When companies become investors of quoted equities

STORIES BY **JOHN LAI**

What should investors make of listed companies that allocate a substantial portion of their balance sheets to investing in quoted equities instead of deploying capital into their core businesses or declaring dividends?

There is nothing inherently wrong with companies investing surplus cash. If those investments generate superior returns and enhance shareholder value, management could reasonably argue that they are fulfilling their fiduciary duty by making the idle cash sweat.

The more fundamental question, however, is whether excess capital is better retained for investment purposes or returned to the shareholders through dividends or share buybacks, allowing investors to decide for themselves how best to utilise the money.

This issue has come under greater scrutiny as a number of Bursa Malaysia-listed companies have accumulated sizeable investment portfolios that account for a significant proportion of their total assets.

A random check by *The Edge* found that some companies have quoted investments forming a large portion of their total assets. Some of the quoted investments are blue-chip dividend-paying stocks, while others are penny stocks. There are cases where the investments have grown so big that the portfolio of quoted shares even exceeds the scale of the company's underlying operating businesses.

Among the most notable examples is industrial waste recycling operator Analabs Resources Bhd (KL:ANALABS).

As at end-April 2026, its investments in quoted shares accounted for about 69% of its total assets. A month later, its listed equity portfolio had reached RM619.06 million, almost three times larger than its market capitalisation of about RM210 million.

Analabs stands out not merely because of the size of its investment portfolio, but also because of how that portfolio has been financed. According to its annual report for the financial year ended April 30, 2025 (FY2025), it had RM205.28 million in share margin financing, while the market value of its equity portfolio stood at RM475.3 million.

Like it or not, borrowing money for equity investments raises broad questions about risk management.

Analabs first disclosed its investment in Malayan Banking Bhd (KL:MAYBANK) in September 2018 after the holding exceeded 5% of its consolidated net assets, triggering Bursa's disclosure requirements. The company subsequently accumulated more Maybank shares, stating that the investments were intended to generate dividend income and long-term capital appreciation.

What began as a cash-funded investment strategy has gradually evolved into one that is increasingly being supported by leverage. Margin financing had swelled from RM9.6 million in FY2019 to RM205.3 million in FY2025, rising every year alongside the expansion of the company's equity portfolio.

Management has defended the approach. During the company's FY2025 annual general meeting (AGM), directors explained that Maybank's dividend yield of about 6.3% per annum comfortably exceeded the financing cost of about 4.5% per annum, allowing the investment to remain cash-flow positive even after interest expenses.

COMPANY FILINGS

Selected companies with significant quoted equity portfolios

COMPANY	QUOTED EQUITY PORTFOLIO (RM MIL)	TOTAL ASSETS (RM MIL)	PORTFOLIO AS % OF TOTAL ASSETS	MARKET CAP (RM MIL)	LAST PRICE (RM)	P/B (TIMES)
Jadi Imaging Holdings	30.2	34.1	88.6	49.0	0.035	1.75
Analabs Resources	608.4	882.9	68.9	210.1	1.750	0.32
Hexza Corp	327.4	477.2	68.6	197.4	0.960	0.43
JcbNext	275.4	453.3	60.8	239.7	1.830	0.54
Reach Ten Holdings	150.0	256.5	58.5	370.0	0.370	1.68
Sungei Bagan Rubber (M)	643.1	1,157.9	55.5	579.0	6.220	0.51
Green Ocean Corp	34.7	71.0	48.9	19.0	0.090	0.28
Kluang Rubber Co (M)	689.9	1,523.0	45.3	423.3	6.700	0.50
Lambo Group	75.7	173.3	43.7	7.7	0.005	0.05
Fintec Global	48.3	141.4	34.1	16.4	0.080	0.12
LTKM	132.4	452.3	29.3	171.7	1.200	0.46
Vsolar Group	22.7	98.4	23.1	22.4	0.045	0.23
Borneo Oil	76.9	702.4	10.9	86.1	0.005	0.13
NexG	25.0	638.4	3.9	983.7	0.265	1.78

Data as of August 6, 2026

The company has since expanded its exposure to the banking sector. It disclosed purchases of shares in RHB Bank Bhd (KL:RHBBANK) in July 2023 and CIMB Group Holdings Bhd (KL:CIMB) in July 2025 after each investment crossed Bursa's 5% disclosure threshold.

The threshold under the listing rules, however, results in an information gap. Investors are only informed when an individual investment exceeds the prescribed reporting limit. Holdings below the threshold may remain undisclosed, leaving shareholders with only a partial picture of the company's investment portfolio.

Analabs' investment strategy has also become increasingly sophisticated. The minutes of its FY2025 AGM revealed that about 26% of the group's quoted investments were held through total return equity swap arrangements, under which Analabs acts as the total return receiver, benefiting from dividend income and capital appreciation without directly owning all of the underlying shares.

The strategy has so far delivered healthy returns. As at May this year, the portfolio was sitting on unrealised gains of about RM102.7 million, representing a return of nearly 20% on total investment cost. Those gains, however, remain highly dependent on market conditions and could reverse quickly should equity prices weaken.

There is also the issue of disclosure timing. Changes in the value of listed investments are only reflected when quarterly or annual financial statements are released. Detailed breakdowns of investment holdings generally appear only in annual reports, meaning investors often receive information months after significant changes have already taken place. In rapidly moving equity markets, reported values may therefore represent only a snapshot rather than the company's prevailing financial position.

The implications become even more apparent when market prices move sharply.

NexG Bhd's (KL:NEXG) investments show how sharp declines in the value of equity investments can swing asset values on a company's balance sheet and earnings.

In August 2025, NexG acquired a 32.61% stake in Classita Holdings Bhd, now known as NexG Bina Bhd (KL:NEXGBINA), and 414.31 million warrants for RM76.78 million. By the end of March 2026, however, the combined market value of the shares and warrants had fallen to just RM14.19 million, representing an unrealised decline of about 81.5%.

Because NexG Bina is an associate unit, the investment value remained at RM59.27 million in NexG's FY2026 annual report for the financial year ended March 31, 2026, under "investment in associates".

The group's investment in MMAG Holdings Bhd (KL:MMAG) tells a different story. In March 2025, NexG invested RM88 million in buying a 9.53% stake in MMAG at 40 sen per share. By end-March 2026, MMAG's share price had slumped 93% to three sen.

Unlike the investment in NexG Bina, the MMAG stake was valued at fair value, meaning changes in market prices were recognised directly in NexG's financial statements.

NexG's 2025 annual report shows that the company invested an additional RM105.85 million, mainly in the purchase of quoted shares during the year. Meanwhile, it incurred fair value losses of RM111.94 million as well.

Because the additional investments came in handy to offset the fair value losses, the company's other investments shown on the balance sheet had shrunk only by RM7.3 million to RM25.33 million, from RM32.63 million a year ago. Shareholders would not have known about the more than RM100 million additional investment and fair value losses without looking at the notes to the accounts.

A fair value loss of RM111.94 million on the group's investment portfolio dragged NexG into a net loss of RM85.72 million for FY2026 — its first loss since its listing in 2012.

Prominent names dominate corporate portfolios

There are other Bursa-listed companies that have amassed sizeable investment portfolios, with quoted equities forming a significant portion of their total assets.

Among them is JcbNext Bhd (KL:JCBNEXT), formerly JobStreet Corporation Bhd, which transformed itself into an investment holding company following the sale of its online recruitment platform to SEEK Asia.

Today, investments dominate JcbNext's balance sheet. Its holdings include a 7% stake in Taiwan-listed online recruitment platform 104 Corporation valued at RM66.7 million. It was once the largest shareholder of 104 Corporation, owning about 23% in 2008, but has progressively monetised the investment over the years.

Apart from 104 Corporation, JcbNext owns minority stakes in three technology companies across Asia worth RM37 million, alongside a quoted equity portfolio comprising holdings in 31 listed companies and two exchange-traded funds (ETFs) valued at RM200.3 million.

Collectively, the group's investments stand at RM304.2 million, accounting for about 63% of its total assets.

Chemical manufacturer Hexza Corp Bhd (KL:HEXZA) has become an active investor in overseas equities too. In September 2024, the company disclosed that it had acquired 50,000 shares in British chip designer Arm Holdings plc for RM29.48 million while disposing of RM23 million worth of shares in US robotics company Symbotic Inc on the Nasdaq stock exchange.

In October 2023, Hexza announced the disposal of RM37.07 million worth of Nvidia Corp shares, revealing for the first time that the artificial intelligence chipmaker had formed part of its investment portfolio.

Although Hexza has been investing in quoted securities since 2010, investors had limited visibility of its holdings until more detailed Bursa disclosures emerged in recent years.

As at March 2026, Hexza's quoted equity portfolio amounted to RM327.37 million, representing about 69% of its total assets.

Plantation company Kluang Rubber Company (Malaya) Bhd (KL:KLUANG) presents another interesting case.

Through its 43.69%-owned associate Sungei Bagan Rubber Company (Malaya) Bhd (KL:SBAGAN), the group owns a 1.89% stake, or 9.53 million shares, in Singapore-listed Great Eastern Holdings Ltd. Based on prevailing market prices, the stake is worth about RM669.5 million.

Together with overseas debt instruments and gold bullion, investments account for more than 56% of Sungei Bagan's total assets.

One newly listed company has also disclosed a notable overseas investment. Sarawak-based telecoms infrastructure provider Reach Ten Holdings Bhd (KL:REACHTEN) revealed that it owns US$1 million (RM4.2 million) worth of shares in Space Exploration Technologies Corp (SpaceX) through Alta Fund Management.

Overall, Reach Ten's investment portfolio, comprising primarily unit trust funds, amounted to RM149.97 million, representing about 58% of its total assets.

Egg producer LTKM Bhd (KL:LTKM) has accumulated a sizeable securities portfolio. As at its financial year ended March 31, 2026 (FY2026), its quoted investments totalled RM132.36 million, accounting for about 29% of its total assets.

Despite the portfolio's size, minority shareholders remain largely in the dark about what the company actually invests in. Responding to shareholders at its FY2025 AGM, management said the investments comprised Bursa-listed companies selected primarily for their consistent dividend yields.

However, because none of the individual investments exceeded Bursa's 5% disclosure threshold, the company was not required to disclose the names of the shares publicly.

More regulations on corporate share portfolios deemed necessary

The growing number of Bursa Malaysia-listed companies holding sizeable investment portfolios has sparked debate on whether there is sufficient disclosure for shareholders in assessing companies' investment decisions.

Neither Minority Shareholders Watch Group (MSWG) CEO Dr Ismet Yusoff nor Tradeview Capital chief investment officer Nixon Wong are opposed to having companies invest surplus cash, but they stress that the rationale, governance and disclosure surrounding these investments are ultimately more important than their size.

Ismet says minority shareholders should not judge a company simply by the proportion of investment assets on its balance sheet.

"The proportion of investment assets on a PLC's balance sheet is not, in itself, the key concern," he tells The Edge. "What matters more is whether these assets are aligned with the PLC's strategic goals, complement its core business rather than distract from it, deliver risk-adjusted returns and contribute to sustainable long-term shareholder value."

He notes that companies must also remain mindful of Bursa's listing requirements relating to "cash companies", where at least 70% of consolidated assets comprise cash, short-term investments or a combination of the two.

However, some quarters believe there is room for improvement in existing disclosure requirements.

Although listed companies generally comply with accounting standards by disclosing investment assets in their financial statements, Wong says such disclosures often explain what companies own but not why they own them.

"In many cases, companies comply with accounting standards by disclosing the composition and fair value of investment assets, but these disclosures don't provide enough information for investors to evaluate management's capital allocation decisions," he says. "Accounting disclosures explain what is owned, but, often, not why."

The lack of explanation becomes more significant when investments represent a substantial proportion of shareholder funds.

"If substantial amounts of shareholder capital are invested outside the operating business, management should explain the rationale behind it, the limitation on business growth, the potential return enhancement from holding financial assets and whether the deployment is temporary or long term," Wong says.

"Without that, investors may struggle to determine whether management is exercising discipline or simply lacking growth opportunities. Why not just pay back to shareholders through dividends if it is for the latter?"

Ismet echoes the call for greater transparency, saying shareholders should actively question boards whenever investment assets become a significant part of the balance sheet. "Minority shareholders should seek greater transparency on the rationale for holding such significant investment assets, their expected returns, governance and risk management framework, and the extent to which these investments align with and support the company's long-term strategic goals."

Governance matters more than rules

Rather than imposing blanket regulations, both Wong and Ismet believe that the focus should be on improving the quality of disclosures.

Wong says investors would benefit from understanding companies' investment governance, including permitted asset classes, exposure limits, approval authority and board oversight.

"Such disclosures would provide greater confidence that investments are being managed within an appropriate governance framework rather than through ad hoc decision-making," he adds, noting that greater transparency would also help prevent potential misuse of shareholder funds.

The duo urge Bursa and the Securities Commission Malaysia to consider enhanced disclosure requirements for companies with substantial investment portfolios, provided any new rules strike a balance between transparency and compliance costs.

Rather than introducing blanket reporting obligations, Wong suggests additional disclosures could be triggered once investment assets exceed a specified threshold. These could include information on investment policies, portfolio performance metrics, concentration risks, liquidity analysis and how investment activities support corporate strategy.

"The objective should be enhancing transparency for investors to make better investment decisions rather than for the sake of setting rules for companies to comply with," he says.

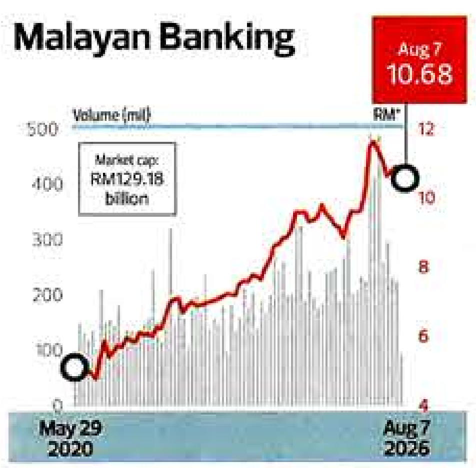
Look beyond investment gains

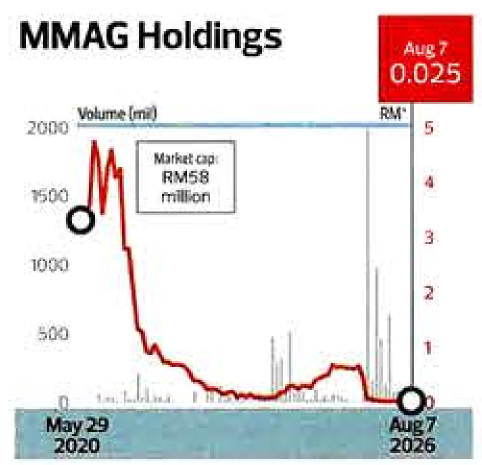
Investors should not focus solely on reported profits when evaluating companies with large investment portfolios. Wong says shareholders should compare returns generated by financial assets against the company's cost of capital and borrowing costs while distinguishing between realised gains and unrealised mark-to-market movements.

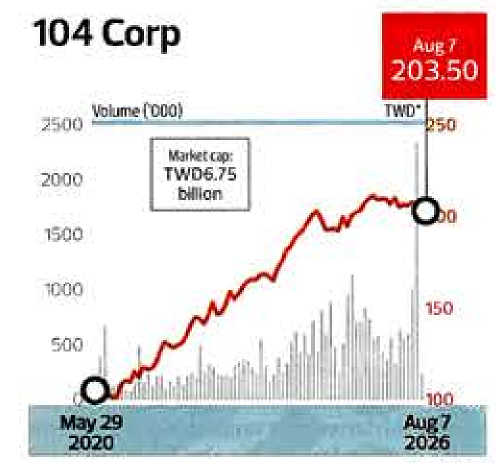
Among the warning signs, he says, are companies reporting declining revenue and operating profit while maintaining headline earnings through investment gains, increasing dependence on fair value adjustments and limited reinvestment in core operations despite holding substantial cash resources.

"Where investment portfolios appear to substitute for operational growth without acceptable explanation or oversight, minority shareholders have legitimate reasons to question whether management is fulfilling its fiduciary responsibilities in allocating capital," Wong says.

For Ismet, good corporate governance ultimately comes down to accountability. "Where investment assets represent a significant proportion of a PLC's balance sheet, minority shareholders should expect strong accountability, effective risk management, prudent capital allocation and transparent reporting on the performance and strategic rationale of those investments," he says. ■







* Adjusted for share splits, consolidations, dividends/bonuses and rights offerings

BLOOMBERG

LTKM's securities portfolio has expanded considerably over time, growing more than fivefold from RM24.22 million in FY2019 to RM132.36 million in FY2026.

When portfolios turn speculative

While some companies have built portfolios centred on established listed companies, others have taken a markedly different approach by concentrating on penny stocks.

Jadi Imaging Holdings Bhd (KL:JADI) is one such example. The company, whose share price is at four sen, giving it a market capitalisation of about RM56 million, held RM30.2 million of quoted equity investments as at March 2026. That represented about 89% of its total assets of RM34 million.

Its annual report shows that the investments are held through wholly-owned subsidiary Jadi Chemicals Sdn Bhd, which functions as the group's investment holding vehicle.

Among the companies in its portfolio are Trive Property Group Bhd (KL:TRIVE), Sinaran Advance Group Bhd (KL:SINARAN), Cheetah Holdings Bhd (KL:CHEETAH), Oversea Enterprise Bhd (KL:OVERSEA), Vizione Holdings Bhd (KL:VIZIONE), Symphony Life Bhd (KL:SYMLIFE), Fast Energy Holdings Bhd (KL:FAST), Joe Holding Bhd (KL:JOE) and Fintec Global Bhd (KL:FINTEC), with most of these shares trading below 10 sen each.

Interestingly, Jadi Imaging's largest shareholders — XOX Bhd (KL:XOX) and Lazarus Securities Pty Ltd, both of which are linked to businessman Datuk Kenneth Vun — are also substantial shareholders of several of the companies, highlighting the interconnected ownership of parts of the portfolio.

Fintec Global is another company whose investment portfolio's values went on a roller-coaster ride as penny stock prices collapsed.

During the retail trading frenzy of 2020, the carrying value of its quoted equity investments soared to RM385 million in the financial year ended June 30, 2020 (FY2020), from RM98 million a year earlier.

The gains proved short-lived. The portfolio shrank to RM113.6 million in FY2021 before falling further to RM48.3 million as at March 2026, by which time it accounted for only about 34% of total assets.

Several other companies within the same network of overlapping shareholders have also accumulated sizeable quoted equity portfolios.

Green Ocean Corp Bhd (KL:GOCEAN) has the highest exposure, with quoted investments accounting for about 49% of total assets, followed by Lambo Group Bhd (KL:LAMBO) at 44% and Vsolar Group Bhd (KL:VSOLAR) at 23%.

According to their annual reports, the three companies invested in quoted equities in 2021, when the penny-stock rally on Bursa started to lose steam. However, it is hard for minority shareholders to keep track of these investments as most of them were below the 5% threshold.

Borneo Oil Bhd (KL:BORNOIL) is another company that saw an enormous paper gain evaporate swiftly as the tide turned. It had invested in Verde Resources Inc, which was listed on the US over-the-counter (OTC) market in 2024. Shortly after the listing, Verde's share price climbed as high as US$0.45, lifting the carrying value of Borneo Oil's investment from RM186.56 million to RM347.59 million. At its peak, the investment represented about one-third of the group's total assets.

However, the reversal was equally swift. As at June 30, 2025, Verde's share price had fallen below US$0.10, reducing the carrying value of Borneo Oil's investment to RM76.87 million. More recently, Verde's shares were trading at around US$0.06, underscoring how mark-to-market movements can materially alter a company's reported financial position.

Successful investments might generate lucrative returns, but when a company's investment portfolio grows large enough that its fortune is tied to stock market volatility, is that acceptable? ■