

Who's saying what: Questions, answers and non-answers on 1MDB
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Tun Dr Mahathir Mohamad has made it clear: Datuk Seri Najib Razak must go, chiefly because of the 1Malaysia Development Bhd (1MDB) scandal.

His accusations boil down to 1MDB having lost or misused funds, and that Najib as the finance minister, prime minister and chairman of the 1MDB advisory board, is responsible for it.

Najib has not stayed silent on the attacks against his brainchild, which carries his pet slogan in its name and a RM42 billion debt on its shoulders.

Still, unanswered questions remain. Here are some of the issues Dr Mahathir has raised on 1MDB, and the responses given by Najib or 1MDB.

Where has the money gone?

The money is not lost through bad businesses but has simply disappeared. Somebody knows how the money disappeared and who has the money now. But that somebody is not telling – Dr Mahathir, June 4, 2015.

Najib said that 1MDB had not lost any money, but simply accrued a debt of RM42 billion, and that the company's assets worth RM51 billion far exceeded this.

"Most large companies around the world have high levels of debt, there is nothing unusual about this," Najib wrote on his blog.

On accusations of wrong-doing, Najib said this was for the auditor-general and PAC to address, and that anyone found guilty would be brought to justice.

Meanwhile, on June 3, 1MDB president and group executive director Arul Kanda Kandasamy provided a chart detailing what the RM42 billion debt had been used for.

Dr Mahathir, however, remains unconvinced. Branding Arul a liar, he said it was "not inconceivable that on the RM42 billion Arul may be lying again. Where a chunk of the 42 billion ringgit went is still questionable".

Overpaying for energy assets?

RM18 billion was spent to purchase IPP belonging to Ananda Krishnan, Genting Sanyen Power (now known as Kuala Langat Power Plant) and Jimah Energy. The prices paid for Genting Sanyen and Ananda's IPP were well above market price... why is 1MDB so stupid – Dr Mahathir, June 12, 2015

1MDB said the value it paid for the energy assets was "commensurate with their

existing and future potential".

In defending the investment in the power plants, 1MDB said the portfolio provides the business "healthy cash flows and enables us to participate in bids for coal and gas fired plants, the two primary fuel source for power generation assets in the markets that 1MDB operates in, allowing us to create further value and drive the company's future growth.

"As such, the economic benefit gained from these assets means that we have recuperated any excess value we paid at the time of the acquisitions."

High interest rates, commission for a RM5 billion bond raised by Goldman Sachs in 2009

The bond raised by Goldman Sachs costs more than is usual for government borrowings. The interest rate at 5.9% was too high. Government loans usually attract about 3% or below. In addition 10% commission went to Goldman Sachs which means that 1MDB gets only 90% of the money borrowed yet has to pay interest on 100%, raising the interest rate to 6.6%. – Dr Mahathir, April 23, 2015.

Neither 1MDB nor the government have commented on the commissions paid to Goldman Sachs, nor have they confirmed the amount to be 10% – a figure based on an Edge Financial Daily report.

On the interest rate, both Najib and Tan Sri Lodin Wok Kamaruddin, chairman of 1MDB's board of directors, have said it was 5.75%, and not 5.9% as alleged by Dr Mahathir.

Lodin said in December last year that bonds with a longer maturity period usually have a higher interest rate.

"To the best of our knowledge, the only Petronas-related bond issued in 2009 that carried a coupon rate of 3.6% was for a RM100 million bond with the tenure of only 3 years, whereas the 1MDB bond had a tenure of 30 years.

"As such, given the significant difference between the maturity periods, it should not be surprising that the bond issued by 1MDB had a higher interest rate."

What are 1MDB's assets?

1MDB claims it has assets worth RM52 billion. So far no explanation has been given as to how these assets are valued. How much is the value of all the power plants. And how much are the prices of land worth? – Dr Mahathir, June 12, 2015

On May 27, Najib said that the total worth of 1MDB's assets for the financial year ended March 31, 2014, comprised assets worth RM19.5 billion and non-current assets of RM31.9 billion.

"1MDB has a position that is solid of which its assets comprises the land meant for Tun Razak Exchange (TRX) development and Bandar Malaysia in KL, land in Penang spanning some 234 acres plus 13 power assets plants and the desalination [plant] in five countries," said Najib in a parliamentary written reply to MP Kelana Jaya Wong Chen.

He said these assets had been audited and confirmed by Deloitte.

What happened to the cash from Cayman Islands?

But there really can be no explanation on the disappearance of the money supposedly brought back from Cayman Islands – six billion US dollars. – Dr Mahathir, June 5, 2015

Arul had said that 1MDB had redeemed US\$2.32 billion from its Cayman Islands foray, and the funds were separated into two tranches.

The first tranche, worth US\$1.22 billion, was "fully spent" last year to service its debt interest, working capital and payments to Abu Dhabi's Aabar investments, he told Singapore's Business Times on February 7.

He said the second tranche, worth US\$1.103 billion, would also be used to service the firm's debt interests.

"The cash is in our accounts and in US dollars. I can assure you... I have seen the statements," said Arul.

On May 19, Najib said in a parliamentary reply that the balance of the US\$1.103 billion were "assets" in US dollars kept in BSI Bank Limited Singapore.

Second Finance Minister Datuk Seri Ahmad Husni Hanadzlah later said the assets were in the form of "units", but declined to elaborate further.

Why did the government sell land cheaply to 1MDB?

The land along Jalan Tun Razak was actually meant for an agency to build shops etc for Bumiputras. But instead the Government sold the 70 acres to 1MDB for RM320 million i.e. at RM 60/- psf. Land close by had been sold at RM7000 /-psf. 1MDB should pay at least RM3000 to RM4000 /- psf. – Dr Mahathir, June 12, 2015

The government has yet to explain why it sold land in the planned TRX area at a low rate to 1MDB.

1MDB, on its website, described itself as the "master developer" of TRX.

"Any decision we make to invest in real estate is reached following an extensive period of due diligence, which includes the appointment of independent appraisers to

determine the value of the land we intend to acquire, whilst also taking into account the value we can add to it," it said in the frequently asked questions section of its site.

"In some instances, the land we acquired has been revalued, and this has been done in tandem with changes to the market price in the surrounding areas, and to take into account the investments we have made to prepare the land to be ready for development."

In May, Lembaga Tabung Haji sparked controversy when it bought a plot of land in the TRX from 1MDB for RM188.5 million, or RM2,774 psf, when 1MDB had reportedly paid the government RM64 psf for the land.

Najib defended the purchase, describing it as a proper investment plan and not a bailout.

"Tabung Haji became a victim. It only bought the land. It bought the land for development and for the benefit of the depositors. It is not taking over 1MDB's debts.

"If it (Tabung Haji) decided to sell off the land through open bidding, it will gain an extra RM6 million," said Najib. – June 14, 2015.

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