

Ex-CEO: 1MDB funds used to buy land in Penang, linked to GE13

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1MDB TRIAL | Part of the US\$3 billion (RM12.4 billion) bond raised by 1MDB in 2013 was used to acquire land in Ayer Itam, Penang, the Kuala Lumpur High Court heard today.

According to former 1MDB CEO Mohd Hazem Abdul Rahman (above), the land became part of Umno's campaign material.

"When Najib (Abdul Razak, the accused) was campaigning in Penang, he said during a ceramah that the land would be developed by 1MDB to build affordable housing in Ayer Itam," Hazem said.

Hazem did not go into details on the land acquisition. It was raised in passing when he was reading his 110-page witness statement at the High Court today.

During the portions he read yesterday, Hazem said he was informed by fugitive businessperson Low Taek Jho, also known as Jho Low, and Najib's former political secretary Azlin Alias that 1MDB was set up to help fund Umno.

On May 1, 2013, the former prime minister said during a campaign event in Penang that the federal government would build 9,999 low cost or affordable housing in the state.

Najib said 1MDB signed an agreement to buy land for the project in Air Putih, Ayer Itam, and Paya Terubong.

There is not much information regarding the land in Ayer Itam, aside from a revelation by the Pakatan Harapan administration in 2018 that 1MDB had sold it to China-based Silk Road Southeast Asia Real Estate Ltd (Silk Road) for approximately RM2.7 billion in August 2017.

In 2015, the Penang government ordered the state Land and Mines Department to lodge a caveat on the land, which revealed that the land involved parts of Kampung Pisang, which is currently inhabited.

Hazem told the court that the US\$3 billion bond was raised to fund the Abu Dhabi Investment Company (Admic) project, which was a joint venture between 1MDB

and Abu Dhabi's Aabar Investment PJS.

Each company was supposed to channel US\$3 billion into Admic.

He testified that 1MDB arranged for its portion through Goldman Sachs and the money was channelled to 1MDB's special purpose vehicle called 1MDB Global Investment Limited (1MDB GIL), incorporated in the British Virgin Islands.

The Malaysian government would be the guarantor for the bond and bore all the risk should 1MDB default on the repayments.

When shown a document signed between the Malaysian government and Goldman Sachs, Hazem explained that the document was an undertaking by the Malaysian government for the bank to go ahead with the bond issuance.

"It was signed by Najib as then finance minister, representing the government.

"This matter was also agreed by the highest (decision-makers at) 1MDB, which was Najib, as then prime minister and chairperson of the board of advisors.

"(This agreement with Goldman Sachs) was planned by Low and instructed by Najib who agreed to the bond issuance by 1MDB GIL," he said.

Hazem testified that the money was banked into 1MDB GIL's account at the BSI Bank in Lugano, Switzerland on March 19, 2013.

He said that the issuance of the bond was sped up because Goldman Sachs had underwritten it, meaning that the bank would lend the money first before finding subscribers for the bond.

"Usually, if there is no urgency for the money, there is no need for a fully underwritten bond, because the fees would be very high.

"This shows that there was a rush to issue the bond. In this case, 1MDB paid 9.3 percent in fees to Goldman Sachs which is very high," he added.

Former premier Najib is on trial over four counts of abuse of power and 21 counts of money laundering involving RM2.28 billion of funds from 1MDB.

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