RAINBOW.

RAINBOW CAPITAL (HK) LIMITED
浤博資本有限公司

31 August 2026

To the Offer Shareholders and the Offer Optionholders:

Dear Sir/Madam,

MANDATORY UNCONDITIONAL CASH OFFERS BY RAINBOW CAPITAL (HK) LIMITED FOR AND ON BEHALF OF L.V.E.P. HOLDINGS LIMITED TO ACQUIRE ALL THE ISSUED SHARES OF, AND TO CANCEL ALL THE OUTSTANDING OPTIONS OF, MS GROUP HOLDINGS LIMITED (OTHER THAN THE EXCLUDED SHARES AND THE EXCLUDED OPTIONS)

INTRODUCTION

Reference is made to the Joint Announcement jointly published by the Offeror and the Company dated 5 May 2026 in relation to, among other things, the Sale and Purchase Agreement and the Offers.

The Sale and Purchase Agreement

As disclosed in the Joint Announcement, on 20 April 2026 (after trading hours), Mr. Chau and Ching Wai Holdings (as vendors), and Mr. Chung and L.V.E.P. (as purchasers) entered into the Sale and Purchase Agreement, pursuant to which Mr. Chau shall procure Ching Wai Holdings to sell, and Ching Wai Holdings shall sell as legal and beneficial owner, and Mr. Chung shall procure L.V.E.P. to purchase, and L.V.E.P. shall purchase, the Sale Shares, being 75,000,000 Shares, representing approximately 36.69% of the total issued share capital of the Company as at the date of the Joint Announcement, free from all Encumbrances and third party rights and together with all rights attached thereto as at Completion, for a total cash Consideration of HK$60,000,000, equivalent to HK$0.80 per Sale Share.

Completion took place immediately after the entering into of the Sale and Purchase Agreement by the Vendors and the Purchasers on the Completion Date, being 20 April 2026, on which the Consideration has been fully settled by the Purchasers in cash in accordance with the terms of the Sale and Purchase Agreement. The Consideration was financed by the Offeror's own financial resources, which were funded by Mr. Chung's personal wealth. Upon Completion, Ching Wai Holdings ceased to hold any Shares and was no longer a Shareholder.

Obligations under the Takeovers Code

As at Completion and the Latest Practicable Date, Mr. Chung (being the ultimate beneficial owner of the Offeror) and Mr. Leonard Chung (being the son of Mr. Chung) are the directors of the Offeror and each of them is a party acting in concert with the Offeror and also with each other under the Takeovers Code.

Immediately prior to Completion, the Offeror, Mr. Chung and Mr. Leonard Chung were interested in an aggregate of 72,572,000 Shares, representing approximately 35.50% of the issued share capital of the Company. Immediately following Completion and as at the Latest Practicable Date, the Offeror, Mr. Chung and Mr. Leonard Chung are interested in an aggregate of 147,572,000 Shares, representing approximately 72.20% of the issued share capital of the Company.

In addition, as at the Latest Practicable Date, Mr. Chung and Mr. Leonard Chung hold Mr. Chung's Options and LC's Options, respectively, which were granted to them pursuant to the Share Option Scheme and entitle them to subscribe for a total of 1,960,000 new Shares, representing approximately 0.96% of the issued share capital of the Company. Details of such Options are included in the table set forth in the section headed "THE OFFERS — II. The Option Offer" in this letter.

Accordingly, pursuant to Rules 13.1, 13.5 and 26.1 of the Takeovers Code, the Offeror is required to make mandatory unconditional cash offers to acquire all of the Offer Shares and to cancel all the Offer Options. The Share Offer and the Option Offer will be made to the Offer Shareholders and the Offer Optionholders, respectively. The Offers will be unconditional in all respects when made and will not be conditional upon acceptances being received in respect of a minimum number of Offer Shares and in respect of a minimum number of Offer Options to be cancelled.

Purpose of this letter

This letter forms part of this Composite Document and sets out, among other things, principal terms of the Offers, the information on the Offeror and the intention of the Offeror in relation to the Group. Further details of the terms and the procedures of acceptance of the Offer are set out in Appendix I to this Composite Document and the accompanying Forms of Acceptance.

Offer Shareholders and Offer Optionholders are strongly advised to consider carefully the information contained in the "Letter from the Board", the "Letter from the Independent Board Committee", the "Letter from the Independent Financial Adviser", the accompanying Form(s) of Acceptance and the appendices which form part of this Composite Document and to consult their professional advisers if in doubt before reaching a decision as to whether or not to accept the Offers.

IRREVOCABLE UNDERTAKING

As at the Latest Practicable Date, Mr. Leonard Chung holds 800,000 Shares and 1,560,000 Options with an exercise price of HK$1.02 each (among which 1,092,000 Options are vested and 468,000 Options are unvested).

On 20 April 2026, Mr. Leonard Chung executed the LC's Irrevocable Undertaking in favour of the Offeror, pursuant to which he has irrevocably agreed and undertaken to the Offeror and Rainbow Capital that, at any time during the period between the date of the LC's Irrevocable Undertaking and the end of the offer period of the Offers, he will not: (a) whether directly or indirectly, offer, sell, transfer, pledge, encumber, grant any right over or otherwise dispose of any of the Shares or Options owned by him; (b) exercise any of the Options held by him under the terms of the Share Option Scheme; and (c) accept the Offers in respect of any of his Shares or Options, even if the Offers are extended to him. In addition, his Shares and Options referred to in the first paragraph above in this section shall remain registered in his name or the name(s) of his nominee(s) (as applicable) prior to the completion, termination or withdrawal of the Offers.

THE OFFERS

I. The Share Offer

As at the Latest Practicable Date, the Company has 204,400,000 Shares in issue. Excluding the Excluded Shares, a total of 56,828,000 Shares will be subject to the Share Offer.

Rainbow Capital is, for and on behalf of the Offeror and in compliance with the Takeovers Code, making the Share Offer to acquire all the Offer Shares on the following basis:

Offer price for each Offer Share . . . . HK$0.80 in cash

The Share Offer will be extended to all Offer Shareholders in accordance with the Takeovers Code.

The Offer Shares to be acquired under the Share Offer shall be fully paid and free from all Encumbrances and together with all rights and benefits attaching thereto as at the date of this Composite Document or subsequently becoming attached to them, including but not limited to the right to receive in full all dividends, distributions and any return of capital, if any, which may be made or declared or agreed to be made or declared, and the record date of which falls on or after the date on which the Offers are made, being the date of despatch of this Composite Document.

As at the Latest Practicable Date, no outstanding dividend declared by the Company remained unpaid, and the Board advised that the Company has no intention to make, declare or pay any future dividend or make other distributions until after the close of the Share Offer.

II. The Option Offer

As at the Latest Practicable Date, the Company has a total of 11,600,000 outstanding Options (including the Excluded Options), among which 3,000,000 outstanding Options with an exercise price of HK$1.02 each have vested on 27 May 2026, being a date falling after the date of the Joint Announcement. Details of these 11,600,000 outstanding Options as at the Latest Practicable Date are set out as follows:

Name of Optionholder	**Vested Options**		**Unvested Options**	**Total outstanding Options**
	Exercise price at HK$0.68	*Exercise price at HK$1.02*	*Exercise price at HK$1.02 and vesting on 27 May 2027*	
Offer Optionholders				
— *Executive Directors*				
Mr. Chau	200,000	140,000	60,000	400,000
Mr. Chau Wai	—	1,092,000	468,000	1,560,000
Ms. Lo	—	1,092,000	468,000	1,560,000
— *Independent Non-Executive Directors*				
Mr. Yu Hon To David	200,000	140,000	60,000	400,000
Mr. Seto John Gin Chung	200,000	140,000	60,000	400,000
Mr. Asvaintra Bhanusak	200,000	140,000	60,000	400,000
— Other Offer Optionholders	600,000	3,024,000	1,296,000	4,920,000
	1,400,000	5,768,000	2,472,000	9,640,000
Non-Offer Optionholders				
Mr. Chung	200,000	140,000	60,000	400,000 *(Note 1)*
Mr. Leonard Chung	—	1,092,000	468,000	1,560,000 *(Note 1)*
	200,000	1,232,000	528,000	1,960,000 *(Note 2)*
Total	1,600,000	7,000,000	3,000,000	11,600,000

Notes:

1. Neither Mr. Chung nor Mr. Leonard Chung has exercised any of their outstanding Options during the Relevant Period.

2. These 1,960,000 outstanding Options held by Mr. Chung and Mr. Leonard Chung are Excluded Options, which will be excluded from the Option Offer.

3. The exercise period for each Option is 10 years from the date of grant, to the extent that it has vested.

As at the Latest Practicable Date, excluding the Excluded Options, there is a total of 9,640,000 Offer Options subject to the Option Offer, comprising:

(i) 1,400,000 vested Options with an exercise price of HK$0.68 each;

(ii) 5,768,000 vested Options with an exercise price of HK$1.02 each; and

(iii) 2,472,000 unvested Options with an exercise price of HK$1.02 each.

Rainbow Capital is, for and on behalf of the Offeror and in accordance with Rule 13 of the Takeovers Code, making the Option Offer to the Offer Optionholders to cancel all Offer Options in exchange for cash on the following basis:

In respect of the Offer Options with an exercise price of HK$0.68 each:

"See-through" cancellation price
for each such Offer Option . . . . HK$0.12 in cash

In respect of the Offer Options with an exercise price of HK$1.02 each:

Cancellation price for each such Offer Option . . . . HK$0.0001 in cash

Under the Option Offer, the "see-through" cancellation price (being the Share Offer Price minus the relevant exercise price of the Offer Options) is offered for the cancellation of every Offer Option (whether vested or unvested). In respect of Offer Options with an exercise price higher than the Share Offer Price, the cancellation price is at a nominal amount of HK$0.0001.

On 27 May 2024, 10,000,000 Options with an exercise price of HK$1.02 each were granted and are subject to three vesting stages (i.e. 40% vested on 27 May 2025, 30% vested on 27 May 2026, and 30% vesting on 27 May 2027). For details of the grant of these Options, please refer to the Company's announcement dated 27 May 2024. Excluding the aggregate 1,760,000 Options with an exercise price of HK$1.02 each held by Mr. Chung and Mr. Leonard Chung (which form part of the Excluded Options), as at the Latest Practicable Date, 5,768,000 Offer Options have been vested and 2,472,000 Offer Options are unvested and will be vested on 27 May 2027 (the "**Vesting Date**").

The Share Option Scheme does not contain provisions for the automatic acceleration of vesting or the cancellation of unvested Options in the event of a general offer. For holders of unvested Offer Options who accept the Option Offer, their unvested Offer Options will be cancelled; however, the cancellation price will only be paid to them as soon as possible and in any event no later than seven (7) Business Days after the Vesting Date (i.e. on or before 7 June 2027), provided that the relevant holder of unvested Offer Options remains eligible under the terms of the Share Option Scheme up to the Vesting Date. The Offeror has applied to the Executive for, and the Executive has granted, a waiver from strict compliance with Rule 20.1 of the Takeovers Code to allow for the deferred settlement of the cancellation price to holders of the unvested Offer Options who accept the Option Offer.

Following acceptance of the Option Offer, the relevant Offer Options together with all rights attaching thereto will be entirely cancelled and renounced. Outstanding Options not tendered for acceptance under the Option Offer will continue to vest and/or remain exercisable in accordance with their respective original terms and conditions. If any vested Offer Option is exercised by an Offer Optionholder in accordance with the terms of the Share Option Scheme prior to the close of the Offers, any new Shares allotted and issued as a result of such exercise will be subject to the Share Offer.

Comparison of the Share Offer Price

The Share Offer Price of HK$0.80 per Offer Share is equal to the price per Sale Share paid by the Purchasers for the Sale Shares under the Sale and Purchase Agreement.

The Share Offer Price of HK$0.80 per Offer Share represents:

(i) a discount of approximately 37.50% to the closing price of HK$1.280 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a discount of approximately 34.96% to the closing price of HK$1.230 per Share as quoted on the Stock Exchange on 20 April 2026, being the Last Trading Day;

(iii) a discount of approximately 32.55% to the average closing price of approximately HK$1.186 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 31.10% to the average closing price of approximately HK$1.161 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 34.90% to the average closing price of approximately HK$1.229 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days immediately prior to and including the Last Trading Day;

(vi) a discount of approximately 14.0% to the audited net asset value per Share of approximately HK$0.93 as at 31 December 2025, calculated based on the Group's audited consolidated net asset value attributable to the Shareholders as at 31 December 2025 of approximately HK$190,346,000, divided by a total of 204,400,000 issued Shares as at the Latest Practicable Date; and

(vii) a discount of approximately 13.5% to the unaudited net asset value per Share of approximately HK$0.925 as at 30 June 2026, calculated based on the Group's unaudited consolidated net asset value attributable to the Shareholders as at 30 June 2026 of approximately HK$189,163,000, divided by a total of 204,400,000 issued Shares as at the Latest Practicable Date.

Highest and lowest closing prices

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK$1.600 on 6 May 2026 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK$0.822 on 10 November 2025.

Total value of the Offers

As at the Latest Practicable Date, the Company has 204,400,000 Shares in issue. Assuming that there is no change in the issued share capital of the Company and based on the Share Offer Price of HK$0.80 per Offer Share, the total issued share capital of the Company is valued at HK$163,520,000.

(i) *Full acceptance of the Offers*

Based on the 56,828,000 Shares which will be subject to the Share Offer and the Share Offer Price of HK$0.80 per Offer Share, the total consideration of the Share Offer would be HK$45,462,400 in the event that the Share Offer is accepted in full. Based on (i) the "see-through" cancellation price of HK$0.12 for each of the 1,400,000 Offer Options with an exercise price of HK$0.68; and (ii) the nominal cancellation price of HK$0.0001 for each of the 8,240,000 Offer Options with an exercise price of HK$1.02, whether vested or not, the total value of the Option Offer amounts to HK$168,824. Assuming that there will be no change in the issued share capital of the Company, the aggregate value of the Share Offer and the Option Offer would be HK$45,631,224 in the event that the Offers are accepted in full.

(ii) *Full conversion of vested Options with full acceptance of the Offers*

Assuming that all the 7,168,000 Offer Options currently vested and exercisable are exercised in full prior to the close of the Offers, the number of issued Shares will increase from 204,400,000 to 211,568,000 Shares. Save for the Excluded Shares, 63,996,000 Shares will be subject to the Share Offer, and the value of the Share Offer will be HK$51,196,800. For the remaining 2,472,000 Offer Options to be vested on 27 May 2027 which is subject to cancellation price of HK$0.0001, the total value of the Option Offer would be HK$247.2.

Based on the foregoing, the maximum potential total cash consideration payable by the Offeror under the Offers would be HK$51,197,047.2 in aggregate.

Financial resources available for the Offers

The Offeror intends to finance the consideration payable under the Offers in full by its own internal resources. Rainbow Capital, the financial adviser to the Offeror in respect of the Offers, is satisfied that sufficient financial resources are and will remain available to the Offeror to satisfy the consideration payable in case of full acceptance of the Offers.

Effect of accepting the Offer(s)

Acceptance of the Share Offer by any Offer Shareholder will be deemed to constitute a warranty by such person that all the Offer Shares sold by such person under the Share Offer are free from all Encumbrances and together with all rights and benefits attaching thereto as at the date of this Composite Document or subsequently becoming attached to them, including but not limited to the right to receive in full all dividends, distributions and any return of capital, if any, which may be made or declared or agreed to be made or declared, and the record date of which falls on or after the date on which the Share Offer is made, being the date of despatch of the Composite Document.

By accepting the Option Offer, the Offer Optionholders will agree to the cancellation of their tendered Offer Options and all rights attached thereto with effect from the date on which the Option Offer is made, being the date of the despatch of this Composite Document.

Acceptance of the Offers shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

Offer Shareholders and Offer Optionholders are reminded to read the recommendations of the Independent Board Committee and the advice of the Independent Financial Adviser in respect of the Offers which are included in the "Letter from the Independent Board Committee" and the "Letter from the Independent Financial Adviser" as contained in this Composite Document.

Hong Kong stamp duty

The seller's Hong Kong ad valorem stamp duty arising in connection with acceptances of the Share Offer will be payable by the relevant Offer Shareholders at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, whichever is higher, and the amount of such duty will be deducted from the cash amount payable by the Offeror to the relevant Offer Shareholders accepting the Share Offer.

The Offeror will arrange for payment of the seller's Hong Kong ad valorem stamp duty on behalf of the relevant Offer Shareholders accepting the Share Offer and pay the buyer's Hong Kong ad valorem stamp duty in connection with the acceptance of the Share Offer and the transfer of the relevant Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

Payment

Payment under the Share Offer

Payment in cash regarding of the acceptances of the Share Offer, net of seller's Hong Kong ad valorem stamp duty, will be made as soon as possible but in any event no later than seven (7) Business Days after the date on which the duly completed acceptance of the Share Offer is received.

Payment under the Option Offer in respect of the vested Offer Options

Payment in cash regarding the acceptances of the Option Offer in respect of the vested Offer Options will be made as soon as possible but in any event no later than seven (7) Business Days after the date on which the duly completed acceptance of the Option Offer is received.

Payment under the Option Offer in respect of the unvested Offer Options

Payment in cash regarding the acceptances of the Option Offer in respect of the unvested Offer Options (which will vest on 27 May 2027 (the "**Vesting Date**") subject to the conditions of grant under the Share Option Scheme) will be made as soon as possible but in any event no later than seven (7) Business Days after the Vesting Date, provided that the relevant holder of unvested Offer Options remains eligible under the terms of the Share Option Scheme up to the Vesting Date. The Offeror has applied to the Executive for, and the Executive has granted, a waiver from strict compliance with Rule 20.1 of the Takeovers Code to allow for the deferred settlement of the cancellation price to holders of the unvested Offer Options who accept the Option Offer.

Relevant documents evidencing title in respect of any such acceptance of the Share Offer and/or the Option Offer (as the case may be) must be received by or on behalf of the Offeror (or its agent) in order to render each such acceptance of the Share Offer and/or the Option Offer (as the case may be) complete and valid.

No fractions of a Hong Kong cent will be payable and the amount of cash consideration payable to a Shareholder and/or Optionholder who accepts the Share Offer and/or the Option Offer (as the case may be) will be rounded up to the nearest Hong Kong cent.

Taxation advice

Offer Shareholders and Offer Optionholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offers. None of the Offeror, Mr. Chung and parties acting in concert with any of them, the Company, Rainbow Capital, Messis Capital, the Registrar and (as the case may be) their respective ultimate beneficial owners, directors, officers, agents, associates, professional advisors or any other person involved in the Offers accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offers.

Overseas Shareholders and overseas Optionholders

The Offeror intends to make the Share Offer and the Option Offer available to all the Offer Shareholders and Offer Optionholders, respectively. As the Share Offer and the Option Offer to persons with a registered address in a jurisdiction outside Hong Kong may be affected by the laws of the relevant overseas jurisdictions, Offer Shareholders and Offer Optionholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice. Persons who are residents, citizens or nationals outside Hong Kong should inform themselves about and observe, at their own responsibility, any applicable laws, regulations, requirements and restrictions in their own jurisdictions in connection with the acceptance of the Offers, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with the other necessary formalities and the payment of any issue, transfer or other taxes due from such Offer Shareholders or Offer Optionholders in respect of such jurisdiction.

Any acceptance by the Offer Shareholders and Offer Optionholders with a registered address in a jurisdiction outside Hong Kong will be deemed to constitute a representation and warranty from such overseas Offer Shareholders and Offer Optionholders to the Offeror that the local laws and requirements have been complied with and such acceptance shall be valid and binding in accordance with all applicable laws. Such overseas Offer Shareholders and Offer Optionholders should consult their respective professional advisers if in doubt.

As at the Latest Practicable Date, there are no overseas Offer Shareholders or Offer Optionholders identified.

INFORMATION ON THE GROUP

Your attention is also drawn to the information on the Group set out in the section headed "INFORMATION ON THE GROUP" in the "Letter from the Board" and Appendices II and IV as contained in this Composite Document.

INFORMATION ON THE OFFEROR

The Offeror is a company incorporated in the BVI with limited liability and is principally engaged in investment holding. Its directors include Mr. Chung and Mr. Leonard Chung, and it is wholly and beneficially owned by Mr. Chung as at the Latest Practicable Date.

Mr. Chung, aged 72, is an executive Director and the Group's chief executive officer. He is primarily responsible for the overall management, strategic planning and supervision of the Group's operations. He joined the Group in August 2012. He is the father of Mr. Leonard Chung, the cousin-in-law of Mr. Chau and the uncle of Mr. Chau Wai. Mr. Chung is acting in concert with Mr. Chau only by virtue of the presumption under class (6) of the definition of "acting in concert" under the Takeovers Code; save for such presumption, each of the Offeror and Mr. Chung is not, as a matter of fact or under any other classes of presumption under the definition of "acting in concert" of the Takeovers Code, acting in concert with the Vendors.

Mr. Chung is a director of Main Success Industrial Limited and On Gain Development Limited, both are indirect wholly-owned subsidiaries of the Company. As disclosed in this Composite Document, Mr. Chung was already a controlling Shareholder prior to Completion. For further details of Mr. Chung's interest in the Shares, please refer to the section headed "SHAREHOLDING STRUCTURE OF THE COMPANY" in the "Letter from the Board" as contained in this Composite Document.

Mr. Chung has accumulated more than 30 years of experience in the manufacturing industry. He co-founded Racing Champions Limited in 1989, which focused on manufacturing die-cast race car miniatures under the National Association for Stock Car Auto Racing (NASCAR) brand license, and served as its director. Racing Champions Limited sold its business assets to Banerjan Company Limited (now known as TOMY (Hong Kong) Limited, a major customer of the Group), which was then wholly-owned by Racing Champions Corporation, in 1996. Racing Champions Corporation was renamed as RC2 Corporation in 2003, the shares of which were listed on the Nasdaq Global Select Market and was acquired by Tomy Company, Ltd in 2011. He served as a director of Racing Champions Corporation from 1996 to 2008 and joined Baird Capital and worked as an operating partner from 2003 to 2014. He was also the chairman of Baird Asia Limited from 2004 to 2010. During the time, he was also instrumental in starting and overseeing Baird's regional office in Hong Kong and Shanghai, the PRC. In addition, Mr. Chung served as an independent non-executive director of StarGlory Holdings Company Limited (formerly known as New Wisdom Holding Company Limited and Epicurean and Company, Limited) (stock code: 8213), a company listed on GEM of the Stock Exchange which was principally engaged in the provision of food and beverage services during his tenure, for the period from 18 February 2010 to 8 November 2016.

INTENTION ON THE OFFEROR IN RELATION TO THE GROUP

The Group's business activities and financial position

Immediately prior to Completion, the Offeror was already a controlling shareholder of the Company (as defined under the Takeovers Code), and its ultimate beneficial owner, Mr. Chung, is an existing executive Director. Accordingly, the Offeror and Mr. Chung are highly familiar with the existing principal businesses, operations and management of the Group.

The acquisition of the Sale Shares by the Offeror from the Vendors was a commercially driven decision, allowing the Offeror to consolidate its control over the Company and demonstrating its long-term commitment to the stability and continuous development of the Group.

Following the close of the Offers, the Offeror intends to continue the existing principal business of the Group. The Offeror will conduct a review of the business activities and financial position of the Group from time to time for the purpose of formulating business plans and strategies for the future development of the Group. Subject to the results of the review, the Offeror may explore other business 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 Group.

Notwithstanding the above, as at the Latest Practicable Date, no such investment or business opportunities have been identified nor has the Offeror entered into any agreement, arrangement, understanding, or negotiation in relation to the injection of any assets or business into the Group. The Offeror has no intention to redeploy the fixed assets of the Group other than in the ordinary and usual course of business of the Group.

Board composition

As at the Latest Practicable Date, the Board is comprised of five executive Directors and three independent non-executive Directors. The Offeror has not decided on the future composition of the Board and it may, from time to time, review the composition of the Board to ensure that it is appropriately constituted to oversee the future development of the Group. Any future changes to the composition of the Board will be made in compliance with the Takeovers Code and/or the Listing Rules, and further announcement(s) will be made by the Company as and when appropriate.

Save for the Offeror's intention regarding the Group as set out above, the Offeror has no intention to (i) make material changes to the employment of the management and employees of the Group; and (ii) dispose of or redeploy the assets of the Group other than those in its ordinary and usual course of business as at the Latest Practicable Date.

PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends to maintain the listing of the Shares on the Stock Exchange following the close of the Offers. The Offeror does not intend to avail itself of any powers of compulsory acquisition of any Shares outstanding after the close of the Offers.

The Stock Exchange has stated that:

(a) if, at the close of the Offers, the Stock Exchange believes that:

- — a false market exists or may exist in the trading of the Shares; or
- — an orderly market does not exist or may not exist;

it will consider exercising its discretion to suspend dealings in the Shares; and

(b) if, at the close of the Offers, the Company has a Significant Public Float Shortfall (as defined in Rule 13.32F of the Listing Rules), then:

- — the Stock Exchange will add a designated marker to the stock name of the Shares; and
- — the Stock Exchange will cancel the listing of the Shares if the Company fails to re-comply with Rule 13.32B of the Listing Rules for a continuous period of 18 months from the commencement of the Significant Public Float Shortfall.

The directors of the Offeror and the Directors have jointly undertaken to the Stock Exchange that if, at the close of the Offers, the Company fails to comply with the requirement of Rule 13.32B of the Listing Rules, they will take appropriate steps to ensure the Company's compliance with Rule 13.32B of the Listing Rules at the earliest possible moment. The Company will make an application to the Stock Exchange for a temporary waiver from strict compliance with Rule 13.32B of the Listing Rules in case less than 25% of the Shares will be held by the public upon the close of the Offers in accordance with Rule 13.33 of the Listing Rules. The steps that the Offeror may take include but not limited to the disposal of Shares held by the Offeror by way of placing. No arrangements have been confirmed or put in place as at the Latest Practicable Date. The Offeror and the Company will issue a separate announcement as and when necessary in this regard.

ACCEPTANCE AND SETTLEMENT OF THE OFFERS

Your attention is drawn to the details regarding the procedures for acceptance and settlement of the Offers as set out in Appendix I to this Composite Document and the accompanying Forms of Acceptance.

COMPULSORY ACQUISITION

The Offeror does not intend to exercise or apply any right which may be available to it to acquire compulsorily any Shares outstanding after the close of the Offers.

GENERAL

This Composite Document has been prepared for the purposes of complying with the laws of Hong Kong, the Takeovers Code and the Listing Rules and the information disclosed may not be the same as that which would have been disclosed if this Composite Document had been prepared in accordance with the laws of jurisdictions outside Hong Kong.

All documents and remittances to be sent to the Offer Shareholders and the Offer Optionholders will be sent to them by ordinary post at their own risk. Such documents and remittances will be sent to them at their respective addresses as they appear in the register of members and register of Optionholders of the Company and in the case of joint Offer Shareholders, to such Offer Shareholder whose name appears first in the register of members of the Company, or in the case of joint Offer Optionholders, to such Offer Optionholder whose name appears first in the records of the Company. None of the Offeror, Mr. Chung and parties acting in concert with any of them, the Company, Rainbow Capital, Messis Capital, the Registrar and (as the case may be) their respective ultimate beneficial owners, directors, officers, agents, advisers or associates or any other person involved in the Offers will be responsible for any loss or delay in transmission of such documents and remittances or any other liabilities that may arise as a result thereof or in connection therewith.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Composite Document and the accompanying Forms of Acceptance, which form parts of this Composite Document. You are reminded to read carefully the "Letter from the Board", the "Letter from the Independent Board Committee", the "Letter from the Independent Financial Adviser" and other information about the Group, which are set out in this Composite Document, before deciding whether or not to accept the Offers. If you are in doubt about your position in connection with the Offers, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

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

Larry Choi
Managing Director