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If you have sold or transferred all your shares in **FSE Lifestyle Services Limited**, you should at once hand this Circular to the purchaser or the transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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FSE LIFESTYLE SERVICES LIMITED

豐盛生活服務有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 331)

**CONNECTED TRANSACTION:
PROPOSED ACQUISITION OF BEIJING NOVA
AND NOTICE OF EGM**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



All capitalised terms used in this Circular shall have the meanings ascribed to them in the section headed “Definitions” of this Circular. A letter from the Board is set out on pages 6 to 17 of this Circular.

A letter from the Independent Board Committee is set out on page 18 of this Circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 19 to 37 of this Circular.

A notice convening the EGM to be held at 17th Floor, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong on Monday, 18 March 2024 at 3:15 p.m. is set out on pages EGM-1 to EGM-3 in this Circular.

A form of proxy for use at the EGM is enclosed with this Circular. Whether or not you are able to attend the EGM in person, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for the holding of the EGM. Completion and return of the accompanying form of proxy will not preclude you from attending and voting at the EGM should you so wish.

1 March 2024

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DEFINITIONS

In this Circular, the following expressions have the following meanings, unless the context requires otherwise:

“Agreement”	the conditional agreement for sale and purchase of the Sale Shares entered into between the Vendors as vendors and the Purchaser as purchaser on 1 February 2024
“Announcement”	the announcement of the Company dated 1 February 2024 in relation to the Proposed Acquisition
“associate”	has the meaning ascribed to it under the Listing Rules
“Baohua”	has the meaning as defined in “Vendors”
“Beijing Nova”	北京新域保險經紀有限公司 (Beijing Nova Insurance Services Limited*), a sino-foreign equity joint venture enterprise established in the PRC, proposed to be acquired by the Purchaser from the Vendors under the Proposed Acquisition
“Board”	the board of Directors
“Business Day”	a day (other than Saturday and other general public holidays in Hong Kong and any day on which a tropical cyclone warning no.8 or above or a “black” rainstorm warning signal is hoisted or remains hoisted or in effect between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business
“Circular”	this Circular, including the appendices hereto
“Company”	FSE Lifestyle Services Limited (豐盛生活服務有限公司), a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange (stock code: 331)
“Completion”	the completion of the Proposed Acquisition and payment of the Consideration (or as the case may be, the Consideration Balance) in accordance with the Agreement
“Completion Accounts”	the completion accounts showing the NTAV of Beijing Nova as at the Completion Date to be delivered by the Purchaser to the Vendors

DEFINITIONS

“Completion Date”	the 7th business day following fulfilment (or as the case may be, waiver) of the last Conditions Precedent to be fulfilled (or such other date as the Vendors and the Purchaser may agree in writing) on which Completion shall take place or if either the Vendors fail or the Purchaser fails to complete on that date, a date not more than 28 business days after that date in case the non-defaulting party agrees to defer Completion to a later date
“Conditions Precedent”	the conditions for Completion set forth in the paragraph headed “The Agreement — Conditions Precedent to Completion” of this Circular
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	RMB143,000,000, being the aggregate consideration for the Sale Shares payable by the Purchaser to the Vendors under the Agreement, subject to NTAV adjustment (if any)
“Consideration Balance”	the Consideration net of the Pre-Completion Dividends paid (but without any NTAV adjustment, if any, pursuant to the Agreement)
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director”	the director of the Company
“Dr. Cheng”	Dr. Cheng Kar Shun, Henry, the chairman of the Company and non-executive Director
“EGM”	an extraordinary general meeting of the Company to be convened and held at 17th Floor, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong on Monday, 18 March 2024, at 3:15 p.m. to consider and approve the Proposed Acquisition and related matters
“Enlarged Group”	the Company and its subsidiaries, including Beijing Nova, immediately after Completion
“Existing IS Group”	the existing insurance solutions group of the Group
“FSE Holdings”	FSE Holdings Limited (豐盛創建控股有限公司), a company incorporated in the Cayman Islands and a controlling shareholder of the Company holding 75% of the issued Shares carrying the right to vote at general meetings of the Company as at the Latest Practicable Date

DEFINITIONS

“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of The People’s Republic of China
“Independent Board Committee”	an independent committee of the Board, which comprises four independent non-executive Directors, namely Mr. Kwong Che Keung, Gordon, Mr. Hui Chiu Chung, Stephen, Mr. Lee Kwan Hung, Eddie and Dr. Tong Yuk Lun, Paul, established for the purpose of advising the Independent Shareholders on, among other matters, the fairness and reasonableness of the Proposed Acquisition
“Independent Financial Adviser”	Quam Capital Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, and the independent financial adviser appointed by the Company for the purpose of advising the Independent Board Committee and the Independent Shareholders on, among other matters, the fairness and reasonableness of the Proposed Acquisition
“Independent Shareholders”	Shareholders, other than FSE Holdings and its associates, who have no material interest in the Proposed Acquisition
“Independent Valuer”	Cushman & Wakefield Limited, an independent valuer to the Company
“Latest Practicable Date”	27 February 2024, being the latest practicable date prior to the printing of this Circular for ascertaining certain information contained in this Circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	the last time for fulfilment or, as the case may be, waiver of the Conditions Precedent, being 5:00 p.m. on 30 June 2024 (or 31 December 2024 upon exercise by the Purchaser of its right to extend the Long Stop Date to 31 December 2024 pursuant to the Agreement)
“Management Accounts’ NTAV”	the unaudited NTAV of Beijing Nova as at 31 December 2023
“Mr. Doo”	Mr. Doo Wai Hoi, William, the spouse of Mrs. Doo and an alternate Director to Dr. Cheng
“Mr. Doo Jr.”	Mr. Doo William Junior Guilherme, an executive Director

DEFINITIONS

“Mr. Lam”	Mr. Lam Wai Hon, Patrick, the executive vice-chairman of the Company and an executive Director
“Mr. Lee”	Mr. Lee Kwok Bong, an executive Director
“Mrs. Doo”	Mrs. Doo Cheng Sau Ha, Amy, one of the controlling shareholders of the Company
“Nova”	has the meaning as defined in “Vendors”
“NTAV”	the unaudited or as the case may be, audited net tangible assets value of Beijing Nova
“Percentage Ratios”	the applicable percentage ratios under Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China, which for the purposes of this Circular only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Pre-Completion Dividends”	any dividends paid by Beijing Nova to the Vendors before Completion out of the distributable profits of Beijing Nova
“Proposed Acquisition”	the proposed acquisition of the Sale Shares by the Purchaser from the Vendors on and subject to the terms and conditions of the Agreement and the performance of the transactions contemplated thereunder
“Purchaser”	Nova Insurance Consultants Limited (新域保險顧問有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	the entire registered and paid up capital of Beijing Nova in the amount of RMB50,000,000 legally and beneficially owned by the Vendors, of which 40.1% is held by Sheng Gao, 35% is held by Baohua and 24.9% is held by Nova
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share”	ordinary share of par value HK\$0.10 in the share capital of the Company
“Shareholder”	the holder of any Share

DEFINITIONS

“Sheng Gao”	has the meaning as defined in “Vendors”
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder”	has the meaning ascribed to it under the Listing Rules
“Vendors”	collectively, the following: <ul style="list-style-type: none">(a) 廣州盛高房地產開發有限公司 (Guangzhou Sheng Gao Property Development Limited*) (“Sheng Gao”), a company established in the PRC and the owner of 40.1% of the Sale Shares(b) 寶華股權投資有限公司 (Baohua Equity Investment Limited*) (“Baohua”), a company established in the PRC and the owner of 35% of the Sale Shares(c) Nova Risk Services Holdings Limited (“Nova”), a company incorporated in Hong Kong with limited liability and the owner of 24.9% of the Sale Shares
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

* *for identification purpose only and does not form part of its official name*

LETTER FROM THE BOARD



FSE LIFESTYLE SERVICES LIMITED

豐盛生活服務有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 331)

Non-executive Director:

Dr. Cheng Kar Shun, Henry (*Chairman*)
(Mr. Doo Wai Hoi, William as his alternate)

Executive Directors:

Mr. Lam Wai Hon, Patrick (*Executive Vice-Chairman*)
Mr. Poon Lock Kee, Rocky (*Chief Executive Officer*)
Mr. Doo William Junior Guilherme
Mr. Lee Kwok Bong
Mr. Soon Kweong Wah
Mr. Wong Shu Hung
Dr. Cheng Chun Fai

Independent non-executive Directors:

Mr. Kwong Che Keung, Gordon
Mr. Hui Chiu Chung, Stephen
Mr. Lee Kwan Hung
Dr. Tong Yuk Lun, Paul
Ms. Leung Wan Chong Christine

Registered office:

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

***Head office and principal place
of business in Hong Kong:***

Units 801–810, 8th Floor
Chevalier Commercial Centre
8 Wang Hoi Road
Kowloon Bay, Kowloon
Hong Kong

1 March 2024

To the Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION:
PROPOSED ACQUISITION OF BEIJING NOVA**

INTRODUCTION

Reference is made to the Announcement.

On 1 February 2024 (after trading hours of the Stock Exchange), the Group, through the Purchaser, conditionally agreed to acquire from the Vendors the Sale Shares, subject to fulfilment of the Conditions Precedent, by entering into the Agreement in respect of the Proposed Acquisition. The date, parties, principal terms and conditions of the Agreement are set out below.

LETTER FROM THE BOARD

The purpose of this Circular is to provide you with, among other matters, (i) further details of the Proposed Acquisition; (ii) the recommendation from the Independent Board Committee on the Proposed Acquisition; (iii) the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Proposed Acquisition; (iv) the valuation report on Beijing Nova prepared by the Independent Valuer to the Company; and (v) other information as is required to be contained in this Circular under the Listing Rules.

THE PROPOSED ACQUISITION

The Agreement

Date: 1 February 2024

Parties:

Vendors: (a) Sheng Gao, holding 40.1% of the Sale Shares;
(b) Baohua, holding 35% of the Sale Shares; and
(c) Nova, holding 24.9% of the Sale Shares.

Purchaser: The Purchaser, a wholly-owned subsidiary of the Company.

Assets to be acquired by the Group under the Agreement

Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire from the Vendors the Sale Shares, representing the entire registered and paid up capital of Beijing Nova, of which 40.1% is held by Sheng Gao, 35% is held by Baohua and 24.9% is held by Nova.

The paragraph below headed “INFORMATION ON BEIJING NOVA” provides further information on Beijing Nova.

The Consideration and its payment term

The Consideration for the Proposed Acquisition is RMB143,000,000 (equivalent to HK\$155,569,700) (subject to NTAV adjustment, if any, as mentioned below).

The Consideration Balance (without NTAV adjustment, if any, as mentioned below) shall be paid by the Purchaser to the Vendors in cash on the Completion Date in the following manner:

- (a) 40.1% of the Consideration Balance shall be paid to Sheng Gao (or as it may direct in writing);
- (b) 35% of the Consideration Balance shall be paid to Baohua (or as it may direct in writing); and

LETTER FROM THE BOARD

- (c) 24.9% of the Consideration Balance shall be paid to Nova (or as it may direct in writing).

No deposit is payable by the Purchaser to all or any of the Vendors prior to Completion.

The Consideration was agreed after arm's length negotiations between the Vendors and the Purchaser having taken into consideration the valuation of Beijing Nova of RMB143,000,000 as at 31 December 2023 appraised by the Independent Valuer using the market approach (guideline public company method) for the purpose of the valuation.

The Consideration will be funded by internal resources and bank borrowing of the Group.

Adjustment to the Consideration Balance post-Completion

The Consideration Balance is subject to adjustment, if any, by the amount of the NTAV of Beijing Nova as at the Completion Date. The Purchaser shall within 60 days after the Completion Date at its own costs and expenses deliver to the Vendors a set of Completion Accounts showing the NTAV of Beijing Nova as at the Completion Date, which shall be unaudited and in pre-agreed form between the Vendors and the Purchaser. In the event the Vendors and the Purchaser fail to agree on the Completion Accounts, an audited financial statements of Beijing Nova for the period from 1 January 2024 to and as at the Completion Date shall be prepared within 60 days after the delivery of the first Completion Accounts by an independent third party accountant firm which is jointly appointed by the Vendors and the Purchaser. Unless otherwise agreed between the Vendors and the Purchaser, the Completion Accounts shall be prepared in accordance with the same accounting standards and policies as those adopted in the audited financial statements of Beijing Nova for the year ended 31 December 2022.

If based on the Completion Accounts:

- (a) the NTAV of Beijing Nova as at the Completion Date is greater than the Management Accounts' NTAV net of the Pre-Completion Dividends paid, the Consideration Balance shall be increased by a sum equal to the amount by which the NTAV of Beijing Nova as at the Completion Date is greater than the Management Accounts' NTAV net of the Pre-Completion Dividends paid; or
- (b) the NTAV of Beijing Nova as at the Completion Date is less than the Management Accounts' NTAV net of the Pre-Completion Dividends paid, the Consideration Balance shall be reduced by a sum equal to the amount by which the NTAV of Beijing Nova as at the Completion Date is less than the Management Accounts' NTAV net of the Pre-Completion Dividends paid.

The NTAV is utilized as the benchmark for determining the amount of adjustment to the Consideration Balance (if any) rather than the net asset value because net assets encompass both tangible and intangible assets. The intangible assets of Beijing Nova, which consist of computer software of system, office, firewall and related IT functions, are of negligible worth

LETTER FROM THE BOARD

and therefore do not provide a meaningful indication of the asset value of Beijing Nova. By focusing on the NTAV, it provides the Group with a more meaningful indication of the value of Beijing Nova as at the Completion Date.

After the adjustment (if any), any excess in the Consideration Balance paid on Completion shall be refunded by the Vendors in proportion to their respective shareholdings in Beijing Nova prior to the Completion to the Purchaser without interest, and any shortfall in the Consideration Balance shall be paid by the Purchaser to the Vendors in proportion to their respective shareholdings in Beijing Nova prior to the Completion without interest, within seven (7) business days following the delivery of the Completion Accounts by the Purchaser to the Vendors.

Conditions Precedent to Completion

The Agreement and Completion are conditional upon:

- (1) due execution of the documents by the Vendors and the Purchaser and submission to the relevant PRC authorities of documents required for fulfilment of the Conditions Precedent (2) to (4) below, including without limitation, the equity transfer agreements in respect of the Sale Shares between the Vendors and the Purchaser, amendment to the articles of Beijing Nova, corporate authorizations of Beijing Nova, the Vendors and the Purchaser, and resignation of current directors and appointment of new directors of Beijing Nova;
- (2) completion of the necessary registration with the relevant State Administration for Market Regulation (市場監督管理局) in respect of the change in shareholders of Beijing Nova from the Vendors to the Purchaser, change in directors of Beijing Nova, change in articles of Beijing Nova and issuance of new business licence of Beijing Nova by the relevant State Administration for Market Regulation (市場監督管理局);
- (3) completion of the change report required to be submitted to the relevant Ministry of Commerce (商務主管部門) with respect to the investment of the Purchaser in Beijing Nova;
- (4) completion of the report in respect of change in shareholders of Beijing Nova and amendments to the articles of association of Beijing Nova required to be submitted through the Insurance Intermediary Regulatory Information System (保險中介系統);
- (5) the obtaining of the approval of the Independent Shareholders to the Proposed Acquisition on terms of the Agreement in compliance with the Listing Rules;
- (6) the Purchaser having completed and is satisfied with the results of its due diligence review on the Sale Shares and the business, financial, legal, licences, assets, liabilities, financial condition, contracts, commitments and other aspects of Beijing Nova; and

LETTER FROM THE BOARD

- (7) as at the date of fulfilment (or, as the case may be, waiver) of the last in time to be fulfilled of the Conditions Precedent, satisfaction by the Purchaser of all the warranties given by the Vendors being true and correct in all material respects by reference to the facts and circumstances subsisting as at that date.

The Purchaser shall procure the fulfillment of Conditions Precedent (5). The Vendors and the Purchaser shall procure the fulfillment of the other Conditions Precedent. As at the Latest Practicable Date, none of the Conditions Precedents have been fulfilled or waived.

At any time on or before the original Long Stop Date of 30 June 2024 in writing to the Vendors:

- (a) the Purchaser has the right to extend the Long Stop Date from 30 June 2024 to 31 December 2024 provided that the Purchaser shall pay to the Vendors aggregate interest at the rate of six (6) percent per annum on the Consideration from 1 July 2024 to and inclusive of the date of payment to the Vendors of the Consideration (or as the case may be, the Consideration Balance) and **provided further that** the aggregate interest payable to the Vendors shall be apportioned amongst and paid to the Vendors as to 40.1% to Sheng Gao, 35% to Baohua and 24.9% to Nova; and
- (b) the Purchaser may waive the Conditions Precedent (6) and (7) in whole or in part.

If any of the Conditions Precedent shall not have been materially fulfilled (i.e. fulfilled in full) (or, as the case may be, waived by the Purchaser insofar as they can be waived under the terms of the Agreement) by the Long Stop Date, all rights and obligations of the Vendors and the Purchaser under the Agreement shall cease and terminate and if any changes have been made in accordance with the Agreement in respect of Beijing Nova under Conditions Precedent (2) and (3), the Vendors and the Purchaser shall take all measures to restore Beijing Nova as much as possible to the state before the Agreement was signed and to ensure that the Vendors' positions shall not be prejudiced as a result of entering into the Agreement.

Completion

Subject to fulfilment (or, as the case may be, waiver) of the Conditions Precedent, Completion shall take place on the Completion Date when the Consideration (or as the case may be, the Consideration Balance) shall be paid by the Purchaser to the Vendors.

After Completion, Beijing Nova will become a wholly foreign owned enterprise with the Purchaser as its sole shareholder and an indirect wholly-owned subsidiary of the Company. The financial results, assets and liabilities of Beijing Nova will be consolidated in the financial statements of the Company.

INFORMATION ON BEIJING NOVA

Beijing Nova is a sino-foreign equity joint venture established in the PRC in 2006.

LETTER FROM THE BOARD

Beijing Nova is an active participant in the insurance industry of the PRC approved by the National Financial Regulatory Administration (中國國家金融監督管理總局) as a national insurance brokerage for the insured, providing a wide spectrum of professional insurance services and innovative solutions from insurance placement and claims handling to risk assessment and management for a wide range of industries.

Beijing Nova provides risk management service, insurance brokerage and consultancy services to its clients who are mainly corporate clients. These services include identification of risks faced by clients, design of a tailor-made insurance programme or recommendation of a suitable insurance product and approaching the insurance market to find the best insurance coverage at the most favourable terms and conditions for the clients. Expert advice is provided by Beijing Nova to help its clients in finding their right insurance protection. Beijing Nova works for the insured clients and not the insurance companies. A more personal service is therefore provided by Beijing Nova to its clients with more choices for the clients in terms of better pricing and a representative that is on the insured's side in the event of a claim.

Insurance products that Beijing Nova handles range from construction insurance, property and casualty insurance, marine, aviation, financial lines such as directors and officers liability and professional indemnity insurance and employee benefits such as group medical insurance and group life insurance.

Financial information of Beijing Nova

Set out below is a summary of the financial information of Beijing Nova for the two years ended 31 December 2022 and 31 December 2023 immediately preceding the date of the Agreement:

	For the year ended	
	31 December 2022	31 December 2023
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	(audited)	(unaudited)
Net profits before tax and extraordinary items	7,906	15,798
Net profits after tax and extraordinary items	5,894	11,848

As at 31 December 2023, Beijing Nova had an unaudited NTAV of approximately RMB85.3 million (equivalent to approximately HK\$92.8 million) and an unaudited net asset value of approximately RMB85.5 million (equivalent to approximately HK\$93.0 million) which takes into account its intangible assets.

Nova's 24.9% interest in Beijing Nova was acquired by Nova as one of the founding shareholders at RMB249,000 in 2006.

LETTER FROM THE BOARD

INFORMATION ON THE VENDORS

To the best of knowledge, information and belief of the Directors having made all reasonable enquiries, Sheng Gao and Baohua and their respective ultimate beneficial owners are Independent Third Parties.

Sheng Gao is a company established in the PRC, the principal business of which is property development, property management, leasing and property agency services. None of the six ultimate beneficial owners of Sheng Gao has an effective controlling interest in Sheng Gao. 郭健偉 (Guo Jian Wei, for identification purpose only) is the single largest shareholder of Sheng Gao having an effective interest of 30% in Sheng Gao, whose principal business activities are investment in businesses, provision of services of investment consultancy, investment management, economic information consultancy and enterprise management consultancy.

Baohua is a company established in the PRC, the principal business of which are investment in shares and businesses, provision of services in investment management and advisory. 金曦 (Jin Xi, for identification purpose only) is the ultimate beneficial owner of Baohua who indirectly controls 99.9% interest of Baohua, whose principal business activities are investment in shares and businesses, provision of services in investment management and advisory.

Nova is a company established in Hong Kong with limited liability, the principal business of which are investment holding and provision of management service to its associate companies and other investment companies on management consulting and advisory services. Nova is a connected person of the Company for being an associate of FSE Holdings, a controlling shareholder of the Company, as a wholly owned subsidiary of FSE Holdings, which in turn is beneficially owned as to 88% by Mrs. Doo, 4% by Mr. Lam (executive Vice-Chairman and executive Director), 7% by Mr. Doo Jr. (executive Director) and 1% by Mr. Lee (executive Director), the principal business activities of these beneficial owners are (a) through the Group, the principal businesses of the Group set out in “Information of the Group” in this Circular; and (b) as to Mrs. Doo only, property investment and development, the provision of property leasing through other companies not being members of the Group.

INFORMATION ON THE GROUP

The Company is an investment holding company and the holding company of the Group. The principal businesses of the Group include the provision of the following services:

- (a) property & facility management services;
- (b) city essential services including cleaning & pest control, technical support & maintenance, security guarding & event services, insurance solutions and environmental solutions; and
- (c) electrical and mechanical engineering services.

LETTER FROM THE BOARD

REASONS FOR AND THE BENEFITS OF THE PROPOSED ACQUISITION

The Group consistently seeks opportunities to increase its scale and profitability with the aim to optimize return for the Shareholders. Hence, the Directors believe that the Proposed Acquisition would be a good complementary add on to such initiative and strengthen its service line offerings. Below sets forth the reasons for and the benefits of the Proposed Acquisition:

1) Geographical diversification and increase the scale and profit of insurance solutions business, providing higher return for the Shareholders

The Existing IS Group's geographic segmentation encompasses both Hong Kong and Macau and comprises the Purchaser and International Reinsurance Management Limited. According to the research report by Frost and Sullivan in late 2023, the Purchaser is the largest and most experienced local insurance broker in Hong Kong. It offers one-stop-shop risk management and insurance solutions to both corporate and individual clients. With a highly professional team of brokers and specialists, it serves many clients who are leaders within their industries including international hotel chains, public listed companies, property developers, public transportation companies, manufacturers, trading companies, telecommunication companies, governmental departments/organizations and non-governmental organizations. Types of insurance it handles include property & casualty, construction, financial lines, marine, aviation and employee benefits. The Purchaser holds an Insurance Broker Company License granted by the Insurance Authority while its Macau branch office is a licensed broker under the Monetary Authority of Macao. It is also a registered Mandatory Provident Fund Intermediary under the Mandatory Provident Fund Schemes Authority. In 2021, the Purchaser was invited by the Insurance Authority as a partner of the Hong Kong Specialty Risks Consortium to support the Belt & Road Initiative.

The Proposed Acquisition positions the Group (including the Existing IS Group) to penetrate and expand its presence in the lucrative PRC insurance brokerage market and diversify its business operations geographically to the PRC. This can help to mitigate the risks associated with reliance on a single market and facilitate a more balanced revenue stream.

With years of experience in Hong Kong, the Group, including the Existing IS Group, has developed a comprehensive system including but not limited to insurance brokerage software, human resources management, accounting and compliance procedures, etc. With the Proposed Acquisition, these functions can be integrated into the operation of Beijing Nova to maximize resources sharing and uplift efficiencies.

The Group has achieved progressive growth in net profit through organic and acquisition growth which allowed it to distribute an increasing level of dividend for the Shareholders over the past few years. The Group has shown a proven track record in utilizing its capital to invest in attractive acquisitions to increase Shareholder's return.

Beijing Nova recorded a total revenue of approximately HK\$81.4 million for the year ended 31 December 2023 and an unaudited net tangible asset value of approximately HK\$92.8 million as of 31 December 2023 while the Existing IS Group recorded an unaudited total revenue of approximately HK\$110.1 million for the year ended 31 December 2022 and an

LETTER FROM THE BOARD

unaudited net tangible asset value of approximately HK\$66.7 million as of 31 December 2022, so the Proposed Acquisition will contribute significant expansion in the business scale of the Existing IS Group.

The Proposed Acquisition will allow the Group to engage in businesses that could enhance recurring profit in long term and lead to an accretion to the Company's earnings per Share.

2) Growing PRC Insurance Industry

In recent years, the PRC insurance market has undergone rapid development and is one of the fast surging insurance markets in the world. According to data published by the National Bureau of Statistics of China, from 2016 to 2022, the original premium income (OPI) of the PRC insurance market grew at a Compound Annual Growth Rate (CAGR) of approximately 7.2%, of which life and health insurance business grew at a CAGR of 6.8%, while property and casualty insurance business grew at a CAGR of 8.2%. The stable expansion of the PRC insurance market is attributable to key factors including stable economic growth and urbanization of the PRC, continued social wealth accumulation, favorable government policies and an aging population and technology innovation and application.

3) Increase brand recognition, cross-selling synergies and cost savings

Expand client base and brand recognition with the addition of the clientele of Beijing Nova in the PRC which will benefit the existing businesses of the Group through its established market presence and customer trust in the PRC market. For instance, the Group may refer its clients which also carry out businesses in the PRC to engage Beijing Nova to provide insurance solutions in the PRC, and vice versa. More cross-selling synergies to offer comprehensive "one-stop-shop" services that differentiates the Group from its competitors. The inclusion of Beijing Nova will directly enhance the Group's ability to provide high quality complementary services and create more cross-selling opportunities with more service line and geographical extension.

The Proposed Acquisition can also leverage back-office functions, IT systems, or administrative processes of each other, Beijing Nova and Existing IS Group, leading to operational efficiencies and cost reductions.

4) Competitive Advantage

By acquiring Beijing Nova, the Existing IS Group and Beijing Nova together gain a competitive advantage over its competitors that do not have a presence in the PRC. It can offer a broader range of products and services to customers and potentially further diversify and widen the clients' base to multinational ones with operations in both Hong Kong and the PRC.

The Directors (excluding the independent non-executive Directors) consider the terms of the Proposed Acquisition on terms of the Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

The view of the independent non-executive Directors on the Proposed Acquisition on, among others, the fairness and reasonableness of the Proposed Acquisition on terms of the Agreement is set out in the Letter from the Independent Board Committee in this Circular.

LISTING RULES IMPLICATIONS

Nova, one of the Vendors, is a connected person of the Company for being an associate of FSE Holdings, a controlling shareholder of the Company, as a wholly-owned subsidiary of FSE Holdings. The acquisition of 24.9% of the Sale Shares by the Purchaser from Nova under the Proposed Acquisition constitutes a connected transaction for the Company.

Nova is a Substantial Shareholder of Beijing Nova holding 24.9% interest in Beijing Nova. As Nova is an associate of FSE Holdings who is a controlling shareholder of the Company (i.e. Nova is an associate of a controller as defined in Rule 14A.28(1)), each of the proposed acquisitions of 40.1% of the Sale Shares from Sheng Gao and 35% of the Sale Shares from Baohua also constitutes connected transaction for the Company under Rule 14A.28(2) notwithstanding that neither Sheng Gao nor Baohua is a connected person of the Company.

As one of the applicable Percentage Ratios in respect of the Proposed Acquisition exceeds 5% and the Consideration is more than HK\$10,000,000, the Proposed Acquisition is subject to the announcement, independent Shareholders' approval, circular and annual reporting requirements under Chapter 14A.

APPROVAL BY THE BOARD

The Directors set out below are regarded as having a material interest or potential conflict of interest in the Proposed Acquisition.

Director who is regarded as having a material interest or potential conflict of interest in the Proposed Acquisition	Basis upon which the Director is regarded as having a material interest or potential conflict of interest
Dr. Cheng	<ul style="list-style-type: none">● An associate of Mrs. Doo, who has a controlling interest in FSE Holdings.
Mr. Doo (alternate Director to Dr. Cheng)	<ul style="list-style-type: none">● The spouse of Mrs. Doo, who has a controlling interest in FSE Holdings.
Mr. Doo Jr.	<ul style="list-style-type: none">● Has 7% interest in FSE Holdings.
Mr. Lam	<ul style="list-style-type: none">● Has 4% interest in FSE Holdings.
Mr. Lee	<ul style="list-style-type: none">● Has 1% interest in FSE Holdings.

LETTER FROM THE BOARD

Each of Dr. Cheng, Mr. Doo Jr., Mr. Lam and Mr. Lee, who was present at the Board meeting approving the Proposed Acquisition had abstained from voting on the resolutions approving the Proposed Acquisition in respect of which he is regarded as having a material interest (or as the case may be, a potential conflict of interest) as indicated in the table above.

CLOSURE OF REGISTER OF MEMBERS

In order to determine entitlement of the Shareholders to attend and vote at the EGM (or at any adjournment thereof), the Company's register of members will be closed from Wednesday, 13 March 2024 to Monday, 18 March 2024 (both days inclusive) during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 12 March 2024.

EGM

The EGM will be held at 17th Floor, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong on Monday, 18 March 2024 at 3:15 p.m. to consider and, if thought fit, to approve the Proposed Acquisition on terms of the Agreement and related matters.

A notice convening the EGM is set out on pages EGM-1 to EGM-3 of this Circular.

At the EGM, any Shareholders with a material interest in the Proposed Acquisition are required to abstain from voting on the resolution approving the Proposed Acquisition. FSE Holdings, a controlling shareholder of the Company holding 75% of the issued Shares carrying the right to vote at general meetings of the Company as at the Latest Practicable Date, and its associates will abstain from voting on the resolution approving the Proposed Acquisition at the EGM. To the best of knowledge, information and belief of the Directors, having made all reasonable enquiries, apart from FSE Holdings, no other Shareholders are materially interested in the Proposed Acquisition who are required to abstain from voting on the resolution to be proposed at the EGM approving the Proposed Acquisition.

Whether or not you are able to attend the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for the holding of the EGM. Completion and return of the accompanying form of proxy will not preclude you from attending and voting at the EGM should you so wish.

In compliance with the Listing Rules, voting on the resolution to be proposed at the EGM will be conducted by way of poll.

LETTER FROM THE BOARD

RECOMMENDATIONS

The Independent Board Committee comprising four independent non-executive Directors, namely Mr. Kwong Che Keung, Gordon, Mr. Hui Chiu Chung, Stephen, Mr. Lee Kwan Hung, Eddie and Dr. Tong Yuk Lun, Paul, has been established to consider the terms of the Proposed Acquisition on terms of the Agreement and to advise the Independent Shareholders as to whether the Proposed Acquisition is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Your attention is drawn to the advice of the Independent Board Committee in its letter on page 18 of this Circular.

The Independent Financial Adviser has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on, among other matters, the fairness and reasonableness of the Proposed Acquisition. Your attention is drawn to the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders of the Company in respect of the Proposed Acquisition on terms of the Agreement set out on pages 19 to 37 of this Circular.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the Proposed Acquisition on terms of the Agreement is on normal commercial terms and in the interests of the Company and the Shareholders as a whole. The Independent Board Committee also considers that the Proposed Acquisition on terms of the Agreement are fair and reasonable so far as the Independent Shareholders are concerned and recommend the Independent Shareholders to vote in favour of the ordinary resolution approving the Proposed Acquisition on terms of the Agreement.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information as set out in the appendices to this Circular.

The English text of this Circular shall prevail over the Chinese text in the event of inconsistency.

Yours faithfully,
By order of the Board
FSE Lifestyle Services Limited
Lam Wai Hon, Patrick
Executive Vice-Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is a full text of the letter from the Independent Board Committee prepared for the purpose of inclusion in this Circular.



FSE LIFESTYLE SERVICES LIMITED

豐盛生活服務有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 331)

1 March 2024

To the Independent Shareholders

Dear Sir or Madam

CONNECTED TRANSACTION: PROPOSED ACQUISITION OF BEIJING NOVA

We refer to the Circular of which this letter forms part. Terms defined in the Circular have the same meanings when used herein unless the context otherwise requires.

Since the Proposed Acquisition constitutes a connected transaction for the Company requiring Independent Shareholders' approval under Chapter 14A of the Listing Rules, the Independent Board Committee has been formed to advise the Independent Shareholders as to whether, in our opinion, the terms of the Proposed Acquisition on terms of the Agreement are fair and reasonable so far as the Independent Shareholders are concerned. Quam Capital Limited has been appointed as the independent financial adviser to the Independent Board Committee in respect of the Proposed Acquisition.

We wish to draw your attention to (i) the Letter from the Board as set out on pages 6 to 17 of the Circular; (ii) the Letter from the Independent Financial Adviser as set on pages 19 to 37 of the Circular; and (iii) the additional information as set out in the appendices to the Circular.

Having taken into account the terms and conditions of the Agreement and the advice from the Independent Financial Adviser, we consider that the terms and conditions of the Proposed Acquisition on terms of the Agreement are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution in respect of the Proposed Acquisition to be proposed at the EGM.

Yours faithfully,
Independent Board Committee
Mr. Kwong Che Keung, Gordon
Mr. Hui Chiu Chung, Stephen
Mr. Lee Kwan Hung, Eddie
Dr. Tong Yuk Lun, Paul

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Quam Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Acquisition pursuant to the Agreement, which has been prepared for the purpose of incorporation in this circular.



1 March 2024

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF BEIJING NOVA

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Agreement 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 of the Company dated 1 March 2024 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 1 February 2024, the Purchaser and Vendors entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendors have conditionally agreed to sell, the Sale Shares, at a consideration of RMB143.0 million (equivalent to approximately HK\$155.6 million).

The Proposed Acquisition constitutes a discloseable transaction for the Company under the Listing Rules.

Nova, one of the Vendors, is a connected person of the Company for being an associate of FSE Holdings, a controlling Shareholder, as a wholly-owned subsidiary of FSE Holdings. The acquisition of 24.9% of the Sale Shares by the Purchaser from Nova under the Proposed Acquisition constitutes a connected transaction for the Company.

Nova is a substantial shareholder of Beijing Nova holding 24.9% interest in Beijing Nova. As Nova is an associate of FSE Holdings who is a controlling Shareholder (i.e. Nova is an associate of a controller as defined under Rule 14A.28(1) of the Listing Rules), each of the proposed acquisitions of 40.1% of the Sale Shares from Sheng Gao and 35.0% of the Sale Shares from Baohua also constitutes a connected transaction for the Company under Rule 14A.28(2) of the Listing Rules notwithstanding that neither Sheng Gao nor Baohua is a connected person of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As one of the applicable Percentage Ratios in respect of the Proposed Acquisition exceeds 5% and the Consideration is more than HK\$10,000,000, the Proposed Acquisition is subject to the announcement, Independent Shareholders' approval, circular requirements under the Listing Rules.

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Proposed Acquisition and related matters.

At the EGM, any Shareholders with a material interest in the Proposed Acquisition are required to abstain from voting on the resolution approving the Proposed Acquisition. FSE Holdings and its associates will abstain from voting on the resolution approving the Proposed Acquisition at the EGM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising four independent non-executive Directors, namely Mr. Kwong Che Keung, Gordon, Mr. Hui Chiu Chung, Stephen, Mr. Lee Kwan Hung, Eddie and Dr. Tong Yuk Lun, Paul, has been established to consider as to whether (i) the entering into of the Agreement is in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole; (ii) the terms of the Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable; and (iii) how the Independent Shareholders should vote in respect of the proposed resolution at the EGM to approve the Agreement and the transactions contemplated thereunder. We have been appointed as an independent financial adviser to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

THE INDEPENDENT FINANCIAL ADVISER

Except for being appointed as independent financial adviser to the Company in respect of the Proposed Acquisition, we have not acted as an independent financial adviser in relation to any transactions of the Company during the past two years. We were not aware of any relationships or interests between us and the Company or any other parties that could reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Acquisition. We are not associated with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties to the Proposed Acquisition, and accordingly, are eligible to give independent advice and recommendation on the Agreement and the transactions contemplated thereunder. Apart from normal professional fees payable to us in connection with this appointment as the independent financial adviser, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties that could reasonably be regarded as relevant to our independence.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have considered, among other things:

- (i) the Agreement;
- (ii) the Circular;
- (iii) the annual reports of the Company for the financial years ended 30 June 2022 (the “**Annual Report 2022**”) and 2023 (the “**Annual Report 2023**”);
- (iv) the audited financial information of Beijing Nova for the financial year ended 31 December 2022 and the unaudited financial information of Beijing Nova for the financial year ended 31 December 2023;
- (v) the valuation report dated 1 March 2024 (the “**Valuation Report**”) in relation to the valuation of Beijing Nova as at 31 December 2023 (the “**Valuation**”) issued by Cushman & Wakefield (the “**Independent Valuer**”), as set out in Appendix I to the Circular; and
- (vi) the relevant market data and information available from public sources.

We have also relied on all relevant information and representations supplied, and the opinions expressed, by the Directors and the management of the Company (collectively, the “**Management**”). We have assumed that all such information and representations contained or referred to in the Circular are true and accurate in all material respects as the date thereof. The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Circular and have also confirmed that, having made all reasonable enquiries and to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no material facts not contained in the Circular, the omission of which make any statement in the Circular misleading. We have found no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Management, and they have confirmed that no material information have been withheld or omitted from the information provided and referred to in the Circular, which would make any statement therein misleading. Based on the reasonable steps we have taken as mentioned above, we have no reason to believe that any statements, information, opinions or representations 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 statements, information, opinions or representations provided to us untrue, inaccurate or misleading.

We consider that we have been provided with, and 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, nor have we conducted an independent investigation into the business, affairs, operations, financial results, financial position, financial forecast or future prospects of each of the Company and Beijing Nova, and any of their respective subsidiaries.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Acquisition, we have taken into account the following principal factors and reasons:

1. Information of the Group

1.1. Principal businesses of the Group

The principal businesses of the Group include the provision of (i) property & facility management services; (ii) electrical and mechanical engineering (“E&M”) services; and (iii) city essential services including cleaning & pest control, technical support & maintenance, security guarding & event, insurance solutions and environmental solutions.

1.2. Financial information of the Group

Set out below is a summary of the financial information and financial position of the Group for the three financial years ended 30 June 2021 (“FY2021”), 2022 (“FY2022”) and 2023 (“FY2023”) respectively as extracted from the Annual Report 2022 and Annual Report 2023.

	FY2021	FY2022	FY2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)
Revenue	6,452,741	6,966,935	7,767,209
— <i>Property & facility management services</i>	658,239	696,298	708,609
— <i>City essential services</i>	2,998,650	3,252,579	3,766,783
— <i>E&M services</i>	2,795,852	3,018,058	3,291,817
Profit for the year	586,699	503,904	524,198
Revenue breakdown of city essential services			
Cleaning & pest control services	1,262,640	1,409,300	1,731,162
Technical support & maintenance services	783,574	833,982	962,820
Security guarding & event services	660,093	636,367	633,510
Insurance solutions	85,898	99,580	110,409
Environmental solutions	177,351	273,350	328,882
Laundry services	29,094	—	—
Total	<u>2,998,650</u>	<u>3,252,579</u>	<u>3,766,783</u>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	As at 30 June		
	2021	2022	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)
Total assets	3,050,225	3,599,304	3,990,434
— <i>Trade and other receivables</i>	1,671,095	2,015,769	2,318,986
— <i>Cash and bank balances</i>	549,890	767,037	751,901
Total liabilities	2,950,711	3,162,530	3,291,013
Net assets	99,514	436,774	699,421

Comparison between FY2021 and FY2022

The revenue of the Group increased from approximately HK\$6.5 billion for FY2021 to approximately HK\$7.0 billion for FY2022, representing an increase of approximately 8.0%. According to the Annual Report 2022, the increase in revenue of the Group was mainly attributable to the revenue growth in cleaning services, environmental solutions and E&M businesses. The Group recorded the profit for the year of approximately HK\$586.7 million and HK\$503.9 million for FY2021 and FY2022 respectively, representing a decrease of approximately 14.1% as compared to FY2021. This was mainly resulted from a decrease in government grants, partly mitigated by the effects of (i) new contracts awarded for the property & facility management segment and city essential segment (primarily cleaning and insurance businesses); (ii) higher gross profits from the E&M services segment's installation projects; and (iii) losses related to laundry business disposal in December 2020 and one-off professional fees for acquisitions which did not recur in FY2022.

The net assets of the Group increased from approximately HK\$99.5 million as at 30 June 2021 to approximately HK\$436.8 million as at 30 June 2022, which was mainly due to the increase in cash and bank balances as well as trade and other receivables.

Comparison between FY2022 and FY2023

The revenue of the Group increased from approximately HK\$7.0 billion for FY2022 to approximately HK\$7.8 billion for FY2023, representing an increase of approximately 11.5%. According to the Annual Report 2023, the increase of revenue of the Group was mainly attributable to the strong performance of the cleaning & pest control, technical support & maintenance, insurance solutions, environmental solutions and E&M businesses. The Group recorded a net profit of approximately HK\$503.9 million and HK\$524.2 million for FY2022 and FY2023 respectively, representing an increase of approximately 4.0% as compared to FY2022. This was mainly due to the strong performance of the businesses stated above, offset by the effects of (i) a lower contribution from the security guarding & event services business; (ii) a decrease in government grants; and (iii) higher corporate finance costs.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The net assets of the Group increased from approximately HK\$436.8 million as at 30 June 2022 to approximately HK\$699.4 million as at 30 June 2023, which was mainly due to the increase in trade and other receivables.

1.3. Information of the insurance solutions business of the Group

According to the Annual Report 2023, the Group is the leading local insurance broker in Hong Kong in terms of gross insurance brokerage revenue. It provides one-stop risk management and insurance solutions to corporate and individual clients, including but not limited to property, casualty, construction and employee benefits. According to the Letter from the Board, the Group's insurance solutions business has a highly professional team of brokers and specialists, which serves many clients who are leaders within their industries including international hotel chains, public listed companies, property developers, public transportation companies, manufacturers, trading companies, telecommunication companies, governmental departments/organizations and non-governmental organizations.

The Group's revenue from insurance solutions business increased from approximately HK\$85.9 million for FY2021 to approximately HK\$99.6 million for FY2022, representing an increase of approximately 15.9%. Such increase was mainly due to (i) the Group had secured placement for a number of sizeable construction projects and managed to get some new accounts including residential developments, new hotels, listed companies, non-governmental organisations and other commercial enterprises; and (ii) the Group had handled more trade credit insurance business and concluded some new businesses on cyber insurance during FY2022.

For FY2023, the Group's revenue from insurance solutions business continued to grow and amounted to approximately HK\$110.4 million, representing an increase of approximately 10.9% as compared with FY2022. Such increase was mainly due to (i) the Group had secured placement for a number of sizeable construction projects and managed to get some new accounts, including food and beverages companies, listed companies, schools and educational institutions and non-governmental organisations; and (ii) the Group had handled more professional indemnity insurance and trade credit insurance business during FY2023.

2. Information of Beijing Nova

2.1. Background information of Beijing Nova

Beijing Nova is a sino-foreign equity joint venture established in the PRC in 2006. According to the Letter from the Board, Beijing Nova is an active participant in the insurance industry of the PRC approved by the National Financial Regulatory Administration (中國國家金融監督管理總局) as a national insurance brokerage for the insured, providing a wide spectrum of professional services and innovative solutions from insurance placement and claims handling to risk assessment and management for a wide range of industries.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Beijing Nova provides risk management service, insurance brokerage and consultancy services to its clients which are mainly corporate clients. These services include identification of risks faced by clients, design of a tailor-made insurance programme or recommendation of a suitable insurance product and approaching the insurance market to find the best insurance coverage at the most favourable terms and conditions for the clients. Expert advice is provided by Beijing Nova to help its clients in finding their right insurance protection. Beijing Nova works for the insured clients and not the insurance companies. A more personal service is therefore provided by Beijing Nova to its clients with more choices for the clients in terms of better pricing and a representative that is on the insured's side in the event of a claim. Insurance products that Beijing Nova handles range from construction insurance, property and casualty insurance, marine, aviation, financial lines such as directors and officers liability and professional indemnity insurance and employee benefits such as group medical insurance and group life insurance.

As at the Latest Practicable Date, Beijing Nova was owned as to approximately 40.1% by Sheng Gao, approximately 35.0% by Baohua and approximately 24.9% by the Nova. Nova is a connected person of the Company, details of which are set out in the section headed "Introduction" above. Neither Sheng Gao nor Baohua is a connected person of the Company.

2.2. Financial information of Beijing Nova

Set out below is a summary of the financial information of Beijing Nova for the two financial years ended 31 December 2022 and 31 December 2023:

	For the year ended	
	31 December	
	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(unaudited)
Revenue	35,225	74,786
Net profits before tax and extraordinary items	7,906	15,798
Net profits after tax and extraordinary items	5,894	11,848

As at 31 December 2023, Beijing Nova had an unaudited NTAV of approximately RMB85.3 million and an unaudited net asset value of approximately RMB85.5 million which takes into account its intangible assets.

Beijing Nova's revenue was mainly attributable to the insurance brokerage commission fee. The revenue of Beijing Nova was approximately RMB74.8 million for the year ended 31 December 2023, which increased by approximately 112.3% from approximately RMB35.2 million for the year ended 31 December 2022. The net profits after tax and extraordinary items of Beijing Nova increased by approximately 101.0%, from approximately RMB5.9 million for the year ended 31 December 2022

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

to approximately RMB11.8 million for the year ended 31 December 2023. We are advised that the increase in revenue and profit for the year ended 31 December 2023 was mainly due to more new clients secured for the year ended 31 December 2023, while the financial performance of Beijing Nova for the year ended 31 December 2022 was adversely affected by COVID-19 pandemic.

3. Reasons for and benefits of the Proposed Acquisition

According to the Letter from the Board, the Group consistently seeks opportunities to increase its scale and profitability. The Proposed Acquisition would be a complementary add-on to such initiative and strengthen service line offerings of the Group, taking into account the factors below.

Geographical diversification to gain a competitive advantage and increase in the scale of insurance solutions business

The Proposed Acquisition allows the existing insurance solutions business of the Group, being one of the leading players in Hong Kong for this segment, to enter and expand its presence in the PRC's insurance brokerage market and diversify its business operations geographically. This can help mitigate the risks associated with reliance on a single market and provide a more balanced revenue stream. As shown above, the Group's revenue from insurance solutions business amounted to approximately HK\$110.4 million in FY2023 whereas Beijing Nova recorded revenue of approximately RMB74.8 million for the year ended 31 December 2023.

By acquiring Beijing Nova, the Group's insurance solutions business gains a competitive advantage over its competitors that do not have a presence in the PRC. The Group can offer a broader range of products and services to customers and potentially further diversify and widen its clients' base to corporations with operations in both Hong Kong and the PRC.

Beijing Nova recorded net profits for the two years ended 31 December 2023. According to the Letter from the Board, the Proposed Acquisition will allow the Group to enhance recurring profit in the long term and lead to an accretion to the Company's earnings per Share.

Growing PRC insurance industry

In recent years, the PRC insurance market has been undergoing rapid development. According to data published by the National Bureau of Statistics of China, from 2016 to 2022, the total original premium income of the PRC insurance market grew at a compound annual growth rate (CAGR) of approximately 7.2%. The expansion of the PRC insurance market has been driven by (i) economic growth and urbanization of the PRC, which resulted in continued social wealth accumulation; and (ii) technology innovation and application which facilitates the development of insurance products and enhances efficiency of the insurance operational process, among others.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Enhancement of brand recognition, cross-selling synergies and cost savings

The Proposed Acquisition is expected to expand client base and enhance brand recognition of the Group with the addition of the clientele of Beijing Nova in the PRC, which will benefit the existing businesses of the Group due to Beijing Nova's established market presence and customer trust in the PRC market. Moreover, operational efficiencies and cost reduction benefits are also possible as the Group's Hong Kong and PRC insurance solutions businesses may share resources with each other, for example, back-office functions, IT systems, or administrative processes. According to the Letter from the Board, with years of experience in Hong Kong, the Group has developed a comprehensive system including but not limited to insurance brokerage software, human resources management, accounting and compliance procedures. These functions can be integrated into the operation of Beijing Nova after the Proposed Acquisition to maximize resources sharing and uplift efficiencies.

As disclosed in the Annual Report 2023, the Group continued to successfully promote its city essential services in FY2023 building on recognisable brands, high service quality and strong cross-selling synergies created by the business ecosystem of the Group. Synergies may arise for other business segments of the Group, such as cross-selling opportunities and offering comprehensive one-stop-service across different business segments. The Group can refer its clients in other business segments to purchase service from Beijing Nova for insurance solutions, and vice versa.

Based on the above, in particular, taking into account, (i) the benefits of geographical diversification; (ii) the increase in revenue base of the Group's insurance solutions business; (iii) Beijing Nova recorded net profits for the two financial years ended 31 December 2023; (iv) the growing PRC insurance industry; and (v) the benefits of enhancing brand recognition, cross-selling synergies and cost savings, we consider that the Proposed Acquisition is in the interests of the Company and the Shareholders as a whole.

4. Principal terms of the Agreement

Date	: 1 February 2024
Parties	: (i) the Purchaser; and (ii) the Vendors
Assets to be acquired	: 100% equity interests in Beijing Nova
Consideration and payment term	: The Consideration is RMB143.0 million (equivalent to approximately HK\$155.6 million) (subject to adjustment, if any, by the amount of the NTAV of Beijing Nova as at the Completion Date, as mentioned below).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Consideration Balance (without NTAV adjustment, if any, as mentioned below) shall be paid by the Purchaser to the Vendors in cash on the Completion Date in the following manner:

- (i) 40.1% of the Consideration Balance shall be paid to Sheng Gao (or as it may direct in writing);
- (ii) 35.0% of the Consideration Balance shall be paid to Baohua (or as it may direct in writing); and
- (iii) 24.9% of the Consideration Balance shall be paid to Nova (or as it may direct in writing).

- Conditions precedent : (i) due execution of the documents by the Vendors and the Purchaser and submission to the relevant PRC authorities of documents required for fulfilment of the Conditions Precedent (ii) to (iv), including without limitation, the equity transfer agreements in respect of the Sale Shares between the Vendors and the Purchaser, amendment to the articles of Beijing Nova, corporate authorizations of Beijing Nova, the Vendors and the Purchaser, and resignation of current directors and appointment of new directors of Beijing Nova;
- (ii) completion of the necessary registration with the relevant State Administration for Market Regulation (市場監督管理局) in respect of the change in shareholders of Beijing Nova from the Vendors to the Purchaser, change in directors of Beijing Nova, change in articles of Beijing Nova and issuance of new business licence of Beijing Nova by the relevant State Administration for Market Regulation (市場監督管理局);
- (iii) completion of the report required to be submitted to the relevant Ministry of Commerce (商務主管部門) with respect to the investment of the Purchaser in Beijing Nova;
- (iv) completion of the report in respect of change in shareholders of Beijing Nova and amendments to articles of association of Beijing Nova required to be submitted through the Insurance Intermediary Regulatory Information System (保險中介系統);

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- (v) the obtaining of the approval of the Independent Shareholders to the Proposed Acquisition on terms of the Agreement in compliance with the Listing Rules;
- (vi) the Purchaser having completed and is satisfied with the results of its due diligence review on the Sale Shares and the business, financial, legal, licences, assets, liabilities, financial condition, contracts, commitments and other aspects of Beijing Nova; and
- (vii) as at the date of fulfilment (or, as the case may be, waiver) of the last in time to be fulfilled of the Conditions Precedent, satisfaction by the Purchaser of all the warranties given by the Vendors being true and correct in all material respects by reference to the facts and circumstances subsisting as at that date.

The Consideration Balance is subject to adjustment, if any, by the amount of the NTAV of Beijing Nova as at the Completion Date. The Purchaser shall within 60 days after the Completion Date at its own costs and expenses deliver to the Vendors a completion accounts (the “**Completion Accounts**”) showing the NTAV of Beijing Nova as at the Completion Date, which shall be unaudited and in pre-agreed form between the Vendors and the Purchaser. In the event the Vendors and the Purchaser fail to agree on the Completion Accounts, an audited financial statements of Beijing Nova for the period from 1 January 2024 to and as at the Completion Date shall be prepared within 60 days after the delivery of the first Completion Accounts by an independent third party accountant firm which is jointly appointed by the Vendors and the Purchaser. Unless otherwise agreed between the Vendors and the Purchaser, the Completion Accounts shall be prepared in accordance with the same accounting standards and policies as those adopted in the audited financial statements of Beijing Nova for the year ended 31 December 2022.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the Completion Accounts, if:

- (a) the NTAV of Beijing Nova as at the Completion Date is greater than the Management Accounts' NTAV net of the Pre-Completion Dividends paid, the Consideration Balance shall be increased by a sum equal to the amount by which the NTAV of Beijing Nova as at the Completion Date is greater than the Management Accounts' NTAV net of the Pre-Completion Dividends paid; or
- (b) the NTAV of Beijing Nova as at the Completion Date is less than the Management Accounts' NTAV net of the Pre-Completion Dividends paid, the Consideration Balance shall be reduced by a sum equal to the amount by which the NTAV of Beijing Nova as at the Completion Date is less than the Management Accounts' NTAV net of the Pre-Completion Dividends paid.

After the adjustment (if any), any excess in the Consideration Balance paid on Completion shall be refunded by the Vendors in proportion to their respective shareholdings in Beijing Nova prior to the Completion to the Purchaser without interest, and any shortfall in the Consideration Balance shall be paid by the Purchaser to the Vendors in proportion to their respective shareholdings in Beijing Nova prior to the Completion without interest, within seven business days following the delivery of the Completion Accounts by the Purchaser to the Vendors.

Completion : Subject to fulfilment (or, as the case may be, waiver) of the Conditions Precedent, Completion shall take place on the Completion Date when the Consideration (or as the case may be, the Consideration Balance) shall be paid by the Purchaser to the Vendors.

The Purchaser shall procure the fulfillment of Condition Precedent (v). The Vendors and the Purchaser shall procure the fulfillment of the other Conditions Precedent. As at the Latest Practicable Date, none of the Conditions Precedent had been fulfilled or waived.

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At any time on or before the original Long Stop Date of 30 June 2024 in writing to the Vendors: (a) the Purchaser has the right to extend the Long Stop Date from 30 June 2024 to 31 December 2024 provided that the Purchaser shall pay to the Vendors aggregate interest at the rate of 6% per annum on the Consideration from 1 July 2024 to and inclusive of the date of payment to the Vendors of the Consideration (or as the case may be, the Consideration Balance) and provided further that the aggregate interest payable to the Vendors shall be apportioned amongst and paid to the Vendors as to 40.1% to Sheng Gao, 35.0% to Baohua and 24.9% to Nova; and (b) the Purchaser may waive the Conditions Precedent (vi) and (vii) in whole or in part.

If any of the Conditions Precedent shall not have been materially fulfilled (i.e. fulfilled in full) (or, as the case may be, waived by the Purchaser insofar as they can be waived under the terms of the Agreement) by the Long Stop Date, all rights and obligations of the Vendors and the Purchaser under the Agreement shall cease and terminate and if any changes have been made in accordance with the Agreement in respect of Beijing Nova under Conditions Precedent (ii) and (iii), the Vendors and the Purchaser shall take all measures to restore Beijing Nova as much as possible to the state before the Agreement was signed and to ensure that the Vendors' positions shall not be prejudiced as a result of entering into the Agreement.

4.1. Terms in respect of the Consideration

The Consideration for the Proposed Acquisition is RMB143.0 million (equivalent to approximately HK\$155.6 million). The Consideration is subject to adjustment, if any, by the amount of the NTAV of Beijing Nova as at the Completion Date. The Consideration will be adjusted upward or downward on a dollar-for-dollar basis to reflect the difference in NTAV of Beijing Nova as at 31 December 2023 (net of the Pre-Completion Dividends paid) and as at the Completion Date. Based on our experience, such dollar-for-dollar adjustment was adopted in some acquisitions and disposals of equity interest. In order to substantiate our claim, we have conducted our independent research on transactions which (i) involved acquisitions or disposals of equity interest in companies; and (ii) were announced by listed companies in Hong Kong, on a non-exhaustive basis, we have noticed that four transactions also had the consideration adjustment mechanism to reflect the change in NTAV of the subject companies as at the completion date on a dollar-for-dollar basis. Based on the above and our discussion with the Management, and taking into account the fact that the adjustment will be on a dollar-for-dollar basis accounting for any increase or decrease in the NTAV of Beijing Nova between 31 December 2023 and the Completion Date which enhances protection for both the Purchaser and the Vendors, we consider that this is a fair adjustment mechanism for the Purchaser and Vendors and such adjustment is not an uncommon market practice. The Consideration Balance shall be settled in cash on the Completion Date.

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At any time on or before the original Long Stop Date of 30 June 2024, the Purchaser has the right to extend the Long Stop Date from 30 June 2024 to 31 December 2024 provided that the Purchaser shall agree to pay to the Vendors aggregate interest at the rate of 6% per annum on the Consideration from 1 July 2024 to and inclusive of the date of payment to the Vendors of the Consideration (or as the case may be, the Consideration Balance) and provided further that the aggregate interest payable to the Vendors shall be apportioned amongst and paid to the Vendors as to 40.1% to Sheng Gao, 35.0% to Baohua and 24.9% to Nova on the Completion Date.

According to the Management, the original Long Stop Date of 30 June 2024 was agreed after arm's length negotiations among the Vendors and the Purchaser, taking into account the expected timing required for fulfilling the Conditions Precedent, and all parties' intention to procure the fulfillment of the Conditions Precedent as soon as possible before 30 June 2024. We understand from the Management that the Purchaser will be primarily responsible for fulfillment of the Conditions Precedent, including handling the PRC government authorities' filings, seeking Independent Shareholders' approval and conducting due diligence review on Beijing Nova. We also understand that it is the intention of the Company to handle all matters under the Conditions Precedent promptly with a view to completing the Agreement before 30 June 2024. Nonetheless, there still exist uncertainties on the timing required to fulfil certain Conditions Precedent, in particular, those in relation to completion of PRC government authorities' filings. Considering that exercising the right of extending the original Long Stop Date will be at sole discretion of the Purchaser, it provides an option for the Purchaser to decide whether to proceed with Completion in case any of the Conditions Precedent cannot be fulfilled in time nor waived on or before the original Long Stop Date.

For the extension of the original Long Stop Date, the interest will be accrued at the rate of 6% per annum on the Consideration starting from 1 July 2024, being the day after the expiry of the original Long Stop Date, until the Completion Date. The daily accrued interest will be approximately RMB23,500 (equivalent to approximately HK\$25,600). Assuming the Purchaser exercises such right and the Completion Date falls on 31 December 2024, it is expected that the maximum amount of aggregate accrued interest to be paid to the Vendors will amount to approximately RMB4.3 million (equivalent to approximately HK\$4.7 million). In case of any delay in fulfillment of Conditions Precedent, such interest will be paid for the delay in payment of the Consideration to the Vendors by the Purchaser. Thus, we are of the view that it is relevant and sufficient to compare such interest rate with the Group's borrowing cost to assess the fairness and reasonableness of the interest rate. Based on the information provided by the Management, the interest rate of the Group's borrowings as at 31 January 2024 was up to 2.0% per annum above the Hong Kong Interbank Offered Rate (HIBOR) for one to three months. Based on HIBOR for one to three months of approximately 4.6% to 4.7% as at 31 January 2024, the interest rate of 6% per annum is within the range of the interest rate of the Group's borrowings.

4.2. Amount of the Consideration

According to the Letter from the Board, the Consideration (subject to NTAV adjustment, if any, as mentioned above) was determined after arm's length negotiations among the Company and the Vendors with reference to, among other things, the valuation of Beijing Nova of RMB143.0 million as at 31 December 2023 appraised by the Independent Valuer. We noted that the Consideration of RMB143.0 million as agreed by the Purchaser and the Vendors is equivalent to the aforesaid appraised value.

We have reviewed the Valuation Report and interviewed the Independent Valuer regarding, among others, (i) the qualifications, experience and independence of the Independent Valuer; (ii) the steps and due diligence measures taken by the Independent Valuer in performing the Valuation; and (iii) the methodology, bases and assumptions made in arriving at the Valuation. Based on our review of the Valuation Report and interview with the Independent Valuer, we understand that the person leading and signing the Valuation Report is certified with the relevant professional qualifications required to perform the Valuation and possesses over 15 years of experience in business valuation. The Independent Valuer also confirmed its independence from the parties involved in the Proposed Acquisition. In light of the above, we are not aware of any matters that would cause us to question the Independent Valuer's expertise and independence to perform the Valuation. We have also reviewed the engagement letter entered into between the Company and the Independent Valuer and consider that the scope of work is appropriate to perform the Valuation, and we are not aware of any limitation on the scope of work which might have a negative impact over the degree of assurance given by the Independent Valuer in the Valuation Report.

The Independent Valuer conducted the Valuation in accordance with International Valuation Standards issued by the International Valuation Standards Council. The Independent Valuer has considered (i) market approach; (ii) asset based approach; and (iii) income approach. The Independent Valuer considered that the asset based approach is not applicable to the valuation of Beijing Nova, as it does not capture future earning potential of the business. The Independent Valuer also considered that the income approach is inappropriate as it requires detailed financial forecast of Beijing Nova, which involves adoption of much more subjective assumptions than the other two approaches, not all of which can be easily quantified or ascertained. Thus, the Independent Valuer considered the market approach to be more appropriate for the Valuation as it is the most direct valuation approach which reflects the value obtained as a result of a consensus of what others in the market place have judged it to be. Asset based approach is appropriate for valuing companies with significant assets such as real estates. Due to Beijing Nova is a service provider, we consider that it is not appropriate to use asset based approach as the value of Beijing Nova depends on its earnings but not its asset base. The derived value based on the income approach is highly dependent on the reliability of the financial projections and such financial projections are based on subjective assumptions such as future growth rates whereas the market approach uses publicly

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available information of comparable companies of similar nature with Beijing Nova. Thus, we consider that the market approach adopted by the Independent Valuer for the Valuation is appropriate. We also consider that the asset based approach and income approach are not appropriate for the Valuation as discussed above.

The Valuation was conducted based on the key assumptions including (i) all relevant legal approvals and business certificates or licences to operate the business in the localities in which Beijing Nova operates or intends to operate would be officially obtained and renewable upon expiry; (ii) no major change in the political, legal, economic, or financial conditions in the localities in which Beijing Nova operates or intends to operate, which would adversely affect the revenues attributable to and profitability of Beijing Nova; (iii) the core business operation of Beijing Nova will not differ materially from those of present or expected. Based on our review of these assumptions and discussion with the Independent Valuer, we understand that the valuation assumptions are general assumptions commonly adopted for valuation of companies.

Under the market approach, we understand that the Independent Valuer has adopted price-to-earnings (“**P/E**”) ratio as the valuation multiple. Based on our discussion with the Independent Valuer, the Independent Valuer is of the view, and we concur, that P/E ratio is considered to be the most relevant for the Valuation considering it is the most commonly used valuation multiple for profit-making business and earnings is one of the most direct drivers of equity value. Given that P/E ratio is commonly used in the valuation of profit-making companies, we consider that the adoption of P/E ratio as the valuation multiple is appropriate. We are of the view that price-to-book (“**P/B**”) ratio is not appropriate for the Valuation considering that P/B ratio is suitable for valuation of asset intensive industries which is not the case for Beijing Nova. Price-to-sales (“**P/S**”) ratio is not appropriate neither considering that Beijing Nova is profit-making while P/S ratio ignores the cost structure of Beijing Nova and hence its profitability.

We have discussed with the Independent Valuer regarding the selection criteria for identifying comparable companies for market approach, which include companies that (i) are listed either in Hong Kong Stock Exchange, Shanghai Stock Exchange, Shenzhen Stock Exchange, London Stock Exchange, New York Stock Exchange or National Stock Exchange of Australia with the company’s financial information publicly available; (ii) are principally engaged in insurance brokerage business, with more than 50% of the revenue generated from providing insurance brokerage services; and (iii) recorded positive earnings as at the Valuation Date. Based on the above selection criteria, eight comparable companies (the “**Comparable Companies**”) have been selected by the Independent Valuer on an exhaustive basis, before excluding any outliers. For details of the Comparable Companies, please refer to the Valuation Report in Appendix I to the Circular. We also understand that the Independent Valuer has excluded an outlier identified based on the above criteria which had significantly higher P/E ratio of over 100 times as at the Valuation Date.

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We are of the view that excluding the outlier was appropriate considering that the abnormally high P/E ratio of the outlier would distort the Valuation results by significantly increasing the valuation of Beijing Nova.

We have further assessed the appropriateness of the selection criteria adopted by the Independent Valuer. For selection criteria (i) and (iii) above, we concur with the Independent Valuer that they are appropriate selection criteria, considering that (a) it is appropriate to select companies listed in these stock exchanges given that these stock exchanges are mature stock markets which are large in scale, well regulated, liquid and widely participated by investors; and (b) it is appropriate to exclude loss-making companies considering Beijing Nova is profit-making and P/E ratio is the appropriate valuation multiple for the Valuation as discussed above. For criterion (ii) above, given that Beijing Nova's revenue is largely derived from insurance brokerage business, we have conducted independent search on comparable companies by changing this criterion to more than 80% of revenue generated from providing insurance brokerage services, and using criteria (i) and (iii) above, for cross-checking purpose. Based on public information and our criteria, we have, to our best effort, identified seven comparable companies and all of them have been selected by the Independent Valuer as Comparable Companies as discussed above, being Aon PLC, Arthur J. Gallagher & Co., Brown & Brown, Inc, Ryan Specialty Holdings, Inc, Steadfast Group Ltd, AUB Group Limited and PSC Insurance Group. The median of the adjusted P/E ratios (after size adjustment as further discussed below) of our list of comparable companies (excluding the outlier) is 16.1 times, which is close to the ratio adopted by the Independent Valuer of 15.3 times as discussed below. Therefore, we consider that the Valuation results would not be materially affected despite using our criteria for selecting comparable companies.

Based on our review of the relevant workings of the Valuation and discussions with the Independent Valuer, the initial P/E ratios of the Comparable Companies were adjusted after taking into account the size differences between Beijing Nova and the Comparable Companies. The aforesaid size adjustments were made by adopting the formula suggested in the "Adjusting Public Multiples: A Summary of Theories and Methodologies" released by Business Valuation Resources, LLC. and the size premium analysis of companies from Business Valuation Resources, LLC., which, as confirmed by the Independent Valuer, represents one of the sources commonly adopted for valuation purpose which provides inputs to estimate size premiums. According to public information, we understand that Business Valuation Resources, LLC. (<https://www.bvresources.com/>) is a publisher of auditable market data, news, research and expert opinion as well as a provider of valuation-related training programs with over 25 years of establishment. As the size of Beijing Nova is much smaller than some of the Comparable Companies, it is noted that the respective P/E ratios of the Comparable Companies were adjusted downward but not upward subject to their size differences with Beijing Nova in accordance with the methodology suggested by Business Valuation Resources, LLC as mentioned above. Thus, the application of size adjustment resulted in a lower valuation of Beijing Nova by applying the formula. Based on our review of the International Valuation Standards, we understand that valuers should analyze and make adjustments for any

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material differences between the subject asset and the comparable companies, and one of the common differences that could warrant adjustments is size differences. To further supplement, we have also conducted an independent research on the business valuation reports which (i) were included in the circulars of companies listed in Hong Kong issued between 1 October 2023 and 23 February 2024; (ii) were related to transactions involving acquisition or disposal of equity interest in companies with valuation for the entire equity interest of less than RMB500.0 million (equivalent to approximately HK\$543.5 million); and (iii) adopted market approach based on comparable companies as the primary valuation methodology, on a non-exhaustive basis, and noticed that size adjustments have also been applied in three valuation reports using the same adjustment formula to reflect the size differences between the target companies and the identified listed comparable companies, among the 11 valuation reports we identified.

The initial fair value of the 100% equity interests in Beijing Nova was calculated based on the median of the aforesaid adjusted P/E ratios of the Comparable Companies of 15.3 times and the net profits after tax and extraordinary items of Beijing Nova of approximately RMB11.8 million for the year ended 31 December 2023, being the latest financial year of Beijing Nova as at the Valuation Date. For reference purpose, the average of the aforesaid adjusted P/E ratios of the Comparable Companies is 21.2 times based on our own calculation, which is higher than the median of 15.3 times. Therefore, the application of median instead of average would result in a lower valuation of Beijing Nova. The initial fair value of RMB181.3 million was further subject to a discount rate of lack of marketability (“**DLOM**”) of 20.9%, taking into account that stocks of private companies are usually worth less than that of public companies as the ownership interests are generally not readily marketable. Based on our review of the relevant calculations and materials, the aforesaid DLOM adopted in the Valuation was determined with reference to the latest edition of “Stout Restricted Stock Study” which, based on our research conducted from the public domain, is a widely adopted research published by Business Valuation Resources, LLC.. As confirmed by the Independent Valuer, the DLOM with reference to the above source is a common market practice adopted by the valuation industry. According to Business Valuation Resources, LLC., the “Stout Restricted Stock Study” is the most widely used restricted stock transaction database for providing empirical support for DLOM. Based on the above, we are of the view that DLOM applied in the Valuation is fair and reasonable. As at the Valuation Date, the resulted fair value with respect to 100% equity interests of Beijing Nova amounted to RMB143.0 million.

Based on the Valuation Report and our discussion with the Independent Valuer, control premium was not applied in the Valuation considering that the Purchaser is acquiring the equity interest of Beijing Nova from the Vendors being three minority shareholders. As none of the Vendors hold more than 50% interest in Beijing Nova, we concur that no control premium shall be applied.

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Based on the above, we consider that the bases and methodologies adopted in arriving at the Valuation are fair and reasonable. Taking into consideration of, among other things, the Consideration of RMB143.0 million is equal to the appraised value, we are of the view that the terms of the Agreement are on normal commercial terms and are fair and reasonable.

5. Financial effects as a result of the Proposed Acquisition

After Completion, Beijing Nova will become a wholly foreign owned enterprise with the Purchaser as its sole shareholder and an indirect wholly-owned subsidiary of the Company. The financial results, assets and liabilities of Beijing Nova will be consolidated in the financial statements of the Company.

The Consideration will be funded by internal resources and bank borrowing of the Group. The aggregate amount of the Consideration of RMB143.0 million (equivalent to approximately HK\$155.6 million) and the maximum interest of RMB4.3 million (equivalent to approximately HK\$4.7 million) to be paid as a result of the extension of the original Long Stop Date represents approximately 21.3% of the Group's cash and cash equivalents balance as at 30 June 2023 of approximately HK\$751.9 million. Further, it was noted that (i) the Group had net cash (being cash and bank balances less total bank borrowings) of approximately HK\$469.9 million and hence a zero net gearing ratio (being net debt divided by total equity) as at 30 June 2023; and (ii) Beijing Nova did not have any bank borrowings as at 31 December 2023 based on its unaudited financial statements. Therefore, it is expected that the Proposed Acquisition would not have any material adverse impact on the working capital and gearing ratio of the Group upon Completion.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that (i) though the Proposed Acquisition is not in the ordinary and usual course of business of the Group, the Proposed Acquisition is in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Agreement are on normal commercial terms and are fair and reasonable. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution to approve the Agreement and the transactions contemplated thereunder at the EGM.

Yours faithfully,
For and on behalf of
Quam Capital Limited
Noelle Hung
Managing Director

Ms. Noelle Hung is the Managing Director of Quam Capital Limited and is licensed under the SFO as a Responsible Officer to carry out Type 6 (advising on corporate finance) regulated activity. Ms. Noelle Hung has over 20 years of experience in corporate finance.

The following is the text of the valuation report on Beijing Nova prepared for the purpose of inclusion in this Circular received from the Independent Valuer in connection with its valuation of Beijing Nova as at 31 December 2023.



27/F, One Island East
Taikoo Place
18 Westlands Road
Quarry Bay
Hong Kong

1 March 2024

The Directors
FSE Lifestyle Services Limited
8/F, Chevalier Commercial Centre
8 Wang Hoi Road
Kowloon Bay
Kowloon, Hong Kong

Dear Sirs,

Re: The fair value of 100 percent equity interest in 北京新城保險經紀有限公司 Beijing Nova Insurance Services Limited* (the “Target Company”)

INSTRUCTIONS, PURPOSE & VALUATION DATE

We refer to the instructions from FSE Lifestyle Services Limited (the “**Company**”) to us to conduct a valuation of the fair value of 100 percent equity interest in the Target Company. We are pleased to report that we have made relevant enquiries and obtained necessary information for the purpose of providing you with our fair value estimate of 100 percent equity interest in the Target Company as at December 31, 2023 (the “**Valuation Date**”).

The purpose of this valuation is for circular reference for the Company.

DEFINITION OF FAIR VALUE

Our valuation was carried out on a fair value basis. Fair value is defined as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the Valuation Date”.

* for identification purpose only

METHOD OF VALUATION

In arriving at our assessed value for the equity interest, we have considered three generally accepted approaches, namely, Market Approach, Asset Based Approach and Income Approach. The selection of a valuation approach is based on, among others, the quantity and quality of the information provided, access to available data, availability of relevant market transactions, type and nature of subject assets, purpose and objective of the valuation and professional judgment and technical expertise. Among the three approaches, we consider that the Market Approach is more appropriate for this valuation.

SOURCE OF INFORMATION

We have relied to a considerable extent on information provided by the management of the Company (the “**Management**”) in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

Our opinion of the fair value was derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. In the implementation of the valuation, we adhere to the principles of independence, objectivity and fairness. According to the information we collected during the course of valuation, the contents of the valuation report are objective. The evaluation conclusion should not be regarded as any guarantee for the valuation object’s achievable price.

Unless otherwise stated, all monetary amounts stated in this valuation report are in RENMINBI (“**RMB**”).

Based on the results of our investigation and analysis outlined in the report which follows, we are of the opinion that the fair value of 100 percent equity interest in the Target Company as at the Valuation Date is reasonably stated as below:

Valuation Date	December 31, 2023
Fair Value of 100% Equity Interest in the Target Company	RMB143,000,000 (RENMINBI ONE HUNDRED FORTY-THREE MILLION ONLY)

The following pages outline the factors considered, methodologies and assumptions employed in formulating our opinions and conclusions. All opinions are subject to the assumptions and limiting conditions contained therein.

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited

Bruce Oong
CPA
Senior Director
Valuation & Advisory Services, Greater China

This report has been reviewed by

Grace S.M. Lam
MRICS, MHKIS, RPS (GP)
Senior Director
Valuation & Advisory Services, Greater China

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1. INTRODUCTION

This report has been prepared in accordance with instructions from the Company to express an independent opinion of the fair value of 100 percent equity interest in the Target Company as at December 31, 2023.

2. PURPOSE OF VALUATION

The purpose of this valuation is for circular reference for the Company.

3. BASIS OF VALUE

Our valuation has been carried out on a fair value basis. Fair value is defined as *“the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the Valuation Date.”*

We have conducted our valuation in accordance with International Valuation Standards issued by the International Valuation Standards Council. We planned and performed our valuation so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to express our opinion on the Target Company. We believe that the valuation procedures we employed provide a reasonable basis for our opinion.

4. BACKGROUND

The Target Company was established in the People’s Republic of China (the “**PRC**”) and principally engaged in insurance brokerage business in the PRC.

The Target Company is a limited liability company jointly funded by 寶華股權投資有限公司 Baohua Equity Investment Limited* (hereinafter referred to as “**Baohua**”), Nova Risk Services Holdings Limited 新域風險服務集團有限公司 (hereinafter referred to as “**Nova**”) and 廣州盛高房地產開發有限公司 Guangzhou Sheng Gao Property Development Limited* (hereinafter referred to as “**Guangzhou Shenggao**”) with a registered capital of RMB50.00 million, of which Baohua contributed RMB17.50 million, accounting for 35.00% of the registered capital; Nova invested RMB12.45 million, accounting for 24.90% of the registered capital; and Guangzhou Shenggao invested RMB20.05 million, accounting for 40.10% of the registered capital.

The registered address of the Target Company is 908, 9th Floor, No.11 Chongwenmenwai Street, Dongcheng District, Beijing. The registered business scope of the Target Company includes formulating insurance plans, selecting insurers, handling insurance procedures for policyholders, assisting the insured or beneficiary in making a claim and reinsurance brokerage, providing disaster prevention, loss prevention, risk assessment and risk management consulting services for clients, and other businesses approved by the National Financial Regulatory Administration.

* for identification purpose only

According to the audited financial report and management report provided by the Company, the financial results of the Target Company for the past two years are illustrated below:

RMB	December 31, 2023	December 31, 2022
Revenue	74,786,108	35,224,989
Net Profit	11,848,255	5,894,423
Total Assets	93,462,727	78,544,730
Net Assets	85,490,645	73,642,391

5. QUALIFICATION

The subject valuation exercise is led and signed by Mr. Bruce Oong, and reviewed by Ms. Grace S.M. Lam.

Mr. Oong is a Senior Director of Cushman & Wakefield Limited. He is a Chartered Professional Accountant of Canada and has over 15 years' experience in business valuation.

Ms. Lam is a Senior Director of Cushman & Wakefield Limited. She is a registered professional surveyor and also is a member of the Royal Institution of Chartered Surveyors as well as a member the Hong Kong Institute of Surveyors, and has over 30 years' experience in property valuation.

6. SCOPE OF WORK

In the course of our valuation work, the following processes had been conducted to evaluate the reasonableness of the adopted bases and assumptions provided by the Management:

- Discussed with the Management and obtained relevant financial information in respect of the Target Company;
- Examined the relevant bases and assumptions of the financial information in respect of the Target Company;
- Conducted appropriate research to obtain sufficient market data and statistical figures and prepared the valuation based on generally accepted valuation procedures and practices; and
- Presented the purpose and basis of valuation, scope of work, overview of the Target Company, related key business descriptions, source of information, major assumptions, valuation methodology and our opinion of value in this report.

7. SOURCE OF INFORMATION

To perform our valuation of the fair value of the Target Company' equity interest, we have relied on the following information provided by the Management, as well as other publicly available information that we have gathered through our own research, including, but not limited to, the following:

- Copies of business licenses and other relevant documents of the Target Company;
- Audited financial report of the Target Company as at December 31, 2020, December 31, 2021 and December 31, 2022;
- Unaudited management accounts of the Target Company as at December 31, 2023;
- Publicly available information of comparable companies;
- Financial information obtained from Bloomberg TerminalTM; and
- Other public information relating to the valuation.

We have not independently verified any of the information which has been provided to us. In analyzing the information, we have held discussions with the Management. We have had no reason to doubt the truth and accuracy of the information provided to us which is material to the valuation. We were also advised that no material facts have been omitted from the information supplied.

8. VALUATION METHODOLOGY

There are generally three accepted approaches to obtain the fair value of 100 percent equity interest in the Target Company, namely the Market Approach, the Income Approach and the Asset Based Approach. Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing business entities that are similar in nature.

Market Approach

The Market Approach values a business entity by comparing prices at which other business entities of a similar nature changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to for an equally desirable alternative. The Market Approach comprises two methods namely the Guideline Public Company Method and the Guideline Transaction Method.

The Guideline Public Company Method focuses on analyzing the data and valuation multiples of companies that can be considered comparable to those being valued. Adjustments are made to the comparable companies to compensate for differences between those companies and the Target Company. Finally, appropriate valuation multiples are applied to the subject company's normalized financial data to arrive at an indication of the value of the subject company.

The Guideline Transaction Method measures value based on what other purchasers in the market have paid for companies that can be considered reasonably similar to those being valued. When the Guideline Transaction Method is utilized, data are collected on the prices paid for reasonably comparable companies. Adjustments are made to the comparable companies to compensate for differences between those companies and the Target Company being valued. The application of the Guideline Transaction Method results in an estimate of the price reasonably expected to be realized from the sale of the Target Company.

Income Approach

The Income Approach focuses on the economic benefits due to the income producing capability of the business entity. The underlying theory of this approach is that the value of the business entity can be measured by the present worth of the economic benefits to be received over the useful life of the business entity. Based on this valuation principle, the Income Approach estimates the future economic benefits and discounts them to their present values using a discount rate appropriate for the risks associated with realizing those benefits.

Alternatively, this present value can be calculated by capitalizing the economic benefits to be received in the next period at an appropriate capitalization rate. This is subject to the assumption that the business entity will continue to maintain stable economic benefits and growth rate.

Asset Based Approach

The Asset Based Approach is based on the general concept that the earning power of a business entity is derived primarily from its existing assets. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business entity and is equal to the value of its invested capital. In other words, the value of the business entity is represented by the money that has been made available to purchase the business assets needed. This money comes from investors who buy stocks of the business entity and investors who lend money to the business entity. After collecting the total amounts of money from equity and debt, and converted into various types of assets of the business entity for its operation, their sum equals the value of the business entity.

Selection of Valuation Methodology

The selection of a valuation approach is based on, among others, the quantity and quality of information provided, access to available data, availability of relevant market transactions, type and nature of subject assets, purpose and objective of the valuation and professional judgment and technical expertise. Among the three approaches, we consider that the Market Approach is more appropriate for this valuation.

While useful for certain purposes, the Asset Based Approach is not considered applicable to the valuation of the Target Company, as it does not capture future earning potential of the business. Also, we consider that the Income Approach is inappropriate as

it requires detailed financial forecast of the Target Company, which involves adoption of much more subjective assumptions than the other two approaches, not all of which can be easily quantified or ascertained. Under the Market Approach, Guideline Transaction Method is not considered applicable in this valuation due to the lack of sufficient comparable transactions. Thus, we consider the Guideline Public Company Method to be more appropriate for valuing the 100 percent equity interest in the Target Company as it is the most direct valuation approach which reflects the value obtained as a result of a consensus of what others in the market place have judged it to be.

9. MAJOR ASSUMPTIONS

In determining the fair value of 100 percent equity interest of the Target Company, the following principal assumptions have been adopted:

- The information provided has been prepared on a reasonable basis after due and careful consideration by the Management;
- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Target Company operate or intend to operate would be officially obtained and renewable upon expiry;
- There will be no major change in the current taxation laws in the localities in which the Target Company operate or intend to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;
- There will be no major changes in the political, legal, economic, or financial conditions in the localities in which the Target Company operate or intend to operate, which would adversely affect the revenues attributable to and profitability of the Target Company;
- Interest rates and exchange rates in the localities for the operation of the Target Company will not differ materially from those presently prevailing;
- The core business operation of the Target Company will not differ materially from those of present or expected; and
- The information regarding the Target Company provided by the Management is true and accurate.

The valuation result as at the Valuation Date is mainly based on the following assumptions:

Selection Criteria for Comparable Companies

In the valuation, we used the Market Approach by referring to companies engaging in insurance brokerage business. Comparable companies were identified and selected from Bloomberg TerminalTM based on the following criteria:

- The subject company is principally engaged in insurance brokerage business, with more than 50% of the revenue generated from providing insurance brokerage services, as an indicator that the segment is the company's primary operation;
- The subject company has positive earnings as at the Valuation Date, which is essential in determining the price-to-earning multiple;
- The subject company is listed either in Hong Kong Stock Exchange, Shanghai Stock Exchange, Shenzhen Stock Exchange, London Stock Exchange, New York Stock Exchange or National Stock Exchange of Australia with the company's financial information publicly available.

Comparable Companies

A list of eight comparable companies (individually the "**Comparable Company**" or collectively the "**Comparable Companies**") satisfying the above selection criteria were identified. The list of comparable companies is exhaustive in terms of the above criteria. The market capitalisation and earnings attributable to shareholders of Comparable Companies are extracted from Bloomberg TerminalTM. The percentage of revenue contributed by insurance brokerage business is calculated based on the latest financial report of the Comparable Companies.

Selection of Value Multiples

In this valuation task, we have considered various commonly used value multiples, including (i) price to earnings ("**P/E**"); (ii) price to sales ("**P/S**"); (iii) price to net book value ("**P/B**"). P/S multiple is commonly used in the valuation of start-up enterprises. However, it ignores the cost structure of a company and hence the profitability of a company, which is critical in reflecting the fair value of the entire equity interest in the Target Company. P/B multiple is usually adopted in the valuation of asset-intensive companies. However, it does not take into consideration of the profitability of a company. We consider P/E multiple as the most relevant and therefore has been adopted in this valuation task as P/E is the most commonly used valuation multiple for profit-making business and earnings is one of the most direct drivers of equity value.

The P/E multiples of the Comparable Companies were arrived at based on the stock price and the earnings attributable to shareholders as at the Valuation Date. Details of the Comparable Companies are as follows:

Stock Code	Place of listing	Company Name	Description	Currency	Percentage of Revenue Contributed by Insurance Brokerage Business	Market Capitalisation as at the Valuation Date (figures in million)	Trailing 12 Months Earnings Attributable to Shareholders (figures in million)	P/E
AON UN EQUITY	New York Stock Exchange	Aon PLC	Aon PLC is a professional services provider. Aon's services include helping manage risk for clients, negotiating and placing insurance risk with other carriers, and advising clients related to health and benefits, retirement, compensation, strategic human capital, and human resource outsourcing.	USD	90%	58,267	2,723	21.4
MMC UN EQUITY	New York Stock Exchange	Marsh & McLennan Companies, Inc.	Marsh & McLennan Companies, Inc. is a professional services firm providing advice and solutions in the areas of risk, strategy, and human capital. Marsh & McLennan offers analysis, advice, and transactional capabilities to clients worldwide.	USD	63%	93,422	3,466	27.0
AIG UN EQUITY	New York Stock Exchange	Arthur J. Gallagher & Co.	Arthur J. Gallagher & Co. and its subsidiaries provide insurance brokerage, risk management, employee benefit, and other related services to clients in the United States and abroad. The Company's principal activity is the negotiation and placement of insurance for its clients. Gallagher also specializes in furnishing risk management services.	USD	86%	48,552	1,137	42.7
BRO UN EQUITY	New York Stock Exchange	Brown & Brown, Inc	Brown & Brown, Inc. and its subsidiaries provide a range of insurance and reinsurance products and services. The Company also provides risk management, employee benefit administration, and managed health care services. Brown & Brown operates offices across the United States.	USD	99%	20,238	740	27.3
RYAN UN EQUITY	New York Stock Exchange	Ryan Specialty Holdings, Inc.	Ryan Specialty Holdings, Inc. operates as a holding company. The Company, through its subsidiaries, provides specialty insurance solutions for brokers, agents, and insurance carriers. Ryan Specialty Holding serves customers worldwide.	USD	98%	11,196	84	133.3
SDF AU EQUITY	National Stock Exchange of Australia	Steadfast Group Ltd	Steadfast Group Ltd is a general insurance broker operates across Australia, New Zealand and Singapore. The Company has equity interests in insurance broker businesses, underwriting agencies and other complementary businesses.	AUD	92%	6,439	189	34.0

Stock Code	Place of listing	Company Name	Description	Currency	Percentage of Revenue Contributed by Insurance Brokerage Business	Market Capitalisation as at the Valuation Date (figures in million)	Trailing 12 Months Earnings Attributable to Shareholders (figures in million)	P/E
AUB AU EQUITY	National Stock Exchange of Australia	AUB Group Limited	AUB Group Limited provides financial services. The Company offers equity-based risk management, insurance broking, and specialist underwriting agencies, as well as focuses on risk solutions for clients and strengthens risk advisory capabilities of AUB Group's partner brokers.	AUD	89%	3,008	65.3	46.1
PSI AU EQUITY	National Stock Exchange of Australia	PSC Insurance Group	PSC Insurance Group Limited provides insurance brokerage services. The Company offers services such as risk management, workers compensation, business protection, worth insurance, claims settlements. PSC Insurance Group conducts its business globally.	AUD	92%	1,703	55.8	30.5

Since the P/E multiple of Ryan Specialty Holdings, Inc is abnormally high when compared to P/E multiples of other comparable companies, it is considered outlier and excluded from the calculation.

Adjusted P/E Multiples of the Comparable Companies

The Comparable Companies are often of significantly different size from the Target Company. Larger companies generally have lower expected returns whereas small companies are generally perceived as riskier in relation to business operation and financial performance, and are therefore have higher expected returns and lower multiples. Therefore, the base multiples were adjusted to reflect the differences in size between the Comparable Companies and Target Company, as below.

We referred to a formula in “Adjusting Public Multiples: A Summary of Theories and Methodologies” released by Business Valuation Resources, for the multiple adjustments:

$$\text{Adjusted Price/Earnings} = \frac{1}{\left(\frac{1}{\text{Multiple}}\right) + \theta}$$

Where:

θ = the required increase in the equity discount rate (differences in the return between the guideline and the subject company based on the size premium analysis from Business Valuation Resources)

Based on the size premium analysis from Business Valuation Resources, where the size premium compares the mean return of different size group to the S&P 500 mean return and takes the difference as an estimate of the return adjustment due to size. The return adjustment due to size for the Target Company is 3.38%, and the adjustment for the guideline companies are in the range of -0.22%–3.38%. The calculated θ of each guideline company are shown as follows:

Stock Code	Company Name	Return Adjustment due to Size	θ	Adjusted P/E
AON UN EQUITY	Aon PLC	-0.22%	3.6%	12.1
MMC UN EQUITY	Marsh & McLennan Companies, Inc.	-0.22%	3.6%	13.7
AJG US EQUITY	Arthur J. Gallagher & Co.	-0.22%	3.6%	16.8
BRO US EQUITY	Brown & Brown, Inc	-0.22%	3.6%	13.8
SDF AU EQUITY	Steadfast Group Ltd	-0.22%	3.6%	15.3
AUB AU EQUITY	AUB Group Limited	3.38%	0%	46.1
PSI AU EQUITY	PSC Insurance Group	3.38%	0%	30.5
	Median			15.3

Discount for Lack of Marketability (“DLOM”)

The concept of marketability deals with the liquidity of an ownership interest, that is how quickly and easily it can be converted to cash if the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for shares in privately held companies which are typically not readily marketable compared to similar interest in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company. In the valuation, we consider 20.9% is sufficient to reflect the lack of marketability of the 100% equity interests in the Target Company, which was with reference to Stout Restricted Stock Study, an online resource that provides empirical support for quantifying DLOM.

Control Premium (“CP”)

A control premium is the premium an investor is willing to pay in addition to a marketable minority equity value to obtain controlling interest in a business subject. As the Company is acquiring the equity from three minority shareholders, no control premium is assumed.

Applying the Median Adjusted P/E Multiple and DLOM to the Earnings attributable to Shareholders of the Target Company

The median adjusted P/E multiples of the Comparable Companies (“**Median Adjusted P/E**”) was then applied to the earnings attributable to shareholders of the Target Company as at the Valuation Date (“**E**”), and adjusted with DLOM, to arrive at the fair value of the 100% equity interests in the Target Company (“**FV**”). Details are listed below:

FV of the Target Company = Median Adjusted P/E x E x (1–DLOM), where:

Median Adjusted P/E of the Comparable Companies	15.3x
Earnings attributable to shareholders of the Target Company as at the Valuation Date	RMB11,848,255
DLOM	20.9%
Fair value of the Target Company (Rounded)	RMB143,000,000 (Rounded)

10. LIMITING CONDITION

The valuation reflects facts and conditions existing at the Valuation Date. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

To the best of our knowledge, all data set forth in this report are reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability is assumed for their accuracy.

We have relied to a considerable extent on information provided by the Management of the Company in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

Our opinion of the fair value was derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

Neither the whole nor any part of this report or any reference hereto may be included in any published document, circular or statement, or published in any way, without our prior written approval of the form and context in which it may appear.

Finally and in accordance with our standard practice, we must state that this report and valuations are for the exclusive use only of the addressee and for the purpose stated herein. No responsibility is accepted to any third party for the whole or any part of the contents.

11. REMARKS

We hereby confirm that we have neither present nor prospective interests in the Target Company.

12. OPINION OF VALUE

Based on the results of our investigation and analysis outlined in the report which follows, we are of the opinion that the fair value of 100 percent equity interest in the Target Company as at the Valuation Date is reasonably stated as below:

Valuation Date	December 31, 2023
Fair Value of 100% Equity Interest in the Target Company	RMB143,000,000 (RENMINBI ONE HUNDRED FORTY-THREE MILLION ONLY)

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited

Bruce Oong
CPA
Senior Director
Valuation & Advisory Services, Greater China

This report has been reviewed by

Grace S.M. Lam
MRICS, MHKIS, RPS (GP)
Senior Director
Valuation & Advisory Services, Greater China

1. RESPONSIBILITY STATEMENT

This Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Circular misleading.

2. INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors or chief executives of the Company were taken or deemed to have under such provisions of the SFO); (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules to be notified to the Company and the Stock Exchange:

(a) Long position in ordinary shares of the Company

Name of Director	Capacity/Nature of interest	Number of ordinary shares in issue (Note 1)	Number of underlying shares (Note 1)	Total number of ordinary shares interested in (Note 1)	Approximate percentage of shareholding (Note 2)
Mr. Doo	Interest of spouse (Note 3)	337,500,000 (L)	43,676,379 (L)	381,176,379 (L)	84.71%

Notes:

- (1) The letter "L" denotes the long position of the Director in the shares of the Company.
- (2) The percentage of shareholding is calculated on the basis of 450,000,000 ordinary shares in issue of the Company as at the Latest Practicable Date.
- (3) These shares are beneficially owned by Mrs. Doo, spouse of Mr. Doo. By virtue of Part XV of the SFO, Mr. Doo is taken to be interested in all the shares in which his spouse is interested.

(b) Long position in ordinary shares of associated corporation — FSE Holdings

Name of Director	Name of associated corporation	Capacity/Nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding (Note 2)
Mr. Doo	FSE Holdings (Note 3)	Interest of spouse (Note 4)	440,000,000 shares of HK\$0.10 each (L)	88%
Mr. Lam	FSE Holdings (Note 3)	Interest of controlled corporation (Note 5)	20,000,000 shares of HK\$0.10 each (L)	4%
Mr. Doo Jr.	FSE Holdings (Note 3)	Interest of controlled corporation (Note 6)	35,000,000 shares of HK\$0.10 each (L)	7%
Mr. Lee	FSE Holdings (Note 3)	Interest of controlled corporation (Note 7)	5,000,000 shares of HK\$0.10 each (L)	1%

Notes:

- (1) The letter “L” denotes the long position of the Director in the shares of the relevant associated corporation of the Company.
- (2) The percentage of shareholding is calculated on the basis of 500,000,000 shares in issue of FSE Holdings as at the Latest Practicable Date.
- (3) FSE Holdings is the holding company of the Company and falls under the definition of “associated corporation” within the meaning under Part XV of the SFO.
- (4) These shares are held by Sino Spring Global Limited as to 315,000,000 shares, Power Victory Global Limited (力凱環球有限公司) as to 90,000,000 shares and Frontier Star Limited as to 35,000,000 shares, the entire issued share capital of each of which is beneficially owned by Mrs. Doo, spouse of Mr. Doo. By virtue of Part XV of the SFO, Mr. Doo is taken to be interested in all the shares in which his spouse is interested. Mr. Doo and Mr. Doo Jr. are the directors of Sino Spring Global Limited, Power Victory Global Limited (力凱環球有限公司) and Frontier Star Limited.
- (5) These shares are held by Equal Merit Holdings Limited, the entire issued share capital of which is solely and beneficially owned by Mr. Lam. Mr. Lam is a director of Equal Merit Holdings Limited and FSE Holdings.
- (6) These shares are held by Master Empire Group Limited, the entire issued share capital of which is solely and beneficially owned by Mr. Doo Jr. Mr. Doo Jr. is a director of Master Empire Group Limited and FSE Holdings.
- (7) These shares are held by Lagoon Treasure Limited, the entire issued share capital of which is solely and beneficially owned by Mr. Lee. Mr. Lee is a director of Lagoon Treasure Limited.

3. DISCLOSURE OF OTHER INTERESTS

In this section:

“CTFE”	Chow Tai Fook Enterprises Limited (周大福企業有限公司), a company incorporated in Hong Kong with limited liability
“CTFE Group”	CTFE and its subsidiaries from time to time (including the NWS Group from 17 November 2023)
“CTFJ”	Chow Tai Fook Jewellery Group Limited (周大福珠寶集團有限公司), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 1929)
“CTFJ Group”	CTFJ and its subsidiaries from time to time
“Doo’s Associates Group”	companies, other than members of the Group, which are the 30%-controlled companies of Mrs. Doo and/or her “immediate family members” (as defined in the Listing Rules), individually or together, and the subsidiaries of such companies
“FSE Management”	FSE Management Company Limited (豐盛創建管理有限公司), a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of FSE Holdings
“Master Services Agreements”	<p>the following master services agreements collectively:</p> <p>(1) the master services agreement dated 28 April 2023 (“CTFE Master Services Agreement”) entered into between the Company and CTFE providing a master framework agreement for the various continuing connected transactions between the Group and the CTFE Group in relation to the provision of services such as engineering and environmental services, cleaning services, facility and property management services, security, guarding and event servicing services, landscaping services, insurance solutions services, leasing or licensing of properties and such other types of services as the CTFE Group and the Group may agree upon from time to time in writing (as supplemented by an addendum (“Addendum”) dated 17 November 2023 entered into by the Company and CTFE in relation to the inclusion under the CTFE Master Services Agreement of certain services originally provided by the NWS Group to the Group under the NWD Master Services Agreement and certain services by the Group to the CTFE Group as a result of NWS became a member of the CTFE Group and ceased as a member of the NWD Group from 17 November 2023);</p>

- (2) the master services agreement dated 28 April 2023 (“**CTFJ Master Services Agreement**”) entered into between the Company and CTFJ providing a master framework agreement for the various continuing connected transactions between the Group and the CTFJ Group in relation to the provision of services such as engineering and environmental services, cleaning services, facility and property management services, security, guarding and event servicing services, landscaping services, insurance solutions services, leasing or licensing of properties and such other types of services as the CTFJ Group and the Group may agree upon from time to time in writing;
- (3) the master services agreement dated 28 April 2023 (“**Doo’s Associates Group Master Services Agreement**”) entered into between the Company and FSE Management providing a master framework agreement for the various continuing connected transactions between the Group and Doo’s Associates Group in relation to the provision of services such as engineering and environmental services, cleaning services, facility and property management services, insurance solutions services and rental services; and
- (4) the master services agreement dated 28 April 2023 (“**NWD Master Services Agreement**”) entered into between the Company and NWD providing a master framework agreement for the various continuing connected transactions between the Group and the NWD Group in relation to the provision of services such as engineering and environmental services, cleaning services, facility and property management services, security, guarding and event servicing services, landscaping services, insurance solutions services and such other types of services as the NWD Group and the Group may agree upon from time to time in writing

“NWD”

New World Development Company Limited (新世界發展有限公司), a company incorporated in Hong Kong with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 17)

“NWD Group”

NWD and its subsidiaries from time to time which included the NWS Group prior to 17 November 2023

“NWS”	NWS Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 659)
“NWS Group”	NWS and its subsidiaries from time to time which formed part of the NWD Group prior to 17 November 2023 and has become a member of the CTFE Group since then

(a) Interests in contract or arrangement

As at the Latest Practicable Date, the following Directors had a material interest in the following contracts which were significant in relation to the business of the Enlarged Group:

Name of Director	Contracts which were significant in relation to the business of the Enlarged Group in which the Director had a material interest as at the Latest Practicable Date
Dr. Cheng	<ul style="list-style-type: none"> ● the Master Services Agreements
Mr. Doo	<ul style="list-style-type: none"> ● the Doo’s Associates Group Master Services Agreement
Mr. Lam	<ul style="list-style-type: none"> ● the Doo’s Associates Group Master Services Agreement
Mr. Doo Jr.	<ul style="list-style-type: none"> ● the Doo’s Associates Group Master Services Agreement
Mr. Lee	<ul style="list-style-type: none"> ● the Doo’s Associates Group Master Services Agreement

Save as disclosed above, no other transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted which was significant in relation to the businesses of the Enlarged Group as at the date of this Circular.

(b) Interests in assets

Save those Directors who are interested in the Proposed Acquisition as disclosed in “Letter from the Board — Approval by the Board” in this Circular, as at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which, since 30 June 2023, being the date to which the latest published audited consolidated accounts of the Company were made up, had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Enlarged Group.

(c) Interests in competing business

As at Latest Practicable Date, the following Directors have interests in the following businesses apart from the Group's businesses which competed or would likely to compete, either directly or indirectly, with the businesses of the Group.

Name of Director	Entity whose business is considered to compete or likely to compete with the businesses of the Group	Description of business of the entity which is considered to compete or likely to compete with the businesses of the Group	Nature of interest of the Director in the entity
Dr. Cheng	NWD Group	property and carpark management and landscaping	director
Mr. Doo	NWD Group	property and carpark management and landscaping	director
Mr. Lam	NWS	carpark management	alternate director to Mr. Doo Jr.
Mr. Doo Jr.	NWS	carpark management	director

As the Board is independent of the boards of the abovementioned entities and none of the above Directors can control the Board, the Group is therefore capable of carrying on its businesses independently of, and at arm's length from the businesses of these entities.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and their respective close associates have interests in any business apart from the businesses of the Group, which was considered to compete or is likely to compete, either directly or indirectly, with those of the Group.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 30 June 2023, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. DIRECTOR'S SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract with any member of the Enlarged Group which was not determinable by the relevant member of the Enlarged Group within one year without payment of compensation other than statutory compensation.

6. QUALIFICATIONS AND CONSENT OF EXPERTS

The following are the qualifications of the experts whose opinions or advice are contained in this Circular:

Name	Qualifications
Quam Capital Limited	A corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Cushman & Wakefield Limited	Independent Valuer

As at the Latest Practicable Date, each of the above experts:

- (1) had no direct or indirect shareholdings in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group;
- (2) had no interests, direct or indirect, in any assets which had been, since 30 June 2023 being the date to which the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any of member of the Group, or are proposed to be acquired or disposed of by or leased to any of member of the Group.

Each of the above experts has given and has not withdrawn its written consent to the issue of this Circular with the inclusion therein of its letter, report or opinion and reference to its name in the form and context in which they respectively appear.

7. DOCUMENTS ON DISPLAY

Copies of the Agreement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.fse.com.hk) from the date of this circular up to and including 14 days (except public holidays).

8. MISCELLANEOUS

The English text of this Circular shall prevail over the Chinese text.

NOTICE OF EGM



FSE LIFESTYLE SERVICES LIMITED

豐盛生活服務有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 331)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of **FSE LIFESTYLE SERVICES LIMITED** (the “**Company**”) will be held at 17th Floor, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong on Monday, 18 March 2024 at 3:15 p.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolutions to be proposed as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (1) the proposed acquisition (the “**Proposed Acquisition**”) by Nova Insurance Consultants Limited (新域保險顧問有限公司), a wholly-owned subsidiary of the Company, as the purchaser of the entire registered and paid up capital of 北京新域保險經紀有限公司 (Beijing Nova Insurance Services Limited) in the amount of RMB50,000,000 from 廣州盛高房地產開發有限公司 (Guangzhou Sheng Gao Property Development Limited) (“**Sheng Gao**”), 寶華股權投資有限公司 (Baohua Equity Investment Limited) (“**Baohua**”) and Nova Risk Services Holdings Limited (新域風險服務集團有限公司) (“**Nova**”) as vendors of which 40.1% from Sheng Gao, 35% from Baohua and 24.9% from Nova on terms and conditions of the conditional agreement for sale and purchase dated 1 February 2024 (the “**Agreement**”, a copy of which has been produced to the Meeting and marked “A” and initialled by the chairman of the Meeting for identification purposes) and the performance of the transactions contemplated under the Agreement, be and they are hereby approved;
- (2) the directors (the “**Directors**”) of the Company be and they are hereby authorised, for and on behalf of the Company, to do such acts and things, to take such steps and to sign or otherwise execute such agreements, documents, deeds or instruments as are in their opinion necessary, desirable or expedient to implement and to give effect to the Proposed Acquisition and all matters incidental thereto or in connection therewith; and

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- (3) the Directors be and they are hereby authorised to agree to such variation, amendment, modification and/or waiver of any matters relating to or in connection with the Proposed Acquisition as are, in their opinion in the interests of the Company and its shareholders as a whole in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and other applicable law, rules and regulations.”

By order of the Board
FSE Lifestyle Services Limited
Chan Ju Wai
Company Secretary

Hong Kong, 1 March 2024

Registered office:

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

***Head office and principal place
of business in Hong Kong:***

Units 801–810, 8th Floor
Chevalier Commercial Centre
8 Wang Hoi Road
Kowloon Bay, Kowloon
Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint another person as his proxy to attend and vote in his stead. A member who is the holder of two or more shares (the “Shares”) of HK\$0.10 each in the Company may appoint more than one proxy to represent him and vote on his behalf at the Meeting. A proxy need not be a member of the Company.
2. In the case of joint registered holders of any Share, any one of such joint holders may vote at the Meeting (or any adjournment thereof), either personally or by proxy, in respect of such Share as if he were solely entitled thereto; but if more than one of such joint holders are present at the Meeting (or any adjournment thereof) personally or by proxy, that one of the said joint holders so present whose name stands first on the Company’s register of members in respect of such Share shall alone be entitled to vote in respect thereof.
3. A form of proxy for use at the Meeting is enclosed. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the Meeting (or any adjournment thereof) if you so wish, and in such event, the form of proxy shall be deemed to be revoked.
4. To be valid, the instrument appointing a proxy, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority must be deposited at the Company’s Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for holding the Meeting (or any adjournment thereof).

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5. In order to determine entitlement of a member of the Company to attend and vote at the Meeting (or any adjournment thereof), the Company's register of members will be closed from Wednesday, 13 March 2024 to Monday, 18 March 2024 (both days inclusive) during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 12 March 2024.
6. Voting on the above resolution will be taken by poll.

As at the date of this notice, the Board comprises Dr. Cheng Kar Shun, Henry (Chairman) (Mr. Doo Wai Hoi, William as his alternate) as non-executive Director, Mr. Lam Wai Hon, Patrick (Executive Vice-Chairman), Mr. Poon Lock Kee, Rocky (Chief Executive Officer), Mr. Doo William Junior Guilherme, Mr. Lee Kwok Bong, Mr. Soon Kweong Wah, Mr. Wong Shu Hung and Dr. Cheng Chun Fai as executive directors, Mr. Kwong Che Keung, Gordon, Mr. Hui Chiu Chung, Stephen, Mr. Lee Kwan Hung, Eddie, Dr. Tong Yuk Lun, Paul and Ms. Leung Wan Chong Christine as independent non-executive directors.