

HSL REPORTS THIRD QUARTER RESULTS

Group Resume Operations But Activities Still Low

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KUCHING: Hock Seng Lee (HSL) today announced financial results for the third quarter ended Sept 30, 2020. Revenue for the quarter was RM161.16mil as compared to RM173.84mil over the same period last year.

The construction segment contributed RM147.54mil, while property development registered RM13.62mil, which is 92% and 8% respectively.

Net profit before tax for construction was RM8.89mil and property was RM4.14mil, compared to RM11.72mil and RM8.11mil for the previous year's corresponding quarter.

The lower figures were mainly attributed to Covid-19, resulting in productivity loss — which is still at roughly half of normal — and tighter margins. There has been an increase in operating costs and fixed overheads incurred during the Movement Control Order (MCO) and Conditional Movement Control Order (CMCO). The property segment took the hardest hit with almost 50% drop in net profits.

Like the rest of the industry, the Group had resumed work in June with strict compliance to Safe Operating Procedure. However, the momentum was interrupted by the Enhanced MCO placed on various parts of Malaysia.

Additionally, another round of CMCO was declared for Kuching between 9 to 22 November 2020, as the district entered the red zone with more than 150 Covid positive cases in the two weeks prior. The CMCO has been further extended to 27 November 2020.

The final single-tier tax exempt dividend of 1.4 sen per ordinary share totalling RM7.69mil for the year ended December 31, 2019, which was approved by shareholders during the AGM held in June 2020, was paid on 24 July 2020.

"We have some modest success in securing some new contracts to date of about RM101mil. They include an inner ring road for Kuching City valued at RM66mil, a new school in Padawan (RM13mil), water supply project in Tanjung Manis (RM17mil) and few others.

Challenging times remain for the construction industry. HSL is not spared from issues faced by others. Labour shortages remain our chief problem, deeply limiting construction activities," managing director Dato Paul Yu Chee Hoe said.

"Closed borders mean no foreign labour, and Sarawak's own labour force has always been inadequate. This has actually led to higher salaries since the worker pool is much smaller. We do not foresee this matter resolving until the global health emergency is over."

"Of particular concern to us now is the high number of Covid positive cases in Malaysia. In October, the number of new cases was higher than the first nine months of the entire year. Any MCO, CMCO or even



location-specific EMCO will have an impact on construction, especially as our projects span Sarawak and in different specialities,” Yu said.

Amidst the many challenges posed by the pandemic resulting in non-working periods and reduced productivity, Hock Seng Lee is mindful of the projects’ completion dates which have to be met. The Group is working closely with all our clients to find ways to mitigate and manage the risks and in our project delivery to the reasonable satisfaction of our clients. In October 2020, we have practically completed the Batang Rajang Bridge in Sibu which is part of the Pan Borneo Highway project.

Despite the soft property market, HSL will continue building and launching new phases of existing projects to give more options to different segment of the market. These include Highfields phase 2b, continuation of Precinct Grande in La Promenade, expansion of Vista Industrial Park (VIP), and the all-new Samariang Aman 3.

Each of the projects have clear target markets; for instance, VIP is fully commercial, Samariang comprises more affordable units, while La Promenade, where the new HSL Tower is, is the Group’s flagship.

La Promenade Mall, which is the Group’s first community mall, will open early next year, with anchor tenants Choice Supermarket, Sweat Factory, and homegrown eateries like NOMS, Hock King Authentic Chicken Rice, Black Bean Coffee & Tea and many others.

A section of the mall on the fourth floor is reserved for HSL’s corporate social responsibility. Special leases have been offered to charities like the Community Based Rehabilitation Centre.

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 see www.hsl.com.my