

**FSE Engineering's 2017/18 Interim Profit Attributable to Equity Holders
Increases to HK\$86.8 million**

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**Announces Acquisition of Waihong Cleaning Limited and the New China
Steam Laundry Limited
for Business Expansion And Diversification****Highlights**

- Revenue amounted to HK\$1,763.3 million for the six months ended 31 December 2017 (2016: HK\$1,769.3 million)
- Gross profit increased to HK\$206.9 million, representing a year-on-year increase of 5.8% (2016: HK\$195.6 million)
- Profit attributable to equity holders of the Company was HK\$86.8 million, representing a year-on-year increase of 5.5% (2016: HK\$82.3 million)
- As at 31 December 2017, the Group's total outstanding contract value recorded HK\$5,609.7 million
- The Group maintained a strong financial position with cash and bank balances of HK\$765.9 million and zero gearing as of 31 December 2017
- The Board declared the payment of an interim dividend of HK7.8 cents per share for the six months ended 31 December 2017 (2016: HK7.4 cents per share)

(27 February 2018, Hong Kong) — **FSE Engineering Holdings Limited** (“**FSE Engineering**” together with its subsidiaries, the “Group”) (stock code: 331), a leading one-stop E&M engineering and environmental management service provider in Hong Kong, has today announced its unaudited interim results for the six months ended 31 December 2017. During the period, the Group delivered a solid financial performance with 5.5% growth of profit attributable to equity holders.

During the period under review, the Group recorded revenue of HK\$1,763.3 million. The E&M engineering segment continued to be the key turnover driver of the Group and contributed 98.1% of the Group's total revenue (2016: 98.3%). For the environmental management services segment, its revenue increased from HK\$30.8 million to HK\$33.9 million, representing a growth of 10.1% as compared with the same period last year, which was mainly attributable to the increase in revenue from environmentally-related contracting and maintenance services, primarily water treatment services.

The Group's gross profit and profit attributable to equity holders for the period under review increased by 5.8% and 5.5% to HK\$206.9 million and HK\$86.8 million respectively. The gross profit margin and net profit margin of the Group improved to 11.7% and 4.9% for the period under review. During the period under review, the Group maintained a healthy liquidity position. As at 31 December 2017, the Group had total cash and bank balances of HK\$765.9 million and the gearing ratio was maintained at zero.

The Board has resolved to declare an interim dividend of HK7.8 cents per share for the six months ended 31 December 2017 (2016: HK7.4 cents).

FSE Engineering maintained its position as one of the leading E&M engineering and environmental management services providers in Hong Kong, while also continued to run strong its E&M engineering operations in Mainland China and Macau. For the period under review, the Group was awarded 64 E&M engineering and environmental service projects (net contract sum equal to or exceeding HK\$1.0 million per project) of net contract sum totally HK\$1,440.5 million. The major projects (net contract sum equal to or more than HK\$100.0 million per project) among these contracts include Electrical and ELV installation package B for the LOHAS Park (Package 7), Mechanical ventilation and air-conditioning and Fire services installation (Podium Portion) for Tai Wai Station Property Development, Mechanical ventilation and air-conditioning and Electrical installation for Hong Kong Sanatorium Hospital Eastern District Advance Medical Centre, Plumbing & drainage installation (Residential Portion) Phase 2 for Tai Wai Station Property Development, and Heating, ventilation and air-conditioning (Fitting Out) installation (Supplemental Agreement) for Tianjin Chow Tai Fook Financial Centre. For the period under review, the Group submitted tenders for 273 E&M engineering and environmental services projects (contract sum equal to or exceeding HK\$1.0 million per project, if awarded) at a total tender sum of HK\$9,218.4 million.

Outlook

Looking ahead, the Group will continue to focus on applying its core competencies to raise customer satisfaction and ensure the sustainable growth and profitability of its business, giving first priority to large-scale projects including design and construction contracts from the government, public infrastructure works, hospital development projects, public housing and subsidised housing projects, as well as private commercial and residential building projects.

While the E&M engineering segment in Hong Kong remains the core business of the Group, leveraged on its market leadership and buttressed by a proven track record, a well-established customer network and ample financial reserves, the Group will be able to continuously seek acquisition opportunities and engage competent professional talent to help it explore new market opportunities and expand geographical coverage in Hong Kong, Macau and Mainland China.

Acquisition of the Waihong Cleaning Limited and the New China Steam Laundry Limited

The Group is very pleased to announce that, today it has reached an agreement to acquire Waihong Cleaning Limited and the New China Steam Laundry Limited, which principally engaged in the provision of facility services including cleaning and laundry services, for an initial consideration of HK\$502.0 million (subject to adjustment) which will be funded by internal resources of the Group. Waihong Cleaning Limited is one of the top 3 players in the Hong Kong environmental hygiene service market in terms of revenue (FY2017) with an estimated market share of approximately 7.9% which offer a wide range of office support, residential and public sector associated services and related services in Hong Kong and PRC, such as general cleaning, waste management and disposal, external wall and window cleaning, pest control and clinical waste management. The New China Steam Laundry Limited is one of the largest laundry companies in Hong Kong laundry service market which offer laundry, dry cleaning and linen management services to corporate customers, including major high-end hotels, restaurant chains, theme parks, airlines and clubs: and also operate three dry cleaning and laundry retail valet outlets under its "Kleaners" brand in Hong Kong.

The Group believes that, the acquisition can expand the Group's business and diversify its revenue stream, increase the Group's profitability and provide higher return to shareholders through better utilization of cash

on hand, achieve cross-selling synergies and better deployment of human resources, as well as re-position the Group into a leading diversified services provider in Hong Kong.

To reflect the status of the Group's business after completion of the acquisition, and to better promote its corporate image and future business development, the Group proposed to change its name to "FSE Services Group Limited" upon completion of the acquisition.

As the Group can provide a comprehensive range of E&M engineering and environmental management services and run well-established E&M engineering operations in Hong Kong, Mainland China and Macau, it is ready to grasp the ample business opportunities that the different infrastructure and large-scale projects are expected to bring. It shall endeavour to maintain a strong financial position to stay poised for new investment as well as exploring for alternative business opportunities as and when they arise.

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About FSE Engineering Holdings Limited

FSE Engineering Holdings Limited ("FSE Engineering" together with its subsidiaries, "The Group") is a leading engineering company, providing a comprehensive electrical & mechanical engineering and environmental management services over 40 years. It has well-established operations in Hong Kong, PRC and Macau.

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