

## FRANKLY SPEAKING

## More clarity, please

Last Wednesday, Kim Teck Cheong Consolidated Bhd finally shed more light on the issues that led to the surprise resignation of a director in early September. To recap, on Sept 12, the company announced that the board had accepted the resignation of independent, non-executive director Wee Hock Kee. The announcement included Wee's explanation that his resignation was due to the board's rejection of advice from the audit and risk management committee, which he had chaired, related to grave concern over disclosure and financial

reporting of the company's fourth quarter ended March 31, 2018 (4QFY2018).

Strangely, the company did not clarify the matter until last Wednesday, when it furnished more details at Bursa Malaysia's request and explained why the board rejected the advice.

Even then, the rationale given only raises more questions. According to the company, it had RM4.93 million in third-party receivables that have been overdue for more than 270 days and subsequently recovered RM1.05 million. As for the balance, it did not make any impairment for 4QFY2018 as advised because it is confident the balance can be recovered through personal guarantees and legal action.

It should be noted, however, that legal action is often time-consuming and costly.

"The board of directors and management are confident that these trade receivables are recoverable. Hence, the board is of the view that the company's 4QFY2018 results will not be impacted," the company said.

However, the outstanding sum of RM3.88 million is more than its net profit of RM3.26 million in 4QFY2018. Such an impairment, though non-cash, would have caused the company to slip into the red that quarter.

Given the red flags raised so far, the company should provide a fuller explanation to assure shareholders that nothing is amiss. ■