

CHAPTER

03

Value Creation at KPS Berhad

Value Creation Model

KPS Berhad’s value creation model is the strategic engine that creates and preserves long-term organisational outcomes. We harness multiple forms of capital, be it financial, manufactured, intellectual, human, social and relationship, and natural to generate measurable value and ensure that each initiative is balanced and well integrated in our daily operations and activities.

Our Input Capitals

- 
Financial
 - Share Capital: RM537.9 million
 - Retained Earnings: RM545.6 million
 - Cash and Bank Balances: RM385.6 million
 - Total Assets: RM1.6 billion
 - Total Borrowings: RM175.1 million
 - Capital Expenditure (“CAPEX”) in 2025: RM45.1 million
 - Total Equity: RM1.1 billion
- 
Manufactured
 - A wide range of manufacturing facilities, warehouses, machinery and equipment were employed by all subsidiary companies
- 
Intellectual
 - Collective experience, knowledge and expertise of the Board and Management team
 - The Group continues to implement its corporate, business and value creation strategies
 - Long-standing relationship with stakeholder
- 
Human
 - 3,516 dedicated workforce
 - Employee training and development programmes
 - High-performance culture
 - Multiple employee engagement activities
- 
Social and Relationship
 - Proactive engagement with regulators, investors, the media, customers and local communities
- 
Natural
 - Liquefied natural gas (“LNG”) consumption: 22,206.8 Million British Thermal Unit (“MMBtu”)
 - Diesel consumption: 167,398.7 litres
 - Petrol consumption: 79,147.3 litres
 - Purchased electricity consumption: 49,145,574 kilowatt-hour (“kWh”)
 - Renewable energy (solar power): 5,154,181 kWh
 - Water consumption: 250,407,476 litres
 - Material consumption: 302,777 tonnes



Vision
Leading Investments for Shared Prosperity

Mission
Cultivating Value, Creating Positive Impact

Brand Promise
We Invest in Better

Our Businesses

 Manufacturing  Trading

Our Subsidiary Companies

Our Value Creation Activities

The Group transforms these capitals through its core business activities:

Strategic Investments

Deploying capital into scalable manufacturing and industrial businesses aligned with the Group’s investment criteria.

Operational Optimisation

Enhancing productivity, cost efficiency and operational resilience across subsidiary companies.

Digitalisation and Automation

Strengthening manufacturing capabilities through digital systems, automation technologies and data-driven operations.

Portfolio Optimisation

Recycling capital through divestments, restructuring and consolidation initiatives to enhance overall returns.

Stakeholder Engagement

Maintaining constructive relationships with regulators, investors, customers, employees and communities to support long-term business sustainability.

Managing Risk & Seizing Opportunities

Key Investment Criteria

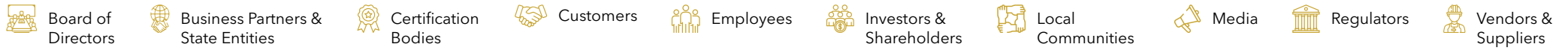
- Clear value creation potential supported by operational fundamentals
- Scalable business with regional growth opportunities
- Matured companies within respective industries with stable financial performance

ESG Objectives

- Being a responsible corporate citizen
- Create long-term value for all its stakeholders via sustainable development practices
- Promoting sustainable business and practices
- Limiting the negative impact of our business on the environment
- Address the sustainability-related risks and opportunities in achieving business and operational excellence

Value Creation Model

Stakeholder



Our Output Capitals	Our Outcomes and Stakeholders Impacted	Capital Trade-offs
<ul style="list-style-type: none"> Revenue: RM1.0 billion Earnings Before Interest, Taxes, Depreciation and Amortisation ("EBITDA"): RM117.1 million Profit Before Tax ("PBT"): RM55.3 million Profit After Tax ("PAT"): RM43.8 million Cash and Bank Balances: RM365.6 million Total Assets: RM1.5 billion Total Borrowings: RM120.9 million 	<ul style="list-style-type: none"> RM208.2 million paid to employees in wages, benefits, and statutory contributions RM30.3 million paid to capital providers and shareholders RM8.6 million paid in taxes RM43.8 million repaid to financiers 	<p>Financial > Manufactured & Intellectual</p> <p>Financial capital is deployed to strengthen manufacturing capabilities through investments in digitalisation initiatives, including manufacturing execution systems, automation technologies and Internet of Things ("IoT")-enabled monitoring across subsidiary companies' operations.</p>
<ul style="list-style-type: none"> Manufacturing output in terms of products and services offered to both local and international markets 	<ul style="list-style-type: none"> Introduction of new technologies Increased adoption of automation and circular economy 	<p>These investments enhance manufactured capital by improving production efficiency and operational reliability, while strengthening intellectual capital through the development of technical expertise, process innovation and data-driven operational capabilities.</p>
<ul style="list-style-type: none"> Achieved corporate and project accreditations and awards at both the company and subsidiary levels Obtained certifications from key customers Improved visibility among stakeholder 	<ul style="list-style-type: none"> Increased brand equity leading to growing brand appeal, market share and customer confidence Built stronger relationships with stakeholder 	<p>Manufactured > Financial</p> <p>Manufactured capital is optimised through operational restructuring initiatives across the Group's manufacturing businesses, including the consolidation of production facilities and the rationalisation of selected operations.</p>
<ul style="list-style-type: none"> 3,363 dedicated workforce 78.1% permanent employees 21.9% contract employees 42.2% new hires 	<ul style="list-style-type: none"> Continued development of professional local talents Continued replenishment of leadership bench 	<p>These initiatives improve asset utilisation, operational efficiency and cost competitiveness, thereby strengthening financial capital through improved profitability and sustainable returns.</p>
<ul style="list-style-type: none"> Continued positive, mutually beneficial relationship with stakeholders Contributed RM3.8 million to various social investment initiatives, including the RM3.5 million zakat re-distribution 	<ul style="list-style-type: none"> Supported poverty eradication and provided access to education and domestic care Uplifted local livelihood 	<p>Financial > Natural</p> <p>Financial capital is allocated to initiatives supporting the Group's transition towards more energy-efficient and lower-carbon operations. To this effect, we expanded renewable energy capacity through solar photovoltaic installations across selected subsidiary companies.</p>
<ul style="list-style-type: none"> Solar power accounted for 8.2% of the Group's electricity consumption Scope 1 emissions: 2,154.5 tCO₂e Scope 2 emissions: 35,987.5 tCO₂e Scope 3 emissions: 2,570.3 tCO₂e Total emissions: 40,712.4 tCO₂e Total waste managed: 2,884.7 tonnes 	<ul style="list-style-type: none"> Amount of tCO₂e offset through solar energy: 3,989.3 tCO₂e Solar panel utilisation delivered estimated Group-wide savings of approximately RM2.5 million in 2025 	<p>Financial > Human & Social and Relationship</p> <p>Financial capital is invested in workforce capability development, leadership programmes and employee engagement initiatives across the Group.</p> <p>Strengthening human capital enhances organisational capability and operational performance, while reinforcing social and relationship capital through stronger customer engagement, improved service delivery and deeper long-term business relationships.</p>

Stakeholder Engagement

KPS Berhad engages with various stakeholders whose perspectives influence the Group’s business direction, sustainability commitments and governance practices. Recognising that each stakeholder group has distinct interests and expectations, the Group prioritises proactive, transparent and two-way engagement to address concerns, foster collaboration and build long-term trust.





Our stakeholder engagement approach is structured and tailored to each stakeholder group, using appropriate channels and methods to enable regular and meaningful dialogue. Through these interactions, we:

- Identify key stakeholder groups that influence or are influenced by the Group’s operations.
- Understand and prioritise stakeholder concerns to align corporate actions with their expectations.
- Leverage insights from engagement activities to refine business strategies, enhance sustainability initiatives and drive continuous improvement.

Board of Directors

Why We Engage

- Obtain strategic guidance, drive long-term business sustainability, provide corporate oversight, and manage risk
- Ensure an independent and accountable governance structure that represents shareholder interests

Related Capitals:    

<p>How We Engage</p> <ul style="list-style-type: none"> • Annual General Meeting (“AGM”) • Board Committee Meetings • Board training sessions 	<p>Key Concerns</p> <ul style="list-style-type: none"> • Progress on growth initiatives • Sustainability practices and disclosures • Consistency of shareholder returns
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Our Response

- Aligned business strategies with global economic trends to remain competitive in evolving markets
- Strengthened risk management strategies to safeguard operations and financial performance
- Integrated sustainable practices to meet regulatory requirements and reduce legal and reputational risks

Business Partners and State Entities

Why We Engage

- Align business strategies, investment decisions and social contributions to state policies, strategic priorities and sustainability agendas

Related Capitals:   

<p>How We Engage</p> <ul style="list-style-type: none"> • Social investment initiatives • Site visits • Meetings 	<p>Key Concerns</p> <ul style="list-style-type: none"> • Compliance with ESG regulations and requirements set by potential partners • Fair and seamless business transactions
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Our Response

- Established social investment service provider selection criteria to ensure strategic fit
- Strengthened stakeholder engagement to maintain responsible business practices

Stakeholder Engagement

Legends:

- Periodically
 - Quarterly
 - Bi-annually
 - Annually
-
-  Financial Capital
 -  Manufactured Capital
 -  Intellectual Capital
 -  Human Capital
 -  Social and Relationship Capital
 -  Natural Capital

Certification Bodies

Why We Engage

- Ensure compliance with international and national standards, reinforce operational excellence and mitigate risks
- Enhance credibility and trust with customers and regulators

Related Capitals:     

How We Engage

- Regular on-site inspections and audits
- Site visits for compliance verification
- Certification renewals and accreditation processes

Key Concerns

- Evolving regulatory requirements and standards

Our Response

- Enforced anti-bribery and anti-corruption policies, conducted regular internal audits, and maintained transparent reporting mechanisms
- Aligned operations with global ESG standards, implemented climate risk assessments, and ensured responsible business practices across the supply chain
- Maintained ISO certifications (e.g., ISO 9001, ISO 14001) through documented processes, continuous improvement, and employee training on safety and health
- Obtained industry-recognised certifications, including Responsible Business Alliance (“RBA”) VAP status for Toyoplas’ Senai plant, and RBA certified packaging supplier and Food Safety System Certification 22000 for CBB

Customers

Why We Engage

- Offer reliable, high-quality products
- Foster customer satisfaction, strengthen brand reputation and drive long-term business success
- Secure new contracts

Related Capitals:     

How We Engage

- Marketing and promotional content
- Site visits
- Customer feedback/satisfaction surveys

Key Concerns

- Timely delivery of high-quality products and services
- Provision of competitive and value-driven pricing

Our Response

- Expanded customer-centric solutions and pricing strategies across the Group’s product portfolios
- Strengthened customer engagement through increased interactions and site visits
- Elevated marketing and outreach initiatives to broaden market presence

Stakeholder Engagement

Legends:

● Periodically
 ● Quarterly
 ● Bi-annually
 ● Annually

● Financial Capital
 ● Manufactured Capital
 ● Intellectual Capital
 ● Human Capital
 ● Social and Relationship Capital
 ● Natural Capital

Employees

Why We Engage

- Foster an empowered, forward-thinking and innovative workforce to drive business success
- Drive operational efficiency, incremental innovation and sustainable growth

Related Capitals: ● ● ● ● ● ●

How We Engage

- Townhall sessions
- Performance reviews
- Regular performance check-ins training and development, well-being programmes, and engagement activities

Key Concerns

- Labour rights and human rights
- Diversity, equity and inclusion
- Corporate culture, values and leadership
- Employee well-being and wellness
- Performance evaluation
- Compensation and benefits
- Talent attraction, career development

Our Response

- Conducted programmes to promote safety and health, as well as mental and financial well-being
- Fostered a resilient culture through integrated communications, policy enhancements, and risk management capability development
- Organised employee engagement programmes to promote diversity and inclusion
- Structured development programmes to build capacity and strengthen leadership skills

Investors and Shareholders

Why We Engage

- Provide financial capital for business expansion and long-term growth
- Meet expectations for transparency, accountability and strong governance
- Communicate the Group's strategy, performance and long-term value creation prospects
- Strengthen investor confidence and build long-term relationships

Related Capitals: ● ● ● ● ●

How We Engage

- AGM
- Extraordinary General Meeting
- Engagement sessions
- Social media updates and investor relations portal
- Bursa Malaysia announcements and press releases

Key Concerns

- Progress on growth initiatives
- Sustainability practices and disclosures
- Consistency of shareholder returns
- Governance, ethics and risk management
- Resilience to physical and transition climate risks

Our Response

- Provided disclosures on strategies and growth initiatives
- Issued quarterly results announcements
- Engaged with financial analysts
- Responded promptly to shareholder queries
- Set short-term carbon emissions intensity reduction targets

Stakeholder Engagement

Media

Why We Engage

- Communicate corporate direction, achievements and sustainability initiatives to the public and investors
- Enhance corporate reputation and stakeholder confidence through transparent and timely information

Related Capitals:



How We Engage

- Social investment initiatives
- Media briefings and press releases

Key Concerns

- Business performance
- Sustainability initiatives and efforts

Our Response

- Fostered open communication with the media
- Ensured timely responses to media inquiries
- Organised engagement activities to provide updates and maintain positive rapport

Local Communities

Why We Engage

- Elevate the socio-economic status of beneficiaries through targeted initiatives

Related Capitals:



How We Engage

- Social investment initiatives
- Media briefings and press releases

Key Concerns

- Addressing human rights risks
- Promotion of economic inclusion and financial literacy

Our Response

- Promoted awareness of human rights risks among stakeholders
- Engaged with non-governmental organisations to drive social investment initiatives

Stakeholder Engagement

Legends:

● Periodically
 ● Quarterly
 ● Bi-annually
 ● Annually

● Financial Capital
 ● Manufactured Capital
 ● Intellectual Capital
 ● Human Capital
 ● Social and Relationship Capital
 ● Natural Capital

Regulators

Why We Engage

- Explore regulatory directions and requirements, and align the Group’s governance and business practices with evolving legal and sustainability expectations

Related Capitals:



How We Engage

- Report submissions
- Regulatory discussions and meetings with authorities
- Public consultations
- On-site inspections and audit exercises
- Seminars, briefings and training sessions

Key Concerns

- Readiness of subsidiary companies for enhanced sustainability disclosures, including NSRF
- Adequacy of cybersecurity, data privacy, and anti-corruption measures
- Upholding fair conduct and strong governance practices

Our Response

- Ensured transparent sustainability disclosures and NSRF readiness
- Enhanced Board oversight of ESG compliance across subsidiary companies
- Reinforced digital infrastructure and cybersecurity measures in line with Malaysia’s Cybersecurity Act and Personal Data Protection Act (“PDPA”) requirements
- Embedded ethical business practices and accountability through a robust governance framework

Vendors and Suppliers

Why We Engage

- Ensure smooth supply chain operations
- Maintain product quality, service delivery and regulatory compliance

Related Capitals:



How We Engage

- Site visits and on-ground inspections
- Enforcement of Supplier Code of Conduct
- Supplier and vendor audits and assessments

Key Concerns

- Strategic partnerships to drive sustainable growth

Our Response

- Enforced strict quality assurance protocols across operations
- Increased local sourcing to enhance supply chain resilience and sustainability

Distribution of Value Created

In 2025, KPS Berhad generated RM272.9 million in value added through its integrated business model, disciplined execution and operational excellence. Of this amount, RM251.6 million was distributed to key stakeholders, including employees, capital providers and shareholders, governments and the community through operating expenditures, while RM21.3 million was retained within the business to strengthen our capital base and support future growth. The table below outlines how the value created during the year was distributed across stakeholder groups, reflecting our commitment to shared prosperity and sustainable value creation.



Employees	Capital Providers and Shareholders	Government	Communities	KPS Berhad
<ul style="list-style-type: none"> Salaries and Wages RM189.2 million 2024: RM219.1 million Employer Contribution RM19.0 million 2024: RM16.1 million 	<ul style="list-style-type: none"> Dividends Paid to Shareholders of the Group RM16.1 million 2024: RM34.9 million Dividends Paid to a Preference Shareholder of a Subsidiary RM2.3 million 2024: RM2.5 million Non Controlling Interest RM4.1 million 2024: RM2.3 million Finance Costs RM7.8 million 2024: RM18.6 million 	<ul style="list-style-type: none"> Taxation RM8.6 million 2024: RM25.3 million Zakat RM2.9 million 2024: RM8.2 million 	<ul style="list-style-type: none"> Corporate Social Investments RM1.6 million 2024: RM1.8 million 	<ul style="list-style-type: none"> Retained for Future Value Creation RM21.3 million 2024: RM51.4 million

Related Stakeholders				
Related Material Matters				
4 10 13 14	1 2 3 6 7 9	2 3 5 6 7 8 9 11 12	5 7 11 14	2 3 6 9 11 13
Related Capitals				

*Note: The value distributed in 2024 was higher, primarily due to the disposal of KaiserCorp.

Our Material Matters

In 2024, KPS Berhad progressed its sustainability approach by transitioning from the initial materiality matrix introduced in 2018 to a new, refined matrix developed through a comprehensive double materiality assessment. This reassessment provided a clearer, updated perspective on sustainability priorities and enabled the Group to identify its most significant material topics.

Materiality Assessment Journey of KPS Berhad

2024

Adopted a refined materiality matrix prioritising 14 material matters.

2023

Conducted a double materiality assessment, considering two key perspectives:

- Financial materiality
- Impact materiality

2018

Conducted the first materiality assessment for KPS Berhad.

Stakeholder-Driven Prioritisation

The prioritisation process was based on stakeholder surveys and management feedback, ensuring alignment with KPS Berhad's strategic direction and operational realities. The refined materiality matrix organises 14 material issues that serve as the foundation for the Group's sustainability strategy and performance measurement across economic and ESG dimensions.

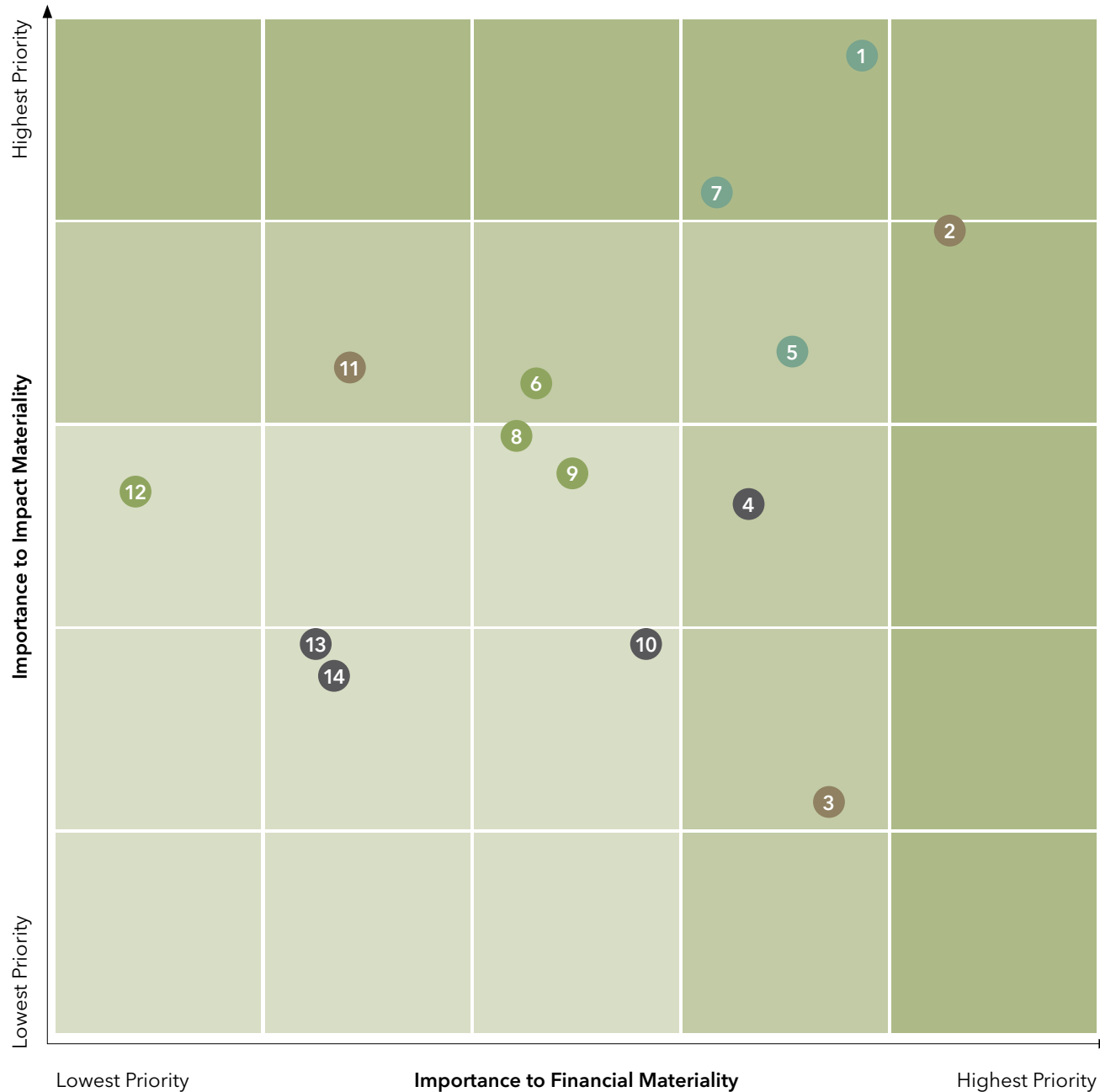
Integration into Business Strategy

Each material issue is evaluated for key sustainability-related risks and opportunities, including climate risks, to strengthen business resilience. These priorities contribute to the Group's six sustainability commitments, supporting economic inclusion while aligning with environmental and social objectives. This approach enables KPS Berhad to integrate material matters into decision-making, driving long-term resilience and systemic impact.

Process Involved in Materiality Assessment



Our Material Matters



Economic

- 2 Quality Control and Customer Satisfaction
- 3 Economic and Business Performance
- 11 Sustainable Procurement and Local Sourcing



Environmental

- 6 Energy Efficiency
- 8 Waste Reduction, Recycling and the Circular Economy
- 9 Climate Change and Emissions
- 12 Water Security



Social

- 4 Employee Training and Career Development
- 10 Occupational Safety and Health
- 13 Labour Standards
- 14 Human Rights



Governance

- 1 Digitalisation and Technology
- 5 Environmental and Social Compliance
- 7 Good Governance and Anti-Corruption

Summary of Priorities

High: 1 2 7

Medium: 3 4 5 6 11

Lower relative significance: 8 9 10 12 13 14

Our Material Matters

Risks and Opportunities Related to Our Material Matters

As part of the Group’s materiality management approach, risks and opportunities associated with each material topic are continuously monitored to enable targeted strategies and measurable progress. Following the 2025 sustainability and climate-related risk assessment, the Group mapped all 14 material matters directly to the relevant Key Risk Areas (“KRAs”) within the Group’s ERM framework. This represents a more focused and refined outcome compared with the 2023 assessment, reflecting enhancements arising from the sustainability and climate risk assessment workshop conducted in 2025.

Nevertheless, KPS Berhad and its subsidiary companies remain committed to maintaining appropriate mechanisms to proactively manage uncertainties, emerging risks, and unforeseen events. Collectively, these material matters underpin the Group’s strategic actions, which are aligned with KPS Berhad’s six sustainability commitments and contribute towards the achievement of three prioritised UNSDGs, namely SDG 8, SDG 12, and SDG 13.












Legends:

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Material Matters	Risks	Mitigation Opportunities	Impacted	UNSDGs
Driving Optimal Business and Operational Performance to Maximise Financial and Non-Financial Value Creation				
Economic and Business Performance	<p>Slower Customer Demand Risk</p> <ul style="list-style-type: none"> Slower market uptake, impacting revenue growth and operational efficiency 	<ul style="list-style-type: none"> Secure new customers and generate new orders Diversify product models across industries Expand expertise in full assembly services, including for industrial tools customers Establish a crisis management and communication response plan Review policies and procedures regularly to monitor investments Hedge foreign exchange exposures in line with Foreign Exchange Management Policy Drive cost-saving initiatives Negotiate better financing rates with financial institutions Review and compare monthly forecasts against actual budgets 	<p>Stakeholders</p> <p>Capitals</p>	
	<p>Customer Concentration Risk</p> <ul style="list-style-type: none"> Intensifying competitive pressure from Chinese manufacturers Over-reliance on a limited customer base, creating vulnerability to demand shifts <p>Foreign Exchange Risk</p> <ul style="list-style-type: none"> Elevated exposure to currency fluctuations, increasing financial risk Vulnerability to counterparty defaults impacting cash flow and profitability <p>Crisis Responses Risk</p> <ul style="list-style-type: none"> Potential gaps in preparedness and response capabilities during unforeseen disruptions Insufficient liquidity planning and monitoring that may hinder operational continuity and strategic initiatives 			

Our Material Matters

Material Matters	Risks	Mitigation Opportunities	Impacted	UNSDGs
Driving Optimal Business and Operational Performance to Maximise Financial and Non-Financial Value Creation				
Sustainable Procurement and Local Sourcing	<p>Foreign Exchange Risk</p> <ul style="list-style-type: none"> Increase in material, production, or project costs due to internal or external factors, leading to budget overruns and margin erosion 	<ul style="list-style-type: none"> Negotiate competitive pricing with overseas suppliers and establish forward pricing for agreed quantities Review and renegotiate supplier terms to secure cost advantages Standardise material requirements to reduce design variety and enable easier sourcing Maintain at least two qualified sources for all critical materials to ensure supply stability Lock in annual contracts with local suppliers and fix prices for the contractual period to curb price fluctuations 	<p>Stakeholders</p>  <p>Capitals</p> 	 
Quality Control and Customer Satisfaction	<p>Slower Customer Demand Risk</p> <ul style="list-style-type: none"> Decline in customer satisfaction may affect customer confidence and, over time, adversely impact customer demand for products and services provided by the subsidiary companies 	<ul style="list-style-type: none"> Ensure product quality and safety to build customer trust and brand loyalty Drive incremental innovation in product development standards to enhance operational efficiency and environmental and social compliance 	<p>Stakeholders</p>  <p>Capitals</p> 	 
Reducing Carbon Emissions Intensity by 45% by 2030 and Ultimately Pursuing Carbon Neutrality by 2050				
Climate Change and Emissions	<p>Climate Risk</p> <ul style="list-style-type: none"> Severe flash floods disrupting manufacturing activities and potentially leading to safety hazards Intense storms or prolonged adverse weather may cause flooding and road closures, limiting accessibility for logistics, distribution and transportation activities Interruptions in water supply resulting in production downtime and affecting output and operational schedules Regulatory updates to climate-related ISO standards (such as ISO 14001) increase costs 	<ul style="list-style-type: none"> Introduction of a carbon emissions intensity reduction plan Set short-term carbon emissions intensity targets Enhance operational energy efficiency Invest in carbon abatement technologies Purchase renewable energy certificates to offset emissions 	<p>Stakeholders</p>  <p>Capitals</p> 	

Our Material Matters













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Material Matters	Risks	Mitigation Opportunities	Impacted	UNSDGs
Reducing Carbon Emissions Intensity by 45% by 2030 and Ultimately Pursuing Carbon Neutrality by 2050				
Energy Efficiency	Climate Risk <ul style="list-style-type: none"> Rising energy audit requirements and electricity tariffs, including renewable energy certificates, increase operational costs Significant capital investment for low-carbon technologies, with potential process inefficiencies during transition Higher training costs for staff to operate new equipment and maintain compliance Increased costs to uphold certifications such as the RBA Higher procurement costs for sustainable materials 	<ul style="list-style-type: none"> Invest in renewable energy sources, such as solar Acquire Renewable Energy Certificates (RECs) to support clean energy sourcing 	Stakeholders Capitals 	
Continuously Implementing Environmentally Responsible Manufacturing Practices				
Waste Reduction, Recycling and Circular Economy	Non-Compliance Risk <ul style="list-style-type: none"> Environmental risks arising from regulatory non-compliance, breaches of licensing conditions, and changes in government policies, laws, rules and regulations 	<ul style="list-style-type: none"> Adopt circular economy practices to minimise waste and pollution and reduce operational costs 	Stakeholders Capitals 	
Water Security	Non-Compliance Risk <ul style="list-style-type: none"> Water-related risks arising from regulatory non-compliance and changes in government policies, laws, rules and regulations 	<ul style="list-style-type: none"> Improve water-use efficiency to reduce operational costs and reliance on municipal water Implement proactive water management practices to ensure regulatory compliance 	Stakeholders Capitals 	

Our Material Matters

Material Matters	Risks	Mitigation Opportunities	Impacted	UNSDGs
Upholding Labour Rights, Safety, Equality and Diversity throughout Business Operations				
Occupational Safety and Health	<p>Crisis Response Risk</p> <ul style="list-style-type: none"> Occupational illnesses, exposure to hazardous substances, ergonomic issues, and mental health concerns Workplace accidents, equipment hazards, fire incidents and inadequate emergency preparedness Pollution, waste mismanagement, emissions and non-compliance with environmental regulations 	<ul style="list-style-type: none"> Implement proactive safety and health risk management measures Strengthen adherence to safety and health standards 	<p>Stakeholders</p>  <p>Capitals</p> 	
Employee Training and Career Development	<p>Succession Planning Risk</p> <ul style="list-style-type: none"> Challenges in identifying, developing and retaining successors for key positions, leading to leadership gaps and operational instability 	<ul style="list-style-type: none"> Implement a succession plan with an identified talent pool for all subsidiary companies Provide continuous training for the identified talent pool Encourage active participation of KPS Berhad employees in business operations Implement targeted skills training and facilitate professional certification programmes 	<p>Stakeholders</p>  <p>Capitals</p> 	
Labour Standards	<p>Non-Compliance Risk</p> <ul style="list-style-type: none"> All employee-related risks arising from regulatory non-compliance, breaches of licensing conditions, and changes in government policies, laws, rules and regulations 	<ul style="list-style-type: none"> Adhere to internal policies to ensure fair and non-discriminatory treatment Maintain a commitment to fair wages and ethical treatment Provide competitive benefits and employee support Provide continuous awareness of labour rights and compliance Develop local talents 	<p>Stakeholders</p>  <p>Capitals</p> 	
Being the Champion in Addressing Socio-Economic Gaps within the Society				
Human Rights	<p>Non-Compliance Risk</p> <ul style="list-style-type: none"> Employee-related regulatory non-compliance may lead to violations, affecting employees' human rights such as fair working conditions, workplace safety and non-discrimination, as well as the community's right to safety and overall well-being 	<ul style="list-style-type: none"> Adhere to human rights commitments and policy stances under the Code of Business Conduct and Ethics Enhance human and labour rights risk assessments Foster communication on human rights among employees 	<p>Stakeholders</p>  <p>Capitals</p> 	

Our Material Matters

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Financial Capital
 Manufactured Capital
 Intellectual Capital
 Human Capital
 Social and Relationship Capital
 Natural Capital

Material Matters	Risks	Mitigation Opportunities	Impacted	UNSDGs
Upholding Good Corporate Governance				
Good Governance and Anti-Corruption	<p>Non-Compliance Risk</p> <ul style="list-style-type: none"> Potential legal, financial, operational and reputational exposures arising from relationships with external entities, including contractors, suppliers, vendors, consultants, joint venture partners and government intermediaries 	<ul style="list-style-type: none"> Implement robust anti-corruption measures to prevent fraud and financial misconduct Conduct awareness sessions on integrity and governance frameworks and related policies 	<p>Stakeholders</p> <p>Capitals</p>	
Environmental and Social Compliance	<p>Non-Compliance Risk</p> <ul style="list-style-type: none"> Failure to comply with applicable laws, regulations, industry standards, or internal policies, resulting in significant adverse consequences Potential adverse impacts on the Group’s reputation, credibility and stakeholder trust arising from negative publicity or perception issues 	<ul style="list-style-type: none"> Review legal dispute documents to protect company interests and support counterarguments Act as mediator through the Legal and Compliance department to achieve amicable settlements and avoid costly disputes Establish an Investor Relations and Strategic Communications department to oversee strategic communication and reputational matters Enhance economic and ESG KPIs Provide regular training and awareness for Compliance Officers Conduct on-site compliance reviews at all subsidiary companies 	<p>Stakeholders</p> <p>Capitals</p>	
Digitalisation and Technology	<p>Cybersecurity Risk</p> <ul style="list-style-type: none"> Potential threats to the confidentiality, integrity and availability of the Group’s digital assets, information technology systems and data 	<ul style="list-style-type: none"> Deploy enterprise-grade network security controls to block risky sites, prevent malware downloads and monitor real-time network alerts Install Microsoft Defender for malware protection Subscribe Vulnerability Assessment and Penetration Testing (VAPT) services with Condition Zebra Conduct annual information technology general controls audits through external auditors Conduct cybersecurity training sessions 	<p>Stakeholders</p> <p>Capitals</p>	

Operating Environment, Risks and Opportunities

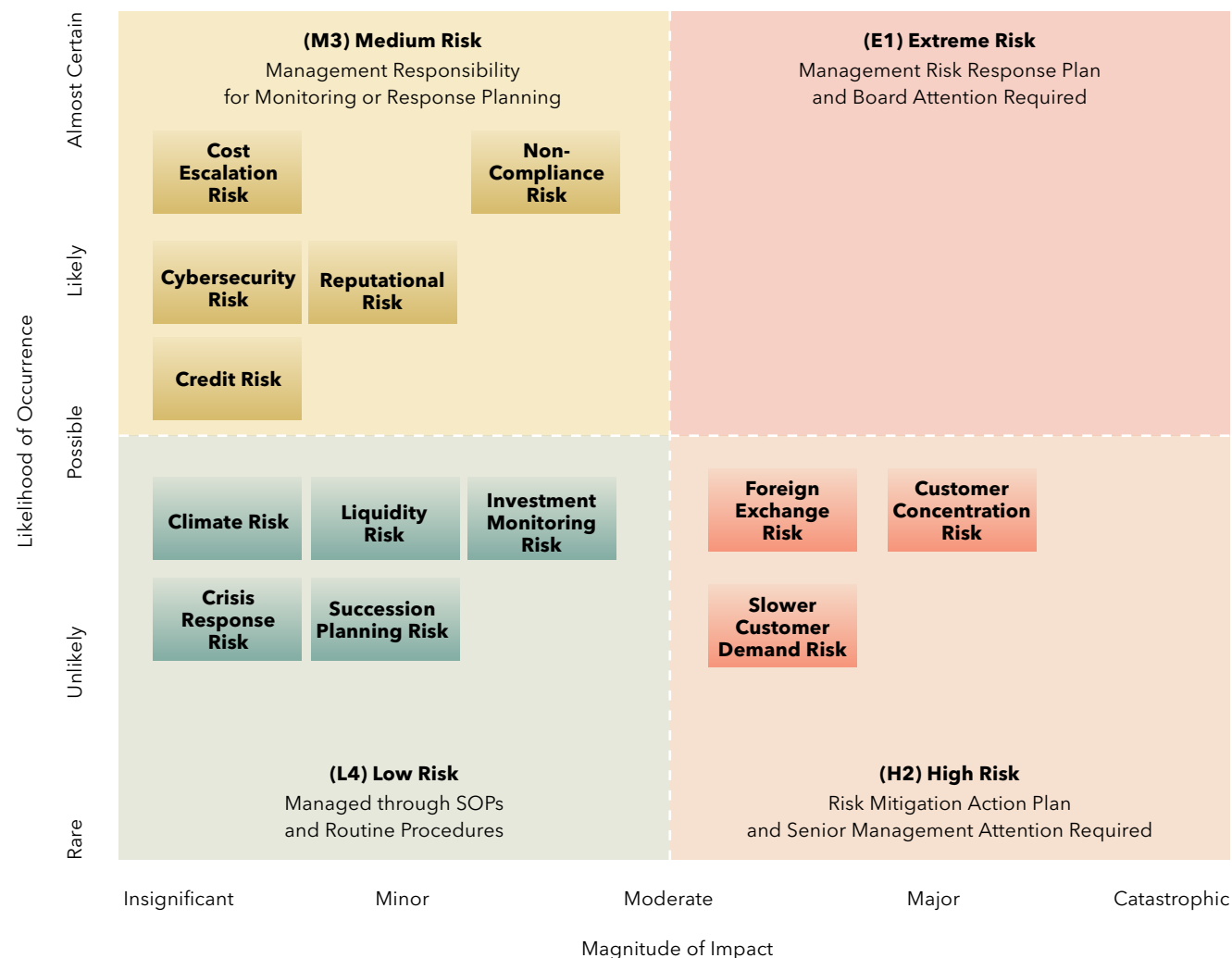
Mapping Our Top Key Risk Areas to the Risk Matrix

The Group’s risk management remains stable and consistent during the year under review. Following the targeted recalibrations of the risk landscape in the previous year, which included the introduction of the Slower Customer Demand risk, the current risk profiles have been maintained as status quo. This reflects the adequacy of the mitigation strategies implemented and the continued relevance of the established risk appetite in the current operating environment.

Throughout 2025, the Group focused on the continuous monitoring and periodic validation of these 13 key risk areas. While no new principal risks were identified during the period, the Board Governance and Risk Committee (“BGRC”) remains vigilant, ensuring that the action plans are rigorously applied to manage the high-risk categories.

Furthermore, to enhance our forward-looking governance, the Group has formally integrated an emerging risk discussion into its quarterly reporting cycle. This enables the Board to systematically scan for potential future disruptions, such as technological shifts and evolving sustainability regulations, ensuring that the Group remains agile and prepared for long-term strategic risks while maintaining a stable near-term risk profile.

The Group has also achieved a significant milestone in its transition towards IFRS S1 and S2 compliance by completing an initial quantitative assessment on our climate-related risks. Based on preliminary financial calculations, the Group has identified the anticipated financial effects of key transition and physical risks, specifically regarding potential revenue impact from shifting customer demand and climate-related cost implications. By grounding our 2025 risk narrative in these initial figures, the Board is able to provide enhanced oversight on capital allocation and strategic resilience, ensuring the Group is well-positioned for mandatory disclosure requirements by 2027.



Operating Environment, Risks and Opportunities

Key Risks, Trends and Responses

Strategic Risks					
Risk Name	Risk Rating	Related Operating Environment	Material Matters Linked	Potential Impact	Our Responses and Opportunities
Slower Customer Demand Risk	▲	<ul style="list-style-type: none"> Inflation and currency volatility Softening demand trends influenced order volume 	<ul style="list-style-type: none"> Economic and Business Performance 	<ul style="list-style-type: none"> Lower demand due to global tariff implementation and economic uncertainty Potential lower profitability during periods of fluctuating demand Challenges in maintaining a lean cost structure and production efficiency 	<ul style="list-style-type: none"> Secured operational resiliency by maintaining strategic buffer orders and monitoring international policy shifts Diversified the customer base to reduce dependency on major clients and expanded market reach through specialised product solutions
Customer Concentration Risk	▲	<ul style="list-style-type: none"> Softening demand trends influenced order volume 	<ul style="list-style-type: none"> Economic and Business Performance 	<ul style="list-style-type: none"> Potential loss of a major client could lead to a severe drop in total revenue 	<ul style="list-style-type: none"> Leveraged RBA accreditation to access larger Contract Manufacturers and strengthen market positioning
Succession Planning Risk	●	<ul style="list-style-type: none"> Nil 	<ul style="list-style-type: none"> Employee Training and Career Development 	<ul style="list-style-type: none"> Leadership gaps and inadequate talent development may hinder the execution of strategic goals and long-term growth 	<ul style="list-style-type: none"> Established a structured succession plan with a designated talent pool for key subsidiary companies, supported by comprehensive training programmes to ensure leadership readiness
Crisis Response Risk	●	<ul style="list-style-type: none"> Nil 	<ul style="list-style-type: none"> Occupational Safety and Health Economic and Business Performance 	<ul style="list-style-type: none"> Operational disruptions may result in financial losses, inefficiencies and delays in critical decision-making, potentially affecting service delivery and business performance 	<ul style="list-style-type: none"> Established comprehensive Business Continuity and Crisis Management Plans, supported by regular assessments and scenario exercises across key subsidiary companies to enhance operational resilience

Legends: Low Risk ● Medium Risk ■ High Risk ▲ Extreme Risk ◆

Related Capitals:  Financial Capital  Intellectual Capital  Human Capital






Operating Environment, Risks and Opportunities

Key Risks, Trends and Responses

Financial Risks		Legends: Low Risk ● Medium Risk ■ High Risk ▲ Extreme Risk ◆			
Risk Name	Risk Rating	Related Operating Environment	Material Matters Linked	Potential Impact	Our Responses and Opportunities
Foreign Exchange Risk	▲	<ul style="list-style-type: none"> Inflation and currency volatility 	<ul style="list-style-type: none"> Economic and Business Performance Sustainable Procurement and Local Sourcing 	<ul style="list-style-type: none"> Exchange rate movement can affect the timing of cash inflows and outflows. Higher exposure may lead to forex loss especially MYR has strengthened against United States Dollar ("USD") since August 2025 	<ul style="list-style-type: none"> Implemented real-time foreign exchange monitoring and strategic hedging measures, including forward contracts to mitigate exposures and protect profit margins
Cost Escalation Risk	■	<ul style="list-style-type: none"> Inflation and currency volatility Progress through sustainability for long-term success 	<ul style="list-style-type: none"> Economic and Business Performance 	<ul style="list-style-type: none"> Increased reliance on grid electricity without alternative energy sources could raise operational costs, while inefficiencies in procurement and production may affect supply chain stability 	<ul style="list-style-type: none"> Optimised energy use through solar panels and biomass burners, enhanced procurement strategies, and implemented cost pass-through mechanisms to streamline production and improve labour efficiency
Credit Risk	■	<ul style="list-style-type: none"> Inflation and currency volatility Softening demand trends influenced order volume 	<ul style="list-style-type: none"> Economic and Business Performance 	<ul style="list-style-type: none"> Higher credit exposure to specific customers increases the risk of bad debts and delayed or non-payment from customers may disrupt cash flow and liquidity 	<ul style="list-style-type: none"> Monitored customer repayment patterns and credit ratings through assessment tools, alongside proactive cash flow tracking and early warning systems to detect potential defaults
Investment Monitoring Risk	●	<ul style="list-style-type: none"> Inflation and currency volatility 	<ul style="list-style-type: none"> Economic and Business Performance 	<ul style="list-style-type: none"> Ineffective investment oversight may lead to suboptimal capital allocations, impacting financial returns and long-term growth 	<ul style="list-style-type: none"> The Board Investment Review Committee ("BIRC") oversees investment activities, with the Board and BIRC receiving quarterly reports to ensure regular and comprehensive monitoring of investment strategies and performance outcomes
Liquidity Risk	●	<ul style="list-style-type: none"> Inflation and currency volatility 	<ul style="list-style-type: none"> Economic and Business Performance 	<ul style="list-style-type: none"> Insufficient cash reserves and weak liquidity management may limit the ability to respond to financial shocks, affecting operational stability during economic uncertainty 	<ul style="list-style-type: none"> Maintained robust cash reserves and access to credit facilities to mitigate financial shocks and ensure operational stability during economic uncertainty Upheld a high current ratio through effective working capital management
Cybersecurity Risk	■	<ul style="list-style-type: none"> Progress through sustainability for long-term success 	<ul style="list-style-type: none"> Digitalisation and Technology 	<ul style="list-style-type: none"> Insufficient security measures increase the risk of data breaches, unauthorised access, and system downtime Potential breaches may compromise sensitive data, leading to financial losses, regulatory penalties, and reputational damage 	<ul style="list-style-type: none"> Implementing advanced security measures, continuous monitoring, real-time threat detection, automated incident response, and regular cybersecurity training to safeguard confidential information and IT security

Operating Environment, Risks and Opportunities

Key Risks, Trends and Responses

Non-Compliance Risk		Legends: Low Risk  Medium Risk  High Risk  Extreme Risk 			
Risk Name	Risk Rating	Related Operating Environment	Material Matters Linked	Potential Impact	Our Responses and Opportunities
Non-Compliance Risk		<ul style="list-style-type: none"> Progress through sustainability for long-term success 	<ul style="list-style-type: none"> Environmental and Social Compliance Good Governance and Anti-Corruption 	<ul style="list-style-type: none"> Non-compliance or weak monitoring may lead to legal penalties, financial liabilities, and increased regulatory and potential legal disputes 	<ul style="list-style-type: none"> The Group continuously monitors regulatory developments, ensuring adherence to legal requirements, while regular on-site compliance review across all subsidiary companies reinforce governance and risk management

Related Capitals:  Intellectual Capital  Social and Relationship Capital  Natural Capital

Operating Environment, Risks and Opportunities

Key Risks, Trends and Responses

Sustainability Risks		Legends: Low Risk ● Medium Risk ■ High Risk ▲ Extreme Risk ◆			
Risk Name	Risk Rating	Related Operating Environment	Material Matters Linked	Potential Impact	Our Responses and Opportunities
Climate Risk	●	<ul style="list-style-type: none"> Progress through sustainability for long-term success 	<ul style="list-style-type: none"> Energy Efficiency Climate Change and Emissions 	<ul style="list-style-type: none"> Inadequate climate risk management may lead to regulatory penalties, reputational risks, higher operational costs, and reduced access to green financing, and may impact long-term business resilience 	<ul style="list-style-type: none"> Complied with IFRS S1 and S2 by identifying climate-related risks and opportunities, conducting energy audits, and installing solar panels Initiated early assessments to determine the financial effects and quantitative disclosures required to meet evolving reporting standards
Reputational Risk	■	<ul style="list-style-type: none"> Progress through sustainability for long-term success 	<ul style="list-style-type: none"> Environmental and Social Compliance 	<ul style="list-style-type: none"> Weak investor relations and poor publicity management may damage brand perception, affecting share value and market trust Failure to maintain standards may result in product recalls, legal liability, and the loss of customer contracts 	<ul style="list-style-type: none"> Implemented sustainability initiatives and structured reporting across subsidiary companies to ensure regulatory compliance and oversee operational safety procedures

Related Capitals:  Financial Capital  Manufactured Capital  Intellectual Capital  Social and Relationship Capital  Natural Capital

Operating Environment, Risks and Opportunities

Emerging Risk

As part of our Statement on Risk Management and Internal Controls ("SORMIC") framework, we evaluate emerging risks quarterly to ensure business resilience. While our core risk areas remain stable, we have identified two significant shifts in the macroeconomic environment that may impact our manufacturing and investment holding performance.

Following the 2025 trade policy shifts in the US, Malaysia has been identified under the "reciprocal tariff" list. For our subsidiary companies in the manufacturing sector, specifically those involved in electronic and plastic injection moulding, this represents a direct cost-push risk for US-bound export.

The Group is actively pursuing trade diversion strategies and strengthening its "China Plus One" value proposition to global clients. Management is also conducting a review of the supply chain to optimise eligibility under the US-Malaysia Agreement on Reciprocal Trade, aiming to mitigate the effective impact of tariff fluctuation.

Another emerging risk is on the phenomenon of involution within China's industrial landscape has resulted in significant excess capacity. Despite regulatory efforts in China to curb aggressive internal price war, the spillover effect remains evident in regional markets through the "dumping" of industrial packaging and chemical products at sub-market rates.

Another emerging risk relates to the escalation of geopolitical tensions in the Middle East into a broader regional conflict involving the US and Iran, subsequent to the financial year end. The situation may contribute to volatility in energy prices, foreign exchange and global logistics conditions, with potential indirect implications on cost structures and demand dynamics across the Group's operations. The Group continues to monitor developments closely and maintains operational flexibility, including pricing adjustments, supply chain review and risk management measures, to respond to evolving conditions.

