



## FSE Services Announces 2017/18 Annual Results Profit Attributable to Equity Holders Increased to HK\$236.8 million

### Highlights

- Revenue increased by 2.0% to HK\$4,926.5 million for the year ended 30 June 2018 (“FY2018” or the “Year”)(FY2017: HK\$4,829.6 million (restated)<sup>(i)</sup>)
- Gross profit increased by 6.4% to HK\$591.0 million (FY2017: HK\$555.6 million (restated)<sup>(i)</sup>)
- Profit attributable to equity holders of the Company increased by 5.1% to HK\$236.8 million (FY2017: HK\$225.4 million (restated)<sup>(i)</sup>)
- The Group maintained a strong financial position with cash and bank balances of HK\$407.6 million and zero gearing as at 30 June 2018
- As at 30 June 2018, the Group’s total gross value of contract sum for projects on hand amounted to HK\$11,860 million, comprising HK\$9,040 million for E&M engineering, HK\$76 million for environmental management services and HK\$2,744 million for facility services
- The Board recommended the declaration of a final dividend of HK13.3 cents per share for FY2018. The total dividend payout for FY2018 is HK\$21.1 cents per share, with a payout ratio of 50.2%<sup>(ii)</sup>

#### Note (i)

Comparative figures have been restated for the Group’s application of merger accounting for business combinations under common control.

#### Note (ii)

Together with the interim dividend of HK7.8 cents (2017: HK7.4 cents) per share paid in March 2018, total distribution of dividends made by the Company for the year ended 30 June 2018 will be HK21.1 cents (2017: HK15.5 cents) per share, representing a dividend payout ratio of 50.2% (2017: 40.1%). 2018’s dividend payout ratio is calculated based on the Group’s 2018 profit for the year attributable to equity holders of the Company of HK\$189.3 million, after excluding the profit of HK\$47.5 million made by the facility services business during the period from 1 July 2017 to 11 April 2018, the day of completion of the Group’s acquisition of the facility services business (2017: based on the Group’s 2017’s profit for the year attributable to equity holders of the Company of HK\$173.8 million as previously reported in the Group’s 2017 consolidated financial statements, which does not include the profit of HK\$51.6 million made by the facility services business during the year ended 30 June 2017)

26 September 2018, Hong Kong — **FSE Services Group Limited** (“**FSE Services**” or the “**Group**”) (Stock code: 331), one of the leading diversified service providers in Hong Kong, which has 4 major competences: electrical & mechanical engineering (“E&M”), environmental management services, waste management and cleaning as well as professional laundry services, has today announced its annual results for the year ended 30 June 2018.

Following the completion of the Group's acquisition of the facility services (cleaning and laundry services) business on 11 April 2018, the Group has expanded its business scale and diversified its revenue stream from the businesses of E&M engineering and environmental management services to the areas of cleaning and laundry as well.

During the year under review, FSE Services has delivered a solid financial performance and recorded revenue amounting to HK\$4,926.5 million, representing an increase of 2.0%, as compared with HK\$4,829.6 (restated) million last year. Profit attributable to equity holders for the Year was HK\$236.8 million, representing an increase of 5.1% against HK\$225.4 million (restated) in FY2017.

As at 30 June 2018, the Group had total cash and bank balances of HK\$407.6 million and the gearing ratio was maintained at zero. FSE Services has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Year.

The Board has resolved to recommend a final dividend of HK13.3 cents per share for the Year (2017: HK8.1 cents). Combined with the interim dividend of HK7.8 cents per share (2017: HK7.4 cents), total distribution of dividends by the Group for the Year will thus be HK21.1 cents (2017: HK15.5 cents) per share, representing a dividend payout ratio of 50.2% (2017: 40.1%) <sup>(ii)</sup>.

The Group maintained its position as one of the top 2 dominated E&M engineering players in Hong Kong, capable of providing a comprehensive range of E&M engineering services. Leveraging on its competitive strengths, the Group's E&M engineering business delivered a solid performance and recorded revenue amounting to HK\$3,694.2 million for the Year, representing an increase of 1.3%, as compared with HK\$3,645.4 million (restated) in FY2017. Its profit contribution for the Year was HK\$173.3 million, representing an increase of 2.5% against HK\$169.1 million in FY2017.

As at 30 June 2018, the Group's E&M projects encompassed a wide range of buildings and facilities, including offices, shopping malls, convention and exhibition centres, hotels, integrated resorts, residential properties, universities, hospitals, airport and public transportation facilities buildings, which have a total gross value of contract sum of HK\$9,040 million with a total outstanding contract sum of HK\$5,422 million. During FY2018, the Group submitted tenders for 597 E&M engineering projects (with a contract sum equal to or exceeding HK\$1 million for each project, if awarded) with a total tender sum of HK\$22,985 million.

During FY2018, the Group's E&M business segment was awarded new contracts with a total value of HK\$2,969 million, which include 142 contracts (with a net contract sum equal to or exceeding HK\$1 million for each project) with a total net contract sum of HK\$2,770 million. Among these 142 contracts, 7 of them are major projects (with net contract sum equal to or more than HK\$100 million for each project), including E&M installation for Transport Department's Vehicle Examination Centre at Sai Tso Wan Road, Tsing Yi, Electrical installation for construction of subsidised sale flats development at Queen's Hill site 1 phase 3 and portion of phase 6, Fanling, Electrical and Mechanical, Ventilation and Air-conditioning ("MVAC") installation for HKSH Eastern District Advanced Medical Centre at No. 3 A Kung Ngam Village Road, S.I.L. 778, Shau Kei Wan, Fire services and MVAC installation for Tai Wai Station Property Development in STTL No. 520 (Podium Portion), Plumbing and drainage installation for Tai Wai Station Property Development in STTL No. 520 (Residential Portion) and Heating, Ventilation and Air-conditioning for Tianjin Chow Tai Fook Finance Center, Tianjin.

In FY2018, the Group's environmental management services business recorded revenue amounting to HK\$61.8 million for the Year, representing an increase of 14.4%, as compared with HK\$54.0 million (restated) in FY2017. Its profit contribution to the Group for the Year was HK\$6.3 million, representing an increase of 34.0% against HK\$4.7 million in FY2017.

The Group's cleaning services business encompassed a wide range of buildings and facilities, including office towers, shopping malls, hotels, universities, international schools, tourism facilities, government properties, public utilities, convention and exhibition centre, railway stations, airport terminal building, hospitals, industrial buildings and residential properties.

As one of the top 3 players in Hong Kong's cleaning service industry, the Group's cleaning business group, Waihong Environmental Services Group ("Waihong"), is mainly engaged in providing specialist cleaning, housekeeping, waste management and integrated pest management services. Waihong became a member of FSE Services since 11 April 2018.

During FY2018, the Group's cleaning services business submitted tenders for 317 cleaning service projects (with a contract sum equal to or exceeding HK\$1 million for each project) with a total tender sum of HK\$3,848 million.

The Group's laundry business group, New China Laundry Group ("NCL"), is an experienced expert in laundry and dry cleaning services, and one of the largest players in Hong Kong. NCL dropped pins in prestigious hotels, famous apartments, high-end clubhouses, an international theme park and top airlines. NCL became a member of FSE Services since 11 April 2018.

During FY2018, NCL started a specialized production line with modern equipment that was designed to cater for the needs of airlines clients. NCL's quick delivery service and the comprehensive coverage of logistics network supported the on-going expansion of a Hong Kong based airline partner.

The total tourist arrivals and hotel occupancy rate remained steady in 2018. NCL continues self-upgrading to satisfy the demanding hospitality industry. In FY2018, NCL completed a replacement of hotel-related machineries such as the Continuous Batch Washer and Flat Ironer, to effectively maintain operational efficiency as well as ensure the service quality.

In FY2018, the Group's facility services business recorded revenue amounting to HK\$1,170.5 million for the Year, representing an increase of 3.6%, as compared with HK\$1,130.2 million in FY2017. Its profit contribution to the Group was HK\$57.2 million, which includes HK\$9.7 million made for the period from 12 April 2018 to 30 June 2018 following the completion of Group's acquisition of it on 11 April 2018, representing an increase of 10.9% against HK\$51.6 million in FY2017. As at 30 June 2018, this business segment has a total gross value of contract sum of HK\$2,744 million with a total outstanding contract sum of HK\$1,048 million for the cleaning services business.

## **Outlook**

The Group will stay focused on applying its core competencies to raise customer satisfaction and to ensure the sustainable growth and profitability of its business. The Group is confident that, through its unwavering efforts, it can maximise shareholders' value, enhance its corporate image as well as its position in the E&M engineering and facility services industries.

Currently, the E&M engineering segment in Hong Kong, which accounts for over 70% of the Group's total revenue, remains the core business of the Group. While proud of its performance in this segment in Hong Kong, the Group is striving to bolster its market presence in other regions.

Driven by the increasing health and hygiene awareness in Hong Kong, the Group's facility services business, together with its environmental management services business, being one of the top ranked players in the industry in terms of revenue, is expected to have considerable growth potential in the years to come.

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### **About FSE Services Group Limited**

**FSE Services Group Limited** (“**FSE Services**” or “the Group”) is one of the leading diversified service providers in Hong Kong, which has 4 major competences: electrical & mechanical engineering, environmental management services, waste management and cleaning as well as professional laundry services. FSE Services' competences are being delivered through 4 major groups of companies which have all been the market leaders in respective industry. They include FSE Engineering Group, FSE Environmental Technologies Group, Waihong Environmental Services Group and New China Laundry Group. With their professionalism and expertise, together with the extensive synergies generated among the companies under FSE Services, the Group is able to build up a strong network and offer a full range of professional services to property developments, public infrastructures, education and transportation facilities as well as the entertainment and travel industries in Hong Kong, Macau and the Mainland China.

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