

1MDB's 'Silence of the options'

MalaysiaKini.com

Oct 1st, 2015

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MP SPEAKS In recent months, 1MDB has been relatively quick to respond to various allegations and exposés made against the company, even if mostly the replies provided recycled non-answers. More often than not, the company will question the source of the allegations, accuse the relevant parties of being malicious against 1MDB and regurgitate incomplete information from the Deloitte audited financial statements.

However, 1MDB has chosen to remain eerily silent on the questions which I raised with regard to the terms of the US\$3.5 billion guarantee and payments made (or not made) to International Petroleum Investment Corporation (IPIC) to buy back options granted to the latter.

These options were granted to IPIC's subsidiary, Aabar Investment PJS in 2012 to acquire up to 49 percent of its two energy subsidiaries, Powertek Investment Holdings and 1MDB Energy (Langat) Sdn Bhd as part of the condition for the provision of a guarantee by IPIC for US\$3.5 billion of 1MDB bonds.

1. Why was the US\$975 million loan from the Deutsche Bank-led consortium, used to buy back options granted to IPIC not reported in the 2014 financial statements?

Was it because the loan was used as a cover up for the US\$1.22 billion purportedly redeemed from its investment in Cayman Islands? Did 1MDB report to Deloitte that the proceeds was "substantially utilised" to redeem the same options, when in reality, the "redemption" was nothing but a multi-billion ringgit lie?

2. Is it true that despite having paid at least US\$993 million, as reported by the Wall Street Journal (WSJ) two weeks ago, to buy back the options granted to IPIC last year, 1MDB still owes IPIC a whopping US\$481 million, as reflected in the latter's financial statements audited by EY?

3. Can 1MDB confirm if the company and its auditors failed to expense the cost of the above options in its 2014 financial statement? This has resulted in 1MDB under-declaring its losses by at least RM3.5 billion (US\$993 million) or as much as RM5.2 billion after addition the outstanding US\$481 million?

4. 1MDB has also refused to confirm if a US\$1.4 billion payment purportedly made to IPIC was indeed a "refundable deposit" specified in the terms of the bond guarantee arrangement, especially since IPIC made no such disclosure in its financial statements. Curiously, 1MDB refuses or has failed to issue a joint statement with IPIC to put an end to the concerns over the missing US\$1.4 billion.

5. Can 1MDB also confirm that the company effectively only received approximately

US\$326 million of the proceeds from the 2012 US\$3.5 billion bond issues as it has to pay out US\$1.4 billion purportedly to IPIC, approximately US\$300 million to Goldman Sachs, at least US\$993 million to buy back the options and another US\$481 million still due to IPIC?

Why did 1MDB enter such a bizarre bond issue causing billions of ringgit of losses to the company, and did the prime minister approve of the transaction as required under 1MDB's memorandum and articles of association?

Habit of issuing denials

Based on the experience over the past year, we can expect 1MDB to accuse me of recycling old questions and accusations. Yes, I am indeed asking why these "recycled" questions were not answered. This is especially since 1MDB has the habit of issuing denials and recycling its old answers that everything was already disclosed in its financial statements, when they clearly aren't.

I can only hope that for once, 1MDB will stop playing word games and start giving straightforward honest answers. I would love to see a FAQ published on the 1MDB website to answers the above exact questions.

The board of directors and top executives of 1MDB should be truthful not only to be accountable to the Malaysian public, but also to ensure that they do not become culpable as parties abetting the single biggest case of fraud in the country's history.

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