



FSE Lifestyle Announces 2023/24 Interim Results
Profit Attributable to Shareholders down 8.6% to HK\$255.4 million

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Adjusted Net Profit after excluding the effects of government grants
sustained at HK\$231.0 million,
despite reduced profit from epidemic-induced ad hoc works

Financial Highlights

	For the six months ended 31 December		
	2023 HK\$M	2022 HK\$M	% Change
Revenue	: 4,114.5	3,712.1	+10.8%
Gross profit	: 516.4	535.0	-3.5%
Profit attributable to shareholders of the Company ⁽ⁱ⁾	: 255.4	279.5	-8.6%
Basic earnings per share	: HK\$0.56	HK\$0.61	-8.2%

The Board declared the payment of an interim dividend of HK22.4 cents (Six months ended 31 December 2022: HK24.5 cents) per ordinary share to the ordinary shareholders of the Company for the six months ended 31 December 2023⁽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 a decrease in adjusted net profit of 1.5% to HK\$231.0M (i.e. after excluding government grants of HK\$24.4M from profit attributable to shareholders of the Company of HK\$255.4M) for the six months ended 31 December 2023 as compared to its adjusted net profit of 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.

Note (ii) For the six months ended 31 December 2023, 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 2023 attributable to ordinary shareholders of the Company of HK\$251.1M (i.e. after deducting preferred distribution to the holder of convertible preference shares of HK\$4.3M for the six months ended 31 December 2023 from profit attributable to shareholders of the Company of HK\$255.4M).

For the six months ended 31 December 2022, the dividend payout ratio of the Company was 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).

27 February 2024, 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 2023 (the "Period").

During the Period, the Group recorded revenue amounting to HK\$4,114.5 million, representing an increase of HK\$402.4 million or 10.8%, as compared with HK\$3,712.1 million for the six months ended 31 December 2022 (the “same period last year”). The overall gross profit margin was 12.6%. If excluding the effects of government grants in the Group’s gross profit for both periods (i.e. HK\$8.2 million for the Period and HK\$23.2 million for the same period last year) to better illustrate the Group’s performance without such effects. Its adjusted gross profit margin decreased to 12.4% from 13.8% for the same period last year. This was mainly caused by a lower gross profit margin of the city essential services segment, principally driven by a decrease in epidemic-induced ad hoc security guarding, intensive cleaning and disinfection works and higher labour costs of the security guarding & event services business.

Profit attributable to shareholders for the Period was HK\$255.4 million, representing a decrease of HK\$24.1 million or 8.6% as compared with HK\$279.5 million for the same period last year, mainly resulted from (i) lower contributions from the security guarding & event services, insurance solutions and environmental solutions businesses; (ii) a decrease in government grants and (iii) higher corporate finance costs, partly offset by the effect of the strong performance of the E&M business. 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 would record a decrease in adjusted net profit for the Period of 1.5% to HK\$231.0 million (i.e. after excluding government grants of HK\$24.4 million from its profit attributable to shareholders of the Company of HK\$255.4 million) as compared to its adjusted net profit of HK\$234.5 million for the same period last year (i.e. after excluding government grants of HK\$45.0 million from its profit attributable to shareholders of the Company of HK\$279.5 million), despite the growth in its revenue mentioned above.

As at 31 December 2023, the Group had total cash and bank balances of HK\$512.6 million (30 June 2023: HK\$751.9 million), with a zero net gearing ratio. The Board has declared an interim dividend of HK22.4 cents per ordinary share for its ordinary shareholders for the six months ended 31 December 2023, representing a payout ratio of 40.1%.

Segmental performance

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

	For the six months ended 31 December			
	2023 HK\$'M	2022 HK\$'M	Change HK\$'M	% Change
Profit attributable to shareholders including government grants				
Property & facility management services	65.8	68.9	(3.1)	(4.5%)
City essential services	101.0	121.5	(20.5)	(16.9%)
E&M services	99.9	96.6	3.3	3.4%
Unallocated corporate expenses and finance costs*	(11.3)	(7.5)	(3.8)	50.7%
Total	255.4	279.5	(24.1)	(8.6%)

* Unallocated corporate expenses and finance costs comprise the Company’s corporate expenses of HK\$3.5 million (2022: HK\$3.2 million) and interest expenses of HK\$7.8 million (2022: HK\$4.3 million).

Property & facility management services

- ♦ Segment revenue decreased by 7.6% or HK\$27.0 million to HK\$329.8 million from HK\$356.8 million. It reflected a decrease in epidemic-induced ad hoc works for government buildings.
- ♦ 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\$91 million. Among these 12 service contracts, one of them was a major service contracts (with net contract sum not less than HK\$20 million for each service contract) for a residential estate in Tuen Mun.
- ♦ As at 31 December 2023, the property & facility management services segment has a total gross value of contract sum of HK\$1,802 million with total outstanding contract sum of HK\$872 million.

Outlook

- ♦ Market opportunities arising from the increased supply of both private and public housing have lead to a strong prospective demand for professional property management services in Hong Kong.
- ♦ As societal demand increases to protect property owners' rights, there is a growing demand for independent property and facility management companies that are not subsidiaries of property developers.
- ♦ Embarked on new operating methodologies and combined skilled manpower strengths with innovative technologies and Internet of Things ("IoT") applications to enhance overall service efficiency and effectiveness. The Group's technology applications, including Sm@rtUrban, ComEasy and drone, have been deployed in over 120 sites to enhance its operational efficiency and service excellence to our customers.
- ♦ Through digital platforms such as webpages, social media channels and instant messaging platforms, the Group can effectively engage its clients and provide them with convenient access to property information and then promote its property sales and leasing services business accordingly.

City essential services

This segment contributed 52.1% (2022: 49.8%) of the Group's total revenue. Segment revenue of HK\$2,142.6 million (2022: HK\$1,849.4 million) are as below:

For the six months ended 31 December

	2023 HK\$'M	2022 HK\$'M	% Change
Cleaning & pest control services	1,128.1	826.8	36.4%
Technical support & maintenance services	499.9	461.5	8.3%
Security guarding & event services	306.3	331.6	(7.6%)
Insurance solutions	58.1	61.3	(5.2%)
Environmental solutions	150.2	168.2	(10.7%)
Total	2,142.6	1,849.4	15.9%

- ♦ Segment revenue grew by 15.9% or HK\$293.2 million to HK\$2,142.6 million from HK\$1,849.4 million.
- ♦ Waihong was awarded 55 service contracts (with a net contract sum not less than HK\$1 million for each service contract) with a total contract sum of HK\$842 million. Among these 55 service contracts, nine of them were major service contracts (with net contract sum not less than HK\$20 million for each service contract), which included cleaning contracts for:
 - a museum and a commercial complex in Tsim Sha Tsui,
 - a shopping mall in Tsuen Wan,
 - a school in Pokfulam,
 - a tertiary institution in Wan Chai,

- a sports academy in Sai Kung,
- a hospital in Kowloon City, and
- a theme park in the Lantau Island.
- ♦ Technical support & maintenance services division was awarded 53 projects (with a net contract sum not less than HK\$1 million for each project) with a total net contract sum of HK\$626 million.
- ♦ Security guarding & event services division was awarded 22 service contracts (with a net contract sum not less than HK\$1 million for each service contract) with a total contract sum of HK\$374 million.
- ♦ Insurance solutions division was awarded nine service contracts (with a net contract sum not less than HK\$1 million for each service contract) with a total contract sum of HK\$23 million.
- ♦ Environmental solutions division was awarded seven 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\$13 million and 3 ELV service contracts (with a net contract sum not less than HK\$1 million for each contract) with a total contract sum of HK\$67 million, and was accepted one order (with a sum not less than HK\$1 million for each order) with a total sum of HK\$1 million.
- ♦ As at 31 December 2023, the city essential services segment has a total gross value of contract sum of HK\$10,667 million with a total outstanding contract sum of HK\$6,638 million.

Outlook

- ♦ Waihong will continue to increase its participation in the green waste management business to better align with the Hong Kong Government's environmental policies.
- ♦ Technical support & maintenance businesses anticipate a growing demand for term maintenance contracts, major alterations, additions and system upgrades for various commercial and residential buildings, hospitals, government properties and educational institutions as the economy recovers.
- ♦ Given the stable housing supply, which is the main driver of demand for security services, it is likely to expand at a similar pace. However, the Group will widely adopt cloud technology and Artificial Intelligence for patrol and manpower planning to improve operational efficiency and alleviate the industry-wide recruitment difficulties that still exist, albeit with improvement.
- ♦ As the exhibition and entertainment industries continue to recover, Perfect Event is actively responding to demand for services in the conference, convention, exhibition and leisure and culture sectors.
- ♦ Given Nova's extensive experience, the large number of construction projects expected in the near future and the strong demand for specialty insurance, such as cyber and professional indemnity, will complement its growth, the Group expects to see further growth in its insurance solutions business.
- ♦ For environmental solutions business, it comprises three business lines: Environment Solutions, Smart Solutions and Green Solutions, aims to seize the numerous opportunities arising from the unprecedented focus on environmental sustainability and the growing public awareness of environmental issues.

E&M services

- ♦ Segment revenue increased by 9.0% or HK\$136.2 million to HK\$1,642.1 million from HK\$1,505.9 million.
- ♦ There was substantial progress in a number of E&M engineering installation projects during the Period including the redevelopment works of an office building in Wan Chai, Ningbo New World Plaza Comprehensive Development in Mainland China and W Macau - Studio City.
- ♦ Awarded 13 contracts (with a net contract sum not less than HK\$1 million for each project) with a total net contract sum of HK\$1,034 million. Among these contracts, five of them were major projects (with net contract sum not less than HK\$100 million for each project), which included
 - 4 residential projects in Tuen Mun, Discovery Bay, Kai Tak and Southern District of Hong Kong; and
 - a new public market in Tin Sui Wai.
- ♦ As at 31 December 2023, the E&M services segment has a total gross value of contract sum of HK\$11,902 million with a total outstanding contract sum of HK\$5,542 million.

Outlook

- ♦ The Group has large-scale projects in the pipeline, including the Kai Tak Sports Park, the District Court at Caroline Hill Road, expansion of the Legislative Council Complex and the New Public Market in Tin Shui Wai, it is well positioned to take on even larger infrastructure and construction projects.
- ♦ Some more notable major designs and construction bids include the Tuen Mun South Extension MTRC Station, public housing and the dedicated rehousing estate at Kwu Tung North New Town, which are currently under negotiation. Tender preparations are also underway for the New Central Harbourfront commercial development and AsiaWorld-Expo Phase 2.
- ♦ In Mainland China, the Group will continue its efforts to strengthen its business presence in Mainland China, driven by its dual-core engine, supply/installation and project management expertise and well-established brand.
- ♦ In Macau, six casino companies and their subsequent commitment to collectively invest nearly US\$15 billion to help rebalance the local economy towards international tourism. This new investment and associated E&M tenders are expected to be underway soon. In addition, the increased use of the Hong Kong-Zhuhai-Macau Bridge will fuel economic recovery and related construction contracts in Macau.

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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 listed company in the Hong Kong Stock Exchange (Stock Code: 0331.HK), whose ultimate holding company is FSE Holdings Limited. We are a leading lifestyle services conglomerate with 3 major business segments: property & facility management services, city essential services and electrical and mechanical engineering (“E&M”) services.

Our services are being delivered through our below major groups of companies which have all been the market leaders in their respective industries. They include:

Property & Facility Management Services

- ♦ Property & Facility Management - Urban Group
- ♦ Property Management - International Property Management Limited
- ♦ Property Management, and Sales & Leasing - Kiu Lok Service Management Group

City Essential Services

- ♦ Cleaning & Pest Control - Waihong Services Group (“Waihong”)
- ♦ Technical Support & Maintenance - Far East Engineering Services Group and Turning Technical Services Limited
- ♦ Security Guarding & Event Services – General Security Group and Perfect Event Services Limited (“Perfect Event”)
- ♦ Insurance Solutions - Nova Insurance Group (“Nova”)
- ♦ Environmental Solutions - FSE Environmental Solutions Group

E&M Services

- ♦ Engineering and Consultancy on Installation - 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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