PRESS RELEASE

HOCK SENG LEE BERHAD (045556-x)

More growth for HSL

18% cash dividend for 2011; share dividends declared

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KUCHING (Tuesday): Sarawak-based infrastructure specialist Hock Seng Lee Berhad (HSL) recorded strong growth in both earnings and revenue for the financial year ended 31 December 2011.

In announcing the annual results for 2011, Managing Director Dato Paul Yu Chee Hoe attributed the consistently strong performance of the Group to a strategic focus on innovation and technology within its fields of core strength, that is marine and civil engineering.

He also paid tribute to his dedicated team of staff and to the government for creating a stimulating construction climate to spur Sarawak's socio-economic development.

HSL Group's net annual profit before tax for the financial year ended 31 December 2011 breached the RM100 million mark when it rose to RM116.60 million up 18 percent from 2010's year-end figure of RM98.42 million.

The substantial earnings growth was recorded on the back of annual revenue of RM581.52 million up 19 percent from the RM488.28 million in revenue attained for its financial year ended 31 December 2010.

Dato Paul Yu also announced that for the year 2011, the Board has recommended a final ordinary dividend of 9 percent and, given the admirable results, a special dividend of 3 percent, both less tax at 25 percent and pending shareholder approval at the upcoming Annual General Meeting.

"The final payout is double the interim dividend in view of the record profit", said Dato Paul Yu.

On top of the gross interim dividend of 6 percent per share paid on 7 October 2011, the total dividend for 2011 will be 18 percent, up from 15 percent for 2010.

"Our dividend payout ratios are among the highest in the industry, averaging 20 percent over the past five years. This reflects our policy to reward our loyal shareholders and share the success story of HSL Group with them," said Dato Paul Yu.

The Board of HSL has furthermore decided to distribute a portion of its Treasury Shares as Share Dividends.

The company has been carrying out a share buy-back exercise since March 2002 and had a similar share dividend exercise in December 2010.

It has since accumulated additional shares up to a total of 35,260,158 treasury shares as at January 2012.

Shareholders will again be rewarded on the basis of one treasury share for every 50 (fifty) ordinary shares of RM0.20 held. This is equivalent to 3.2 sen or 16 percent per share assuming HSL's current share price of RM1.60 per share.

The Share Dividend exercise will involve a distribution of approximately 10,948,317 treasury shares with the entitlement date set at 28 March 2012.

After the exercise, based on existing holdings, 24,311,841 treasury shares will remain held by the company, giving the Board options to further reward stakeholders in the future.

"Share dividends are another way our loyal investors can enjoy the fruits of HSL's success," noted Dato Paul Yu.

HSL has a long history of ensuring attractive returns to shareholders while retaining necessary cash reserves for fleet renewal, fast-track project implementation and flexibility in payment options for clients.

HSL, is a niche market player due to its strength in marine engineering including mass land reclamation, dredging and related infrastructure works.

It has built on these strengths to develop expertise in flood mitigation works, tunneling for centralized sewerage systems and rural water treatment – all fields with vast potential in Sarawak.

"With selective procurement and by building on our key capabilities, we have been able to achieve growth both in financial terms and in terms of our technical proficiency, thus maintaining our competitive advantage," said Dato Paul Yu.

Judicial stewardship has enabled HSL group to overcome material price fluctuations and economic uncertainties to achieve a net earnings Compound Annual Growth Rate (CAGR) of some 28 percent and Return on Equity (ROE) at more than 20 percent over the past three years.

The Group also has a net cash position of over RM180 million with no gearing, while being heavily invested in specialised tunnel boring machinery, marine plant (such as dredgers, tugboats and barges), road building equipment, heavy lift cranes and etc.

The strong operational cash flow looks to be sustainable during 2012 and will remain important if procuring projects requiring financing or the acquisition of strategic assets such as property, new plant and machinery.

"HSL's order book stands at RM1.8 billion and our construction teams are busy across the state with RM1.1 billion worth outstanding," said Dato Paul Yu.

Ten new projects were procured during 2011, worth a total of RM313 million. Half of the new contracts were for road works and the balance for rural water supply, reclamation and other infrastructure projects.

Projects successfully completed in 2011 included reclamation and infrastructure works for Demak Laut Industrial Park, Kuching, the Samarahan Industrial Estate (extension) Phase 1 and the ship building industrial estate at Tanjung Manis. Other projects completed were construction of a technical training centre in Bintulu and roadworks contracts in Mukah, Sarikei and Santubong.

"The prospects for further order book replenishment in 2012 are encouraging," said Dato Paul Yu, noting that the Group had already began the year by announcing procurement of a 20km road works contract worth RM82 million a fortnight ago.

Further opportunities for HSL are likely to arise as foreign investors move forward with their projects in the Sarawak Corridor of Renewable Energy (SCORE).

"Already a quarter of our order book is comprised of SCORE-related projects," noted Dato Paul Yu.

Power purchasing agreements have begun being signed this year and the multi-national industries are already constructing their facilities, notably in the SCORE growth node town of Samalaju.

Sarawak's industrialization and urbanization combined with the government's emphasis on ensuring basic amenities, such as treated water and mains power to remote communities, will continue to generate construction activity across the State from the coastal towns to the highland villages.

During 2012, HSL will pursue contracts for construction of educational institutions and affordable housing, further packages of the Kuching Centralised Wastewater Management System project, flood mitigation projects in Sibu and Kuching and additional reclamation and infrastructure works, particularly in the SCORE coastal growth node towns.

"The Sarawak construction landscape continues to offer considerable opportunities and we believe HSL has the specialist skills and resources to be highly competitive in upcoming bids," said Dato Paul Yu.

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Based in Sarawak, East Malaysia, Hock Seng Lee Group is involved in marine engineering, civil engineering, building construction and property development.
HSL is listed on Bursa Malaysia's Construction Counter (stock code 6238, Bloomberg code HSL MK).

For further information see: www.hsl.com.my