



RAINBOW CAPITAL (HK) LIMITED
法博資本有限公司

13 February 2026

To: the Independent Board Committee

Dear Sirs and Madams,

**MANDATORY UNCONDITIONAL CASH OFFER BY
SOLARSTONE CAPITAL LIMITED
FOR AND ON BEHALF OF DACHENG
INTERNATIONAL HOLDINGS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
SKYMISSION GROUP HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED AND/OR AGREED TO BE
ACQUIRED BY DACHENG INTERNATIONAL HOLDINGS LIMITED
AND/OR PARTIES ACTING IN CONCERT WITH IT)**

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 13 February 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 16 January 2026, the Offeror (as purchaser) and the Vendor (as vendor) entered into the Sale and Purchase Agreement, pursuant to which the Vendor agreed to sell, and the Offeror agreed to acquire, the full legal and beneficial title and interest in the Sale Shares, being 1,200,000,000 Shares, representing 75% of the total issued share capital of the Company as at the Latest Practicable Date, for a Consideration of HK\$114,000,000, equivalent to approximately HK\$0.095 per Sale Share. The Offeror fully paid the Consideration to the Vendor in cash funded by Mr. Zou’s personal savings at Completion, which took place on the date of the Sale and Purchase Agreement, being 16 January 2026. No borrowing was made to fund the Consideration.

Immediately prior to Completion, none of the Offeror, Mr. Zou and the parties acting in concert with any of them owned or controlled or had direction over any Share or 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 Latest Practicable Date, the Offeror, Mr. Zou and the parties acting in concert with any of them were interested in a total of 1,200,000,000 Shares, representing approximately 75% of the entire issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, upon Completion, the Offeror is required to make the Offer to acquire all of the Shares in the issued share capital of the Company (other than those Shares already owned and/or agreed to be acquired by the Offeror and parties acting in concert with it). SolarStone Capital is, for and on behalf of the Offeror and in compliance with the Takeovers Code, making the Offer at the Offer Price of HK\$0.095 per Offer Share in cash.

Pursuant to Rule 2.1 of the Takeovers Code, the Independent Board Committee, comprising all the non-executive Director and independent non-executive Directors, namely Mr. Yau Sheung Hang, Mr. Tang Tsz Tsun, Ms. Wu Kin Yi and Mr. Lei Nelson, has been established by the Company to make recommendations to advise the Independent Shareholders as to whether the Offer is fair and reasonable and as to acceptance of the Offer. We, Rainbow Capital, 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.

We are not associated or connected financially or otherwise with the Company, the Offeror, the Vendor, 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 Offeror, the Vendor, 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 Offeror, the Vendor, 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 report of the Company for the year ended 31 March 2025 (the “**2025 Annual Report**”) and the interim report of the Company for the six months ended 30 September 2025 (the “**2025 Interim Report**”); (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. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in this Composite Document and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all material respects at the time they were made and continued to be so until the Latest Practicable Date.

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

SolarStone Capital, for and on behalf of the Offeror and in compliance with the Takeovers Code, is making the Offer on the following basis:

For each Offer Share HK\$0.095 in cash

The Offer Price of HK\$0.095 per Offer Share under the Offer is equal to the price per Sale Share paid by the Offeror for the Sale Shares under the Sale and Purchase Agreement.

The Offer is extended to all Shareholders other than the Offeror, Mr. Zou and parties acting in concert with any of them owned or controlled any Shares in accordance with the Takeovers Code. The Offer Shares to be acquired under the Offer will be fully paid and free from all Encumbrances together with all rights attached thereto, including but not limited to 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 the Composite Document.

The Company confirms that as at the Latest Practicable Date, (i) it has not declared any dividend which is not paid; and (ii) it does not have any intention to make, declare or pay any future dividend/make other distributions until the close of the Offer.

The Offer is unconditional in all respects.

The Offeror confirms that the Offer Price is final and will not be increased.

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 SolarStone 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 is an investment holding company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the provision of formwork works services in Hong Kong.

Set out below is a summary of the consolidated financial information of the Group for (i) the years ended 31 March 2024 and 2025 (“**FY2024**” and “**FY2025**”, respectively) as extracted from the 2025 Annual Report; and (ii) the six months ended 30 September 2024 and 2025 (“**6M2024**” and “**6M2025**”, respectively) as extracted from the 2025 Interim Report:

(i) Financial performance

	FY2024 HK\$'000 (audited)	FY2025 HK\$'000 (audited)	6M2024 HK\$'000 (unaudited)	6M2025 HK\$'000 (unaudited)
Revenue	608,078	402,912	201,301	283,821
Cost of services	(599,377)	(398,565)	(199,950)	(275,809)
Gross profit	8,701	4,347	1,351	8,012
Other income	22	–	–	414
Impairment losses				
under expected credit loss model, net of reversal	(22,680)	(99,909)	(11,184)	(1,615)
Impairment losses on property, plant and equipment	(700)	–	–	–
Administrative and other operating expenses	(15,610)	(7,515)	(12,583)	(6,408)
Finance costs	(2,007)	(2,099)	(1,772)	(1,205)
Loss before tax	(32,274)	(105,176)	(24,188)	(802)
Income tax expenses	(122)	(235)	–	7
Loss attributable to the Shareholders	(32,396)	(105,411)	(24,188)	(795)

FY2025 as compared to FY2024

With reference to the 2025 Annual Report, the Group’s revenue decreased by approximately 33.7% from approximately HK\$608.1 million for FY2024 to approximately HK\$402.9 million for FY2025, primarily attributable to the ongoing downturn in the Hong Kong construction industry, driven by weaker private sector demand, delays in public sector projects, and intensified competition, which negatively impacted the pricing of new contracts.

In line with the decrease in revenue, the Group’s gross profit decreased by approximately 50.0% from approximately HK\$8.7 million for FY2024 to approximately HK\$4.3 million for FY2025. The Group’s gross profit margin also decreased from approximately 1.4% for FY2024 to approximately 1.1% for FY2025, primarily attributable to weaker project performance, rising subcontracting costs and higher wages for skilled workers.

The Group recorded a significant increase in loss attributable to the Shareholders by approximately 225.4% from approximately HK\$32.4 million for FY2024 to approximately HK\$105.4 million for FY2025, primarily attributable to (a) the decrease in revenue and gross profit as aforementioned; and (b) the increase in impairment losses under expected credit loss model, net of reversal by approximately HK\$77.2 million, mainly due to the Group's recognition of a provision for loss allowance on trade receivables and contract assets of approximately HK\$99.9 million for FY2025, reflecting deteriorating macroeconomic conditions, payment delays and heightened credit risks for certain customers. The Group adopted a more conservative approach to assess credit risk, especially for aged receivables, resulting in higher provisions for potential bad debts.

6M2025 as compared to 6M2024

The Group's revenue increased by approximately 41.0% from approximately HK\$201.3 million for 6M2024 to approximately HK\$283.8 million for 6M2025, primarily attributable to the accelerated progress of the public sector projects which were delayed during FY2025.

In line with the increase in revenue, the Group's gross profit increased by approximately 493.0% from approximately HK\$1.4 million for 6M2024 to approximately HK\$8.0 million for 6M2025. The Group's gross profit margin also increased from approximately 0.7% for 6M2024 to approximately 2.8% for 6M2025, primarily attributable to the Group's tighter cost control.

The Group recorded a significant decrease in loss attributable to the Shareholders by approximately 96.7% from approximately HK\$24.2 million for 6M2024 to approximately HK\$795,000 for 6M2025, primarily attributable to (a) the increase in revenue and gross profit as aforementioned; (b) the decrease in impairment losses under expected credit loss model, net of reversal by approximately HK\$9.6 million; and (c) the decrease in administrative and other operating expenses by approximately HK\$6.2 million, as a result of the Group's continued cost control measures.

(ii) Financial position

	As at As at 31 March 2024	As at 30 September 2025	As at 30 September 2025
	HK\$'000 (audited)	HK\$'000 (audited)	HK\$'000 (unaudited)
Non-current assets,			
including:	11,836	558	46
– Property, plant and equipment	11,601	558	46
Current assets, including:	454,228	344,510	355,954
– Trade and other receivables	334,946	214,732	270,182
– Contract assets	103,079	125,390	85,578
– Cash and cash equivalents	13,412	665	194
Total assets	466,064	345,068	356,000
Current liabilities,			
including:	103,291	87,370	98,704
– Trade and other payables	48,754	26,680	35,539
– Interest-bearing borrowings	53,725	60,242	63,165
Net current assets	350,937	257,140	257,250
Non-current liabilities,			
including:	4,399	4,735	5,128
– Trade and other payables	3,951	4,735	5,128
Total liabilities	107,690	92,105	103,832
Equity attributable to the Shareholders	358,374	252,963	252,168

As at 30 September 2025, total assets of the Group amounted to approximately HK\$356.0 million, mainly consisting of (a) trade and other receivables of approximately HK\$270.2 million; (b) contract assets of approximately HK\$85.6 million, primarily representing retention receivables of construction works; and (c) cash and cash equivalents of approximately HK\$194,000.

As at 30 September 2025, total liabilities of the Group amounted to approximately HK\$103.8 million, mainly consisting of (a) trade and other payables of approximately HK\$40.7 million; and (b) interest-bearing borrowings of approximately HK\$63.2 million with weighted average effective interest rate of approximately 6.48%. In respect of interest-bearing borrowing with a carrying amount of approximately HK\$46.5 million as at 30 September 2025, the Group has breached one of the financial covenants, which the Group's consolidated earnings before interest, taxes, depreciation, and amortisation shall not fall below HK\$30,000,000. Due to the challenging economic conditions in the Hong Kong property market, the Company is renegotiating the borrowing terms with the relevant bank.

As at 30 September 2025, the Group recorded equity attributable to the Shareholders of approximately HK\$252.2 million with net current assets of approximately HK\$257.3 million.

(iii) Overall comment

The financial performance of the Group fluctuated for the periods under review as impacted by the deteriorating macroeconomic conditions, weak construction market in Hong Kong, intense price competition, rising labour and subcontracting costs, payment delays and heightened credit risks for certain customers. Accordingly, the Group has maintained low gross profit margins at approximately 1.4%, 1.1% and 2.8%, respectively, and recorded net losses of approximately HK\$32.4 million, HK\$105.4 million and HK\$795,000, respectively, for FY2024, FY2025 and 6M2025. Such low gross profit margins recorded by the Group may continuously deteriorate the Group's financial performance and cast doubt on the Group's ability to continue as a going concern.

As at 30 September 2025, the Group was in a highly leverage financial position, having interest-bearing borrowings of approximately HK\$63.2 million, as compared to cash balance of approximately HK\$194,000 only. Having considered (a) the fact that the Group has breached one of the financial covenants in respect of interest-bearing borrowing with a carrying amount of approximately HK\$46.5 million at 30 September 2025; (b) the low level of cash on hand available to the Group; (c) the slow customer settlement timelines; and (d) the Group's net cash used in operating activities for 6M2025, the Group is currently under pressure on liquidity.

As stated in the 2025 Annual Report, in view of (a) the Group's net loss of approximately HK\$105.4 million for FY2025; (b) the Group's net cash used in operating activities of approximately HK\$16.5 million for FY2025; and (c) that as at 31 March 2025, the Group has interest-bearing borrowings of approximately HK\$60,242,000 included in the current liabilities, in which the Group has breached financial covenants of the borrowings with the carrying amounts of approximately HK\$52,097,000 and the Group has cash and cash equivalent of approximately HK\$665,000 only, the Group's auditors indicated that a material uncertainty existed that may cast significant doubt on the Group's ability to continue as a going concern.

Taking into account (a) the Group's low gross profit margins and loss-making positions for the periods under review; (b) the financial pressure of the Group; and (c) the material uncertainty related to the Group's ability to continue as a going concern as indicated by the Group's auditors in the 2025 Annual Report, we consider the Group's prospect to be uncertain in the short run. In view of the material uncertainty related to the Group's ability to continue as a going concern as indicated by the Group's auditors in the 2025 Annual Report, we recommend the Independent Shareholders to accept the Offer.

The Independent Shareholders are advised to take into account the uncertainties relating to going concern in the 2025 Annual Report. Those Independent Shareholders who decide to retain part or all of their investments in the Shares should be aware of the potential risks associated with the uncertainties relating to going concern and carefully monitor the Group's financial performance and actions to be taken by the Group to address the going concern issue.

2. Industry overview

Set out below are the gross value of construction works performed by main contractors of Hong Kong and gross surplus of the construction sector in Hong Kong during the period from 2020 to 2024:

	2020	2021	2022	2023	2024	CAGR
Gross value of construction works performed by main contractors (HK\$' billion)	229.9	233.7	249.1	270.9	290.6	6.0%
Gross surplus of the construction sector (HK\$' million)	37.6	29.2	34.7	35.7	33.6	(2.8%)

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

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\$290.6 billion in 2024 with a compound annual growth rate ("CAGR") of approximately 6.0%, indicating the rising construction activities in Hong Kong. On the other hand, the gross surplus of the construction sector in Hong Kong, which is equal to total receipts less operating expenses and compensation of employees, has decreased from approximately HK\$37.6 million in 2020 to approximately HK\$33.6 million in 2024 with a CAGR of approximately -2.8%. In particular, 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 sector.

With weak property market, slump housing prices, high fiscal deficit and the limited number of large-scale construction projects introduced by the government in Hong Kong, the construction industry in Hong Kong is expected to experience a slowdown in growth. According to ResearchAndMarkets, the world's leading source for international market research reports and market data, the Hong Kong construction industry's output is expected to register an annual average growth rate of approximately 2.6% from 2026 to 2029 (source: <https://www.globenewswire.com/news-release/2025/03/03/3035369/28124/en/Hong-Kong-Construction-Industry-Report-2025-Output-to-Grow-at-an-AAGR-of-2-6-During-2026-2029-Supported-by-Investments-in-Transport-Electricity-Housing-and-Industrial-Projects.html>).

Formwork is a temporary mould which concrete is poured into. It is an essential and indispensable step for building a concrete structure as fresh concrete needs time to harden and needs containment to form the desired shape and size. As such, formwork works are an important part of building construction works in both public and private sectors. The demand for formwork works is highly driven by the growth of the construction industry in Hong Kong. Taking into account (i) the expected slow-down in the growth of the Hong Kong construction sector from 2026 to 2029; and (ii) the decrease in the gross surplus of the Hong Kong construction sector from 2020 to 2024, we consider the Hong Kong formwork services market is estimated to witness a slow growth and squeezed profit margin in the following years and its outlook remain challenging.

3. 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 sections headed "Information of the Offeror" and "The Offeror's Intention on the Group" in the "Letter from SolarStone Capital" in this Composite Document, which are summarised as follows:

(i) Information of the Offeror

The Offeror is a company incorporated in Hong Kong with limited liability on 7 August 2025 and is principally engaged in the trading of digital items and provision of maintenance and repairment services in relation to digital products. As at the Latest Practicable Date, the Offeror is beneficially owned as to 100% by Mr. Zou who is also the sole director of the Offeror.

Mr. Zou, aged 36, is beneficially interested in 100% of the shareholding of the Offeror and is the sole director of the Offeror. Mr. Zou has for over 10 years been responsible for overseeing the overall operations and business development of various enterprises in Mainland China that are engaged in the area of technology, insurance and digital mobile products, and has invested in some of these enterprises, including (a) Chengdu Fanxing Jumping Technology Co., Ltd.* (成都繁星跳動科技有限公司), in which he serves as the executive director and legal representative and is a beneficial owner of approximately 20.4%; (b) Shanshi Xia (Shenzhen) Technology Co., Ltd.* (閃修俠(深圳)科技有限公司), in which he is a beneficial owner of approximately 50.0%; and (c) Tengsheng Insurance Agency Co., Ltd.* (騰晟保險代理有限公司), in which he serves as the chairman of the board of directors and legal representative and is a beneficial owner of approximately 45.0%, through which he has accumulated extensive experience in management and investment. Mr. Zou has no relevant experience in the principal business of the Group.

The Offeror and Mr. Zou are Independent Third Parties.

Considering the Offeror and Mr. Zou have no relevant experience in the principal business of the Group, being the provision of formwork works services in Hong Kong, we are of the view that the Offeror may not be able to bring positive influence to the business of the Group.

(ii) Intention of the Offeror regarding the Group

(a) Business

As set out in the “Letter from SolarStone Capital” in this Composite Document, following the close of the Offer, it is the intention of the Offeror that the Group will continue with its existing principal business. The Offeror does not intend to introduce any major changes to the existing operations and business of the Group immediately after close of the Offer and will neither redeploy nor dispose of any of the assets (including fixed assets) of the Group other than in the ordinary course of business.

Nevertheless, following the close of the Offer, the Offeror will conduct a detailed review on the existing principal operations and business, and the financial position of the Group for the purpose of formulating business plans and strategies for the Group’s long-term business development and will explore other business opportunities for the Group. Subject to the results of the review, and should suitable investment or business opportunities arise, the Offeror may consider whether any assets and/or business acquisitions or disposals by the Group will be appropriate in order to enhance its growth. Any acquisition or disposal of the assets or business of the Group, if any, will be in compliance with the Listing Rules.

As at the Latest Practicable Date, no investment or business opportunity has 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. Should such corporate actions materialise, further announcement(s) will be made in accordance with the Listing Rules.

Save for the proposed change(s) to the composition of the Board as mentioned below, the Offeror has no plan to terminate the employment of any other employees or other personnel of the Group. However, the Offeror reserves the right to make any changes that they deem necessary or appropriate to the benefit of the Group.

(b) Board composition

As at the Latest Practicable Date, the Board comprises Mr. Leung Yam Cheung, Mr. Leung Wing Chun and Mr. Leung Chau Ming as executive Directors; Mr. Yau Sheung Hang as a non-executive Director; and Mr. Tang Tsz Tsun, Ms. Wu Kin Yi and Mr. Lei Nelson as independent non-executive Directors. It is intended that all of the existing Directors, except Mr. Leung Yam Cheung and Mr. Leung Wing Chun, will resign from the Board with effect from a date no earlier than the date of the close of the Offer or at the earliest time permitted under the Takeovers Code.

The Offeror intends to nominate new Directors to the Board to facilitate the business operation, management and strategy of the Group with effect from the date immediately after the date on which the Composite Document is posted or such other date as permitted under the Takeovers Code. As at the Latest Practicable Date, the Offeror has not identified any potential candidate to be appointed as a new director to the Board. Any changes to the members of the Board will be made in compliance with the Takeovers Codes and/or the Listing Rules and further announcement(s) will be made as and when appropriate.

(c) Maintenance of the Company's listing status

As stated in "Letter from SolarStone Capital" in this Composite Document, the Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offer. The sole director of the Offeror has undertaken and the new directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange that if, at the close of the Offer, 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.

Taking into account that (a) 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; and (b) it is intended that all of the existing Directors, except Mr. Leung Yam Cheung and Mr. Leung Wing Chun, will resign from the Board while the experience of new Directors to be nominated by the Offeror is still uncertain, 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.

4. Offer Price comparison

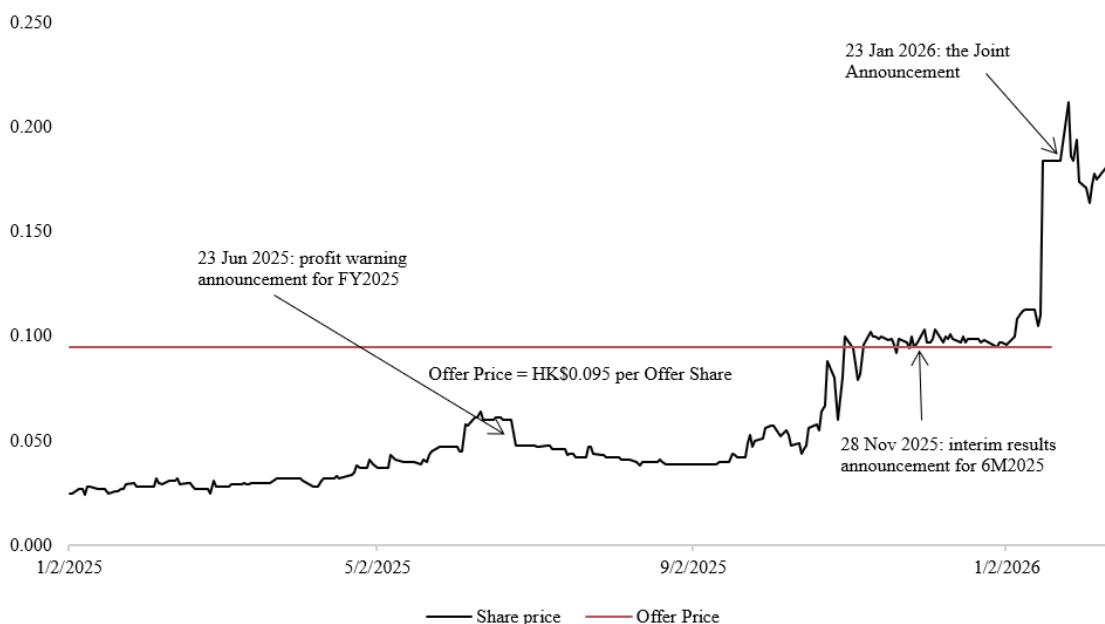
The Offer Price of HK\$0.095 per Offer Share represents:

- (i) a discount of approximately 47.5% to the closing price of HK\$0.181 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 48.4% to the closing price of HK\$0.184 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 24.0% to the average closing price of approximately HK\$0.125 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 18.8% to the average closing price of approximately HK\$0.117 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 8.7% to the average closing price of approximately HK\$0.104 per Share as quoted on the Stock Exchange for the last thirty (30) consecutive trading days up to and including the Last Trading Day;
- (vi) a discount of approximately 39.9% to the audited consolidated net asset value attributable to the owners of the Company of approximately HK\$0.158 per Share as at 31 March 2025, which was calculated based on the audited consolidated net asset value attributable to the owners of the Company of approximately HK\$252,963,000 as at 31 March 2025 and 1,600,000,000 Shares in issue as at the Latest Practicable Date; and
- (vii) a discount of approximately 39.9% to the unaudited consolidated net asset value attributable to the owners of the Company of approximately HK\$0.158 per Share as at 30 September 2025, which was calculated based on the unaudited consolidated net asset value attributable to the owners of the Company of approximately HK\$252,168,000 as at 30 September 2025 and 1,600,000,000 Shares in issue as at the Latest Practicable Date.

5. 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 from 2 January 2025 to the Last Trading Day (i.e. 16 January 2026) (the “**Review Period**”), being approximately one year preceding the Last Trading Day, and 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\$0.024 on 8 January 2025 to the highest of HK\$0.184 on the Last Trading Day with an average of HK\$0.053. In other words, the Offer Price of HK\$0.095 per Offer Share represents (a) a premium of approximately 295.8% over the lowest closing price of the Shares; (b) a discount of approximately 48.4% to the highest closing price of the Shares; and (c) a premium of approximately 79.2% over the average closing price of the Shares during the Review Period. The Offer Price was higher than the closing prices of the Shares on 210 trading days out of 257 trading days during the Review Period.

The closing prices of the Shares generally exhibited an upward trend from HK\$0.025 on 2 January 2025 to HK\$0.064 on 11 June 2025. Following the Company's publication of the profit warning announcement for FY2025 on 23 June 2025, the closing prices of the Shares gradually decreased to HK\$0.042 on 18 July 2025 and then fluctuated between HK\$0.038 and HK\$0.057 during the period from 21 July 2025 to 16 October 2025. Thereafter, the closing prices of the Shares increased sharply to HK\$0.102 on 10 November 2025 and then fluctuated between HK\$0.092 and HK\$0.113 during the period from 11 November 2025 to 15 January 2026. On the Last Trading Day (i.e. 16 January 2026), Share price surged to HK\$0.184. Based on our review of the Company's announcements published on the website of the Stock Exchange, in the second half of 2025, we noted that (a) the Company published the annual results announcement and annual report for FY2025 on 30 June 2025 and 24 July 2025, respectively; (b) the Company published the interim results announcement and interim report for 6M2025 on 28 November 2025 and 16 December 2025, respectively; and (c) the Sale and Purchase Agreement was entered and completed on 16 January 2026 and the Joint Announcement was published by the Company on 23 January 2026. We have made enquires with the Directors and were advised that, save for the publication of announcements of the Company as described above, the Directors were not aware of any specific reasons that may have an impact on the surge and fluctuation in the closing prices of the Shares since October 2025.

Following the publication of the Joint Announcement on 23 January 2026, the Share price has remained notably above the Offer Price, which may have been influenced in parts by the announcement and continuation of the Offer. The Share price closed at HK\$0.181 as at the Latest Practicable Date, to which the Offer Price represents a discount of approximately 47.5%.

Separately, the Offer Price has been determined in accordance with the requirements of the Takeovers Code and reflects at least the highest purchase price paid by the Offeror and parties acting in concert with it for the Shares in the relevant period, thereby ensuring equal treatment of the Shareholders under the regulatory framework. In forming our view on fairness and reasonableness of the Offer Price, we have placed greater emphasis on (a) the Company's underlying fundamentals such as its profitability and outlook as mentioned in the sections above in this letter; (b) the historical trading levels of the Shares; and (c) the risks and uncertainties associated with remaining a Shareholder, rather than on short-term price spikes observed during periods of exceptional volatility. Although the Offer Price represents a discount of approximately 48.4% to the closing price of the Shares on the Last Trading Day and a discount of approximately 47.5% to the closing price of the Shares on the Latest Practicable Date, the Independent Shareholders should note that there is no guarantee that the prevailing level of market prices of the Shares will sustain during and after the Offer Period. Particularly noting that (a) the absence of any inside information, material business developments or fundamental catalysts driving such elevated prices since October 2025, as confirmed by the Directors and Offeror and analysed above; (b) the Offer Price was higher than the closing prices of the Shares on 210 trading days, representing more than 75% of trading days during the Review Period; and (c) the Offer Price represents a premium of approximately 79.2% over the average closing price of the Shares during the Review Period, we consider the Offer Price to be justifiable and reasonable when assessed over a longer historical timeframe.

(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 volume to total number of Shares in issue (Note 2)	Approximate percentage of average daily trading volume to total number of Shares held (Note 3)
2025				
January	19	410,105	0.0256%	0.1025%
February	20	1,002,400	0.0627%	0.2506%
March	21	289,143	0.0181%	0.0723%
April	19	1,228,632	0.0768%	0.3072%
May	20	748,800	0.0468%	0.1872%
June	21	1,472,000	0.0920%	0.3680%
July	22	471,636	0.0295%	0.1179%
August	21	313,524	0.0196%	0.0784%
September	22	1,562,182	0.0976%	0.3905%
October	20	7,154,800	0.4472%	1.7887%
November	20	3,474,800	0.2172%	0.8687%
December	21	1,310,857	0.0819%	0.3277%
2026				
From 2 January to the Last Trading Day	11	7,726,545	0.4829%	1.9316%
From 26 January to 30 January	5	33,243,200	2.0777%	8.3108%
From 2 February to the Latest Practicable Date	7	4,212,000	0.2633%	1.0530%

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 public Shareholders as calculated by deducting the Shares held by the Vendor from the total number of the Shares in issue at the end of each month or period.

As illustrated in the table above, the trading of the Shares was generally inactive during the Review Period. The average daily trading volume for the respective month during the Review Period ranged from approximately 289,143 Shares in March 2025 to approximately 7,726,545 Shares in the period from 2 January 2026 to the Last Trading Day, representing approximately 0.0181% to 0.4829% of the total number of the Shares in issue and approximately 0.0723% to 1.9316% of the total number of the Shares held by the public, respectively.

Based on our review of the Company's announcements published on the website of the Stock Exchange, in the second half of 2025, we noted that (a) the Company published the annual results announcement and annual report for FY2025 on 30 June 2025 and 24 July 2025, respectively; (b) the Company published the interim results announcement and interim report for 6M2025 on 28 November 2025 and 16 December 2025, respectively; and (c) the Sale and Purchase Agreement was entered and completed on 16 January 2026 and the Joint Announcement was published by the Company on 23 January 2026. We have made enquires with the Directors and were advised that, save for the publication of announcements of the Company as described above, the Directors were not aware of any specific reasons that may have an impact on the exceptionally high trading volume of the Shares in October 2025, November 2025 and January 2026.

Following the publication of the Joint Announcement and the resumption of trading of the Shares on 26 January 2026, the average daily trading volume increased to approximately 33,243,200 Shares for the period from 26 January 2026 to 30 January 2026, representing approximately 2.0777% of the total number of the Shares in issue and approximately 8.3108% of the total number of the Shares held by the public. The enhanced liquidity observed in the Shares may be due to the announcement of the Offer, which may not be sustainable during or after the Offer Period.

Given the historical thin liquidity of the Shares, it may be difficult for the Independent Shareholders to dispose of a significant number of the Shares on the market in a short period of time without exerting downward pressure on the Share price. Accordingly, the market trading price of the Shares may not necessarily reflect the proceeds that the Independent Shareholders can receive through the disposal of their Shares in the open market and therefore, 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 of HK\$0.095 per Offer Share.

6. Comparable analysis

The Group is principally engaged in the provision of formwork works services in Hong Kong.

Price-to-earnings (“**P/E**”), price-to-book (“**P/B**”) and price-to-sale (“**P/S**”) multiples are the three most commonly used benchmarks in valuing a company. Given that (i) the Group was loss-making for FY2025; (ii) the Group recorded net assets position as at 30 September 2025; and (iii) the Group’s revenue was unstable for FY2024 and FY2025, we consider that P/B multiple is appropriate in valuing the Group. Based on (i) the Offer Price of HK\$0.095 per Offer Share; (ii) 1,600,000,000 Shares in issue on the Last Trading Day; and (iii) the unaudited consolidated net asset value attributable to the owners of the Company of approximately HK\$252,168,000 as at 30 September 2025, the P/B multiple implied by the Offer Price is approximately 0.6 time (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 companies (the “**Comparable Companies**”) which are (i) principally engaged in the provision of formwork works services in Hong Kong, accounting for more than 50% of its total revenue in the latest financial year; and (ii) publicly listed in Hong Kong. Based on the aforesaid criteria, we have exhaustively identified three Comparable Companies.

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

Company name (stock code)	Principal activities	Market capitalisation as at the Last Trading Day (HK\$ million)	P/B on the Last Trading Day (times)
Kin Shing Holdings Limited (1630.HK)	Principally engaged in the provision of formwork works and investment in financial instruments in Hong Kong	120.0	1.1
King's Stone Holdings Group Limited (1943.HK)	Principally engaged in the provision of formwork work services and related construction support services in Hong Kong	648.6	7.4
Royal Deluxe Holdings Limited (3789.HK)	Principally engaged in the provision of formwork works in Hong Kong	132.0	0.4
The Company		827.7	0.6 <i>(Note)</i>
		Maximum	7.4
		Minimum	0.4
		Median	1.1
		Mean	3.0

Source: Bloomberg and financial reports of the Comparable Companies

Note: being the Implied P/B.

As shown in the table above, the P/Bs of the Comparable Companies as at the Last Trading Day range from approximately 0.4 time to 7.4 times with a median and mean of approximately 1.1 times and 3.0 times, respectively. The Implied P/B of approximately 0.6 time is within the range of P/Bs of the Comparable Companies. For illustrative purpose, an outlier is a datapoint which is more than 1 standard deviation away from the overall average. The standard deviation of the P/Bs of the Comparable Companies has been calculated to be approximately 3.1 times. As a result, the upper boundary for identifying outliers is set at 6.1 (i.e. 3.0 + 3.1) times, while the lower boundary is set at -0.1 (i.e. 3.0 - 3.1) time. Therefore, P/B of King's Stone Holdings Group Limited of approximately 7.4 times is regarded an outlier. If excluding the P/B of King's Stone Holdings Group Limited as an outlier, the P/Bs of the Comparable Companies (excluding the outlier) range from approximately 0.4 time to 1.1 times, with a median and mean of approximately 0.8 time and 0.8 time, respectively. The Implied P/B of approximately 0.6 time is close to the median and mean of P/Bs of the Comparable Companies (excluding the outlier). As such, we consider the Offer Price to be fair and reasonable.

RECOMMENDATION

In summary, we have considered the below factors and reasons in arriving at our conclusion and recommendation in relation to the Offer:

- (i) the Group's financial performance has been negatively impacted by deteriorating macroeconomic conditions, weak construction market in Hong Kong, intense price competition, rising labour and subcontracting costs, payment delays and heightened credit risks for certain customers. As such, the Group has maintained a low gross profit margins and incurred net losses in each of FY2024, FY2025 and 6M2025;
- (ii) the Group has breached one of the financial covenants in respect of interest-bearing borrowing with a carrying amount of approximately HK\$46.5 million at 30 September 2025. Its low level of cash on hand and slow customer settlement timelines may constrain its liquidity position and limit its financial flexibility to fund operations;
- (iii) the Group's auditors have expressed that a material uncertainty existed that may cast significant doubt on the Group's ability to continue as a going concern in the 2025 Annual Report;
- (iv) in view of (a) the expected slow-down in the growth of the Hong Kong construction sector from 2026 to 2029; (b) the decrease in the gross surplus of the Hong Kong construction sector from 2020 to 2024; and (c) the demand for formwork works is highly driven by the growth of the construction industry in Hong Kong, we consider the outlook of the Hong Kong formwork services market remain challenging;

- (v) while the Offer Price represent a discount to the current trading price of the Shares, there is no guarantee that the prevailing level of market prices of the Shares will sustain during and after the Offer Period, especially taking into account that the Offer Price (a) was higher than the closing prices of the Shares on 210 trading days, representing more than 75% of trading days during the Review Period; and (b) represents a premium of approximately 79.2% over the average closing price of the Shares during the Review Period;
- (vi) given the historical thin liquidity of the Shares, it may be difficult for the Independent Shareholders to dispose of a significant number of the Shares on the market in a short period of time without exerting downward pressure on the Share price. Accordingly, 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 of HK\$0.095 per Offer Share; and
- (vii) the Implied P/B is within the range of P/Bs of the Comparable Companies and close to the median and mean of P/Bs of the Comparable Companies (excluding the P/B of King's Stone Holdings Group Limited as an outlier) of approximately 0.8 time and 0.8 time, respectively. Thus, the Offer Price is fair and reasonable.

Accordingly, we are of the view that the Offer Price of HK\$0.095 per Offer Share is attractive, rendering the Offer fair and reasonable so far as the Independent Shareholders are concerned after taking into account the above principal factors and reasons as a whole. We recommend the Independent Board Committee to advise, and we ourselves advise, the Independent Shareholders to accept the Offer.

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.