

Earnings up for Hock Seng Lee

Total of 16% dividend for 2007

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KUCHING: Annual financial results for Sarawak-based marine engineering specialist Hock Seng Lee Berhad (HSL) saw earnings continue to increase while the value of projects in hand has risen to a record RM1.2 billion.

The Group achieved a pre-tax profit of RM53.17 million on revenue of RM248.17 million for the year ended 31 December 2007.

The corresponding figures for the previous year, 2006 were a pre-tax profit of RM48.17 million on revenue of RM260.56 million.

Strong earnings growth has seen earnings per share (EPS) rise 16.3% from 29.63 sen for 2006 to 34.97 sen for 2007 (or 7 sen after the one-to-five share split in January 2008).

“Over ten percent increase in net profit before tax is very commendable.

“The management should be applauded for its ability to perpetuate the Group’s steady profit growth especially as during 2007 many major projects were either in their costly start-up phases, under final negotiation or awaiting formal Letters of Award,” said HSL Group’s Managing Director Dato Paul Yu Chee Hoe.

“With RM1.2 billion in orders, of which some RM880 million is outstanding, we continue to fulfil expectations that HSL will be a major beneficiary of the Ninth Malaysia Plan,” Dato Yu added.

Dato Yu also announced that the Board has recommended a final ordinary dividend for 2007 of 8% per ordinary share of RM0.20 (after the subdivision of shares in January 2008) less tax at 26%. Added to the gross interim dividend of 8% per ordinary share of RM1.00 paid on 8 October 2007, the total dividend for 2007 will be 16%.

This dividend compares favourably with excellent yields of recent years. HSL paid out a total of 14% per share for the year 2006 and 13% in 2005.

“Our dividend pay out ratios have averaged some 33% over the past three years demonstrating the importance we play on rewarding our loyal investors and sharing the fruits of the Group’s ongoing success,” Dato Yu said.

At the same time, the Group retains considerable cash reserves to enable it to bid for projects with flexible payment options and also to make purchases of strategic land or specialised plant and equipment.

Dato Paul Yu Chee Hoe said that while projects in hand will keep the Group busy until 2010, there are still several other exciting infrastructure works that HSL is hopeful of securing in the fields of waste water, flood mitigation, affordable housing, roads and education facilities.

Aside from the impact of the Ninth Malaysia Plan on HSL's earnings potential, the recently announced proposal for SCORE (Sarawak Corridor of Renewable Energy) will also generate opportunities for HSL by intensifying infrastructure and industrial development in Sarawak's vast central region.

SCORE covers a remote 70,000 sq km area of central Sarawak in which HSL has the advantage of familiarity with the complex logistics and other challenges. New infrastructure projects related to energy resource developments are expected to include road linkages, dams and affordable housing among others.

"We are confident of more new projects coming in and will strive to continue strengthening our margins through productivity gains, larger contracts and the mechanised nature of our marine engineering operations," said Dato Paul Yu.

Projects now underway include flood mitigation works in Miri; infrastructure and building works for 'Alam Sanctuary' housing development for a local statutory authority in Kuching; educational institutions in Bintulu; road works and infrastructure works contracts for the Department of Drainage and Irrigation, Sarawak and two large reclamation and infrastructure works contracts for industrial estates: one in Tanjung Manis and one in Samarahan, Sarawak..

Meanwhile, the Group's property arm, Hock Seng Lee Construction Sdn Bhd (HSLC) has raised its profile with strong sales resulting from innovative, attractive housing products which meet the demand for medium-cost housing. Group revenue from property development stood at RM44 million for 2007 up 23% from RM34 million in 2006.

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