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 on all investment decisions under Article 117 of 1MDB’s Memorandum & Articles of Association, including to overrule board decisions.

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”.

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.

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$55 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$700 million of 1MDB money that went to an overseas bank account held by her.

TAN SRISMEE 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$1.26 billion), the Aaabar-BVI phase (US$1.37 billion) and the Tanore phase (US$1.26 billion). He is currently chairman of Media Prima Bhd.

JASMEEN KANJIA
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 AmIslamic Bank to which US$700 million of 1MDB money 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”.

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 Doi 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.

CASPER TAN
He is identified as 1MDB Officer 2 by the Doi. He was CEO of 1MDB from 2009 to 2015, 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.

NIK FAISAL ARIFF KAMIL
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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 29 stating the US$52.5 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, Tankir Othman.

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$5.5 billion.

More important was the fact that it was NEVER DISCLOSED that from the US$52.5 billion that 1MDB would put in US$5.00 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$5.00 million left from the US$5.1 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$5.00 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$5.00 million “loan”.

Why was there a need for PetroSaudi Holdings to provide the “loan” mere three days before the JV was signed, and a mere four days before US$5.00 million 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 28?

As for the US$15.5 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 clear that PetroSaudi Holdings was not putting any cash into the JV?

**TIMELINE OF THE MONEY TRAIL**

1 Sept 28, 2009

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 45%-stake was sold for US$12 billion (original US$10 billion plus US$2.00 billion gain) to its partner on March 31, 2010 – the last day to doserits audited accounts.

What was interesting was that the external auditor that signed off the accounts was KPMG, and not Ernst & Young (EY), who 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 specifically 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$12 billion was changed from equity capital to a loan to PetroSaudi Holdings in the form of Islamic Murabaha notes, which guarantee an 8.7% annual return.

Accountants say the reason for the change was because if the US$10 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 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.

1MDB did not ask for its money back and paid 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.

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$2.22 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$2.22 billion loan into a 49% stake in PetroSaudi Oil Services Ltd.

5 Sept 12, 2012

6 November/December 2014

THE MONEY TRAIL

THE MONEY TRAIL

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 Holdings, 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.

## Note:

1. "Loan swapped for an asset" refers to the revaluation of the US$2.0 billion loan to US$2.22 billion and the subsequent swap to a 49% stake in PetroSaudi Oil Services Ltd.

2. "The withdrawal of EY delayed the finalisation of the audited accounts. When it was completed, the US$12 billion was changed from equity capital to a loan to PetroSaudi Holdings in the form of Islamic Murabaha notes, which guarantee an 8.7% annual return." This statement clarifies the change in accounting treatment for the JV, moving from equity to a loan.

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

In 2012, 1Malaysia Development Bhd (1MDB), using subsidiaries that held US$1.6 billion (RM5.5 billion) to finance the acquisition of power assets from Tanjong and the Genting Group.

1MDB announced on July 4, 2012, its US$1.6 billion (RM5.5 billion) order for land in the country's Iskandar Economic Development Region. The company disposed of the company's US$1.6 billion (RM5.5 billion) share to the Ministry of Finance on May 22, 2014, settlement agreement.

Revenue money but did not return home

Under intense criticism of the money in the Cayman, 1MDB announced that it had repaid US$4.8 billion (RM17.1 billion) in November and December 2014, in its full year to March 31, 2014, accounts that included writing down its investment in the Iskandar Economic Development Region, which matures in 2022, one year before the 1MDB debt papers fall in value.

Closing at 89.077 cents on the dollar last Thursday (Feb 26) or 14.5%, yield, the US$2.717 billion net proceeds to reflect the US$3.65 billion US$3.0 billion cash injection from the Ministry of Finance. The unfavourable bond pricing means higher borrowing costs for new US$1.0 billion net proceeds to 1MDB.

Sources say 1MDB is still facing questions on the usage of bond proceeds for debt servicing was higher than expected by the market.

Money redeemed but did not return home

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Shahrol, please explain

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

BY THE EDGE MALAYSIA

D atuk Shahrol Halmi was the CEO of 1Ma-
yaysia Development Bhd (1MDB) from March 23, 2009, and was the principal person running the company until he stepped down in March 2013. He is cur-
cently 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 trans-
actions 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 impropriety.

The evidence presented by Sarawak Report and emails and documents sighted by The Edge

BY THE EDGE MALAYSIA

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 multi-billion-ring-
git 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 49% interest. In other words, even before you were introduced to Petro-
Saudi 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 in-
jected 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 sign-
ing 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 (di-
rector 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 ac-
cept 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 JVA?

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 JVA. 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?
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 billion cash (RM3.48 billion at the then exchange rate) for a 40% interest.

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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 on Sep 25, 2009. The JVA was executed on Sep 28, 2009. The lender

CONTINUES NEXT PAGE

Who’s who

Nik Faisal Ariff Kamil [1], Jasmine Loo [2], Tan Vern Yant [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 Wytron 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.
As reported in The Edge (Issue 1057, March 9, 2015)

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

- **October 2005**: Jho Low attempts to lobby support for Kuwait Finance House’s bid for RHBank, which was put up for sale by UBG Group (UBG), but does not succeed.
- **March 2007**: EPF offers to buy RHBank/RHB Bank from UBG for RM2.3 billion.
- **August 2007**: Swann Symphony Sdn Bhd (owned by Abu Dhabi Kuwait Malaysia Investment Corp (ADKMIC), in which Jho Low has a stake) buys a 45% stake in Putrajaya Perdana Bhd from E&O Bhd for RM198 million in August.
- **November 2007**: Binary Bestari Sdn Bhd (owned by ADKMIC) buys a 45% stake in Loh & Loh Corp Bhd from Vistol Achievement Sdn Bhd for RM111 million.
- **January 2008**: UBG buys remaining shares in Loh & Loh for a tidy profit of RM456 million cash from 1MDB and a RM700 million loan from AmInvestment Bank Bhd.
- **May 2008**: UBG subscribes to a 51% stake in Putrajaya Perdana and Loh & Loh that it did not already own for RM435 million and RM281 million respectively.
- **July 18, 2008**: Majestic launches GO for UBG, which eventually failed.
- **August 2008**: UBG buys remaining shares in Putrajaya Perdana and Loh & Loh for RM205 million.
- **October 2009**: Jho Low and Taib have both been implicated in the 1MDB scam, which ultimately led to the fall of former Malaysian prime minister Najib Razak and the 1MDB scandal.

**The UBG deal.**

Why Jho Low teamed up with Taib and later had to bid him out with UBG money

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**October 2006**: Jho Low insists on name of beneficial owner of Account 11116073...

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**November 2007**: Binary Bestari Sdn Bhd (owned by ADKMIC) buys a 45% stake in Loh & Loh Corp Bhd from Vistol Achievement Sdn Bhd for RM111 million.

**March 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.

**July 18, 2008**: Majestic launches GO for UBG, which eventually failed.

**August 2008**: UBG buys remaining shares in Putrajaya Perdana and Loh & Loh for RM205 million.
Jho Low made RM400 million by quick flip of Iskandar land deal

In late 2008, the then 26-year-old Jho Low approached Khazanah Nasional seeking support for Kuwait Finance House (KFH) to merge with Bank RHB. Khazanah had a 30% stake in RHB Bank at the time.

He did not succeed, but he got a 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 Eastern parties. The shareholders of Iskandar (Holdings) were Mubadala Development Company PJSC and Aldar Properties PJSC from Abu Dhabi, Saraya Holdings from Kuwait, and Butamuta Investment.

Butamuta is the investment vehicle of Wynton Group International 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 (40%), Iskandar Investment Bhd (owned by Khazanah and the Jho Low state government) and 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, with a minimum price of US$1.35 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 Javace Butamuta is that the first 10% needed to be paid, so he would have to fork over a total of US$82.75 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 (Utama Banking Group), in which he was a substantial shareholder. Unity Capital was managed by fund manager Tan Tham.

UBG at that time had around RM2.0 billion in cash after selling off Javace Butamuta 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 Butamuta's stake in Global Capital.

Sources familiar with what happened said that Jho Low flipped his effective interest in the land owned by Global Capital at US$82.75 psf, which meant he made a profit of US$85.65 psf or a total of US$133 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$86.35 psf.

He made over US$300 million with the quick flip of land and proceeded to buy 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 billion remittance — wrote this on Facebook: “I feel the earth moved under my feet?”

What is interesting to note is that UBG in 2013 impaired completely the remaining RM420 million investments in Unity Capital that were treated as assets held for sale. This assets held for sale accounting treatment is similar to the RM1.9 billion sitting in M1DB’s accounts as at March 31, 2014.

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 Wyton Group and Unity Capital (Singapore) and was Jho Low’s assistant throughout his time in London, working as 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$650 million was subsequently parked with a Panama-domiciled investment manager, whose director is also Seet Li Lin, in exchange for non-voting shares.

Note: 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$858 million as “broker fees” for raising funds from Bursa Malaysia and the money was to be made within five days.

8. On Oct 7, 2009, many days after you executed the JVA and paid the US$1 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 Ian 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 billion decision without even having a company profile of your partner? Was there no prior 1MDB board meeting to approve the US$1 billion investment? Or was the JVA signed and executed by you and presented to the board to endorse post signing?

Note: The then chairman of 1MDB, Tan Sri Mohd Bakke Salih, 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 Lordin Wong, 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 Ismail Samsudin, 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 US$1.0 billion remittance above US$358.65 psf to Global Capital.

Another US$260 million (RM800 million) from the US$500 million from 1MDB was transferred to Javace Butamuta for its subscription for more Murabaha Notes issued by AmInvestment Bank Bhd and another substantial UBG shareholder was the family of then Sarawak chief minister Tan Sri Taib Mahmud.

Some days after you approved the US$1.0 billion remittance, you asked the Auditor-General and the Public Accounts Committee (PAC) to investigate 1MDB’s accounts. We are prepared to assist the AG and PAC in carrying out their investigation, including providing information we have obtained from our own probe and dealings of 1MDB since its inception in 2009.
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

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 benefited 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.

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 Ong Gim Hoat, Tan Sri Ismee Ismail, Datuk Shahrol Halmi.

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 Heath — 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 29.

On Sept 29, 1MDB signed a joint-venture agreement with PetroSaudi Holdings (Cayman) Ltd (PSC 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 Di Ltd (”JV Co”), which is to be 40% owned by 1MDB and 60% owned by PSC 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 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.

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 2078741 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 friends of Jho Low.

2) US$300 million was transferred via the Jho Low and friends of Jho Low

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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$80 million — to PSI for ‘general investments’;
- US$60 million — to Petrosaudi Oil Services Ltd (POS) 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 invested in the JV Co was gone. Here’s a recap:

- US$700 million went to Good Star; US$100 million went to IMDB’s JV partner PSI and US$200 million went to PSI’s subsidiary POS.
- 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:

2) Did you, as directors of 1MDB, ask for verification that there was a genuine loan of US$850 million since the loan agreement was signed by Sept 25 — just three days before the JVA agreement was signed? Was there proof that PSI Cayman had transferred US$700 million to the JVA account from 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 1116073, 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 POS 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 1116073 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 Jho 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 Vallram, 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$1.1 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 into various paper instruments like Murabaha notes, then a 49% stake in POS and finally an investment of US$2.3 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 RM729.2 million in FY2012 to RM136.24 billion in 2013.

3) Why did 1MDB decide to switch from being an investor with PetroSaudi to becoming a lender to PetroSaudi via the Muraba notes?

4) Were you aware that lawyers for both PetroSaudi and 1MDB (White & Case and Wong & Partners) had in email correspondence highlighted that the Muraba 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 Muraba notes, to a 49% stake in POS, and then to an investment in Cayman Islands? Isn’t this flipping of assets something that is inconsistent with a government-owned entity?
The 2012 financing of power assets purchases

Transaction 3

Board of directors: Lodin, Ismee, Ong, Ashvin, Shahrol.

In 2012, 1MDB bought the power assets of Ananda Krishnan's Tanjung Wc and Genting Bhd for RM8.5 billion and RM3.5 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 financing in this manner, 1MDB was left with only RM6.0 billion.

This was because “certain commissions, fees and expenses” paid to raise the bonds came up to US$383 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.

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 to pay Aabar to terminate the options.

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 meant 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.
The land had fragmented owners who valued the land for more than 40 years and moved the property to the latter. The land that has many encumbrances and tiny plots and also terraced homes and shop-houses scattered around Ayer Itam. The land without their agreement. Was he involved in the transactions?

1) Even if the terms of the ADMIC JV to develop TRX were not ready, why did you approve sending the US$72.72 billion cash overseas? Why couldn’t the money be kept in Malaysia — and we do have capable and honest institutions with good credit ratings?

2) Why don’t you name the foreign financial institution where 1MDB 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 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?

### Transaction 5

The RM1.38 billion Penang land purchase in 2013

- **Board of directors:** Lodin, Ismee, Ong, Shahrol, Ashvin, Hazem.
- **Checks by The Edge:** reveals that the transactions appeared to be very favourable to the vendors.

#### 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?**
2. **Why did you execute the transactions involving so much money just six days before GE15? Didn’t it make good business sense to wait till after the election?**
3. **Did the board ask for a proper risk assessment to be done given the fact that the land 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 RM6.4 million on an asset that yields no income. How do you justify your decision to the taxpayers of Malaysia?**
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
- Saânt-Georges Majeur by Claude Monet
- Nympheas 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

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 Kamal 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, 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 code-name for the plan to take over UBG, which was listed on Bursa Malaysia (see Email 1).

(Jho Low and team used code names Utopia, Uganida and Tuango 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$20 million.

Mahony said he needed US$420 million — US$80 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$800 million 1MDB had injected into it on Sept 29, 2009, because US$500 million had been transferred to Good Star Ltd (Seychelles) — a company controlled by Jho Low, gersik.mas@gmail.com) to say that 1MDB PetroSaudi and its shareholder the Ministry of Finance Inc knew that the only way we can do all this is by funding from 1MDB.”

By July, Jho Low, working with Mahony, Nik Faisal and Tang, had got 1MDB to take up another US$300 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$800 million was to be used for the take-over of UBG. And did they know that the member of staff who had just hired as their CEO — 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 Murahabah 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 Murahabah 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 E.A. up with Bank Negara approval.” (See Email 3)
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$900 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 Hang 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?

The concerns did not stop the transaction from proceeding, although it was clear that the information 1MDB gave Bank Negara differed from the Murabahah agreement, which meant there was a breach.

Documents sighted by The Edge showed that on Sept 14 — 8 days after the Bank Negara approval — 1MDB, via AmBank (M) Bhd, remitted US$500 million to the account of Jho Low-controlled Javace Sdn Bhd at Menara Djin in Kuala Lumpur. Javace was the vehicle to be used by Jho Low and 1MDB to buy UBG. And did they know that a large part of the US$900 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?

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


A reply to one of the questions angered both PetroSaudi owner Tarek Obaid and CEO Patrick Mahony because it stated that PSI was owned purely by Tarek and the Royal Family of Saudi Arabia.

The question was: “Is there a cynical view that the deal (purchase of UBG) is in the Royal Family of Saudi Arabia’s interest, or is it purely a patronage to Tarek and his family?”

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 Saudi Arabia. Both Tarek and the Royal Family of Saudi Arabia have a long-term relationship to look for good partners and value propositions for our stakeholders. We have no interest in the financial business.

The sensitivity was because PetroSaudi was not a company that belonged to the Saudi government but was "integrated" to the Malaysian media as such to make it seem like the joint venture with MBDB 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 MBDB executives, it was always made clear that nothing in writing must ever be stated that PSI belonged to the Kingdom of Saudi Arabia or the Saudi Royal Family.

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 19 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 from Tarek,” Mahony later wrote to Tarek. “We were in a meeting filled with expletives. Other emails showed that the PR agency hired to represent PetroSaudi on the UBG deal explained that it could not be used 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. The interview was clearly a stab at the Royal Family of Saudi Arabia.”

The Star’s article said that Mahony made a general offer for UBG and PSI, which was subsequently rejected by Jho Low, who had advised MBDB to buy a 45.6% stake in Loh & Loh for RM205 million. The majority of the money placed with Unity ended up with a hefty cash pile.

A US$500 million to US$500 million to 1MDB’s account, which was the US$700 million US dollar to be invested by Jho Low after the US$1.83 billion cash back, was “presented” to the Malaysian media to "convince" the Malaysian government to give MBDB the US$1.83 billion.

Dear readers, this timeline shows how Jho Low, with help from Mahony, Tarek and MBDB executives, used US$260 million to buy UBG. What about the rest of the US$1.83 billion of US dollar money that was put into the deals with PetroSaudi?

In our next issue, we will share more of the movement of 1MDB’s cash.
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."

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 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.
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 offer for UBG for RM1.4 billion.

The Puppet Master

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

The background

In 2006, Jho Low lobbied Khazanah Nasional Bhd to sell its stake in KBIB 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 KBIB Bank to the Employees Provident Fund. The disappointment that came with not being able to swing KBIB Bank to KFH, however, did not stop Jho Low from turning failure into an opportunity.

With UBG sitting on RM2.38 billion after the sale of KBIB 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 in the Gulf, and business associates linked to the government, to make a general offer for UBG for RM1.4 billion.

On Aug 4, 2008, for example, Jho Low managed to acquire an additional 36.9 million shares for RM0.21 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 another 36.9 million shares for RM1.4 billion. This meant 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.

To do so, he got UBG to invest RM350 million with Unity Capital Partners (Cayman) Ltd, which set up 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 RM350 million from his three-year interlude with UBG.

The transactions


One month later, on Nov 9, he acquired a 45.6% stake in LLCB via Binary Bestari Sdn Bhd for RM131.5 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 RM330.5 million.

Transactions 1


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Transactions 2

On Jan 31, 2008, Jho Low flipped his stake in PPB to UBG for RM327.2 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 Sdn Bhd disposed of 4.4 million shares in UBG at RM2.50 per share for a total of RM10.3 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, 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.

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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 set up 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.

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While UBG subsequently wrote off that investment with Unity Capital from its books, Jho Low walked away with a cool RM350 million from his three-year interlude with UBG.

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 Cayman Islands, 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 is the ultimate owner.

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 Investment Corp (ADKMIC).

ADKMIC, via Masterpiece Mandate Bhd, was a shareholder in UBG Bhd, Loh & Loh and Putrajaya Perdana Bhd, was a shareholder in UBG Bhd, Loh & Loh Corp (ADKMIC).

The use of these abbreviations by ADKMIC’s subsidiary Majestic Masterpiece to buy all of UBG.

The filings stated: “The shares in ADK Investment Corporation and KIA Investment Corporation are issued as bearer certificates. As such, the shareholders of ADK Investment Corporation and KIA Investment Corporation have control over the shares.

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.

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

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

To 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.

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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$1.83 billion as 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$83.5 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$871 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$81 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 until after Sept 31, 2009 and the signing of the JV Co 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 Halimi 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 Salheh and Aelian Zainol re-signed 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, BMN 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 Malay-sia. RBS Coutts’ risk and compliance unit wanted to know the beneficial owner of the account and then 1MDB CEO Sharol Hal-mi 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$885 million as broker fee. If Good Star was part of PetroSaudi Holdings 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...
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 subscribed by 1MDB in Sept, 2010. (See The Money Trail Flow Chart next page)

7. 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$50 million to Nawaf Obaid. (See Money Trail Flow Chart)

8. Various PetroSaudi companies received around US$30 million, of which US$18.5 million was used to buy a drill ship.

9. 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)

10. Jho Low had declared himself as the beneficial owner of that bank account which was closed in February, 2014.

3. On Sept 12, 2012, 1MDB “sold” 2.32 billion hidden as units in the Cayman SPC via the US$2.23 billion paper profit to pay to retire the Aabar options

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 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 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$8.3 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$260 million to buy back the options.

4. In page 177, 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 details on what it paid cash but issued promissory notes as payment.

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 all gone, hence then can it cover the hole plus the US$2.32 billion kept in the SPC which was transferred to the bank account of Abu Dhabi in Page 171 of 1MDB’s FY2014 accounts.

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. Various PetroSaudi companies received around US$30 million, of which US$18.5 million was used to buy a drill ship.

4. 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)

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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$50 million to Nawaf Obaid. (See Money Trail Flow Chart)

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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.
The money trail involving global banks

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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 SPC funds.

iii) US$993 million paid in November, 2014

7. The scheme to cover the US$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:

1. 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.

2. In September, 2010, a Jho Low-controlled company called Javace Sdn Bhd made a RM1.0 billion offer to take over UBG Bhd via an asset management company called Unity Capital.

3. On 26th August, 2010, a series of transactions involving Putrajaya Perdana Bhd, Loh & Loh Corp Bhd and another RM350 million were in place. On 29th September, 2010, the RM1.0 billion UBG Bhd via an asset management company called Unity Capital.

4. The money trail involving global banks

THE EDGE MALAYSIA INVESTIGATIVE REPORTS ON 1MDB

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

THE EDGE SINGAPORE MAY 28, 2018

3. After the takeover by Javace, UBG had assets (i) Putrajaya Perdana that was worth around RM680 million (ii) Loh & Loh which was worth around RM680 million and (iii) Unity Capital with a carrying value of RM315 million and (iv) cash of RM82 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 RM240 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?
Hidden hands, spin and the truth

BY HO KAY TAT

O
n 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 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 Brown, anyone who was involved knew that 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 investigator 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” newspaper work 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 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 proven 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; 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.

Io Kay Tat is publisher of The Edge Media Group