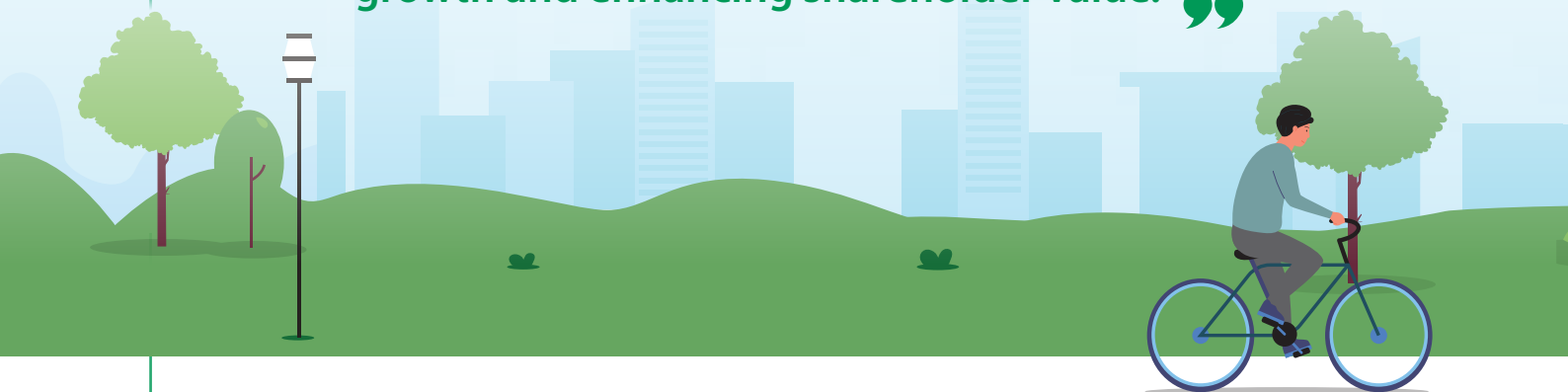


Chairman's Statement

“ As a large and unique lifestyle services conglomerate, we shall implement a trio-interactive strategy of safety & health, customer engagement, and training & development, which are integral to our mission to deliver excellence in all aspects of our operations, and are fundamental to our long-term success, ensuring sustainable growth and enhancing shareholder value. ”



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 2023 (the “Period”).

SUSTAINING THE PERFORMANCE SINCE THE COMPANY'S LISTING WITH DIVERSIFICATION AND TRIO-INTERACTIVE STRATEGY

The year 2024 marks the eighth anniversary of the Company's listing in Hong Kong. Since then, we have rapidly diversified our businesses through organic growth and acquisitions to reposition the Group as a large and unique lifestyle services conglomerate offering the following comprehensive range of services to clients:

Chairman's Statement



Property & Facility Management Services, including Property & Facility Management, Car Park Management and Sales & Leasing



City Essential Services, including Cleaning & Pest Control, Technical Support & Maintenance, Security Guarding & Event Services, Insurance Solutions and Environmental Solutions



E&M Services, including Engineering Works, Design & Consultancy

Compared with our financial performance for the year ended 30 June 2016, the Group's consolidated revenue more than doubled in FY2023, profit attributable to shareholders more than tripled, and earnings per share increased by more than 170%. The Property & Facility Management Services and City Essential Services segments also now account for more than half of the Group's revenue, gross profit and net profit. The Group continues to exercise prudent financial management. During the Period, its net gearing ratio was zero.

The Group's consolidated revenue more than doubled, profit attributable to shareholders more than tripled and earnings per share increased by more than 170% for FY2023 compared to FY2016.

At a strategic level, this year we will implement a trio-interactive strategy of safety & health, customer engagement, and training & development, which are integral to our mission to deliver excellence in all aspects of our operations, and are fundamental to our long-term success, ensuring sustainable growth and enhancing shareholder value.

First and foremost, as a service company with our employees as the biggest asset, safety & health remains our top priority. We actively promote occupational safety & health and have a well-established taskforce that reports directly to the Risk Management Committee. By fostering a safety-conscious culture through technology, we are committed to minimising risks and ensuring the highest standards of safety in line with the amended Occupational Safety and Health Ordinance (Cap. 509), which came into force in April 2023.

Secondly, in an increasingly competitive market, customer engagement is paramount to meet the changing needs of customers. Our commitment to upskill our employees to better understand our stakeholders' and customers' needs and expectations and to strengthen their relationships with clients is unwavering.

Finally, we have broadened our management bandwidth by optimising organisational structures within our various business units. As part of our people-focused approach, we will continue to invest in our people through diversified and targeted training to develop our colleagues, especially young talents.

In tandem with our trio-interactive strategy, our established business ecosystem provides 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") to enhance the satisfaction of our valued customers.

Our major groups of companies have all been the market leaders in their respective industries.

Chairman's Statement

As a result of the implementation of robust strategies and the dedication of our management team, the Group's profit attributable to shareholders reached HK\$255.4 million for the six months ended 31 December 2023, with a net cash position at the end of the period. The Board has declared an interim dividend of HK22.4 cents per ordinary share for its ordinary shareholders for the six months ended 31 December 2023, representing a payout ratio of 40.1%.

Established Market Positions

Through our years of efforts, our major groups of companies have all been the market leaders in their respective industries. I am pleased to tell that, according to a Frost & Sullivan's market research conducted in September 2023, our Property & Facility Management Group was ranked first for units of residential properties and car parks managed and second for non-residential properties, after excluding service companies owned by property developers; our Insurance Solutions business was ranked first among local insurance brokers; and our Cleaning & Pest Control Services, Security Guarding and E&M businesses were ranked second in their respective markets.

Our Property & Facility Management Group is one of the largest independent property and car park management service providers in Hong Kong.

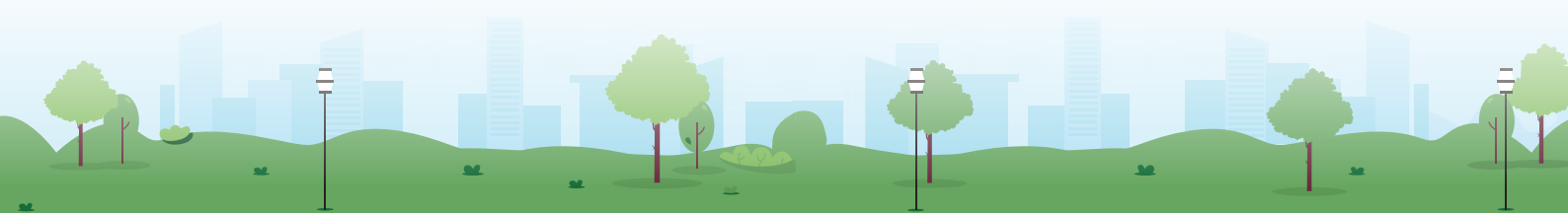
Property & Facility Management Services

Our Property & Facility Management Group, which comprises Urban, International Property Management and Kiu Lok, is one of the largest independent property and car park management service providers in Hong Kong. With more than

50 years of experience, 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 provide significant cross-selling opportunities for our City Essential Services segment. With one of the strongest technical and engineering teams in the industry and one of the most professionally qualified service teams with over 300 Tier 1 and Tier 2 property management professionals, the Group is well prepared to capitalise on business opportunities and is fully compliant with the Property Management Services Ordinance. We currently have more than 300 property management contracts covering no less than 140,000 residential units, 3.1 million square metres of commercial property and 40,000 car park spaces.

Urban renewal and the accelerated implementation of urgent repair works under the Mandatory Building Inspection Scheme will provide another growth driver in the coming years.

The property management industry is expected to grow steadily and present various opportunities. The increasing emphasis on outsourcing non-core operations in the property sector and the stable housing and land supply will help drive expansion in the property management market. Furthermore, urban renewal and the accelerated implementation of urgent repair works under the Mandatory Building Inspection Scheme will provide another growth driver in the coming years. Looking ahead, our Property & Facility Management Group is committed to the continuous application of new and modern management standards and information technology in its operations to meet the growing customer demand for smart, sustainable and green living.



Chairman's Statement

City Essential Services

Building on our recognisable brands, high service quality and strong cross-selling synergies created by our business ecosystem, the Group continued to successfully promote its City Essential Services during the year:

Waihong is one of the top two players in the environmental hygiene services market in Hong Kong.

Cleaning & Pest Control Services – Waihong is one of the top two players in the environmental hygiene services market in Hong Kong. With the current emphasis on hygiene and environmental control, the Hong Kong Government is currently awarding cleaning service contracts worth an estimated HK\$5 billion per year. Against this backdrop, Waihong has strategically allocated more resources to strengthen its competitiveness in this sector, thereby diversifying its revenue sources and increasing the proportion of revenue from the government and quasi-government sectors to more than 50%. In addition, the Group has introduced new information technology and robotic applications in its operations to improve efficiency and work safety.

With its extensive experience, high-quality customised services and distinctive brand, Waihong will continue to increase its participation in the green waste management business to better align with the Hong Kong Government's environmental policies. In addition, with the implementation of the Solid Waste Charging Scheme in 2024 and the government's promotion of

the Waste Blueprint 2035 and the Climate Action Plan 2050, we are exploring various 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.

Technical Support & Maintenance Services – This division, which comprises Far East Engineering Services and Turning Technical Services, anticipates growing demand for term maintenance contracts, major alterations, additions and system upgrades for various commercial and residential buildings, hospitals, government properties and educational institutions as the economy recovers. According to a research by the Urban Renewal Authority, there are more than 10,000 buildings in Hong Kong that are over 50 years old, in addition to no less than 300 hotels and 50 shopping malls, providing ample opportunities for renovation and system upgrades. In view of Hong Kong's Climate Action 2050 Carbon Neutral Policy, there will also be increasing demand for promotion of energy-efficient buildings and retrofitting of existing structures to reduce their carbon footprints, including chiller plant upgrading or replacement projects. Furthermore, this division will continue to play a complementary role in supporting our Property & Facility Management Services business, particularly in providing practical assistance for building inspections in compliance with the requirements under the government's Mandatory Building Inspection Scheme.

Our technical support & maintenance services division anticipates growing demand for term maintenance contracts, major alterations, additions and system upgrades.

Chairman's Statement

Security Guarding & Event Services – General Security holds all three licences for security services companies in Hong Kong and is one of the top two service providers in the security guarding services sector. Given the stable housing supply, which is the main driver of demand for security services, it is likely to expand at a similar pace. We will widely adopt cloud technology and AI for patrol and manpower planning to improve operational efficiency and alleviate the industry-wide recruitment difficulties that still exist, albeit with improvement. As the exhibition and entertainment industries continue to recover, Perfect Event is actively responding to demand for services in the conference, convention, exhibition and leisure and culture sectors. It aims to win service contracts for large-scale events in the events and exhibitions sector. Technological advances have also created more demand for advanced electronic security equipment such as alarm systems and video surveillance cameras from property management companies for more effective facility management. To capture these business opportunities, the Group will expand the product range of its security systems business.

General Security is one of the top two service providers in security & guarding services, widely adopts cloud technology and AI for patrol and manpower planning.

Insurance Solutions – Nova is the leading local insurance broker in Hong Kong, with a solid 35-year track record in terms of gross insurance brokerage revenue. It provides one-stop risk management and insurance solutions to

The large number of construction projects in the pipeline and the strong demand for specialty insurance strengthen Nova's growth.

corporate and individual clients, 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, as well as targeted policy initiatives to strengthen the city's status as a global risk management centre and sophisticated insurance hub. Given Nova's extensive experience, the large number of construction projects expected in the near future and the strong demand for specialty insurance, such as cyber and professional indemnity, will complement its growth. The employee benefits business is also expected to expand as the population ages. Overall, the Group expects to see further growth in its Insurance Solutions business.

Environmental Solutions – Environmental Solutions, which comprises three business lines: Environment Solutions, Smart Solutions and Green Solutions, aims to seize the numerous opportunities arising from the unprecedented focus on environmental sustainability and the growing public awareness of environmental issues.

Recognising the demand for high standards of living environment and hygiene, the Group will focus on real-time indoor air quality ("IAQ") monitoring and pest control, in addition to its well-known water treatment, environmental consultancy and assessment services.

Chairman's Statement

We will develop new and innovative businesses and strengthen building management and environmental monitoring systems that contribute to energy efficiency and carbon management.

The division's extra-low voltage team will apply digital solutions such as AI, IoT and various 5G mobile applications to develop new and innovative businesses and strengthen building management and environmental monitoring systems that contribute to energy efficiency and carbon management, in line with customers' sustainability goals. Electrification is also key to accelerating decarbonisation. Apart from our development of integrated facility management solutions, including smart offices, smart toilets, our EV charging business is in the pipeline as the government strives to expand the network of charging facilities with charging infrastructure to around 200,000 by mid-2027.

Furthermore, in view of the government's consistent greening policies, urban planning initiatives and various support schemes, as a landscape services provider, we are able and willing to contribute to the development of the industry by providing high-quality arboricultural and horticultural services to our prestigious clients, besides the eco-friendly tiles we supply.

E&M Services

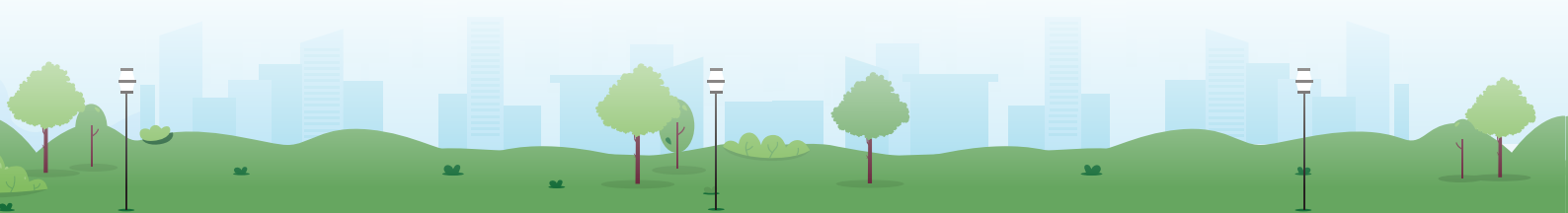
Hong Kong

With the Hong Kong Government's commitment to maintaining a stable supply of commercial and residential land, the average expenditure on E&M construction works is expected to exceed HK\$30 billion in the public sector and

HK\$25 billion in the private sector in the fiscal year 2024/25, according to data from the Construction Industry Council. The Group's E&M Services segment, which comprises Young's Engineering Group, Majestic Engineering Group and FSE Engineering Group, is currently one of the two dominant players in the Hong Kong market. Although the Group has large-scale projects in the pipeline, including the Kai Tak Sports Park, the District Court at Caroline Hill Road, expansion of the Legislative Council Complex and the New Public Market in Tin Shui Wai, it is well positioned to take on even larger infrastructure and construction projects. Some of our more notable major design and construction bids include the Tuen Mun South Extension MTRC Station, public housing and the dedicated rehousing estate at Kwu Tung North New Town, which are currently under negotiation.

Our E&M services is well positioned to take on large infrastructure and construction projects with its technological strengths on BIM and MiC.

Tender preparations are also underway for the New Central Harbourfront commercial development and AsiaWorld-Expo Phase 2. In addition, the Northern Metropolis Development Strategy, which provides opportunities to upgrade the city's urban space, is set to become the most important urban development initiative. The Group will continue to leverage its technological strengths and differentiated competencies, such as Building Information Modelling ("BIM") and Modular Integrated Construction ("MiC"), to expand its signature contracting business in the future.



Chairman's Statement

We will strengthen our business presence in Mainland China by our dual-core engine, supply/installation and project management expertise and well-established brand.

Mainland China

Mainland China will continue to pursue high-quality development through deepening reform and opening-up and maintain reasonable growth in the coming years as the urbanisation rate increases. As one of the few Hong Kong-based E&M general engineering contractors with Class I qualification in Mainland China, the Group is well positioned to optimise its project coverage and gain new growth momentum in this vast market. In addition, with more than 30 years of experience, extensive goodwill and reputable brands, the Group has a strong platform to win new contracts in this market. Over the past year, we secured sizeable mixed-use development projects in other major cities such as Shanghai, 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, supply/installation and project management expertise and well-established brand.

Macau

Macau's economy will continue to improve in the coming year with the recovery of the travel and tourism industry and, most importantly, the granting of new 10-year concessions to six casino companies and their subsequent commitment to collectively invest nearly US\$15 billion to help rebalance the local economy towards international tourism. We will monitor developments closely and expect this new investment and

associated E&M tenders to be underway soon. In addition, the increased use of the Hong Kong-Zhuhai-Macau Bridge will fuel economic recovery and related construction contracts in Macau. As one of the major players in Macau's E&M industry for more than 20 years, we are well positioned to capture business opportunities as they arise.

We are well positioned to capture business opportunities, such as the granting of new 10-year concessions to six casino companies and their subsequent commitment to invest.

CONCLUSION

The Group will continue to grow in this new phase of development 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, I would like to express my sincere gratitude to all shareholders, customers and business partners for their unwavering support of the Group. I would also like to thank the management team and all staff members for their tireless efforts. As always, we remain fully committed to ensuring the Group's long-term development and providing fair returns to our shareholders.

Dr. Cheng Kar Shun, Henry

Chairman

Hong Kong, 27 February 2024

