PRESS RELEASE

HOCK SENG LEE BERHAD (045556-x)

Milestone 2016 for HSL

Record procurement success marks 20th year of listing

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KUCHING (Monday): It was a milestone year for Sarawak-based marine engineering and infrastructure specialist Hock Seng Lee Berhad (HSL), it noted when releasing its annual financial results today.

In 2016, HSL celebrated the 20th anniversary of its 1996 listing on the construction counter of Bursa Malaysia and it also marked 20 years of continuously reporting profit every quarter.

In addition, the year 2016 saw unprecedented procurement success with the value of contracts in hand peaking at an historical high of RM2.7 billion. The key contract wins during the year were a section of the Pan-Borneo Highway and the second package of Kuching's Centralised Waste Water management system.

As at 31 December 2016, HSL's order book stood at RM2.6 billion of which RM2.1 billion was outstanding.

"Financial results for the year are commendable, particularly in view of the early stages of the two mega-projects," said HSL's Managing Director Dato Paul Yu Chee Hoe.

For the year ended 31 December 2016, HSL Group revenue reached RM498.55 million with net profit before tax at RM75.17 million.

HSL's pre-tax margins have held at around 15 percent, which is similar to last year and remains above the industry average.

Results for the year ended 31 December 2015 saw revenue at RM654.74 million while net profit before tax was at RM101.24 million.

"We have been able to successfully manage various challenges including increased costs for labour, plant and equipment and the impact of the declining ringgit," said Dato Paul Yu.

In keeping with the sound annual results, the Board has recommended a final single-tier tax exempt dividend of 7 percent per ordinary share pending approval at the upcoming Annual General Meeting (AGM).

Added to the interim single-tier tax exempt dividend of 5 percent paid in October 2016, the cash dividend for 2016 would total 12 percent.

"Site investigations and establishment as well as machinery mobilisation and staff recruitment for the mega-projects have increased outgoings during 2016.

"However, as physical work advances and as we move into the drier middle months of the year, we look forward to submitting substantial progress claims on the new contracts," said Dato Paul Yu.

In total, HSL acquired 14 new construction contracts worth RM1.86 billion in 2016, having added RM275 million in 2015. Aside from the two mega projects, there were further contract wins in the SCORE area. At Samalaju HSL secured the Boulevard project and a substation establishment contract worth a combined value of RM122 million.

Progress on existing projects has continued concurrently with the bidding efforts and the company completed an impressive RM590 million worth of contracts during 2016 including projects in all three of the growth node towns of the vast Sarawak Corridor of Renewable Energy (SCORE).

In Tanjung Manis, HSL completed works for the Pumping Station, riverbank filtration system and access roads to the Halal Hub. In Samalaju, it finished the weir and the raw water intake from Sungai Similaju as well as infrastructure works and government quarters for the Samalaju Industrial Park. Similarly, in Mukah, HSL completed a second package of the Tingkas raw water intake as well as the access road to the new UiTM campus.

Outside of the SCORE region, projects completed included various roadworks in Bintulu Division and Sri Aman, Sekolah Seni Santubong and a Petanque complex in Kuching.

Meanwhile, the property development sector also enjoyed a milestone year with revenue up some 80 percent year on year. Hock Seng Lee Construction Sdn Bhd (HSLC), a wholly-owned subsidiary, launched new projects worth some RM84 million. Revenue as at 31 December 2016 had risen to RM57.98 million from the RM32.16 million realised as at 31 December 2015.

The higher revenue has been achieved through strong sales of luxury homes at its 200-acre flagship mixed development *La Promenade* located off the Kuching-Samarahan Expressway. Since the inaugural launch late in 2015, the guarded and gated residential estates of *Precinct Premiere* and *Precinct Luxe* have seen good take up rates with a sales value approaching RM100 million.

Other projects selling well include the latest phases of *Samariang Aman 2* with 84 units of double-storey terraces and double-storey semi-detached homes for Phases 3 and 6 scheduled to be launched in 2017.

There are also ongoing commercial and industrial property projects. This year at *Vista Industrial Park* (VIP) in Kuching, Blocks 2 and 3 (55 industrial lots) worth RM68 million, will be released. Block 1 which was launched in 2016 is approximately 60 percent sold.

"While fiscal cooling measures may have somewhat dampened the property market, we are still finding that projects are marketable when they are in prime locations, show-case innovation and thoughtful design and are good value for money," said Dato Paul Yu.

Looking ahead, Dato Paul Yu says HSL Group's earnings visibility is high based on its strong order book with mega-projects stretching until 2020.

In addition, opportunities are expected for further infrastructure projects in the SCORE region and for power generation needs.

"We will also bid for affordable housing, water supply, flood mitigation, sewerage works, roads, bridges and building construction contracts as they arise," said Dato Paul Yu.

"Although there are uncertainties in the economic outlook, with minimal gearing and substantial cash reserves, we believe we have the capacity to take on more," he added.

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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