3 June 2025

To the Independent Board Committee
and the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS
CROSS REFERRAL SERVICES FRAMEWORK AGREEMENT

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated thereunder the Cross Referral Services Framework Agreement (2025) and the Proposed Annual Caps, particulars of which are set out in the letter from the Board (the **"Letter from the Board"**) of the circular to the Shareholders dated 3 June 2025 (the **"Circular"**) and in which this letter is reproduced. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

With reference to the announcements of the Company dated 6 December 2023 and 11 July 2024 and circulars of the Company dated 22 December 2023 and 23 July 2024 in relation to, amongst others, the continuing connected transaction between the Group and Midland Group for the Cross Referral Transactions provided to each other for a term of three years commencing from 1 January 2024 to 31 December 2026 pursuant to the Cross Referral Services Framework Agreement (2023), 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 Midland 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 Midland 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 of the Company and an executive Director), who is indirectly interested in approximately 37.04% of all issued shares in Midland, is indirectly interested in approximately 62.58% of all issued Shares in the Company. By virtue of Midland being an associate of Mr. Wong, Midland is 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.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the continuing connected transactions contemplated under the Cross Referral Services Framework Agreement (2025) and the Proposed Annual Caps are on normal commercial terms and in the ordinary and usual course of business of the Group, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and will advise the Independent Shareholders on how to vote at the EGM.

OUR INDEPENDENCE

We, Octal Capital Limited, have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

As at the Latest Practicable Date, we were not connected with the Group, Midland or, where applicable, any of their respective substantial shareholders, directors or chief executives, or any of their respective subsidiaries or associates pursuant to Rule 13.84 of the Listing Rules. During the last two years, there has been no other engagement entered into between the Company and us. We are therefore considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the Cross Referral Services Framework Agreement (2025) and the Proposed Annual Caps.

Apart from normal professional fees payable to us by the Company in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or the directors, chief executive and substantial shareholders of the Company, the Group, Midland or any of their respective subsidiaries or associates that could reasonably be regarded as relevant to our independence.

Accordingly, we consider that we are independent to act as the Independent Financial Adviser pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR ADVICE

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true at the time they were made and continue to be true as at the date of the Circular. We have also relied on our discussions with the management of the Company (the "**Management**") regarding the Group, the continuing connected transactions contemplated under the Cross Referral Services Framework Agreement (2025) and the Proposed Annual Caps, including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and the Company in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information among other things, (i) the Cross Referral Services Framework Agreement (2025); (ii) the annual reports of the Company for the year ended 31 December 2023 (the "**2023 Annual Report**") and 31 December 2024 (the "**2024 Annual Report**"); (iii) other information as set out in the Circular; and (iv) the relevant market data and information available from public sources, to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the Management. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group and their respective subsidiaries or associates nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the continuing connected transactions contemplated under the Cross Referral Services Framework Agreement (2025) and the Proposed Annual Caps, we have taken into account the following principal factors and reasons.

1. Background of the Group

The Group is principally engaged in the provision of property agency services in respect of commercial and industrial properties and shops, property investment, money lending business and securities investment in Hong Kong. Based on the information provided by the Group, the number of sales agents as at 31 December 2024 was 318.

2. Background of Midland Group

Midland is an investment holding company, the issued shares of which are listed on the Main Board of the Stock Exchange. The Midland Group is principally engaged in the provision of property agency services, property leasing, immigration consultancy services and money lending services. According to the annual report of Midland for FY2024, the Midland Group had 3,962 sales agents as at 31 December 2024.

3. Financial information of the Group

Review of financial performance

The table below sets out the audited financial information of the Group for the years ended 31 December 2022 ("**FY2022**"), 31 December 2023 ("**FY2023**") and 31 December 2024 ("**FY2024**"), extracted from the 2023 Annual Report and the 2024 Annual Report.

	FY2024 *(Audited)* *HK$'000*	FY2023 *(Audited)* *HK$'000*	FY2022 *(Audited)* *HK$'000*
Revenue	356,856	397,073	450,083
– Agency fee	301,481	338,524	389,058
– Rental income from properties investment	28,392	27,498	25,591
– Interest income from credit business	26,983	31,051	35,375
– Interest income from securities investment	–	–	59
Staff costs	(194,815)	(200,633)	(221,099)
Rebate incentives	(61,521)	(74,476)	(114,816)
Other operating costs	(123,882)	(116,018)	(116,412)
(Loss)/profit before tax	(23,362)	5,946	(2,244)
Income tax expense	(3,279)	(7,641)	(1,408)
(Loss)/profit for the year	(26,641)	(1,695)	(3,652)

FY2023 vs FY2022

The Group recorded a revenue of approximately HK$397.1 million for FY2023, representing a decrease of approximately 11.8% as compared with that of approximately HK$450.1 million for FY2022, which mainly due to decline in local transaction activities of non-residential properties. Based on data published by the Land Registry, the number of sales registrations of industrial premises fell from 2,501 units in 2022 to 2,063 units in 2023 and that of offices dipped slightly from 817 units to 811 units, while the number of sales registration of shops declined from 1,176 units in 2022 to 1,032 units in 2023. Agency fee is the major revenue stream of the Group for FY2023 where agency fee, rental income from properties investment and interest income from credit business contributed to approximately 85%, 7% and 8% of the revenue of the Group for FY2023, respectively. The decrease in revenue was mainly attributable to the decrease in agency fee of approximately HK$50.5 million or by approximately 13% from approximately HK$389.1 million for FY2022 to approximately HK$338.5 million for FY2023.

The loss for the year of the Group decreased by approximately 53.6% from approximately HK$3.7 million for FY2022 to approximately HK$1.7 million for FY2023. The decrease is mainly attributed to the stringent cost control which reduced the staff costs of the Group by approximately HK$20.5 million and rebate incentives of the Group by approximately HK$40.3 million for FY2023.

According to the 2023 Annual Report, during FY2023, the Group's financial results were adversely affected by the poor market conditions which was caused by the weaker-than-expected economic recovery, lingering interest rate hikes concerns and poor investment sentiment, which led to a significant drop in the transaction value and volume of the non-residential properties in Hong Kong.

FY2024 vs FY2023

The Group recorded a revenue of approximately HK$356.9 million for FY2024, representing a decrease of approximately 10.1% as compared with that of approximately HK$397.1 million for FY2023. The decrease in revenue was mainly attributable to the decrease in agency fee of approximately HK$37.0 million from approximately HK$338.5 million for FY2023 to approximately HK$301.5 million for FY2024, which mainly due to continued decline in local transaction activities of non-residential properties. Based on data published by the Land Registry, industrial units had a 13% drop year-on-year in transaction volume, while offices and shops experienced decreases of 10% and 9%, respectively. Agency fee remained the major revenue stream of the Group for FY2024, where agency fee, rental income from properties investment and interest income from credit business contributed to approximately 84%, 8% and 8% of the revenue of the Group for FY2024, respectively.

The loss for the year of the Group increased by approximately 15.6 times from approximately HK$1.7 million for FY2023 to approximately HK$26.6 million for FY2024. The increase is mainly attributed to a significant increase in fair value loss on the Group's investment properties of approximately HK$27.2 million due to the fragile non-residential property market in 2024. Excluding the fair value loss on the investment properties, a profit from the Group's operations is recorded notwithstanding the difficult market environment in 2024.

According to the 2024 Annual Report, during FY2024, the Group's financial results were adversely affected by the poor market conditions which was caused by weak local consumption, strong currency, drop in visitor spending, elevated interest rates and enterprises putting their expansion plans on hold, which continued to suppress the non-residential property market activities and prices in Hong Kong.

Prospect

As stated in the 2024 Annual Report, the Group believes that "the worst will gradually be over" for the non-residential sector. Several encouraging developments as follow support this outlook for the Group's agency service business, suggesting potential opportunities in the evolving market landscape.

The Management considered that the market shows multiple signs of recovery in the overall property market in Hong Kong, including market expectations of continuing interest rate cuts started since September 2024 that could stimulate market activity, an uptick in monthly commercial property transactions toward end-2024, and notable big-ticket transactions. According to the 2024 Annual Report, these positive indicators are complemented by an attractive pricing environment, where property prices of industrial units, office premises and shops have declined 28-44% from their peaks, with some quality office units showing even steeper drops of 60-70%. Property prices in some non-core commercial districts have reached "zero land cost" levels, suggesting limited downside risk at current valuations.

The Management also advised that the challenging market conditions have led to industry consolidation, creating opportunities as competitors exit the market. This environment has potential to strengthen the Group's competitive position. The Group is actively enhancing its market presence through reinforcing the business interaction between the Group and the Midland Group, allowing clients to access a wider range of real estate listings through the frontline staff of the Group, including residential properties and properties in Mainland China, and sales team rejuvenation. Furthermore, the Group's digital transformation through a new website launch and improved market information accessibility positions it to better serve young owners, buyers, and non-traditional investors.

The recovery trend is further evidenced by recent market performance in early 2025. According to the Land Registry, transaction value of residential properties and non-residential properties in Hong Kong for the three months ended 31 March 2025 reached approximately HK$88,571 million and HK$22,097 million, respectively, representing a year-on-year increase of approximately 15.1% and 32.6% for the same period in 2024, which supports the Group's positive outlook.

4. Reasons for and benefits of the Cross Referral Services Framework Agreement (2025)

As stated in the Letter from the Board, referral transactions are an integral part of estate agency business, which constitute the principal activities of both the Group and the Midland Group, and broaden the agents' access to additional clientele. 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.

We note that the initial cross referral services framework agreement between the Group and the Midland Group could be traced back to 2007. As outlined in the paragraph headed "3. Financial information of the Group" in this letter, property agency services represent the primary revenue stream for the Group. The Cross Referral Services Framework Agreement (2025) enhances the Group's revenue potential through cross-referral arrangements with the Midland Group. This collaboration establishes an extra income stream by leveraging expanded business network to capture additional opportunities, and creates cross-selling channels to generate commission revenue from referring clients to the Midland Group. Furthermore, the Group has sustained a business relationship with the Midland Group for over a decade, characterized by a strong track record of successful transactions which could continue to benefit the development of the Group in long-term.

5. Terms of the Cross Referral Services Framework Agreement (2025)

On 19 May 2025, the Company and Midland entered into the Cross Referral Services Framework Agreement (2025), pursuant to which members of the Group and the Midland 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.

The principal terms of the Cross Referral Services Framework Agreement (2025) are summarised as follows:

Date

19 May 2025

Parties

(i) the Company; and

(ii) the Midland

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 Midland, 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)

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 Midland Group for estate agency services. Pursuant to the Cross Referral Services Framework Agreement (2025):

(a) the Midland Group 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; and

(b) similarly, the Group also has the right (but not obligation) to introduce, refer and communicate to the relevant member(s) of the Midland Group any business opportunity relating to or falling within the Midland Group's estate agency business.

We understand each referral is made on a case-by-case basis and is customer-driven. There is no legally binding commitment on any member of the Group or the Midland 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 Midland.

For details of the Cross Referral Services Framework Agreement (2025) and the relevant pricing policy, please refer to the paragraph headed "2. Background" under the Letter from the Board.

6. Historical transaction amounts and the existing annual caps

The amounts of the historical transaction amounts for FY2024 and the four months ended 30 April 2025 ("**4M2025**"); and the existing annual caps for FY2024, the financial years ending 31 December 2025 ("**FY2025**") and 31 December 2026 ("**FY2026**"), are as follows:

Expressed in HK$' million	**FY2024**	**4M2025**	**FY2025**	**FY2026**
Referral fees to the Midland Group				
Historical transaction amount	31.8	67.9[1]	203.7[2]	N/A
Existing annual caps	82.0	N/A	82.0	82.0
Utilisation Rate	38.8%	N/A	248.4%[2]	N/A
Referral fees from the Midland Group				
Historical transaction amount	30.6	6.0	18.0[2]	N/A
Existing annual caps	52.0	N/A	52.0	52.0
Utilisation Rate	58.9%	N/A	34.6%[3]	N/A

Note:

1. Such actual transaction amounts for the first four months already represented approximately 82.8% of the year's whole annual cap for 2025.

2. The amounts represent the annualised amount calculated on a pro-rata basis based on the respective historical transaction amount for 4M2025.

3. The utilisation rates reflect the assumed rates, calculated on an annualized basis, derived pro-rata from the respective historical transaction amount for 4M2025.

As shown in the above table, for referral fees to the Midland Group, the utilisation rates of existing annual caps are approximately 38.8% and 248.4% for FY2024 and for FY2025, respectively.

For referral fees from the Midland Group, the utilisation rates of existing annual caps are approximately 58.9% and 34.6% for FY2024 and for FY2025, respectively.

As advised by the Management, the Group has intensified its efforts on primary property transactions involving commercial and industrial properties and has deepened its collaboration with the Midland Group for the purpose of generating additional income for the Group. As a result, during 4M2025, historical referral fees payable to the Midland Group approximately HK$67.9 million. On the other hand, the historical referral fees receivable from the Midland Group for 4M2025 approximately HK$6.0 million, such relatively low transaction amounts for the first four months were mainly due to the lack of large new residential projects launched in Hong Kong in early 2025.

7. Proposed Annual Caps

The following table sets out the existing annual caps for FY2025 and FY2026, and Proposed Annual Caps for FY2025, FY2026 and the financial year ending 31 December 2027 ("**FY2027**"):

Expressed in HK$' million	**FY2025**	**FY2026**	**FY2027**
Referral fees to the Midland Group			
Existing annual caps	82.0	82.0	N/A
Proposed Annual Caps	241.0	241.0	241.0
Referral fees from the Midland Group			
Existing annual caps	52.0	52.0	N/A
Proposed Annual Caps	61.0	61.0	61.0

As discussed in the Letter from the Board, the Proposed Annual Caps for the Group in relation to the transactions contemplated under the Cross Referral Services Framework Agreement (2025) were determined by the Group with reference to factors including:

(a) the actual transaction amounts between the Group and the Midland Group in respect of the Cross Referral Transactions for FY2024 and for the period from 1 January 2025 to 31 March 2025, in particular increase in transaction volume in 2025; and

(b) adjustment for potential business growth in the property market and economic factors which, if materialised and/or persist, are reasonably expected to impact property transactions, including:

   (1) the volatility of the property market in Hong Kong contributing to swings in transaction volume and/or value, which contributed to increased referral activities such as those in the early parts of 2025;

   (2) the anticipated increase in the supply of residential properties and industrial and commercial properties and shops in the primary market;

   (3) the influx of mainland Chinese investors and overseas talents which help drive property demand; and

   (4) the outlook of the local economic conditions affected by policy changes and other market stimulants, such as the revision of the ad valorem stamp duty structure for property transactions by the government, interest rate cuts, the increase in the number of new projects launched and favourable pricing strategies by developers which may drive up buyer interest and transaction levels.

We have discussed with the Management and obtained the relevant working files and information for review. The proposed annual caps for referral fees payable to the Midland Group were calculated based on a pro-rata basis of historical referral fees for the three months ended 31 March 2025.

As highlighted in the section headed "6. Historical Transaction Amounts and Existing Annual Caps" of this letter, the significant increase in referral fees payable to the Midland Group during 4M2025 was primarily attributed from the increase in the Group's primary property transactions of non-residential properties. These transactions carry higher referral fee ratios (ranging from 70% to 90%), compared to the lower ratios associated with secondary property transactions of 50%. We are advised that the Group will continue to focus on the sale of primary property transactions of non-residential properties and strengthen cooperation with the Midland Group. The Management expects the transactions of industrial, commercial properties, and shops in both primary and secondary markets will increase in the coming years, mainly driven by (i) ongoing efforts by property developers and owners to deleverage; and (ii) a growing number of industrial buildings after renovation.

The Management observed that property developers and non-residential building owners are actively selling off their inventories and investment properties at attractive prices to improve their liquidity. Additionally, the Management pointed out that many industrial buildings in Hong Kong are aging, with some owners undertaking comprehensive renovations to increase both their value and safety standards. Beyond these renovations, the Management believes that the Hong Kong Government's Industrial Building Revitalisation Scheme, which aims to promote the redevelopment or conversion of aging industrial structures, will lead to an increased supply of non-residential properties in coming years. A press release on the Hong Kong Government's website on 7 May 2025 notes that, in 2023, the government extended the policy of charging standard land premium rates for lease modifications of industrial buildings for special industrial purposes. Additionally, the government plans to extend this policy until 2027, continuing to permit a plot ratio increase of up to 20% for industrial building redevelopment projects and waiving the requirement that 10% of the gross floor area of industrial buildings constructed before 1987.

On the other hand, the proposed annual caps for referral fees receivable from the Midland Group in respect of residential properties transactions reflect an approximately 17% increase over the existing annual caps. The Management's determination of these caps mainly considered factors, including the historical referral fee transaction amounts, the anticipated supply of new residential properties in the primary market over the coming years, the trend of decreasing interest rates and potential growing demand from mainland buyers. Based on the information published by the Company, the historical referral fees receivable from the Midland Group for the five years from 2020 to 2024 ranged from approximately HK$13.5 million to HK$30.6 million. Further to the Group's market information, it's expected that more than 30 new residential property projects may be launched in 2025. In addition, according to the Long-Term Housing Strategy Annual Progress Report 2024 published on 28 October 2024, the Hong Kong Government plans to provide land for approximately 80,000 housing units through land sales and railway property developments over the next five years. For the shorter-term private housing supply, the latest projection as of the end of September 2024 estimates around 108,000 units in the first-hand private residential property market for the next three to four years. Based on the above projections of the supply of new residential properties, we concur with the Management that the supply of residential properties is expected to increase in the coming years.

From a broader economic and policy perspective, several factors indicate strengthening demand for both residential and non-residential properties that could drive higher transaction volumes.

In February, the Hong Kong Government launched the 2025-26 Budget (the "**Budget**"). According to the Budget, in order to ease the burden on buyers of residential and non-residential properties at lower values, the maximum value of properties chargeable to a stamp duty of HK$100 will be raised from HK$3 million to HK$4 million. This adjustment is expected to stimulate market activity by making lower-value property transactions more affordable, potentially leading to a modest increase in demand and transaction volumes in the short term, particularly among first-time buyers and small investors.

The New Capital Investment Entrant Scheme, introduced by the Hong Kong government on 1 March 2024, has attracted a number of applicants, including talents, professionals, expatriates, and their families from the PRC and abroad, boosting demand for residential properties in both the purchase and rental markets. According to an article published by South China Morning Post on 13 January 2025, PRC buyers participated in 11,638 primary and secondary property transactions in 2024, reflecting approximately 90% increase from the previous year.

In addition, the retail property segment is benefiting from rebounding mainland tourist spending, bolstered by government initiatives promoting major events and attractions. Approximately 840,000 tourists are expected to participate in the mega events in first half of 2025 and the central government's recent expansion of the multiple-entry Individual Visit Scheme for Shenzhen residents is also expected to increase eligible visitors to over 10 million, according to press releases dated 19 November 2024 and 29 November 2024 announced by the Hong Kong Government. In January 2025, the number of visitors to Hong Kong reached 4.74 million, which was a new high for visitors in January since 2020 and supporting the effectiveness of the above policies to draw in tourists.

The residential properties and the non-residential properties also have potential from anticipated interest rate reductions. The Federal Open Market Committee ("**FOMC**") members' latest dot plot projection from the March 2025 FOMC meeting projects a median federal funds rate of 3.9% by year-end of 2025, as compared to current target range of 4.25%-4.50%. The anticipated reduction in cost of capital under the current downward trend of federal funds rate may boost investor interest in non-residential properties, particularly those now available at significant discounts from their peak values, as mentioned in the subsection headed "Prospect" under the section headed "3. Financial information of the Group".

We cross-referenced our analysis with statistics from the Land Registry. The data reveals that transaction amounts for residential properties and non-residential properties (including commercial and industrial) in the first quarter of 2025 reached approximately HK$88,571 million and HK$22,097 million, respectively. These figures represent year-on-year increases of 15.1% for residential properties and 32.6% for non-residential properties compared to the first quarter of 2024. This market growth aligns with the Group's projections and supports the Proposed Annual Caps.

Based on our review on the annual report of Midland for FY2024, the revenue of Midland increased from approximately HK$4,082.7 million to approximately HK$6,084.2 million, representing an increase of approximately 49% as compared with FY2023, mainly attributable to successful capture of the rebound in the Hong Kong residential property market in 2024 and the Midland Group's stable market share in Hong Kong. As set out in the section headed "6. Historical transaction amounts and the existing annual caps" of this letter, the historical transaction amount of the referral fees receivable from the Midland Group increased significantly by approximately 126.7% from HK$13.5 million for FY2023 to HK$30.6 million for FY2024. Nevertheless, the historical transaction amount of referral fees receivable from the Midland Group for 4M2025 was relatively low at approximately HK$6.0 million as a result of lack of large new residential projects launched in early 2025, taking into account the (i) the abovementioned significant improvement in revenue of Midland in FY2024; (ii) the abovementioned significant increase in the actual transaction amount of the referral fees from the Midland Group from FY2023 to FY2024; (iii) the increasing supply of residential properties in Hong Kong in the coming years; and (iv) the government policies favorable to the properties market and the recent interest rate trend, we consider the basis for determining the proposed annual caps for the referral fees from the Midland Group for the three years ending FY2027 fair and reasonable.

Regarding the proposed annual caps for the referral fees to the Midland Group, we have considered abovementioned factors, in particular, (i) the significant increase in historical transaction amounts of referral fees to the Midland Group for 4M2025; (ii) the transactions of non-residential properties in both primary and secondary market will increase in the coming years, mainly driven by ongoing efforts by property developers and owners to deleverage and growing number of industrial buildings after renovation; and (iii) the government policies favorable to the properties market and the recent interest rate trend. Based on above considerations, we consider the basis for determining the proposed annual caps for the referral fees to the Midland Group for the three years ending FY2027 fair and reasonable.

8. Pricing policy under the Cross Referral Services Framework Agreement (2025)

With reference to the Letter from the Board, the starting point in determining the initial allocation of commission income received in each individual property transaction will be the following reference ratios ("**Reference Ratio(s)**"):

Property transaction involved	**Reference Ratios (%)**	
	Referor	***Referee***
Primary property transaction	Between 70% to 90%	Between 30% to 10%
Secondary property transaction	50%	50%

For our due diligence purpose, we have obtained the full list of Cross Referral Transactions entered into between the Group and the Midland Group during FY2023 and FY2024 and selected five samples of Cross Referral Transactions for each year or period where the Group acted as referor and referee respectively and we did not notice any abnormality. With reference to the transaction lists of Cross Referral Transactions provided by the Management, (i) for primary market transactions, approximately 82.8% and 73.4% of commission incomes received by the referor were in line with the Reference Ratios, which fell within the range of 70% to 90% of commission income for the respective transactions, for FY2023 and FY2024, respectively; and (ii) for secondary market transactions, approximately 81.1% and 79.1% of commission incomes received by the referor were in line with the Reference Ratios, being 50% of commission income for the respective transactions, for FY2023 and FY2024, respectively.

As discussed with the Management, for those Cross Referral Transactions that the commission allocations fell outside the range of the Reference Ratios, we understand from the Management that they were adjusted based on a case-by-case and on arm's length basis based on various factors (details of which please refer to the paragraph headed "2. Background" under the Letter from the Board) ("**Adjustment Factors**"). In this regard, we have selected five samples of Cross Referral Transactions for each of FY2023 and FY2024 that (i) the commission allocations fell outside the range of the Reference Ratios; and (ii) the Group acted as referor and Midland Group acted as referee during FY2023 and FY2024, we noted that the adjustments of the allocation ratios in each sample had been made with reference to the Adjustment Factors.

As the number of referral transactions that the Group act as referor and independent third parties act as referee during each of FY2023 and FY2024 were insignificant according to the Management. Alternatively, we obtained the full list of referral transactions that independent third parties as referor and the Group as referee during FY2023 and FY2024 for reference. We noted that (i) for primary market transactions, approximately 66.7% and 100.0% of allocation ratio of commission income from the referee to the referor fell within the range of 70% to 90% for the referor for FY2023 and FY2024 respectively; (ii) for secondary market transactions, approximately 51.2% and 61.6% of allocation ratio of commission income between the referor and referee was 50:50 for FY2023 and FY2024 respectively. We have selected five samples of referral transactions for each of FY2023 and FY2024 that (i) the commission allocations fell outside the range of the Reference Ratios; and (ii) independent third parties acted as referor and the Group acted as referee during FY2023 and FY2024, we noted that the adjustments of the allocation ratios in each sample had been made with reference to the Adjustment Factors.

According to the Management, for the referral transactions that independent third parties acted as referor or referee, the Group would also use Reference Ratios as the starting point in determining the initial allocation of commission income and adjusted based on a case-by-case and on arm's length basis based on the Adjustment Factors. Taking into account that the Group applies the same Reference Ratios and Adjustment Factors in terms of allocation of commission income for its transactions with both the Midland Group and independent third parties, we are of the view that the Group's internal control had been adhered to and the Group has complied with the aforementioned pricing policy for the Cross Referral Transactions to be no less favourable than terms available to or from (as appropriate) its respective independent third parties. We are of the opinion that there are established procedures in place to ensure that future transactions under the Cross Referral Services Framework Agreement (2025) will continue to be conducted on normal commercial terms and in accordance with the aforementioned pricing policy.

9. Internal control procedures in respect of the Cross Referral Services Framework Agreement (2025)

With reference to the Letter from the Board, the Group will continue to adopt the following internal control procedures to monitor the transactions contemplated under the Cross Referral Services Framework Agreement (2025):

(a) the aggregate amount of referral fees to and from the Midland Group will be updated on a monthly basis for appraising the latest unutilised amounts available under the Proposed Annual Caps for the relevant period;

(b) 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

(c) 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 Company has put in place effective internal control procedures for the Cross Referral Transactions and the Proposed Annual Caps, we have obtained and reviewed the following documents: (i) the document prepared by the finance department for the monitoring latest unutilised amounts available under the Proposed Annual Caps; (ii) the samples for reviewing effectiveness of pricing policy for the Cross Referral Transactions as mentioned in the above section headed "8. Pricing policy under the Cross Referral Services Framework Agreement (2025)"; (iii) the board resolutions concerning the Cross Referral Transactions for FY2024; and (iv) the auditors' letter concerning the Cross Referral Transactions for FY2024. We note that the above documents were prepared in accordance with the internal control policies of the Company. Based on the above, we are of the view and concur with the Management's view that adequate measures in monitoring the transactions under the Cross Referral Services Framework Agreement (2025) have been put in place for the purpose of protecting the interests of the Company and the Independent Shareholders.

RECOMMENDATION

Having considered the above principal factors and reasons, we concur with the Directors' view that (i) the Cross Referral Services Framework Agreement (2025) is carried out in the ordinary and usual course of business of the Group; (ii) the terms of the Cross

Referral Services Framework Agreement (2025) are on normal commercial terms, and are fair and reasonable; (iii) the Cross Referral Services Framework Agreement (2025) is in the interests of the Company and the Shareholders as a whole; and (iv) the basis of determining the Proposed Annual Caps in respect of the Cross Referral Services Framework Agreement (2025) is fair and reasonable.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, and we advise the Independent Shareholders, to vote in favour of the ordinary resolutions to approve the continuing connected transactions as contemplated under the Cross Referral Services Framework Agreement (2025).

Yours faithfully,
For and on behalf of
Octal Capital Limited

Wong Wai Leung
Executive Director

Celina Yuen
Associate Director

Note:

Mr. Wong Wai Leung has been a responsible officer of Type 1 (dealing in securities), Type 6 (advising on corporate finance) regulated activities since 2008 and is also a responsible officer Type 9 (asset management) regulated activities. Mr. Wong has accumulated decades of experience in corporate finance and investment banking and has participated in and completed various advisory transactions of listed companies in Hong Kong in respect of the Listing Rules and the Takeovers Code.

Ms. Celina Yuen is a licensed person and a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Ms. Yuen has over 12 years of experience in corporate finance industry and has participated in and completed various advisory transactions for listed companies in Hong Kong in respect of the Listing Rules and the Takeovers Code.