

**US\$700 million diverted without 1MDB board's approval, says report**  
**The Malaysian Insider**  
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A total of US\$700 million (RM2.6 billion) meant to be channelled into a joint venture company set up by 1Malaysia Development Bhd (1MDB) and PetroSaudi International Ltd (PSI) was diverted without the knowledge of the state fund's board members, The Star reported today.

The report said according to investigators, 1MDB board members felt the agreement to set up the JV company was signed in haste, prompting two senior board members to quit.

Quoting investigators, the report said that the issue began on September 28, 2009, when agreements were speedily signed to set up 1MDB PetroSaudi Ltd, which displeased the board members.

This was because only ten days before, on September 18, they had been informed of an agreement with PSI and that its oil and gas assets in Turkmenistan and Argentina were being valued.

But on September 28, the agreement was signed with PetroSaudi Holdings (Cayman) Ltd, a wholly-owned subsidiary of PSI. 1MDB reportedly paid US\$1 billion for a 40% stake in the joint venture.

Investigators failed to find any documents on the existence of assets and valuation of PetroSaudi Holdings (Cayman).

The board was also not informed of a loan amounting to US\$700 million extended to the joint-venture company by PetroSaudi Holdings (Cayman) on September 25, three days before the agreement was signed.

The condition was that the loan was to be repaid in full on September 30.

The report said that the board had approved the US\$1 billion deal and for the cash to be transferred into the account of joint venture company, 1MDB PetroSaudi.

But on September 30, only US\$300 million of the US\$1 billion was actually transferred to the joint venture account.

Investigators said the balance US\$700 million was deposited into another account, according to the report.

The board was said to be unhappy about the haste with which the agreement was signed and the fact that the US\$700 million was transferred to another company without their approval.

"The board subsequently directed that the US\$700 million be returned to the JV

company, but no action was taken,” an investigator was quoted as saying.

1MDB chairman Datuk Mohd Bakke Salleh and Tan Sri Azlan Mohd Zainol who were said to be unhappy with the 1MDB management over this matter, then resigned.

The 40% stake was converted into Islamic debt papers valued at US\$1.2 billion on March 31, 2010.

Also in 2010, 1MDB lent 1MDB PetroSaudi another US\$500 million and US\$300 million.

The Islamic debt papers were redeemed in 2012 and 1MDB ended up with a 49% stake in PetroSaudi Oil Services Ltd, where the stake was valued at US\$2.2 billion.

1MDB then sold the 49% stake to Bridge Partners International Investment Ltd in August 2012 and got promissory notes amounting US\$2.32 billion from Bridge Partners.

1MDB through its subsidiary Brazen Sky Ltd then invested the promissory notes into Bridge Global Absolute Return Fund SPC and Bridge Partners Investment Management Company (Cayman) Ltd.

The fund then redeemed part of the money amounting to US\$1.22 billion with the balance held in various portfolios, the report said. – July 11, 2015.

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