MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Consolidated Statement of Profit or Loss	2023 RM'000	2022 RM'000	Change
Revenue	**755,137**	838,773	-10%
Profit from operations	**9,549**	7,282	31%
Profit before tax	**16,285**	2,681	>100%
Profit after tax	**13,552**	601	>100%
Consolidated Statement of Financial Position			
Total assets	**941,438**	883,448	7%
Fixed deposits, cash and bank balances	**69,385**	80,981	-14%
Total liabilities	**179,309**	142,743	26%
Bank borrowings	**35,280**	18,711	89%
Net assets	**762,129**	740,662	3%

Segment Results

	Revenue			Segment Profit/(Loss) *		
	2023 RM'000	2022 RM'000	Change	2023 RM'000	2022 RM'000	Change
Building materials and steel products ("Building Materials")	**635,434**	725,087	-12%	**4,050**	5,793	-30%
Lubricants, petroleum products and automotive products ("Lubricants")	**117,488**	111,635	5%	**12,243**	8,880	38%
Others	**2,215**	2,051	8%	**(6,744)**	(7,391)	9%
	755,137	838,773	-10%	**9,549**	7,282	31%

* *"Segment profit/(loss)" refers to profit 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 financial year ended 31 December 2023 ("FYE 2023"), the Group registered a revenue of RM755.1 million, marking a 10% decline from the preceding financial year, mainly due to the reduced contribution from the Building Materials Division.

Revenue and profit of the Building Materials Division decreased by 12% and 30% to RM635.4 million and RM4.1 million respectively compared to the preceding financial year, due primarily to lower sales of steel products and rising operating costs.

Meanwhile, the Group's Lubricants Division achieved sales exceeding RM100 million for the second consecutive year, with revenue increasing by 5% to RM117.5 million for the FYE 2023 compared with RM111.6 million recorded a year ago. Correspondingly, profit increased by 38% to RM12.2 million for the year under review.

Results from other businesses were mainly derived from the provision of training services, distribution and retailing of consumer products, investment in Cambodia and investment holding. These activities collectively contributed slightly higher revenue of RM2.2 million.

With a one-off gain of RM8.6 million on the dissolution of a subsidiary company and a share of lower loss of associated companies, the Group's profit before tax improved to RM16.3 million for the year under review.

As at 31 December 2023, the Group's net assets improved to RM762.1 million, or RM3.35 per share; representing an increase of 10 sen over the preceding financial year.

REVIEW OF OPERATIONS

Building Materials and Steel Products

Moving forward from the growth momentum of 2022, the construction industry experienced encouraging positive shifts in 2023. The private sector saw a significant resurgence in construction activities following the pandemic-induced lockdowns which included the development of high-rise residential buildings incorporating mixed-used concepts, fast-tracked industrial projects and data centre developments. Revival of Government-driven infrastructure projects and the sustained expansion from the private sector further fuelled the growth of the construction industry to remain robust in 2023. However, the public sector that represented the largest share of Government initiated projects experienced a gradual slowdown primarily attributed to Government scrutiny and cautious spending practices.

Despite the positive outlook in 2023, the volatility in the prices of building materials posed a challenge to the industry. As a result, the Division registered a lower revenue of RM635 million for FYE 2023 against a revenue of RM725 million achieved in the previous year. The Division will continue to strive and improve its performance to contribute positively to the Group.

The construction industry is expected to see brighter prospects in 2024 with the revival and acceleration of several mega infrastructure projects especially in the rail and road network, and data centre developments. The New Industrial Master Plan 2030 launched by the Government in September 2023 calls for the development of new industrial parks as well as the construction and upgrading of infrastructure to support the growth of the manufacturing sector. The building materials industry is also set to benefit from the 12th Malaysia Plan Mid-Term Review (12MP MTR) in which the development expenditure ceiling is raised to RM415 billion from RM400 billion to support the development of major infrastructure projects including the Penang Light Rail Transit (LRT), the Sabah-Sarawak Link Road and the building of 500,000 affordable homes.

Operating in an intensely challenging and competitive business environment, the Division will always stay vigilant and responsive to market changes. The Division will continue to remain positive on its operating performance by forging strategic relationships with principal suppliers and trading partners, developing partnerships with key customers and developers. The Division has also expanded its market coverage throughout Malaysia on the distribution of our in-house brands of finishing products, such as sanitary wares, tap fittings, tiles and ironmongery to grow revenue and enhance margins. To increase its market share in the distribution of retail products to the hardware sector, the Division is in the process of setting up warehouses in the major towns and cities throughout the country.

Lubricants, Petroleum Products and Automotive Products

The Division remains vigilant to the continuing economic impact on its business operating environment. 2023 saw the weak Ringgit and inflationary pressures on daily essentials and goods, thus affecting less prioritised general household spending such as personal transport repairs and maintenance.

Despite these challenges, our wide dealers network provides us a resilient and strong distribution channel to record healthy and profitable business outcomes in the industries we are involved in. The close collaboration with them and our common business objectives have enabled us to be a preferred lubricant provider over our competitors. High growth regions/segments helped to offset weak performing markets, and thus, revenue remained mainly unchanged and stable at above RM100 million in the year under review.

In a challenging operating environment of rising supply and labour costs, the Division continued to be cost-conscious in our production process and distribution expenditure. As we were able to benefit from favourable supply and storage facilities, we recorded improvement in profitability across some products.

Emerging trends and new regulatory conditions will affect how we drive our business forward. We constantly seek business opportunities to expand our product coverage, and adopt sustainable strategies to strengthen our business resilience to mitigate disruptions and constraints. Barring unforeseen circumstances, the Division will continue to perform favourably in 2024.