

# Chairmen's Statement

## 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 annual results of the Company for the year ended 30 June 2024 ("FY2024" or the "Year").

## Integrating Trio-Interactive Strategy with Growth Initiatives for Sustaining Market-Leading Development

The year 2024 marks the eighth anniversary of the Company's listing in Hong Kong. Since listed, through organic growth and acquisitions, we have diversified our businesses grouping them into three core segments, and repositioned the Group as a unique lifestyle services conglomerate which offers the following comprehensive range of services to clients:



**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 Works, and Design & Consultancy

Supported by a dedicated team, our core businesses remained solid despite having to cope with a challenging business environment in past years. We had a healthy balance sheet with diversified sources of cash flow and net gearing ratio at zero for the Year.

**Mr. Doo Wai Hoi, William** *BBS, JP*  
Chairman and Executive Director



Supported by a dedicated team, our core businesses remained solid despite having to cope with a challenging business environment in past years. Relative to the year ended 30 June 2016, the Group's financial performance had markedly improved. Its consolidated revenue had 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. 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 Year. That will allow us to tap more market opportunities in the near term.

Thanks to a robust execution infrastructure, we are able to keep pushing forward our proven trio-interactive strategy encompassing safety and health, stakeholder engagement, and training and development. Those pillars are not only intrinsic to our commitment to delivering excellence on all operational fronts, but are also the cornerstone of our enduring success, essential for fostering sustainable growth of the Group and augmenting shareholder value.

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). During FY2024, our Group's safety training hours increased more than 40% to 73,800 hours.



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**Dr. Cheng Kar Shun, Henry** *GBM, GBS*  
Chairman and Non-executive Director

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To win in the increasingly competitive market, we need to engage stakeholders to 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. During FY2024, our Group's training hours increased 28% to 204,929 hours.

At the same time, we endeavour to fortify our marketing strategies, foster cross-selling opportunities, enhance brand equity through meticulous 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, as exemplified by the recent acquisition of Beijing Nova, has helped bolster our insurance solutions business. The acquisition, expected to be completed in the current fiscal year, is set to bring accretive shareholder value.

## Established Market Positions

Implementing robust strategies and with a dedicated management team, the Group achieved profit attributable to shareholders of HK\$501.1 million for FY2024 and maintained a net cash position at the end of the Year. Excluding the impact of government grants in both years, the Group's adjusted net profit for the Year has increased by 6.6%. Should the profit contributions from COVID-related works in both years also be excluded, the Group's adjusted net profit for the Year would have increased by 13.4%. The Board has proposed a final dividend of HK21.4 cents per share for the Year. Including the interim dividend of HK22.4 cents per ordinary share for the six months ended 31 December 2023, total dividend for the Year is HK43.8 cents per ordinary share, representing a payout ratio of 40.0%.

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

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## 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. The clientele also enables us to cross sell our other services within the Group. The Group has strong technical and engineering teams, probably has the most professionally qualified property management professionals holding over 300 Tier 1 and Tier 2 property management licences. We currently have more than 300 property management contracts covering no less than 150,000 residential units, 3.3 million square metres of commercial properties and approximately 40,000 car park spaces.

The Chief Executive mentioned in his 2023 Policy Address that the Government will ensure stable housing and land supply in the next decade including fast-track light public housing. Such plans are expected to fuel growth of the property management service market. Furthermore, urban renewal and the Mandatory Building Inspection Scheme speeding up urgent repair works will be another growth driver in the coming years. Looking ahead, the segment will continue to apply new and modern management standards and information technology in its operations to promote smart estate management and meet the growing customer demand for smart, sustainable and green living.

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### City Essential Services

**Cleaning & Pest Control Services** – Waihong is a leading provider in the environmental hygiene services in Hong Kong. Given the importance of hygiene and environmental control, the Hong Kong Government currently awards cleaning service contracts about HK\$5 billion a year. That considered, Waihong has strategically put more resources into strengthening its competitiveness in this 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%. To cope with its increasing scale of business, Waihong has introduced new information technology and robots in its operations to improve efficiency and work safety. It is applying new energy transport related funding from the Environment & Ecology Bureau for trying out hydrogen fuel cell vehicles. Its plan bodes well to its commitment to green transformation of heavy vehicles, in line with the city's hydrogen development strategy.

With extensive experience, high-quality customised services and a distinctive brand, Waihong 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 solid 36-year track record of 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. Last year, the government released a development roadmap for the insurance sector, outlining its vision and mission, and also targeted policy initiatives to strengthen the city's status as a global risk management centre and sophisticated insurance hub. Given its extensive experience and the many proposed construction projects including Northern Metropolis Development projects, Nova is well-poised for growth. Overall, the Group expects to continue to see its Insurance Solutions business thrive.

**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 commercial and residential buildings, hospitals, government properties and educational institutions. According to Urban Renewal Authority figures, there are more than 10,000 buildings 50 years or older in Hong Kong, which has created ample opportunities for renovation, system upgrades and maintenance works on these aged buildings. With the implementation of Hong Kong's Climate Action 2050 Carbon Neutral Policy, the demand for enhancing energy conservation and decarbonisation in buildings, including chiller plant upgrading or replacement projects will also grow. We have already started a pilot zero-carbon chiller system for a commercial complex in Tsuen Wan West. Furthermore,

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the division will continue to complement and support our Property & Facility Management Services business, particularly in assisting with building inspections the government's Mandatory Building Inspection Scheme.

**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.

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

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 Electrical Vehicles ("EV") charging infrastructure business has installed EV charging equipment in more than 3,000 parking spaces and expects this number to grow with the government targeting to expand the charging infrastructure to around 200,000 parking spaces by mid-2027.

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 and build 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.

**Systems Security, Guarding & Event Services** – General Security, which holds all three security service licences issued in Hong Kong, is amongst the top two security & guarding services providers in the city. With the housing supply stabilised, the demand for security & guarding services is likely to grow in coming years.

In the coming years, the Government intends to continue promote the mega event economy, actively reaching out to attract more world-class mega events to come to Hong Kong. The Kai Tak Sports Park opening next year is expected to bring a wave of sports events to the city. Perfect Event has been successfully meeting to the service demands of local conferences, conventions and exhibitions. Technological advancement has 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.

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### E&M Services

#### Hong Kong

With the Hong Kong Government committed to maintaining a stable supply of commercial and residential land, the Construction Industry Council expects average E&M construction expenditure to exceed HK\$30 billion in the public sector, and HK\$25 billion in the private sector in the fiscal year 2024/25. 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. However, our division is capable of taking on more and larger infrastructure and construction projects. The Group, 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"), help support its contracting business in the future.

#### Mainland China

Despite facing economic headwinds, the China has vowed to continue to pursue high-quality development and maintain reasonable growth through proactive fiscal policies and prudent monetary policies, while pressing on with urbanisation. Priding 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 undertaken sizeable mixed-use development projects in major cities such as Shanghai, Hangzhou, Kunming and Ningbo. The Group will continue to strengthen business presence in Mainland China, powered by its dual-core engine, supply/installation and project management expertise and well-established brand.

#### Macau

The Macau economy will continue to improve in the coming year with its travel and tourism industry recovering and, most importantly, the new 10-year concessions granted to six casino operators who 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 within a couple of years. 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 will continue to strengthen business presence in Mainland China, powered by its dual-core engine, supply/installation and project management expertise and well-established brand.**

## 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, 13 September 2024