

**KPS CONSORTIUM BERHAD (“KPSCB” or “the Company”) AND GROUP OF COMPANIES
 (“The Group”)**

NOTES TO THE INTERIM FINANCIAL REPORT

1. Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with the reporting requirements outlined in the Financial Reporting Standards 134 - 'Interim Financial Reporting' issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Bursa Malaysia Securities Berhad Listing Requirements.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2022. The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the financial statements for the financial year ended 31 December 2022.

2. Annual Report of the Group’s Preceding Annual Financial Statements

The Auditors’ report of the Group’s most recent annual audited financial statements for the year ended 31 December 2022 was unqualified.

3. Changes in estimates

There were no changes in the estimate of amounts reported in prior quarter in the current financial year or changes in estimates of amounts reported in prior financial years that have a material effect in the current interim period.

4. Dividends paid

There were no dividends paid during the financial year.

KPS CONSORTIUM BERHAD (“KPCSB” or “the Company”) AND GROUP OF COMPANIES (“The Group”)
NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

5. Segmental Reporting

6-months ended 30 June 2023

	- Revenue -			Profit/(Loss)
	Internal	External	Total	Before tax
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Paper milling	-	19,877	19,877	947
Paper converting	-	95,016	95,016	(246)
Trading building materials	-	352,539	352,539	11,802
Investments/ Management/Contracts	-	-	-	(284)
Trading, contracts - Others	-	10,077	10,077	753
Unallocated Corp. expenses	-	-	-	-
Total	-	477,509	477,509	12,972
Elimination (inter-company item)	-	-	-	-
Consolidated	<u>0</u>	<u>477,509</u>	<u>477,509</u>	12,972
Financing cost				(4,359)
Interest Income				631
Profit before tax				<u>9,244</u>
Income tax				(2,286)
Profit after tax				<u>6,958</u>

The activities of the Group are carried out in Malaysia and as such segmental reporting by geographical location is not presented.

6. Property, plant and equipment

The valuation of land and buildings has been brought forward, without amendment from the recent audited financial statements for the year ended 31 December 2022.

7. Material events subsequent to the balance sheet date

There are no other material events subsequent to the balance sheet date that has not been reflected in the financial statements.

8. Changes in composition of the Group

There was no change in the composition of the Group during the financial period.

9. Changes in contingent liabilities

Corporate guarantees issued to financial institutions and suppliers for banking and credit facilities respectively granted to subsidiary Companies amounted to RM162.3 million (2022: RM165.5 million).

Additional information required by the Main Market Listing Requirement (“MMLR”)

1. Review of performance

The Group recorded revenue of RM477.5 million for the 2nd quarter period to 30 June 2023 as compared with RM449.3 million recorded in the preceding year corresponding quarter period.

Paper milling division turnover was RM4.6 million higher than previous year corresponding quarter period, paper converting division turnover was higher by RM3.3 million compared with the previous year quarter, building materials division recorded a higher turnover of RM19.3 million compared with the preceding year quarter period and other operations divisions reported higher turnover compared with the preceding year quarter of RM1.1 million and property development current quarter Nil turnover.

For year 2023, the 2nd quarter revenue had registered growth in all segments due to Malaysian economy having continue to registered growth.

2. Variation of results against immediate preceding quarter

The Group recorded a profit before taxation and interest of RM3.5 million for the 2nd quarter to 30 June 2023 as compared to a profit of RM5.7 million recorded in the preceding 1st quarter 2023.

Comparison of current and immediate preceding quarter is as follows:-

Revenue	Paper Milling RM'000	Paper Converting RM'000	Building Materials Trading RM'000	Investment & Management Contract RM'000	Other Trading RM'000
Current quarter	10,080	44,354	175,056	0	5,11
Previous quarter	9,797	50,662	177,483	0	4,97
Changes - Amount	283	(6,308)	(2,427)	0	14
Percentage (%)	3	(12.4)	(1.4)	N/A	2

Profit/(loss) before interest/tax

Current quarter	596	(193)	4,185	(230)	438
Previous quarter	351	(53)	7,617	(53)	315
Changes - Amount	245	(140)	(3,432)	(177)	123
Percentage (%)	69	N/A	(45)	N/A	39

The revenue for the current quarter results were generally higher for paper milling and contracts, trading division than the preceding last quarter but paper converting and building materials division achieved lower revenue compared with previous quarter due to slower growth in the economy. Results before interest and taxation also follow revenue achieved.

Additional information required by the Main Market Listing Requirement (“MMLR”) (Cont’d)

3. Trade Receivables

Trade receivables ageing analysis as at 30 June 2023	Gross RM'000	Individually Impaired RM'000	Net RM'000
Within credit terms	47,366	-	47,366
Past due 30-60 days	39,879	-	39,879
Past due 60-90 days	15,737	-	15,737
Past due 90-120 days	16,870	-	16,870
Past due above 120 days	44,609	(17,896)	26,713
	164,461	(17,896)	146,565

4. Profit Forecast

There were no profit forecasts for the current period.

5. Taxation

6-months to 30 June 2023
RM '000

Income tax expense	
- current	2,442
- prior year	-
Deferred tax-benefits from previous unrecognised tax loss	(205)
(Over)/Under provision previous year	48
Income tax recognised in Profit and Loss	2,285

6. Unquoted investments and/or properties

There were no disposals of unquoted investments for the quarter under review.

7. Quoted investments

There were investments in quoted securities as at the end of the reporting period.

Additional information required by the Main Market Listing Requirement (“MMLR”) (Cont’d)

8. Status of corporate proposals announced

- (a) On 9 June 2023, M&A Securities Sdn. Bhd. on behalf of KPSCB Board announced that Bursa Securities had approved the listing and quotation of up to 14,782,700 new KPSCB shares pursuant to a private placement and pursuant to Agenda 6, Special Business approved by shareholders at the 37th Annual General Meeting (“AGM”) held on 2 June 2023. The shares were issued at RM0.46.
- (b) The proceeds of the share private placement shall utilize to reduce bank borrowings and for working capital.

9. Borrowings and debt securities

Group borrowings and debt securities as at the end of the reporting period:-

Short Term Borrowings

	RM'000
<u>Secured</u>	
Bank overdrafts/ Bankers' Acceptances	112,503
Term loan	3,755
HP Creditors	44
	116,302

Long Term Borrowings

	RM'000
<u>Secured</u>	
Term loan	23,164
HP Creditor	18
	23,182
Total Borrowings	139,484

10. Gains/losses arising from Fair Value Changes of Financial Liabilities

There were no gains/losses arising from fair value changes arising from any financial liabilities.

11. Derivative Financial Instruments

There were no derivative financial instruments at the date of issuance of this report.

12. Material litigation

There was no material litigation, which would have a material adverse effect on the financial results.

Additional information required by the Main Market Listing Requirement (“MMLR”) (Cont’d)

13. Dividends

The Board of Directors is not recommending any payment of an interim dividend for the current financial period under review.

14. Earnings per share (“EPS”)

(a) Basic EPS

The calculation of basic EPS for continuing operations the current year is based on the profit of RM6.9 million for 6-months to 30 June 2023 and the weighted average number of ordinary shares in issue during the current quarter of 147,827,158 ordinary shares.

(b) Diluted EPS

No disclosure is required as the Company does not have any potential ordinary shares.

By Order of the Board

25 August 2023