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Fund to finance Bandar Malaysia project set up

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> 1MDB transfers its 40% stake to govt, PM announces incentives

BY **LEE WENG KHUEN**
sunbiz@thesundaily.com

KUALA LUMPUR: Bandar Malaysia Sdn Bhd has secured financing for the Bandar Malaysia project with the setting up of a fund backed by local and international banks that have a combined asset base of over US\$13 trillion (RM53 trillion).

The setting up of Bandar Malaysia Fund is seen as an effort to alleviate market concerns over the gargantuan funding needs of the project that is expected to have a gross development value (GDV) of over RM200 billion.

The foreign banks involved are Bank of China, Industrial and Commercial Bank, China Construction Bank and HSBC. The local banking groups are CIMB, Maybank, RHB and Affin Bank.

Bandar Malaysia Sdn Bhd yesterday signed three landmark agreements including a memorandum of understanding (MoU) with the banks for Bandar Malaysia Fund.

Bandar Malaysia Sdn Bhd is 60% owned by a consortium formed by Iskandar Waterfront Holdings Sdn Bhd (IWH) and China Railway Engineering

Corp (CREC) following the disposal by 1Malaysia Development Bhd (1MDB) for RM7.41 billion to pare down its debts.

A shareholder agreement signed between Minister of Finance Incorporated and the IWH-CREC consortium yesterday saw the transfer of 1MDB's 40% stake in Bandar Malaysia to the government.

Bandar Malaysia Sdn Bhd also inked an MoU with a Malaysian Resources Corp Bhd-led (MRCB) consortium to jointly develop an integrated transport terminal on a 60-acre site.

In a stock exchange filing yesterday, MRCB said it has entered into a non-binding MoU with Wondrous Vista Development Sdn Bhd and IWH CREC Sdn Bhd to collaborate on developing the terminal.

Meanwhile, Prime Minister Datuk Seri Najib Abdul Razak announced that the government will offer incentives to the master developer of Bandar Malaysia and its subsidiaries.

The incentives include exemptions from income tax for 10 years, stamp duty, real property gains tax and withholding tax for eight years as well as exemption from import duty on selected construction materials which are currently not made in Malaysia.

Najib said the government is also considering granting tax incentives to top high-ranked global companies and

financial institutions.

"We're also considering other measures such as an industrial building allowance, accelerated capital allowance, deduction of rental payments, stamp duty exemption for service agreement or pre-package incentive to other investors and tourism operators," he added.

Najib said Bandar Malaysia Sdn Bhd is committed to building 5,000 affordable homes in the first phase of Bandar Malaysia on a fast-track basis.

At a press conference yesterday, IWH executive vice-chairman Tan Sri Lim Kang Hoo said work on the first phase - which has a GDV of RM50 billion to RM60 billion - is expected to start by next year.

"Overall, it will have three to four phases, depending on market requirements," he added.

Bandar Malaysia is to be developed over 20 to 25 years.

Lim said he is unfazed by concerns that the development of Bandar Malaysia will lead to a supply glut, citing Johor Baru as an example.

"Recall that Johor Baru had been facing a serious property glut after the Asian financial crisis. But with the creation of Iskandar Malaysia coupled with the right policies and investments in key infrastructure, the property glut finally ended," he explained.