


FSE Services Announces 2018/19 Interim Results

Financial Highlights	For the six months ended 31 December			
	2018	2017 (restated) ⁽ⁱ⁾	% Change	2017 (as previously reported) ⁽ⁱⁱ⁾
	HK\$M	HK\$M		HK\$M
Revenue	2,291.7	2,381.8	-3.8%	1,763.3
Gross profit	291.7	288.2	+1.2%	206.9
Profit attributable to equity holders of the Company	113.5	120.9	-6.1%	86.8
Basic earnings per share	HK\$0.25	HK\$0.27	-7.4%	HK\$0.19

Note (i) Restated for the Group's application of merger accounting for business combinations under common control as a result of its acquisition of the facility services (cleaning and laundry services) business in April 2018

Note (ii) As previously reported in the Group's condensed consolidated interim financial statements for the same period last year

25 February 2019, 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, cleaning and waste management as well as professional laundry services, has today announced its interim results for the six months ended 31 December 2018 (the “period under review”).

For the period under review, the Group recorded profit attributable to equity holders of the Company of HK\$113.5 million, representing a decrease of HK\$7.4 million or 6.1% as compared with HK\$120.9 million (restated) for the same period last year, mainly attributable to a decline in the Group's finance income following the utilization of its cash on hand and proceeds from sale of investments to acquire the facility services (cleaning and laundry services) business in April 2018. The completion of the acquisition of the facility services business provides a broader and more diversified revenue stream and enhanced profit source to the Group.

After the Group's acquisition of the facility services business, the Group's profit attributable to equity holders of the Company for the period under review of HK\$113.5 million (equivalent to basic earnings per share of HK\$0.25) increased by 30.8% as compared with HK\$86.8 million (equivalent to basic earnings per share of HK\$0.19) as previously reported in the Group's condensed consolidated interim financial statements for the same period last year before its inclusion of the profit of HK\$34.1 million made by the facility services business, while its revenue increased 30.0% to HK\$2,291.7 million from HK\$1,763.3 million.

As at 31 December 2018, the Group had total cash and bank balances of HK\$521.9 million. The Group maintained a healthy liquidity position throughout the reporting period with no bank and other borrowings outstanding. The Board has resolved to declare an interim dividend of HK10.1 cents (2017: HK7.8 cents) per ordinary share for the six months ended 31 December 2018.

Segmental performance

The following table presents a breakdown of the Group's profit contribution by business segment:

	For the six months ended 31 December			
	2018	2017	Change	% change
	HK\$'M	(restated) HK\$'M	HK\$'M	
E&M engineering	88.3	84.0	4.3	+5.1%
Environmental management services	4.1	2.8	1.3	+46.4%
Facility services	21.1	34.1	(13.0)	-38.1%
Total	113.5	120.9	(7.4)	-6.1%

E&M engineering

The Group maintained its position as one of the leading E&M engineering companies in Hong Kong. Leveraging its competitive strengths, the Group's E&M engineering business delivered a solid financial performance and recorded revenue amounting to HK\$1,676.1 million for the period under review, though a decrease of HK\$53.2 million or 3.1%. Its profit contribution for the period under review was HK\$88.3 million, representing an increase of HK\$4.3 million or 5.1%, driven by an increase in its gross profit margin during the period under review to 12.8% from 11.5%.

As at 31 December 2018, the Group's E&M engineering projects have a total gross value of contract sum of HK\$10,050 million with a total outstanding contract sum of HK\$5,531 million. During the period under review, the Group submitted tenders for 302 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\$13,467 million. This business segment was awarded new contracts with a total value of HK\$1,480 million, which include 59 contracts (with a net contract sum equal to or exceeding HK\$1 million for each project) with a total net contract sum of HK\$1,367 million.

Environmental management services

During the period under review, this segment recorded revenue amounting to HK\$35.2 million, representing a growth of HK\$1.4 million or 4.1%. Its profit contribution to the Group was HK\$4.1 million, representing an increase of HK\$1.3 million or 46.4%, mainly attributable to an increase in revenue from its environmentally-related contracting and maintenance services, primarily water treatment services and bio-technology services.

Facility services

During the period under review, segment revenue recorded a drop of HK\$38.3 million or 6.2% to HK\$580.4 million. The drop in revenue was owing mainly to the discontinuation of one of the cleaning service contracts with a transportation company upon expiry in January 2018, despite a partly mitigation by the revenue contribution from a number of new contracts, including a heritage project managed by a world-class racing club, a large-scale service facility for public transportation and two shopping arcades in North Point and Sheung Wan, respectively. Its profit contribution for the period under review was HK\$21.1 million, representing a decrease of HK\$13.0 million or 38.1%, which was the combined result of decrease in revenue from its cleaning service business and higher rental of the Fanling laundry plant from April 2018.

During the period under review, the Group has started to provide laundry services to a new customer segment of Airport VIP Lounge. In addition, it has been awarded the dry cleaning services of non-catering sector in a renowned world-class racing club contract starting July 2018. Moreover, it keeps working closely with its international theme park client for its expansion plan and prepares for its operation development by upgrading its machinery. For its existing clients, the expansion of flight schedules of a leading airline company also boosted up its revenue during the period under review.

Outlook

Looking ahead, 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.

E&M engineering

For the E&M engineering segment, as the Hong Kong Government has unveiled a series of new policies and initiatives in the public and infrastructure projects, E&M construction works expenditure will amount to over HK\$22 billion for the public sector and over HK\$25 billion for the private sector over the next few years, according to the construction expenditure forecast provided by the Construction Industry Council.

The Group's E&M engineering business enjoys being one of the top two dominant players in the Hong Kong market and it is adequately prepared to take on different sizeable infrastructure and building projects in the marketplace, if awarded, including Kai Tak Sports Park, Immigration Headquarters, Kai Tak District Cooling System, SKYCITY and Kwai Chung Hospital. Preparations are also underway for the tenders for the second 10-year plan of in-situ hospital re-development, re-provisioning of the existing government facilities in Kwun Tong and Kowloon Bay, the Kai Tak commercial development, Lok Ma Chau Loop development and the New Town Extension projects at Kwu Tung North, Fanling North and Hung Shui Kiu.

Environmental management services

For the environmental management services segment, increasing public awareness of the importance of sustainable environment has fueled the demand for environmental engineering services and products.

Facility services

For the facility services segment, due to the completion of numbers of large-scale infrastructure facilities, commercial buildings and residential buildings in succession in the years to come, which include a large number of commercial, residential buildings and hotels, along with mega facilities and properties to be gradually launched at the West Kowloon Culture District, the Kai Tak development area, the Kwun Tong business areas and New Town extensions, the Group will focus on these newly-completed properties as its prime marketing strategy for its cleaning business. For the laundry business, the Group will continue to invest and upgrade its advanced and innovative laundry equipment, such as an upgrade of one of its continuous batch washers scheduled in June 2019, to enhance its service and efficiency and provide value-added services to its clients, including international hotel groups and large enterprises. Moreover, it will keep exploring advance energy saving methods with major utility companies in order to achieve Green Laundry.

As the Group can provide a comprehensive range of E&M engineering, environmental management services and facilities services and run well-established E&M engineering operations in Hong Kong, Mainland China and Macau, it is ready to grasp the ample business opportunities that the different above-mentioned infrastructure and large-scale projects are expected to bring. It shall endeavour to maintain a strong financial position to stay poised for new investment as well as exploring for alternative business opportunities as and when they arise.

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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 and mechanical (“E&M”) engineering, environmental management, cleaning and waste management 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 the respective industries. They include FSE Engineering Group, FSE Environmental Technologies Group, Waihong Environmental Service Group (“Waihong”) and New China Laundry Group (“NCL”). 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 renowned clients and main contractors who are often engaged in property developments, public infrastructures, education and transportation facilities as well as entertainment and travel industries in Hong Kong, Macau and the Mainland China.

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