

For Immediate Release



**FSE Lifestyle Announces 2021/22 Annual Results**  
**Profit Attributable to Shareholders down 14% to HK\$502.9 million**

\* \* \*

**Adjusted Net Profit up 35% to HK\$414.7million**  
**after excluding the effects of non-recurring items**

**Financial Highlights**

For the year ended 30 June

	2022 HK\$'M	2021 HK\$'M	% Change
<b>Revenue</b>	<b>6,966.9</b>	6,452.7	+8.0%
<b>Gross profit</b>	<b>992.5</b>	1,135.1	-12.6%
<b>Gross profit excluding government grants<sup>(i)</sup></b>	<b>948.6</b>	826.7	+14.7%
<b>Profit attributable to shareholders of the Company</b>	<b>502.9</b>	586.9	-14.3%
<b>Adjusted net profit<sup>(iii)</sup></b>	<b>414.7</b>	306.8	+35.2%
<b>Basic earnings per share</b>	<b>HK\$ 1.10</b>	HK\$1.29	-14.7%

The Board recommended the declaration of a final dividend of HK24.1 cents (2021: HK16.1 cents) per ordinary share to the ordinary shareholders of the Company for the year ended 30 June 2022<sup>(iii)</sup>.

Note(i) After excluding the corresponding effects of government grants of HK\$43.9M for the year ended 30 June 2022 and HK\$308.4M for the year ended 30 June 2021 from the Group's gross profit for both years to better illustrate the Group's performance without such effects.

Note(ii) After excluding the corresponding effects of government grants of HK\$88.2M from the Group's profit attributable to shareholders of the Company of HK\$502.9M for the year ended 30 June 2022, and HK\$280.1M (which comprised: (a) government grants of HK\$340.0M, (b) losses related to laundry business of HK\$45.8M and (c) one-off professional fees for acquisition of HK\$14.1M) from the Group's profit attributable to shareholders of the Company of HK\$586.9M for the year ended 30 June 2021 to better illustrate the Group's financial results without the effects of such non-recurring items.

Note(iii) Together with the interim dividend of HK20.9 cents (2021: HK28.9 cents) per ordinary share paid in March 2022, total distribution of ordinary share dividends made by the Company to its ordinary shareholders for the year ended 30 June 2022 will be HK45.0 cents (2021: HK45.0 cents) per share.

For the year ended 30 June 2022, the dividend payout ratio of the Company is 41.0%, calculated based on the Group's adjusted profit for the year ended 30 June 2022 attributable to ordinary shareholders of the Company of HK\$494.4M (i.e. after excluding preferred distribution to the holder of convertible preference shares of HK\$8.5M for the year ended 30 June 2022 from profit attributable to shareholders of the Company of HK\$502.9M).

For the year ended 30 June 2021, the dividend payout ratio of the Company was 48.7%, calculated based on the Group's adjusted profit for the year ended 30 June 2021 attributable to ordinary shareholders of the Company of HK\$416.1M (i.e. after excluding (a) the profit of HK\$162.3M made by the security guarding & event services, insurance solutions and landscaping services businesses during the period from 1 July 2020 to 19 April 2021, the day of completion of the Group's acquisition of these businesses and (b) preferred distribution to the holder of convertible preference shares of HK\$8.5M for the year ended 30 June 2021 from profit attributable to shareholders of the Company of HK\$586.9M).

5 September 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 annual results for the year ended 30 June 2022 (“FY2022” or the “Year”)

During FY2022, the Group recorded revenue amounting to HK\$6,966.9 million, representing an increase of HK\$514.2 million or 8.0%, as compared with HK\$6,452.7 million. The overall gross profit margin was 14.2%. If excluding the effects of government grants from the Group’s gross profit for both years (i.e. HK\$43.9 million for the Year and HK\$308.4 million for last year) to better illustrate the Group’s performance without such effects, its adjusted gross profit margin increased to 13.6% from 12.8% last year, mainly reflected an improvement in the gross profit margin of the E&M services segment.

Profit attributable to shareholders for FY2022 was HK\$502.9 million. If excluding the effects of government grants in the Group’s result for both years and other one-off items in the Group’s last year 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 Year of 35.2% to HK\$414.7 million as compared to its adjusted net profit of HK\$306.8 million for last year.

As at 30 June 2022, the Group had total cash and bank balances of HK\$767.0 million (30 June 2021: HK\$549.9 million), and net gearing ratio was maintained at zero (30 June 2021: 0%). HK\$945.6 million (30 June 2021: HK\$821.8 million) of the Group’s banking facilities had been utilised for bank borrowings, bank guarantees and trade finance. The Group believes it has sufficient committed and unutilised banking facilities to meet current business operation and capital expenditure requirements. The Board has proposed a final dividend of HK24.1 cents per share for the Year. Including the interim dividend of HK20.9 cents (2021: HK 28.9 cents) per share for the six months ended 31 December 2021, the total dividend payout for the Year is HK45.0 cents (2021: HK45.0 cents) per share, equivalent to a payout ratio of 41.0% (2021: 48.7%).

### Segmental performance

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

	For the year ended 30 June			
	2022 HK\$’M	2021 (restated) HK\$’M	Change HK\$’M	% Change
Property & facility management services	<b>136.3</b>	134.1	2.2	1.6%
City essential services	<b>201.5</b>	368.1	(166.6)	(45.3%)
E&M services	<b>173.4</b>	108.3	65.1	60.1%
Unallocated corporate expenses and finance costs*	<b>(8.3)</b>	(23.6)	15.3	(64.8%)
<b>Total</b>	<b>502.9</b>	586.9	(84.0)	(14.3%)

\* Unallocated corporate expenses and finance costs comprise the Company’s corporate expenses of HK\$5.7 million (2021: HK\$20.1 million) and interest expenses of HK\$2.6 million (2021: HK\$3.5 million). The corporate expenses in last year included legal and professional fees of HK\$14.1 million incurred for the acquisition of 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, with International Property Management Limited providing property management services primarily for small to medium sized residential and commercial properties, including commercial buildings in the central business districts. This segment, which principally provides services in Hong Kong, contributed 10.0% (2021: 10.2%) of the Group's total revenue. Segment revenue grew by 5.8% or HK\$38.1 million to HK\$696.3 million from HK\$658.2 million. 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. Its gross profit decreased by HK\$23.5 million to HK\$219.4 million from HK\$242.9 million while gross profit margin decreased to 31.5% from 36.9%, reflected a decrease in COVID-19 related government grants.

During FY2022, the property & facility management group was awarded 29 service contracts (with a net contract sum not less than HK\$1 million for each service contract) with a total contract sum of HK\$133 million. Among these 29 service contracts, two of them were major service contracts (with net contract sum not less than HK\$20 million) for residential estates in Shatin and Wong Chuk Hang.

### City essential services

This segment contributed 46.7% (2021: 46.5% (restated)) of the Group's total revenue. Segment revenue of HK\$3,252.6 million (2021: HK\$2,998.6 million (restated)) are set out in the below table:

	<b>2022</b>	2021 (restated)
	<b>HK\$'M</b>	HK\$'M
Cleaning services	<b>1,409.3</b>	1,262.6
Technical support & maintenance services	<b>834.0</b>	783.6
Security guarding & event services	<b>636.4</b>	660.1
Insurance solutions	<b>99.6</b>	85.9
Environmental solutions	<b>273.3</b>	177.3
Laundry services	-	29.1
Total	<b>3,252.6</b>	2,998.6

Segment revenue grew by 8.5% or HK\$254.0 million to HK\$3,252.6 million from HK\$2,998.6 million (restated) reflected (i) a number of new general cleaning service contracts, which encompassed a wide range of buildings and facilities and additional ad-hoc intensive disinfection cleaning contracts; (ii) higher revenue from its environmental solutions business, especially in respect of its provision of ELV device installation services, largely contributed by 11 SKIES project in Chak Lap Kok; (iii) higher revenue from its technical support and maintenance services in Hong Kong contributed from the refurbishment works for a hotel in Tsim Sha Tsui and the maintenance works for 2 residential properties in Shatin and Sai Wan Ho and (iv) 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 in Macau following the substantial completion of St. Regis Service Apartment in Macau last year.

The city essential services segment recorded a decrease in its gross profit of HK\$193.3 million to HK\$434.4 million from HK\$627.7 million (restated), with its gross profit margin decreased to 13.4% from 20.9% (restated), reflected (i) a decrease in COVID-19 related government grants; (ii) a reduction in gross profit contribution from its security guarding & event services resulted from a lower demand in event services affected by the fifth wave of COVID-19 and (iii) a lower gross profit contribution from its technical support and maintenance services following the completion of Venetian contracts in Macau last year, partly mitigated by the effects of an increase in new cleaning and insurance service contracts as well as epidemic-induced ad hoc intensive cleaning and disinfection works and the losses related to laundry business disposed in December 2020 which did not recur this year.

For the Group's **cleaning services business**, combining the submitted tenders from previous months, Waihong was awarded 94 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\$1,104 million during FY2022. Among these 94 service contracts, 10 of them were major service contracts (with net contract sum not less than HK\$20 million for each service contract), which included two residential estates in Ma On Shan and Quarry Bay, two banks, a shopping mall in Shatin, a cross-border transport system in West Kowloon and Shek Kong, clubhouses in Happy Valley, an airport ancillary building and a commercial complex in Chep Lap Kok and government clinics in New Territories East District.

For the Group's **technical support & maintenance services business**, which provides renovations, repairing and maintenance services, combining the submitted tenders from previous months, it was awarded 84 projects (with a net contract sum not less than HK\$1 million for each project) with a total net contract sum of HK\$855 million during FY2022.

The Group's **security guarding & event services** comprises General Security and Perfect Event Services Limited. During FY2022, combining the submitted tenders from previous months, they were awarded 32 service contracts (with a net contract sum not less than HK\$1 million for each project) with a total contract sum of HK\$599 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 FY2022, Nova submitted tenders for 16 service contracts (with a contract sum not less than HK\$1 million for each service contract) with a total tender sum of HK\$31 million and all of them were awarded.

The Group's **environmental solutions business** provides air, water, landscape, and integrated management solutions to its clients. During FY2022, it was awarded 15 environmental and landscape service contracts (with a net contract sum not less than HK\$1 million for each contract) with a total contract sum of HK\$56 million and 7 ELV service contracts with a total contract sum of HK\$105 million (with a net contract sum not less than HK\$1 million for each contract). In addition, combining the submitted quotations from previous months, it 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.

### **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 43.3% (2021: 43.3% (restated)) of the Group's total revenue. Segment revenue increased by 7.9% or HK\$222.1 million to HK\$3,018.0 million from HK\$2,795.9 million (restated) and reflected an increase in revenue contribution from Mainland China, Macau and Hong Kong by HK\$122.9 million, HK\$85.8 million and HK\$13.4 million respectively. The gross profit of the E&M services segment increased by HK\$74.2 million to HK\$338.7 million from HK\$264.5 million (restated) with its gross profit margin increased to 11.2% from 9.5% (restated), principally reflected a higher gross profit margin contributed by its Inland Revenue Tower project in Kai Tak, partly offset by a decrease in COVID-19 related government grants.

During FY2022, combining the submitted tenders from previous months, the Group's E&M services segment was awarded 42 contracts (with a net contract sum not less than HK\$1 million for each project) with a total net contract sum of HK\$2,335 million. Among these contracts, nine of them were major projects (with net contract sum not less than HK\$100 million for each project), which included, in Hong Kong four residential developments in Ho Man Tin Station, LOHAS Park and Kai Tak, two customised housing developments in Anderson Road and Pak Wo Road, a public housing development at Yip Wong Road and AIA Campus Redevelopment and, in Mainland China a commercial complex development in Tianjin.

### **Environmental, social and governance**

Environmental sustainability is the Group's key responsibility of integrating sustainable practices in its operations and contributing to a greener future. The Group has implemented the ISO 14001 Environmental Management System which is a core component of its Integrated Management System ("IMS") to monitor the environmental performance. It has set reduction targets for energy consumption, greenhouse gas ("GHG") emissions, water consumption and paper procured, demonstrating strong dedication to reducing its environmental footprint.

To assure the quality of its employees at all levels and to secure a stable supply of future leaders, the Group have set up the Talent Development and Training Committee to plan, customised and oversee a comprehensive training and development programme for our employees. During the Year, over 28,000 hours of training were provided to 4,600 technical and operational staff.

### **Outlook**

For property & facility management services segment, with the increasing expectation of the corporate clients and property investors, there is a growing demand of enhanced services and one-stop solutions in professional property and facility management services. Under the current economic situation, our Property & Facility Management Group believes that large corporations and multinational enterprises will continue to outsource their non-core property and facility management activities to external professional agencies, which creates new business opportunities to it.

For the city essential services business, the Group's cleaning arm, Waihong expects its future prospect to be optimistic and the environmental cleaning service industry will continue to develop steadily and prosperously. Waihong foresees a rapid rebound of economy and benefits to its business with the resumption of cross-border travel. By customised on its extensive experience, systematic and customised services with its established brand, Waihong will explore more potential businesses from different market segments through leveraging its competitive advantages.

For technical support & maintenance business, it is expected that large-scale renovation works for existing commercial premises will create emerging business opportunities in the coming few years.

For security guarding & event services business, demand for security services has continue to grow steadily for the past year and it is expected to continue to grow. Moreover, the exhibition and convention industry has seen a gradual warming up and more optimistic outlook is anticipated for 2023 onward.

Turning to insurance solutions business, Nova will focus more on speciality products with higher yields and where its team has already possessed in-depth professional skills and knowledge such as cyber insurance, professional indemnity insurance and trade credit insurance.

For environmental solutions business, It will keep working with vendors to customise those systems according to the specific needs of customers and smart city blueprint, using advanced technologies and smart solutions such as AI and IoT, intelligent Intellectual Property/Information Technology-based and various 5G mobile applications to strengthen the building management and environmental monitoring system to enhance building sustainability and environmental quality thereby increase the satisfaction of its customers.

For the E&M services business, the Hong Kong government targets to maintain an annual works expenditure of over HK\$100 billion in the next few years as stated in its 2021 Policy Address. According to the construction expenditure forecast provided by the Construction Industry Council in May 2022, expenditure in E&M construction works each year will amount to over HK\$28 billion for the public sector and over HK\$24 billion for the private sector over the next five years. With such increasing demand of professional construction services, the Group will focus on the following public and private housing development, hospital development and infrastructure projects. For the Mainland China market, the Group has been providing project management services across Mainland China to an international exhibition centre development in Shenyang, 2 high-rise building complexes in Tianjin and Guangzhou, and 2 commercial buildings in Beijing. The Group firmly 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.

Despite the challenges and operational difficulties the Group faced in this financial year, in particular those arising from the outbreak of COVID-19, the Group's operations remained stable in the Year. 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 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, Kiu Lok Group, Waihong Services Group, FSE Environmental Technologies Group, Hong Kong Island Landscape Company Limited, General Security Group, Nova Insurance Group 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 its 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.

The Group's clientele includes the HKSAR Government, multinational corporations, owners and investors of properties, theme parks, universities, hotels and hospitals covering both private and public facilities. The Group devises solutions for its clients providing cost efficiency and service excellence at all stages of their projects.

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