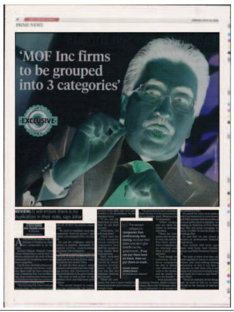
TENAGA NASIONAL
Better. Brighter.

Headline	MOF Inc firms to be grouped into 3 categories		
MediaTitle	New Straits Times		
Date	15 Jul 2016	Language	English
Circulation	74,711	Readership	240,000
Section	Local News	Page No	6TO8
ArticleSize	2238 cm²	Journalist	A JALIL HAMID
PR Value	RM 231,437		



'MOF Inc firms to be grouped into 3 categories'

REVIEW: It will ensure there is no duplication in their roles, says Johari

A JALIL HAMID AND SHAREN KAUR
PUTRAJAYA
news@nst.com.my

A THOROUGH review of all 45 Minister of Finance Inc (MoF Inc) companies is on the cards.

Second Finance Minister Datuk Johari Abdul Ghani said he had ordered a relook into the state of these companies by classifying them into three categories.

The 52-year-old chartered accountant by training and former corporate figure said the three categories were companies that were performing, those continuously losing money and those that MoF Inc needed to retain despite losing money.

"The learning that I have with my position here, I want to start looking into all 45 MOF Inc-owned companies.

"We need to reanalyse them and segmentise them by sectors," said Johari, who assumed office on June 28.

He said the companies were involved in property, plantation, financial services, manufacturing and many other industries.

"We need to group them so that we can look, in detail, whether there are duplications in terms of their roles," he told the *New Straits Times*.

He said the first category would comprise companies that were making money and consistently declared dividends to the government.

"We want to look at how we can enhance them and help them grow further.

"The second category is, companies that continuously lose money, increase their debts and don't give benefits to the government. We will

Headline	MOF Inc firms to be grouped into 3 categories		
MediaTitle	New Straits Times		
Date	15 Jul 2016	Language	English
Circulation	74,711	Readership	240,000
Section	Local News	Page No	6TO8
ArticleSize	2238 cm²	Journalist	A JALIL HAMID
PR Value	RM 231,437		

reanalyse them.

"If we can put them back on track, then we put them on track.

"Otherwise, we will close them."

Johari said the third category would comprise companies that MOF Inc needed to keep despite them making losses.

They included companies involved in infrastructure development, like MRT Corp Sdn Bhd and Prasarana Malaysia Bhd, he said.

"These are companies that have a heavy burden in interest payment, and revenue is not enough to pay.

"The government has to subsidise them because it is the government's job to provide good infrastructure for the people.

"Other companies are those involved in sewerage and water.

"These are companies that we have to look into and refine their operations so that there is no wastage and there is good management.

"Even though we subsidise them, these companies are able to deliver very efficient services to the people, and the people receive the benefits."

Born and raised in Kampung Pandan, Kuala Lumpur, Johari, who is also Titiwangsa member of parliament, is no stranger to the business world.

He started his career as an auditor with Peat Marwick & Co (now known as KPMG) and has held key positions in local public-listed companies, including as chairman of UDA Holdings Bhd and group managing director of edible oil and tap maker CI Holdings Bhd.

He said MoF Inc also owned a number of development financial institutions.

They include SME bank, Agro Bank, Exim Bank, Bank Pembangunan and Bank Simpanan Nasional.

"We want to know how they can work together in terms of cross-reference and cross-selling among themselves, so that if you have a customer in SME Bank who is not doing well, they cannot simply jump and apply for a loan at Agro Bank," said Johari.

"These are basically all the things that we need to look at, so there should be the sharing of information."

> The second category is, **companies that continuously lose money,** increase their debts and don't give benefits to the government... **If we can put them back on track, then we put them on track.**
>
> ***Datuk Johari Abdul Ghani***
> *Second finance minister*

Headline	MOF Inc firms to be grouped into 3 categories		
MediaTitle	New Straits Times		
Date	15 Jul 2016	Language	English
Circulation	74,711	Readership	240,000
Section	Local News	Page No	6TO8
ArticleSize	2238 cm²	Journalist	A JALIL HAMID
PR Value	RM 231,437		

'Managing fiscal deficit key as it will impact the people'

MANAGING the country's fiscal deficit is crucial because it will ultimately impact the people, said Second Finance Minister Datuk Johari Abdul Ghani.

"It is important for us to manage fiscal deficit because if we don't, it will affect our sovereign rating.

"Today, we are A-, but assuming our rating drops to triple B, then our interest cost will be higher.

"When interest cost is higher, the cost of doing business is higher.

"Ultimately, the people will suffer because if we look at our household debt, we are among the highest in the world.

"We are close to 89 per cent to GDP (gross domestic product)."

Household debt includes housing, car, credit card, personal and investment loans.

"So, if the interest increases, all these people will be affected because they will have to pay more interest," said Johari.

In an exclusive interview with the *New Straits Times*, the newly minted minister describes how Malaysia's economy has been affected by external issues beyond its control, including the drop in oil prices, slowing global economy and uncertainty over China's economic rebalancing.

Amid such global uncertainties, the government's focus is on addressing internal and domestic economic issues, including fiscal deficit and debt.

Johari said Malaysia's debt was at 54.5 per cent of GDP, compared with more than 200 per cent in Japan, 120 per cent in the United States and 89 per cent in Singapore.

"It doesn't mean that if we are at 54.5 per cent, we are good.

"The issue here is that we must continue to put in check our debt situation so that we are always in a position to match our ability to pay."

Johari, 52, said Malaysia was still in a good position because it had never defaulted on any loan.

He added that debts taken on were utilised to invest in the economy.

"We build our infrastructure, highways, airports and ports.

"Right now, we are aggressively expanding our public transport, such as the MRT (mass rapid transit) and LRT (light rail transit).

"We also borrow money to get our sewerage and water systems, and to consolidate all that.

"But, we need to put a check on this.

"We have seen a lot of countries, like Greece, for example, where, because they did not manage their debts properly, they are affected.

"This is something we really need to look at."

Headline	MOF Inc firms to be grouped into 3 categories		
MediaTitle	New Straits Times		
Date	15 Jul 2016	Language	English
Circulation	74,711	Readership	240,000
Section	Local News	Page No	6TO8
ArticleSize	2238 cm²	Journalist	A JALIL HAMID
PR Value	RM 231,437		

'No denying external factors are beyond us'

THE following are excerpts from the *New Straits Times'* exclusive interview with Second Finance Minister Datuk Johari Abdul Ghani.

Q: What are the macroeconomics of the country? Where are we now in terms of revenue and GDP (gross domestic product) growth?

A: Basically, when we look at our macroeconomics, let's look back at the last two years. In 2014, our GDP growth was about six per cent and last year, it was about five per cent. For this year, at the time we prepared the budget, we forecast four to 4.5 per cent. If you look at today, as far as the global economy is concerned, I think Malaysia is facing a lot of external issues that are beyond its control.

First, look at the last 1½ years. We have lost RM30 billion in revenue from the oil industry. This is a result of the drop in oil prices, from US$115 (RM452) per barrel to US$30 per barrel. Certainly, it would affect the government's ability to spend money. We have to cut expenditure in many ministries to make sure that we maintain our fiscal deficit.

Our fiscal deficit last year was 3.2 per cent and for this year, we are targeting 3.1 per cent. A lot of people ask me, why are we so concerned about fiscal deficit? It is important for us to manage fiscal deficit because if we don't, it will affect our sovereign rating. Today, we are A-, but assuming our rating drops to triple B, then our interest cost will be higher. When interest cost is higher, the cost of doing business is higher.

Ultimately, the people will suffer because if we look at our household debt, we are among the highest in the world. We are close to 89 per cent to GDP. What is household debt? Housing loan, car loan, credit card loan, personal loan, investment loan. So, if the interest increases, all these people will be affected because they will have to pay more interest.

Second, we are also facing issues in terms of the global economy. The IMF (International Monetary Fund) and World Bank have forecast a drop in global growth for this year. In particular, if you look at China, it is one of the important markets, the second-largest economy in the world after the United States. China is very important to us because it contributes approximately 15 per cent of our trade in the world. So, if anything happens to China, we will also get affected.

For example, China's growth used to be at seven to eight per cent, and suddenly, it is now down to six per cent — and even that is uncertain. This has also created uncertainty in terms of the external factor, as far as the global market is concerned, because China is not only dealing with us. It does a lot of trade with a lot of Asian countries and also the world. And, these Asian countries also trade with us. If they are affected economically, it will also affect us.

We used to see the ringgit against the US dollar at 3.20 or 3.30, and suddenly, it shot up to 4.47 against the US dollar. Certainly, a lot of companies in Malaysia, especially the ones involved in manufacturing that rely on imported goods as part of their raw materials, suddenly have to pay 30 to 40 per cent extra. This has also caused a lot of issues in the economy.

The other issue that recently cropped up was Brexit in Europe. Out of the 28 countries (in the European Union), the United Kingdom represents about 10 per cent of our trade. If it has issues about uncertainty in Europe, certainly, that will affect our 10 per cent trade. You know how world economies work — they don't like uncertainty. With uncertainty, a lot of people start to hold back on their investments. These are all the issues that we face at the moment.

A lot of people ask me, how are you going to address this? There are only a few things that we can address internally and domestically. External factors are beyond us. We cannot deny this. A lot of people are trying to convince the people, telling them that we are okay, and whatever happened to China or Brexit, we have no problem. But, the reality is that it will affect us. Because we are an open economy, anything that happens in the world will affect us.

Domestically, what we are looking at is, how do we manage our debt? Today, our debt is 54.5 per cent of our GDP. Is that high, low or reasonable? We have to compare ourselves with other countries. If you look at Japan, I think its debt to GDP is almost exceeding 200 per cent. The US is about 120 per cent of GDP. Singapore is 89 per cent of GDP.

Even though they are high, their ability to service their debts is good. It doesn't mean that if we are at 54.5 per cent, we are good.

The issue here, I think, is that we must continue to put in check our debt situation so that we are always in a position to match our ability to pay.

Q: How is Malaysia doing now?

A: At the moment, I think Malaysia is doing okay. We have never defaulted on our loan. Any loan that we take, we invest back into our economy. We build our infrastructure, highways, airports and ports. Right now, we are aggressively expanding our public transport, such as the MRT (mass rapid transit) and LRT (light rail transit).

Next week, our prime minister will sign an MoU (memorandum of understanding) with the Singapore government to launch the high-speed rail project. These are the loans that we have taken to finance our infrastructure. We also borrow money to get our sewerage and water systems, and to consolidate all that.

But, we need to put a check on this. We have seen a lot of countries, like Greece, for example, where, because they did not manage their debts properly, they are affected. This is something we really need to look at.

Q: Inflation-wise?

A: Inflation-wise, we are also doing okay. We are still at about two to three per cent. We need inflation, but we must manage it. If we don't have inflation, it's not good for the country. We need a manageable inflation, but it is just that last year, there was a spike in our inflation because we implemented the GST (Goods and Services Tax). But, I think it is manageable.

TENAGA NASIONAL
Better. Brighter.

Headline	MOF Inc firms to be grouped into 3 categories		
MediaTitle	New Straits Times		
Date	15 Jul 2016	Language	English
Circulation	74,711	Readership	240,000
Section	Local News	Page No	6TO8
ArticleSize	2238 cm²	Journalist	A JALIL HAMID
PR Value	RM 231,437		

Q: What is your view on 1MDB (1Malaysia Development Bhd)?
A: 1MDB is a company that started with a very noble idea, basically, to use the company to leverage against our ability to borrow money, and to do something that an ordinary company cannot do, which is to develop a huge asset like Bandar Malaysia and the Tun Razak Exchange, and to try to consolidate the energy sector. But unfortunately, along the way, things went wrong.

I am quite pleased to see that the government was willing to come out openly, to allow the Public Accounts Committee (PAC) to do a report and allow people like me to study the report.

Q: What conclusion did you make on the report?
A: There are three points. First, the business model for 1MDB was wrong. The business model was not sustainable because you are borrowing money and, at the same time, you have to service the interest and principal, but you don't have the revenue or a positive cash flow from the business to basically help you pay that commitment. Most of the projects are long-term in nature, while the interest and principal payment is short-term in nature. So, the business model was wrong and not sustainable.

Second, based on what PAC outlined in the report, they (1MDB) had weak management. If there

→ *Turn to* ***Page 8***

→ *From* ***Page 7***

had been good and efficient management, I don't think 1MDB would reach this level.

Lastly, we are looking at the corporate governance part of it. This was also lacking in 1MDB. At the end of the day, for any company, for that matter — I am not only saying 1MDB, but any company, be it a listed or non-listed company — if they don't have either one of these three factors — a sustainable business model, and good management and corporate governance — they will also go. If they have good management and corporate governance, but not a sustainable business model, they will also go. So, this is very important.

Q: What's next for 1MDB?
A: As far as 1MDB is concerned, we want to run off the company.

Q: What do you mean by "run off"?
A: That means we will take out all assets from 1MDB and team up with the private sector to develop Bandar Malaysia and TRX. For example, recently, we signed agreements with Iskandar Waterfront Holdings Bhd and China Railway Engineering Corp. We can expect the GDV (gross development value) to go as high as RM50 billion to RM60 billion.

Yes, we do have the expertise, but global companies are in this line of business and can pull investors to Bandar Malaysia and TRX. This is the reason we decided to give them the incentive.

Q: How will TRX be developed?
A: For TRX, we will take the asset out from 1MDB. We have applied two strategies for TRX. First, we sell our land and let builders develop it. Second, we form joint ventures, like what we did with Land Lease from Australia. Here is where we give our land and they give us their expertise. They will bring in the capital, and we build. We will start focusing on how we want to intensify our work with Land Lease. Mulia Group is developing on their own, where they buy our land and build.

Q: What happens to 1MDB's debts?
A: 1MDB will eventually be run off and, hopefully, all those assets that we take, we can maximise their value. And, when the time comes to pay their debts, we can use this value that we have created and pay off their debts. To what extent will we be able to cover all their debts? Only time will tell. We need to go through this process first.

Q: What will happen to the other parcels of land owned by 1MDB?
A: In Westport, we have decided to sell the land. In Penang, we have about 260 acres there. We have invited the RFP (request for proposal). We have shortlisted the candidates and we are going to work with them where they will develop the land.

Our criteria is that, whoever that we partner with must be able to manage and work closely with the Penang government. That is the reality and we have to accept that fact because the Penang government is not part of Barisan Nasional. So, whoever wants to partner with us must be able to work with the state government and fulfil its requirements.

Q: What is your aim for government-linked companies?
A: I want to start looking into all MOF Inc (Minister of Finance Inc) companies. We need to reanalyse all the 45 companies that we have and segmentise them by sectors. These are companies involved in property, plantation, financial services, manufacturing and so many other industries.

We need to reanalyse and group them so that we can look, in detail, whether there are duplications in terms of their roles. We will then split the companies into three categories.

Q: What are those categories?
A: The first category is, companies that make money and consistently declare dividends to the government. We want to look at how we can enhance them and help them grow further.

The second category is, companies that continuously lose money, increase their debts and don't give benefits to the government. We will reanalyse them. If we can put them back on track, then we put them on track. Otherwise, we will close them.

The third category is, companies that we need to keep even though they are losing money. For example, a company that is involved in infrastructure development, like MRT Corp and Prasarana. These are companies that have a heavy burden in interest payment, and revenue is not enough to pay. The government has to subsidise them because it is the government's job to provide good infrastructure for the people.

Other companies include those involved in sewerage and water. These are companies that we have to look into and refine their operations so that there is no wastage and there is good management. Even though we subsidise them, these companies are able to deliver very efficient services to the people, and the people receive the benefits.

Q: Are there many companies in the second category?
A: Well, I think there are, but the losses are not that big for some of them. They are manageable, but I think, at the same time, I also have to consider how many employees the companies employ. There are also some that provide financing in innovation and innovative industries. These kinds of companies are very difficult to close, even if they are not making much money.

Headline	MOF Inc firms to be grouped into 3 categories		
MediaTitle	New Straits Times		
Date	15 Jul 2016	Language	English
Circulation	74,711	Readership	240,000
Section	Local News	Page No	6TO8
ArticleSize	2238 cm²	Journalist	A JALIL HAMID
PR Value	RM 231,437		

For example, companies that provide venture capital are hard to close. Venture capital is not like a commercial bank or other financial institutions. Assuming we finance 100 companies under venture capital and 10 per cent are successful, and the 10 per cent create employment for 1,000 to 2,000 people; that is what we want. That's what venture capital is all about.

Q: Are there possibilities of mergers and acquisitions?

A: Yes, especially among the good companies and smaller firms that make RM10 million to RM20 million in net profit a year. If we can merge them and make them regional players or list them and they become another Khazanah Nasional Bhd outfit, we want to do it.

Q: Will there be government guarantees involved for their expansion?

A: If they can bring in value, yes.

Look at Khazanah. It is so successful. The government helped Khazanah with only about RM20 billion in government guarantee. But, with that RM20 billion, it has created more than RM150 billion in assets over the years.

So, there is nothing wrong in giving a guarantee. Khazanah has the right business model, and that is why it has been able to give value to the government by creating RM150 billion worth of assets and employment.

Look at what Khazanah has today. It has CIMB, Tenaga, Telekom, Celcom, Axiata, MAS and many more. Some of the group's companies have become regional champions, including CIMB and Axiata. Not to mention there are good domestic companies, like Plus Expressway under UEM Group Bhd.

Q: Of the 45 companies, are you considering selling some?

A: It is too early to tell, but I have engaged with a team to reanalyse this. We will shortlist a few companies, and look at how we want to manage them and how we want to KPI (key performance indicator) them.

They cannot do whatever they want just because they are 100 per cent owned by the government. We want to put a KPI on all directors, chief executive officers and the management.

➜ *Part II* **tomorrow**

TENAGA NASIONAL
Better. Brighter.

Headline	MOF Inc firms to be grouped into 3 categories		
MediaTitle	New Straits Times		
Date	15 Jul 2016	Language	English
Circulation	74,711	Readership	240,000
Section	Local News	Page No	6TO8
ArticleSize	2238 cm²	Journalist	A JALIL HAMID
PR Value	RM 231,437		

Johari stresses adherence to principles of good corporate governance

NEWLY minted Second Finance Minister Datuk Johari Abdul Ghani is resolute in ensuring that the business and affairs of all companies under Minister of Finance Inc (MOF Inc) are in strict adherence to the principles of good corporate governance.

The principles include integrity, transparency, accountability and responsible business conduct.

"Corporates across the board, not just MOF Inc companies, have to be mindful of the three important elements that make a business successful.

"They are having a sustainable business model, and good management and corporate governance. Without either one, a business will fail. Once you have the three elements, profit will come naturally," said Johari, adding that he enjoyed working with people who were committed and focused on their work.

Johari, having been in office for only 19 days, has already tasked a team with reviewing all companies under MOF Inc to ensure that they remain focused on their respective fields.

Born in Kampung Pandan, Kuala Lumpur, in 1964, Johari obtained a diploma in Accounting from Institut Teknologi Mara in Shah Alam in 1985 and furthered his studies in the United Kingdom.

The fellow-certified chartered accountant started his career as an auditor with Peat Marwick & Co (now known as KPMG).

He has held directorship positions in local public-listed companies, including as chairman of UDA Holdings and group managing director of CI Holdings Bhd (from November 2002 to July last year). He has more than 23 years of cumulative experience in the corporate scene, having also served as group managing director of KFC Holdings Malaysia Bhd and QSR Brands Bhd.

Johari, 52, had been vocal about the government providing affordable homes for the middle- and low-income groups in Kuala Lumpur when he was a backbencher.

He said despite his busy schedule, he made time for golf as it was one of his favourite sports.

Headline	MOF Inc firms to be grouped into 3 categories		
MediaTitle	New Straits Times		
Date	15 Jul 2016	Language	English
Circulation	74,711	Readership	240,000
Section	Local News	Page No	6TO8
ArticleSize	2238 cm²	Journalist	A JALIL HAMID
PR Value	RM 231,437