RAINBOW CAPITAL (HK) LIMITED
浤博資本有限公司

Rainbow Capital (HK) Limited

21 September 2026

To the Independent Board Committee and the Independent Shareholders

Shentong Robot Education Group Company Limited
Unit 3006, 30/F
West Tower
Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

Dear Sir or Madam,

(1) CONNECTED TRANSACTION IN RELATION TO PROPOSED DEBT CAPITALISATION INVOLVING SUBSCRIPTION OF SHARES UNDER SPECIFIC MANDATE; (2) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Debt Capitalisation and the Whitewash Waiver, details of which are set out in the Letter from the Board (the "**Letter from the Board**") contained in the circular dated 21 September 2026 issued by the Company (the "**Circular**"), 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 the Circular.

On 31 August 2026 (after trading hours), the Company, CCI, and Copious entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and CCI has conditionally agreed to subscribe for 17,360,000 Consolidated Shares at HK$3.75 per Consolidated Share, the same of which shall be satisfied by offsetting HK$65,100,000 of the Amount Due to CCI, which amounted to HK$95,664,210 as at the date of the Subscription Agreement. Upon Completion, the Capitalisation Amount shall be deemed to have been repaid by the Group to CCI, and Copious shall be released from its obligations to CCI in respect of the Capitalisation Amount. The Amount Due to CCI shall accordingly be reduced by the Capitalisation Amount. Following Completion, the Amount Due to CCI is expected to be reduced to HK$30,564,210.

As at the Latest Practicable Date, the Subscriber is a substantial shareholder of the Company, and the Subscriber is interested in 542,042,000 Existing Shares, representing approximately 28.59% of the total issued share capital of the Company. The Subscription Shares will be allotted and issued pursuant to the Specific Mandate to be sought from the Independent Shareholders at the EGM. Pursuant to Rule 20.07(1) of the GEM Listing Rules, the Subscriber, being a substantial shareholder, is a connected person of the Company. Accordingly, the Subscription Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company under Chapter 20 of the GEM Listing Rules, and are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

As at the Latest Practicable Date, CCI is interested in 542,042,000 Existing Shares, representing approximately 28.59% of the issued share capital of the Company. Immediately after the completion of the issue of Subscription Shares, the CCI Concert Group will be interested in 28,200,840 Consolidated Shares, and the aggregate shareholding of the CCI Concert Group in the Company will be increased from approximately 28.59% to approximately 51.02% (assuming there is no other change in the issued share capital of the Company).

Under Rule 26.1 of the Takeovers Code, the allotment and issuance of Subscription Shares to CCI will give rise to an obligation on CCI to make a mandatory general offer for all the issued shares and other securities of the Company (other than those already owned or agreed to be acquired by the CCI Concert Group), unless the Whitewash Waiver is granted by the Executive.

If the Whitewash Waiver is granted by the Executive and is approved by the Independent Shareholders and completion of the Debt Capitalisation having taken place, the aggregate shareholding of the CCI Concert Group in the Company will exceed 50% of the issued share capital of the Company as enlarged by the Subscription Shares. CCI may further increase its shareholding in the Company without incurring any further obligation to make a general offer under Rule 26 of the Takeovers Code.

An application has been made to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, (a) the approval by at least 75% of the votes cast by the Independent Shareholders either in person or by proxy at the EGM by way of poll in respect of the Whitewash Waiver; and (b) the approval by more than 50% of the votes cast by the Independent Shareholders either in person or by proxy at the EGM by way of poll in respect of the Debt Capitalisation, in which the CCI Concert Group and Mr. Bao will abstain from voting on the relevant resolution(s).

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders as to whether (i) the Debt Capitalisation; (ii) the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate); and (iii) the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned, and make recommendation as to voting. We, Rainbow Capital (HK) Limited, have been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in this respect.

As at the Latest Practicable Date, we did not have any relationships or interests with the Group and any members of the CCI Concert Group that could reasonably be regarded as relevant to our independence. There was no engagement or connection between the Group or any members of the CCI Concert Group and us in the last two years. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no other arrangements exist whereby we had received any fees or benefits from the Group or any members of the CCI Concert Group. Accordingly, we are considered eligible to give an independent advice to the Independent Board Committee and the Independent Shareholders in respect of the Debt Capitalisation and the Whitewash Waiver.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of 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 the Circular were true, accurate and complete in all 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 the Circular are true at the time they were made and continue to be true 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 the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Group.

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 the Circular so as to provide a reasonable basis for our recommendation. Should there be any material change to the information contained in the Circular or our opinion after the Latest Practicable Date and up to the date of the EGM, Shareholders will be notified as soon as possible in accordance with Rule 9.1 of the Takeovers Code. 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 businesses, affairs, operations, financial position or future prospects of the Company or any of its substantial shareholders, subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Debt Capitalisation and the Whitewash Waiver, we have taken into consideration the following principal factors and reasons:

1. Information on the Group

The Group is principally engaged in the provision of robotics-related education and training in the PRC.

(i) Financial performance

Set out in the table below is a summary of the audited 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 Company's annual reports for FY2025 and FY2026:

	FY2026	**FY2025**	**FY2024**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	36,388	10,829	16,602
Cost of service	(10,741)	(4,388)	(5,275)
Gross profit	25,647	6,441	11,327
Investment income	46	104	224
Other gains and losses, net	—	—	199
Reversal of impairment allowance on expected credit losses	169	6	227
Selling and distribution expenses	(1,812)	(1,457)	(3,051)
Administrative expenses	(10,875)	(12,117)	(12,918)
Finance costs	(133)	(184)	(273)
Profit/(loss) before tax	13,042	(7,207)	(4,265)
Profit/(loss) for the year	9,459	(7,130)	(4,155)
Profit/(loss) for the year attributable to owners of the Company	6,771	(7,130)	(4,155)

FY2025 as compared to FY2024

The Group's revenue decreased by 34.8% from HK$16.6 million for FY2024 to HK$10.8 million for FY2025, primarily attributable to the decrease in training hours provided by the Group from 128,457 hours for FY2024 to 93,614 hours for FY2025.

The Group's gross profit margin decreased from 68.2% for FY2024 to 59.5% for FY2025, primarily because a significant portion of the Group's cost of services consists of fixed costs, which did not decline proportionally with revenue.

Driven by the decrease in revenue and compressed gross profit margin, net loss attributable to owners of the Company increased by 71.6% from HK$4.2 million for FY2024 to HK$7.1 million for FY2025.

FY2026 as compared to FY2025

The Group's revenue increased by 236.0% from HK$10.8 million for FY2025 to HK$36.4 million for FY2026. This significant growth was primarily driven by the joint venture established by the Company in April 2025 for developing an AI robotic education platform in the PRC, which emerged as a new revenue driver and accounted for 40.5% of the Group's total revenue for FY2026.

The Group's gross profit margin increased from 59.5% for FY2025 to 70.5% for FY2026, primarily due to that the cost of services did not increase proportionally with revenue. Fixed costs, comprising server hosting fees, server maintenance expenses, teaching materials, rental expenses, and depreciation, accounted for approximately 36.1% and 68.7% of the Group's total cost of services for FY2025 and FY2026, respectively.

Driven by the increase in revenue and improved gross profit margin, the Group recorded a turnaround from net loss attributable to owners of the Company of HK$7.1 million for FY2025 to net profit attributable to owners of the Company of HK$6.8 million for FY2026.

(ii) Financial position

Set out below is a summary of the audited consolidated financial position of the Group as at 31 March 2024, 2025 and 2026:

	31 March 2026	**31 March 2025**	**31 March 2024**
	HK$'000	*HK$'000*	*HK$'000*
Total current assets	99,090	81,164	83,190
Total non-current assets	2,355	2,338	4,685
Total current liabilities	156,133	149,664	145,570
Total non-current liabilities	1,454	2,320	3,416
Net liabilities	(56,142)	(68,482)	(61,111)
Net liabilities attributable to the Shareholders	(59,471)	(68,482)	(61,111)

The Group's net liabilities attributable to the Shareholders increased by 12.1% from HK$61.1 million as at 31 March 2024 to HK$68.5 million as at 31 March 2025, which was mainly due to the increase in loans from CCI of HK$3.7 million and the decrease in bank and cash balances by HK$4.2 million. The Group's net liabilities attributable to the Shareholders subsequently decreased by 13.2% to HK$59.5 million as at 31 March 2026, which was mainly due to the increase in bank and cash balances by HK$18.8 million. The fluctuation in the Group's cash balance was mainly due to the cash flows from the operating activities, which were affected by (a) the net loss attributable to the Shareholders of HK$7.1 million for FY2025; and (b) the net profit attributable to the Shareholders of HK$6.8 million for FY2026.

(iii) Overall comments

As disclosed in the Company's annual report for FY2026, there is material uncertainty related to the Group's going concern. The Group had net current liabilities and net liabilities of approximately HK$57.0 million and HK$56.1 million respectively as at 31 March 2026. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

As the Group operates in the highly niche sector of robotics education and training, we did not identify any publicly available industry research or official statistical data. Nevertheless, the growth in the Group's revenue for FY2026 reflects a potential recovery in market demand. Although the Group recorded a turnaround from net loss attributable to owners of the Company of HK$7.1 million for FY2025 to net profit attributable to owners of the Company of HK$6.8 million for FY2026, alongside a potential recovery in the industry, the Amount Due to CCI was HK$95,664,210 as at the Latest Practicable Date and the Group remains unable to resolve its going concern issue in the short term solely through its own profitability.

2. Information on the Subscriber

The Subscriber, a wholly-owned subsidiary of CCC, is a company incorporated in 2004 under the laws of the British Virgin Islands. The Subscriber directly holds approximately 28.59% of the issued share capital of the Company as at the Latest Practicable Date and therefore is a substantial Shareholder.

The CCC Group is a nationwide network operator and provider of new telecommunications services. It has established branches across provinces, autonomous regions, municipalities and a number of major cities in China, and has developed data centres in key hub cities including Beijing, Shanghai, Guangzhou and Xi'an.

3. Reasons for and benefits of the Debt Capitalisation

Trading in the Shares has been suspended since October 2025. The Company is in the course of preparing a resumption plan for submission to the Stock Exchange with a view to demonstrating, among other things, that the Group carries on a business with a sufficient level of operations and assets of sufficient value to support its operations and warrant the continued listing of the Shares under Rule 17.26 of the GEM Listing Rules.

Upon Completion, the Capitalisation Amount will reduce the Group's liabilities by the equivalent amount, improve the Group's net current liability position and strengthen its capital base without any cash outflow by the Group, save for the professional fees and other expenses relating to the Debt Capitalisation. The Amount Due to CCI shall accordingly be reduced by the Capitalisation Amount. Following Completion, the Amount Due to CCI is expected to be reduced to HK$30,564,210.

Based on the present financial information of the Group, the Company expects that the Debt Capitalisation will substantially reduce the Group's net liabilities, resulting in the Group moving from a net liabilities position to an unaudited positive net asset position of approximately HK$5.6 million upon Completion. Together with the intended repayment of the remaining indebtedness of HK$30.0 million using the Group's internal resources on its contractual due date of 15 August 2027, the Debt Capitalisation forms part of the Group's overall plan to reduce its indebtedness and improve its financial position.

Although the Group had bank balances and cash of approximately HK$92.4 million as at 31 March 2026, such cash resources are required to support the Group's ongoing operations and business development and to meet its working-capital requirements, including the payment of tax liabilities, operating expenses, accruals and other liabilities as they fall due. Repayment of the entire Amount Due to CCI in cash would reduce the Group's cash and liabilities by corresponding amounts and would not, in itself, improve the Group's net asset position. By contrast, the Debt Capitalisation will enable the Group to substantially reduce its indebtedness upon Completion without a corresponding cash outflow. The remaining amount of HK$30.0 million is intended to be settled using the Group's internal resources on its contractual due date in August 2027, which is expected to allow the Group to retain greater liquidity in the intervening period for its ongoing operations, working-capital requirements and future business development.

The Board has also considered other possible means of improving the Group's financial position, including bank borrowings and equity fundraising. Having regard to (i) the prolonged suspension of the Shares; and (ii) the Group's net liabilities and net current liabilities, the Board is of the view that obtaining additional bank financing on commercially acceptable terms may be difficult and would, in any event, increase the Group's indebtedness without improving its net asset position. In addition, while trading in the Shares remains suspended, the practicability and certainty of completing an equity fundraising exercise involving independent investors are limited. Such an exercise may also be more time-consuming and costly and may require the issue of Shares at a substantial discount. A rights issue or an open offer has also been considered. However, given the suspension of trading in the Shares, the uncertainty of Shareholder takeup and underwriting support, and the additional time and costs involved, such alternatives are less certain and less commercially practicable.

By contrast, the Debt Capitalisation will reduce the Group's liabilities without any cash outflow and at a Subscription Price representing a premium to the historical market price of the Shares. It represents a more direct and commercially practicable means of reducing the Group's liabilities and strengthening its financial position. The fact that the Subscription Price represents a premium of approximately 97.37% over the theoretical closing price per Consolidated Share based on the closing price of the Existing Shares on the Last Trading Day is also favourable to the Company when compared with an equity fundraising exercise conducted at a discount.

We have reviewed the Company's annual reports and announcements regarding its resumption progress. Having taken into consideration that: (i) as discussed in the section headed "Information on the Group", the Group remains unable to resolve its going concern issue in the short term solely through its own profitability; (ii) trading in the Shares on the Stock Exchange has been suspended since 14 October 2025, and the 12-month period under Rule 9.14A(1) of the GEM Listing Rules will expire on 13 October 2026, creating an urgent need for the Company to complete the Debt Capitalisation to demonstrate sufficient assets; (iii) other equity financing methods, such as placing to independent investors or rights issues, may require higher discounts given the Company's current suspension and the uncertainty of resumption; and (iv) debt financing, on the other hand, cannot resolve the net liability issue, we consider that although the Debt Capitalisation is not conducted in the ordinary and usual course of business of the Company, the Debt Capitalisation is in the interests of the Company and the Shareholders as a whole.

4. Subscription Price

(i) Price comparison

The Subscription Price of HK$3.75 per Subscription Share represents:

(a) a premium of approximately 97.37% over the theoretical closing price of HK$1.90 per Consolidated Share as adjusted for the effect of the Share Consolidation based on the closing price of HK$0.038 per Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a premium of approximately 71.23% over the theoretical average closing price of HK$2.19 per Consolidated Share as adjusted for the effect of the Share Consolidation based on the average closing price of HK$0.0438 as quoted on the Stock Exchange for the last five trading days prior to and including the Last Trading Day;

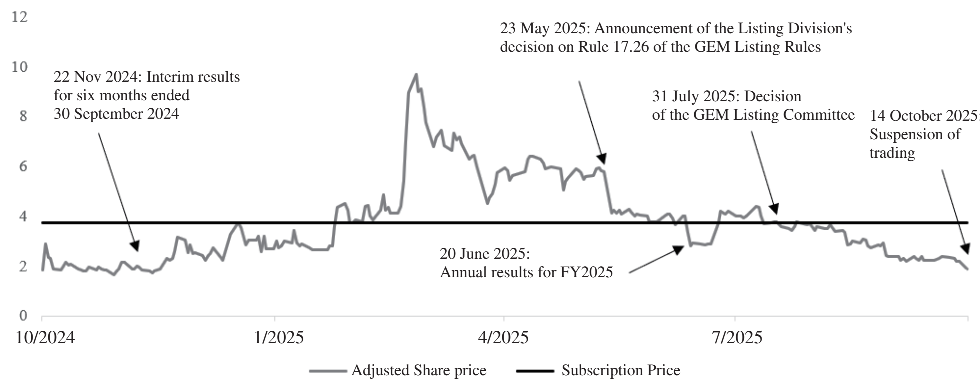
(c) a premium of approximately 67.41% over the theoretical average closing price of HK$2.24 per Consolidated Share as adjusted for the effect of the Share Consolidation based on the average closing price of HK$0.0448 as quoted on the Stock Exchange for the last ten trading days prior to and including the Last Trading Day; and

(d) a premium of approximately HK$5.32 over the theoretical audited consolidated net liabilities attributable to owners of the Company of approximately HK$1.57 per Consolidated Share as at 31 March 2026 as adjusted based on (1) the audited consolidated net liabilities attributable to owners of the Company of approximately HK$59,471,000 as disclosed in the annual report of the Company for the year ended 31 March 2026; and (2) 1,895,697,017 Existing Shares in issue as at 31 March 2026, after taking into account the effect of the Share Consolidation.

(ii) Historical Share price performance

Set out below is the chart showing the movement of the daily closing price of the Shares, as adjusted for the effect of the Share Consolidation, during the period from 14 October 2024, being approximately one year preceding the Last Trading Date, to the Last Trading Date (the "**Review Period**"). We consider that the Review Period is adequate to reflect the general market sentiment and illustrate the general trend and level of movement of the daily closing price of the Shares before the suspension of trading in the Shares.

Historical daily closing price per Consolidated Share



During the Review Period, the closing price of the Shares ranged from HK$1.65 to HK$9.70 per Consolidated Share, with an average closing price of HK$3.78 per Consolidated Share. The Subscription Price represents a minimal discount of 0.8% to the average closing price (as adjusted for the effect of the Share Consolidation) during the Review Period. Although the Subscription Price represents a discount of 61.3% to the highest closing price recorded during the Review Period, we view the average closing price during the Review Period as a more appropriate benchmark, as it mitigates the impact of abnormal price fluctuations observed during the Review Period as further detailed below.

The Share price surged from HK$2.80 per Consolidated Share on 5 February 2025 to HK$4.35 per Consolidated Share on 7 February 2025, and reached a peak of HK$9.70 per Consolidated Share on 10 March 2025. Based on our review of the Company's announcements and financial results, as well as our enquiries with the management of the Company, we have not identified any specific reasons for such price surge, particularly given that the Company's interim results for the six months ended 30 September 2024 reflected a deteriorating financial performance.

Following the publication of the announcement regarding the Listing Division's decision under Rule 17.26 of the GEM Listing Rules, the Share price dropped from HK$5.80 per Consolidated Share on 23 May 2025 to HK$4.15 per Consolidated Share on 26 May 2025, and subsequently maintained a downward trend. On the Last Trading Day, the Share price closed at HK$1.90 per Consolidated Share, over which the Subscription Price represents a premium of approximately 97.37%.

Given that (a) the Subscription Price represents a minimal discount of 0.8% to the average closing price of the Shares during the Review Period; and (b) the Subscription Price represent substantial premiums over the closing price on the Last Trading Day as well as the average closing price for the relevant periods preceding the Last Trading Day, we consider the Subscription Price to be fair and reasonable.

While the Last Trading Day was in October 2025, we consider the historical closing prices of the Shares prior to suspension to remain an appropriate benchmark, as they represent the only available indicator of the market value of the Shares under normal trading conditions. Given the protracted trading suspension, these historical prices do not reflect the Group's subsequent developments. Accordingly, our analysis does not rely solely on the Share price during the Review Period, and Shareholders are advised to consider all factors holistically.

(iii) Comparison companies

The Group is principally engaged in the provision of robotics-related education and training in the PRC.

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 consider the P/E ratio to be the most appropriate metric for valuing the Group after taking into account the following factors: (a) the P/B ratio is not applicable as the Group recorded a net liability position as at 31 March 2026; (b) the P/S ratio is not suitable given the significant volatility in the Group's revenue over the three years ended 31 March 2026 as P/S ratio is typically suited for companies with stable revenue; and (c) the Group was profit-making for FY2026.

In evaluating the fairness and reasonableness of the Subscription Price, we have, based on our search on Bloomberg, identified an exhaustive list of one comparable company (the "**Comparable Company**"), namely Alliance International Education Leasing Holdings Limited (stock code: 1563), which is (a) principally engaged in the provision of education services in the PRC, with revenue generated from such business accounting for more than 50% of its total revenue in the latest financial year; (b) listed on the Stock Exchange; (c) profit-making for the latest financial year; (d) not be suspended from trading as at the date of the Subscription Agreement; and (e) with market capitalisation of not higher than HK$284 million as at the date of the Subscription Agreement, which represents approximately two times the Company's market capitalisation of HK$142 million implied by the Subscription Price. Such market capitalisation range enables us to select companies of comparable size to the Company. We excluded companies that were suspended from trading as at the date of the Subscription Agreement, as their closing prices prior to suspension can not reflect the latest market sentiment.

Nevertheless, given that:

(a) the sample size comprises only one Comparable Company;

(b) as the Group operates in the highly niche sector of robotics education and training, the search scope was expanded to the broader education services industry in the PRC. The private higher education services provided by the Comparable Company are not directly comparable to robotics-related education services of the Group; and

(c) despite the P/E ratio being the sole appropriate valuation benchmark, its relevance is constrained by the Group's modest net profit attributable to shareholders of approximately HK$6.8 million in FY2026 and its track record of continuous historical net losses,

we consider that the comparable company analysis is not applicable to the Company.

(iv) Comparison transactions

To assess the fairness and reasonableness of the Subscription Price, we have conducted an exhaustive search on the website of the Stock Exchange and identified an exhaustive list of 2 comparable transactions (the "**Comparable Transactions**") based on the following criteria: (a) transactions announced by companies listed on the Stock Exchange and approved by their respective shareholders during the period from 1 September 2025 to 31 August 2026, being a one-year period prior to the date of the Subscription Agreement; and (b) transactions involving debt capitalisation and whitewash waiver. Shareholders should note that while the businesses, operations, market capitalisation and prospects of the Company differ from those of the subject companies in the Comparable Transactions, the Comparable Transactions serve to illustrate the recent market practices for debt capitalisation adopted by companies listed on the Stock Exchange.

Company name (stock code)	Date of announcement/ agreement	Principal business	Market capitalisation as at the date of the agreement *(HK$ million)*	Size of the debt capitalisation *(HK$ million)*	Size of new shares to be issued to the enlarged issued shares *(%)*	Premium/ (discount) of the subscription price over/to the closing price per share on the last trading day *(%)*	Premium/ (discount) of the subscription price over/to the average closing price per share for the last five consecutive trading days immediately prior to and including the last trading day *(%)*	Premium/ (discount) of the subscription price over/to the average closing price per share for the last 10 consecutive trading days immediately prior to and including the last trading day *(%)*	Theoretical dilution effect on existing public shareholders *(Note)* *(%)*
China Huajun Group Ltd. (377)	30 June 2026	(i) Printing; (ii) trading and logistics; and (iii) property development and investments	78.8	94.0	53.6	(21.88)	(26.47)	(27.06)	10.66
China Ecotourism Group Limited (1371)	25 March 2026	(i) Provision of technology and operation services for lottery systems, terminal equipment and gaming products in the China's lottery market; and (ii) research and development, processing, production and sales of natural and health food	28.9	490.0	95.49	(19.79)	(18.03)	(18.03)	47.84
The Company (8206)	**31 August 2026**	**Provision of robotics-related education and training in the PRC**	**Not available as trading in the Shares was suspended**	**65.1**	**31.41**	**97.37**	**71.23**	**67.41**	**22.38**

Note: Being the decrease in the shareholding percentage of public shareholders.

As shown in the table above, the subscription prices of all Comparable Transactions demonstrated varying degrees of discounts to their respective market prices. The premiums represented by the Subscription Price indicate that the Subscription Price is fair and reasonable.

5. Dilution effect on the shareholding interests of the existing public Shareholders and Whitewash Waiver

As illustrated by the table under the section headed "Effects on the shareholding structure of the Company" of the Letter from the Board, immediately following the completion of the Debt Capitalisation, the shareholding interests of the existing public Shareholders in the Company would be diluted from 71.26% to 48.88%.

As at the Latest Practicable Date, CCI is interested in 542,042,000 Existing Shares, representing approximately 28.59% of the issued share capital of the Company. Immediately after the completion of the issue of Subscription Shares, the CCI Concert Group will be interested in 28,200,840 Consolidated Shares, and the aggregate shareholding of the CCI Concert Group in the Company will be increased from approximately 28.59% to approximately 51.02% (assuming there is no other change in the issued share capital of the Company).

An application has been made to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, (a) the approval by at least 75% of the votes cast by the Independent Shareholders either in person or by proxy at the EGM by way of poll in respect of the Whitewash Waiver; and (b) the approval by more than 50% of the votes cast by the Independent Shareholders either in person or by proxy at the EGM by way of poll in respect of the Debt Capitalisation, in which the CCI Concert Group and Mr. Bao will abstain from voting on the relevant resolution(s).

Having considered (i) the reasons for and benefits of the Debt Capitalisation, which represents the most appropriate fund-raising option currently available to the Company; (ii) the terms of the Debt Capitalisation (including the Subscription Price), which are on normal commercial terms and fair and reasonable; and (iii) the dilution effect of the Debt Capitalisation on the Company's existing public Shareholders is lower than that of the Comparable Transactions, we are of the view that the aforementioned dilution effect on the shareholding interests of the existing public Shareholders is acceptable. Accordingly, we consider that the approval of the Whitewash Waiver is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

OPINION AND RECOMMENDATION

In arriving at our opinion and recommendation, we have considered the principal factors and reasons as discussed above and in particular the following:

- Although the Group recorded a turnaround from net loss attributable to owners of the Company of HK$7.1 million for FY2025 to net profit attributable to owners of the Company of HK$6.8 million for FY2026, the Amount Due to CCI was HK$95,664,210 as at the Latest Practicable Date and the Group remains unable to resolve its going concern issue in the short term solely through its own profitability;

- The Debt Capitalisation will substantially reduce the Group's net liabilities, resulting in the Group moving from a net liabilities position to an unaudited positive net asset position;

- The Debt Capitalisation will enable the Group to substantially reduce its indebtedness upon Completion without a corresponding cash outflow;

- Trading in the Shares on the Stock Exchange has been suspended since 14 October 2025, and the 12-month period under Rule 9.14A(1) of the GEM Listing Rules will expire on 13 October 2026, creating an urgent need for the Company to complete the Debt Capitalisation to demonstrate sufficient assets;

- Having regard to (i) the prolonged suspension of the Shares; and (ii) the Group's net liabilities and net current liabilities, bank financing, subscription by independent investors, rights issue or open offer are not appropriate fund-raising methods for the Company;

- The Subscription Price is fair and reasonable after considering the following:

  - the Subscription Price represents a minimal discount of 0.8% to the average closing price of the Shares during the Review Period;

  - the subscription prices of all Comparable Transactions demonstrated varying degrees of discounts to their respective market prices while the Subscription Price represents premiums.

Based on the above, we consider that the Debt Capitalisation is on normal commercial terms, and the Debt Capitalisation and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned. We also consider that the Debt Capitalisation and the Whitewash Waiver, while not in the ordinary and usual course of business of the Group, are nevertheless in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Debt Capitalisation and the Whitewash Waiver.

Yours faithfully,
For and on behalf of
Rainbow Capital (HK) Limited

Danny Leung
Managing Director

Mr. Danny Leung 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.