MSWG
MINORITY SHAREHOLDERS WATCH GROUP

The Observer

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BENEATH THE SURFACE

Penny stocks look like cheap opportunities, but the promise of a “White Knight” rescue can quickly turn a small investment into a costly gamble.

THE PENNY STOCK TRAP

From Investor to Gambler

Last month at an AGM in Kuala Lumpur, we watched a brilliant investor’s analytical mind completely unravel over a plate of curry puffs.

During the formal session, Mr Tan (not a real name) was a machine. Standing at the floor mic with the posture of a forensic auditor, he quoted Note 28 off the top of his head, flagged a suspicious 34% spike in inventory write-downs, and dissected free cash flow conversion across four trailing quarters.

Then came the coffee break. Mr Tan walked over near the buffet table, struck up a conversation, and casually asked: "Off the record... how do I spot a penny stock, say 3 sen, right before a White Knight drives it up to RM3.00?"

Staring at him in disbelief, he offered his internal rationalisation: "Think about it. If I buy 10,000 units at 3 sen, that’s only RM300. Worst case, I lose the cost of a casual dinner. Best case, it turns into RM30,000."

We gave him two rapid-fire reality checks: In ten years on Bursa Malaysia, how many 3-sen zombies had actually made it to RM3.00? And how many times had he walked away after losing "just" RM300? He stared down at his half-eaten curry puff and went completely quiet.

The Gateway Math

That "it is only RM300" line of thinking is probably one of the biggest traps in the market. We hear it all the time. On the surface, it sounds sensible—you only risk a small amount, but the upside looks huge. The problem is that once you look beyond the headline price, you realise the odds are nowhere near as attractive as they seem.

Look at what actually happens at 3 sen. A half-cent drop down to 2.5 sen wipes out nearly 17% of your capital instantly. And good luck trying to sell when there is an 80-million share queue sitting at the exact same bid price. Your RM300 is not liquid and it is frozen in concrete.

More importantly, you aren't the only one doing that mental math. When 10,000 retail traders all decide to throw in "just RM300", it creates RM3 million in real cash demand. That is the exact pool of exit liquidity syndicate operators need to unload millions of worthless placement shares printed for fractions of a cent.

And almost nobody leaves it at RM300. We have watched this pattern play out a hundred times: if the stock ticks up to 4 sen, greed tells you that you should have put in RM30,000 instead. If it drops to 2 sen, ego tells you to average down because it's "too cheap to pass up". Before long, a throwaway RM300 gamble mutates into a RM30,000 hostage situation in a company heading straight for PN17.

The “White Knight” Playbook

The "White Knight" narrative usually follows a routine script on Bursa Malaysia. It starts with a dead stock that has broken operations and no earnings. Suddenly, a filing drops announcing a Memorandum of Understanding (MOU) with a "prominent tycoon" or foreign consortium. Retail traders rush in, convincing themselves they are getting in early on a turnaround.

What people consistently overlook is that an MOU is meaningless. It is an expression of interest, not a binding deal. It obligates no one to spend a single sen. Months later, when the hype has died down, a quiet two-line announcement reveals the MOU has lapsed. By then, the promoters who stoked the rumour have already exited with their profits.

Even when a deal does go through, it is rarely a rescue mission. Incoming investors usually treat the listed company as a shell to bypass a traditional IPO. To clear legacy debt and inject new assets, the company floods the market with billions of new shares through private placements, rights issues and ICPS.

Your original holding gets diluted into irrelevance. A stock going from 3 sen to 30 sen would not make you rich if the company had to issue a billion new shares to get there. The price per share might look higher briefly, but your actual ownership of the business was shredded in the process.

Checking the Reality

When evaluating a penny-stock turnaround, do not be distracted by the low share price. Focus on the deal structure. An MOU only shows that discussions are happening, not that capital is committed. The real test is whether there is a binding agreement and regulatory approval.

Perhaps this is how you spot a real turnaround: the big guys bleed too. If the lenders and major shareholders aren't taking a serious haircut, it’s not pain-sharing. When a “rescue” relies on squeezing everyday retail investors for fresh cash while inflating the share count from a few hundred million to a full billion, you are not getting in on a comeback story but footing the bill for someone else's mess.

The Takeaway

Building wealth in capital markets is rarely exciting. It comes from steady earnings, disciplined cash flow and sensible corporate governance, the very things Mr Tan was grilling the board about before his brain got hijacked by coffee-break gossip.

Chasing speculative "White Knights" with pocket change is not investing on the cheap. It is paying tuition to the market, and the lessons are usually far more expensive than the first RM300.

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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	Voting Position
17.08.26 (Mon) 3.00 pm	Syarikat Takaful Malaysia Keluarga Berhad (EGM)	STMKB seeks shareholders' approval for proposed amendments to its Constitution at this EGM.	MSWG will vote "FOR" on the proposed amendments to the company's Constitution
18.08.26 (Tue) 10.00 am	ELK-Desa Resources Berhad (AGM)	For FY2026, ELK-Desa registered a 4% increase in revenue to RM203.91 million compared to RM196.68 million last year, primarily driven by higher contributions from the Group's hire purchase (HP) financing segment. PBT decreased by 5% to RM41.62 million from RM43.72 million previously. Similarly, net profit decreased by 3% to RM31.55 million compared to RM32.65 million a year ago due to higher impairment allowances incurred by the HP financing division, which was partially cushioned by a RM2.11 million non-recurring gain on distribution from an associate under liquidation.	MSWG will vote "against" the renewal of authority for share buyback. Shareholders would have been better off if the money spent on a share buyback was allocated as dividends to shareholders or for repayment of bank borrowings, given the gearing ratio rose consistently from 0.62x in FY2024 to 0.76x in FY2025 and further to 0.78x in FY2026. Moreover, the share buyback is intended to reduce unwarranted volatility of its shares and to stabilise the supply, demand and market price of the shares. However, ELK-Desa's share price has been on a downtrend from July 2025 to June 2026, despite active

Date & Time	Company	Quick-take	Voting Position
			share buybacks undertaken.
19.08.26 (Wed) 10.00 am	Solarvest Holdings Berhad (AGM)	Solarvest delivered another year of exemplary results in FY2026, with revenue increasing 41.4% to RM758.9 million and net profit rising 53.8% to RM79.8 million. The EPCC segment, its largest revenue contributor, recorded a 47.1% increase in revenue, driven by the execution of LSS5 and CGPP projects, while the Clean Energy Generation segment grew 28.9% on higher recurring electricity sales. The Group also secured RM1.9 billion of new contracts, lifting its order book to a record RM2.47 billion (3.3x FY2026 revenue), providing strong earnings visibility.	MSWG will vote "FOR" all resolutions tabled in the meeting.
19.08.26 (Wed) 11.00 am	KYM Holdings Berhad (EGM)	KYM is proposing a capital reduction exercise to eliminate the accumulated losses of the Company, thereby enabling the Company to have a retained earnings balance to facilitate the Proposed Share Buy-Back. The Proposed Capital Reduction will not result in any adjustment to the share price of KYM, no change in the total number of issued shares or any cash outflow or change in its net assets. As for the Proposed Share Buy-Back, the pricing in relation to purchase and resell/transfer will be carried out in accordance with Bursa Malaysia Listing Requirements under Para 12.17 and 12.18.	MSWG will vote "FOR" all resolutions tabled in the meeting.
20.08.26 (Thur) 10.00 am	BM GreenTech Berhad (AGM)	BM GreenTech delivered record revenue of RM601.0 million (+7.0% y-o-y), driven by continued strength in its Bio-Energy and Water Treatment businesses. However, PBT declined 4.2% to RM70.5 million, mainly due to weaker Solar Energy profitability.	MSWG will vote "FOR" all resolutions tabled in the meeting.

Date & Time	Company	Quick-take	Voting Position
		Bio-Energy remained the largest earnings contributor, generating RM310.2 million in revenue and 81.8% of Group PBT, while Water Treatment revenue surged 47.7% to RM90.1 million. Although Solar Energy revenue remained stable at RM200.7 million, segment PBT plunged 89.3% to RM1.7 million due to a weaker project mix and lower margins.	
20.08.26 (Thur) 10.00 am	AMMB Holdings Berhad (AGM)	The Group delivered net income of RM5.16 billion, representing a 4.7% increase y-o-y. Net interest income rose 4.5% y-o-y to RM3.73 billion (FY2025: RM3.57 billion), underpinned by a 5.6% loan growth and a 4 bps NIM expansion to 1.98% (FY2025: 1.94%). The Group achieved a record PATMI of RM2.1 billion (FY2025: RM2.0 billion), an increase of 5.0% y-o-y. It declared DPS of 35.0 sen for FY2026, representing a 16% increase y-o-y.	MSWG will vote "FOR" all resolutions tabled in the meeting.
20.08.26 (Thur) 10.30 am	Hextar Technologies Solutions Berhad (AGM)	Hextar faced a challenging FY2026, with revenue declining 21.9% to RM141.5 million and a wider net loss of RM38.3 million. Its mainstay Trading segment was the main drag due to fewer major building material supply contracts amid project delays and cautious procurement. Logistics revenue declined on weaker freight forwarding demand from exports to Indonesia, although truck transportation delivered stronger margins. The Technology segment remained in the investment phase, generating only RM155,000 of revenue while losses widened following the shortening of MoneyX's useful life and the expensing of RM14.91 million development costs.	MSWG will vote 'FOR' all resolutions except Ordinary Resolutions 2 and 6 in relation to the renewal mandate for share buybacks.
20.08.26 (Thur) 11.00 am	Eduspec Holdings Berhad (AGM)	Eduspec revenue grew 21.6% y-o-y to RM50.6 million in FY2026, driven primarily by the E&E segment, which	MSWG will vote "FOR" all resolutions tabled in the meeting.

Date & Time	Company	Quick-take	Voting Position
		contributed 79% of total revenue. In contrast, the IT Learning segment continued to soften, with revenue declining 15.2% despite ongoing Digital School and STEAM initiatives. While higher overheads in the E&E segment compressed gross margins, the Group reduced its LBT by 80.9% to RM4.3 million, mainly due to lower impairment provisions and the reversal of overprovided project costs.	
20.08.26 (Thur) 11.00 am	Eupe Corporation Berhad (AGM)	Eupe delivered a steady FY2026 performance, supported by the timely completion of its ongoing projects. Revenue reached a record level of RM338.0 million, while PBT stood at RM45.1 million. Shareholders' funds also increased to RM552.9 million. Looking ahead, performance is expected to moderate as several major projects have been completed or are nearing completion. However, the Group is entering its largest development cycle to date, backed by a strong pipeline of projects in the Klang Valley and Northern Region, which is expected to support future growth.	MSWG will vote 'FOR' all resolutions except Ordinary Resolution 10 on the retention of a long-serving INED.
21.08.26 (Fri) 10.00 am	Destini Berhad (EGM)	4 shareholders holding at least 10% of Destini Berhad's share capital have issued a notice to convene an Extraordinary General Meeting on 21 August 2026. They propose to immediately remove 4 existing directors, alongside any recent board appointees. Further, they propose appointing Datuk Mua'Amar Ghadafi Jamal as Director and Dato' Seri DiRaja Syed Razlan Ibni Syed Putra as Non-Executive Chairman.	MSWG will vote "AGAINST" Resolutions 1 to 4 because the requisition notice lacks adequate reasons for removing the directors. This omission hinders affected directors from responding under Section 207 of the Companies Act 2016 and deprives shareholders of transparency to make informed decisions. Additionally, MSWG opposes the election of Datuk Mus' Amar Ghadafi Jamal Bin Datuk Wira Jamaludin,

Date & Time	Company	Quick-take	Voting Position
			as he is an active politician, conflicting with its policy. MSWG will also vote “AGAINST” Resolutions 5 & 6. Although the proposed directors have relevant experience, the notice fails to provide sufficient disclosures to evaluate their suitability. It lacks a strategic rationale, plans for operational and governance challenges. Furthermore, it does not explain how the board will meet Bursa Malaysia Listing Requirements, including having at least one woman director. Premised on the foregoing, shareholders are unable to make an informed decision. As for Resolution 7, it is immaterial as no new appointments were made during the relevant period. It has no practical effect.
21.08.26 (Fri) 10.30 am	Auro Holdings Berhad (AGM)	Auro's FY2026 revenue rose to RM24.43 million (FY2025: RM18.92 million), driven by the F&B segment, which grew 31.3% to RM23.14 million, accounting for 94.7% of total revenue. Its loss narrowed to RM1.45 million in FY2026, from RM7.84 million previously, but the improvement was attributable to a RM2.15 million legal settlement and a	MSWG will vote ‘For’ all resolutions except Ordinary Resolution 1, which relates to the re-election of its Chairman, who is a member of the AC, RC, and NC.

Date & Time	Company	Quick-take	Voting Position
		RM1.41 million reversal of a tax penalty, while the Timber segment remained flat and F&B's loss narrowed by only 12%.	
21.08.26 (Fri) 10.30 am	ACME Holdings Berhad (AGM)	The Group's revenue increased 41.3% to RM116.69 million in FY2026 from RM82.60 million previously, while PAT rose significantly to RM19.52 million from RM5.13 million, mainly due to a RM16.81 million gain from the disposal of an investment property in Seberang Perai, Penang. The Property Development Division remained the main revenue contributor, with revenue increasing 43.2% to RM116.59 million, driven by strong sales of Marina Residence and Mandarin Residence. However, divisional PAT increased only modestly to RM5.98 million from RM5.41 million.	MSWG will vote 'FOR' all resolutions except Ordinary Resolutions 2 and 6 on the re-election and retention of long serving INEDs.
21.08.26 (Fri) 12.00 pm	ACME Holdings Berhad (EGM)	The Group proposes changing its name from ACME Holdings Berhad to Land 33 Berhad as part of its rebranding initiative, to better reflect its current and future business activities and corporate identity.	MSWG will vote 'FOR' the resolution.

POINTS OF INTEREST

Company	Points/Issues to Be Raised
Syarikat Takaful Malaysia Keluarga Berhad (EGM)	We note that the proposed Constitution defines an "Independent Director" by reference to Paragraph 1.01 of the Bursa Malaysia Main Market Listing Requirements. As the Company is a licensed takaful operator regulated by Bank Negara Malaysia (BNM), it is also subject to BNM's Corporate Governance Policy for Financial Institutions, which contains independence requirements that differ from the Listing Requirements. For example, the Listing Requirements permit an Independent Director to serve for up to 12 years, whereas the BNM Corporate Governance Policy (Para 11.9) limits the tenure of an Independent Director to 9 years. In addition, the Listing Requirements require a former executive to observe a 3-year cooling-off period before being considered independent, while the BNM Corporate Governance Policy (Para 11.7) prescribes a 2-year cooling-off period. a) Could the Board explain the rationale for defining an "Independent Director" in the proposed Constitution solely by reference to the

	Bursa Malaysia Main Market Listing Requirements, rather than the Corporate Governance Policy for Financial Institutions, which is specifically applicable to the Company? b) Given the differences between the two governance frameworks, has the Board considered aligning the constitutional definition with, or making express reference to, the BNM Corporate Governance Policy to ensure consistency with the governance standards applicable to the Company and to avoid any potential ambiguity should the two frameworks differ in the future?
ELK-Desa Resources Berhad (AGM)	1. The Management expects the impaired loan ratios may rise in the short to medium term, primarily attributed to ongoing conflict in West Asia, which has precipitated an energy crisis and contributed to huge fluctuations in petrol and diesel prices in Malaysia (page 12 of AR2026). In turn, these conditions affect borrowers' ability to meet repayment obligations. a) Given the timing of the West Asia conflict and the lagging effect before deterioration in customers' repayment capacity is reflected in portfolio performance, to what extent does Management expect ELK-Desa's HP portfolio to experience an increase in impaired loans in FY2027 and beyond? What indicators is Management currently monitoring to assess potential deterioration in asset quality? b) New HP disbursement decreased by 19% to RM222.08 million in FY2026 (page 11 of AR2026). Was the decline primarily attributable to a deliberate tightening of credit underwriting and risk appetite, or a weaker demand for vehicle financing and broader market conditions? How does Management expect HP disbursement growth to trend in FY2027? 2. Throughout FY2026, ELK-Desa consistently undertook share buybacks with 18.1 million shares acquired from the open market at an average price of RM1.12 per share (page 143, Note 18 – Share Capital and Fair Value Reserve, AR2026). With that, ELK-Desa has deployed approximately RM20.27 million towards share repurchases, broadly comparable to the RM20.11 million in dividends paid to shareholders in FY2026 (page 152, Note 28 – Dividends, AR2026). a) What specific and measurable benefits have been derived from these share buybacks? In assessing the effectiveness of the programme, what metrics does the Board use to determine whether shareholder value has been enhanced? b) Given that the amount deployed on share repurchases was broadly comparable to the dividends paid during FY2026, how did

	the Board assess the relative merits of share buybacks versus dividends? c) In hindsight, could the funds have generated better returns for shareholders if deployed towards dividend distributions, expansion of HP receivables, operational improvements, etc.? d) What were the Company's key valuation metrics, i.e., P/E, P/B, at the time the shares were repurchased? What was the Board's assessment of the Company's intrinsic value when these purchases were made? How significant was the perceived discount between market price and intrinsic value that justified the deployment of shareholders' funds towards share buybacks?
KYM Holdings Berhad (EGM)	Subject to the completion of the Proposed Capital Reduction, the elimination of the Company's accumulated losses is expected to create retained-profit capacity for both potential Share Buy-Back and future dividend distribution. Does the Board intend to consider dividend payments in the future? How will the Board assess the relative merits of dividends and share buy-back in delivering sustainable value to shareholders?
Hextar Technologies Solutions Berhad (AGM)	At the 20th AGM, Management anticipated robust participation in the upcoming phases of certain construction projects as they progressed, which was expected to enhance the Trading segment's performance in FY2026. (Source: Page 8 of Minutes of 20th AGM of the Company held on 26 August 2025) However, Trading segment's revenue declined by 25.3% in FY2026 due to fewer major building material supply contracts secured. (Source: Page 9 of AR2026) a) What happened to the projects that Management previously expected would contribute to FY2026 performance, and does the current pipeline of major building material supply contracts provide confidence that the Trading segment can recover in FY2027? b) Management previously disclosed that eBuild contributed 40% of the Trading segment's revenue, while IBS Mall was expected to strengthen the platform following the transition from IBSWare. What is the current contribution of eBuild, the progress of IBS Mall, and whether these initiatives continue to play a key role in the Group's Trading strategy?
Eduspec Holdings Berhad (AGM)	On 1 April 2025, the Group awarded a contract valued at RM40.0 million, under this contract, Eduspec Technology Sdn Bhd ("ETSB"), a wholly owned subsidiary, was appointed as an independent testing service provider to conduct functional testing for printed circuit board assembly

	("PCBA") and other semiconductor and E&E components. (Source: Page 13 of AR2025) a) Has the one-year RM40.0 million contract been completed? How much of the contract has been recognised as revenue, and was its profitability in line with Management's expectations? b) Did the Group secure any new customers or contracts to sustain the growth of its E&E testing business? If yes, could Management provide the value, tenure and key scope of these contracts? If not, what is the outlook for this segment in FY2027, given that it is currently the Group's largest revenue contributor?
Eupe Corporation Berhad (AGM)	The Group disclosed that its performance is expected to continue moderating in FY2027 (Source: Page 5 of AR2026). This follows the completion and handover of Helix2 @ PJ South (October 2025), Villa Natura Phase 4 (April 2026) and Est8 @ Seputeh (May 2026), with no new projects under active construction during FY2026 (Source: Page 7 - 9 of AR2026). a) In view of the expected moderation in FY2027 performance, what percentage of its anticipated revenue and profit has already been secured through existing sales and unbilled sales? b) The Group highlighted the strong take-up rates for both Helix2 @ PJ South and Est8 @ Seputeh (Source: Page 7 of AR2026). Could the Board provide the latest sales status of Helix2 @ PJ South and Est8 @ Seputeh, including the percentage of sold units that have been handed over, the remaining unsold inventory (if any), and the corresponding unbilled sales yet to be recognised? c) With major projects completed and no new developments under active construction, how does the Board plan to allocate its capital to sustain shareholder value while balancing capital preservation, future investments and dividend sustainability?
Auro Holdings Berhad (AGM)	The Group operates nine (9) HEYTEA outlets across the Klang Valley, Penang and Pahang. The F&B segment generated RM23.14 million (FYE 2025: RM17.63 million), or 94.7% of total revenue in FYE 2026. (Pages 8-9 of the Annual Report (AR) 2026) a) Have any HEYTEA outlets achieved profitability at the store level? b) As HEYTEA is AURO's core revenue driver, are there plans to expand beyond Klang Valley, Penang and Pahang into East Malaysia or other states of Malaysia? How many new outlets does management plan to open over the next 12-24 months? What total capital expenditure will be required, and what return on invested capital (ROIC) or payback period is the Board targeting for these new outlets?

ACME Holdings Berhad (AGM)	The Property Development Division recorded a 43.2% increase in revenue to RM116.59 million in FYE2026 from RM81.42 million in FYE2025, mainly driven by strong sales of two ongoing development projects, Marina Residence and Mandarin Residence. However, profit after tax (PAT) increased more modestly to RM5.98 million from RM5.41 million previously. (Source: Page 7 of AR2026) a) Please provide the current unbilled sales balance for Marina Residence and Mandarin Residence, as well as the expected timeline for the recognition of these unbilled sales as revenue over the remaining project period. b) How did the Property Development Division's net profit margin change in FYE2026 compared with FYE2025, and what was the impact of higher material and labour costs on project margins? c) Despite the 43.2% increase in revenue, PAT increased by only 10.5%. Could the Board explain the key factors that limited earnings growth during the year and the strategies being implemented to improve profitability over the medium term?

DISCLOSURE OF INTERESTS
With regard to the companies mentioned, MSWG holds a minimum number of shares in all the companies covered in this newsletter.