on right-of-use assets, representing operating lease arrangements for office premises and warehouse facilities which are related to the Group's construction operations. The impairment loss reflects a decrease in the present value of the discounted cash flows expected to be generated from such right-of-use assets associated with the construction operations, primarily driven by the Group's lower revenue and compressed gross profit margin.

FY2026 as compared to FY2025

At the beginning of FY2026, the Group had 8 construction related foundation work projects on hand with total contract sum amounting to approximately HK$350.5 million. The Group obtained 13 new construction related foundation work projects during FY2026 and completed a total of 17 foundation work projects during FY2026, with an average revenue of HK$12.8 million per project. As at 31 March 2026, the Group had 4 construction related foundation work projects on hand. The Group's revenue decreased by approximately 17.7% from HK$264.8 million for FY2025 to HK$217.9 million for FY2026, primarily due to a reduction in the number of foundation work projects undertaken during the year as the Group adopted a more cautious approach in selecting projects, coupled with a reduction in the average scale of foundation work projects. In light of the continuous decline in project gross profit margins, the Group exercised prudence in project selection to avoid the risk of incurring project losses.

The Group's gross profit decreased by approximately 75.9% from HK$19.0 million for FY2025 to HK$4.6 million for FY2026. The Group's gross profit margin decreased to 2.1% for FY2026 from 7.2% for FY2025, which was mainly due to lower profit margins from new foundation work projects as a result of rising material and labour costs, and an increase in subcontracting costs incurred during the year.

The Group's loss attributable to the Shareholders increased by 123.4% from HK$9.7 million for FY2025 to HK$21.6 million for FY2026, which was mainly due to the decrease in gross profit discussed above.

(ii) Financial position

	As at 31 March		
	2026	**2025**	**2024**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
Non-current assets, including:	75,750	94,778	100,715
– Plant and equipment	75,479	94,152	86,013
– Right-of-use assets	–	–	11,199
– Financial asset at fair value through profit or loss	–	–	2,860
– Rental deposit	271	626	643
Current assets, including:	154,780	181,941	255,602
– Inventories	13,077	14,541	14,477
– Contract assets	87,521	96,241	118,825
– Trade and other receivables	48,758	56,051	102,979
– Pledged bank deposits	2,000	2,000	2,014
– Cash and cash equivalents	3,424	13,108	17,307
Current liabilities, including:	78,700	103,570	171,414
– Trade and other payables	24,274	35,502	60,499
– Lease liabilities	2,576	3,923	4,977
– Bank and other loans	51,850	64,145	105,938
Non-current liabilities liabilities, including:	1,660	1,417	3,519
– Lease liabilities	1,660	1,417	3,519
Net assets attributable to the Shareholders	150,170	171,732	181,384

The Group's net assets attributable to the Shareholders decreased by approximately 5.3% from HK$181.4 million as at 31 March 2024 to HK$171.7 million as at 31 March 2025, and further decreased by approximately 12.6% to HK$150.2 million as at 31 March 2026, primarily due to the net losses incurred by the Group during the years. In line with the reduction in the Group's business scale and revenue, contract assets, trade and other receivables, as well as trade and other payables also decreased accordingly.

(iii) Industry overview

According to the Hong Kong Standard Industrial Classification system adopted by the Census and Statistics Department, foundation works are classified under the construction sector. Foundation works constitute a part of a construction project, so the growth in foundation industry is closely correlated with that of the overall construction sector. Set out below are the gross value of construction works (including foundation works) performed by main contractors of Hong Kong and gross surplus of the construction sector in Hong Kong during the period from 2020 to 2025:

	2020	**2021**	**2022**	**2023**	**2024**	**2025**	**CAGR**
Gross value of construction works performed by main contractors in nominal terms *(HK$' billion)*	229.9	233.7	249.1	270.9	290.6	287.5	4.6%
Gross surplus of the construction sector *(HK$' billion)*	37.6	29.2	34.7	35.7	33.6	Not disclosed	(2.8%)
Operating expenses for all companies in the construction sector *(HK$' billion)*	26.0	26.7	25.4	28.6	35.1	Not disclosed	7.8%
Compensation of employees and payments to labour-only sub-contractors *(HK$' billion)*	86.2	90.2	94.5	103.5	108.4	Not disclosed	5.9%
Consumption of materials and supplies *(HK$' billion)*	65.2	67.1	76.9	76.0	79.5	Not disclosed	5.1%
Payment for sub-contract works rendered by fee sub-contractors *(HK$' billion)*	176.3	183.0	179.7	207.0	217.0	Not disclosed	5.3%

Source: Census and Statistics Department of the Government of Hong Kong

Note: Save for the CAGR of the gross value of construction works performed by main contractors, which covers the period from 2020 to 2025, the CAGRs for all other data are calculated for the period from 2020 to 2024.

As shown in the table above, the gross value of construction works performed by main contractors of Hong Kong has increased from approximately HK$229.9 billion in 2020 to approximately HK$287.5 billion in 2025 with a compound annual growth rate ("**CAGR**") of approximately 4.6%, indicating the rising construction activities in Hong Kong. However, the construction activities in Hong Kong slowed down in 2025 as evidenced by the decrease in such gross value by approximately 1.1% to approximately HK$287.5 billion in 2025. Although the gross value of construction works performed by main contractors experienced an upward trend from 2020 to 2024, the gross surplus of the construction sector in Hong Kong, which is equal to total receipts less operating expenses, consumption of material and supplies, payment for sub-contract works, and compensation of employees, has decreased from approximately HK$37.6 billion in 2020 to approximately HK$33.6 billion in 2024. In particular, due to the continuous increase in operating expenses, staff costs, material costs, and subcontracting costs of companies in the Hong Kong construction sector from 2020 to 2024 as set out in the table above, the gross surplus of the Hong Kong construction sector declined by approximately 5.9% year-on-year in 2024, marking the first negative growth in the past three years, which indicates a compression in the overall profit margin of the construction sector.

In the first quarter of 2026, according to data from the Census and Statistics Department (https://www.censtatd.gov.hk/en/web_table.html?id=615-66001), the gross value of construction works performed by main contractors of Hong Kong increased by 2.9% year-on-year, though it grew by only 1% in real terms (calculated by deflating the nominal value with an appropriate price index to the price level in the base period of 2000). As the gross surplus for the year ended 31 December 2025 and the first quarter of 2026, being the indicator of profitability, is not yet available, it remains uncertain whether the industry has achieved a recovery.

Taking into account the decrease in the gross surplus of the Hong Kong construction sector from 2020 to 2024, and the decrease in gross value of construction works performed by main contractors in Hong Kong in 2025, we consider the Hong Kong construction market may witness a slow growth and squeezed profit margin in the following years and its outlook remain challenging.

(iv) Overall comment

During the years under review, the Group's financial performance was impacted by the challenging Hong Kong construction market, which was characterized by declining gross surplus. The average scale of the Group's foundation work projects has been continuously decreasing . The average revenue per completed project decreased by approximately 47.1% from HK$27.8 million for FY2024 to HK$14.7 million for FY2025, and further decreased by approximately 12.9% to HK$12.8 million for FY2026. The Group recorded lower revenue and compressed gross profit margins, shifting from profitability to a net loss. Accordingly, we consider the Group's prospect to be uncertain in the short run.

2. Information on the Offeror and its intention regarding the Group

Details on the information on the Offeror and its intention regarding the Group are set out in the "Letter from Constance Capital" in this Composite Document, which are summarised as follows:

(i) Information on the Offeror

The Offeror is an investment holding company incorporated in the BVI with limited liability on 8 March 2012. As at the Latest Practicable Date, the Offeror is wholly-owned by Mr. Chen, who is also the sole director of the Offeror. Mr. Chen, aged 63, is the holder of a bachelor degree and graduated in Chongqing Construction Engineering College majoring in electrical engineering. He has over 20 years of experience in project investment, covering sectors including among others, industrial-grade edge AI chips and microelectronics, silicon-based new materials, packaged drinking water and beverages, as well as AI-driven animation, film and series production. He is currently the sole director of the Offeror, a company principally engaged in project investment, mainly covering the trading of natural gas. Mr. Chen is responsible for daily operation and decision making concerning target projects of the Offeror. Mr. Chen does not have any direct experience in the Group's principal business.

Considering that the Offeror and Mr. Chen have no relevant experience in the Company's current principal business, we are of the view that the Offeror and Mr. Chen may not be able to bring positive influence to the business of the Group.

(ii) Intention of the Offeror regarding the Group

Following the close of the Offer, the Offeror intends that the Group will continue the existing principal business of the Group and will maintain the listing status of the Company. The Offeror will conduct a review of the business activities and assets of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. However, the Offeror reserves the right and cannot rule out making any changes that it deems necessary or appropriate to the Group's businesses and operations to enhance the value of the Group.

Moreover, in order to enhance and strengthen the business of the Group, the Offeror intends to conduct a detailed review over the Group by appraising and assessing the existing principal businesses, operations, financial position and investments of the Group for the purpose of formulating long-term business plans and strategies for the future business development of the Group. Subject to the results of such review and should suitable investment or business opportunities arise, the Offeror may explore such arisen opportunities and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Company.

Notwithstanding the foregoing, Mr. Chen does not have any direct experience in the Group's principal business. Mr. Chen, leveraging his expertise in project investment, aims to explore new business opportunities of the Group through strategic investments and diversifying its source of revenue. Given the lack of related experience, we consider that the Offeror and Mr. Chen may not be able to bring positive influence to the existing principal business of the Group, in particular that the Group's financial performance is deteriorating.

Any acquisition or disposal of the assets or business of the Group, if any, will be conducted in compliance with the Listing Rules. As at the Latest Practicable Date, no investment or business opportunities has been identified nor has the Offeror entered into any agreement, arrangements, understandings or negotiation (whether verbally or in writing) in relation to the injection of any assets or business into the Group.

Furthermore, the Offeror intends to nominate new director(s) to the Board with effect from a date which is no earlier than that permitted under the Listing Rules and the Takeovers Code or such later time as the Offeror considers to be appropriate. As at the Latest Practicable Date, the Offeror has not reached any final decision as to (i) who will be nominated as new Director(s) of the Company; and (ii) the final composition of the Board. Any changes to the Board will be made in compliance with the Takeovers Code, the Listing Rules and the articles of association of the Company, and a separate announcement will be made in this regard in accordance with the Listing Rules as and when appropriate.

The Offeror intends the Company to remain listed on the Stock Exchange. The sole director of the Offeror, the Directors and the new Director(s) to be appointed to the Board (if any) will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

Taking into account that (i) the Offeror and Mr. Chen have no relevant experience in the Company's current principal business, suggesting that the Offeror and Mr. Chen may not be able to bring positive influence to the existing principal business of the Group; and (ii) the Offeror has yet to provide any plan regarding the long-term strategy for the future development of the Group or for improving the Group's business operation and financial condition, we consider that the Offeror's long-term strategy to the Group is unclear and the prospect of the Group is uncertain as at the Latest Practicable Date.

3. Offer Price comparison

The Offer Price of HK$0.2848 per Offer Share represents:

(i) a discount of approximately 38.09% to the closing price of HK$0.4600 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a discount of approximately 33.77% to the closing price of HK$0.4300 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a discount of approximately 31.70% to the average closing price of HK$0.4170 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to and including the Last Trading Day;

(iv) a discount of approximately 30.28% to the average closing price of HK$0.4085 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days immediately prior to and including the Last Trading Day;

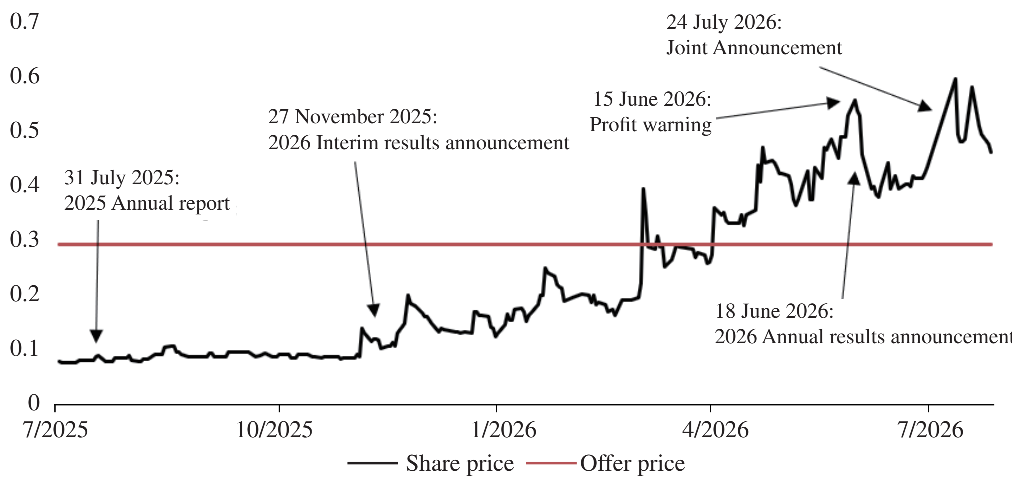
(v) a discount of approximately 35.66% to the average closing price of HK$0.4427 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days immediately prior to and including the Last Trading Day; and

(vi) a premium of approximately 29.86% over the audited net asset value per Share of approximately HK$0.2193 as at 31 March 2026, calculated based on the Group's audited consolidated net asset value attributable to the Shareholders as at 31 March 2026 of approximately HK$150,170,000 divided by a total of 684,750,000 issued Shares as at the Latest Practicable Date.

4. **Trading performance of the Shares**

(i) ***Historical Share price performance***

Set out below is a chart showing the movement of the closing prices of the Shares as quoted on the Stock Exchange (a) from 16 July 2025 to the Last Trading Day (i.e. 15 July 2026) (the "**Review Period**"), being one year preceding the Last Trading Day, and (b) up to the Latest Practicable Date. We consider the Review Period is adequate to reflect the general market sentiment and illustrates the general trend and level of movement of the daily closing price of the Shares.



Source: the website of the Stock Exchange

As shown above, the closing prices of the Shares during the Review Period ranged from the lowest of HK$0.059 on 17 July 2025 to the highest of HK$0.560 on 15 June 2026. The Offer Price represents (a) a premium of approximately 44.68% over the average closing price of HK$0.1968 during the Review Period; (b) a premium of approximately 382.71% over the lowest closing price of HK$0.059 during the Review Period; and (c) a discount of approximately 49.14% to the highest closing price of HK$0.560 during the Review Period.

During the period from July 2025 to November 2025, the Share price hovered around HK$0.070 per Share. It then demonstrated an overall upward trend since 19 November 2025 and peaked at HK$0.560 per Share on 15 June 2026. Following the publication of the profit warning announcement on 15 June 2026 in respect of the annual results for FY2026, the Share price experienced a rapid decline to HK$0.375 as at 25 June 2026. The Share price closed at HK$0.430 on the Last Trading Day. Stimulated by the publication of the Joint Announcement, the Share price closed at HK$0.600 on 27 July 2026, being the date of resumption of trading in the Shares. The Share price closed at HK$0.460 as at the Latest Practicable Date, to which the Offer Price represents a discount of approximately 38.09%. The average closing price of the Shares during the period from 27 July 2026 to the Latest Practicable Date (the

"**Post-announcement Period**") was HK$0.513, to which the Offer Price represents a discount of 44.52%. We consider that the surge in Share price during the Post-announcement Period may have been influenced by market anticipation of potential new business opportunities to be brought by the Offeror and Mr. Chen. However, as discussed in the section headed "Intention of the Offeror in relation to the Group" above, the Offeror has yet to formulate any plan regarding the long-term strategic development of the Group, nor any specific measure to enhance its business operations and financial position, and he does not have relevant experience in the related industry of the Group. Accordingly, the actual impact of the Offeror on the Group's operations remains uncertain, and the Share price rebound during the Post-announcement Period may not be sustainable.

Although the Offer Price represents a discount to the closing price of the Shares on the Last Trading Day, such discount was mainly attributable to the upward trend of the Share price from 19 November 2025 to 15 June 2026. Based on our review of the announcements and financial results of the Company, as well as our enquiries with the Directors and the management of the Company, we have not identified any specific reasons leading to such upward trend, particularly given that the interim results of the Company for the six months ended 30 September 2025 published during such period did not indicate any improvement in the financial performance of the Company. While certain investors may be confident in the Group's prospects, the Group recorded declining revenue and compressed gross profit margins during the three years ended 31 March 2026 amid a challenging industry environment. We have not identified any fundamental factors that could support such an upward trend in the Share price, and consider that it may not be sustainable. In addition, during the period from 19 November 2025 to 15 June 2026, the Hang Seng Index rose from 25,830.65 points on 19 November 2025 to a peak of 27,968.09 points on 29 January 2026, and then declined to a low of 24,249.29 points on 11 June 2026, representing an overall drop of approximately 3.82% across the period. As such, we consider that the Share price appreciation during this period was also inconsistent with the overall market sentiment.

Taking into account that the Offer Price represents a premium of approximately 44.68% over the average closing price of the Shares of approximately HK$0.1968 during the Review Period, we consider that the Offer Price is fair and reasonable.

(ii) Liquidity of the Shares

The following table sets out the average daily trading volume of the Shares for each month or period and the percentages of such average daily trading volume to the total number of Shares in issue and held by the public during the Review Period and up to the Latest Practicable Date:

	Number of trading days *(Note 1)*	**Approximate average daily trading volume**	**Approximate percentage of average daily trading volume to total number of Shares in issue** *(Note 2)*	**Approximate percentage of average daily trading volume to total number of Shares held by the public** *(Note 3)*
2025				
July	12	344,250	0.0503%	0.1885%
August	21	144,857	0.0212%	0.0793%
September	22	91,636	0.0134%	0.0502%
October	20	96,000	0.0140%	0.0526%
November	20	2,538,750	0.3708%	1.3903%
December	21	1,859,095	0.2715%	1.0181%
2026				
January	21	1,950,857	0.2849%	1.0683%
February	17	1,926,353	0.2813%	1.0549%
March	22	5,219,864	0.7623%	2.8585%
April	19	2,405,053	0.3512%	1.3170%
May	19	1,636,258	0.2390%	0.8960%
June	21	3,037,429	0.4436%	1.6633%
July *(Note 4)*	15	6,950,400	1.0150%	3.8061%
From 1 August to the Latest Practicable Date	7	5,710,857	0.8340%	3.1274%

Source: the website of the Stock Exchange

Notes:

1. Number of trading days of the Shares represents number of trading days during the month or period which excludes any trading day on which trading of the Shares on the Stock Exchange was suspended for the whole trading day.

2. Based on the total number of Shares in issue at the end of each month or period as disclosed in the monthly returns of the Company.

3. Based on the number of Shares held by the Independent Shareholders at the end of each month or period.

4. The trading of the Shares has been suspended from 16 July 2026 to 24 July 2026 pending the publication of the Joint Announcement.

Trading in the Shares has been more active since November 2025 compared to the period from July 2025 to October 2025, which is in line with the upward trend of the Share price during the same period. Save for May 2026, the average daily trading volume of the Shares for each month since November 2025 represented more than 1% of the total number of Shares held by the Independent Shareholders. Accordingly, Independent Shareholders may consider disposing of their Shares in the open market if the net proceeds from such sale exceed the consideration to be received from the acceptance of the Offer. Nonetheless, we consider that the Offer provides an alternative exit route for the Independent Shareholders who intend to dispose a significant number of their Shares.

5. Comparable analysis

The Company is principally engaged in the provision of construction-related foundation works and ancillary services in Hong Kong.

Price-to-earnings ("**P/E(s)**"), price-to-book ("**P/B(s)**") and price-to-sale ("**P/S(s)**") multiples are the three most commonly used benchmarks in valuing a company. We have taken into account the following principal factors in selecting the valuation multiple: (i) P/E multiple is not applicable as the Group was loss-making for FY2026; (ii) the Group recorded net assets position as at 31 March 2026; and (iii) P/S multiple is considered inappropriate given the significant fluctuations in the Group's revenue over the past five financial years and the revenue of companies in the construction industry is susceptible to the timing of revenue recognition. Construction companies recognize revenue over time based on the stage of completion of their projects. Consequently, the revenue recognized in a specific financial year is significantly influenced by the timing of contract awards, project execution schedules, client certification of completed works, and potential project delays. Large-scale foundation or construction projects may span multiple financial years, leading to substantial lumpy revenue recognition across different periods rather than a steady revenue stream. As such, we consider that P/B multiple is the most appropriate multiple in valuing the Group. Based on (i) the Offer Price of HK$0.2848 per Offer Share; (ii) 684,750,000 Shares in issue as at the Latest Practicable Date; and (iii) the audited net assets attributable to the Shareholders of approximately HK$150,170,000 as at 31 March 2026, the P/B multiple implied by the Offer Price is approximately 1.3 times (the "**Implied P/B**").

In evaluating the fairness and reasonableness of the Offer Price, we have, based on our search on Bloomberg, identified an exhaustive list of 16 comparable companies (the "**Comparable Companies**") which are (i) principally engaged in the construction sector in Hong Kong, with revenue generated from the construction sector in Hong Kong accounting for more than 50% of its total revenue in the latest financial year; (ii) publicly listed on the

Main Board of the Stock Exchange; and (iii) with market capitalisation in the range from HK$147.2 million to HK$441.7 million on the Last Trading Day, which represents a premium/discount range of approximately 50% to the Company's market capitalisation of HK$294.4 million on the Last Trading Day. Establishing the market capitalisation range at a 50% premium and discount strikes a balance between maintaining peer comparability and securing a meaningful sample size. Due to that only two companies are solely focused on foundation works and ancillary services (i.e. In Construction Holdings Limited and Wing Chi Holdings Limited), we expanded our selection scope to cover the broader construction sector. We consider the Comparable Companies' principal businesses to be comparable to that of the Company, as they represent indispensable components of a construction project and are closely correlated to the performance and prospects of the overall construction industry. Notwithstanding variations in business mix, we view deriving over 50% of revenue from construction-related services as a clear indication that the Comparable Companies' operations are highly relevant to the construction industry.

The following table sets out the details of the Comparable Companies:

Company name (stock code)	**Principal activities** *(Note 1)*	**Market capitalisation on the Last Trading Day** *(HK$ million)*	**Net assets value** *(HK$ million)*	**P/B on the Last Trading Day** *(times)*
China Wacan Group Company Limited (1920)	Provision of construction services, and beauty and health services	340.8	18.6	18.3 (outlier)
Wecon Holdings Limited (1793)	Provision of building construction services; and repair, maintenance, alteration, and addition works services	320.0	276.1	1.2
FDB Holdings Limited (1826)	Provision of contracting services for alteration and addition works, maintenance, specialist works and new development. The group provides a one-stop integrated solution from construction project planning, resources allocation, subcontractor management and material procurement to monitoring and quality assurance, and to offering value-adding services	188.6	Net liabilities	Net liabilities
Skymission Group Holdings Limited (1429)	Provision of formwork works services	281.6	117.0	2.4
Royal Deluxe Holdings Limited (3789)	Provision of formwork erection and related ancillary services	266.4	314.3	0.8
Landrich Holding Limited (2132)	Provision of construction engineering works	264.0	340.8	0.8
SFK Construction Holdings Limited (1447)	General building construction, civil engineering services and housing management services	256.0	370.9	0.7

Company name (stock code)	Principal activities *(Note 1)*	Market capitalisation on the Last Trading Day *(HK$ million)*	Net assets value *(HK$ million)*	P/B on the Last Trading Day *(times)*
AI Energy Engineering Holdings Limited (1751)	Provision of concrete demolition services	233.0	12.5	18.6 (outlier)
Yau Lee Holdings Limited (406)	Provision of construction services, electrical and mechanical installation, building materials supply, property investment and development and hotel operations	232.2	1,233.2	0.2
In Construction Holdings Limited (1500)	Provision of foundation works	203.4	307.5	0.7
CR Construction Group Holdings Limited (1582)	Provision of construction services and engaged in the environmental operations business	187.5	721.3	0.3
Wing Chi Holdings Limited (6080)	Provision of foundation and site formation works	161.3	131.5	1.2
New Concepts Holdings Limited (2221)	Provision of construction services and engaged in environmental protection business	160.5	352.8	0.5
Century Group International Holdings Limited (2113)	Provision of construction and site formation services	156.1	Net liabilities	Net liabilities
Man King Holdings Limited (2193)	Provision of civil engineering services	151.1	259.6	0.6
Metaspacex Limited (1796)	The group is an established fitting-out contractor in Hong Kong, primarily engaged in the provision of fitting-out services for construction projects	144.0	63.5	2.3
		Maximum		18.6
		Minimum		0.2
		Median		0.8
		Average		3.5
			Excluding two outliers	
		Maximum		2.4
		Minimum		0.2
		Median		0.7
		Average		1.0
The Company		294.4	150.2	1.3 *(Note 2)*

Source: Bloomberg and financial reports of the Comparable Companies

Notes:

1. Each of the Comparable Companies generates more than 50% of its total revenue from Hong Kong. The Comparable Companies did not disclose a further breakdown of revenue by geographical region for each business segment.

2. Being the Implied P/B.

As shown in the table above, the P/B ratios of the Comparable Companies on the Last Trading Day ranged from approximately 0.2 time to 18.6 times with a median and average of approximately 0.8 time and 3.5 times, respectively. The Implied P/B of approximately 1.3 times is within the range of P/B ratios of the Comparable Companies and higher than the median of the P/B ratio of the Comparable Companies. Although the Implied P/B multiple is below the average of approximately 3.5 times, we consider that such average was skewed by the P/B ratios of AI Energy Engineering Holdings Limited and China Wacan Group Company Limited, both of which were significantly higher than those of the other Comparable Companies. Excluding these two outliers, the P/B ratios of the Comparable Companies ranged from approximately 0.2 time to 2.4 times with a median and average of approximately 0.7 time and 1.0 time, respectively, which are below the Implied P/B. As such, we consider the Offer Price to be fair and reasonable.

We consider that relying solely on the two Comparable Companies engaged in foundation works would result in an overly restrictive sample size. Nevertheless, for Shareholders' reference only, the P/B ratios of In Construction Holdings Limited and Wing Chi Holdings Limited are approximately 0.7 times and 1.2 times respectively, with an average of approximately 0.9 time. The Implied P/B represented by the Offer Price remains above their respective P/B ratios.

RECOMMENDATION

We consider that the Offer, including the Offer Price of HK$0.2848 per Offer Share, is fair and reasonable so far as the Independent Shareholders are concerned after taking into account the above principal factors and reasons as a whole, in particular:

(i) The average scale of the Group's foundation work projects has been continuously decreasing. The Group's revenue continued to contract alongside a narrowing gross profit margin, resulting in a turnaround from profitability to a net loss. We consider the Group's prospect to be uncertain in the short run;

(ii) The Offer Price represents a premium of approximately 44.68% over the average closing price of the Shares of approximately HK$0.1968 during the Review Period;

(iii) The Offer Price represents a premium of approximately 29.86% over the audited net asset value per Share of approximately HK$0.2193 as at 31 March 2026;

(iv) Although the Offer Price represents a discount to the closing price of the Shares on the Last Trading Day due to the upward trend of the Share price between 19 November 2025 and 15 June 2026, we have not identified any fundamental factors that could support such price appreciation, particularly in light of the Group's deteriorating financial performance, and we consider that such an upward trend may not be sustainable;

(v) Although the Offer Price represents a discount of approximately 38.09% to the closing price of the Shares as at the Latest Practicable Date and a discount of approximately 44.52% to the average closing price of the Shares during the Post-announcement Period, we consider that the Share price during the Post-announcement Period may have been influenced by market anticipation of potential new business opportunities to be brought by the Offeror and Mr. Chen. However, the Offeror has yet to formulate any plan regarding the long-term strategic development of the Group, nor any specific measure to enhance its business operations and financial position, and his lack of relevant industry experience cast doubt on his ability to improve the Group's financial performance in particular that the Group's financial performance is deteriorating. Accordingly, the actual impact of the Offeror on the Group's operations remains uncertain, and the Share price rebound during the Post-announcement Period may not be sustainable;

(vi) The Offer provides a viable alternative exit for the Independent Shareholders, particularly for those who hold a large volume of Shares, to realise their investment in the Company at the Offer Price; and

(vii) The Implied P/B is within the range of the P/B ratios of the Comparable Companies and higher than the median of the Comparable Companies. Upon excluding the two outliers, the Implied P/B is also higher than the average of the Comparable Companies.

Accordingly, we recommend the Independent Board Committee to advise, and we ourselves advise, the Independent Shareholders to accept the Offer.

The Independent Shareholders are reminded to closely monitor the market price and liquidity of the Shares during the Offer Period. Given that the Share price as at the Latest Practicable Date was higher than the Offer Price, and that trading in the Shares has been active following the publication of the Joint Announcement, Independent Shareholders may also consider disposing of their Shares in the open market if the net proceeds from such sale exceed the consideration to be received from the acceptance of the Offer.

Yours faithfully,
For and on behalf of
Rainbow Capital (HK) Limited
Larry Choi
Larry Choi
Managing Director

Mr. Larry Choi is a licensed person and a responsible officer of Rainbow Capital (HK) Limited registered with the Securities and Futures Commission to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO. He has over 10 years of experience in the corporate finance industry.