

## **Will there be a double bailout of 1MDB and Tadmax?**

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MP SPEAKS Deputy Finance Minister Chua Tee Yong confirmed in Parliament on Monday evening that “the government has given a ‘letter of support’ to Exim Bank for a loan by 1MDB”. He however, refused to disclose the detailed terms of the loan citing banking secrecy.

The above US\$150 million (RM560 million) loan was believed to have been granted in March this year, and was used to pay for a piece of 310-acre land from Tadmax Resources Bhd (Tadmax) located in Pulau Indah which was purchased on Feb 20, 2014.

Tadmax was formerly known as Wijaya Baru Global Bhd prior to November 2013. The group was infamous for their complicity in the RM12.5 billion Port Klang Free Zone (PKFZ) scandal which has caused massive losses for the Malaysian government.

Kuala Dimensi Sdn Bhd (KDSB), which was appointed the turnkey developer by Port Klang Authority (PKA) for PKFZ, is a subsidiary of Wijaya Baru Global Bhd (Tadmax). KDSB also sold the controversial 753-acre piece of land in Pulau Indah to PKA at the astronomical price of RM1.09 billion in 2004.

Tadmax’s single largest shareholder then was Tiong King Sing, who was also the chief executive officer of KDSB. He has however sold his 30.15 percent equity in Tadmax in 2011, and holds only a 5.53 percent interest in the company today. The directors of Tadmax include its chairperson, Abdul Azim Zabidi, the former treasurer for Umno, and its chief executive officer, Faizal Abdullah who is the deputy chairperson of Kapar Umno division.

The above loan by Exim Bank is an abuse of power because Exim Bank is not mandated to provide loan for domestic property purchases. This was admitted by the deputy finance minister himself, despite providing a vague exception to companies involved in strategic investment for Malaysia.

“Kesemua pinjaman yang diberi oleh EXIM Bank kepada pelanggan-pelanggan EXIM Bank memenuhi mandat EXIM Bank untuk menyokong syarikat-syarikat Malaysia yang terlibat dalam pasaran atau pelaburan di luar negara tidak terkecuali sokongan pinjaman import kepada syarikat-syarikat Malaysia yang terlibat dalam pelaburan strategik kepada ekonomi negara.”

What is so strategic’ about 1MDB’s land purchase in Pulau Indah, especially in the light that 1MDB is winding down and disposing of much, if not all of its key assets?

In addition, why did the government provide a letter of support for a US\$150 million loan which was more than double the RM262 million outstanding amount payable to Tadmax

for the property purchase? Isn't this an abuse which is not only to provide 1MDB with desperately needed cashflow, but will in the end only increase the company's debts and liabilities?

Despite the on-going 'rationalisation exercise', Chua insisted that 1MDB had to still pay for the land because the sales and purchase agreement was signed before the company's strategic review in February this year.

### **Immense strain on company's cashflow**

It is not difficult for 1MDB to terminate the above transaction and cut losses on its investments which are creating an immense strain on the company's cashflow. This is especially since the land was only valued at RM9.93 per square feet (psf) by Tadmax itself in August 2011 but was sold to 1MDB for a massive profit at RM21.80psf.

However, the acquisition proceeded with the explicit support of the finance minister because it represents a double-bailout of not only 1MDB, but also Tadmax.

Tadmax CEO Faizal had previously admitted that the sale will ease the debt burden for the company which has only RM124,000 in cash reserves against borrowings of RM220.5 million as at September 2013. Tadmax is bleeding financially with a net loss of RM8.52 million on revenue of only RM3.55 million over the same period.

Hence, despite the immense scrutiny on 1MDB today and the financial crisis it is facing, Najib Abdul Razak has moved to issue the controversial second 'letter of support' for 1MDB to rescue 1MDB with additional cashflow funds as well as Tadmax to pay off its debts.

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