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Govt to bear RM10.3bil premium in LTH rescue and restructuring

KUALA LUMPUR: The government will bear a RM10.3bil premium to ensure the financial health of Lembaga Tabung Haji (LTH) is restored as part of the rescue and restructuring plan of the pilgrimage fund, Urusharta Jamaah Sdn Bhd (UJSB) announced.

UJSB, which is a wholly-owned unit of the Finance Ministry (MoF), completed the transfer of non-performing assets valued at RM9.63bil held by LTH in December last year, following financial mismanagement and wrongdoings by the previous management.

The transfer was done from LTH to UJSB in exchange for RM19.9bil, consisting two tranches of sukuk totalling RM19.6bil, namely RM10bil of seven-year sukuk and RM9.9bil of Islamic redeemable convertible preference shares (RCPS-i), as well as RM300mil in cash payable to LTH.

"The difference of RM10.3bil between the consideration of RM19.9bil and RM9.63bil market value of assets is to be borne by the government to ensure that the financial health of LTH is restored," UJSB said here yesterday.

UJSB pointed out that in the event the value of the assets depreciates further, the losses shouldered by the government will be higher than RM10.3bil.

Explaining on the assets transferred, UJSB said it consisted a mixture of listed equity holdings, properties and one unlisted plantation asset. The property assets transferred to UJSB include a 0.63ha of land at the Tun Razak Exchange (TRX).

The land was purchased by LTH for RM188.5mil or at RM2,760 psf, significantly higher than that paid for by 1Malaysia Development Bhd (1MDB), which was at only RM75 psf (or RM5.1mil for 0.63ha). UJSB then purchased the TRX land from LTH for RM400mil or RM5,856 psf, which does not reflect the actual market value of the land.

The purchase consideration was done at a significant premium (112.2%) to what LTH paid in April 2015 (RM188.5mil or RM2,760 psf), it explained.

In a recent valuation exercise conducted in March 2019, the market value of the TRX land stood at only RM205mil.

The huge difference between the market value and the purchase value of the land (95% premium over market value), together with all the other assets acquired by UJSB, was needed to ensure the successful rescue and restructuring plan of LTH.

Overall, UJSB will bear significant losses as a result of impairment charges estimated at more than RM10bil for the assets acquired from LTH. The TRX land transaction itself will result in an impairment charge of RM195mil.

— Bernama