



FSE Services Announces Acquisition of Property Management Business from Controlling Shareholder for over HK\$700 million

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Further Enhances its Leading Market Position as A Diversified City Service Provider

21 October 2019, Hong Kong — **FSE Services Group Limited** (“**FSE Services**” or the “Group”) (Stock code: 331), one of the leading diversified city service providers in Hong Kong, which has 4 major competences: electrical & mechanical engineering (“E&M”), environmental management services, waste management and cleaning as well as professional laundry services, has announced to acquire property management business from FSE Holdings, its controlling shareholder for HK\$7.049 million. The Group believes that, the acquisition can help the Group to diversify revenue stream and client bases, potentially achieve cross-selling synergies, and enhance the Group’s leading position in Hong Kong.

The proposed acquisition comprises of two companies i) the Urban Group, and (ii) the Kiu Lok Group (the “Target Group”). The consideration of the acquisition is HK\$704.9 million, while business independent business valuer valued the Target Group at a business valuation of HK\$742 million as at 30 June 2019. Thus, the consideration represents a discount of approximately 5% to the Business Valuation and implies a P/E of approximately 10.19x. The Consideration shall be satisfied through payment of cash of HK\$564 million (to be arranged through a 2-years bank loan at HIBOR+ 0.7% per annum), the remaining HK\$140.9 million shall be settled through the issuance of 43,676,379 convertible preference share at the issue price of HK\$3,226 per share, which is calculated based on the average of the closing prices for the Group’s shares for the 5 trading days prior to the announcement.

Resilient business with stable cash flow and leading position

According to Frost & Sullivan, the Target Group achieved no. 1 rankings among all independent players in the residential, non-residential, and car park property management services market in Hong Kong, with estimated market shares of approximately 5.3%, 7.2% and 6.5% respectively. It currently provides property management services to many well-known properties, including City One Shatin, Cyberport, EcoPark, Hong Kong Science Park, Convention Plaza, K11, and Riviera Gardens. The Target Group has a diversified client base and stable cash flow, which is not easily affected by changing market conditions. According to Frost & Sullivan, the market size of Hong Kong property management services will continue to grow at a CAGR of approximately 5.7% from 2019 to 2023, reaching HK\$56.2 billion.

Accretive acquisition: potentially improve profitability and dividend pay-out

In the past 3 financial years, the Target Group is able to achieve a high retention rate on existing clients, and enter into property management agreements with new clients to maintain its stable and growing business. For the year ended 30 June 2019, the revenue and profit of the Target Group was HK\$527 million and HK\$59.936 million respectively, growing 5.7% and 2.9% respectively from the year ended 30 June 2017. According to the business valuer, the adjusted net profit attributable to equity holders was HK\$69.2 million for the year ended 30 June 2019. It is believed that the proposed acquisition will potentially improve the profitability and dividend pay-out of the enlarged Group.

In addition, the Group believes that, the acquisition can help the Group expand business scale and reduce cyclical risks with diversification of revenue stream and client bases, potentially achieve cross-selling synergies, higher customer loyalty by providing integrated services as well as better deployment of human resources, and enhance the Group's leading position in Hong Kong by adding another market leader in the city services sector.

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About FSE Services Group Limited

FSE Services Group Limited ("FSE Services" or "the Group") is one of the leading diversified city service providers in Hong Kong, which has 4 major competences: electrical & mechanical engineering, environmental management services, waste management and cleaning 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 respective industry. They include FSE Engineering Group, FSE Environmental Technologies Group, Waihong Environmental Services Group and New China Laundry Group. 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 property developments, public infrastructures, education and transportation facilities as well as the entertainment and travel industries in Hong Kong, Macau and the Mainland China.

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