MANAGEMENT DISCUSSION AND ANALYSIS REPORT

HUA YANG BERHAD REMAINS FUNDAMENTALLY FOCUSED ON BUILDING QUALITY, AFFORDABLE RESIDENTIAL PROPERTIES WITHIN HIGH-GROWTH, INFRASTRUCTURE-LINKED CORRIDORS ACROSS MALAYSIA. DURING FYE 2026, THE GROUP OPERATED IN A TRANSITIONAL PHASE, SHIFTING FROM CONSTRUCTION-LEANING TO STRATEGIC LAND ACQUISITION, LAUNCH PREPARATION, AND OPERATIONAL OPTIMISATION.

STRATEGIC OVERVIEW

Our business model continues to be anchored on disciplined capital allocation, selective project phasing, and a customer-centric product strategy. The Group's core strengths lie in its diversified regional footprint, an integrated supply chain, and a governance framework that embeds sustainability and efficiency into our DREAMS values (Dependable, Reliable, Efficient, Affordable, Motivated, Sustainable).

Although revenue and profitability were impacted by project completion cycles and delays in new launches, the Group continued to lay the groundwork for future expansion through strategic land acquisitions and project preparations for FYE 2027.

During FYE 2026, the Group's operations were mainly concentrated in the Klang Valley, Johor and Perak. Key contributors included ongoing developments such as Taman Ara Saujana in Dengkil (Selangor), Elemence in Pasir Gudang (Johor), and Bandar U in Seri Iskandar (Perak).

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FYE 2026 OPERATING ENVIRONMENT AND MARKET CHALLENGES

FYE 2026 was defined by persistent challenges as Hua Yang operated against a backdrop of ongoing economic hurdles and industry friction. The Malaysian real estate market saw softer activity and more selective buyer behaviour as a result of several converging factors:

Cost Inflation and Geopolitical Pressures:

Ongoing international conflicts and supply chain disruptions continue to drive up costs;

Tightening Financing Conditions:

Financial institutions maintained cautious lending policies, making it harder for some buyers to get a mortgage;

Buyer Behaviour Shift:

Due to rising living costs and economic instability, consumer behaviour has shifted towards delayed purchasing;

Project Approvals and Pipeline Delays:

Extended approval timelines for development projects impacted launch schedules and revenue recognition timing, resulting in delays in replenishing the Group's development pipeline;

Market Overhang:

Data from the National Property Information Centre (NAPIC) indicated a concern in unsold housing, particularly mid-to-upper tier developments.

Confronted with these challenges, Hua Yang remained focused on operational discipline, cost optimisation and prudent project planning.

The Group also adopted a selective approach towards new project launches, carefully evaluating market demand, product positioning and sales prospects before committing resources. This disciplined strategy allowed Hua Yang to prioritise developments with stronger market potential and minimise exposure to market uncertainties.

By procuring major commodities such as steel, cement, bricks, and tiles directly at bulk scale, our trading division supplied raw materials directly to our appointed site contractors to eliminate middleman markups and insulate our supply chain from sudden price hikes. This strategy allows us to have better control over procurement costs, minimise the impact of material price fluctuations, and enhance supply chain reliability.

Meanwhile, by applying the Quality Assessment System in Construction (QLASSIC) standards into our daily workflows, we managed to reduce post-handover rectification expenses, thus enhancing our brand value as a dependable developer while aligning with our sustainability goals.

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FINANCIAL PERFORMANCE REVIEW

For the financial year under review, the Group recorded a total revenue of RM64.0 million, representing a decline, in comparison to the RM104.6 million achieved in FYE 2025. This contraction was mainly due to lower contribution from ongoing developments as several projects approached completion stages. In addition, delays in new project launches arising from regulatory approval-related timelines limited the replenishment of revenue-generating activities during the year.

Profit After Tax (PAT) stood at a loss of RM4.7 million, with Earnings Per Share (EPS) at negative 1.04 sen. Consequently, the Group recorded a Return on Assets (ROA) of negative 0.53%, reflecting the temporary mismatch between the Group's asset base and earnings generation during the year.

This shortfall was driven by lower revenue generation against fixed corporate overheads, alongside upfront expenditures required for site preparation, statutory compliance, and pre-launch infrastructure. While margins faced compression from rising material and logistics costs, our in-house procurement strategy and phased development approach prevented more severe profitability erosion.

Cash flow, liquidity and working capital experienced a planned reduction during the year. The contraction was due to capital deployment ahead of future launches. These expenditures included the construction of sales galleries, statutory compliance payments, infrastructure works, structural piling works and other pre-development costs necessary to support the Group's future project pipeline.

Liquidity remains adequately supported by existing credit facilities and internal cash reserves. Management's immediate focus for FYE 2027 includes systematic debt reduction to lower financing costs, improve the net gearing ratio, and enhance financial flexibility for accelerated project execution. In other words, reducing borrowings and strengthening cash flow remain among the Group's priorities moving forward.

LANDBANK AND GROSS DEVELOPMENT VALUE (GDV)

As of 31 March 2026, the Group's undeveloped landbank stood at 394 acres, with an estimated Gross Development Value (GDV) of RM4.8 billion. This substantial land inventory provides approximately 9 to 10 years of sustained development activity. The healthy pipeline offers investors strong revenue visibility and the operational agility to capitalise on market demand in key growth areas.

A key highlight of our fiscal year was landbank expansion involving three lots: 7.33 acres in Dengkil (Selangor), 6.27 acres in Rawang (Selangor), and 9.34 acres in Pusing (Perak, secured via the acquisition of a wholly-owned subsidiary, Sulaiman Properties Sdn. Bhd.).

Total Revenue FYE 2026

RM64.0 MILLION

(FYE 2025 Revenue ***RM104.6 million****)*

Gross Development Value (GDV)

RM4.8 BILLION

This substantial land inventory provides approximately 9 to 10 years of sustained development activity.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

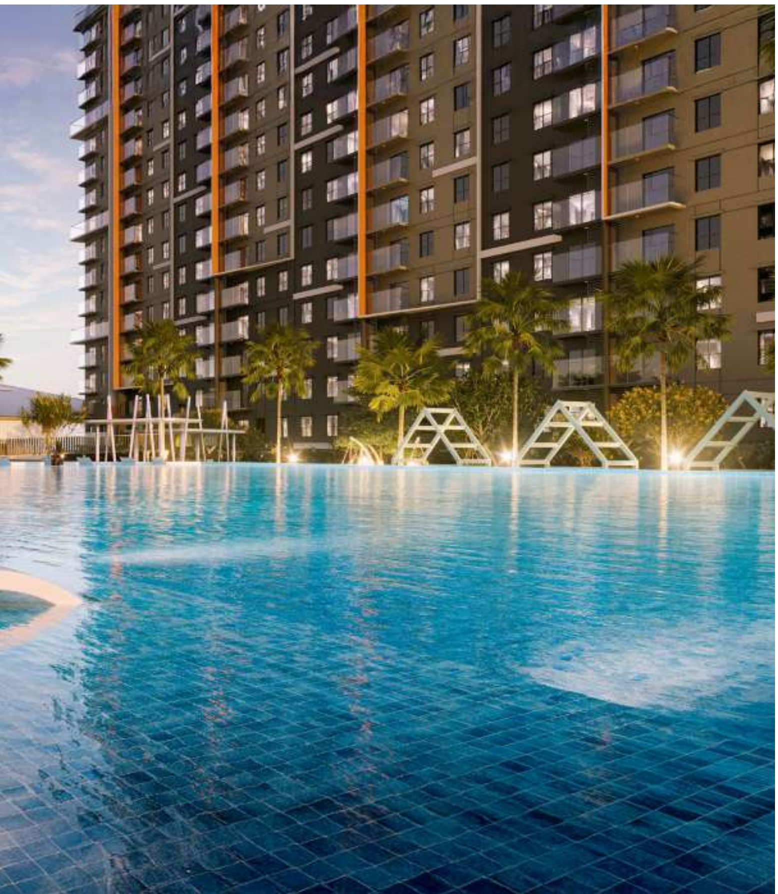
PROJECT PORTFOLIO AT A GLANCE

The Group's ongoing development pipeline carried a total GDV of RM534 million during FYE 2026. Key active sites included: Taman Ara Saujana in Dengkil, Elemence in Pasir Gudang (Phases 5P2A, 5P2B and 5P2C(1)), and Bandar U in Seri Iskandar (Azalea Phase 1 and Santolina Phase 1).

Taman Ara Saujana continued to contribute positively to earnings and cash flow during the year. The development remains a key component of the Group's presence in the Klang Valley, particularly growing residential suburbs.

Elemence in the Iskandar Malaysia economic region rides on easy access to major highways like Pasir Gudang Highway and Senai-Desaru Expressway to benefit from Johor's long-term growth potential and increasing economic activity.

Bandar U is strategically situated halfway between Ipoh and Manjung, with direct access to the Ipoh-Lumut Highway. The integrated township nestles in a major educational hub comprising Universiti Teknologi PETRONAS (UTP) and Universiti Teknologi MARA (UiTM).



FYE 2026 NEW LAUNCHES

On new launches, Hua Yang successfully introduced Ara Residences @ Puchong Horizon (Klang Valley) and Altus Residency in Prai (Penang). These developments expand the Group's portfolio in strategic urban locations and are expected to contribute to future earnings as sales and construction progress.

FYE 2027 LAUNCHES IN THE PIPELINE

For FYE 2027, Hua Yang has outlined five new launches in high-growth suburbs to strengthen the Group's market presence and support future growth. These upcoming developments will be Elemence Phase 3P1A in Pasir Gudang (Johor), Azalea Phase 2 of Bandar U in Seri Iskandar (Perak), Rumah Selangorku (RSKU) affordable housing in Kajang, and two more new projects in Bemban and Tronoh (Perak).

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

REGIONAL PRESENCE AND MARKET POSITION

By operating across multiple regions, this geographic diversification strategy safeguards Hua Yang against any single state's market volatility, ensuring a more stable overall performance.

01 KLANG VALLEY

This region remains our core revenue driver, benefiting from consistent population growth, infrastructure expansion, and sustained demand for well-located affordable housing. The launch of Ara Residences @ Puchong Horizon reinforces our competitiveness in mature, highly accessible suburbs. After all, Klang Valley is the country's primary economic and employment hub with unmatched infrastructure and connectivity.

02 JOHOR

The southernmost state displays resilient demand, driven by the near-completion Johor Bahru-Singapore Rapid Transit System (RTS) Link, strong development momentum in Iskandar Malaysia (South Johor Economic Region), and cross-border economic growth. The steady sales of Elemence in Pasir Gudang highlights our product-market fit within this strategic corridor.

03 PERAK

Hua Yang's Bandar U township development in Seri Iskandar underscores our successful expansion into a regional growth area that doubles as an education hub, giving the Group the advantage of riding on long-term demand for affordable landed properties. In addition, Seri Iskandar is the administrative centre of Perak Tengah District.

04 PENANG

Following last year's successful handover of Aston Acacia in Bukit Mertajam, our presence in the northern region is currently shifting towards a consolidation phase. However, the recent launch of Altus Residency in Prai continues to show our ongoing undertakings in this high-growth region.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

HUA YANG'S MULTI-STATE PRESENCE ENSURES THAT THE GROUP DOES NOT RELY ON ANY SINGLE MARKET FOR GROWTH. FROM TOWNSHIP DEVELOPMENT IN PERAK AND JOHOR TO HIGH-RISE HOUSING IN THE KLANG VALLEY AND PENANG, OUR REGIONAL STRATEGY DIRECTLY ADDRESSES THE NATIONWIDE DEMAND FOR AFFORDABLE, ACCESSIBLE HOUSING. THIS BALANCED APPROACH PROVIDES A RESILIENT FOUNDATION FOR OUR SUSTAINED FINANCIAL HEALTH AND OPERATIONAL STABILITY.

FYE 2027 OPERATIONAL PRIORITIES

The Board has set five (5) key pillars to advance our corporate priorities throughout the next financial year:

- **Sales Execution & Construction Acceleration:** Step up booking conversions and speed up physical site progress across all active phases to secure steady, progressive billings;
- **Cost Optimisation:** Continue disciplined budget management such as leveraging in-house procurement, digitally driven project monitoring, and lean construction methods to protect margins;
- **De-gearing the Balance Sheet:** Prioritise project billings towards reducing bank borrowings to reduce interest expenses, improve net gearing, and strengthen balance sheet resilience;
- **Digital Transformation:** Accelerate the adoption of integrated systems, AI-driven analytics, and digital tools across project management, sales tracking and customer engagement, while upskilling staff for operational efficiency and cost optimisation;
- **Branding & Social Media Campaigns:** Intensify targeted marketing through digital channels, community engagement, and lifestyle-focused branding to improve project visibility and buyer conversion.

FYE 2027 GROWTH TARGET

Despite external uncertainties like geopolitical conflicts, oil price fluctuations, and property market overhangs, Hua Yang maintains a cautiously optimistic outlook for FYE 2027, driven by sustained urbanisation that supports the underlying demand for affordable housing. Backed by forthcoming product pipeline and optimised cost structure, and with our presence in all those growth regions as discussed earlier, the Group remains focused on driving sustainable growth and delivering long-term value in the next financial year.

Sincerely,

Ho Wen Yan
Chief Executive Officer (CEO)
Hua Yang Berhad