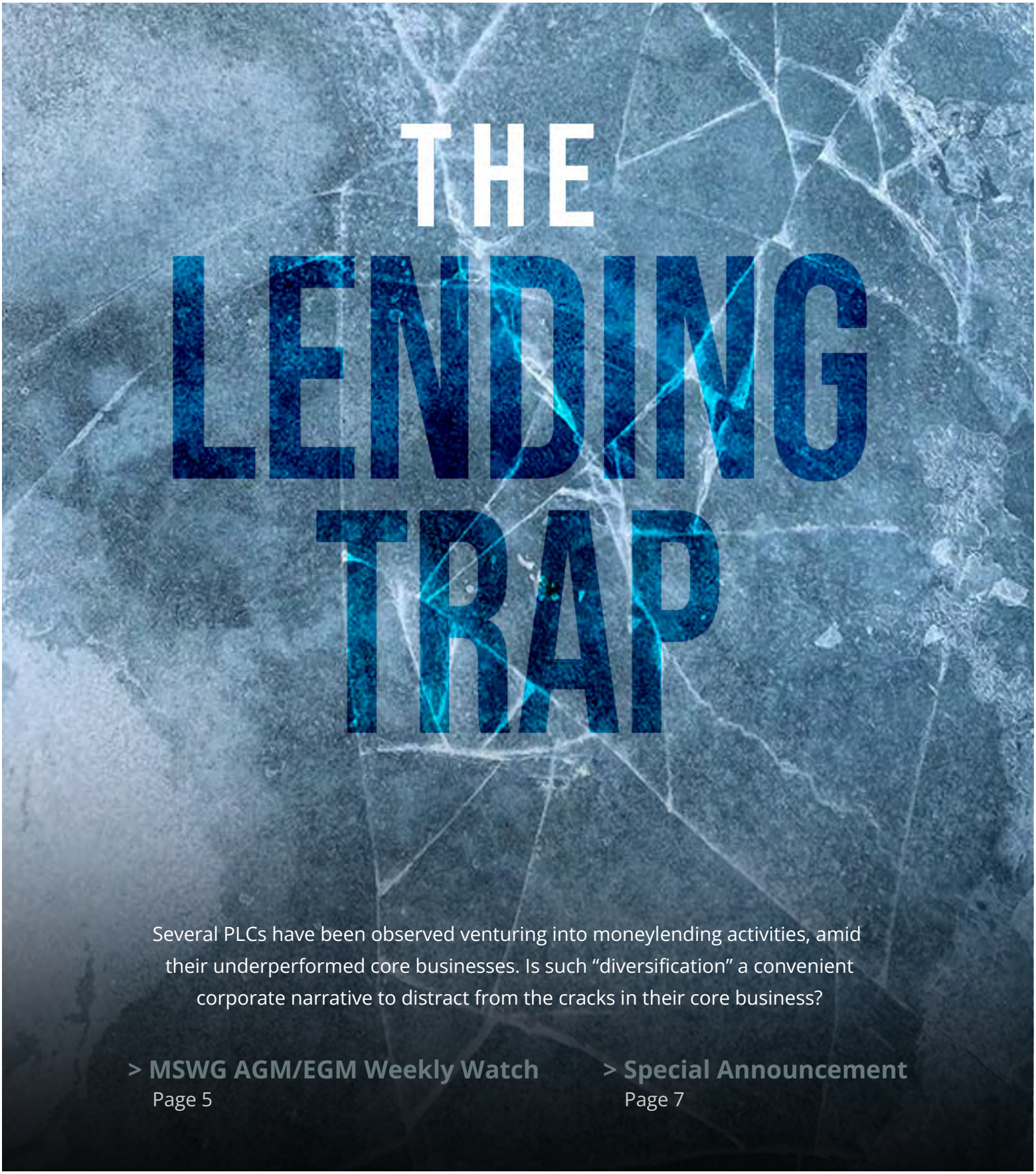
MSWG
MINORITY SHAREHOLDERS WATCH GROUP

Official Newsletter from MSWG

The Observer

FRIDAY | 6 NOVEMBER 2026



THE LENDING TRAP

Several PLCs have been observed venturing into moneylending activities, amid their underperformed core businesses. Is such "diversification" a convenient corporate narrative to distract from the cracks in their core business?

> MSWG AGM/EGM Weekly Watch
Page 5

> Special Announcement
Page 7

STRUGGLING PLCs PLAY BANKER

In Malaysia, moneylending still conjures images of red paint splashed across shopfronts, threatening messages and the familiar menace of the "ah long". Just because the Ministry of Housing and Local Government (KPKT) stamped your paperwork doesn't make you a banker. That license just proves you were cleared to lend, it doesn't magically give you the knack to get it back.

For some public-listed companies (PLCs) struggling to generate growth from their core businesses, moneylending offers an appealing alternative. Why wrestle with declining margins, weak demand or an underperforming operation when lending and interest income can be presented as a fresh growth story?

The Money Has to Come Back

The numbers behind several PLCs' moneylending ventures raise questions about whether the reported revenue adequately compensates for the risks assumed.

Sersol Berhad needed a reminder that arithmetic is not optional. The company recently sought ratification from shareholders after seemingly forgetting that its outstanding unsecured loan exposure exceeded 25% of its audited net assets.

Its receivables were concentrated among just three borrowers, generating a total of approximately RM0.7 million in interest income in FY2026. Set that against an operating cash outflow of RM3.00 million and a cash balance of just RM0.81 million and the picture becomes considerably less charming. If repayments are delayed, interest income may look respectable in the accounts but it will not pay suppliers or settle creditors. Those require cash.

Green Packet Berhad recorded RM6.76 million in moneylending revenue for the 12 months ended 30 June 2026, alongside a loss before tax of RM5.97 million. As at 30 June 2025, its subsidiary had disbursed approximately RM34 million to just nine borrowers, generating RM0.9 million in interest over the preceding 15 months. This is a concentrated bet on nine repayment decisions.

XOX Networks Berhad recorded RM3.81 million in its financial solutions segment revenue for its 18-month financial period ended 31 December 2025, against a post-tax loss of RM2.72 million. Its reliance on bullet loans, under which principal is repayable in a single lump sum at maturity, adds another layer of risk. Such loans are not inherently unsound, but they concentrate repayment obligations at a specific point in time. When the principal falls due and optimism must make way for cash.

Who Is Minding the Store?

Diversification is corporate shorthand for changing the subject when the factory is burning down. Rebrand the bleed as “financial solutions”, stick some high-yield paper on the balance sheet and suddenly management has a turnaround narrative to pitch.

The game runs on accounting timing: book accrued interest today, report growth this quarter and leave the awkward business of recovering the money for later. But an unsecured loan isn’t a prize; until repaid, it’s just cash that left the building. Money tied up with a handful of borrowers cannot pay down debt, support the core business or fund dividends. It gets worse when a PLC taps shareholders for fresh equity, only to pump it into lending.

And where are the independent directors while this happens?

A board isn't there to applaud management's slide deck. They must poke holes in it until it deflates and ask the annoying questions before millions of ringgit walk out the door. Who valued the collateral? What is the counterparty's actual credit history? How are provisions modelled under MFRS 9, and how does the management plan to chase down defaulting borrowers?

Lending is not a sideline hustle. It requires underwriting muscle, obsessive debtor monitoring and the nerve for messy enforcement. None of that materialises out of thin air just because an executive spotted an attractive interest margin. Until a PLC proves it can pull actual ringgit back out of these deals without gutting solvency, let’s call this what it really is. It isn’t diversification. It’s a collapse of governance, paid for with other people’s money.

Why Is the Borrower Coming to You?

Here is the question management would prefer shareholders not to ask: if the borrowers are such promising credit propositions, why are conventional financial institutions not queuing up to finance them?

There is, of course, a place for non-bank lenders. And a bank's refusal does not automatically make someone a bad borrower. But it does raise the question of adverse selection. Banks have already assessed these borrowers and decided the risks were not worth taking. What makes management think it can do better, particularly without the same lending expertise or resources? What looks like an untapped market may simply be a pool of risks that others have already walked away from.

Nor does an inflated interest rate compensate for structural credit risk. An attractive yield on the spreadsheet is one thing, getting the principal and interest back is quite another. A higher rate may improve the potential return but it does not make a borrower more likely to repay.

For a PLC diversifying into moneylending from an unrelated industry, the cost of learning on the job can be borne by shareholders. They are not there to funding a management training programme in credit assessment, nor should they bankroll an experiment to discover why conventional lenders were reluctant to lend in the first place.

The Bill Always Comes Due

Lending doesn't fix a broken business, it just accelerates the reckoning. A licence isn't underwriting skill, and paper interest isn't cash in hand.

When these loans inevitably default, nobody should feign surprise. This was never a growth strategy. It was just capital evaporation in disguise.

[END]

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
12.11.26 (Thur) 10.00 am	Sime Darby Berhad (AGM)	The Group's core net profit rose 32.6% to a record RM1.55 billion in FY2026, mainly supported by higher core PBIT from the Motors division and lower finance costs. However, reported net profit declined 14.5% to RM1.76 billion due to lower disposal gains and higher impairments and provisions. Gearing improved to 36%, while the Group declared a total dividend of 14 sen per share, representing 62% of core net profit.	MSWG will vote **'FOR'** all resolutions to be tabled.
12.11.26 (Thur) 12.30 pm	Sime Darby Berhad (EGM)	The Group proposed to establish a Long-Term Incentive Plan comprising an Employee Share Grant Scheme and an Employee Share Option Scheme, together with a proposed allocation of awards to Dato' Jeffri Salim Davidson, the Group Chief Executive Officer.	MSWG will vote **'FOR'** the said resolutions to be tabled.
12.11.26 (Thur) 10.30 am	M N C Wireless Berhad (EGM)	The Group proposes to reduce its issued share capital by up to RM83.00 million to offset accumulated losses of RM83.09 million at the Company level as at 31 May 2026. Following the exercise, the Company's accumulated losses are expected to decline to approximately RM0.20 million, while the Group would record retained earnings of RM3.30 million.	MSWG will vote '**FOR'** the said resolution, as it would rationalise the Company's financial position without affecting shareholders' existing shareholdings or involving any material cash outflow.
12.11.26 (Thur) 2.30 pm	PBA Holdings Berhad (EGM)	PBA Holdings, through its subsidiary PBAPP, proposes to enter into a 40-year treated bulk water purchase	MWSG will vote **'AGAINST'** the proposed resolution as

Date & Time	Company	Quick-take	Voting Position
		agreement with Prasarana Air dan Irigasi Perak Sdn Bhd under the Northern Perak Water Supply Scheme (NPWSS). Supply is expected to commence on 31 March 2032 with PBAPP committed to purchasing a minimum of 300 million litres per day (MLD) from a plant with a designed capacity of 500 MLD. The agreement carries an estimated total consideration of RM24.6 billion over its tenure, comprising RM8.4 billion in fixed capacity charges and RM16.2 billion in supply charges. The proposed bulk water purchase is intended to diversify Penang's water sources and support projected demand growth, particularly from its industrial and semiconductor sectors.	the 40-year agreement exposes PBA to significant financial and contractual risks, including a 300 MLD minimum purchase commitment, fixed annual capacity charges of RM210 million, Perak's priority over water supply and substantial termination liabilities despite prolonged supply interruptions. These concerns are reinforced by the dissent of five out of twelve directors. Overall, the agreement does not adequately protect PBA shareholders.









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

DISCLAIMER
This newsletter and the contents thereof and all rights relating thereto including all copyright is owned by the Badan Pengawas Pemegang Saham Minoriti Berhad, also known as the Minority Shareholders Watch Group (MSWG).

The contents and the opinions expressed in this newsletter are based on information in the public domain and are intended to provide the user with general information and for reference only. Best efforts have been made to ensure that the information contained in this newsletter is accurate and current as at the date of publication. However, MSWG makes no express or implied warranty as to the accuracy or completeness of any such information and opinions contained in this newsletter. No information in this newsletter is intended to be or should be construed as a recommendation to buy or sell or an invitation to subscribe for any of the subject securities, related investments or other financial instruments thereof.

MSWG must be acknowledged for any part of this newsletter which is reproduced.

MSWG bears no responsibility or liability for any reliance on any information or comments appearing herein or for reproduction of the same by third parties. All readers or investors are advised to obtain legal or other professional advice before taking any action based on this newsletter.