MANAGEMENT
DISCUSSION AND ANALYSIS

Dear Valued Stakeholders,

On behalf of the Board of Directors (**the Board**) of Wellcall Holdings Berhad (**the Company**), we are pleased to present the Management Discussion and Analysis of the Company and its subsidiary company (**Wellcall** or **the Group**) for the financial year ended 30 September 2025 (**FYE 2025**) where we achieved a favourable financial performance record of revenue and profit after tax at RM184 million and RM47 million respectively.

The following management discussion and analysis of the operating performance and financial condition of the Group for the twelve (12) months ended 30 September 2025 should be read in conjunction with the Audited Financial Statements ("**AFS**") for the FYE 2025 and related notes thereto.

OVERVIEW

The Group remains focused on resilience and strategic adaptability despite ongoing challenges such as inflationary pressures, market-related issues, supply chain disruptions, climate change and fluctuation of foreign currency. We prioritize on prudent procurement practices, careful inventory management and cost optimisation initiatives. By continuing to invest in enhancing operational efficiency, we are committed to maintain a stable and agile position in an increasingly volatile environment.

Despite these challenges, the Group remains optimistic about its long-term prospects. Our continued dedication to innovation, operational excellence, and responsive market strategy ensures that the Group maintains its position as a prominent global market player.

FINANCIAL PERFORMANCE REVIEW

Review on Statements of Comprehensive Income

(a) Revenue

The Group recorded a revenue of RM184 million for FYE 2025 compared to revenue of RM209 million recorded for the financial year ended 30 September 2024 ("**FYE 2024**"), representing a decrease of RM25 million or 12% respectively.

The export and local market contributed approximately 91% and 9% respectively to the Group's annual revenue. The export market experienced a decrease of 12%, while the local market registered a decrease of 9% as compared to the preceding financial year.

The decrease in revenue was mainly due to softening of demand in low and medium pressure industrial rubber hose in the global market.

(b) Profit Before Taxation ("PBT")

The Group achieved a slightly lower PBT of RM61 million for FYE 2025 as compared to PBT of RM64 million recorded in FYE 2024, representing a RM3 million decrease or approximately 5%. The decrease in PBT was primarily due to lower revenue recorded during the financial year under review.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

FINANCIAL PERFORMANCE REVIEW (CONT'D)

Review on Statements of Comprehensive Income (Cont'd)

(c) Non-Financial Performance

The Group recognizes the importance of non-financial performance measurement in establishing a connection between strategies and daily tasks. The following are key non-financial performance measurements for the Group:

(i) Customer Retention

We have maintained a customer retention rate of over 95% as our marketing team performed data analytics to predict customer purchasing behaviour. In addition, we also regularly communicated with existing and inactive customers to address any concerns promptly.

(ii) Customer Satisfaction

Our products are customised based on customers' required specifications, such as diameter, colour, working pressure, length, and temperature resistance level. Moreover, we offer flexibility in quantity and product type, accepting low quantity-high mix orders. This distinguishes us from larger players who are unwilling to accommodate small orders.

(iii) On Time Delivery

With a short delivery lead time of thirty (30) to forty-five (45) days, the Group ensures that we can handle urgent orders with a two (2) weeks' notice. This essential service reduces our customers' stock holding and cashflow requirements. Additionally, we are less affected by logistical disruptions, allowing us to deliver most customer orders promptly and maintain long-lasting relationship.

Review on Statements of Financial Position

(i) Total Assets

The Group's total assets increased to RM182 million for FYE 2025 as compared to RM175 million for FYE 2024, representing an increase of RM7 million or 4%. The increase was primarily driven by the acquisition of investment properties and reduction in trade and other receivables, as well as cash and cash equivalents.

(ii) Total Liabilities

Total liabilities had slightly decreased from RM32 million for FYE 2024 to RM31 million for FYE 2025 was primarily driven by a reduction in other payables and accruals.

(iii) Loan & Borrowing

The Group did not have any short-term and long-term borrowings during the financial year under review.

(iv) Net Assets Per Share & Basic Earnings Per Share

The Group maintains a strong financial position, with net assets per share of 30.30 sen for FYE 2025 (FYE 2024: 28.74 sen per share). Basic earnings per share for FYE 2025 was 9.36 sen per share as compared to 9.42 sen per share in FYE 2024.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

FINANCIAL PERFORMANCE REVIEW (CONT'D)

Review on Statements of Cash Flow

(i) Operating Activities

The Group recorded a net cash flow from operating activities of RM47 million for FYE 2025, reflecting a 10% decrease. The decline was primarily due to lower revenue recorded and unfavourable changes in working capital for FYE 2025 as compared with FYE 2024.

(ii) Investing Activities

Net cash flow used in investing activities amounted to RM34 million for FYE 2025, compared to RM8 million for FYE 2024. This drastic increase was resulted from the acquisition of investment property and property, plant and equipment.

(iii) Financing Activities

The Group's net cash used in financing activities amounted to RM39 million for FYE 2025 compared to RM44 million for FYE 2024. The difference was primarily due to lower dividends paid out during the financial year under review.

Capital Expenditure

The Group incurred capital expenditures of RM2.9 million on property, plant and equipment, mainly for upgrading production lines to enhance operational efficiency. Additionally, the Group incurred another RM2.4 million as capital work-in-progress.

OPERATING ACTIVITIES REVIEW

Wellcall Hose (M) Sdn. Bhd., our wholly owned subsidiary company is Malaysia's leading manufacturer and global exporter of industrial rubber hoses. With over three decades of proven expertise, we specialize in producing a wide range of durable, high-performance hoses for various sectors including oil & gas, automotive, food & beverage, marine and many other application markets in different environment.

In line with our commitment to cost efficiency, the Group has comprehensively reviewed our energy consumption. The shift toward natural gas usage significantly mitigates rising utility costs and reduces our carbon footprint.

During the financial year under review, the Group successfully commissioned a solar photovoltaic system at our Plant 2. This investment has generated 223.19 MWh of renewable energy. By integrating solar power into our operations, we are reducing our reliance on grid electricity and mitigating carbon emissions. This initiative demonstrates our material commitment to environmental stewardship and aligns with our long-term goal of fostering a greener and more sustainable future.

In addition, we have allocated approximately RM5.7 million for capital expenditure in line with an advanced machine from Italy for mandrel line. This advanced machinery is expected to enhance our production precision and operational efficiency. It has also improved labour cost efficiency by reducing headcount without compromising quality.

In view of the volatility and rapidly changing conditions in the low and medium industrial rubber hose market, the Group, through its operating subsidiary, remains proactive, adaptive and flexible in adjusting its operating strategies in line with prevailing market sentiment.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

RISK RELATING TO OUR BUSINESS

Business Risk

The Group is exposed to various general business risks, as well as those inherent in the manufacturing industry. For instance, the Group may face challenges from a downturn in the global, regional and/ or national economy, labour shortages and rising of raw material costs, regulatory changes, increased operational expenses, fluctuations in foreign exchange rates and changes in business and credit condition.

Although the Group seeks to mitigate these risks by maintaining strong relationships with customers and suppliers, enhancing efficiency, and implementing cost control measures, no assurance can be given that a change in the factors mentioned above will not adversely affect the Group's business.

Credit Risk

The Group's credit risk primarily arises from trade receivables. However, the Group does not make any material allowance pertaining to the impairment of trade receivables as long as robust and effective credit control measures are in place. Our valued customers adhere to the agreed credit terms granted, fostering stronger support and cooperation. Nonetheless, the Group regularly assesses customer creditworthiness and updates its credit procedures to further mitigate credit risk.

Fluctuation of Raw Material Costs

The fluctuation in raw material costs is a crucial factor to the Group's performance, as it directly impacts the cost of sales and gross profit margin. The volatility of raw material prices, arising from the global demand and supply mechanism, as well as currency fluctuations, has affected our pricing strategy and operational costs. However, the Group is still able to manage the impact by maintaining a gross profit margin above 30%.

To ensure steady supply of key raw materials, our procurement team maintain strong relationships with the key suppliers and regularly monitors the cost fluctuation of raw materials. Meanwhile, we also maintain a buffer inventory of raw materials which is sufficient to support production for up to three (3) months to prevent any production disruption.

INDUSTRY TREND, DEVELOPMENT AND PROSPECT

The Group acknowledges the critical importance of operational efficiency and is fully committed to continuously optimising operating costs across its business operations. In the highly competitive industrial rubber hose industry, the Group remains focused on preserving its strong market position while maintaining the highest standards of quality.

Despite unforeseen circumstances and potential shifts in the industrial rubber hose market, the Group remains steadfast in its commitment to deliver high quality products to our existing customers. In addition, we will also actively pursue new business opportunities by securing orders from new customers and close monitoring prevailing market conditions. This will enable us to adopt appropriate strategies to mitigate risks and achieve sustainable growth for the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

DIVIDEND POLICY

The Group has consistently paid out dividends over the previous financial years and has exceeded its dividend pay-out ratio over the past six (6) financial years. The Company's policy is to maintain a dividend pay-out ratio of at least fifty percent (50%) of its net profit per year. The Group ensures that it meets the provisions of the Companies Act, 2016 and satisfies the solvency test as well as the profit availability test prior to recommending a dividend declaration for approval.

APPRECIATION

On behalf of the Board of Directors, we would like to express our sincere gratitude to our valued stakeholders for their invaluable contributions, unwavering dedication and continued trust and support through the financial year. We also extend our appreciation to our management and employees for their commitment, professionalism, and contribution to the Group. Finally, we would also like to thank our Board of Directors for their invaluable advice, guidance, and ongoing support to the Group.

HUANG SHA, P.M.P.
Group Managing Director