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FOR IMMEDIATE RELEASE

KPS Berhad Posts Lower Revenue on Weaker Consumer Demand; Expecting Steadier Prospect

- ***PAT impacted by lower sales traction, higher finance costs, and lower share of profit from associates.***
- ***Expecting a gradual recovery in consumer sentiment, the Group focuses on long-term resilience via operational efficiency.***

Shah Alam, Malaysia, 26 February 2024 – Kumpulan Perangsang Selangor Berhad ("KPS Berhad" or "the Group") (KPS, Bursa: 5843; Bloomberg: KUPS:MK; Reuters: KPSB.KL) announced today a lower revenue of RM1,228.5 million for the fiscal year ended 31 December 2023, a 9.7% drop from RM1,360.6 million it recorded in the same period last year ("FY2022"), primarily attributed to lower contribution from the manufacturing business, as a result of weaker consumer demand in the electrical and electronic sector. Foreign exchange losses and higher finance costs, as well as a lower share of profit from associates, exerted an impact on the Group's financial performance, towing the profit after tax and zakat ("PAT") to RM19.3 million from RM85.9 million registered in the corresponding period last year.

HIGHLIGHTS FOR THE QUARTER ENDED 31 DECEMBER 2023

The global economic slowdown persisted through 2023, characterised by weaker consumer sentiment and laden with inflation concerns, both leading to restrained consumer spending. Collectively, these have cast a shadow over the global economy and exerted pressure on the demand for manufactured products across diverse industries, leading to a build-up of inventory at our customers' end, which in turn resulted in a downturn in sales volume and impeding revenue growth. Operationally, the Group's business was impacted by diminished sales momentum stemming from a slowdown in demand and heightened input costs from increased electricity tariffs.

Against this backdrop, KPS Berhad registered RM319.2 million in revenue for the quarter ended 31 December 2023, subtly lower than the RM323.2 million it recorded in the corresponding quarter last year ("Q4 FY2022").

Contributing 82.3% to the Group revenue, the **manufacturing** business which comprises Toyoplas Manufacturing (Malaysia) Sdn Bhd ("Toyoplas"), CPI (Penang) Sdn Bhd ("CPI"), MDS Advance Sdn Bhd ("MDS Advance"), Century Bond Bhd ("CBB"), and King Koil Manufacturing West LLC & King Koil Sales Inc. ("King Koil Manufacturing") saw a 2.9% year-on-year ("YoY") decline in revenue contribution, registering RM262.7 million from the RM270.5 million reported in Q4 FY2022.

Although Toyoplas remains the highest contributor to the Group, its revenue decreased by RM20.2 million to RM105.7 million compared with the corresponding quarter last year; this was mainly attributed to the impact of the withdrawal of a key customer that had occurred in the preceding year. Meanwhile, CPI's revenue declined by RM3.8 million to RM50.5 million; this was due to reduced sales across all business segments except automotive. The newly acquired subsidiary, MDS Advance, contributed RM5.7 million this quarter. CBB's contribution came in higher by RM9.2 million, to RM69.0 million; the growth was driven by higher product prices in the paper division in line with rising paper costs, coupled with improved sales from the OEM division. Additionally, King Koil Manufacturing also reported a revenue increase of RM1.3 million, contributing RM31.8 million.

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A further RM40.4 million was derived from the **trading** business, represented by Aqua-Flo Sdn Bhd ("Aqua-Flo"), supported by higher water meter sales. Meanwhile, the **licensing** business, King Koil Licensing Company Inc. ("KKLC"), also recorded higher revenue this quarter, contributing RM13.9 million compared with RM10.0 million in the same quarter last year. The remaining revenue contribution of RM2.2 million was from the infrastructure and property investment business.

For the quarter, other income slid to RM9.4 million from RM22.5 million registered in the corresponding quarter in the previous year, which had accounted for higher forex gain. With the absence of impairment from investments in NGC Energy Sdn Bhd ("NGC Energy") and Sistem Penyuraian Trafik KL Barat Holdings Sdn Bhd ("SPRINT Holdings"), other expenses narrowed to RM55.5 million from RM162.4 million. This has resulted in a turnaround in operating profits of RM12.9 million, from a loss of RM69.1 million in the corresponding quarter last year. Although the operating profit came in encouragingly at RM12.9 million, the operational challenges were further heightened by the 25-basis point YoY increase in the overnight policy rate ("OPR"). The increase in the OPR pushed the finance costs upward from RM6.5 million to RM7.3 million. With much lower share profit from the associates due to the absence of the RM128.7 million gain on the disposal of SPRINT highway, the Group saw its profitability derailed to RM1.0 million from RM47.8 million this quarter.

Adjusting for a discontinuing operation arising from the proposed disposal of a 50% stake in Kaiserkorp Corporation Sdn Bhd ("Kaiserkorp"), the parent company for King Koil Manufacturing and King Koil Licensing, the continuing revenue and loss after tax and zakat for the quarter were RM273.5 million and RM6.0 million, respectively.

HIGHLIGHTS FOR THE YEAR ENDED 31 DECEMBER 2023

Reflecting the challenges prevalent during the year, which characterised by weakened consumer demand, stagnating inventory at customers' end, cessation of major customers upon them building in-house manufacturing capability, and heightened input costs from higher labour electricity tariffs, the Group reported a 9.7% decline in revenue to RM1,228.5 million for the year, from RM1,360.6 million in the previous year (FY2022").

The manufacturing business continued to anchor the Group revenue with RM1,016.5 million, or 82.7%, to the total revenue, although marking RM120.8 million decrease compared with FY2022's RM1,137.3 million. Meanwhile, the trading sector business contributed RM160.1 million, or 13.0% of the Group revenue, with a slight increase of RM1.8 million compared to the previous year's RM158.3 million. Contributing 3.5%, the licensing business added RM43.5 million to the Group revenue, easing RM7.4 million from the previous year's RM50.9 million, which had included a one-off upfront payment amounting to RM10.0 million for renewing a long-term licensing agreement in FY2022. The remaining revenue contribution was from the infrastructure and property investment businesses amounting to RM8.5 million.

For the year, other income decreased to RM64.6 million from RM72.9 million registered in FY2022, due to lower forex gain at Toyoplas operations. Other expenses narrowed to RM247.7 million from RM339.8 million in the previous year with the absence of impairment from investments in NGC Energy and SPRINT Holdings, as well as lower forex loss, also at Toyoplas operations. This has resulted in a higher operating profit of RM66.1 million as compared with RM16.8 million in FY2022. Although the operating profit came in higher, the operational challenges were further heightened by the 125-basis point increase in the overnight policy rate ("OPR") over the year. The increase in the OPR pushed the finance costs upward to RM27.8 million from RM22.7 million. With much lower share profit from the associates, the Group saw its profitability challenged, posting a lower PAT of RM19.3 million, compared with RM85.9 million it registered in FY2022.

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Adjusting for a discontinuing operation arising from the proposed disposal of a 50% stake in Kaiserkorp, the continuing revenue and PAT for the year were RM1,046.1 million and RM1.2 million, respectively.

MANAGING DIRECTOR/GROUP CEO'S PERSPECTIVE

Across the Group, we continue to execute our value creation plan, with our subsidiary companies demonstrating business resilience by strengthening our product offerings, with a heightened emphasis on higher-margin products, coupled with rigorous operational improvements and prudent cost management.

Strategically, we broadened our customer base in new geographic regions and industries like renewable energy (RE), the Internet of Things (IoT), heating, ventilation, and air conditioning (HVAC), leading to us securing new clients in more robust and non-cyclical sectors.

Operationally, we undertook operational consolidation exercises and business rationalisation activities to streamline and optimise production planning.

For instance, capitalising on the evolving market dynamics resulting from the US-China trade tension, Toyoplas had earlier moved its production capacity from Nanning to Vietnam and, since the fourth quarter of 2023, seen an uptick in customer orders. And as part of its consolidation exercise, Toyoplas also discontinued the Shanghai operations, shifting the production capacity to Dongguan in China and Bac Giang in Vietnam, thus enhancing the effectiveness of its overseas operation through further economies of scale. Although the closure of the Shanghai plant incurred a one-off expense of RM10.4 million during the year, this business rationalisation is expected to yield lasting operational efficiency in the long run.

GROUP PROSPECT

KPS Berhad remains steadfast in fortifying long-term resilience through strategic and operational agility. Considering the challenges that defined the year, its commitment to securing the Group's financial stability and maximising value for our shareholders remains resolute, with measures continually being taken to foster the fundamentals to position the Group for sustained growth and shape a steadier business prospect in anticipation of gradual economic recovery and revival in consumer sentiment over the long-term.

- End –

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

Incorporated on 11 August 1975, Kumpulan Perangsang Selangor Berhad ("KPS Berhad" or "the Group") is a global investment holding company listed on the Main Market of Bursa Malaysia Securities Berhad under the Industrial Products & Services Sector. KPS Berhad has core investments in the Manufacturing sector. While enhancing shareholder value by optimising returns, KPS Berhad is committed to contributing toward sustainable economic, environmental, and social development.

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