

'Half-baked' Rafizi is the scandalous one, says 1MDB

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The only thing scandalous about the Bandar Malaysia project is the statements about it, made by PKR MP Rafizi Ramli, 1MDB said.

“What is scandalous is his irresponsible behaviour, despite being a publicly elected official and supposedly well versed in financial matters, in making spurious allegations without referring to the facts of the matter,” it said in a statement.

It added that Rafizi has made repeated errors in his allegations against 1MDB, forcing the state investment firm to respond to his “half-baked” assertions.

Rafizi today urged Lembaga Tabung Haji and Retirement Fund Incorporated (KWAP) to recover RM1.5 billion from 1MDB, alleging that the state-owned company purportedly violated the terms of its sukuk (Islamic financial) agreement.

1MDB’s full explanation is below:

1MDB refers to recent statements issued by YB Rafizi Ramli.

He implies today that since 1MDB has not responded to his Jan 14 2016 statement, that he must be right in his unproven allegations.

This could not be further from the truth.

The reality is 1MDB cannot respond to every half-baked and wrong statement, especially from someone with the poor track record of YB Rafizi, whose repeated errors on many matters, not just on 1MDB, have been clearly highlighted to all Malaysians.

Accordingly, 1MDB provides certain clarification below:

Bandar Malaysia Sukuk

- The Bandar Malaysia sukuk comprises 4 separate tranches, issued in February and November 2014, with the principal amount raised at issuance being RM 1.5 billion i.e. this is the amount of cash raised by 1MDB from sukuk investors.

- The sukuk is structured as a “near-zero coupon” i.e. with cash pay sukuk profit rate (coupon) of only 0.35 percent per annum. The remainder of the profit rate is not paid in cash but accrues and adds to the principal amount outstanding every year.

- This results in a final principal amount at maturity between 2021-2024, of RM 2.4 billion, with effective profit rates between 5.85 - 6.05 percent.

- The sukuk proceeds have been utilised in accordance with the terms of sukuk Programme Agreement, which allows for various uses: part financing the cost of the Pengkalan Udara Kuala Lumpur (PUKL) relocation project, pre-funding the fees and expenses of the Sukuk programme, funding the requisite financing reserve accounts and the working capital requirements of 1MDB Real Estate Sdn Bhd (now known as TRX City Sdn Bhd).

- Accordingly, it is clear that sukuk proceeds can be utilised for purposes other than the PUKL relocation project

- As for the sale of 60 percent interest to the IWH-CREC Consortium, multiple 1MDB press releases have made it clear that the transfer of shares is conditional on certain consents being procured, with one of the main Conditions Precedent to Completion being requisite consent of sukuk holders. Until all CPs are met and Completion occurs, no shares in Bandar Malaysia Sdn. Bhd. will be transferred and accordingly, there is no breach or default under the Sukuk documents

- **Bandar Malaysia Sukuk Summary:** It is crystal clear from the above that (a) the cash amount raised from the sukuk is only RM 1.5 billion, not RM 2.4 billion as claimed by YB Rafizi (b) that utilisation of the proceeds are in accordance with the terms and conditions of the sukuk issuance and (c) no default has arisen under the sukuk documents by 1MDB executing a Share Sale Agreement with the IWH-CREC Consortium

PUKL Relocation Project

- In June 2011, a Development Agreement and Relocation Agreement was executed between the Government of Malaysia (GoM) and 1MDB, for a total project cost of RM 2.7 billion, which comprises new land acquisition, construction of new buildings, equipment procurement and relocation of staff and facilities, for 6 million square feet of new built up, i.e. three times more than the 2 million square feet built up of existing PUKL facilities

- In return for 1MDB undertaking the entire RM 2.7 billion development and construction of 8 new bases for GoM, the GoM agreed under the Relocation Agreement for 1MDB to be reimbursed through a combination of cash reimbursement payment and land transfer

- GoM, transferred to 1MDB certain plots of land comprising the Bandar Malaysia project, valued at RM 1.6 billion, as reflected in 1MDB audited financial statements. YB Tony Pua, who is the Twiddledum to YB Rafizi's Twiddledee on 1MDB related matters, has repeatedly confirmed this fact publicly.

- GoM agreed to reimburse, in cash, the balance RM 1.1 billion construction costs, upon actual costs being incurred and subject to verification of documents from 1MDB. This fact has been public knowledge since 2012, as it was highlighted by then Deputy Finance Minister (Awang Adek) in the 2012 budget debate winding up session that "1MDB akan menanggung RM1.6 bilion daripada jumlah kos pemindahan kem-kem Tentera Udara

DiRaja Malaysia, Rejimen Askar Melayu DiRaja dan Pangkalan Gerakan Udara Polis DiRaja Malaysia. Manakala pihak Kerajaan pula akan menanggung RM1.1 bilion daripada jumlah keseluruhan kos tersebut.”

- Any cost overruns or penalties will be 100 percent for the account of 1MDB, with the cost to GoM always remaining at RM 2.7 billion. It is entirely up to 1MDB how it funds its PUKL Relocation obligations

- 1MDB subsequently contracted PPHM (100 percent owned by LTAT) as the sole Turn Key contractor to undertake certain construction works. PPHM and over 50 Bumiputra sub-contractors are and will remain as the sole Turn Key contractor / sub-contractors regardless of the eventual equity ownership of the Bandar Malaysia.

Accordingly, there is no issue of national security through the sale of 1MDB equity in the Bandar Malaysia project

- **PUKL Relocation Summary:** It is crystal clear from the above that (a) PUKL relocation cost to GoM has been and remains RM 2.7 billion and (b) it has always been public knowledge, since 2012, that the reimbursement to 1MDB would be in the form of land (RM 1.6 billion) and cash reimbursement (RM 1.1 billion) and (c) there is no question of national security being impacted as the Turn Key contractor and sub-contractors remain the same.

From the detailed explanation above, it is clear that YB Rafizi is wrong in his assertions of a scandal relating to Bandar Malaysia.

What is scandalous is his irresponsible behaviour, despite being a publicly elected official and supposedly well versed in financial matters, in making spurious allegations without referring to the facts of the matter.

1MDB, a company owned 100 percent by the government and ultimately rakyat of Malaysia, remains steadfast and focused in implementation of its rationalisation plan, which has proven to be a success, much to the disappointment of the Opposition, who have to date, not contributed in any way to resolution of the challenges facing the company.