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## Perak Corp's restructuring scheme in the spotlight

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# Perak Corp's restructuring scheme in the spotlight

BY JOSE BARROCK

Debt-ridden Perak Corp Bhd is expected to face more issues after the Ipoh Magistrate's Court ruled last month that there were elements of crime detected in the diversified group's restructuring exercise with its creditors. The Magistrate's Court has since referred the matter back to the police for further investigation.

The Edge understands that at least one creditor is in the process of seeking legal redress against Perak Corp and is questioning the validity of the entire restructuring exercise. Other parties that had joint-venture agreements with Perak Corp are also understood to be considering legal action.

Under the restructuring, Perak Corp obtained an 88% haircut from non-financial institution creditors, while its wholly-owned unit PCB Development Sdn Bhd obtained an 84.38% haircut from non-financial creditors. Financial institutions CIMB Bank Bhd and Affin Bank Bhd had also taken haircuts on loans, but the source says that he does not think they are revisiting the matter.

"It's actually a quite a big issue," says former Perak Corp director Chong Zhemini, who is Keranji state assemblyman. Chong had lodged a police report at the Dang Wangi police station in Kuala Lumpur on June 9. He is alleging that Perak Corp in its scheme of arrangement had not listed its actual assets, implying creditors have been short-changed.

Perak Corp's main businesses include property development and port management.

The police referred Chong's complaint to the Ipoh Magistrate's Court where Magistrate Noor Hafiza Ishak in September held that there were indeed elements of crime detected in Perak Corp's restructuring exercise and referred the matter back to the police.

On June 10, a day after Chong filed the police report, Perak Corp said it wished to refute the "misleading and incorrect statements over alleged assets fraud" and that the allegations were "misconceived and are strongly denied".

Perak Corp announced to Bursa Malaysia on June 16 that its officials had lodged a police report as well "over this malicious allegation and inaccurate statements made by Chong".

Undeterred, Chong also lodged complaints with the Securities Commission Malaysia.

Nevertheless, in question now is how Perak Corp, a cash-strapped, Practice Note 17 (PN17) company, and PCB Development's scheme of arrangement with their creditors — both non-financial and financial institutions — will pan out.

### What happened

Perak Corp and PCB Development have not been performing well. On Sept 26, 2019, Animation Theme Park Sdn Bhd (ATP), a 51% unit of PCB Development, defaulted on a RM25.7 million principal repayment of a term loan of RM245.1 million with Affin Hwang Investment Bank Bhd. This triggered a cross default on other borrowings totalling RM191.8 million.

On Dec 4 that year, following ATP's failure to repay the RM25.7 million, Affin Hwang appointed a receiver and manager over the assets of ATP.

Other than the ATP issue, on Feb 6, 2020, Affin Islamic Bank Bhd declared an event of default when Perak Corp failed to make a principal repayment of RM3.3 million on Jan 31, 2020, for an outstanding credit facility of RM75.9 million.

As a result, Perak Corp was declared a PN17 company in February 2020.



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Shortly after that, on Feb 28, CIMB Bank declared an event of cross default on a RM60 million and a RM30 million facility granted to Perak Corp and its subsidiary PCB Taipan Sdn Bhd.

To address these issues, on March 26, 2021, Perak Corp came up with a plan to settle with creditors other than the banks and financial institutions. On Nov 8 that year, the company entered into debt settlement agreements with Affin Investment Bank and CIMB via a cash settlement and the issuance of up to 35.82 million redeemable preference shares at an issue price of RM1 per RPS.

On Dec 20, 2021, Perak Corp announced the winding up of PCB Development, and appointed Baker Tilly Insolvency PLT as the interim liquidator. Baker Tilly was also the scheme adviser for Perak Corp's proposed debt settlement.

Under the restructuring scheme, Perak Corp owed non-financial institutions RM140.12 million, while PCB Development's non-financial institution borrowings amounted to RM326.61 million.

In an announcement to Bursa in March last year, Perak Corp said it was seeking a debt waiver of RM123.61 million, or 88% of the total debt of RM140.12 million, and would pay RM13.73 million via the issuance of RPS, while the essential creditors — employees who are owed salaries and deductions, fees and expenses incurred for the proposed regularisation plan, and other creditors deemed necessary — would be paid off, to the tune of RM2.8 million.

Meanwhile, PCB Development sought a RM275.6 million, or 84.38%, waiver of its total debt of RM326.61 million, and would issue RM30.26 million in RPS and settle with essential creditors to the tune of RM20.39 million.

In mid-2021, PCB Development hived off four pieces of vacant commercial land and one piece of vacant residential land in Hulu Kinta to the Social Security Organisation (Socso) for RM78.68 million.

With funds from this sale, Perak Corp in January this year proposed to pay Affin Islamic Bank RM53.87 million (RM38.95 million in cash and RM14.92 million via preference shares) and CIMB Bank RM34.72 million (RM13.82 million cash and RM20.9 million via the issuance of preference shares).

### Chong's grouses

Another issue that Chong brought up was transactions between related companies, or intercompany transactions, where the related parties were deemed creditors.



Court documents from a case against Perak Corp last year, involving ARX Holdings Sdn Bhd and ARX-YSC Sdn Bhd, revealed that Perak Corp's RM140.12 million owed to non-financial institutions was to 172 creditors — five of which were intercompany creditors with a total debt of RM89.44 million.

PCB Development's RM326.61 million owed to non-financial institutions was to 136 creditors — eight of which were intercompany creditors owed RM254.15 million. Perak State Development Corp (PKNP), which is a 52.9% shareholder of Perak Corp, is also listed as one of the creditors. PKNP was owed RM17.06 million by Perak Corp and RM8.1 million by PCB Development.

There was also an allegation of a conflict of interest as parties voting at the scheme creditors meeting on April 19 last year included related companies.

In the meantime, Perak Corp has managed to get an extension until Feb 10, 2023, to submit its regularisation plan to get it out of PN17 status.

However, in mid-September, after the announcement of the extension was made, Perak Corp CEO and executive director Zainal Iskandar Ismail resigned "to pursue other interests". There has yet to be a replacement.

All the existing directors of the company — chairman Datuk Redza Rafiq Abdul Rahman, Andy Liew Hock Sim, Tan Chee Hau, Ahmad Yani Aminuddin and Faizul Hilmy Ahmad Zamri — are non-executive directors. A check on the company's website reveals that the page for senior management is under construction, and there has been no announcement of an interim or acting CEO at Perak Corp on Bursa Malaysia.

Last week, Perak Corp's stock hit a 52-

week low of 25 sen. It closed at 27.5 sen last Friday, valuing the group at RM27.5 million.

The Edge sent an enquiry to Perak Corp based on an email address on the company's website but had yet to receive a response at press time.

In August, a month before the magistrate's ruling that there were elements of crime in the company's restructuring exercise, two independent directors — Tan Sri Abdul Rashid Abdul Manaf and Tan Sri Kunasingam Sittampalam — left the board "to pursue other interests".

According to those familiar with the company, based on Perak Corp's asset base, it should not be in the predicament that it is in.

"It's very sad, unfortunately. Based on Lumut Maritime Terminal (Sdn Bhd)'s financials alone, the group should be able to come out of the PN17 category ... the group has assets," former Perak Corp CEO Mohamed Shafeii Abdul Gaffoor tells The Edge. Mohamed Shafeii was CEO from August 2018 to June 2020.

Perak Corp has 50% plus one share in Lumut Maritime Terminal, which manages Lumut Port in Perak. The remaining stake in Lumut Maritime Terminal is owned by national utility giant Tenaga Nasional Bhd.

In a legal dispute between Perak Corp and PCB Development and two private companies, ARX Holdings Sdn Bhd and ARX-YSC Sdn Bhd, which involved Perak Corp's scheme of arrangement with creditors, Mohamed Shafeii, in support of ARX Holdings and ARX-YSC, had signed an affidavit suggesting that the total assets of Perak Corp and PCB Development amounted to RM1.32 billion.

"This is much more than the borrowings," Mohamed Shafeii says.

ARX Holdings and ARX-YSC, which had been lumped together with creditors, disputed the classification as they were jointly developing parcels of land with Perak Corp as partners, and not as creditors. ARX Holdings and ARX-YSC managed to set the record straight, winning the lawsuit.

As at end-June, Perak Corp had short-term debt commitments of RM124.07 million and long-term borrowings of RM60.47 million. Its deposits, bank and cash balances stood at RM60.47 million.

Its balance sheet also shows that the group had total assets of RM548.84 million at the end of June. Its accumulated losses were pegged at RM196.21 million.

In the six months ended June 30, 2022, Perak Corp narrowed its net loss to RM2.28 million from RM12.32 million a year ago. Revenue rose 7% to RM71.82 million from RM67.17 million during that period a year ago.

For its financial year ended March 31, 2021, Lumut Maritime Terminal chalked up a net profit of RM30.31 million on revenue of RM121.71 million. Lumut Maritime Terminal's total assets as at end-June were RM315.99 million, while its total liabilities stood at RM40.56 million.

While Perak Corp has not announced a firm regularisation plan to get out of the PN17 category, it had signed a memorandum of understanding with parent PKNP in early September to jointly develop the latter's assets, where Perak Corp would be appointed the master developer of some projects.

But with the general election around the corner, Perak Corp is unlikely to be a priority for state government officials and post election, if there are changes at the helm of PKNP, there could be more delays in reviving Perak Corp. PKNP owns 52.27% in Perak Corp.

Minority shareholders will have to wait and see if there is light at the end of the tunnel for them. ■