

It's a bailout, Guan Eng tells minister on 1MDB
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Penang Chief Minister Lim Guan Eng has flayed Second Finance Minister Ahmad Husni Hanadzlah for not understanding 'basic accounting' regarding debt-ridden 1Malaysia Development Berhad (1MDB).

He hit out at Ahmad Husni's assertion that that the government's injection of RM950 million in standby credit for 1Malaysia Development Bhd (1MDB) did not in any way constitute a bailout, because 1MDB is not a failed organisation but is only facing a short-term cash flow problem.

"Clearly Ahmad Husni forgets basic high-school accounting that bankruptcy is most commonly caused by insolvency in not having enough cash to pay your debts, even when your financial accounts shows healthy accounting profits.

"There are many companies that have gone bust because they are unable to meet their short-term cash obligations despite having billions of dollars in assets," Lim (left) said in a statement today.

"Ahmad Husni is also contradicting himself when he had in Parliament admitted that 1MDB's gearing ratio, which is a measure of debt against capital (where the higher the gearing ratio, the worse off the company), was 17 times and unsustainable at its present form.

"For Ahmad Husni to admit 1MDB is unable to pay their short-term cash obligations is to concede that 1MDB would go bankrupt without the RM950 million standby credit provided by the BN Federal government.

"Without this standby credit, 1MDB would be unable to pay its short-term cash obligations, become insolvent, and hence bankrupt. Clearly 1MDB has failed and the standby credit is an initial RM950 million bailout of 1MDB," Lim said.

Ahmad Husni was reported saying by Bernama yesterday that 1MDB's cash problem is expected to be resolved by the end of 2015.

He was quoted saying that the company has taken strategic measures including studying the rationalisation of land owned by the company and will launch an initial public offering (IPO) in June or July.