

Report: Najib pulled plug on RM7.3 billion Bandar Malaysia deal
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Financial Times reports Malaysian partner in JV buying 60% of KL property development project 'faced difficulty in securing financing'.

PETALING JAYA: In the wake of the Bandar Malaysia development deal collapse, the Financial Times (FT) reports that Prime Minister Najib Razak had personally ordered the termination of the deal.

As previously reported, China Railway Engineering Corp (CREC) had apparently failed to get approval from the Chinese government nor the funding for the project. CREC is a unit of state-owned China Railway Group.

However, CREC's Malaysian partner, Iskandar Waterfront Holdings, were also believed to have faced difficulty in securing financing.

"A crucial factor was the difficulty Iskandar Waterfront Holdings, the Malaysian partner, had in securing financing, according to two people with knowledge of the process.

"Najib had lost patience and personally ordered the termination of the deal, one said," FT said in its report.

Last Wednesday, TRX City Sdn Bhd, which is owned by the finance ministry, said the agreement signed in 2015 with IWH-CREC had lapsed because the buyers "failed to meet the payment obligations".

IWH-CREC disputed the reasons given by TRX City, saying it was reviewing the content of the termination notice and press release by TRX City with its advisers and legal counsel.

With the lapsing of the agreement, IWH and CREC are no longer the master developers of the RM200 billion Bandar Malaysia project.

The Bandar Malaysia deal between the Malaysian government-owned TRX City Sdn Bhd and the IWH-CREC consortium was said to be a crucial part of Najib's confident declaration in a New Year message that the troubled 1MDB's "major challenges" were no more. TRX City Sdn Bhd was previously known as 1MDB Real Estate Sdn Bhd.

The deal involved IWH-CREC paying US\$1.7 billion (RM7.3 billion) for 60% of the major Kuala Lumpur property development project.

According to the business daily, questions have been raised about China's role in vetoing the agreement.

"The collapse of the Bandar Malaysia deal has also raised broader concerns about the health of Malaysia's relationship with China," FT said.

Previously, China were said to be expecting the KL-Singapore high-speed rail (HSR) project handed to them as part of the deal to develop Bandar Malaysia, where the main HSR stop will be located in the capital.

It is left to be seen as to the wider implications of the collapse of the Bandar Malaysia deal, previously backed by both Chinese and Malaysian governments.

Whether Bandar Malaysia will go on however, seems not to be an issue as far as the Malaysian government is concerned.

FT quoted an adviser to Najib a saying that a new buyer for the majority stake in the high-profile development project could be found easily as "the land is one of the last significant pieces of prime real estate in the vicinity of the Malaysian capital".

"It became clear that a new deal could lead to a far higher price being obtained for the taxpayer, as the value of the land has significantly increased," Najib's adviser told FT.

"There is no question that Bandar Malaysia will continue. Indeed, the steps taken, and a new developer, will lead to a hugely better deal for the government and taxpayer."

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