

Management Discussion And Analysis

FINANCIAL RESULTS & CONDITION

REVENUE AND GROSS PROFIT MARGIN

	2025 18 months RM'000	2025 12 months RM'000*	2024 12 months RM'000	Year-on-Year Variance (%)
Revenue				
Biomass materials and related products	104,317	69,545	62,467	+ 11.33
Furniture, mattresses and related products	72,861	48,574	60,003	- 19.05
Property development and management	805	537	1,351	- 60.25
Money Lending Services	4,831	3,221	501	+ 542.91
	182,814	121,877	124,322	- 1.97
Profitability				
Gross profit "GP"	52,648	35,099	34,309	+ 2.30
GP margin	28.80%	28.80%	27.60%	
Profit before tax "(PBT)"	11,933	7,955	10,217	- 22.14
(PBT) margin	6.53%	6.53%	8.22%	
Net profit for the year "(PAT)"	9,531	6,354	7,856	- 19.12
(PAT) margin	5.21%	5.21%	6.32%	

*Basis of Comparison

Following the change in the Company's financial year end from 31 March to 30 September, the current financial period covers 18 months. For meaningful comparison, the Group's performance in this Management Discussion and Analysis is presented on an annualised 12 months' basis and compared against the preceding 12 months financial year. The 18-month figures are presented for reference only.

Revenue

On an annualised basis, the Group recorded revenue of RM121.88 million, representing a slight decrease of 1.97% compared with RM124.32 million in the preceding financial year.

Revenue performance by key business segments was as follows:

i. Biomass materials and related products

Revenue increased by 11.33% to RM69.55 million (2024: RM62.47 million), supported by higher sales volume and sustained demand, and remained the largest contributor to the Group's revenue.

ii. Furniture, mattresses and related products

Revenue decreased by 19.05% to RM48.57 million (2024: RM60.00 million), mainly due to softer demand and transitional change in the management of a major subsidiary during the financial year.

Revenue from property development and management and money lending services contribute approximately 3.08% to the Group's overall revenue and did not have a significant impact on the Group's financial performance during the financial year under review.

Management Discussion And Analysis (Cont'd)

FINANCIAL RESULTS & CONDITION (CONT'D)

Gross Profit and Gross Profit Margin

On an annualised basis, the Group recorded gross profit of RM35.10 million (2024: RM34.31 million), with a gross profit margin of 28.80%, compared with 27.60% in the preceding financial year.

The improvement in gross profit margin was mainly attributable to:

- i. Better cost efficiencies, particularly within the biomass segment; and
- ii. Improved product mix, which enhanced overall margin contribution.

Profit Before Tax ("PBT")

Annualised profit before tax amounted to RM7.96 million, representing a decrease of 22.14% compared with RM10.22 million in the preceding financial year. The PBT margin declined to 6.53% from 8.22%.

The lower PBT margin was mainly due to:

Annualised administrative expenses increased to RM35.01 million (2024: RM20.25 million), primarily due to:

- i. One-off expenses incurred during the financial year amounting to RM3.96 million which was derived from an expense incurred for recognised fair value losses (equity-settled share-based payment transactions) resulting from the issuance of additional SIS shares as an one-off, non-recurring transaction to reward employees; and
- ii. Higher impairment charges, particularly on intangible assets, at RM13.11 million and receivables totalled RM6.10 million, recognised during the period.

However, the losses were partially offset by the following factors.

Annualised other income increased significantly to RM16.56 million (2024: RM2.92 million), mainly attributable to gain on disposal of investment properties and other non-recurring income recognised during the financial period.

Net Profit After Tax ("PAT")

On an annualised basis, the Group recorded net profit after tax of RM6.35 million, representing a decrease of 19.12% compared with RM7.86 million in the preceding financial year. The PAT margin decreased to 5.21% from 6.32%, mainly due to the same factors affecting PBT.

Overall Assessment

Overall, the Group maintained a stable revenue base on an annualised basis, supported by growth in the biomass segment, despite softer performance in the furniture segment. While gross profit margin improved, profitability at the PBT and PAT levels was impacted by higher operating costs and impairment losses. Nevertheless, the Group remained profitable during the financial year under review.

FINANCIAL POSITION

	2025 RM'000	2024 RM'000	Year-on-Year Variance (%)
Total assets	320,181	267,387	19.74%
Total liabilities	38,942	62,046	-37.24
Shareholders' equity	212,530	183,034	10.34
Net assets per share (sen)	22.24	21.23	

Management Discussion And Analysis (Cont'd)

FINANCIAL POSITION (CONT'D)

As at 30 September 2025, the Group's total assets increased by 19.74% to RM320.18 million (2024: RM267.39 million). The increase was mainly attributable to additions arising from acquisitions, investments, and higher working capital balances, in particular trade receivables and inventories during the financial year.

Total liabilities decreased significantly by 37.24% to RM38.94 million (2024: RM62.05 million), mainly due to the repayment of borrowings and lease liabilities, as well as reduced utilisation of bank overdraft facilities, partially offset by higher deposits pledged to licensed banks to secure banking facilities.

As a result, shareholders' equity increased by 10.34% to RM212.53 million (2024: RM183.03 million), driven primarily by profit generated during the financial year and capital raised from corporate exercises, net of share buy-back undertaken during the year.

Consequently, the Group's net assets per share improved to 22.24 sen (2024: 21.23 sen), reflecting the strengthening of the Group's financial position.

LIQUIDITY

	2025 Days	2024 Days	Changes Days
Trade receivables' turnover period ⁽¹⁾	84	97	- 13
Inventories' turnover period ^{(2)&(3)}	23	50	+ 27
Trade payables' turnover period ⁽²⁾	8	25	- 17
Cash conversion cycle	99	122	- 23

⁽¹⁾ This is derived using the formula: $(\text{Closing balance as at year-end} / \text{Total revenue}) \times 365$ days.

⁽²⁾ This is derived using the formula: $(\text{Closing balance as at year-end} / \text{Cost of sales}) \times 365$ days.

⁽³⁾ Applicable only to manufacturing inventories.

The Group's cash conversion cycle improved by 23 days to 99 days during the financial year under review, reflecting more efficient working capital management.

The improvement was mainly attributable to:

- i. A reduction in the trade receivables' turnover period by 13 days, indicating faster collection of receivables; and
- ii. A shorter inventories' turnover period by 27 days, reflecting better inventory management and improved inventory turnover.

These improvements were partially offset by a shorter trade payables' turnover period, which decreased by 17 days, reflecting faster settlement of trade payables during the financial year.

Overall, the shorter cash conversion cycle indicates that the Group was able to convert its working capital into cash more efficiently compared with the preceding financial year.

Management Discussion And Analysis (Cont'd)

CASH FLOW STATEMENT

	2025 RM'000	2024 RM'000
Cash flows from operating activities	102	1,773
Cash flow used in investing activities	(7,026)	(12,073)
Cash flow from (used in) financing activities	9,152	(3,849)
Net movements in cash and cash equivalents	2,228	(11,922)
Cash and cash equivalents at the end of the financial year:		
Cash and bank balances	19,078	15,408
Fixed deposits with licensed banks	9,663	11,741
Short-term money market deposit	-	1,200
	28,741	19,362
Less:		
Bank overdrafts	(3,230)	(8,987)
Deposits pledged to licensed banks	(9,418)	(5,495)
	16,093	13,867
Current ratio (times)	4.24	3.08

During the financial period ended 30 September 2025, the Group maintained a strong liquidity position. Net cash generated from operating activities amounted to RM0.10 million (2024: RM1.77 million), with the lower operating cash flow mainly attributable to higher working capital requirements, particularly a reduction in trade and other payables, and a decrease in contract liabilities, as well as the recognition of non-cash impairment losses on intangible assets and receivables.

Net cash used in investing activities amounted to RM7.03 million (2024: RM12.07 million), arising mainly from the acquisition of subsidiary companies, capital expenditure on property, plant and equipment, and investment in other financial assets, partially offset by proceeds from the disposal of investment properties, other investments and non-current assets classified as held for sale.

Net cash from financing activities amounted to RM9.15 million, compared with a net cash outflow of RM3.85 million in the preceding year, mainly due to funds raised from a private placement and the exercise of SIS and warrants, as well as capital contribution, partially offset by repayment of term loans and lease liabilities and repurchase of treasury shares.

As at 30 September 2025, the Group's cash and cash equivalents increased to RM16.09 million (2024: RM13.87 million), after deducting bank overdrafts and deposits pledged to licensed banks, and the current ratio improved to 4.24 times (2024: 3.08 times), reflecting a strengthened short-term liquidity position.

Management Discussion And Analysis (Cont'd)

CAPITAL EXPENDITURE REQUIREMENTS, CAPITAL STRUCTURE AND CAPITAL RESOURCES

Capital Commitment	2025 RM'000	2024 RM'000
Capital expenditure in respect of purchase of property, plant and equipment		
Approved but not contracted for	11,700	-
Contacted but not provided for	-	49
	11,700	49

As at 30 September 2025, the Group recorded capital commitments of RM11.70 million for approved capital expenditure on property, plant and equipment, compared with RM0.05 million in the preceding year.

BORROWING

Borrowings	2025 RM'000	2024 RM'000
Short terms (repayable within 12 months)	3,969	10,443
Long terms (repayable within 12 months)	8,329	20,198
	12,298	30,641
Gearing ratio (times) Borrowings/Shareholders' Equity	0.06	0.17

As at 30 September 2025, the Group's total borrowings decreased significantly to RM12.30 million (2024: RM30.64 million), representing a reduction of approximately 59.86% year-on-year.

The decrease was mainly attributable to the repayment of term loans and reduced utilisation of short-term borrowings, including bank overdraft facilities, during the financial year.

Of the total borrowings, RM3.97 million were short-term borrowings repayable within 12 months (2024: RM10.44 million), while RM8.33 million were long-term borrowings (2024: RM20.20 million).

As a result, the Group's gearing ratio, computed as total borrowings divided by shareholders' equity, improved from 0.17 times to 0.06 times, reflecting a stronger capital structure and lower leverage.

REVIEW OF OPERATING ACTIVITIES

Proposed Acquisition: Announcement dated 29 May 2025

On 29 May 2025, the Board of Directors of the Company announced that Open Road (East Coast) Sdn. Bhd., the wholly-owned subsidiary of the Company (the "OREC") had on 28 May 2025:

- i. entered into an unincorporated joint venture agreement ("**UJVA**") with Udaran Sdn Bhd ("**Udaran**") and Tregon Construction Sdn Bhd ("**Tregon**") to develop an existing mixed development project in Kuala Terengganu;
- ii. entered into sale and purchase agreements with Tregon for the acquisition of the lands from Tregon for a total consideration of RM13,000,000 ("**SPAs**"); and
- iii. entered into a 3-year call option agreement with Udaran to acquire up to 51% of equity interest in Udaran ("**Call Option Agreement**").

Management Discussion And Analysis (Cont'd)

REVIEW OF OPERATING ACTIVITIES (CONT'D)

Proposed Acquisition: Announcement dated 29 May 2025 (Cont'd)

On 11 June 2025, the Board of Directors of the Company announced additional information to the query from Bursa Securities vide its letter dated 03 June 2025 in relation to the above announcement.

On 2 September 2025, the Board of Directors of the Company announced additional time is required to obtain the consent as required under the sale and purchase agreements with Tregon. Accordingly, OREC has on 2 September 2025 agreed to extend the period to obtain the said consent for a further three (3) months.

On 24 November 2025, the Board of Directors of the Company announced that further extension of one (1) month has been granted by OREC to Tregon. The Board of Directors of the Company also announced on 24 November 2025 that the condition precedent period under the UJVA has been further extended for one (1) month.

On 19 December 2025, the Board of Directors announced on the following:

1. the UJVA has been terminated on 19 December 2025;
2. the Call Option Agreement has been terminated on 19 December 2025;

OREC and Tregon have on 19 December 2025 entered into amended and restated sale and purchase agreements to amend and supplement the SPAs

Memorandum of Understanding: Announcement dated 27 August 2025

On 27 August 2025, the Board of Directors of the Company announced that it has entered into a Memorandum of Understanding with RJJ Hotels Sdn Bhd (*formerly known as Travel Plums Sdn Bhd*) with the intent to outline the general commitment and understanding in relation to hotel management and brand of the hotel or tourist accommodation to be acquired, built or developed by HHRG at Tanjung Residensi Kuala Terengganu.

On 24 November 2025, the Board of Directors of the Company announced that there is no material development pertaining to the said Memorandum of Understanding.

Proposed Acquisition: Announcement dated 24 September 2025

On 24 September 2025, the Board of Directors of the Company announced that it entered into a conditional Shares Sale and Purchase Agreement with Jingshi Holdings (M) Sdn. Bhd. (Registration No.: 202001007433 (1363753X)), for the acquisition of 10,000 ordinary shares representing 10% equity interest in the issued and paid-up share capital of Open Road (SP Circuit) Sdn. Bhd. (*formerly known as PKB Open Road (SP Circuit) Sdn. Bhd.*) (Registration No.: 202201010254 (1455951-K)) for a total consideration of RM5,500,000.

On 26 September 2025, the Board of Directors of the Company announced additional information and update in respect of the said acquisition.

On 30 September 2025, the Board of Directors of the Company announced the said acquisition of 10,000 ordinary shares that represents 10% equity interest in the issued and paid-up share capital of Open Road (SP Circuit) Sdn. Bhd. (*formerly known as PKB Open Road (SP Circuit) Sdn. Bhd.*) (Registration No.: 202201010254 (1455951-K)) has been completed on 30 September 2025.

Proposed Bonus Issue: Announcement dated 6 October 2025

On 6 October 2025, on behalf of the Board of Directors of HHRG, Malacca Securities Sdn. Bhd. ("**Malacca Securities**") announced that the Company proposes to undertake a bonus issue of up to 491,684,507 Warrant(s) B on the basis of 2 Warrants B for every 5 existing ordinary shares in the Company held on an entitlement date to be determined and announced later.

Management Discussion And Analysis (Cont'd)

REVIEW OF OPERATING ACTIVITIES (CONT'D)

Proposed Bonus Issue: Announcement dated 6 October 2025 (Cont'd)

On 8 October 2025, on behalf of the Board of Directors of HHRG, Malacca Securities announced that the additional listing application in respect to the proposed bonus issue of Warrants B has been submitted to Bursa Securities on 8 October 2025.

On 14 November 2025, on behalf of the Board of Directors of HHRG, Malacca Securities announced that Bursa Securities had vide its letter dated 14 November 2025, resolved to approve the following:

- i. Admission to the Official List and listing and quotation of up to 491,684,507 Warrants B to be issued pursuant to the proposed bonus issue of Warrants B; and
- ii. Listing and quotation of up to 491,684,507 new ordinary shares in HHRG to be issued arising from the exercise of the Warrants B. Such approval granted by Bursa Malaysia Securities Berhad ("**Bursa Securities**") for the proposed bonus issue of Warrants B is subject to the following conditions:
 - a. HHRG and Malacca Securities must fully comply with the relevant provisions under the ACE Market Listing Requirements ("**ACE LR**") pertaining to the implementation of the proposed bonus issue of Warrants B.
 - b. HHRG and Malacca Securities to inform Bursa Securities upon the completion of proposed bonus issue of Warrants B.
 - c. HHRG to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the proposed bonus issue of Warrants B is completed.
 - d. HHRG and Malacca Securities are required to provide a written confirmation that the terms of the Warrants B are in compliance with Rule 6.55(3) of the ACE LR.
 - e. HHRG to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the exercise of Warrants B as at the end of each quarter together with a detailed computation of listing fees payable.

On 16 December 2025, on behalf of the Board of Directors of HHRG, Malacca Securities announced that the shareholders of HHRG had approved the ordinary resolution in respect to the proposed bonus issue of Warrants B.

On 17 December 2025, on behalf of the Board of Directors of HHRG, Malacca Securities announced the following in respect to the bonus issue of Warrants B:

Entitlement Date	Listing Date	Exercise Price
14 January 2025	22 January 2025	RM0.045

On 22 January 2026, on behalf of the Board of Directors of HHRG, Malacca Securities announced that bonus issue of Warrants has been completed following the listing and quotation of 424,778,675 new Warrants B on the ACE Market of Bursa Securities on 22 January 2026.

Management Discussion And Analysis (Cont'd)

ANTICIPATED OR KNOWN RISKS

Principal Risk	Description/Consequences	Strategies to Mitigate Risk
Dependent on single market	<ul style="list-style-type: none"> i. The furniture products are sold mainly to customers in Europe country. ii. The products are suitable and acceptable in the Europe market. iii. Any changes in Europe's ruling and economic may give significant impact to the company. 	<ul style="list-style-type: none"> i. Exploring new market at other regions. ii. Diversifying the product range. iii. Participating in roadshow and exhibition.
Regulatory risk	<ul style="list-style-type: none"> i. Adverse changes in rules and regulations for example increase in power tariff, fuel prices and tax rates or additional compliance requirements may increase the cost of doing business. ii. Loss of pioneer status or other tax incentives may result in higher tax liabilities, hence affecting the profitability of our Group. 	<ul style="list-style-type: none"> i. To conduct regular meeting to discuss on the government's policy matters. ii. To upgrade the machinery where necessary. iii. To take advantage of any available incentives or lower tariff. iv. To comply with the conditions imposed by the authority body for the pioneer status.
Natural disaster risk	<ul style="list-style-type: none"> i. The interruption may include but not limited to, fire, worker riot or natural disaster such as flood. ii. The interruption will cause the company to stop operations and may require some time to recover. 	<ul style="list-style-type: none"> i. Safety officer is appointed. ii. To meet on periodically to discuss on safety and health matters. iii. Continuous monitoring on the maintenance needs by the production leaders. iv. Fire escape plan and fire preventive equipment is put in place. v. Smoking is prohibited inside the factory. vi. Emergency Rescue Team (ERT) is formed.

FORWARD LOOKING STATEMENT

PROSPECT

The Group's Biomass Division is principally engaged in the manufacturing and trading of coconut fibres, bio-oil and oil palm EFB fibres. Its bio-oil is mainly supplied for use in sanitary consumer products, animal feed, detergents, lubricants and biodiesel feedstock, while most of its EFB fibres are distributed in the domestic market. The Group's core EFB products have continued to demonstrate stable performance and resilience, supported by sustained demand, notwithstanding the periodic fluctuations in crude palm oil prices. Looking ahead, the biomass sector presents long-term growth potential, supported by rising demand for sustainable resources and the increasing emphasis on environmental, social and governance practices.

The Group's Furniture Division revenue continues to decline in the 18 months FYE 30 September 2025 of RM72.86 million (the annualised revenue for the 12 months FYE 31 March 2025 was RM48.57 million, FYE 31 March 2024 of RM60.00 million and (FYE 31 March 2023: RM77.78 million). This was mainly due to the challenging market conditions, particularly tariffs and higher operating costs arising from increased raw material prices. The Group is prioritising the expansion of its customer base, by tapping into export markets as a key strategy to support business recovery and future growth.

Management Discussion And Analysis (Cont'd)

FORWARD LOOKING STATEMENT (CONT'D)

PROSPECT (CONT'D)

The Group remains focused on identifying and pursuing strategic investment opportunities aimed at diversifying the Group's revenue streams. The Group's entry into the Property Division in 2023 and Credit Division in 2024 are progressing, albeit at a slower pace for the Property Division. The Group is currently assessing the feasibility of the proposed development plan, including evaluating market demand, securing the necessary regulatory approvals and development orders, and determining the optimal project concept and phasing strategy. The Group is committed to managing this expansion prudently to ensure long term value creation.

The Group is mindful of the challenges ahead and will continue to monitor and manage risks across all business segments with discipline and foresight. Notwithstanding the current operating environment, the Board remains confident in the Group's ability to deliver positive prospects going forward.

DIVIDEND POLICY

Our Company presently does not have any formal dividend policy. The declaration of interim dividends and the recommendation of any final dividends are subject to the discretion of our Board of Directors and any final dividend proposed is subject to our shareholders' approval.

Our Board of Directors seeks to adopt a stable and sustainable dividend policy to allow our shareholders to participate in the profits of our Group while maintaining an optimal capital structure and ensuring sufficient funds for our future growth. In determining the payment of dividends, our Board of Directors takes into consideration, amongst other factors, the operational performance, financial condition, capital expenditure plans and business expansion plans of Group.