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NexG Logs Worst Day In Seven Years As Investors Baulk At Classita Stake

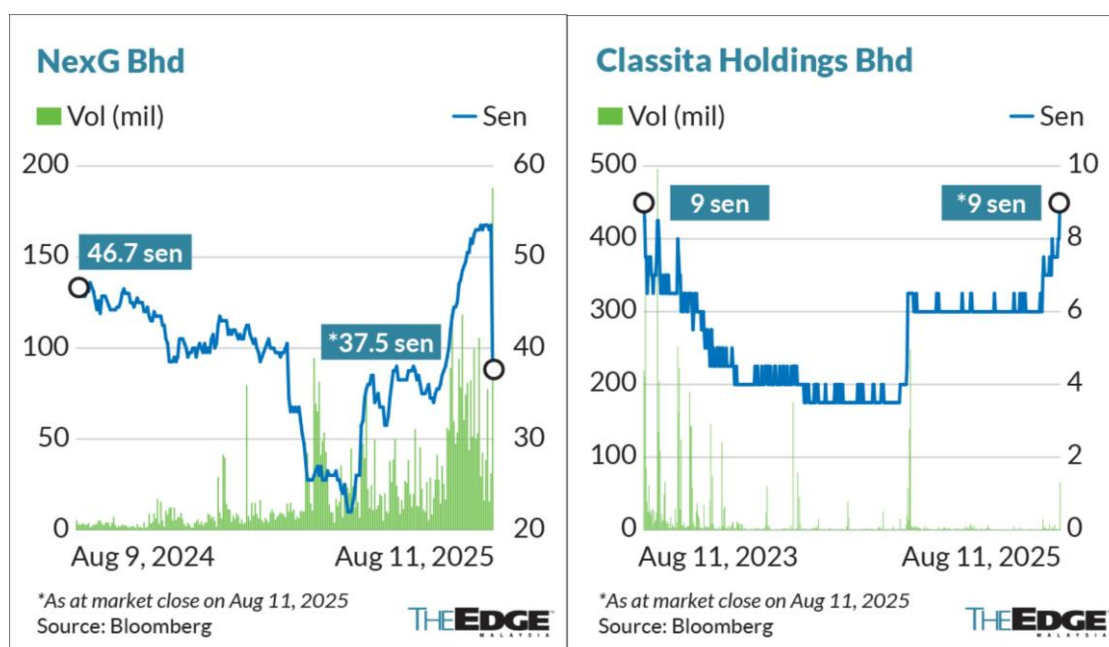


KUALA LUMPUR (Aug 11): NexG Bhd (KL:NEXG) plunged on Monday as investors of the company formerly known as Datasonic Group Bhd baulked at its diversification into property and construction businesses.

Shares of NexG fell as much as 16.5 sen or 31% to 37 sen, their lowest in more than a month. The stock settled at 37.5 sen — marking its biggest decline in a single day since October 2018 — and valuing the company at RM1.19 billion at the closing bell. NexG was also the most traded stock with over 188 million shares changing hands. Intraday short-selling of the stock was suspended and is to resume on Tuesday morning.

BIMB Securities, meanwhile, downgraded the stock to ‘sell’ from a ‘hold’ call and questioned whether NexG’s move is a “strategic diversification or distraction” from its core technology and identity business.

Last Friday, NexG announced that it had acquired a 32.61% equity stake and another 414.31 million warrants in Classita Holdings Bhd (KL:CLASSITA) for a total of RM76.78 million in cash.



Classita, based in Perak and previously known as Caely Holdings Bhd for manufacturing lingerie and undergarments, is now its associate company. If NexG uses all the warrants it bought — and no one else does — its stake could increase to 49.6%.

“From an earnings standpoint, the impact is negligible,” BIMB Securities said, noting that the 32.6% stake NexG acquired would contribute only about RM980,000 — less than 1% of NexG’s RM115 million annual profit base — based on Classita’s results for the financial year ended June 30, 2024.

Further, undergarments manufacturing still accounts for about 90% of Classita’s revenue while its property push has yet to generate meaningful earnings, BIMB Securities flagged.

“Entering a sector with a different DNA — cyclical, capital-intensive, and operationally complex — makes flawless execution more critical,” the house said, warning that NexG “must be more proactive and transparent on integration and capital allocation to assure investors”.

Classita rose as much as 1.5 sen or 18.75% to 9.5 sen, its highest since August 2023, before paring its gains to close at nine sen, up one sen or 12.50%. At the last price, the company has a market capitalisation of RM110.95 million. The stock was the second most active with trading volume of nearly 66 million shares.