



**FSE Services Announces 2018/19 Annual Results**  
**Profit Attributable to Equity Holders Increased to HK\$247.5 million**

**FINANCIAL HIGHLIGHTS**

		<b>2019</b>	2018	% Change
		<b>HK\$M</b>	HK\$M	
Revenue	:	<b>4,930.5</b>	4,926.5	0.1%
Gross profit	:	<b>599.8</b>	591.0	1.5%
Profit attributable to equity holders of the Company	:	<b>247.5</b>	236.8	4.5%
Basic earnings per share	:	<b>HK\$0.55</b>	HK\$0.53	3.8%

The Board recommended the declaration of a final dividend of HK11.9 cents (2018: HK13.3 cents) per share for the year ended 30 June 2019<sup>(i)</sup>.

Note (i) Together with the interim dividend of HK10.1 cents (2018: HK7.8 cents) per share paid in March 2019, total distribution of dividends made by the Company for the year ended 30 June 2019 will be HK22.0 cents (2018: HK21.1 cents) per share, representing a dividend payout ratio of 40.0% (2018: 40.1%).

26 September 2019, Hong Kong — **FSE Services Group Limited** (“**FSE Services**” or the “Company”, together with its subsidiaries, the “Group”) (Stock Code: 331), one of the leading diversified service providers in Hong Kong, which has 4 major competences: electrical and mechanical (“E&M”) engineering, environmental management, cleaning and waste management as well as professional laundry services, has today announced its annual results for the year ended 30 June 2019 (“FY2019” or the “Year”).

In FY2019, the Group recorded revenue amounting to HK\$4,930.5 million, which was similar to HK\$4,926.5 million for the year ended 30 June 2018 ("FY2018"). The Group's overall gross profit increased by HK\$8.8 million or 1.5% to HK\$599.8 million in FY2019 from HK\$591.0 million in FY2018, whereas its overall gross profit margin and net profit margin remained relatively stable at 12.2% (2018: 12.0%) and 5.0% (2018: 4.8%) respectively. Profit attributable to equity holders for the Year was HK\$247.5 million, representing an increase of HK\$10.7 million or 4.5% as compared with HK\$236.8 million in FY2018, mainly reflecting an increase in the Group's gross profit contribution mostly from the E&M engineering segment and overall savings in general and administrative expenses, partly offset by a decline in the Group's finance income with a lower bank balance after acquiring the cleaning and laundry services businesses in April 2018. The expanded business scale after the completion of the acquisition of the facility services business provides a broader and more diversified revenue stream and enhanced profit source to the Group.

As at 30 June 2019, the Group had total cash and bank balances of HK\$447.0 million (30 June 2018: HK\$407.6 million) and the net gearing ratio was maintained at zero (30 June 2018: zero). FSE Services has maintained a healthy liquidity position throughout the Year.

The Board has resolved to recommend a final dividend of HK11.9 cents per share for the Year (2018: HK13.3 cents). Together with the interim dividend of HK10.1 cents (2018: HK7.8 cents) per share, total distribution of dividends by the Company for the Year will thus be HK22.0 cents (2018: HK21.1 cents) per share, representing a dividend payout ratio of 40.0% (2018: 40.1%).

### Segmental performance

The following table presents a breakdown of the Group's profit contribution by business segment:

	For the year ended 30 June			
	2019 HK\$'M	2018 HK\$'M	Change HK\$'M	% Change
E&M engineering	193.7	173.3	20.4	11.8%
Environmental management services	9.1	6.3	2.8	44.4%
Facility services	44.7	57.2	(12.5)	(21.9%)
Total	247.5	236.8	10.7	4.5%

### E&M Engineering

The E&M engineering segment continued to be the key revenue driver of the Group and contributed 74.4% of the Group's total revenue (2018: 75.0%). Segment revenue dropped slightly by 0.8% as a number of E&M projects had reported significant progress last year. Nevertheless, its gross profit margin increased to 12.1% from 11.4%. Its profit contribution for the Year was HK\$193.7 million (2018: HK\$173.3 million), representing an increase of 11.8%.

As at 30 June 2019, this business segment has a total gross value of contract sum of HK\$7,646 million with a total outstanding contract sum of HK\$5,453 million. During FY2019, the Group submitted tenders for 733 E&M engineering projects (with a contract sum equal to or exceeding HK\$1 million for each project, if awarded) with a total tender sum of HK\$31,641 million. New contracts with a total value of HK\$3,069 million were awarded, 5 of them are major projects (with a net contract sum equal to or exceeding HK\$100 million for each project), which include Inland Revenue Tower, Kai Tak Sports Park and District Cooling System (Phase III) in the Kai Tak Development Area, Lot No.5 Ningbo New World Plaza and a service apartment's main works at Cotai, Macau.

### Environmental Management Services

Revenue contribution of the environmental management services segment increased to HK\$71.1 million from HK\$61.8 million, representing a growth of 15.0% or HK\$9.3 million, as compared with last year. Such increase was mainly attributable to the increase in revenue from its environmentally-related contracting and maintenance services, primarily water treatment services in the Castle Peak Power Station and bio-technology services at a number of refuse collection stations of public housing estates.

Its profit contribution for the Year was HK\$9.1 million (2018: HK\$6.3 million), representing an increase of 44.4%.

### **Facility Services**

The facility services segment contributed revenue of HK\$1,193.6 million (2018: HK\$1,170.5 million), representing a growth of 2.0%, which composed of revenue from provision of cleaning and laundry services amounting to HK\$1,023.2 million (2018: HK\$1,003.9 million) and HK\$170.4 million (2018: HK\$166.6 million), respectively. Revenue growth was mainly attributable to the revenue contribution from a number of new cleaning service contracts, encompassed a wide range of buildings and facilities, including a heritage centre, a large-scale public transportation facility, shopping malls, a luxury hotel, academic institutions, a government department, residential and commercial properties, despite the discontinued cleaning contract with a transportation company in January 2018. During FY2019, profit contribution from this segment was HK\$44.7 million (2018: HK\$57.2 million), representing a decrease of 21.9%, which was mostly caused by a decrease in its gross profit margin during the year to 11.5% from 12.9% due to labour costs escalation.

As at 30 June 2019, this business segment has a total gross value of contract sum of HK\$3,144 million with a total outstanding contract sum of HK\$1,165 million for the cleaning service business. During FY2019, Waihong submitted tenders for 450 cleaning service contracts (with a contract sum equal to or exceeding HK\$1 million for each service contract) with a total tender sum of HK\$4,300 million. New service contracts with a total value of HK\$861 million were awarded, 9 of them are major contracts (with a net contract sum equal to or exceeding HK\$20 million for each service contract). NCL was awarded new service contracts with a total value of HK\$113 million, which included 6 service contracts (with a contract sum equal to or exceeding HK\$5 million for each service contract) with a total contract sum of HK\$90 million.

### **Outlook**

#### **E&M Engineering**

Going ahead, for E&M engineering segment, the Group will continue to focus on applying its core competencies to raise customer satisfaction and ensure sustainable growth and profitability of its business. It shall give priority to large-scale projects including design and construction contracts from the government, public infrastructure works and hospital development projects using Modular Integrated Construction (MiC), Design for Manufacture and Assembly (DfMA) and Building Information Modelling (BIM) to help improve its operational efficiency and project management. Regarding the Extra Low Voltage ("ELV") business, with more property developers adopting IT infrastructure and advanced technologies in their projects to enhance building sustainability and energy control, this presents good opportunities to generate business revenues and profit in the ELV business segment.

In Macau, there is a constant demand for renovation and improvement works for hotels and casinos. In addition, the positioning of Macau as a world exemplary tourism and leisure centre and the renewal of casino licences in 2022 are expected to create emerging business opportunities for the Group in the coming few years.

For the Mainland China market, the Group has followed a disciplined business development approach focusing on the provision of E&M engineering and project management services to major property developments of Hong Kong and foreign investors. Apart from the two core bases in Beijing and Shanghai, the Group has also established its presence in other first- and second-tier cities in Mainland China such as Tianjin, Dalian, Shenyang, Chengdu, Wuhan, Changsha and Nanjing. The development of the Greater Bay Area will certainly enhance the economic and social growth in eleven cities of that Area and bring in new business opportunities to the Group.

Currently, there are over 65% of the existing buildings (approximately 42,000) aged over 20 years in Hong Kong including 1,700 commercial buildings, 1,600 industrial buildings and 24,000 residential buildings. Thus, the maintenance section envisages a growing demand for the term maintenance

contracts. Large-scale alteration and addition and system retrofit works are also set to provide favourable returns to the maintenance section.

### **Environmental Management Services**

Increasing public awareness of the importance of sustainable environment has fuelled the demand for environmental engineering services and products. With the growing public demand for better water quality, increasingly strict water control procedures drive the market demand for water quality testing services of the Group's laboratory. During the year, the Group has also been approved as an Accredited Indoor Air Quality ("IAQ") Certificate Issuing Body ("CIB"). The inspection works of IAQ further strengthen the Group's environmental consultancy services.

### **Facility Services**

Turning to the facility services segment, the improvement measures of government outsourcing service contracts take effect from April 2019 has created both business opportunities and competitiveness for the Group's cleaning business and it expects to increase its successful ratio for coming government tenders. In this aspect, there are two government service contracts newly awarded during the Year and the Group will focus on extending its business to the private and public medical sectors. In this Year, the Group has also succeeded in securing a number of new service contracts in the high-end market, including premier office buildings from well-known developers and superior hotel facilities. The Group will continue to invest in more innovative technologies such as robotic equipment and real time inspection system which can enhance its operation efficiency and relief workforce demands. Regarding the laundry services business, in view of the recent social instability in Hong Kong, it is impacted by the plummeted tourist arrivals and low room occupancy rates. To meet the challenges, it will intensify its focus on key accounts, efficient and effective cost management, ensuring customer satisfaction and sustainable growth of its business.

### **Conclusion**

As the Group can provide a comprehensive range of E&M engineering, environmental management services and facilities 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 above-mentioned infrastructure and large-scale projects will bring. As well, the Group shall endeavour to maintain a strong financial position so as to stay poised for new investment when they arise.

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### **About FSE Services Group Limited**

**FSE Services Group Limited** (Hong Kong Stock Code: 331) is one of the leading diversified service providers in Hong Kong, which has 4 major competences: electrical and mechanical ("E&M") engineering, environmental management, cleaning and waste management as well as professional laundry services. FSE Services' competences are being delivered through 4 major groups of companies which have all been the market leaders in the respective industries. They include FSE Engineering Group, FSE Environmental Technologies Group, Waihong Services Group ("Waihong") and New China Laundry Group ("NCL"). With their professionalism and expertise, together with the extensive synergies generated among the companies under FSE Services, the Group is able to build up a strong network and offer a full range of professional services to renowned clients and main contractors who are often engaged in property developments, public infrastructures, education and transportation facilities as well as entertainment and travel industries in Hong Kong, Macau and the Mainland China.

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