

1MDB's reply: Devil is in the (missing) details

MalaysiaKini.com

June 4, 2015

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1Malaysia Development Bhd (1MDB) president Arul Kanda's disclosure of where the RM42 billion of 1MDB debt went not only disclosed nothing new, it raises more questions

1MDB president Arul Kanda issued a statement late yesterday out of the blue to quash the allegations that there was money missing in 1MDB. He said:

"We provide a summary of what the RM42 billion has been used for, information that is fully disclosed in 1MDB's audited and publicly available accounts from March 31, 2010 to March 31, 2014. We trust this clarification will help to clear any confusion on this matter."

In the statement, Arul Kanda outlined that RM18 billion was for purchasing independent power producers, RM1.7 billion for purchasing land, RM5.8 billion for financial expenditure and RM15.4 billion for investment funds that constituted the RM41.9 billion of debt.

For the RM15.4 billion investment funds, the further breakdown was RM6.1 billion in Brazen Sky, RM4.2 billion in deposit with Abu Dhabi's Aabar Investment and RM5.1 billion in 1MDB Global Investment Limited (GIL) funds.

Show the cash

None of the above figures are new as we have already derived as much from the March 2014 financial statements. As such, none of the above explains the criticisms that have been rained on 1MDB to date.

The questions I've been asking, both in and out of Parliament, over the past 2 to 3 years included what exactly were these RM6.1 billion of investment in Brazen Sky, which was parked in Cayman Islands?

Why is it that despite Arul Kanda announcing that all of Brazen Sky's investments have been "redeemed", there's still no cash at all in the BSI Bank Singapore? This is despite Arul Kanda assuring us in February that the cash is sitting safely in the bank.

I've also repeatedly asked where is the RM5.1 billion of funds invested by 1MDB Global Investment Limited and yet the Finance Minister Najib Razak consistently and repeatedly refused to list the investments made by 1MDB GIL in Parliament. He even refused to disclose where the fund is managed or located!

What's more, we were fully aware that 1MDB has RM5.1 billion "deposited" with Aabar Investment.

However, our question was why did 1MDB agree to such onerous “loan-shark” terms to secure a US\$3.5 billion guarantee from Abu Dhabi’s International Petroleum Investment Corporation (IPIC)? Why borrow and get to use only 60 percent of the funds?

Hence the revelation by Arul Kanda essentially revealed nothing that we don’t already know. The questions that we asked however, remained completely unanswered.

Worse, his disclosure raised even more questions for 1MDB.

Taking loans to pay interest?

He had detailed that the RM5.8 billion for financial expenditure included - RM4.5 billion for cost of finance and working capital, RM0.9 billion for foreign exchange cost and RM0.4 billion for taxes.

Is Arul Kanda trying to tell us that 1MDB took additional loans to pay interest to its loans and its taxes? Is he confirming that the returns from whatever assets purchased with the earlier loans couldn’t even cover interest and tax expenses such that 1MDB had to borrow an additional up to RM5.8 billion to pay for them?

Does that not imply that the whole 1MDB investment strategy is an absolute disaster and the management is at best, completely incompetent or at worst, involved in fraud and embezzlement?

We call upon Arul Kanda to stop being coy with the truth and start answering the questions in full.

1MDB cannot regain any trust or confidence from Malaysians by just giving half-baked answers and pretend to itself that it managed to quash all doubts and criticisms. It certainly does not “clear any confusion”, but instead it encourages even more suspicion and speculation as to why 1MDB is so unreasonably evasive.

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