

“ Amid the severe COVID-19 pandemic, there is a steady demand for professional and branded services. We perceive this trend may provide the Group with numerous business opportunities in the short to medium term. ”

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 unaudited condensed consolidated interim results of the Company for the six months ended 31 December 2021 (the “period under review”).

REMAINING RESILIENT IN A CHALLENGING YEAR WITH SUCCESSFUL TRANSFORMATION

The year 2022 marks the sixth anniversary of the Company's listing in Hong Kong. Despite intermittent periods of recovery, the Hong Kong economy continues to face headwinds due to recurrent waves of the novel coronavirus (“COVID-19”) pandemic. Thanks to the dedication and professionalism of our management, with years of pragmatic thinking and active acquisitions, the Group's businesses have proven themselves to be resilient with a solid foundation for growth. The Group has made considerable strides to successfully transform and reposition itself into a large-scale and unique lifestyle services conglomerate that has the capacity to offer the following comprehensive range of services to its clients:

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- 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**

As a result, its consolidated revenue and profit attributable to shareholders for the full financial year ended 30 June 2021 grew significantly by more than 80% and 260% respectively while its earnings per share increased more than 200% compared with the figure recorded for the year ended 30 June 2016 five years ago. Amid the continued volatility of the pandemic situation, the Group has developed a diversified range of service offerings and corporate accounts, which could potentially improve the stability of its operation through more diversified revenue streams, placing it in a better position to cushion the impact of the epidemic. The increase in revenue was primarily the result of increased cross-selling synergies and customer loyalty, with a promising return rate helping form a sustainable development layout. Further to our acquisition strategy, the Group made full use of its competitive advantages and continues to reshape its business segments with the aim of mitigating cyclical risks typically associated with the E&M Services segment. This strategy has clearly been successful; the Group's property & facility management services and city essential services segments contributed more than half of its gross profit and net profit for the period under review. Sound financial management remains the Group's priority, which has enabled the net gearing ratio to remain unchanged at 0%. During the period under review, 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 strategy. More importantly, amid the ongoing pandemic situation, there is a steady demand for professional and branded services providers, and we see this phenomenon gradually transforming society and

providing the Group with numerous business opportunities in the short to medium term, especially for our property & facility management and city essential services segments.

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. The Group owns unique capabilities to provide high quality, and complementary integrated services and create cross-selling opportunities with more service lines, supplemented by advanced technologies and smart solutions such as AI and IoT, increasing the satisfaction of our valued customers. To cope with the growth of our businesses, we will continue to invest in people and nurture our pool of young talent with diversified and tailor-made training. Thanks to the above efforts, the Group's profit attributable to shareholders reached HK\$238.5 million for the six months ended 31 December 2021, with a net cash position maintained at the end of the period under review. Although such profit was 49% less than HK\$471.4 million for the same period last year, if excluding the effects of government grants under the Employment Support Scheme (the "ESS Scheme") of the HKSAR Government in the Group's results for both periods and other one-off items of losses related to laundry business disposal in December 2020 and one-off professional fees for acquisition in the Group's prior period results, the Group's adjusted net profit for the period under review increased by 16.5%. The Board has declared an interim dividend of HK20.9 cents per ordinary share to its ordinary shareholders for the six months ended 31 December 2021, which represents a dividend payout ratio of 40.2%.

Property & Facility Management Services

Urban, International Property Management Limited and Kiu Lok (together, the "Property & Facility Management Group") are the largest among all independent players in the residential, non-residential and car park property and

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facility management markets in Hong Kong, excluding service companies owned by property developers. In the face of the uncertainty surrounding the development of the pandemic situation, and with the increasing expectations of corporate clients and property investors, there is a growing demand for one-stop, full-service and high-quality property and facility management services providers with good corporate governance like us. Extended services include property pre-management services, building renovation and rejuvenation services and leasing and tenancy management, some of which create ample cross-selling opportunities for our city essential services segment. With the Hong Kong Government's determination to sustain the housing and land supply through a multi-pronged approach, the property management market is expected to expand in parallel with the growing number of properties in Hong Kong. Urban renewal is 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 strategic collaboration and mergers and acquisitions. In order to fulfill the rising customer demand for smart, sustainable, and green living solutions with high standards of hygiene and operational efficiency, our Property & Facility Management Group has long been committed to, and recognised for, applying modern management models and standards and information technologies in its operations.

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 created by the economies of scale and cross synergies have gradually become increasingly pertinent.

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 recently secured contracts with the Leisure and Cultural Services Department and the Food and Environmental Hygiene Department, further diversifying and expanding its customer mix within the Government sector. By capitalising on its extensive experience, high-quality and customised services and distinctive brand, Waihong will continue to increase its participation in the green waste disposal business for further accommodating the Hong Kong Government's environmental policy. Moreover, it is assumed that we have also benefited from the steady demand for pandemic prevention and disinfection works due to the ongoing pandemic situation. On the contrary, once the pandemic subsides, 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 – Research from the Urban Renewal Authority revealed that there are more than 10,000 buildings aged 50 years or above in Hong Kong. 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 as 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. During the pandemic, we obtained certain non-regular additional orders for manpower to

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conduct pandemic prevention procedures. Moreover, given the promotion of the meeting, incentive, convention and exhibition sector and the expedition of the planning process for leisure and cultural activities, the Group has recently established a company targeting this potential new revenue stream of large-scale event services under this division and hopes to capture the numerous 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. Given Nova's wealth of experience, and with a large number of construction activities expected to commence in the near term, as well as the stronger demand for specialty insurances such as cyber insurance and professional indemnity insurance, the Group expects 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 of the Group's high-quality development. We will continue to capitalise on the numerous opportunities created by the public's increased awareness of environmental issues, providing total solutions that are energy efficient as well as environmentally friendly. Aware that the living environment and hygiene levels of residential and commercial facilities cannot be ignored amid the ongoing pandemic situation, the extra-low voltage team of this division will leverage technological advancements such as artificial intelligence, the Internet of Things and various 5G mobile applications to strengthen the building management and environmental monitoring system, enhancing building sustainability and environmental quality. Furthermore, given the prevailing green policies, town planning initiatives and various support schemes provided by the government, as a landscape service provider, we will be highly beneficial to the development of the industry and 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 work expenditure for the fiscal year 2022/23 expected to exceed HK\$25 billion for the public sector and HK\$22 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 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. Most notable among our major submitted design and construction tenders are the Kwun Tong Composite Development and District Court at Caroline Hill Road, both of which are currently under negotiation. Preparations are also underway on tenders for the District Cooling System at Tung Chung New Town Extension East and Kwu Tung North, Grantham Hospital Phase I at Wong Chuk Hang and Prince of Wales Hospital Phase II at Shatin. In addition, the Northern Metropolis Development Strategy, which is centered on urban-rural integration is also set to become the most important initiative for city development. The Group will continue to make strides in accommodating the Hong Kong Government's Construction 2.0 initiative, which primarily promotes innovation, professionalism and revitalisation. 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), both our West Kowloon Government Offices and Vehicle Examination Centre at Tsing Yi projects have been highly praised for their productivity and work quality. Finally, the Group will closely monitor and navigate the operational risks brought about by the recurrent waves of pandemic, particularly the temporary interruption of production and dislocation of the supply chain, via responsive financial planning and flexible resource deployment.

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Mainland China

Domestically, Mainland China's growth has also softened in recent months, characterised by stringent COVID policies and macro and regulatory policies introduced due to the evolving pandemic situation and the overarching common prosperity objective promoting quality growth, social well-being, and environmental sustainability. 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 its project coverage in this crucial market. In addition, our over 30 years of substantial experience, extensive goodwill and trusted brands established here serve as a strong platform for enhancing our customer relationship and solicitation in this 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, leveraging its dual-core engine, supply/installation and project management expertise and well-established and trusted brand.

Macau

The economic environment in Macau will continue to be challenging in 2022, with pandemic-related travel restrictions and the evolving COVID-19 situation in Macau and Mainland China continuing to limit visitation. Nevertheless, we remain optimistic about its long-term development. We anticipate another wave of financial investments from the gaming concessionaires and sub-concessionaires upon 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 posed by the pandemic situation in Hong Kong, the Group will prevail by leveraging 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, 24 February 2022