



FSE Lifestyle Announces 2022/23 Interim Results
Profit attributable to Shareholders up 17% to HK\$279.5 million

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Adjusted Net Profit after excluding the effects of government grants
up 9% to HK\$234.5 million and hits record high

Financial Highlights

	For the six months ended 31 December		
	2022 HK\$'M	2021 HK\$'M	% Change
Revenue	3,712.1	3,351.0	+10.8%
Gross profit	535.0	496.4	+7.8%
Profit attributable to shareholders of the Company ⁽ⁱ⁾	279.5	238.5	+17.2%
Basic earnings per share	HK\$0.61	HK\$0.52	+17.3%

The Board declared the payment of an interim dividend of HK24.5 cents (Six months ended 31 December 2021: HK20.9 cents) per ordinary share to the ordinary shareholders of the Company for the six months ended 31 December 2022⁽ⁱⁱ⁾.

Note (i) If excluding the effects of government grants in the Group's results for both periods to better illustrate the Group's financial results without such effects, the Group recorded an increase in adjusted net profit of 8.7% to HK\$234.5M (i.e. after excluding government grants of HK\$45.0M from profit attributable to shareholders of the Company of HK\$279.5M) for the six months ended 31 December 2022, as compared to its adjusted net profit of HK\$215.8M (i.e. after excluding government grants of HK\$22.7M from profit attributable to shareholders of the Company of HK\$238.5M) for the six months ended 31 December 2021.

Note (ii) For the six months ended 31 December 2022, the dividend payout ratio of the Company is 40.1%, calculated based on the Group's adjusted profit for the six months ended 31 December 2022 attributable to ordinary shareholders of the Company of HK\$275.2M (i.e. after deducting preferred distribution to the holder of convertible preference shares of HK\$4.3M for the six months ended 31 December 2022 from profit attributable to shareholders of the Company of HK\$279.5M).

For the six months ended 31 December 2021, the dividend payout ratio of the Company was 40.2%, calculated based on the Group's adjusted profit for the six months ended 31 December 2021 attributable to ordinary shareholders of the Company of HK\$234.2M (i.e. after deducting preferred distribution to the holder of convertible preference shares of HK\$4.3M for the six months ended 31 December 2021 from profit attributable to shareholders of the Company of HK\$238.5M).

21 February 2023, Hong Kong — **FSE Lifestyle Services Limited** ("FSE Lifestyle" or the "Company", together with its subsidiaries, the "Group") (Stock Code: 331), a leading lifestyle services conglomerate in Hong Kong, which has 3 major business segments: property & facility management services, city essential services and electrical and mechanical engineering ("E&M") services, has today announced its interim results for the six months ended 31 December 2022 (the "period under review").

During the period under review, the Group's revenue increased by HK\$361.1 million or 10.8% to HK\$3,712.1 million from HK\$3,351.0 million for the six months ended 31 December 2021 (the "same period last year"). The overall gross profit margin was 14.4%. If excluding the effects of government grants in the Group's gross profit for both periods (i.e. HK\$23.2 million for the period under review and HK\$21.7 million for the same period last year) to better illustrate the Group's performance without such effects, its adjusted gross profit margin decreased to 13.8% from 14.2% for the same period last year, mainly caused by a lower gross profit margin of the city essential services segment, principally driven by higher labour costs of the security guarding & event services business.

Profit attributable to shareholders for the period under review was HK\$279.5 million, which increased by 17.2% or HK\$41.0 million compared to HK\$238.5 million for same period last year. The increase mainly resulted from (i) the strong performance of the cleaning, insurance and E&M businesses and (ii) an increase in government grants, partly offset by the effects of (i) a lower gross profit contribution from the security guarding & event services business of the city essential services segment, mainly reflected its higher labour costs, and (ii) higher corporate finance costs. If excluding the effects of government grants for both periods to better illustrate the Group's financial results without such effects, the Group recorded an increase in adjusted net profit for the period under review of 8.7% to HK\$234.5 million as compared to its adjusted net profit of HK\$215.8 million for the same period last year.

As at 31 December 2022, the Group had total cash and bank balances of HK\$712.6 million (30 June 2022: HK\$767.0 million) and its net gearing ratio was maintained at nil during the period under review. Both of the Group's gross value of contract sum and outstanding contract sum at 31 December 2022 hit record high. The Board has declared an interim dividend of HK24.5 cents per ordinary share for its ordinary shareholders for the six months ended 31 December 2022, which represents a dividend payout ratio of 40.1%.

Segmental performance

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

	For the six months ended 31 December			
	2022 HK\$'M	2021 HK\$'M	Change HK\$'M	% change
Property & facility management services	68.9	61.3	7.6	12.4%
City essential services	121.5	103.9	17.6	16.9%
E&M services	96.6	76.5	20.1	26.3%
Unallocated corporate expenses and finance costs*	(7.5)	(3.2)	(4.3)	134.4%
Total	279.5	238.5	41.0	17.2%

* Unallocated corporate expenses and finance costs comprise the Company's corporate expenses of HK\$3.2 million (2021: HK\$2.2 million) and interest expenses of HK\$4.3 million (2021: HK\$1.0 million).

Property & facility management services

- ◆ Segment revenue grew by 3.9% or HK\$13.4 million to HK\$356.8 million from HK\$343.4 million, mainly driven by additional works for government buildings, partly offset by decreased ad hoc works for staff quarters of a university.
- ◆ Awarded 12 service contracts (with a net contract sum not less than HK\$1 million for each service contract) with a total contract sum of HK\$143 million, which included EcoPark.
- ◆ As at 31 December 2022, the property & facility management services segment has a total gross value of contract sum of HK\$2,035 million with a total outstanding contract sum of HK\$1,123 million.

Outlook

- With the Hong Kong Government determined to increase housing and land supply, the property management market is expected to expand in line with the increase in property development in Hong Kong.
- Urban renewal is another government priority that will fuel the growth momentum of the property management industry in the coming years.
- The Group is exploring opportunities in the Greater Bay Area via strategic collaboration and mergers and acquisitions.
- Continues to apply new and modern management standards and information technology in its operations.

City essential services

This segment contributed 49.8% (2021: 47.5%) of the Group's total revenue. Segment revenue of HK\$1,849.4 million (2021: HK\$1,591.4 million) are set out in the below table:

	For the six months ended 31 December	
	2022	2021
	HK\$'M	HK\$'M
Cleaning services	826.8	674.9
Technical support & maintenance services	461.5	421.9
Security guarding & event services	331.6	325.9
Insurance solutions	61.3	50.8
Environmental solutions	168.2	117.9
Total	1,849.4	1,591.4

- Segment revenue grew by 16.2%, while gross profit increased HK\$24.3 million to HK\$245.6 million from HK\$221.3 million.
- Cleaning services business has successfully diversified its revenue sources and increased the proportion of revenue from the government and quasi-government sectors by more than 40%, including new contracts from:
 - Food and Environmental Hygiene Department
 - Leisure and Cultural Services Department
 - Department of Health
- Waihong awarded 71 new service contracts (with a net contract sum not less than HK\$1 million for each service contract) with a total contract sum of HK\$839 million, which included:
 - Shopping malls in four districts
 - Two commercial complexes in Sheung Wan and Kai Tak
 - Entertaining facilities and a shopping mall in Shatin
 - An airport ancillary building
 - A hospital in Sai Ying Pun
 - Waste collection services in the Kowloon City District
- Technical support & maintenance services business was awarded 61 projects (with a net contract sum not less than HK\$1 million for each project) with a total net contract sum of HK\$357 million.
- Security guarding & event services business were awarded 24 service contracts (with a net contract sum not less than HK\$1 million for each project) with a total contract sum of HK\$285 million.
- Insurance solutions business, Nova, was awarded 9 service contracts (with a contract sum not less than HK\$1 million for each service contract) with a total contract sum of HK\$15 million.
- Environmental solutions business was awarded 11 environmental and landscape service contracts with a total contract sum of HK\$26 million (with a net contract sum not less than HK\$1 million for each contract) and 4 ELV service contracts with a total contract sum of HK\$53 million (with a net contract sum not less than HK\$1 million for each contract).
- As at 31 December 2022, the city essential services segment has a total gross value of contract sum of HK\$8,266 million with a total outstanding contract sum of HK\$4,945 million.

Outlook

- ◆ Demand for preventive disinfection services is expected to continue to grow as public awareness of virus prevention and personal hygiene has increased.
- ◆ Waihong's team has actively introduced artificial intelligence ("AI") systems, including smart toilets, an electronic face recognition attendance system and a real-time work monitoring system, to improve routine management and meet clients' needs.
- ◆ As the municipal solid waste charging scheme will be implemented in the third quarter of 2023. Waihong's waste management team will expand the scale of its fleet and business model in the coming months to respond to the anticipated market demand.
- ◆ For technical support & maintenance businesses, the Group will continue to develop the production of Building Information Modeling ("BIM") in combination with the application of digitalised asset management for existing mechanical plants.
- ◆ With the opening of Hong Kong, the exhibition and convention industry is expected to recover. Perfect Event is actively seizing the potential opportunities and its multi-purpose app continues to attract new users looking to complement their existing services and workflows, and progress is being made to expand its capabilities, such as compatibility with the Internet of Things ("IoT") applications.
- ◆ Viewing the insurance solutions business, Nova will focus on specialty products with higher yields such as cyber insurance, professional indemnity insurance, directors & officers liability insurance and trade credit insurance.
- ◆ For environmental solutions business, it will continue to work with vendors to customise systems according to specific customer needs and smart city blueprints to strengthen the building management and environmental monitoring system to enhance building sustainability and environmental quality, thereby increasing customer satisfaction.

E&M services

- ◆ Segment revenue increased by 6.3% or HK\$89.7 million to HK\$1,505.9 million from HK\$1,416.2 million, while revenue contribution from Hong Kong increased by HK\$290.4 million, partly offset by a decrease in revenue contributions from Mainland China and Macau by HK\$111.7 million and HK\$89.0 million respectively.
- ◆ There was substantial progress of a number of E&M engineering installation projects this period, including Immigration Headquarters in Tseung Kwan O and the public rental housing project in Tai Po.
- ◆ Segment gross profit increased by HK\$16.3 million to HK\$172.9 million from HK\$156.6 million, with its gross profit margin increased to 11.5% from 11.1%, principally reflected a higher gross profit margin contributed by its Immigration Headquarters project in Tseung Kwan O and an increase in COVID-19 related government grants.
- ◆ Awarded 18 contracts (with a net contract sum not less than HK\$1 million for each project) with a total net contract sum of HK\$2,803 million, which included:
 - The District Court in Caroline Hill Road
 - Expansion of the Legislative Council complex
 - Two residential developments near the Ho Man Tin Station and in Kai Tak
 - A public housing development in Wang Chiu Road
 - Three commercial complex developments in Hangzhou and Ningbo
 - A hotel complex in Shanghai Huangpu
- ◆ As at 31 December 2022, the E&M services segment has a total gross value of contract sum of HK\$11,093 million with a total outstanding contract sum of HK\$6,690 million.

Outlook

- ◆ In Hong Kong, expenditure in E&M construction works each year is expected to be over HK\$28 billion for the public sector and over HK\$24 billion for the private sector over the next five years.
- ◆ In Macau, new investment and related E&M works expected be underway very soon as a results of the granting of new 10-year concessions to six casino companies.
- ◆ In Mainland China, the Group has been providing project management services across Mainland China in Shenyang, Tianjin, Guangzhou and Beijing. The Group believes that due to its high market recognition and strong value-added E&M project management expertise, it will be a preferred partner of foreign and Hong Kong-based developers of high-end projects in Mainland China.

- End -

About FSE Lifestyle Services Limited

FSE Lifestyle Services Limited (“FSE Lifestyle” or the “Company”, together with its subsidiaries, the “Group”) is a leading lifestyle services conglomerate with 3 major business segments: property & facility management services, city essential services and E&M services.

The Group’s services are being delivered through 8 major groups of companies which have all been the market leaders in their respective industries. They include:

Property & Facility Management Services

- ◆ Urban Group
- ◆ Kiu Lok Service Management Group

City Essential Services

- ◆ Cleaning - Waihong Services Group (“Waihong”)
- ◆ Technical Support & Maintenance - Far East Engineering Services Group
- ◆ Security Guarding & Event Services – General Security Group
- ◆ Insurance Solutions - Nova Insurance Group (“Nova”)
- ◆ Environmental Solutions - FSE Environmental Solutions Group

E&M Services

- ◆ FSE Engineering Group

With their professionalism and expertise, together with the extensive synergies generated among the companies under FSE Lifestyle, we are able to build up a strong network and offer comprehensive “one-stop-shop” professional services to our clients who are engaged in a wide diversity of projects including property developments, public infrastructures, education and transportation facilities as well as entertainment and travel industries in Hong Kong, Macau and the Mainland China.

Our clientele includes the HKSAR Government, multinational corporations, owners and investors of properties, theme parks, universities, hotels and hospitals covering both private and public facilities. We devise solutions for our clients providing cost efficiency and service excellence at all stages of their projects.

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