

MANAGEMENT DISCUSSION AND ANALYSIS

1.0 FINANCIAL PERFORMANCE

Financial Year Ended 31 December	2025	2024	Changes	
	RM'000	RM'000	RM'000	%
A Overview of Financial Results				
Revenue	1,419,626	1,741,879	(322,253)	-18.5
Other income	52,790	101,107	(48,317)	-47.8
Other expenses ^o	(44,856)	(39,426)	(5,430)	13.8
Earnings before interest, taxes, depreciation and amortisation (EBITDA)*	671,513	725,752	(54,239)	-7.5
Operating profit	549,036	637,744	(88,708)	-13.9
Profit before tax	425,285	509,319	(84,034)	-16.5
Profit after tax	404,690	491,018	(86,328)	-17.6
Profit after tax attributable to owners of the Company	386,973	459,178	(72,205)	-15.7
B Revenue				
Renewable Energy	619,525	649,003	(29,478)	-4.5
Resources	198,042	223,621	(25,579)	-11.4
Packaging	432,484	399,167	33,317	8.3
Investment Holding and Others [^]	130,142	86,841	43,301	49.9
Normalised Revenue	1,380,193	1,358,632	21,561	1.6
Construction revenue on service concession arrangements	39,433	383,247	(343,814)	-89.7
Reported Revenue	1,419,626	1,741,879	(322,253)	-18.5
C Profit Before Tax				
Renewable Energy	464,520	452,751	11,769	2.6
Resources	28,756	47,322	(18,566)	-39.2
Packaging	21,316	29,282	(7,966)	-27.2
Investment Holding and Others [^]	(45,161)	(26,563)	(18,598)	70.0
Normalised Profit Before Tax	469,431	502,792	(33,361)	-6.6
Non-recurring items				
Insurance income for assets damaged by fire in 2023	-	31,826	(31,826)	-100.0
Construction profit on service concession arrangements	5,017	36,639	(31,622)	-86.3
Over-accrual of construction costs for 5th turbine	20,102	-	20,102	N.A
Writeback of expected credit loss on amount owing by EDL from conversion of trade balance into long term receivable	-	10,759	(10,759)	-100.0
Other items				
Share of loss in joint venture and associates	(74,252)	(66,242)	(8,010)	12.1
Fair value gain on put option liability	4,454	1,539	2,915	189.4
Fair value gain/(loss) on investment properties	533	(7,994)	8,527	N.M
	(44,146)	6,527	(50,673)	-776.4
Reported Profit Before Tax	425,285	509,319	(84,034)	-16.5

[^] - Inclusive of foreign exchange loss (17,229) (4,134) (13,095) 316.8

^o - Other expenses includes net impairment losses on financial assets.

* - EBITDA excludes share of profit/(loss) in equity accounted investments and insurance claims income.

N.A - Not applicable.

N.M - Not meaningful.

Financial Year Ended 31 December	2025	2024	Changes	
	RM'000	RM'000	RM'000	%
D PATNCI				
Renewable Energy	447,409	434,325	13,084	3.0
Resources	21,813	36,904	(15,091)	-40.9
Packaging	10,539	15,798	(5,259)	-33.3
Investment Holding and Others	(42,606)	(22,398)	(20,208)	90.2
Normalised PATNCI	437,155	464,629	(27,474)	-5.9
Non-recurring items				
Insurance income for assets damaged by fire in 2023	-	17,672	(17,672)	-100.0
Construction profit on service concession arrangements	4,265	30,190	(25,925)	-85.9
Over-accrual of construction costs for 5th turbine	15,048	-	15,048	N.A
Reversal of deferred tax liability from extension of concession term, under SCA	-	6,573	(6,573)	-100.0
Writeback of expected credit loss on amount owing by EDL from conversion of trade balance into long term receivable	-	10,221	(10,221)	-100.0
Other items				
Share of loss in joint venture and associates	(74,252)	(66,242)	(8,010)	12.1
Fair value gain on put option liability	4,454	1,539	2,915	189.4
Fair value gain/(loss) on investment properties	303	(5,404)	5,707	N.M
	(50,182)	(5,451)	(44,731)	820.6
Reported PATNCI	386,973	459,178	(72,205)	-15.7

N.A - Not applicable.

N.M - Not meaningful.

In 2025, the Group's revenue decreased by 18.5% year-on-year to RM1,419.6 million, from RM1,741.9 million in 2024. This was primarily due to lower construction revenue on service concession arrangements, which dropped from RM383.2 million to RM39.4 million after completion of the fifth turbine at the Don Sahong Hydropower Plant (DSHP) in 2024. Other contributing factors included lower revenue from Renewable Energy (-4.5%) and Resources (-11.4%) which was partly offset by the increase in sales turnover driven by full-year consolidation of CSC Group results (vs. 7 months in FY2024) and an 8.3% increase in Packaging revenue.

The three core divisions collectively recorded a marginal decline of 2.8% in pre-tax profit (excluding one-off gains) to RM514.6 million, compared with RM529.4 million in 2024. This was mainly due to a 39.2% decrease in profit from the Resources Division to RM28.8 million and a 27.2% fall in profit from the Packaging Division to RM21.3 million, partially offset by a 2.6% improvement in profit from the Renewable Energy Division to RM464.5 million.

Overall, the Group's pre-tax profit declined by 16.5% to RM425.3 million from RM509.3 million in 2024. This was mainly due to a RM31.6 million drop in construction profits, absence of RM31.8 million insurance claim income, wider forex losses from RM4.1 million to RM17.2 million, higher share of losses in joint venture/associates, and absence of one-off expected credit loss write-back, partially offset by a write-back of over-accrued construction costs for the fifth turbine and higher fair value gain on investment properties.

Profit after tax and non-controlling interests (PATNCI) declined to RM387.0 million from RM459.2 million in 2024. On a normalised basis, excluding associates, joint ventures, construction profits and non-operating items, PATNCI decreased to RM437.2 million compared to RM464.6 million previously.

2.0 RENEWABLE ENERGY DIVISION

2.1 PERFORMANCE IN 2025

In 2025, the Renewable Energy Division's revenue declined by 4.5% to RM619.5 million from RM649.0 million in 2024. Hydro energy sales decreased mainly due to a 6.4% foreign exchange translation loss and a 3.6% lower weighted average tariff following the implementation of the Supplemental Power Purchase Agreement (SPPA) effective 1 January 2025. These factors were partly offset by a 5.5% increase in hydro energy sales volume to 2,366 GWh following the full-year operation of the fifth turbine. Average Energy Availability Factor of DSHP decreased marginally to 83.1%, compared to 86.8% in 2024 due to dilution by the fifth turbine.

Solar energy sales increased by 13.3% to RM11.5 million during the year as additional capacities were progressively commissioned.

The Division reported normalised pre-tax profit of RM464.5 million in 2025, compared to RM452.8 million in 2024. The improvement was mainly due to lower net royalty expenses following the acquisition of water rights, lower amortisation charges arising from the extension of the concession period pursuant to Supplemental Concession Agreement (SCA) starting 1 January 2025 and lower turbine overhaul costs, albeit lower revenue.

	COMPLETED CAPACITY AS AT 31 DECEMBER 2024	CAPACITY INSTALLED IN 2025	REMAINING CAPACITY SECURED/ UNDER CONSTRUCTION	TOTAL CAPACITY
Hydropower	325.0 MW	-	-	325.0 MW
Solar	31.3 MW	2.2 MW	63.7 MW	97.2 MW
Total	356.3 MW	2.2 MW	63.7 MW	422.2MW

KEY PERFORMANCE METRICS	2023	2024	2025
Revenue ~ (RM 'million)	RM605.9	RM649.0	RM619.5
Profit before Tax ! (RM 'million)	RM437.6	RM452.8	RM464.5
Energy Availability Factor (EAF)	91.4%	86.8%	83.1%
Power generated from for sale:			
- Hydropower (GWh)	2,082.87	2,238.58	2,365.59
- Solar (GWh)	28.23	34.32	39.12

~ excludes construction revenue

! excludes construction profit and non-recurring gains/expenses

2.2 KEY INITIATIVES

2.2.1 HYDROPOWER

The Don Sahong Hydropower Plant continues to serve as the cornerstone of the Group's renewable energy portfolio. The commissioning of the fifth turbine in July 2024 increased the plant's total installed capacity to 325 MW and strengthened its ability to deliver consistent long-term power supply to Electricite du Laos (EDL).

The fifth turbine also plays an important operational role where the hydropower facilities is able to maintain generation capacity while scheduled overhaul and maintenance carried out to any turbine at each point of time.

2.2.2 SOLAR POWER

The Solar Division continued to expand its portfolio during the year through installations for commercial and industrial customers. As at 31 December 2025, the Group had approximately 33.5 MWp of solar generation capacity installed.

The Group is also progressing large scale solar projects as part of its renewable energy portfolio expansion. These include a 51.0 MW solar farm project in Malaysia under the Corporate Green Power Programme and an 11.4 MW solar project with a state utility company in the Republic of Maldives.

2.3 KEY TRENDS, RISKS AND OPPORTUNITIES

2.3.1 CURRENCY FLUCTUATIONS

As the hydropower business generates revenue in US Dollars (USD) while the Group reports its financial results in Malaysian Ringgit (RM), fluctuations in the USD/RM exchange rate may affect the Group's reported financial performance and net asset position.

Accordingly, movements in the exchange rate between the two currencies will influence the translation of hydro revenue, costs and assets into the Group's reporting currency.

2.3.2 OPERATIONAL RISK

Operational risk associated with turbine availability remains an important consideration for the hydropower business. Scheduled maintenance and major overhauls are required periodically to ensure the continued reliability of turbine operations and to minimise the risk of forced outages.

The completion of the fifth turbine prior to the commencement of the overhaul programme has strengthened the plant's operational flexibility, allowing maintenance activities to be undertaken while maintaining overall generation capacity.

2.3.3 RENEWABLE ENERGY OPPORTUNITIES

Malaysia's National Energy Transition Roadmap (NETR) continues to support the development of renewable energy in the country and may present further opportunities for the Group to expand its renewable energy portfolio.

The Group will continue to evaluate new renewable energy development opportunities as part of its long-term strategy to grow its clean energy business.

2.4 DIVISION OUTLOOK

2.4.1 HYDROPOWER

Revenue may face headwinds if the USD continues to depreciate against the RM. This is alongside plans to overhaul two turbines in 2026 compared to one in 2025, which will likely cause a mild dip in hydro energy generation, even as the tariff increases from 6.00 cents to 6.05 cents effective January 1, 2026.

Overall, the Division's pre-tax USD earnings are projected to remain broadly stable year-on-year. In RM terms, pre-tax profit may be impacted if USD depreciate.

2026 also marks the end of Don Sahong's tax-free period. Hydropower profits will incur a 5% corporate tax starting 1 January 2026, as per the SCA.

2.4.2 SOLAR POWER

We expect revenue and earnings grow year-on-year, bolstered by two large-scale solar plants totalling 62.4 MWp slated for commissioning in the second quarter of 2026.

The Group remains committed to pursuing new opportunities in Malaysia via the Corporate Renewable Energy Supply Scheme (CRESS) and Battery Energy Storage Scheme (BESS) and renewable projects in the region.

2.4.3 ENHANCED GENERATION CAPACITY

The new additional solar capacities will elevate the Group's total installed renewable energy capacity from the current 358.5 MWp to 422.2 MWp, with hydro accounting for 77% and solar 23% of the expanded capacity.

3.0 PACKAGING DIVISION

3.1 PERFORMANCE IN 2025

In the year under review, Hexachase Group and Stenta Group recorded mixed performance across their respective segments, reflecting differences in product exposure, customer mix and timing of demand. Across the Packaging Division, operating conditions in 2025 were shaped less by broad-based inflationary pressure and more by persistent overcapacity across the supply chain, heightened competition and trade-related disruptions.

As a mainly export-oriented business, the Division was affected by tariff measures and shifts in global trade flows that intensified competition in non-US markets, while weaker currency conditions affected realised revenue. These factors, combined with softer end-market demand in certain segments, placed pressure on margins and reinforced the importance of cost discipline, utilisation management and selective product and market positioning.

Despite this challenging environment, revenue rose 8.3% to a record RM432.5 million in 2025 from RM399.2 million in 2024, driven by intensified marketing following the capacity expansion. Profit before tax declined by 27.2% to RM21.3 million from RM29.3 million in 2024, pressured by sub-optimal post-expansion utilisation, intense price competition, weak export currency values and higher inventory write-downs.

KEY PERFORMANCE METRICS	2023	2024	2025
Revenue [^] (RM million)	402.3	399.2	432.5
Profit before Tax* (RM million)	33.6	29.3	21.3

[^] after elimination of intra-group sales transactions

* excludes non-recurring gains/expenses and after consolidation adjustments

3.2 KEY INITIATIVES

3.2.1 HEXACHASE GROUP

For Hexachase Group, paper packaging delivered strong growth on the back of successful tender wins and improved operating readiness, while Flexipack recorded sales growth amid continued utilisation and margin pressures.

KEY PERFORMANCE METRICS	2023	2024	2025
Revenue (RM million)	188.3	184.0	211.5
Profit before Tax (RM million)*	9.4	5.0	3.4

* excludes non-recurring gains/expenses

For Hexachase, priorities during the year included:

1. Restoring operating readiness in paper packaging by addressing manpower constraints that had limited machine utilisation. Following improved access to labour, workforce additions were phased in and paired with structured on-the-job training, reflecting the technical requirements of the production line. This increased operating flexibility and improved the ability to respond to ad-hoc orders with greater consistency; and
2. Positioning Flexipack business for the next stage of growth through customer and market development, alongside the ramp-up of expanded capacity. Resources were directed towards new market and product development, with emphasis on building readiness to serve multinational customers, where supply reliability and visible capacity are key requirements. In parallel, Plant 2 expansion progressed and reached near-completion, creating headroom to support higher volumes as customer acquisition improves.

3.2.2 STENTA GROUP

Stenta saw revenue growth despite softer demand conditions, as industry-wide overcapacity and currency movements continued to weigh on pricing and operating leverage.

KEY PERFORMANCE METRICS	2023	2024	2025
Revenue (RM million)^	214.0	215.2	221.0
Profit before Tax (RM million)*	24.2	24.3	17.9

^ after elimination of intra-group sales transactions

* excludes non-recurring gains/expenses and after consolidation adjustments

Stenta continued to prioritise cost management and operating rate improvements, while maintaining momentum in product development. During the year, several new products were developed for launch, including mono-structure packaging solutions intended to reduce material usage by simplifying pouch structures. The products completed testing in 2025, with commercial push and market adoption planned for 2026.

3.3 KEY TRENDS, RISKS AND OPPORTUNITIES

The packaging industry continues to be influenced by sustainability-driven changes in packaging design alongside ongoing competitive pressure across parts of the supply chain. Demand for paper-based packaging has been supported by substitution away from certain plastic formats, particularly in retail and food-related applications.

At the same time, the industry remains exposed to structural risks. Overcapacity across the packaging value chain continues to intensify competition and place pressure on pricing. Trade measures and tariff differences across countries have influenced customer sourcing decisions, resulting in redirected trade flows and heightened competition in certain markets. For export-oriented businesses, currency movements also affect realised revenue and margins.

Demand conditions remain uneven across markets and customer segments. Softer demand and smaller order sizes can reduce operating efficiency and limit the ability to fully leverage installed capacity. Rising input and operating costs further constrain margin recovery in a competitive pricing environment.

Opportunities are concentrated in segments where packaging requirements are evolving. Paper-based packaging continues to benefit from sustainability-led substitution trends, while flexible packaging demand is shifting toward designs that reduce material usage and improve recyclability, including mono-structure formats. These trends increase the importance of execution capability, visible capacity, delivery consistency and product development aligned with customer cost and compliance requirements.

3.4 DIVISION OUTLOOK

Looking ahead, operating conditions for the Packaging Division are expected to remain competitive in the near term. Industry overcapacity and pricing pressure are likely to persist, alongside continued sensitivity to trade measures, currency movements and input costs. Demand conditions may remain uneven across markets, reinforcing the need for disciplined cost management, utilisation control and selective pricing actions.

Within this environment, the Division will prioritise sustaining operating momentum in paper packaging following the strong performance in 2025, while focusing on execution consistency and delivery reliability. In flexible packaging, attention will be directed toward improving utilisation by expanding the customer base, particularly among multinational customers and converting available capacity into stable volumes.

Product development will continue to play an important role across the Division. Efforts will focus on advancing paper-based and mono-structure solutions that address customer requirements on cost, material efficiency and recyclability. As market conditions evolve, the Division aims to balance near-term competitiveness with readiness to capture opportunities linked to changing packaging requirements and customer sourcing patterns.

4.0 RESOURCES DIVISION

4.1 PERFORMANCE IN 2025

Operating conditions in 2025 were shaped by higher cost pressures and weaker demand. The Division faced increases in operating costs and logistics related charges, including higher port charges and container-related tariffs. Cost pressures also rose from wage adjustments, the expansion in Sales and Service tax and higher logistics prices. A weaker USD also weighed on realised revenue in an export-oriented sales mix. In parallel, global economic uncertainty contributed to softer demand conditions, which intensified pricing pressure and margin compression.

Against this backdrop, revenue declined to RM198.0 million in 2025 from RM223.6 million in 2024. Profit before tax declined to RM28.8 million from RM47.3 million in the prior year, reflecting margin pressure and a higher operating cost environment.

KEY PERFORMANCE METRICS	2023	2024	2025
Revenue (RM million)	202.9	223.6	198.0
Profit before Tax (RM million)	23.3	47.3	28.8

4.2 KEY INITIATIVES

During the year, the Division continued to focus on plant optimisation and cost discipline, recognising that economies of scale remain important given the cost structure of the lime business. In addition, the Division studied the potential use of rail transport as part of its logistics optimisation efforts.

The Division also progressed its planning for a solar panel farm intended to offset electricity costs, including engagement with the local land office on approvals such as right of way requirements.

4.3 KEY TRENDS, RISKS AND OPPORTUNITIES

Cost volatility in logistics and shipping remains a key risk, particularly where external developments constrain global shipping capacity or increase freight costs. Currency movements also remain relevant given the Division's export exposure. The business also remains exposed to tariffs imposed by other countries on its products, which can affect competitiveness and pricing.

From an opportunity standpoint, the Division continues to see steady demand over the long term across our core markets, with growth linked to industrial activity and infrastructure and population-related demand.

4.4 DIVISION OUTLOOK

Looking ahead, the Division expects operating conditions to remain challenging, with business sentiment softer and cost pressures likely to persist. The near-term priority remains protecting competitiveness through cost management, pricing discipline where possible and consistent customer service levels.

Over the medium term, the Division continues to monitor potential growth areas in Malaysia, including applications linked to flue gas and wastewater treatment, road infrastructure and plantation-related soil treatment use cases.

GROUP FINANCIAL POSITION

Assets and Liabilities

Changes in key assets and liabilities during the financial year ended 2025 are explained below:

ASSET/LIABILITY ITEMS	AS AT 31.12.2025 RM'000	AS AT 31.12.2024 RM'000	CHANGES RM'000	EXPLANATION
Service concession asset	1,921,276	2,175,656	(254,380)	The decrease was due to RM198.6 million translation loss and amortisation charge of RM83.0 million, partially offset by a RM27.2 million addition during the year.
Property, plant and equipment (PPE)	980,111	852,473	127,638	The increase was primarily due to RM192.1 million CAPEX, comprising mainly: a) RM121.8 million for Renewable Energy Division; b) RM33.1 million for Packaging Division; c) RM26.8 million for agricultural development; and d) RM5.2 million for medical centre project. partly offset by RM49.4 million depreciation charges and translation loss of RM12.7 million for the year.
Water rights	294,006	337,515	(43,509)	The decrease was due to RM30.6 million translation loss and amortisation charge of RM12.9 million for the year.
Receivable (non-current)	191,075	245,944	(54,869)	The decrease was mainly due to repayment of outstanding debt owing by Électricité du Laos (EDL) and translation loss.
Investment properties	185,530	184,997	533	The increase was due to gain on change in fair value during the year.
Right-Of-Use (ROU) assets	113,413	117,549	(4,136)	The decrease mainly due to amortisation charges for the year.
Joint ventures and associates	184,866	173,432	11,434	The increase was mainly due to RM87.4 million investment in joint venture and associates, partially offset by RM74.3 million share of loss in the current year.
Investment in quoted shares	50,499	87,351	(36,852)	The decrease was mainly due to fair value loss of marketable securities.
Inventories (current) and biological assets	168,574	186,197	(17,623)	The decrease was largely due to lower inventory held by the manufacturing subsidiaries.
Receivables (current)	243,955	330,062	(86,107)	The decrease was mainly due to improved collection from EDL.
Deferred tax liabilities	129,671	133,853	(4,182)	The decrease was mainly due to translation loss during the year.
Payables (current)	162,773	212,995	(50,222)	The decrease was primarily attributed to partial settlement and reversal of liabilities provided for Don Sahong fifth turbine construction costs, and also payments related to turbines overhaul, operation and maintenance.

CASH FLOW ANALYSIS

In 2025, the Group generated a strong post-tax operating cash flow of RM753.5 million which represents a jump of 57.2% from net operating cash inflow of RM479.4 million recorded a year ago, mainly due to prompt trade collections from EDL. Together with RM33.8 million in non-business income and RM8.5 million proceed on shares subscription from non-controlling interests, this brought down the Group's net debt from RM878.1 million at end of 2024 to RM564.7 million, after defraying RM222.5 million in net capex (largely on development of new solar capacities), RM87.4 million in joint venture and associates investments alongside RM115.8 million dividends distribution, and financial costs of RM57.1 million paid.

CAPITAL STRUCTURE AND RESOURCES MANAGEMENT

	GROUP	
	2025 RM'000	2024 RM'000
Total Bank Borrowings, excluding hire purchase liabilities	1,030,813	1,146,440
Less: Bank balances and deposits	(466,133)	(268,320)
Net debt	564,680	878,120
Total equity	3,554,205	3,544,454
Debt-to-equity ratio (times)	0.16	0.25

As at 31 December 2025, Group's net debts improved to RM564.7 million from RM878.1 million posted a year ago and this translates into a net gearing ratio of 15.9% (2024: 24.8%) which is considered low. The Group's approach to capital management is to maintain a strong credit rating for its borrowings and healthy capital ratios in order to support its businesses.

Group Borrowings and Debt Securities

	Long-term		Short-term		Total	
	Foreign Currency ('000)	RM ('000)	Foreign Currency ('000)	RM ('000)	Foreign Currency ('000)	RM ('000)
As at 31 December 2025						
Secured						
Trade financing and loans	-	-	-	71,136	-	71,136
Term loans	-	337,664	-	68,400	-	406,064
Term loan (USD)^	-	-	18,333	74,452	18,333	74,452
Revolving credit	-	-	-	126,795	-	126,795
Bank overdrafts	-	-	-	1,057	-	1,057
		337,664		341,840		679,504
Unsecured Loan						
Term loan	-	37,047	-	5,422	-	42,469
Term loan (USD)^	-	-	40,000	162,440	40,000	162,440
Revolving credit	-	-	-	146,400	-	146,400
		37,047		314,262		351,309
Total Borrowings		374,711		656,102		1,030,813
As at 31 December 2024						
Secured						
Trade financing and loans	-	-	-	50,926	-	50,926
Term loans	-	294,406	-	36,136	-	330,542
Term loans (USD)*	18,333	82,051	18,333	82,051	36,666	164,102
Revolving credit	-	-	-	156,883	-	156,883
		376,457		325,996		702,453
Unsecured Loan						
Term loan	-	20,202	-	-	-	20,202
Term loan (USD)*	30,000	134,265	40,000	179,020	70,000	313,285
Revolving credit	-	-	-	110,500	-	110,500
		154,467		289,520		443,987
Total Borrowings		530,924		615,516		1,146,440

^ translated at exchange rate of 4.06 as at 31 December 2025

* translated at exchange rate of 4.48 as at 31 December 2024

In 2025, total borrowings (excluding hire purchase liabilities) decreased to RM1,030.8 million, a decrease of RM115.6 million from RM1,146.4 million at 31 December 2024, mainly due to:

- (i) Net loans drawdown of RM82.2 million to part finance the purchase of PPE, investment properties and ROU assets; and
- (ii) RM33.4 million translation gain on USD-denominated loans.

The Group's borrowings (excluding hire purchase liabilities) as at 31 December 2025 are predominantly floating in nature and none of the borrowings denominated in foreign currencies are hedged to RM. The Group has not issued any debt securities at the end of the reporting period.

CAPITAL EXPENDITURE REQUIREMENTS

The major capital expenditure requirements contracted for the upcoming years amounted to approximately RM30.6 million, primarily for Hexachase Flexipack Plant 2 expansion which reached near completion, remaining construction costs of two large scale solar farms and preliminary costs for the hospital development project.

FOREIGN CURRENCY EXPOSURE

As the Group operates in numerous international markets, it engages in transactions involving multiple currencies (mainly USD). Consequently, the Group is subject to foreign currency risk, which can affect financial performance due to fluctuations in exchange rates.

Impact on Group's Financial Statements

(a) Revenue and Costs: A significant portion of our revenue and costs are either from Group's foreign operations (where their functional currencies are not RM) or denominated in foreign currencies. Fluctuations in exchange rates can lead to variations in reported revenues and expenses when converted to the Company's reporting currency. On average, the USD has eased 6.1% against RM in 2025.

The amount of revenue derived from foreign operations and currencies registered at RM1,042.7 million, representing 73.5% of Group's annual turnover for 2025. In the same year, the Group spent RM216.7 million on goods and services purchased abroad.

(b) Assets and Liabilities: Our balance sheet includes assets and liabilities denominated in foreign currencies. Changes in exchange rates can affect the value of these assets and liabilities, resulting in

1. Foreign exchange gains or losses recognised in statement of profit or loss, for non-foreign operations. As at 31 December 2025, the non-foreign operations have a net exposure in financial assets (after setting off financial liabilities) of RM155.3 million denominated in foreign currencies. Further details are provided in Note 40.1(a)(i) of the Financial Statements 2025.
2. Foreign currency translation gains or losses recognised outside profit or loss (i.e. in the statement of other comprehensive income) for foreign operation where the USD depreciated against RM by 9.3% from RM4.48/USD at 31 December 2024 to RM4.06 at 31 December 2025.

In maintaining stability and predictability of the Group's financial performance, the Group mitigates its foreign currency risk exposure by aligning revenue and expenses in the same currency to reduce exposure (i.e. natural hedging) whilst continuously monitoring its currency exposure and market conditions and adjusts its risk management strategy accordingly.

The Group remains committed to robust risk management practices to navigate the complexities of the global market.