

After selling off energy division, how can 1MDB pay off debts, asks DAP lawmaker
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Second Finance Minister Datuk Seri Ahmad Husni Hanadzlah must explain how 1MDB can generate "real profit" in future to pay off its debts after the proposed 80% disposal of the company's energy division, when there will be "nothing left" except for its RM7.08 billion of property assets.

DAP national publicity secretary Tony Pua said this would arise as 1MDB had taken RM20.9 billion of loans to buy its power assets worth only about RM10.9 billion, as reported in the company's financial statements.

"So even with a generous RM12 billion valuation for 1MDB's energy arm at its IPO, selling 80% of its stake will only raise RM9.6 billion, which is barely half the value of the loans it took.

"The IPO will not even be sufficient to clear the loans it has taken to acquire its energy subsidiaries, much less the balance of the RM42 billion loans," he said in a statement today.

Pua said even 1MDB's property wing was worth only RM7.08 billion as March 31, 2014, after being upwardly re-valued by RM3.95 billion in the last few years and as admitted by Husni himself, 1MDB's property projects would only take off at the earliest in 2016.

"Despite the obvious facts staring him in the face, he had persisted in ludicrously defending 1MDB's viability, saying that 1MDB is involved in long-term investment and it will take time to reap profit from its investments.

"If there are no investment assets left in 1MDB, how could it possibly generate 'real profit' to pay its debts?"

Pua also asked Husni to explain how 1MDB's debts of RM42 billion as at March 2014 outstripped its two key assets – RM10.9 billion in power and RM7.08 billion in real estate if there were no "management problems or misappropriation".

"That's even assuming that the valuations for these assets are not overly inflated. Where did all the rest of the money from its debt go?

"The failure to respond to these questions will severely dent Husni's reputation, like that of his deputy's (Datuk Ahmad Maslan), and make him the butt of jokes for the international financial community," he said.

Pua took a dig at Husni, saying that the minister, whom DAP hoped would do a better job since taking over the responsibility of responding to questions in Parliament on 1MDB last week, must have been joking when he said the government-owned

company was only facing only cash-flow problems that would be resolved by year-end.

"Husni had done well to at least for the first time, to concede that the current monster RM42 billion debt structure in 1MDB was 'unsustainable' and admitted that the company was facing a liquidity crisis.

"But he didn't do his own credibility any good by insisting and prophesying, like Ahmad, that 1MDB's cash-flow problems will be resolved by the end of this year."

During the last parliamentary sitting, Ahmad assured Malaysians that 1MDB's losses were temporary and "it will return to profitability" for the financial year ending March 2015.

He reportedly told the media this in November after 1MDB reported its first annual losses of RM665 million for its March 2014 accounts.

Pua said Ahmad's "prophecy of 1MDB making profits looks as remote as any attempt to grow money on trees". – March 16, 2015.

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