

PRESS RELEASE

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GEORGE KENT 2ND QUARTER RESULTS ARE CREDIBLE

PUCHONG, 24 SEPTEMBER 2019 – George Kent (Malaysia) Berhad (“George Kent” or “the Group”) today announced a credible set of 2nd Quarter financial results for the financial year ending 31 January 2020 (“FY2020”).

The Group achieved a revenue of RM97.7 million and profit after tax of RM11.1 million in Q2 FY2020. For the 1st Half of FY2020, revenue registered at RM180.5 million with a profit after tax of RM24.6 million.

The Engineering division's performance is credible with the continuing execution of only the two hospitals and the tail end of the LRT2 project. The Metering division's results reflect lower export sales and margins. These results are expected to improve in the second half of the financial year as export orders that were anticipated for the first half of the year are realised.

Dividend

The Directors have declared an interim dividend of 1.5 sen per share for FY2020 (FY2019: 2.0 sen per share), payable on 31 October 2019 to shareholders whose names appear in the Record of Depositors on 10 October 2019, being the Book Closure Date.

Water Meter Business

License Agreement with Honeywell

In the quarter under review, the Group signed a long-term license agreement with Honeywell to manufacture high-precision water meter measuring components. The agreement also allows the Group to exclusively sell water meters to 26 territories, including 15 new territories in the Asia region. The Group will additionally continue to sell these meters back to Honeywell for their sales into other worldwide markets.

Under this agreement, the Group will now, for the first time, manufacture the precision measuring components together with the brass housings, which we are currently manufacturing, to be assembled into complete water meters. This will enable the Group to have control of the supply of the complete meter to meet the increasing domestic and global demand and reduce production costs. The Group has hitherto been procuring these components from Honeywell in the United Kingdom.

The transfer of the production facilities is currently in full swing. The Group is also making preparations to establish a strong presence in the 15 new territories.

Smart Metering Solution to Drive Growth

The Group's proprietary Automated Meter Reading technology, the development of which started several years ago, is being implemented through proof-of-concepts and pilot projects with a number of state water authorities. The Selangor state water authority in September 2019 awarded a contract to the Group to supply, deliver and install 5,540 water meters fitted with the Group's Smart Metering solution for a six-month pilot test. This pilot project is a key stepping stone in the commercialisation of the Group's Smart Metering solution in the coming years.

The Smart Metering solution enables water authorities to read water meters remotely and have near-real-time access to water consumption data. Besides billings, the data can be used to monitor water consumption patterns and detect leakages in the distribution system, which would be useful to address non-revenue water. The potential growth for the Group from Smart Metering is significant, given its status as the first mover and market leader in the Region.

Construction Business Fundamentals Intact

The Group has a team dedicated to developing new opportunities in the Regional railway space, leveraging on its expertise as rail systems specialist in domestic railway projects. The Group's established network with international rail specialists will assist it in tapping into Regional projects requiring international collaborations through joint ventures or strategic alliances.

The Group will further accelerate growth by substantially increasing its investments in water-related projects or concessions through M&As and strategic partnerships. George Kent aims to turn these investments into its main income contributor in the medium to long term.

Chairman's Statement

Commenting on the Group's performance, Chairman Tan Sri Dato' Tan Kay Hock said:

"In spite of the lower turnover and profit, these results are, nevertheless, credible with the continuing execution of only the two hospitals and the tail end of LRT2. The results demonstrate the robustness of our Group's businesses.

"The long-term license agreement with Honeywell, signed in June 2019, enables the Group to have control of the manufacture of the complete meter to meet the increasing domestic and global demand and reduce production costs. This agreement will also provide the Group with 15 additional territories to sell our water meters.

"Our Smart Metering solution is undergoing proof-of-concepts and pilot tests in various states. This will pave the way for the commercialisation of this solution, which will be a key growth driver in the coming years. These initiatives are positive steps taken to expand the Metering Business contribution to 50% or more of the Group's earnings, in line with the Group's long-stated Strategic Plan to broaden its income base.

“Our expertise and experience as a Rail Systems Integrator place us in a favourable position to compete for domestic rail projects. We have a dedicated team to actively pursue railway opportunities in the Region. Similarly, with the successful completion of over 30 water infrastructure projects in the last 26 years, the Group is well-positioned to explore opportunities arising from the Malaysian Government's drive to resolve the country's non-revenue water issue.”

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About George Kent (Malaysia) Berhad

George Kent is an established engineering and metering company in the water infrastructure, rail transportation and hospital construction industries. The Company specialises in the turnkey construction of water infrastructure and hospital projects, system works for rail transportation, and operation and maintenance of water treatment facilities.

Known for proven engineering excellence, George Kent has a strong track record of successfully completing high-value and technology-critical projects. The Company also manufactures and supplies water metering products and solutions for household, industrial and plant use. It operates one of the largest hot brass-forging plants in Southeast Asia for the production of internationally certified water meters, and supplies to water authorities in Malaysia and in the ASEAN region.

For more information, please visit www.georgekent.net.

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MEDIA QUERY

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