

Dr M: 'Tampered' 1MDB info claim a ruse
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Former premier Dr Mahathir Mohamad has dismissed suggestions that 1MDB's critics owe Prime Minister Najib Abdul Razak an apology following the arrest of a former executive in PetroSaudi International Ltd.

Mahathir said that the fundamental issue surrounding 1MDB's controversial joint venture (JV) with PetroSaudi was the return of US\$1.9 billion in funds after the deal went sour.

In a posting on his blog today, Mahathir said Najib had told Parliament that 1MDB had loaned US\$1.9 billion to PetroSaudi's subsidiary to reduce the risk on its equity holding.

"Giving a loan to a JV partner who was found unsuitable as a JV partner would increase the risk, not reduce it.

"When the JV was dissolved after only six months of its formation, it must be because 1MDB realised that the venture was bad.

"What it should do is to demand the equity and the loan amounting to US\$1.9 billion be returned. Instead it was converted into a loan (murabahah).

"Having given this US1.9 billion loan, where is the money now?" asked Mahathir.

Tampered? So what?

Thus far, the government has suggested that the money was first parked in the Cayman Islands before it was transferred to BSI Singapore.

However, 1MDB and Putrajaya had described what was being held in BSI Singapore was "units", without further elaboration.

This had been the focus of 1MDB critics, including Mahathir, in recent months.

Recently, the arrest of former PetroSaudi executive Xavier Andre Justo by Thai authorities had led to Putrajaya claiming that criticisms against 1MDB stemmed from "tampered" documents supplied by the rogue former employee.

Details of how the documents were "tampered" have not been made public. The Thai police have made no mention of "tampered" documents and are investigating Justo for blackmailing PetroSaudi.

Regardless of whether Justo had peddled tampered PetroSaudi's documents, Mahathir stressed that the fact that 1MDB loaned US\$1.9 billion to its former JV partner remains.

"And after that the investment and the loan of US\$700 million was converted to a loan to a partner you (1MDB) no longer believe could deliver through the JV.

"You had some direct control over a JV, but not over the borrower.

"So what has all this to do with Justo blackmailing Petro Saudi: Nothing."

Chain of events

The JV with PetroSaudi was the first deal undertaken by 1MDB back in 2009, after Putrajaya tookover the company from the Terengganu government.

In August 2009, government guarantee bonds were issued to raise RM5 billion and RM3.5 billion was used to enter a JV with PetroSaudi in September.

After the JV was called off six months later, 1MDB's equity stake was converted into a murabahah notes which was valued higher than their initial investment.

Critics have been asking Putrajaya to explain where the money went, in light of leaked PetroSaudi emails pointing to US\$700 million being transferred to a company known as Good Star Ltd, which is based in Hong Kong.

Good Star Ltd is controlled by Jho Low, one of Najib's family friends.

The US\$700 million was transferred on September 30, 2009 - one day after the JV was sealed.

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