

Procurement bounty for HSL

Q1 2016 sees record new contracts, net cash dividend of 12% for 2015

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KUCHING (Thursday): The first quarter of 2016 has seen the value of projects in hand for Hock Seng Lee Berhad (HSL) reach a record RM2.7 billion, with new contracts secured in the period worth RM1.89 billion.

Among the more than 30 projects now ongoing, the Sarawak-based infrastructure specialist has secured two new mega projects – a 76km section of the Pan-Borneo Highway and the second package of Kuching's Centralised Wastewater Management System.

The Pan-Borneo Highway contract is known as package 7, Bintangor to Julau Junction, Btg Rajang Bridge and Sibu Airport to Sg Kua, with the contract period until late 2020.

The wastewater management project, which will bring HSL's tunnel boring equipment and expertise to the fore, will stretch until 2022 and connect a significant portion of northern Kuching city to an expanded sewerage treatment plant.

While the boost to orders has been the highlight of the first quarter, the Group has continued to execute its existing projects with customary efficiency and timeliness.

The three months to 31 March 2016 has seen sound earnings with profit before tax at RM21.54 million on the back of revenue at RM142.26 million.

For same period last year, the three months ending 31 March 2015, net pre-tax profit stood at RM26.26 million on the back of revenue of RM186.46 million.

"The beginning of 2015 saw many projects achieving good momentum or in their final stages. In contrast, the beginning of this year, 2016, sees us in the very early phase of the major new projects.

"However, with the two mega projects stretching 4-6 years, HSL has strong earnings visibility going forward," said HSL's Managing Director Dato Paul Yu.

Stakeholders at this morning's Annual General Meeting (AGM) for the Group in Kuching were also positive on Group outlook, given the enlarged order book.

They approved the Board-recommended final single-tier tax exempt dividend of 7 percent per ordinary share.

Added to the interim single-tier tax exempt dividend of 5 percent paid in October 2015, the cash dividend for 2015 will total 12 percent. The final dividend shall be payable on 23 June 2016 with the entitlement date set as 9 June 2016.

All other agenda items put forward at the AGM were also approved by shareholders.

“While planning for the execution of new projects, work on existing projects has been ongoing and we completed contracts worth almost RM4,00 million in this first quarter.

“Contracts completed include several in the SCORE area such as water supply and pumping station works at Tanjung Manis and also raw water intake and infrastructure works at Samalaju,” Dato Paul Yu said.

“These water related engineering works are essential to service the multi-national industries operating in the burgeoning SCORE region,” he added.

As at the end of the first quarter of 2016, HSL’s fundamentals remained strong with some RM132 million in cash reserves available to fund the commencement of major new projects.

Given the volume of projects in hand, the Group will remain prudent in its cash management and may consider a modest level of bank financing for capital and project expenditure.

Out of HSL’s historically high order book of RM2.7 billion, some RM2.4 billion was outstanding as at 31 March 2016 which represents four times the annual revenue of 2015.

Looking ahead, Dato Paul Yu said that while contracts in hand would last several years, HSL would continue bidding efforts as the Group had the capacity to take on further works.

“Meanwhile, we will be looking to manage our projects effectively to ensure there are strong earnings upsides to our procurement successes,” he added.

On a final note, Dato Paul Yu said that construction works under Hock Seng Lee Construction Sdn Bhd, HSL’s wholly-owned subsidiary and its property development arm, were progressing well with further launches scheduled in the second and third quarters of 2016.

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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