

HSL to pay out record dividend

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KUCHING (Wednesday): Sarawak-based infrastructure specialist Hock Seng Lee Berhad (HSL) has enjoyed another successful year in 2012, prompting the Board to propose the highest ever dividend payout since its listing in 1996.

HSL's Chairman Dato' Haji Idris Bin Buang said that following another twelve month period of major procurement wins and both earnings and revenue growth, cash dividends for 2012 would total 20 percent.

Dato' announced that the Board has recommended a final ordinary dividend of 10 percent and, given the pleasing results, a special dividend of 3 percent, pending shareholders approval at the upcoming Annual General Meeting (AGM).

"Added to the interim dividend of 7 percent paid in October 2012, the cash dividend for 2012 would total a record 20 percent", said Dato' Idris.

This represents an increase from 2011's total cash dividend payout of 18 percent and 2010's 15 percent return. All dividends are franked with a tax credit of 25 percent.

"While we retain funds to invest in new technology, machinery, plant and equipment and also for the start-up of major new works, we still ensure excellent returns to investors.

"We believe our loyal stakeholders deserve to share in HSL's success," said Dato' Idris.

Releasing its annual results for the year ended 31 December 2012, HSL's Managing Director Dato Paul Yu Chee Hoe attributed his company's ongoing profitability to technical ability, experienced management and a strategic focus on projects which draw on its marine and civil engineering skills.

Dato also highlighted that HSL Group was benefiting from a vibrant local construction industry as a result of the Sarawak Corridor of Renewable Energy (SCORE) initiative, the rapid urbanization of the state's towns and the agenda to upgrade amenities for rural and interior communities.

"HSL has an illustrious track record of major projects in the state and has the expertise in high-tech infrastructure works which are in demand," said Dato Paul Yu.

Revenue for the year ended 31 December 2012 stood at RM603.27 million up from RM581.52 million for the 2011 financial year.

Net profit before tax reached an all-time high of RM121.15 million, up from the RM115.60 million achieved in 2011.

“This represents a sound 4 percent growth in both earnings and revenue,” said Dato Paul Yu.

The year 2012 saw numerous procurement wins followed by higher outgoings due to project start-up phases.

HSL currently has some thirty projects in hand worth over RM1.95 billion, with RM1.05 billion outstanding.

Among the higher value ongoing projects are the Kuching City Central Wastewater Management System (Pkg 1), a water treatment plant in Samalaju, a new campus for UITM Mukah and several large road and infrastructure contracts spread across the state.

In fact, HSL has infrastructure projects in all three of the coastal growth nodes within SCORE ie. in Mukah, Tanjung Manis and Samalaju with further opportunities in these areas on the horizon.

Looking ahead, Dato Paul Yu noted that HSL’s growth was in parallel with the exciting era of development across Sarawak.

“We have enjoyed well over a decade of continuous earnings growth and already 2013 has begun with heartening contract wins, auguring well for another busy year,” he added.

HSL announced a new RM49 million infrastructure contract for the Bintulu Development Authority in Samalaju last month.

In terms of property development, HSL Group began 2013 with the launch of its Eden Fields 2 residential estate at 11 ½ mile Kuching-Serian road during Chinese New Year.

The project, with a GDV of some RM30 million, offers 76 units in a combination of single and double storey terraced homes and single-storey semi-Ds.

A show home opened during Chinese New Year and the first release of units were sold out within a week, prompting the early release of the second half of units for sale.

The next property launch, scheduled for late March, will be ‘Bahamas’ Phase 2 homes at HSL’s renowned Samariang Aman 2 estate.

“Housing prices in strategic areas of Kuching have been rising steadily of late and HSL’s innovative designs and value for money, quality homes are proving very popular,” said Dato Paul Yu.

Property development remains a small, but potentially larger, contributor to HSL’s bottom line.

Nevertheless, HSL's core business is set to continue as a comprehensive infrastructure and construction contractor.

In spite of rising construction costs, prudent cost-controls and efficiency gains have enabled HSL to achieve Return on Equity (ROE) at more than 20 percent over the past three years.

The Group also has a net cash position of about RM200 million as at 31 December 2012 with no gearing; a position which makes it easy to offer clients financing packages.

Some RM525 million worth of new projects were procured during 2012. Big ticket wins were the new campus of UiTM Mukah, the second phase of flood mitigation works in Sibul and Balingian road works.

Meanwhile, HSL completed 13 projects in 2012 worth some RM414 million.

Among these were flood mitigation works in Sibul; reclamation and infrastructure works for industrial parks at Samarahan, Demak Laut and Tanjung Manis; road works in Sri Aman and Bintulu; construction of a school and a wharf and also two property development projects.

Further opportunities for HSL will be generated as a result of rapid industrialization and urbanization as well as the Sarawak Corridor of Renewable Energy (SCORE).

"We see ourselves as highly competitive in all water-related engineering works and all manner of infrastructure and building contracts," said Dato Paul Yu.

"With our land bank and our capacity to offer financing, we also anticipate being well-positioned to be involved in much-needed affordable housing and educational institutions construction projects.

"There is still much to be done in Sarawak and few firms are better equipped than HSL to take on the mass projects that will propel the state towards its exciting future," concluded Dato Paul Yu.

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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