

# CHAIRMEN'S STATEMENT

As a large and unique lifestyle services conglomerate, we shall implement a trio-interactive strategy of safety & health, stakeholder engagement, and training & development, which are integral to our mission to deliver excellence in all aspects of our operations, and are fundamental to our long-term success.

## *To Our Shareholders:*

On behalf of the board of directors (the "Board") of FSE Lifestyle Services Limited (the "Company", together with its subsidiaries, the "Group"), we are pleased to present the unaudited condensed consolidated interim results of the Company for the six months ended 31 December 2024 (the "Period").

### **DRIVING GROWTH WITH PROVEN TRIO-INTERACTIVE STRATEGY TO SUSTAIN LEADERSHIP NAVIGATING MARKET CHANGES**

The year 2025 marks the ninth anniversary of the Company's listing in Hong Kong, which is going to be a pivotal year full of challenges, including a highly competitive market posing pressure on our profit margin. Given today's uncertain and complicated economic landscape, it is especially essential for us to diversify our client base, enhance internal controls on business solicitation and implement robust contingency plans to mitigate escalating counterparty risks.

Since listing, through organic growth and acquisitions, we have relentlessly diversified our businesses and grouped them into three core segments:



#### **Property & Facility Management Services:**

including Property & Facility Management, Car Park Management and Sales & Leasing



#### **City Essential Services:**

including Cleaning & Pest Control, Insurance Solutions, Technical Support & Maintenance, Environmental Solutions and Systems Security, Guarding & Event Services



#### **E&M Services:**

including Engineering, and Consultancy

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The Group's consolidated revenue more than doubled, profit attributable to shareholders more than tripled and earnings per share had increased by more than 150% for FY2024 compared to FY2016.

## Established Market Positions

Many of our subsidiaries are market leaders. According to the Frost & Sullivan market research conducted in September 2024, excluding management companies owned by property developers, our Property & Facility Management Group was ranked first in terms of managed units in residential estates and car parks and managed area in non-residential properties, our Cleaning & Pest Control Services was ranked number one in the environmental hygiene services industry, our Insurance Solutions business was ranked first among insurance brokers founded and based in Hong Kong, and our Systems Security, Guarding and E&M businesses were ranked second.

Relative to the year ended 30 June 2016, the Group's financial performance had markedly improved. Its consolidated revenue more than doubled in FY2024, profit attributable to shareholders more than tripled and earnings per share had increased by more than 150%. The Property & Facility Management Services and City Essential Services segments now account for more than half of the Group's revenue, gross profit and net profit, largely reducing cyclical risks for us. Continuing to manage its finance with prudence, the Group had a healthy balance sheet with diversified sources of cash flow and net gearing ratio at zero for the Period allowing it to tap more market opportunities.

Looking ahead, we will keep pushing forward our proven trio-interactive strategy encompassing safety and health, stakeholder engagement, and training and development.

The well-being of our workforce, our most valuable asset, is our top priority. Ensuring work safety, we employ relevant technologies to cultivate a culture of vigilance and help with mitigating risks. We work by the highest safety standards stated in the revised Occupational Safety and Health Ordinance (Cap. 509). The Group has increased targeted safety training hours for FY2025 by more than 20% to 90,000 hours.

To win in the increasingly competitive market, we need to engage stakeholders so we can understand and meet their evolving demands. Thus, we are dedicated to enhancing employees' skills to grasp stakeholders' and customers' demands and fortify client relationship.

Moreover, for succession planning, we have continually scrutinised and optimised the organisational frameworks of our different business units to improve management capabilities. People-centric at all times, we tailor training programmes to nurture a capable workforce, particularly young talent. The Group has increased targeted training hours for FY2025 by more than 20% to 240,000 hours.

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At the same time, we endeavour to fortify our marketing strategies, foster cross-selling opportunities, enhance brand equity through meticulous Environmental, Social and Governance ("ESG") practices and technological integration – leveraging Artificial Intelligence ("AI") and Internet of Things ("IoT") to elevate customer satisfaction. Pursuing strategic mergers and acquisitions to diversify services and expand geographic presence has helped bolster our businesses, as exemplified by the recent acquisition of Beijing Nova Insurance Services Limited ("Beijing Nova").

As a result of implementing robust strategies and with a dedicated management team, the Group achieved profit attributable to shareholders of HK\$241.6 million for the Period and maintained a net cash position at the end of the Period. Excluding the impact of government grants in both years, the Group's adjusted net profit for the Period has increased by 3.9%. The Board has declared an interim dividend of HK21.1 cents per ordinary share for its ordinary shareholders for the six months ended 31 December 2024, representing a dividend payout ratio of 40.0%.

### Property & Facility Management Services

Our Property & Facility Management Group, which comprises Urban, International Property Management and Kiu Lok, is among the largest independent property and car park management service providers in Hong Kong. With more than 50 years of experience, we provide property management services, building renovation and refurbishment, leasing and tenancy management that improve people's living conditions. Its clientele has also enabled us to cross sell other services the Group provides. The Group has strong technical, and engineering teams, making up of the most professionally qualified property management professionals holding altogether over 300 Tier 1 and Tier 2 property management licences. We currently have on hand more than 300 property management contracts covering no less than 150,000 residential units, 3.2 million square metres of commercial properties and approximately 40,000 car park spaces.

In the near term, despite the Government promising to ensure stable housing and land supply in the next decade including fast-track light public housing, we are facing stiff competition from mainland property management companies. The Group shall continue to embrace changes with an open mind-set, tightening management and continuously upgrading our teams' engagement skills. Furthermore, the segment shall continue to apply new and modern management standards and information technology in its operations to promote smart estate management and meet growing customer demand for smart, sustainable and green living, while providing our clients cost effective and quality services.

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Waihong has secured contracts exceeding HK\$250 million in the Kai Tak Development Area and has introduced new information technology and robots to improve operational efficiency and work safety.

The Group completed the acquisition of Beijing Nova, which will help its insurance solutions business expand and diverse geographically.

### City Essential Services

**Cleaning & Pest Control Services** – According to Frost & Sullivan, Waihong is the biggest environmental hygiene services provider in Hong Kong. Given the importance of hygiene and environmental control, the Hong Kong Government currently awards cleaning service contracts worth about HK\$5 billion a year. That considered, Waihong has strategically put more resources into strengthening its competitiveness in the sector, enabling it to diversify its revenue sources and increase the proportion of revenue from the government and quasi-government sectors to more than 50%. Apart from growing business in the government-related sector, Waihong has maintained stable growth in its residential and commercial portfolios. In the Period, Waihong has secured contracts exceeding HK\$250 million in the Kai Tak Development Area.

To support its growing business, Waihong has introduced new information technology and robots to improve operational efficiency and work safety. It will continue to grow its green waste management business, actively seek more contracts in the high-end market making up of premier office buildings, shopping malls and hotels. Given the increasing public awareness of environmental hygiene post-pandemic, we are optimistic about the future of the industry.

**Insurance Solutions** – Nova is the largest local insurance broker in Hong Kong, with a 36-year track record making solid gross insurance brokerage revenue. It provides corporate and individual clients with one-stop risk management and insurance solutions, including but not limited to property, casualty, construction, and employee benefits. On 27 December 2024, the Group completed the acquisition of Beijing Nova, a national insurance broker company regulated under the National Financial Regulatory Administration in the PRC insurance industry. Since 2003, it has been providing a full spectrum of professional insurance services to its clients in China. China is the second largest insurance market in the world and one of the fastest growing markets globally. The Group expects this acquisition will help its insurance solutions business expand and diverse geographically. Additionally, the Group stands prime to reap synergistic benefits through cross-selling opportunities between existing operations and stronger insurance business, boosting brand awareness and competitive advantage. Nova is well-poised for growth given the aforesaid more extensive geographical reach, its extensive experience and the many proposed construction projects in Hong Kong including Northern Metropolis Development projects. Overall, the Group expects to continue to see its Insurance Solutions business thrives.

**Technical Support & Maintenance Services** – This division, which comprises Far East Engineering Services and Turning Technical Services, sees growing demand for term maintenance services, major alterations, additions and system upgrades from various

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commercial and residential buildings, hospitals, government properties and educational institutions. With Hong Kong's Climate Action 2050 Carbon Neutral Policy implemented, demand for enhancing energy conservation and decarbonisation in buildings, including chiller plant upgrading or replacement projects will grow. We have already started a pilot zero-carbon chiller system for a commercial complex in Tsuen Wan West. Furthermore, the division will continue to complement and support our Property & Facility Management Services business, particularly in assisting with building inspections under the government's Mandatory Building Inspection Scheme. In Macau, this division was awarded a number of hotel related renovation and system enhancement contracts during the Period.

**Environmental Solutions** – Environmental Solutions, which comprises three business lines: Environment Solutions, Smart Solutions and Green Solutions, aims to seize the booming opportunities from growing public concern for environmental sustainability and awareness of environmental issues.

### *Environment Solutions*

To meet the demand for a better standard living environment, hygiene and green buildings, the Group will continue to focus on water treatment, indoor air quality ("IAQ") monitoring, environmental consultancy and assessment services crucial to building sustainability performance.

### *Smart Solutions*

The division's extra low voltage team will develop new and innovative businesses and strengthen building management and environmental monitoring systems via employing digital technologies such as AI, IoT and various 5G mobile applications to boost energy efficiency and carbon management, helping customers achieve their sustainability goals. "Going electric" is also key to speeding up decarbonisation. The Group's residential Electric Vehicles ("EV") charging infrastructure business has so far installed EV charging equipment in more than 3,000 parking spaces.

### *Green Solutions*

With the government launching greening policies, urban planning initiatives and various support schemes, the landscape service industry has a bright outlook. As an experienced and professional industry service provider, we are committed to developing more landscape design projects as well as tree sales and planting services to our prestigious clients. To combat climate change risks and promote sustainability, we will continue to deliver high quality arboricultural and horticultural services in Hong Kong.

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General Security has been awarded the security services contract of Kai Tak Sports Park, the largest sports, entertainment and leisure precinct ever commissioned in Hong Kong.

**Systems Security, Guarding & Event Services** – General Security, which holds all three security service licences issued in Hong Kong, is the second largest security & guarding services provider in Hong Kong. In coming years, the Government intends to continue to promote the mega event tourism economy, actively reaching out to attract more world-class mega events to come to Hong Kong. General Security has been awarded the security services contract of Kai Tak Sports Park, the largest sports, entertainment and leisure precinct ever commissioned in Hong Kong. During the Period, it has participated in roughly half of the about 110 mega events conducted in Hong Kong. It has demonstrated its competence in serving multiple events concurrently involving over 100,000 people. Perfect Event has been performing well in meeting the service demands of local conferences, conventions and exhibitions. Technological advancement has also given birth to more advanced electronic security equipment, such as alarm systems and video surveillance cameras, essential for property management companies to offer more effective facility management services. To capture related business opportunities, the Group's Systems Security, Guarding & Event Services division will expand the product range of its security systems business.

### E&M Services

#### Hong Kong

The Group's E&M Services segment, which comprises FSE Engineering Group, Majestic Engineering Group and Young's Engineering Group, is currently one of the two dominant service providers in the Hong Kong market. Its large-scale ongoing projects included the District Court at Caroline Hill Road, Tuen Mun South Extension MTRC Station, expansion of the Legislative Council Complex, the New Public Market in Tin Shui Wai and public housing/dedicated rehousing estate at Kwu Tung North New Town. Tenders submitted or being prepared included the URA's Joint User Complex at Sham Shui Po, public housing estate at Tung Chung and Building 1 of Hong Kong-Shenzhen Innovation and Technology Park. In addition, the Northern Metropolis and Railway Development Strategy, which provides opportunities for the city to upgrade its urban space, is set to become the most important urban development initiative.

The HK Government is committed to a stable supply of commercial and residential land, and the CIC expects average E&M construction expenditure to exceed HK\$56 billion in fiscal year 2025/26.

Looking ahead, despite the Hong Kong Government is committed to a stable supply of commercial and residential land, and that the Construction Industry Council expects average E&M construction expenditure to exceed HK\$56 billion in fiscal year 2025/26, the Group is facing very strong competition in the marketplace and the trend will likely continue in the foreseeable future. We shall thus optimise our tendering strategy and cost management to counter the challenges ahead. It is also our top priority to provide a safer working environment for our employees using a three-pronged approach – formulating comprehensive safety manuals and operational procedures, promoting use of robotic technology and enhancing training. Armed with proven technological strengths and differentiated competencies, such as Building Information Modelling ("BIM"), Modular Integrated Construction ("MiC") and Multi-trade integrated Mechanical, Electrical & Plumbing ("MiMEP"), the Group's contracting business has strong support for the future.

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## Mainland China

Despite China's economic outlook remaining precarious, the Chinese Government has continued to pursue high-quality development and maintain reasonable growth adopting proactive fiscal policies and prudent monetary policies, while pressing on with urbanisation. Priding over 30 years of industry experience and reputable brands, and as one of the few Hong Kong-based E&M general engineering contractors with Class I qualification in Mainland China, the Group is set to optimise its project coverage, winning new contracts, and gain new growth momentum in the vast market. Over the past year, we have taken up sizeable mixed-use development projects in major cities such as Beijing, Shanghai, Hangzhou and Kunming. The Group will continue to strengthen business presence in Mainland China, on the brace of its supply/installation expertise and well-established brand.

## Macau

With the Chinese Government rolling out favourable measures, the Macau economy and its travel and tourism industry have continued to revive. Most importantly, the six casino operators who have been granted 10-year concessions have promised to collectively invest near US\$15 billion to help the economy rebalance to become a world-class tourist destination. Relevant new investments and E&M tenders, and guest rooms renovation and MICE space enhancement will take place this year. Infrastructure improvement to increase accessibility for tourists will also fuel economic recovery and related construction contracts. As a major service provider of more than 20 years in Macau's E&M industry, we are well positioned to capture those business opportunities as they arise.

The Group is set to optimise its project coverage, winning new contracts, and gain new growth momentum in the vast market.

## CONCLUSION

The Group is confident of its development prospect in the post-pandemic era. It will also continue to seek new business opportunities to expand its operations and maximise shareholder value.

On behalf of the Board, we would like to express our sincere gratitude to all shareholders, customers and business partners for their unwavering support of the Group. We also like to thank the management team and all employees for their tireless efforts. As always, we remain fully committed to ensuring the Group's long-term development and ability to provide fair returns to shareholders.

**Dr. Cheng Kar Shun, Henry**  
Chairman

**Mr. Doo Wai Hoi, William**  
Chairman

Hong Kong, 27 February 2025