

Pre-AGM Questions & Answers

From Minority Shareholders Watch Group

1) Toyoplas Manufacturing (Malaysia) Sdn Bhd (“TMM”) remained the largest contributor (38.6%) to the Manufacturing sector’s revenue, amounting to RM392.1 million in the Financial Year Ended (“FYE”)2023. Nonetheless, the revenue was 25.6% lower year-on-year (pages 94-97 of Integrated Annual Report (“2023IAR”).

a) What is TMM’s net profit margin by business segment in FYE2023? Does the net profit margin of the most profitable business segment expected to be squeezing or expanding in FYE2024? Please share the outlook of each business segment in FYE2024.

Also, what other industry comprises of? Will the negative growth business segments continue to diminish or revitalise in FYE2024?

Toyoplas Revenue Breakdown			
Business Segments	RM'mil	Contribution	YoY Growth
Consumer Electronics	220.4	56.2%	35.6%
Multimedia	134.5	34.3%	-42.4%
Other Industry	19.1	4.9%	127.4%
Automotive	13.1	3.3%	-28.0%
Industrial Tools	5.0	1.3%	-95.2%
Total	392.1	100.0%	

The segmental performance of TMM and its subsidiaries (“TMM Group”) is monitored by operating country as separate business units for the purpose of decision making on resource allocation and performance appraisal. In FYE2023, the normalised net profit margin of Malaysia and China was 4%. Vietnam and Indonesia were not profitable in FYE2023 considering the sales level.

Production for consumer electronics and multimedia (collectively referred as core business henceforth) are made out of several countries. The same is with other industry, which in FYE2023 includes a small portion from renewable energy but to a larger extent comprise of smaller contract manufacturers which serve various end-use industries and may overlap the ones in the core business.

For FYE2024, we are targeting a higher net profit margin for all countries as TMM Group will reap benefits from cost management efforts undertaken in FYE2023. Please refer to pages 94-97 for further details on this. On the business development end, the team has achieved great strides in securing new customers which are set to contribute positively to FYE2024 and improve our economies of scale from an operating margins perspective.

- b) In FYE2022, TMM saw the departure of a major Indonesia-based assembly customer (page 91 of 2023IAR). What is the primary reason for the departure of the major customer? Are these the cause of the substantial dropped in the growth rate of Indonesia? Which business segment in TMM is impacted by the departure of this customer? Any significant development in the automotive initiatives that could revive the sales from this country?

Toyoplas Revenue Breakdown			
Countries	RM'mil	Contribution	YoY Growth
Malaysia	186.6	47.6%	19.4%
China	150.7	38.4%	-28.9%
Indonesia	37.2	9.5%	-74.8%
Vietnam	17.6	4.5%	63.0%
Total	392.1	100.0%	

The former customer which contributed to our industrial tools segment has in-house manufacturing capabilities. The assembly that TMM Group undertook supplemented their production capacity. In light of market trends, they decided to consolidate production in-house. TMM Group's operations in Indonesia served them for approximately 5 years. The team continue to have a cordial relationship with them for potential business in future.

This year, the Indonesia operations is expected to commence production for a new automotive brand. In strategic sense, we believe our operations there is well positioned to capitalise on the burgeoning local automotive industry, particularly with the heightened emphasis on electric vehicles. However, given the nature of the automotive manufacturing industry, the lead time of obtaining a new project or customer by TMM Group may take years.

Nonetheless, the growth potential of TMM Group in Indonesia is not limited to the automotive industry. The booming demand domestically have gained interest by companies to have a local production base there. As an established manufacturer in Indonesia, TMM Group managed to court several new customers this year to fulfil their needs in this respect.

- c) **The second half of 2023 ("H2'23") saw improvements in production orders from customers and increased plant utilisation where TMM' Malaysian operations ramped up the production for three newly secured projects (page 97 of 2023IAR). What are the three newly secured projects and how much is the accrued revenue of each project? Will these projects contribute significantly to TMM' total sales in FYE2024? If not, by when?**

The new projects secured in FYE2023 comprise of solar junction box, vacuum cleaner accessories and WiFi routers for telecommunication companies. These projects generated approximately RM10million revenue for TMM Group in FYE2023 and have or will continue to generate revenue in FYE2024 based on current production and delivery schedule.

- d) **At the Company's 46th AGM, the Board/Management stated that the utilisation rate of the Vietnam factory for the first quarter of 2023 (Q1'23) was 10% due to the ongoing customer audit. However, the Group anticipate a gradual increase in the utilisation rate as the audit progresses.**

- i) **What is the current capacity of the Vietnam factory and its utilisation rate in FYE2023? Has the Group set a targeted utilisation rate for the factory in FYE2024? If so, by how much?**

The overall utilisation rate of the new factory in Vietnam was 14% in FYE2023 on the back of a bigger capacity and an increase in production volume in the later quarters from Q1'23. As of end-2023, the capacity of the Vietnam factory increased by over 40% compared to the end-2022, with more machines transferred from our operations in China throughout the year.

By end-2024, there will be a further increase in capacity, by at least 50% more. Considering the much larger capacity and anticipated increase in production level, the utilisation rate by then is targeted to reach up to 40%.

- ii) **What is the current sales contribution of this Vietnam factory to TMM's sales in FYE2023? Has it exceeded the expectation of at least 10% contribution to TMM's sales in FYE2023? If not, what is the primary reason for the underperformed?**

Sales generated in Vietnam grew by 63% in FYE2023 compared to FYE2022, and it contributed to 4% of TMM Group's sales in FYE2023. The growth was in line with TMM Group's internal production allocation and transfer plans as well as macroeconomic conditions which caused a generally weak consumer demand that affected order volumes by our customers to TMM Group, not only to Vietnam.

iii) At the Company's 46th AGM, the Board/Management stated that the cost of doing business in Vietnam is lower than in their operations in Dongguan and Shanghai. Please specify how much lower it is and how it has contributed to the profit margin of TMM.

Since the manufacturing process of TMM Group is semi-automated, there is still a significant reliance on manual labour. Hence, labour cost is one of the major costs to the operations. The prevailing minimum wage in the respective jurisdiction as tabulated below illustrates the difference in operating costs between the locations.

Location	Minimum monthly wage (RM)	Difference compared to Vietnam (%)
Vietnam	838	-
Dongguan	1,235	147%
Shanghai	1,749	209%

Other than labour cost, electricity cost and shipping costs are also lower in Vietnam. The impact of these savings has yet to translate significantly to the profit margin of TMM Group in FYE2023 considering the low sales contribution by Vietnam compared to China during the year and the ongoing consolidation of operations in China.

Nonetheless, based on YTD results, there has been a marked improvement in Vietnam's profit margin with the benefit of economies of scale. With more incoming projects from existing customers following the closure of Shanghai, operations in Vietnam will benefit from incremental margin improvements in the near term and contribute to improvement in TMM Group's profit margin more substantially.

iv) Has the operation in Vietnam secured new customers? If yes, how much is the value of the contract secured? Also, when is the anticipated timeline for the Vietnam factory to contribute as much as the old factories in China?

The focus in Vietnam especially in 2023, has been to stabilise operations so that TMM Group would continue delivering quality products to our customers, backed by an efficient manufacturing process. Operations in Vietnam has recently improved to reach the level of TMM Group's more established factories. Since then, the team has more proactively promoted Vietnam to potential customers and has started to garner market interest.

Vietnam is on track to achieve the sales level of TMM Group's previous operations in China in the span of 3 to 5 years considering the sales growth it has achieved and the internal project allocation plan. During that period, we also believe TMM Group would be able to secure new customers from Vietnam specifically, benefitting from the tremendous opportunity that the country holds as one of the favoured global outsourced manufacturing hub.

e) TMM, with ISO13485 certification, collaborates with a European customer on healthcare projects slated for FYE2024. TMM plans to invest in a controlled/ clean room facility, signaling its commitment to the sector and positioning itself for future healthcare projects (page 99 of 2023IAR).

i) How was the progress of the project in Q1'23? Has it been on track? What was the total investment in this new clean room facility (etc land, construction, and equipment)?

The planned clean room investment has yet to be executed. By the end of FYE2024, some spending may be made to renovate an area within the existing factory in Malaysia to turn it into a controlled/ clean room area. This will not involve the expansion of the existing production floor space or additional production equipment of TMM Group.

Considering the high estimated cost, our tactical approach is to make the investment once we have gained more traction with the new healthcare leads in our sales pipeline, for a worthy return on investment.

ii) When does TMM anticipate generating revenue and earnings for the Group from this healthcare segment initiative?

TMM Group has actively engaged with several potential new healthcare customers. Some of these engagements have shown promising progress and are likely to generate sales by the end of the year.

However, the revenue to be generated in FYE2024 may not be substantial for us to share at this juncture. Nevertheless, we are confident that healthcare revenue in TMM Group has the potential to grow in coming years as we gradually bolster TMM Group's offering to the market with more expertise, facilities and track record.

Similar to the automotive manufacturing industry, the customer conversion lead time tends to also be lengthy for healthcare. TMM Group's limited experience in healthcare provides another hurdle. Nonetheless, we are committed to further TMM Group's planned expansion and diversification into the healthcare industry. Being part of KPS Group, TMM Group can leverage on the expertise of our other subsidiaries with more exposure to healthcare, particularly CPI and MDS, to cross-pollinate ideas and improve its offering to the market.

- 2) Century Bond Bhd (“CBB”) posted a 6.6% year-on-year revenue growth for FYE2023, driven by higher sales prices. Anticipating a surge in cement demand due to Indonesia's new capital, Nusantara, CBB aims to benefit from increased demand for cement bags, leveraging its established presence in the country (page 112 of 2023IAR).**

What is the market share of CBB’s cement bags in Indonesia? Are there any recent developments or partnerships indicating CBB's potential involvement in Nusantara's infrastructure development project, and could these strengthen their position as a potential participant in the project?

CBB via its local entity in Medan only commands less than 4% of the total cement bags market share in Indonesia. Despite the minute stake, there has been continuous revenue growth with from RM15 million in 2019 to RM24 million in 2023. The increase is in-line with the overall cement market growth in Indonesia and mainly attributed from the onboarding of new customers throughout the years.

To-date, CBB has yet to secure any tenders/orders specifically for projects related to the Nusantara's infrastructure development initiative which will be inaugurated in August 2024. The multiphase development which will run up to year 2029 solidifies further potential growth for CBB in Indonesia as we increase efforts to capitalize on the opportunities moving forward.

- 3) CPI (Penang) Sdn Bhd (“CPI”) revenue in FYE2023 stood at RM206.0 million, primarily supported by the Engineering Thermoplastics (“ETP”) division (page 103 of 2023IAR).**

- a) Please share the profit margin of CPI to the Group. Additionally, please specify which division, ETP or EMS, contributes more profitability to CPI? Kindly provide the breakdown of the profit margin by CPI’s business segments as well.**

CPI’s PAT margin for FY2023 was 11.9% with ETP contributing 21.6% before taxes. EMS was loss-making in FY2023 driven by higher expenses in a weakened demand environment. The cost increases included:

- i) occupancy costs related to the new plant,
- ii) electricity costs from the ICPT rate increase,
- iii) labour costs from full year impact of higher minimum wage, and
- iv) interest rates on the term loan for the acquisition of the EMS plant.

- b) CPI's ETP and EMS facilities are scheduled to be retrofitted with solar panels by H1'2024. Please provide an update on the current progress of the installation. What is the anticipated annual cost savings from this installation? What impact will the commissioning of the solar panels have on CPI's profitability?**

Installation for both plants was completed in 1Q2024, and commissioning is currently pending approvals from Suruhanjaya Tenaga and Tenaga Nasional Berhad.

Based on historical electricity consumption level, CPI is estimated to save an average of RM1.8million annually. This will improve CPI's profit margins and stability in the event of further subsidy reduction in the future.

- 4) MDS Advance Sdn Bhd ("MDS") is the smallest contributor (3%) to the Group's manufacturing segment with RM22.0 million of total sales (page 106 of 2023IAR).**

- a) What are the targeted total sales from MDS in FYE2024? Please provide the profit margin of each business segment of MDS.**

In FYE2024, MDS is targeting sales of RM27 million, with a significant contribution expected from the medical segment, further bolstered by the semiconductor and other industries. The targeted profit margin for these segments ranges from 30% to 45%.

- b) MDS also secure two new customers from the aerospace industry and mechanical assembly (page 108 of 2023IAR). Briefly describe the projects and contracts value secured from these two new customers.**

The 2 new customers secured are not contract in nature but are on Purchase Order (PO) basis. MDS is trusted to supply parts for their Jigs & Fixtures for the Aerospace customer, while for the mechanical assembly customer, MDS supplies tools and parts for the assembly line process. These two are expected to generate sales close to RM250,000 per year to begin with, and are expected to increase according to demand over time.

5) In FYE2023, Aqua-Flo Sdn bhd ("AFSB"), primarily reliant on sales of water chemicals and water meters, contributed RM160.1 million or 13% to the Group's revenue. Following this, in February 2024, Air Selangor awarded AFSB a new contract for the supply of water meters, effective from March 1, 2024, to February 28, 2027 (page 121 of 2023IAR).

How much is the contract value of this newly issued contract with Air Selangor? How will it improve the profitability of AFSB?

The estimated contract sum for the new contract is RM18,432,480 for the supply of water meters from 1 March 2024 to 28 February 2027.

As of 30 April 2024, AFSB has recorded sales amounting to RM5,478,991. Air Selangor issued new orders to be delivered from May to August 2024. Air Selangor is expected to fully utilise the contract sum awarded to AFSB by the end of 2024.

The orders from Air Selangor are expected to exceed AFSB's budget revenue for the water meter segment. As such, this will further improve AFSB's profitability for 2024.

6) The infrastructure sector comprises Smartpipe Technology Sdn Bhd ("SPT") and KPS-HCM Sdn Bhd ("KPS-HCM"). However, the RM0.3 million revenue from this sector only came from SPT. KPS-HCM did not record any revenue as no new project was undertaken in FYE2023 (page 125 of 2023IAR).

What is the current market share of SPT in the state of Selangor? Have there been any newly secured projects or tenders for the infrastructure sector in 1Q'2024?

We do not have any visibility from a market share standpoint as it was never a benchmark for SPT to begin with. From inception, SPT has positioned itself in the market as a water distribution pipe rehabilitation specialist providing alternative to the conventional pipe replacement method which is labour intensive and a highly saturated market.

There were no newly secured projects in 1Q2024 under the infrastructure segment which is in-line with the strategic decision made at KPS Berhad group level to slowly shy away from the segment and focus its efforts on the growth of its manufacturing business. Throughout this process, we shall still consider undertaking viable infrastructure projects, however, will have to be highly strategic and opportunistic in nature.

7) The Group's investment in NGC Energy ("NGC") was RM28.0 million in FYE2023. Accumulated impairment loss totalled RM61.2 million, with RM6.1 million reversed due to improved performance (page 288 of 2023IAR).

a) How the impairment loss was initially determined, and what factors led to the decision to reverse a portion of it?

The impairment of RM67.3 million in 2022 and reversal of RM6.1 million in 2023 were based on the present value of the discounted 5-year projected operating cash flow of NGC.

Based on the 2023 present value of the discounted cash flow of NGC, the recoverable amount of investment in NGC of RM28.0 million is higher than the carrying amount of RM21.9 million. Hence, the reversal of RM RM6.1 million was made.

b) Do the Group anticipate NGC's performance continuing to improve in the future, and if so, what factors do the Group believe will drive this improvement?

There are new dynamics in the supply with additional supply from Westport that will change the market landscape and competition.

NGC's plan is to grow its Central Region market share from about 17% to 30 % in the next few years.

The Central Region has been giving the higher margin to the Domestic segment as compared to the Northern, Southern and Eastern Region.

8) The amounts of inventories written back and inventories written down recognised in the statements of profit or loss are as follows:

	Group	
	2023 RM'000	2022 RM'000
Recognised in cost of sales		
Inventories written back	(809)	(1,075)
Inventories written down	<u>11,110</u>	<u>3,755</u>
	<u><u>10,301</u></u>	<u><u>2,680</u></u>

a) What comprise these inventories and what factors had triggered the need to write down the value of inventories?

The inventories written down were from CBB Group of RM7.2 million and TMM Group of RM3.9 million.

Inventories written down at CBB Group arose from the under-recognition of raw material consumption during the financial year.

Inventories written down at TMM Group were from subsidiaries in Vietnam and Indonesia. It was mostly arising from inventories aged more than 180 days.

b) Are further write-down on inventories expected in the forthcoming year?

Based on the quarterly assessment made by Management, there are no significant expected inventories written down at this juncture.

9) Sustainability-related Key Performance Indicators (“KPI”) were assigned to all levels of employees, including the Senior Management, notably the Group MD/GCEO (page 53 of 2023 Sustainability Report) (“2023SR”).

What are the MD/CEO’s ESG KPIs for 2024?

The ESG KPIs set for the MD/Group CEO is part of the Group’s continuous effort in embedding sustainability into its corporate and business strategies, driving long-term value creation for both business and society for a shared prosperity. In the 2024, the KPIs are as follows:

- a) Establish a double materiality matrix for the Group, in addressing the dual perspective of ESG issues and impact;
- b) Roll out a continuation of a group-wide capacity building in other key ESG topics within the social aspects, such as the supply chain; and
- c) Identify specific climate risks and opportunities for all subsidiaries as per the IFRS requirement; and
- d) Firm up the boundary of the existing Scope 1 and Scope 2 emissions at subsidiaries further, to include operations in Indonesia, Vietnam, and China.

10)The current Board composition lacks diversity, having only two female Directors, constituting a mere 25% of the entirety. This falls short of the suggested 30% benchmark in Practice 5.9 of the Malaysian Code of Corporate Governance (MCCG), which underscores the significance of substantial women representation (page 42 of Corporate Governance Report 2023 ("CG Report 2023").

Considering the current Board's limited diversity, are efforts underway to identify fitting female candidates for an impending Director role? If so, when is the expected timeline for achieving this objective?

The Board believes that a diverse Board composition is vital for maintaining a competitive edge and ensuring balanced and effective decision-making. To support this, the Company established the Board Diversity Policy ("BD Policy") in April 2015, which was subsequently updated in 2019 and 2022. The BD Policy seeks to promote diversity within the boardroom, including diversity in skills and competencies, experience and background, age, gender, ethnicity, and nationality.

To prevent mismatches and ineffective appointments of female Directors, the Company does not specify a target for female Directors in the BD Policy. Presently, the Board composition and all Board appointments are based on merit and aim to address gaps in the Company's Board Skill Matrix (BSM) rather than meeting gender quotas. This approach ensures a balanced Board composition that aligns with the Company's objectives and strategic goals.

To uphold its gender diversity commitments, 40% of the Company's Independent Non-Executive Directors (INED) are women (specifically, Puan Norliza binti Kamaruddin and Ms. Sharmila Sekarajasekaran). They make up 25% of the Company's Board composition and comply with Paragraph 15.02 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, which mandates having at least one (1) female Director on the Board.

Aligned with the Company's Board Succession Planning and acknowledging that two (2) Board members, Dato' Ikmal Hijaz bin Hashim and Puan Norliza, will retire in 2027 (reaching the 9-year independent director tenure limit), the Company will prioritise finding qualified and competent female candidates for any future Board vacancies to meet the goal of having 30% female Directors on the Board.

From Other Shareholders

- 1) On page 50 of your Integrated Report, it was reported that historically, the return on equity ranged between 0.8% and 6.9%. Return on capital employed between 4.2% and 8.2%. Your debt-to-equity ratios have been relatively low, between 0.4x and 0.7x. As an investor, I observe that the cost of equity ranged between 8% and 10%, possible. Let's say 8%. Cost of debt, maybe 4%.**

Based on the published info, your average cost of capital maybe around 8% or slightly below.

To ensure sustainable value creation going forward, what are you plans to address the historical gap between the cost of capital and the profitability ratios?

For your information, internally and during the last EGM and the previous year's AGM, we have consistently emphasised that total shareholder return ("TSR") and return on equity ("ROE") are at the forefront of our strategic and operational decision-making. We aim to achieve high single-digit or double-digit ROE within the next five years and maximise our TSR based on our capital structure. To better understand this, let's provide some context. In 2016, when we first launched BTP, we had only one profitable subsidiary, but we already possessed shareholder equity of RM1.2 billion, resulting in an ROE of just 0.8 per cent.

Two key factors came into play as we pivoted and began acquiring new manufacturing companies. First, the new companies contributed to our profits, enhancing our ROE. Second, we increased our debt, which reduced our Weighted Average Cost of Capital ("WACC"). However, this strategy involves acquiring companies through productive debt, ensuring that these acquisitions are profitable and contribute positively to our ROE despite the increased debt levels.

There is an argument that simply adding more debt could reduce our WACC. Still, we must balance this with our ability to pay dividends, as financial obligations take precedence over dividend distribution. Paying dividends is crucial not only for rewarding shareholders but also for improving our ROE, as it decreases shareholder equity.

The relationship between ROE, ROCE, and WACC is akin to balancing a three-legged stool, where making profitable investments, maintaining productive debt, and paying dividends are all essential. Neglecting any one aspect can destabilise the entire structure.

In summary, to achieve our ROE targets of high single-digit or double-digit within five years, we must focus on acquiring profitable companies, maintaining productive debt, and ensuring regular dividend payments. This balanced approach will drive our success.

2) On page 35 of the Sustainability Report, the Chief Sustainability Officer reports the ESG progress in 2023. Congratulations on the achievements. More interestingly, the CSO mentions the importance of managing ESG risks and opportunities for business resilience. Which aspects of the risks and opportunities will you be addressing in 2024?

The focus in 2024 will be climate change.

Addressing the risks and opportunities arising from climate change will help shape KPS Berhad to be future-focussed and able to operate successfully amidst an operating environment expected to be further beset by environmental issues. Guided by the TCFD framework, we consider physical risks, although we opine the impact of physical risks on the Group's business would be more material in the later part of our business horizon.

Currently, we consider transition risks, whose impacts we believe would be more apparent within the short and medium term, from policy, technology, market, and reputation perspectives, as well as opportunities arising from, such as resource efficiency, energy sourcing, new markets, and business resilience.

We identified 14 new ESG matters based on our double materiality assessments. Starting in 2024, KPS Berhad will analyse risks and opportunities related to these 14 matters. The details and descriptions of these matters can be found in the 2023 Sustainability Report, pages 210-217.

3) Referring to the emission data on page 116 of your 2023 Sustainability Report, can you provide the breakdown of emission intensity for each of your subsidiary companies? What are your angles in managing your emissions, and where is KPS Berhad in supporting the national agenda that aims for 45% reduction in emissions intensity by 2030?

The emission intensity breakdown as of 31 December 2023 is as per below:

- a) Toyoplas: 36.2 tCO₂e/RM1 million revenue
- b) CPI: 40.9 tCO₂e/RM1 million revenue
- c) CBB: 36.9 tCO₂e/RM1 million revenue
- d) MDS: 25.4 tCO₂e/RM1 million revenue
- e) Aqua-Flo: 0.45 tCO₂/RM1 million revenue

The approach to mitigating carbon emissions begins with monitoring energy consumption, as the Group consistently pursues cost and operational efficiency, especially given the rising costs of energy and electricity. Our approach is three-pronged:

- a) **Energy efficiency and reduction measures.** We are undertaking a plan to reduce energy use across the Group while also progressively becoming more energy efficient. This would entail some of our subsidiary companies' undertaking energy audits and business process reengineering across their operations. The objective is to identify opportunities to reduce energy consumption and energy and operational costs.
- b) **Decarbonisation through transitioning to RE.** To this effect, we are looking to go further and progressively transition our operations to take advantage of RE, specifically solar, to power our operations. The transition is exemplified by the installation of solar panels at our subsidiary companies, such as at CBB in 2022, and next at CPI and Toyoplas, in 2024. This marks the journey towards greater reliance on solar energy, reducing our dependence on the national grid.
- c) **Carbon Offset.** With the possibility of carbon tax imposition as well as other factors, we may consider purchasing carbon credits to retire unavoidable or fugitive emissions. This could be achieved, for example, through participating in the Bursa Carbon Exchange's Voluntary Carbon Market or other approved trading mechanisms.

The ambitious goal to reduce carbon emissions intensity by 45% by 2030 and achieve carbon neutrality by 2050 requires a fundamental shift in decarbonising our energy sources. Hence, we have set commitments to guide us with our climate actions. Our strategic approach is centred primarily on energy efficiency initiatives and the expanded use of RE sources, with an emphasis on solar power.

4) Does the company's manufacturing subsidiaries benefit from the AI and EV boom in the market? Any plans to capitalise on these areas rather than depending on the highly cyclical consumer electronics segment?

Yes. Our subsidiary, Toyoplas, is entering the EV market and is well-positioned for this venture. Their plant in Indonesia has obtained the IETF 16949 certification, a crucial requirement for entering the automotive industry. However, it is important to note that this transition will be a lengthy and challenging process due to the rigorous audit and evaluation procedures involved. While Toyoplas will eventually make its mark in the EV market, this will not happen immediately. Regarding AI, our involvement will be more indirect. We anticipate benefiting from the growth of our customers who enter the AI industry, as this will enable us to manufacture components that complete their products. Therefore, our entry into the AI sector will be facilitated by the success of our customers rather than through direct engagement.

5) In the annual report, it was mentioned that the loss of major customers for Toyoplas led to lower sales. However, the report also mentioned that Toyoplas managed to get six new customers. Looking ahead, will the revenue from these new customers be able to fill the gap from the loss of revenue from the major customer?

To recap, last year, Toyoplas experienced a significant setback when it lost its largest customer in Indonesia, who contributed \$100 million in revenue. This customer opted to relocate to Vietnam to establish their own manufacturing capabilities, aiming to reduce production costs.

To bridge this gap, our team has been aggressively pursuing new customers. However, it's important to note that the onboarding process in our industry will take time due to thorough evaluation periods. New customers often start with smaller projects before committing to more substantial ones.

We are pleased to report that, as of the first quarter of 2024, Toyoplas has secured RM10 million in revenue from these new customers. This is a promising start, and we believe their contributions will grow in the future, similar to the growth trajectory of our previous significant clients.

Additionally, Toyoplas is making strategic moves by venturing into box-build projects. Rather than merely producing smaller parts or components, Toyoplas is now manufacturing complete products. This shift is expected to help it recover a portion of the revenue lost from the former customer.

Live-AGM Questions and Answers

1) How is the MDS performing in the first year following acquisition, and what are the critical challenges for MDS in the next 1 to 3 years?

MDS has been performing well; last year, they achieved a notable 63% growth in profit after tax, which enabled them to meet their first-year profit guarantee. Key to this achievement was the meticulous execution of their value creation plan, primarily by reducing subcontracting and bringing parts production in-house, which significantly improved their profit margins. Additionally, planned process improvements helped lower production costs, contributing to their profit growth.

The US-China trade war poses a significant challenge, with reciprocal bans on products, particularly in the semiconductor industry, indirectly impacting MDS. Additionally, the medical supply industry faces an overstocking issue, leading to high inventory levels that affect customer orders and, consequently, MDS. However, we expect this situation to stabilise in 2024, with a return to normalcy anticipated in 2025.

2) Aqua-Flo recorded a Revenue of RM160 million for FY2023. What is the contribution in terms of profit or loss to the Group from Aqua-Flo in FY2023?

With revenue of RM160 million, Aqua-Flo's profit after tax was RM6.3 million in FY2023.

3) How many business / new projects have KPS Berhad secured from Dyson after ATAIMS's fallout with Dyson? What are the prospects of new business projects from Dyson in the long term?

We are unable to disclose the quantum of sales that our subsidiaries generate from a specific customer. All of our customers require our subsidiaries to abide by strict non-disclosure requirements, which is a common practice for our industry.

4) What is KPS Berhad's plan with Smartpipe Technology Sdn Bhd since NRW issues are prevailing throughout Malaysia?

The strategic decision made at the Group's level is to slowly shy away from the segment and focus its efforts on the growth of its manufacturing business. Throughout this process, we shall still consider undertaking viable infrastructure projects; however, we will have to be highly strategic and opportunistic in nature.

5) The Selangor Government is a major shareholder of KPS Berhad via Darul Ehsan Investment Group Berhad (“DEIG”) and Perbadanan Kemajuan Negeri Selangor (“PKNS”). However, this is not reflected in the amount of business procured by Smartpipe Technology Sdn Bhd considering the substantial yearly Capex by Air Selangor. I would appreciate the management/board's explanation on this.

When one has a majority shareholder, one often expects some level of support or backing. Some companies even receive assistance in securing projects. However, we won't speak on behalf of the Selangor State Government regarding their decisions on awarding projects to KPS Berhad, as it doesn't affect our operations as a whole.

Since 2016, we have demonstrated our ability to stand independently, growing from RM117 million to RM1.26 billion without the state's assets, assistance, or additional capital. Our commitment to self-reliance drives KPS Berhad's growth and success. While we would welcome projects from the Selangor State Government our merit-based approach has ensured our continued success, with revenues fetching above RM1.2 billion in 2023 and RM1.3 billion in 2022. We aim to achieve even greater numbers in the future.

6) Total loans and borrowings have reduced by approximately 13% in FY2023 compared to FY2022 to RM466.355 million. However, Finance Costs have increased by 21% despite the lower total borrowings of the Group.

a) What are the reason(s) for the increase in Finance Costs despite the lower borrowings?

b) Can the management confirm that Finance Costs will be lower in FY2024 arising from the repayment of borrowings from the proceeds of the KaiserCorp Corporation Sdn Bhd (KaiserCorp”) disposal?

a) The increase in Finance Costs can be attributed to the 125-basis point hike in the Overnight Policy Rate (OPR) from January 2022 to December 2023. This rise in the OPR has led to higher interest rates, thereby increasing our finance costs even though our borrowings have decreased.

b) Yes, management expects the Finance Costs to be lower in FY2024, assuming no new debt is incurred during the financial year. Part of the proceeds from the KaiserCorp disposal will be used to repay a significant portion of our borrowings in the second half of 2024.

7) Why did KPS only declare a 2.0 sen dividend per share for FY2023?

When discussing dividends with the board members, we must determine the appropriate amount and its relative significance. These are the two primary considerations:

Firstly, our internal policy mandates a minimum distribution of 30% of our normalised PATAMI. This year, we distributed 68% of our normalised PATAMI at two cents per share, surpassing that threshold.

Secondly, we must consider the external context: How does our dividend distribution compare to the market? What is the resulting yield? At two cents, our yield is 3%, which is satisfactory given the challenging conditions of the past year. Additionally, as previously mentioned, we distributed four and a half cents in special dividends with the disposal of a 50% equity stake in Kaiserkorp. Including these, the total yield amounts to 9%, representing an excellent return on investment.

Since BTP's inception in 2016, we have consistently paid dividends annually, demonstrating our commitment to rewarding our investors. However, to ensure the sustainability of future dividend distributions, we must retain some funds for reinvestment. This necessity underlies our decision to declare a two-cent dividend for 2023.

8) The total dividend (not including the special dividend for the sale of King Koil) payable for 2023 is 2 sen. KPS had been consistently paying 4.5 sen annually. Is KPS going to make up for the difference in 2024 should profit and revenue increase for FY 2024?

Our commitment to dividend distribution is guided by fundamental factors and financial metrics, and we consistently aim to reward our shareholders with a minimum payout of 30% of our normalised Profit After Tax and Minority Interest ("PATAMI"), as stated in our dividend policy.

The Group will determine the dividend level based on its financial performance and operational needs, ensuring sustainable growth while rewarding shareholders for their continued support.

9) KPS's Return on Assets ("ROA") is very low as compared to other publicly listed companies with similar holding company structures. In the past 5 years, the highest ROA was only 3.4%, achieved in FY2022. ROA for FY2023 was only 0.4%. Please explain the reason(s) for such low ROA and the strategies going to "sweat the assets" better to improve the ROA.

Challenging economic conditions and elevated operating costs in 2023 impacted our bottom line, resulting in a dip in ROA. In fact, the seemingly low ROA is partly attributable to the large-scale investments we have made since 2016. The returns generated from these investments/assets may not yet fully reflect their potential profitability, as large-scale investments often have a gestation period before they begin to contribute significantly to profitability. We are confident that as these investments mature, they will begin to generate higher returns, thereby improving the ROA.

As part of our value creation plan, the Group has implemented proactive measures to sustainably improve profitability. Several long-term strategies are already in place aimed at bolstering value creation, improving profitability, and enhancing shareholder value. These strategies include:

- a) Enhance Revenue Generation: Explore opportunities to grow revenues by expanding into new markets, introducing new products or services, or increasing market share;
- b) Improve Operational Efficiency: Focus on improving the efficiency of operations to increase profitability. This may involve optimising processes, reducing costs, and enhancing productivity;
- c) Divestment or Restructuring: Evaluate underperforming assets or divisions for potential divestment or restructuring to reallocate resources to more profitable areas of the business;
- d) Focus on Working Capital Management: Efficient management of working capital, including inventory, accounts receivable, and accounts payable, can help free up cash flow and improve overall profitability and
- e) Continuous Monitoring and Adjustment: Regularly monitor financial performance metrics and adjust strategies as needed to ensure alignment with business objectives and market conditions.

10)What is KPS' plan(s) in reinvesting the proceeds from the sale of King Koil, or are the proceeds intended just to settle outstanding loans to reduce the gearing?

We had earmarked RM184.0 million or 69% of the proceeds from Kaisercorp's divestment for the repayment of borrowing and expected to result in profit interest/savings of approximately RM9.4 million per annum to enable the Group to reduce the gearing and to achieve better financial flexibility. RM56.4 million or 21%, will be utilised as working capital, while RM24.2 million has been used to reward our shareholders via the issuance of a 4.5 sen special dividend.

Utilisation	Estimated timeframe for utilisation from the date of receipt of proceeds	RM' million	(%)
Repayment of borrowings	Within 12 months	184.00	69.31
Working capital	Within 36 months	56.40	21.24
Special dividend	Within 12 months	24.20	9.12
Defray estimated expenses for the Proposed Divestment	Within 12 months	0.88	0.33
		265.48	100.00

Source: Circular to shareholder dated 16 February 2024, page 6.

11)If there is a corporate exercise focused on moving towards the core business in the EMS industry, could you provide a summary outline and timeline (provided it does not contravene Bursa rules)? Additionally, which subsidiary, considered non-core, is next in line for sale, and is there a fixed timeline for this?

As an investment holding company, the dynamics of acquisitions and disposals are integral to our operations. Therefore, when presented with favourable opportunities, our evaluation will hinge on their alignment with our strategic objectives, specifically our Return on Equity (ROE) and Total Shareholder Return (TSR) targets. We also assess if these opportunities offer sustainable long-term value. Consequently, we remain open to exploring acquisitions, divestments, or subsidiary disposals that strategically enhance KPS Berhad's position.

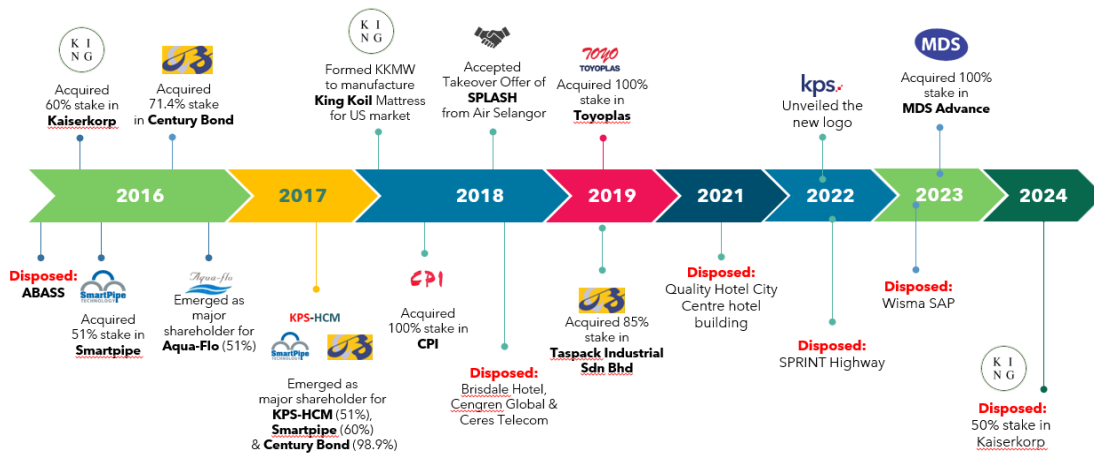
We have not established a definitive timeline for these potential actions. However, we are committed to ensuring that any significant information will be disclosed in accordance with the stipulations of the Bursa Securities Main Market Listing Requirement.

12)The Group currently operates across too many business sectors. Are there any plans to streamline and rationalise these diverse operations to enhance overall performance?

Indeed, KPS Berhad has undergone a significant transformation since 2016. We have shifted from a sector-agnostic stance to a sector-specific focus.

Our decision to focus on manufacturing-based companies was a conscious one, grounded in the sector’s demonstrated resilience and our company’s history of exceptional management. Our management team, with their extensive knowledge and understanding of both the inherent and emerging risks and opportunities in the manufacturing sector, has been instrumental in this transition. This strategic shift reflects our commitment to continually adapt and evolve in response to the changing business landscape.

Recently, we disposed of our licensing sector, hence further enhancing our strategic focus and positioning.



13) From the top 30 shareholders in the AR 2023, apart from DEIG and PKNS (own more than 5%) which collectively own 63.1% of the total shareholdings, Mr. Ng Chiew Eng is next with 4.84%.

- a) Why are there no fund managers interested to invest with KPS Berhad? Is it because of lack of publicity or little or no coverage by investment banks?**
- b) What happened to Norges Bank?**
- c) Has KPS Berhad approached EPF to take a stake?**

- a) We are actively engaging with the investment community to enhance their awareness and comprehension of our Group's strategy, business trajectory, and investment potential. Currently, we have analyst coverage from three institutions: BIMB Securities, Kenanga Research, and PublicInvest Research, which are strategically aimed at attracting more institutional funds to invest in KPS Berhad. The perceived lack of interest may not necessarily be due to insufficient publicity or inadequate coverage by investment banks but could be attributed to various market factors. We remain committed to our ongoing efforts to increase visibility and investor confidence in KPS Berhad.
- b) Please be informed that Norges Bank has ceased to be a shareholder of KPS Berhad. It's important to note that institutional funds may divest their shares for many reasons. One such reason could be the necessity to realign their investment portfolios in response to alterations in their internal strategies. Such realignments could be triggered by fluctuations in the macroeconomic landscape, especially if these changes render the manufacturing sector less attractive for investment.
- c) We have indeed held numerous meetings with EPF in the past and are steadfast in our commitment to ongoing engagement with them, with the aim of cultivating their interest in investing in KPS Berhad. One of the challenges we frequently encounter is that large institutional funds often operate under specific mandates when it comes to investing. These mandates go beyond simply scrutinising a company's fundamentals or an appealing investment narrative that resonates with market trends. They may also necessitate that the investee company meets certain criteria, such as having a specified market capitalisation and liquidity or being listed on the FTSE Bursa Small Cap Index, among other factors.

14)I firmly believe that the intrinsic value of KPS Berhad exceeds RM1.20. As the Managing Director and CEO, what are your short-term and long-term strategies to unlock this value for the benefit of KPS and its shareholders?

I appreciate your confidence in the intrinsic value of KPS Berhad. As the MD and CEO, my primary objective is to unlock this value for the benefit of KPS Berhad and its shareholders.

In the short term, we are focused on optimising our current operations and improving efficiency while pursuing potential market expansion and diversifying our product and investment portfolios. We are also exploring strategic partnerships and collaborations that can provide immediate value.

For the longer term, we are also committed to investing in innovation and technology to drive sustainable growth and overall performance of KPS Berhad.

15)What is the company's plan to increase the share price?

It's important to note that despite our Group's fundamentals, market forces influence the share price movement, which is beyond our control. However, we remain confident that KPS Berhad's long-term fundamentals will support its fair valuation and remain committed to enhancing shareholder value through our strategic business decisions.

16)Dear Board of Directors, do you have any plans to take KPS Berhad private, similar to the strategy employed by Malaysian Airports?

As of now, KPS Berhad has no plans to transition into a private entity. Our status as a publicly listed company is in alignment with our long-term strategic objectives. This position not only enables us to broaden our operational scope and bolster our presence in the market, but it also provides us with the flexibility to seize and capitalise on growth opportunities as they arise. This strategic approach underscores our commitment to delivering value to our shareholders while fostering sustainable growth.

17) In what ways is KPS Berhad investing in upskilling its workforce to align with the changing demands and requirements of the evolving business landscape? (pg 75 - 76, 138 - 139) (SR 176 - 177)

Human Resource Development has always been and will remain a critical cornerstone of our annual business plan. Each year, we dedicate a pillar specifically to human resource development. Fundamental to this is fostering a high-performance culture within our team and workforce. This involves not just upskilling but also a systematic approach to identifying and evaluating the training needs of our team members.

Once we have identified the required training, we send our team for the necessary courses. This part is straightforward. The more challenging aspect begins when they return. We must ensure they can apply their new knowledge and skills and gain exposure. We also need a robust mechanism to measure and monitor their performance.

Beyond training, we must establish a proper compensation structure to retain our skilled team members and prevent them from leaving for competitors. Our development programs have proven successful, as evidenced by our financial performance and external validation. For example, the Association of Chartered Certified Accountants (ACCA) awarded us a platinum award for our professional and training development programs, recognising our efforts internationally.

Given the success of our development programs, as shown by our growth since 2016 and external recognition, we will continue with these initiatives and explore ways to enhance them further.

18) Given the increasing threat of cyber-attacks, what measures are KPS Berhad taking to mitigate cybersecurity risks and protect critical assets?

KPS Berhad has implemented a comprehensive cybersecurity strategy, encompassing six key initiatives designed to mitigate risks and protect critical assets. These include:

- a) Investment in advanced IT infrastructure to enhance technological capabilities to defend against cyber threats.
- b) Regular security audits and assessments to identify vulnerabilities and ensure robust security measures.
- c) Continuous training and awareness programs to educate employees on cybersecurity best practices and emerging threats.
- d) Detailed incident response plan to establish protocols for prompt and effective responses to security breaches.
- e) Data encryption and strict access controls to secure sensitive information through encryption and regulating access to critical data, and
- f) Stringent third-party risk management to implement rigorous management of third-party risks and ensuring compliance with regulations and standards.

Additionally, KPS Berhad adheres to the Personal Data Protection Act (PDPA), Cybersecurity Framework, and Data Protection Framework, referencing global standards such as the National Institute of Standards and Technology (NIST) and ISO/IEC 27001.

These measures ensure the protection of KPS Berhad's digital assets and maintain stakeholder trust.

19) We have read recently in the newspaper about the passing of (a) the Energy Efficiency and Conservation Bill 2023 ("EECA") and (b) the Environmental Quality (Amendment) Bill 2023, which is to amend the Environmental Quality Act 1974 (EQA"). Would both the EECA and the amended EQA have any material impact on KPS Group?

The EECA will require all large energy consumers to implement energy-saving measures covering both electrical and thermal energy. The EECA 2023 will supersede the Efficient Management of Electrical Energy Regulations 2008 (EMEER 2008).

As for EQA, the bill involves amendments to 28 sections of the EQA, which include the enhancement of penalties with a minimum fine range of not less than RM5,000, a maximum fine not exceeding RM10 million, and mandatory imprisonment not exceeding five years.

KPS Group is aware of the changes to the legislation concerning energy and environmental pollution. In relation to the EECA, the Group has started and will continue to adhere to the requirements, such as appointing energy managers, conducting energy audits, and embracing sustainable energy management programs, where applicable. As for amended EQA, the Group has put in place measures such as appointing approved schedule waste collectors, having properly designated places to store schedule waste, and also commissioning and building an effluent treatment system plant, which currently is in the process of seeking the relevant approvals from the department of environment.

20) Regarding the Group's environmental goals outlined on page 175 of the Annual Report,

- a) Why does the Group set its sights on achieving carbon neutrality by 2050 rather than aiming for this milestone by 2030, despite having an offsetting plan in place?**
- b) What rationale underpins the Group's decision to extend the timeline for achieving carbon neutrality?**
- c) Does the Group ultimately aspire to reach net zero emissions, and if so, by when?**

a) KPS Berhad is closely aligned with Malaysia's commitment to reduce its carbon emission intensity by 45% by 2030. At the same time, KPS Berhad is also pursuing the nation's ultimate goal of achieving carbon neutrality by 2050.

b) KPS Berhad's pledge to tackle climate change and reduce carbon emissions is primarily driven by Malaysia's agenda to reduce emission intensity and achieve net-zero emissions by 2050.

c) Setting a target for carbon neutrality by 2050 is more meaningful and practical, as we anticipate that some carbon emissions cannot be reduced or avoided due to the nature of manufacturing operations. However, by reducing emissions as much as possible, the unavoidable residual carbon will be offset through the purchase of carbon credits, for instance.

21)KPS Berhad's sustainability report ("SR") is by far the most extensive I've encountered. It's truly impressive, and I heartily congratulate the Chief Sustainability Officer and the team on their remarkable work.

- a) How much is the total cost incurred for drafting, preparing and auditing the report?**
- b) To what extent has the SR attracted investment from foreign fund managers who have repeatedly advocated ESG?**

- a) The cost involved in drafting, preparing and auditing the sustainability report was about RM100,000.
- b) Our Sustainability Report goes beyond merely attracting investment or funding. While they undoubtedly enhance our appeal to ESG-focused investors, the report fundamentally embodies KPS Berhad's strategic approach to identifying and pursuing sustainable investment opportunities in existing and future operations, which can positively impact the group's overall financial performance. Moreover, this report indeed represents KPS Berhad's commitment to ethical practices, transparency, and long-term value creation for the Group. By strategically disclosing our ESG reporting, it provides the room to enhance trust among stakeholders and prove our dedication to responsible business growth for KPS Berhad.

22)To all directors seeking re-election under resolutions 3 and 4, kindly outline at least two specific tasks or improvements you intend to implement upon re-election to KPS Berhad.

The eligibility of the Director seeking for re-election under resolutions 3 and 4 has been determined and assessed by the Nomination and Remuneration Committee ("NRC") of the Company. The assessment was done based on the performance of the Directors taking into account the results of their latest Annual Board Evaluation ("ABE") conducted by the Institute of Corporate Directors Malaysia (ICDM"), which evaluates the competencies of a Director based on ICDM's Competency Framework as follows:

- a) The capacity of an Individual Director,
- b) The Individual Director with the Board,
- c) The Individual Director with the organisation, and
- d) The Individual Director with the stakeholder

Based on the recommendation of the NRC, the Board is satisfied with the performance, contributions and time commitment of the Directors who retire by rotation with Clause 76 (3) of the Company's Constitution and are eligible to stand for re-election based on the following justifications:

Resolution 3: Re-election of Dato' Setia Haris as Chairman, Non-Independent Non-Executive Director

As part of the development process as highlighted in the ABE exercise, Dato' Setia Haris could benefit from strengthening his knowledge on corporate governance reporting and disclosure requirements as stated by laws and regulations, as well as the key decision factors for mergers and acquisitions at Board level.

He would further enhance his role as Chairman in terms of leveraging his connections with the stakeholders such as policy makers and authority bodies to facilitate better value protection and value creation for the Company.

Resolution 4: Re-election of Sharmila Haris as Independent Non-Executive Director

As for Ms Sharmila, based on the ABE result, she could strengthen her knowledge of strategy and risk oversight as Chairman of the Board Governance Review Committee ("BGRC"). She could reflect if she might be more effective by taking a more holistic view of risk management in addition to the governance aspect, as well as a deeper understanding of the issue raised.

She could pursue opportunities to gain deeper understanding of challenges and risks faced during daily operations and strategic initiatives.

23)What is the expenditure incurred by the company for hosting this virtual AGM?

The Company spent approximately RM60,000 on the virtual 47th AGM in 2024.

24)When will you be hosting a physical meeting to foster better investor relations?

We take note of your suggestion and will take into consideration when deciding on the mode of our general meeting in future, either fully virtual or a hybrid basis. We will notify the shareholders accordingly through the notice of meeting.

Notwithstanding that, the Company shall be guided by the Securities Commission Malaysia's guidelines/directives regarding the conduct of its general meetings.

As of now, KPS Berhad will continue to promote Remote Participation and Voting (RPV). Based on Clause 53(4)(5) of the Company's Constitution, KPS Berhad can conduct a fully virtual meeting, which is in compliance with requirements under Section 327 of the Companies Act 2016.

25)Please remove the ineffective and incompetent employees from the company and replace them with professional, honest, and responsible personnel. Act with conscientiousness and integrity, and do not hide behind the veil.

We are unable to answer this question as it is ambiguous.

26)Kindly send me a printed copy of the annual report.

The printed copies of the reports have been sent to the shareholders who requested them on 5 June 2024.

27)Are there any door gifts provided to shareholders who attended this online AGM as a token of appreciation?

No, we will not be providing door gifts to those who register or participate in the AGM. Instead of offering one-off gifts, KPS Berhad prioritises creating long-term value for our shareholders. For the financial year 2023, our shareholders received a total dividend payout of 2.0 sen per share. Additionally, we distributed special dividends of 4.5 sen per share on April 30, 2024.