



FSE Lifestyle Announces 2021/22 Interim Results
Profit Attributable to Shareholders down 49% to HK\$238.5 million

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Adjusted Net Profit up 16% to HK\$226.2 million
after excluding the effects of non-recurring items

Financial Highlights

	For the six months ended 31 December		
	2021	2020	% Change
	HK\$M	(restated) ⁽ⁱ⁾ HK\$M	
Revenue	3,351.0	3,152.7	+6.3%
Gross profit	496.4	733.4	-32.3%
Profit attributable to shareholders of the Company	238.5	471.4	-49.4%
Basic earnings per share	HK\$0.52	HK\$1.04	-50.0%
Adjusted net profit ⁽ⁱⁱ⁾	226.2	194.2	+16.5%

The Board declared the payment of an interim dividend of HK20.9 cents (Six months ended 31 December 2020: HK28.9 cents) per ordinary share to the ordinary shareholders of the Company for the six months ended 31 December 2021⁽ⁱⁱⁱ⁾.

Note (i) Comparative figures have been restated for the Group's application of merger accounting for business combinations under common control as a result of its acquisition of security guarding & event services, insurance solutions and landscaping services businesses on 19 April 2021

Note (ii) After excluding ESS government grants of HK\$12.3 million from the Group's profit attributable to shareholders of the Company of HK\$238.5 million for the six months ended 31 December 2021 and (a) ESS government grants of HK\$333.0 million, (b) losses related to laundry business of HK\$45.8 million and (c) one-off professional fees for acquisition of HK\$10.0 million from the Group's profit attributable to shareholders of the Company of HK\$471.4 million (restated) for the six months ended 31 December 2020 to better illustrate the Group's financial results without the effects of such non-recurring items.

Note (iii) For the six months ended 31 December 2021, the dividend payout ratio of the Company is 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 excluding 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).

For the six months ended 31 December 2020, the dividend payout ratio of the Company was 40.0%, calculated based on the Group's adjusted profit for the six months ended 31 December 2020 attributable to ordinary shareholders of the Company of HK\$324.8M (i.e. after excluding preferred distribution to the holder of convertible preference shares of HK\$4.3M for the six months ended 31 December 2020 from profit attributable to shareholders of the Company of HK\$329.1M as previously reported in the Group's condensed consolidated interim financial statements for the six months ended 31 December 2020).

24 February 2022, 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 2021 (the “period under review”) .

During the period under review, the Group’s revenue increased by HK\$198.3 million or 6.3% to HK\$3,351.0 million from HK\$3,152.7 million (restated) for the same period last year. The increase in revenue was primarily the result of increased customer loyalty, with a promising return rate helping form a sustainable development layout. Overall gross profit margin was 14.8%. If excluding the effects of government grants in the Group’s gross profit for both periods (i.e. HK\$21.7 million for the period under review and HK\$307.5 million (restated) for the six months ended 31 December 2020) to better illustrate the Group’s performance without such effects, its adjusted gross profit margin increased to 14.2% from 13.5% (restated) for same period last year.

Profit attributable to shareholders for the period under review was HK\$238.5 million. If excluding the effects of government grants under the Employment Support Scheme (the “ESS Scheme”) of the Hong Kong SAR Government in the Group’s results for both periods and other one-off items in the Group’s prior period results to better illustrate the Group’s financial results without the effects of such non-recurring items, the Group recorded an increase in adjusted net profit for the period under review of 16.5% to HK\$226.2 million as compared to its adjusted net profit of HK\$ HK\$194.2 million for the same period last year.

As at 31 December 2021, the Group had total cash and bank balances of HK\$608.1 million (30 June 2021: HK\$549.9 million) and its net gearing ratio was maintained at zero. The Board has declared an interim dividend of HK20.9 cents per ordinary share for its ordinary shareholders for the six months ended 31 December 2021, which represents a dividend payout ratio of 40.2%.

Segmental performance

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

	For the six months ended 31 December			
	2021	2020	Change	% Change
	HK\$’M	HK\$’M (restated)	HK\$’M	
Property & facility management services	61.3	106.8	(45.5)	(42.6%)
City essential services	103.9	295.2	(191.3)	(64.8%)
E&M services	76.5	83.9	(7.4)	(8.8%)
Unallocated corporate expenses and finance costs*	(3.2)	(14.5)	11.3	(77.9%)
Total	238.5	471.4	(232.9)	(49.4%)

* Unallocated corporate expenses and finance costs comprise the Company’s corporate expenses of HK\$2.2 million (2020: HK\$12.2 million) and interest expenses of HK\$1.0 million (2020: HK\$2.3 million). The corporate expenses for same period last year included legal and professional fees of HK\$10.0 million incurred for the acquisition of the Business Investments Group.

Property & facility management services

The Group's property and facility management services business, comprising Urban, International Property Management Limited and Kiu Lok (together, the "Property & Facility Management Group"), is serving one of the largest property and facility asset portfolios in Hong Kong, which provides the most comprehensive and customised professional management services for its clients. This segment, which principally provides services in Hong Kong, contributed 10.2% (2020: 10.4% (restated)) of the Group's total revenue. Segment revenue grew by 4.6% or HK\$15.2 million to HK\$343.4 million from HK\$328.2 million (restated). Such growth was mainly driven by (i) newly awarded property management contracts for car parks of shopping malls, (ii) additional works for staff quarters of a university and (iii) increased commission income from property sales and leasing partly offset by a reduction in revenue from pandemic-induced additional works for government buildings.

The Property & facility management segment's gross profit decreased by HK\$29.8 million to HK\$118.5 million from HK\$148.3 million (restated), with its gross profit margin decreased to 34.5% from 45.2% (restated), reflected a decrease in COVID-19 related government grants.

During the period under review, our Property & Facility Management Group submitted tenders for 14 service contracts (with a contract sum not less than HK\$1 million for each service contract) with a total tender sum of HK\$116 million and, combining the submitted tenders from previous months, was awarded 16 service contracts (with a net contract sum not less than HK\$1 million for each service contract) with a total contract sum of HK\$69 million. Among these 16 service contracts, 1 of them is a major service contract (with net contract sum not less than HK\$20 million) for a residential estate in Shatin.

As at 31 December 2021, the property & facility management services segment has a total gross value of contract sum of HK\$2,058 million with total outstanding contract sum of HK\$1,346 million.

City essential services

This segment contributed 47.5% (2020: 49.1% (restated)) of the Group's total revenue. Segment revenue of HK\$1,591.4 million (2020: HK\$1,547.7 million (restated)) comprises the divisional amounts in the below table:

	For the six months ended 31 December	
	2021	2020 (restated)
	HK\$'M	HK\$'M
Cleaning services	674.9	612.3
Technical support & maintenance services	421.9	435.6
Security guarding & event services	325.9	336.7
Insurance solutions	50.8	44.9
Environmental solutions	117.9	89.1
Laundry services	-	29.1
Total	1,591.4	1,547.7

Segment revenue grew by 2.8% or HK\$43.7 million to HK\$1,591.4 million from HK\$1,547.7 million (restated) and reflected (i) a number of new general cleaning service contracts, which encompassed a wide range of buildings and facilities, (ii) higher revenue from its environmental solutions business, especially in respect of its provision of ELV device installation services, largely contributed by the 11 SKIES project in Chak Lap Kok in this period and (iii) an increase in new insurance contracts for construction projects awarded, partly offset by (i) the absence of revenue from the laundry business following the Group's disposal of it in December 2020 and (ii) a lower revenue contribution from its technical support and maintenance services after the substantial completion of St. Regis Service Apartment in Macau same period last year.

The city essential services segment's gross profit decreased HK\$215.7 million to HK\$221.3 million from HK\$437.0 million (restated), with its gross profit margin decreased to 13.9% from 28.2% (restated), reflected a decrease in COVID-19 related government grants and a lower gross profit contribution from its technical support and maintenance services following the substantial completion of St. Regis Service Apartment in Macau in the same period last year, partly mitigated by the effects of an increase in new general cleaning and insurance service contracts and the losses related to laundry business disposal in December 2020 which did not recur this period.

For the Group's **cleaning services** business, during the period under review, Waihong has seized the prime opportunity to widen its services in different market segments. The revenue and profit has grown considerably by successfully adopting tender strategies to win service contracts from different government departments, and current government contracts account for about 10% of its overall revenue. During the period under review, combining the submitted tenders from previous months, Waihong was awarded 55 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\$558 million.

For the Group's **technical support & maintenance services** business, which provides renovations, repairing and maintenance services, combining the submitted tenders from previous months, was awarded 44 projects (with a net contract sum not less than HK\$1 million for each project) with a total net contract sum of HK\$465 million during the period under review.

The Group's **security guarding & event services** business comprises General Security and Perfect Event Services Limited ("Perfect Event"). During the period under review, combining the submitted tenders from previous months, General Security and Perfect Event were awarded 17 service contracts (with a net contract sum not less than HK\$1 million for each project) with a total contract sum of HK\$256 million .

The Group's **insurance solutions** business, Nova, comprising Nova Insurance Consultants Limited and International Reinsurance Management Limited, which both holds an Insurance Broker Company License granted by the Insurance Authority. During the period under review, Nova has secured placement for a number of sizeable construction projects and new accounts, including property managers of residential development, listed companies and non-governmental organisations. During the period under review, combining the submitted tenders from previous months, Nova was awarded 9 service contracts with a total value of HK\$15 million (with a contract sum not less than HK\$1 million for each service contract).

Turning to the Group's **environmental solutions** business, this business, combining the submitted tenders from previous months, was awarded 6 environmental and landscape service contracts with a total contract sum of HK\$19 million (with a net contract sum not less than HK\$1 million for each contract) and 5 ELV service contracts with a total contract sum of HK\$57 million (with a net contract sum not less than HK\$1 million for each contract). In addition, combining the submitted quotations from previous months, the Group was accepted 6 building material trading orders (with a sum not less than HK\$1 million for each order) with a total sum of HK\$20 million.

As at 31 December 2021, the city essential services segment has a total gross value of contract sum of HK\$6,857 million with a total outstanding contract sum of HK\$4,190 million.

E&M services

This segment is one of the leading E&M companies in Hong Kong, capable of providing a comprehensive range of E&M services and continued to run its E&M operations in Mainland China and Macau. This segment contributed 42.3% (2020: 40.5% (restated)) of the Group's total revenue. Segment revenue increased by 10.9% or HK\$139.4 million to HK\$1,416.2 million from HK\$1,276.8 million (restated) due to increased revenue contribution from Mainland China and Macau reflected a number of E&M installation projects, including Qianhai Chow Tai Fook Finance Tower and Guangzhou New World Zengcheng Comprehensive Development project in Mainland China and Studio City Phase 2 in Macau, which had substantial progress this period, partly offset by a lower revenue contribution from Hong Kong, mainly Vehicle Examination Centre in Tsing Yi and the temporary quarantine facilities in Penny's Bay which were substantially completed same period last year, despite the higher revenue contributed by the Inland Revenue Tower project in Kai Tak during the period under review.

The E&M services segment's gross profit increased by HK\$8.5 million or 5.7% to HK\$156.6 million from HK\$148.1 million, principally reflected a higher gross profit margin from its ongoing E&M installation projects in Hong Kong, partly offset by a decrease in COVID-19 related government grants, while its gross profit margin decreased to 11.1% from 11.6% (restated).

During the period under review, combining the submitted tenders from previous months, the Group was awarded 25 contracts (with a net contract sum not less than HK\$1 million for each project) with a total net contract sum of HK\$1,515 million. Among these contracts, 6 of them are major projects (with net contract sum not less than HK\$100 million for each project), which include 2 residential developments in Ho Man Tin Station and Kai Tak, 2 subsidised housing developments in Anderson Road and Pak Wo Road, a public housing development at Yip Wong Road and AIA Campus Redevelopment.

As at 31 December 2021, the E&M services segment has a total gross value of contract sum of HK\$9,401 million with a total outstanding contract sum of HK\$5,596 million.

Outlook

For the property & facility management services business, there is a growing demand of one-stop and full-service professional property and facility management services. Backed by the Group's extensive E&M experience in Mainland China, it is also exploring opportunities in and accelerating its expansion into the Greater Bay Area by means of strategic collaboration and mergers and acquisitions.

For the city essential services business, the Group's cleaning arm, Waihong recently secured contracts with the Leisure and Cultural Services Department and the Food and Environmental Hygiene Department, and will continue to increase its participation in the green waste disposal business for further accommodating the Hong Kong government's environmental policy. For technical support & maintenance business, it continues to envisage a growing demand for term maintenance, large-scale alterations and additions and system retrofits from various prestigious commercial and residential buildings, hospitals, government properties and educational institutions. The Group's security guarding & event services business is now actively exploring the potential new revenue stream of event services and hopes to capture the vast business opportunities that will exist once the event and exhibition sector resumes its normal activities. Turning to insurance solution business, with a large number of construction activities expected to commence in the near term, as well as the stronger demand for specialty insurances such as cyber insurance and professional indemnity insurance, the Group expects to see further growth in its insurance solutions business. For environmental solutions business, the Group will continue to capitalise on the numerous opportunities created by the public's increased awareness of environmental issues, providing total solutions that are energy efficient as well as environmentally friendly.

For the E&M services business, The Hong Kong government shall continue to provide a stable commercial and residential land supply, with average E&M construction work expenditure for the fiscal year 2022/23 expected to exceed HK\$25 billion for the public sector and HK\$22 billion for the private sector, according to data from the Construction Industry Council. The Group will continue to make strides in accommodating the Hong Kong government's Construction 2.0 initiative, which primarily promotes innovation, professionalism and revitalization. For the Mainland China market, the Qianhai and Zengcheng projects are already in progress, laying a solid foundation for future development. As in previous years, the Group will strive to extend its presence in Mainland China, leveraging its dual-core engine, supply/installation and project management expertise and well-established and trusted brand.

Looking ahead, the Group's plans for performance growth are focused on leveraging its well-established and trusted brand, good governance, embracing cost effectiveness and capitalising on innovative technologies and professional expertise. In addition, the Group shall endeavour to maintain a strong financial position so as to stay poised for new investment opportunities as and when they arise.

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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 electrical 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 Urban Group (“Urban”), Kiu Lok Group (“Kiu Lok”), Waihong Services Group (“Waihong”), FSE Environmental Technologies Group, Hong Kong Island Landscape Company Limited (“Hong Kong Island Landscape”), General Security Group (“General Security”), Nova Insurance Group (“Nova”) and FSE Engineering Group. With their professionalism and expertise, together with the extensive synergies generated among the companies under FSE Lifestyle, the Group is able to build up a strong network and offer comprehensive “one-stop-shop” professional services to our 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.

The Group’s clientele includes the HKSAR Government, multinational corporations, owners and investors of intelligent buildings and premises, theme parks, universities, hotels and hospitals which cover all kinds of private and public facilities. We devise for our prestigious clients the optimal choices in creating cost efficiency and service excellence at all stages of their developments and operations.

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