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## KPS Posts Moderate Revenue Growth, Steady Profit Amidst Operating Challenges

- **PAT grew by 34%, supported by core profits and other income**
- **COVID lockdowns in China and protracted supply chain challenges are expected to continue to pose headwinds for the Group**

**Shah Alam, Malaysia, 27 May 2022** - Kumpulan Perangsang Selangor Berhad's ("KPS" or "the Company" or "the Group") (KPS, Bursa: 5843; Bloomberg: KUPS:MK; Reuters: KPSB.KL) today reported a 7% growth in revenue to RM329.2 million for the quarter ended 31 March 2022, as compared with RM308.4 million in the corresponding quarter last year. The operating profit recorded a 37% growth to RM33.3 million from RM24.3 million in the corresponding period last year, following which, the Group Profit After Tax ("PAT") for the quarter increased 34% to RM16.4 million from RM12.2 million in the corresponding quarter in the previous year.

### HIGHLIGHTS FOR THE QUARTER ENDED 31 MARCH 2022

The **manufacturing** business recorded almost a flat growth, with revenue notching up 1% year-on-year ("YoY"), contributing RM271.0 million to the Group compared with RM267.0 million in the corresponding quarter last year. At RM271.0 million, the manufacturing businesses that comprise Toyoplas Manufacturing (Malaysia) Sdn Bhd ("Toyoplas"), Century Bond Bhd ("CBB"), CPI (Penang) Sdn Bhd ("CPI") and King Koil Manufacturing West LLC ("KKMW") contributed 82% to the Group revenue.

Toyoplas contributed lower this quarter yet provided the highest revenue contribution to the Group with RM107.4 million, as compared with RM125.7 million contributed in the corresponding quarter last year. This was mainly due to lower sales in China and Indonesia, which, in turn, was caused by border issue, lockdown and port congestion which impacted the delivery of its products. CBB came in second, with RM59.4 million compared with RM59.1 million contributed in the corresponding quarter last year, owing to higher traction from the paper division. CPI contributed RM53.9 million, RM3.1 million higher year-on-year, with increased sales from almost all divisions except healthcare, a situation brought about by the persistent global shortage in electronics chips ("IC"). Meanwhile, KKMW and its OEM contribution from King Koil Sales Inc. ("KKS") recorded an RM18.9 million or 60% improvement in sales, contributing RM50.3 million to the Group revenue. The rise in the mattress manufacturing revenue was supported by a more favourable operating environment, coupled with the increased average unit selling price.

A further RM34.7 million of the Group revenue was derived from the **trading** business, represented by Aqua-Flo Sdn Bhd ("Aqua-Flo"), whose revenue jumped by 30% from RM26.6 million in the corresponding quarter last year. The performance was due to higher sales of water chemicals and related projects during the quarter. At RM34.7 million, Aqua-Flo contributed 11% to the Group revenue.

The **licensing** business, King Koil Licensing Company Inc ("KKLC"), contributed RM21.3 million. During the quarter under review, KKLC's revenue surged 127% from RM9.4 million due to the excess licensing revenue from international licensees, mainly from China and Ireland, coupled with an upfront payment made by an existing customer for renewal of a long-term licensing agreement. KKLC contributed 6% to the Group revenue this quarter.



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No revenue contribution was recorded this quarter from the **infrastructure** business, which is represented by KPS-HCM Sdn Bhd ("KPS-HCM") and Smartpipe Technology Sdn Bhd ("Smartpipe").

The remaining revenue contribution of RM2.2 million, or 1% was from investment holding and property investment, mainly from rental income from Plaza Perangsang and Wisma SAP. Revenue contribution from this business was slightly higher by RM0.1 million this quarter.

For the quarter under review, other income was RM14.4 million, RM0.5 million higher than RM13.9 million in the corresponding quarter last year, made up mainly by the reversal of impairment on assets of RM4.8 million at KPS-HCM and a one-off profit rate income of RM1.7 million from Toyoplas profit guarantee deferment, offsetting the recognition of gain on disposal of property, plant and equipment of RM5.0 million at Toyoplas posted in the corresponding quarter 2021. Other expenses increased by RM3.7 million to RM50.1 million YoY, primarily due to higher distribution costs. Having taken these into account, the Group operating profit increased by 37% to RM33.3 million from RM24.3 million in the corresponding quarter of the previous year.

Finance costs arising from loans at the Company and the subsidiaries were lower by RM1.1 million to RM5.2 million from RM6.3 million in the corresponding quarter last year, which was in line with progressive repayment of loans. Share of loss from associates was RM4.2 million as compared with the share of profit of RM1.0 million previously due to the higher share of loss from Sistem Penyuraian Trafik KL Barat ("SPRINT") Holdings Sdn Bhd amounting to RM5.1 million, which was weighed down by the higher asset amortisation cost. The contribution by NGC Energy Sdn Bhd remained at RM0.9 million.

With improvement in operating profit and lower finance costs, KPS posted a Profit before Tax and Zakat of RM23.9 million, 26% higher compared with the RM19.0 million it registered in the corresponding quarter of the previous year. PAT grew by RM4.2 million, or 34%, to RM16.4 million.

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

"The challenges brought upon by the longer than expected supply chain headwinds had escalated resin and paper prices and sustained IC and labour shortages, laying speed bumps on the global economic recovery and testing business resilience and sustainability, all of which have affected the performance of our manufacturing business in China, Indonesia, and Malaysia. Furthermore, given that the Zero-COVID policy is still effective in China, Toyoplas' operations in Dongguan and Shanghai were affected by a temporary lockdown last March. Combined, these challenges have held the brakes on the growth momentum, leading our manufacturing business showing just a slight increase in revenue.

However, we are pleased that our mattress manufacturing, water chemicals trading, and licensing businesses provided the balance in cushioning the impact of the supply chain disruption on the other, showing stronger performance and maintaining a relatively strong gross profit margin for the Group quarter on quarter."

## GROUP PROSPECT

With geopolitical risks arising from the Russian-Ukraine conflict clouding the outlook, the propensity for the supply chain headwinds staying in the immediate term and China's zero-COVID policy expected to pose pressure on worker mobility and workforce availability, KPS expects the challenges in the operating environment to linger into the second half of 2022, dampening global business sentiment and the Group prospect. KPS shall, however, remain prudent and exercise caution in executing the business strategy and safeguarding the viability of the Group business.

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“We shall continue with executing levels of responses and depth of resilience, focussing first on aspects of the operations such as expanding the network of suppliers for more competitive prices, rolling out more optimised production planning and potentially negotiating a cost-pass-through mechanism with selective customers. All these efforts are targeted at ensuring a sustainable growth momentum within the Group.

In rising above the short-term challenges in the manufacturing business environment, we are also encouraged by the favourable prospects in the other businesses which have allowed us to capitalise on emerging opportunities. In view of both challenges and opportunities, we expect to progress moderately in the current financial year while assessing the robustness of the expected growth of the Group revenue and profitability,” Ahmad Fariz commented on the Group operational and financial prospects for the remainder of 2022.

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### **About Kumpulan Perangsang Selangor Berhad ([www.kps.com.my](http://www.kps.com.my))**

Incorporated on 11 August 1975, Kumpulan Perangsang Selangor Berhad (“KPS” or “the Company” or “the Group”) is an investment holding 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. While enhancing shareholder value by optimising returns, KPS is committed to contributing toward sustainable economic, environmental, and social development.

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