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Mind-boggling investment decisions

STORIES BY THE EDGE MALAYSIA

NexG Bhd (KL:NEXG), formerly known as Datasonic Group Bhd, saw its share price plunge as much as 31% last Monday — its lowest in four months — after it announced that it had acquired a 32.61% stake in Classita Holdings Bhd (KL:CLASSITA) plus warrants.

NexG, which supplies passport booklets to the Immigration Department, bought 402.26 million shares in the company from Hong Seng Consolidated Bhd (KL:HONGSENG) for RM60.31 million cash or 15 sen apiece. This was an 87.5% premium to the eight sen the shares were trading at last Friday.

On top of that, NexG also purchased 414.31 million warrants from various parties for RM16.47 million. Most of the warrants changed hands in off-market deals at four sen each. The company also bought some on the open market at 3.5 sen apiece.

In total, the purchase of shares and warrants cost NexG RM76.78 million cash, which is more than its cash and bank balances of RM61.6 million as at March 30, 2025. The investment is almost double its short-term borrowings of RM39.55 million.

It is mind-boggling that NexG paid such a high premium for a struggling lingerie manufacturer that has now ventured into construction and property development.

Classita will be renamed as NexG Bina

Bhd. The company appointed former Inspector General of Police Tan Sri Razarudin Husain as its new independent, non-executive chairman.

Notably, this is the third investment that the company has made in less than a year. In November last year, it acquired 51% equity interest in Innov8tif Holdings Sdn Bhd from Revenue Group Bhd (KL:REVENUE) for RM40 million cash. Five months ago, it bought a 9.53% stake in MMAG Holdings Bhd (KL:MMAG).

While NexG has yet to secure a long-term concession to supply passport booklets, it has already spent more than RM180 million cash on the acquisitions. Its contract has been renewed every six months since it expired in November 2021.

In announcing the Classita deal, NexG's substantial shareholder Datuk Hanifah Noordin said the company "brings proven construction capabilities, a credible portfolio and scalable land bank assets". "With Classita's financial strength, land bank and institutional readiness, combined with NexG's capital, governance and national networks, we are confident in our ability to help drive the country's housing and infrastructure transformation, while delivering long-term value to our stakeholders," he added.

Hanifah is the second-largest shareholder in NexG with direct and indirect equity interest of 8.35%, after Tan Sri Khairul Adib Abdul Rahman — former director-general of the Public Service Department as well as

former secretary-general of the Ministry of Transport — with an indirect stake of 9.99%.

Khairul Adib emerged as a shareholder of NexG on March 24 when he became a shareholder of Kuantum Juang Sdn Bhd, which owns a 6.11% stake in NexG. Kuantum Juang was previously an investment vehicle of Datuk Safian Mohd Yunus.

From three individuals to Hong Seng

Hong Seng will book an estimated disposal gain of RM34.52 million, even though the carrying value of the block of Classita shares was only RM25.8 million as at March 31, 2025, as the stock had drifted lower since, on top of pocketing more than RM70 million cash.

The company acquired the block of shares on July 14, 2023, at 15 sen apiece — the same price that NexG paid — from three individuals:

- Chan Swee Ying (24.59% or 303.9 million shares);
- Ng Keok Chai (4.51% or 55.66 million shares); and
- Khairul Adib (3.5% or 43.31 million shares).

Hong Seng also acquired shares when they were trading at 21.5 sen apiece, with a market value of RM86.44 million.

"The board is of the view that the disposal is in line with Hong Seng's strategic initiative to streamline non-core assets and focus on its main business segments: glove manufacturing, seafood trading and financial services," the company said in its filing with the stock exchange.

It was just as hard to fathom the rationale behind the Classita share purchase two years ago.

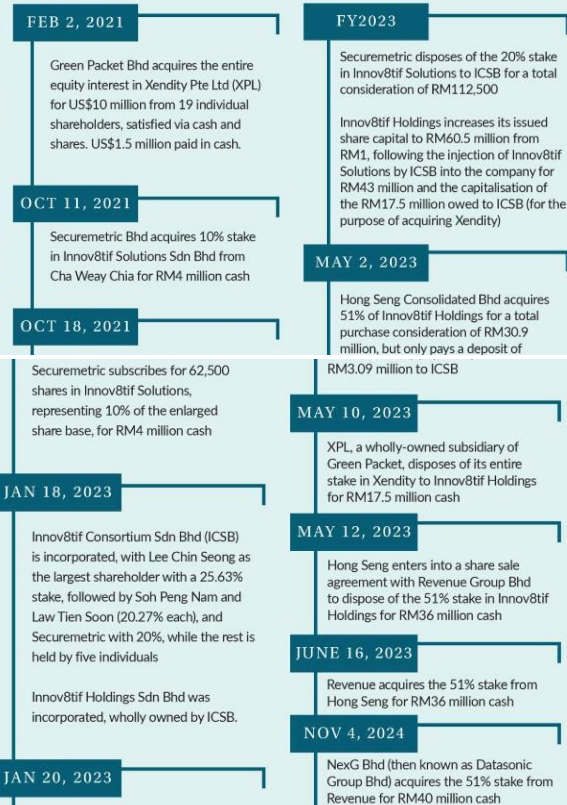
In justifying the acquisition, Hong Seng



How the 33% stake in Classita Holdings Bhd changed hands



How NexG got its hands on Innov8tif Holdings Sdn Bhd



said at the time that Classita had growth potential opportunities in the property industry, based on its "track record of successful property projects and the ongoing healthy living themed development in Bentong".

"Additionally, the strategic land bank owned by Classita Group holds promising opportunities for future development and further enhances the growth prospects of Classita Group," said Hong Seng in its reply to Bursa Malaysia's queries.

Chan emerged as a substantial shareholder of Classita (then known as Caely

On Dec 21, 2023, Classita bought the remaining 2.76% equity interest, making Kepayang Heights its wholly-owned subsidiary. The land is earmarked for development with a gross development value (GDV) of RM245.85 million.

The gross development cost of the entire project is estimated to be RM217.58 million. Classita raised RM72.93 million through the issuance of rights shares plus warrants in July 2023, which attracted legal suits from five of its substantial shareholders at the time.

When Harvest Miracle announced the sale of Kepayang Heights to Classita, it stated that the decision was taken after considering that property demand in the vicinity of the land may take some time to fully recover to pre-pandemic levels.

"The proposals are viewed positively to provide a timely opportunity for the group to monetise its investment in KHSB (Kepayang Heights)," stated Harvest Miracle in the stock exchange filing. The proposed disposal was expected to generate an estimated gain of about RM5.9 million for the group.

Harvest Miracle acquired an 80% stake in Kepayang Heights in August 2018 from Smart Wisdom Sdn Bhd for RM13.6 million. At the time, Harvest Miracle was known as SKH Consortium Bhd.

Smart Wisdom was owned by two individuals, Loo Swee Weng (60%) and Lin Pei Wen (40%). In May last year, the firm was bought by Velocity Capital Partner Bhd (KL:VELOCITY) and has been renamed Velocity Direct Sdn Bhd. It is engaged in the business of licensed money lending, with a valid licence issued by the Ministry of Housing and Local Government.

Back to Kepayang Heights, the company became a wholly-owned subsidiary of Harvest Miracle on Dec 31, 2019, after the group acquired the remaining 20% for RM3.41 million.

It obtained a development order (DO) from Majlis Perbandaran Bentong for a proposed development of 159 units of 3-storey villas on the land. However, the DO was revised twice by Harvest Miracle before it decided to dispose of Kepayang Heights.

Holdings Bhd) in November 2022 when she exercised her warrants, giving her 90.03 million shares or a 26.55% stake.

This was shortly before the lingerie maker was embroiled in shareholder tussles that ousted founder and substantial shareholder Datin Fong Nyok Yoon and her spouse Datuk Chuah Chin Lai, the company's former managing director.

The warrants had a conversion price of 35 sen apiece. The conversion price alone should have cost her RM31.5 million. However, it is not known how much Chan paid for the warrants.

She trimmed her stake to slightly more than 10% but later bumped up her equity interest to 24.59% via a rights issue at 10 sen per share. Hong Seng bought her stake on the day the rights issue was done.

It is not clear what the cost of her investment in Classita is. The 285.06 million rights shares alone would have cost RM28.51 million.

Meanwhile, Ng emerged as a substantial shareholder of Classita in March 2023 when he acquired 13.86 million shares or a 4.09% stake. He joined the board of directors four months later. He sold his shares on the same day as Chan.

Ng's cost of investment in Classita was marked at RM5.67 million, according to Hong Seng. This means he made a gain of RM2.68 million within a day.

Innov8tif Holdings entered into a share sale agreement (SSA) with XPL for the acquisition of the entire stake in Xendity Sdn Bhd for RM17.5 million cash

MARCH 6, 2025

Innov8tif Holdings is 51%-owned by NexG and 49% by ICSB

The deal was considered a related party transaction (RPT) as Ng was an independent non-executive director of Hong Seng prior to his resignation on March 21, 2023 — less than six months to the date of the transaction. He also held 93 million shares in Hong Seng then, representing a 1.82% stake.

Meanwhile, the deal with Chan was not considered an RPT for Hong Seng as she was not a director or major shareholder of the company in the preceding six months to July 14, 2023, when the transactions took place. However, she held 188.85 million shares or 3.7% equity interest in Hong Seng at the time.

Hong Seng says it will utilise the proceeds received from the disposal for the working capital of its existing businesses.

Meanwhile, at NexG, Hanifah harps on Classita's collaboration with Lion Pacific Sdn Bhd to jointly participate in the Mass Rapid Transit Circle Line (MRT3) project, with Classita expected to undertake the SY303 work package involving the supply,

testing and commissioning of electric trains and supporting systems.

Note that MRT Corp had only done the pre-qualification for the system turnkey contractor work package for the MRT3 project.

Bentong land said to have great potential

One of the reasons NexG acquired the largest stake in Classita from Hong Seng at a huge premium is its supposed growth opportunity in the property development sector. One of its assets is a 7.97ha land in Bentong, Pahang, held by Kepadang Heights Sdn Bhd.

Classita acquired an initial stake of 3.4% in Kepadang Heights in November 2022 from Harvest Miracle Capital Bhd (KL:HM) for RM17 million cash. The company then raised its equity interest to 97.14% after subscribing for more shares for RM1.5 million.

Harvest Miracle's largest shareholder Fortess Parade Sdn Bhd has pledged its 30.23% stake with Hong Seng's money lending unit Hong Seng Capital Sdn Bhd, according to annual report.

The sale came after Harvest Miracle raised RM54.89 million through the issuance of rights shares and irredeemable convertible preference shares (ICPS). Part of the proceeds were allocated to the development of the Bentong land.

As at March 31, 2022, Harvest Miracle had spent RM1.28 million on the pre-development of the Kepadang Heights project, out of the RM23.19 million allocated.

Harvest Miracle also varied RM13 million from the allocation for other purposes, including partial settlement of the acquisition of 187 units of serviced apartments in Tower A of Antara @ Genting Highlands for RM246.35 million. The project was developed by Aset Kayamas Sdn Bhd.

Classita has earmarked the Bentong land for a mixed-use development consisting of a commercial clubhouse, 82 units of double-storey semi-detached houses, seven units of bungalows, a traditional Chinese medicine centre, a private organic farm, as well as a 22-storey block of serviced apartments with 168 units.

MMAG and Innov8tif too

Prior to the Classita deal, NexG bought a 9.53% stake in MMAG, a day before the emergence of Datuk Farhash Wafa Salvador as the largest shareholder of the group on March 28.

NexG bought 175 million shares or a

CONTINUES NEXT PAGE

NexG on an acquisition spree

FROM PREVIOUS PAGE

7.58% stake in MMAG for RM70 million or 40 sen per share on March 27. The company bought the stake from Chan, who sold the 24.59% stake in Classita to Hong Seng.

Chan also offloaded a 6.5% stake in MMAG to Velocity Capital on the same day and for the same price. She ceased to be a substantial shareholder and alternate director of MMAG pursuant to the disposal. Velocity Capital is now the third-largest shareholder of MMAG.

The share acquisition at 40 sen apiece represents about a 38% discount to MMAG's closing share price of 64.5 sen on March 27. Prior to that, NexG had purchased 45 million shares or a 1.95% stake in MMAG for RM18 million on March 5.

"This investment provides an opportunity for the company to diversify into other segments, such as investing in MMAG's supply chain management business," NexG said in its filing with Bursa Malaysia.

Globetronics Technology Bhd (KL:GTRON-IC) is another listed firm that has a 4.869% stake in MMAG. The Penang-based company bought its MMAG stake in mid-July, a week before it acquired a 30.85% stake in Mpire Global Bhd (KL:MPIRE) for RM45.05 million cash.

Last month, MMAG announced that its unit MMAG Aviation Consortium Sdn Bhd (MAC) had entered into a deal to acquire a Boeing 737-800 converted freighter from GASL Ireland Leasing A-1 Ltd, a unit of Ireland-based Genesis Aircraft Services Ltd, for US\$25.9 million (RM109.85 million). The converted freighter is currently leased to MMAG Aviation.

Subject to shareholders' approval, the acquisition will be completed through a structured cash payment arrangement, with phased instalments over a 14-month period and a final settlement upon transfer of ownership.

Coincidentally, Khairul Adib, who became the largest shareholder of NexG, was the independent and non-executive chairman of MMAG between Feb 7, 2022, and March 24, 2025. He was replaced by Farhash on March 28.

NexG seems to be on an acquisition spree. Revenue Group sold a 51% stake in Innov8tif Holdings Sdn Bhd to NexG for RM40 million cash in November last year. Coincidentally, Hong Seng was among the shareholders of Innov8tif.

Innov8tif Group consists of Innov8tif Holdings and its subsidiaries Innov8tif

Solutions Sdn Bhd, Xendity Sdn Bhd and Innov8tif Solutions Co Ltd. The group is involved in providing identity assurance solutions, customer due diligence and ID authentication.

Innov8tif Holdings, which was set up by Securemetric Bhd (KL:SECUREMETRIC) and several other shareholders including Lee Chin Siong, Soh Peng Nam and Law Tien Soon through Innov8tif Consortium Sdn Bhd (ICSB), acquired Xendity from Green Packet Bhd (KL:GPCKET) in January 2023.

Innov8tif Solutions was then injected into Innov8tif Holdings by ICSB for RM43 million. The capital base of Innov8tif Holdings was also increased to RM60.5 million after ICSB capitalised the RM17.5 million it was owed to by the company for the Xendity purchase.

Then in May 2023, Hong Seng acquired a 51% stake in Innov8tif Holdings from ICSB for RM36 million cash. Just over two months later, Revenue acquired the stake from Hong Seng for the same amount.

As the block of Innov8tif shares got to NexG, the 51% stake was valued at RM40 million.

In the financial period between Jan 18,

2023, and Dec 31, 2023, Innov8tif Holdings generated revenue of RM18.24 million. However, the group registered a loss after tax of RM907,988 for the period.

Innov8tif Holdings recorded revenue of about RM14.24 million for the eight months ended Aug 31, 2024. The firm achieved a profit after tax of about RM1.4 million during the period.

Revenue Group is providing a profit guarantee of RM2.5 million for the financial year ending Dec 31, 2025 (FY2025) and RM3 million for FY2026.

In just four years, five public-listed companies have been involved with Xendity and its holding company, Innov8tif.

Now that NexG has taken over the 32.6% stake in Classita, it seems that the rally involving various public-listed companies is far from over. Who will be holding the assets and bearing the liabilities when the music ends? ■



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