

HSL REPORTS ANNUAL RESULTS

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KUCHING: Hock Seng Lee (HSL) today announced financial results for the year ended Dec 31, 2020. Revenue for the year was RM538.32mil with a net profit before tax of RM43.49mil. Revenue in 2019 was RM683.61mil and net profit before tax was RM74.10mil.

Construction activities continued to account for the vast majority of the Group's revenue at RM480.41mil.

2020's lower revenues were mostly due to Covid-19's Movement Control Orders (MCO) — hitting Q2 particularly hard — and the interruptions to a smooth operation due to subsequent start-stop of works arising from periodic Conditional MCOs.

"It was a year full of challenges with many non-working days. In construction, any disruption to physical progress means loss of earning days. Nonetheless, HSL's team has persisted. Despite pandemic woes, we managed to complete substantial value of projects," HSL Managing Director Dato Yu Chee Hoe said.

Our substantial work done in 2020 also saw HSL's mega projects of Miri Wastewater at the tail-end, while two-thirds of Work Package 7 of Pan Borneo Highway, including the Batang Rajang Bridge was also completed.

However, labour issues, which were particularly glaring in 2020, would remain for the foreseeable future. "Covid or no Covid worker shortages will be persistent problems. This will drive production costs up and also impact productivity."

Yu conceded that the high earnings of the past — HSL hit a high in 2012 — could not be sustained.

"The Sarawak Government has intensified its effort on rural development agenda to distribute more evenly development across the whole state. These rural development projects tend to be smaller in individual project value and the cost of implementing these rural projects are significantly higher. Raw materials, transport logistics, salaries and personnel transfer are much more expensive to carry out these projects. Such situation will have an impact on our cost efficiency operations as a sizable public listed company."

Yu also said local players were increasingly exposed to external challengers.

"In addition, more and more competitors are sharing the same cake now, so to speak. There's increasing competition from contractors from Peninsula Malaysia, and in particular, China. An already tough industry is going to get tougher."

Looking ahead, HSL would focus more on property development, including on the services sector, like at its newly launched La Promenade Mall, which is connected to HSL's 10-storey office tower.

The Group may also selectively scale down on manpower as some of the mega projects reach an end, depending on new job procurement.

The Board has decided not to declare dividend to conserve cash reserves and to sustain operations.

HSL's chairman YB Datuk Haji Idris Buang said twin strategies of prudent financial management and technology adoption would help to sustain productivity and ensure profitability. He noted HSL's business activities has picked up in Q3 in line with the Federal Government's Recovery MCO.

"We will continue to implement a cautious approach to business, shielding the Group from unforeseeable challenges. Cash flow remains the priority, especially as margins are pressured," Idris said.

On the Group's property development, the chairman noted plans to speed up mass market property projects like Samariang Aman 3, which is bigger than the original Samariang 1 and 2 with over 1,000 houses combined. HSL would also continue to develop commercial properties at Vista Industrial Park (VIP).

At La Promenade, the Group's flagship, high-end plans remain unchanged. "We have a good diversified property portfolio. There is also diversity in location and product types. For instance, the trio of Samariang Aman, VIP and La Promenade cover the state capital's three council jurisdictions," our Chairman said.

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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