

## **Ex-1MDB CEO claimed Najib refused revaluation of assets despite concerns**

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Former 1MDB chief executive officer Shahrol Azral Ibrahim Halmi claimed that Prime Minister Najib Abdul Razak had refused the revaluation of assets in 1MDB's joint-venture with PetroSaudi International (PSI) despite concerns raised by the 1MDB board of directors.

This is according to the Public Accounts Committee (PAC) report tabled today which referred to Najib in his position as 1MDB board of advisers' chairperson.

According to the report, the 1MDB board of directors had doubts about the joint-venture in which 1MDB was to commit US\$1 billion in cash while PSI would only need to commit at least US\$1.5 billion in energy assets to their joint-venture vehicle 1MDB PetroSaudi Ltd.

Edward L Morse, who was appointed by Shahrol Azral to conduct an independent valuation of PSI's assets on behalf of 1MDB on Sept 29, 2009, was strangely able to produce the valuation report on the very same day.

The PAC report said Morse knew about his appointment as early as September 20, 2009, but noted that the valuation report was completed in eight days, despite the complexity of the assets and initial statements that it would take months.

Furthermore, the valuation of the assets was only completed a day after the joint-venture deal was signed on Sept 28, 2009, in defiance of the conditions set out by the 1MDB board of directors which required the independent valuation be completed beforehand.

The 1MDB board of directors in its meeting on Oct 3, 2009, made note of its unhappiness and also expressed puzzlement at the speed Morse was able to complete the valuation report.

### **Board wanted Najib to approve second valuer**

At a subsequent meeting on Oct 10, 2009, the board of directors sought Najib's intervention.

"During the meeting, the 1MDB board of directors raised about the need to shortlist 10 credible valuers for the approval of the board of advisers' chairperson.

"The management can then discuss with PetroSaudi Holdings (Cayman) Ltd about the appointment of a second valuer.

"However, during the 1MDB board meeting on Nov 7, 2009, Shahrol Azral informed that a

second valuation of the assets was not needed as the board of advisers' chairperson (Najib) did not agree with the suggestion but ordered the 1MDB board of directors to appoint a consultancy company to evaluate the ownership of the joint-venture company.

"However, checks by the Auditor-General's Department found no documentation to prove any appointment of a consultant was made," said the PAC report.

Ultimately, 1MDB signed the joint-venture deal without knowing for sure if PSI was holding up its end of the bargain with the said assets.

As soon as 1MDB signed the deal on Sept 28, 2009, it was required to deposit its part of US\$1 billion in cash within two days, into the joint-venture vehicle 1MDB PetroSaudi Ltd, which was promptly done.

However, the PAC report found that only US\$300 million was deposited into the joint-venture account, which was approved by Bank Negara, while US\$700 million was diverted without approval to Good Star Ltd.

### **1MDB CEO ordered to brief Najib on deal**

Upset by these developments, the 1MDB board of directors had in its meeting on Oct 10, 2009, also instructed that Najib be informed of these events.

"The 1MDB board of directors had instructed the 1MDB chief executive officer to prepare a comprehensive brief to the board of advisers' chairperson about the chronology of events on the joint-venture, financing status and the 1MDB board of directors' dissatisfaction at the valuation of PetroSaudi Holdings (Cayman) Limited's assets," said the report.

However, the PAC report noted the Auditor-General's Department did not find evidence that the matter was referred in writing to Najib.

The PAC report said the joint-venture deal came about through a letter from one "Prince Turki" dated August 28, 2009, which was sent to Najib.

The letter introduced PSI chief executive officer Tarek Obaid to Najib, who subsequently passed the letter to 1MDB.

The PAC report also noted several red flags were raised in the run-up to the joint-venture deal as well as shortly after.

For example, the PAC report said 1MDB's joint-venture was supposed to be with PSI but was later signed with PetroSaudi Holdings (Cayman) Ltd instead.

Furthermore, the report noted that PetroSaudi Holdings (Cayman) Ltd, as well as the joint-venture vehicle 1MDB PetroSaudi Ltd, were formed just 10 days before the deal was

signed.

However, when the valuations of assets were made, they were the assets of PSI and not PetroSaudi Holdings (Cayman) Ltd.

### **Questions over five-day US\$700mil loan**

It also noted that 1MDB PetroSaudi Ltd had taken out a 5-day loan of US\$700 million from PetroSaudi Holdings (Cayman) Ltd on Sept 25, 2009, three days before the joint-venture was signed.

"This existence of a US\$700mil advance loan to be paid in five days raises questions.

"The Auditor-General's Departments checks did not find any minutes or documents to show that the 1MDB board of directors was informed about the advance loan of US\$700 million before the joint-venture was signed," it said.

The diversion of US\$700 million to Good Star Ltd from the US\$1 billion 1MDB was supposed to inject into 1MDB PetroSaudi Ltd followed five days later.

The PAC report noted that Shahrol claimed that Good Star Ltd was a subsidiary of the PetroSaudi group.

The crux of the PAC findings were consistent with the expose by Sarawak Report based on data leaked by former PetroSaudi International employee Xavier Andre Justo since February last year.

Putrajaya had, since the expose, insisted the reports by the whistleblower portal were fabricated.

Sarawak Report claimed the Seychelles-based Good Star Limited is solely owned by Penang-born billionaire Jho Low.

Jho Low had denied any involvement in 1MDB or wrongdoing.