

RAINBOW.

RAINBOW CAPITAL (HK) LIMITED
流博資本有限公司

18 June 2026

To: the Independent Board Committee and the Independent Shareholders

Dear Sirs,

**MANDATORY CONDITIONAL CASH OFFER BY
LEGO SECURITIES LIMITED AND
FORTUNE ORIGIN SECURITIES LIMITED
FOR AND ON BEHALF OF THE OFFEROR
TO ACQUIRE ALL THE ISSUED SHARES OF
RONGZUN INTERNATIONAL HOLDINGS GROUP LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED
TO BE ACQUIRED BY THE OFFEROR AND PARTIES
ACTING IN CONCERT WITH HIM)**

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 18 June 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 2 April 2026, the Company was informed by the Offeror that the Offeror (as purchaser) entered into bought and sold notes with the Selling Shareholder (as vendor) after the close of the market on 2 April 2026 for the acquisition of an aggregate of 84,000,000 Shares from the Selling Shareholder at a total Consideration of HK\$43,680,000 (equivalent to Consideration of HK\$0.52 per Share), representing approximately 13.55% of the issued share capital of the Company as at the Latest Practicable Date. The total Consideration was fully satisfied on 8 April 2026 and completion of the Acquisition took place on 8 April 2026.

Immediately prior to completion of the Acquisition, the Offeror was interested in 123,000,000 Shares, representing approximately 19.84% of the issued share capital of the Company. Immediately following completion of the Acquisition and as at the Latest Practicable Date, the Offeror is interested in 207,000,000 Shares, representing approximately 33.39% of the total issued share capital of the Company.

Pursuant to Rule 26.1 of the Takeovers Code, the Acquisition triggered the obligation for the Offeror to make a mandatory conditional cash offer for all issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with him). Lego Securities and Fortune Origin Securities, for and on behalf of the Offeror, are jointly making the Offer in compliance with the Takeovers Code at the Offer Price of HK\$0.52 per Offer Share in cash.

Pursuant to Rule 2.1 and Rule 2.8 of the Takeovers Code, the Independent Board Committee comprising all non-executive Directors who have no direct or indirect interest in the Offer, namely Mr. Wang Xueyan, Ms. Song Ningning, Mr. Jin Fan, Mr. Sung Ka Woon and Mr. Yiu To Wa, has been established to advise the Independent Shareholders as to whether the Offer is, or is not, fair and reasonable and as to the acceptance of the Offer. We, Rainbow Capital (HK) Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee in the same regard and such appointment has been approved by the Independent Board Committee in accordance with Rule 2.1 of the Takeovers Code.

As at the Latest Practicable Date, we are not associated or connected financially or otherwise with the Company, the Selling Shareholder, the Offeror, 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 Selling Shareholder, the Offeror, 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 Selling Shareholder, the Offeror, 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**”), the interim report of the Company for the six months ended 30 September 2025 (the “**2025 Interim Report**”) and the Profit Warning Announcement; (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

Lego Securities and Fortune Origin Securities, for and on behalf of the Offeror, are jointly making the Offer in compliance with the Takeovers Code and on the terms to be set out in the Composite Document on the following basis:

For every Offer Share. HK\$0.52 in cash

The Offer Price of HK\$0.52 per Offer Share represents the highest price paid by the Offeror or parties acting in concert with him for the acquisition of the Shares during the Relevant Period.

As at the Latest Practicable Date, the Company has 620,000,000 Shares in issue. The Company does not have any outstanding options, derivatives, warrants or other securities convertible or exchangeable into Shares or which confer rights to require the issue of Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares or which confer rights to require the issue of Shares. As at the Latest Practicable Date, the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in issue other than the Shares.

The Offer is extended to all Shareholders other than the Offeror and parties acting in concert with him in accordance with the Takeovers Code. The Offer Shares to be acquired under the Offer are 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 Offer is conditional upon valid acceptances of the Offer having been received (and where permitted, not withdrawn) on or before 4:00 p.m. on the Closing Date (or such later time or date as the Offeror may, subject to the Takeovers Code, decide) in respect of the Offer Shares, which together with

the Shares already held by the Offeror and the parties acting in concert with him, would result in the Offeror and parties acting in concert with him holding more than 50% of the voting rights of the Company as at the Closing Date. This Condition cannot be waived. If the Condition is not fulfilled by the Closing Date, the Offer will lapse in accordance with the Takeovers Code. The Offeror will issue an announcement in relation to the revision, extension or lapse of the Offer or the fulfilment of the Condition in accordance with the Takeovers Code and the Listing Rules.

As at the Latest Practicable Date, there are 620,000,000 Shares in issue. Assuming that there is no change in the issued share capital of the Company and based on the Offer Price of HK\$0.52 per Offer Share, the total issued share capital of the Company is valued at HK\$322,400,000. The Offer will be made to the Independent Shareholders.

As the Offeror and parties acting in concert with him hold 207,000,000 Shares (representing approximately 33.39% of the total issued share capital of the Company) immediately following completion of the Acquisition, 413,000,000 Shares (representing approximately 66.61% of the total issued share capital of the Company) are subject to the Offer. Based on the Offer Price of HK\$0.52 per Offer Share, the consideration of the Offer would be HK\$214,760,000 in the event that the Offer is accepted in full.

The Company confirms that as at the Latest Practicable Date, (i) it has not declared any dividend which is not yet paid; and (ii) it does not have any intention to declare or pay any future dividend or make other distributions prior to and including the date of closing of the Offer. If, after the Latest Practicable Date, any dividend or other distribution is made or paid in respect of the Offer Shares, the Offeror will reduce the Offer Price by an amount equal to the gross amount of such dividend or other distribution receivable by the Independent Shareholders pursuant to Note 3 to Rule 26.3 and Note 11 to Rule 23.1 of the Takeovers Code.

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 Lego Securities and Fortune Origin Securities” and “Further Terms and Procedures of 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 a company incorporated in the Cayman Islands with limited liability, and the Shares of which are listed on the Main Board of the Stock Exchange. The Group is a contractor specialising in alteration and addition works and civil engineering works in Hong Kong and principally engaged in (i) provision of alteration and addition works which generally include new structural works, fitting-out works, changes in facilities configuration, constructing a new extension to existing building, conversion of an existing building to different types, fabrication, modification, removal, or installation of hardware and equipment; erection, relocation, or removal of partitions, doors, and windows; changes in type of finishes and flooring materials etc. and (ii) provision of civil engineering works which generally include site formation and foundation works.

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	FY2025	6M2024	6M2025
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue	229,916	88,375	43,338	28,606
Direct costs	(225,494)	(84,199)	(47,245)	(32,347)
Gross profit/(loss)	4,422	4,176	(3,907)	(3,741)
Other income	2,673	1,836	616	562
Other gains and losses, net	(37)	138	18	–
(Allowance for)/reversal of impairment losses under expected credit loss model, net	(85)	854	754	(79)
Administrative expenses	(16,287)	(16,546)	(7,972)	(7,032)
Finance cost	(10)	(3)	–	–
Loss before tax	(9,324)	(9,545)	(10,491)	(10,290)
Income tax expense	–	–	–	–
Loss attributable to the Shareholders	(9,324)	(9,545)	(10,491)	(10,290)

FY2025 as compared to FY2024

The Group's revenue decreased by approximately 61.6% from approximately HK\$229.9 million for FY2024 to approximately HK\$88.4 million for FY2025, primarily because less construction works were performed during FY2025 as a result of the challenging Hong Kong property market characterized by the transactions decline, downward adjustment of price in residential segments and increase in shop's vacancy rates.

Consistent with the decrease in revenue, the Group's gross profit decreased by approximately 5.6% from approximately HK\$4.4 million for FY2024 to approximately HK\$4.2 million for FY2025.

The Group recorded loss attributable to the Shareholders of approximately HK\$9.5 million for FY2025, representing a slight increase of approximately 2.4% from approximately HK\$9.3 million for FY2024. Such slight increase in loss was mainly attributable to (a) the decrease in revenue and gross profit as mentioned above; and (b) the decrease in other income by approximately HK\$837,000 mainly due to the decrease in bank interest income, which was partially offset by the change from allowance for impairment losses under expected credit loss model, net of approximately HK\$85,000 for FY2024 to reversal of impairment losses under expected credit loss model, net of approximately HK\$854,000 for FY2025, mainly due to the reduction in aged receivables balances as at 31 March 2025 compared with 31 March 2024.

6M2025 as compared to 6M2024

The Group's revenue decreased by approximately 34.0% from approximately HK\$43.3 million for 6M2024 to approximately HK\$28.6 million for 6M2025, because less construction works were performed during 6M2025.

The Group's gross loss decreased slightly by approximately 4.2% from approximately HK\$3.9 million for 6M2024 to approximately HK\$3.7 million for 6M2025. As advised by the management of the Group, such recognition of gross loss for 6M2024 and 6M2025 was primarily attributable to the substantial loss in certain construction projects as a result of the unexpected subcontracting costs for both periods due to the urgency and rush timeline and some extra work requested by the property owners while the Group did not charge extra fees to maintain the business relationship, as well as the remaining subcontracting and direct costs were recognised upon the completion of projects during the periods.

The Group's loss attributable to the Shareholders remained stable at approximately HK\$10.5 million and HK\$10.3 million for 6M2024 and 6M2025, respectively, as a result of the combined effects of (a) the change from reversal of impairment losses under expected credit loss model, net of approximately HK\$754,000 for 6M2024 to allowance for impairment losses under expected credit loss model, net of approximately HK\$79,000 for 6M2025, mainly due to the increase in aged receivables balances as at 30 September 2025 compared with 30 September 2024; and (b) the decrease in administrative expenses by approximately HK\$940,000 mainly due to the downsizing of the Group's operations and effective cost control of the operation during 6M2025.

(ii) *Financial position*

	As at 31 March		As at 30 September
	2024	2025	2025
	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(unaudited)
Non-current assets, including:	17,180	16,982	10,387
– Equity instrument designated at fair value through other comprehensive income	13,000	–	–
– Restricted bank deposits	2,490	15,917	9,417
Current assets, including:	231,750	180,347	178,312
– Trade and other receivables, deposits and prepayments	30,546	9,518	14,390
– Contract assets	53,056	38,434	30,570
– Bank deposits with original maturity more than three months	–	–	15,797
– Restricted bank deposits	24,199	2,490	3,360
– Cash and cash equivalents	123,949	129,905	114,195
Total assets	248,930	197,329	188,699
Current liabilities, including:	61,834	32,688	34,438
– Trade, retention and other payables	59,665	30,609	31,938
Total liabilities	61,834	32,688	34,438
Equity attributable to the Shareholders	187,096	164,551	154,261

As at 30 September 2025, total assets of the Group amounted to approximately HK\$188.7 million, mainly consisting of (a) trade and other receivables, deposits and prepayments of approximately HK\$14.4 million; (b) contract assets of approximately HK\$30.6 million; (c) bank deposits with original maturity more than three months of approximately HK\$15.8 million; (d) restricted bank deposits of approximately HK\$12.8 million; and (e) cash and cash equivalents of approximately HK\$114.2 million.

As at 30 September 2025, total liabilities of the Group amounted to approximately HK\$34.4 million, mainly consisting of trade, retention and other payables of approximately HK\$31.9 million.

As at 30 September 2025, the Group recorded equity attributable to the Shareholders of approximately HK\$154.3 million.

(iii) Overall comment

The financial performance of the Group deteriorated during the periods under review as impacted by the challenging Hong Kong property market characterized by the transactions decline, downward adjustment of price in residential segments and increase in shop's vacancy rates as well as the intensified competition and reduced private-sector contracts. Accordingly, the Group recorded revenue decline of approximately 61.6% and 34.0% for FY2025 and 6M2025, respectively, as compared to the corresponding period in the last year, and recorded low gross profit/(loss) margins at approximately 1.9%, 4.7% and (13.1)% for FY2024, FY2025 and 6M2025, respectively. In light of such revenue decline and low or even negative gross profit margins, the Group recorded loss attributable to the Shareholders of approximately HK\$9.3 million, HK\$9.5 million and HK\$10.3 million for FY2024, FY2025 and 6M2025, respectively.

Taking into account (a) the Group's significant revenue decline for FY2025 and 6M2025; and (b) the Group's low or even negative gross profit margins and loss-making positions for the periods under review, we consider the Group's prospect to be uncertain in the short run.

In addition, reference is made to the Profit Warning Announcement, whereby it is disclosed that based on the current information available to the Board and a preliminary review of the latest unaudited consolidated management accounts of the Group for the year ended 31 March 2026, it is expected that the Group will record a loss after taxation ranging from approximately HK\$34.1 million to HK\$36.0 million for the year ended 31 March 2026 as compared to a loss after taxation of approximately HK\$9.5 million for the year ended 31 March 2025. The expected increase in loss for the year ended 31 March 2026 was primarily attributable to significant unanticipated additional costs incurred for offsite works, combined with the urgency of the accelerated timeline and extra work requested for which the Group did not charge additional fees in order to preserve the business relationship.

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 2025:

	2020	2021	2022	2023	2024	2025	CAGR
Gross value of construction works performed by main contractors (HK\$' billion)	229.9	233.7	249.1	270.9	290.6	286.6	4.5%
Gross surplus of the construction sector (HK\$' billion)	37.6	29.2	34.7	35.7	33.6	Not disclosed	(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. However, the construction activities in Hong Kong slowed down in 2025 as evidenced by the decrease in such gross value by approximately 1.4% to approximately HK\$286.6 billion in 2025. 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 billion in 2020 to approximately HK\$33.6 billion in 2024. 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.

According to ResearchAndMarkets, the world’s leading source for international market research reports and market data, the growth in Hong Kong’s construction industry slowed from approximately 4% in 2024 to approximately 0.5% in 2025, owing to headwinds such as high interest rate, geo-political tensions, slump in the property sector and rising budget deficit. In addition, 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-ConstructionIndustry-Report-2025-Output-to-Grow-at-an-AAGR-of-2-6-During-2026-2029-Supported-byInvestments-in-Transport-Electricity-Housing-and-Industrial-Projects.html>), which is slower than the historical CAGR of approximately 4.5% from 2020 to 2025 in terms of the gross value of construction works performed by main contractors of 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 construction market is estimated to witness a slow growth and squeezed profit margin in the following years and its outlook remain challenging. As the Group is a contractor specialising in alteration and addition works and civil engineering works in Hong Kong and against such backdrop, we consider the outlook of the Group’s business 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 “Letter from Lego Securities and Fortune Origin Securities” in this Composite Document, which are summarised as follows:

(i) Information on the Offeror

The Offeror, aged 32, is the single largest Shareholder holding 207,000,000 Shares, representing approximately 33.39% of the total issued share capital of the Company as at the Latest Practicable Date. He is a businessman and has long been a passive investor in various businesses in the PRC and Hong Kong through brokerage firms and wholly-owned private investment companies in Hong Kong and the British Virgin Islands. His investment focus is primarily on listed securities, equity interests in information technology enterprises and certain high-quality or start-up enterprises as well as other financial and asset investments, utilising the financial support (including listed securities with an aggregate value of approximately HK\$190 million) received from his mother, who is a wealthy individual in the PRC, years ago. The Offeror confirms that, save for the aforesaid financial support from his mother, none of his investment capital was financed or provided, directly or indirectly, by way of loan or otherwise by any third party.

In November 2025, the Offeror became aware that the then controlling Shareholder of the Company had placed down its controlling stake in the Company to multiple places, resulting in the absence of a single controlling Shareholder of the Company. He considered that this presented an opportunity to acquire a substantial shareholding interest in the Company and thereby possible to secure the control of the Company with a relatively low shareholding percentage interest. Since the Offeror has no relevant experience in the Company’s current principal business, he does not intend to participate in the Board management or day-to-day management of the Group for the moment and thus intends to remain as a passive investor.

Considering that the Offeror has no relevant experience in the Company’s current principal business, 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

It is the intention of the Offeror to continue the existing business of the Company and has no intention to put forward any major changes to the business of the Company after the close of the Offer.

The Offeror has no intention to discontinue any employment of the employees of the Company or to dispose of or re-allocate the Company’s assets which are not in the ordinary and usual course of business of the Company.

As at the Latest Practicable Date, the Offeror has no intention, understanding, negotiation or arrangement to downsize, cease or dispose of any of the existing business of the Group.

(b) Board composition

As at the Latest Practicable Date, the Board comprises Dr. Hiroshi Kaneko as executive Director; Mr. Wang Xueyan and Ms. Song Ningning as non-executive Directors; and Mr. Jin Fan, Mr. Sung Ka Woon and Mr. Yiu To Wa as independent non-executive Directors.

The Offeror does not have any intention to nominate new Directors to the Board but may do so in the future. If the Offeror in the future wishes to nominate new Directors to the Board it shall be with effect from the earliest time permitted under the Takeovers Code. Further announcement(s) will be made by the Company in compliance with the requirements of the Listing Rules as and when there are changes in the composition of the Board.

(c) Maintenance of the Company's listing status

The Offeror intends the Company to remain listed on the Stock Exchange. The Offeror has, jointly and severally with the new directors to be appointed to the Board (if any), undertaken 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, the Offeror will take appropriate steps to ensure the Company's compliance with Rule 13.32B of the Listing Rules at the earlier possible moment.

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

4. Offer Price comparison

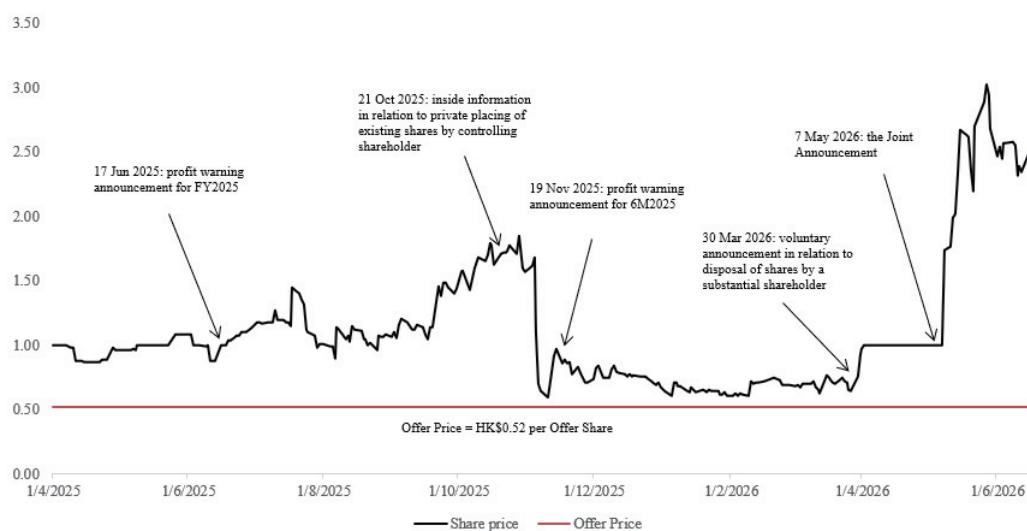
The Offer Price of HK\$0.52 per Offer Share represents:

- (i) a discount of approximately 79.1% to the closing price of HK\$2.49 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 48.0% to the closing price of HK\$1.00 per Share as quoted on the Stock Exchange on the Last Trading Day (i.e. 2 April 2026);
- (iii) a discount of approximately 39.7% to the average closing price of HK\$0.862 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a discount of approximately 33.8% to the average closing price of HK\$0.785 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days immediately prior to and including the Last Trading Day;
- (v) a discount of approximately 28.7% to the average closing price of HK\$0.729 per Share as quoted on the Stock Exchange for the last thirty (30) consecutive trading days immediately prior to and including the Last Trading Day;
- (vi) a premium of approximately 95.9% over the audited consolidated net asset value per Share as at 31 March 2025 of approximately HK\$0.265 (based on the audited consolidated net asset value as at 31 March 2025 of approximately HK\$164.55 million and the total number of Shares); and
- (vii) a premium of approximately 109.0% over the unaudited condensed consolidated net asset value per Share as at 30 September 2025 of approximately HK\$0.249 (based on the unaudited condensed consolidated net asset value as at 30 September 2025 of approximately HK\$154.26 million and the total number of Shares).

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 (a) from 1 April 2025 to the Last Trading Day (i.e. 2 April 2026) (the “Review Period”), being approximately one year preceding the Last Trading Day, and (b) up to the Latest Practicable Date. We consider the Review Period is adequate to reflect the general market sentiment and illustrates the general trend and level of movement of the daily closing price of the Shares.



Source: the website of the Stock Exchange

As shown above, the closing prices of the Shares during the Review Period ranged from the lowest of HK\$0.60 on 10 November 2025 to the highest of HK\$1.85 on 28 October 2025. In other words, the Offer Price of HK\$0.52 per Offer Share represents a discount of approximately 13.3% to 71.9% to the closing prices of the Shares during the Review Period. The Offer Price is below the closing prices of the Shares at all times during the Review Period.

The closing prices of the Shares generally exhibited an upward trend from HK\$1.00 on 1 April 2025 to HK\$1.45 on 18 July 2025. The closing prices of the Shares declined to HK\$0.90 on 6 August 2025 and then surge to reach the highest of HK\$1.85 on 28 October 2025. Thereafter, the closing prices of the Shares declined to the lowest of HK\$0.60 on 10 November 2025 and then fluctuated between HK\$0.61 and HK\$1.00 from 11 November 2025 to the Last Trading Day. Based on our review of the Company's announcements published on the website of the Stock Exchange, since the second half of 2025, we noted that the Company published (a) an inside information announcement in relation to private placing of up to 372,000,000 Shares at a price of not less than HK\$0.446 each by an executive Director and a significant shareholder of the Company, Dr. Hiroshi Kaneko, on 21 October 2025; (b) a profit warning announcement for 6M2025 on 19 November 2025; and (c) a voluntary announcement in relation to disposal of 93,000,000 Shares at the consideration of approximately HK\$0.52 per Share through on-market transactions on the trading platform of the Stock Exchange by a substantial shareholder of the Company, Kyosei Technology Inc., on 30 March 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 fluctuation in the closing prices of the Shares from the second half of 2025 to the Last Trading Day.

Trading of the Shares was halted from 8 April 2026. Following the publication of the Joint Announcement on 7 May 2026, the Share price surged to HK\$1.74 on 8 May 2026 and remained above the Offer Price as at the Latest Practicable Date. The Share price closed at HK\$2.49 as at the Latest Practicable Date, to which the Offer Price represents a discount of approximately 79.1%.

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 volume of the Shares; and (c) the risks and uncertainties associated with remaining a Shareholder. Although the Offer Price is below the closing prices of the Shares at all times during the Review Period and represents a discount of approximately 48.0% and 79.1% to the closing price of the Shares on the Last Trading Day and the Latest Practicable Date, respectively, after considering that (a) the Group was loss-making for FY2024, FY2025 and 6M2025 and recorded gross loss margin for 6M2025; (b) the trading volume of the Shares remained low during the Review Period as further discussed below; and (c) the outlook and prospect of the Group remain uncertain as discussed above, the closing price of the Shares might not fairly reflect the true value of the Shares.

(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 <i>(Note 1)</i>	Approximate average daily trading volume	Approximate percentage of average daily trading volume to total number of Shares in issue <i>(Note 2)</i>	Approximate percentage of average daily trading volume to total number of Shares held by the public <i>(Note 3)</i>
2025				
April	19	18,816	0.0030%	0.0046%
May	20	177,000	0.0285%	0.0429%
June	21	17,738	0.0029%	0.0043%
July	22	333,523	0.0538%	0.0808%
August	21	242,738	0.0392%	0.0588%
September	22	270,341	0.0436%	0.0655%
October	20	18,968,375	3.0594%	4.5928%
November	20	15,071,245	2.4308%	3.6492%
December	21	2,102,262	0.3391%	0.5090%
2026				
January	21	2,911,310	0.4696%	0.7049%
February	17	521,176	0.0841%	0.1262%
March	22	8,945,682	1.4429%	2.1660%
April <i>(Note 4)</i>	2	8,408,750	1.3563%	2.0360%
May <i>(Note 4)</i>	15	12,169,415	1.9628%	2.9466%
From 1 June to the Latest Practicable Date	11	14,504,281	2.3394%	3.5119%

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 Offeror from the total number of the Shares in issue at the end of each month or period.
4. Trading of the Shares was halted from 8 April 2026 to 7 May 2026.

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 17,738 Shares in June 2025 to approximately 18,968,375 Shares in October 2025, representing approximately 0.0029% to 3.0594% of the total number of the Shares in issue and approximately 0.0043% to 4.5928% 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 the Company published (a) an inside information announcement in relation to private placing of up to 372,000,000 Shares at a price of not less than HK\$0.446 each by an executive Director and a significant shareholder of the Company, Dr. Hiroshi Kaneko, on 21 October 2025; and (b) a profit warning announcement for 6M2025 on 19 November 2025. 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 and November 2025.

Following the publication of the Joint Announcement and the resumption of trading of the Shares on 8 May 2026, the average daily trading volume increased to approximately 12,169,415 Shares for the period from 8 May 2026 to 29 May 2026, representing approximately 1.9628% of the total number of the Shares in issue and approximately 2.9466% 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\$0.52 per Offer Share.

6. Comparable analysis

The Group is principally engaged in the provision of alteration and addition works and civil engineering works in Hong Kong.

Price-to-earnings (“**P/E(s)**”), price-to-book (“**P/B(s)**”) and price-to-sale (“**P/S(s)**”) multiples are the three most commonly used benchmarks in valuing a company. 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\$0.52 per Offer Share; (ii) 620,000,000 Shares in issue on the Latest Practicable Date; and (iii) the unaudited equity attributable to the Shareholders of approximately HK\$154.3 million as at 30 September 2025, the P/B multiple implied by the Offer Price is approximately 2.1 times (the “**Implied P/B**”).

In evaluating the fairness and reasonableness of the Offer Price, we have, based on our search on Bloomberg, identified an exhaustive list of companies (the “**Comparable Companies**”) which are (i) principally engaged in the provision of building construction and civil engineering services in Hong Kong, accounting for more than 50% of its total revenue in the latest financial year; (ii) publicly listed on the Main Board of the Stock Exchange; and (iii) with market capitalisation in the range from HK\$150 million to HK\$500 million as at the Latest Practicable Date. Based on the aforesaid criteria, we have identified an exhaustive list of 13 Comparable Companies. The basis for adopting market capitalisation in the range from HK\$150 million to HK\$500 million as a threshold for identifying the Comparable Companies is because such range is approximately 50% lower and higher to the market capitalisation of the Company as implied by the Offer Price of HK\$322.4 million, which we consider to be reasonable.

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

Company name (stock code)	Principal activities (% of revenue from such principal activities in its latest financial year)	Market capitalisation as at the Latest Practicable Date (HK\$ million)	P/B on the Latest Practicable Date (times)
Chinney Kin Wing Holdings Limited (1556.HK)	Foundation construction and ancillary services (83.7%)	390.0	0.4
Yau Lee Holdings Limited (406.HK)	Contracting of building construction, plumbing, renovation, maintenance and fitting out projects (75.2%)	280.4	0.2
FDB Holdings Limited (1826.HK)	Contracting services for alteration and addition works, maintenance, specialist works (100%)	180.6	N/A (Note 1)
SFK Construction Holdings Limited (1447.HK)	General building construction and civil engineering services (95.3%)	220.0	0.6
Landrich Holding Limited (2132.HK)	Provision of construction engineering works (100%)	243.2	0.7
New Concepts Holdings Limited (2221.HK)	Foundation works, civil engineering works and general building works (89.5%)	165.1	0.5

Company name (stock code)	Principal activities (% of revenue from such principal activities in its latest financial year)	Market capitalisation as at the Latest Practicable Date (HK\$ million)	P/B on the Latest Practicable Date (times)
Wecon Holdings Limited (1793.HK)	Building construction services (100%)	236.0	0.9
Sheung Yue Group Holdings Limited (1633.HK)	Foundation works (100%)	383.5	2.2
K. H. Group Holdings Limited (1557.HK)	Foundation and construction services (97.1%)	235.2	3.4
CR Construction Group Holdings Limited (1582.HK)	Building construction, repair, maintenance and addition and alteration works (98.2%)	202.5	2.7
In Construction Holdings Limited (1500.HK)	Foundation works (100%)	228.3	0.8
Metaspacex Limited (1796.HK)	Fitting-out services (100%)	189.6	2.6
Wing Chi Holdings Limited (6080.HK)	Provision of foundation and site formation works (95.1%)	177.0	1.3
		Maximum	3.4
		Minimum	0.2
		Median	0.9
		Average	1.4
The Company		322.4 (Note 3)	2.1 (Note 2)

Source: Bloomberg and financial reports of the Comparable Companies

Notes:

1. as the relevant company recorded net liabilities in its latest financial period, its P/B is unable to be derived.
2. being the Implied P/B.
3. being the market capitalisation of the Company as implied by the Offer Price.

As shown in the table above, the P/Bs of the Comparable Companies as at the Latest Practicable Date range from approximately 0.2 time to 3.4 times with a median and average of approximately 0.9 time and 1.4 times, respectively. The Implied P/B of approximately 2.1 times is within the range of P/Bs of the Comparable Companies and higher than the median and average of P/Bs of the Comparable Companies, implying that the market capitalisation of the Company as implied by the Offer Price in terms of P/B is in line with the market valuation on the Comparable Companies and not undervalued.

RECOMMENDATION

Although the Offer Price is below the closing prices of the Shares at all times during the Review Period and represents a discount of approximately 48.0% and 79.1% to the closing price of the Shares on the Last Trading Day and the Latest Practicable Date, respectively, after considering that:

- (i) the Group recorded significant decline in revenue for FY2025 and 6M2025. Also, the Group was loss-making for FY2024, FY2025 and 6M2025 and recorded gross loss margin for 6M2025. In addition, as disclosed in the Profit Warning Announcement, it is expected that the Group will record a loss after taxation ranging from approximately HK\$34.1 million to HK\$36.0 million for the year ended 31 March 2026 as compared to a loss after taxation of approximately HK\$9.5 million for the year ended 31 March 2025. As such, we consider the Group's prospect to be uncertain in the short run;
- (ii) as discussed in the section headed "2. Industry Overview", the Hong Kong construction market is estimated to witness a slow growth and squeezed profit margin in the following years and its outlook remain challenging. As the Group is a contractor specialising in alteration and addition works and civil engineering works in Hong Kong and against such backdrop, we consider the outlook of the Group's business remain challenging;
- (iii) taking into account that (a) the Offeror has no relevant experience in the Company's current principal business, suggesting that the Offeror may not be able to bring positive influence to the business of the Group; and (b) the Offeror has yet to provide any plan regarding the long-term strategy for the future development of the Group or for improving the Group's business operation and financial condition, we consider that the Offeror's long-term strategy to the Group is unclear and the prospect of the Group is uncertain as at the Latest Practicable Date;
- (iv) the Offer Price represents a premium of approximately 109.0% over the unaudited condensed consolidated net asset value per Share as at 30 September 2025 of approximately HK\$0.249 per Share;
- (v) 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; and

- (vi) the Implied P/B is within the range of the P/Bs of the Comparable Companies and higher than the median and average of P/Bs of the Comparable Companies, implying that the market capitalisation of the Company as implied by the Offer Price in terms of P/B is in line with the market valuation on the Comparable Companies and not undervalued.

we are of the view that the Offer Price of HK\$0.52 per Offer Share is fair and reasonable, 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.

The Independent Shareholders, in particular those who intend to accept the Offer, are reminded to closely monitor the market price and liquidity of the Shares during the Offer Period, especially that the disposal of large blocks of Shares held by the Independent Shareholders in the open market may trigger price slump of the Shares as a result of the thin trading of the Shares. We also note that the Shares have been trading substantively above the Offer Price during the Review Period. The Independent Shareholders, other than those who hold large block of Shares, having regard to their own circumstances, in particular their purchase cost of the Shares, could consider selling their Shares in the open market instead of accepting the Offer if the net proceeds from the ultimate sale of such Shares would be higher than that receivable under the Offer.

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



Larry Choi
Managing Director

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