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KPS Sets New Milestone, Surpassing RM1 billion Revenue Mark for Fiscal 2020

- **Growth in Revenue Was A Show of Success in Building Resilience and Riding the Wave of Uncertainty**
- **Group Earnings Surged, Supported by Lower Finance Costs and Higher Share of Profits from Associates**

Shah Alam, Malaysia, 25 February 2021 – **Kumpulan Perangsang Selangor Berhad** ("KPS" or "the Company" or "the Group", Bursa: 5843; Bloomberg: KUPS MK; Reuters: KPSB.KL) reported RM1.1 billion revenue for its fiscal 2020, setting a new financial milestone by surpassing the RM1 billion revenue mark for the Group performance.

For the quarter ended 31 December 2020, the Group posted revenue of RM318.6 million, higher than the pre-COVID-19-revenue it recorded in the corresponding quarter last year of RM297.2 million. The steady revenue growth during a period of uncertainty - when the pandemic's impact was still elevated - was a show of the Group's success in balancing the tactical decisions needed to build operational and financial resilience while staying focused on its long-term strategic goals. The Group's Profit Attributable to Owners of the Parent almost doubled to RM26.9 million from RM16.1 million it posted last year.

HIGHLIGHTS FOR THE QUARTER ENDED 31 DECEMBER 2020

KPS' manufacturing business, which is represented by Toyoplas Manufacturing (M) Sdn Bhd ("Toyoplas"), Century Bond Bhd ("CBB"), CPI (Penang) Sdn Bhd ("CPI"), and King Koil Manufacturing West LLC ("KKMW"), recorded 14% revenue growth YoY, contributing RM273.2 million, or 86% to the Group's revenue, as compared to RM239.5 million in the corresponding quarter last year.

With its plants in China, Indonesia, Malaysia, and Vietnam, Toyoplas contribution grew by 9% to RM129.9 million, driven mainly by the consumer electronics and industrial tools divisions. This was followed by CBB, contributing RM61.3 million, or 14% more, given higher traction from the offset carton and consumer divisions. CPI added RM49.8 million at a moderate growth of 4%. Finally, KKMW added the remaining revenue of RM32.2 million on 76% growth, riding on higher capacity utilisation, additional new key retailers, and stronger sales in the premium bedding lines.

Aqua-Flo Sdn Bhd ("Aqua-Flo")'s revenue contribution was 10% lower at RM31.2 million due to lower water chemicals sales. At RM31.2 million, Aqua-Flo contributed 10% to the Group's revenue. The licensing business, King Koil Licensing Company LLC ("KKLC"), contributed RM11.2 million. KKLC grew its revenue by 29% from RM8.7 million in the corresponding quarter last year, supported by steady traction from international royalty fees. KKLC contributed 4% 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"), has been a laggard in revenue contribution to the Group. This quarter, Smartpipe contributed merely RM0.7 million, sales derived from the on-site works for Package 12 of the Pipe Replacement Project for Air Selangor. There was no revenue contribution from KPS-HCM for the quarter due to the absence of new projects. The infrastructure business' contribution to the Group's revenue was negligible this quarter.

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

Higher raw materials costs experienced during the quarter had shaved the operating margins of the manufacturing subsidiaries. This situation was exacerbated by lower interest income and considerable amount of forex loss, leading to the 61% decline in the operating profits to RM12.2 million, as compared with RM31.3 million in the corresponding period last year. However, earnings were supported by lower finance costs of RM6.6 million, which was in line with the progressive repayments of loans, and a strong share of profits from associate companies, which came in higher at RM25.7 million compared with RM2.7 million in the corresponding quarter last year. The RM18.6 million share of profits from Syarikat Pengeluar Air Selangor Holdings Berhad ("SPLASH Holdings") was due to the gain from the securitisation of the remaining proceeds from the disposal of its subsidiary, Syarikat Pengeluar Air Sungai Selangor Sdn Bhd ("SPLASH") to Pengurusan Air Selangor Sdn Bhd in 2019. Sistem Penyuraian Trafik KL Barat Sdn Bhd ("SPRINT") and NGC Energy Sdn Bhd ("NGC") each shared RM6.0 million and RM1.1 million, respectively.

The Group posted a 32% increase in Profit before Tax and Zakat ("PBTZ") to RM31.4 million, as compared to RM23.7 million recorded in the previous year. Having adjusted for Tax and Zakat and non-controlling interests, KPS posted a Profit Attributable to Owners of the Parent of RM26.9 million, as compared with RM16.1 million it recorded last year.

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

The steady growth in revenue we registered this quarter was the result of our agility in navigating the operating challenges such as disruption in supply chains and customer demand. With our continuous efforts in ensuring the continuity of our operations, we have strengthened our business resilience. We have assessed and responded quickly to these disruptions, ensuring the adaptability of our production with optimised inventory planning. To this effect, our manufacturing arm has been the main and steady contributor to the Group's revenue even in a volatile operating environment.

However, the impact of the pandemic on our manufacturing business was more permeating given the exposure to the vagaries of external factors that were beyond our control. For instance, the earlier decline in demand for most raw materials during the early months of the pandemic had caused many suppliers to reduce capacity. This is now resulting in limited supply and higher prices of many raw materials such as thermoplastics, copper, aluminium and steel products. In addition, supplier deliveries continued to slow as the impact of the pandemic has curtailed the capacity of the global and Chinese shipping markets due to labor shortages.

Thus, KPS faced heightened logistical challenges due to shortages of vessels to transport raw materials for some of our products, which resulted in longer lead times in optimising our inventory. This partly impeded our efforts to generate stronger revenue. In addition to the logistical challenges, input costs increased. We experienced higher supplier charges due to material shortages, resulting in higher costs of sales and hence, our manufacturing business experiencing lower margins. Consequently, the impact of the pandemic on our manufacturing business pressured on the Group's operating profits.

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We believe the challenges affecting the operating margins of our manufacturing business are temporary. Logistical challenges are expected to moderate, given a positive outlook for the container shipping markets moving into 2021, as reported by *The Maritime Executive*. The staggered availability of COVID-19 vaccine is also expected to support the progress of the global economic revival, with many industries already adjusting to the new normal and planning for business recovery. Therefore, we expect to ride along this recovery phase in the near term with further improvement in our operational efficiency.

HIGHLIGHTS FOR THE YEAR ENDED 31 DECEMBER 2020

The Group surpassed its RM1 billion revenue mark for fiscal 2020, growing commendably by 24% to RM1.1 billion, as compared with RM866.8 million it recorded in the corresponding period in 2019. Manufacturing contributed 83%, growing by 37% to RM894.6 million. This was followed by trading and licensing, each contributed 11% and 4%, growing at 6% to RM124.1 million and 8% to RM39.2 million, respectively. Infrastructure slagged, contributed 1% or RM9.4 million. Property investment contributed lower this period, contributing to the remaining RM9.5 million or 1% to the Group's revenue.

Lower interest income, higher forex loss and impairment on an asset held for disposal resulted in lower operating profits by 32% to RM51.5 million. The impact of operating profit to the bottom line was buffered by lower finance costs of RM30.4 million and higher share of profits from associates of RM36.6 million. As a result, PBTZ increased moderately by 5% to RM57.7 million. The Group posted RM34.8 million Profit Attributable to the Owners of the Parent, 30% higher compared with RM26.9 million registered in the corresponding period last year.

GROUP PROSPECT

Having managed business continuity and business resilience in 2020, in 2021, the focus will be on recovery, strategising on how we can thrive on new possibilities to ensure that the Group continues to strengthen its prospect and as a result, its earnings visibility. To drive this, we shall continue with the long-term strategic goals that include further improvement in operational efficiency, penetration into new market segments and expansion of product mix and services across the subsidiaries.

"While the impact of COVID-19 is expected to present continued challenges given the recent rise in number of infections, as situation which warrants caution in manoeuvring our business going forward, our resilience in critical areas such as customers, cash flow, supply chain, workforce, digital enablement and safety at workplace has enabled us to navigate the complexity with more agility. Going forward, we are prepared to take advantage of the Group's underlying fundamentals for potential success as we head into the new business reality", Ahmad Fariz commented on the Group's prospect for 2021.

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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