

Headline	Perak Corp creditors seek Bursa Malaysia's assistance in dispute		
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Perak Corp creditors seek Bursa Malaysia's assistance in dispute

BY JOSE BARROCK

A legal dispute between Perak Corp Bhd, its wholly-owned unit PCB Development Sdn Bhd, and two private companies — ARX Holdings Sdn Bhd and ARX-YSC Sdn Bhd — has gained considerable traction, with the regulator Bursa Malaysia asked to investigate the dispute.

Much of the wrangling stems from Perak Corp's scheme of arrangement with non-financial institution (non-FI) creditors, which was approved on April 19.

According to court documents, ARX and ARX-YSC have property development projects with Perak Corp and PCB Development. ARX has a RM42.76 million mixed-use development project, while ARX-YSC has a RM103.53 million project in Ulu Bernam and Tanjung Malim. PCB Development is the development arm of Perak Corp.

ARX and ARX-YSC are two of Perak Corp's non-FI creditors, having made deposits to the company as partners in the projects.

The Edge viewed a copy of a complaint dated May 3 by Ivan Ang Ri Xiang, who wholly owns ARX and has a 50% stake in ARX-YSC, which was sent to Bursa chairman Tan Sri Abdul Wahid Omar. The remaining equity in ARX-YSC is held by Yu Swee Ching, who could be linked to Ang, as the two share the same address, according to filings with the Companies Commission of Malaysia (Suruhanjaya Syarikat Malaysia or SSM).

In an email response, Bursa says, "Bursa Malaysia received a letter from ARX-YSC Sdn Bhd relating to Perak Corp and has reverted. As a matter of policy, Bursa Malaysia is unable to comment on any specific case."

Meanwhile, a Perak Corp spokesperson says, "Given that there is a court proceeding in respect of this matter, any comments by Perak Corp on the questions raised by The Edge would be sub judice."

To recap, Perak Corp owes non-FIs RM140.12 million while PCB Development's non-FI borrowings are pegged at RM326.61 million. Under the scheme of arrangement, non-FI creditors will be paid six sen for every RM1 owed by Perak Corp and eight sen for every RM1 owed by PCB Development.

Meanwhile, Perak Corp is paying financial institutions between 63 sen and 84 sen for every RM1 owed while PCB Development is forking out 32 sen for every RM1 owed on corporate guarantees given by financial institutions.

The main grouses

Ang's issue is with the proposed scheme of arrangement and he has taken legal action to reinstate his companies' position as partners of Perak Corp and PCB Development.

In his letter of complaint, he states that Perak Corp, in its scheme, did not value Lumut Maritime Ter-

A snapshot of Perak Corp's financial position

	2016	2017	2018	2019	2020
Total assets RM '000	1,196,897	1,083,505	856,721	742,273	727,500
Shareholders' equity RM '000	648,610	288,051	112,298	(9,088)	(116,735)
Owners' equity RM '000	564,153	376,926	269,718	186,689	91,475
Total borrowings RM '000	459,388	549,300	518,883	517,889	548,325
Paid-up capital unit	100,000	100,000	100,000	100,000	100,000
Net assets per share RM	6.49	2.88	1.12	(0.09)	(1.17)
Share price as at fiscal year-end RM	2.26	1.28	0.38	0.38	0.34
Return on total assets %	0.41	(30.35)	(17.53)	(13.60)	(12.66)
Return on equity %	(2.70)	(48.24)	(39.75)	(44.47)	(104.09)
Gross dividend per share %	0.00	0.00	0.00	0.00	0.00
Earnings / (Loss) per share sen	(15.22)	(181.83)	(107.21)	(83.03)	(95.21)
Price-earnings ratio times	(0.15)	(0.01)	(0.00)	(0.00)	(0.00)
Gearing ratio %	43.91	65.14	72.33	78.72	89.38

mal Sdn Bhd, in which Perak Corp has about 50% equity interest, held via PCB Taipan Sdn Bhd. (The remaining 50% stake in Lumut Maritime Terminal is controlled by utility giant Tenaga Nasional Bhd.)

SSM filings reveal that as at end-December 2019, Lumut Maritime Terminal had total assets of RM281.42 million and total debts of RM49.19 million. For its financial year ended December 2019, it chalked up an after-tax profit of RM34.55 million from RM119.41 million in sales.

Lumut Maritime Terminal is Perak Corp's largest revenue generator. For its first quarter ended March 31, 2021, Perak Corp suffered a net loss of RM6.29 million from RM33.67 million in revenue. The port and logistics arm contributed RM30.24 million, or close to 90% of Perak Corp's revenue.

As at end-March this year, Perak Corp had deposits and bank balances of RM35.55 million, while short-term and long-term debt amounted to RM487.96 million and RM68.06 million respectively. It had accumulated losses of RM187.59 million and negative shareholders' funds of RM122.59 million. Nevertheless, the company had total assets of RM719.48 million.

Ang also says that Perak Corp had signed agreements with ARX-YSC on Sept 10, 2019, involving four parcels of land whose values are disputed by him. The variance in the valuation on the land parcels is RM109.69 million.

Another grouse highlighted by Ang is that transactions between related companies — those involving Perak Corp and its 52.9% par-

ent Perbadanan Kemajuan Perak (PKNP) — have been brought into the picture, resulting in related companies being deemed creditors.

Court documents indicate that Perak Corp has 172 creditors, with the amounts owed amounting to RM140.12 million. Five of the 172 creditors are intercompany creditors, which are owed a total of RM89.44 million. PCB Development, meanwhile, has 136 creditors, which are owed RM326.61 million. Of these 136 creditors, eight are intercompany creditors, or creditors related to PCB Development, and the amounts owing to these eight companies total RM254.15 million, Ang's affidavit states.

He also highlights that PKNP is also listed as a creditor. PKNP is owed RM17.06 million by Perak Corp, and RM8.1 million by PCB Development. In his affidavit, Ang says that including PKNP, the amount owed by Perak Corp to its related companies is 76% of the total of RM140.12 million, while 80.29% of PCB Development's RM326.61 million in debts is owed to PKNP and related companies.

The requirement for the proposed scheme of arrangement to go through was for 75% of the creditors to accept the offer. The scheme was approved by creditors on April 19.

Ang says that there was a conflict of interest by parties voting at the creditors meeting on April 19, and that intercompany transactions were being used as a tool of mitigation on the scheme.

What Perak Corp says

In an affidavit signed by Perak Corp CEO Zainal Iskandar Ismail and

PCB Development director Sharifah Nor Hashimah Syed Kamaruddin, all of Ang's allegations are denied, and in some cases, his notions are said to be "misconceived".

"Perak Corp would not be listed as a PN17 (Practice Note 17) company and need not undertake this restructuring scheme and to submit a regularisation plan to Bursa Malaysia if the applicants (Perak Corp and PCB Development) are not facing financial difficulties," they say in their affidavit.

As for Ang's allegations on Lumut Maritime Terminal being asset rich and was not included in the valuations, the affidavit states that the port operator is not an applicant to the proposed scheme of arrangement, and the scheme does not concern the terminal.

"Lumut Maritime Terminal is a separate entity with its own list of assets and liabilities comprising of both secured and unsecured creditors which are independent of the applicants (Perak Corp and PCB Development)," the affidavit states.

To include Lumut Maritime Terminal as part of the proposed scheme of arrangement would require the approval of Tenaga Nasional, the other shareholder of the port operator, it adds.

The affidavit also highlighted that PCB Taipan, the company through which Perak Corp controls Lumut Maritime terminal, is not an applicant in the proposed scheme of arrangement.

In response to several of the allegations, Perak Corp says that it will address the issues in court.

Perak Corp has also been divesting assets. It just obtained shareholder approval to divest four parcels of vacant commercial land and one plot of vacant residential land in Kinta, Perak, to Pertubuhan Keselamatan Sosial (Perkeso) for a cash consideration of RM78.68 million.

In its circular to shareholders, Perak Corp says, "The proposed disposal of properties is essential to position the group on a stronger financial footing and to unlock its capital resources from being tied up in long-term assets, thus improving the group's liquidity. The proceeds raised from the proposed disposal of properties would be utilised to repay part of its bank borrowings and to strengthen the group's proposed regularisation plan."

Perak Corp's former CEO is in the mix

Meanwhile, an affidavit by former Perak Corp CEO Mohamed Shafeii Abdul Gaffoor, in support of ARX and ARX-YSC, suggesting that Perak Corp, which is in the cash-strapped PN17 category, is actually financially sound, also raises questions.

Perak Corp's current CEO Zainal Iskandar Ismail says of Mohamed Shafeii's affidavit: "It is strange ... he (Mohamed Shafeii) was the then chief executive officer when Perak Corp was unable to declare that it

was solvent and fell into PN17." He declines to elaborate as the matter is in court.

Mohamed Shafeii, meanwhile, in a brief conversation with The Edge, says, "The issue here is not when it fell into PN17, but the creditors scheme."

In his affidavit, he adds, "Based on my involvement and previous role in the company, I am of the opinion that the companies, in particular, the first applicant (Perak Corp), is financially sound."

He says that the potential income and debts that could be recovered or realised are not reflected accurately and that the total assets of Perak Corp and PCB Development amount to approximately RM1.32 billion, but this was not disclosed.

However, could there be more to the issues than meets the eye?

Mohamed Shafeii claims in his affidavit that he was asked to vacate his position as CEO of Perak Corp with 24 hours' notice, on May 19, 2020, but his resignation as a director was effected only on June 22, 2020.

A Bursa filing showed that on June 11 last year, he was redesignated as non-independent non-executive director from CEO, and he resigned from Perak Corp on June 22 the same year.

The announcement merely said that he resigned as a non-independent non-executive director "to pursue other interests".

Perak Corp fell into the cash-strapped PN17 category on Feb 11, 2020.

Mohamed Shafeii, in his affidavit, says that Lumut Maritime Terminal, considering its RM34.55 million after-tax profit in FY2019, and based on 10 times earnings, could be valued at RM345.55 million, giving PCB Taipan (wholly owned by Perak Corp) a value of RM172.76 million attributable from the port operations.

He adds that Perak Corp and its unit have paid RM92.94 million in terms of advances on behalf of PKNP and related companies.

Mohamed Shafeii also estimated the value of Perak Corp's assets such as Animation Theme Park Sdn Bhd (in which it has 51% equity interest) at RM67.55 million, while a 13.92-acre land parcel in Teluk Dalam could fetch RM4.5 million at RM20 per sq ft. He also estimated that a 30% stake in Unified Million Sdn Bhd, a company which operates a small hotel in Pulau Pangkor, was worth RM3 million, while a 49% shareholding in VC Telecoms Sdn Bhd was worth RM7 million.

"I state that the latest scheme/explanatory statement which was tabled by the applicants, in particular the part that the applicants are purportedly in a financial difficulty, is untrue and is misleading."

Perak Corp has yet to defend itself against these allegations.

Last Thursday, Perak Corp ended trading at 37 sen, translating into a market capitalisation of RM37 million.