

# Chairman's Statement

To Our Shareholders:

The shares of FSE Engineering Holdings Limited (together with our subsidiaries, the "Group") were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Listing") on 10 December, 2015. The Listing represents a significant milestone for the Group as it provides us with access to a more effective fund-raising platform that supports us in achieving our goals, including, among others, tapping into the Hong Kong, Mainland China and Macau markets — all of which hold immense development potential. The Listing has demonstrated the Group's intrinsic value, which combined with a stronger balance sheet, will allow us to seize opportunities for future ventures and collaboration, particularly on large-scale projects in the regions. It is also worth noticing that the Listing has provided us with fresh impetus to further strengthen and optimize the Group's corporate governance and capital structure, which are core to its sustainable development over the long term.

Looking back over the past year, the Hong Kong economy was able to maintain modest growth, despite the impact from a combination of external factors such as greater global market volatility arising from US monetary policies, recent stock market adjustments, and rising concerns about China's economic growth prospects. Even though GDP expansion slowed down, there has been increasing investments in the public and private sectors, including the infrastructure sector. Consequently, the construction, E&M (*electrical and mechanical*) engineering and environmental engineering industries in Hong Kong, Mainland China and Macau were all able to achieve moderate growth, and that spurred demand for E&M engineering services.

With 40 years under our belt, and a solid reputation that has been built through good time and bad, we are not new to economic and other challenges, such as those we are currently facing. Indicative of our ability is not only our perseverance but also our strong will in continuing to progress, the Group has been able to achieve satisfactory performance during the past year, with profit attributable to shareholders increased by HK\$17.3 million or 23.3%, if the one-off listing expenses were excluded. The Board has consequently elected to declare an interim dividend of HK5.0 cents per share for the six months ended 31 December 2015.

Though the global economic recovery is likely to remain subdued in the near future, the Hong Kong Government is expected to unveil a range of initiatives that will be favorable to the construction and E&M engineering industry. Already, the Policy Address delivered on 13 January 2016 has confirmed the Hong Kong Government's commitment to continue to rezone sites, increase the intensity of land development and conduct reviews to achieve optimal land usage. Such a decision will consequently lead to an upswing in infrastructure, public housing and private housing projects, which in turn will help drive the construction, E&M engineering and environmental engineering industries. To capitalize on the various infrastructure investments that are set to take place in Hong Kong, we will bolster the Group's capabilities in ELV (*extra-low voltage*) system works and increase human resources, specifically for enhancing work quality and engineering design capability. Such efforts will thus strengthen our already extensive capabilities in Hong Kong, and consolidate our presence in this key market.

The Group is no less committed to continuing its presence in Mainland China. True to such commitment, it will continue to take a disciplined approach in its business development towards this market. The management fully recognizes that with ongoing economic integration between Hong Kong and the motherland, any economic momentum that is gathered on the Mainland has the potential for benefiting Hong Kong. Moreover, with the implementation of structural reforms being underway, complemented by prudent fiscal and monetary policies aimed at encouraging long-term sustainable growth, urbanization will gather speed. This will encourage the rebalancing of the local economy, and will result in fresh opportunities for the construction and E&M engineering industry. As the Group is among one of the few Hong Kong-based companies in Mainland China that possesses the Class I Qualification for E&M engineering general contractors, its strategy will be to forge ties with selected partners in order to expand its footprint in this crucial market.

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In respect of Macau, the scheduled completion of several casino projects in 2016 will potentially lead to a consolidation phase for members of the construction and E&M engineering industry. Nonetheless, the Macau SAR Government has initiated several initiatives. These initiatives include developing a new urban zone, promoting development of integrated tourism, and reinforcing non-gaming leisure and entertainment, all of which will create opportunities for the Group. Further, the increase in public awareness of environmental issues will raise demand for associated environmental engineering services and projects. The Group fully intends to capitalize on this trend by providing customers with total solutions that combine energy efficient, environmental friendly, and renewable energy technologies.

On behalf of the Board of Directors, I would like to take this opportunity to express my sincere gratitude to all of our shareholders, customers, and business partners for their unwavering support. I wish to also thank the management team and my fellow staff members for their whole-hearted support. We are fully committed to maintaining the Group's long-term development and ensuring fair returns for our shareholders.

**Dr. Cheng Kar Shun, Henry**  
*Chairman*

Hong Kong, 26 February 2016