

HSL PROFIT LOWERS SINCE MCO

The Group Weathers Early Part of Covid-19 But Construction Sector In Unprecedented Uncertainty

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KUCHING (Thursday): Sarawak based construction specialist, Hock Seng Lee Berhad (HSL), posted a decline in profits during the first quarter of this year, which was the start of the Covid-19 pandemic.

Pretax profit for the months that ended March 31, 2020, is RM10.13mil from revenues of RM112.4mil. The construction segment contributed RM101.25mil, or 90%, while property developments delivered RM11.15mil.

The preceding year's corresponding quarter pretax profit was RM18.76mil and revenue, RM146.72mil.

Covid-19 has had an exceptional impact on the construction industry. In Malaysia, although the Movement Control Order (MCO) came into effect on March 18, the ripples effect and impact of China locked down since February was huge on the construction industry when the material supply chain were severely affected. It caused more non-productive days on top of Q1's usual festive public holidays and unworkable times due to the monsoon season.

In the property segment, the quick global downturn led to weaker demand in what was already a buyers' market.

HSL's order book currently is at RM3.4bil with an outstanding balance of RM2.2bil. With substantial value of project in hand, the challenge now is to manage project execution to achieve favorable deliverable amidst the many challenges under the new normal.

Group managing director Dato Paul Yu Chee Hoe said Covid-19's negative impact was impossible to foresee. In early January, when reports emerged the virus had spread outside Wuhan, the impact on China's economy reverberated across world markets.

"Before the MCO, we anticipated inflationary pressures on profit margins due to factors like supply disruption. But what's happen since January has been unprecedented. We are preparing for the long-haul now," Yu said.

Covid-19's economic ramifications would be beyond 2008's Great Recession and 1997's Asian Financial Crisis.

"We have taken more precautions at worksites with strict compliance to our own Safe Operating Procedure. There will be a rise across all operating costs and this will no doubt be reflected in results," Yu added.

Labour shortage is also currently an industry- and country-wide issue in Malaysia. "We are only just picking up momentum slowly and it's already June. The construction industry cannot just go back to status quo at the flick of a switch. At the start of the Recovery Movement Control Order (RMCO), we are working at 30-40% productivity."

On property, price adjustments on existing stock will lower revenue and spending on marketing to spur sales will erode profits.

"In any depressed market, there will naturally be fewer launches. Affordability is key. As such, the company's only major launch will be Samariang Aman 3, a best-seller for over a decade. We'll start with 126 units, single- and double-storey, terrace and semi-detached homes. We expect homebuyers to react with delight to these landed properties in a time when most new cheap launches have been apartments," Yu said.

Looking ahead, HSL is cautiously hopeful that infrastructure developments will remain a priority for state and federal governments' spending in Sarawak.

"It remains uncertain how Covid-19 will continue to impact the construction industry in Malaysia. While Sarawakians yearn for more development, we are aware the Government's coffers are squeezed and funding priorities will change. HSL will embark on its trademark strategic management to see through tough times." Yu concluded.

This morning at the HSL Annual General Meeting in Kuching, shareholders approved all agenda items, including a final single-tier tax exempt dividend of 1.4 sen per ordinary share.

The entitlement date for the dividend shall be July 10, 2020, and the dividend shall be paid on July 24, 2020.

On a related matter, this year, after more than 30 years at its old address at Pending, HSL will move into its new headquarters. Located prominently at the busy Kuching-Samarahan Expressway, HSL Tower is a 10-storey Green Building Index certified office complex with shopping mall.

It is at the entrance of La Promenade.

For more info, visit hsl.com.my.

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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).*

For further information, visit www.hsl.com.my