

Chairman's Statement



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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”), I am pleased to present the annual results of the Company for the year ended 30 June 2021 (“FY2021” or the “Year”).

TRANSFORMATION SPANNING THE PAST FIVE YEARS WITH SUCCESSFUL MERGERS AND ACQUISITIONS (“M&A”)

The year 2021 marked the fifth anniversary of the Company’s listing in Hong Kong and another important milestone was reached on 19 April 2021, with the successful completion of the acquisition of the security guarding & event services, insurance solutions and landscaping services businesses. Since its listing on 10 December 2015, the Group has adopted M&A strategies for market expansion through better utilisation of cash-on-hand and non-core assets, which in turn has provided it with broader and more diversified revenue streams. As a result, its consolidated revenue and profit attributable to shareholders for the Year grew significantly by more than 80% and 260% to HK\$6.5 billion and HK\$586.9 million respectively while its earnings per share increased more than 200%, compared with the figure recorded for the year ended 30 June 2016. The Company’s property & facility management services and city essential services segments contributed more than half of its gross profit and net profit for the Year. Sound financial management remains the Group’s priority, which has

enabled the net gearing ratio to remain unchanged at 0%. As a long-term development strategy, the Group has successfully repositioned itself into a large-scale and unique lifestyle services conglomerate that has the capacity to offer a comprehensive range of services to its clients and create aspirational and sustainable developments for the city community.

To reflect the status of the enhanced business following the completion of the acquisitions, and to better promote its corporate image and future business development, the Group has been renamed as FSE Lifestyle Services Limited from FSE Services Group Limited and has also re-categorised its market-leading enterprises into the following business segments:

- i. **Property & Facility Management Services**
- ii. **City Essential Services** including Cleaning, Technical Support & Maintenance, Security Guarding & Event Services, Insurance Solutions and Environmental Solutions
- iii. **E&M Services**

Looking ahead, our plans for performance growth are focused on leveraging our well-established and trusted brand, good governance, embracing cost effectiveness and capitalising on innovative technologies and professional expertise. Last but not least, we will continue to nurture our pool of young talents with diversified and tailor-made training. Thanks to the above efforts and the receipt of government grants, and despite a modest setback incurred by our E&M services business amid the competitive business environment, the Group's FY2021 profit attributable to shareholders reached HK\$586.9 million, with a net cash position maintained at the end of the Year. The Board has proposed a final dividend of HK16.1 cents per ordinary share for the Year. Including

the interim dividend of HK28.9 cents per ordinary share for the six months ended 31 December 2020, the total dividend payout for the Year is HK45.0 cents per ordinary share, equivalent to a payout ratio of 48.7%.

REMAINING RESILIENT IN A CHALLENGING YEAR

With the novel coronavirus ("COVID-19") pandemic remaining a key source of uncertainty, the revival of the local economy will very much hinge on the pandemic situation and the pace of vaccination. Being a comprehensive lifestyle services conglomerate, COVID-19 has posed unprecedented challenges to the operations of our business portfolio. However, our employees, particularly our frontline staff, have made every effort to maintain our business operations with much perseverance, vigilance and collaboration, and their role in enabling the Company's growth cannot, therefore, be stressed enough. In order to ensure their health and safety, we have provided our 18,000 employees with all necessary pandemic prevention equipment on site and trained them in a well-defined sanitation management process.

During the Year, our management has also adopted various immediate measures to cushion the adverse impacts of the pandemic, including proactive review of project execution, creation of more cross-selling opportunities and continuing its effective cost management. More importantly, amid the pandemic situation, there is a growing demand for professional and branded services providers, and we see this phenomenon gradually transforming society and providing us with numerous business opportunities in the short- to medium-term, especially for our property & facility management and city essential services segments.

Chairman's Statement

Property & Facility Management Services

Urban and Kiu Lok ("Property Management Group") are the largest among all independent players in the residential, non-residential and car park property and facility management markets in Hong Kong, after excluding service companies owned by property developers. In the face of uncertainty, there is a growing demand for one-stop, full-service and high-quality property and facility management services providers like us. The property management market is expected to expand in parallel to the growing number of properties in Hong Kong, supported by the expediting of land supply and strong demand for housing. Urban Renewal is also another key government policy that will fuel the growth momentum of the property management industry in the coming years. Furthermore, backed by the Group's extensive E&M experience in Mainland China, we are also exploring opportunities in and accelerating our expansion into the Greater Bay Area by means of organic growth, strategic collaboration and mergers and acquisitions.

City Essential Services

Leveraging the well-established brands of our property and facility management services and E&M services segments, the Group has continued to promote its city essential services, as below, in parallel both horizontally and vertically, and the benefits of economies of scales and cross synergies have gradually become increasingly pertinent. Aided by the recent acquisition this year, the Group is moving towards a new stage of high-quality development.

Cleaning Services – Waihong is one of the top three players in the Hong Kong environmental hygiene services market. During the pandemic, the Hong Kong Government has emphasised hygiene and environmental control and Waihong successfully secured contracts with the Housing Authority and Hospital Authority, further diversifying its customer base. Moreover, we have also benefited from the escalated demand for pandemic prevention and disinfection works. Once the pandemic is under control, the progressive transformation of the Hong Kong economy towards higher value-added activities and high-end residential and commercial buildings will provide great growth momentum to Waihong's business in the coming years.

Technical Support & Maintenance Services – More than 65% of existing buildings in Hong Kong are over 20 years old. Thus, this division envisages 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.

Security Guarding & Event Services – General Security holds all three licenses required for operating a security company in Hong Kong and is one of the top two leading players in Type I security guarding services. Over the years, demand has grown at a steady pace and has been most noticeable in the residential sector, with over 4.8 million square feet of new usable floor area built in 2020. Amid the pandemic, we obtained certain non-regular additional orders for manpower to conduct pandemic prevention measures. Moreover, the Group is now actively exploring the potential new revenue stream of event services under this division and hopes to capture the vast business opportunities that will exist once the event and exhibition sector resumes its normal activities.

Insurance Solutions – Nova is the leader among local insurance brokers in Hong Kong in terms of gross insurance brokerage income. It offers one-stop risk management and insurance solutions, including, but not limited to, property, casualty, construction and employee benefits, to both corporate and individual clients. With a large number of construction activities expected to commence in the near term, and given Nova's wealth of experience in the sector, the Group hopes to see further growth in its insurance solutions business.

Environmental Solutions – The Hong Kong Government has placed much emphasis on Green Development, and this is another important pillar for the Group's high-quality development. We will continue to capitalise on the public's increased awareness of environmental issues, providing total solutions that are energy efficient as well as environmentally friendly. Furthermore, as a landscape service provider, we will provide high-quality arboriculture and horticulture services to our prestigious clients.

E&M Services

Hong Kong

The Hong Kong Government shall continue to provide a stable commercial and residential land supply, with average E&M construction works expenditure for the fiscal year 2021/22 expected to exceed HK\$25 billion for the public sector and over HK\$24 billion for the private sector according to data from the Construction Industry Council. The Group's E&M services segment currently enjoys a position as one of the two dominant players in the Hong Kong market. In addition to its large-scale projects on hand, including Kai Tak Sports Park, Immigration Headquarters in Tseung Kwan O and 11 SKIES in Chek Lap Kok, the Group is adequately prepared to take on sizeable infrastructure and building projects. Notably among others, these are our major submitted tenders: The Kwun Tong Composite Development, the mixed-used developments at the former Kai Tak runway and Mass Transit Railway Corporation ("MTRC") Wong Chuk Hang station, currently under negotiations. Preparations are also underway for tenders for the District Cooling System at Tung Chung New Town Extension East and Kwu Tung North, Lok Ma Chau Loop Development and the New Town Extension Projects at Kwu Tung North, Fanling North and Hung Shui Kiu. The Group continues to make strides in accommodating the Hong Kong Government's Construction 2.0 initiative, which advocates innovation, professionalism and revitalization. As a result of our highly skilled E&M team and use of advanced technologies such as Building Information Modelling (BIM) and Modular Integrated Construction (MiC) technology, our Vehicle Examination Center at Tsing Yi has been highly praised for both its productivity and work quality.

Mainland China

Domestically, Mainland China was the first economy to recover and return to a pre-pandemic growth trend. Thanks to its geographical proximity, the Greater Bay Area development represents another strategically significant initiative which will undoubtedly inject a new growth impetus into the Group. As one of the few Hong Kong-based E&M general engineering contractors with Class I Qualification in Mainland China, the Group has an advantage in optimising project

coverage in this crucial 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 with our dual-core engine, supply/installation and project management expertise and our well-established and trusted brand.

Macau

The economic environment of Macau will continue to struggle in 2021 due to a sharp decline in tourism following the pandemic. Nevertheless, we remain optimistic about its long-term development. We anticipate another wave of financial investments from the gaming concessionaires and sub-concessionaires before the license renewal in 2022, and the operation of the Hong Kong-Zhuhai-Macau Bridge and high-speed rail will fuel economic recovery and further position Macau as a world-class tourism centre.

CONCLUSION

Despite the challenges from the pandemic in Hong Kong, the Group will surmount the difficulties through its solid financial position and proven track record. It will also continue to seek new business opportunities to further expand and maximise shareholder value.

On behalf of the Board, I would like to express my sincerest gratitude to all shareholders, customers and business partners for their unwavering support of the Group. I wish to also thank the management team and fellow staff members for their steadfast dedication. As always, we remain fully committed to ensuring the Group's long-term development and fair returns to shareholders.

Dr. Cheng Kar Shun, Henry

Chairman

Hong Kong, 27 September 2021