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Business

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1MDB may be dismantled under debt repayment plan



KUALA LUMPUR: 1Malaysia Development Bhd (1MDB) will be left as a skeletal structure and possibly dissolved under a debt repayment plan in which most of its assets will be sold, sources said.

The power and property fund, with assets worth US\$14bil (RM51bil), was hit by losses last year and nearly defaulted on a loan payment.

The near-miss drove down the ringgit and government bonds.

The state fund's RM42bil debt includes a US\$3bil bond sale in 2013 that was one of the largest global issues from South-East Asia.

Under the aggressive restructuring plan, crafted by new boss Arul Kanda Kandasamy and blessed by the Government, the fund would sell 80% of its power unit Edra Energy via a stock market listing, sources said.

More than RM18bil of 1MDB's debt linked to its power assets would go under Edra Energy ahead of the listing, which was due to be kickstarted in six-nine months, the sources said.

The fund, which has Prime Minister Datuk Seri Najib Tun Razak as chairman of its advisory board, will also sell the bulk of its land assets and stakes in two high-profile property projects, Tun Razak Exchange (TRX) and Bandar Malaysia, after splitting them into separate entities, as already partially indicated in a strategic review unveiled last month.

The Finance Ministry, which is the sole owner of 1MDB, did not respond to a request for comment.

1MDB said in an email that Edra Energy would be "monetised" in 2015, and that the TRX and Bandar Malaysia projects would be ultimately owned by the Finance Ministry.

This process would turn 1MDB into a skeletal structure that could eventually be dissolved completely, said a source.

"It's become a hot potato for the Malaysian Government. It was just too much to handle," said another source.

1MDB said on Wednesday that its plans to list Edra Energy were on track. It said the fund would re-submit an application for an initial public offering after cancelling a submission made in November. It did not elaborate.

Arul, appointed in January to revamp the fund, has carried out a strategic review of 1MDB's finances and announced last month the fund would monetise Edra Energy this year, run real-estate projects as standalone entities and sell assets to repay lenders. He did not disclose any financial details.

A respected former investment banker who was previously at Abu Dhabi Commercial Bank, Arul was brought in to see if it was possible to salvage the fund, but decided it was best to wind down its businesses after carrying out a thorough six-week review. — Reuters