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MEDIA STATEMENT

1. PAC today tabled a PAC Report on the Management of Property Development of Langkawi Development Authority under the Langkawi Development Authority (LADA) and the Ministry of Finance (MOF).
2. This report is tabled after the proceedings held on 30 November 2023 and 13 December 2023. The witnesses present before the PAC were as follows:
 - i. **YBhg. Datuk Johan Mahmood Merican**, Secretary General of Finance, MOF
 - ii. **YBhg. Datuk Dr. Shahrazat binti Haji Ahmad**, Deputy Secretary General (Investment), MOF; and
 - iii. **YBrs. Tuan Wan Kamarul Faisal bin Wan Kamardi**, Deputy Chief Executive Officer, LADA
3. For this topic, PAC is of the opinion that MOF needs to be more proactive in solving the problems in the management of LADA property development in Langkawi.
4. From the 2 proceedings held, MOF as a key ministry in the Government administration should not wait so long to resolve the lease issue of St. Regis Hotel Langkawi and the Tok Senik Resort Village project.
5. This is due to the fact that the shares owned by these two companies belong to MOF either through the Minister of Finance Incorporated (MKD) or LADA.

6. PAC discovered that the lease issue involving St. Regis Hotel Langkawi has failed to be finalized, involving the land lease of Plot 1, between LADA and INR Sdn. Bhd., the operating company of St. Regis Hotel Langkawi.
7. PAC was surprised that LADA owned 30 % of shares in INR Sdn. Bhd, MKD 30% and a company from Indonesia called Rajawali Group owns another 40%, thus making MOF the main shareholder of 60%.
8. In the proceedings, PAC found that the land used to build St. Regis Hotel Langkawi still belongs to LADA.
9. The leasehold status of the land approved by the State Government to LADA for the development of St. Regis Hotel Langkawi has caused the lease agreement between the shareholders of INR Sdn. Bhd. could not be completed as the original shareholders' agreement stated that the acquired land is freehold.
10. For that reason, this matter needs to be resolved between MOF and the State Government and it should not be any issue since the Co-Chairman of LADA are the Minister of Finance and the Menteri Besar of Kedah.
11. The failure to conclude this agreement has caused the issue of Non-Performing Loan (NPL) where INR Sdn. Bhd. failed to service the loan with Bank Pembangunan for 24 months amounting to RM27 million as at 30 June 2021. For the construction of this hotel, INR Sdn. Bhd. has taken a loan from Bank Pembangunan for RM246.54 million and from the Government for RM20 million.
12. As for the Perkampungan Tok Senik Resort project, PAC noticed that LADA was negligent in allowing Maju Holdings Sdn. Bhd. (MHSB) to mortgage the

land to Perwaja Terengganu Sdn. Bhd. (PTSB), resulting in LADA losing ownership of the land.

13. Overall, the PAC has found 7 main issues involving Management of Property Development of the Langkawi Development Board under LADA and MOF, with 2 issues involving management of the lease of St. Regis Hotel Langkawi and the Perkampungan Tok Senik Resort project causing LADA to be unable to collect the lease revenue for these projects.
14. PAC has made 6 conclusions based on the proceedings, as follows:
 - i. The lease agreement to complete land ownership for St. Regis Hotel Langkawi between LADA and INR Sdn. Bhd. could not be signed because the status of the acquired land was leasehold whereas the conditions in the shareholders' agreement stipulated that the land status must be freehold.
 - ii. Due to the unsigned agreement, LADA was unable to collect the lease of RM660,000 per year for a period of four (4) years and 10 months with a total lease value of RM3.19 million.
 - iii. MOF plans to start the process of selling St. Regis Hotel Langkawi to help settle INR Sdn. Bhd.'s debt to Bank Pembangunan. However, it is difficult to get potential buyers as the land status is still pending.
 - iv. INR Sdn. Bhd.'s inability to pay the loans to the bank for 24 months led to the issue of non-performing loans and it became more critical when the country was hit by the Covid-19 pandemic. As of 30 June 2021, the arrears was at RM27 million.

- v. Maju Holdings Sdn. Bhd. (MHSB) did not register the 30 percent ownership of Kampung Tok Senik Resort Sdn. Bhd. equivalent to RM8.3 million in value to LADA.
 - vi. LADA's negligence in allowing MHSB to mortgage the land to Perwaja Terengganu Sdn. Bhd. (PTSB) has resulted in LADA losing ownership of the land.
15. PAC proposed 5 recommendations to MOF and LADA to be implemented as follows:
- i. MOF and LADA need to take immediate action to finalize the status of the land so that the lease agreement can be completed, allowing LADA to collect the lease with the value of RM3.19 million.
 - ii. MOF needs to submit a comprehensive rescue plan for St. Regis Hotel Langkawi to the PAC which includes debt restructuring, hospitality management and the hotel's way forward including Mr. Deloitte's status as Receiver and Manager (R&M).
 - iii. LADA needs to improve the level of project management competence of ongoing projects so that they can be completed according to timeline, quality and targeted returns.
 - iv. LADA needs to ensure that all tourism development and promotion plans in the future are properly managed so that Langkawi remains a world-class tourism destination.
 - v. MOF needs to be more effective in monitoring and regulating the companies under the Minister of Finance Incorporated (MKD) so that there is no negligence that could affect the interests of the Government.

MOF also needs to always ensure that MKD companies are able to generate profits and function in line with the basis of the company's establishment.

16. The PAC will hold a working visit and proceedings regarding this issue in June in Langkawi to find out LADA and MOF's response to the recommendations given by this Committee.
17. Members of the public who are interested to read PAC's statement and report may do so from PAC's website at www.parlimen.gov.my/pac

Thank you.

Hon. Datuk Wira Mas Ermieyati Samsudin
Chairman of PAC
Parliament of Malaysia