

At what point does listing lose its purpose?



BY ISMET YUSOFF

The recent introduction of the MY Value-Up programme by the Securities Commission Malaysia is a timely and welcome development for Malaysia's capital market. At its core, the initiative seeks to recognise and elevate companies that have demonstrated strong fundamentals, consistent value creation and a clear commitment to enhancing shareholder returns. In doing so, it reinforces an important message: Performance, transparency and accountability remain central to a well-functioning market.

While the market rightly celebrates its top performers, however, the focus on value creation at the upper end inevitably casts a spotlight on a less-examined segment of the market, comprising companies that have consistently failed to meet investors' expectations.

Some companies, it would appear, are listed in form but increasingly less so in substance.

A review of the bottom 100 public-listed companies by market capitalisation as at May 12, reveals a pattern that is difficult to ignore. At least 74% of these companies were loss-making in the latest reported financial year/period, while 57% have recorded consecutive losses for the latest three financial years/periods. More concerning, 39% have remained in the red for five consecutive years/periods, suggesting that underperformance is, in many cases, structural rather than cyclical.

These are not companies experiencing a temporary setback. At some point, a bad year turns into a bad cycle, and that cycle begins to seem permanent.

The scale of the issue is equally telling. Collectively, these 100 companies account for a market capitalisation of about RM2.1 billion, with a median market capitalisation of just RM21 million. None exceeds RM50 million in market value, placing them firmly at the lowest end of the listed spectrum. In effect, a meaningful portion of the listed universe is operating at a scale at which market relevance is increasingly questionable.

Yet the picture is not uniform. Several companies within this cohort continue to generate relatively sizeable revenue, in some cases exceeding RM100 million annually, but are valued at a fraction of that level. This divergence between revenue and market capitalisation suggests that the issue is not merely scale but confidence, particularly the market's lack of confidence in the profitability, quality, sustainability or growth prospects of these companies.

In one instance, a company in this cohort generated annual revenue exceeding RM300 million, yet traded at a market capitalisation of below RM30 million. Such a valuation gap is difficult to attribute solely to size or market conditions. More often, it reflects deeper concerns about profitability, sustainability, governance or the market's confidence in the company's long-term ability to create value.

Sectorally, the issue is not confined to a single pocket of weakness. The 100 companies span 10 subsectors, with the largest concentration in industrial products and services at 35 companies, followed by

Bursa Malaysia-listed firms with the lowest market capitalisation and their sustained five-year losses

SOURCE: MSWG

COMPANY	MARKET	INDUSTRY	MARKET CAP (RM MIL)	NET LOSSES (RM MIL)				
				2025	2024	2023	2022	2021
SMTrack Bhd	ACE	Technology	6.61	-30.95	-15.81	-7.79	-0.82	-1.78
Metronic Global Bhd	Main	Industrial products & services	7.66	-29.40	-10.33	-7.68	-20.45	-17.32
Mlabs Systems Bhd	ACE	Technology	8.67	-14.76	-7.29	-13.04	-15.04	-25.76
DGB Asia Bhd	ACE	Technology	9.92	-13.85	-21.94	-11.24	-24.96	-29.18
MNC Wireless Bhd	ACE	Telecommunications & media	10.39	-11.60	-9.17	-6.64	-17.45	-17.78
Industronics Bhd	Main	Technology	10.61	-10.90	-11.00	-7.10	-4.77	-0.44
LYC Healthcare Bhd	ACE	Healthcare	11.10	-12.22	-16.52	-14.80	-4.25	-11.46
Sanichi Technology Bhd	ACE	Industrial products & services	11.50	-18.81	-18.05	-23.29	-94.23	-7.70
SaudiGold Group Bhd	Main	Consumer products & services	12.49	-21.80	-6.06	-7.37	-4.41	-4.37
TFP Solutions Bhd	ACE	Technology	12.91	-3.02	-4.79	-4.57	-8.49	-3.67

Note: Market cap as at May 12, 2026

technology at 19 and consumer products and services at 20. This dispersion suggests that prolonged underperformance is not isolated, but rather a broader feature of the market's long tail.

Taken together, these data points raise a deeper question about the efficiency of capital allocation. A capital market functions optimally when it channels capital to productive, value-creating enterprises. When a segment of companies continues to absorb capital while delivering little to no returns over extended periods, it raises legitimate questions about whether the system is operating as efficiently as it should.

It is important to acknowledge that Malaysia already has an established framework to address companies facing severe financial distress. Under the Practice Note 17 (PN17) and Guidance Note 3 (GN3) regimes, companies are required to undertake regularisation efforts when prescribed criteria are triggered, such as shareholders' equity falling below 25% of issued capital or a default on debt obligations. Importantly, losses alone do not trigger PN17 or GN3 status, as some companies may remain loss-making while maintaining relatively strong balance sheets and adequate liquidity.

Accordingly, this article is not advocating immediate changes to the existing regulatory framework. Rather, it seeks to encourage a broader discussion on whether prolonged underperformance, even in the absence of financial distress, warrants greater transparency, accountability and market scrutiny.

To be clear, not all underperforming companies are fundamentally flawed. Some may be navigating cyclical downturns, while others are in transition. The data suggests, however, that a significant proportion of these companies are not merely underperforming but persistently so.

This naturally brings the board's role into sharper focus. Sustained losses over three, five or even more years cannot reasonably be attributed solely to external conditions. They raise questions about strategic direction, capital allocation discipline and the effectiveness of oversight. Where losses persist across multiple financial cycles, boards must move beyond broad turnaround narratives and demonstrate measurable progress against clearly defined targets.

Equally, the data raises questions about the state of shareholder engagement. Despite prolonged underperformance, many

of these companies continue to operate with limited visible pressure from shareholders. This may, in part, reflect subdued investor participation and interest arising from the companies' weak performance, which can reduce scrutiny, activism and broader market engagement over time.

While market mechanisms allow shareholders to exit, the persistence of such companies suggests that exit alone may not be sufficient to drive accountability. Active ownership through engagement, voting and scrutiny remains critical, particularly in segments where performance has consistently lagged.

At its core, listing is not merely a milestone; it is an ongoing contract with shareholders. That contract is grounded in the expectation that capital entrusted to the company will generate sustainable returns over time. Where 39% of companies in this cohort have recorded five consecutive years of losses, it is reasonable to ask whether that expectation is being met.

This is where the conversation becomes more difficult and more necessary.

Should companies with persistent losses, particularly those with three to five consecutive years of negative earnings, be subject to enhanced scrutiny? Should boards be required to disclose more granular turnaround metrics and timelines? And at what point does prolonged underperformance

warrant a more structured response from the market?

More fundamentally, should there be a clearer distinction between companies that are in genuine recovery and those where underperformance has become entrenched? Without such differentiation, there is a risk that capital remains tied up in entities with limited prospects of value creation, to the detriment of overall market efficiency.

These are not questions with easy answers. But they are questions that the data increasingly demands.

A capital market that rewards excellence through initiatives such as MY Value-Up sends a strong and positive signal. For that signal to be complete, however, it must also confront the other end of the spectrum, where performance has consistently been lacking, and accountability is less visible. Because in the end, value creation cannot be selective. If accountability applies to the best, it must also apply to the rest.

And at some point, the question is no longer whether companies should be given more time but whether shareholder capital should remain tied up indefinitely without a credible path to shareholder returns. ■

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