

## ●●● Chairman's Statement

“ Although the complete eradication of COVID-19 is unlikely this year, it is anticipated that the pandemic will begin to dissipate, which will be beneficial to Hong Kong's economic recovery. We will continue to grow in this post-pandemic era, we will also continue to seek new business opportunities to expand our operations and maximise shareholder values. ”

### 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 2022 (the “period under review”).

### FOCUS ON DIVERSITY OF SERVICES THROUGH A TIGHTLY INTEGRATED BUSINESS ECOSYSTEM

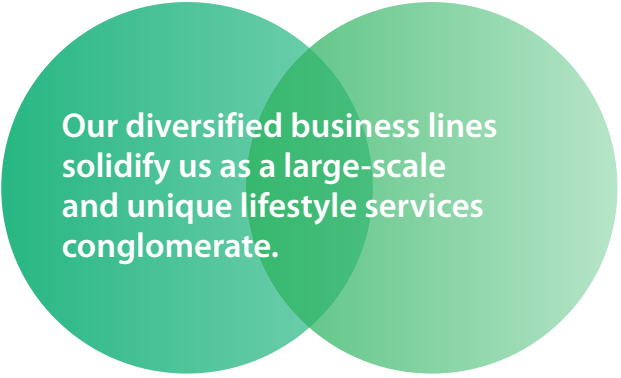
The year 2023 marks the seventh anniversary of the Company's listing in Hong Kong. Despite experiencing multiple pandemic outbreaks and increased competition in the labour market, the Group continued to diversify the service offerings of its businesses through proactive marketing efforts and effective cost management, highlighting the resilience of its businesses and enabling us to be better positioned to withstand the current challenges.

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Looking back over the past seven years, service quality has been the cornerstone of the Group's development. With this as a foundation, we were able to rapidly diversify our business lines through organic growth and acquisitions, and optimise our management team as part of a succession plan to reposition the Group as a large-scale and unique lifestyle services conglomerate offering the following comprehensive range of services to clients:

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

Compared with our financial performance for the year ended 30 June 2016, the Group doubled consolidated revenue, more than tripled profit attributable to shareholders, and increased earnings per share by more than 160% for the financial year ended 30 June 2022.



**Our diversified business lines solidify us as a large-scale and unique lifestyle services conglomerate.**



**Doubled consolidated revenue, more than tripled profit attributable to shareholders and increased earnings per share by more than 160% over the past six financial years.**

The increase in revenue was primarily attributable to the business ecosystem we have built creating cross-selling synergies and strengthening customer loyalty. This has successfully enabled us to meet our goal of balancing growth in scale with cash flow. The property & facility management services and city essential services segments account for more than half of the Group's gross and net profit for the period under review. The Group has practised prudent financial management at all times. It has nil net gearing ratio during the period under review.

At a strategic level, the business ecosystem is fundamental to our future development. The Group will be uniquely positioned to provide high quality and complementary integrated services, create cross-selling opportunities, and leverage advanced technologies and smart solutions such as Artificial Intelligence ("AI") and the Internet of Things ("IoT"), so as to increase the satisfaction of our valued customers.

To support the growth of our businesses, we have increased our management bandwidth by optimising our organisational structure. With our people-centric principles, we are actively promoting occupational safety and health and we will continue to invest in people and nurture our colleagues, especially young talent, with diversified and tailored training.

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As a result of adopting appropriate risk management strategies and dedication of our management team, the Group's profit attributable to shareholders reached HK\$279.5 million for the six months ended 31 December 2022, with a net cash position at the end of the period. The Board has declared an interim dividend of HK24.5 cents per ordinary share for its ordinary shareholders for the six months ended 31 December 2022, representing a dividend payout ratio of 40.1%.

### Property & Facility Management Services

Our Property & Facility Management Group, which comprises Urban, International Property Management and Kiu Lok, is one of the largest independent service providers in the Hong Kong property and car park management services market. We currently have more than 300 property management contracts covering no less than 140,000 residential units, 3.2 million square meters of commercial property and 60,000 car park spaces. With the paradigm shift, it is expected that there will be a growing demand for one-stop, high-quality and comprehensive property and facility management services against the backdrop of the normalisation of the pandemic.

**With the Hong Kong Government determined to increase housing and land supply, the property management market is expected to expand.**

With our extensive experience of over 50 years, we are able to improve people's living conditions through property management services, building renovation and refurbishment, and leasing and tenancy management, some of which present significant cross-selling opportunities for our city essential services segment. With the Hong Kong Government determined to increase housing and land supply, the property management market is expected to expand in line with the increase in property development in Hong Kong. Urban renewal is another government priority that will fuel the growth momentum of the property management industry in the coming years. The Group has maintained one of the strongest professionally qualified service teams with over 500 Tier 1 and Tier 2 property management practitioners, making it well prepared for business opportunities and be fully compliant with the Property Management Services Ordinance.

**Growing demand for one-stop and high-quality property and facility management services against the normalisation of the pandemic.**

Furthermore, armed with extensive E&M experience in Mainland China, the Group is also exploring opportunities in the Greater Bay Area via strategic collaboration and mergers and acquisitions. To satisfy the rising customer demand for smart, sustainable and green living, our Property & Facility Management Group is committed to the continued application of new and modern management standards and information technology in its operations.

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### City Essential Services

Building on our recognisable brands, high service quality and strong cross-selling synergies created through our business ecosystem, the Group continued to successfully promote its city essential services during the year:



Our recognisable brands, high services quality and strong cross-selling synergies created through our business ecosystem.

**Cleaning Services** – Waihong is one of the top three players in the Hong Kong environmental hygiene services market. With the current emphasis on hygiene and environmental control, the Hong Kong Government is currently launching cleaning service contracts worth an estimated HK\$5 billion to the market each year. Against this backdrop, Waihong has strategically deployed more resources to strengthen our competitiveness in this sector and has successfully secured contracts from the Food and Environmental Hygiene Department, the Leisure and Cultural Services Department and the Department of Health, thereby diversifying its revenue sources and increasing the proportion of revenue from the government and quasi-government sectors by more than 40%. Furthermore, the Group has adopted the use of new information technology and robotics applications in its operations to enhance efficiency and work safety.

Equipped with extensive experience, high-quality customised services and distinctive brand, Waihong will continue to increase its participation in the green waste disposal business to better align with the Hong Kong Government's

environmental policy. In addition, with the implementation of the solid waste charging scheme in 2023, together with the government's push for the Waste Blueprint 2035 and the Climate Action Plan 2050, we are looking at different recycling business opportunities. Given the increasing public awareness of environmental hygiene and demand for preventive disinfection services, we are optimistic about the future of the industry.



Deployed more resources to strengthen our competitiveness in the Hong Kong environmental hygiene services market.

**Technical Support & Maintenance Services** – Research from the Urban Renewal Authority revealed that there are more than 10,000 buildings which are over 50 years old in Hong Kong, in addition to a portfolio of no less than 300 hotels and 50 shopping malls. Thus, this division anticipates a growing demand for term maintenance contracts, large-scale alterations, additions and system retrofits for different commercial and residential buildings, hospitals, government properties and educational institutions. In addition, this division will continue to play its complementary role in supporting our property & facility management services business.

**Security Guarding & Event Services** – General Security holds all three licenses for security service companies in Hong Kong and is one of the top two players in the security guarding services sector. The demand for security services has grown steadily over the years, most notably in the residential sector.

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In addition, our Event Services division has been meeting and actively targeting demand for service needs in the conference, incentive, convention and exhibition sectors, as well as leisure and cultural activities. It aims to acquire large-scale event services in the events and exhibitions sector following the gradual relaxation of pandemic-related restrictions. Technological advances have also created more demand for advanced electronic security devices such as alarm controls and video surveillance cameras. To capture these business opportunities, the Group will expand the product range of its security system business. Cloud technology and AI will also be widely adopted for patrol and manpower planning to improve operational efficiency.

**Aims to acquire large-scale event services in the events and exhibition sector following the gradual relaxation of pandemic-related restrictions.**

**Insurance Solutions** – Nova is the leading local insurance broker in Hong Kong in terms of gross insurance brokerage income. It offers one-stop risk management and insurance solutions for corporate and individual clients, including but not limited to property, casualty, construction and employee benefits. On 5 December 2022, the government issued a development roadmap for the insurance sector, outlining its vision and mission as well as targeted policy initiatives to strengthen the city's status as a global risk management center and sophisticated insurance hub. Given Nova's wealth of experience, the large number of construction projects expected in the near term, and the strong demand for specialty insurance such as cyber insurance and professional indemnity insurance, the Group expects to see further growth in its insurance solutions business.

**Develop new and innovative businesses and strengthen our building management and environmental monitoring system.**

**Environmental Solutions** – The Hong Kong Government has placed much emphasis on green development and this is a key development focus for the Group. We intend to seize the numerous opportunities arising from the growing public awareness of environmental issues. Aware of the demand for high living environment and hygiene standards, the Group will focus on developing integrated facility management solutions, including smart offices, smart toilets, real-time indoor air quality ("IAQ") monitoring and rodent control.

The division's extra-low voltage team will apply advanced technologies such as AI, IoT and various 5G mobile applications to develop new and innovative businesses and strengthen our building management and environmental monitoring system to help enhance building sustainability and environmental quality.

Furthermore, given the government's consistent greening policies, urban planning initiatives and various support schemes, as a landscape service provider, we are able and willing to contribute to the development of the industry by providing high-quality arboriculture and horticulture services to our prestigious clients.

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### E&M Services

#### Hong Kong

With the Hong Kong Government's bright blueprint to boost economic growth and its commitment to maintaining a stable commercial and residential land supply, the average E&M construction works expenditure for the fiscal year 2022/23 is expected to exceed HK\$27 billion for the public sector and HK\$23 billion for the private sector, according to data from the Construction Industry Council.

We are one of the few Hong Kong-based E&M general engineering contractors with the Class I Qualification in Mainland China.

The Group's E&M services segment is currently one of two dominant players in the Hong Kong market. Despite having large-scale projects on hand, including the Kai Tak Sports Park, the Immigration Headquarters in Tseung Kwan O, the District Court at Caroline Hill Road and Expansion of the Legislative Council Complex, the Group is adequately prepared to take on larger infrastructure and construction projects. Among the more notable of our major design and construction tender submissions include the District Cooling System at Tung Chung East New Town Extension, Lai Chi Kok Reception Centre and the New Public Markets in Tin Shui Wai, all of which are currently under negotiation. Tender preparations are also underway for the joint-use government building in Tseung Kwan O Area 67 and projects in the 10-year Hospital Development Plan. In addition, the Northern Metropolis Development Strategy, which provides

opportunities to upgrade the city's urban space, is set to become the most important city development initiative. The Group will continue to leverage its technological strengths and differentiated competencies, such as Building Information Modeling ("BIM") and Modular Integrated Construction ("MiC"), to expand its signature contracting business moving forward.

The average E&M construction works expenditure for the fiscal year 2022/23 is expected to exceed HK\$27 billion and HK\$23 billion for the public and private sectors respectively.

#### Mainland China

In Mainland China, there are indications that the recent relaxation of COVID restrictions will set the stage for economic recovery in 2023. Due to our proximity to the Greater Bay Area, another key strategic focus of the Chinese government, the Group expects its business to gain new growth momentum. As one of the few Hong Kong-based E&M general engineering contractors with the Class I Qualification in Mainland China, the Group is well positioned to optimise its project coverage in this vast market. In addition, with its substantial experience accumulated over 30 years, extensive goodwill and trusted brands, the Group has a strong platform to win new contracts in this market. Its Qianhai and Zengcheng projects are progressing well and are nearing completion, which will help strengthen the Group's foundation for future development. In addition, over the past year, we have secured sizeable mixed-

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use development projects in other major cities such as Hangzhou, Kunming and Ningbo. To this end, the Group will continue its efforts to strengthen its business presence in Mainland China, driven by its dual-core engine, coupled with its supply/installation and project management expertise and well-established brand.

### Macau

2023 marks a new beginning for the Macau economy with the relaxation of mandatory quarantine measures, the resumption of ferry and airline services and, most importantly, the granting of new 10-year concessions to six casino companies. These six companies subsequently agreed to collectively invest nearly US\$15 billion to encourage the local economy to move towards international tourism. We expect this new investment and related E&M works to be underway soon. As one of the major players in Macau's E&M industry for more than 20 years, we are well positioned to seize business opportunities as they arise. In addition, the increased use of the Hong Kong-Zhuhai-Macau Bridge will fuel economic recovery and the contracting of related works in Macau.



Our technological strengths and differentiated competencies, such as BIM and MiC, will expand our signature contracting business.

## CONCLUSION

Although the complete eradication of COVID-19 is unlikely this year, it is anticipated that the pandemic will begin to dissipate, which will be beneficial to Hong Kong's economic recovery. In this new beginning of development in this post-pandemic era, the Group continues and will continue to grow. It will also continue to seek new business opportunities to expand its operations 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 our shareholders.

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

Hong Kong, 21 February 2023