

GENERAL ANNOUNCEMENT - OTHERS

KUMPULAN PERANGSANG SELANGOR BERHAD (“KPS” OR “COMPANY”)

FRAMEWORK AGREEMENT ENTERED INTO BETWEEN AQUA-FLO SDN BHD AND PENGURUSAN AIR SELANGOR SDN BHD FOR THE SUPPLY AND DELIVERY OF WATER METERS FOR NEW DEVELOPMENT, METER MIGRATION AND REPLACEMENT PROGRAMME (2021 AND 2022) OF 15MM PLASTIC, 15MM BRASS, 25MM BRASS AND 40MM BRASS WATER METER FOR THE PERIOD FROM 1 JANUARY 2022 TO 31 DECEMBER 2022 WITH AN ESTIMATED CONTRACT SUM OF RM18,145,401.00

1. INTRODUCTION

1.1 Framework Agreement

Pursuant to Paragraph 9.03 of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”), the Board of Directors of KPS wishes to announce that Aqua-Flo Sdn Bhd (“AFSB”), a 51%-owned subsidiary of KPS, had on 4 April 2022 entered into a Framework Agreement (“FA”) with Pengurusan Air Selangor Sdn Bhd (“Air Selangor”) for the supply and delivery of water meters for new development, meter migration and replacement programme (2021 and 2022) of 15mm Plastic, 15mm Brass, 25mm Brass and 40mm Brass water meter for the period from 1 January 2022 to 31 December 2022 with an estimated contact sum of RM18,145,401.00 (“Contract”).

1.2 Contract Period

The commencement and duration of the Supply for the above Contract shall be for a period of twelve (12) months commencing from 1 January 2022 (“Commencement Date”) until 31 December 2022 (“Expiry Date”) (“Contract Period”). Air Selangor has the option to extend the Contract Period for a further term of six (6) months by giving AFSB not less than one month’s notice in writing prior to the Expiry Date (“Extended Contract Period”). Thereafter, the FA shall be extended according to the same terms, conditions and covenants contained in the FA save for the Extended Contract Period.

Air Selangor and AFSB (“Parties”) may renew the FA for such further term to be mutually agreed by giving not less than one month’s notice in writing prior to the expiry of the Contract Period or the Extended Contract Period and thereafter, the Parties may as soon as reasonably practicable negotiate and mutually agree on the terms and conditions of such renewal in writing.

In the event that the Parties fail to reach an agreement, the FA shall automatically expire at the end of the Contract Period or the Extended Contract Period, as the case may be.

1.3 Recurrent Related Party Transaction

The Contract is regarded as a Recurrent Related Party Transaction (“RRPT”) of a revenue or trading nature which is necessary for the day-to-day operations and is in the ordinary course of business of KPS’s subsidiary AFSB pursuant to Paragraph 10.09 of the Bursa Securities MMLR.

2. SALIENT TERMS OF THE FRAMEWORK AGREEMENT

2.1 Prices

2.1.1 Under the FA, the estimated contract sum is based on approximate quantities, and the actual total quantities to be supplied shall be based on the Purchase Order(s) issued by Air Selangor and/or Air Selangor Group under the FA. For the avoidance of doubt, Air Selangor and/or Air Selangor Group shall not be obliged to fulfil the Estimated Contract Sum.

2.1.2 The prices shall remain fixed throughout the Contract Period or Extended Contract Period, as the case may be, and shall not be subjected to any fluctuation of price whatsoever, whether due to the increase in the price or costs of raw materials, goods, labour, transportation, storage, insurance, taxes, statutory contribution, exchange rates or otherwise howsoever.

2.2 Performance Bond

AFSB shall, prior to the Commencement Date or at any such other period as agreed by Air Selangor in writing, deliver to Air Selangor a performance bond in the amount equivalent to 5% of the Estimated Contract Sum and which shall remain valid throughout the Contract Period or the Extended Contract Period.

2.3 Termination

The FA may be terminated by the Parties in any of the following circumstances:

(a) Termination by Either Party

Either Air Selangor or AFSB shall be entitled to terminate the FA forthwith by giving written notice to the other if:

- Air Selangor or AFSB is subject to an order made against it or a resolution passed for the winding up (except for the purpose of reconstruction, amalgamation not involving the realisation of assets which the interests of creditors are protected);
- Air Selangor or AFSB goes into liquidation, or a receiver is appointed over the assets whether compulsorily or voluntarily or suffers its goods to be taken in execution or becomes insolvent or compounds with or makes assignment for the benefit of its creditors or does any act which affects its ability to fulfil its obligations under the FA;

- Execution is levied against a substantial portion of assets unless it has instituted proceedings in good faith to set aside such execution; or
- The other Party ceases, or threatens to cease, to carry on business.

3. EFFECT OF THE CONTRACT

The Contract is made in the ordinary course of business and has been established on an arms' length basis.

The Contract is expected to contribute positively to KPS Group's earnings and net assets for the financial year ending 31 December 2022 for the duration of the Contract.

4. RISK FACTORS

The risks associated with the Contract are mainly fluctuation in foreign currency against Ringgit Malaysia, fluctuation on water meter product prices and material supply.

To mitigate the risk, AFSB has and will continue to have mutual understanding with suppliers regarding the product prices throughout the Contract Period to ensure AFSB is able to retain the profit margin of the products delivered to Air Selangor.

5. DIRECTORS' AND MAJOR SHAREHOLDER'S INTERESTS

Save as disclosed below, none of the Directors and Major Shareholders of KPS as well as persons connected with them have any interest, direct and/or indirect in the Contract:

YB Dato' Haris bin Kasim ("Interested Director") sits on the Board of Menteri Besar Selangor Incorporated ("MBI"), Darul Ehsan Investment Group Berhad ("DEIG"), Air Selangor and Air Selangor Holdings Berhad ("ASHB"). The Interested Director is the Chairman who is a Non-Independent Non-Executive Director of KPS.

DEIG is a major shareholder of KPS with direct shareholding of 57.88%. Air Selangor is a wholly owned subsidiary of ASHB. MBI is the holding company of DEIG and ASHB.

YB Dato' Nor Azmie bin Diron ("Former Interested Director") had resigned as Chairman and Non-Independent Non-Executive Director of KPS on 1 November 2021. He sat on the Boards of MBI, DEIG, Perbadanan Kemajuan Negeri Selangor (PKNS), Air Selangor and ASHB prior to his resignation.

Encik Soffan Affendi bin Aminudin ("Former Interested Director") had resigned as a Non-Independent Non-Executive Director of KPS on 14 March 2022. He was a board representative of MBI in KPS prior to his resignation.

The Interested Director mentioned above shall abstain and will continue to abstain from all deliberations and voting at the Board of Directors' meeting and/or Directors' Circular Resolution (where applicable) of KPS in respect of the RRPT pursuant to Section 221 and 222 of the Companies Act, 2016.

6. STATEMENT BY THE BOARD AUDIT COMMITTEE

The BAC, after having taken into consideration of the Contract, is of the opinion that the Contract is:

- (i) in the best interest of the Company;
- (ii) fair, reasonable, and on normal commercial terms;
- (iii) not detrimental to the interest of the minority shareholders of the Company; and
- (iv) undertaken at arms' length basis in the ordinary course of business and is on terms not more favourable to AFSB than those generally available to the public.

7. STATEMENT BY THE BOARD OF DIRECTORS

The Board of Directors of KPS (save for the Interested Director), after having taken into consideration of the Contract, is of the opinion that the Contract is:

- (i) in the best interest of the Company;
- (ii) fair, reasonable, and on normal commercial terms;
- (iii) not detrimental to the interest of the minority shareholders of the Company; and
- (iv) undertaken at arms' length basis in the ordinary course of business and is on terms not more favourable to AFSB than those generally available to the public.

8. APPROVALS REQUIRED

The Contract does not require the approval of KPS's shareholders or any relevant authorities. Nevertheless, KPS will ensure the compliance of Paragraph 10.09 of the Bursa Securities MMLR, as and when required.

This Announcement is dated 4 April 2022.