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George Kent posts higher earnings

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Better results due to construction projects executed well and on time

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PETALING JAYA: George Kent (Malaysia) Bhd, which has seen its share price battered since the change in federal government, reported a 16.4% increase in net profit for the first quarter.

The construction group attributed its higher net profit for the quarter ended April 30, 2018, which came in at RM21.5mil, to its construction projects being "executed well and on time".

It also cited significant contribution from its metering business.

Revenue for the period, however, was down 22.9% at RM99.7mil

In its filing with the stock exchange the group said lower revenue from its engineering segment was due to the completion of a few projects in 2017.

"Furthermore, revenue was not recognised for the Light Rail Transit Line 3 (LRT3) project, which is based on equity accounting for the 50% interest in the project," it said.

The group added that lower segment profit of RM21.31mil for the quarter was due to the share of profit from the LRT3 project which is presented after tax and the completion of a few projects in 2017.

Construction accounts for 94% of the revenue and 91% of segment profit of the group's engineering division.

The metering division also recorded lower revenue and profit, due to lower revenue and higher operating expenses.

The group, however, noted that its balance sheet remained strong with a net cash position of RM343.5mil and said its outstanding order book of RM5.3bil will continue to provide earnings visibility in the medium term.

Moving forward, the group said it remains optimistic for the rest of the year.

"Going forward, with a strong balance sheet, the group will increase its resources substantially, in terms of manpower and financial resources, to further accelerate growth in metering and other water-related businesses as well as concessions through

M&As and strategic partnerships.

"This is in line with the group's long-stated strategic plan to broaden its income base by substantially increasing the income from the metering and other water-related businesses and investments," it said.

George Kent has seen its share price dive by over 60% since the May 9 general election with the new Pakatan Harapan government reviewing mega infrastructure projects.

The construction firm had been seen as a frontrunner, as part of the Gamuda Bhd-MMC Corp Bhd-George Kent consortium, to secure the MRT 3 Circle Line turnkey contract.

The government recently announced that the project would be scrapped.

The stock had however rebounded last week as the East Coast Rail Link (ECRL) project is expected to continue.

An online portal had disclosed that there is a heavy penalty of some RM22bil involved if the government decides to terminate the project.

Yesterday, the stock was up 8 sen or 5.48% to close at RM1.54.