

Not first time Tabung Haji 'bailing out' troubled companies
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Pilgrims' savings fund Lembaga Tabung Haji has been under fire the past few days over a multi-million ringgit land deal with 1Malaysia Development Berhad (1MDB), which critics see as an attempt to bail out the debt-ridden state investment arm.

But the land deal is not the first instance in which Tabung Haji, a savings fund for Muslim pilgrims to perform the haj in Mecca, was seemingly abused to help out an ailing company.

In 1998, under the chairmanship of then-prime minister Tun Dr Mahathir Mohamad's brother-in-law, the late Tan Sri Ahmad Razali Mohamed Ali, Tabung Haji overpaid for two buildings that it purchased in Kuala Lumpur.

The two buildings in question were TH Perdana, which it bought from Maju Holdings Sdn Bhd for RM117.08 million more than what it was worth, and TH Selborn, which was developed by Swasta Setia Holdings Sdn Bhd and sold at a price that was RM51.38 million more than its actual value.

Tabung Haji paid a total RM436.38 million for the two properties, even though the valuator estimated that they were worth RM267.92 million.

The Wall Street Journal, in a December 2004 article detailing the purchase, described Maju Holdings as an "unprofitable company".

Its owner, Tan Sri Abu Sahid Mohamed, had reportedly turned to the then-minister in charge of Tabung Haji, Abdul Hamid Othman in December 1997, to expedite TH Perdana's sale (the building was then known as Maju Junction) as he was facing financial difficulties.

"I desperately need your quick approval on this matter, because the bank has already issued a foreclosure notice on (the) property," Abu Sahid wrote in a letter to Hamid, according to WSJ.

Tabung Haji agreed to pay RM270 million for 546,000 sq ft of property, at RM494 psf, and obtained Dr Mahathir's approval to grant Abu Sahid his requested RM220 million initial instalment, WSJ reported.

Auditor-General's report

But according to the 2003 Auditor-General's report, the Valuation and Property Services Department (JPPH) pegged the building's value at RM152.92 million, or RM400 psf, and found that the property was only 372,289 sq ft.

"This means Tabung Haji paid RM117.08 or 76.6% more than its estimated value. This clearly shows that Tabung Haji paid almost twice the amount valued by JPPH,"

the A-G's report had stated.

The paper said the A-G's report also noted that the upfront payment was in violation of a Treasury circular, which states that the maximum initial payment should only be 15% value of the construction work, or RM5 million – whichever was lower.

The A-G's report also stated that Tabung Haji had informed the National Audit Department that it paid a higher price for TH Perdana because metal framework was used in the building's construction, and that it was also equipped with fibre optics.

Meanwhile, TH Selborn was worth only RM115 million, according to JPPH, but Tabung Haji paid RM166.38 million for the property, it was reported that year.

Tabung Haji also justified the price for TH Selborn by pointing to its "higher quality finishing" such as a "glass curtain façade" and that it was based on a smart building concept.

Not the first time

WSJ in 2004 also reported that the TH Perdana sale was not the first time Tabung Haji had lost millions of ringgit to Abu Sahid's Maju Holdings.

In early 1996, Maju Holdings offered the pilgrim's fund a 49% stake in a property-development project in Johor Baru. It valued the property at RM137 million at the time, WSJ reported.

Citing internal Tabung Haji documents, WSJ said the fund's board initially opposed the proposal due to Maju Holding's weak financial position.

WSJ said Maju Holdings was saddled with accumulated losses of about RM47 million and the fund's board feared Tabung Haji could be exposed to heavy liabilities should cost overruns occur during the project's construction.

But the minister, Hamid, directed the fund's chairman, Razali, to proceed with the investment, according to internal Tabung Haji documents.

Tabung Haji invested RM67 million in October 1996, only for the project to immediately run into trouble. The project is now abandoned, WSJ reported.

Citing interviews with Tabung Haji officials and bankers, the WSJ in 2004 said the main cause of Tabung Haji's problems was political interference. The paper found that some recommendations by the fund's board on investment proposals were ignored so as to favour politicians.

Among the complaints was that Tabung Haji's funds were not under the scrutiny of any government financial regulator.

In 1995, the fund's charter was amended to put a Cabinet member in charge of

overseeing its investments. Traditionally, this has been the minister who oversees Islamic affairs.

Quoting a Kuala Lumpur-based banker, the WSJ said that this move "effectively rendered the board and the investment panel impotent".

1MDB land

Now, nearly two decades later, Tabung Haji has been forced to sell the land it purchased from troubled 1MDB at RM188.5 million, following public outcry over the entire deal.

Like past dealings with Maju Holdings where the fund's board opposed the deals then because of the latter's weak financial position, Tabung Haji's risk management panel had also rated the buy of 1MDB's land at the Tun Razak Exchange a high-risk purchase.

Not only is 1MDB's RM42 billion debt a known fact, but the links between Tabung Haji's top executives and the strategic investment fund, which is owned by the Finance Ministry, are red flags.

Prime Minister Datuk Seri Najib Razak, who is also the Finance Minister, is chairman of 1MDB's advisory board.

Tabung Haji has denied any conflict of interest in the deal, saying that its chief executive officer (CEO) Tan Sri Ismee Ismail, who also sits on 1MDB's board, had stayed out of all negotiations in the funds' purchase.

However, Tabung Haji chairman Datuk Seri Abdul Azeez Abdul Rahim (pic) said another senior Tabung Haji executive and two board members, all of whom also hold 1MDB related positions, did not abstain as they did not hold decision-making positions in the state-owned investment arm.

Tabung Haji's deputy CEO Datuk Johan Abdullah, who is also chairman of 1MDB subsidiary Edra Global, was the leading figure in all negotiations leading to the fund's purchase of the land, which is part of the Tun Razak Exchange project.

Finance Ministry secretary-general Tan Sri Mohd Irwan Serigar Abdullah is a Tabung Haji board member and also an 1MDB advisory board member, while Tan Sri Abdul Samad Alias, who is on the Tabung Haji investment panel, also sits on the 1MDB advisory board. – May 10, 2015.

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