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CONCESSION AGREEMENT

'WE BELIEVE IN A WIN-WIN OUTCOME'

Bintai Kinden MD says company optimistic about claiming RM393m from KTIMB over default of Unimel hostel project

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BINTAI Kinden Corp Bhd believes it has solid grounds to claim at least RM393 million from Kolej Teknologi Islam Melaka Bhd (KTIMB) with regard to the latter's default on the University Islam Melaka (Unimel) hostel project.

Managing director and chief executive officer Datuk Tay Chor Han said despite the potential termination of the concession as per Clause 11 of the concession agreement (CA), the company remained optimistic and desired a swift and amicable resolution with KTIMB and the Melaka government.

"We believe in the possibility of a 'win-win' outcome for all stakeholders of the project. Come what may, it's essential to acknowledge the potential course of action outlined in Clause 11 of the CA.

"If challenges persist, Optimal Property Management Sdn Bhd (OPM) may find itself compelled to terminate the CA as an option as allowed under the CA contractual provisions.

"Without going into the details of the CA, Bintai Kinden believes it has solid grounds to invoke its rights under the CA, which allows for a claim of at least RM393 million from KTIMB," Tay said.

On Dec 3, 2015, the Melaka government, via fully owned entity, KTIMB, awarded a 25-year CA to design, construct, operate and maintain the hostel.

The project was funded by OPM, a unit of Bintai Kinden, via its own resources, as well as a RM109 million loan from MBSB Bank Bhd. The loan was secured by a Bintai Kinden corporate guarantee.

As part of the project financing covenants, the Chief Minister Inc Melaka (CMI) agreed to top up in the event of any shortfall in the quarterly and annual availability charge rate (ACR).

However, KTIMB defaulted on its obligations as per the CA due to delayed payments of the ACR.

The ACR outstanding as at December last year amounted to RM58.6 million and continues to grow as OPM has not receive any payment from KTIMB since early last year.

The lack of payment from KTIMB and ongoing bank loan repayments has put Bintai Kinden under financial strains, which led the company to be classified under Practice Note 17 (PN17).

"The PN17 classification profoundly impacted Bintai Kinden, leading to the suspension and/or termination of the group's banking facilities, as well as termination of several key customer contracts, which ran in excess of RM207 million.

"The group has downsized its operations and headcount, as well as undertook significant cost reduction initiatives, such as pay cuts and office rental reduction, to keep its fixed cost low.

"The irresponsible default by KTIMB and the lack of commitment from the Melaka government has not only affected Bintai Kinden but has impacted the career of its employees and their families, the vendors of the company and 12,600 shareholders," he added.

Tay said although the reduction in staff strength and the implementation of pay cuts at the company had presented challenges, the current team was committed and remained optimistic of the group's future.

A new management team was assembled to address the challenges and it had resolved and entered into amicable settlement arrangements with all the company's financiers, business partners and creditors.

In December last year, Bintai Kinden secured a deal to settle RM3 million of debt with MBSB Bank, whereby the bank will drop the suit over the default.

"Going forward, there are no more material legal suits against Bintai Kinden's group of companies.

"We are optimising operations and building our order book while addressing inherited legacy issues."

> *The group has downsized its operations and headcount, as well as undertook significant cost reduction initiatives such as pay cuts...*
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> **DATUK TAY CHOR HAN**
> Bintai Kinden Corp Bhd managing director and chief executive officer

Tay said his team has overhauled the business model by laying a solid foundation and bringing focus at the execution level to build a sustainable future.

"We instituted several legal suits to recoup legacy debts, resolved long outstanding disputes amicably with our customers and business partners and now are strengthening our balance sheet by offering a 30 per cent private placement," he said, adding that the initiative that was approved by Bursa Malaysia on Dec 18 was crucial for its financial recovery.

The proceeds from the placement were earmarked for the repayment of existing bank borrowings as well as working capital needs.

He said it was critical for the company to ensure transparency and open communication with its stakeholders during the challenging period.

Tay said the new management team had demonstrated its sincerity in resolving issues amicably with the intention of genuinely doing business.

"Since the new management took office, parties which had engaged with us would have gained confidence in the group.

"Ideas and plans moving forward were disclosed and even at times debated in a collaborative manner.

"Given the openness and sincerity of the new management, financiers and stakeholders can and will continue to see that we are not about 'empty promises and grandeur visions' but we intend to and will walk the talk and deliver on our commitments."