MSWG
MINORITY SHAREHOLDERS WATCH GROUP

The Observer

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CORPORATE JUGGLE

PLCs with aggressive acquisition sprees across multiple industries and segments without a clear strategic focus may end up being a jack of all trades, master of none.

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THE PRICE OF CHASING TOO MANY DREAMS

In the glittering world of corporate ambition, H Berhad has painted itself as a rising star—an empire in the making, stretching across manufacturing, trading, telecommunications, construction, power infrastructure and money lending. Yet, behind the grandiose vision lies a sobering reality: a trail of acquisitions bleeding cash and a web of businesses struggling to justify their price tags.

A Cocktail of Acquisitions and Chaos

H Berhad's aggressive expansion spree has spanned several distinct industries, raising eyebrows. But a deep dive into the financials from its Annual Report 2024 reveals a stark contrast between ambition and results. Revenue plummeted to RM117.65 million (from RM217.53 million in FYE 2023), while net profit of RM3.19 million turned into a net loss of RM3.86 million. Strip away the non-cash adjustments, and H Berhad touts a hypothetical profit before taxation of RM28.11 million—an optimistic spin that fails to mask deeper cracks.

The Telecom Gamble

The acquisition of T Sdn Bhd (TSB) for RM90 million marked H Berhad's first major diversification away from its core fibre optics and cable-related manufacturing business, promising an entry into telecom infrastructure.

A closer look at TSB's historical financials reveals limited profitability, with negative shareholders' funds of RM1.75 million as of its latest audited accounts. While the acquisition price was within the appraised valuation range of RM61.2 million to RM92.2 million, but this valuation hinged on optimistic project assumptions, including a yet-to-be-secured RM50 million order book. If these projects fail to materialise, H Berhad faces goodwill impairments and write-downs.

Equally flawed is the supposed synergy between TSB and H Berhad's existing operations. Cable manufacturing and telecom infrastructure require vastly different expertise; redeploying manpower between the two is impractical. The result? A business segment with no competitive moat, trapped in a volatile bidding environment.

The Crown Jewel That Lost Its Shine

H Berhad's acquisition of B Berhad has proven to be more cubic zirconia than diamond—glittering in promise but lacking real value. While management proclaims future synergies, the audited figures remain silent on tangible returns.

The stake in B Berhad was acquired at a staggering 80.65% premium to its market price, yet the stock has since languished well below its net asset per share of RM0.33 at the time of acquisition. When a share persistently trades at a discount to book value, it may signal deeper concerns—poor corporate governance, weak financial controls, or misaligned incentives that erode investor confidence. The marquee asset yielded a mere RM0.30 million in profits—an underwhelming return on such an ambitious investment. Today, the market value of this costly blunder has dwindled to just a third of its acquisition price, turning the crown jewel into a fading illusion.

H Berhad pressed ahead with its diversification spree, venturing into the power generation and transmission sector via acquisition of **T V Sdn Bhd (TVSB)** with a price tag of up to RM98.00 million. Yet, the returns so far have been anything but electrifying—yielding a modest profit of RM6.99 million. **What happened to the unbilled order book of RM841.60 million?**

Addressing Liquidity Challenges

H Berhad has spent significant sums chasing its ambitious expansion, and now it finds itself in urgent need of additional funds to sustain operations. To address its liquidity needs, it plans a private placement to raise RM41.57 million and asset disposals worth RM9.94 million, totalling RM51.51 million in January 2024—its third fundraising since 2021.

In addition, **RM9.80 million** is allocated to partially settle the **consideration** for **TVSB**, the remaining **RM5.71 million** will go toward **working capital**, covering essential expenses.

This fundraising exercise could indicate H Berhad's growing reliance on external capital to sustain its operations, raising concerns about the financial sustainability of its aggressive expansion strategy. Without clear evidence that past acquisitions have delivered the expected returns, a lingering doubt remains—are future investments driving genuine growth, or simply covering financial shortfalls from previous gilded blunders?

A Risky Foray Into Construction

Undeterred by the uncertainties in its telecom and power infrastructure ventures, H Berhad sets its sights on the construction and project management sector. While seemingly aligned with its infrastructure ambitions, this odyssey introduces substantial execution risks, capital intensity, and exposure to cyclical downturns.

The construction industry is fraught with challenges—razor-thin margins, project delays, and cost overruns are commonplace. Unlike businesses with recurring revenue, construction is contract-driven, forcing H Berhad into an ongoing battle to secure new projects just to sustain profitability. This begs the question: does the Company possess the expertise and financial resources to compete in an already crowded market dominated by seasoned players?

Lacking the deep industry relationships and supply chain mastery of established firms, H Berhad is venturing into unfamiliar terrain. The assumption that construction will seamlessly integrate with its telecom and power segments ignores the stark differences in cash flow cycles and operational demands. H Berhad may find itself entangled in pricey inefficiencies rather than reaping the synergies it envisions.

Money Lending: A Strategic Shift?

Just when it seemed that H Berhad had put an end to its dream-chasing after burning through capital, the Company took another leap—this time into money lending. In early 2025, the company reallocated proceeds from its private placement, diverting funds originally meant for contracts into this newfound ambition.

The latest pursuit of dream marks a drastic departure from H Berhad's other businesses in technical industries. Money lending is a different ballgame with unique risks, regulatory complexities, and credit management challenges. Targeting borrowers underserved by banks and co-operatives may seem like a niche opportunity, but this segment inherently carries higher credit risks and default rates.

Moreover, H Berhad's primary businesses—telecommunications, construction, and manufacturing—are cyclical, meaning economic downturns could strain liquidity. If core businesses struggle, H Berhad may become overly reliant on money lending for returns, a risky proposition given that defaults typically spike in economic downturns. Instead of providing meaningful diversification to stabilise earnings, money lending could amplify liquidity risks.

Additionally, money lending lacks synergy with H Berhad's existing operations and its infrastructure is not well-suited to manage lending risks effectively. Rather than pursuing this high-risk expansion, H Berhad would be better off fortifying its existing businesses and focus on generating meaningful returns from past acquisitions.

Has H Berhad Bitten Off More Than It Can Chew?

H Berhad's management speaks of synergies and long-term value creation, but shareholders should demand more than mere buzzwords. With the Group stretched across six segments, the burning question remains: Has H Berhad bitten off more than it can chew?

Ultimately, H Berhad's trajectory feels all too familiar—a company pursuing growth at any cost, only to find itself tangled in a labyrinth of acquisitions with too few rewards. Before voting for another diversification in the next general meeting, shareholders must ask themselves: Are they backing the rise of a future giant, or merely enabling yet another ill-fated expansion?

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MSWG
AGM/EGM WEEKLY WATCH

The following are the AGMs/EGMs of companies on the Minority Shareholders Watch Group's (MSWG) watch list for this week.

The summary of points of interest is highlighted here, while the details of the questions to the companies can be obtained via MSWG's website at www.mswg.org.my.

QUICK-TAKE

Date & Time	Company	Quick-take
12.03.25 (Wed) 10.00 am	Sunsuria Berhad (AGM)	Sunsuria achieved a revenue of RM627.8 million and pre-tax profit (PBT) of RM79.3 million for FY2024, reflecting a 24% increase in revenue and a 72% rise in PBT compared to the previous year. This positive performance was driven by higher progressive profit recognition from ongoing development projects. In recognition of this performance, Sunsuria has declared a total dividend payout of 3 sen per ordinary share for FY2024.
14.03.25 (Fri) 10.00 am	Xin Synergy Group Berhad (EGM)	Xin Synergy (formerly known as Jade Marvel Group Berhad) proposes to acquire a 100.00% equity interest in Medini Marina Sdn Bhd from Harvest Capital Development Sdn Bhd and Big Land Capital Sdn Bhd for a purchase consideration of RM18.24 million to be satisfied via a combination of cash payment of RM2.74 million and the remaining RM15.5 million via issuance of 67.39 million new ordinary shares in XSGB.
14.03.25 (Fri) 11.00 am	Erdasan Group Berhad (EGM)	The Company proposes to undertake a share capital reduction, involving the reduction and cancellation of RM100.00 million of its issued share capital. This gives rise to a credit of RM100.00 million, which will be utilised to offset the accumulated losses.

POINTS OF INTEREST

Company	Points/Issues to Be Raised
Sunsuria Berhad (AGM)	The opening of Concord in Sunsuria City under Sunsuria Education in FY2024 marked the beginning of a new income stream for the Group, further contribute to the Group's YoY growth in revenue in current year. (Page 18 AR 2024) a) What is the current student enrolment at Concord College International School as of 28 February 2025 and the current student enrolment as a percentage of full student enrolment? b) Based on the Company's initial forecast provided last year, Concord College International School is expected to generate a positive EBITDA between a time frame of 3 to 5 years before the school starts operation. Will there be any revision to the forecast as it has started operation? If yes, what is the new time frame? c) Where are the countries in Asia the Company is eyeing to expand Concord College International School and why?