

3 June 2025

*To the Independent Board Committee and the Independent Shareholders***Midland Holdings Limited**Rooms 2505-8, 25th Floor
World-Wide House
19 Des Voeux Road Central
Hong Kong

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
CROSS REFERRAL SERVICES FRAMEWORK AGREEMENT****INTRODUCTION**

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Cross Referral Services Framework Agreement (2025) and the transactions contemplated thereunder, details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders dated 3 June 2025 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

Based on the information currently available, the Board anticipates that the existing annual caps in respect of the referral fees payable under the Cross Referral Services Framework Agreement (2023) will be insufficient given the stronger-than-expected performance of the estate agency business of the Group. Accordingly, on 19 May 2025, the Company and Legend Upstar agreed to terminate the Cross Referral Services Framework Agreement (2023) and entered into the Cross Referral Services Framework Agreement (2025), pursuant to which members of the Group and the Legend Upstar Group may carry on the Cross Referral Transactions with each other for a period of three years from 1 January 2025 to 31 December 2027 in compliance with the Listing Rules.

As at the Latest Practicable Date, Mr. Wong (the Chairman and an executive Director), who is indirectly interested in approximately 37.04% of all issued Shares in the Company, is indirectly interested in approximately 62.58% of all issued shares in Legend Upstar and as such Legend Upstar is an associate of Mr. Wong and a connected person of the Company. Accordingly, the transactions contemplated under the Cross Referral Services Framework Agreement (2025) will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (other than the profits ratio) calculated based on the highest of the Proposed Annual Caps exceeds 5%, the Cross Referral Transactions contemplated under the Cross Referral Services Framework Agreement (2025) will be subject to the reporting, annual review, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will convene the SGM to seek approval from the Independent Shareholders in respect of the Cross Referral Transactions contemplated under the Cross Referral Services Framework Agreement (2025) and the Proposed Annual Caps. In view of the interest above, Mr. Wong and any of his associates will abstain from voting in relation to the resolution approving the Cross Referral Services Framework Agreement (2025) and the Proposed Annual Caps at the SGM.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. HO Kwan Tat, Ted, Mr. SUN Tak Chiu and Mr. CHAN Nim Leung Leon, has been formed to advise the Independent Shareholders on (i) whether the entering into of the Cross Referral Services Framework Agreement (2025) is conducted in the ordinary and usual course of business of the Group; and (ii) whether the terms of the Cross Referral Services Framework Agreement (2025) (including the Proposed Annual Caps) are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, and as to voting. We, Rainbow Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

As at the Latest Practicable Date, we did not have any relationships or interests with the Group, and the Legend Upstar Group that could reasonably be regarded as relevant to our independence. In the last two years, there was no engagement between the Group or the Legend Upstar Group and us. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no other arrangements exist whereby we had received any fees or benefits from the Group or any other party to the Cross Referral Services Framework Agreement (2025). Accordingly, we are independent from the Company pursuant to the requirement under Rule 13.84 of the Listing Rules and therefore we are qualified to give independent advice in respect of the Cross Referral Services Framework Agreement (2025) (including the Proposed Annual Caps) and the transactions contemplated thereunder.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they

were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Group. We 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 the Circular 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 respects at the time they were made and continued to be so until the date of the Circular.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. 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 Group, or any of its respective substantial shareholders, subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation on the terms of the Cross Referral Services Framework Agreement (2025) (including the Proposed Annual Caps), we have taken into account the principal factors and reasons set out below:

1. Information of the Group and Legend Upstar

(i) *The Group*

The Company was incorporated in Bermuda with limited liability and its issued shares have been listed on the Main Board of the Stock Exchange since June 1995. The principal business of the Group is the provision of property agency services, property leasing, immigration consultancy services and money lending services.

Set out below are certain financial information of the Group for the three years ended 31 December 2024 (“FY2022”, “FY2023” and “FY2024”, respectively) as extracted from the annual reports of the Company for FY2023 and FY2024 (the “2024 Annual Report”):

	FY2022	FY2023	FY2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Revenues	3,115,143	4,082,694	6,084,239
Operating (loss)/profit	(572,575)	(17,903)	384,586
(Loss)/profit attributable to the Shareholders	<u>(533,971)</u>	<u>(41,916)</u>	<u>320,323</u>

Revenues of the Group increased by approximately 31.1% from approximately HK\$3,115.1 million for FY2022 to approximately HK\$4,082.7 million for FY2023, primarily attributable to the agency fee income in local operation that benefit from the Group's stable market share in Hong Kong. Loss attributable to the Shareholders decreased by approximately 92.2% from approximately HK\$534.0 million for FY2022 to approximately HK\$41.9 million for FY2023, primarily attributable to (a) the increase in revenues as mentioned above; and (b) the efforts towards streamlining the Group's businesses in Hong Kong while maintaining the strength of the local frontline operations.

Revenues of the Group further increased by approximately 49.0% from approximately HK\$4,082.7 million for FY2023 to approximately HK\$6,084.2 million for FY2024, primarily attributable to (a) the Group's successful capture of the rebound in the Hong Kong residential property market in 2024; (b) the Group's stable market share in Hong Kong; and (c) the turnaround of the Group's operations in Mainland China following the implementation of a series of strategic initiatives, including the promotion of a new sales management team and a series of new measures (such as repositioning of business model and streamlining of operations) since the final quarter of 2023. The Group recorded a turnaround from loss attributable to the Shareholders of approximately HK\$41.9 million for FY2023 to profit attributable to the Shareholders of approximately HK\$320.3 million for FY2024, primarily attributable to (a) the significant increase in revenues as mentioned above; and (b) the optimisation of the Group's operational efficiencies and a series of high-quality and effective management initiatives taken by the Group in recent years.

	As at 31 December	
	2023	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>
Non-current assets	506,802	380,338
Current assets	3,062,385	4,327,971
Total assets	3,569,187	4,708,309
Current liabilities	2,796,788	3,612,051
Non-current liabilities	115,208	102,544
Total liabilities	2,911,996	3,714,595
Equity attributable to the Shareholders	657,191	993,714

The total assets of the Group amounted to approximately HK\$4,708.3 million as at 31 December 2024, representing an increase of approximately 31.9% from approximately HK\$3,569.2 million as at 31 December 2023.

The total liabilities of the Group amounted to approximately HK\$3,714.6 million as at 31 December 2024, representing an increase of approximately 27.6% from approximately HK\$2,912.0 million as at 31 December 2023.

Equity attributable to the Shareholders amounted to approximately HK\$993.7 million as at 31 December 2024, representing an increase of approximately 51.2% from approximately HK\$657.2 million as at 31 December 2023.

(ii) Legend Upstar

Legend Upstar (stock code: 459), is an investment holding company and the issued shares of which are listed on the Main Board of the Stock Exchange. The Legend Upstar Group is principally engaged in the provision of property agency services in respect of commercial and industrial properties and shops, properties investment, credit business and securities investment in Hong Kong.

2. Reasons for and benefits of entering into the Cross Referral Services Framework Agreement (2025)

The principal activities of the Group are, among other things, the provision of property agency services focusing on residential properties, while the principal activities of the Legend Upstar Group are, among other things, the provision of property agency services focusing on commercial and industrial properties and shops. Referral transactions are an integral part of estate agency business, which constitute the principal activities of both the Group and the Legend Upstar Group, and broaden the agents' access to additional clientele as the Group and the Legend Upstar Group have different client bases and specialties.

As disclosed in the Letter from the Board, as it is anticipated that the existing annual caps in respect of the referral fees payable under the Cross Referral Services Framework Agreement (2023) will be insufficient given the stronger-than-expected performance of the estate agency business of the Group and the revision of such annual caps for the remaining term thereunder will nonetheless require Independent Shareholders' approval, the Company will take the opportunity to update the annual caps for each of the three years ending 31 December 2025, 2026 and 2027 with the Cross Referral Services Framework Agreement (2025) such that the parties could continue their referral activities in the ordinary course of business notwithstanding any potential jump in transaction amount or volume in compliance with the relevant requirements of the Listing Rules. Accordingly, on 19 May 2025, the Company and Legend Upstar agreed to terminate the Cross Referral Services Framework Agreement (2023) and entered into the Cross Referral Services Framework Agreement (2025), pursuant to which members of the Group and the Legend Upstar Group may carry on the Cross Referral Transactions with each other for a period of three years from 1 January 2025 to 31 December 2027 in compliance with the Listing Rules.

Taking into account that (i) the Cross Referral Transactions constitute the principal activities of the Group; and (ii) the long-term and stable business relationship in referring business could potentially enhance revenues of the Group in the future, we concur with the Directors that the Cross Referral Services Framework Agreement (2025) and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

3. The Cross Referral Services Framework Agreement (2025)

Details of the terms of the Cross Referral Services Framework Agreement (2025) are set out in the Letter from the Board, which are summarised as follows:

Date	:	19 May 2025
Parties	:	(i) the Company; and (ii) Legend Upstar
Term	:	The Cross Referral Services Framework Agreement (2025) will, subject to compliance with the respective independent shareholders' approval requirements by each of the Company and Legend Upstar, be valid for a term of three years from 1 January 2025 to 31 December 2027.
Details of the transactions under the Cross Referral Services Framework Agreement (2025)	:	<p>The transactions under the Cross Referral Services Framework Agreement (2025) are of the same nature as those covered by the Cross Referral Services Framework Agreement (2023). They are essentially referrals of business opportunities in property transactions between members of the Group and the Legend Upstar Group for estate agency services. Pursuant to the Cross Referral Services Framework Agreement (2025):</p> <p>(i) the Group has the right (but not obligation) to introduce, refer and communicate to the relevant member(s) of the Legend Upstar Group any business opportunity relating to or falling within the Legend Upstar Group's estate agency business; and</p> <p>(ii) similarly, the Legend Upstar Group also has the right (but not obligation) to introduce, refer and communicate to the relevant member(s) of the Group any business opportunity relating to or falling within the Group's estate agency business.</p>

Each referral is made on a case-by-case basis and is customer-driven (e.g. if an estate agent of the Group is approached by a customer seeking industrial and commercial properties for instance that the Group does not have available listings, the referring agent may make a referral to an estate agent with the suitable property listings whom the referring agent has a working relationship with, e.g. an agent of the Legend Upstar Group, to address the customer's needs). There is no legally binding commitment on any member of the Group or the Legend Upstar Group to refer to the other any number or value of transactions under the Cross Referral Services Framework Agreement (2025). The terms and conditions of each referral transaction will be evidenced by individual written agreements subject to the terms of the Cross Referral Services Framework Agreement (2025), and the individual agreements in respect of such referral transactions shall take effect only upon compliance with all relevant requirements under the Listing Rules by the Company and Legend Upstar.

Referral fee and pricing policy : The party initiating the referral (hereinafter the “**referor**”) is entitled to a referral fee from the party accepting such referral (hereinafter the “**referee**”) by way of splitting the relevant commission income actually received, which will normally be received by the referee from the customer first. For instance, if the estate agent of the Group has referred a transaction to the Legend Upstar Group's agent, the Legend Upstar Group as the referee will initially receive the entire commission income from the customer, before proceeding to split such commission income with the Group as the referor.

The allocation of the commission income received with respect to each individual property transaction will be negotiated on a case-by-case basis and on an arm's length basis following the terms of the Cross Referral Services Framework Agreement (2025) and pricing policy below:

- (i) the allocation of commission income shall be on normal commercial terms or better, that is, terms which a party could obtain if the transaction were negotiated on an arm's length basis or on terms as considered by each of the Group and the Legend Upstar Group to be no less favourable to it than terms available to or from (as appropriate) its respective independent third parties, and neither the Group nor the Legend Upstar Group is required to consider the favourableness of such terms with respect to one another;

- (ii) the starting point in determining the initial allocation of commission income received in each individual property transaction will be the following reference ratios in line with market practice for the different types of property transaction involved:

<i>Property transaction involved</i>	<i>Reference ratio (%)</i>	
	<i>Referor to receive</i>	<i>Referee to receive</i>
Primary property transaction	Between 70% to 90%	Between 30% to 10%
Secondary property transaction	50%	50%

- (iii) such reference ratios may be adjusted based on the negotiation between the parties on arm's length and case-by-case basis, after taking into account relevant factors specific to the transaction including:
- (a) the characteristics, nature and value of any properties involved, such as the geographical locations, types, usages, areas or other objective features of the properties, as well as the subjective requirements of the specific customers (e.g. a party acting for the vendor of a unique and high value property is likely to be able to bargain for higher commission income);
 - (b) the expected workload of the respective agents relative to each other;
 - (c) the exclusive nature of the estate agency and consultancy services involved under the engagements with the individual customers (e.g. a party acting for the vendor may bargain for higher commission income if he acts as a sole and exclusive agent for the vendor) and the significance of the respective agents in finalising the transaction; and

- (d) other factors (e.g. in some cases, the developer may set a sales target which, if met, will enable the estate agent for the developer to get a higher commission rate for all the transactions – in such case, when it is close to the said sales target, the estate agent for the developer may be willing to give a higher proportion of the commission income to the estate agent referring the purchaser so that the said sales target can be achieved);
- (iv) the commission income allocations proposed by individual estate agents will be submitted to the respective branch managers of such agents, who will review and, if appropriate, approve the same with reference to the above criteria based on the following:
 - (a) *where there are comparable factors in past referral transactions with independent-third-party estate agents:*

The branch managers would compare the commission income allocations and the terms of the transactions under the Cross Referral Services Framework Agreement (2025) with past transactions of the Group with independent-third-party estate agents, particularly those made under the then prevailing circumstances insofar as they are available.

- (b) *where a factor has no comparable reference in past referral transactions with independent-third-party estate agents:*

If any of the factors mentioned under paragraphs (iii)(a) to (d) above have no immediately applicable comparable reference, it will be carefully reviewed in view of the arm's length negotiations between the parties, bearing in mind that the allocation of commission income shall be on normal commercial terms or better as set out in paragraph (i) above.

- (v) the commission income allocation ratio for each transaction, when finalised after considering the above factors, will be recorded; and

- (vi) the commission income allocations for the transactions made under the Cross Referral Services Framework Agreement (2025) will be checked and reviewed by the respective management of the Group and the Legend Upstar Group from time to time. Annually, the said transactions conducted during the financial year will also be reviewed by the Group and the Legend Upstar Group respectively in compliance with the relevant requirements of the Listing Rules.

As income of estate agents in Hong Kong is in a large part derived from commission income, the agents from each of the referor and referee group, which are supervised by different sales management teams of the respective group, are expected to be self-motivated to secure an allocation ratio to the best of such agent's respective interests at the time when negotiating for the commission income such that any referral transaction concluded following such negotiations will be on an arm's length basis for each group.

Settlement : For actual commission income received in each month, payments of referral fees will generally be made by the end of the calendar month following the month in which the commission income is actually received from or attributable to the relevant transaction.

The referral fees payable by the Group to the Legend Upstar Group under the Cross Referral Services Framework Agreement (2025) will be settled through the working capital of the Group.

Based on our review of the Cross Referral Services Framework Agreement (2023) and the Cross Referral Services Framework Agreement (2025), we noted that except for the term, other principal terms of the Cross Referral Services Framework Agreement (2025), including but not limited to the commission income allocation basis and settlement, generally remain the same as those under the Cross Referral Services Framework Agreement (2023). As illustrated in the above, it is stipulated under the pricing policy of the Cross Referral Services Framework Agreement (2025) that the allocation of commission income shall be on normal commercial terms or better, that is, terms which a party could obtain if the transaction were negotiated on an arm's length basis or on terms as considered by each of the Group and the Legend Upstar Group to be no less favourable to it than terms available to or from (as appropriate) its respective independent third parties.

As part of our due diligence on the fairness and reasonableness of the commission income allocation basis under the Cross Referral Services Framework Agreement (2025), we have obtained and reviewed the list of commission income allocation (the "**Commission Allocation Records**") covering all the cross referral transactions between (i) the Group and the Legend Upstar Group; and (ii) the Group and independent third parties, for FY2023 and

FY2024 in relation to the referral fees with the Legend Upstar Group and independent third parties, respectively. Based on our review of the Commission Allocation Records, we noted that the commission income allocation of approximately 82.8% and 73.4% of the primary market transactions between the Group and the Legend Upstar Group fell within the range of 70% to 90% for FY2023 and FY2024, respectively. On the other hand, the commission income allocation of approximately 74.3% and 70.2% of the primary market transactions between the Group and independent third parties fell within the range of 70% to 90% for FY2023 and FY2024, respectively. As such, we consider that the majority of the commission income allocation of the Group's primary market transactions with the Legend Upstar Group is in line with the reference ratio range of 70% to 90%, which also represents the main commission income allocation percentage range of the primary market transactions with independent third parties during the relevant years. For the secondary market transactions, we noted that the commission income allocation of approximately 81.1% and 79.1% of the secondary market transactions between the Group and the Legend Upstar Group were 50% for FY2023 and FY2024, respectively. On the other hand, the commission income allocation of approximately 56.8% and 63.6% of the secondary market transactions between the Group and independent third parties were 50% for FY2023 and FY2024, respectively. As such, we consider that the majority of the commission income allocation of the Group's secondary market transactions with the Legend Upstar Group is in line with the reference ratio of 50%, which also represents the main commission income allocation percentage range of the secondary market transactions with independent third parties during the relevant years.

For the transactions with the Legend Upstar Group that fall outside the reference ratios, which are the starting point in determining the initial allocation of commission income, we understood from the management of the Group that they were adjusted based on the negotiation between the parties on arm's length and case-by-case basis, after taking into account relevant factors specific to the transaction, including (i) the characteristics, nature and value of any properties involved; (ii) the expected workload of the respective agents relative to each other; (iii) the exclusive nature of the estate agency and consultancy services involved and the significance of the respective agents in finalising the transactions; and (iv) other factors. In this regard, we have obtained and reviewed the historical transaction documents for the transactions between the Group and the Legend Upstar Group that fall outside the reference ratios during FY2023 and FY2024 and discussed these transactions with the management of the Group and understood that the adjustments were made in accordance with the above factors.

For the settlement term, we have obtained and reviewed the historical transaction documents and settlement records between the Group and the Legend Upstar Group and the historical transaction documents and settlement records between the Group and independent third parties during FY2023 and FY2024. Based on our review, we noted that the settlements of referral fees were generally be made by the end of the calendar month following the month in which the commission income was actually received from or attributable to the relevant transactions between the Group and the Legend Upstar Group or independent third parties. As such, we are of the view that the settlements terms between the Group and Legend Upstar Group under the Cross Referral Services Framework Agreement (2025) are in line with the settlement terms between the Group and independent third parties.

Based on the above, having considered that (i) the commission income allocation between the Group and the Legend Upstar Group is generally comparable to those between the Group and independent third parties; (ii) the transactions falling outside the reference ratios of commission income allocation are adjusted in accordance with specific factors based on the negotiation between the parties on arm's length and case-by-case basis; and (iii) the settlement terms of the transactions with the Legend Upstar Group are similar to those with independent third parties, we are of the view that the terms of the Cross Referral Services Framework Agreement (2025) are on normal commercial terms which are fair and reasonable.

4. Internal control measures

As disclosed in the Letter from the Board, in order to ensure that the transactions contemplated under the Cross Referral Services Framework Agreement (2025) will be conducted in accordance with its terms and the pricing policy and within the Proposed Annual Caps, the Group has in place the following internal control procedures to monitor the transactions contemplated under the Cross Referral Services Framework Agreement (2025):

- (i) the aggregate amount of referral fees to and from the Legend Upstar Group will be updated on a monthly basis for appraising the latest unutilised amounts available under the Proposed Annual Caps for the relevant period;
- (ii) the terms and commission income allocations for the transactions under the Cross Referral Services Framework Agreement (2025) will be reviewed by the Group from time to time to ensure they are on normal commercial terms or better (i.e. terms obtainable on an arm's length basis or terms no less favourable to the Group than those available to or from independent third parties); and
- (iii) annually, the transactions made under the Cross Referral Services Framework Agreement (2025) conducted during the financial year will also be reviewed by the independent non-executive Directors and reported by the auditors of the Company in compliance with the relevant requirements in Chapter 14A of the Listing Rules.

In assessing whether the above internal control measures are put in place and effectively implemented, we understood that the allocation of the commission income received will be negotiated on a case-by-case basis, after taking into account relevant factors specific to the transaction including but not limited to the characteristics, nature and value of any properties involved, the expected workload of the respective agents relative to each other, exclusive nature of the estate agency and consultancy services involved. The proposed commission income allocations will be submitted to branch managers, who will review and, if appropriate, approve the same with reference to the above criteria to ensure the allocation is either comparable to referral transactions with independent third parties or on normal commercial terms or better. In this regard, we have reviewed the relevant documentation regarding the approval of the agreement entered between the Group and the Legend Upstar Group and noted that the transactions contemplated thereunder, including the commission income allocations were properly authorised and monitored. We have also reviewed the

monthly referral fee control report prepared by the Company and noted that the Group has updated the aggregate amount of referral fees to and from the Legend Upstar Group on a monthly basis. In addition, as discussed under the section headed “3. The Cross Referral Services Framework Agreement (2025)”, we noted that the majority of the commission income allocation of the Group’s primary and secondary market transactions with the Legend Upstar Group was generally in line with the respective reference ratio agreed under the Cross Referral Services Framework Agreement (2023), which were no less favourable to the Group with independent third parties during FY2023 and FY2024. As such, we are of the view that the above internal control measure adopted by the Group for monitoring the transactions contemplated under the Cross Referral Services Framework Agreement (2025) have been effectively implemented.

Having considered the above, in particular (i) that the pricing policy under the Cross Referral Services Framework Agreement (2025) has been adherence in accordance with the Group’s internal control procedures; (ii) the ongoing monitoring of the transactions under the Cross Referral Services Framework Agreement (2025); and (iii) the requirements under the Listing Rules for the ongoing review by the independent non-executive Directors and the auditors of the Company of the terms of the transactions under the Cross Referral Services Framework Agreement (2025) and the Proposed Annual Caps, we concur with the Directors that appropriate and adequate internal control procedures are in place to ensure that the transactions contemplated under the Cross Referral Services Framework Agreement (2025) will be appropriately monitored and conducted on commercial terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

5. Assessment of the proposed annual caps

(i) Review of the historical figures

Set out below are the historical annual caps and actual transaction amounts of the referral fees under the Cross Referral Services Framework Agreement (2023) for the periods indicated:

	FY2024 <i>(HK\$' million)</i>	4M2025 <i>(HK\$' million)</i>
<i>Referral fees to the Legend Upstar Group</i>		
– Historical annual cap	52.0	52.0 (for the year ending 31 December 2025)
– Actual transaction amount	30.6	6.0
– Utilisation rate	58.8%	11.5%

	FY2024 (HK\$' million)	4M2025 (HK\$' million)
<i>Referral fees from the Legend Upstar Group</i>		
- Historical annual cap	82.0	82.0 (for the year ending 31 December 2025)
- Actual transaction amount	31.8	67.9
- Utilisation rate	38.8%	82.8%

As illustrated in the table above, the actual transaction amounts of the referral fees to the Legend Upstar Group under the Cross Referral Services Framework Agreement (2023) amounted to approximately HK\$30.6 million and HK\$6.0 million for FY2024 and the four months ended 30 April 2025 (“**4M2025**”), respectively, representing approximately 58.8% and 11.5% of the annual caps for 2024 and 2025, respectively.

On the other hand, the actual transaction amounts of the referral fees from the Legend Upstar Group under the Cross Referral Services Framework Agreement (2023) amounted to approximately HK\$31.8 million and HK\$67.9 million for FY2024 and 4M2025, respectively, representing approximately 38.8% and 82.8% of the annual caps for 2024 and 2025, respectively.

(ii) Assessment of the proposed annual caps

Pursuant to the Cross Referral Services Framework Agreement (2025), the Proposed Annual Caps for the respective years are set out below:

	For the year ending 31 December		
	2025	2026	2027
	(HK\$' million)	(HK\$' million)	(HK\$' million)
Referral fees to the Legend Upstar Group	61.0	61.0	61.0
Referral fees from the Legend Upstar Group	241.0	241.0	241.0

In assessing the reasonableness of the Proposed Annual Caps, we have discussed with the management of the Group on the basis and assumption underlying the projections. As advised by the management of the Group, in determining the Proposed Annual Caps for the coming three years, they have taken into account, among others, (a) the actual transaction amounts between the Group and the Legend Upstar Group in respect of the Cross Referral Transactions for 2024 and the three months ended 31 March 2025 (“**3M2025**”), in particular the increase in transaction volume in 2025; and (b) adjustment for potential business growth in the property market and economic factors which, if materialise and/or persist, are reasonably expected to impact property transactions.

The proposed annual caps on referral fees to the Legend Upstar Group

We have discussed with the management of the Group on each of the above factors and reviewed the relevant calculations. Based on our review, we noted that the proposed annual caps on referral fees to the Legend Upstar Group are derived by (a) the estimated referral fees to the Legend Upstar Group for the year ending 31 December 2025; and (b) variance of volatility of property market of 10%.

As discussed in the section headed “1. Information of the Group and Legend Upstar – (i) the Group” above, revenues of the Group increased by approximately 49.0% from approximately HK\$4,082.7 million for FY2023 to approximately HK\$6,084.2 million for FY2024, primarily attributable to, among others (a) the Group’s successful capture of the rebound in the Hong Kong residential property market in 2024; and (b) the Group’s stable market share in Hong Kong. The Group has turned net loss to net profit for FY2024 as a result of the optimisation of the Group’s operational efficiencies and a series of high-quality and effective management initiatives taken by the Group in recent years. In light of the above, the actual transaction amount of the referral fees to the Legend Upstar Group has increased from approximately HK\$13.5 million for FY2023 to approximately HK\$30.6 million for FY2024, representing an increase of approximately 126.7%.

As disclosed in the 2024 Annual Report, one of the key strategic moves undertaken by the Group in 2024 was a comprehensive reshuffle and enhancement of the sales management teams across Hong Kong, Macau and Mainland China. The young management team has injected vitality and mobility into the Group, leading to remarkable business results. In addition, recognising the evolving consumer preferences and the growing importance of digital platforms, the Group intensified its efforts to pursue digital transformation and increased investments to enhance its digital marketing capabilities and internal online sales platforms. These initiatives empowered the Group’s frontline staff with greater work mobility, flexibility, and access to property information across all districts and market intelligence at any time and from anywhere.

Although the actual transaction amounts of the referral fees to the Legend Upstar Group under the Cross Referral Services Framework Agreement (2023) amounted to approximately HK\$6.0 million for 4M2025, as advised by the management of the Group, it was mainly due to the lack of large new residential projects launched in Hong Kong in early 2025. Based on the Group’s market information in the property market, it is expected that more than 30 new residential property projects will be launched soon in 2025, which is likely to boost the sales of residential units in Hong Kong. In this regard, we have obtained and reviewed the latest Hong Kong property projects estimation prepared by the Group in April 2025 and performed independent research on the public news websites regarding the supply of new residential property projects in Hong Kong. Based on our review and independent research, we concur with the Directors that the supply of residential properties in Hong Kong is expected to increase in 2025.

Taking into account (a) the significant improvement in operating results of the Group's business in Hong Kong in 2024; (b) that a series of high-quality and effective management initiatives taken by the Group in recent years have brought evident positive impacts on the Group's sales productivity and financial performance, which are expected to continue to positively affect the Group's residential sales transactions; (c) the over 100% increase in the actual transaction amount of the referral fees to the Legend Upstar Group from FY2023 to FY2024; and (d) the increasing supply of residential properties in Hong Kong, we consider the estimated referral fees to the Legend Upstar Group for the year ending 31 December 2025 to be fair and reasonable.

In order to promote a healthy and steady development of the property market, in late February 2024, the Hong Kong government had announced to completely remove the tightening measures introduced in previous years, revitalising the sales activity of the residential property market. Those measures included the removal of the New Residential Stamp Duty (NRSD) for second-time purchasers, the removal of Buyer's Stamp Duty (BSD) for non-Hong Kong permanent residents and the removal of the Special Stamp Duty (SSD) for early resale of residential properties. In the same period, the Hong Kong Monetary Authority had issued guidelines to licensed banks for adjusting the countercyclical macroprudential measures to raise the loan-to-value caps for property mortgage loans and suspend the stress test requirement for mortgage borrowers. This policy relaxation, combined with the strong response to various talent schemes introduced by the local government, helped stimulate buying demand across both the primary and secondary residential property markets. According to the Land Registry of Hong Kong, the number of property sales registrations has increased by approximately 17.1% from 58,035 in 2023 to 67,979 in 2024 and reached a new 3-year high. The total consideration of property sales registrations has also increased by approximately 11.8% from approximately HK\$477.9 billion in 2023 to approximately HK\$534.1 billion in 2024. In 2025, in order to continue to boost the property market, the Hong Kong government has lowered the stamp duty for property transactions valued at HK\$4 million or below to HK\$100. Accordingly, sales transactions for small-sized units are expected to rise.

Another key factor contributing to the Hong Kong property market's resilience was the influx of mainland Chinese investors and talents. According to the Immigration Department of Hong Kong, the Hong Kong government approved approximately 50,000 and 31,000 applications for the Top Talent Pass Scheme for FY2023 and the nine months ended 30 September 2024, respectively. As the education of offspring is one of the primary reasons mainland buyers invest in property in Hong Kong, this inflow of talents helped sustain underlying housing demand.

According to the press release of the Federal Reserve of the United States (the "Fed") published on 7 May 2025, the Federal Open Market Committee announced that it had decided to keep the target range for the federal funds rate unchanged at 4.25-4.5%. With inflation still elevated in the United States, J.P. Morgan Research anticipated the Fed to hold steady until June 2025 before

cutting twice, bring the target range for the federal funds rate to 3.75%-4% by the end of the third quarter of 2025. Being one of the global economy's key indicators, the movement of federal funds rate will trigger volatility in the global financial markets, fluctuations in exchange rates and capital flows, which in turn impacts the property market in Hong Kong. Furthermore, due to the currency peg between United States Dollar and Hong Kong Dollar, it is expected that Hong Kong government would closely follow the monetary policy decisions of the Fed. Therefore, the expected interest rate cuts, if materialised, would impact the mortgage rates in Hong Kong and thus lower the mortgage costs which may boost consumers' investment incentives and stimulate demands in the Hong Kong property market.

Taking into account (a) the favourable policies announced by the Hong Kong government to support the local property market; (b) the rebound of the Hong Kong property market in terms of both number and consideration of property sales registrations in 2024; and (c) the expectation on federal funds rate cut by the Fed during 2025 which may in turn stimulate demands in the Hong Kong property market, we consider the variance of volatility of property market of 10% adopted by the Group in determining the proposed annual caps on referral fees to the Legend Upstar Group to be fair and reasonable.

The proposed annual caps on referral fees from the Legend Upstar Group

On the other hand, based on our review on the relevant calculations, we noted that the proposed annual caps on referral fees from the Legend Upstar Group are derived by annualising the actual transaction amount of the referral fees from the Legend Upstar Group under the Cross Referral Services Framework Agreement (2023) for 3M2025.

As advised by the management of the Group, the actual transaction amounts of the referral fees from the Legend Upstar Group under the Cross Referral Services Framework Agreement (2023) amounted to approximately HK\$31.8 million and HK\$60.2 million for FY2024 and 3M2025, respectively. Taking into account (a) the actual transaction amount of the referral fees from the Legend Upstar Group under the Cross Referral Services Framework Agreement (2023) for 3M2025, which had represented approximately 73.4% of the existing annual cap for 2025; and (b) as mentioned above, the favourable policies announced by the Hong Kong government to support local property market and the expectation on federal funds rate cut by the Fed during 2025 which may in turn stimulate demands in the Hong Kong property market, we consider the proposed annual caps on referral fees from the Legend Upstar Group under the Cross Referral Services Framework Agreement (2025) to be fair and reasonable.

Generally speaking, in our opinion, it is in the interests of the Group and the Independent Shareholders for the Proposed Annual Caps to be as accommodating to the Group's development plan as possible taking into account the cautiously positive market outlook of the property market in Hong Kong and the Group's business growth in the past three years. Provided that the terms of the Cross

Referral Transactions are fair and reasonable and the conduct of the Cross Referral Transactions are subject to annual review by the independent non-executive Directors and auditors of the Company as required under the Listing Rules, the Group would have flexibility in conducting and expanding its businesses with the Legend Upstar Group if the Proposed Annual Caps are tailored to future business growth. Based on the above analysis, in particular, (a) that the referral fees with the Legend Upstar Group for the year ending 31 December 2025 are estimated with reference to the historical transaction amounts during 2024 and 2025; and (b) the basis of the variance of volatility of property market of 10%, we consider the Proposed Annual Caps, which are the same during the term of the Cross Referral Services Framework Agreement (2025), to be fair and reasonable.

6. Reporting requirements and conditions of the continuing connected transactions

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the Cross Referral Transactions are subject to the following annual review requirements:

- (i) the independent non-executive Directors must review the Cross Referral Transactions and confirm in the annual report that the Cross Referral Transactions have been entered into:
 - (a) in the ordinary and usual course of business of the Group;
 - (b) on normal commercial terms or better; and
 - (c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (ii) the Company must engage its auditors to report on the Cross Referral Transactions every year. The Company's auditors must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that the Cross Referral Transactions:
 - (a) have not been approved by the Board;
 - (b) were not, in all material respects, in accordance with the pricing policies of the Group if the Cross Referral Transactions involves the provision of goods or services by the Group;
 - (c) were not entered into, in all material respects, in accordance with the relevant agreements governing the Cross Referral Transactions; and
 - (d) have exceeded the Proposed Annual Caps;

- (iii) the Company must allow, and ensure that the counter-parties to the Cross Referral Transactions allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the Cross Referral Transactions as set out in paragraph (ii); and
- (iv) the Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or auditors of the Company cannot confirm the matters as required.

In light of the reporting requirements attached to the Cross Referral Transactions, in particular, (i) the restriction of the value of the Cross Referral Transactions by way of the Proposed Annual Caps; and (ii) the ongoing review by the independent non-executive Directors and the auditors of the Company of the terms of the Cross Referral Transactions and the Proposed Annual Caps not being exceeded, we are of the view that appropriate measures are in place to monitor the conduct of the Cross Referral Transactions and assist in safeguarding the interests of the Independent Shareholders.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the entering into of the Cross Referral Services Framework Agreement (2025) is conducted in the ordinary and usual course of business of the Group and the terms of the Cross Referral Services Framework Agreement (2025) (including the Proposed Annual Caps) are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Cross Referral Services Framework Agreement (2025) (including the Proposed Annual Caps).

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.