PRESS RELEASE

HOCK SENG LEE BERHAD
(197901000733/45556-X)

HOCK SENG LEE REPORTS FIRST QUARTER RESULTS

Momentum Picks Up But High Costs and Interruptions Lie Ahead

Issued for immediate release at 12.30 pm on 20.05.2021

Issued by Hock Seng Lee Berhad, Corporate Communications Dept.

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KUCHING: Hock Seng Lee (HSL) today announced financial results for 2021 first quarter ended March 31. The Group posted pretax profit of RM12.23mil from revenue of RM159.5mil.

Construction activities contributed the bulk at RM141.95mil, which is 89% of revenue. Property development delivered RM17.29mil.

The preceding year's same quarter pretax profit was RM10.13mil with revenue of RM112.4mil. In 2019, Q1's pretax profit was RM18.76mil and revenue was RM146.7mil.

Work has picked up compared to the fourth quarter of 2020, however, momentum is interrupted by the reimpositions of new variations of Movement Control Orders in many parts of Malaysia and Sarawak.

Issues from 2020 arising from Covid-19 have not dissipated, managing director Datuk Paul Yu Chee Hoe said.

"Crucially, these include acute labour shortages, travel restrictions and disruptions to material supply chains. For projects under HSL's current order book of over RM1.8bil, margins are squeezed as contractors are forced to accept higher costs. The same scenario is repeated in property development."

Industry-wide, construction firms are absorbing substantially higher costs of construction materials. Steel, for instance, Yu noted, had gone up 50% in May this year from a year ago.

The sharp rise is brought about by the worldwide shortage of raw materials due to pandemic coupled with the regional resumption of business activities, particularly in mammoth economies like China and the US, where the new administration is spearheading a once-in-a-generation infrastructure boom.

"Meanwhile, Covid-19 continues its torment worldwide. The world as a whole is still recording new highs of infection rates and fatalities," Yu said.

"Malaysia, and Sarawak within it, has not fared well in 2021 as far as fighting the pandemic is concerned.

"In fact, this year's infection and deaths are higher than 2020 due to new waves and virus mutations. Many countries have started massvaccinations including Malaysia but vaccine shortages and slow rate of vaccination remain an issue."

Although the Malaysian economy is forecasted to grow positively in 2021 — versus a contraction of 5% to 6% in 2020 — the pandemic remains a great challenge presenting many new uncertainties, Yu added.

Nevertheless, HSL completed a substantial amount of projects in 2020. The mega projects of Miri Wastewater Project is at its tail-end, while more than two-thirds of the Package Seven for the Pan Borneo Highway is completed.

HSL's challenge ahead is to work on replenishing its order book, while trying hard to find more efficiencies for existing projects with thinning margins.

In the property segment, Yu said demand continued to be soft, showing little signs of improvements especially in the middle segment.

"Samariang Aman 3 (SA3) is one of our current property developments. Over 70% of units in early phases comprise single-storey units. We're emphasising affordability."

Yu reiterated his belief from last year that Covid-19's ramifications would go beyond 2008's Great Recession and 1997's Asian Financial Crisis.

"It's still too early to say what will it be like in the medium term, except to say, we are preparing for the long-haul," he added.

The results followed a Board meeting today at HSL Tower in Kuching.

On Tuesday, HSL announced the postponement of its Annual General Meeting to June 18 in order to comply with new Covid-19 guidelines from the Sarawak Disaster Management Committee.

For more info, visit hsl.com.my or search @hslcn on social media.

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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 informationsee www.hsl.com.my