

CHAPTER

04

Responding Strategically



Ahmad Fariz bin Hassan | *Managing Director/Group Chief Executive Officer*

Message from the Managing Director/ Group Chief Executive Officer

Many of the assumptions that once underpinned the strategy and operations can no longer be treated as a given, nor serve as the sole baseline for our decision-making. In such an environment, adaptability and resilience are no longer advantages; they are prerequisites for sustained performance.

We navigated shifting customer demands, cost volatility, supply chain disruptions, and intensifying competition across the manufacturing landscape. These forces continued to reconfigure how and where value is created across industries and required us to respond decisively to evolving exigencies while safeguarding operational stability.

Dear Stakeholders,

The past year unfolded against a backdrop of far-reaching structural shifts across the global economic landscape. Geopolitical instability and realignments in global trade frameworks reshaped the macroeconomic environment, adding new layers of complexity to the markets in which our businesses operate.

The Group's performance priorities remained anchored on four value creation pillars. Strengthening fundamentals through topline growth continues to be a key focus, alongside efforts to safeguard earnings resilience. We maintained our strategic positioning by expanding our customer base, broadening product offerings, and deepening market relevance in response to evolving demand dynamics.

Equally important was our continued focus on corporate governance and effective internal controls, safeguarding accountability and operational integrity across the Group. This pillar also encompasses our broader sustainability agenda, including ESG stewardship and climate action, as we embed ESG considerations more deeply into risk management and long-term decision-making. We continued to invest in learning and growth, developing future leaders and building organisational strength.

Message from the Managing Director/Group Chief Executive Officer

As we reflect on the year’s progress, our focus remains on supporting our subsidiary companies through uncertainty, investing in operational long-term resilience, and ensuring that KPS Berhad continues to create value for its stakeholders and the wider ecosystem.

Overall, challenges are now systemic, not episodic. Adaptability is therefore integral to the reality of doing business today. Uncertainty drives us to plan earlier, execute more decisively and strengthen our readiness for what comes next.



Automated handling systems at Toyoplas’ plastic injection moulding machines.

Macroeconomic and Industry Dynamics

Uncertainty.

It defined much of the global operating landscape during the year. Volatile currency movements reconfigured cost structures, dislocated established value chains and influenced customer purchasing patterns across our markets.

With shifting trade policies, operating challenges increased, altering sourcing and production economics for businesses in the US markets or tariff-exposed locations. Competition in ASEAN, especially Malaysia, intensified as subsidised manufacturers boosted exports, notably in commoditised packaging segments.

These challenges contributed to moderated demand in certain end-markets as our customers adjusted inventory levels and adopted more cautious purchasing behaviour. Margin pressure intensified in price-sensitive areas, and input cost volatility required focused supplier choice and operational planning.

In response to these external pressures, our focus throughout the year was on managing near-term pressures and volatility by strengthening topline drivers in subsidiary companies. This required revenue diversification, margin discipline and financial flexibility to ensure growth initiatives remained accretive to long-term value creation. Diversification across customers, sectors, and geographies was key to managing demand fluctuations and stabilising earnings.

Our Strategic Value Framework

In navigating operational uncertainty, the Group responded with disciplined execution and structured prioritisation. Our focus in 2025, therefore, extended beyond short-term adjustments towards strengthening operational fundamentals and fortifying the Group’s financial position. While each subsidiary faced unique operating realities, all aligned to support revenue generation, protect margins, and build long-term growth capabilities.

To this end, our value creation agenda is centred on four interrelated priorities:

Business restructuring to realign operations and optimise performance

Cost optimisation to safeguard margins and earnings resilience

Sales and customer base development to diversify revenue streams and expand market reach

Enhancement of manufacturing capabilities and capacity uplift to support future growth

Together, these initiatives strengthen operational readiness and support the effective execution of our subsidiary companies’ strategies, ensuring consistency with our approach to ongoing industry challenges and shifting market expectations.

Message from the Managing Director/Group Chief Executive Officer

Strategic Reset at CBB

A key element of the Group's portfolio realignment during the year was a strategic reset taken by CBB, in response to structural shifts within the packaging industry.

In recent years, the industry faced sustained margin compression caused by excess capacity, intensified regional competition and increasingly price-driven market dynamics. Recognising that these pressures reflect structural shifts rather than cyclical fluctuations, the CBB undertook a decisive strategic reset to strengthen competitiveness and restore returns.

The reset focused on realigning operating capabilities, rationalising underperforming assets and redeploying capital towards segments with stronger margins and growth prospects.

Last year, CBB repositioned parts of the Carton division's operating model from corrugating to converting to address rising production costs. Further restructuring initiatives followed to streamline operations and sharpen focus. This included the disposal of Nilai plant, which let the Group cut excess capacity, optimise assets, and redeploy capital more efficiently.

Operational consolidation was also undertaken by the Offset division, where Ulu Tiram's manufacturing activities, previously spread across three locations were integrated into a single location to improve utilisation rates and unlock operating efficiencies. In parallel, one of the division's operations in Indonesia was discontinued following the nearshoring of key customers, which altered demand patterns for the facility. The decision reflects CBB's commitment to align operational capacity with evolving supply chain realities despite strengthening cost control through a leaner manufacturing footprint.

These measures reflect principled capital discipline rather than reactive cost-cutting. The objective is clear: to stabilise performance, enhance operating efficiency and restore sustainable returns on invested capital. Through this strategic reset, CBB is repositioned to compete more effectively within a structurally evolving packaging industry while supporting the Group's long-term value creation agenda.

Together with broader cost optimisation and commercial initiatives across the Group, these measures form part of a wider effort to strengthen the resilience of KPS Berhad's operating model.



From raw materials to essential packaging solutions.

Disciplined Cost Management

Cost optimisation remained a central priority across the Group as foreign exchange volatility, rising input costs and competitive pricing pressures persisted amidst exogenous cost pressures during the year. Our subsidiary companies strengthened production planning and reinforced overhead controls to preserve margins in increasingly price-sensitive segments.

These are not short-term fixes, but structural enhancements designed to reinforce margins and strengthen balance sheets.

For instance, at Toyoplas, energy cost reduction initiatives were driven through the completion of a solar pilot installation at the Senai facility, with potential expansion to other sites based on priority. Toyoplas also completed the second phase of a group restructuring exercise aimed at improving capital and tax efficiencies involving its subsidiary companies outside of Malaysia.

At CPI, energy savings were realised through its solar project, while administrative and sales expenses were tightly managed as budgeted. Steady cash generation supported a reduction in borrowings. Foreign exchange exposure was hedged through forward contracts, mitigating USD/RM volatility and safeguarding receivables against exchange rate fluctuations between invoice and settlement.

At MDS Advance, disciplined operating expenditure management was complemented by financing clean-up. All term loans were fully repaid during the year, enabling the business to deleverage materially while strengthening liquidity and improving the current ratio.

Message from the Managing Director/Group Chief Executive Officer

As outlined earlier, restructuring initiatives were undertaken within CBB to streamline its operating footprint and align capacity with evolving market conditions. These measures, together with tighter working capital management, contributed to improved inventory and receivable cycles while lowering short-term borrowing requirements. Collectively, these measures reflect a disciplined approach to optimising assets, enhancing operational efficiency and aligning capacity with evolving market conditions.

Meanwhile, Aqua-Flo maintained strict expense discipline, with operating costs trending lower while sustaining a short cash conversion cycle, supported by action to expedite collections and prudent creditor management.

Strengthened cost governance and disciplined execution at the operating level enhanced the Group's ability to absorb external shock, protected earnings quality and sustained competitiveness in key markets. Importantly, these measures were implemented without compromising strategic capabilities required for future growth. Instead, they improved utilisation, strengthened liquidity, and reduced borrowing needs, placing the Group on a firmer financial footing.

Key highlights

- KPS Berhad reinforced topline resilience through **diversification, margin discipline and financial flexibility**.
- These measures enabled us to navigate global volatility that **reshaped costs and demand**.

Strengthening Market Position

The Group moved decisively to strengthen its market position across core and growth segments. Execution during the year was anchored in commercial discernment, prioritising revenue quality over volume expansion.

At Toyoplas, growth was driven by higher orders from established consumer electronics customers in Malaysia, alongside the ramp-up of newly secured projects from multimedia customers. In Indonesia, two new customers onboarded during the year represented the subsidiary's successful diversification into new industries (STEM toys and musical instruments), as well as expansion into box-build assembly capabilities. Meanwhile, Vietnam operations recorded higher volumes from a key multimedia customer following the operational transfer of production from Shanghai, reinforcing the Group's ability to catalyse supply chain realignment opportunities.

At CPI, stronger demand from EMS customers supported revenue expansion, while the engineering thermoplastic ("ETP") division registered improved sales momentum from CIT electronics segments, enhancing sector diversification and more granular order visibility.

At MDS Advance, growth was led by expanded mandates from key medical customers, complemented by improved traction within semiconductors and telecommunications segments reinforcing its presence in exacting, technically demanding markets.

Within CBB, the Paper division secured new food and beverage customers, contributing incremental sales support. In addition, leveraging its credentialed RBA certification, the Group secured new orders from offset customers, strengthening its positioning with compliance-sensitive clients.



Assembly and quality inspection processes at Toyoplas' consumer electronics segment.

Meanwhile, Aqua-Flo recorded contract wins across the chemicals and water meter segments, while continuing efforts to broaden its customer base and manage customer concentration.

These collective efforts did more than support revenue; they sharpened competitive positioning, broadened sector participation and strengthened the quality of the Group's order book. By building deeper customer partnerships and expanding across geographies and industries, the Group further ensured the cohesion of a commercial platform that is more resilient, more diversified and better positioned for sustainable growth and earnings visibility.

Message from the Managing Director/Group Chief Executive Officer



Scaling Manufacturing Capabilities

KPS Berhad continued to scale its manufacturing capabilities through targeted capital expenditure, capacity expansion and engineering-led process enhancements. During the year, RM45.1 million was spent towards equipment modernisation, tooling upgrades and technical capability development, where demand visibility justified expansion.

These investments were anchored in disciplined capital allocation, ensuring that capacity expansion closely aligned with market opportunities, and is supported by demand visibility and governed by defined return hurdles. Capacity was phased carefully to maintain utilisation discipline, while process upgrades focused on enhancing precision, improving production efficiency and maintaining quality consistency.

Across selected subsidiary companies, new machinery installations supported programme ramp-ups and higher-specification production requirements, particularly within technically demanding segments such as medical, aerospace and consumer electronics. Meanwhile, incremental progress was made in automation and digital manufacturing initiatives to enhance quality consistency and yield. Over time, these enhancements are expected to support better cost absorption, strengthen margin resilience and reinforce scalability as market conditions evolve.

Beyond supporting topline growth, these initiatives strengthen operational flexibility, support engineering depth and enhance the Group's ability to meet increasingly stringent customer requirements.

In addition to physical and technical investments, selected sites within Toyoplas, CPI and CBB attained RBA certification during the year. While such certification entails incremental compliance and audit costs, it is imperative in meeting evolving ESG expectations within global supply chains. RBA accreditation enhances our qualification standing, supports participation in multinational projects and strengthens the Group's standing as a responsible and trusted manufacturing partner.

Collectively, these investments, which span from capacity expansion, process capability enhancement to governance standards, will position the Group's competitiveness well in structurally evolving markets. Selective and disciplined investments in manufacturing capabilities continue to enhance the Group's operating leverage.

Resilience through Disciplined Execution

The strategic and operational measures undertaken across the Group during the year, including portfolio realignment, cost optimisation, commercial expansion and targeted capability investments, collectively strengthened the resilience of KPS Berhad's operating model.

The Group delivered steady financial performance, reflecting disciplined execution and proactive portfolio management. Revenue from continuing operations moderated to RM1,043.3 million amidst softer demand in selected end-markets and more cautious customer purchasing patterns. Notwithstanding this, profit more than doubled to RM43.8 million, supported by lower finance costs and taxation. Gross margins remained resilient.

Message from the Managing Director/Group Chief Executive Officer

Manufacturing remained the Group’s primary value driver, contributing 83.1% of total revenue. During the year, 40 new projects were secured, reflecting continued progress in broadening customer exposure across industries and geographies.

MDS Advance and Toyoplas recorded meaningful growth, supported by new project acquisitions across both new and existing customers. Growth was also supported by expansion into new industry adjacencies. MDS Advance expanded further into healthcare, semiconductor and automation segments, while Toyoplas entered new industries, including STEM toys, musical instruments, home automation and laboratory equipment.

CPI sustained revenue despite weaker market sentiment through diversification into new applications and consistent execution discipline, onboarding customers in electric vehicle charging and mobile devices, and securing projects in aerospace, home automation and smoke detection solutions.

CBB recorded early inflection following a comprehensive portfolio review and targeted restructuring, including the disposal of its Nilai plant and operational streamlining. While impairment charges affected reported profitability, the underlying performance trajectory improved as complexity was reduced and capital redeployed more efficiently.

Our trading business, Aqua-Flo, delivered steady results despite slight revenue moderation due to project timing and material cost pressures. The award of four long-term framework agreements with Air Selangor further strengthened its position within the water treatment sector.

In parallel, the Group advanced digitalisation initiatives to enhance operational visibility and execution discipline. Investments in systems and data capabilities improved operational instrumentation and process consistency and supported more informed decision-making across the organisation.

Collectively, these outcomes reflect a more resilient operating model, characterised by revenue diversification, margin stability, disciplined capital allocation and balance sheet flexibility. Through deliberate execution across cost, commercial and capacity initiatives, the Group has embedded greater shock absorption and adaptability into its core operations, positioning the business to navigate volatility while sustaining long-term value creation.

Sustainability: A Strategic Imperative

Sustainability remains integral to how the Group operates and creates long-term value. We have implemented a Sustainability Strategy Roadmap to embed sustainability considerations more deeply within our strategy, governance and operational decision-making across the subsidiary companies.

Climate-related matters continue to be a key focus area, reflecting evolving regulatory requirements, rising customer expectations and the Group’s commitment to reduce carbon emissions intensity by 45% by 2030. During the year, efforts were directed towards strengthening emissions measurement, enhancing data integrity and refining climate-related risk assessments to improve visibility over both transition and physical risks.

Sustainability-related risks were formally integrated into the Group’s ERM framework, strengthening Board and management oversight. Climate, environmental and social risks are now assessed alongside financial and operational risks, providing a more holistic view of potential impacts on performance, durability and long-term value creation.

We also advanced our climate risk reporting practices by progressively aligning disclosures with emerging global sustainability standards, including IFRS S1 and IFRS S2. As part of our preparation for adoption in 2026, key elements of these standards are being voluntarily incorporated into our 2025IAR and 2025SR, enhancing transparency and reinforcing the linkage between sustainability-related risks and financial performance.

Across our manufacturing subsidiary companies, governance and compliance standards were further reinforced, including the attainment of RBA certification within selected sites. While such initiatives entail incremental operating commitments, they are essential in meeting global supply chain expectations and safeguarding continued access to multinational customers.

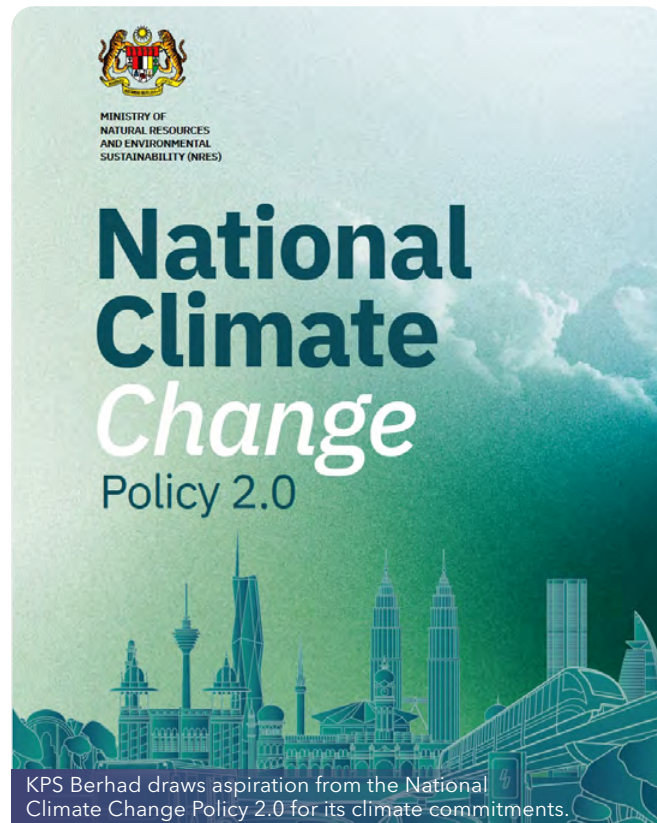


Solar installation at CPI’s manufacturing facilities resulted RM1.2 million energy saving in 2025.

Message from the Managing Director/Group Chief Executive Officer

Sustainability considerations are being integrated within our risk management and reporting frameworks, with continued emphasis on strengthening fiduciary controls, data integrity and transparency. Our sustainability priorities remain aligned with broader strategic and financial objectives, ensuring coherence between responsible business practices and long-term value creation.

Through this structured and disciplined approach, sustainability is embedded within the Group's operating model, which empowers the Group to strengthen resilience, safeguard competitiveness, and reinforce the foundations for sustainable, long-term performance in an increasingly demanding regulatory and market landscape.



Operationalising Climate Commitments

Our environmental priorities during the year focused on translating climate commitments into quantifiable operational outcomes. Efforts were directed towards carbon emissions intensity reduction through practical initiatives, including energy efficiency improvements, expanded renewable energy adoption and selected low-carbon technology applications, many of which also enhance operational efficiency and cost management.

The Board approved short-term carbon emissions intensity reduction targets at the Group level, with each subsidiary company committed to reducing emissions intensity by at least 2% annually. In 2025, the Group achieved an approximate 0.4% reduction in emissions intensity. While modest, this reflects the initial phase of our transition pathway, during which measurement systems, baseline recalibration and operational controls were strengthened to support more meaningful reductions in subsequent years. A 2% reduction target has been established for 2026 as implementation gathers pace.

Key highlights

2025 Climate Progress

- **0.4%**
emissions intensity reduction achieved.
- **2%**
emissions intensity reduction targeted for 2026.
- **4,025 kWp:**
Installed solar capacity across manufacturing facilities, reducing reliance on grid electricity, cutting emissions, and supporting cost savings.
- Energy initiatives focused on **efficiency, renewables and low-carbon technologies.**

Emissions measurement and analytical capabilities were further enhanced across the subsidiary companies. A product carbon footprint assessment was conducted for CBB's paper packaging business to evaluate product-level emissions intensity, with insights informing targeted reduction strategies. Emissions tracking boundaries were also expanded to include selected Scope 3 categories, covering upstream transportation and distribution at Aqua-Flo and MDS Advance, improving visibility over indirect emissions exposures.

In parallel, the rollout of solar energy installations continued, with total installed capacity increasing to 4,025 kWp. This supports reduced reliance on grid electricity and lays the groundwork for progressively lower emissions intensity across manufacturing operations.

Collectively, these initiatives represent a structured and incremental approach to decarbonisation. The progress achieved in 2025 establishes a stronger measurement baseline and operational discipline to support acceleration toward our 45% emissions intensity reduction target by 2030. Through consistent execution and calibrated scaling of reduction initiatives, the Group is operationalising its climate commitments in a manner aligned with both environmental responsibility and financial resilience.

Investing in Community Impact

The Group remains committed to investing in the communities in which we operate, recognising that long-term corporate sustainability is inextricably linked with broader societal progress. Our social investment initiatives are focused on underserved segments, with programmes designed to strengthen educational access, economic participation and community resilience.

Message from the Managing Director/Group Chief Executive Officer

Our efforts cover a broad spectrum, including educational development, entrepreneurial development, community development, as well as the environmental, safety and health pillar. These initiatives enable individuals to build sustainable livelihoods while contributing to social stability.

During the year, the Group invested approximately RM3.8 million in community programmes, reaching more than 200,000 beneficiaries. Among the key initiatives was the flagship KPS Berhad Celik Initiative, which aims to inspire lower secondary students and cultivate early interest in STEM and IoT disciplines, supporting long-term talent development.

KPS Berhad's participation in the *Rumah Ibadat Hijau* initiative reflects its commitment to environmental stewardship through community engagement, supporting the transformation of a local mosque in Selangor into a model of sustainable living and environmental responsibility. Alongside this, the KPS Berhad A Call to Integrity ("ACT-I") Initiative continued to expand, promoting integrity and ethical awareness among youth to nurture responsible future leaders. Meanwhile, the KPS Berhad Caregiver initiative provides accredited elderly care training to participants from lower-income communities, creating viable employment pathways in the healthcare sector while responding to demographic shifts associated with an ageing population.

The impact of these initiatives is reflected in an estimated Social Return on Investment of 6.2 times, providing validation of the effectiveness and measurable outcomes of our community-focused interventions.

Through structured and outcome-driven social investments, the Group continues its stewardship of community development while strengthening the social foundations that support the spirit of shared prosperity, which is our corporate vision.

Building Organisational Agility

The Group's ability to navigate volatility and execute strategic priorities depends fundamentally on the bedrock of its leadership and talent base. Throughout the year, employees across the portfolio demonstrated professionalism and commitment, enabling sustained execution discipline and organisational stability amid changing market conditions.

Leadership capability and accountability remained key priorities. Emphasis was placed on reinforcing performance ownership, cross-functional collaboration and clear communication to ensure that strategic objectives translated with stronger alignment to operational outcomes across our diverse business units.

Investments in learning and development were structured and targeted. Programmes included technical training, leadership coaching and cross-business challenge initiatives designed to broaden exposure and deepen managerial experience. These efforts enhance succession depth, reduce key-person risk and support the development of future leaders capable of managing increasingly complex operating environments.

Employee well-being continues to be an important pillar of organisational sustainability. Initiatives addressing both mental and physical health were sustained during the year, reinforcing a safe, inclusive and supportive workplace culture. Workplace safety remains a critical focus area. While two lost-time injuries were recorded in this year at CBB, these outcomes reinforce the need for continued vigilance, strengthened safety protocols and ongoing behavioural reinforcement across all sites.

Through deliberate investment in leadership, capability development and workplace standards, the Group continues to build the human capital depth that drives long-term performance and resilience.



Participants demonstrating their prototypes at the KPS Berhad Celik Initiatives 2025.

Message from the Managing Director/Group Chief Executive Officer

Measured Path Forward

Looking ahead to 2026, the operating environment is expected to remain challenging and fluid, shaped by the confluence of global trade realignments, geopolitical conflicts, foreign exchange volatility and uneven end-market demand. Visibility is likely to remain constrained, as customers continue to adopt cautious purchasing behaviour and phased programme launches, while cost dynamics, supply chain conditions and competitive intensity evolve unevenly across markets. In this context, execution discipline, financial prudence and operational agility will remain critical in navigating uncertainty and sustaining performance momentum.

Shifts in US trade policy may sustain tariff uncertainty and tighter export regulations, influencing customer sourcing strategies, production footprints and margin expectations. Foreign exchange movements, particularly involving the US dollar, will continue to affect earnings visibility, requiring active risk management and financial discipline.

Demand conditions are expected to remain gradual and uneven. Customers are likely to maintain lean inventory positions and adopt phased approaches to new programme launches. Competitive pressure in commoditised segments, including packaging, is expected to persist, while rising input costs, including labour, energy and climate-related compliance, will require sustained operational focus and prudent capital allocation.

Against this backdrop, the Group will remain anchored on disciplined execution, margin resilience and selective capital deployment. Our sequencing of priorities includes strengthening revenue quality, preserving balance sheet flexibility, operationalising climate commitments and scaling manufacturing capabilities in alignment with verified demand visibility.

While the year ahead may continue to test operating agility, the structural measures undertaken across cost optimisation, portfolio recalibration and capability development shall position the Group to navigate sustained volatility with resilience, discipline and strategic clarity.

2026 Strategic Priorities

The Group's strategic priorities remain firmly focused on strengthening competitiveness, enhancing productivity and scaling capabilities across our portfolio companies. In an operating environment that is likely to remain fluid, these priorities are designed not merely to safeguard performance, but to position the Group to benefit from structural shifts in customer demand, technology adoption and regional supply chain realignment.

Progress in a volatile environment is rarely linear. Sustained advancement requires adaptability, discipline, equanimity, and clarity of purpose.

Commercial expansion remains a central priority. The Group will continue broadening its customer base and diversifying into new markets to strengthen revenue durability and reduce concentration risk. Efforts will focus on deepening exposure to growth-oriented sectors such as electronics, healthcare, semiconductors and electric vehicles, while selectively extending our geographic footprint across ASEAN.

The Group will also advance its ESG journey by moving beyond disclosure-driven reporting towards deeper integration of sustainability within core business and risk management processes. This progression marks the final stage of Phase 2 of our Sustainability Strategy Roadmap, with emphasis on embedding sustainability considerations more directly into strategic decision-making and long-term value creation.

Phase 2 (2024 - 2026)

Enhancing Sustainable Value Creation

Sustainability Strategy and Governance


- Introduced a new sustainability framework with six key commitments
- Introduced the second revision of the Sustainability Policy

Risk Management and Climate Integration

- Initiated the integration of sustainability risks into the Group's enterprise risk management framework
- Conducted climate risk and opportunities assessment across the Group

Climate and Carbon Foundations

- Established the foundation for a carbon intensity reduction framework
- Enhanced the GHG emissions inventory to include all overseas manufacturing facilities
- Developed the Group's carbon emission baseline

 The Sustainability Strategy Roadmap is presented in the Sustainability Progress Report by the Chief Sustainability Office on page 13 of the 2025SR

Across our operating companies, targeted initiatives are being undertaken to strengthen environmental stewardship and social responsibility. Toyoplas will continue to monitor its pilot solar installation project in Malaysia and evaluate opportunities to roll out the initiative to other sites, alongside developing centralised labour quarters ("CLQ") to enhance workforce welfare and living conditions. Meanwhile, CPI is advancing water security initiatives to support operational resilience, while also implementing CLQ as part of broader efforts to strengthen employee well-being and workplace standards. Collectively, these initiatives reflect the Group's commitment to integrating sustainability considerations into operational planning while supporting responsible and resilient growth.

Message from the Managing Director/Group Chief Executive Officer

Acknowledgment and Thanks

Digitalisation and automation remain critical enablers of productivity and scalability. Continued investments in manufacturing execution systems, automation technologies and IoT-enabled monitoring are expected to enhance process discipline, optimise resource utilisation and support faster, data-informed decision-making across the Group.

Our subsidiary companies are implementing targeted capability upgrades. For example, Toyoplas is advancing semi-automation initiatives, alongside a structured machine replacement programme. CPI continues to expand automation and machinery upgrades to enhance production efficiency, while MDS Advance is digitising and optimising its production processes through the deployment of a Manufacturing Execution System (MES). Meanwhile, CBB is progressing with selected machinery upgrades to strengthen operational competitiveness within the packaging segment.

Advancing up the value chain is another strategic focus. By expanding into higher-value product categories and value-added services, including forging capabilities, design-for-manufacturability and more solution-oriented offerings, we aim to deepen customer integration, enhance competitive defensibility and improve pricing sustainability.

Underlying these priorities is continued investment in leadership depth and talent retention. As supply chains evolve and operational complexity increases, execution capability remains a defining competitive advantage. Structured capability development, competitive reward frameworks and strengthened succession planning will ensure organisational readiness across the Group.

The past year has affirmed a fundamental reality: sustained performance in a complex and uncertain environment requires clarity of purpose, disciplined execution and responsible stewardship.

As we reflect on 2025, the Group contended with several operational and strategic challenges. Yet the adaptability, fortitude, and resilience demonstrated throughout the organisation enabled us to remain focused and deliver steady performance. These collective efforts reaffirmed our resolve to deliver on our brand promise: We Invest in Better.

I extend my sincere appreciation to our customers and shareholders for your continued trust in KPS Berhad. In a year marked by uncertainty and shifting market dynamics, your confidence has been both valued and vital. Our customers' enduring partnerships sustain our relevance and competitiveness, while our shareholders' support provides the stability required for disciplined investment and long-term value creation. We remain committed to earning that trust through consistent execution and responsible stewardship.

My gratitude also goes to the dedicated women and men at KPS Berhad, both at our headquarters and across all subsidiary companies. From corporate teams providing strategic oversight and governance, to operating leaders and frontline employees driving execution at the plant level, their professionalism, commitment and operational rigour have underpinned the Group's achievements through their collective effort.

I also wish to acknowledge the Board for its strategic guidance. In a complex operating environment, the Board's oversight and probity have reinforced accountability and ensured that decisions remain anchored in enduring value. I would further like to express appreciation to Dato' Setia Haris Kasim for his leadership as Chairman prior to his retirement last year, and to welcome Yang Berhormat Dato' Dr. Ahmad Fadzli Ahmad Tajuddin, who joined us in May 2025. We look forward to his stewardship as we continue the next phase of the Group's journey.

As we enter 2026, we do so with confidence in the robustness of our operating model, the strength of our portfolio and the clarity of our strategic direction. Indeed, navigating today's operating landscape is to traditional business planning as sailing open waters is to navigating a sheltered harbour; the principles remain, but the conditions demand far greater vigilance, judgement and agility. The operating environment will continue to test adaptability and discipline, but the structural measures undertaken across the Group have strengthened our capacity to navigate uncertainty with resilience and purpose.

With the continued trust of our stakeholders and, *in shaa Allah*, through steadfast execution, we remain committed to advancing sustainable growth and delivering enduring value in the years ahead.

Ahmad Fariz bin Hassan
Managing Director/Group Chief Executive Officer

5-year Financial Highlights

		2021 RM'000	2022 RM'000	2023 RM'000	2024 Total RM'000	2024 Continuing Operations RM'000	2025 Continuing Operations RM'000
Financial Indicators							
Revenue		1,328,148	1,360,618	1,228,509	1,093,025	1,064,724	1,043,281
EBITDA*	N1, N2	163,673	195,315	128,660	178,287	119,836	117,128
Profit Before Tax and Zakat ("PBT")*	N2	87,923	118,364	41,305	109,863	52,627	55,331
Profit After Tax and Zakat ("PAT")*	N2	63,884	85,861	19,402	75,400	19,084	43,791
Profit Attributable to Owners of the Parent ("PATAMI")	N2	57,200	73,213	8,867	73,123	17,879	39,708
Financial Ratios							
EBITDA Margin (%)		12.3%	14.4%	10.5%	16.3%	11.3%	11.2%
PBT Margin (%)		6.6%	8.7%	3.4%	10.1%	4.9%	5.3%
PAT Margin (%)		4.8%	6.3%	1.6%	6.9%	1.8%	4.2%
Basic Earnings Per Share Attributable to Owners of the Parent (sen)		10.64	13.62	1.65	13.61	3.33	7.39
Dividend Per Share (sen)*		4.50	9.00 [^]	3.50	6.50 [^]	6.50 [^]	3.00
Financial Indicators							
Shareholders' Equity		1,040,389	1,063,643	1,062,510	1,088,679	1,088,679	1,087,255
Total Assets		2,283,752	2,163,535	2,114,046	1,603,756	1,603,756	1,525,746
Total Loans and Borrowings		591,729	537,800	467,739	175,140	175,140	120,935
Financial Ratios							
Return on Capital Employed (%)		6.5%	8.2%	4.2%	10.2%	5.7%	5.0%
Return on Equity (%)		5.5%	6.9%	0.8%	6.7%	1.6%	3.7%
Return on Assets (%)		2.5%	3.4%	0.4%	4.6%	1.1%	2.6%
Gearing Ratio		0.6	0.5	0.4	0.2	0.2	0.1
Net Assets Per Share Attributable to Owners of the Parent (RM)		1.94	1.98	1.98	2.03	2.03	2.02

*Note:

[^] Including special dividend

N1 Defined as Earnings Before Interest, Taxes, Depreciation and Amortisation.

N2 Including the items below for the respective years:

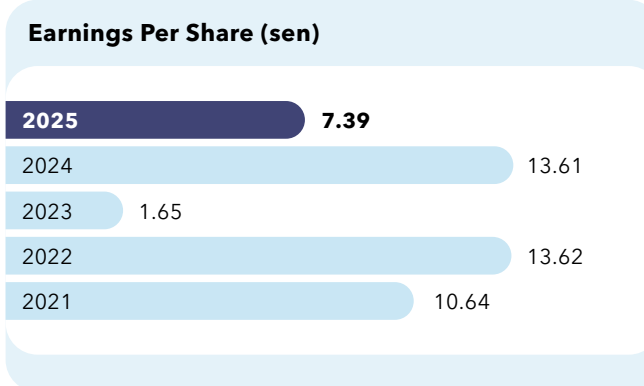
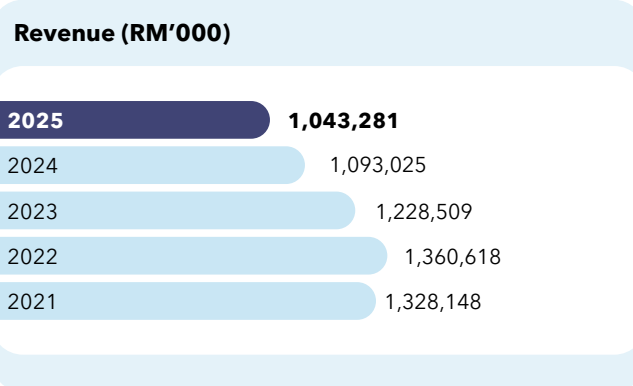
2021 - RM14.8 million gain from disposal of Toyoplas properties, RM4.2 million Paycheck Protection Programme (PPP) loan (from US government for Kaiserkorp group of companies).

2022 - RM131.6 million gain proceed from disposal of SPRINT highway.


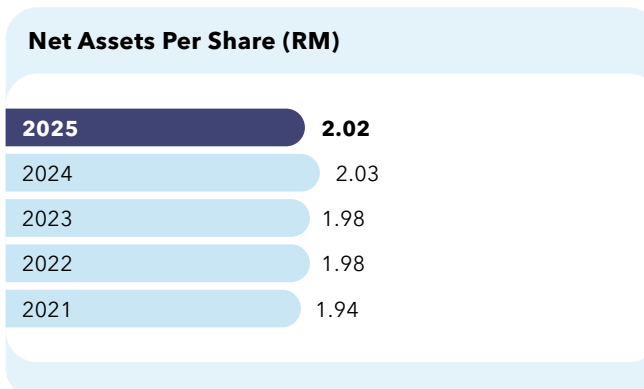
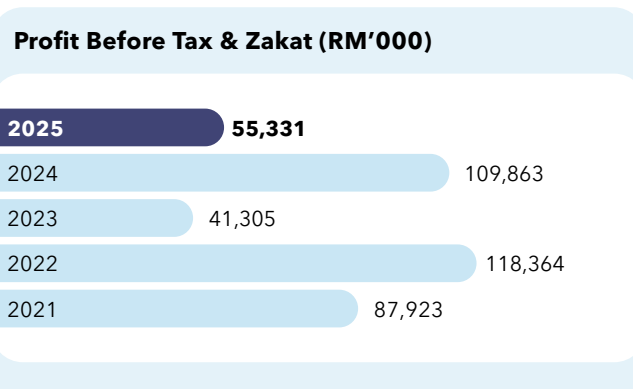
2024 - The discontinued operations consists of contribution from Kaiserkorp.

5-year Financial Highlights

Revenue
RM1,043.3 million

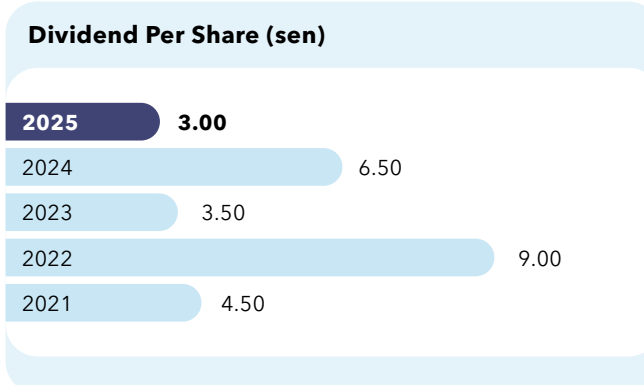
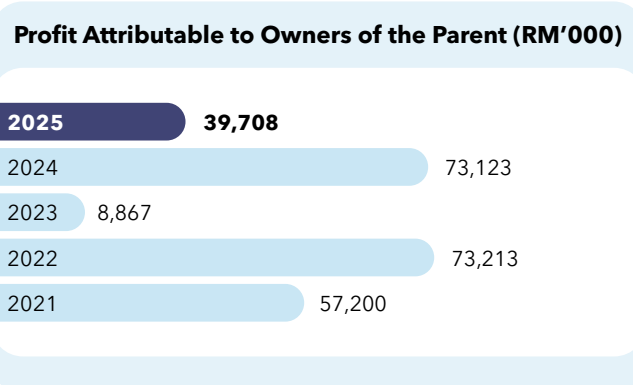
Operating Profit
RM61.1 million


PATAMI
RM39.7 million



Total Asset
RM1.5 billion

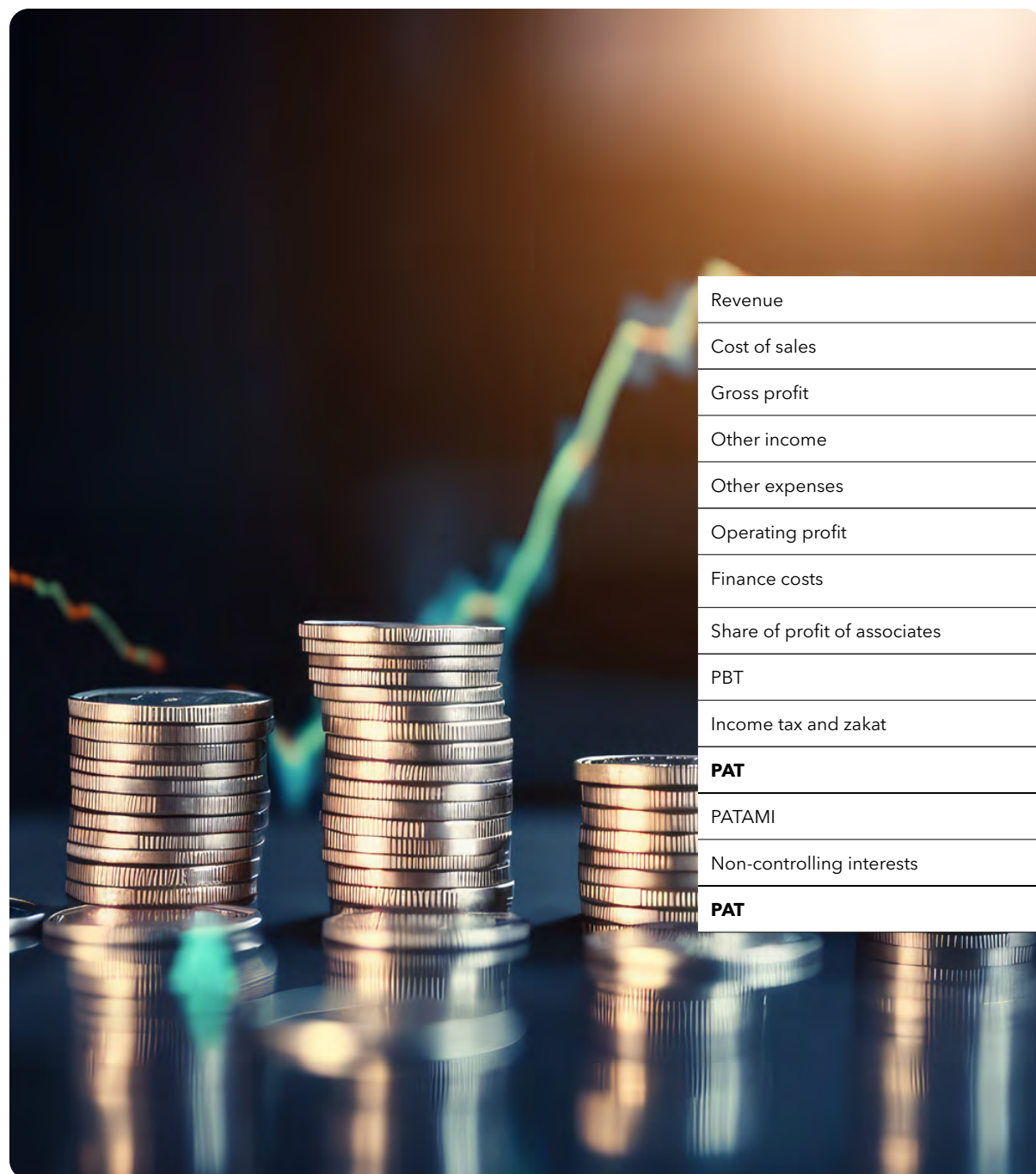
Cash and Bank Balances
RM365.6 million



Dividend Per Share
3.0 sen



Financial Review



	2025 Continuing Operations RM'000	2024 Continuing Operations RM'000	Variance Continuing Operations %
Revenue	1,043,281	1,064,724	(2.0)
Cost of sales	(861,356)	(873,454)	1.4
Gross profit	181,925	191,270	(4.9)
Other income	42,618	59,240	(28.1)
Other expenses	(163,418)	(184,018)	11.2
Operating profit	61,125	66,492	(8.1)
Finance costs	(7,760)	(18,626)	58.3
Share of profit of associates	1,966	4,761	(58.7)
PBT	55,331	52,627	5.1
Income tax and zakat	(11,540)	(33,543)	65.6
PAT	43,791	19,084	129.5
PATAMI	39,708	17,879	122.1
Non-controlling interests	4,083	1,205	238.8
PAT	43,791	19,084	129.5

Financial Review



Revenue

KPS Berhad concluded 2025 with a steady financial performance, underpinned by the Group’s commitment to financial discipline, operational resilience and long-term value creation. Market sentiment was dampened by the introduction of US trade tariffs, resulting in heightened volatility across industries. This volatility affected the Group’s manufacturing subsidiary companies to varying degrees, as customers recalibrated their portfolios in response to changing market conditions. At the same time, the packaging segment continued to face challenges arising from intensified competition from low-cost exports, which led to oversupply, increased pricing pressures and market displacement among local players. Against this backdrop, the Group remained focused on its long-term objectives and executed its strategic initiatives with discipline, resulting in revenue of RM1,043.3 million for the financial year, representing a slight decline of 2.0% from RM1,064.7 million in the preceding year.

Manufacturing

The manufacturing segment remained the Group’s primary value driver, contributing 83.1% of total revenue. Segment revenue declined by 1.8% to RM866.8 million in 2025 from RM882.4 million in the previous year, largely due to market oversupply and intensified price competition within the packaging segment. These pressures were partially mitigated by improved momentum in the electronics, multimedia and communications segments, supported by new project wins from existing customers and expansion of the customer base, underscoring the Group’s execution capabilities and sustained customer engagement.

The figures presented above include only the continuing operations.

Trading

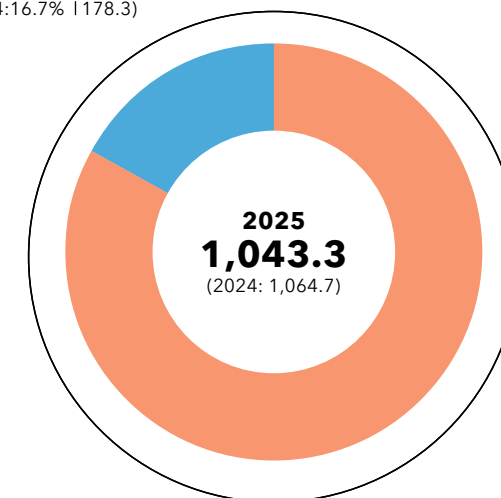
Revenue from the trading segment declined marginally by 1.0% to RM176.5 million in 2025, compared with RM178.3 million in the prior year. The decrease was mainly due to timing differences in water meter sales, as the new contract commenced later than expected following the completion of the previous contract in late 2024, resulting in lower revenue recognition compared to the full-year contribution recorded in 2024.

Other Segments

No income from other segments in 2025 following the sale of Plaza Perangsang in 2024.

Group Revenue by Segment (RM million)

Trading
16.9% | 176.5
 (2024: 16.7% | 178.3)



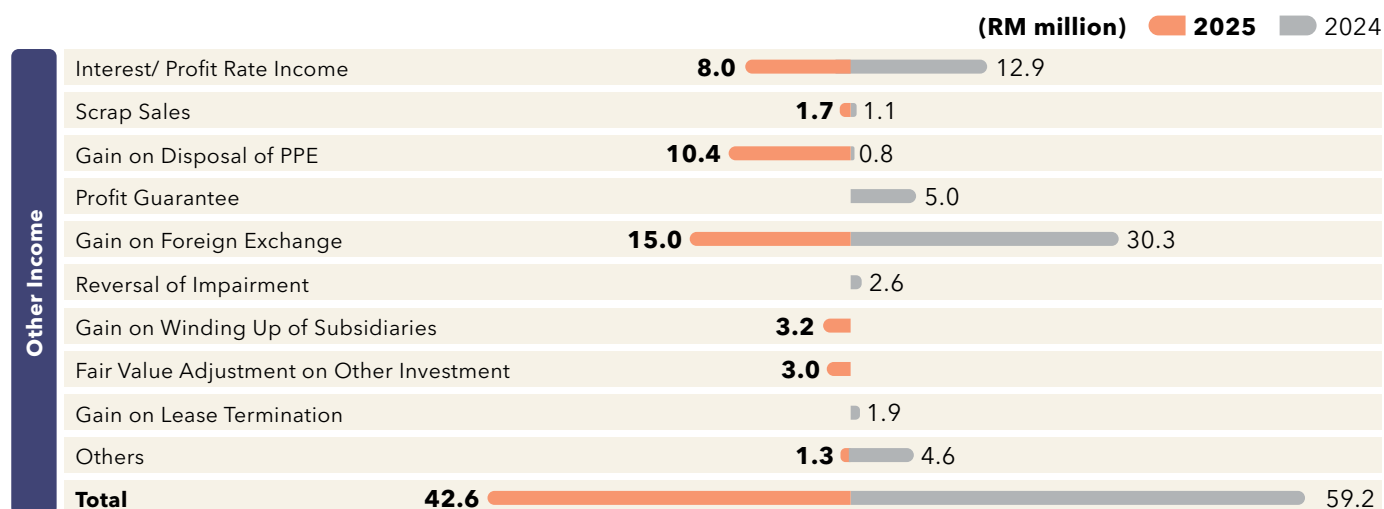
Manufacturing
83.1% | 866.8
 (2024: 82.9% | 882.4)

Note: No contribution from other segments was recorded in 2025, compared with RM4.0 million in 2024.

Financial Review

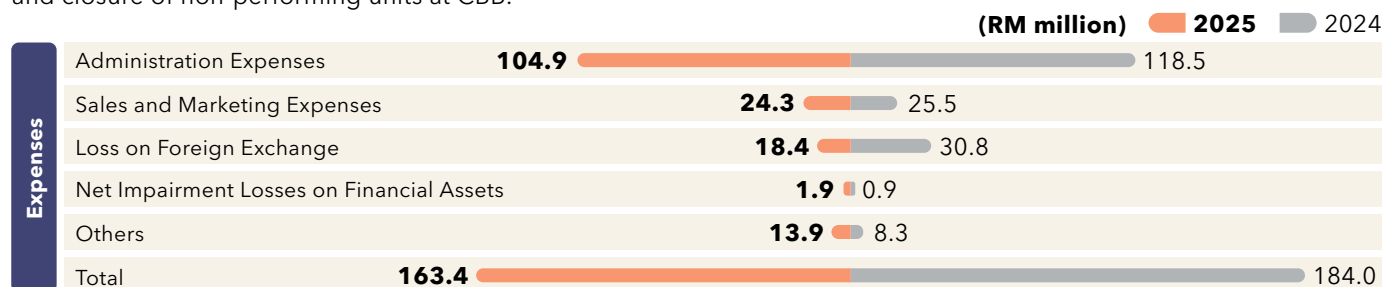
Other Income

Other income decreased by 28.1% to RM42.6 million, mainly attributable to lower foreign exchange gains by RM15.3 million, reflecting the Group's effective hedging strategies in mitigating the impact of currency volatility. The decline was further compounded by a RM4.9 million reduction in fair value of short-term funds following the repayment of borrowings in July 2024 using proceeds from the disposal of Kaisercorp, as well as the absence of the RM5.0 million profit guarantee from MDS Advance recognised in the previous year. This was partially offset by a RM10.3 million gain recognised on the disposal of CBB's Nilai plant.



Expenses

During the year, KPS Berhad reduced its annual expenses to RM163.4 million, representing a reduction of 11.2%. The reduction was primarily attributable to lower foreign exchange losses by RM12.4 million, supported by strengthened hedging discipline, as well as RM13.6 million saving in administration costs following the disposal of Plaza Perangsang and closure of non-performing units at CBB.



The figures presented above include only the continuing operations.

Operating Profit

Year-on-year operating profit declined by 8.1% to RM61.1 million as lower revenue outweighed the net improvement from reduced other expenses relative to other income.

(RM million)



Finance Costs

Finance costs declined by 58.1% to RM7.8 million from RM18.6 million in the previous year, following the settlement of the Sukuk in July 2024.

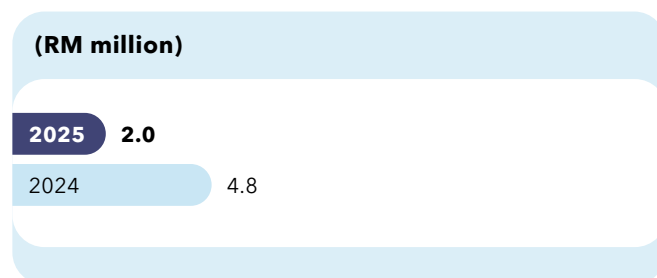
(RM million)



Financial Review

Share of Profit from Associates

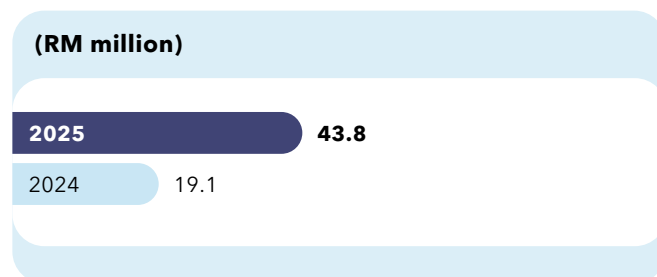
Share of profit from associates was lower at RM2.8 million for the financial year, due to lower contribution from NGC Energy and SPRINT.



Profits

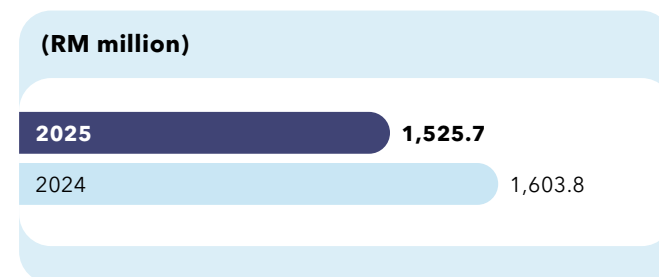
Despite a decline in revenue, PAT improved significantly by 129.5% to RM43.8 million from RM19.1 million in the previous year. The improvement was driven by lower finance costs alongside reduced income tax and zakat expenses, primarily reflecting the absence of the one-off withholding tax following the closure of Toyoplas Shanghai and a higher contribution from tax-exempt Toyoplas Vietnam. These were further supported by green tax savings stemming from solar installation initiatives, as well as the change in zakat accrual implemented in 2024.

Similarly, PATAMI rose to RM39.7 million, compared with RM17.9 million in the previous year.



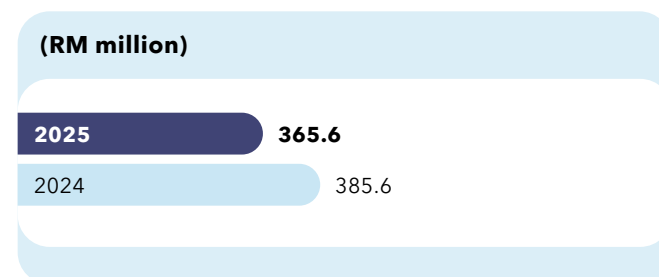
Total Assets

Total assets declined by 5.0% to RM1,525.7 million, primarily as a result of reduced trade receivables consistent with lower revenue. Nevertheless, the Group maintained its net asset position, with assets exceeding liabilities by RM1,118.6 million.



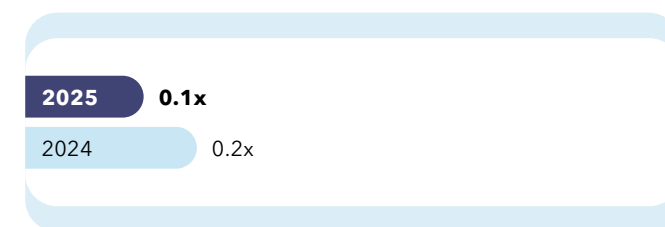
Liquidity

The Group's cash and cash equivalents, including bank balances, amounted to RM365.6 million as at year-end, representing a 5.2% decrease from RM385.6 million in the prior year, despite stronger operating cash generation supported by improved earnings quality and disciplined working capital management. The decline was mainly attributable to net cash outflows from investing activities, compared with substantial inflows in the previous year, which had benefited from higher proceeds from asset disposals and investment property transactions. This was partially mitigated by lower net cash used in financing activities, following reduced finance costs and lower debt-servicing requirements, which supported the Group's overall liquidity position. Through prudent financial management and disciplined working capital control, the Group preserved a healthy liquidity position despite reduced cash balances during the year.



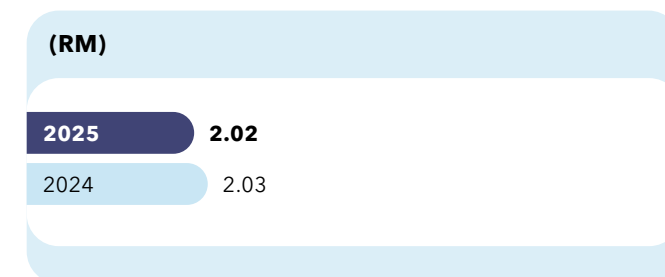
Gearing

The gearing ratio decreased to 0.1x during the year from 0.2x previously, primarily as a result of reduced borrowings, which declined to RM120.9 million from RM175.1 million. This reduction was achieved through ongoing repayments of loans and borrowings throughout the period. The lower gearing ratio demonstrates prudent capital management and provides the Group with greater financial flexibility to support future investments.



Net Assets per Share

Net assets per share declined marginally to RM2.02 from RM2.03 despite higher PATAMI and an increase in retained earnings, as adverse movements in other equity reserves, including foreign currency translation and fair value adjustments, more than offset the increase in retained earnings.

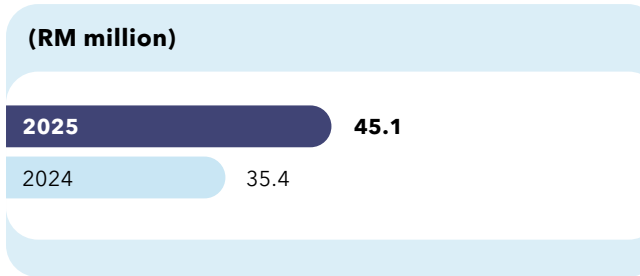


The figures presented above include only the continuing operations.

Financial Review

Capital Expenditure

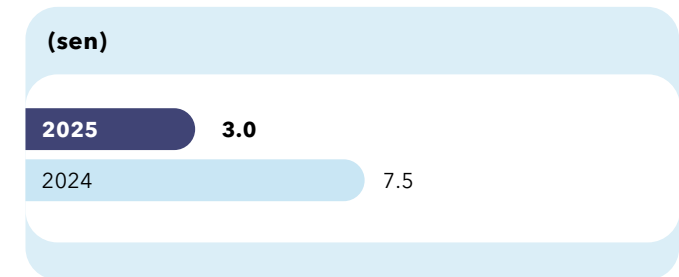
In 2025, the Group invested RM45.1 million in CAPEX, primarily to drive growth in its manufacturing operations.



Dividends Declared

The Group declared and paid a dividend of 1.0 sen per share, amounting to RM5.4 million, on 23 December 2025. On 31 March 2026, the Board announced a proposed final dividend of 2.0 sen per share, with an expected payout of RM10.7 million scheduled for 16 June 2026. The entitlement date has been set for 4 June 2026, subject to shareholder approval at the forthcoming AGM.

In total, the aggregate dividend distribution of RM16.1 million exceeds 30% of normalised core PATAMI, consistent with the Group's established dividend policy. This payout is broadly aligned with the prior year's dividend distribution, excluding the special dividend of 4.5 sen declared in 2024 following the disposal of Kaisercorp.



TOYOPLAS RM28.8 million

- New land
- Machinery and equipment

CPI RM3.0 million

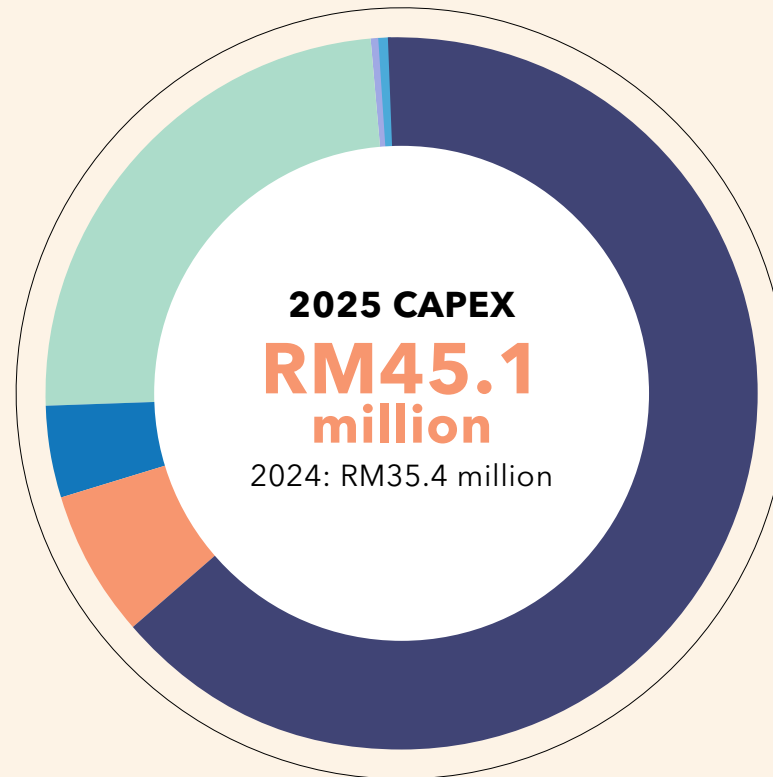
- Machinery and equipment
- IT hardware and software

MDS RM1.9 million

- Machinery and equipment

GS RM10.8 million

- Machinery and equipment
- Land, building and machinery under leasing



● Toyoplas ● CPI ● MDS Advance ● CBB ● Aqua-Flo ● KPS Berhad

Aqua-flo RM0.2 million

- Motor vehicle
- Office equipment, IT and others

kps RM0.4 million

- Infrastructure technology software
- IT hardware

Business Review



Final inspection of the product ensures product quality before packing.



Developments

Our strategic focus was on growing our customer base and expanding market presence, while strengthening manufacturing capabilities and capacity amid changing market sentiments arising from trade and tariff dynamics, as well as a challenging cost environment.

During the year, we secured four new customers and projects as well as penetrated new industries. We also leveraged our multiple manufacturing footprints to support existing customers by offering manufacturing options in lower tariff locations, while pursuing opportunities to onboard new customers from non-US markets. These initiatives supported revenue resilience and reduced exposure to market concentration and trade-related risks.

Cost management remained a strategic priority, given the inherently high operating leverage of manufacturing operations and increased sensitivity to cost movements across the value chain. During the year, we operated in a challenging cost environment characterised by heightened customer price sensitivity, which led to requests for downward price revisions, alongside rising compliance-related costs and higher input costs.

To manage margin pressure while supporting growth, we implemented cost optimisation and energy efficiency initiatives focused on improving operational efficiency and reducing exposure to cost volatility. Solar panel installation at our Senai plant commenced operations in early 2025. Toyoplas will evaluate the feasibility of similar installations in other sites to mitigate energy price volatility, enhance cost efficiency and strengthen our sustainability efforts.

2025 Key Highlights

Revenue

RM435.1 million

Customer Base

Secured **4** new customers and projects

Energy Efficiency

Achieved cost savings of

RM0.8 million from solar installation

Market Expansion

Penetrated new industries, including **STEM toys, music instruments, home automation** and **laboratory equipment**

Business Review

Toyoplas continues to pursue initiatives aimed at improving cost efficiency and workforce welfare. This includes exploring the development of CLQ to enhance employee living conditions while supporting operational efficiency through reduced reliance on third-party hostel management and transportation arrangements.

Alongside these efforts, we continue to advance sustainability initiatives as part of our strategy to strengthen our position as a responsible partner, in line with customer expectations. As part of this commitment, our Senai plant obtained RBA membership in the fourth quarter of 2025. We continue to implement improvements to meet compliance standards and support long-term customer relationships.

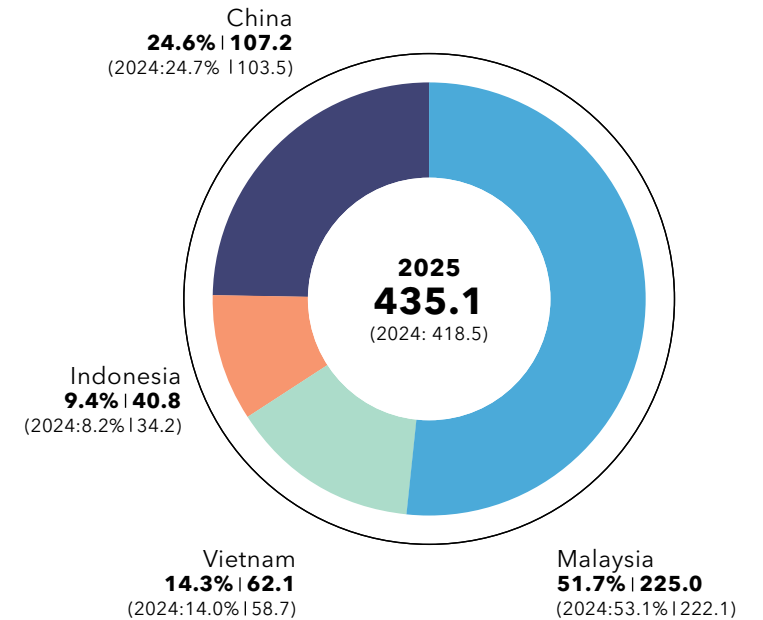


Financial Performance

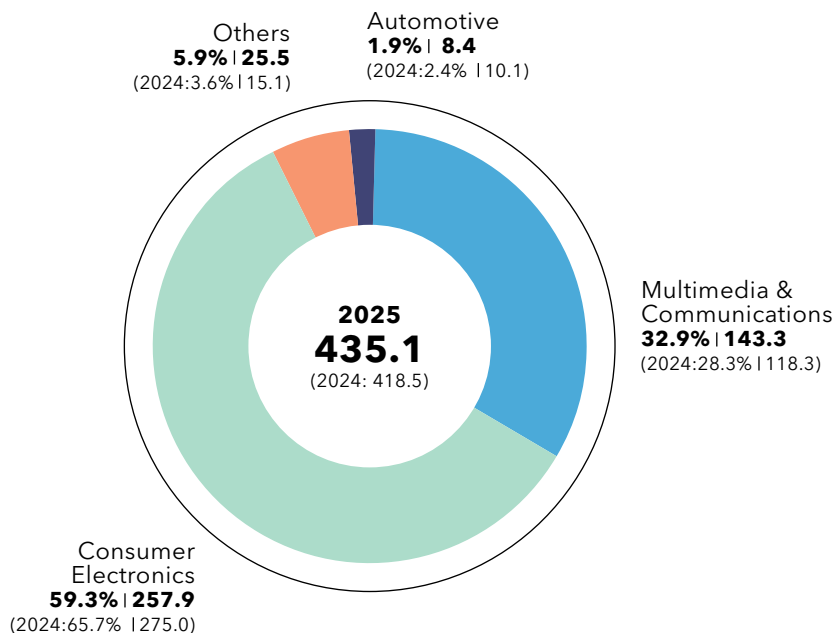
Revenue (RM million)

2025	435.1
2024	418.5

Revenue by Country (RM million)



Revenue by Segment (RM million)



Revenue increased to RM435.1 million in the current year from RM418.5 million in the previous year, primarily due to contributions from both new and ongoing projects for existing and new customers. The gross profit margin remains stable despite increased operating costs, demonstrating the effectiveness of cost management initiatives, including savings generated through expanded solar energy usage.



A worker performing tamper printing to apply markings on the product casing.

Malaysia operations contributed the largest share of revenue, accounting for 51.7% or RM225.0 million of total revenue, supported by strong order volumes from both new and existing customers. This was followed by China, which contributed 24.6% or RM107.2 million, with revenue increasing by 3.6% year on year due to the continuation of existing products and new orders from existing customers. Indonesia recorded the highest revenue growth rate of 19.3%, contributing RM40.8 million, driven by successful business development with new customers. Revenue from Vietnam operations increased to RM62.1 million from RM58.7 million, mainly driven by higher volumes from productions transferred from China.

Business development efforts to diversify markets and expand the customer base also helped cushion the impact of weak market sentiment and cautious inventory planning by customers, supporting overall earnings resilience. Consumer electronics remained the largest contributor to revenue, although revenue declined to RM257.9 million from RM275.0 million in the previous year, mainly due to lower demand from a key customer. Multimedia and communications recorded revenue growth of 21.1% to RM143.3 million, supported by new products for existing customers. Automotive revenue declined to RM8.4 million due to muted demand from customers in Indonesia. Whereas revenue from other segments, including new customers in the STEM toys and music instrument industries, contributed RM25.5 million, representing a 68.9% increase.

Business Review

Strategic Initiatives and Outcomes

Sales Development by Growing Customer Base

Key Initiatives

- Expand into new markets and diversify revenue streams

Outcome

- Secured four new customers and project wins, contributing to sales growth
- Expanded market presence by entering new industry segments, including STEM toys, music instruments, home automation and laboratory equipment



Note: All pictures shown are for illustration purposes only and do not represent the actual products/parts manufactured for our customers.

Cost Optimisation

Key Initiatives

- Optimise operational efficiency and resource consumption

Outcome

- Saved RM0.8 million by adopting solar energy, reducing reliance on conventional electricity, lowering costs and promoting sustainability
- Maintained reject rates at 0.8% in Toyoplas Malaysia by improving quality, reducing waste and maintaining cost-effective standards
- Saved RM31,000 by reusing packaging materials, conserving resources, reducing procurement costs and supporting environmental goals

Risks and Mitigations

Impact of US Tariffs on Operations Risk

Type of Risk

- Exposure to tariff volatility as a net exporter arising from sizeable operations in China, which is subject to reciprocal tariffs of up to 30%, could potentially impact operations and profitability

Mitigation Efforts

- Offer production alternatives through facilities in Malaysia, Vietnam and Indonesia, which are subject to lower tariffs for the US-based market, while focusing China operations on non-US markets
- Expand business development efforts to onboard more non-US-based customers
- Maintain close communication with customers to monitor changes in supply chain strategies as tariff impacts continue to evolve

Consumer Demand and Business Development Risk

Type of Risk

- Broader global macroeconomic conditions, including potential tariff-related developments, may increase end-consumer price sensitivity

Mitigation Efforts

- Expand box-build offerings to support margin resilience
- Pursue opportunities in the healthcare sector selectively and with discipline, with clean room investments subject to clear sales visibility

Cost Environment and Foreign Exchange Fluctuations Risk

Type of Risk

- Exposure to a challenging cost environment, where rising input costs, including labour, statutory contributions and energy costs in Malaysia, may exert pressure on margins
- Pricing pressure arising from customer cost-down requests, which may impact profit margins

Mitigation Efforts

- Actively engage customers to implement price adjustments to address rising input costs
- Implement energy efficiency measures through phased solar panel installations
- Progress group restructuring to optimise capital and tax efficiencies through phased implementation

Business Review

ESG Expectations and Compliance Requirements Risk

Type of Risk

- Growing expectations from customers and stakeholders on ESG standards, particularly labour rights, may increase compliance requirements and influence customer sourcing decisions

Mitigation Efforts

- Strengthen positioning by aligning with RBA requirements through audits, remediation actions and engagement
- Evaluating the feasibility of CLQ development with planned green building certification and facilities to support labour compliance requirements

Foreign Exchange Volatility

Type of Risk

- Fluctuations in foreign exchange rates may lead to transactional and translational losses, impacting revenue, cost structures, margins, and overall profitability

Mitigation Efforts

- Manage currency exposure through dynamic hedging strategies by adjusting the hedging coverage ratio as conditions evolve and progressively reducing USD exposure to lessen volatility risk



Outlook

Building on our steady performance in 2025, we remain focused on sustainable growth through market and customer diversification, while strengthening profitability and operational resilience amid uneven near-term market conditions. Our priorities include deepening engagement with existing customers, onboarding projects from new industries, and expanding into growth segments such as electric vehicle (“EV”) charging, automotive and medical applications.

In 2026, we will further strengthen our sustainability, quality, and compliance credentials, including securing our RBA membership for Toyoplas Manufacturing (Vietnam), to meet evolving customer needs and ESG requirements. Additionally, our planned clean room investment (subject to sales visibility) for the healthcare segment is expected to enhance our capability to support higher-value applications.

Operationally, we will enhance efficiency and scalability through the selective replacement of injection machines, the implementation of energy-saving measures across Malaysia operations based on findings from the energy audit, and process improvement initiatives in other sites. These initiatives are intended to improve productivity, manage costs and support future growth. We will also strengthen organisational capability through the establishment of a centralised HR and talent function, structured talent pool identification, and implementation of a job evaluation framework to support longterm capability development.

Collectively, these initiatives are expected to reinforce our operational foundation and position Toyoplas to deliver sustainable growth over the medium to long-term.



An SMT line at CPI plant in Bayan Lepas, Pulau Pinang.



Developments

CPI recorded marginal growth during the year, tempered by cautious market sentiment and weaker demand across most segments except electronics. Additionally, evolving US trade policies continued to dampen business confidence and consumer sentiment, softening product demand and prompting customers to slow or reassess their expansion plans.

Foreign exchange volatility also affected our revenue, as most transactions with customers were denominated in USD. To mitigate this exposure, we implemented natural hedging strategies and utilised foreign exchange contract facilities with a local bank to further mitigate downside risk.

To offset demand gaps and potential losses from existing projects or customers, we intensified our business development initiatives to secure sustainable and diversified new projects and clients. Leveraging our client network and industry contacts, we secured two new customers and three new projects, including our first foray into the manufacturing of EV charger parts.

As part of our long-term cost optimisation and labour cost management efforts, we expect the construction of CLQ to be completed and ready for occupancy upon obtaining the Certificate of Completion and Compliance CCC and CLQ permits by the fourth quarter of 2026. These full-year savings are expected to contribute positively to our profit and loss from 2027 onwards. We also continued to explore automation initiatives to reduce operating costs.

Additionally, the solar installation at our manufacturing facilities, which commenced in 2024, improved energy efficiency and resulted in savings of approximately RM1.2 million in 2025.

2025 Key Highlights

Revenue

RM222.9 million

Energy Efficiency

Achieved cost savings of

RM1.2 million from **solar installation**

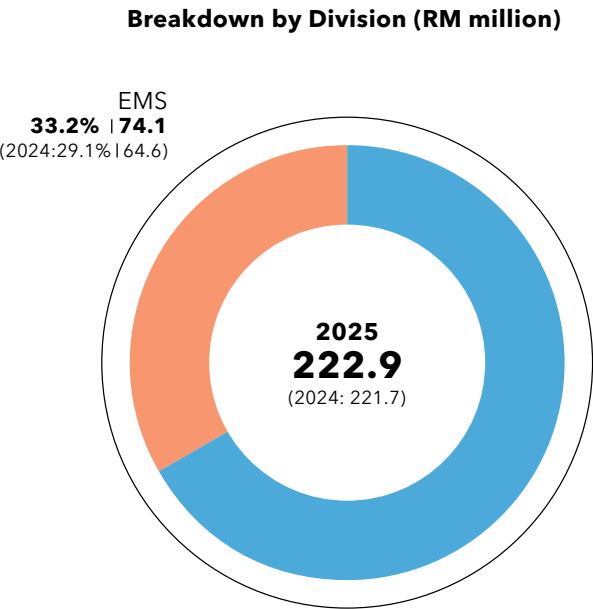
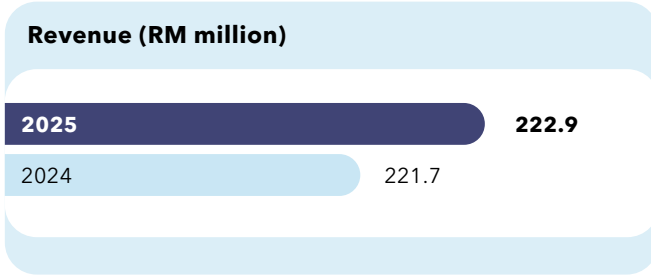
Customer Base

Secured **2** new customers

and **3** projects

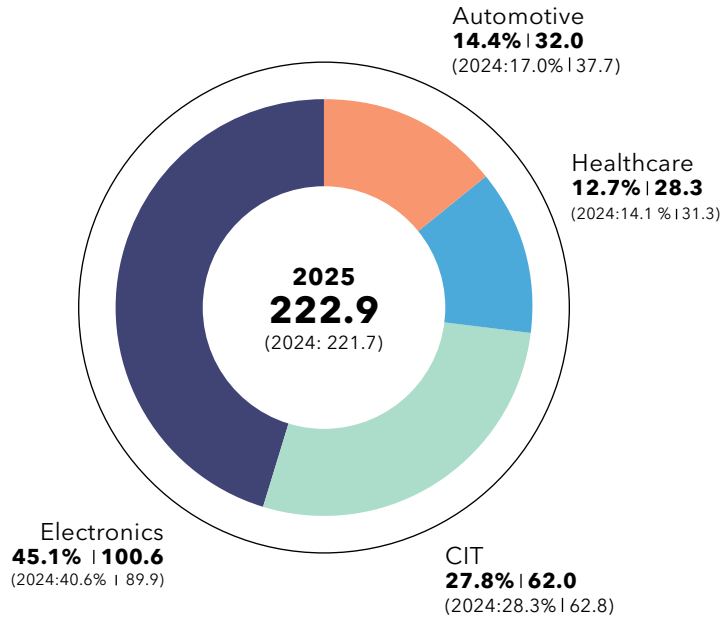
Business Review

Financial Performance



ETP
66.8% | 148.8
(2024:70.9% | 157.1)

Revenue by Segment (RM million)



Revenue increased marginally to RM222.9 million from RM221.7 million in the previous year, reflecting the impact of market sentiment and lower demand across most segments except electronics.

Gross profit margin remains at the same level as the previous year, as the impact from higher operating costs and minimum wage adjustments was offset by savings from solar energy utilisation.



In-house produced PCBA for use in sub-assembly for CIT products.

Revenue from the Electronics segment rose 11.9% to RM100.6 million from RM89.9 million, supported by orders from new customers and increased demand from those secured in 2024 as production ramped up. In contrast, revenue from the CIT segment eased slightly to RM62.0 million from RM62.8 million, reflecting softer demand from key customers. The Healthcare segment also recorded a decline to RM28.3 million from RM31.1 million due to reduced demand for existing products and long regulatory approval process for new products or supply chain changes. The Automotive segment registered the sharpest drop, with revenue falling to RM32.0 million from RM37.7 million, in line with lower order volumes and broader market conditions.

Strategic Initiatives and Outcomes

Sales Development by Growing Customer Base

Key Initiatives

Strengthen customer partnerships and expand markets

- Grow existing customers
- Acquire new customers
- Diversify into new industries
- Expand footprint

Outcome

- Secured two new customers (DC meter for EV chargers and mobile devices) and three new projects (home automation, aerospace and smoke detector)



Note: All pictures shown are for illustration purposes only and do not represent the actual products/parts manufactured for our customers.

Cost Optimisation

Key Initiatives

Drive efficiency and sustainability

- Manage material cost and inventory effectively
- Optimise headcount and labour-related costs
- Improve energy efficiency

Outcome

- Maintained material costs and inventory levels through careful planning and strategic execution
- Maintained stable headcount through employee upskilling and inter-division transfers, while minimising overtime costs
- Progressed construction of the CLQ, with completion expected by the end of 2026 enabling savings in worker accommodation and transportation costs from 2027
- Enhanced energy efficiency and achieved cost savings of RM1.2 million in 2025 through the installation of solar panels

Enhancement of Manufacturing Capacity & Capabilities

Key Initiatives

- Expand capacity to support five-year sales growth
- Enhance capabilities through automation and the adoption of high-precision, high-efficiency machinery
- Implement water security initiatives to ensure business continuity during supply disruptions

Outcome

- Progressed renovation of the EMS plant to support an additional production level and installed underground and elevated water tanks to provide reserves in case of water supply disruptions, with completion expected by the third quarter of 2026

Business Review

Risks and Mitigations

US Economic Policy and Trade Impact

Type of Risk

- US economic and trade policy volatility, affecting business confidence and consumer demand, leading to softer market conditions, delays in customer expansion and product launches, and heightened cost-down pressure from key customers

Mitigation Efforts

- Diversify customer base to reduce reliance on the US market
- Strengthen operational flexibility and enhance value-added services to maintain a competitive edge and support customer retention
- Monitor potential impacts in collaboration with customers to enable timely response and proactive mitigation

Demand Volatility and Geopolitical Disruption Risk

Type of Risk

- Escalating geopolitical conflict in the Middle East could result in demand volatility, slower customers' inventory turnover and delays in materialising new business, as well as shipping disruptions with extended lead times, adversely impacting revenue and operations

Mitigation Efforts

- Accelerate business development initiatives to secure sustainable new projects and customers
- Leverage established client relationships and industry networks to identify and secure new customer opportunities and projects
- Explore new business segments and sub-segments to broaden the revenue base and reduce reliance on traditional markets
- Maintain close coordination with customers on shipment orders to minimise delays

Foreign Exchange Volatility

Type of Risk

- Volatility in foreign exchange rates could result in transactional and translational losses, adversely affecting revenue, costs, and overall profitability

Mitigation Efforts

- Mitigate foreign exchange exposure through natural hedging with a substantial portion of purchases is in USD
- Increase the use of forward exchange contracts to manage and minimise exposure to foreign currency fluctuations

Labour Cost Inflation

Type of Risk

- Increased wages and EPF contribution requirements for foreign workers raised labour costs, adversely affecting operating expenses and profitability

Mitigation Efforts

- Implement workforce realignment measures, including minimising reliance on subcontract workers and facilitating inter-division manpower redeployment, to improve productivity and mitigate rising labour costs

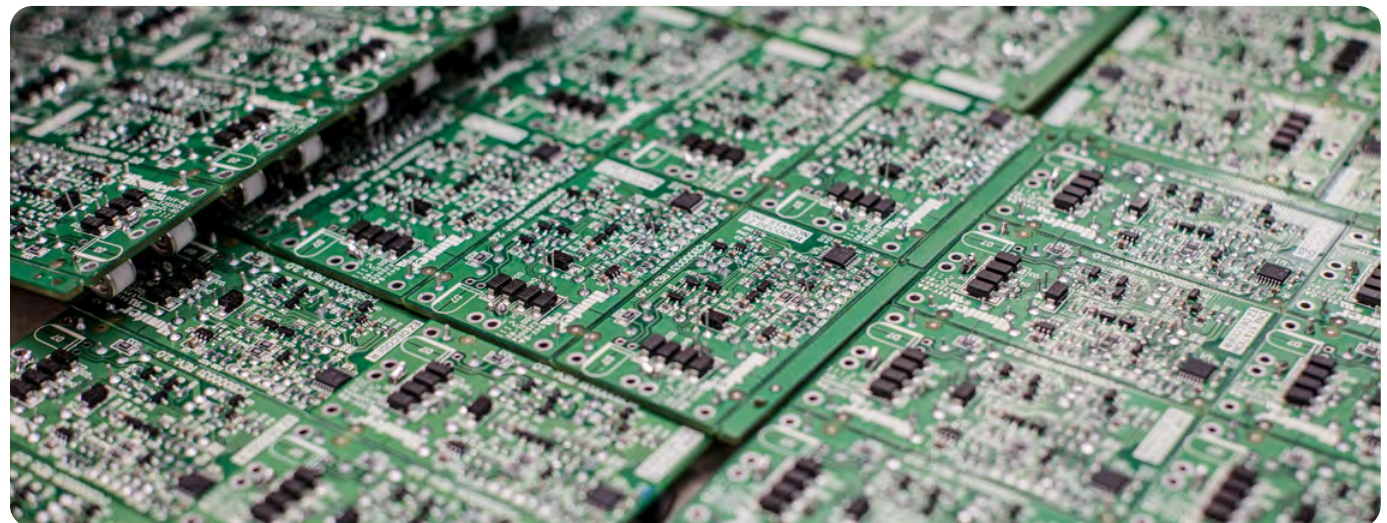


Outlook

We remain cautiously optimistic about our prospects. Our sales development efforts will focus on maintaining market share while diversifying revenue streams through entry into new industries and expanding our footprint. Key initiatives include leveraging strong relationships with existing customers, capitalising on potential supply chain shifts to Malaysia that may create opportunities in box build projects and related plastic parts supply, exploring new business segments beyond traditional markets, and widening our geographic presence, such as continuing to expand into Thailand.

Cost and process optimisation will remain a priority as we strengthen profit margins through effective material cost management and prudent inventory management. Completion of the CLQ project is expected to support our long-term labour cost management.

We will also continue to enhance our capacity, capabilities and competitiveness through investments in new machinery and process automation, including upgrades to higher-precision, more efficient equipment. Additional production space will support future sales growth, while our water security initiatives will ensure business continuity.



Business Review



CNC machining for a healthcare product component.

2025 Key Highlights

Revenue

RM21.1 million

New Customers Base

Onboarded **3** new customers

Secured **5** new projects

Successfully Renewed

ISO 13485, ISO 9001 & ISO 14001
surveillance audit



MDS ADVANCE SDN BHD

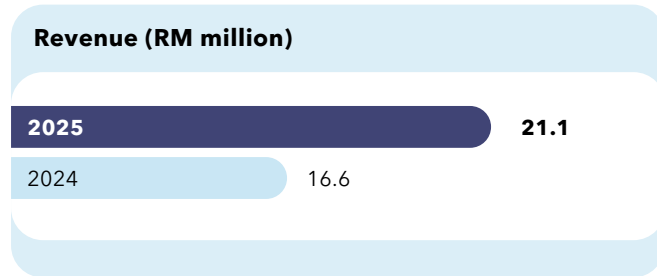
Developments

In 2025, our improved performance was supported by stronger demand in the medical segment, alongside the resumption of previously delayed customer projects.

Our semiconductor segment experienced delays in new project introductions, while customers maintained cautious ordering amid tariff uncertainties, temporarily slowing the revenue ramp-up. Although Malaysia later secured a temporary exemption from semiconductor tariffs, the impact in the final quarter was limited, as orders had already been deferred and new projects were still progressing through their final qualification and mass-production preparation stages.

Throughout the year, we proactively addressed these challenges and positioned ourselves for future growth through vigorous business development, close customer engagement, and focused application of our technical expertise. These actions enhanced production execution, product design, and solution development, enabling us to onboard three new semiconductor customers and secure five new projects across medical and semiconductor.

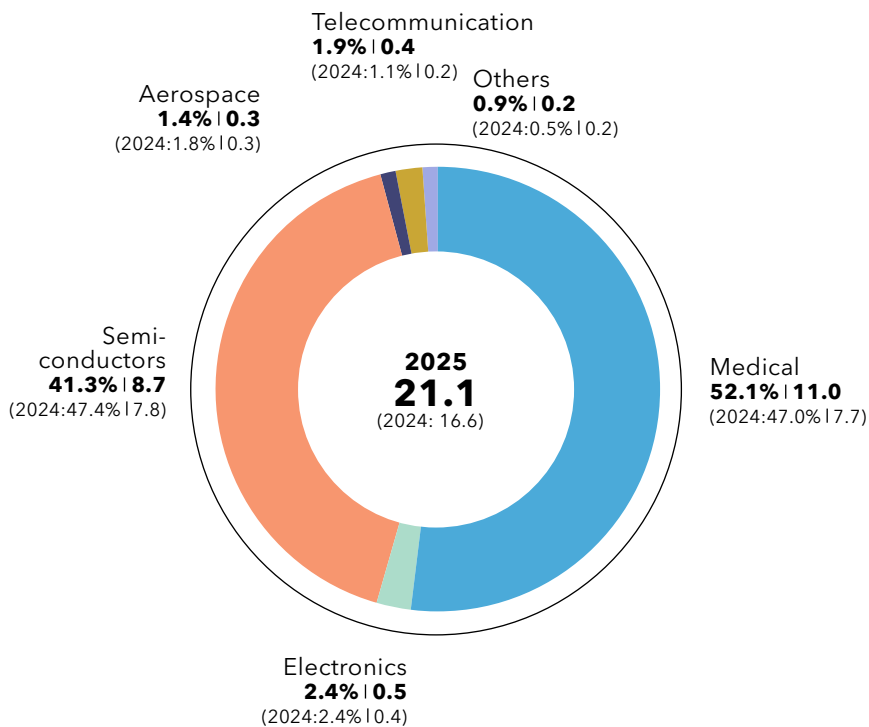
Financial Performance



Revenue increased to RM21.1 million in 2025 from RM16.6 million in 2024, mainly driven by higher demand in the medical segment alongside the resumption of previously delayed customer projects. Gross profit margin improved as higher revenue allowed fixed overhead costs to be spread over a larger revenue base.

The medical segment delivered 52.1% of total revenue, amounting to RM11.0 million, compared with RM7.7 million in 2024, reflecting higher demand and the ramp-up of new projects. Semiconductor revenue rose to RM8.7 million from RM7.8 million, driven by gradual project resumptions following earlier delays due to uncertainty in US trade policy. Electronics, telecommunications, and other segments also recorded growth, with combined revenues of RM1.1 million, while aerospace maintained steady performance at RM0.3 million.

Revenue by Segment (RM million)



A modular, high-efficiency system designed to automate pallet handling and workpiece management for CNC machining.

Business Review

Strategic Initiatives and Outcomes

Sales Development by Growing Customer Base

Key Initiatives

- Provide technical advice and value-engineering services to engage current and new customers

Outcome

- Secured five new projects from existing customers and onboarded three new customers



Business Restructuring

Key Initiatives

- Streamline business development activities to deepen customer engagement and strengthen competitive positioning

Outcome

- Formed three teams with distinct and complementary roles: (1) a sales and project team to expand the customer base and secure new projects; (2) a New Product Introduction ("NPI") sample team to ensure a seamless transition from prototype to production; and (3) an engineering team to drive product design and deliver innovative solutions that showcase technical expertise

Enhance Manufacturing Capacity and Capability

Key Initiatives

- Diversify business and capabilities

Outcome

- Introduced new fabrication capabilities to provide a wider range of services and access new markets
- Improved process efficiency by restructuring processes and shortening product cycle time

Risks and Mitigations

Order Volatility Risk

Type of Risk

- Weakened demand for advanced chip equipment and ongoing US-China trade policy shifts could affect orders and the delivery schedule

Mitigation Efforts

- Enhance early engagement with customers' design and engineering teams to shorten validation cycles

Tariffs/ Exemption Uncertainties Risk

Type of Risk

- Uncertainties arising from the implementation of tariffs, especially on cost, may impact the ability to scale prototypes into mass production, and result in redesign, resource changes and production delays at the customers' end

Mitigation Efforts

- Work closely with customers to identify potential project transfers to Malaysia
- Align production schedules and resource allocation dynamically with customer forecasts to minimise idle capacity and maintain utilisation

Price Pressure, Increasing Input Cost and Competitive Discount Risk

Type of Risk

- Rising costs of raw materials, components and energy may create price pressure that customers might resist, limiting our ability to pass on the full increase
- Intense price competition in an already softening environment may further erode margins

Mitigation Efforts

- Strengthen supplier partnerships with Malaysian and regional vendors for raw materials
- Negotiate cost pass-through mechanisms and flexible pricing structures in new contracts, particularly for high-cost or long-cycle projects

Business Review

Skilled Talent Risk

Type of Risk

- The competition for skilled talent could result in delays for NPI development, extended machine downtime and impact the ability to ramp-up mass production

Mitigation Efforts

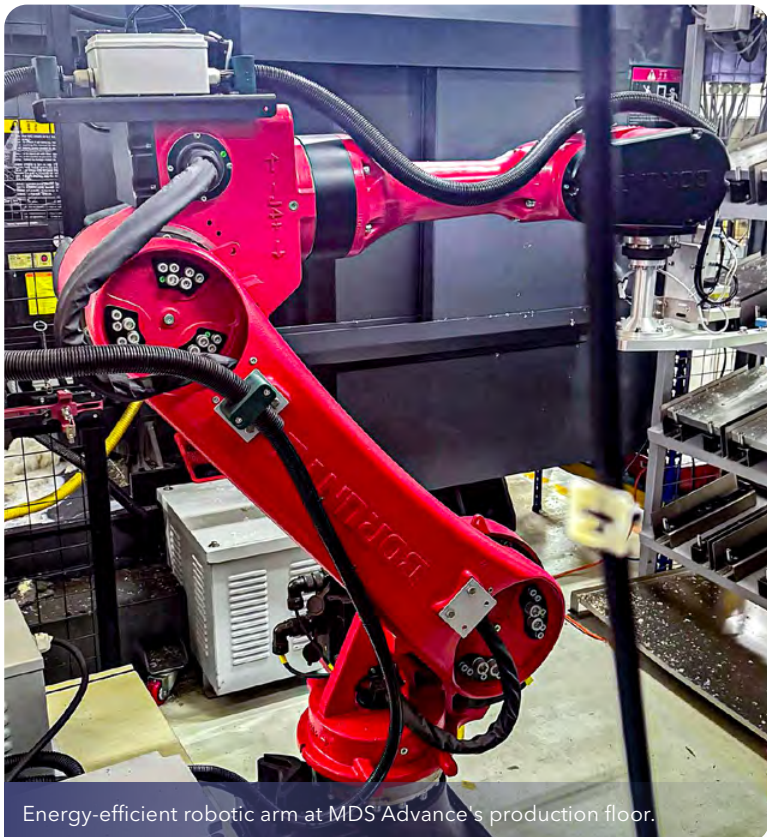
- Realign teams to support production execution and engineering or NPI focus
- Link rewards to retention and productivity
- Recruit strategically through partnerships with Technical and Vocational Education and Training (TVET) and Penang Skills Development Centre (PSDC)



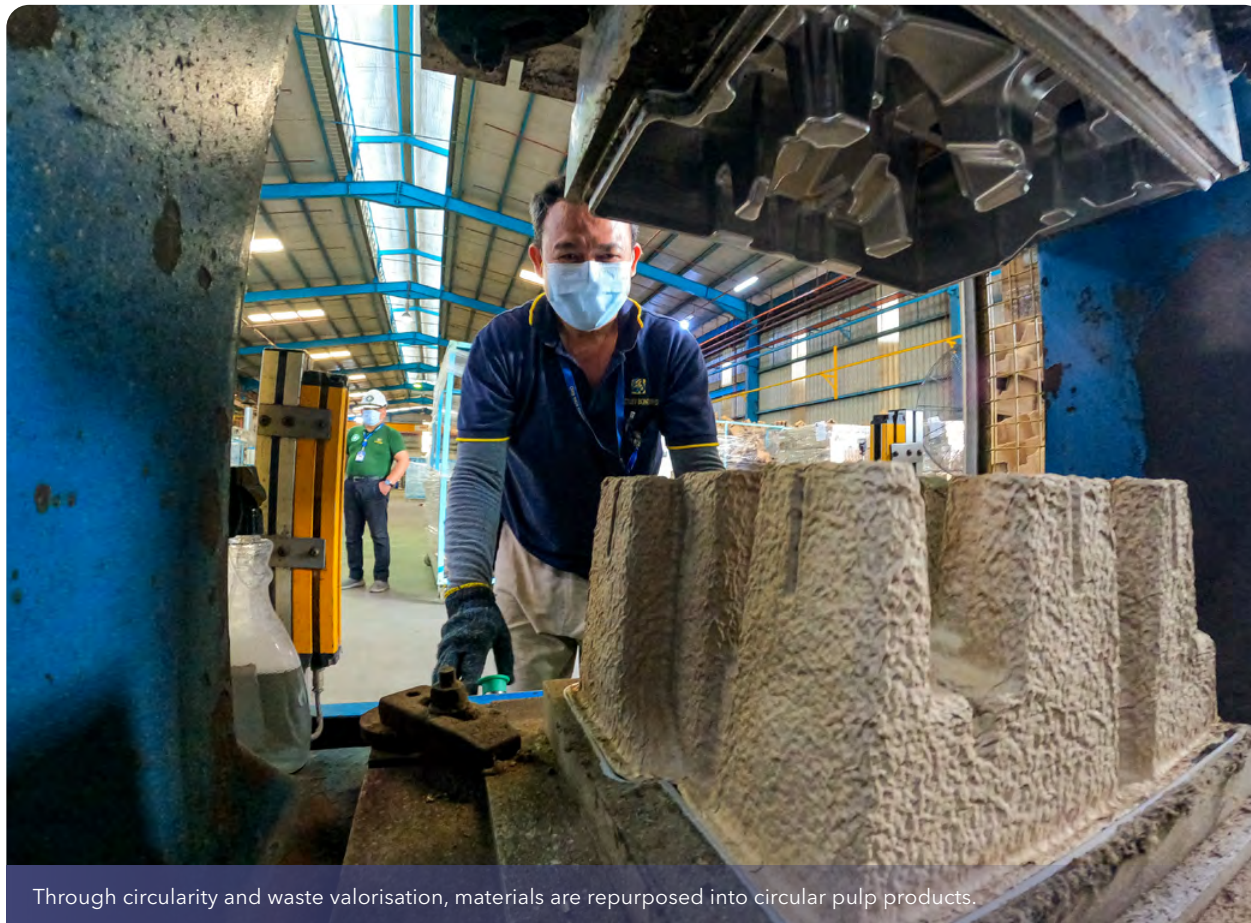
Outlook

We expect operating conditions in 2026 to remain dynamic, as evolving trade policies and tariff developments continue to influence customer demand, cost structures and investment decisions. While Malaysia maintains a relatively favourable tariff position within ASEAN, and key export sectors such as semiconductors remain largely exempt, ongoing policy developments may continue to shape supply chain decisions and industry demand.

We are committed to strengthening our competitiveness by deepening customer relationships to secure new projects, providing engineering and NPI support, and expanding into new medical and semiconductor markets. Our operational priorities include driving greater efficiency, quality and execution through digitalisation, factory optimisation, structured subcontracting, and the continual development of our in-house technical and workforce capabilities.



Energy-efficient robotic arm at MDS Advance's production floor.



Through circularity and waste valorisation, materials are repurposed into circular pulp products.



CENTURY BOND BHD

Developments

In 2025, we executed a focused turnaround strategy centred on strengthening our customer base, optimising operations, and enhancing manufacturing capabilities. As part of this approach, we undertook a comprehensive business reorganisation to improve cost efficiency, streamline processes and strengthen capital management. Notably, Offset division's operations were consolidated into a single, centralised facility to enhance operational control and cost discipline, while the disposal of the Nilai plant enabled capital redeployment towards higher-growth areas.

Following these changes, operational streamlining allowed us to reallocate machinery and upgrade ageing equipment. We installed a digital printer to meet demand for advanced offset printing technology and upgraded the tuber machine to improve production efficiency and reduce wastage. Collectively, these initiatives strengthened our manufacturing capabilities and improved cost competitiveness.

Alongside these operational improvements, we intensified efforts to grow and diversify our customer base. In the first quarter of 2025, we obtained RBA certification, enabling access to multinational RBA-compliant customers. We are also investing in research & development focused on innovative paper-based packaging products from corrugated carton, which will focus on enhancing material strength, cost efficiency and biodegradability while maintaining high performance and design flexibility. Over the course of the year, we secured seven new Offset customers, primarily in the E&E segment, as well as seven new customers across the food and beverage, and healthcare sectors. These combined efforts supported our return to profitability.

2025 Key Highlights

Revenue

RM187.7 million

New Customers Base

7 new offset customers
(mostly E&E), **7** new customers
(F&B and healthcare)

Capital Redeployed for Growth

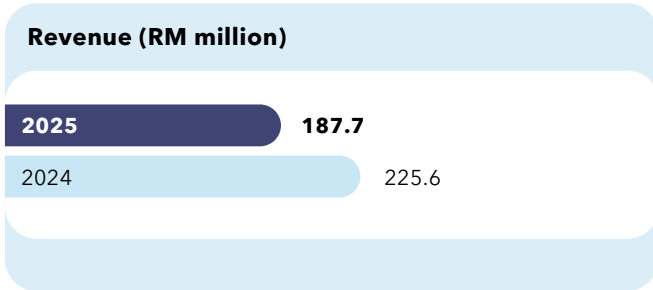
RM10.3 million gain from
disposal of Nilai plant

Accreditation

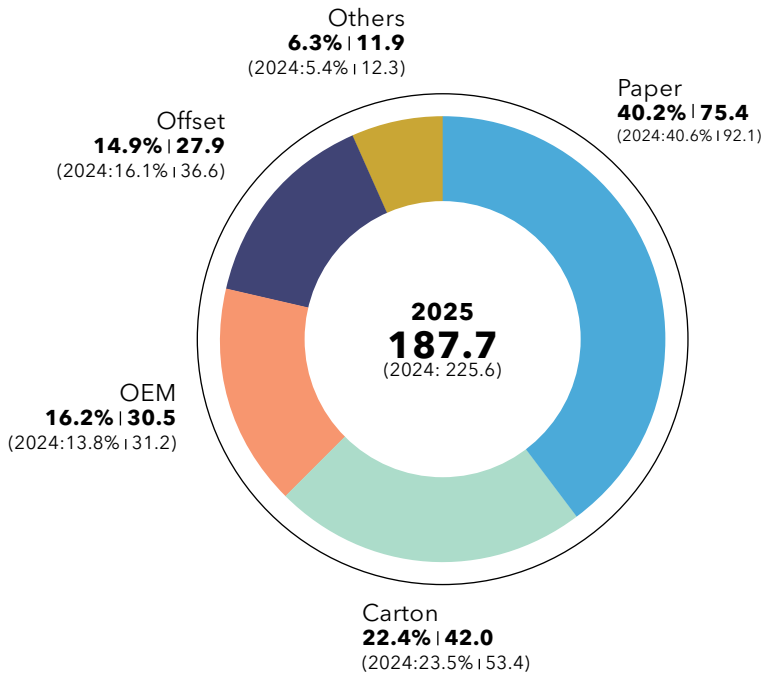
RBA certified packaging
supplier and Food Safety System Certification 22000

Business Review

Financial Performance



Revenue by Segment (RM million)



For the financial year ended 2025, revenue decreased to RM187.7 million from RM225.6 million in 2024 amid market oversupply and intensified competition. Despite the softer top-line performance, ongoing operational improvements and cost optimisation measures supported the maintenance of gross margin.

We managed to turn around in 2025 from the loss position in the previous two years. This improvement was driven by margin enhancement initiatives, disciplined cost management, manufacturing efficiency improvements, and a RM10.3 million gain from the disposal of the Nilai plant. Additionally, contributions from newly secured customers and improved operational performance further supported the recovery.

The Paper division contributed 40.2% of total revenue at RM75.4 million, a decrease compared to the previous year due to slower order volumes, elevated customer inventory levels, project delays, and reduced cement usage during the extended rainy season. The Carton division recorded RM42.0 million, affected by ageing machinery, aggressive price competition from foreign players, and volume effects arising from the Nilai plant disposal and business model adjustments. Meanwhile, the OEM division remained stable at RM30.5 million. Offset revenue declined to RM27.9 million due to customer nearshoring and lower demand from E&E customers. Other segments recorded RM11.9 million, reflecting lower revenue for paper core and edge protector products, in line with reduced corrugated carton box volumes.



Monitoring and checks ensure precise carton cutting.

Strategic Initiatives and Outcomes

Sales Development by Growing Customer Base

Key Initiatives

- Restructure operations to improve cost control and operational efficiency

Outcome

- Improved cost control and operational efficiency through consolidation of the Offset division's three operating facilities into a single centralised location

Business Restructuring

Key Initiatives

- Optimise production processes and operations

Outcome

- Reduced inventory turnover days from 110 to 100 through strategic inventory management at CBB Group
- Achieved monthly savings of RM40,000 through the upgrading of the tuber machine for paper bag production

Enhance Manufacturing Capacity and Capability

Key Initiatives

- Recycle capital and control capital expenditure

Outcome

- Support capital redeployment towards higher growth potential through disposal of the Nilai plant for RM10.3 million
- Disposed and reallocated machinery in line with CBB's restructuring exercise
- Improved production efficiency and captured demand for advanced offset packaging technologies through the installation of a digital printer

Sales Development by Growing Customer Base

Key Initiatives

- Grow customer base and strengthen market position

Outcome

- Received RBA certification, which led to the onboarding of RBA customers
- Diversified revenue into healthcare and F&B, resulting in three new F&B customers and two new healthcare customers

Business Review

Risks and Mitigations

Demand and Volume Reduction Risk

Type of Risk

- Risk of reduced sales volumes arising from customer destocking activities, lower overall market demand, and product end-of-life ("EOL") in key segments, which could adversely affect revenue stability and capacity utilisation

Mitigation Efforts

- Acquire new customers and strengthen relationships with existing customers to increase order volumes, broaden the customer base and reduce dependency on any single segment or product lifecycle

Pricing and Margin Compression Risk

Type of Risk

- Risk of margin erosion arising from customer cost-down initiatives, competitive pricing pressure, and limited ability to pass through cost increases

Mitigation Efforts

- Enhance cost competitiveness through disciplined cost management, including sourcing raw materials from multiple suppliers at competitive prices and improving operational efficiency through machine upgrades to reduce waste

Intensified Competition Risk

Type of Risk

- Risk of market share erosion and pricing instability due to aggressive competitive behaviour, industry overcapacity, and geopolitical factors contributing to intensified price-based competition

Mitigation Efforts

- Pursue strategic collaboration with key industry players, supported by third-party accreditation, to strengthen market positioning, enhance customer confidence, and protect market share in core segments

Competitive Disadvantage Risk

Type of Risk

- Risk of long-term competitive disadvantage arising from foreign competitors’ lower production costs, government support, advanced technological capabilities, and enhanced value-added service offerings

Mitigation Efforts

- Invest in research and development to introduce innovative and cost-efficient packaging solutions to enhance product differentiation, improve customer value proposition, and strengthen long-term competitive positioning
- Pursue RBA certification across different segments to enable access to RBA-compliant customers and strengthen competitive positioning through enhanced governance and compliance standards



Outlook

We remain cautious amid subdued packaging market conditions and sustained competitive pressures. Building on our turnaround in 2025, our priority in 2026 is to grow revenue and further strengthen profitability through continued operational discipline and customer growth.

We will continue expanding and diversifying our customer base while deepening relationships with existing customers. Investments in machinery upgrades will enhance manufacturing efficiency and support evolving customer requirements. Growth will be driven by product innovation and targeted marketing initiatives, supported by ongoing research and development. Simultaneously, we will maintain strict cost discipline, advance lean manufacturing practices, and optimise asset utilisation to reinforce sustainable profitability.



Carton boards are processed and stacked to support high-volume production.

Business Review



Functional checks on the water meters.

2025 Key Highlights

Revenue

RM176.5 million

Market Expansion

First entry into Terengganu State

Customer Base

Secured **7** new contracts
and **2** products

New Product

Granular Activated Carbon
("GAC")



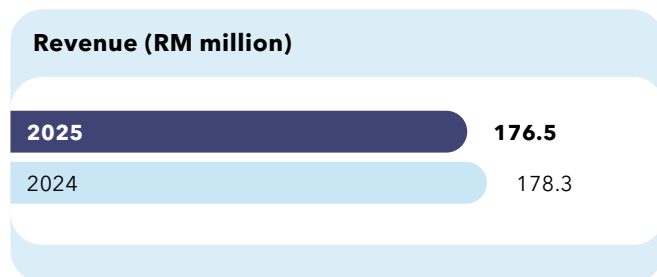
AQUA-FLO SDN BHD

Developments

In 2025, we secured seven new contracts and achieved a key milestone by supplying Polyaluminium Chloride ("PAC") to Syarikat Air Terengganu, marking our maiden entry into the Terengganu market. Additionally, we entered into four three-year framework agreements with Air Selangor with a total value of RM131.2 million, to supply water treatment chemicals.

Operational challenges affected the timing of our performance throughout the year. For instance, the Air Selangor water meter tender was finalised only in July 2025, with deliveries commencing in August, resulting in deferred revenue recognition within the financial year. Additionally, the postponement of GAC supply to a customer into the following year also contributed to the year-to-date revenue shortfall. Moreover, prolonged hot, dry weather improved raw water quality, reducing consumption of PAC at treatment plants and, in turn, lowering demand for this key product.

Financial Performance

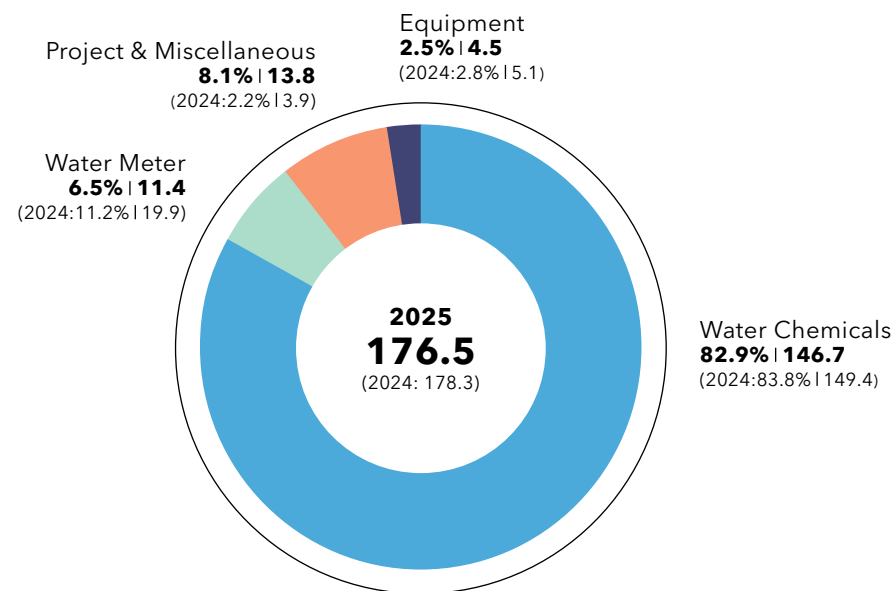


We recorded revenue of RM176.5 million in 2025, compared to RM178.3 million in 2024. This slight variation was primarily attributable to the delayed recognition of revenue from the water meter project contract, which was awarded only in July 2025. Gross profit remained consistent with the previous year.

Revenue from water chemicals was RM146.7 million, compared with RM149.4 million previously, supported by continued demand from state water operators, particularly Air Selangor. For water meters, revenue was RM11.4 million, decline from RM19.9 million previously, reflecting the timing of project award and altered delivery schedules.

Revenue derived from projects and miscellaneous activities increased to RM13.8 million from RM3.9 million, driven mainly by Non-Revenue Water (NRW) initiatives and plant upgrades. In contrast, income from equipment was RM4.5 million, representing a slight decline from RM5.1 million, broadly in line with customers' demand.

Revenue by Segment (RM million)



Strategic Initiatives and Outcomes

Sales Development by Growing Customer Base

Key Initiatives

- Expand into new markets and diversify revenue streams

Outcome

- Secured seven new contracts and two new products, including four three-year framework agreements with Air Selangor
- Expanded into Terengganu through the supply of polyaluminium chloride

Business Review

Risks and Mitigations

Change In Customer Contracting Strategies Risk

Type of Risk

- Customer introducing new tender arrangements, shifting from previous blanket contracts to category-specific tenders, could impact margins, reduce volume and erode bundle pricing and revenue

Mitigation Efforts

- Strengthen competitive position in key niche chemicals through product performance trials and enhanced technical support
- Engage customers early to showcase capabilities and reinforce position as a comprehensive chemical partner

Project Deferments Risk

Type of Risk

- Deferments in project timelines for major customers may affect targeted revenue for the year

Mitigation Efforts

- Negotiate early payment or cash-on-delivery terms with key suppliers to secure better raw material pricing and protect margins
- Identify and propose partial or phased GAC deliveries to accelerate revenue recognition and enable timely cost pass-through for price adjustments



Outlook

Looking ahead, we aim to pursue our next phase of growth, supported by a strong domestic foundation, potential regional expansion opportunities, and ongoing digital transformation in Malaysia's water sector.

Our strategic priorities include safeguarding our local market position while gradually expanding our geographical footprint through strengthened market leadership and enhanced brand presence. We will continue to diversify beyond chemicals by growing our meters, pipes, and equipment segments with complementary products and engineering solutions. Furthermore, we will explore opportunities to broaden our revenue streams by introducing new product categories and value-added service models and expanding into the ASEAN market.



Laboratory testing on water samples to ensure water quality.