MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Consolidated Statement of Profit or Loss	1.1.2025 to 30.6.2026 (18 months) RM'000	1.1.2024 to 31.12.2024 (12 months) RM'000
Revenue	**1,096,940**	753,085
(Loss)/Profit from operations	**(462)**	16,229
(Loss)/Profit before tax	**(15,152)**	14,546
(Loss)/Profit after tax	**(21,303)**	10,799

Consolidated Statement of Financial Position	30.6.2026 RM'000	31.12.2024 RM'000	Change
Total assets	**899,417**	915,668	-2%
Fixed deposits, cash and bank balances	**87,392**	76,752	14%
Total liabilities	**161,960**	152,917	6%
Bank borrowings	**35,122**	25,003	40%
Net assets	**737,457**	762,751	-3%

Segment Results

	Revenue		Segment Profit/(Loss) *	
	1.1.2025 to 30.6.2026 (18 months) RM'000	1.1.2024 to 31.12.2024 (12 months) RM'000	1.1.2025 to 30.6.2026 (18 months) RM'000	1.1.2024 to 31.12.2024 (12 months) RM'000
Building materials and steel products ("Building Materials")	**909,412**	630,040	**(12,625)**	7,929
Lubricants, petroleum products and automotive products ("Lubricants")	**183,951**	120,303	**21,793**	14,146
Others	**3,577**	2,742	**(9,630)**	(5,846)
	1,096,940	753,085	**(462)**	16,229

* *"Segment profit/(loss)" refers to profit/(loss) from operations.*

The Group is principally engaged in:
- Trading and distribution of building materials and steel products;
- Manufacturing and trading of lubricants, trading and distribution of petroleum-based products and automotive components; and
- Other businesses which include mainly provision of training services, distribution and retailing of consumer products, investment in Cambodia and investment holding.

For the 18-month period under review, the Group recorded a revenue of RM1,096.9 million. The Building Materials and Lubricants Divisions remain the key contributors to the Group's revenue. The Group recorded a loss from operations for the period, mainly attributable to the impairment losses recognised on trade receivables by the Building Materials Division. The Group also recognised a share of loss of an associate, which was largely due to the foreign exchange losses recognised upon the disposal of one of the associate's subsidiaries. Consequently, the Group recorded a loss before tax of RM15.2 million for the period under review.

As at 30 June 2026, the Group's total assets decreased by 2% to RM899.4 million. Fixed deposits, cash and bank balances stood at RM87.4 million as at 30 June 2026. Total liabilities increased by 6% to RM162.0 million, with bank borrowings increasing by 40% mainly due to the drawdown of a term loan. Overall, the Group's net assets stood at RM737.5 million, or RM3.24 per share (31 December 2024: RM762.8 million or RM3.35 per share).

REVIEW OF OPERATIONS

Building Materials and Steel Products

The Malaysian construction sector continued to demonstrate resilience in 2026, supported by steady economic expansion and continued public and private-sector investments. Malaysia's real Gross Domestic Product ("GDP") grew by 5.4% in the first quarter and 6.0% in the second quarter of 2026, while the construction sector expanded by 7.7% and 6.5%, respectively. Growth was supported particularly by non-residential buildings and specialised construction activities, alongside continued investments in data centres, advanced manufacturing facilities, industrial expansion and infrastructure projects. These developments continued to underpin demand for construction and building materials.

Nevertheless, the trading environment remains competitive amid fluctuations in raw material and building material prices, logistics costs and margin pressures. As at June 2026, the Department of Statistics Malaysia reported year-on-year increases in steel and cement prices, highlighting the need for prudent procurement, inventory management and disciplined pricing strategies. Despite these challenges, the Division recorded a revenue of RM909.4 million for the 18-month financial period ended 30 June 2026.

Looking ahead, the construction industry is expected to remain supported by the continued implementation of major infrastructure and development projects under the Thirteenth Malaysia Plan ("RMK13") 2026–2030, as well as sustained private-sector investments in industrial facilities, data centres and other high-value developments. Budget 2026 also provides support for rakyat housing, while the Public-Private Partnership Master Plan 2030 ("PIKAS 2030") is expected to strengthen private-sector participation in infrastructure and development projects. Major transport infrastructure projects, including the Penang Mutiara Line LRT, are also progressing, providing further opportunities for the construction and building materials sectors.

Operating in a highly competitive and evolving environment, the Division remains vigilant and responsive to market changes. It continues to strengthen its operations by fostering strategic relationships with principal suppliers, trading partners, key customers and developers, while expanding its distribution network for in-house brands to support revenue growth and enhance margins. The Division currently operates warehouses in Selangor, Perak, Melaka and Penang, with the Penang warehouse commencing operations in May 2026. Plans are also underway to establish additional warehouses in Johor and the East Coast, with further facilities to be developed in major cities nationwide. Proactive measures remain in place to mitigate potential business disruptions, strengthen operational resilience and support the Division's long-term sustainable growth.

Lubricants, Petroleum Products and Automotive Products

The year 2026 has been a year of continued economic uncertainties and heightened geopolitical tensions. The conflict in the Middle East has resulted in unprecedented cost increases, driven by supply restrictions and disruptions across global energy and raw material supply chains. These challenges have placed significant pressure on the lubricant industry, affecting raw material costs, logistics and overall operating expenses.

Against this challenging backdrop, the Division remains focused on maintaining business continuity, managing costs and ensuring reliable product availability for its customers. The Division worked closely with its suppliers and business partners to strengthen supply-chain resilience through prudent inventory and supply planning, greater flexibility and the identification of alternative sources where practical. With restrictions on raw material availability, volatile base oil prices and higher logistics costs continuing to put pressure on profitability, the Division remains focused on managing costs without compromising the quality of its products.

The Division's dealers, workshops and business partners are at the core of its business. It remains committed to supporting them as long-term partners through this challenging period, working closely with them to maintain product availability, serving customers and navigating market pressures together.

Despite these external challenges, the underlying fundamentals of the lubricant business remain resilient. Lubricants continue to be an essential component of vehicle maintenance, supporting steady demand from the automotive aftermarket and workshop sectors.

Moving forward, the Division will continue to strengthen its presence across key markets and develop its distribution network in a disciplined and sustainable manner while focusing on what it does best — providing reliable lubricant products, supporting its customers and building lasting partnerships.