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KPS 3Q20 Results Beat Expectations as Group Bridges Recovery with 20% Growth in Revenue and 143% Increase in Nett Earnings

- **Operating profit grew 26% year-on-year on higher contribution from the core businesses**
- **Efforts put in place to ensure the furtherance of value creation and better long-term prospect**

Shah Alam, Malaysia, 27 November 2020 – **Kumpulan Perangsang Selangor Berhad** ("KPS" or "the Company" or "the Group", Bursa: 5843; Bloomberg: KUPS MK; Reuters: KPSB.KL) today reported a 20% year-on-year ("YoY") growth in revenue to RM302.3 million for the quarter ended 30 September 2020. Revenue was ahead of prior expectations. This was driven by stronger-than-expected contributions by most business segment as KPS built organisational resilience in bridging business recovery. With stronger operating profit which grew by 26% to RM23.0 million, lower finance costs and a higher share of profit from the associates, the Group posted 143% growth in Profit Attributable to the Owners of the Parent to RM16.2 million.

HIGHLIGHTS FOR THE QUARTER ENDED 30 SEPTEMBER 2020

Manufacturing business recorded 32% revenue growth YoY, contributing RM258.4 million to the Group's revenue as compared to RM196.0 million in the corresponding quarter last year. At RM258.4 million, the manufacturing businesses that comprise Toyoplas Manufacturing (M) Sdn Bhd ("Toyoplas"), Century Bond Bhd ("CBB"), CPI (Penang) Sdn Bhd ("CPI") and King Koil Manufacturing West LLC ("KKMW"), further cemented its foothold as KPS' core investment, contributing 85% to the Group's revenue.

Supported by higher-than-anticipated sales in China, Indonesia, and Malaysia, Toyoplas contributed the highest to the Group's revenue, contributing RM126.1 million. This was followed by CBB, contributing RM60.3 million, higher than that in the corresponding quarter in the previous year by RM6.3 million, on higher traction from the offset carton and consumer divisions. CPI contributed RM43.2 million, lower than what was posted in the corresponding quarter last year by RM1.2 million. CPI's revenue decline was felt across automotive and communication & IT business segments except in healthcare and other electronics segments whose increase was supported by new orders from new and existing customers. KKMW contributed the remaining revenue of RM28.8 million, RM5.0 million higher than that in the corresponding period last year, mostly due to higher sales of the premium lines.

A further RM29.9 million of the Group's revenue was derived from the **trading** business, represented by Aqua-Flo Sdn Bhd ("Aqua-Flo"). Aqua-Flo's revenue decreased slightly from RM30.2 million in the corresponding quarter last year, mainly attributable to lower sales of water chemicals. Aqua-Flo contributed 10% to the Group's revenue this quarter.

The **licensing** business, King Koil Licensing Company Inc ("KKLC") contributed RM8.2 million, slightly lower from RM8.3 million it posted in the corresponding quarter last year, due to lower licensing revenue from the domestic licensees in the US as well as international licensees. KKLC contributed 3% to the Group's revenue this quarter.

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The **infrastructure** business which is represented by Smartpipe Technology Sdn Bhd ("Smartpipe") and KPS-HCM Sdn Bhd ("KPS-HCM") contributed RM3.6 million and RM0.1 million, respectively. Contribution from Smartpipe was higher as on-site works for Package 12 were nearing completion. The contribution for KPS-HCM was lower as the infrastructure work in Pulau Indah was already completed and no new projects secured during the current quarter. Collectively, revenue contribution from the infrastructure business plummeted to RM3.6 million, as compared with RM16.0 million it recorded in the corresponding quarter last year. The infrastructure business contributed only 1% to the Group's revenue this quarter.

The remaining revenue contribution of RM2.3 million, or 1%, was from investment holding and property investment, mainly from net rental income at Summit Hotel KL City Centre.

With the higher gross profit and lower expenses, the Group posted 26% growth at the operating level, recording RM23.0 million profit this quarter, as compared to RM18.3 million in the corresponding period a year ago. Finance costs arising from loans at the Company and the subsidiaries were at RM6.8 million this quarter, lower by RM1.7 million than the corresponding quarter last year, which was in line with progressive repayment of loans. The share of profit from associates came in at 63% higher, RM7.3 million compared with RM4.5 million previously. The higher share of profit was mostly due to stronger contribution by Sistem Penyuraian Trafik KL Barat Sdn Bhd ("SPRINT") which received a higher compensation from the government due to the low traffic volume and by NGC Energy Sdn Bhd ("NGC") given higher Liquified Petroleum Gas ("LPG") sales from the industrial and commercial segments.

The Group posted a strong increase in Profit before Tax and Zakat of 65% or RM23.5 million, as compared RM14.3 million in the corresponding quarter in the previous year. Having adjusted for Tax and Zakat and non-controlling interests, KPS posted a stellar Profit Attributable to Owners of the Parent of RM16.2 million, as compared with RM6.7 million it recorded in the corresponding quarter last year.

KPS' Managing Director/Group Chief Executive Officer, Ahmad Fariz Hassan said:

"The better-than-expected third-quarter results reflect the effectiveness of the response measures that KPS has taken in the recent months in building the operational resilience of its manufacturing subsidiaries, possibly narrowing COVID-19 future impact on the business. We addressed demand and supply network disruption with much agility and delivered solidly, having worked faster and better by focusing on our key capabilities. As a result, this quarter sees a marked uptick in capacity utilisation at our manufacturing plants in China, Indonesia, Malaysia, and the United States. The 26% growth in the operating profits and strong upturn in earnings relative to the corresponding quarter last year as well as to the preceding quarter this year is a testament of how we, as a Group, have worked together to rise above a very challenging operating environment."

HIGHLIGHTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

The economic impact from the COVID-19 which disrupted the supply and demand chains globally had challenged the progress of KPS' manufacturing operations in the second quarter. Fortunately, having exerted efforts to bridge business recovery, the adverse impacts of the pandemic on the manufacturing business moderated in the third quarter.

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For the nine months ended 30 September 2020, the Group posted revenue of RM758.2 million, an increase of 33%, as compared to RM569.6 million it recorded in the corresponding period in 2019. The increase in revenue was due mostly to the contribution by Toyoplas, netted off by a lower contribution by KPS-HCM. Of the total revenue, manufacturing businesses grew by 51%, contributing RM621.4 million or 82% to the Group's revenue. This was followed by the trading, licensing and infrastructure businesses which grew by 13%, 2% and -80%, contributing RM92.9 million, RM28.0 million RM8.7 million, respectively. Contribution by property investment was lower this period, contributing to the remaining RM7.2 million or 1% in the current period.

Although the gross profit was higher, other income was thinned by lower forex gain while other expenses were made up of the impairment losses on assets held for disposal and investment property, amounting to RM6.0 million and RM1.9 million, respectively. Higher expenses were also due to the consolidation of Toyoplas' expenses. Consequently, KPS posted a 13% decline in operating performance to RM39.3 million, as compared to RM44.9 million in the corresponding period last year. Finance costs were lower at RM23.8 million, as with the share of profit from associates at RM10.9 million. As a result, Profit Before Tax and Zakat ("PBTZ") eased by 16% to RM26.4 million.

Adjusting for tax, zakat, and minority interests, KPS posted RM7.9 million Profit Attributable to the Owners of the Parent for the period under review. This was lower compared with RM10.8 million of the same in the corresponding period last year, as the Group attempted to recover from business disruption brought about by the pandemic.

GROUP PROSPECT

KPS delivered a strong set of third-quarter results that exceeded expectations, riding on the early momentum in business recovery which partially offset headwinds from the pandemic that had in preceding quarters dampened the Group's financial performance. Aiming at delivering sequential improvement in growth and delivering sustainable business prospects, it continues to put in place building blocks needed to ensure the furtherance of value creation across the Group. Within the subsidiary companies, KPS shall continue to explore avenues to improve operational efficiency, along with enhancing organic growth by expanding product mix and customer base as well as penetrating new market segments.

"Nine months into 2020, we expect the momentum to bridge recovery within the Group's business to continue. We are however cognisant of the recent spike in COVID-19 cases and thereof the pandemic-related uncertainties, the impact of which might vary the Management's expectations on the operational performance of the manufacturing business. Realistically, the recent development might imbue a sliver of caution to our business outlook in the immediate term. As we manoeuvre the gradual reopening of the global economies and the transitory uncertainties locally, we wish to assure our stakeholders that our long-term business strategy is already being implemented, designed to nudge KPS to a stronger footing for a full recovery, pointing to a more sanguine outlook beyond 2020." Ahmad Fariz commented on the Group's fundamentals and prospect.

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About Kumpulan Perangsang Selangor Berhad (www.kps.com.my)

Incorporated on 11 August 1975, Kumpulan Perangsang Selangor Berhad ("KPS" or "the Company" or "the Group") is a public limited liability company listed on the Main Market of Bursa Malaysia Securities Berhad under the Industrial Products & Services Sector. KPS has core investments in the Manufacturing sector, as well as businesses in the Trading, Licensing, and Infrastructure sectors. While strengthening our business to optimise returns, KPS is committed to providing significant contributions towards sustainable development in the areas of economic, environmental, and social for the benefits of all stakeholders.

For media enquiries, please contact:

Zul Mawardi
Investor Relations & Strategic Communication
irsc@kps.com.my
T: +603 5524 8444