

1MDB management conned Najib over investment agreement - witness

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The High Court today was told that the management of 1Malaysia Development Berhad (1MDB) had conned former prime minister Najib Abdul Razak and the company's board of directors (BOD) into entering an investment agreement with its purported business partner PetroSaudi International Limited (PSI).

Former non-executive director of 1MDB Ismee Ismail (above), 58, who agreed with Najib's lead counsel Muhammad Shafee Abdullah's suggestion, also admitted that several members of the management had misled Najib and the BOD by crafting detailed proposals to enter into the investment agreement.

The lawyer then suggested that the said proposals were crafted by 1MDB's former general counsel Jasmine Loo Ai Swan, former chief financial officer Azmi Tahir and Casey Tang Keng Chee (former executive director) and Shahrol Azral Ibrahim Halmi (former chief executive officer).

Shafee: This is a 100 percent con job. All the proposals were crafted by the 1MDB management. It was detailed crafting by the management. Ismee replied “yes”.

The senior counsel was referring to the deal where 1MDB agreed to convert its 40 percent stake in the joint venture company 1MDB-PetroSaudi International Limited that it had bought at US\$1 billion into an Islamic loan to the same joint venture company.

The deal saw 1MDB agreeing to sell off the 40 percent share to the joint venture company, by giving, on paper, the Islamic loan via Murabahah notes to the joint venture company at a value of US\$1.2 billion.

With the conversion to the Murabahah notes, the joint venture company would on paper owe US\$1.2 billion to 1MDB, effectively giving 1MDB a paper profit of US\$200 million after accounting for the initial US\$1 billion.

Explaining further on the conversion to the Murabahah notes, Shafee told the court that the 1MDB management did a “magic show”, whereby the sovereign wealth fund would get the US\$1.2 billion on paper, but not the actual cash.

Shafee: From Shahrol Azral’s testimony, we got to know that he was being directed by fugitive businessperson Low Taek Jho, better known as Jho Low,

purportedly it was from Najib to do this (proposals). This was a very detailed nitty-gritty of paperwork convincing enough for the BOD. Do you agree with me? Ismee replied “yes”.

Shafee: In your wildest imagination, do you think Najib, the then PM would be involved in directing on how to con 1MDB? Can you imagine? Ismee answered “I don’t think any PM would have time for that”.

To another question, the 13th prosecution witness also agreed that 1MDB faced difficulties during an audit process when audit firm Ernst & Young (E&Y) queried on the US\$700 million which was transferred out from 1MDB to the joint venture.

Shafee: Do you agree with me that the management was dragging its feet for so long and not answering E&Y? Ismee replied “yes”.

Previously, it was reported that 1MDB’s US\$1 billion was placed in the joint venture and it was paid out in two batches of US\$700 million and US\$300 million.

The US\$300 million was channelled to the joint venture company while the US\$700 million was paid to Good Star Limited, a company owned by Low.

Shafee: Shahrol Azral was the culprit behind this as he was working hand-in-hand with Jho Low and he misled the entire BOD. This is why 1MDB is suffering today. Ismee replied in the affirmative.

Najib, 68, is facing four charges of using his position to obtain bribes totalling RM2.3 billion from 1MDB funds and 21 charges of money laundering involving the same amount.

The trial before judge Collin Lawrence Sequerah continues tomorrow.

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