

Reporting the 1MDB scandal: A LOOK BACK

This special pullout features some of the key news reports on the 1MDB financial scandal by *The Edge* weekly and *The Edge Financial Daily* in Malaysia in 2015. We hope it will refresh the memory of our readers and enlighten those who may not be familiar with what happened three years ago.

We were suspended for three months (the suspension was cancelled by the Kuala Lumpur High Court after nine weeks) and investigators were removed. Two Cabinet ministers were sacked and many more people became collateral damage. In the past three years, Malaysia has gone through an unprecedented period of financial and political turmoil that stunned the world and shocked the nation. The people finally spoke at the ballot box on May 9 and, at last, with a new government we now have a chance to get to know the full story of 1MDB.

Ho Kay Tat, publisher & group CEO, The Edge Media Group

Some KEY FIGURES in the 1MDB scandal

DATUK SERI NAJIB RAZAK

He gave the go-ahead to start 1MDB in 2009, just a few months after becoming prime minister. Although he was not on the main board of 1MDB, he was the chair of the advisory panel. More importantly, as prime minister and minister of finance, he and he alone had the final say in all investment decisions under Article 117 of 1MDB's Memorandum & Articles of Association, including to overrule board decisions.



LOW TAEK JHO (JHO LOW)

The 38-year-old is the mastermind behind what is the world's biggest financial fraud. Through his relationship with Riza Aziz — Datin Seri Rosmah Mansor's son from her first marriage — he got close to Najib and Rosmah. His connection to the royal houses of Saudi Arabia and Abu Dhabi so impressed Najib and Rosmah that he was able to exert great influence over 1MDB without having to hold any positions. The 137-page document filed by the US Department of Justice (DoJ) and court documents filed in Singapore reveals that Jho Low was the point man who controlled the money that flowed out of 1MDB to various bank accounts the world over. In the last two years, he is believed to have been living in Thailand, China and Taiwan.



NIK FAISAL ARIFF KAMIL

He is one of three key people that Jho Low planted in both 1MDB and its subsidiary SRC International Bhd. His claim to fame was his role as the person who operated the bank accounts of Najib at Amlslamic Bank to which US\$700 million of 1MDB money was alleged by the DoJ to have been sent. His current whereabouts is unknown but he was put on the wanted list by the Malaysian Anti-Corruption Commission (MACC) in 2015.



DATUK SHAHROL HALMI

He is identified as 1MDB Officer 2 by the DoJ. He was CEO of 1MDB from 2009 to 2013, during which time all the major deals were executed. The PAC report recommended that he be investigated for decisions he made, a number of which were without board consent and knowledge. A former executive of Accenture, he was attached to the Prime Minister's Department after leaving 1MDB.



CASEY TANG

He is identified as 1MDB Officer 1 by the DoJ. Tang was executive director of investments and was accused by the Public Accounts Committee (PAC) of misleading the board of 1MDB with various presentations made to justify investments by 1MDB. Bank Negara put him on its wanted list in 2015. His current whereabouts is unknown.



SEET LI LIN

Singaporean Seet Li Lin was at Wharton with Jho Low. The former staff of the Monetary Authority of Singapore was very involved in the 1MDB-PetroSaudi deals where US\$1.5 billion was allegedly siphoned off. On Sept 30, 2009 when 1MDB transferred US\$700 million to Good Star Ltd, a company controlled by Jho Low and where Seet was chief investment officer, Seet posted on his Facebook account: "I feel the earth move under my feet".



RIZA AZIZ

The stepson of Najib went to the same boarding school as Jho Low and they became fast friends. Nearly US\$300 million of 1MDB money was alleged by the DoJ to have ended up with Riza and his Hollywood film company, Red Granite, which produced *The Wolf of Wall Street*. In March, Red Granite agreed to a US\$234 million settlement with the DoJ. Riza is said to have been living in Malaysia for the past two years.



JASMINE LOO

She is identified as 1MDB Officer 3 by the DoJ. She was general counsel and executive director of 1MDB in charge of corporate and legal matters. The DoJ traced at least US\$5.0 million of 1MDB money that went to an overseas bank account held by her.



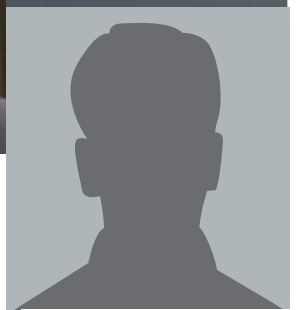
TAN SRI ISMEE ISMAIL

He was the only original non-executive director of 1MDB who stayed on the board through what the DoJ has described as the three main stages of fraud — the Good Star/PetroSaudi phase (US\$1.0 billion), the Aabar-BVI phase (US\$1.37 billion) and the Tanore phase (US\$1.26 billion). He is currently chairman of Media Prima Bhd.



ARUL KANDA KANDASAMY

The 40-year-old was supposed to be the savvy financier who was going to fix 1MDB's problems when he assumed the post of CEO in January 2015. An articulate speaker, Arul spun and spun 1MDB's woes as "nothing more than a wrong business model". But few were convinced, including the voters who went to listen to his country-wide talks to explain 1MDB at the just-concluded general election. They voted out the Barisan Nasional government led by Najib.



ERIC TAN KIM LOONG

The mysterious Malaysian was named by both the DoJ and Singapore police as playing a central role in the laundering of billions of dollars that belonged to 1MDB. Tan's role appears to have been to open bank accounts, which were then operated by Jho Low. At one stage, there was speculation that Tan was actually Jho Low using a false identity.

1 Sept 28, 2009**The initial equity investment of US\$1.0 billion**

1MDB and PetroSaudi Holdings (Cayman) Ltd signed a joint-venture agreement on Sept 28, 2009. 1MDB issued a press release on Sept 30 touting the US\$2.5 billion JV as a new era of economic cooperation between Malaysia and Saudi Arabia.

The impression given was that PetroSaudi Holdings is a company owned by the government of the Kingdom of Saudi Arabia. It is not although one of its two shareholders is Prince Turki, one of the many sons of King Abdullah, who passed away recently. The main shareholder is a Saudi businessman, Tarek Obaid.

What was also not made clear at the time was that 1MDB's JV partner was not putting any cash into the JV, and that PetroSaudi Holdings' 60% equity was via an injection of assets valued at US\$1.5 billion.

More important was the fact that it was NEVER DISCLOSED that from the US\$1.0 billion that 1MDB would put in, US\$700 million was to be immediately used to pay a debt that was put into the JV company. In short, from the word go, the JV only had US\$300 million left from the US\$1.0 billion 1MDB had remitted on Sept 29, 2009.

The Edge has learnt that the JV company was incorporated on Sept 18, 2009, and seven days later on Sept 25, it had incurred a debt of US\$700 million, being a sum owed to its JV partner PetroSaudi Holdings. The JV was signed on Sept 28 and on Sept 29, PetroSaudi Holdings wrote to the JV company to demand repayment of the US\$700 million "loan".

Why was there a need for PetroSaudi Holdings to provide the "loan" a mere three days before the JV was signed, and a mere four days before US\$1.0 billion was to be remitted by 1MDB?

What transaction was so urgent that required PetroSaudi Holdings to extend an interim loan to a JV company that had not even started operations?

Did the management and board of 1MDB verify that there was indeed a loan given by PetroSaudi Holdings to the JV company and cash was actually put in? Did 1MDB's lawyers – Wong & Partners – do a thorough check of the loan agreement that was signed on Sept 25?

As for the US\$1.5 billion valuation given to the PetroSaudi Holdings assets, who did the valuation, and when? Did 1MDB do an independent valuation of its own? Did the board of 1MDB review and approve the valuation?

And why was it that when they announced the JV in 2009, 1MDB did not make it clear that PetroSaudi Holdings was not putting any cash into the JV?

THE TWISTS & TURNS

of 1MDB's first US\$1 bil

On Sept 29, 2009, the local foreign exchange market was stirred by two unusually large transactions of US\$700 million and US\$300 million each. The money was remitted out of the country by Deutsche Bank Malaysia on behalf of its client – 1Malaysia Development Bhd (1MDB).

It was cash for 1MDB's then highly touted joint venture with PetroSaudi Holdings (Caymans) Ltd, which was owned by a company incorporated in Saudi Arabia called PetroSaudi International Ltd.

1MDB put in US\$1.0 billion (RM3.48 billion at the exchange rate then) for a 40% stake in the JV called 1MDB PetroSaudi Ltd, which was

incorporated in the Cayman Islands.

The JV was called off six months later, but it has been five years and the US\$1.0 billion plus an additional US\$800 million has not come back to Malaysia. It may never, despite the fact that newly minted 1MDB CEO Arul Kanda Kandasamy had said recently that it has made gains of US\$488 million. The Edge has spent months investigating the mystery of the initial US\$1.0 billion and the subsequent US\$800 million that went to PetroSaudi Holdings.

Here is a timeline of the twists and turns of the money trail and an explanation on what happened and why.

TIMELINE OF THE MONEY TRAIL

2 March 31, 2010**From equity to a loan**

After the big PR exercise in Malaysia about the JV, there was no further news about its progress until 1MDB's first set of audited accounts for the full year to March 31, 2010, was submitted to the Companies Commission of Malaysia in October of that year.

To the shock of many people, it was disclosed in the accounts that the JV had been called off, and 1MDB's 40% stake was sold for US\$1.2 billion (original US\$1.0 billion plus US\$200 million gain) to its partner on March 31, 2009 – the last day to close its audited accounts.

What was also interesting was that the external auditor that signed off the accounts was KPMG, and not Ernst & Young (EY), which was the appointed auditor.

The Edge has learnt that EY withdrew from the audit because it was unable to get a satisfactory explanation and gain access to information regarding the JV, especially about the US\$700 million used to pay off the loan. EY's attempt to contact the JV partner for information also came to nothing.

To avoid a situation where EY would have had to sign off the audit with a qualification, the accounting firm and 1MDB parted ways. (Auditors qualify accounts when they are unable to obtain audit evidence regarding

particular account balances and/or class of transactions.)

The withdrawal of EY delayed the finalisation of the audited accounts. When it was completed, the US\$1.2 billion was changed from equity capital to a loan to PetroSaudi Holdings in the form of Islamic Murabaha notes which guaranteed an 8.7% annual return.

Accountants say the reason for the change was because if the US\$1.0 billion continued to be treated as equity in a JV, KPMG would have also insisted on seeing evidence of the money, how it was used and why the US\$700 million debt was charged to the JV.

But as a loan to an external party, all that was needed was a copy of the loan agreement signed with PetroSaudi Holdings, and 1MDB's auditor no longer needed to insist on seeing proof that the money was still controlled by the JV company.

In short, what was supposed to be equity money was turned into a loan in order for 1MDB's accounts to be approved without any qualification.

3 2010**1MDB lends another US\$800 million**

Instead of being a JV partner, 1MDB became a lender that bankrolled PetroSaudi Holdings by subscribing to more Murabaha notes – US\$500 million in 2010 and another US\$300 million in May, 2011.

Why 1MDB became a lender of US\$2.0 billion to PetroSaudi Holdings was something its management and board of directors have never explained. Certainly, its mandate was never to act as a lender of cash, especially since its own funds are all borrowed and at high costs.

Why didn't 1MDB ask for its money back and part ways with PetroSaudi after the JV collapsed?

One can only surmise that it became a lender in order for its audited accounts for FY March 31, 2010, 2011 and 2012 to be approved without qualification and without having to show to KPMG that it was in control of the money.

1
Sept 28, 2009

2
March 31, 2010

3
2010

4
June 1, 2012

5
Sept 12, 2012

4 June 1, 2012**Loan swapped for an asset**

The money trail took two further twists in 2012. On June 1, the US\$2.0 billion loan was revalued at US\$2.223 billion – another nice paper gain. But, yet again, 1MDB did not take back its cash. Instead, it entered into an agreement to swap the US\$2.223 billion loan into a 49% stake in PetroSaudi Oil Services Ltd.

6
November/
December 2014

Did 1MDB pay Aabar US\$1 bil to terminate options?

In 2012, 1Malaysia Development Bhd (1MDB), using subsidiaries, issued two bonds totalling US\$3.5 billion (RM11.55 billion) to finance the acquisition of power assets from Tanjong and the Genting Group.

The subsidiaries were 1MDB Energy Ltd and 1MDB Energy (Langat) Sdn Bhd. The total proceeds after netting off expenses and fees to Goldman Sachs and other intermediaries were US\$3.1 billion (RM9.3 billion).

The two bonds were co-guaranteed by 1MDB and Abu Dhabi's International Petroleum Investment Company (IPIC). The IPIC guarantee came at a very heavy price because 1MDB agreed to the following:

- 1) IPIC got to keep RM4.25 billion — 45% of the net proceeds of RM9.3 billion or 37% of its gross debt of RM11.55 billion — as refundable security for the guarantee.
- 2) IPIC was given a 10-year option to subscribe for up to 49% of the future listing of the power assets. IPIC transferred the option to its subsidiary Aabar Investments, and hence it is called the Aabar options.

As we have argued many times previously, 1MDB's style of borrowing is an extremely expensive one. It is ridiculous that a company

gets to keep only 37% of the RM11.55 billion it borrowed.

It is like borrowing money from Ah Longs! If that was not bad enough, 1MDB also agreed to share 49% of any upside on the power plants it bought via the Aabar options.

Just as the money it poured into its aborted joint venture with Saudi Petroleum took a few twists and turns, the same appears to have happened with the Aabar options.

In its full year to March 31, 2014, accounts (which were submitted to the Companies Commission of Malaysia only in November) 1MDB made the following disclosures under the Significant Events Subsequent To The End of The Reporting Period:

First, it said that a substantial sum of the US\$1.22 billion (RM4.03 billion) redeemed from the Cayman Islands was used for debt servicing, working capital and payments to Aabar as "refundable deposits" pursuant to an agreement to extinguish the options. It did not reveal the amount of the refundable deposits but we can assume it was the bulk of the US\$1.22 billion.

Second, it said that in May 2014, it had taken

a bridging loan facility of up to US\$250 million to finance the acquisition of the options granted to Aabar Investment.

Third, it was also revealed that on May 22, 2014, 1MDB and Aabar had signed a settlement agreement to terminate the options. No details were given except that the final settlement will depend on the final valuation of the IPO.

Lastly, 1MDB revealed that on Sept 2, 2014, Aabar had written to inform 1MDB that it did not wish to exercise the options and the company had "agreed to compensate (Aabar) at a consideration agreed under the terms and conditions" of the May 22 settlement agreement.

What 1MDB did not disclose was that on Sept 1, 2014, a day before it received the notification from Aabar, it took a US\$975 million loan from Deutsche Bank. Was it also to pay Aabar?

There are two questions to ask about this chain of events that happened during the May to September period.

- 1) What was the total amount 1MDB had paid to Aabar so far? If you add the bridging loan of US\$250 million plus a substantial amount of the US\$1.22 billion redeemed from the Cayman

Islands and the US\$975 million loan from Deutsche Bank, it is a lot of money that 1MDB raised during that five-month period. How much went to Aabar?

- 2) Why was there a need to sign the May 22, 2014, settlement agreement? Was there not such a termination clause under the original option agreement signed in 2012 as is normally the case in such agreements? Or is the May 22 termination agreement a revised settlement agreement?

In the name of transparency, good governance and to clear doubts about the utilisation of the Caymans money and the payment to Aabar, 1MDB must reveal details of the original agreement with Aabar and also the May 22, 2014 settlement agreement.

1MDB must also disclose how much money has been paid to Aabar thus far to terminate the options and justify why it had agreed to the amount and went ahead to pay Aabar given that the IPO of its power assets is facing headwinds.

We can already hear Arul Kanda citing "legal and commercial confidentiality" for not answering questions he wants to avoid. But those are the questions to which the public wants an answer. **E**

5 Sept 12, 2012

Asset sold and money placed with Cayman SPC

Three months later, on Sept 12, 1MDB sold the PetroSaudi Oil Services Ltd stake to an unnamed "external party" for US\$2.318 billion. Why the constant shuffling around?

It called off its initial JV after six months, and now this deal involving another PetroSaudi company was called off after three months. Such asset shuffling is how financial wheeler-dealers behave, but not what a company whose mandate is to spearhead catalytic economic transformation in Malaysia should be doing.

Yet again, 1MDB decided not to take the cash and remit it back to Malaysia even as it needed to borrow more back home and its debt servicing surged.

The US\$2.318 billion was instead placed in various classes of participating shares in a Segregated Portfolio Company (SPC) registered in the Cayman Islands. What these "participating shares" were have never been disclosed by 1MDB. In fact, notes in its audited accounts of FY2013 showed that 1MDB's board of directors admitted they had no control over how its money was being used and invested.

For an idea of the quality of the assets, Deloitte had classified them as Level 3 — the lowest of three levels of assets in the fair value accounting hierarchy. Indeed, it is not just the Cayman SPC assets but all of 1MDB's RM13.9 billion of "investments held for sale" that were given Level 3 ranking.

The 1MDB accounts explain that "Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data". In layman's language, this means there is no openly and transparently obtainable verification of the fair value of the assets.

So, how was the fair value derived? We looked at the prospectus of the SPC, which is managed by Bridge Partners Investment Management (Cayman) Ltd and administered by Vistra Fund Services Asia Ltd, and discovered that the valuation can be done rather arbitrarily.

For example, the prospectus states that "in calculating the Net Asset Value, the Administrator may rely upon, and will not be responsible for the accuracy of, financial data furnished to it by third parties ...".

It went on to say: "If and to the extent that the Investment Manager is responsible for or otherwise involved in the pricing of the Fund's assets, the Administrator may accept, use and rely on such prices, without verification, in calculating the Net Asset Value and shall not be liable to the Fund, any shareholder or any other person in doing so."

What this means is that the investment manager and administrator can agree between them the net asset value of the fund and this cannot be challenged by the shareholder of the SPC, which is 1MDB.

The FY2013 audited accounts were delayed by a year because KPMG declined to continue as auditors and was eventually replaced by Deloitte. Nonetheless, 1MDB continued to make "paper gains". By Aug 1, 2014, the money in the Caymans had grown to US\$2.33 billion (RM7.71 billion).

6 November/December 2014

Money redeemed but did not return home

Under intense scrutiny about the money in the Caymans, 1MDB announced that it had redeemed the US\$2.33 billion (RM7.71 billion) in November and December 2014.

Arul Kanda is on record as saying that the December redemption of US\$1.11 billion (RM3.98 billion) will not be brought back to Malaysia, but will be kept offshore in US dollars as a currency hedge because 1MDB had 6.5 billion of US dollar-denominated debt.

On the other hand, the first redemption of US\$1.22 billion (RM4.03 billion) was "substantially utilised for debt interest payment, working capital and payment to Aabar as refundable deposits pursuant to a Settlement Agreement to extinguish the Options Agreement" (see "Did 1MDB pay Aabar US\$1 bil to terminate options?" above).

Yet again, instead of bringing the money back, 1MDB entered into another "transaction" to keep the money offshore — this time the Settlement Agreement to retire the Aabar options.

What can be surmised from the events of the last five years is that 1MDB kept entering into deftly structured transactions timed to avoid vigorous scrutiny by its external auditors about the money.

And although it claims to have made gains of US\$488 million from the original sum of US\$1.8 billion, it is not wrong for us to ask if it is just a case of being paper-rich, but cash-poor — that is, are the figures mere accounting entries not fully backed by cash or liquid assets?

History has shown many times over what eventually happens to companies with such paper assets and profits.

1MDB cash flow under pressure

BY CINDY YEAP, HO KAY TAT AND TERENCE FERNANDEZ

1Malaysia Development Bhd's (1MDB) failure to get a RM3.0 billion cash injection from the Ministry of Finance will put more pressure on its cash flow, as it has interest payments of some RM750 million due in the next three months on the four RM28 billion worth of bonds it has issued.

Sources have confirmed that the Cabinet had at last week's meeting deferred the approval of the RM3.0 billion, as it wanted 1MDB to provide more details and clarity on its finances and business.

A US\$66 million (RM238 million) half-year interest payment on the US\$3.0 billion bond issued by 1MDB Global Investments Ltd is due in March. The other half-year interest payment amounting to US\$105 million (RM378 million) is due in May for the two bonds totalling US\$3.5 billion raised to buy its power assets.

1MDB has to pay interest twice a year on these bonds. The total interest payment each year is US\$342 million (RM1.23 billion).

The fourth bond is the local one issued in 2009 — the RM5.0 billion raised for the joint venture with PetroSaudi Holdings (Cayman) Ltd, which was subsequently aborted. 1MDB pays an annual interest of 5.75% or RM286 million in two tranches; the first tranche of RM143 million is due soon. This bond is guaranteed by the government.

The RM750 million is just interest due for the bonds and 1MDB has other types of borrowings. Total interest payments on all its borrowings between now and June is about RM1.2 billion. At its financial year end on March 31, 2014, its total borrowings stood at RM42 billion and its interest servicing in that financial year was RM2.4 billion.

1MDB's next financial close is at the end of this month and its total debts are expected to be higher by then. On Sept 1, 2014, it took a one-year US\$975 million (RM3.5 billion) term loan from Deutsche Bank Malaysia. Pressure is therefore mounting on 1MDB to demonstrate its ability to honour all its debt obligations on time.

The risk premium on the US-dollar-denominated 1MDB bonds that are traded has risen in the past few weeks with prices falling near to junk bond status despite the bonds being rated A- by Standard & Poor's, which is four levels above non-investment grade.

"The 1MDB bonds are trading wide of [at a discount to] similarly-rated bonds. For example, Petronas 22, which matures in 2022, one year before the 1MDB bond, has a spread to US Treasuries of only 135 basis points [compared with around 400 basis points for 1MDB]," says Tim Condon, managing director and head of Asia research at ING Groep NV in Singapore.

What is so wrong about the 1MDB bonds for investors? "Bad headlines, notably the reports of its loan servicing difficulties," Condon adds.

One factor underpinning the negative publicity is 1MDB's lack of operating cash flow to service its mounting debt. This was made worse by the two extensions sought for a RM2 billion loan to a consortium of local banks, which was finally resolved by a loan provided by tycoon T Ananda Krishnan.

1MDB's president and group executive director Arul Kanda Kandasamy acknowledged as much when announcing the group's intention to monetise its assets, including through land sales to ease its cash flow constraints, in its Feb 18 statement: "We recognise that our debt-financed capital structure is no longer appropriate for the company and intend to take measures to ensure that 1MDB and the standalone entities are well-positioned to service [their] debt and infrastructure obligations."

The US\$3.0 billion 1MDB Global Investments Ltd note with 4.4% coupon due March 2023 — which has a "letter of support" or implied guarantee from the government of Malaysia — closed at a record low of 86.936 cents against its nominal value of US\$1.00 on Feb 12.

Closing at 89.077 cents on the dollar last Thursday (Feb 26) or 6.145% yield, the 1MDB debt papers have fallen 13.5% from its recent high of 102.98 cents on the dollar on Oct 16, 2014. Over the same period, the ringgit has weakened about 9% against the US dollar.

The unfavourable bond pricing means higher borrowing cost for any new 1MDB debt issuances.

Sources say 1MDB is still facing questions on whether it breached covenants for the US\$3.0 billion 10-year bond issuance in 2013 arranged by Goldman Sachs, for which Bank of New York Mellon is trustee.

Over US\$1.0 billion of the US\$2.717 billion net proceeds raised by 1MDB Global Investments Ltd had been used for working capital and debt repayment instead of what the money was originally raised for.

According to bond documents, the total proceeds are intended as seed capital for investment in Abu Dhabi Malaysia Investment Co Ltd (ADMIC), a proposed joint venture between 1MDB and Aabar Investments PJS to develop the Tun Razak Exchange.

"We cannot comment due to client confidentiality," a London-based spokesperson for Bank of New York Mellon replied to *The Edge's* question of whether 1MDB or any of its units were in breach of bond covenants. Bank of New York Mellon also declined to say whether the usage of bond proceeds for debt servicing was allowed, if there was need for it to act on behalf of bondholders or if bondholders were concerned with the way the 1MDB debt papers had fallen in value in recent weeks.

Arul Kanda also cited confidentiality agreements when asked about the issue in January, but said that there would have been a public announcement if there had been a breach in covenant.

About 53% or RM22.05 billion of 1MDB's RM41.87 billion debt as at March 31, 2014, was US-dollar-denominated, according to its 2014 annual report.

At the time, 1MDB had RM8.33 billion debt due within one year, RM4.5 billion debt due after one year but within five years and RM29.04 billion debt due in more than five years. For FY2014, 1MDB's debt servicing charges were RM2.4 billion, up from RM1.62 billion in FY2013.



1MDB's JV with PetroSaudi

This timeline is produced based on public records and documents sighted by *The Edge*

AUG 27, 2009 Tarek Obaid introduces Jho Low to Patrick Mahony, head of M&A at PetroSaudi
SEPT 8, 2009 Jho Low meets Mahony in New York with Seet Li Lin and Tiffany Heah
SEPT 11, 2009 Mahony sends a four-page note to Jho Low, Seet and Heah to summarise their discussions on how 1MDB and PetroSaudi can work together
SEPT 15, 2009 Seet sends a five-page note to Jho Low, Heah, Tarek and Mahony on the JV's structure and timeline

SEPT 18, 2009 Jho Low introduces 1MDB CEO Shahrol Halmi to Tarek and Mahony. Tells them the JV must be signed by Sept 28.
SEPT 18, 2009 PetroSaudi Holdings (Cayman) Ltd sets up 1MDB PetroSaudi Ltd for the JV
SEPT 20, 2009 Shahrol asks Mahony about the assets PetroSaudi will be injecting into the JV and is told the list is not ready

SEPT 22, 2009 Shahrol receives a draft JVA from Heah and forwards it to Mahony
SEPT 25, 2009 PetroSaudi Holdings signs an agreement to 'lend' US\$700 million to the JV company
SEPT 28, 2009 The JVA is signed by 1MDB and PetroSaudi

Shahrol, please explain Good Star, the money 1MDB paid the company and why you took instructions from Jho Low



BY THE EDGE MALAYSIA

Datuk Shahrol Halmi was the CEO of 1Malaysia Development Bhd (1MDB) from March 23, 2009, and was the principal person running the company until he stepped down in March 2013. He is currently with the Prime Minister's Department and remains on the 1MDB board.

It was during his time as CEO that 1MDB entered into a number of investments and transactions that are now the subject of accusations of impropriety. *The Edge* believes that Shahrol should be accorded the right to address some of these issues and allegations in the light of the evidence presented by Sarawak Report and also emails and documents sighted by *The Edge*, which we believe to be genuine.

We, therefore, present here some facts about what took place and hope Shahrol will answer all the questions that arise from them:

1. You were introduced to Tarek Obaid and Patrick Mahony of PetroSaudi by Jho Low in an email dated Sept 18, 2009. In the email,

Jho Low said the signing ceremony must be done on Sept 28, 2009.

This meant you were given only 10 calendar days to complete this multibillion-ringgit deal.

For your information, your future JV partner, PetroSaudi Holdings (Cayman) Ltd, had also on the same day (Sept 18, 2009) formed a new subsidiary company, 1MDB PetroSaudi Ltd. This was the company into which 1MDB subsequently injected US\$1.0 billion for a 40% interest. In other words, even before you were introduced to PetroSaudi by Jho Low, they already knew 1MDB was going to be their joint-venture partner.

So, somebody else was making decisions for 1MDB, not you the CEO or even the board of directors?

2. On Sept 21, 2009, Mahony wrote an email to Jho Low, Tarek and you (following your email to them on Sept 20) and copied it to Casey Tang (the then executive director of 1MDB) and Robert Ho (head of corporate communications at 1MDB). Basically, Ma-

hony informed you that they were not yet ready to provide the list of assets to be injected into the JV. Your interest appears to be what news to spin to the media about the JV.

Were you not interested in what 1MDB was investing in? And didn't it alarm you that seven days before the targeted signing date of Sept 28, your partner could not provide you with information on the assets 1MDB would be investing in?

3. On Sept 22, 2009, you sent to Mahony and copied to Tang, Tarek and Kelvin Tan (director of investments at 1MDB) a draft of the joint-venture agreement (JVA). Why did you use and send to them the draft that was given to you by Tiffany Heah on behalf of Jho Low even though 1MDB had already hired Brian Chia of Wong & Partners as the company's legal counsel? Why did you accept the draft from Heah, who at the time was legal counsel at UBG Bhd, an entity that had nothing to do with 1MDB except that Jho Low was a major shareholder?

Were you aware that Jho Low, Heah and Mahony had already discussed and agreed among themselves on the main terms of the JVA before Heah sent you the draft, which you then forwarded to Mahony? Jho Low was obviously acting for both 1MDB and PetroSaudi.

4. On Sept 28, 2009, you executed the JVA on behalf of 1MDB. 1MDB was offered two of the five board seats and no management representation. Was this reasonable, given that 1MDB was the only party putting in cash — a whopping US\$1.0 billion? Also, why was it not stated in the press release issued by 1MDB that PetroSaudi was not putting any cash into the JV?

5. Item 5 of the JVA on Page 7 says 1MDB shall engage independent valuation experts to value the assets of PetroSaudi to be injected into the JV. This report must be completed by Sept 30, 2009. 1MDB can terminate the JVA in the event the valuation is low.

Did 1MDB appoint an independent valuer?

AS REPORTED IN THE EDGE (ISSUE 1057, MARCH 9, 2015)

THE EDGE MALAYSIA
INVESTIGATIVE REPORTS
ON 1MDB

SEPT 29, 2009 The valuer engaged by PetroSaudi on Sept 20 submits a report that values the company's assets at US\$3.518 billion

SEPT 29, 2009 PetroSaudi demands repayment of the US\$700 million loan from 1MDB

SEPT 29, 2009 1MDB remits cash via

Deutsche Bank Malaysia in two tranches of US\$300 million and US\$700 million

SEPT 30, 2009 1MDB issues a press release announcing the JV

OCT 2, 2009 Deutsche Bank informs 1MDB that it must reveal the beneficial owner of account number 11116073 at RBS Coutts Bank, Zurich, before the money can be credited. Shahrol replies that it is Good Star Ltd.

OCT 7, 2009 Shahrol asks Mahony for the corporate profile of PetroSaudi for an Oct 10 1MDB board meeting. Jho Low tells Mahony there is no need to send one.

OCT 19, 2009 1MDB chairman Mohd Bakke Salleh resigns from the board and is replaced by Lodin Wok Kamaruddin

JAN 11, 2010 Azlan Zainol resigns from the 1MDB board and is replaced by Ong Gim Huat, who is a business partner of Jho Low's father, Larry Low Hock Peng

DEC 30, 2010 1MDB submits its delayed accounts for FY2010 ended March 31 (after replacing EY with KPMG as its auditor) and the report reveals that the JV has been called off and the US\$1.0 billion belonging to 1MDB has been converted into a loan to PetroSaudi via Murabaha notes. No reasons are given for why the JV was called off and why 1MDB decided to lend the US\$1.0 billion to its former JV partner instead of taking it back.



Who's who

Nik Faisal Ariff Kamil [1], **Jasmine Loo** [2], **Tan Vern Tact** [3] were at UBG Bhd when Jho Low was there. Faisal and Loo later joined 1MDB. Faisal was Jho Low's point man at 1MDB. Tan was a director of Jho Low's Wynton Group.

Seet Li Lin [4] was Low's main operator and was CIO of Good Star Ltd, which received US\$700 million from 1MDB. He posted on his Facebook account after the money was remitted by 1MDB, "I feel the earth moved under my feet."

Tiffany Heah [5], a lawyer who worked at UBG and before that, at Wong & Partners. She was Jho Low's main legal counsel. She is now with a law firm in Los Angeles.

Patrick Mahony [6], PetroSaudi's head of mergers and acquisitions.

Seet, Heah and Mahony met Jho Low in New York in August 2009 where they first discussed how to bring 1MDB to JV with PetroSaudi

Edward Morse of New York, who was engaged by PetroSaudi, submitted his valuation report on the assets of PetroSaudi on Sept 29, 2009, a day after the JVA was signed. He provided a valuation of some US\$3.625 billion. Of this, US\$3.518 billion was for the Turkmenistan Serdar project. This asset, in fact, did not belong to PetroSaudi but to Buried Hill Exploration. PetroSaudi was only in discussion on farming rights, which subsequently proved unsuccessful.

In other words, PetroSaudi only had assets worth US\$100 million for 60% ownership of the JV while 1MDB paid US\$1.0 billion cash (RM3.48 billion at the then exchange rate) for a 40% interest.

Did you or the staff at 1MDB verify the valuation of US\$1.5 billion via an independent report or did you choose to accept the valuation done by Morse, who was engaged by PetroSaudi? Were you not concerned that Morse could do a valuation of supposedly massive assets within a week of engagement by PetroSaudi?

6. Recital B of the JVA says PetroSaudi Holdings has provided the JV company 1MDB PetroSaudi Ltd with advances amounting to US\$700 million. On Page 4 of the JVA, the loan is dated Sept 25, 2009.

The JV company was incorporated on Sept 18, 2009. The purported loan was made by PetroSaudi Holdings on Sept 25, 2009. The JVA was executed on Sept 28, 2009. The lender

CONTINUES NEXT PAGE

From: Tarek Obaid <Tarek.Obaid@Petrosaudi.com>
Sent: Thursday, 27 August, 2009 6:11 PM
To: jho.low@wyntongroup.com; Patrick Mahony
Subject: Our Discussion
Attachments: image.jpg

Jho,

As per our conversation yesterday, I am introducing Patrick Mahony, Head for International M&A, PetroSaudi International Ltd.

I have informed Patrick of our discussion, and I leave it to both of you to meet up soonest, to move forward.....

Many thanks,

Patrick's cell phone is +41788688868

From: Patrick Mahony <Patrick.Mahony@Petrosaudi.com>
Sent: Friday, 11 September, 2009 10:24 AM
To: Jho Low; SEET Li Lin; Tiffany Heah
Cc: Tarek Obaid
Subject: Cover Email - Read First
Attachments: Jho Email (09-09-09).docx

Attached please find my note to you regarding our discussions and what we think we can work on together. Please read this before any of the other emails I am sending you today.

Many thanks.

Patrick

Patrick Mahony
PetroSaudi International Ltd.
Tel: +44-7796-226-358
patrick.mahony@petrosaudi.com

From: Shahrol Halmi <shahrol.halmi@tia.com.my>
Sent: Sunday, 20 September, 2009 4:40 PM
To: Low, Jho (Personal); Tarek Obaid@petrosaudi.com
Cc: 'Casey Tang'; 'Patrick Mahony'; Robert Ho
Subject: RE: Introductions for PSI and 1MDB

Importance: High

Thanks Jho

Dear Tarek, pleased to make your acquaintance. Looking forward to meeting face to face next week.

I understand that you've couriered over a copy of PSI's company profile late last week. Unfortunately it being a long weekend over here in Malaysia, we haven't received anything yet.

In the spirit of moving as expeditiously as possible, would it be possible for Robert, our Corporate Communications person to liaise directly with his PSI equivalent to get going on joint statements, and to agree on levels of detail we are comfortable with releasing to the media?

Sincerely,

Shahrol

From: Low, Jho (Personal) [mailto:jho.low@gmail.com]
Sent: Friday, 18 September, 2009 8:31
To: 'Shahrol Halmi'; Tarek Obaid@petrosaudi.com
Cc: 'Casey Tang'; 'Patrick Mahony'
Subject: Introductions for PSI and 1MDB
Importance: High

Hi Tarek, Shahrol,

I am putting the both of you together as per the mutual interests of PetroSaudi and 1Malaysia Development Berhad (1MDB)

companies within its control collectively "PetroSaudi", for partnership's use only. It is protected by other legal means. Please do not give this message in error, copies and notify the sender. I will be happy to receive your message if you are not the

From: jho.low@gmail.com
Sent: Monday, 21 September, 2009 8:53 PM
To: Patrick Mahony
Subject: Re: Introductions for PSI and 1MDB

Careful with info u send them. Keep them on a need to know basis. Thanks.

Sent via BlackBerry from T-Mobile

From: Patrick Mahony
Date: Mon, 21 Sep 2009 14:49:39 +0200
To: Shahrol Halmi<shahrol.halmi@tia.com.my>; Low, Jho (Personal)<jho.low@gmail.com>; Tarek Obaid<Tarek.Obaid@Petrosaudi.com>
Subject: RE: Introductions for PSI and 1MDB

Dear Shahrol,

Tarek has asked me to answer on his behalf as he is not able to get to a computer at the moment. First of all regarding the overview of PetroSaudi, I attach a brief presentation. This is a bit dated and only includes the upstream oil and gas ambition of PSI (it also does not have any asset specific data) but should give you a sense of what we are about. Obviously PSI will aim to invest in other areas as it works with you going forward.

With regard to liaising with Robert on what we can release to the media, I will be the point person. I would suggest you send me a draft of what you would like to release and we will let you know if it works for us. PSI is very press shy and usually never announces our investments (one of the main reasons governments like to work with us) but we understand you will need to make some statements and we would be happy to make them jointly with you.

I look forward to meeting you in London and hearing from Robert.

All the best,

Patrick

Patrick Mahony
PetroSaudi International Ltd.
Tel: +41-78-86-888-68
patrick.mahony@petrosaudi.com

From: Shahrol Halmi [mailto:shahrol.halmi@tia.com.my]
Sent: Sunday, 20 September, 2009 10:40 AM
To: Low, Jho (Personal); Tarek Obaid
Cc: 'Casey Tang'; Patrick Mahony; Robert Ho
Subject: RE: Introductions for PSI and 1MDB
Importance: High

Thanks Jho

Dear Tarek, pleased to make your acquaintance. Looking forward to meeting face to face next week.

Timeline of Jho Low's entry into and exit from UBG and how its cash was used

OCTOBER 2006 Jho Low attempts to lobby support for Kuwait Finance House's bid for RHB Bank, which was put up for sale by Utama Banking Group Bhd (UBG), but does not succeed

MARCH 2007 EPF offers to buy RHB Capital/RHB Bank from UBG for RM2.23 billion and completes the acquisition a few months later. UBG ends up with a hefty cash pile.

AUGUST 2007 Swan Symphony Sdn Bhd (owned by Abu Dhabi Kuwait Malaysia Investment Corp [ADKMIC], in which Jho Low has a stake) buys a 49% stake in Putrajaya Perdana Bhd from E&O Bhd for RM198 million

NOVEMBER 2007 Binary Bestari Sdn Bhd (also owned by ADKMIC) buys a 45% stake in Loh & Loh Corp Bhd from Vistal Achievement Sdn Bhd for RM111 million

JAN 31, 2008

- UBG buys 49% in Putrajaya Perdana from Swan Symphony for RM332 million cash
- UBG buys 37% in Loh & Loh from Binary for RM124 million cash
- UBG offers 183 million shares for sale to Majestic Masterpiece Sdn Bhd (owned by Jho Low) for RM456 million cash

MAY 23, 2008 UBG subscribes to a 51% stake in Unity Capital International (Cayman) Ltd, an

asset management company in which UBG later placed RM350 million for it to manage (In 2011, UBG wrote off RM280 million of the money placed in Unity.)

JULY 18, 2008 Majestic launches GO for UBG, which eventually failed

- UBG buys remaining shares in Putrajaya Perdana for RM343 million
- UBG buys remaining shares in Loh & Loh for RM205 million

The UBG deal:

Why Jho Low teamed up with Taib and later had to buy him out with 1MDB money

The disappointment that came with not being able to swing RHB Bank Bhd to Kuwait Finance House in 2006 did not stop Jho Low from turning failure into an opportunity.

With the Utama Banking Group Bhd (UBG) sitting on a huge cash pile of RM2.23 billion paid to it by the Employees Provident Fund (EPF), which bought RHB Bank/RHB Capital Bhd, Jho Low moved quickly to connect with the then chief minister of Sarawak Tan Sri Taib Mahmud, whose family controlled UBG through Cahaya Mata Sarawak Bhd (CMS).

Sources say Jho Low promised that in return for allowing him to buy a substantial stake in UBG, he would help bring in powerful investors from the Middle East to help drive what was then Taib's pet project, Sarawak Corridor of Renewal Energy (SCORE), which needed billions in investment.

Jho Low arranged for Taib to meet his friends and business associates linked to the governments of various Middle East countries, and the latter was impressed.

An action plan was quickly put in place, which first saw Swan Symphony Sdn Bhd — owned by Abu Dhabi Kuwait Malaysia Investment Corp (ADKMIC), in which Jho Low has a stake, buying

a 49% stake in Putrajaya Perdana Bhd from E&O Bhd for RM198 million in August 2007.

This was followed in November by the purchase of a 45% stake in Loh & Loh Corp Bhd from Vistal Achievement Sdn Bhd by another ADKMIC unit called Binary Bestari Sdn Bhd for RM111 million.

Shortly after that, ADKMIC flipped its stake in Putrajaya Perdana for RM332 million and in Loh & Loh for RM124 million cash to UBG. This quick flip within a few months made Jho Low and AKDMIC a profit of RM147 million.

On the same day in Jan 31, 2008, UBG also made a restricted offer of 183 million shares to Majestic Masterpiece Sdn Bhd (owned by Jho Low) for RM456 million cash or RM2.50 a share.

The game plan that Jho Low pitched to Taib and UBG was not just SCORE, but also that UBG, via its two newly acquired construction units Loh & Loh and Putrajaya Perdana, would have major development contracts in the then emerging Iskandar Development Region in Johor.

This would be through Iskandar (Holdings) Company Ltd, which has 133 million sq ft of gross floor area to be developed in the Medini hub of Iskandar. The original shareholders of Iskandar (Holdings) were Mubadala Development Company PJSC and

Aldar Properties PJSC from Abu Dhabi, Saraya Holdings from Kuwait/Saudi, and Butamba Investment.

Butamba is the investment vehicle of Wynton Group Global Ltd, which is owned by Jho Low.

Iskandar Holdings formed a consortium called Global Capital and Development Sdn Bhd. In that consortium were Iskandar Holdings (60%), Iskandar Investment Bhd (owned by Khazanah and the Johor state government) with 30% and Alpha (Five) Ltd with 5%.

Sources say Jho convinced UBG to take a stake in Global Capital by placing RM350 million in an asset management company called Unity Capital Partners, which would then buy out his stake held via Butamba. Jho and his associate Tan Vern Tact were directors of both Global Capital and UBG. Jho Low also put another associate Geh Choh Hun at various times on the board of UBG, Putrajaya Perdana, Loh & Loh, Global Capital and Javace Sdn Bhd. Jho Low made a tidy profit by selling his stake in Global Capital to Unity Capital and this was said to have infuriated Taib (see "Jho Low made RM400 million by quick flip of Iskandar land deal").

In July 2008, UBG spent its remaining cash by buying shares in Putrajaya Perdana and Loh & Loh that it did not al-

ready own for RM343 million and RM205 million respectively.

Sources say ties between Jho Low and the Taib Mahmud family started to become strained after the outbreak of the global financial crisis in 2008 and the money flow for investments into SCORE as well as Iskandar from the Middle East did not materialise.

What made matters worse was the fact that virtually all the cash UBG got from the sale of RHB Bank were virtually all spent because of UBG's acquisition spree totalling RM1.35 billion, based on the game plan drawn up by Jho Low, who by then had his key people like Nik Faisal Ariff Kamil, Jasmine Loo and Tiffany Heah firmly in the management of UBG.

Nik Faisal and Loo subsequently joined 1Malaysia Development Bhd (1MDB), and together with Heah and Seet Li Lin were Jho Low's main assistants in helping him influence and execute decisions at 1MDB.

To ease the tension with the Taib family, Jho Low, with help from his PetroSaudi International buddy Tarek Obaid, then decided to take over all of UBG to enable the then chief minister's family to exit the company completely.

The move started in January and when news reports speculated that 1MDB would be involved and that it

was a bailout of Taib, Tarek became angry and told off PetroSaudi International's CEO for mergers and acquisitions Patrick Mahony for failure to manage the news flow. Various exchanges of emails then showed Jho Low deciding that no information was to be provided to journalists without going through Mahony and the appointed PR consultant.

To fund the privatisation that cost RM1.4 billion, PetroSaudi International (Seychelles) Ltd used a combination of cash from 1MDB and a RM700 million loan from AmInvestment Bank Bhd.

Mahony flew to KL where he had meetings with the top executives of Loh & Loh, Putrajaya Perdana and UBG. He also had meetings with senior bankers from AmInvestment and Affin Bank to discuss the loan facility. Sources say that a person identified as "Shaikh" sat in the meetings with the banks and was said to be a deal facilitator.

Interestingly enough, executives of Cahaya Mata Sarawak wanted to meet Mahony when he was in Kuala Lumpur in January 2010, but failed to do so. CMS chief financial officer Syed Hizam Alsagoff had emailed Mahony for a meeting with CMS deputy chairman Datuk Abu Bekir Taib and executive director Datuk Syed Ahmad Alwee Asree. Bekir is Taib Mahmud's

RBS Coutts insisted on name of beneficial owner of Account 11116073

FROM PREVIOUS PAGE

demanding repayment on Sept 29, 2009. 1MDB remitted US\$1.0 billion cash on Sept 30, 2009, of which US\$700 million was supposed to be for repayment of the "loan" from PetroSaudi Holdings. Was this not all rather "convenient"?

Did you verify the US\$700 million loan? Did you see the loan document? Was the loan in the form of cash? Was there US\$700 million cash in the JV company? Or was it just a "paper or imaginary loan"? Did your legal adviser Brian Chia of Wong & Partners offer his view on the "loan"?

We have reason to believe that there was no way PetroSaudi Holdings had US\$700 million cash to lend the JV company on Sept 25, 2009. PetroSaudi Holdings was a shell company. Its only asset was what Morse had valued at US\$100 million — the Argentinian Patagonia oil and gas blocks.

We saw various emails in early December 2009 between Mahony and — from the 1MDB side — Kelvin Tan, Nik Faisal Ariff Kamil, Onn Ming Thein and Radhi Mohamad on transferring cash from the JV company (cash injected by 1MDB) to fund the operations and expenses of PetroSaudi Holdings, with an

annual budget of US\$97 million. Clearly, your JV partner PetroSaudi Holdings did not even have money to fund its own operations and expenses and needed funding from 1MDB. Why did 1MDB have to fund the operations of its JV partner? And were you aware that Nik Faisal was in regular contact with Jho Low and whenever Mahony could not resolve issues with 1MDB, he would refer to Jho Low, who would then say that Nik Faisal would resolve them?

7. On Sept 29, 2009, Jonathan Yong of White & Case (the London-based lawyer for PetroSaudi) sent an email on the remittance of the US\$1.0 billion from 1MDB to your lawyer Brian Chia of Wong & Partners that was copied to a number of people, including yourself and Casey Tang. This email was on how the US\$1.0 billion was to be paid out.

It was stated that US\$300 million was to be paid to Chase Manhattan Bank, New York, for final credit to account number 7619400 at JP Morgan (Suisse) SA. This was a new account in the name of 1MDB PetroSaudi Ltd (the JV company). The joint signatories were Tarek Obaid or Patrick Mahony

jointly with yourself or Keng Chee Tang.

The remaining US\$700 million was to be paid to JPMorgan Chase Bank, New York, for final credit to account number 11116073 at RBS Coutts Bank Ltd, Zurich, for an account in the name of PetroSaudi International Ltd.

In a series of subsequent email exchanges, Brian Chia of Wong & Partners questioned why the recipient of the US\$700 million was PetroSaudi International Ltd when the loan of Sept 25 was from PetroSaudi Holdings (Cayman) Ltd.

Mahony explained that they were effectively the same company. Chia, acting for 1MDB, then asked White & Case to confirm this but was told by Mahony that it was not necessary and that he was confirming on behalf of PetroSaudi Holdings (this email was blind copied to Jho Low and Tiffany Heah).

Between Oct 1 and 2, 2009, upon receiving the US\$700 million, Eliane Humair (investigations) and Laurent Schmid (regulatory risk) of RBS Coutts Bank in Zurich asked Prakash Gopi of global market operations at Deutsche Bank Malaysia for the full name of the final beneficial owner of account 11116073.

Deutsche Bank Malaysia was the re-

mittance bank for 1MDB.

On Oct 2, 2009, Jacqueline Ho of Deutsche Bank Malaysia wrote to Casey Tang and you, asking for the name and address of the beneficial owner of account number 11116073. Tang forwarded Ho's email to Jho Low. Why was it necessary for Tang to forward the email to Jho Low?

On the same day, you replied to Deutsche Bank: "Jac, please use this address — GOOD STAR LIMITED. P.O. Box 1239, Offshore Incorporation Centre, Victoria, Mahe, Republic of Seychelles."

Your reply to Ho was forwarded to Jho Low, who then forwarded it to Mahony with the message, "Shld be cleared soon. Pls update tarek".

Shahrol, who is this Seychelles-incorporated Good Star? Why did you validate the remittance of US\$700 million to Good Star?

Did Jho Low instruct you to tell Deutsche Bank that Good Star is the beneficial owner of the RBS Coutts bank account?

Based on documents we have seen, Good Star is beneficially owned by Jho Low and is not part of the PetroSaudi Group and here is why:

SEPT 19, 2008 Jho Low and his associate Tan Vern Tact join board of UBG
JAN 8, 2010 PetroSaudi International (Seychelles) Ltd buys stake in UBG from several shareholders including Majestic Masterpiece and says it also intends to take over Loh & Loh and Putrajaya Perdana
JULY 2010 1MDB agrees to subscribe to US\$500 million Murabaha Notes issued by PetroSaudi

SEPTEMBER 2010 PetroSaudi draws down the US\$500 million and US\$260 million (RM850 million) was transferred to Javace Sdn Bhd
SEPT 29, 2010 PetroSaudi via Javace Sdn Bhd makes general offer for UBG for a total RM1.4 billion or RM2.50 a share. RM700 million was financed by AmInvestment Bank Bhd and the remaining came from 1MDB's US\$500 million subscription to Murabaha notes issued by PSI.

DEC 17, 2010 Javace completes takeover of UBG. Taib Mahmud's family gets RM465 million for selling their stake.
DEC 21, 2010 Loh & Loh and Putrajaya Perdana delisted from Bursa Malaysia
JAN 17, 2011 UBG delisted from Bursa
SEPT 14, 2012 UBG sells Putrajaya Perdana to Cendana Destini Sdn Bhd and Loh & Loh to Selesa Produktif Sdn Bhd for RM260 million and RM320 million respectively

APRIL 1, 2014 Putrajaya Perdana buys 37.5% stake in Iskandar (Holdings) Co Ltd for RM240 million cash. Iskandar (Holdings) is a consortium of Middle East investors plus Jho Low (via Butamba) who then sold his stake to Unity Capital, in which UBG placed RM350 million to be invested.
JUNE/AUGUST 2014 UBG and Javace are wound up voluntarily

son, and Syed Ahmad, his son-in-law. Mahony had forwarded the email request from CMS to Jho Low who replied: “Just say that your travel plans schedule is uncertain yet but you will decide on due course and let them know. Likely Feb/March.”

While this was going on, PetroSaudi International already got 1MDB to subscribe to a new issue of US\$500 million in Murabaha notes. Based on documents sighted by *The Edge*, US\$260 million (RM850 million) made its way in September 2010 to its Malaysian unit Javace Sdn Bhd, which had made a general offer to buy all of UBG.

By December 2010, the business relationship between Jho Low and the Taib family ended with the latter receiving RM465 million.

Over the next few years, Jho Low and Javace started selling all the assets of UBG.

Loh & Loh was sold to Selesa Produktif Sdn Bhd and Putrajaya Perdana was sold to Cendana Destini Sdn Bhd on the same day — Sept 14, 2012.

Cendana Destini’s main shareholder is Datuk Rosman Abdullah, who was formerly with Malaysia Airport Holdings Bhd.

Putrajaya Perdana subsequently saw the emergence of the Lembaga Urusan Tabung Haji (LUTH) as a 30% shareholder. LUTH CEO Tan Sri Ismee Ismail is a director of 1MDB. It is not known how much LUTH paid for the stake.

In April 2014, Putrajaya Perdana bought a 37.5% stake in Iskandar (Holdings) Company Ltd for RM240 million.

Between 2011 and 2012, UBG paid RM540 million in dividend and capital repayment to Javace.

In June and August 2014, Javace and UBG were wound up voluntarily, closing one chapter in an intriguing story about a 30-something-year-old who combined his political connections in the Middle East and Malaysia with his sharp eye for opportunities to do complex multi-billion ringgit deals which have started to unravel, including at 1MDB.

Another interesting point to note is that UBG’s auditors before Jho Low came in was Price Waterhouse Coopers in FY2007 but for FY2008, FY2009 and FY2010, it was Ernst & Young before KPMG took over for FY2011 and FY2012; it was a similar pattern at 1MDB, where KPMG signed off the FY2010 accounts after E&Y withdrew and continued in FY2011 and FY2012 before it decided to quit the account which was then taken over by Deloitte from 2013. **E**

Jho Low made RM400 million by quick flip of Iskandar land deal

In late 2006, the then 26-year-old Jho Low approached Khazanah Nasional seeking support for Kuwait Finance House’s bid for RHB Bank Bhd. Khazanah had a 30% stake in RHB Bank at the time.

He did not succeed, but he got whiff of a business opportunity in the then emerging Iskandar regional development in Johor.

After finding out that Khazanah was inviting bids from Middle Eastern investors to buy and develop various parcels of land in the Medini area, Jho Low quickly used his connections to form Iskandar (Holdings) Company Ltd with three Middle East parties. The shareholders of Iskandar (Holdings) were Mubadala Development Company PJSC and Aldar Properties PJSC from Abu Dhabi, Saraya Holdings from Kuwait/Saudi, and Butamba Investment.

Butamba is the investment vehicle of Wynton Group Global Ltd, which is owned by Jho Low.

Iskandar Holdings then formed a consortium called Global Capital and Development Sdn Bhd. In that consortium were Iskandar Holdings (60%), Iskandar Investment Bhd (owned by Khazanah and the Johor state government) with 30% and Alpha (Five) Ltd with 5%.

Khazanah sold 133 million sq ft in gross floor area of land for development that came with infrastructure and approvals at US\$6.35 psf to Global Capital, or a total of US\$845 million (RM3.0 billion) in May 2008. The consortium had three months to pay the first 10%.

Jho Low’s effective interest via Butamba came up to 15% of the 133 million sq ft, so he would have to fork out a total of US\$126.75 million.

Sources tell *The Edge* that before the first 10% needed to be paid, Jho flipped his interest in Global Capital to Unity Capital Partners (Cayman) Ltd, which by that time was partly owned by UBG Bhd (Utama Banking Group), in which he was a substantial shareholder. Unity Capital was managed by fund manager Ian Tham.

UBG at that time had around RM2.0 billion in cash after selling off RHB Bank and another substantial UBG shareholder was the family of then Sarawak chief minister Tan Sri Taib Mahmud.

UBG placed around RM350 million of its money with Unity Capital, which then bought a part of Butamba’s stake in Global Capital.

Sources familiar with what happened say that Jho Low flipped his effective interest in the land owned

by Global Capital at US\$12 psf, which meant he made a profit of US\$5.65 psf or a total of US\$113 million (RM400 million) within weeks of Global Capital signing an agreement to buy the land for a total of US\$845 million (RM3.1 billion) or US\$6.35 psf.

“He made over US\$100 million without putting in a single cent by flipping it before the first 10% had to be paid,” says one source familiar with the transaction. “When Taib’s people found out much later about Jho Low’s entry cost and what UBG paid (via Unity Capital), they were really upset.”

In order to appease Taib, Jho Low had to initiate the privatisation of UBG via PetroSaudi International (Seychelles)/Javace Sdn Bhd in 2010. The privatisation, which was completed in December 2010 at RM2.50 a share, allowed Taib to walk away with RM465 million. (See “UBG deal: Why Jho Low teamed up with Taib and later had to buy him out using 1MDB money”)

What is interesting to note is that UBG in 2011 impaired completely the remaining RM280 million investments in Unity Capital that were treated as assets held for sale. This assets held-for-sale accounting treatment is similar to the RM13.9 billion sitting in 1MDB’s accounts as at March 31, 2014. **E**

- a. The chief investment officer of Good Star is Seet Li Lin, who is currently a vice-president of Jynwel Capital (Jho Low’s company in Hong Kong). He was with Jho Low in Wynton Group and Unity Capital (Singapore) and was Jho Low’s assistant throughout the 1MDB-PetroSaudi deal. He was also Jho Low’s classmate at Wharton, besides being his sidekick and party mate. He was also previously with the Monetary Authority of Singapore.
- b. Of the US\$700 million sent to Good Star, fronted by PetroSaudi International Ltd (Seychelles), US\$610 million was subsequently parked with a Panama-domiciled investment manager, whose director is also Seet Li Lin, in exchange for non-voting shares.
Note that PetroSaudi International Ltd (Seychelles) was not part of the PetroSaudi Group but only a front for Good Star. The two companies shared the same Seychelles address.
- c. On Sept 30, 2009, Good Star executed an agreement to pay Tarek US\$85 million as “broker fees” for raising funds from the Middle East into Malaysia and the payment was to be made within five days.
- 8. On Oct 7, 2009, many days after you executed the JVA and paid the US\$1.0 billion, you were still asking for PetroSaudi’s company profile from Mahony for an upcoming 1MDB board meeting. You said to him, “It would greatly help us out in the BOD meeting this Saturday.”
For your information, your email to Mahony was forwarded to Jho Low, who told Mahony, “Don’t need to send it. Don’t worry, will handle them.”
How did you make a US\$1.0 billion decision without even having a company profile of your partner? Was there no prior 1MDB board meeting to approve the US\$1.0 billion investment? Or was the JVA signed and executed by you and presented to the board to endorse post its signing?
We note that the then chairman of 1MDB, Tan Sri Mohd Bakke Salleh, resigned from the board of directors on Oct 19, 2009 — three weeks after you signed the JVA and just after the board meeting. Bakke was replaced by Tan Sri Lodin Wok Kamaruddin, who remains the chairman until today. The other director who was there at the time of the JV and is still a member of the board is Tan Sri Ismee Ismail, the current CEO of Lembaga Tabung Haji.

- Like you, both of them have a lot of explaining to do.
- 9. In September 2010, a further US\$160 million was paid to the account of Good Star with RBS Coutts (to the same account number of 11116073). This forms part of the US\$500 million (over and above the US\$1.0 billion that was converted from equity to a loan) from 1MDB for its subscription for more Murabaha notes issued by PetroSaudi.
Another US\$260 million (RM800 million) from the US\$500 million from 1MDB was transferred to Javace Sdn Bhd through the bank accounts of Tarek and PetroSaudi Holdings. Javace used this RM800 million plus a RM700 million loan from AmInvestment Bank Bhd to privatise UBG Bhd in 2010, a company in which Jho Low had a substantial stake along with the family of then Sarawak Chief Minister Tan Sri Abdul Taib Mahmud.
Interestingly, the privatisation of UBG was done by PetroSaudi International (Seychelles) — the front for Good Star, which received US\$700 million from 1MDB. The general offer for UBG was therefore in effect one by Good Star using 1MDB’s money.
- 10. It is clear that Good Star received 1MDB’s

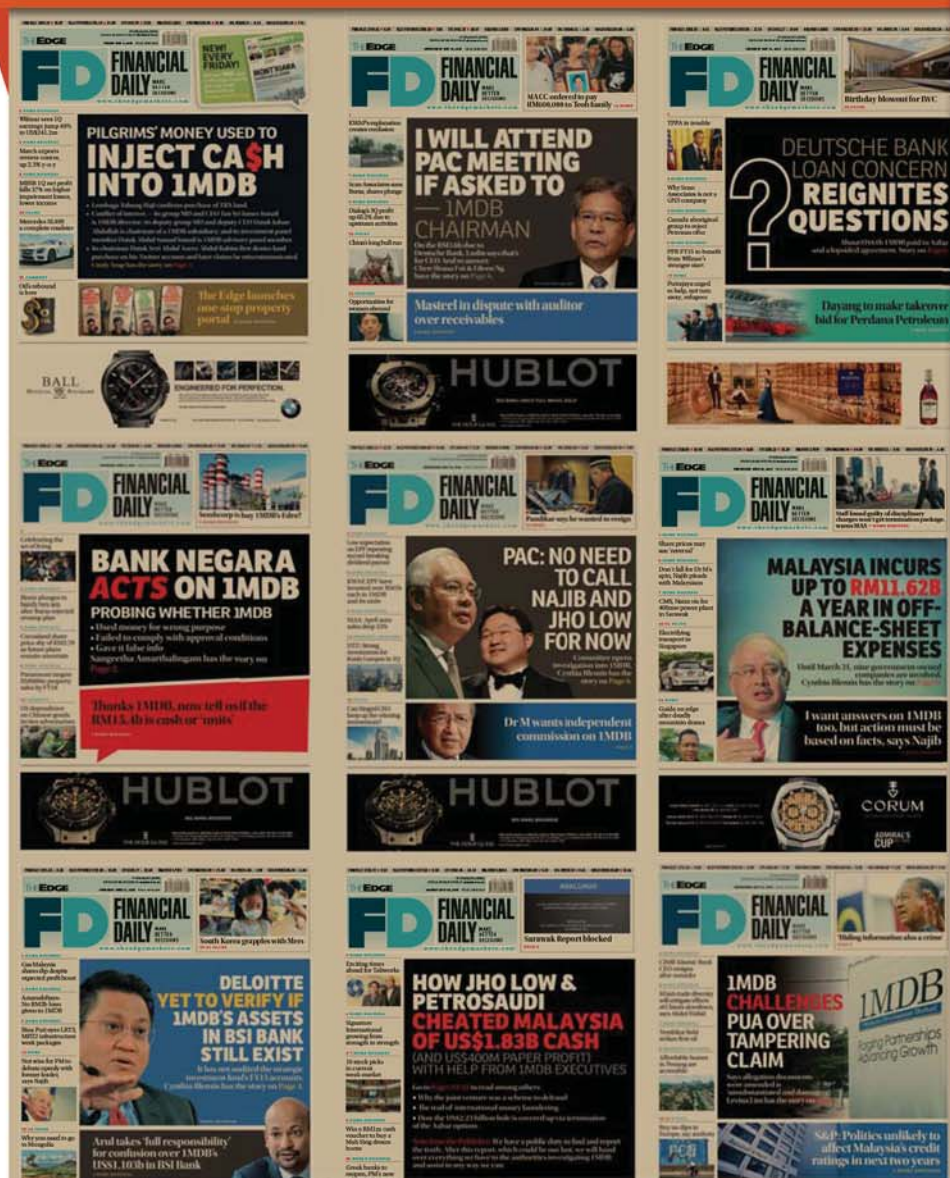
money not just from the first US\$1.0 billion investment in the JV with PetroSaudi but was also creaming part of the cash remitted by 1MDB each time it made payments to subscribe for the Murabaha notes in 2010.

Why did 1MDB keep remitting cash to PetroSaudi even after the JV was cancelled with a large sum diverted to Good Star, a company that was controlled by Jho Low and Seet, who, by the way, on Sept 30, 2009 — after you approved the US\$1.0 billion remittance — wrote this on Facebook: “I feel the earth moved under my feet”?

Dear Shahrol,
Can your fellow Malaysians have some answers from you, please?

PS: *The Edge* is happy that the Cabinet has asked the Auditor-General and the Public Accounts Committee (PAC) to investigate 1MDB’s accounts and operations. We are prepared to assist the AG and PAC in carrying out their investigation, including providing information we have obtained from our own probe into the dealings of 1MDB since its inception in 2009. **E**

FRONT-PAGE COVERAGE OF 1MDB, 2015



FBM KLCI 1807.65 ▲ 2.55 KLCI FUTURES 1806.00 ▲ 14.00 STI 3452.01 ▲ 19.23 RM/USD 3.5950 CPO RM2162.00 ▼ 11.00 OIL US\$65.39 ▼ 0.15 GOLD US\$1188.90 ▲ 6.70



AS REPORTED IN THE EDGE (ISSUE 1067, MAY 18, 2015)

THE EDGE MALAYSIA
INVESTIGATIVE REPORTS
ON 1MDB

“Did the people (board of directors) supposed to be responsible for decision-making (at 1MDB) suddenly decide to absolve all their responsibilities and then create this PR campaign with me as the focus of it?”
— Jho Low

Past & present 1MDB directors



Tan Sri Mohd
Bakke Salleh



Tan Sri
Azlan Zainol



Tan Sri Lodin Wok
Kamaruddin



Tan Sri
Ong Gim Huat



Tan Sri
Ismee Ismail



Datuk
Shahrol Halmi



Ashvin
Valiram



Mohd Hazem Abdul
Rahman



Arul Kanda
Kandasamy



The questionable transactions that must be explained by 1MDB's board of directors

BY THE EDGE MALAYSIA

Jho Low is right.

He may have pulled the strings, facilitated and even planned some of the business schemes and transactions that 1Malaysia Development Bhd (1MDB) had controversially undertaken. And yes, he even benefitted from these transactions.

But responsibility and accountability lie ultimately with the management and the board of directors of 1MDB who approved all these transactions.

As Jho Low said, he had no power to approve anything as in any corporate and business entity, such powers lie with the board of directors and management.

In this report, which is based on months of investigation, research and going through hundreds of documents, we will trace some of the contentious and questionable transactions of 1MDB.

We will pose questions about these transactions to the board of directors and management, that they must answer. They have an obligation to the Malaysian public to clarify why certain things happened the way they did.

We hope that this report will help members of the Public Accounts Committee (PAC) of Parliament to ask the critical questions during their inquiry into 1MDB starting May 19, where senior people involved in 1MDB will be asked to testify.

We believe it can also be a guide that the Auditor-General's office will find useful in carrying out its audit on 1MDB. We have pointed to these questionable transactions and actions.

Transaction 1

The joint venture with PetroSaudi International

Board of directors at the time:

Tan Sri Mohd Bakke Mohd Salleh (Chairman), Tan Sri Azlan Zainol, Tan Sri Lodin Wok Kamaruddin, Tan Sri Ismee Ismail, Datuk Shahrol Halmi.



Bakke:
Appointed 11/8/09
Resigned 19/10/09



Azlan:
Appointed 11/8/09
Resigned 11/1/10



Lodin: From
11/9/09 till now



Ismee: From
23/3/09 till now



Shahrol: From
23/3/09 till now

Management:

Shahrol (CEO), Nik Faisal Ariff Kamil, Tang Keng Chee (Casey).

WHAT HAPPENED:

On Sept 7, 2009, Jho Low met with PetroSaudi CEO Patrick Mahony to discuss doing deals with 1MDB. They were introduced to each other via email by Tarek Obaid, the principal shareholder of PetroSaudi. Others who were at the New York meeting were Seet Li Lin and Tiffany Heah — both of whom worked for Jho Low.

In the weeks after the meeting, there were numerous email exchanges between Jho Low, Seet, Mahony and Obaid discussing the structure of the business venture and the urgency of getting an agreement signed.

In one email dated Sept 18, Jho Low introduced Shahrol to Mahony and Obaid, stressing that they must move quickly to have the joint-venture agreement signed on Sept 28.

On Sept 28, 1MDB signed a joint-venture agreement (JVA) with PetroSaudi Holdings (Cayman) Ltd (PSI Cayman), which is 100% owned by PetroSaudi International Ltd (PSI). PSI is owned by Tarek Obaid and Prince Turki.

The joint venture is called 1MDB PetroSaudi Ltd ("JV Co"), which is to be 40% owned by 1MDB and 60% owned by PSI Cayman. 1MDB was to invest US\$1.0 billion (RM3.6 billion) into the JV Co.

PSI Cayman did not inject any cash but was supposed to inject assets valued at US\$1.5

The PetroSaudi bosses and friends of Jho Low



Tarek Obaid



Patrick Mahony

billion into the JV Co, including what was supposed to be a potentially lucrative oil exploration rights in Turkmenistan and Argentina.

A valuation report on these exploration rights was submitted by valuer Edward Morse only on Sept 29 — a day after the JVA was signed. Morse himself was asked to do the valuation by Mahony on Sept 27, but his appointment was later backdated to Sept 20!

(As it turned out, PSI Cayman did not own the Turkmenistan rights and at that time was only negotiating to lease the rights from its owner and this eventually fell through).

Upon signing of the JVA on Sept 28, PSI Cayman sent a letter of demand to 1MDB to repay a US\$700 million loan that PSI Cayman supposedly had lent to the JV Co via a loan agreement dated Sept 25.

On Sept 29, one day after the JVA was signed, 1MDB made two bank transfers totalling US\$1.0 billion for the purpose of investing in the JV Co. The payments were as follows:

- 1) US\$700 million was transferred via Deutsche Bank Malaysia to account number 11116073 at RBS Coutts Bank Ltd, Zurich. On query by RBS Coutts, the beneficial owner was identified by 1MDB CEO Shahrol to be Good Star Limited (Seychelles), a company controlled by Jho Low and Seet.
- 2) US\$300 million was transferred to the JV Co's account at JP Morgan (Suisse) SA.

On Oct 19 — three weeks after the JVA was

CONTINUES NEXT PAGE

Why did Bakke and Azlan quit?

FROM PREVIOUS PAGE

signed and US\$1.0 billion sent out — Bakke resigned from the board; he was replaced as chairman by Lodin.

On Jan 11, 2010, Azlan resigned from the board; he was replaced by Tan Sri Ong Gim Huat.

In January that year, following email exchanges between Jho Low, Mahony and 1MDB senior executive Nik Faisal Ariff Kamil, instructions were given to transfer a total of US\$250 million (from the US\$300 million) out of the JV Co's accounts for the following purposes:

- US\$50 million — to PSI for 'general investments';
- US\$200 million — to PetroSaudi Oil Services Ltd (PSOS) for the purchase of a drill ship.

Prior to this, US\$50 million was already moved from the JV Co account to PSI Cayman for use as working capital.

This meant that by January 2010 — three months after the JVA was signed — the entire US\$1.0 billion cash 1MDB invested in the JV Co was gone. Here's a recap:

- US\$700 million went to Good Star, US\$100 million went to 1MDB's JV partner PSI and US\$200 million went to PSI's subsidiary PSOS.
- US\$1.0 billion was gone without any headway made by the JV Co into the oil and gas industry.

At this juncture, we would like to stop and pose questions to the management and board of directors of 1MDB.

To Bakke and Azlan:



- 1) Why did you resign from the board of 1MDB? Bakke, three weeks after the JVA was signed, and Azlan, in January 2010, by which time all the US\$1.0 billion of 1MDB money sent to the JV Co had been moved elsewhere?

To Bakke, Azlan, Ismee and Lodin:



- 1) Was the board of directors aware that when you approved the JVA, the JV Co owed US\$700 million to PSI Cayman?
- 2) Did you, as directors of 1MDB, asked for verification that there was a genuine loan of US\$700 million since the loan agreement was signed on Sept 25 — just three days before the JVA agreement was signed? Was there proof that PSI Cayman had transferred US\$700 million to the JV Co as per the loan agreement and, if so, what happened to the money?
- 3) Did the board of directors approve the transfer of US\$700 million, as settlement of the loan agreement, to

RBS Coutts Zurich account number 11116073, whose beneficial owner was Good Star Ltd, as stated by Shahrol in his email reply dated Oct 2, 2009, to RBS Coutts and Deutsche Bank Malaysia? If yes, why? If the board did not approve, who approved the transfer of money to that account?

- 4) Were you aware that the beneficial owner of RBS Coutts Zurich account was Good Star Ltd, which is controlled by Jho Low and Seet? If you were aware, did it not worry you or were you not at least curious why payment of what was supposedly owed by the JV Co to PSI Cayman was transferred to Good Star?
- 5) Were you aware that senior management of 1MDB like Shahrol, Nik Faisal and Casey Tang were in email contact with Jho Low throughout the discussions on the JV and subsequently as well? Even email between 1MDB and bankers and lawyers were copied to Jho Low.
- 6) If you were aware, did you approve of Jho Low's involvement and, if you did, what was the justification for him to be involved?
- 7) Did you as directors of the board approved the transfers of US\$50 million and US\$250 million out of the JV Co's bank account to PSI and PSOS in January 2010?
- 8) Bank Negara Malaysia gave approval for the remittance of the US\$1.0 billion to JV Co for investment purposes. Didn't it worry you that transfer of the US\$700 million from the JV Co to Good Star could be a breach of the approval given by Bank Negara?



To Shahrol:

- 1) Were you aware, when you negotiated and signed the JVA with PSI Cayman on Sept 28, that a US\$700 million loan agreement was signed between the JV Co and PSI Cayman just three days before?
- 2) If you were aware, can you explain what the loan was for, and what did the money go to?
- 3) Wasn't it puzzling that the JV Co needed to borrow US\$700 million three days before 1MDB was to become an investor and would be injecting US\$1.0 billion cash?
- 4) Did it not occur to you that the US\$700 million loan agreement was not a genuine one and there was no such loan given by PSI Cayman to the JV Co?
- 5) Why did you inform Deutsche Bank and RBS Coutts that the beneficial owner of account number 11116073 was Good Star Ltd and that US\$700 million was to be sent there from 1MDB? If the money was owed to PSI Cayman, why pay the US\$700 million to Good Star?
- 6) Did you know that Good Star was controlled by Jho Low and Seet?



To Nik Faisal:

- 1) Why did you have to keep Jho Low in the loop through various email about developments involving 1MDB and PetroSaudi?
- 2) Who told you to deal with Jho Low?

Transaction 2

As mentioned earlier, by January 2010, the entire US\$1.0 billion of 1MDB's money invested into the JV Co has been transferred out. From January, the board of directors was composed of Lodin (chairman), Ismee, Shahrol and two new independent directors, Tan Sri Ong Gim Huat (a friend and business partner of Jho Low's family) who joined on Jan 12, 2010, and Ashvin Valiram, who joined on Feb 2.



After the initial media hype about the joint venture with PetroSaudi there was no news flow from 1MDB for months, but rumours and speculation started to surface in financial circles around the middle of 2010 after the delay in the completion of 1MDB's first full-year audited accounts for March 31, 2010.

When the accounts were finally done and lodged with the Companies Commission of Malaysia (CCM) on January 31, 2011, two shocking developments were disclosed:

- 1) The auditors who signed off the accounts were KPMG and not Ernst & Young (EY), which were the appointed auditors.
- 2) The JV with PSI Cayman had been dissolved and on March 31 (the very same day as the close of its financial year), the US\$1.0 billion it had invested into the JV Co (plus a supposed US\$200 million profit from the six-month-old JV) was converted into a loan (Murabaha notes) to the JV Co which was now 100% owned by PSI Cayman.

No explanation was given as to why — after all the hype about how the joint venture with PetroSaudi would lead to great things for 1MDB and Malaysia — a decision was made to call it off.

It was also never disclosed then that aside from converting the US\$1.0 billion into a loan, 1MDB had actually committed to lend PSI another US\$1.5 billion via additional Murabaha notes whenever required. Eventually, another US\$800 million in Murabaha notes were taken up by 1MDB and the bulk of that money also ended up with Good Star Ltd.

In total, 1MDB transferred US\$1.8 billion to PSI, of which around US\$1.5 billion ended up with Good Star Ltd and US\$300 million with PSI.

From March 31, 2010, this original cash investment of US\$1.8 billion was flipped

PARTY BOYS



"And because there are all these pictures of me and Paris Hilton drinking and all that, then you play to the bumiputera card: 'Oh, the Chinaman stole all the money and blew it all on alcohol'." — Jho Low



Jho Low's friend and employee Seet Li Lin wrote on his Facebook: "I feel the earth moved under my feet" on the day Good Star received US\$700 million from 1MDB.

into various paper instruments like Murabaha notes, then as a 49% stake in PSOS and finally an investment of US\$2.318 billion in a segregated portfolio company (SPC) in Cayman Islands.

Half of that sum, said 1MDB, was redeemed in late 2014 to help pay debts and the remaining sum (US\$1.103 billion) was placed in the Singapore account of a Swiss private bank.

The US\$1.8 billion that left Malaysia has never been brought back to Malaysia.

We would like to ask Lodin, Ismee, Ong, Ashvin and Shahrol the following questions:

- 1) Why was the JV with PSI Cayman called off and why wasn't a proper explanation given to the Malaysian public?
- 2) If a decision was made to call off the JV, why didn't 1MDB ask for the US\$1.0 billion cash to be returned? After all, 1MDB needed money and, in fact, you went on a big borrowing binge and your debts surged from RM7.92 billion in FY2012 to RM36.24 billion in 2013.
- 3) Why did 1MDB decide to switch from being an investor with PetroSaudi to becoming a lender to PetroSaudi via the Murabaha notes?
- 4) Were you aware that lawyers for both PetroSaudi and 1MDB (White & Case and Wong & Partners) had in email correspondence highlighted that the Murabaha notes were not really shariah-compliant, and they were window-dressed as such?
- 5) Why did 1MDB agree to flip the money from cash to Murabaha notes, to a 49% stake in PSOS, and then to an investment in Cayman Islands? Isn't this flipping of assets something that is inconsistent with a government-owned entity?

Transaction 3

The 2012 financing of power assets purchases

Board of directors:

Lodin, Ismee, Ong, Ashvin, Shahrol.

In 2012, 1MDB bought the power assets of Ananda Krishnan's Tanjung Plc and Genting Bhd for RM8.5 billion and RM2.35 billion respectively.

The total purchase cost came up to RM10.85 billion and it was well known in the market then that 1MDB had overpaid for these assets, as evident by the fact that its auditors wrote off close to RM2.5 billion from the purchase costs as goodwill in its FY2013 accounts.

What we want to show is that **1MDB BORROWED MORE** than what was needed and **PAID MORE** than what was needed to raise the money.

1MDB, with the help of Goldman Sachs, issued two US\$1.75 billion bonds or a total of US\$3.5 billion (RM11.55 billion at the then exchange rate of RM3.30). On top of the bonds, 1MDB also took a RM6.2 billion bridging loan from a local consortium led by Malayan Banking Bhd and RHB Bank Bhd.

In total, 1MDB borrowed RM17.75 billion to finance purchases totalling RM10.85 billion, or an excess of RM6.9 billion.

The reason 1MDB had to borrow more than it needed was because from the gross proceeds of RM11.55 billion it raised via the Goldman Sachs bonds, it received only around RM6.0 billion.

This was because "certain commissions, fees and expenses" paid to raise the bonds came up to US\$393 million (RM1.3 billion) and it also had to hand over RM4.25 billion as security deposit to the co-guarantor of the bonds — the International Petroleum Investment Company of Malaysia (IPIC) of Abu Dhabi. This security was tied to the options granted to IPIC to take a stake in the future listing of the power assets, which will be explained later.

Why 1MDB was left with only RM6.0 bil despite borrowing RM11.55 bil

Total borrowed via bonds:

US\$3.5bil
(RM11.55bil)

Fees & commissions paid to Goldman Sachs:

US\$393mil
(RM1.30bil)

Money kept by co-guarantor IPIC:

RM4.25bil

What was left for 1MDB:

RM6.0bil

Annual interest payment (6%):

US\$210mil
(RM756mil)

Clearly, the way 1MDB structured the financing of the purchases was outright wrong. It was simply too expensive and **1MDB is now laden with paying US\$210 million a year (RM756 million) or RM2.0 million a day!** Just to service the interest on the whole amount it borrowed.



We would like to ask Lodin, Ismee, Ong, Ashvin and Shahrol:



- 1) Who were your advisers to structure the financing in this manner?
- 2) Why did you agree to pay such high fees & commissions to Goldman Sachs amounting to 11.3% of the gross proceeds of US\$3.5 billion when the typical amount of such deals is between 1.0% and 2.0%?
- 3) Why did you agree for IPIC to retain RM4.25 billion as security deposit for coming in as co-guarantor to the two bonds? That is a staggering 37% of the gross proceeds of RM11.55 billion.
- 4) Why was there a need to even get IPIC to come in as a co-guarantor? As a company that is wholly owned by the Government of Malaysia, surely there was a better and cheaper way to obtain support?
- 5) Why did you even have to resort to raising money via the bonds? The local banking system is flush with liquidity and surely it would have been cheaper to raise the money at home.
- 6) Why resort to US dollar borrowings to buy local assets? You have now taken a hit from the depreciation of the ringgit from RM3.30 to US\$1.00 in 2012 to US\$3.60 today.

Transaction 4

The costly options given to Aabar

The RM4.25 billion that IPIC got to keep as security for co-guaranteeing the bonds is tied to a 10-year option given by 1MDB for IPIC to subscribe for up to 49% of any future listing of the power assets.

In other words, 1MDB offered IPIC the chance to profit from any future upside of the power assets. IPIC subsequently transferred the options to its subsidiary Aabar Investments.

But with the plans to float the power assets — now housed under a company called Edra Global Energy Bhd — going nowhere, an interesting development happened last year.

In its full-year March 31, 2014 accounts (which was submitted to CCM only in November), 1MDB made the following disclosures under the "Significant Events Subsequent To The End of The Reporting Period":

First, it said that a substantial sum of the US\$1.22 billion (RM4.39 billion) redeemed from Cayman was used for debt servicing, working capital and payments to Aabar as "refundable deposits" pursuant to an agreement to extinguish the option. It did not reveal the amount of the refundable deposits, but we can assume it was the bulk of the US\$1.22 billion.

Second, it said that in May 2014, it had taken a bridging loan facility of up to US\$250 million to finance the acquisition of the Aabar options.

Third, it was also revealed that on May 22, 1MDB and Aabar had signed a settlement agreement to terminate the options. No details were given except that the final settlement will depend on the final valuation of the IPO.

Lastly, 1MDB revealed that on Sept 2, Aabar had written to inform that it did not wish to exercise the options and the company had "agreed to compensate [Aabar] at a consideration agreed under the terms and conditions" of the May 22 settlement agreement.

What 1MDB did not disclose was that on

Sept 1, a day before it received the notification from Aabar, it took a US\$975 million loan from a consortium led by Deutsche Bank. The consortium includes Abu Dhabi Commercial Bank, where 1MDB CEO Arul Kanda Kandasamy worked before he joined 1MDB in January this year.

It is now known that this one-year loan was used to pay Aabar to terminate the options and was secured against the BSI Singapore account of Brazen Sky Pte Ltd, which is wholly owned by 1MDB.

And news reports last week have said the Deutsche Bank consortium is worried that the assets in the BSI account are not what they were made out to be to them, raising more questions and concerns about the financial health of 1MDB.

We would like to ask Lodin, Ismee, Ong, Ashvin and Shahrol:

- 1) Why was there a need to offer the options to Aabar? Those options have now become very costly to 1MDB.
- 2) What was the total amount 1MDB has paid to Aabar to terminate the options?
- 3) Now that the options have been terminated, has IPIC returned the RM4.25 billion to you? If not, why not?
- 4) Why was there a need to sign the May 22 settlement agreement? Was there not such a termination clause under the original option agreement signed in 2012 as is normally the case in such agreements? Or is the May 22 termination agreement a revised settlement agreement?
- 5) Will you, in the name of transparency and good governance, reveal details of the original agreement with Aabar and also the May 22, 2014 settlement agreement? And please don't cite confidentiality as the reason you can't do it. The Malaysian public has had enough of this.

CONTINUES NEXT PAGE

Why was US\$2.72 bil meant for TRX sent overseas?

FROM PREVIOUS PAGE

Transaction 5

The RM1.38 billion Penang land purchase in 2013

Board of directors:

Lodin, Ismee, Ong, Shahrol, Ashvin, Hazem.

While 1MDB bought the Tun Razak Exchange land very cheap in a sweetheart deal given by the government, its RM1.38 billion purchases in Penang had raised eyebrows.

The deals inked just six days before the May 5, 2013 general election (GE13) were:

- 1) On April 29, 2013, Aluminium Development Company Sdn Bhd, which was subsequently renamed 1MDB RE (Ayer Itam) Sdn Bhd, paid RM338 million to buy 6.6 million shares or 100% in Farlim Properties Sdn Bhd.
- 2) On April 29, 2013, Aluminium paid RM930 million to buy two shares of RM1.00 each for a 100% stake in Gerak Indera Sdn Bhd. These two companies own 234 acres of freehold land in Penang that will be used for building affordable houses, 1MDB had said.
- 3) And then on Sept 23, 2013, 1MDB entered into an agreement with listed Farlim Group (Malaysia) Bhd to acquire "undivided shares" in several plots of land in Penang for RM113 million.

These three deals cost 1MDB a whopping RM1.38 billion.

Checks by *The Edge* revealed that the transactions appear to be very favourable to the vendors because:

- 1) The price paid was 100% higher than what the land was valued at just two years earlier in December 2011.
- 2) There are an estimated 1,200 "ground tenants" households who have been occupying the land for more than 40 years and moving them out will be a very expensive and tedious affair.
- 3) The land had fragmented owners who have fought many costly legal battles with each other and they have not been able to do anything to develop the land. But thanks to 1MDB, Farlim and the vendors of Gerak Indera walked away with RM1.38 billion cash, while 1MDB ended up with land that has many encumbrances and will be challenging to develop.

The first group of vendors are all associated with prominent Penang tycoon Tan Sri Lim Gait Tong. 1MDB did two transactions with Lim's companies.

The first is the purchase of all of Farlim Properties Sdn Bhd from his holding company Farlim Holdings Sdn Bhd for RM338 million. In the second deal, 1MDB acquired undivided shares in several plots of land from listed Farlim Group (which is controlled by Farlim Holdings) for RM113 million.

In early 2012, Farlim Holdings settled a debt owed to the listed Farlim Group by transferring the undivided shares in several plots of land to the latter.

(Undivided shares in a plot of land means that a piece of land with a single title has several parties as its owners and the land has not yet been sub-divided into different plots with their own titles.)

Such a situation is common in all the land bought by 1MDB as they have other people named as part owners, albeit a very small share.

A Dec 8, 2011 Henry Butcher Malaysia (Penang) Sdn Bhd valuation of RM58 million was used as the basis of the debt settlement.

As the total land area involved is 93.86 acres or 4.088 million sq ft and Farlim Group's share is 25% or 1.02 million sq ft, the RM58 million price tag meant that the land was valued at RM57 psf.

Two years later, the same parcels of land were valued by Henry Butcher in its report dated Oct 24, 2013 at RM100 million or RM98 psf — a 73% jump.

As a comparison, according to Ministry of Finance's Valuation and Property Services Department report for 2013, the value of development land in Penang rose only 28% over the two years from 2012 to 2013.

What was even more interesting is that in the end 1MDB paid Farlim Group RM113 million, or 95% higher than what it was valued in 2011 and RM13 million more than the 2013 valuation.

Separately, Farlim Holdings also sold all of its unlisted subsidiary Farlim Properties Sdn Bhd to 1MDB for RM338 million.

As for Gerak Indera, according to CCM filings, the shareholders who sold the company to 1MDB were Ng Kok Cheang and Mohamed Zubni Ismail, each holding a 50% stake.

Penang businessman Goh Choon Lye was a director of Gerak Indera for a very brief period — Jan 6 to Jan 29, 1997 — but sources say, despite the fact that he has no official links to the company, he has remained very close to it.

When 1MDB disclosed these acquisitions under "significant events subsequent to the reporting period" in their March 31, 2013 accounts that were released several months ago after a one-year delay and a change in external auditors, it did not state where exactly the various plots of land and properties were located in Penang.

Checks by the *The Edge* revealed that they include land of various sizes from large to tiny plots and also terraced homes and shop-houses scattered around Ayer Itam. The land is occupied by houses and some workshops. It is estimated that there are between 1,200 and 1,400 dwellings and they have water, electricity and postal addresses. Most are semi-concrete homes with zinc roofs, but there are also wooden and concrete homes.

Questions for Lodin, Ismee, Ong, Shahrol and Ashvin



- 1) **As Ong is a Penang-based developer, was he involved in the discussions to buy the land and/or did he introduce the sellers to 1MDB? Was Jho Low involved in the transactions?**
- 2) **Why did you execute the transactions involving so much money just six days before GE13? Didn't it make good business sense to wait till after the elections as most other businesses would have done?**
- 3) **Did the board ask for a proper risk assessment to be done given the fact that the price paid was above market value**

and the fact that the land has numerous encumbrances like the thousands of ground tenants who have occupied the land for decades?

- 4) **Parts of the land are sub-divided and owned by other people, and 1MDB cannot proceed to do anything with the land without their agreement. Was the board aware of this?**

- 5) **There has been no progress made with plans for the land and, assuming financing cost of 7% per annum on the RM1.38 billion, that's an annual interest payment of RM96.6 million on an asset that yields no income. How do you justify your decision to the taxpayers of Malaysia?**

Transaction 6

The US\$3.0 billion bond for TRX

On March 19, 2013, 1MDB Global Investments Ltd issued a US\$3.0 billion (RM9.9 billion) 10-year bond through Goldman Sachs. After paying for fees of US\$283 million (RM934 million), 1MDB was left with US\$2.72 billion (RM8.9 billion).

The Government of Malaysia gave a letter of support for the bond which in effect means that should 1MDB Global default, Putrajaya will ultimately step in to ensure bondholders are paid.

According to 1MDB's FY2014 accounts, the net proceeds of US\$2.72 billion was to be "seed capital for investment in Abu Dhabi Malaysia Investment Co Ltd (ADMIC), a proposed joint venture with Aabar Investments of Abu Dhabi.

It was also stated, pending finalisation of the terms and scope of the proposed JV, US\$1.56 billion of the money raised were placed in "various investment portfolios under custody of a licensed financial institution with good credit ratings as rated by international credit rating agencies".

1MDB did not name the financial institution or the credit rating.

It, however, said that in 2014 it had used the remaining net proceeds of US\$1.16 billion as working capital and to pay debts.

In the FY2014 accounts, it was also disclosed that 1MDB had a total of RM13.38 billion in so called assets classified as **AVAILABLE FOR SALE INVESTMENTS**.

These assets include money from 1MDB Global, the money from the abandoned PetroSaudi venture placed in Caymans and other investments.

It should be noted that the auditors had classified the RM13.38 billion of Available For Sale Investments as having Level 3 fair value, which are values "derived from valuation techniques that include inputs for asset or liability that are not based on observable market data (unobservable inputs).

To give a better perspective, Level 1 fair values are those derived from quoted prices in active markets — for example, a stock or commodities exchange.

Level 2 fair values are those derived from inputs other than quoted prices, either directly as prices or indirectly as prices. This means value can be determined by, for example, the transacted price of the sale of a piece of land or property or the transacted price for the sale of an unlisted company. These transactions prices can be obtained.

In short, the Level 3 fair value of RM13.38 billion that has been given to the Availa-

ble For Sale Investments owned by 1MDB could be viewed as high risk as the value of the assets is not transparent nor apparent.

It is important for us to ask Lodin, Ismee, Ong, Ashvin, Shahrol, Arul Kanda the following questions:



- 1) **Even if the terms of the ADMIC JV to develop TRX were not ready, why did you approve sending the US\$2.72 billion cash overseas? Why couldn't the money be kept in Malaysia — and we do have capable financial institutions with good credit ratings?**

- 2) **Why don't you name the foreign financial institution where you have placed the money and give details of the specific nature of investments instead of being vague?**

- 3) **You said you have used part of the money raised from the bonds for TRX as working capital and to pay debts. Isn't that a breach of the bonds covenant?**

- 4) **What is the status of the ADMIC JV? It has been more than two years since it was announced. Is Aabar Investments proceeding with the JV?**

DEAR 1MDB BOARD OF DIRECTORS,

1MDB's accounts state clearly it has RM13.38 billion in **AVAILABLE FOR SALE INVESTMENTS**. Since 1MDB has cash flow problems, as admitted in Parliament by the Minister of Finance 2, why don't you as responsible members of the board sell all these investments immediately and send the money back to Malaysia where it is needed.

Isn't that better than the shame of having to borrow RM2.0 billion from Ananda Krishnan to settle a bank loan, take a RM950 million credit line from the government to service interests and drag Tabung Haji into your mess by getting them to buy a piece of land for RM188 million so that you can pay a US\$53 million bond payment on May 15?

As members of the board of directors all of you are ultimately responsible for the problems at 1MDB. You approved every major decision made and you must be accountable for them. It is time for all of you to step forward and show responsibility and accountability instead of maintaining silence.

Assets that the DOJ seeks to seize



The Equanimity luxury yacht



L'Ermitage property and business assets



Two Hillcrest properties



Park Laurel condominium



Bombardier Global 5000



Time Warner penthouse



Greene condominium



EMI assets



Symphony CP (Park Lane) LLC assets



Walker Tower penthouse



Laurel Beverly Hills mansion



Oriole mansion



La Maison De Vincent à Arles by Van Gogh



Saint-Georges Majeur by Claude Monet



Nymphaeas by Claude Monet



Qentas townhouse

How Jho Low used US\$260 million of 1MDB's cash to buy UBG in 2010

BY THE EDGE MALAYSIA



Nik Faisal Ariff Kamil



Patrick Mahony



Tarek Obaid

On Dec 1, 2009, Casey Tang, an executive director at 1Malaysia Development Bhd (1MDB), shot off an email to Patrick Mahony, introducing him to new member of staff Nik Faisal Ariff Kamil who had just joined as chief investment officer from UBG Bhd.

Nik Faisal was no ordinary recruit and there was a specific purpose for him to be connected to Mahony, a top executive of PetroSaudi Group (PetroSaudi) who was CEO at the joint-venture company 1MDB PetroSaudi Ltd (BVI) in which 1MDB had just sunk US\$1.0 billion.

In the email, Tang said Nik Faisal will work with Mahony on budget matters, including "US\$170 million for 'Project Utopia' (UBG)" — the then codename for the plan to take over UBG, which was listed on Bursa Malaysia (see Email 1).

(Jho Low and team used codenames Utopia, Uganda and Unicorn for the takeover of UBG.)

In a subsequent email on Dec 17, Mahony wrote to Nik Faisal (who used both a 1MDB email address and a private one, gersik.mas@gmail.com) to say that 1MDB PetroSaudi was short of US\$120 million.

Mahony said it needed US\$420 million — US\$50 million for working capital, US\$200 million to buy a drill ship and US\$170 million for the purchase of UBG.

At the time, 1MDB PetroSaudi had only US\$300 million left from the US\$1.0 billion 1MDB had injected into it on Sept 29, 2009, because US\$700 million had been transferred to Good Star Ltd (Seychelles) — a company controlled by Jho Low.

Mahony wrote in the Dec 17 email:

"This means we have a shortfall of \$120 million. What I suggest we do is to have 1MDB put more funds into the JV. Jho (Low) agrees that this is the only way but his concern was the timing to do this. You need to tell me how they (1MDB) can justify putting more funds into the JV co quickly...Please let me know and discuss with Jho but the only way we can do all this is by funding from 1MDB." (See Email 2)

This was the start of a plan that would eventually see Jho Low using US\$260 million of cash from 1MDB to fund his 100% acquisition of UBG, in which he was already a substantial shareholder and a member of the board.

What happened next was that Jho Low, Mahony and Nik Faisal — working with various financial and legal advisers in Kuala Lumpur and London — got 1MDB in July 2010 to agree to subscribe for another US\$500 million tranche of so-called Islamic Murabahah notes to be issued by 1MDB PetroSaudi, which by then was wholly owned by Tarek Obaid's PetroSaudi.

"This means we have a shortfall of US\$120 million. What I suggest we do is to have 1MDB put more funds into the JV. Jho (Low) agrees that this is the only way but his concern was the timing to do this. You need to tell me how they (1MDB) can justify putting more funds into the JV co quickly...Please let me know and discuss with Jho but the only way we can do all this is by funding from 1MDB."

(On March 31, 2010, 1MDB had called off its investment in 1MDB PetroSaudi and converted the cash it had put in to a US\$1.2 billion loan to 1MDB PetroSaudi in the form of Murabahah notes. By July, Jho Low, working with Mahony, Nik Faisal and Tang, had got 1MDB to take up another US\$500 million in notes.)

It must be asked whether the 1MDB board of directors and its shareholder the Ministry of Finance Inc knew that a large part of the US\$500 million was to be used for the takeover of UBG. And did they know that the member of staff they had just hired as their CIO — Nik Faisal — and their executive director Tang were working with Mahony and Jho Low with the intention of getting more money from 1MDB in order to proceed with a takeover of UBG?

On Sept 6, 2010, 1MDB received approval from Bank Negara Malaysia to remit the US\$500 million to 1MDB PetroSaudi for the purpose of subscribing for the Murabahah notes.

The approval came with certain conditions, and documents sighted by *The Edge* showed that PetroSaudi executives and their lawyers were upset and said that 1MDB had messed up as some of the points highlighted in the Bank Negara approval were inconsistent with the terms of the Murabahah agreement.

Alison Weal of London law firm White & Case ended a long email she sent to PetroSaudi's head of legal, Timothy Buckland, with this:

"Ultimately, it would seem that the information to Bank Negara was flawed, and any approval will only be as good as the underlying documents."

Buckland forwarded Weal's email to Mahony with the remark: "FYI below. 1MDB have F....d up with Bank Negara approval." (See Email 3)



From: Casey Tang <caseyktang@gmail.com>
Sent: Tuesday, 1 December, 2009 11:56 AM
To: Patrick.Mahony@petrosaudi.com
Cc: Nik Faisal
Subject: Operational Budget & Board Paper

Hi Patrick,
I would like to take the opportunity to introduce to Nik to you. He has joined us from UBG (hence having to use gmail) as CIO. He will work with you on the questions related to the ops co budget of USD50 mil and board papers for the JVco for a. USD50 mil and b. USD170 mil for Project Utopia (UBG). You can reach Nik's cell phone at +60.192.000.42. We would need to wrap this up Dec 4 at the JVco level.
Cheers,
Casey Tang

EMAIL 1
Casey wrote to Mahony

From: Patrick Mahony <Patrick.Mahony@Petrosaudi.com>
Sent: Thursday, 17 December, 2009 11:50 AM
To: gersik.mas@gmail.com
Subject: Numbers + Discussion Items

As discussed it seems we have a bit of a shortfall in funds available to us in the short run. Just to summarise, below is what I think we need:

1. Working Capital - \$50m
2. UBG - \$170m
3. Drillship - \$200m (\$30m will come back quickly)

Total: \$420m

This means we have a shortfall of \$120m. What I suggest we do is have 1MDB put more funds into the JV. Jho agrees that this is the only way but his concern is timing to do this. You need to tell me how they can justify putting more funds in JVco quickly. Given that you have all the papers for UBG, may be easier and quicker saying funds moving from 1MDB are for UBG. That way the existing funds in JVco are used for the drillship plus working capital (you will get all of the DD information on the drillship today in an email). Please let me know and discuss with Jho but the only way we can do all this is by funding from 1MDB. We have a deadline on this drill ship of Monday that we cannot miss or lose everything we have been trying to build with the government there.

We also need to move down the working capital today as we have some funding requirements that cannot wait. You have all of the board resolutions to do that, let me know what else you need.

Other matters we need to discuss are:

- Board meeting on 28th. My suggestion is to postpone this.
- Visit to Middle East to meet GEMS and Construction Co. I would propose to do this around Jan 10th.
- Argentina. I will give you access to a secure website with all of the docs on Argentina.

I'm sorry to put pressure on you but the funding is urgent for working capital and the deadline on the drillship is something we cannot miss or we can pack up and leave Venezuela. Please discuss with Jho and see how you can push funds from 1MDB and we can meet all of these funding requirements.

Happy to discuss whenever you want. We need to come to an agreement on all of this today.

Many thanks.

Patrick

From: Timothy Buckland <Timothy.Buckland@Petrosaudi.com>
Sent: Friday, 17 September, 2010 2:34 AM
To: Patrick Mahony
Subject: FW: BNM Approval Letter

FYI below. 1MDB have F....d up with Bank Negara approval.

To discuss.

From: Weal, Alison [mailto:aweal@london.whitecase.com]
Sent: 16 September 2010 18:31
To: Timothy Buckland
Cc: Burke, Alan; Legal Assistant; Weal, Alison; Chipchase, Charles
Subject: RE: BNM Approval Letter

Tim,

Having reviewed the approval, our comments are as follows:

1. 2a - The approval relates to a grant of a loan in an amount of \$500m, which relates to the drawdown tranche (this in itself is ok). It does not reference the share buyback tranche, which whilst was not a loan, debt has been created. This may need to be referenced for the approval to be complete, but 1MDB has represented in the Share Sale Letter that they have all consents required.
2. 3 - we are not sure whether the requirements in paragraph 3 are ongoing requirements, or conditions for the approval. In either case, what if they are not/have not been met?
3. 4a - The loan is not in the form of a subscription of Murabaha notes issued by PetroSaudi.
4. 4b - the period is 11 years, not 5 years. The coupon rate is a "profit", not a coupon rate (which relates to notes) - the percentage is correct (for the drawdown tranche).
5. 4c - under the murabaha agreement, the purpose for the drawdown tranche is "working capital for capital expenditure", the approval refers to part financing acquisition costs for an equity shareholding in a plc in [] (we think the missing word, when translated, is France).
6. 4d - this seems to refer to the above-mentioned purchase of equity - apparently the total costs of the equity purchase is \$2.5bn, the balance of which (reference to 2 million should presumably be 2 billion) is to be paid by the other shareholder in PetroSaudi (there is now only one shareholder), i.e. PetroSaudi Holdings. Is this the case?
7. 7 - 1MDB is required to provide full information in respect of the acquisition of the plc mentioned above. If this purpose is not correct, what happens when 1MDB can't provide such information? If the purpose is correct, what happens if 1MDB does not provide such information?

We are not Malaysian lawyers and so we cannot comment on the effect of any of the above matters, nor can we say generally whether the approval is satisfactory. However, given the above, I think that there is much that is in doubt. Whether or not any of this is fatal, we cannot advise. If you would like us to provide this to Malaysian counsel, we can do so, although I would expect that they will need to see the application itself, as well as the underlying documents.

Ultimately, it would seem that the information provided to BNM was flawed, and any approval will only be as good as the information provided in connection therewith.

EMAIL 2
Mahony wrote to Nik Faisal

EMAIL 3
Alison Weal of London law firm White & Case to PetroSaudi

Jho Low's and 1MDB's favourite law firm and banks

WONG & PARTNERS

Law firm Wong & Partners, which is affiliated to international firm Baker & McKenzie, is the legal firm of choice for Jho Low and 1Malaysia Development Bhd (1MDB).

They represented 1MDB in the first US\$1.0 billion joint-venture transaction with PetroSaudi as well as the subsequent dealings in the Murabahah notes. Wong & Partners was also involved in the drafting of the Memorandum of Articles & Association of 1MDB.

The principal partner of Wong & Partners who handled both Jho Low's and 1MDB business was Brian Chia.

A point to note is that Tiffany Heah, who was a legal counsel at UBG Bhd when Jho was a shareholder, had worked at Wong & Partners before joining him. Heah was also at the New York meeting on Sept 7, 2009, where Jho Low met PetroSaudi's Patrick Mahony for the first time to discuss the joint venture with 1MDB.

Another interesting fact is that Chia and two others from Wong & Partners are shareholders of a consultancy and advisory firm called B&M Consultancy Services Sdn Bhd. The shareholders are Chia (33.14%), Adeline Wong Mee Kiat (33.71%) and Chew Kherk Ying (33.14%).

B&M described itself as a professional service firm that specialised in strategic corporate consultancy, advisory and management services.

"We are a trusted adviser to our clients, which comprise both domestic and multinational corporations in the public and private sectors, with offices in Malaysia and other jurisdictions. We combine our rich local knowledge with an innovative global mindset to assist our clients in establishing and driving their business and investment strategies in Malaysia and globally, with a view to promoting Malaysia as a strategic investment hub in the region."

B&M did work for Jho Low./ Javace Sdn Bhd in its GO for UBG.

AMBANK (M) BHD

When 1MDB issued its first bond – a RM5.0 billion 30-year sukuk – in August 2009, the banking industry was surprised that AmBank was picked to handle it. AmBank worked with Goldman Sachs on the bond issuance, which was guaranteed by the Malaysian government.

The way the selling of the attractive bond was done upset some banks that were cut off from participating. The bonds were deemed

attractive because the interest 1MDB was willing to pay those who bought the bonds was 5.75% – which was higher than the usual 4% for debt issued and guaranteed by the Malaysian government.

Banking sources say certain intermediaries made money from the 1.75% spread between the 5.75% interest 1MDB was prepared to pay and the 4% benchmark rate.

AmBank was also involved in other Jho Low and 1MDB deals, including financing Jho Low's acquisition of stakes in UBG that totalled RM1.5 billion at one stage.

AmBank also provided financing of around RM2.5 billion for 1MDB's acquisition of the TRX land and Air Force land in Sungai Besi to develop Bandar Malaysia, which has since been settled in full. It was also supposed to lead manage a RM8.4 billion sukuk to raise money for 1MDB to build the Project 3B power plant but this has since been called off.

DEUTSCHE BANK MALAYSIA

While AmBank was the favourite local bank, Deutsche was the foreign bank that 1MDB used for international transactions, starting with the movement of the first US\$1.0 billion out of the

country in September 2009. This included the questionable remittance of US\$700 million to the RBS Coutts Account in Zurich, whose beneficiary owner was the Jho Low-controlled Good Star Ltd (Seychelles). Deutsche Bank Singapore also raised US\$975 million for 1MDB last September to help pay the US\$1.0 billion needed to terminate the Aabar options.

GOLDMAN SACHS

America's largest and most controversial investment bank (its CEO Lloyd Blankfein once boasted that it was doing God's work) was the biggest beneficiary of the deal flow from 1MDB, thanks to the close relationship between Jho Low and its Southeast Asian head Tim Leissner.

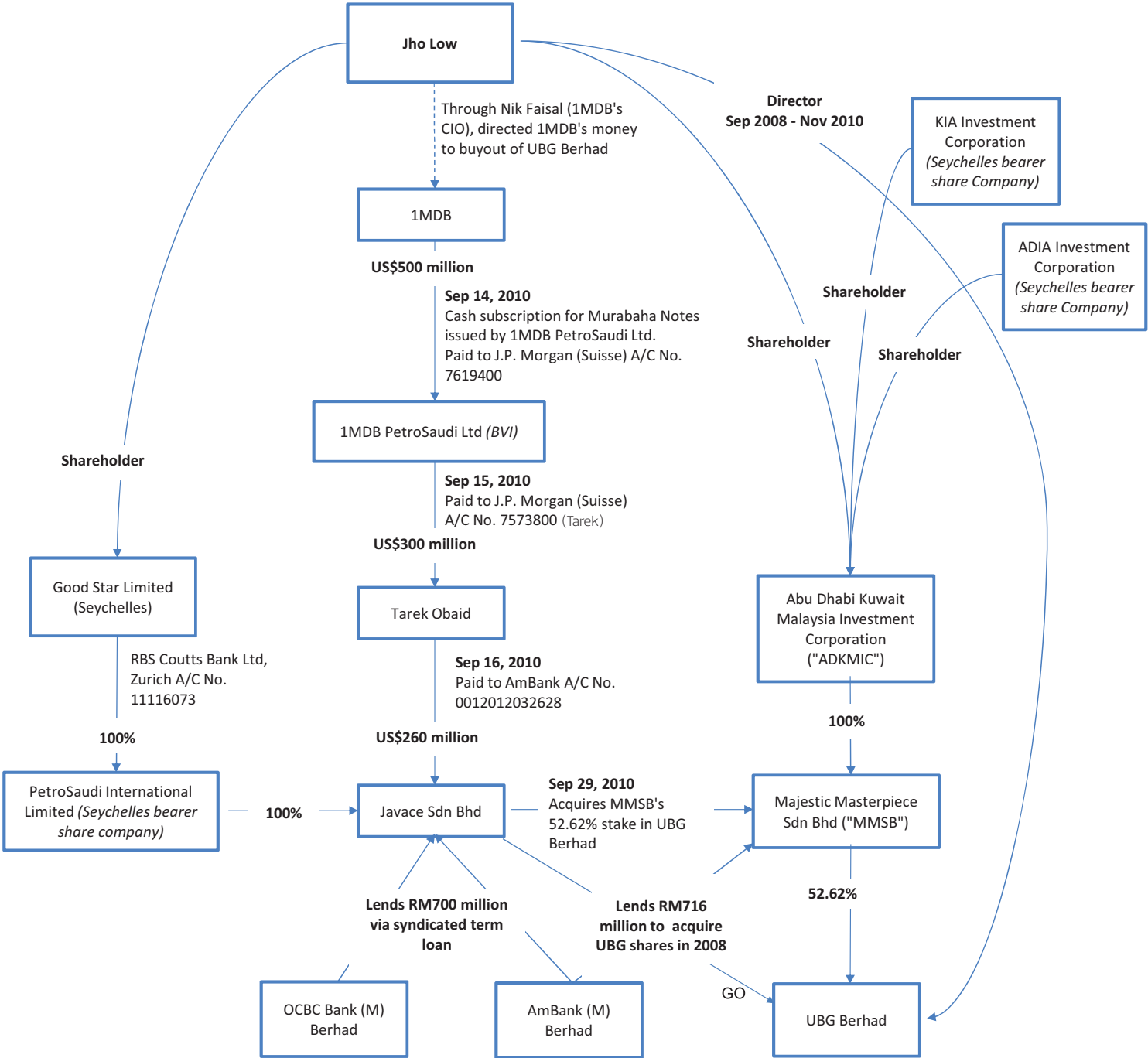
(The two men also share a liking for American supermodels. While Jho Low parties with the likes of Paris Hilton, Leissner is married to Kimora Lee.)

In 2011 and 2012, Goldman Sachs led three international bond issues for 1MDB totalling US\$6.5 billion, for which they received fees and commissions of US\$670 million (RM2.4 billion) or just over 10% of the gross proceeds.

This was way higher than the 0.5%-2% fees that investment banks normally make from bond issues.

It must be asked whether the 1MDB board of directors and its shareholder the Ministry of Finance Inc knew that a large part of the US\$500 million was to be used for the takeover of UBG. And did they know that the member of staff they just hired as their CIO – Nik Faisal – and their executive director Tang were working with Mahony and Jho Low with the intention of getting more money from 1MDB in order to proceed with a takeover of UBG?

How Jho Low used US\$260 million of 1MDB's cash to buy UBG in 2010



Timeline of Jho Low’s corporate and financial wheeling & dealing using US\$1.83 billion that belonged to 1MDB

2006
OCT: Low Taek Jho or Jho Low, then a mere 26-year-old, attempted to lobby support for Kuwait Finance House's bid for RHB Bank Bhd, which was put up for sale by Utama Banking Group Bhd (UBG), but did not succeed. UBG was controlled by the family of then Sarawak chief minister Taib Mahmud.

2007
MARCH: EPF offered to buy RHB Capital Bhd/RHB Bank from UBG for RM2.25 billion and completed the acquisition a few months later. UBG ended up with a hefty cash pile.
AUG: Swan Symphony Sdn Bhd (owned by Abu Dhabi Kuwait Malaysia Investment Corp [ADKMIC]) bought a 49% stake in Putrajaya Perdana Bhd from E&O Bhd for RM199 million. Jho Low has a 10% stake in ADKMIC and Seychelles-incorporated bearer share companies own 42%.
NOV: Binary Bestari Sdn Bhd (also owned by ADKMIC) bought a 45.6% stake in Loh & Loh Corp Bhd from Vistal Achievement Sdn Bhd for RM111.5 million.

2008
JAN 31: UBG bought 49% in Putrajaya Perdana from Swan for RM332 million cash and 37.6% in Loh & Loh from Binary for RM124 million cash. UBG also sold 183 million of its own shares to Majestic Masterpiece Sdn Bhd (which is owned by Jho Low) for RM456.6 million cash.
MAY 23: UBG subscribed for a 51% stake in Unity Capital International (Cayman) Ltd, an asset management company, under which UBG later placed RM350 million to manage. (In 2011, UBG wrote off RM280 million of the money placed with Unity.)
JULY 18: Majestic launched a general offer (GO) for UBG, which eventually failed. UBG

also offered to buy the remaining shares in Putrajaya Perdana for RM343 million and remaining shares in Loh & Loh for RM205 million but failed.
SEPT 19: Jho Low and his associate Tan Vern Tact join the board of UBG.

2009
AUG 27: Tarek Obaid introduced Jho Low to Patrick Mahony, head of M&A at PetroSaudi International Ltd (PSI). Tarek owns PSI with Prince Turki – the son of the late King Abdullah of Saudi Arabia. PSI is not a government-owned entity.
SEPT 7: Jho Low met Mahony in New York with Seet Li Lin and Tiffany Heah.
SEPT 11: Mahony emailed a four-page note to Jho Low, Seet and Heah to summarise their discussions on how 1MDB and PetroSaudi can work together.
SEPT 15: Seet sent a five-page note to Jho Low, Heah, Tarek and Mahony on the JV structure and timeline.
SEPT 18: Jho Low introduced 1MDB CEO Shahrol Halmi to Tarek and Mahony. Told them JV must be signed by Sept 28.
SEPT 18: PetroSaudi Holdings (Cayman) set up 1MDB PetroSaudi Ltd (BVI), which would be the JV company.
SEPT 20: Shahrol asked Mahony for a list of assets valued at US\$1.5 billion that PSI would be injecting into the JV and was told it was not ready.
SEPT 22: Mahony received a draft of the JV agreement (commented by Jho Low) from Heah and forwarded it to PSI's lawyers.
SEPT 25: PetroSaudi Holdings (Cayman) signed an agreement to "lend" US\$700 million to 1MDB PetroSaudi – three days before the JV was signed.
SEPT 28: JV agreement signed between 1MDB and PetroSaudi Holdings (Cayman).
SEPT 29: PetroSaudi Holdings (Cayman)

writes to 1MDB PetroSaudi demanding payment of the fake US\$700 million loan.
SEPT 29: 1MDB remitted cash via Deutsche Bank Malaysia in two tranches of US\$300 million and US\$700 million for the JV.
OCT 2: Deutsche Bank Malaysia informed 1MDB it must reveal the beneficial owner of account 11116073 at RBS Coutts Zurich before the US\$700 million is allowed to be credited. Shahrol replied that the beneficial owner was Good Star Ltd (Seychelles) – a company controlled by Jho Low.
DEC 1: 1MDB executive director Casey Tang via email introduced Mahony to Nik Faisal Ariff Kamil who had just joined 1MDB as chief investment officer from UBG. Tang said Nik Faisal would liaise with Mahony on all matters related to budget and funds for 1MDB PetroSaudi. Mahony was CEO of 1MDB PetroSaudi.
DEC 17: Mahony sent an email to Nik Faisal saying that they were short of US\$120 million to do certain things, including a plan to take over UBG and said Jho Low agreed that they must find ways to get more cash from 1MDB over and above the US\$1.0 billion it had already invested.

2010
JAN 8: PetroSaudi International Ltd (Seychelles) (PSI Seychelles) announced that it would buy a stake in UBG from several shareholders, including Majestic Masterpiece and said it also intended to take over Loh & Loh and Putrajaya Perdana.
PSI Seychelles appeared to be part of PetroSaudi Group in name but was actually a bearer share company that was fronted by Tarek Obaid for Good Star Ltd (Seychelles), which was controlled by Jho Low. A bearer share company is one

in which the owner is the person who is actually in physical possession of the share certificate.
MARCH 31: 1MDB called off its JV with PetroSaudi Holdings (Cayman), which became the 100% owner of 1MDB PetroSaudi – the JV company. Instead of getting its US\$1.0 billion cash back, 1MDB agreed to lend the money to 1MDB PetroSaudi in the form of Murabahah notes.
JULY: 1MDB agreed to subscribe for an extra US\$500 million Murabahah notes issued by 1MDB PetroSaudi.
SEPT 6: 1MDB received Bank Negara Malaysia approval to remit US\$500 million.
SEPT 14: 1MDB, via AmBank, remitted US\$500 million to 1MDB PetroSaudi's account (7619400) at JP Morgan Suisse in Switzerland.
SEPT 15: From the US\$500 million, US\$300 million was sent to the personal account (7573800) of Tarek Obaid, also at JP Morgan Suisse. From there, US\$260 million was moved to Javace Sdn Bhd's account (0012012032628) at the AmBank branch at Menara Dion in Kuala Lumpur. (Javace was the vehicle to be used by Jho Low to make a general offer for UBG shares.) Tarek also transferred US\$100 million each to two other companies he owned – PetroSaudi International (Cayman) and PetroSaudi Holdings (Cayman) – while the remaining US\$40 million remained in his personal account.
SEPT 29: PSI Seychelles via Javace made GO offer for UBG for a total of RM1.4 billion or RM2.50 a share. Javace raised RM700 million via a syndicated term loan from AmBank(M) Bhd and OCBC Bank (M) Bhd while the rest came from the US\$260 million that originated from 1MDB.
DEC 17: Javace completed the takeover

of UBG. Taib Mahmud's family received RM465 million for selling their stake.
DEC 21: Loh & Loh and Putrajaya Perdana delisted from Bursa Malaysia.

2011
JAN 17: UBG delisted from Bursa Malaysia.

2012
SEPT 13: UBG sold Putrajaya Perdana to Cendana Destini Sdn Bhd and Loh & Loh to Selesa Produktif Sdn Bhd for RM240 million and RM260 million respectively.

2014
APRIL 1: Putrajaya Perdana bought a 37.5% stake in Iskandar (Holdings) Co Ltd for RM240 million cash. Iskandar (Holdings) is a consortium of Middle Eastern investors plus Jho Low (via Butumba), who then sold his stake to Unity Capital, in which UBG placed RM350 million to be invested.
MAY/AUGUST: With all the assets sold and money distributed, Jho Low wound down UBG and Javace while 1MDB was stuck with the so-called Murabahah notes valued at US\$2.2 billion. The notes were first parked in Cayman, then half of them were transferred to 1MDB's account at Swiss private bank BSI in Singapore.

Dear readers, this timeline shows how Jho Low, with help from Mahony, Tarek and 1MDB executives, used US\$260 million to buy UBG. What about the rest of the US\$1.83 billion of 1MDB money that was put into the deals with PetroSaudi? In our next issue, we will show more of the movement of 1MDB's cash.

Mahony and Tarek upset by Jho Low’s handling of Star interview on UBG takeover

On Jan 16, 2010, *The Star* published a Question & Answer with an unnamed PetroSaudi International (PetroSaudi) official about its investment in UBG Bhd.
A reply to one of the questions angered both PetroSaudi owner Tarek Obaid and CEO Patrick Mahony because it stated that PSI was owned jointly by Tarek and the Royal Family of Saudi Arabia.
The question was: "There is a cynical view that the deal (purchase of UBG) is in some ways a bailout of CMSB (Cahaya Mata Sarawak Bhd), controlled by the Sarawak chief minister's family. Your comment, please."
The reply by the unnamed PetroSaudi official was: "PSI is a reputable international company owned by Sheikh Tarek Obaid jointly with the Royal Family of the Kingdom of Saudi Arabia. Our main objective is to look for good partners and value propositions for our stakeholders. We have no interest in the fortunes of CMSB."
The sensitivity was because PetroSaudi was not a company that belonged to the Saudi government but was "presented" to the Malaysian media as such to make it seem like the joint venture with 1MDB was a government-to-government collaboration.
Although Tarek's partner in PetroSaudi

was Prince Turki – a son of the late King Abdullah – PSI was a private company and not owned by the Saudi government.
In various emails between Tarek, Mahony, Jho Low and 1MDB executives, it was always made clear that nothing in writing must ever be stated that PetroSaudi belonged to the kingdom (government/royal household).
So when the newspaper article appeared, Tarek hit the roof because of the reference to the royal family and Mahony had to explain that this was not the reply he had suggested.
Mahony wrote to Tarek on Jan 18 to explain that he actually preferred not to entertain any interview request but that Jho Low had insisted on it.
"I never authorised them to say what came out and made it very clear to Jho when we spoke...he has acknowledged the f...k up..." Mahony wrote in the email to Tarek which was filled with expletives.
Other emails showed that the PR agency hired to represent PetroSaudi on the UBG deal explained that it could not be faulted for the flap created by *The Star* article.
From these emails, it was clear that the PetroSaudi official referred to by *The Star* was Jho Low.

FROM PREVIOUS PAGE Who is PetroSaudi International (Seychelles)?

Despite the PetroSaudi name, PetroSaudi International (Seychelles) (PSI Seychelles) is not owned by PetroSaudi.
PSI Seychelles is a bearer share company, which means the owner of the company is whoever holds the physical share certificate at the particular time. (See visual showing PSI Seychelles bearer share certificate on next page)
In the takeover documents submitted to the Se-

curities Commission Malaysia (SC) for the takeover of UBG, it was stated that PSI's owner Tarek Obaid was the ultimate offeror of the GO as he was the sole shareholder of PSI Seychelles.
However, other documents *The Edge* has seen showed that the beneficial owner of PSI Seychelles was not Tarek Obaid but Good Star Ltd – a company controlled by Jho Low and his associate Seet Li Lin.
Jho Low was actively involved in the takeover and was making decisions and kept in the loop throughout by Mahony and Nik Faisal (see Email 4).

From: Low, Jho <jho.low@gmail.com>
Sent: Friday, 11 December, 2009 11:15 PM
To: Patrick Mahony
Subject: Re: PSI letter

EMAIL 4
Jho Low,
Nik Faisal and
Mahony

In singapore. Bbm.

From: Patrick Mahony <Patrick.Mahony@Petrosaudi.com>
Date: Fri, 11 Dec 2009 16:12:06 +0100
To: jho.low@gmail.com<jho.low@gmail.com>
Subject: RE: PSI letter
Need to speak with you urgently today. Where are you? Thanks

From: Low, Jho [mailto:jho.low@gmail.com]
Sent: Friday, 11 December, 2009 4:10 PM
To: gersik.mas@gmail.com; Patrick Mahony
Subject: Re: PSI letter

Do one from psi to mmsb and jvc to mmsb.

Pls setup spv's under psi as takeover may still happen under psi

And another one under jvc

Thanks nik and patrick!

From: gersik.mas@gmail.com
Date: Fri, 11 Dec 2009 23:01:17 +0800
To: <patrick.mahony@petrosaudi.com>
Cc: <jho.low@gmail.com>
Subject: PSI letter

Dear Patrick,

Kindly find attached the draft letter indicating PSI's proposal for 1MDB-PSI Jv co to consider the acquisition of UBG Group for your consideration.

Best Regards

From: Low, Jho <jho.low@gmail.com>
Sent: Friday, 8 January, 2010 7:37 PM
To: Tarek Al-Obaid
Subject: Fw: Fyi

-----Original Message-----
From: "Low, Jho" <jho.low@gmail.com>
Date: Fri, 8 Jan 2010 11:36:30
To: <patrick.mahony@petrosaudi.com>
Subject: Fyi
If stock exchange asks psi, ure advisor for ubg deal is AmlInvestment Bank (local advisor) Cms just made announcement so stock exchange may ask And u sp...hna Yu of AmlInvestment Bank Appointment letter dated today, 8 Jan 2010 by psi and will be transferred to spv sdn bhd

“Ultimately, it would seem that the information to Bank Negara was flawed, and any approval will only be as good as the underlying documents.”

AS REPORTED IN THE EDGE (ISSUE 1070, JUNE 8, 2015)

THE EDGE MALAYSIA
INVESTIGATIVE REPORTS
ON 1MDB

Jho Low's lifestyle & fortune

Jho Low's New York penthouse overlooking Central Park, once home to celebrity couple Beyonce and JayZ:

US\$31 million



Jho Low's private luxury yacht *Equanimity*:

world's 34th largest



Mark Rothko's *Yellow and Blue* sold in May 2015 for:

US\$46.5 million



Jean-Michel Basquiat's *Dustheads*:

US\$48.8 million



Jho Low's Beverly Hills mansion:

US\$39 million

That Jho Low was a party to the GO was further evident from the fact that in the GO document dated Sept 29 served on the board of UBG through AmInvestment Bank Bhd, it was stated that apart from Tarek Obaid, the others who were persons acting in concert were Geh Choh Hun and Ong Chun Jiet as directors of Javace.

Both Geh and Ong are known associates of Jho Low.

Clearly, Jho Low, via Good Star Ltd, was the owner of PSI Seychelles/Javace and this raises the question of whether there was a breach of law for failing to declare himself a party acting in concert.

This was made worse by the fact that not only was he an offeror of the GO but he was also an offeree because at the time, he already owned 52.62% of UBG via Majestic Masterpiece Sdn Bhd. Majestic had bought the shares in UBG in 2008 financed by a RM716 million term loan from AmBank.

Indeed, Jho Low was very conscious of this and using his secret email, project.uganda1@gmail.com, he wrote to Tarek Obaid and Patrick Mahony on Dec 23, 2009:

“Important Note: For all UBG Bhd related matters, please reply to this e-mail but KINDLY DO NOT STATE any reference to persons, or people’s names in reply to e-mails due to sensitivities in UBG Berhad and “insider trading” issues, etc.” (See Email 5)

The Javace takeover of UBG was completed on Dec 17, 2010, and saw the family of then Sarawak chief minister Taib Mahmud exiting with RM465 million cash.

With UBG now wholly owned by Javace, Jho Low subsequently sold UBG’s stakes in

Putrajaya Perdana Bhd and Loh and Loh Corp Bhd.

Loh and Loh was sold to Selesa Produktif Sdn Bhd for RM260 million and Putrajaya Perdana was sold to Cendana Destini Sdn Bhd for RM240 million on the same day — Sept 13, 2012.

Cendana Destini’s main shareholder is Datuk Rosman Abdullah, who was formerly with Malaysia Airports Holdings Bhd. Putrajaya Perdana subsequently saw the emergence of Lembaga Urusan Tabung Haji (LUTH) as a 30% shareholder. LUTH CEO Tan Sri Ismee Ismail is a director of 1MDB. It is not known how much LUTH paid for the stake.

In 2012, company documents showed UBG paid RM540 million in dividends and capital repayment to Javace and Jho Low.

With no business and assets left, Jho Low then tied up all the loose ends by liquidating Javace and UBG in May and August 2014, respectively.

The young man from Penang had surreptitiously used 1MDB’s money to launch a complex corporate takeover that involved three listed companies and the powerful family of Taib Mahmud, and after that took them private and stripped off all their assets. He then closed UBG and Javace and hoped that no one would bother to find out what had happened.

His use of US\$260 million of 1MDB’s cash was hidden from the public eye by the curtain provided by Tarek and Mahony via PetroSaudi and the Murabahah notes.

And it was done with the complicity of top 1MDB executives. **E**

PetroSaudi International Ltd						
BEARER CERTIFICATE NUMBER	NO. OF SHARES	DISTINCTIVE NUMBERS		DATE OF ISSUE	PAR VALUE PER SHARE	CONSIDERATION PAID
		FROM	TO			
1	*****	1	1	7 OCTOBER 2009	US\$1.00	US\$1.00

BEARER SHARE CERTIFICATE
OF
PetroSaudi International Ltd
INCORPORATED IN REPUBLIC OF SEYCHELLES
Authorised Capital: US\$1,000,000.00 divided into 1,000,000 shares of US\$1.00 per value

THIS IS TO CERTIFY THAT THE BEARER OF THIS CERTIFICATE IS ENTITLED TO THE SHARES SPECIFIED HEREUNDER SUBJECT TO THE RULES AND LAWS GOVERNING THE ADMINISTRATION OF THE COMPANY

BEARER CERTIFICATE NUMBER	NO. OF SHARES	DISTINCTIVE NUMBERS		DATE OF ISSUE	PAR VALUE PER SHARE
		FROM	TO		
1	*****	1	1	7 OCTOBER 2009	US\$1.00

EVEN UNDER THE COMMON SEAL OF THE COMPANY ON THE DATE STATED ABOVE AND IN THE PRESENCE OF

DIRECTOR DIRECTOR SECRETARY

PSI Seychelles bearer share certificate

From: Project Uganda <project.uganda1@gmail.com>
Sent: Wednesday, 23 December, 2009 8:12 PM
To: Patrick Mahony; Tarek Obaid
Subject: Updated (23 December 2009): UBG Bhd Acquisition.
Attachments: PSI (Seychelles) - Resolution for UBG Deal.doc; Disposal CMSR CMSP - Final_est.xlsx; 091222_Lead_PSI_to_CHSB.doc; 091222_Lead_PSI_to_CMS.doc; 091222_Lead_PSI_to_MM5B.doc; 091222_Lead_PSI_to_PPES.doc

As the files are too big, we received a rejection e-mail from the Petrosaudi server.

To retrieve the e-mail and files below (its the first e-mail):

login: project.uganda1@gmail.com
password: 12littlemonkeys

(Important Note: For all UBG Bhd related matters, please reply to this e-mail but KINDLY DO NOT STATE any reference to persons, or people's names in reply to e-mails due to sensitivities in UBG Bhd deal and "insider trading" issues, etc.)

EMAIL 5
Jho Low to
Mahony and
Tarek

The Puppet Master

Jho Low plays puppet master to 1MDB to get billions for his deals. He pocketed RM516 million flipping 3 companies with help of 1MDB cash



BY THE EDGE MALAYSIA

In the June 8 issue of *The Edge*, we detailed how Low Taek Jho or Jho Low surreptitiously used US\$260 million of 1 Malaysia Development Bhd's (1MDB) cash to mount a takeover of UBG Bhd in 2010.

We provided evidence of complicity between Jho Low, 1MDB executives (Nik Faisal Ariff Kamil and Casey Tang) and PetroSaudi International executives (Tarek Obaid and Patrick Mahony) to get 1MDB to take up an additional US\$500 million of Murabahah notes from PetroSaudi.

We also showed how US\$260 million was then channelled to Tarek Obaid and then to Javace Sdn Bhd, which is owned by PetroSaudi Seychelles (a bearer share company controlled by Jho Low), to make a general offer for UBG for RM1.4 billion.

The US\$260 million was the cash that Jho Low needed to help him exit from the series of complex transactions involving UBG Bhd, Putrajaya Perdana Bhd (PPB) and Loh & Loh Corp Bhd (LLCB) that he started in 2007. (Javace also borrowed RM700 million from AmBank (M) Bhd and OCBC Bank (M) Bhd for the GO).

When he finally exited, Jho Low made RM516 million.

Here is how he did it.

The background

In 2006, Jho Low lobbied Khazanah Nasional Bhd to sell its stake in RHB Bank Bhd to Kuwait Finance House to enable KFH to take over the bank, which was put up for sale by UBG Bhd — a company owned by the family of the then Sarawak chief minister Tan Sri Taib Mahmud.

But the KFH bid failed, and UBG and Khazanah eventually sold RHB Bank to the Employees Provident Fund. The disappointment that came with not being able to swing RHB Bank to KFH, however, did not stop Jho Low from turning failure into an opportunity.

With UBG sitting on RM2.23 billion after the sale of RHB Bank, Jho Low eyed the cash and moved quickly to connect with Taib.

Sources say Jho Low promised that in return for allowing him to buy a substantial stake in UBG, he would help bring in powerful investors from the Middle-East to help drive what was then Taib's pet project — SCORE, or Sarawak Corridor of Renewable Energy — which needed billions in investment.

Jho Low arranged for Taib to meet his friends and business associates linked to the governments of various Middle East countries, and Taib was impressed, thinking that these would be government-to-government initiatives when they were not. (See "Jho Low uses bearer share firms and those with sovereign names to mislead")

Transactions 1

On Aug 8, 2007, Jho Low acquired a 49.3% stake in PPB via Swan Symphony Sdn Bhd for RM199 million.

One month later, on Nov 9, he acquired a 45.6% stake in LLCB via Binary Bestari Sdn Bhd for RM111.5 million.

Swan Symphony and Binary Bestari were owned by Abu Dhabi Kuwait Malaysia Investment Corp (ADKMIC), a British Virgin Islands-registered investment holding company.

Jho Low controlled ADKMIC and his cost of investment in PPB and LLCB came up to RM310.5 million.

Transactions 2

On Jan 31, 2008, Jho Low flipped his stake in PPB to UBG for RM332.7 million, pocketing a cool RM133.78 million in profit. He also sold down 8% of his stake in Loh & Loh Corp to a third

party on the same day, raising RM19.6 million.

On July 25, 2008, Jho Low closed out his position in Loh & Loh Corp by disposing of it for RM123.9 million to UBG.

Ultimately, these series of transactions yielded him a tidy profit of RM165.7 million.

His wheeling and dealing did not end there.

While all the above was taking place, Jho Low was actively acquiring UBG shares using another ADKMIC vehicle, Majestic Masterpiece Sdn Bhd.

Transactions 3

On Feb 11, 2008, Jho Low via Majestic Masterpiece acquired 45.4 million shares in UBG at RM2.50 per share for a total of RM113.6 million from several investors.

A few months later on Aug 4, 2008, he acquired a further 182.6 million shares in UBG at RM2.50 per share via a restricted share issuance.

Soon after, he launched a GO for UBG via Majestic Masterpiece on Aug 8, 2008, at RM2.50 per share.

The GO ultimately failed.

But by the offer acceptance closing date on Sep 10, 2008, Jho Low managed to acquire an additional 36.9 million shares for RM92.1 million from minority shareholders.

A few weeks later on Sept 30, 2008, he then disposed of 1.63 million shares at RM2.50 per share, raising RM4.08 million in the process.

At this point, Jho Low's total cost of investment (after subtracting the 1.63 million shares disposed) through Majestic Masterpiece in UBG amounted to RM658.2 million.

Now, all he had to do was to cash himself out.

On Sept 29, 2010, Jho Low used PetroSaudi Seychelles/Javace to make a GO for all UBG shares for RM1.4 billion with the US\$260 million cash and a RM700 million loan from AmBank and OCBC Bank.

In the process, PetroSaudi Seychelles/Javace took out ADKMIC/Jho Low by acquiring Majestic Masterpiece's entire 52.5% stake in UBG for RM658.3 million or RM2.50 per share. This means that Jho Low broke even after this drawn-out exercise of flipping UBG to PetroSaudi Seychelles/Javace as his cost was RM658.2 million.

So, why go through all the trouble only to break even?

Well, he did not break even.

As we explained above, he made RM165.7 million from Transactions 2.

He made another RM350 million by flipping a piece of land in Medini, Iskandar, into UBG. UBG's cash was used to acquire the land that Jho Low had an option to buy.

To do so, he got UBG to invest RM350 million with Unity Capital Partners (Cayman) Ltd, which was an asset management company that UBG had just bought for a small sum of money when Jho Low was already in control. Unity Capital was managed by fund manager Ian Tham.

Using the RM350 million, Unity Capital then bought out Jho Low's option in the Medini land, netting him US\$100 million (RM350 million) in profit.

This use of UBG's money upset Taib. To placate the powerful politician, Jho Low then did the GO for UBG that enabled Taib to cash out for around RM465 million.

While UBG subsequently wrote off that investment with Unity Capital from its books, Jho Low walked away with a cool RM515.7 million from his three-year interlude with UBG. ■

WE STAND BY WHAT WE PUBLISHED AND THERE IS MORE TO COME

Following our Cover Story on June 8, 2015, "How Jho Low used US\$260 million of 1MDB's cash to buy UBG in 2010", several anonymous bloggers posted that we had got our facts wrong and used half-truths to discredit Jho Low and 1MDB.

We would like to repeat what we have said before, and that is we stand by all the articles we have published on Jho Low and 1MDB. We have also said that we are prepared to go to court to defend what we have published, but to date, no one has taken us to court.

To the bloggers, we say, watch this space as there is more to come.

Jho Low uses bearer share firms and those with sovereign names to mislead



A notable modus operandi of Jho Low in his corporate wheeling and dealing is the use of companies with names that create the impression that they are linked to or owned by the governments of Middle East countries.

More often than not, these companies are registered in places like the Seychelles, British Virgin Islands and Caymans, where information is hard to come by.

Jho Low also uses bearer share companies as a device to conceal the ownership of companies that are ultimately controlled by him and through which he pulls the strings.

Because the owner of a bearer share is whoever holds the share certificate at a particular time, the ownership can change hands easily. This is something that regulators and bankers are wary about because it is hard to determine who the actual owner is.

In fact, in many jurisdictions, the use of bearer share companies in corporate and banking transactions is not allowed.

An example of Jho Low's modus operandi is Abu Dhabi Kuwait Malaysia Investment Corp (ADKMIC).

ADKMIC, via Majestic Masterpiece Sdn Bhd, was a shareholder in UBG Bhd, Loh & Loh Corp Bhd (LLCB) and Putrajaya Perdana Bhd (PPB) at different points in time between 2007 and 2010.

These three Bursa-listed companies were eventually privatised in a RM1.4 billion swoop by Javace Sdn Bhd in September 2010.

(As we reported in our issue of June 8, 2015,

PetroSaudi Seychelles and Javace — companies controlled by Jho Low — had used US\$260 million (RM850 million) of 1MDB's cash to take over UBG in 2010.)

ADKMIC was incorporated in the Territory of the British Virgin Islands (BVI) on July 27, 2007, as company number 1422027. Its principal activity is investment holding and it is not listed on any stock exchange. It has an authorised share capital of 50,000 ordinary shares of US\$1 par value, of which 1,000 shares have been issued and fully paid up.

Its shareholder list shows that it is owned by three companies and six individuals, one of whom is Jho Low.

The shareholders of ADKMIC are:

- ADIA Investment Corp (ADIA) (Republic of Seychelles) — 21%
- KIA Investment Corp (KIA) (Republic of Seychelles) — 21%
- Abu Dhabi-Malaysia (Business Development) Investments Corp (ADMDB) (British Virgin Islands) — 10%
- Low Taek Jho (Malaysian) — 10%
- Tan Vern Tact (Malaysian) — 10%
- Other individuals — 28%

ADIA and KIA are Seychelles bearer share companies

It appears that ADIA and KIA are owned by the Abu Dhabi Investment Authority and the Kuwait Investment Authority (both sovereign wealth funds). After all, the former and latter are commonly abbreviated as ADIA and KIA.

However, the use of these abbreviations by

ADIA Investment Corp and KIA Investment Corp is misleading and gives the companies the appearance of being government owned when they are not.

We can establish this fact because ADIA and KIA are Seychelles-incorporated bearer share companies. A bearer share company means that the owner is whoever holds the physical share certificate at a particular time.

The owners of these share certificates were not disclosed in Bursa Malaysia filings dated Aug 8, 2008, pertaining to the failed offer by ADKMIC's subsidiary Majestic Masterpiece to buy all of UBG.

The filings stated: "The shares in ADIA Investment Corporation and KIA Investment Corporation are issued as bearer certificates. As such, the shareholders of ADIA Investment Corporation and KIA Investment Corporation have not been set out."

Would a government entity investing hundreds of millions of dollars own a bearer share company knowing that the holder of the share certificate will be entitled to full ownership?

Not likely.

The method of using Seychelles-incorporated and bearer share companies as ownership vehicles is a modus operandi of Jho Low's.

In previous articles, we have noted how two other companies controlled by him — PetroSaudi Seychelles and Good Star Ltd — were both incorporated in the Seychelles. The former is also a bearer share company and has the same name as the PetroSaudi International Group although it is not part of the group.

Timeline of Jho Low's corporate and financial wheeling and dealing using US\$1.83 billion that belonged to 1MDB

2006

OCT: Low Taek Jho or Jho Low, then a mere 26-year-old, attempted to lobby support for Kuwait Finance House's bid for RHB Bank Bhd, which was put up for sale by Utama Banking Group Bhd (UBG), but did not succeed. UBG was controlled by the family of then Sarawak chief minister Taib Mahmud.

2007

MARCH: EPF offered to buy RHB Capital Bhd/RHB Bank from UBG for RM2.25 billion and completed the acquisition a few months later. UBG ended up with a hefty cash pile.

AUG: Swan Symphony Sdn Bhd (owned by Abu Dhabi Kuwait Malaysia Investment Corp [ADKMIC]) bought a 49% stake in Putrajaya Perdana Bhd from E&O Bhd for RM199 million. Jho Low has a 10% stake in ADKMIC and Seychelles-incorporated bearer share companies own 42%.

NOV: Binary Bestari Sdn Bhd (also owned by ADKMIC) bought a 45.6% stake in Loh & Loh Corp Bhd from Vistal Achievement Sdn Bhd for RM111.5 million.

2008

JAN 31: UBG bought 49% in Putrajaya Perdana from Swan for RM332 million cash and 37.6% in Loh & Loh from Binary for RM124 million cash. UBG also sold 183 million of its own shares to Majestic Masterpiece Sdn Bhd (which is owned by Jho Low) for RM456.6 million cash.

MAY 23: UBG subscribed for a 51% stake in Unity Capital International (Cayman) Ltd, an asset management company, under which UBG later placed RM350 million to manage. (In 2011, UBG wrote off RM280 million of

the money placed with Unity.)

JULY 18: Majestic launched a general offer (GO) for UBG, which eventually failed. UBG also offered to buy the remaining shares in Putrajaya Perdana for RM343 million and remaining shares in Loh & Loh for RM205 million but failed.

SEPT 19: Jho Low and his associate Tan Vern Tact join the board of UBG.

2009

AUG 27: Tarek Obaid introduced Jho Low to Patrick Mahony, head of M&A at PetroSaudi International Ltd (PSI). Tarek owns PSI with Prince Turki — the son of the late King Abdullah of Saudi Arabia. PSI is not a government-owned entity.

SEPT 7: Jho Low met Mahony in New York with Seet Li Lin and Tiffany Heah.

SEPT 11: Mahony emailed a four-page note to Jho Low, Seet and Heah to summarise their discussions on how 1MDB and PetroSaudi can work together.

SEPT 15: Seet sent a five-page note to Jho Low, Heah, Tarek and Mahony on the JV structure and timeline.

SEPT 18: Jho Low introduced 1MDB CEO Shahrol Halmi to Tarek and Mahony. Told them JV must be signed by Sept 28.

SEPT 18: PetroSaudi Holdings (Cayman) set up 1MDB PetroSaudi Ltd (BVI), which would be the JV company.

SEPT 20: Shahrol asked Mahony for a list of assets valued at US\$1.5 billion that PSI would be injecting into the JV and was told it was not ready.

SEPT 22: Mahony received a draft of the JV agreement (commented by Jho Low) from Heah and forwarded it to PSI's lawyers.

SEPT 25: PetroSaudi Holdings (Cayman)

signed an agreement to "lend" US\$700 million to 1MDB PetroSaudi — three days before the JV was signed.

SEPT 28: JV agreement signed between 1MDB and PetroSaudi Holdings (Cayman).

SEPT 29: PetroSaudi Holdings (Cayman) writes to 1MDB PetroSaudi demanding payment of the fake US\$700 million loan.

SEPT 29: 1MDB remitted cash via Deutsche Bank Malaysia in two tranches of US\$300 million and US\$700 million for the JV.

OCT 2: Deutsche Bank Malaysia informed 1MDB it must reveal the beneficial owner of account 11116073 at RBS Coutts Zurich before the US\$700 million is allowed to be credited. Shahrol replied that the beneficial owner was Good Star Ltd (Seychelles) — a company controlled by Jho Low.

DEC 1: 1MDB executive director Casey Tang via email introduced Mahony to Nik Faisal Ariff Kamil who had just joined 1MDB as chief investment officer from UBG. Tang said Nik Faisal would liaise with Mahony on all matters related to budget and funds for 1MDB PetroSaudi. Mahony was CEO of 1MDB PetroSaudi.

DEC 17: Mahony sent an email to Nik Faisal saying that they were short of US\$120 million to do certain things, including a plan to take over UBG and said Jho Low agreed that they must find ways to get more cash from 1MDB over and above the US\$1.0 billion it had already invested.

2010

JAN 8: PetroSaudi International Ltd (Seychelles) (PSI Seychelles) announced that it would buy a stake in UBG from several shareholders, including Majestic

Masterpiece and said it also intended to take over Loh & Loh and Putrajaya Perdana.

PSI Seychelles appeared to be part of PetroSaudi Group in name but was actually a bearer share company that was fronted by Tarek Obaid for Good Star Ltd (Seychelles), which was controlled by Jho Low. A bearer share company is one in which the owner is the person who is actually in physical possession of the share certificate.

MARCH 31: 1MDB called off its JV with PetroSaudi Holdings (Cayman), which became the 100% owner of 1MDB PetroSaudi — the JV company. Instead of getting its US\$1.0 billion cash back, 1MDB agreed to lend the money to 1MDB PetroSaudi in the form of Murabahah notes.

JULY: 1MDB agreed to subscribe for an extra US\$500 million Murabahah notes issued by 1MDB PetroSaudi.

SEPT 6: 1MDB received Bank Negara Malaysia approval to remit US\$500 million.

SEPT 14: 1MDB, via AmBank, remitted US\$500 million to 1MDB PetroSaudi's account (7619400) at JP Morgan Suisse in Switzerland.

SEPT 15: From the US\$500 million, US\$300 million was sent to the personal account (7573800) of Tarek Obaid, also at JP Morgan Suisse. From there, US\$260 million was moved to Javace Sdn Bhd's account (0012012032628) at the AmBank branch at Menara Dion in Kuala Lumpur. (Javace was the vehicle to be used by Jho Low to make a general offer for UBG shares.) Tarek also transferred US\$100 million each to two other companies he owned — PetroSaudi International (Cayman) and PetroSaudi Holdings

(Cayman) — while the remaining US\$40 million remained in his personal account.

SEPT 29: PSI Seychelles via Javace made GO offer for UBG for a total of RM1.4 billion or RM2.50 a share. Javace raised RM700 million via a syndicated term loan from AmBank (M) Bhd and OCBC Bank (M) Bhd while the rest came from the US\$260 million that originated from 1MDB.

DEC 17: Javace completed the takeover of UBG. Taib Mahmud's family received RM465 million for selling their stake.

DEC 21: Loh & Loh and Putrajaya Perdana delisted from Bursa Malaysia.

2011

JAN 17: UBG delisted from Bursa Malaysia.

2012

SEPT 13: UBG sold Putrajaya Perdana to Cendana Destini Sdn Bhd and Loh & Loh to Selesa Produktif Sdn Bhd for RM240 million and RM260 million respectively.

2014

APRIL 1: Putrajaya Perdana bought a 37.5% stake in Iskandar (Holdings) Co Ltd for RM240 million cash. Iskandar (Holdings) is a consortium of Middle Eastern investors plus Jho Low (via Butumba), who then sold his stake to Unity Capital, in which UBG placed RM350 million to be invested.

MAY/AUGUST: With all the assets sold and money distributed, Jho Low wound down UBG and Javace while 1MDB was stuck with the so-called Murabahah notes valued at US\$2.2 billion. The notes were first parked in Cayman, then half of them were transferred to 1MDB's account at Swiss private bank BSI in Singapore.



HOW JHO LOW & PETROSAUDI CHEATED MALAYSIA OF US\$1.83B CASH (AND US\$400M PAPER PROFIT) WITH HELP FROM 1MDB EXECUTIVES

- Why the joint venture was a scheme to defraud
- The trail of international money laundering
- How the US\$2.23 billion hole is covered up via termination of the Aabar options

Note from the Publisher: We have a public duty to find and report the truth. After this report, which could be our last, we will hand over everything we have to the authorities investigating 1MDB and assist in any way we can.

Why we say the US\$1.83 billion 1 Malaysia Development Bhd invested in PetroSaudi International between 2009 and 2011 was a scheme to defraud Malaysia

Key Points:

1. The joint-venture agreement was signed on Sept 28, 2009. The terms include 1MDB contributing US\$1.0 billion cash for a 40% stake in the JV Co called 1MDB PetroSaudi Ltd. PetroSaudi Holdings Cayman will put in assets worth US\$2.7 billion. The JV Co will be valued at US\$2.5 billion with PetroSaudi Holdings' 60% stake derived from assets it will inject into the JV Co.
2. The valuation of the assets that PetroSaudi Holdings will put in was done by one Edward Morse who was hired by PetroSaudi and work was done within days. Morse was issued his appointment letter on Sept 20, 2009 and submitted his report on Sept 29, 2009 — a day after the JV was signed. He valued the Turkmenistan assets at US\$3.5 billion and the Argentinian assets at US\$108 million.

3. PetroSaudi Holdings never owned the Turkmenistan assets that were to be injected into the JV Co. Those assets were owned by Buried Hill Energy (Cyprus) Co Limited. PetroSaudi Holdings was only in negotiation to buy the assets from Buried Hill. They signed a negotiation agreement on July 4, 2009 and this was eventually terminated on Nov 23, 2009.

4. 1MDB did not hire its own independent valuer to do the valuation. 1MDB management did not comply with a decision of its own board of directors to do an independent valuation.

5. PetroSaudi Holdings committed FRAUD by selling assets which it did not own into the JV Co.

6. Lawyers for 1MDB, Wong & Partners, as well as the 1MDB board of directors were not given the valuation report by Edward Morse until after Sept 30, 2009 — two days after the JV agreement was signed.

7. When the deposit money of US\$7.1 million paid to Buried Hill was returned after the negotiation was cancelled, the cash was not returned to the JV Co but to PetroSaudi Holdings. This deposit money should have been returned to the JV Co as it formed part of the assets sold by PetroSaudi Holdings to the JV Co.

8. There was also FRAUD in the creation of a fake US\$700 million loan from PetroSaudi Holdings to the JV Co. These are the evidence of fraud:

- a) There was no corresponding cash in the JV Co or any of its subsidiaries on or after Sept 25, 2009 (the date the loan agreement was signed). But a letter of demand dated Sept 29, 2009 from PetroSaudi Holdings was sent to the JV Co to pay the loan.

- b) From the US\$1 billion cash that 1MDB remitted for the JV, US\$700 million was paid directly from 1MDB to Good Star Limited instead of the supposed lender PetroSaudi Holdings.

- c) The scheme to scam US\$700 million from 1MDB was discussed as "over payment" in various email exchanges and attachments between Jho Low and his associates Seet Li Lin, Tiffany Heah, with PetroSaudi executives Patrick Mahony and Tarek Obaid between Sept 11, 2009 and the signing of the JV on Sept 28, 2009.

- d) Timothy Buckland (from the UK law firm of White & Case which represented PetroSaudi Holdings) admitted in an email to Charlie Sparrow of PetroSaudi Holdings and copied to Mahony that the letter of demand for repayment of the US\$700 million loan was not needed but only "necessary for your docs to legitimise prepayment".

- e) The board of directors of 1MDB was not told about this "loan" prior to the signing of the JV on Sept 28, 2009.

9. The remittance of the US\$700 million from 1MDB to Good Star at its bank account at RBS Coutts (Zurich) approved by then 1MDB CEO Sharol Halmi was done without the consent of the 1MDB board of directors which had approved payment of the entire US\$1 billion directly to the bank account of the JV Co at JP Morgan Suisse (SA). Two directors of 1MDB Mohd Bakke Salleh and Azlan Zainol resigned because of this payment of US\$700 million to Good Star.

10. This transfer of the US\$700 million was also a breach of the approval given by Bank Negara Malaysia for 1MDB to remit US\$1 billion for the JV. BNM approved payment to the account of the JV Co at JP Morgan Suisse (SA) and not to anyone else.

Why we say Good Star was controlled by Jho Low at the time 1MDB transferred US\$700 million

Key Points:

1. 1MDB's lawyers Wong & Partners, had questioned why the US\$700

million was to be paid to Good Star Limited and not to the "lender" PetroSaudi Holdings Cayman. Patrick Mahony, the CEO of the JV Co, said that they were all part of the same company. He lied.

2. 1MDB had on Sept 29, 2009 remitted US\$700 million to account number 11116073 at RBS Coutts Zurich. The Malaysian remittance bank was Deutsche Bank Malaysia. RBS Coutts' risk and compliance unit wanted to know the beneficial owner of the account and then 1MDB CEO Shahrol Halmi replied that it was Good Star Limited.

3. Email communication between the banks and 1MDB on this payment was forwarded to Jho Low by 1MDB executive director Casey Tang.

4. Good Star executed an agreement on Sept 30, 2009 to pay PetroSaudi Holdings' executive and shareholder Tarek Obaid US\$85 million as broker fee. If Good Star was part of PetroSaudi why was there a need to do this?

5. Good Star signed a draft investment management agreement with another PetroSaudi executive Patrick Mahony on Sept 29, 2009. The chief investment officer of Good Star in the agreement was Seet Li Lin, an employee of

1MDB
Real Estate Sdn. Bhd

EDP CONSULTING GROUP SDN.BHD.
CONSULTING ENGINEERS & PROJECT MANAGERS

AS REPORTED IN THE FINANCIAL DAILY (ISSUE 2005, JULY 20, 2015)

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Jho Low at Jynwell Capital. The metadata of this document in an email attachment showed Jho Low to be the last person to save this file on Oct 1, 2009.

6. On July 21, 2010, Jho Low emailed to Mahony's Good Star bank account details at RBS Coutts in Zurich to receive part of the US\$500 million that was to come from the Murabaha notes 1MDB was to subscribe.

7. On Sept 13, 2010, Jho Low emailed again to Mahony asking him to remit the money to Good Star.

8. Between June 2011 and September 2013, Good Star remitted a total of US\$529 million in several transfers to a bank account

at the Swiss private bank BSI in Singapore that belonged to Abu Dhabi-Kuwait-Malaysia Investment Corp (ADKMIC).

9. Jho Low has been identified as the beneficial owner of that bank account which was closed in February, 2014.

10. Jho Low had declared himself as a shareholder of ADKMIC when he was involved in the acquisition of the then Bursa Malaysia-listed UBG Bhd in 2010.

Who got what and the trail of international money laundering

Key Findings:

1. Good Star Limited received in total about US\$970 million from the US\$1.83 billion that 1MDB invested with PetroSaudi Holdings Cayman between 2009 and 2011. From this amount of US\$970 million, US\$529 million went to the bank account of Abu Dhabi Kuwait Malaysia Investment Corp (ADKMIC) at BIS Bank in Singapore. Jho Low was the beneficial owner of that account.

2. Javace Sdn Bhd, the company that Jho Low used in the 2010 takeover of UBG Bhd, received US\$260 million via a loan from PetroSaudi International Seychelles. That money was transferred from the JP Morgan bank account of Tarek Obaid which he received

from the US\$500 million Murabaha notes subscribed by 1MDB in Sept, 2010. **(See The Money Trail Flow Chart next page)**

3. Besides the US\$260 million, Tarek Obaid received in total another US\$240 million from 1MDB. From this, US\$77 million was paid to his partner at PetroSaudi, Prince Turki, US\$33 million to Patrick Mahony and US\$1.0 million to Nawaf Obaid. **(See Money Trail Flow Chart)**

4. Various PetroSaudi companies received around US\$330 million, of which US\$185 million was used to buy a drill ship.

5. Some of the money received by these individuals were used for their personal investments. For example, Mahony used US\$10 million (6.5 million pounds) to buy a house in his home country the United Kingdom. **(See Money Trail Flow Chart)**

6. All these point to a clear case of fraud and international money laundering. 1MDB's money went from Malaysia to Switzerland via US clearing banks and then to the United Kingdom, the UAE and Singapore.

7. What happened to 1MDB's money is no longer a domestic issue but is a global fraud and money laundering matter involving the United States, the United Kingdom, Switzerland and Singapore. Global banks like JP Morgan, RBS Coutts, Credit Suisse, HSBC, Citibank, Deutsche Bank, BSI and others have all been channels for the money flow.

Covering the US\$2.23 billion hole (Original US\$1.83 billion cash & US\$400 million paper profit) hidden as units in the Cayman SPC via the US\$2.23 billion payment to retire the Aabar options

Key Findings:

1. With the US\$1.83 billion cash 1MDB invested with PetroSaudi Holdings Cayman all gone, how then can it cover the hole plus the so-called US\$400 million in declared profit that it was supposed to have made?

2. By 2012, all the US\$2.23 billion was captured as Murabaha notes issued by PetroSaudi. It was later "redeemed" for a 49% stake in PetroSaudi Oil Services Ltd (PSOSL).

3. On Sept 12, 2012, 1MDB "sold" this 49% interest in PSOSL to Bridge Partners International Investment Ltd for US\$2.32 billion. Bridge Partners Interna-

tional did not pay cash but issued promissory notes as payment.

4. On the same day, 1MDB through its subsidiary Brazen Sky Ltd, invested these US\$2.32 billion of promissory notes in a fund called Bridge Global Absolute Return Fund SPC which was managed by Bridge Partners Investment Manager (Cayman). According to its prospectus, the fund makes high risk investments and investors can lose all its money.

5. The actual value of the US\$2.32 billion kept in the SPC was unverifiable and the dispute 1MDB had with its then external auditor over this was the reason why KPMG was sacked for refusing to sign off the accounts for FY March 31, 2014.

6. Throughout 2013 and 2014, 1MDB's board of directors had pressed its management to redeem the money from Cayman, because it was getting worried over the increased scrutiny by its external auditors.

7. Disputes and disagreements between 1MDB and Ernst & Young and then KPMG were primarily over the inability of 1MDB and Bridge Partners Investment Manager to provide enough proof that the fund was worth the US\$2.32 billion ascribed to it or that they were readily realisable to be categorised as Available-For-Sale Investments in the audited accounts.

8. Subsequent to this, Aabar Investments stepped in to guarantee Bridge Partners International's US\$2.32 billion debt to 1MDB held as units in the Cayman SPC.

Covering The Hole:

1. In 2012, the International Petroleum Investment Corp (IPIC) of Abu Dhabi was given an option to subscribe to 49% of the future listing of the power assets owned by 1MDB. This 10-year option, which was later transferred to IPIC's associate Aabar Investments, was for co-guaranteeing two bonds totalling US\$3.5 billion that 1MDB issued.

2. In May, 2014, 1MDB and Aabar signed an agreement to terminate the options. This was stated in Page 172 of 1MDB's FY2014 accounts but no details were given.

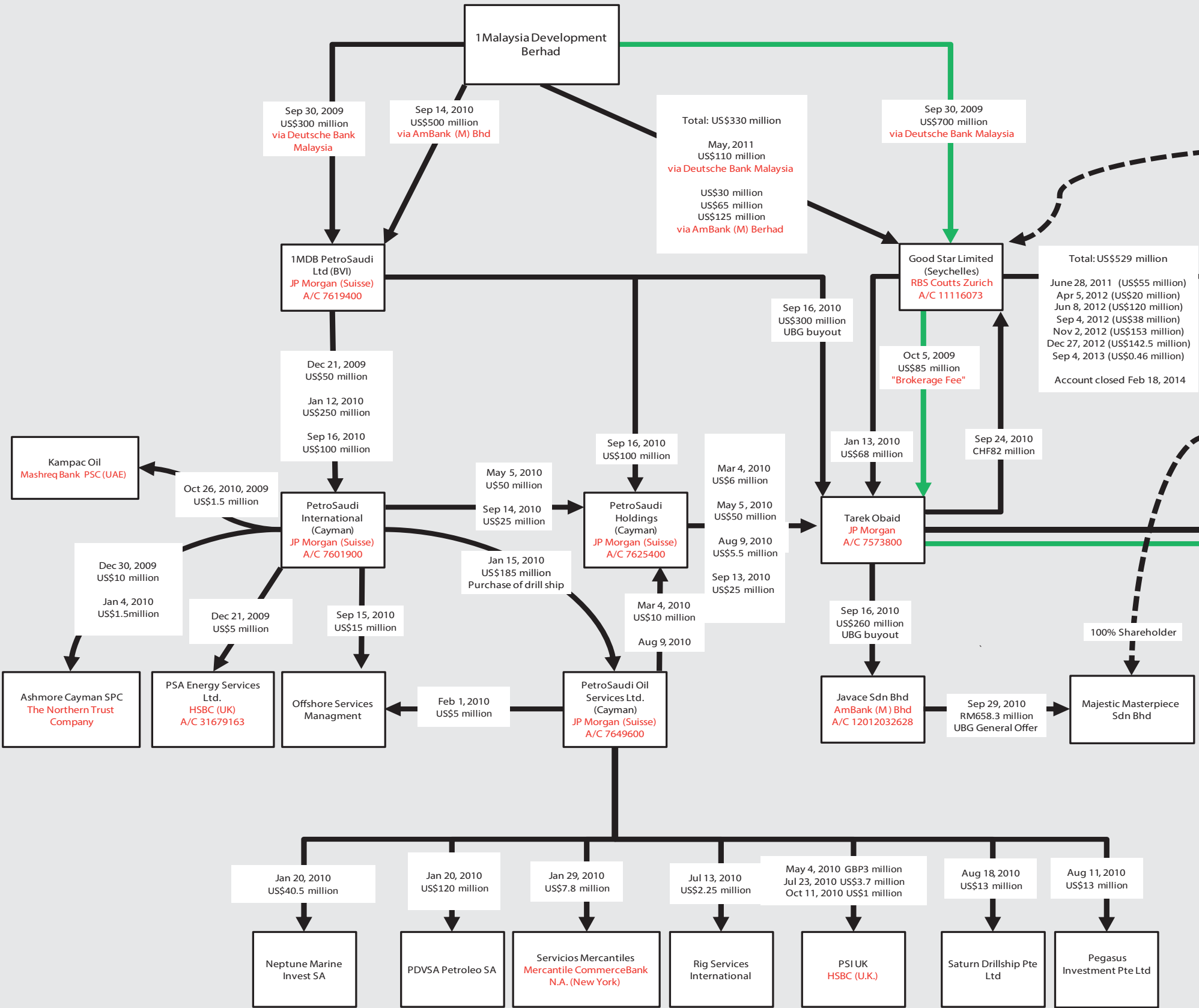
3. In page 169 of the FY2014 accounts, it was stated that 1MDB had obtained a bridging loan of US\$250 million to buy back the options.

4. In page 171, it was stated that on Sept 2, 2014, Aabar had written to 1MDB that it wished to terminate the options according to the terms set out in the agreement signed in May. Again, no details were given.

5. 1MDB has never given out enough

CONTINUES NEXT PAGE

The money trail involving global banks



FROM PREVIOUS PAGE

details of the terms and costs of terminating the Aabar options. But 1MDB appeared to have paid Aabar the following as termination costs:

- i) US\$250 million paid in May, 2014
- ii) US\$975 million paid in September, 2014 via a Deutsche Bank loan
- iii) US\$993 million paid in November, 2014 via a partial redemption of the Cayman SPC funds.

6. This adds up to a total of US\$2.22 billion.

7. The scheme to cover the US\$2.32 billion

hole at the Cayman SPC is by paying Aabar US\$2.22 billion as option termination fee. Aabar then passes the money to the Cayman SPC from which 1MDB would then be able to redeem the money, thus covering the money that was already gone.

8. The termination fee totalling US\$2.22 billion that 1MDB paid to Aabar between May and November, 2014 was, however, not reflected in the FY December, 2014 of IPIC (which owns 100% of Aabar) as income or revenue. There were no such entries in IPIC's accounts. This reinforces our analysis that the termination fees paid to Aabar

were in reality used to cover the hole at the Cayman SPC.

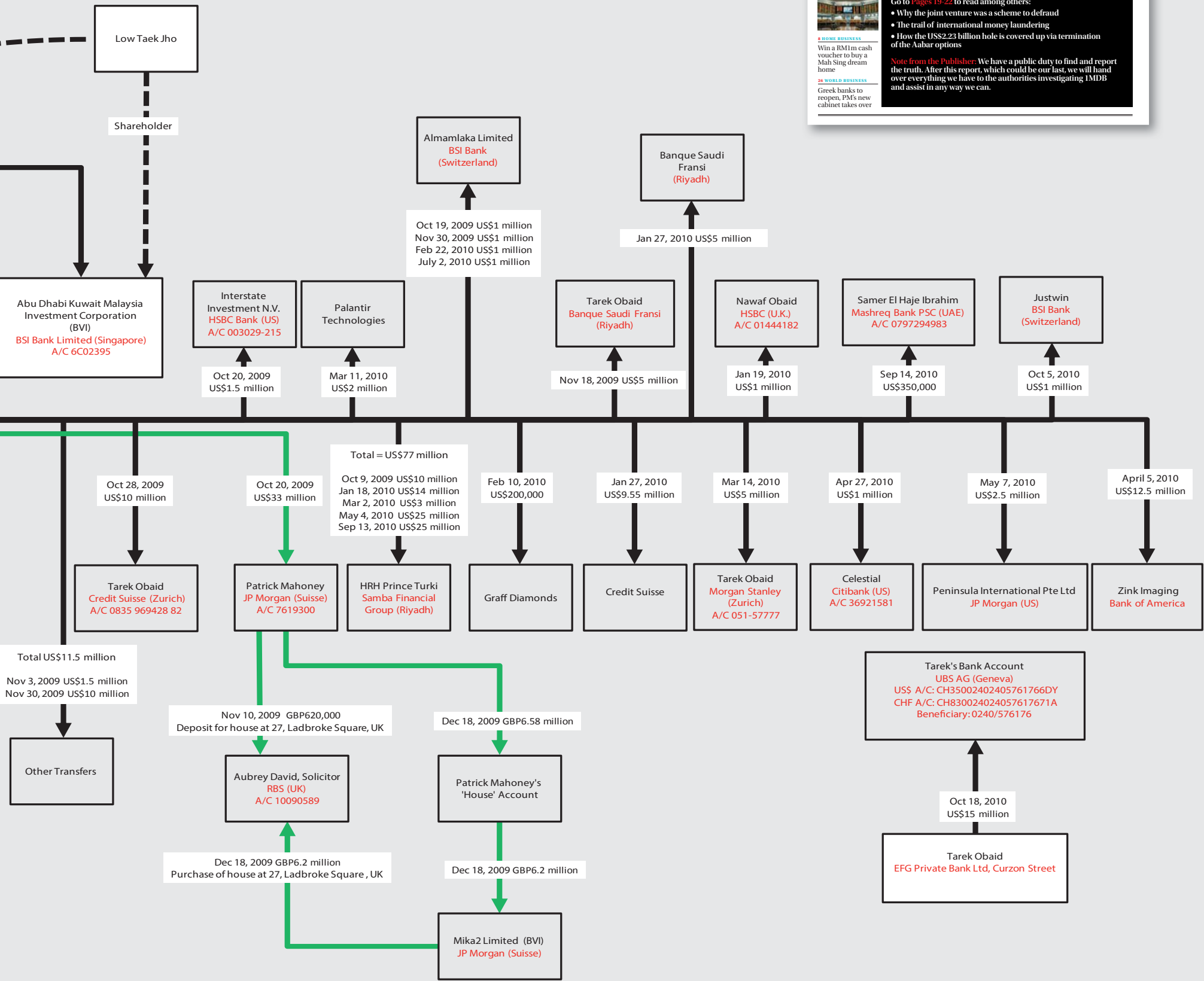
How Jho Low & associates made RM1.0 billion through a series of transactions involving Putrajaya Perdana Bhd, Loh & Loh Corp Bhd and UBG Bhd financed partly by using US\$260 million of 1MDB's money

Key Findings:

- Between 2008 and 2010, Jho Low made RM166 million entering and exiting listed companies like Putrajaya Perdana Bhd, Loh & Loh Corp Bhd and another RM350 million through the injection of a piece of land he owned in Medini, Iskandar to UBG Bhd via an asset management company called Unity Capital.
- In September, 2010, a Jho Low-controlled company called Javace Sdn Bhd made a RM1.4 billion offer to take over UBG. This was financed by a RM700 million bank loan and a US\$260 million loan

AS REPORTED IN THE FINANCIAL DAILY (ISSUE 2005, JULY 20, 2015)

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from PetroSaudi International Seychelles through Tarek Obaid's bank account. That US\$260 million came from the subscription by 1MDB to murabaha notes totalling US\$500 million issued that same month by PetroSaudi.

3. After the takeover by Javace, UBG had these assets (i) Putrajaya Perdana that was worth around RM680 million (ii) Loh & Loh which was worth RM330 million, (iii) Unity Capital with a carrying value of RM315 million and (iv) cash of RM82 million.

4. In September, 2012, UBG sold Putrajaya Perdana to Cendana Destini Sdn Bhd for RM240 million (a discount of RM440 million). It also sold Loh & Loh to Selesa Produktif Sdn Bhd for RM260 million (a discount of RM70 million).

5. It wrote down the cash and investment totalling RM397 million to RM200 million.

6. Cendana Destini and Selesa Produktif were set up by the same secretarial services company (B&M Consultancy Services Sdn Bhd) which also set up other companies that Jho Low owned. These include

Javace Sdn Bhd, Majestic Masterpiece Sdn Bhd and Wynton Private Equity Sdn Bhd. All five companies have registered offices at the Petronas Twin Towers and they have the same company secretary Lim Poh Seng.

7. B&M Consultancy is tied to Wong & Partners, the principal legal firm of Jho Low and 1MDB.

8. The buyers of Putrajaya Perdana and Loh & Loh made a gain of RM510 million at the expense of UBG. Tabung Haji subsequently bought a 30% stake in Putrajaya

Perdana in 2014 for an undisclosed sum.

9. In 2014, Javace and UBG were wound up and Javace wrote off its entire investment in UBG after paying the RM700 million bank loan.

10. The impairment of RM750 million taken by Javace is the same amount as the US\$260 million of 1MDB's cash from the murabaha notes issued by PetroSaudi. The impairment allowed the de-linking of 1MDB's money with gains enjoyed by the new shareholders of Putrajaya Perdana and Loh & Loh. Who are these people? **E**

Hidden hands, spin and the truth

BY HO KAY TAT

On the morning of July 24, 2015, *The Straits Times* of Singapore (*ST*) splashed on its print and online editions what was a world scoop — an interview with Swiss citizen Xavier Andre Justo inside a Bangkok jail.

It was headlined “I was offered \$2.7m for stolen data: Ex-PetroSaudi employee Xavier Andre Justo on the 1MDB saga”.

The report said that the group to which Justo handed documents related to 1MDB’s transactions with PetroSaudi told him they intended to “modify the documents” and use them to “bring down the Malaysian government” of Prime Minister Najib Razak. The *ST* story was picked up by the international media. Newspapers and TV stations in Malaysia, where the government had just clamped down on an investigation into 1MDB, happily reproduced the *ST* report to support Najib’s narrative.

The group that Justo referred to was principally Sarawak Report editor Clare Rewcastle Brown, The Edge Media Group chairman Tong Kooi Ong and me.

Although the *ST* article named only Rewcastle, anyone who was clued in to what was happening in the days leading up to July 24 would have known *The Edge* in Malaysia was accused of being involved in a plot to bring down Najib by publishing a series of allegedly fake articles on 1MDB that were based on documents received from Justo.

The part about us not paying him the money that was promised is correct.

But the narrative written in the *ST* article that we had told Justo of our intentions was the same one that the Najib regime was using at that time against us in Kuala Lumpur — that *The Edge* falsified documents about 1MDB to bring his government down.

After *ST* published the July 24 article, I immediately responded by admitting we did not pay Justo, but denied we were involved in any attempt to bring down Najib by publishing fake news about 1MDB; nor did we tell Justo we had such an intention. I said we were only out to get to the bottom of 1MDB’s financial woes and we had found from what Justo had shown us that a scam had taken place.

I had also asked about the “hidden hand” behind the *ST* story and the interview with Justo. I said it was remarkable that while Malaysian police were not allowed (at the time) to see Justo, *ST*’s Bangkok-based reporter Nirmal Ghosh had access to him in a high-security prison.

ST’s foreign news editor Audrey Quek issued a statement to deny that any hidden hands were involved. A top Singapore Press Holdings (SPH) executive sent me a WhatsApp message to rebut my allegation and said the story was an example of “enterprising” newsgathering and that Nirmal had worked on it for weeks.

As a former correspondent of SPH, I did not want to prolong the argument with my former colleagues and bosses, although I was confident I was right.

We had our hands full — Tong and I had to give statements to Malaysian police as we were being investigated for being part of an alleged plot to bring down a democratically elected government. Our two titles in KL — *The Edge weekly* and *The Edge Financial Daily* — were suspended, although the courts subsequently reversed the suspension.

I suggested that the *ST* bosses find out more from Nirmal about the people who arranged the interview with Justo. Whether they ever did so, I don’t know.

Justo was released after being granted a royal pardon last year and had maintained his silence until March this year when he met the

THE STRAITS TIMES



SPH STORY OF THE YEAR

I was offered \$2.7m for stolen data: Ex-PetroSaudi employee Xavier Andre Justo on the 1MDB saga



Swiss national Xavier Andre Justo in a photo issued by the Thai police after his arrest. He reached in Singapore in February on the sale of stolen documents which was followed by

malaymail

No 'hidden hand' in securing Justo interview, ST says in rejoinder to The Edge claims

Published 2 years ago on 27 July 2015



Headlines involving *The Edge* and *The Straits Times* (ST) in relation to the securing of an interview with Justo, who was arrested in Thailand for attempted extortion and blackmail of his former employer, PHOTOS: BERITA HARIAN MALAYSIA.

KUALA LUMPUR, July 25 — The *Straits Times* (ST) has denied claims of a “hidden hand” that had helped them secure an exclusive interview with former PetroSaudi International (PSI) executive Xavier Andre Justo in a Bangkok jail, after the Swiss national alleged a plot to tamper documents to take him from his former company.

ST foreign editor Audrey Quek told the *New Straits Times* that they managed to arrange for the interview through diligent efforts by their Bangkok correspondents, Nirmal Ghosh.

“We know of no hidden hand behind our getting access to him,” she was quoted as saying by the Malaysian daily.

press in Switzerland after giving long depositions to the Swiss Attorney-General about 1MDB/PetroSaudi transactions and what had happened to him in Bangkok.

After Najib’s government was ousted in the May 9 elections, Justo was invited to meet Prime Minister Mahathir Mohamad. I caught up with Justo and, among other things, he narrated to me the interview with *ST* and the events leading to it.

He said after he was arrested and charged for blackmail, he was kept in a lockup with 50 others, and everyone was virtually sleeping on top of each other. After a week, he was told he had a choice either to cooperate or expect to languish in jail for many years. He was also told he would be out in less than a year if he agreed to make confessions that were prepared for him.

He also had to give an interview to a reporter from the *ST*. Justo named the hidden hands as PetroSaudi director Patrick Mahony; and Paul Finnegan, a UK private detective who disguised himself as a Scotland Yard detective.

“They handed to me a list of 50 questions and answers that I was supposed to use for my interview just before I saw him (Nirmal),” Justo says. “Everything I told him was prepared by them (Mahony and Finnegan) and I was also told not to bring up the name Jho Low.”

Why the “hidden hands” decided to use Nirmal and *ST* for the Justo “confession” to spin a fake narrative is open to speculation.

In April 2016, *ST* ran three headline stories — “1MDB leak deal: Ex-PetroSaudi exec sues *The Edge* owner in Singapore court”, “Media tycoon Tong Kooi Ong seeks to strike out Justo’s reply to defence papers” and “KL tycoon fails in bid to strike out reply by ex-PetroSaudi exec”.

These articles were related to a suit filed by Justo via a Singapore lawyer, Suresh Damodara, who was taking instructions from Swiss lawyers on behalf of Justo. They were asking for the return of two data storage drives that were passed to us since he was not paid. He also wanted any copies of the data to be destroyed or returned and that we reveal the various parties we had given the data to. (We had given copies of the data to Malaysian investigators and the Commercial Affairs Department of the Singapore police as stolen 1MDB money had passed through Singapore.)

We were puzzled by the suit. Why did Justo not sue us for the money? Instead, he asked for the return of the storage drives and wanted to know who else had the information in the drives.

We suspected that it was not Justo who initiated it, but that it was the PetroSaudi gang who used him, and this was confirmed to me by Justo.

“I didn’t understand the suit. I was just given documents to sign,” he says. “They told me I had to do it if I wanted an early release.”

We filed our defence and said that since Justo “was widely reported to have confessed to have stolen the data from PetroSaudi”, he was not entitled to have them back. We also said that if anyone should have the storage drives, it was PetroSaudi and we even wrote to the company asking it to be a party to the suit. There was no reply from PetroSaudi.

After a few rounds of case management, the suit was finally thrown out on June 20, 2016. *ST*, for all its interest in the case, did not report that the court had dismissed the suit.

One month later, on July 20, the US Department of Justice said that it was seizing US\$1.0 billion worth of assets acquired with money misappropriated and laundered through US banks by high-level 1MDB officials, including a person identified as Malaysian Official 1.

Ho Kay Tat is publisher of *The Edge Media Group*

THE STRAITS TIMES

SINGAPORE

1MDB leak deal: Ex-PetroSaudi exec sues The Edge owner in Singapore court



Justo, who worked for PetroSaudi as an IT manager, is serving a jail term in Thailand for attempted extortion and blackmail of his former employer. PHOTOS: BERITA HARIAN MALAYSIA.

PUBLISHED APR 12, 2016, 5:00 AM SGT

K.C. Vijayan Senior Law Correspondent (mailto:vijayan@spg.com.sg)

Details of the alleged deal behind the leaks that spawned claims about the misappropriation of billions at a Malaysian state investment firm linked to Malaysian Prime Minister Najib Razak may well unravel in the High Court in Singapore.

Swiss national Xavier Andre Justo, the man allegedly behind the leaks, is suing the owner of Malaysia’s *The Edge* media group, Tong Kooi Ong and two others for damages.

Justo claims that he handed over two data storage drives in Mr Tong’s presence at a Fullerton Hotel meeting in February last year in return for US\$2 million (S\$2.7 million) — money which he never received.



He wants the items — which contain data about global oil services firm PetroSaudi and its business partner (Malaysia Development Berhad (MDB)) — to be returned and for any copies to be destroyed, according to court documents filed last November.

Mr Tong denies the claims and argues that Justo is not entitled to the items as he was “widely reported to have confessed to have stolen the data from PetroSaudi”, according to defence papers filed by his lawyer Davis Chia.

THE STRAITS TIMES

SINGAPORE

Media tycoon Tong Kooi Ong seeks to strike out Justo’s reply to defence papers



PUBLISHED APR 14, 2016, 5:00 AM SGT

K.C. Vijayan Senior Law Correspondent (mailto:vijayan@spg.com.sg)

Media tycoon Tong Kooi Ong, in yet another salvo in an ongoing suit in the High Court of Singapore, has sought to strike out Swiss national Xavier Justo’s reply to the former’s defence papers. The move comes after Justo’s lawyer in February dismissed Davis Chia, Tong’s defence as groundless.

A closed-door High Court case trial conference was held yesterday in the closely watched case. A pre-trial conference before an assistant registrar manages the run-up to the actual High Court hearing, considering timelines for documents to be submitted and ruling on interlocutory matters such as striking out actions.

Justo is the former employee of PetroSaudi who allegedly leaked details which led to claims that billions of ringgit were misappropriated at Malaysia Development Berhad (MDB), an investment arm of the Malaysian government.

He is suing Mr Tong, the owner of Malaysia’s *The Edge* media group, and two others. He claims that he was never paid the US\$2 million (S\$2.7 million) promised for two storage drives containing data which he supposedly handed over in Mr Tong’s presence at a Fullerton Hotel meeting in February last year.

Along with damages, he wants the items, said to contain data about global oil services firm PetroSaudi and its business partner (MDB), to be returned and for any copies to be destroyed, according to amended court documents filed by his lawyer Davis Chia, yesterday.

Mr Tong, defended by lawyer Davis Chia, argues that Justo is not entitled to the items.

Mr Tong’s latest move to strike out a defence document by Justo in his defence follows another preliminary hearing last December. That was when he succeeded in persuading the court to order that Justo place a \$500,000 deposit as security for costs before the case is allowed to proceed further.

THE STRAITS TIMES

SINGAPORE

KL tycoon fails in bid to strike out reply by ex-PetroSaudi exec



Mr Tong was taken to a preliminary hearing of a suit brought by Justo against him and two others.

PUBLISHED APR 25, 2016, 5:00 AM SGT

K.C. Vijayan Senior Law Correspondent (mailto:vijayan@spg.com.sg)

Earlier this month, the High Court rejected Mr Tong’s application to strike out simply made by Justo submitted to court to compare to amended defence papers by Justo.

Justo is suing Mr Tong, the owner of *The Edge* media group, and two others demanding the return of two data storage drives containing information about global oil services firm PetroSaudi and its business partner (Malaysia Development Berhad (MDB)).

Mr Tong’s application, which was based on the claim that Justo had leaked details that led to claims that billions of ringgit were misappropriated at MDB, the Malaysian state investment fund.

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