

Report: 1MDB duo had quit over JV irregularities

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Two 1MDB directors had resigned in protest after US\$700 million (RM2.6 billion) of 1MDB's funds intended for its joint venture (JV) with PetroSaudi was diverted to another company in 2009.

This is according to investigators probing alleged misappropriation of 1MDB's funds, reported The Star.

The two board members were 1MDB chairperson Mohd Bakke Salleh and Azlan Mohd Zainol, who were upset that their demands for the money to be returned was ignored.

"The board members were unhappy that the agreement was signed without much consideration and that US\$700mil (RM2.6 billion) meant for the JV company was transferred to another company without their approval.

"The board subsequently directed that the US\$700mil be returned to the JV company, but no action was taken," the English daily quoted an investigator saying.

It is unclear who had the authority to overrule 1MDB's board to direct the diversion and refuse its instruction to return the money.

Loan taken before JV inked

Incidentally, nearly US\$700 million was alleged by whistleblower site Sarawak Report as having been deposited into Prime Minister Najib Abdul Razak's personal bank accounts at AmBank.

This, among others, is being probed by a special task force. At this point, it is unclear if the amount deposited into Najib's account is linked to the diverted funds from 1MDB's JV with PetroSaudi.

According to the Star report, 1MDB was to inject US\$1 billion into 1MDB-PetroSaudi Limited, the JV vehicle incorporated in British Virgin Islands by 1MDB and PetroSaudi Cayman Holdings.

However, without the knowledge of 1MDB's board, 1MDB-PetroSaudi Limited formally borrowed US\$700 million from PetroSaudi Cayman Holdings on Sept 25, 2009.

Intriguingly, the loan was formalised by 1MDB-PetroSaudi Limited three days before the JV formally came into existence.

On Sept 30, out of the US\$1 billion investment approved by the 1MDB board for 1MDB PetroSaudi Limited, only US\$300 million went into the JV company.

No due diligence?

The remaining was diverted as "repayment" to PetroSaudi for the US\$700 million loan from PetroSaudi Cayman Holdings, taken just five days ago.

The report did not state where the US\$700 million went, but in February this year, Sarawak Report published a letter purportedly by PetroSaudi, dated Sept 29, 2009, demanding that the JV vehicle repay its US\$700 million loan.

The money was to be repayed to Good Star Limited which PetroSaudi claimed was its affiliate company.

Good Star Limited later turned out to be a company controlled by businessman Jho Low.

Yesterday, the Wall Street Journal reported that Malaysian investigators was informed by the Singapore police that US\$529 million from Good Star Limited was deposited into the bank account owned by Jho Low.

The Star report said that the 1MDB board was only informed of the JV on Sept 18, 2009 and had expressed reservations about it as they were unclear of their JV's partner's assets.

"According to investigators' initial findings, there was no document related to the existence of assets and valuation of PetroSaudi Cayman Holdings," said the report.

According to the report, in 2010, 1MDB extended additional borrowings of US\$500 million and another US\$300 million to the JV company.

However the JV was eventually aborted and 1MDB was compensated with a 49 percent stake in PetroSaudi Oil Services Limited (PSOSL) valued at US\$2.2 billion.

This stake was sold to Bridge Partners International Investment in August that year in exchange for promissory notes worth US\$2.32 billion.

In the same month, the promissory notes were invested in Bridge Global Absolute Return Fund SPC and Bridge Partners Investment Management Company (Cayman) Ltd, which 1MDB refers to as "units".

However, 1MDB had redeemed part of the money, amounting to US\$1.22 billion.

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