

# Nuada Limited

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23 July 2024

*To the Independent Board Committee  
and the Independent Shareholders of  
Legend Upstar Holdings Limited*

Dear Sirs,

## **REVISION OF EXISTING ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS UNDER THE CROSS REFERRAL SERVICES FRAMEWORK AGREEMENT (2023)**

### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Revised Annual Caps and the Cross Referral Transactions thereunder, details of which are set out in the section headed “Letter from the Board” (the “**Board Letter**”) in the Company’s circular (the “**Circular**”) dated 23 July 2024 to the Shareholders, of which this letter forms part. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

Reference is made to the 2023 Circular in relation to the continuing connected transactions as contemplated under the Cross Referral Services Framework Agreement (2023) entered into between the Company and Midland, pursuant to which members of the Group and the Midland Group would carry on the Cross Referral Transactions for a period of three years from 1 January 2024 to 31 December 2026 in compliance with the Listing Rules. Since the approval of the Existing Annual Caps, the demand for residential properties especially the primary market increased and the number of referrals from the Group to the members of the Midland Group for estate agency services in 2024 was higher than anticipated. In view of the above and based on the information currently available, on 11 July 2024, the Board resolved to revise the Existing Annual Caps in respect of the referral fees from the Midland Group to the Group for each of the three years ending 31 December 2024, 2025 and 2026.

Mr. Wong (the Chairman and an executive Director), who is indirectly interested in approximately 37.03% of all issued shares in Midland, is indirectly interested in approximately 61.37% 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 under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Cross Referral Services Framework Agreement (2023) will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54 of the Listing Rules, if the Company intends to revise the Existing Annual Caps, it will be required to re-comply with the relevant provisions of Chapter 14A of the Listing Rules in respect of the relevant continuing connected transactions.

An Independent Board Committee (comprising all the independent non-executive Directors) has been established to advise the Independent Shareholders in relation to the Revised Annual Caps and the Cross Referral Transactions thereunder. We, Nuada Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

During the past two years immediately preceding and up to the date of our appointment as the Independent Financial Adviser, there were no other engagements between the Group and Nuada Limited. Apart from normal professional fees for our services to the Company in connection with this appointment as the Independent Financial Adviser, no other arrangement exists whereby we have received/will receive any fees and/or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, pursuant to Rule 13.84 of the Listing Rules, we are independent from, and are not associated with the Company or their respective substantial shareholder(s) or connected person(s) as defined under the Listing Rules, and accordingly are considered eligible to give independent advice on the Revised Annual Caps and the Cross Referral Transactions thereunder.

## **BASIS OF OUR OPINION**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company (“**Management**”). We have no reason to believe that any information or representation relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, the Directors and the Management and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be true up to the Latest Practicable Date and should there be any material changes after the despatch of the Circular, the Shareholders would be notified as soon as possible.

The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed in the Circular, having made all reasonable inquiries, that to the best of their knowledge, opinion expressed in the Circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in the Circular misleading.

Our review and analysis were based upon, among other things, (i) Cross Referral Services Framework Agreement (2023); (ii) the financial information of the Group for the three years ended 31 December 2021 (“FY2021”), 31 December 2022 (“FY2022”) and 31 December 2023 (“FY2023”) respectively as shown in the annual reports of the Company for FY2022 (the “Annual Report 2022”) and FY2023 (the “Annual Report 2023”); (iii) the internal control policy and pricing policy for Cross Referral Transactions; (iv) full list of Cross Referral Transactions for FY2021, FY2022, FY2023 and for the five-month period ended 31 May 2024 (“FP2024”); (v) the 2023 Circular; and (vi) the Circular.

We consider that we have reviewed sufficient information, including relevant information and documents provided by the Company and the Directors and the information published by the Company, to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular to provide a reasonable basis for our opinions and recommendations. We have not, however, carried out any independent verification of the information provided by the Company and the Directors, nor have we conducted an independent in-depth investigation into the business and affairs, financial condition and future prospects of the Group.

## **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our recommendation in respect of the Revised Annual Caps and the Cross Referral Transactions thereunder, we have taken into account the following principal factors and reasons:

### **1. Background information**

#### *(i) Information of the Company and the Midland Group*

The Company is an investment holding company. The 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.

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.

(ii) *Financial information of the Group*

The table below summarises the financial results of the Group for FY2022 and FY2023 as extracted from the Annual Report 2023 and the financial results for the Group for FY2021 as extracted from the Annual Report 2022.

*Table 1: Consolidated statement of profit or loss and other comprehensive income of the Group*

	<b>For FY2023</b>	<b>For FY2022</b>	<b>For FY2021</b>
	<b>(audited)</b>	<b>(audited)</b>	<b>(audited)</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>	<b>397,073</b>	<b>450,083</b>	<b>541,319</b>
– Agency fee	338,524	389,058	498,568
– Rental income	27,498	25,591	21,157
– Interest income from credit business	31,051	35,375	19,706
– Interest income from securities investment	–	59	1,888
<b>Staff costs</b>	<b>(200,633)</b>	<b>(221,099)</b>	<b>(307,853)</b>
<b>Rebate incentives</b>	<b>(74,476)</b>	<b>(114,816)</b>	<b>(73,692)</b>
<b>Other operating costs</b>	<b>(33,787)</b>	<b>(50,519)</b>	<b>(46,349)</b>
<b>Profit/(loss) before taxation</b>	<b>5,946</b>	<b>(2,244)</b>	<b>62,607</b>
<b>(Loss)/profit for the year</b>	<b>(1,695)</b>	<b>(3,652)</b>	<b>49,884</b>
– (Loss)/profit for the year attributable to equity holders	(733)	(3,689)	49,839
– (Loss)/profit for the year attributable to non-controlling interests	(962)	37	45

*For FY2023 and FY2022*

The Group recorded a revenue of approximately HK\$397.07 million for FY2023, representing a decrease of approximately 11.78% as compared with that of approximately HK\$450.08 million for FY2022. As stated in the Annual Report 2023, the decrease of revenue was mainly attributable to the decrease in agency fee, which consists of approximately 85.25% of the total revenue of the Group for FY2023, from approximately HK\$389.06 million for FY2022 to approximately HK\$338.52 million for FY2023, which represents a decrease of approximately 12.99%. With reference to the section headed “Letter from Chairman” under the Annual Report 2023 and according to the Management, the Group’s financial results in FY2023 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. Furthermore, the decline in property prices led to impairment of investment properties after revaluation, which also had an adverse impact on financial results.

The Group has recorded a loss attributable to equity holders of approximately HK\$0.73 million for FY2023, which represents a decrease of approximately 80.22% as compared to that of approximately HK\$3.69 million for FY2022. According to the Management, such improvement was attributable to stringent cost control of the Group, including (i) the staff costs of the Group decreased from approximately HK\$221.10 million for FY2022 to approximately HK\$200.63 million for FY2023; (ii) the rebate incentives decreased from approximately HK\$114.82 million for FY2022 to approximately HK\$74.48 million for FY2023; and (iii) other operating costs decreased from approximately HK\$50.52 million for FY2022 to approximately HK\$33.79 million for FY2023.

*For FY2022 and FY2021*

The Group recorded a revenue of approximately HK\$450.08 million for FY2022, representing a decrease of approximately 16.85% as compared with that of approximately HK\$541.32 million for FY2021. As stated in the Annual Report 2022, the decrease of revenue was mainly attributable to the decrease in agency fee, which consists of approximately 86.44% of the total revenue of the Group for FY2022, from approximately HK\$498.57 million for FY2021 to approximately HK\$389.06 million for FY2022, which represents a decrease of approximately 21.96%. With reference to the section headed “Letter from Chairman” under the Annual Report 2022 and according to the Management, the decline in the Group’s financial results for FY2022 was mainly attributable to the adverse market conditions caused by the COVID-related restrictions and measures in Hong Kong, prolonged closure of the border between Hong Kong and PRC, interest rate hikes and poor investment sentiment, which led to a significant drop in the transaction value and volume of the non-residential properties in Hong Kong. According to the Management, the Group recorded turnaround from profits attributable to equity holders of approximately HK\$49.84 million for FY2021 to loss attributable to equity holders of approximately HK\$3.69 million for FY2022 mainly due to the decline of revenue of the Group as mentioned above.

Based on the fact that (i) over 85% of the Group’s revenue is generated from agency fee for the past three financial years; (ii) the actual transaction amount under the referral fees from the Midland Group to the Group for the FP2024 reached approximately 64% of the Existing Annual Caps for the year ending 31 December 2024; and (iii) the Group has recorded consecutive decline of revenue from FY2021 to FY2023 and the Group is in need to maintain the revenue source of the Group, we are of the view and concur with the Management’s view that the Revised Annual Caps and the Cross Referral Transactions thereunder are in the interests of the Group and the Shareholders as a whole.

## 2. Principal terms of the Cross Referral Services Framework Agreement (2023)

The principal terms of the Cross Referral Services Framework Agreement (2023) are summarised below.

Date:	6 December 2023
Parties:	(a) the Company; and (b) Midland
Term:	The Cross Referral Services Framework Agreement (2023) is valid for a term of three years from 1 January 2024 to 31 December 2026.

### *Details of the transactions under the Cross Referral Services Framework Agreement (2023)*

The transactions under the Cross Referral Services Framework Agreement (2023) 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 (2023):

- (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.

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 residential 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 Midland Group, to address the customer's needs). There is no 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 (2023). 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 (2023).

For details of the Cross Referral Services Framework Agreement (2023) and the relevant pricing policy, please refer to the paragraph headed "2. Background" under the Board Letter.

### 3. Reasons for and benefits of revision of the Existing Annual Caps

As stated in the Board Letter, the Existing Annual Caps were set in December 2023 and determined by the Company with reference to the historical transaction amounts between the Group and the Midland Group for the period from 2013 to 2022. During this period, the Hong Kong property market was under tighter control measures. As disclosed in the positive profit alert announcement of Midland dated 26 June 2024, following the removal of substantial tightening measures, the initial market response has been strong. The demand for residential properties (especially the primary market) has increased and the number of referrals from the Group to the members of the Midland Group for estate agency services in the first half of 2024 has been higher than anticipated. Therefore, the Board considers it is prudent to adjust the Existing Annual Caps in respect of the referral fees from the Midland Group to the Group for each of the three years ending 31 December 2024, 2025 and 2026 in case the Existing Annual Caps are insufficient.

On 28 February 2024, Hong Kong Government announced that the Special Stamp Duty, the Buyer's Stamp Duty and the New Residential Stamp Duty will no longer be charged on all residential property transactions from 28 February 2024, onwards ("**Removal of Property Cooling Measures**") (source: <https://www.info.gov.hk/gia/general/202402/28/P2024022800551.htm?fontSize=1>). With reference to the transaction data provided by the Management, the total transaction amount of referral fees to the Group from the Midland Group for FP2024 under the Cross Referral Services Framework Agreement (2023) was approximately HK\$19.7 million. Based on the average monthly transaction amount of referral fees to the Group from the Midland Group of approximately HK\$3.9 million for FP2024, the estimated transaction amount of referral fees to the Group from the Midland Group for the year ending 31 December 2024 will be approximately HK\$46.8 million, which is approximately 51.0% higher than the Existing Annual Caps (i.e. HK\$31.0 million for the year ending 31 December 2024). Based on the above, we are of the view and concur with the Management that the Revised Annual Caps and the Cross Referral Transactions thereunder are fair and reasonable.

### 4. The Revised Annual Caps

The table below sets forth the Existing Annual Caps, the Revised Annual Caps in respect of the referral fees from the Midland Group to the Group for each of the three years ending 31 December 2024, 2025 and 2026, and the actual transaction amount for the period from 1 January 2024 to 31 May 2024:

Table 2: *The Existing Annual Caps, the Revised Annual Caps and the actual transaction amount for FP2024*

Referral fees from the Midland Group to the Group	For the year ending 31 December		
	2024 (HK\$ million)	2025 (HK\$ million)	2026 (HK\$ million)
Existing Annual Caps	31.0	31.0	31.0
Actual transaction amount up to 31 May 2024	19.7	–	–
Revised Annual Caps	52.0	52.0	52.0

With reference to the Board Letter, save for the revision of the aforesaid Existing Annual Caps in respect of the referral fees from the Midland Group to the Group, all other terms and conditions of the Cross Referral Services Framework Agreement (2023) as disclosed in the 2023 Circular remain unchanged. The Board has reviewed the Existing Annual Caps in respect of the referral fees from the Group to the Midland Group, being HK\$82.0 million for each of the three years ending 31 December 2024, 2025 and 2026, and considered for the time being that they will remain sufficient for each relevant period, and no revision will presently be made to such caps.

In determining the Revised Annual Caps for the Group in relation to the transactions contemplated under the Cross Referral Services Framework Agreement (2023), the Group made reference to factors including:

- (a) the latest transaction amount: from 1 January 2024 to 31 May 2024, the actual amount of referral fees to the Group from the Midland Group under the Cross Referral Services Framework Agreement (2023) was approximately HK\$19.7 million, representing approximately 64% of the Existing Annual Caps for the year ending 31 December 2024; and
- (b) adjustment for potential business growth and property market and economic factors which, if materialises, are reasonably expected to impact property transactions, including:
  - (i) the volatility of the property market in Hong Kong contributing to increases in transaction volume and/or value; and
  - (ii) the outlook of the local economic conditions and other market sentiments, such as possible interest rate cuts.

The Group considers that the Existing Annual Caps in respect of the referral fees from the Midland Group to the Group should be increased to provide greater flexibility for the management of the Group to act fast and efficiently and, by working closely with the Midland Group, to capture new business opportunities in the market if and should they arise.



We have obtained the monthly transaction amounts of referral fees to the Group from the Midland Group from the Management in order to analyse the reasonableness and fairness of the Revised Annual Caps. As mentioned above under the paragraph headed “3. Reasons for and benefits of revision of the Existing Annual Caps” above in this letter, based on the average monthly transaction amount of referral fees to the Group from the Midland Group of approximately HK\$3.9 million for FP2024, the estimated transaction amount of referral fees to the Group from the Midland Group for the year ending 31 December 2024 will be approximately HK\$46.8 million, which is approximately 51.0% higher than the Existing Annual Caps (i.e. HK\$31.0 million for the year ending 31 December 2024). Accordingly, we are of the view and concur with the Management’s view that it is anticipated that the Existing Annual Caps would be insufficient.

For our due diligence purpose, we also studied the public data regarding the number of agreements for sale and purchase of building units available from the official website of the Land Registry of Hong Kong Government (the “**Land Registry**”) for reference. With reference to the public data available from Land Registry, upon the Hong Kong government announced the Removal of Property Cooling Measures in February 2024, (i) the number of agreements for sale and purchase of residential building units recorded a total of 21,924 agreements from March 2024 to June 2024, which represents an increase of approximately 16.07% as compared to the total of 18,889 agreements from March 2023 to June 2023; and (ii) the total consideration of agreements for sale and purchase of residential building recorded a total of approximately HK\$195.4 billion from March 2024 to June 2024, which represents an increase of approximately 8.14% as compared to that of approximately HK\$180.7 billion from March 2023 to June 2023. Based on the above, we are of the view and concur with the Management’s view that there is an upturn in the number of agreements for sale and purchase of residential building units in Hong Kong after the Removal of Property Cooling Measures.

Having considered (i) the Group has recorded consecutive decline of revenue from FY2021 to FY2023 and the Group is in need to maintain the revenue source of the Group as mentioned under the paragraph headed “1. Background information” above in this letter; (ii) the projection of utilisation of the Existing Annual Caps for the upcoming financial years based on the actual amount of referral fees to the Group from the Midland Group for FP2024 to be higher than the Existing Annual Caps; and (iii) the upturn in the number of agreements and total consideration for sale and purchase of residential building units in Hong Kong based on the public data available from Land Registry as mentioned above, we are of the view and concur with the Management’s view that the Revised Annual Caps and the Cross Referral Transactions thereunder are fair and reasonable and in the interests of the Group and Shareholders as a whole.

## **5. Internal control measures**

With reference to the Board Letter, the Group will continue to adopt the following internal control procedures to monitor the transactions contemplated under the Cross Referral Services Framework Agreement (2023):

- (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 Revised Annual Caps and the Existing Annual Caps in respect of the referral fees from the Group to the Midland Group for the relevant period;
- (b) the terms and commission income allocations for the transactions under the Cross Referral Services Framework Agreement (2023) 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 (2023) conducted during the 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.

With reference to the Board Letter, the starting point in determining the initial allocation of commission income received in each individual property transaction will be the following reference ratios ("**Reference Ratios**") in line with market practice for the different type of property transaction involved:

<b>Property transaction involved</b>	<b>Reference ratio (%)</b>	
	<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%

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 FY2021, FY2022, FY2023 and FP2024 and selected the top 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 80.4%, 76.9%, 82.8% and 87.5% of allocation ratio of commission income from the referee to the referor fell within the range of 70% to 90% for the referor for FY2021, FY2022, FY2023 and FP2024 respectively; (ii) for secondary market transactions, approximately 74.2%, 76.6%, 81.1% and 76.6% of allocation ratio of commission income between the referor and referee was 50:50 for FY2021, FY2022, FY2023 and FP2024 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 including (i) the characteristics, nature and value of any properties involved, such as the geographical locations, types, usages, areas or other objective features of the properties; (ii) the expected workload of the respective agents relative to each other; (iii) the exclusive nature of the estate agency and consultancy services involved under the

engagements with the individual customers and the significance of the respective agents in finalising the transaction; and (iv) other factors (details of which please refer to the paragraph headed “2. Background” under the Board Letter) (“**Adjustment Factors**”). In this regard, we have selected five samples of Cross Referral Transactions 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 FY2021, FY2022, FY2023 and FP2024, 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 FY2021, FY2022 and FY2023 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 for reference. We noted that (i) for primary market transactions, approximately 50.0%, 100.0%, 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 FY2021, FY2022, FY2023 and FP2024 respectively; (ii) for secondary market transactions, approximately 61.6%, 52.4%, 51.2% and 73.3% of allocation ratio of commission income between the referor and referee was 50:50 for FY2021, FY2022, FY2023 and FP2024 respectively. We have selected five samples of referral transactions 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 FY2021, FY2022, FY2023 and FP2024, 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 to it than terms available to or from (as appropriate) its respective independent third parties, and neither the Group nor the Midland Group is required to consider the favourableness of such terms with respect to one another. We are of the opinion that there are established procedures in place to ensure that future transactions under the Cross Referral Services Framework Agreement (2023) will continue to be conducted on normal commercial terms and in accordance with the aforementioned pricing policy.

In addition, the transactions made under the Cross Referral Services Framework Agreement (2023) conducted during the 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. 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 (2023) 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 are of the opinion that (i) the Revised Annual Caps and the Cross Referral Transactions thereunder are in the ordinary and usual course of business of the Group; and (ii) the Revised Annual Caps and the Cross Referral Transactions thereunder are on normal commercial terms, 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 the Independent Shareholders, and we also recommend the Independent Shareholders, to vote in favour of the relevant resolution to be proposed at the EGM to approve the Revised Annual Caps and the Cross Referral Transactions thereunder.

Yours faithfully,  
For and on behalf of  
**Nuada Limited**



**Kim Chan**

*Director*



**Herman Luk**

*Assistant Manager*

*Mr. Kim Chan is a person licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and is a responsible officer of Nuada Limited who has over 20 years of experience in corporate finance industry.*

*Mr. Herman Luk is a person licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and is a responsible officer of Nuada Limited who has over 8 years of experience in corporate finance industry.*