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

Reporting the 1MDB scandal:
A LOOK BACK

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 107-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.

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”.

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 wows 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.

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.

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.

RIZA AZIZ
The stepson of Najib went to the same boarding school as Jho Low and they became fast friends. Nearly US$1.0 billion of 1MDB money was alleged by the DoJ to have ended up with Riza and his friends. Nearly US$300 million of 1MDB money was very involved in the Good Star/AmIslamic 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.

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 AmIslamic Bank to which US$700 million of 1MDB money was alleged by the DoJ to have been sent. His current whereabouts is unknown.

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.

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TAN SRI ISMEE ISMAIL
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.

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

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 stating the US$2.0 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 Turki.

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 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 its first set of US$700 million, being a sum owed to 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 didn’t make it clear that PetroSaudi Holdings was not putting any cash into the JV?

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$200 million gain) to its partner PetroSaudi Holdings. The JV was called off six months later, but it continued to be treated as equity in a JV, and 1MDB’s auditor no longer needed to look at account balances and/or class of transactions.

Why didn’t 1MDB ask for its money back when it needed to put in US$1.0 billion and the subsequent US$800 million that went to PetroSaudi Holdings.

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 Musharba 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.

Did 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.

4 **June 1, 2012**

**Loan swapped for an asset**

The money trail took two further twists in 2012. On June 1 the US$2.22 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**

**The withdrawal of EY**

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 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.

6 **November/December 2014**

**At the exchange rate then**
In 2012, Malaysia Development Bhd (1MDB), using subsidiaries 1MDB Global Investments Ltd (1MDB Global Investments) and 1MDB Energy (Langat) Sdn Bhd, raised US$3.0 billion (RM11.55 billion) to finance the acquisition of power assets from Tanjong and the Genting Group. 1MDB Global Investments purchased the US$2.33 billion (RM11.55 billion) debt note from Goldman Sachs, incurring a heavy price because 1MDB agreed to the following:

1) PJC 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) PJC was given a 10-year option to subscribe for additional power assets. IPC transferred the option to its subsidiary Aabar Investments, and hence it called the option by 1MDB.

As we have argued many times previously, 1MDB’s style of borrowing is 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 Long! But that was not bad enough, 1MDB also agreed to share 49% of any uptake on the power plants it bought via the Aabar options.

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

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

Friday, it stated that a substantial amount of US$1.22 billion redeemed from Malaysia Development Bhd (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 RM510.0 million for the next three months on the four RM28 billion worth of bonds it has issued.

Sources have confirmed that the Cabinet had last week met and deferred the approval of the RM5.0 billion, as it wanted 1MDB to provide more details and clarity on its finances and business.

A US$3.0 billion (RM11.55 billion) half-year interest payment on the US$1.22 billion bond issued by 1MDB Global Investments Ltd is due in March. The other half-yearly interest amount of US$915.0 million (RM3.57 billion) is due in May for the two bonds totalling US$3.9 billion (RM15.15 billion) and carry a coupon rate of 4.625%.

1MDB has set aside a total of RM1.0 billion (US$222.5 million) as a contingency fund to cover the interest payments on all its borrowings between now and June, and 1MDB has other types of borrowings. Total interest payment each year is US$1.42 billion (RM5.4 billion).

The fourth bond is the local currency bond issued in 2009 – the RM5.0 billion for the joint venture with PetroSaudi Holdings (Cayman), which was subsequently retired. It pays an interest of 7.75% or RM256 million in two tranches; the first tranche of RM134 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 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 RM9.4 billion. 1MDB’s next financial close is at the end of this month and total debts are expected to be higher by then. On Sept 1, 2014, it took a one-year US$975 million (RM3.57 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$-denominated 1MDB bonds that were traded in the past few weeks is falling now to junk status, despite the bonds being rated A- by Standard & Poor’s, which is four levels above non-investment grade.

1MDB is facing repayment instead of what the money was originally raised for. According to bond documents, the proceeds are intended as seed capital for investment in Abu Dhabi Malaysia Investments Co Ltd (ADMC), a proposed joint venture between 1MDB and Abu Dhabi Federal Investments PSC to develop the Tur Karen Exchange.

“We cannot remain silent about this. A London-based spokesman 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 to redeem bonds on a pro-rata basis. 1MDB said the way the RM2 billion debentures had fallen in value in recent weeks.

Arul Kanda also cited confidentially agreements when asked about the issue in January, but said that there would be a public announcement if there had been a breach in covenant. About 53% or RM2.05 billion of 1MDB’s RM4.187 billion debt as at March 31, 2014, was US-dollar-denominated.

At the time, 1MDB had RM3.3 billion debt due within one year; RM5.5 billion due after one year but within five years; and RM9.04 billion debt due more than five years. For FY2014, 1MDB’s debt servicing charges were RM2.4 billion up from RM1.62 billion in FY2013.
Shahrol, please explain

Good Star,

the money

1MDB paid the company and

why you took instructions

from Jho Low

BY THE EDGE MALAYSIA

Durairi Shafie 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.

1. You were introduced to Tarek Obaid and Patrick Mahoney 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.

2. On Sept 21, 2009, Mahoney 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, Mahoney 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.

3. On Sept 22, 2009, you were introduced to Tarek and Mahoney. You were 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?

4. On Sept 29, 2009, you executed the JV agreement (JV A) in the event the valuation is low.

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?

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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 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?

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 Who’s who

Nik Faisal Ariff Kamil [1], Jasmine Loo [2], Tan Vern Yen [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.

CONTINUES NEXT PAGE
The UBG deal:

Why Jho low teamed up with Taib and later had to bid him out with US$1 million money

T

he disappointment that came with not being able to swing RHB Bank Bhd to Kuwait Finance House was bad for 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/BHB 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 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 Renewable 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 4% stake in Putrajaya Perdana Bhd from E&O Bhd for RM198 million in August. This was followed in November by the purchase of a 4% stake in Loh & Lok Corp Bhd from Vistal Achievement Sdn Bhd by another ADKMIC unit called Biary Bestari Sdn Bhd for RM11 million.

Shortly after that, ADKMIC flipped its stake in Putrajaya Perdana for RM32 million and in Loh & Lok for RM24 million cash. This quick flip within a few months made Jho Low and ADKMIC a profit of RM14 million.

On the same day in Jan 2008, UBG also made a restricted offer of RM45 million cash or RM50.50 a share to the public.

The game plan that Jho Low pitched to Taib and UBG was not just SCORE, but also that UBG, via its two newly acquired companies, Loh & Loh and Putrajaya Perdana, would have major developments in the then emerging Iskandar Development Region in Johor. This would be through Iskandar (Holdings) Company Ltd, which has 131 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 Aladar Properties PJSC from Abu Dhabi, Saraya Holdings from Kuwait/Saudi, and Butamba Investment.

UBG’s share in the development vehicle of Wytom 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 Perdana Bhd (owned by Khazanah and the Johor state government) with 30% and Alpha (Five) Ltd with 10%.

Sources say Jho convinced UBG to take a stake in Global Capital by placing RM800 million in an asset management company called Unity Capital Partners, which would then buy out his stake held via Butamba. Jho and his associates, Tan Ven Fatt, were directors of both Global Capital and UBG. Jho also put another associate, Geh Chib Husn, at various times on the board of UBG, Putrajaya Perdana, Loh & Lok, Global Capital and Javace Sdn Bhd. Jho made a tidy profit by selling his stake in Global Capital to Unity Capital and this is 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 & Lok that it did not already own for RM435 million and RM285 million respectively.

Sources say ties between Jho Low and Taib were to ensure the project was 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 RM1.1 billion, based on the game plan drawn up by Jho Low and by then his key people like Nik Faisal Ariff Kamili, Jasmine Loo and Tiffany Heah firmly in the management of UBG.

Nik Faisal and Loo sought subsequent and jointly invested in Iskandar Development Sdn Bhd (IMDB), and together with Heah and Seri Li Lin were Jho Low’s main assistants in helping influence and execute decisions at IMDB.

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.

This move started in January and when news reports speculated that IMDB 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 Patricy de Morais 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 RM1.1 billion, PetroSaudi International (Seychelles) Ltd used a combination of cash from IMDB and a RM700 million loan from AmInvestment Bank Bhd.

Mahony flew to KL where he held meetings with Taib and with the top executives of Loh & Lok, Putrajaya Perdana and UBG. He also met with several 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 Alsogaff had emailed Maho-

ny for a meeting with CMS deputy chairman Datuk Abir Tkie and executive director Datuk Syed Ahmad Alawi Asree. Bekir is Taib Mahmud’s
Jho Low made RM400 million by quick flip of Iskandar land deal

In late 2008, the then 26-year-old Jho Low approached Khazanah National seeking support for Kuwait Finance House to take over RHB Bank. 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 East 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 partners. The shareholders of Iskandar (Holdings) were Mubadala Development Company (PFC) and Aldar Properties PLC from Abu Dhabi, Saraya Holdings from Kuwait/Saudi, and Butamaba Investment.

Butamaba 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 appraisals for RM3.1 billion to private parties.

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 Unity Bhd (Utama Banking Group), in which he was a substantial shareholder. Unity Capital was managed by fund manager Tan Tham.

Unity Bhd at that time had around RM200 million in cash after selling off RHB bank and another substantial UBG shareholder was the family of then Sarawak chief minister Tan Sri Taib Mahmud.

Unity placed around RM350 million of its money with Unity Capital, which then bought a part of Butamaba’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$82.5 psf, which meant he made a profit of US$65.65 psf or a total of US$113 million (RM400 million) on the US$500 million profit not just from the first US$1 billion investment in the JV with PetroSaudi but was also earning more from the cash remitted by 1MDB each time it made payments to subscribe for the Murahana notes in 2010.

Why did 1MDB keep remitting cash to PetroSaudi even after the JV was cancelled with a large sum diverted to Sarawak, a company that was controlled by Jho Low and Taib, 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”? 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 1MDB’s dealings since its inception in 2009.
Front-page Coverage of 1MDB, 2015
 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 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.

**Transaction 1**

**The joint venture with PetroSaudi International**

**Board of directors at the time:**
Tan Sri Mohd Bakke Mohd Salleh (Chairman), Tan Sri Aslan Zainol, Tan Sri Lodin Wok Kamaruddin, Tan Sri Ismeie 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 28.

On Sept 28, 1MDB signed a joint-venture agreement (JVA) 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 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 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 signed—1MDB was required to repay the US$700 million and US$300 million via international bank transfers to PSI Cayman and Good Star Limited respectively.
2) Did you, as directors of 1MDB, ask for

1) Was the board of directors aware that

Ismee and Lodin:

and pose questions to the management and

months after the JV A was signed — the entire

US$1.0 billion cash 1MDB invested in the JV

was gone. Here’s a recap:

JV Co’s accounts for the following purposes:

• US$500 million — to PSI for ‘general invest-

ments’;

• 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 IMDB’s JV partner PSI and

US$200 million went to PSI’s subsidiary

PSOS.

• US$1.0 billion was gone without any head-

way 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 bil-

lion 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 28 — just

days before the JVA agreement was

signed? Was there proof that PSI

Cayman had transferred US$700 million
to PSI from the 1MDB fund agreement and if so, what happened to the money?

3) Did the board of directors approve the

transfer of US$700 million, as sett-

lement of the loan agreement, to

RBS Coutts Zurich account number

11166073, 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 Malay-

sia? 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 you were not at least curi-

ous why payment of what was suppos-

edly 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 purpos-

es. 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 need-

eed to borrow US$700 million three
days before 1MDB was to become an

investor and would be injecting US$1.01 billion cash?

4) Did it not occur to you that the US$700

million loan agreement was not a genu-

ine 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 11166073 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 con-

trolled 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 en-
tire 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 finan-
cial 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 Commis-

sion 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 dis-

solved 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 — af-

ter 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 addi-
tional Murabaha notes, then as a 49% stake in

PSO 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 re-
deeded 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 explana-

tion 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


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 sha-

riah-compliant, and they were win-
dow-dressed as such?

5) Why did 1MDB agree to flip the mon-

ey from cash to Murabaha notes, to

a 49% stake in PSO, and then to an

investment in Cayman Islands? Isn’t

this flipping of assets something

that is inconsistent with a govern-

ment-owned entity?
In 2012, 1MDB bought the power assets of Ananda Krishnan’s Tanjung Bhd 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 fiscal year 2013 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 as security deposit for the bonds — the International Petroleum Investment Company of Malaysia (IPIC) of Abu Dhabi. This security was tied to a 10-year option given by 1MDB to IPIC to subscribe for up to 49% of any future listing 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 as “refundable deposits” pursuant to an option to purchase the power assets, 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 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.
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 purchase price for the land 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 square feet of 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 total of RM1.86 billion for Gerak Indera Sdn Bhd. These two companies own 254 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 a number of plots of land” in Penang for RM113 million. These three deals cost 1MDB a whopping RM2.8 billion.

Checks by The Edge revealed that the transactions appear to be very favourable to the vendors: 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” 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 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 Gilt 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).

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 a land with a single title has several parties as its owners and the land has been sub-divided into different plots with their own titles.) Such a situation is common in all the lands 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 RM89 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 72.62 million sq ft, then the RM1.38 billion 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 RM110 million or RM58 psf — a 7% jump. As a comparison, according to Ministry of Finance’s Valuation Report and Property Serv- ice Department report for 2013, the value of development land in Penang rose only 28% over the two years from 2012 to 2013. In the first deal, 1MDB paid Gerak Indera 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 fil- ings, the shareholders who sold the company to 1MDB were Ng Kok Cheang and Moham- med Ali bin Ismail each holding a 50% stake. Penang businessman Goh Choon Lye was a director of Gerak Indera for a very brief pe- riod — 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 ac- counts that were released several months ago after a one-year delay and a change in auditors, it did not state where ex- actly 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 houses 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 seller to 1MDB? Was he also in- volved 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 election to introduce the land to other businesses would have done? 3) Did the board ask for a proper risk as- sessment to verify the given fact that the price paid was above market value and the fact that the land has numer- ous 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 can- not 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 RM8.6 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 Invest- ments Ltd issued a US$3.0 billion (RM9.9 billion) 10-year bond through Goldman Sachs. After paying for fees of US$238 million (RM988 million), 1MDB ended up with US$2.72 billion (RM8.9 billion). The Government of Malaysia gave a let- ter of support for the bond which in effect means that should 1MDB 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 in- stitution or the credit rating.

It, however, said that in 2014 it had used the net proceeds of US$2.72 billion as working capital and to pay debts. In the FY2014 accounts, it was also dis- closed that 1MDB had a total of RM13.38 billion in “sold 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 val- uation techniques that include inputs for 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 or indirectly from observables. 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 available 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, 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 bil- lion 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 fi nancial institution where they 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?
Assets that the DOJ seeks to seize

- 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 a Arles by Van Gogh
- Saint-Georges Majeur by Claude Monet
- Nymphen by Claude Monet
- Qentas townhouse
- The Equanimity luxury yacht
How Jho Low used US$260 million of IMDB’s cash to buy UBG in 2010

**BY THE EDGE MALAYSIA**

O

d 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 Kamali 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$1.2 billion.

In the email, Tang said Nik Faisal would 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, Ugan 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, genik.faisal@gmail.com) to say that 1MDB PetroSaudi was short of US$220 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$1 billion 1MDB 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 just the way we can do all this is by funding from IMDB.”

(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, working with Mahony, Nik Faisal and Tang, had got 1MDB to take up another US$1.5 billion 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 that had just hired as their CIA — 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 use the US$500 million to 1MDB PetroSaudi for the purpose of subscribing for the Murabahah notes.

1MDB executives.

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

Buckland forwarded Weiss’s email to Mahony with the remark: “FYI below 1MDB have E... up with Bank Negara approval.”

(See Email 3)
How Jho Low used US$260 million of 1MDB’s cash to buy UBG in 2010

CONTINUES NEXT PAGE

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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 1MDB PetroSaudi at JP Morgan Suisse in Switzerland. A day later, US$800 million, from the US$500 million, was sent to the personal account of Tarek Obaid, also at JP Morgan Suisse.

From there, US$260 million was moved to the bank account of Javace Sdn Bhd at the AmBank branch at Menara Djin in Kuala Lumpur. Javace was the vehicle to be used by Jho Low to make a general offer for UBG shares. With the money in place, the plan to take over UBG was ready to be executed.

On Sept 29, PetroSaudi International (Seychelles) via Javace made a general offer (GO) for UBG for a total of RM1.7 billion or US$260 million. Javace raised RM200 million via a syndicated term loan from AmBank and OCBC Bank (M) Bhd while the rest came from the US$260 million that originated to the AmBank account. B&M described itself as a professional service firm that specialised in strategic corporate consultancy, advisory and management services.

“We are a trusted advisor 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 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 38 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$150 million 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$1.5 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.

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2006
OCT: Low Tarek, prior to Jho, then a mere 26-year-old, attempted to lobby support for Kawasaki Finance House’s (a former RH Bank Bhd, which was put up for sale by Utama Banking Group Bhd (UBG), but didn’t succeed. It was controlled by the family of then Sarawak chief minister Tabi Mahmud.

2007
MARCH: EB-P offered to buy RH Capital Bhd/RH Bank from UBG for RM2.5 billion and completed the acquisition a few months later. UBG ended up with a hefty cash.

AUG: Swang Symphony Sdn Bhd (owned by Abu Dhabi’s Malaysia Investment Corp (ADMIC) bought a 45.5% stake in Putrajaya Perdana Bhd from E&B for RM999 million. Jho has a 10% stake in ADMIC and Seychelles-incorporated Corp [ADKMIC] bought a 49% stake in Putrajaya Perdana Bhd in two tranches of US$310 million and US$700 million for the JV.

2008
JAN: UBG bought 49% in Putrajaya Petroleum Ind Sdn Bhd (PPISB) from Masterpiece for RM280 million, which includes both cash and 37.5% in Loh & Loh Bhd. In January, UBG sold its RM24 million stake in UBG to its directors. AUBG also sold 18.3 million of its own shares to Majestic Masterpiece-Sdn Bhd (which is owned by Jho) for RM46.6 million cash.

MAY: UBG subscribed for a 51% stake in Unity Capital International (Cayman) Ltd, an asset management company owned by UBG in which UBG placed RM50 million to manage. In (2011), UBG wrote off the RM68 million the money owed by Unity Capital.

JUL: ‘The Edge’ published a report that belonged to 1MDB

Nov 20:

2009
AUG 27: Terak and Mahony introduced Jho Low to PetroSaudi, head of M&A at PetroSaudi International Ltd (PSI) in Seychelles. Terak owns PSI with Prince Turki – the son of the King of Saudi Arabia. Our main objective is to look for good partners and value propositions for 1MDB. Jho, Terak and Mahony had met previously with the royal family and Mahony appeared upset by Jho Low’s handling of Terak and Mahony. (In 2011, HBG wrote off RM280 million that originated from 1MDB). Jho Low was actively involved in the takeover of UBG, it was stated that PSI’s owner Tarek Obaid owned PSI. In various emails between Terak, Mahony, Jho Low and 1MDB executives, it was always made clear that nothing was possible unless Terak and Mahony were involved.

2010
JAN 13: Jho Low reported to Mahony that there were several assets valued at US$15 billion that PSI would be able to acquire in the US and it was told it was not serious.

JUL 13: Jho Low received a draft of the JV agreement (commented by Jho Low) from Heah and forwarded it to PSI lawyers.

PETROSAUDI

PetroSaudi was not a company that belonged to the Saudi government but was owned jointly with the Malaysian media as such to make it seem like the joint venture with MBG was a government-to-government collaboration. Although Terak’s partner in PetroSaudi was Prince Turki – a son of the late King Abdul – PSI was a private company and not owned by the Saudi government. In various emails between Terak, Mahony, Jho Low and 1MDB executives, it was always made clear that nothing was possible unless Terak and Mahony were involved.

Mahony wrote to Terak on Jan 18 to explain that he actually preferred not to entertain any interview request but that Jho Low had insisted on it.

Dear readers, this timeline shows how Jho Low, with help from Mahony, Terak and 1MDB executives, used US$260 million to buy UBG. What about the rest of the US$1.8 billion of RM650 million 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."

(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 Selena Produktif Sdn Bhd for RM260 million and Putrajaya Perdana was sold to Cendana Destini Sdn Bhd for RM440 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.

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**Jho Low’s lifestyle & fortune**

<table>
<thead>
<tr>
<th>Item</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jho Low’s New York penthouse overlooking Central Park, once home to celebrity couple Beyonce and Jay-Z</td>
<td>US$31 million</td>
</tr>
<tr>
<td>Jho Low’s private luxury yacht Equanimity: world’s 34th largest</td>
<td></td>
</tr>
<tr>
<td>Jho Low’s Beverly Hills mansion</td>
<td>US$39 million</td>
</tr>
<tr>
<td>---</td>
<td></td>
</tr>
<tr>
<td>Mark Rothko’s Yellow and Blue sold in May 2015</td>
<td>US$46.5 million</td>
</tr>
<tr>
<td>Jean-Michel Basquiat’s Dustheads</td>
<td>US$48.8 million</td>
</tr>
</tbody>
</table>

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As reported in *The Edge* (Issue 1070, June 8, 2015)
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

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 RM2.3 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 International executives (Tarek Obaid and 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 Murahabah notes from PetroSaudi.

We also showed how US$260 million was channelled to Tarek Obaid and then to PetroSaudi Seychelles/Javace as his cost was 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 Murahabah notes from PetroSaudi.

On Aug 8, 2007, Jho Low acquired a 49.3% stake in PPB via Swan Symphony Sdn Bhd for RM123.9 million, a cash purchase. He also sold down to UBG for RM332.7 million, pocketing a cool RM165.7 million.

On Sep 10, 2008, Jho Low managed to acquire an additional 36.9 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) was RM2.50 million. This means that Jho Low broke even after this draw-out exercise of flipping UBG to PetroSaudi Seychelles/Javace as his cost was RM2.50 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.

Transactions 1

On Aug 8, 2007, Jho Low acquired a 49.3% stake in PPB via Swan Symphony Sdn Bhd for RM123.9 million.

One month later, on Nov 9, he acquired a additional 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 RM101.5 million.

Transactions 2

On Jan 31, 2008, Jho Low flipped his stake in PPB to UBG for RM32.7 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 RM91.6 million.

On July 25, 2008, Jho Low closed out his position in Loh & Loh Corp by disposing of it for RM232.9 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 purchased the remaining 1.63 million shares in UBG at RM2.50 per share for a total of RM4.1 million from several investors.

A few months later on Aug 4, 2008, he acquired a further 182.6 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/Javace by buying 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 draw-out exercise of flipping UBG to PetroSaudi Seychelles/Javace as his cost was RM3.2 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 RM500 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 RM500 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 RM500 million, Unity Capital then bought Jho Low’s option in the Medini land, netting him US$500 million (RM1.5 billion) 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 RM157.5 million from his three-year interlude with UBG.
Jho Low uses bearer share firms and those with sovereign names to mislead

A noticable 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 the actual owner is.

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

One example of Jho Low’s modus operandi is Abu Dhabi Kuwait Malaysia Investment (ADKMIC). ADKMIC, via Majestic Masterpiece Sdn Bhd, was a shareholder in UBG Bhd (UBG) and Loh & Loh Corp Bhd (LLL) throughout the period from 2007 to 2009.

These three Bursa-listed companies were eventually privatised in a RM4.1 billion swoop by Javace Sdn Bhd in September 2010.

(As reported in our issue of June 8, 2015, PetroSaudi Seychelles and Javace — companies controlled by Jho Low — had used US$260 million (£170 million) of 1MDB’s cash to buy UBG in 2010.)

ADKMIC was incorporated in the Territory of the British Virgin Islands (BVI) on July 27, 2007, as company number 1422007. 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) — 10%
- Abu Dhabi-Malaysia (Business Development) Investments Corp (ADMBD) (British Virgin Islands) — 10%
- Low Teck Jho (Malaysia) — 10%
- Tan Vern Tact (Malaysia) — 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.

To establish this fact, evidence shows that ADIA and KIA are Seychelles-incorporated bearer share companies. A bearer share company means that the owner who holds the physical share certificate at a particular time is the owner.

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 been unknown.

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.

In March, we established that the former owned 1MDB Corporation and KIA Investment Corporation and the latter 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 signed an agreement with PetroSaudi Seychelles (Cayman), which became the 100% owner of PetroSaudi — the JV company. Instead of getting its US$510 million cash back, 1MDB agreed to lend the money to PetroSaudi in the form of Murabahah notes.

July: 1MDB agreed to subscribe for an extra US$550 million Murabahah notes issued by PetroSaudi.

July 6: 1MDB received Bank Negara Malaysia approval to reissue US$550 million.

July 14: 1MDB, via Ambank, received US$550 million ‘autoliquid’ PetroSaudi funds and its account (7691400) at JPM Morgan was in Switzerland.

March: From the US$550 million, US$530 million was sent to the personal account (7573800) of Tarek Obaid, also at JPM Morgan.

May: With the asset sold and money distributed, Jho Low disposed of UBG and Javace, while 1MDB was stuck with US$2 billion of bearer shares. They then transferred US$1.5 billion to the 1MDB’s account at Swiss private bank BS in Singapore.

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

**Timeline of Jho Low’s corporeal and financial wheeling and dealing using US$1.83 billion that belonged to IMDB**

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan 31</td>
<td>UBG bought 49% in Putrajaya Perdana from Swin for RM323 million and 37.6% in Loh &amp; Loh from Binary Bestari Sdn Bhd for RM163 million.</td>
</tr>
<tr>
<td>Aug 27</td>
<td>Jho Low introduced Jho Low to Patrick Mahala, head of MBIA at PetroSaudi International Sdn Bhd (PSI). PSI owns PSI with Prince Turki — the son of the late King Abdullah of Saudi Arabia. PSI is not a government-owned entity.</td>
</tr>
<tr>
<td>Sept 7</td>
<td>Jho Low met Mahala in New York with Sett Lui and Tiffany Heah.</td>
</tr>
<tr>
<td>Sept 7</td>
<td>Mahala emailed a four-page note to Jho Low, Sett and Heah to summarise their discussions on how Jho Low and PSI could work together.</td>
</tr>
<tr>
<td>Sept 7</td>
<td>PSI sent a five-page note to Loh, Hair, Teck and Mahala on the AV structure and timeline.</td>
</tr>
<tr>
<td>Sept 8</td>
<td>Jho Low introduced PSI CEO Shahrul Hamid to Teck and Mahala, told them PSI must be set up by Sept 28.</td>
</tr>
<tr>
<td>Sept 8</td>
<td>PSI held a meeting in Cayman to set up a joint venture titled 1MDB PetroSaudi (Cayman).</td>
</tr>
<tr>
<td>Sept 29</td>
<td>Shahrul asked PSI to list a 23% stake in 1MDB PetroSaudi in name but was uncertain when they would take control.</td>
</tr>
<tr>
<td>Oct 12</td>
<td>Jho Low, via PSI, sent an email to Teck and Mahala saying that PSI would short-end US$500 million to do certain things, including a plan to take over UBG and said Jho Low agreed that PSI must find ways to get more cash from UBG’s RM350 million to be invested.</td>
</tr>
<tr>
<td>Oct 16</td>
<td>PSI received a cheque for US$260 million from UBG.</td>
</tr>
<tr>
<td>Nov 8</td>
<td>PSI received a RM350 million cheque from PSI.</td>
</tr>
<tr>
<td>Dec 11</td>
<td>PSI received a cheque for US$700 million.</td>
</tr>
</tbody>
</table>

**ADMBD is owned by Jho Low’s associates**

Another shareholder of ADMBD is ADMBD or Abu Dhabi-Malaysia (Business Development) Investments Corp (ADMBD), which was put up for sale by Utama Corporation and KIA Investment Corporation (Cyamin) in 2007.

Shaker is a Jordanian national who founded Silver Coast Construction & Boring LLC, which specialises in civil and infrastructure construction. He was also a director of UBG, as alternate to Yousif.

Another shareholder of ADMBIC, Tan Vern Tact, is also Jho Low’s close associate from UBG. Yousif, Yousif’s brother, also controls ADMBD in his own name and is listed as the company’s only director. He joined the board of UBG as Jho Low’s alternate director, also on Sept 19, 2008.

ADMBIC was effectively 70% controlled by Jho Low and his associates and he used bearer share companies to disguise the fact that he ultimately controls these companies.

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ADMBIC was effectively 70% controlled by Jho Low and his associates and he used bearer share companies to disguise the fact that he ultimately controls these companies.
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 billion cash for a 40% stake in the JV Co called 1MDB PetroSaudi Ltd. PetroSaudi Holdings to the JV Co. 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 was done within days. Morse was issued his appointment letter on Sept 22, 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$71 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).
   b) A letter of demand dated Sept 29, 2009 from PetroSaudi Holdings was sent to the JV Co to pay the loan.
   c) 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.

9. The board of directors of 1MDB was not told about this “loan” prior to the signing of the JV on Sept 28, 2009.

10. 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 Shafizul 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 Aizan Zainol reigned that this payment of US$700 million to Good Star had no corresponding cash in the JV Co.

11. 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 to the banks and 1MDB CEO Shafizul Halmi replied that it was Good Star Limited.

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

13. 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 it was there a need to do this?

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 Shafizul 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 paid 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 Shafizul Halmi replied that it was Good Star Limited.

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
On Sept 13, 2010, Jho Low emailed…

6. On July 21, 2010, Jho Low emailed…

8. Between June 2011 and September…

4. Various PetroSaudi companies…

9. Jho Low has been identified as…

5. Some of the money received by…

7. Disputes and disagreements be-…

2. Javace Sdn Bhd, the company that…

Who got what and the trail of international money laundering

Key Findings:

1. Good Star Limited received in…

2. Javace Sdn Bhd, the company that…

3. Between June 2011 and Septem-

3. In page 171, it was stated that on…

5. The actual value of the US$2.32 billion kept in the SPC was un-verifiable 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 be-tween 1MDB and Ernst & Young and then KPMG were primarily over the inability of 1MDB and Bridge Partners Investment Man-ager 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 catego-rised as Available For-Sale Investments in the audited ac-counts.

8. Subsequent to this, Aabar Invest-ments 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 Petro-leum 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 Invest-ments, was for co-guaranteeing two bonds totalling US$3.8 billion that 1MDB issued.

2. In May, 2014, 1MDB and Aabar signed an agreement to termi-nate the options. This was stated in Page 172 of 1MDB’s FY2014 ac-counts but no details were given.

3. In page 169 of the FY2014 accounts, it was stated that 1MDB had ob-tained a bridging loan of US$260 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 termi-nate 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
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:

1) US$250 million paid in May, 2014
2. 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 partly by using US$260 million of 1MDB's money.

3. Loh & Loh Corp Bhd and another RM350 million of land he owned in Medini, Iskandar to the company called Unity Capital.

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

7. The scheme to cover the US$2.22 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 totaling 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.

Key Findings:

1. Between 2008 and 2010, Jho Low made RM466 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 RM1.4 billion offer to take over UBG. This was financed by a RM700 million bank loan and a US$260 million loan...
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$800 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 RM700 million (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 RM387 million to RM200 million.

6. Cendana Destini and Selesa Produktif were set up by the same secretarial services company (B&M Consultancy Services) and have the same company secretary Lim Poh Seng. Both companies were set up by the same secretarial services company (B&M Consultancy Services). Both companies were set up by the same secretarial services company (B&M Consultancy Services). Both companies were set up by the same secretarial services company (B&M Consultancy Services). Both companies were set up by the same secretarial services company (B&M Consultancy Services).

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 RM10 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?
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 private detective 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.

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 would be out in less than a year if he agreed to make confessions that were preposterous 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 Singapore lawyer, Suresh Damodara, who was taking instructions from Swiss lawyers thereafter him; and a private detective who disguised himself as a Scotland Yard detective.

“They handed me a list of 50 questions and another list of 50 names 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 falls 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 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’s server,” 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 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.