

Bil. 35

**Rabu
17 Jun 2015**



MALAYSIA

LAPORAN PROSIDING

MESYUARAT JAWATANKUASA KIRA-KIRA WANG NEGARA

Mengenai:

**Kawalan Pengurusan Tadbir Urus
1Malaysia Development Berhad (1MDB)**

- Kementerian Kewangan
 - KPMG
- (Juruaudit kepada 1Malaysia Development Berhad)

**PARLIMEN KETIGA BELAS
PENGGAL KETIGA**

**MESYUARAT JAWATANKUASA KIRA-KIRA WANG NEGARA
BILIK MESYUARAT JAWATANKUASA 2, BLOK A
BANGUNAN SEMENTARA, PARLIMEN MALAYSIA
RABU, 17 JUN 2015**

AHLI-AHLI JAWATANKUASA

Hadir

YB. Datuk Nur Jazlan bin Mohamed [Pulai] - *Pengerusi*
YB. Dr. Tan Seng Giaw [Kepong] - *Timbalan Pengerusi*
YB. Datuk Seri Reezal Merican [Kepala Batas]
YB. Dato' Abd. Aziz Sheikh Fadzir [Kulim-Bandar Baharu]
YB. Datuk Wee Jeck Seng [Tanjong Piai]
YB. Tuan Haji Hasbi bin Haji Habibollah [Limbang]
YB. Datuk Mas Ermieyati binti Samsudin [Masjid Tanah]
YB. Datuk Madius bin Tangau [Tuaran]
YB. Tuan Tony Pua Kiam Wee [Petaling Jaya Utara]
YB. Dato' Kamarul Baharin bin Abbas [Telok Kemang]
YB. Tuan William Leong Jee Keen [Selayang]
YB. Dato' Kamarudin bin Jaffar [Tumpat]

Tidak Hadir [Dengan Maaf]

YB. Datuk Liang Teck Meng [Simpang Renggam]
YBhg. Datuk Roosme binti Hamzah - *Setiausaha*

URUS SETIA

Encik Amisyahrizan bin Amir Khan [Ketua Penolong Setiausaha (Perundangan dan Prosiding)]
Encik Ahmad Johan bin Mohd Afandi [Pegawai Khas Pengerusi Jawatankuasa]
Puan Siti Rohaini binti Roslan [Penolong Pegawai Teknologi Maklumat]

HADIR BERSAMA

Jabatan Audit Negara

YBhg. Datuk Juhari bin Haron [Pengarah Bahagian Susulan Audit]
Datin Paduka Ong Swee Leng [Pengarah (Audit Badan Berkanun Persekutuan)]
Puan Saadatul Nafisah binti Bashir Ahmad [Pengarah (Audit Kerajaan Persekutuan)]
Puan Nor Salwani binti Muhammad [Timbalan Pengarah (Audit Kerajaan Persekutuan Syarikat Kerajaan Bahagian II)]
Puan Lim Sok Kiang [Ketua Unit Audit Dalaman (Audit Kerajaan Persekutuan Kastam Bahagian II)]
Encik William Yapp Thou Kiong [Audit Khas dan Penyelidikan Bahagian Kajian Khas]

(Samb/)

HADIR BERSAMA (*Samb/-*)**Kementerian Kewangan**

Encik Rosli bin Yaakub [Ketua Unit Parlimen dan Kabinet]

Jabatan Akauntan Negara

Puan Juliana binti Saleh [Ketua Penolong Pengarah]

Jabatan Perkhidmatan Awam

Encik Ali Badaruddin bin Abd Kadir [Timbalan Pengarah Kanan (Bahagian Perkhidmatan)]

Unit Perancang Ekonomi (UPE)

YBrs. Dr. Kamariah binti Noruddin [Pengarah Seksyen Industri Perkhidmatan]

Puan Afiza Binti Idris [Timbalan Pengarah (MAKRO) Seksyen Industri Perkhidmatan]

SAKSI-SAKSI**KPMG Malaysia**

YBhg. Datuk Johan Idris [Managing Partner]

Encik Khaw Hock Hoe [Senior Audit Partner]

Encik Ahmad Nasri Abdul Wahab [Audit Partner]

Encik Ong Beng Seng [Note Taker]

Kementerian Kewangan Malaysia

YBhg. Dato' Dr. Mohamad Isa bin Hussain [Setiausaha (Bahagian Syarikat Pelaburan Kerajaan)]

Encik Asri bin Hamidon [Timbalan Setiausaha (Bahagian Syarikat Pelaburan Kerajaan)]

Encik Ahmad Suhaimi bin Endut [Timbalan Setiausaha (Bahagian Syarikat Pelaburan Kerajaan)]

Encik Mohd Shihabuddin Mukhtar [Ketua Penolong Setiausaha (Bahagian Syarikat Pelaburan Kerajaan)]

Encik Faisal @ Pital Abdul Ghani [Ketua Penolong Setiausaha (Bahagian Syarikat Pelaburan Kerajaan)]

Encik Muhammad Khairul Fuadi Hamdan [Penolong Setiausaha (Bahagian Syarikat Pelaburan Kerajaan)]

Encik Anas Hilmi Ahmad [Penolong Setiausaha (Bahagian Syarikat Pelaburan Kerajaan)]

Encik Mohd Hisyamuddin bin Awang Abu Bakar [Ketua Penolong Setiausaha (Bahagian Syarikat Pelaburan Kerajaan)]

Encik Shahrol Anuwar bin Sarman [Pegawai Khas (Ketua Setiausaha Perbendaharaan)]

LAPORAN PROSIDING**MESYUARAT JAWATANKUASA KIRA-KIRA WANG NEGARA
PARLIMEN KETIGA BELAS, PENGGAL KETIGA****Rabu, 17 Jun 2015****Bilik Jawatankuasa 2, Tingkat 1, Blok A, Parlimen Malaysia, Kuala Lumpur****Mesyuarat dimulakan pada pukul 11.43 pagi***[Yang Berhormat Datuk Nur Jazlan bin Mohamed
mempengerusikan Mesyuarat]*

Tuan Pengerusi: Okey. Selamat pagi saya ucapkan kepada Timbalan Pengerusi dan Ahli-ahli PAC, Datin Paduka Ong Swee Leng dan Jabatan Audit Negara serta wakil-wakil kementerian. Pada pagi ini, PAC akan memanggil saksi atau mengadakan prosiding mengenai Kawalan Pengurusan Urus Tadbir 1Malaysia Development Berhad. Pegawai Pengawalnya adalah Kementerian Kewangan dan hari ini khusus kita panggil *auditor* kepada 1Malaysia Development Berhad untuk tahun 2010, 2011 dan 2012 iaitu KPMG Malaysia.

Tujuan kita adalah untuk mendapat penjelasan daripada mereka mengenai akaun 1MDB untuk tiga tahun tersebut. Jadi sebelum itu, saya hendak ucapkan terima kasih kepada Encik Ali Badaruddin bin Abd Kadir. Encik Ali kita, wakil EPU kita akan bersara pada minggu depan. *[Disampuk]* Jabatan Perkhidmatan Awam (JPA). *[Ketawa]* Salah tempat, dia akan bersara pada minggu depan dan kita mengucapkan terima kasih. Kita berikan satu tepukan bagi beliau atas sumbangan. *[Tepuk]* Yang Berhormat Kepala Batas hendak bagi hadiah. *[Ketawa]* Jadi kita harapkan, kita doakan bahawa Encik Ali akan selamat menjalani persaraan dan akan terus meneruskan sumbangan produktif beliau kepada negara. Ada apa-apa hendak cakap Encik Ali? boleh masuk *Hansard*. *[Ketawa]*

Encik Ali Badaruddin bin Abd Kadir [Timbalan Pengarah Kanan (Bahagian Perkhidmatan)]: Saya *personally* mengucapkan ribuan terima kasih kepada Tuan Pengerusi dan Ahli-ahli PAC kerana beri peluang saya menyumbang pandangan dan pendapat bersama. Saya rasa di akhir perkhidmatan saya ini nampak ataupun menyerlah fungsi PAC itu sendiri. *[Tepuk]*

Tuan Pengerusi: Okey, Terima kasih. Oleh sebab itu saya hendak dia cakap masuk *Hansard*. *[Ketawa]* Tidak, berlawak sahaja. *[Ketawa]*

Encik Ali Badaruddin bin Abd Kadir: Sekian, terima kasih Tuan Pengerusi.

Tuan Pengerusi: Terima kasih banyak-banyak. Selamat. *[Ketawa]*. Okey, sebelum kita mulakan. Sebelum kita panggil KPMG. Jabatan Audit Negara ada hendak tambah apa-apa? Tiada ya? Okey, wakil Kementerian Kewangan? Hari ini siapa datang?

Encik Rosli bin Yaakub [Ketua Unit Parlimen dan Kabinet]: Tuan Pengerusi, Dato' Dr. Mohamad Isa bin Hussain.

Tuan Pengerusi: Dato' Dr. Mohamad Isa bin Hussain datang ya.

Encik Rosli bin Yaakub: Cuma saya hendak maklumkan satu Tuan Pengerusi iaitu berkaitan dengan isu pelantikan KPMG ataupun Deloitte ataupun mana-mana *auditor* oleh syarikat kerajaan yang di bawah Kementerian Kewangan sebenarnya ia tertakluk kepada *Companies Act*. Di mana yang melantiknya ialah lembaga pengarah ataupun 1MDB itu sendirilah dan sekiranya...

Tuan Pengerusi: *Shareholder* melantiklah.

Encik Rosli bin Yaakub: Sekiranya *director* tidak melantik maka perlu dibawa ke dalam *general meeting* dan *shareholder* iaitu MoF akan melantik.

Tuan Pengerusi: Prosedur dia begini, *board of director propose*, selepas itu dekat AGM *approved*. Manalah *you* orang ini, MoF betul kah?

Beberapa Ahli: *[Bercakap tanpa menggunakan pembesar suara]*

Tuan Pengerusi: *Shareholder*.

Dato' Abd. Aziz Sheikh Fadzir [Kulim-Bandar Baharu]: *[Bercakap tanpa menggunakan pembesar suara]*

Tuan Pengerusi: *I* risau MoF ni, *you* tidak tahu peraturan kah? *[Ketawa]*

Dato' Abd. Aziz Sheikh Fadzir: *[Bercakap tanpa menggunakan pembesar suara]* ...Dalam syarikat mana-mana pun. Kalau dalam syarikat pun *board* akan cadangkan tetapi kelulusannya adalah *shareholders*. So, kalau macam syarikat *public company*, dia buat tiap-tiap tahun dalam masa AGM, dia buat pelantikan *auditors*.

Encik Rosli bin Yaakub: *[Bercakap tanpa menggunakan pembesar suara]* ...Cuma yang saya hendak sampaikan pagi ini Yang Berhormat, sebenarnya dalam kes pelantikan *auditor* di 1MDB sebenarnya tidak pernah *refer* kepada MoF pun.

Tuan Pengerusi: Cakaplah.

Encik Rosli bin Yaakub: Itu sebenarnya.

Tuan Pengerusi: Itu yang kita hendak dengar pun.

Encik Rosli bin Yaakub: Akan tetapi apa yang saya katakan tadi sebenarnya itu daripada Penasihat Undang-undang MoF. Saya cuma tolong sampaikan sahaja.

Tuan Pengerusi: *I* rasa penasihat undang-undang *you* patut pergi belajar balikkah. Baca balik *Companies Act*. *[Ketawa]*

Tuan Tony Pua Kiam Wee [Petaling Jaya Utara]: Akan tetapi pada... *[Bercakap tanpa menggunakan pembesar suara][Ketawa]* *But for the committee, if there is no endorsement per say from MoF, then the auditors cannot start their work because auditors will always get that endorsement before starting their work, it is a standard process by auditors. So, auditors* tentu sudah dapat satu surat. Saya tidak percaya *auditors* start kerja tanpa surat. Surat daripada siapa itu?

Tuan Pengerusi: *The client is always the shareholder, the shareholder is MoF*. Lagi satu, pelantikan *auditor* dibuat pada AGM. Masalah dengan 1MDB ini, dia tiada AGM. Hari itu masa KSP jawab, dia kata tidak payah.

Beberapa Ahli: *[Bercakap tanpa menggunakan pembesar suara]*

Tuan Tony Pua Kiam Wee: *I think* apa yang KSP sebut. Apa yang KSP sebut ialah mereka tidak dipanggil untuk sebarang AGM. Dia tidak sebut tidak ada AGM. Dia sebut dia tidak dipanggil untuk sebarang AGM.

Tuan Pengerusi: Ada seorang itu cakap tidak payah pasal kira satu *shareholder* sahaja. Tidak payah ada formal AGM. *[Disampuk]* Tidak, tidak, itu FELCRA. Masa FELCRA dia cakap. Pasal ada *one shareholder* sahaja jadi dia tidak payah ada AGM.

Tuan Tony Pua Kiam Wee: *One shareholder also need AGM.*

Dato' Abd. Aziz Sheikh Fadzir: Tuan Pengerusi, saya sebelum kita pergi ini. Cuma kekeliruan ini patut tidak ada lagi. Kalau hari itu kita minta semua permohonan daripada KSP. Kita minta permohonan ini untuk Deloitte, sampai hari ini kita belum dapat dokumen-dokumen itu. Bila kita nak dapat itu? Supaya kita tak perlu lagi *debate* benda dan soalan yang sama. Ini apa masalahnya Tuan Pengerusi?

■1150

Tuan Pengerusi: Okey, MoF? *[Ketawa]* Sila sampaikan balik pada *boss-boss* awak.

Tuan Tony Pua Kiam Wee: Tak ada dokumen lagi, ya?

Beberapa Ahli: *[Bercakap tanpa menggunakan pembesar suara]*

Tuan Pengerusi: Sampaikan keluhan Yang Berhormat Kulim-Bandar Baharu.

Encik Rosli bin Yaakub: Cuma... *[Disampuk]* Ya lah, saya akan— cumanya seperti saya maklumkan kepada Yang Berhormat Tuan Pengerusi hari itu. Terima kasih.

Dato' Abd. Aziz Sheikh Fadzir: Saya faham. Biar kita minit dalam ini sampai hari ini, kita belum lagi dapat dokumen apa yang kita minta daripada KSP, apa yang kita minta kepada MoF berhubung dengan Deloitte sebab dalam aturan kerja kita ini, kenapa kita lambatkan satu minggu supaya bukan sahaja kita boleh baca verbatim kita, tapi kita juga boleh dapat dokumen untuk memudahkan cara kita buat kerja.

Tuan Pengerusi: Tadi, suruh baca verbatim. Lepas itu, suruh buat mesyuarat tiga hari berturut-turut. Suka-suka sahaja tukar-tukar. *[Ketawa]*

Dato' Abd. Aziz Sheikh Fadzir: Itulah sekarang ini, kan seminggu-seminggu kita buat. Saya ingat Tuan Pengerusi punya cadangan supaya kita dapat...

Tuan Pengerusi: Sebab saya nak aturkan mesyuarat ini supaya kita buat mesyuarat ini selang seminggu. Jadi kita boleh baca *Hansard* yang sebelum itu.

Tuan Tony Pua Kiam Wee: 3-4 minggu dari MoF pun tak ada... *[Ketawa]*

Tuan Pengerusi: Nanti boleh tanya Dato' Isa, dia Setiausaha Bahagian MKD. *Hansard?* Okey.

Seorang ahli: *[Bercakap tanpa menggunakan pembesar suara]*

Tuan Pengerusi: Okey, ada apa lagi? Kalau tak ada apa, kita panggil...

Tuan Tony Pua Kiam Wee: *One last point. Forgot E&Y. Forgot E&Y. No, we want to ask why they didn't sign and they resign.*

[Saksi-saksi mengambil tempat di hadapan Jawatankuasa]

Tuan Pengerusi: Okey, *press* dah. Cukup, cukup. Dah, dah, dah cukup. Okey, tak cukup gambar lagi ya?

Okey. Selamat pagi saya ucapkan kepada Dato' Dr. Mohamad Isa bin Hussain, Setiausaha Bahagian MKD, Kementerian Kewangan. Selamat kembali, Dato'. Banyak kali Dato' datang PAC. Yang saya hormati, Yang Berbahagia Datuk Johan Idris, *Managing Partner* KPMG dan juga Encik Khaw Hock Hoe, *Senior Audit Partner* KPMG.

Pada hari ini, firma KPMG dipanggil ke PAC untuk memberikan penjelasan mengenai tatacara audit yang dipakai oleh KPMG dalam mengeluarkan akaun 1MDB untuk tahun 2010, 2011 dan 2012. Jadi pada hari ini juga, kita punya *hearing* ini adalah berkenaan dengan kawalan pengurusan urus tadbir 1Malaysia Development Berhad.

Jadi penjelasan yang akan diberikan oleh KPMG pada hari ini terbuka ya, maknanya mana yang saudara-saudara nak jawab, saudara-saudara boleh jawab. Tak nak jawab, cakap tak nak jawab. Kalau ada perkara yang tak boleh dizahirkan secara terbuka, tutup *microphone*. Fasal segala apa yang disebut, sewaktu *microphone* dibuka akan direkod dalam *Hansard*. Itu sahaja. Kita tak suruh *you all* angkat sumpah pun. Jangan takut.

Akan tetapi hari ini *you* tak bawa *lawyer*? Deloitte bawa *lawyer* itu hari, takut betul ya? *[Ketawa]* Jadi baguslah. Jadi, biar kita adakan prosiding dalam keadaan yang tenang dan juga kita mendapat maklumat dan penjelasan yang lebih, yang boleh membantu PAC dalam mencapai rumusan kita mengenai Kawalan Pengurusan Urus Tadbir 1Malaysia Development Berhad ini apabila *report* kita siap nanti. Jadi format pada hari ini, KPMG ada sedikit taklimat yang nak diberikan?

Datuk Johan Idris [Managing Partner, KPMG Malaysia]: Ya, ada sedikit taklimat. Boleh sayabagi taklimat?

Tuan Pengerusi: Okey, kita bagi taklimat dulu, lepas itu kita akan adakan sesi soal jawab ya.

Datuk Johan Idris: Kalau boleh, terima kasih.

Tuan Pengerusi: Okey, silakan. Terima kasih.

Dato' Dr. Mohamad Isa bin Hussain [Setiausaha (Bahagian Syarikat Pelaburan Kerajaan), Perbendaharaan Malaysia]: Yang Berhormat, boleh cakap sepatah dua. *Bismillahi Rahmani Rahim. Assalamualaikum warahmatullahi wabarakatuh* dan selamat pagi. Yang Berhormat Datuk Nur Jazlan, Pengerusi PAC, Ahli-ahli Yang Berhormat Jawatankuasa Kira-kira Wang Negara dan semua pegawai yang hadir pada pagi ini. Terlebih dahulu terima kasih kerana menjemput pihak Kementerian Kewangan bersama dengan *auditors* kita, KPMG untuk memberi penjelasan dan keterangan mengenai isu yang telah dibangkitkan oleh Tuan Pengerusi tadi.

■1200

Saya bagi pihak Yang Berbahagia Tan Sri KSP, terlebih dahulu memohon maaf kerana beliau tidak dapat hadir pada pagi ini dan mewakilkan saya untuk bersama dengan PAC. Pada pagi ini kita

seperti Yang Berhormat beritahu tadi, kita ada bersama KPMG yang telah bersama 1MDB sebagai *external auditors*.

Pihak KPMG ada empat orang pegawai. Di sebelah kiri saya ialah Datuk Johan Idris, *Managing Partner*. Encik Khaw Hock Hoe, *Senior Audit Partner*. Encik Ahmad Nasri Abdul Wahab, *Audit Partner* dan Encik Ong Beng Seng. Seperti yang diberitahu oleh Pengerusi tadi, KPMG adalah *auditors* yang menyiapkan *audited account* bagi tahun 2010, 2011 dan 2012, *for that three years*. Hari ini kita akan memberikan apa-apa penjelasan kepada PAC, terima kasih. Silakan Datuk Johan.

Tuan Pengerusi: Okey, silakan Datuk Johan.

Datuk Johan Idris: *Assalamualaikum warahmatullahi wabarakatuh*. Kalau boleh saya bentangkan dalam bahasa Inggeris ya. *A very good morning* Yang Berhormat Datuk *Chairman*, Yang Berhormat *Honorable Members of the PAC*, Dato' Isa, *ladies and gentlemen*. *Let me start by introducing the KPMG representatives here. My name is Johan Idris, I am the Managing Partner of KPMG Malaysia. Together with me is Encik Ahmad Nasri. He is the Audit Engagement Partner for 1MDB, for those relevant years and also with me is Encik Alex Khaw. On my far right, he is a Senior Audit Partner assisting me in this matter.*

*We would like to start with an overview on each audit years on key issues followed by another short presentation to be done by Encik Alex on the matters requested in respect of management governance and control yang Tuan Pengerusi kata iaitu kawalan pengurusan dan urus tadbir. We believe that it will be useful for the PAC Members to understand better. I seek your indulgence to hold on to your question until the end of the presentation at which time we will be happy to answer the questions **prompt pact**. I ask for permission to start.*

KPMG was engaged as auditors for 1MDB on 15th September 2010 replacing Ernst and Young (EY). We were informed by 1MDB management that EY was replaced due to delays. The delays were due to EY engagement partner has resigned from the firm and also delays in getting external valuation to be performed on the Murabaha notes. We then spoke to EY on reasons for delayed and subsequently we have received a written professional clearance letter from EY that there are no professional reason why KPMG should not accept appointment. The letter also referred to our discussion with them. For the financial year 2010, our focus is mainly on the balance sheet as the company had minimal transaction during the year. It is a simple balance sheet with three and four item in it. The only asset that they have is the Murabaha notes amounting to USD1.2 billion.

This Murabaha notes arose when 1MDB sold its entire 40% equity stake in the JV. For the financial year 2011, the significant transaction was additional subscription of the Murabaha notes amounting to USD500 million and for the financial year 2012, 1MDB further subscribe the Murabaha notes amounting to USD330 million. All these notes was redeemed in June 2012 which was after the financial year end 2012. The transaction was disclosed as a subsequent event notes in the 2012 financial statement as the accounts was signed in December 2012. The entire Murabaha notes was redeemed and

invested in the segregated portfolio company registered in the Cayman Islands where BVI was appointed custodian.

In 2013, management was unhappy on the delays on the 2013 audit. Accordingly, KPMG has exited on 31st December 2013. Now, I would like to invite Alex to present on management governance and control.

Tuan Tony Pua Kiam Wee: *Sorry, just to quick clarification, what was the date that the KPMG left?*

Datuk Johan Idris: *31st December 2012.*

Tuan Tony Pua Kiam Wee: *31st December...*

Datuk Johan Idris: *Yes.*

Tuan Tony Pua Kiam Wee: *Thank you.*

Tuan Pengerusi: *You took over...*

Datuk Johan Idris: *2013.*

Tuan Pengerusi: *You took over when, just now?*

Datuk Johan Idris: *15th September 2010.*

Tuan Tony Pua Kiam Wee: *Sorry, just additional clarification, just on statement on two points. Your exit and EY exit, was is the exit that means MoF or 1MDB remove you or you resign on your accord?*

Datuk Johan Idris: *Sorry Yang Berhormat Petaling Jaya Utara.*

Tuan Tony Pua Kiam Wee: *Yes.*

Datuk Johan Idris: *Our exit or our entry?*

Tuan Tony Pua Kiam Wee: *Exit and entry.*

Datuk Johan Idris: *Exit and entry, EY was removed.*

Tuan Tony Pua Kiam Wee: *Okay.*

Datuk Johan Idris: *KPMG was removed.*

Tuan Tony Pua Kiam Wee: *Thank you.*

Tuan Pengerusi: *Okay, let them finish the representation first. Okay, thanks.*

Encik Khaw Hock Hoe [Senior Audit Partner (KPMG)]: *Thank you Datuk Johan and good morning Yang Berbahagia Tuan Pengerusi, Datuk Nur Jazlan bin Mohamed, honorable members of the PAC. I just like to take you through brief presentation that was requested by the PAC. May I know whether everybody has had this slide? Thank you very much. I will just take you straight to slide two. The purpose of the presentation was in line with request in a letter from the PAC to the MoF dated 26 May. We prepared this for the benefit of the honorable Members of the PAC and this is based on the understanding of the governance structure throughout our audit. Moving on to slide three, it is a chart that shows the governance structure of the company. The governance structure was mainly used for purposes of accrual transaction. I would like to highlight each and every component on the slide, so that you have better understanding.*

Right at the bottom there, you will see senior management. Senior management comprises of three key officers, one being the chief executive officer, the CFO and the chief investment officer. Now, a bit on the role of senior management.

Senior management are basically responsible for the day to day managing of the company to achieve the strategy that has been put forward by the board and in consultation of the board of advisors. They also recommend decision on significant key transaction which will then be approved by the board of directors and the shareholder. Management also have to exercise their power properly and in good faith and in the best interest of the company. In respect of the board of directors, I would like to highlight that this comprise chairman and five other board members. Again, the role of a board of directors, one of it is to approve transaction that have been recommended by management, establish and maintain system of internal controls is the other responsibility. This is to ensure that assets save guarded, transaction authorized and properly recorded.

■1210

Directors are also responsible to prepare the financial statements in accordance to Financial Reporting Standards in Malaysia. Exercise business judgment in good faith. No personal interest and we believe that it's in the best interest of the company.

Moving on to the last approving authority which is the shareholder. Generally the shareholder will approve all transactions as required under the Companies Act that requires shareholder's approval and those are the ones which are proposed by the Board of Directors. In respect of the shareholder, given that it is a sole shareholder, it appoints one representative and Finance Minister who also the Chairman of the Board of Advisors is the appointee as a shareholder sole representative to vote on all transactions.

On left of the chart are the Board of Advisors. Generally, the role was to provide guidance to the Board of Directors on key strategic matters undertaken by the company. I highlight that how the approval structure works. Transaction such as the investment in the JV, the disposal of the investment in JV, investment in the Cayman Islands, acquisition of the TRX and Bandar Malaysia Land, all these are some of the key transactions that are approved under this structure.

Moving on to the slide four. To assist the Board of Directors in respect of other monitoring policies, the Audit and Risk Management Committee is established. This comprise two non executive directors. One of them is the Chairman and the other is the MD cum CEO. The roles of the Audit Risk Management Committee includes to provide the over side on the internal control over financial reporting. They also review and approve and recommend to the Board, the approval of the audited financial statements, oversees and procedures relating to risk management and auditors re-appointment.

Dato' Kamarul Baharin bin Abbas: *Just to confirm, please? There is no Investment Committee ya?*

Encik Khaw Hock Hoe: *Not that I am aware of. In summary, the significant decisions that included the significant transactions, approve by the senior management by the board and the*

shareholder, Ministry of Finance Inc. The Audit and Risk Management Committee did oversee, the risk management and internal controls over the reporting. Thank you.

Dato' Abd. Aziz Sheikh Fadzir: Not only— just the clarifications. Where were you during the process manage to look at the minutes of the Audit and Risk Management Committee?

Encik Khaw Hock Hoe: Yes, we did.

Dato' Abd. Aziz Sheikh Fadzir: They do?

Tuan Pengerusi: Did they hold on meetings? Did they hold a lot of meetings?

Encik Khaw Hock Hoe: I would say that yes, there are quite of number, probably about between six, around six a year for the Audit and Risk Management Committee.

Tuan Pengerusi: I just need to verify something. You know, in your diagram here, there is a dotted line between the Board of Advisors and Board of Directors but there is no dotted line between the Senior Management and the Board of Advisors. But then in your statement just now earlier you said the Senior Management seeks the guidance of Board of Advisors.

Encik Khaw Hock Hoe: Sorry Datuk Chairman, I...

Tuan Pengerusi: If you look back in your earlier statement, you said the Senior Management refers to the Board of Advisors when it comes to issues but then they only responsible for day-to-day functions.

Encik Khaw Hock Hoe: No, what I mentioned was that the Senior Management would refer to the Board of Directors.

Tuan Pengerusi: Not Board of Advisors ya?

Encik Khaw Hock Hoe: No, no, to the Board of Directors.

Tuan Pengerusi: So that is your statements ya?

Encik Khaw Hock Hoe: That's correct.

Tuan Pengerusi: They only refer to the Board of Directors...

Encik Khaw Hock Hoe: Board of Directors.

Tuan Pengerusi: ...Not Board of Advisors ya?

Encik Khaw Hock Hoe: That correct.

Tuan Pengerusi: Okay.

Tuan William Leong Jee Keen: In your audit, have you seen whether the Board of Advisors have they ever met and then minutes of meetings?

Encik Khaw Hock Hoe: During the audit, we have not seen any minutes of meeting of the Board of Advisors.

Datuk Wee Jeck Seng: Then how frequent of the Audit Committee meeting a year?

Encik Khaw Hock Hoe: Sorry?

Datuk Wee Jeck Seng: How frequent of the Audit Committee meeting a year?

Encik Khaw Hock Hoe: Based on the minutes which I have seen, I think it's around between four to six of the Audit Committee meetings.

Tuan Pengerusi: *Did they discuss anything substantial especially for example in relations to investment been made, risk analysis of the investment been made, was that done?*

Encik Khaw Hock Hoe: *Most of the Audit and Risk Management Committee meetings, they many looks at the areas where their responsible for which is for example the risk management policies, the framework they approve that. They do discuss matters but most of the matters are relations to the financial reporting.*

Tuan Pengerusi: *But necessarily about the risk of undertaking investment?*

Encik Khaw Hock Hoe: *That would be included, yes. I mean policies on...*

Tuan Pengerusi: *No, no, policy yes but specific discussion on specific investments.*

Encik Khaw Hock Hoe: *No, not the Audit and Risk Management Committee.*

Tuan Pengerusi: *Okay.*

Datuk Seri Reezal Merican: *Was all the investment dully evaluated by the Board was presented by the risk, what you call that, Risk Committee is it?*

Encik Khaw Hock Hoe: *No, that is presented by the Senior Management to the Board.*

Datuk Seri Reezal Merican: *So they don't have Advisors Committee. They only have Risk, so the valuation, I mean the paper would be done by management and straight away...*

Encik Khaw Hock Hoe: *... And presented to the board.*

Datuk Seri Reezal Merican: *Presented to the board.*

Dato' Abd. Aziz Sheikh Fadzir: *Can I straightly said that the role of the risk in this case were basically procedural more of investment? More of whether the count procedure is being followed, more of the secretarial work would I said that rather than risk where you look at the investment per say, is it?*

Encik Khaw Hock Hoe: *That would be based on the minutes, yes.*

Datuk Wee Jeck Seng: *Sorry, sorry. So, who is Chairman and member of Audit Committee?*

Encik Ahmad Nasri Abdul Wahab [Audit Partner, KPMG Malaysia]: *Thank you very much. The Chairman of the Audit Committee is Dato' Ong and the member is Mr. Ashvin and also and that time was the MD/CEO.*

Tuan Pengerusi: *These stranges were executive to be an audit. [Ketawa] [Disampuk] I, you know even in the companies under Bursa Malaysia, executives are not allowed to be on Audit Committee. So in this case I think that's a major departure in terms of governance.*

Datuk Seri Reezal Merican: *[Bercakap tanpa menggunakan pembesar suara]*

Tuan Pengerusi: *The Chair is Ong, The Chair is Dato' Ong and then who is that Dato' Ong and then Mr. Ashvin J. Valiram and then the CEO himself.*

Encik Ahmad Nasri Abdul Wahab: *CEO yes.*

Tuan Pengerusi: *CEO himself.*

Tuan William Leong Jee Keen: *Can I go to the MoF shareholder; the Finance Minister is appointed as shareholders sole representative. Was there's resolution from the MoF appointing the Finance Minister to be the sole representative? Did you see a resolution?*

Encik Khaw Hock Hoe: *We do not specifically see that but the voting in terms of for shareholder sole representative will be in accordance with section 147 of the Companies Act.*

Tuan William Leong Jee Keen: *Do you see in the M&A article 117?*

Encik Khaw Hock Hoe: *We were not aware of the 117 directly but based on the review of the minutes, we noted that there was amendment made to the articles in one of the Board meetings and the full minutes are not given to us. We've taken extract of what was table. So the full article was not extracted. So, we're aware that it has been approved but we do not have a full extract of the articles.*

Tuan William Leong Jee Keen: *So when it came to major investment and major transactions requiring shareholders' approval, was it approved by the Finance Minister under Article 117 or was it approved by MoF representative?*

Datuk Seri Reezal Merican: *[Bercakap tanpa menggunakan pembesar suara]*

Tuan William Leong Jee Keen: *Prime Ministers, yes.*

■1220

Encik Khaw Hock Hoe: *All the transactions are approved by the shareholder representative. In this case the Finance Minister and Prime Minister under the shareholder resolutions.*

Tuan Tony Pua Kiam Wee: *No, I need to go back a little bit. Isn't it weird that the auditors do not have the full set of the updated companies M&A prior to actually conducting the audit of the firm?*

Encik Khaw Hock Hoe: *What happen was that when there was an amendment made, the full article were attached. It just that the copy was not given to us so the team did not extract the full article.*

Tuan Tony Pua Kiam Wee: *So, you are saying that KPMG did not review the full set of M&A prior to carrying out the audit exercise.*

Encik Khaw Hock Hoe: *No, in terms of the articles, that is review but it's just that the copies are not extracted.*

Datuk Seri Reezal Merican: *So, you are aware at that particular time while you are doing auditing that article 117 existed, you are aware of that?*

Encik Khaw Hock Hoe: *I would say that we are not aware because the extract of the article was not on file.*

Tuan Pengerusi: *Wait, I just want to clear this thing. Throughout your three years of audit, 2010, 2011 and 2012 you were aware of amendment to an article...*

Encik Khaw Hock Hoe: *Yes.*

Tuan Pengerusi: *But you did not know what the actual content of the article was?*

Encik Khaw Hock Hoe: *That is right.*

Tuan Pengerusi: *And you never even attempted to find out what the content was, during your time as auditors?*

Encik Khaw Hock Hoe: *Based on the papers, we did not check what was the article that was amended.*

Dato' Kamarul Baharin bin Abbas: *Can I...*

Datuk Wee Jeck Seng: *One question, when the board meeting amendment article M&A, when?*

Encik Khaw Hock Hoe: *I can't recall but it was sometime in early...*

Seorang Ahli: *2009?*

Encik Khaw Hock Hoe: *2009.*

Tuan Tony Pua Kiam Wee: *It was before they were appointed as the auditors.*

Datuk Seri Reezal Merican: *At the time in your entry, I mean the amendment is already been there, right? I am sure it was not about the amendment that you are aware. You are supposed to be aware of such clause already existed because at the time of your entry it is already there. Right, because my next question will be, what would your professional view about that clause?*

Encik Khaw Hock Hoe: *Sorry, in terms of?*

Datuk Seri Reezal Merican: *About that clause.*

Datuk Mas Ermieyati binti Samsudin: *Or is there any discussion made regarding that article 117?*

Datuk Seri Reezal Merican: *I want to know about the...*

Tuan Pengerusi: *Let me re-phrase the question. Is it important to you to know about that clause at that time when you're doing the audit? Is it important to your audit procedure, is it important...*

Datuk Seri Reezal Merican: *I want to re-phrase again my question, I just want to find out since now you are aware about 117 which you are supposed to have been aware then because at that time of entry it's already there. I just want to know what is your view about that clause, professionally?*

Encik Khaw Hock Hoe: *At present day.*

Datuk Seri Reezal Merican: *Yes.*

Encik Khaw Hock Hoe: *As I understand from the news, those are with respects to reserve matters which the company had set aside for a particular approval by the Prime Minister but I just wanted to add that in the cost of the audit all the transactions were approved by virtue of Finance Minister who's also the Prime Minister in the position of sole shareholder representative.*

Dato' Abd. Aziz Sheikh Fadzir: *Can I straightly said that even though you were not aware about the articles and now you are aware of it but it does not change at all your opinion as far as when you are in the process of auditing the account.*

Encik Khaw Hock Hoe: *That's correct, the shareholder representative has approved.*

Tuan Tony Pua Kiam Wee: *Okay, I have a possible issue with that statement. So, you are saying that despite the fact that all majors' significant transactions per the M&A has to be sign via written approval by the Prime Minister, you are holding on to the position that all that is needed in your audit is the approval by the sole shareholder. Even though it doesn't cover the written approval by the Prime Minister. Is that what you are saying?*

Encik Khaw Hock Hoe: *Yes, indirectly yes.*

Tuan Tony Pua Kiam Wee: *The Companies Act require a firm to abide by its M&A. As I have said earlier on, even that we have noted that the approvals have been made by the shareholder sole*

representative which in this case is a Prime Minister. I think on that basis we find that the approval were in equivalent to that government structure.

Dato' Abd. Aziz Sheikh Fadzir: *In this case because Minister of Finance and Prime Minister happen to be the same man. In this case. For all, as far as you are concern you only get the approval from the Minister of Finance, right? Am I right? So, you never look at Prime Minister. Like I said, in this case coincidence, we have got the same man who are the Prime Minister and Minister of Finance. As far as you are concern the representative of MoF is a Finance Minister.*

Dato' Kamarul Baharin bin Abbas: *Did you view written approvals by the Prime Minister?*

Encik Khaw Hock Hoe: *This was viewed based on the shareholder resolution that was passed and signed by the Prime Minister.*

Dato' Kamarul Baharin bin Abbas: *[Bercakap tanpa menggunakan pembesar suara] ...That's all the approval investment and commitment and all that.*

Tuan Tony Pua Kiam Wee: *When they sign, they sign as Minister of Finance or they sign as Prime Minister? Shareholder resolution or is it an approval by the Prime Minister?*

Encik Khaw Hock Hoe: *It's a shareholder's resolution.*

Datuk Seri Reezal Merican: *Signed by him? Signed by the Prime Minister as Prime Minister or Minister of Finance?*

Encik Khaw Hock Hoe: *As the shareholder sole representative.*

Datuk Seri Reezal Merican: *Shareholder sole representative. The reason I ask about your opinion because don't you think that article 117 contravene with the Companies Act?*

Encik Khaw Hock Hoe: *Without any specific reference to this, normally the company articles will be the governing article which it will not contravene the Companies Act. Because normally what happen is that if the company wants to have a standard articles then they will say, "I will follow table A of the Companies Act". So in this case the company has except of article, so the article will rule over of the Companies Act.*

Tuan Pengerusi: *Can the board of director's subcontract their responsibility to somebody else? Outsource to somebody else? Because in this structure, it would be seen that with that section 117, the board of director is actually sub contracting is responsibility to the Finance Minister. Is that a regulating to do?*

Encik Khaw Hock Hoe: *I'm not sure in this, I just say that the structure was according to the article that the board needs to approve so they have approved and presume the Article 117 will be additional...*

Tuan Tony Pua Kiam Wee: *I think to be fair to them this is more legal question that we need to perhaps...*

Tuan Pengerusi: *My question was about, have you seen any other example like this in any other companies that you were audited?*

Encik Khaw Hock Hoe: *No. I mean not.*

Tuan Pengerusi: *Okay, simple answer no.*

Tuan William Leong Jee Keen: *I like to add put in another way. Have you seen Article 117?*

Encik Khaw Hock Hoe: *As I said, there base on what we have in our workpapers that we base on attraction of minutes.*

Tuan William Leong Jee Keen: *Right.*

Encik Khaw Hock Hoe: *We have noted that there was amendment to the articles we have made note of that but the team members did not extract the articles. Therefore the answer is, we do not directly see 117.*

Tuan William Leong Jee Keen: *You've never seen the actual language of Article 117?*

Encik Khaw Hock Hoe: *Yes.*

Dato' Kamarul Baharin bin Abbas: *What you are saying is, you do not even have a copy of M&A now? [Bercakap tanpa menggunakan pembesar suara] You don't okay. Just now you mentioned that the approvals given by the shareholder on investment and all that. Was that the extract or just a direct approval from the Prime Minister.*

■1230

Encik Khaw Hock Hoe: *During the audit, we were only allowed to extract the minutes. That means copy the minutes are not given to us. So, my team had to extract the minutes.*

Dato' Kamarul Baharin bin Abbas: *So, you viewed only extract of the minutes.*

Encik Khaw Hock Hoe: *That's right.*

Dato' Kamarul Baharin bin Abbas: *Not an actual approval letter from the Prime Minister?*

Encik Khaw Hock Hoe: *Ya. It's just an extract of the Board minutes, the shareholders minutes.*

Dato' Abd. Aziz Sheikh Fadzir: *Okay, I just...*

Tuan William Leong Jee Keen: *Can I just follow up my question there? The articles say approval by the Prime Minister. Did you take into consideration that the owner of 1MDB is the Ministry of Finance? And not necessarily the Ministry of Finance is the Prime Minister. Did you take that into consideration when you were looking at it during your audit?*

Encik Khaw Hock Hoe: *Well again I think in directly yes because of the approval that already been given by the shareholder representative. In this case the Prime Minister himself.*

Dato' Abd. Aziz Sheikh Fadzir: *For all the time that when you do the audit, all the approval from the Ministry of Finance as a shareholders come from the Minister of Finance. Is it true?*

Encik Khaw Hock Hoe: *Yes.*

Dato' Abd. Aziz Sheikh Fadzir: *There is no Prime Minister?*

Encik Khaw Hock Hoe: *Yes.*

Dato' Abd. Aziz Sheikh Fadzir: *Okay, because to me if let say all the approval come from the Minister of Finance, that 117 to you, to me the way I look at it is not important.*

Tuan William Leong Jee Keen: *I want to establish this. Whether or not they realize the distinction between the Prime Minister, the Finance Minister and MoF.*

Datuk Seri Reezal Merican: *The Prime Minister not Ministry of Finance. So, Prime Minister is not the shareholder of 1MDB. But Minister of Finance yes. That is why it is clearly stated is that...*

Tuan Pengerusi: *It is not fair to answer the question because they haven't read the 117. [Ketawa]*

Datuk Seri Reezal Merican: *Why don't I give you? I just read to you. The 117 says for the avoidance of doubt and not withstanding anything in the articles, none of the following shall take effect without the prior approval of the Prime Minister. That is why I ask about whether it contravene with the Companies Act or not.*

Encik Khaw Hock Hoe: *Well again to that question in just...*

Datuk Seri Reezal Merican: *The content what are the thing without- first any amendment to company memorandum and article of association must obtain Prime Minister's approval. Second, any appointment or removal of any directors and third one, any financial commitment. [Disampuk] So, my question is that because the standing of Prime Minister has no linkage to the company of 1MDB. So, because Prime Minister is not the shareholder. The Minister of Finance is.*

Dato' Abd. Aziz Sheikh Fadzir: *I'm not sure whether this will supersede the MoF rights to manage the company.*

Datuk Madius bin Tangau: *No, it's not only...*

Tuan William Leong Jee Keen: *It goes to internal control. It's part of the audit to ensure that the internal control are complied.*

Datuk Madius bin Tangau: *It's also not only the internal control but the governance actually which is not reflected in the structure. So, that particular article on 117 should be reflected in your structure in here where would the Prime Minister be here. Minister of Finance and the Prime Minister.*

Tuan Pengerusi: *No. No. Like I jsaid just now, it's not fair for them because they haven't read the Article 117.*

Dato' Abd. Aziz Sheikh Fadzir: *Tuan Pengerusi it's not the matter about fair. How can you do an audit for three years? You do an audit for three years. You know, you can take up the audit work. The article is already there. You know, it's already there. How can you say that you have not even aware of that and you are saying that in extract? That is a very pertinent information where actually change completely to the governance of the company. How could you miss it?*

Tuan Tony Pua Kiam Wee: *That one I think we can put in. We can discuss during our... [Disampuk]*

Dr. Tan Seng Giaw: *Actually, that is a legal matter. Now, there is a legal matter to be fair and it's only eyesight the other thing. Now I'm dying to know why were you removed.*

Datuk Seri Reezal Merican: *Not just you are dying, we all are dying. [Ketawa]*

Tuan Pengerusi: *I think we can leave that question for later. Okay, did you use your professional judgment in doing the audit, right? When it comes to reviewing documents, because there is- I mean for people who may not have deeper understanding of the audit process, right. I look at it, I look at your work*

as something which you have complied with the procedures, audit procedures but to us, many of us in the committee, we just can't understand why you didn't ask more questions about that particular issue that practically change the governance structure of the company. Because before that article was amended, it was just a normal company. After the article was amended, it became like a sole proprietor in actual fact because the Board decision don't matter anymore after that. So, can you just please explain whether you actually followed professional, the audit compliance or whatever in doing your job.

Encik Khaw Hock Hoe: Tuan Pengerusi, as I said earlier on, the extract unfortunately did not show the Article 117 in this full content. Therefore I have to say that we were unaware of that article.

Tuan Pengerusi: We can ask the board about this, you know. Why don't company secretary. Why don't the company secretary inform them? Okay. Are you done with your presentation? Can we move to question and answer session? Alright? Petaling Jaya Utara loves you very much today, so let him ask you the questions. We'll just sit down here and have our coffee. [Ketawa]

Datuk Johan Idris: Thanks and we need some loves. [Ketawa]

Tuan Tony Pua Kiam Wee: Actually, we can move to our Deputy Chairman's question. That is a good start.

Dr. Tan Seng Giaw: Ask again? [Ketawa] Feels privilege today. Yes. Usually no such privilege. [Ketawa]

[Ahli-ahli berbincang sesama sendiri]

Dr. Tan Seng Giaw: Why were you removed? [Disampuk] Yes, okay. Not about to die. [Ketawa] Yes?

Encik Khaw Hock Hoe: This was during the 31st March 2013 audit. It was towards the end of the audit, we had highlighted to the Audit Committee that there was certain delays in information that we were asking for. Part of the information that we asked for was details that were underlined the investment in the Cayman Islands.

Tuan Pengerusi: Asset available for sale, that category. In your 2012 accounts, you put it under asset available for sale?

Tuan Tony Pua Kiam Wee: No, it wasn't. It subsequent event.

Encik Khaw Hock Hoe: No. We did not sign off 31st March 2013.

Tuan Tony Pua Kiam Wee: Please clarify on your concern and whatever that you found that you needed more information. What?

Encik Khaw Hock Hoe: So, one of the item was the details of the investment. We were also waiting for the company to provide us their draft financial statements, their consolidated financial statements together with the relevant disclosures. We were waiting on one of the subsidiary which the trial balance was not provided to us to commence the audit. So, there were...

Tuan Pengerusi: Which one? Which subsidiary?

Encik Khaw Hock Hoe: Brazen Sky.

Tuan William Leong Jee Keen: Brazen Sky. Yes.

■1240

Encik Khaw Hock Hoe: *So, there was a few pieces of information that we are waiting for. So, in November 2013 when we had a meeting with the Audit Committee, so we brief the Audit Committee on what was outstanding and that we highlighted to them that especially for the investments in the Cayman Island funds, management will need details of this because of the disclosure requirements under the accounting standards for the financial statements.*

So, what had happened was then obviously we engaged in discussion with management and they had informed us that they have done their best, that some of these, obviously this information was from the external parties and therefore they are not able to obtain it. Then, what we said was these investment funds, you should be able to get details of this for the purpose of your disclosures.

Tuan Tony Pua Kiam Wee: *Sorry, just to interject a bit. We need to a bit more specific. What exactly details you are looking for? What did they provide that was not sufficient and what would you need to have satisfied yourself over the investments? I mean, I know that there are things that are not satisfied but I think we need the specific of...*

Encik Khaw Hock Hoe: *Okay, so for purposes of investments, obviously they have highlighted to us that there are six funds. In each of the six funds, there are units but when we looked at investments, which is in the balance sheet as of 31st March 2013. So investments, we need to know what is the details. I wouldn't say 'we', I would say the 'management' themselves who need to know what's the details for purpose of disclosure.*

So, what investments does this unit represent? Without those details, one will not be able to also check whether the valuation basis of the underlying detail is appropriate. So that is what we were asking for.

Dato' Abd. Aziz Sheikh Fadzir: *The same product, the same investment asset, were all the six portfolios reviewed by you the year before?*

Datuk Johan Idris: *No.*

Tuan Tony Pua Kiam Wee: *This was after 2012, year 2012 is the last account they signed off and then they invested in Caymans after the 31st March 2012, so this was subsequent events. So, in 2013 when they are supposed to reflect it, they could not get the detail... [Bercakap tanpa menggunakan pembesar suara]*

Tuan Pengerusi: *KPMG kah? [Ketawa]*

Dato' Abd. Aziz Sheikh Fadzir: *This happened after June 2012.*

Tuan Tony Pua Kiam Wee: *I am very fair. [Ketawa]*

Dato' Abd. Aziz Sheikh Fadzir: *But the account is supposed to be closed on 31st March...*

Tuan William Leong Jee Keen: *Yes, it was subsequent events.*

Dato' Abd. Aziz Sheikh Fadzir: *No issues on this until June 2012, is it? Why it took you only until September because by September I thought the account was supposed to be submitted to SSM already, right? It's a sixth month.*

Encik Khaw Hock Hoe: *Sorry, which...*

Dato' Abd. Aziz Sheikh Fadzir: *2012.*

Encik Khaw Hock Hoe: *The 2012 account? Okay.*

Dato' Abd. Aziz Sheikh Fadzir: *You are saying that only in September, March 2013 account...*

[Disampuk]

Encik Khaw Hock Hoe: *So, I was just trying to explain the reason for the removal. Mainly these, all the information that outstanding and that we were required to sign the financials by 31st December 2013 but we said that with all these outstanding information, how do you sign off? Even the disclosures are not finalized, how do the auditors signed off? So, that was where we said, "You've got all these information that is not being provided to us and as a result of that, you want us to sign off". I think we said that "It's very difficult when you, yourself have not completed all these information".*

Dato' Kamarudin bin Jaffar: *During that time, do you in your view consider that the senior management genuinely did not have the information themselves or they had the information but they refuse to share it with you?*

Encik Khaw Hock Hoe: *Okay, in respect of one of the information which is the Cayman Island funds, they have the information only up to 31st December 2012. So that means they gave us a statement showing the position only as of 31st December 2012 but we are auditing 31st March 2013. So, what we said was you have to get the details up to 31st March 2013 because that's the year end. At that the time they said they've tried and they said, "All these are private funds and they cannot obtain all these information".*

Datuk Seri Reezal Merican: *Who say that?*

Encik Khaw Hock Hoe: *The management at that time.*

Tuan William Leong Jee Keen: *I think we need names.*

Encik Khaw Hock Hoe: *At that time the CEO that we are dealing with was Encik Hazim and the CFO is Encik Azmi Tahir.*

Tuan Pengerusi: *Azmi Tahir has been there all this while, right? From the start of the, from the company?*

Datuk Johan Idris: *No.*

Ahmad Nasri Abdul Wahab: *Can I answer that?*

Tuan Pengerusi: *Yes, okay.*

Ahmad Nasri Abdul Wahab: *Azmi Tahir joined 1MDB in mid 2012.*

Tuan William Leong Jee Keen: *You have mentioned just now there were units in six funds, Cayman Islands is just one of them. Do you have the names of all the other funds?*

Seorang Ahli: *All in Cayman Island.*

Encik Khaw Hock Hoe: *As of 31st March 2013, when we were auditing 1MDB, we were auditing the 1MDB entity and we are only aware of that funds in the segregated portfolio company in Cayman*

Islands. That is the one in 1MDB. We are not aware of the other funds that are in the other subsidiaries that we didn't audit.

Tuan Tony Pua Kiam Wee: *Just as a matter of record, I assume that this required information were requested much earlier before November 2013 and all throughout from the end of the financial year until November, they did not provide this to you? They repeatedly requested this documents?*

Encik Khaw Hock Hoe: *We requested these information at the commencement of our audit, I think it was sometime in April 2013.*

Tuan Tony Pua Kiam Wee: *I noted that you have mentioned one of the reasons that you did not signed off was that the company did not provide you with the draft financial statements.*

Encik Khaw Hock Hoe: *Yes.*

Tuan Tony Pua Kiam Wee: *So, you are saying that as at November and December 2013, the company has not actually provided you with a full set of financial statement for you to actually audit?*

Encik Khaw Hock Hoe: *Okay, two things. One is, when I said financial statements will be the one that the finalized version that is used for filing. So, that is the one I am referring to.*

Tuan Tony Pua Kiam Wee: *So, they don't give it to you, is actually not your fault?*

Encik Khaw Hock Hoe: *Yeah, it's not.*

Tuan Tony Pua Kiam Wee: *I mean the company has to provide that....*

Encik Khaw Hock Hoe: *The company has to prepare that.*

Tuan Tony Pua Kiam Wee: *For you to verify...*

Encik Khaw Hock Hoe: *Yes and to look at the disclosures.*

Tuan Tony Pua Kiam Wee: *So, as at December 2013, they were unable to provide you with a full set of financial statements?*

Encik Khaw Hock Hoe: *Yes, that is correct.*

Tuan William Leong Jee Keen: *What did they say about their inability to give you the financial information of their own subsidiary? Brazen Sky, what is the reason?*

Encik Khaw Hock Hoe: *We are not aware of that reason. Of course when we were trying to finalize all the audits, we were waiting for that information but that was not given to us.*

Tuan Tony Pua Kiam Wee: *So, you just had a black hole call Brazen Sky as one of the subsidiaries without anything from the company. Even though it's a holding... I think the only thing from what we understand, the only thing that Brazen Sky is holding was the six investments in Cayman Islands. So, they were not able to provide that financial statement?*

Encik Khaw Hock Hoe: *That is correct.*

Tuan Tony Pua Kiam Wee: *It's USD2.3 billion.*

Tuan Pengerusi: *It is USD2.3 billion or USD2.03 billion?*

Encik Khaw Hock Hoe: *USD2.3 billion.*

Tuan Tony Pua Kiam Wee: *USD2.318 billion.*

Tuan Pengerusi: *Yang Berhormat Petaling Jaya Utara knows more than you. [Ketawa]*

Tuan Tony Pua Kiam Wee: *This is of course not... you wouldn't know this but in our meeting with Deloitte last week, we asked them how come obviously the previous auditors were not able to verify the valuation of these assets in Cayman? How come you were able to verify them?*

They provided two information as justification. The first was that they claimed that there was a written guarantee for these funds by Aabar to the fund manager. So, there is a capital protected fund, it became a capital protected fund whereby the USD2.318 billion is guaranteed by Aabar.

■1250

This wasn't disclose in Deloitte financial statement but they said they have cited the guarantee. That is number one. Number two was they claimed that they have visited the banks in Singapore, the BSI Bank in Singapore and even in Switzerland to verify the statement which was provided to value it at RM2.318 billion. Did KPMG made any attempt to do these verifications?

Encik Khaw Hock Hoe: *As of 21st December 2013, when we were asking for all these outstanding information, these information that you have mentioned was not provided to us.*

Tuan Pengerusi: *That means if the management didn't want to voluntary give information, they stop at there.*

Tuan Tony Pua Kiam Wee: *No, no that's fine. I just want to... [Disampuk]*

Tuan Pengerusi: *I think you said either give me the information or you go. Basically that...*

Encik Khaw Hock Hoe: *No, I think what we asked for was that surely if you have your – whoever your fund manager that's managing the funds, you can't just say these are the units, there must be details...*

Tuan Pengerusi: *No, my point was this. It's either you resign because you didn't get the info or you refuse to continue the audit and then you were terminated, which one is it?*

Encik Khaw Hock Hoe: *Oh! We wanted to continue...*

Tuan Pengerusi: *You wanted to continue?*

Encik Khaw Hock Hoe: *Yes, we wanted to continue and ask for the information but they said that, "Look this is what we can give you..."*

Tuan Pengerusi: *That means...*

Dato' Abd. Aziz Sheikh Fadzir: *[Bercakap tanpa menggunakan pembesar suara]*

Tuan Pengerusi: *In the way you said take it or leave it.*

Tuan Tony Pua Kiam Wee: *I think...*

Datuk Seri Reezal Merican: *Yang Berhormat Petaling Jaya Utara asked just now was valid, when they didn't give that was not your fault, right and then you got terminated on what ground? I mean you – they just say that, "Well we don't want you anymore". That's all?*

Encik Khaw Hock Hoe: *Yes, I mean they are not happy, that we don't want to sign off with all these information pending.*

Tuan Pengerusi: *Your statement is very dangerous because you were giving impression to us that the management is hiding something.*

Datuk Seri Reezal Merican: *Yes. That's what it is, you are saying.*

Tuan Pengerusi: *Because if you voluntary resigned...*

Datuk Seri Reezal Merican: *Nothing to hide.*

Tuan Pengerusi: *...Is different story. If are you terminated because management did not give you the information you wanted to verify the audit, then you're terminated and then that could give a very different interpretation, you know.*

Encik Khaw Hock Hoe: *Okay. I think that was taken by management, I mean as far as we are concern, we asked and these were all the information that was necessary...*

Tuan Pengerusi: *Because to me, it goes back to the fundamental issue of who appoints the auditors. To me, management propose and shareholders approve. In this case, MoF has made a statement before they say that they have nothing to do with the appointment of auditors. So that means you were removed by the company?*

Encik Khaw Hock Hoe: *No, auditor removal can only be affected by shareholder resolution.*

Tuan Pengerusi: *That's my point.*

Tuan William Leong Jee Keen: *I think we want to hear from you...*

Tuan Pengerusi: *What I want to say is, they didn't know anything about appointment of auditors, right? Or even the removal of auditors because you appointed the auditors. Now what you are saying is the management removed you?*

Tuan Tony Pua Kiam Wee: *The shareholder removed you?*

Encik Khaw Hock Hoe: *The shareholder.*

Tuan Tony Pua Kiam Wee: *So you cited the shareholder's resolution to remove KPMG as the auditors?*

Encik Khaw Hock Hoe: *There was a letter.*

Tuan Tony Pua Kiam Wee: *Letter by the shareholder?*

Encik Khaw Hock Hoe: *Yes.*

Tuan Tony Pua Kiam Wee: *So shareholder will be MoF?*

Encik Khaw Hock Hoe: *Yes.*

Tuan Pengerusi: *You got letter from MoF?*

Tuan Tony Pua Kiam Wee: *Would you perhaps produce it for us, if not today then perhaps at the later stage?*

Tuan Pengerusi: *Macam mana MoF tidak tahu kalau dia kata dia dapat surat termination daripada MoF?*

Encik Khaw Hock Hoe: *Our files, our audit files are currently with the MACC.*

Tuan Tony Pua Kiam Wee: *Including— so all the original documents are with MACC?*

Encik Khaw Hock Hoe: *Yes.*

Tuan Pengerusi: *MACC investigate you?*

Encik Khaw Hock Hoe: *No, not that I am aware of.*

Tuan Pengerusi: *So, MACC investigating 1MDB?*

Encik Khaw Hock Hoe: *That I am not aware of.*

Tuan Pengerusi: *Why would they take files from you concerning 1MDB? [Ketawa]*

Tuan William Leong Jee Keen: *Can I just clarify again because to remove an auditor is normally at the AGM and at the AGM is when you will need to present the 2013 accounts. So since you cannot finish the 2013 accounts that could not be at the AGM, so how were you removed?*

Datuk Johan Idris: *AGM.*

Tuan William Leong Jee Keen: *And AGM by the shareholder?*

Dato' Dr. Mohamad Isa bin Hussain: *I think Datuk Chairman, can this question be pushed to management later because it's not fair to us... [Bercakap tanpa menggunakan pembesar suara] Sorry, sorry. So can this question push to the management of 1MDB, this is an internal issue. The process is normally through the AGM but the letter will be signed by the management. This is an internal process. So, I think you can ask the 1MDB...*

Tuan Tony Pua Kiam Wee: *No, no, no.*

Tuan Pengerusi: *Dato', dia orang kata tadi dia received the letter from MoF.*

Dato' Dr. Mohamad Isa bin Hussain: *That one I think I'm not sure.*

Tuan Pengerusi: *Siapakah yang sign di MoF?*

Dato' Dr. Mohamad Isa bin Hussain: *I am just telling you the normal process because on the termination of auditors, normally they will propose to the EGM. The EGM, the Extraordinary General Meeting and then after having the resolution, then the management will sign the letter to the auditors. This is a normal process.*

Tuan Pengerusi: *But they also said the governance is sole...*

Encik Khaw Hock Hoe: *Yang Berhormat.*

Tuan Pengerusi: *Sole shareholder, you know MoF...*

Dato' Dr. Mohamad Isa bin Hussain: *It's a process of EGM through the shareholders.*

Tuan Tony Pua Kiam Wee: *So ada EGM lah.*

Dato' Dr. Mohamad Isa bin Hussain: *They are supposed to do the EGM. That's why I ask better push to the 1MDB.*

Tuan Tony Pua Kiam Wee: *No, no, no. MoF kena tahu ada EGM atau tidak ada EGM.*

Dato' Dr. Mohamad Isa bin Hussain: *I have said earlier the whole thing is not coming to MoF.*

Encik Khaw Hock Hoe: *Tuan Pengerusi, can I just clarify? At the removal, there was a letter from the company informing us that we have been removed but...*

Datuk Seri Reezal Merican: *So not the MoF letter.*

Encik Khaw Hock Hoe: *No but attached with it is a resolution sign by the shareholder.*

Tuan Pengerusi: *Sign by who?*

Datuk Seri Reezal Merican: *Shareholder resolution...*

Encik Khaw Hock Hoe: *Shareholder resolution.*

Tuan Pengerusi: *Sign by who?*

Datuk Seri Reezal Merican: *Who's?*

Tuan Pengerusi: *Who signed the letter?*

Encik Khaw Hock Hoe: *Signed by the Finance Minister.*

Tuan Pengerusi: *Signed by the Prime Minister?*

Dato' Abd. Aziz Sheikh Fadzir: *Finance Minister.*

Tuan Pengerusi: *Okay.*

Encik Rosli bin Yaakub: *Chairman, who is Finance Minister signed the letter?*

Encik Khaw Hock Hoe: *Finance Minister...*

Encik Rosli bin Yaakub: *Is it Prime Minister or Finance Minister?*

Encik Khaw Hock Hoe: *The Prime Minister.*

Encik Rosli bin Yaakub: *Prime Minister, not Finance Minister?*

Tuan Tony Pua Kiam Wee: *So that letter was signed by Prime Minister or the Finance Minister? I mean they usually sign put the name there and designation.*

Encik Khaw Hock Hoe: *As I explained earlier on, pursuant to the sole shareholder, so the appointed sole representative is the Finance Minister which happens to be the Prime Minister.*

Tuan Tony Pua Kiam Wee: *Basically signing on as a Finance Minister?*

Encik Khaw Hock Hoe: *Yes.*

Tuan Tony Pua Kiam Wee: *So it is Dato' Sri...*

Dato' Kamarul Baharin bin Abbas: *Yes but that two Finance Ministers, which one?*

Encik Khaw Hock Hoe: *Finance Minister.*

Dato' Kamarul Baharin bin Abbas: *Which particular Finance Minister?*

Tuan Pengerusi: *Dato' Sri Mohd. Najib...*

Datuk Seri Reezal Merican: *No, just mention Dato' Sri Mohd. Najib Tun Abdul Razak, the one that signed.*

Dato' Abd. Aziz Sheikh Fadzir: *[Bercakap tanpa menggunakan pembesar suara]*

Datuk Seri Reezal Merican: *Then, we need that letter. We need that letter.*

Dato' Abd. Aziz Sheikh Fadzir: *[Bercakap tanpa menggunakan pembesar suara] ...Can we request for the copy of the letter to remove you?*

Tuan Tony Pua Kiam Wee: *Cannot, with MACC.*

Dato' Abd. Aziz Sheikh Fadzir: *So, you did not have a copy of it?*

Encik Khaw Hock Hoe: *We have a copy.*

Tuan Tony Pua Kiam Wee: *We just need the copy. Do you have any understanding or knowledge as to why they converted their Murabaha notes into an investment in Cayman after the 31st March 2012 financial year end but before you signed off the 2012 accounts?*

Dato' Abd. Aziz Sheikh Fadzir: *[Bercakap tanpa menggunakan pembesar suara] ...I mean from everyone. We were talking about this now because of the governance. That is why we talk about the signing...*

Tuan Tony Pua Kiam Wee: *The reason is because we talk about them quitting and the reason for – I mean what I am doing now is going backwards.*

Dato' Abd. Aziz Sheikh Fadzir: *Can we...*

Tuan Tony Pua Kiam Wee: *You want to reverse back? I am okay.*

Dato' Abd. Aziz Sheikh Fadzir: *Can we reverse back? Okay, I pass back to you.*

Tuan Tony Pua Kiam Wee: *So we will go according to chronology in the question, so we are going backwards just now, so we will go forward again. I will start off with the first question which is the fact that you are appointed on the 15th September 2010 but you actually signed off the accounts on the 4th October 2010. That is barely three weeks into the audit. How do you manage that?*

■1300

Encik Khaw Hock Hoe: *I think earlier on as mentioned by Datuk Johan, when we undertook the audit, what we noted is that this is an investment holding company. It has a short or limited number of items in the financial statements. Notably, one of the key asset in the balance sheet is the Murabaha notes and then the borrowing which is the sukuk. So, it is a short financial statement. At that point in time when the audit commenced which obviously was already six month after the year end. The documents that were for purposes of the audit were already all provided to us so that is why we're able to complete that in that time frame.*

Tuan Tony Pua Kiam Wee: *Were you not at all concerns by the fact that after many months Ernst & Young wouldn't or couldn't signed off the audit for whatever reasons, had to be removed by MoF and then you were able to signed it off within three weeks.*

Encik Khaw Hock Hoe: *Again as mentioned by Datuk Johan just now, I think obviously yes, we would have taken note of that and that is why there was a conversation that we had with EY. So, in that conversation we were not made aware of any professional issues with regards to their sukuk termination. All we know was that they has highlighted to us that there was delays information and one of them was this valuation report on the Murabaha notes.*

Tuan Tony Pua Kiam Wee: *What valuation report is that?*

Encik Khaw Hock Hoe: *During the audit we will given a valuation report of the Murabaha notes that prepared by Deloitte Financial Advisory Services Singapore.*

Dato' Abd. Aziz Sheikh Fadzir: *In this report, what does he say?*

Encik Khaw Hock Hoe: *This report is the one that values the Murabaha notes.*

Dato' Abd. Aziz Sheikh Fadzir: *This Murabaha notes specifically is what for all of us, for the information of all of us.*

Datuk Seri Reezal Merican: *Is it a bond?*

Encik Khaw Hock Hoe: *Yes, that is right. Like a corporate debt, investment.*

Dato' Abd. Aziz Sheikh Fadzir: *Corporate debts belong to?*

Encik Khaw Hock Hoe: *Corporate debts that was issued by the JV company.*

Dato' Abd. Aziz Sheikh Fadzir: *Who is this JV company?*

Encik Khaw Hock Hoe: *This JV company is the name is 1MDB and PSI, that was the joint venture vehicle. The special purpose vehicle, set up by the JV agreement that was entered into by PetroSaudi Cayman and 1MDB.*

Dato' Abd. Aziz Sheikh Fadzir: *So, these notes are basically issued by that 1MDB, PetroSaudi and how do you value the notes? How do you value the receivable of the notes?*

Encik Khaw Hock Hoe: *That is what the independent report by Deloitte was for, to value the notes.*

Datuk Seri Reezal Merican: *Why is the first Murabaha USD1.2 billion?*

Encik Khaw Hock Hoe: *Okay. The assets in the JV was the oil and gas asset which was put under the JV company and also a corporate guarantee that was given by the ultimate shareholder PetroSaudi International Limited.*

Datuk Seri Reezal Merican: *What is the paid up? Are you aware of the paid up of PetroSaudi Limited?*

Encik Khaw Hock Hoe: *No, no we're not aware.*

Dato' Abd. Aziz Sheikh Fadzir: *I want to follow up what Yang Berhormat Petaling Jaya Utara is questioning just now. So, you are telling us that within three weeks after your appointment, you are satisfied this Murabaha notes verified by Deloitte's valuation is a good note. You are saying just now that because the 1MDB PetroSaudi has a concession, has oil and gas and guaranteed by corporate. How do you satisfy that these notes are good notes?*

Encik Khaw Hock Hoe: *As part of the process of evaluating the recoverability of the Murabaha notes, so we have looked at various evidences. One of them I have mentioned was the Deloitte Singapore Valuation Report. There was also a valuation report on the oil and gas asset, independent one that was done by Edwards Morse Consulting. We have obtained certain, I would say letters from two independent parties confirming the shareholders and the financial standing of PSI.*

Tuan Tony Pua Kiam Wee: *Who are these?*

Tuan Pengerusi: *Two independent...*

Tuan Tony Pua Kiam Wee: *What letters are these?*

Tuan Pengerusi: *Two independents...*

Encik Khaw Hock Hoe: *The one letter is from Helvetica Asset Management. This company is a Swiss company that is affiliated to credit Swiss which confirm the shareholder of PSI and their financial standing. The second letter is from the commercial bank in Saudi Arabia, which is a Banque Saudi Fransi that also get the confirmation on the shareholders of the PSI and their financial standing.*

Tuan Pengerusi: *I was wondering why the Saudi Government put the police report in UK about the use of – I mean about the PetroSaudi ownership thing, if it's already verified through this reputable valuers or whatever.*

Encik Khaw Hock Hoe: *Tuan Pengerusi, sorry we are not aware of the current information.*

Tuan Pengerusi: *No, no it's okay, I will come back to it. You continue.*

Datuk Seri Reezal Merican: *Can I just recap again about that? So, the issue of Murabaha notes is 1MDB PetroSaudi Limited. That is the issue, right? Then, guaranteed by PSI International Limited. So, this is important to know the financial standing of the guarantor. What is the financial standing of the guarantor, PSI Limited?*

Encik Khaw Hock Hoe: *Okay, we have tried to request for the financial statement of PSI the limited, which is the corporate guarantor. Now, what we understand is Saudi Arabia is that private companies in Saudi Arabia, the financial statements are not available to public. Therefore we had to seek alternative evidences and that one of the alternative steps that we have taken which is to try to obtain other means of independents confirmation.*

Dato' Abd. Aziz Sheikh Fadzir: *[Bercakap tanpa menggunakan pembesar suara] ...Obtains the financial statements of PetroSaudi International.*

Encik Khaw Hock Hoe: *No.*

Tuan Tony Pua Kiam Wee: *And you thought that it is a fair guarantee that they can guarantee for USD1.2 billion.*

Datuk Seri Reezal Merican: *And subsequent it becomes USD2.13 billion.*

Tuan Tony Pua Kiam Wee: *My question is more to the fact that should not 1MDB have to satisfy themselves before giving a loan to a company where they themselves do not know the financial status of the guarantor?*

Datuk Seri Reezal Merican: *The reason is that if you are not assure of the quality of the guarantor of his financial standing ability to guarantee and then after that you subscribe again another USD500 million. [Disampuk] In other words, that they has got something to do that. So how are you ascertaining. I mean without knowing having knowledge accept to rely on that third party validation. Nanti dulu, biar dia jawab soalan dulu.*

Dato' Abd. Aziz Sheikh Fadzir: *My worries is the only takes you three weeks from 15th September to 4th October for you to come to an opinion that the Murabaha notes is good, the financial standing is good. So, this is why we were saying that how did you come to that conclusion?*

Encik Khaw Hock Hoe: *As I would said again those, the item I have mentioned just now were evidences that we have obtained and the professional judgment arrive at that time was that yes we were happy with the recoverability.*

Tuan Tony Pua Kiam Wee: *Okay, can I just ask if you asked 1MDB, why did they accept the corporate guarantee when they themselves do not know the financial standing of PSI?*

Encik Khaw Hock Hoe: *I think that would be a question for management.*

Tuan Tony Pua Kiam Wee: *For you to give an opinion on the accounts, you have to be satisfied by the explanation by 1MDB over the guarantee. They would have given you an answer assuming you ask. Unless you are telling me you did not ask whether they were satisfied, how would they able to be satisfied by the guarantee provided by PSI?*

■1310

Encik Khaw Hock Hoe: *Okay, let me just step back on the question that you have just post me. I think you're right in the sense that when in order for us to get satisfied, yes, we would have to ask them whether you, I mean management themselves are happy with the corporate guarantee position. I think in a written management representation letter, they obviously have made that assertion in saying that yes we were happy with the sukuk corporate guarantor in order for them to sign off their – I mean they sign off the accounts first as well.*

Datuk Seri Reezal Merican: *So you are contented and you are satisfied just simply because of the validation by independent financial advisory firm, that's all?*

Encik Khaw Hock Hoe: *No. The accumulation of that few evidences that I just mention, the Deloitte's Singapore Report, the valuation report that was carried on assets by Edward Morse Consulting, the independent letters that we received from the two parties that I have just mentioned. And of course management representation...*

Datuk Seri Reezal Merican: *I'm quite sure by all having those reports, you are in access, I mean having access to know what is the financial standing of the guarantor?*

Tuan Tony Pua Kiam Wee: *Okay. The other way to ask is base on Helvetica and the Saudi Banks statement, what was the PSI financial position?*

Encik Khaw Hock Hoe: *While the letters state confirm that who is the shareholder of PSI are and that it confirms – it says that it is a good financial standing.*

Tuan Tony Pua Kiam Wee: *So it doesn't tell you how much asset PSI have or how much bank balance that they have, or how much liability they have?*

Encik Khaw Hock Hoe: *No, not in that.*

Dato' Abd. Aziz Sheikh Fadzir: *Another word, you are satisfied that this PSI can pay 1MDB, USD1.2 billion back and they have enough asset to satisfy that?*

Encik Khaw Hock Hoe: *Yes.*

Dato' Abd. Aziz Sheikh Fadzir: *Okay, second one I want to ask you. You are saying that you're also looking at the concession agreement, the oil concession on the valuation by this act. Okay, okay. [Disampuk] No, no, he's saying that he based on the note is good on three things. One on the PSI...*

Tuan Tony Pua Kiam Wee: *I want to finish the PSI valuation first, then we go to the oil assets.*

Datuk Seri Reezal Merican: *We have Chairman, we forgot we have Chairman. [Ketawa] Okay Chairman, thank you Chairman. Can I ask? No, I'm still not satisfied. I'm having all those things that you have in report. I am quite sure there must become to a certain element to satisfy you that you are really*

see the guarantor who guarantees the issuance of Murabaha is in the position of capable to pay back in the event of default.

Encik Khaw Hock Hoe: *While again I mean these are already base on the information that we already have at that point in time and that was the judgment that was arrived that.*

Tuan Tony Pua Kiam Wee: *Okay, just before we move on to the next one, just want to confirm that two letters by Helvetica and the Saudi Bank doesn't provide any financial information on PSI.*

Encik Khaw Hock Hoe: *That's correct.*

Tuan Tony Pua Kiam Wee: *So when we sign off, we really don't know this party which provided the guarantee, how strong the company is except the letter said it is in good financial standing. We do have subsequent leaks of information that showed that PSI have a paid up capital of less than USD150,000. Would that have made a difference to your opinion of PSI's ability to guarantee the loan?*

Encik Khaw Hock Hoe: *Our judgment is made based on information available at that point in time, so I can't speculate on what would happen now if we see other information.*

Dato' Kamarudin bin Jaffar: *You said one of the reason you're satisfied with PetroSaudi is because of the shareholders. Who are the shareholders?*

Encik Khaw Hock Hoe: *As stated in the letters, the shareholders Prince Turki and Tarek Obaid.*

Tuan Pengerusi: *That means it's not anything to do with the government or with Saudi Government?*

Encik Khaw Hock Hoe: *No, it doesn't mention the Saudi Government.*

Tuan Pengerusi: *Okay. Let just...*

Tuan Tony Pua Kiam Wee: *Why would you satisfied with these two shareholders?*

Dato' Abd. Aziz Sheikh Fadzir: *I mean you are KPMG. You know if you are Aziz and Company I might have doubts. You know, you are KPMG. How do you value receivable recovery of USD1.2 billion? What's professional judgment? You're saying that you cannot even get the accounts of PetroSaudi. You cannot get the PetroSaudi accounts as a company. You are not access to it. You only get a letter of and that letter does it verify that these guys got USD1.2 billion ready cash, USD1.2 billion to pay when it's called or even USD300 million dividend payable every year. Do you have those information to influence your judgment?*

Tuan Pengerusi: *I think in this respect because you use the third party representation.*

Encik Khaw Hock Hoe: *Yes.*

Tuan Pengerusi: *I think that following audit procedure is complying but you should have basically used the highest standard of risk, attach to this matter.*

Encik Khaw Hock Hoe: *But I think as I mention just now it's accumulation of that few evidences. Thank you Mr. Chairman.*

Tuan Tony Pua Kiam Wee: *Okay.*

Dato' Abd. Aziz Sheikh Fadzir: *To your 2010 on page 34. You put that the liquidity raise, credit raise fair values, you put the fair value there USD3.864 billion, carrying amount USD4.1 billion. How did you derive that? Sudah 30 tahun tinggal sekolah, sekarang mengaji balik. Page 34, year 2010.*

Encik Khaw Hock Hoe: *These were range of valuation value that was provided in the valuation report of Deloitte's Singapore.*

Tuan Tony Pua Kiam Wee: *Just wanted confirmation, Deloitte's Singapore valuation was done at what date?*

Encik Khaw Hock Hoe: *The cover letter of the report was 4th October.*

Tuan Tony Pua Kiam Wee: *So, once you received this letter, you signed off the accounts. Were there...*

Encik Khaw Hock Hoe: *I apology, stand corrected my partner is saying 1st October, not 4th October.*

Tuan Tony Pua Kiam Wee: *So, based on the letter by Deloitte's Singapore, were there any critical assumptions that were in place that may jeopardize that valuation?*

Encik Khaw Hock Hoe: *In all valuations, there will be some critical assumptions and it would normally include discount rate or timing of cash flows. Normally those will be like the assumptions.*

Tuan Tony Pua Kiam Wee: *So, the valuation done by Deloitte is independent of this strength of the corporate guarantee.*

Encik Khaw Hock Hoe: *Yes, yes.*

Tuan Tony Pua Kiam Wee: *On the assumption that guarantee just now, this is a valuation of the...*

Dato' Abd. Aziz Sheikh Fadzir: *[Bercakap tanpa menggunakan pembesar suara] ...20 are base on cash flow of the operating company right? So, in this case, the operating company is 1MDB PSI. Am I right? So did you look at the 1MDB PSI company as an operating company to verify Deloitte valuation of USD4.3 billion to verify Deloitte the Murabaha value carry? What does 1MDB PSI have on the 4th October 2010?*

Encik Khaw Hock Hoe: *1MDB PSI was a special purpose vehicle that was established as part of the when the joint venture was entered into. We did ask for financial of the JV company. The JV company, we were told that the JV company and we have noted that it is a company incorporated in the British Virgin Island (BVI). BVI company do not file financial statement. There's no requirement to file financial statements plus given that it also a newly establish company. So, at that point in time there was no financial statement.*

■1320

Tuan Pengerusi: *Did you ever ask your client why they need to open such entity in Cayman Islands?*

Tuan Tony Pua Kiam Wee: *BVI.*

Encik Khaw Hock Hoe: *I am not aware of their decision could be tax purposes.*

Tuan Pengerusi: *At that time, when you did your audit subsequently, did you ever ask them why you had to use a Cayman Islands vehicle to do such transparent transactions? 'Transparent', if it was transparent you do not need to use Cayman Islands vehicle. Even if it was for tax reason, it is a government venture. You know, it's not supposed to avoid tax.*

Tuan Tony Pua Kiam Wee: *Okay, just to clear up the Deloitte financial evaluations. The Deloitte evaluation, can I say it does not measure the risk of the loan? It just measures the loan, assuming it can be repaid, what is the worth of it?*

Encik Khaw Hock Hoe: *That's correct.*

Dato' Abd. Aziz Sheikh Fadzir: *I am talking about you. I am not talking about Deloitte. Okay, you are relying on Deloitte... [Bercakap tanpa menggunakan pembesar suara]*

Tuan Tony Pua Kiam Wee: *So, given that Deloitte doesn't take into consideration the risk. Okay. So, all you did was you look at the two letters and the valuation report given by Edward Morse and the shareholders Prince Turki and Tarek and you think that you are satisfied by the risk involvement because Deloitte doesn't measure risk.*

Encik Khaw Hock Hoe: *Yes.*

Tuan Tony Pua Kiam Wee: *Okay, the other three factors that you mentioned are the key basis for your satisfaction.*

Encik Khaw Hock Hoe: *Yes, that is the position.*

Dato' Abd. Aziz Sheikh Fadzir: *And this satisfaction also came eventhough you did not get the financial statement of PetroSaudi International. You do not have the PetroSaudi 1MDB-PSI accounts which is the issuer of Murabaha notes. You do not know whether the asset is operating or not because you are not at all in any positions to access all those documents. You only been told, you are not even see the documents about this company operation wise and you still come to that judgment that the Murabaha is good.*

Encik Khaw Hock Hoe: *Yes, that is the position.*

Dato' Abd. Aziz Sheikh Fadzir: *Okay.*

Tuan Tony Pua Kiam Wee: *Okay, the next question is what Yang Berhormat Kulim wanted to ask earlier about the valuation report for the oil and gas assets. That Edward Morse report. Were you aware at the time when you were doing the audit, the bulk of these assets are no longer were in the 1MDB PetroSaudi Limited?*

Encik Khaw Hock Hoe: *No. We are not aware.*

Tuan Tony Pua Kiam Wee: *Okay, this... [Ketawa]*

Datuk Seri Reezal Merican: *Dia consult contractor chairman. [Ketawa]*

Tuan Tony Pua Kiam Wee: *Basically what happen was that when the joint venture was formed. PetroSaudi injected... [Disampuk] I give background. [Ketawa] PetroSaudi invested USD1.5 billion for the 60% shares in the JV. So, to invest USD1.5 billion they injected an oil and gas asset which was valued up to USD2.7 billion by this Edward Morse valuation report.*

Unfortunately, the bulk of it is with regards to the oil reserves in Caspian Sea and the agreement to do the Caspian Sea oil reservoir between PetroSaudi and whoever who own the Caspian Sea reservoir was terminated in December 2009. So, by the time it came to October 2010, clearly the bulk of this assets in Caspian Sea no longer sit in 1MDB PetroSaudi. So, the valuation by Edward Morse became irrelevant to considering 1MDB PetroSaudi.

Dato' Abd. Aziz Sheikh Fadzir: *If I believe what The Edge and Sarawak Report says. You know, if I believe, which I would like you to verify. The report was sometimes on 20 September 2009, you signed off the account on October 2010. Are still using the same valuation report in 2009? The Edward Morse report was September 2009. You signed the account 4th October 2010, you're still based on the same valuation? Because you told me just now you failed to get the account. You do not know what happen to the company because you have not accessed to it. You based on Deloitte and the report, the valuation report. As I said, the valuation report if Sarawak Report and The Edge was right, it was actually based in September 2009. It's one year, are you still based on the same documents?*

Encik Khaw Hock Hoe: *Yes, those were the documents that were provided to us. Yes, we had relied on those documents.*

Dato' Abd. Aziz Sheikh Fadzir: *You took that document as a good document? You think the numbers still remain the same for you to confirm the valuation?*

Encik Khaw Hock Hoe: *That point in...*

Dato' Abd. Aziz Sheikh Fadzir: *That influences your Murabaha notes. You know, that confirm the value of Murabaha notes. I mean one off.*

Encik Khaw Hock Hoe: *One off.*

Dato' Abd. Aziz Sheikh Fadzir: *You still say that September 2009 is still a good valuation?*

Encik Khaw Hock Hoe: *Yes, at that time yes.*

Dato' Abd. Aziz Sheikh Fadzir: *Based on your experience in this country, when you do the valuation, when you do the account before you signed off, will you get the final valuation report? Your normal methodology of doing audit.*

Encik Khaw Hock Hoe: *You mean when you said final, the report was final, yes.*

Dato' Abd. Aziz Sheikh Fadzir: *No. Assuming that you are doing a property company.*

Tuan Tony Pua Kiam Wee: *Let me re-phrase my colleague question. For the Cayman investment you mentioned that you were not satisfied with the December 2012, you wanted three months later March 2013 to get the final valuations. For the valuations of these assets, were you satisfied that the report was one year old? Did you require a new report to be updated to justify at the valuation for all these oil and gas assets?*

Encik Khaw Hock Hoe: *No. We did not ask for the updated valuation. No, we did not. Again, by the time at 31st March the item on the balance sheet was already Murabaha notes. So, the value is based on the one for Deloitte but for the purpose of the JV and that was done in 2009, the valuation report was done for purposes of when they transacted in the JV.*

Tuan Tony Pua Kiam Wee: *Okay.*

Dato' Abd. Aziz Sheikh Fadzir: *I mean for everyone.*

Tuan Pengerusi: *They answer already because the note was converted.*

Dato' Abd. Aziz Sheikh Fadzir: *I know.*

Tuan Tony Pua Kiam Wee: *Basically he answered that he accepted September last year.*

Dato' Abd. Aziz Sheikh Fadzir: *For everyone's assumption, in normal audit of the company, were you required a latest valuation report, in methodology in this country?*

Encik Khaw Hock Hoe: *No. It will depend on the circumstances, so in this circumstances as I said as of 31st March the balance sheet item is the Murabaha notes. So, the reliance will be on the Deloitte reports but for the purposes of the audit, we have accepted the September report given on the fact that it gave the valuation of the assets which was then used for the purposes of understanding the JV transactions.*

Tuan Tony Pua Kiam Wee: *So, my next question which is the point I raised earlier. Did you verify that these assets were still in the JV company?*

Encik Khaw Hock Hoe: *We had relied on the valuation report that I mentioned from Edward Morse. Again, given that the JV company was a new company and there is no financial. So, we actually move on and we relied on the corporate guarantee.*

Tuan Tony Pua Kiam Wee: *So, you did not see it's important as to verified whether this asset still were in JV or not because you said you relied on these three points; the valuation report, the letter and the shareholders. So, this valuation report their saying that you did not need to verify if the asset that is being valued were still sitting in the JV company that you are relying on to be assured of the risk involve in the Murabaha notes.*

Encik Khaw Hock Hoe: *At that point, the focus was on the corporate guarantor and...*

Tuan Tony Pua Kiam Wee: *[Bercakap tanpa menggunakan pembesar suara] ...Could not get any financial statement from the corporate guarantor?*

Datuk Seri Reezal Merican: *Financial standing off guarantor.*

Dato' Abd. Aziz Sheikh Fadzir: *You are contradicting yourself. You are saying to us no judgment is based on view. To me, there are two things important, Deloitte and the valuation. The third one is the PetroSaudi International. Right or not? So now you are saying that you are not looking at all the others, you are looking at the corporate guarantees. So, which is? Which one then? Just now you are saying that you are based on this valuers, Deloitte then the corporate guarantee. Today you are saying that it's not important to know whether the asset is in the book because you only looking at the guarantor, is that our corporate guarantee side. So, which is which?*

■1330

Encik Khaw Hock Hoe: *Okay, just to make it clear. The reliance on the value was again based on that three pieces of information that I have mentioned, which is the Edward Morse report, the Deloitte's report and also the letters which supported the financial standing of PSI.*

Datuk Seri Reezal Merican: *What is the Edward Morse report that you are satisfied with, that influence your judgment of the valuation of the Murabaha notes?*

Encik Khaw Hock Hoe: *The value of the assets.*

Tuan Tony Pua Kiam Wee: *You didn't even check whether these assets still belong to that company?*

Datuk Seri Reezal Merican: *Because the farm in agreement terminated in December 2009. In other words, PSI 1MDB joint venture, there is no asset at all.*

Tuan Pengerusi: *Wait, wait. Were you told by management about the...*

Encik Khaw Hock Hoe: *No, we were not.*

Tuan Pengerusi: *So, you were not told by the management about the termination of the agreement? The discrepancy...*

Encik Khaw Hock Hoe: *First of all, I think again, during the audit in 2010, this was the information that was available to us. I can't speculate on what this information currently is available from Sarawak Report. I mean...*

Tuan Pengerusi: *No, no. I think that question...*

Tuan Tony Pua Kiam Wee: *No, what I am asking is at that point in time, when you rely on the valuation report, I could have given you, "I have property worth USD2 million". So, I give you a valuation report on that property but that property doesn't belong to me. Will you still sign off my audit?*

Encik Khaw Hock Hoe: *Again, we've relied on the work done on the corporate guarantee.*

Tuan Pengerusi: *So, the management's representation to you are just those documents? That's it.*

Encik Khaw Hock Hoe: *Yes.*

Tuan Pengerusi: *And then you relied on those documents plus the third party representation.*

Encik Khaw Hock Hoe: *Yes.*

Tuan Pengerusi: *That was strong enough for you to have confidence in verifying the value of the...*

Encik Khaw Hock Hoe: *Of the notes.*

Dato' Abd. Aziz Sheikh Fadzir: *You were told the asset is still good, is still part of the 1MDB-PSI when you sign the document by the management?*

Encik Khaw Hock Hoe: *That's right.*

Tuan Tony Pua Kiam Wee: *So, our question I supposed to the management later would be, did you mislead the auditors? Okay.*

Dato' Abd. Aziz Sheikh Fadzir: *I don't know whether – normally when you do the audit, were you go back to... even though the Murabaha notes was converted on – when was the Murabaha notes converted?*

Tuan Tony Pua Kiam Wee: *Okay, the next question is to put it this way. You put in your audit report the Murabaha notes are the shares were converted to Murabaha notes on 31st March 2010. That's*

the very last day of the audit. Were there any suspicious circumstances that you felt that should not have been the date?

Encik Khaw Hock Hoe: *No. Based on the document that was provided to us. The agreements, the share sale letter agreement, the Murabaha financing agreement, all of them were dated 31st March 2010.*

Tuan Tony Pua Kiam Wee: *So, all the documents given to you were dated 31st March 2010?*

Encik Khaw Hock Hoe: *That's correct.*

Tuan Pengerusi: *Wait, wait. It's already 1.30pm. Some of the Members want a break. [Disampuk] You want toilet break, they want break. [Ketawa] So, let's put a time limit here and if it's not done – are you done?*

Seorang Ahli: *[Bercakap tanpa menggunakan pembesar suara]*

Tuan Pengerusi: *Not done. So, maybe we can call them back.*

Datuk Seri Reezal Merican: *I think they have been very helpful and they very insightful on what they have presented. I think we can call back...*

Tuan Pengerusi: *I am trying to get a consensus here between our committee. Some committee members say you can come back another time. Are you okay? You're okay. You want to finish everything today?*

Encik Khaw Hock Hoe: *Ya.*

Tuan Pengerusi: *You want to take all the pain today?*

Encik Khaw Hock Hoe: *We are here to assist...*

Tuan Pengerusi: *We will go on until 2.00 o'clock and then we take a break.*

Datuk Johan Idris: *So, you also nak solat....*

Tuan Pengerusi: *Ya. Okey.*

Tuan Tony Pua Kiam Wee: *What did I ask just now? Oh, 31st March because we have seen documents, obviously we have not seen first hand documents, which is why we need all the verification. We have seen documents that clearly stated that these agreements including the share sale letter as well as the agreement, being performed well after 31st March 2010.*

Email conversations between Ernst & Young and 1MDB and PetroSaudi were talking about these agreements being drawn up as late as May. So, the lawyers were still giving comments on the agreements. The lawyers, Wong & Partners as well as the White & Case in London were still giving comments on the agreement in May.

So, in my view given the... not just one evidence but multiple evidences from emails, from documents that were presented online. [Disampuk] Of course may not be true. The conversion to Murabaha could not have been done by 31st March. Were you aware of that?

Encik Khaw Hock Hoe: *We have no knowledge of any other documents that you've mentioned about other than what we have in our file. It's all dated 31st March.*

Tuan Tony Pua Kiam Wee: *There was no conversation with the previous auditors, Ernst & Young to confirm if this Murabaha notes were indeed converted, I mean shares to Murabaha on the 31st March or later.*

Encik Khaw Hock Hoe: *In our conversation with Ernst & Young, they did not highlight any of these matters to us.*

Tuan Pengerusi: *Your profession clearance was through written confirmation or...*

Encik Khaw Hock Hoe: *Yes, yes, written.*

Tuan Pengerusi: *Written... So the written confirmation was just...*

Encik Khaw Hock Hoe: *Delayed in information.*

Tuan Pengerusi: *We have no professional...*

Encik Khaw Hock Hoe: *We have no professional reason for you not to accept appointment.*

Tuan Tony Pua Kiam Wee: *So they have delayed in information provided. Did they say what information was delayed?*

Encik Khaw Hock Hoe: *In the conversation, they mention about requiring the external valuation report of the Murabaha notes.*

Tuan Tony Pua Kiam Wee: *So, if we want to ask if the documents were actually signed after 31st March, we should call E&Y and ask them.*

Encik Khaw Hock Hoe: *I believe so.*

Dato' Abd. Aziz Sheikh Fadzir: *On the 31st March, once the Murabaha notes was completed, what kind of document do you have to confirm that the whole thing was fit and complete? To confirm that the Murabaha notes is good notes, I mean it is converted note from equity to Murabaha? What documents do you verify to confirm that it is fit and complete?*

Encik Khaw Hock Hoe: *They are two documents. Principally two documents, the share sale letter agreement dated 31st March which confirm the sale of 40% shares in the JV and the Murabaha financing agreement dated 31st March 2010.*

Dato' Abd. Aziz Sheikh Fadzir: *Was there a board meeting before that to confirm the conversion?*

Encik Khaw Hock Hoe: *Based on the review of the board resolutions dated 22nd March 2010.*

Dato' Abd. Aziz Sheikh Fadzir: *Board resolution?*

Encik Khaw Hock Hoe: *Board and shareholder resolution.*

Dato' Abd. Aziz Sheikh Fadzir: *Was there a board minute? Was there a proper board meeting to approve the conversion of equity to Murabaha notes? Was there a proper board meeting?*

Encik Khaw Hock Hoe: *I can't recall but definitely there are minutes to that.*

Dato' Abd. Aziz Sheikh Fadzir: *Can you help us to check on that?*

Datuk Seri Reezal Merican: *Who is the representative from 1MDB in 1MDB-PSI JV?*

Encik Khaw Hock Hoe: *It was then the existing CEO Encik Shahrul. Sorry, sorry I can't recall. I take that back.*

Tuan Pengerusi: *Look through your working papers and find out who...*

Encik Khaw Hock Hoe: *Sorry?*

Tuan Pengerusi: *Or you didn't do any verification on that?*

Encik Khaw Hock Hoe: *I can't recall, I mean their names, they are listed in the board minutes but I can't recall.*

Tuan Pengerusi: *Can you call the office now and find out? [Ketawa]*

Encik Khaw Hock Hoe: *The workpapers are locked and secured by me, so no one has access to it. The original work papers with MACC but the copies are with me...*

■1340

Tuan Pengerusi: *You cannot check it while you're here, you know. Can you check it? I mean we are still going to be here for a couple of hours. Can you get your office to get the name.*

Encik Khaw Hock Hoe: *I think the issue will be... It's very specific board minutes in certain file so somebody was not look at the file might not be able to...*

Tuan Pengerusi: *So, we...*

Tuan Tony Pua Kiam Wee: *I want to follow up with the next...*

Dato' Abd. Aziz Sheikh Fadzir: *To confirm, you have seen a shareholders resolution on 22nd March?*

Encik Khaw Hock Hoe: *Shareholder and board resolution.*

Dato' Abd. Aziz Sheikh Fadzir: *Shareholders and board resolutions on 22nd March to confirm the conversion of equity to Murabaha notes.*

Encik Khaw Hock Hoe: *Yes.*

Dato' Abd. Aziz Sheikh Fadzir: *Nine days after that, the whole agreement done. Are you telling us that?*

Encik Khaw Hock Hoe: *Yes.*

Datuk Seri Reezal Merican: *1MDB aborted the JV is on 31st?*

Encik Khaw Hock Hoe: *No, the agreement to reflect the finalization of the sales was 31st.*

Dato' Abd. Aziz Sheikh Fadzir: *Okay, as the Chairman says, if you can have a copy of the resolutions and the minutes, the board and even if you can look at your workingpapers again on any board sitting. Any board meeting to confirm the conversion of equity to the Murabaha notes, okay.*

Datuk Johan Idris: *We will be happy to help in anyway possible.*

Dato' Abd. Aziz Sheikh Fadzir: *If you do not have, please come back and let us know.*

[Ahli-ahli berbincang sesama sendiri]

Tuan Tony Pua Kiam Wee: *Okay, following up on these subsequent tranches of USD500 million, there was a notice of drawing on 8th September 2010, is that correct?*

Encik Khaw Hock Hoe: *Can you let me check?*

Tuan Tony Pua Kiam Wee: *Sure, sure.*

Encik Khaw Hock Hoe: *I just want to make sure I got the right date.*

Tuan Tony Pua Kiam Wee: Yes.

Encik Khaw Hock Hoe: *We have not seen that document but based on our workpapers, there is audit notation stating that we have verified the additional drawing to a letter agreement and notice request for additional tranche dated 14th September 2010.*

Tuan Tony Pua Kiam Wee: *14th September.*

Encik Khaw Hock Hoe: *That's according to the notation in our workpaper.*

Tuan Tony Pua Kiam Wee: *Do you have copies of the drawdown notice?*

Encik Khaw Hock Hoe: *No, what happened is part of audit process, it is not like a requirement that we file copies, so long as the staff views it and then make as what we called 'audit tick'.*

Datuk Seri Reezal Merican: *The other question is that we know pretty well on 31st March they aborted JV and then they transform from the investment position into the lending position, in form of Murabaha notes, that is 31st. The thing happened perhaps because of the termination of the farm in agreements. In other words to my understanding, correct me if it is wrong, that there is no asset anymore in PSI-1MDB then because the assets, I mean the concession has been terminated. Then in July, there is another USD500 million subsequent of Murabaha notes to the JV company which presumably not to have anything anymore, so what is the reason? Do you ascertain?*

Encik Khaw Hock Hoe: *Okay, based on the board minutes that we have seen, we have noted that this injection was for purposes of the JV acquiring shares in oil and gas company which is GDF Suez...*

Seorang Ahli: *[Bercakap tanpa menggunakan pembesar suara]*

Encik Khaw Hock Hoe: *Yes, GDF Suez. As stated in the board minutes, we have noted that it was for 4.23% share in there, 4.23% share.*

Seorang Ahli: *[Bercakap tanpa menggunakan pembesar suara]*

Encik Khaw Hock Hoe: *No, when we saw the board minutes, they said that the USD500 million was for the purposes of acquiring the 4.23% share.*

Tuan Tony Pua Kiam Wee: *Did you find out if they did acquire?*

Encik Khaw Hock Hoe: *We did not do that because what we have done was we check to ensure that additional amount that been sort of like subscribe the Murabaha notes was in accordance with the Murabaha financing agreement which allowed the company to subscribe to additional USD1.5 billion.*

Tuan Tony Pua Kiam Wee: *Can I say that just for the purposes of definition. After the conversion from shares to Murabaha notes, 1MDB and PetroSaudi is no longer a JV.*

Encik Khaw Hock Hoe: *That is correct, no longer JV.*

Tuan Tony Pua Kiam Wee: *No longer to JV. Can I also say that despite that in the board minutes, they still refer to it as a JV?*

Encik Khaw Hock Hoe: *I cannot recall whether that was...*

Datuk Seri Reezal Merican: *That precisely became to my question. If there is no more JV, there is no more concern to 1MDB because there is no JV, aborted already. What is the concern of putting the money for the company to acquire stake?*

Dato' Abd. Aziz Sheikh Fadzir: *So, in this case basically...*

Datuk Seri Reezal Merican: *Wait, wait, let me finish that question. What is the concern then?*

Encik Khaw Hock Hoe: *Concern in terms of?*

Datuk Seri Reezal Merican: *No, GDF Suez just now, you mentioned.*

Dato' Abd. Aziz Sheikh Fadzir: *[Bercakap tanpa menggunakan pembesar suara]*

Datuk Seri Reezal Merican: *Does not matter but then the JV has already been aborted, right? Then, there is no concern of the company. Why that we put another USD500 million for the company to acquire another asset?*

Encik Khaw Hock Hoe: *As I was trying to explain it just now, under the Murabaha financing agreement, in the terms of it, actually it included where the company can subscribe to further Murabaha notes for up to USD1.5 billion. So, when we were looking at the subscription, so we noted that it in accordance to the agreements but I just wanted to point out that because earlier on Tony ask the question about – Sorry, somebody asked the question about why, so I was just try to explain...*

Datuk Seri Reezal Merican: *Both of you were friends or what? [Ketawa]*

Tuan Pengerusi: *In this room you refer to us as according to our constituency names.*

Encik Khaw Hock Hoe: *Sorry.*

Tuan Pengerusi: *You do not call us by personal names because it might imply that you actually know Tony very well. [Ketawa]*

Encik Khaw Hock Hoe: *My apologies.*

Datuk Seri Reezal Merican: *So, next question, do you...*

Encik Khaw Hock Hoe: *Sorry, if I address Yang Berbahagia wrongly.*

Tuan Pengerusi: *Again, wrong again, Yang Berhormat.*

Encik Khaw Hock Hoe: *Yang Berhormat.*

Tuan Pengerusi: *This is another education, honorable is Yang Berhormat. [Disampuk] No, I am not talking about myself, I am talking about them, maybe they will be offended.*

Encik Khaw Hock Hoe: *As I said it was accordance to the Murabaha financing agreement.*

Tuan Tony Pua Kiam Wee: *This account was signed on 4th October 2010. The subscription for the additional USD500 million was according to you on the 14th September. Why wasn't it in the subsequent event?*

Encik Khaw Hock Hoe: *I can't recall on that.*

■1350

Tuan Tony Pua Kiam Wee: *No, they're saying that additional fund – no, it is not July. It's September, September.*

Tuan Pengerusi: *Now I wondering, in your audit did the management ever give you or tell you 100% of what they actually did. Or there were something that they did not tell you.*

Tuan Tony Pua Kiam Wee: *This bring to question the original thing. Less than three weeks you signed off the account and you have a massive USD500 million outgoing which is not in your financial statements.*

Dato' Abd. Aziz Sheikh Fadzir: *[Bercakap tanpa menggunakan pembesar suara]*

Tuan Tony Pua Kiam Wee: *He just said 14th September.*

[Ahli-ahli berbincang sesama sendiri]

Tuan Tony Pua Kiam Wee: *Okay, so you don't have the answer for that. Can I then further ask, the USD500 million additional loan was made payable from what we understand, please confirm that, to two different entities. It was broken down to USD340 million and USD160 million and we understand that USD160 million is given to a company called Good Star. Were you aware of that transaction?*

Encik Khaw Hock Hoe: *No, we are not aware.*

Tuan Tony Pua Kiam Wee: *When the money goes out, you all don't trace where your money goes to?*

Encik Khaw Hock Hoe: *We have checked to the notice of additional drawdown and we have noted that the payment is in accordance to that notice. We've looked at the board approval for that. So, that was what we have done.*

Dato' Abd. Aziz Sheikh Fadzir: *Because that is very important, how did you verify the money out?*

Encik Khaw Hock Hoe: *Our verify that to the notice of the additional tranches, which is the instruction that comes from the company. On that we also verified that the board approval have actually indicated that.*

Tuan Pengerusi: *That means you only verify at the exit? After the exit, after the money leaves the bank account yo – in good faith you just follow the documentation that has been prepared.*

Encik Khaw Hock Hoe: *Ya.*

Tuan Tony Pua Kiam Wee: *So it is not important for you to verify who they made payment to?*

Encik Khaw Hock Hoe: *Well, as I said when we verified all this notices, we have already accepted that those for the payment are going to. We normally do not check ultimate...*

Tuan Tony Pua Kiam Wee: *I don't understand. So when I said for example I buy from Yang Berhormat Limbang USD2 million but I make payment address to Yang Berhormat Kulim. To audit, does it matter?*

Encik Khaw Hock Hoe: *Well, we have performed our alternative procedures in that sense which I just mention that we have checked that the payment has been made according to that instruction.*

Tuan Tony Pua Kiam Wee: *So you are saying that the board of directors approved the payment to Good Star Limited?*

Encik Khaw Hock Hoe: *No, not. The board approves the payment to the JV.*

Tuan Tony Pua Kiam Wee: *Right but the payment was, part of it was make to another party, that wasn't important for the audit.*

Encik Khaw Hock Hoe: *No, that we are not aware.*

Dato' Abd. Aziz Sheikh Fadzir: *There are full USD500 million, I thought...*

Tuan Pengerusi: *I rephrase the question, when you do – when later on in the year you do your bank reconciliation, then you will see in a year to go through the actual list of recipient of the money, right? Didn't you find the difference between the original supposed propose recipient against who actually at receive the money which you and you do your bank recon right, you will find out where actually the money went to.*

Encik Khaw Hock Hoe: *Well, we didn't trace that you know, like he said to who the recipient...*

Tuan Pengerusi: *It's a big sum of money, don't you do your audit check when you do your bank recon, all the substantial payments?*

Encik Khaw Hock Hoe: *Well, as I said we understand that the USD500 million was for the purposes of the JV and we are verified that to the notice of the additional tranche and again in addition to that at the end of the year that a balance was again outstanding in the balance sheet. So, based on what we have done, we did not proceed to verify the recipient as he has mentioned.*

Tuan Tony Pua Kiam Wee: *So for this applies to all the subsequent advances that were made, not advances, the loans that were made by 1MDB to the JV company and we understand that the subsequent additional funds to 1MDB PetroSaudi was entirely paid to Good Star Limited. So that didn't matter for KPMG either?*

Encik Khaw Hock Hoe: *No. As I mention we are not aware that such a payment had gone to Good Star. I would like to state that.*

Tuan Tony Pua Kiam Wee: *My question is not whether you're aware but my question is out of the additional tranche of USD500 million, there were two payments USD340 million and USD160 million. USD160 million went to Good Star. All the subsequent advances that comprises approximately USD330 million all of it we understand have gone to Good Star. The payment was to Good Star.*

Dato' Abd. Aziz Sheikh Fadzir: *Can I ask you? But to us, to 1MDB, we subscribe to USD500 million Murabaha, the second one. Do we have to worry about where the money go to?*

Tuan Tony Pua Kiam Wee: *No.*

Dato' Abd. Aziz Sheikh Fadzir: *As long I go to the...*

Tuan Tony Pua Kiam Wee: *I need undertaking from 1MDB PetroSaudi to tell me pay to the Good Star.*

Dato' Abd. Aziz Sheikh Fadzir: *Ya.*

Tuan Tony Pua Kiam Wee: *So the auditor should have seen a document like that, I am paying to the third party.*

Dato' Abd. Aziz Sheikh Fadzir: *So, is it true that the USD500 million from 1MDB where we subscribe the the Murabaha notes, did the money go 1MDB-PSI JV or it goes direct to two separate accounts?*

Encik Khaw Hock Hoe: *As I have said we have verified to the notice of request for the additional tranche. We are not aware of that the money has gone to Good Star and that.*

Tuan Pengerusi: *When you do bank recon, you will do that.*

Dato' Abd. Aziz Sheikh Fadzir: *So the whole USD500 million goes to the so called 1MDB-PSI JV, is it?*

Encik Khaw Hock Hoe: *That's our understanding.*

Dato' Abd. Aziz Sheikh Fadzir: *How can you say that our understanding. You do the auditing.*

Tuan Pengerusi: *That is why I said just now, when you do the bank reconciliation, when you verify that you must have focus on that big item of payment. You must have known that the money didn't go to 1MDB PetroSaudi and went to Good Star instead. Unless the management falsified anything.*

Datuk Johan Idris: *Let me just a bit clarification because money has... our audit procedures, money has been made in accordance with the agreement as my fellow colleagues Alex has mentioned. As far as we concern, this has provided us sufficient evidence that money has been paid in appropriate manner and henceforth we believe that the money has been remitted as it's manner in visage. I mean that what it is.*

■1400

Dato' Abd. Aziz Sheikh Fadzir: *[Bercakap tanpa menggunakan pembesar suara] ...The question was if the whole USD500 million goes to the issuer in this case, the 1MDB PetroSaudi or the money goes differently. Will you be able to confirm to us? When we suspect the USD500 million, we subscribe from 1MDB PetroSaudi which is the issuer, right? Where PetroSaudi spend your money, that's not our problem because in this case we only subscribe to that Murabaha notes which carry now lower interest at 8.25%. So did the money goes direct to 1MDB PetroSaudi JV account?*

Encik Ahmad Nasri Abdul Wahab: *Can I clarify? As part of audit of a payment cycle in general when we perform the audit, we want to make sure that when we vouch to the payment, the payment has been made in accordance with the instruction of the recipient. So that's the key concept from our audit approach.*

Tuan Pengerusi: *Means you never ask any question if the recipient was changed lah.*

Encik Ahmad Nasri Abdul Wahab: *Yes. So what we did was we have basically vouched to the notice of request for additional tranche.*

Tuan Tony Pua Kiam Wee: *So the request specified a third party recipient. So if the payment is made to the third party recipient, then it's not for the audit to question why it went to the third party.*

Encik Ahmad Nasri Abdul Wahab: *Because it has been done in accordance with the instructions.*

Datuk Seri Reezal Merican: *That one, the remittance requires the approval by Bank Negara and they must be a compliance of certain rules and regulations. Does all those remittance of payment comply to what... by Bank Negara?*

Encik Khaw Hock Hoe: *As part of the audit, when we enquire management about compliance with rules and regulations, they have confirmed that they have complied. In our knowledge of transfer large sum of money out of Malaysia certainly the payment has been made and the approval had to be obtained.*

Datuk Seri Reezal Merican: *We got to specify right when you obtain Bank Negara approval, the payment of USD500 million in view of subscribing the Murabaha notes that will be specified in the submission to Bank Negara?*

Encik Khaw Hock Hoe: *That should be yes.*

Datuk Johan Idris: *That is up to Bank Negara to look at it to ensure it complies with Bank Negara ruling. So it's not part of our focus of audit. So, Bank Negara...*

Tuan Pengerusi: *It's not your focus...*

Datuk Seri Reezal Merican: *I know, I know it's not incumbent upon you to know whether they comply or not but I just want to know whether you are...*

Datuk Johan Idris: *Yes.*

Tuan Pengerusi: *Okay, it's 2 o'clock, I suggest we take a break. I know Yang Berhormat Petaling Jaya Utara, half an hour. You know, if you were sitting on the other side then only you know, you will be asking for a break. Then, let them take a break.*

Datuk Seri Reezal Merican: *Sembahyang ini, Datuk Johan hendak sembahyang kan.*

Tuan Pengerusi: *We comeback at 2.30 pm. Okay?*

Dato' Abd. Aziz Sheikh Fadzir: *Or we take break for today.*

Datuk Seri Reezal Merican: *Okay.*

Tuan Pengerusi: *I suggested that just now somebody said no.*

Datuk Seri Reezal Merican: *Call them the other day. Continue, continue.*

Tuan Pengerusi: *Okay.*

Tuan Tony Pua Kiam Wee: *To be honest it's not too much more because the bulk of it is 2010. The rest are some follow up questions. So we take a break and we comeback at 2.30 pm.*

Tuan Pengerusi: *Okay, 2.30pm ya. Okay, thank you very much. We will take a break until 2.30 pm.*

[Mesyuarat ditempohkan pada pukul 2.02 petang]

[Mesyuarat disambung semula pada pukul 2.46 petang]

Tuan Pengerusi: *Baik, boleh kita sambung balik? Okey, soalan.*

Tuan Tony Pua Kiam Wee: *Can, it's just factual. Can you provide a break down of the dates of the Murabaha payments to 1MDB PetroSaudi, that means that USD500 million on the 14th September then the subsequent, is it one lump sum or multiple transactions?*

Encik Khaw Hock Hoe: *Yang Berhormat, for the USD330 million, there was four transactions but I will have to come back to you on the dates.*

Tuan Tony Pua Kiam Wee: *Okay, the dates and the value.*

Encik Khaw Hock Hoe: *The dates and the value, that is right. Four separate tranches.*

Tuan Tony Pua Kiam Wee: *Okay, the other question I have on the Murabaha is for the USD500 million in particular, I understand from the account essentially what 1MDB did was they borrowed money under three years short term loan to lend this money to 1MDB PetroSaudi. Is that accurate description of the process?*

Encik Khaw Hock Hoe: *I understand that based on what we seen on the files, yes in that particular year, that there was additional borrowing.*

Tuan Tony Pua Kiam Wee: *So, what were the purposes of this borrowing?*

Encik Khaw Hock Hoe: *I cannot recall right now, I have to check because I think it's in the syndicated term loan, I cannot recall what was the stated purpose when they signed the agreement.*

Tuan Tony Pua Kiam Wee: *Borrowing are reflected in pages 38 of the 2011 accounts. The USD500 million is really 2011 already. [Ketawa] The Murabaha was the USD500 million but from what we can tell from the accounts, your finance buyer is USD1.4 million loan and USD895 million loan. So, it will be a fair description basically based on – because the fact that they do not have any other income. They only have cash flow and it's only from borrowing.*

Encik Khaw Hock Hoe: *Yes right.*

Tuan Tony Pua Kiam Wee: *So, the payment for Murabaha is entirely financed by additional borrower.*

Encik Khaw Hock Hoe: *The proceeds would have been used...*

Tuan Tony Pua Kiam Wee: *[Bercakap tanpa menggunakan pembesar suara] ...On to acquire the Murabaha notes.*

Encik Khaw Hock Hoe: *Yes because the borrowing is in the same year.*

Tuan Tony Pua Kiam Wee: *Was there any concern over the fact that term loans were of shorter term in nature than the lending to 1MDB PetroSaudi. So, you will end up with liquidity mismatch at some point in time.*

■1450

Encik Khaw Hock Hoe: *Just let me check.*

Tuan Tony Pua Kiam Wee: *Information of the committee on page 24, you have the additional USD500 million loan, profit rate of 8.25%, bullet repayment on March 2015. If you look at page 39, this term loans are unsecured with bullet payment on September 2013. So basically, I am borrowing to lend*

money but my borrowing is due on 2013 but my lending will only pay me back on 2015. So, there is a mismatch. The borrowing one is on page 39.

Encik Khaw Hock Hoe: Yang Berhormat Petaling Jaya Utara, I think you already pointed this lending is due on March 2015 and the borrowing is a shorter term. We do not have any concern but I will assume that this will be a question for management in terms of how they use their funding for the investment purposes.

Tuan Tony Pua Kiam Wee: There is no concern...

Encik Khaw Hock Hoe: Not at the time and we would address any going concern issues, it will be almost in the immediate term.

Tuan Tony Pua Kiam Wee: I understand going concern is immediate term but it is not an issue that was raised perhaps by a management letter, notes to the management to watch out for.

Encik Khaw Hock Hoe: No. We didn't raise. I don't think there was any concern there.

Tuan Pengerusi: It's just like Deloitte. After 2013 then only they issued the management letter in 2014 to tell the management. "Eh! Your money is not enough, your current asset is not enough". It's up to the auditors to make the judgment.

Dato' Abd. Aziz Sheikh Fadzir: Looking at 2011 account, I saw in 2010 you put on emphasis of matters on the first USD1.2 billion. How come in 2011 you haven't looked at it at all? Is there no emphasis at all?

Encik Khaw Hock Hoe: The purposes of the emphasis in the first tier which is 2010 was to highlight given that the valuation is quite technical, so that was just sort of like a note for the attention of the reader about the technical aspect of the valuation. That was done for 2010. For 2011, given the fact that this matter has already been highlighted. We didn't see the need to highlight that again.

Dato' Abd. Aziz Sheikh Fadzir: [Bercakap tanpa menggunakan pembesar suara] ...Satisfy yourself this times that the note is good. You can recover the money because last time you told us in 2010 within that three weeks you told us you don't have anything. So now what kind of guarantee did you get this time?

Encik Khaw Hock Hoe: In terms of the again, the evaluation of the notes, reliance was placed on there is another valuation that was done by Deloitte for the 31st March 2011 note by Deloitte Singapore. We had continued to rely on the valuation from Edward Morse. In addition to that, there was another letter from, the same valuation that I have mentioned just now.

Tuan Pengerusi: Deloitte was the new one?

Encik Khaw Hock Hoe: From Deloitte was the new one. Yes.

Tuan Pengerusi: Oh.

Encik Khaw Hock Hoe: Because Deloitte provide again, a valuation of the note as of 31st March 2011.

Tuan Pengerusi: So, Deloitte gave two evaluations?

Encik Khaw Hock Hoe: Actually three including for 2012.

Tuan Pengerusi: *Ya, I know, I know but what I'm getting at least Deloitte in Singapore?*

Encik Khaw Hock Hoe: *That is right.*

Tuan Pengerusi: *Ya, I know but then they took over the audit and the issue in contention is this issue. An affiliate of theirs in Singapore does the valuation to value this contentious investment or you know notes, whatever and then they took over. As Deloitte Malaysia took over as auditors in 2013.*

Encik Khaw Hock Hoe: *That is correct.*

Tuan Pengerusi: *Wow.*

Encik Khaw Hock Hoe: *But, I...*

Tuan Pengerusi: *We should have called you first before we call Deloitte. [Ketawa] Because to me, that is a huge conflict of interest.*

Dato' Abd. Aziz Sheikh Fadzir: *I want to go on your judgment. So this time what do you get?*

Encik Khaw Hock Hoe: *For the valuation report from Deloitte we relied on Edward Morse. Yup, 2009. There was another letter from again from the Banque Saudi Fransi. Okay. This time we had a letter from the Malaysian Ambassador in Saudi Arabia which confirmed the- who are the shareholders of PSI and their good standing.*

We have letter from the Saudi Embassy in Kuala Lumpur. That is like a letter of support in support of PSI initiative with 1MDB.

Dato' Abd. Aziz Sheikh Fadzir: *This question to Datuk Johan being a Managing Partner of KPMG, do you actually today in this meeting feel that they have done enough all these letters by the Embassy of Malaysia, letters by Embassy of Saudi in Kuala Lumpur could actually assure you that the people's money of USD1.7 billion is actually could be recovered?*

Datuk Johan Idris: *Okay, Thank you. I guess as far as the engagement team is concern. You know, these are all what you have mentioned hindsight based on the information provided by the management to the engagement team and based on our professional judgment we believe that, you know, our lending in terms on how we come to that conclusion is appropriate.*

Tuan Tony Pua Kiam Wee: *The letter from the Ambassador of Malaysia in Saudi, basically just said the company is in good financial standing. I would assume that he would also give a letter of good financial standing for Tony Pua because I'm not a bankrupt. But that doesn't mean that I can be a guarantor for USD1 billion notes.*

Dato' Abd. Aziz Sheikh Fadzir: *USD1.7 billion now Sir.*

Tuan Tony Pua Kiam Wee: *USD1.7 billion notes. Is that not something to take in to consideration?*

Dato' Abd. Aziz Sheikh Fadzir: *Why do you need that letter? Why do you need that letter from Saudi Embassy in Kuala Lumpur. What does it give it to you? What kind of assurance do you get out of that letter?*

Tuan Pengerusi: *I think the issue is whether that person giving you the letter of assurance is actually a reputable one or relevant one.*

Encik Khaw Hock Hoe: *I think in circumstances whereby management again assert that they can recover the USD1.7 billion. So, that's management exertion. So, in trying to accept management exertion, so as auditor, we would then try to see whether there are any other alternative information that we could obtain. As I explained earlier on, we could not get the PSI financial mainly because not available in public domain. So...*

Tuan Tony Pua Kiam Wee: *Shouldn't you then put on emphasis matter to say that this information wasn't available for our audit?*

■1500

Dato' Abd. Aziz Sheikh Fadzir: *[Bercakap tanpa menggunakan pembesar suara] ...Yang Berhormat Petaling Jaya Utara, I know with my little experience, don't you think that there is something that public should at least know that we have got USD1.7 billion exposure to one company that it got no ability, no knowledge of the financial standing other than a letter from the Ambassador of Malaysia in Saudi, don't you think that the public deserves...*

Tuan Pengerusi: *I think that is a fair comment. I think the argument to actually state that weakness should have been in your report.*

Dato' Abd. Aziz Sheikh Fadzir: *[Bercakap tanpa menggunakan pembesar suara] ...The management to get the accounts right?*

Encik Khaw Hock Hoe: *No, let me try to address that question. When purposes of using emphasis of matters in respect of where there is item of uncertainty. That basically pursuance to the auditing standards on reports. The acceptance of the evidence again was based on the fact that it is not just a letter from the embassy but again evidence that we already obtain in 2010 and then accumulative in 2011 together with Deloitte valuation. Another letter from Banque Saudi Fransi, of course this embassy letters and the other...*

Dato' Abd. Aziz Sheikh Fadzir: *[Bercakap tanpa menggunakan pembesar suara] ...Why the accounts of 1MDB -PetroSaudi where the oil concession were supposed to be in? Did you manage to get the accounts?*

Encik Khaw Hock Hoe: *As I explained earlier, in British Virgin Island there...*

Dato' Abd. Aziz Sheikh Fadzir: *I know, I know the regulators but I am talking about does the issuer at least...*

Tuan Tony Pua Kiam Wee: *Put it this way, I maybe a BVI vehicle but if I go to a bank and ask for a loan, they do not care if I am BVI or not, I have to give my financial statement. So, what we are saying now is 1MDB gave a loan without even asking for financial statement from the borrower.*

Datuk Seri Reezal Merican: *The credit worthiness, ability to repay, I am quite sure there must be an element of this to be considered.*

Encik Khaw Hock Hoe: *Yup but again our evidence that we relied on was on the corporate guarantor. Not the...*

Datuk Seri Reezal Merican: *Are you of the opinion that PetroSaudi International owned by the Prince Turki is a company of, I mean you were mentioning something about Arab countries just now, Saudi. Do you find that because of it is owned by the Prince of Turki, the company is strong? Prince of Turki is the son of the late King Abdullah, the sixth son. He is the Governor of Riyadh but he is no... I think one of the many, I do not know how many. So, do you think that because of that factor then you think it is legitimate enough to regard that the company credit worthiness, ability to repay all and tax guarantor standing is strong?*

Encik Khaw Hock Hoe: *I think our basis of accepting that is not only because he was the prince. I think the basis of accepting that was the independent parties confirmed that they are the shareholders of the company and that they were of good financial standing. I think it was not about whether it was a Prince...*

Tuan Tony Pua Kiam Wee: *Please define good financial standing? How do you define a good financial standing?*

Datuk Seri Reezal Merican: *What is the finding of a good financial standing? Anyhow? Okay, before that...*

Dato' Abd. Aziz Sheikh Fadzir: *[Bercakap tanpa menggunakan pembesar suara]Billion Malaysian government money, people's money, how do you define good financial standing? What kind of statement does it give to say that it is a good financial standing because you keep on saying that you are looking at the guarantor now, the corporate guarantee. You do not even want to care what happened to 1MDB. That is not your business. You do not have to look at the account, the regulator said no need to submit, you do not need to be satisfied. I am talking about the so called JV, which is no more JV. What kind of financial standing did you satisfied by? What kind of letter did you get?*

Encik Khaw Hock Hoe: *I mean other than those letters...*

Dato' Abd. Aziz Sheikh Fadzir: *[Bercakap tanpa menggunakan pembesar suara]*

Encik Khaw Hock Hoe: *The letter says that the letter confirmed that Prince Turki and Tariq Obaid are shareholders of PSI and that they are of good financial standing.*

Datuk Seri Reezal Merican: *Letter from?*

Encik Khaw Hock Hoe: *From Helvetica and Banque Saudi Fransi.*

Datuk Seri Reezal Merican: *Okay.*

Tuan Pengerusi: *What class of asset would you at this point of time, classify these notes? Level 1, Level 2? It is an asset.*

Seorang Ahli: *[Bercakap tanpa menggunakan pembesar suara]*

Tuan Pengerusi: *Okay, just another general question. Were you in fact less diligence in your audit because this company is a government company, it is a MoF company and you know that the Prime Minister is involved as MoF. Is that a contributing factor to your assurance of these company's affairs?*

Encik Khaw Hock Hoe: *Tuan Pengerusi, no. I do not believe that we are any less diligence, we have based on that accumulated items of evidence accepted the position which we have taken. The*

factors that it's being a government company, there was an experience board of directors, senior corporate figures, are taken into consideration but it is not one that we relied on, just because it is a government company. So, no.

Tuan Pengerusi: You know why, because the PetroSaudi and 1MDB joint venture, we have been hearing this couple of time already. It is a government-to-government (G-to-G) thing but then we have not seen any evidence or correspondence between the Saudi Government and the Malaysia Government. That to me is quite a startling revelations that you can say it is a G-to-G thing but in a couple of hearings that we had, we have not seen any document to verify that it's actually a G-to-G thing.

The only thing is, the son of the late King and then the Prime Minister is involved but there is no documentation or agreement. So, that is why, I do not speak for my other colleagues but I find it quite odd that you have accepted a lot of this evidences or the assurances which I think are quite weak, you know. That is how I look at it. That is why this question has been repeated again and again by our members because they just cannot believe that you did not question harder and more aggressively and more thorough about this issue.

Datuk Seri Reezal Merican: The reason why the Chairman highlighted and many of us, highlighted until up to this moment when you have explained, you cannot form any form of conviction to us. Then we were quite in the question how could you be convinced about the financial standing of the issuer, all the guarantor of the issuance because there is no, I mean beside the third party validation...

Tuan Tony Pua Kiam Wee: Okay, I do not think they have the answers.

Dato' Abd. Aziz Sheikh Fadzir: Put it on record because as a layman I find amazing that a prudent professional auditors KPMG like you would have accepted this and put no emphasis on matters. Maybe qualification will be too harshed or any forms of alerting the public or disclosures, that the government are exposed USD1.7 billion and you feel good about it.

■1510

Today, as I said today, forget about 2010, forget about 2011, I am asking you today, you know, are you still certain that document that you have, you still stand... [Disampuk] You still believe that the judgment remain the same, are you saying it? Today, today 2015, June. You know, with whatever you've been saying and as I said we are the layman, we feel very difficult to believe, to accept. How about you?

Encik Khaw Hock Hoe: I think Yang Berhormat, based on the information that was available to us, at the point in time we have carried out the procedures and those were the evidences that we received. So, based on the judgment that was derived at that point in time, we standby opinion at that point of time.

Dato' Abd. Aziz Sheikh Fadzir: [Bercakap tanpa menggunakan pembesar suara]

Encik Khaw Hock Hoe: Ya, but today there a lot of information out there which a lot of allegation which in the process of being investigated, so I can't speculate what would be that view today.

Tuan Pengerusi: *That's why there is another issue about- did you ask the two directors why they resign in 2010? I mean that should have raised the red flag too, why the two directors suddenly resign. Did you make any enquiry why they resign?*

Encik Khaw Hock Hoe: *Mr. Chairman, I think as far as we aware directors of company resign for various reasons. In our review of the minutes, I mean we did not notice whether the directors had raised any issues about their resignation. So, we are not aware of their reason for...*

Tuan Pengerusi: *Neither did they intimate or confide in you...*

Encik Khaw Hock Hoe: *No.*

Tuan Pengerusi: *...Why they're resign?*

Encik Khaw Hock Hoe: *No, they did not notify us of any concern.*

Tuan Pengerusi: *They did not notify you? Okay.*

Dato' Abd. Aziz Sheikh Fadzir: *[Bercakap tanpa menggunakan pembesar suara] ... You also, there's a board papers to approve the investment of USD500 million into a new Murabaha notes if seen that the minutes or whatever shareholder minutes, board paper, board minutes to approve the new investment?*

Encik Khaw Hock Hoe: *Yes, we did.*

Tuan Tony Pua Kiam Wee: *2012.*

Dato' Abd. Aziz Sheikh Fadzir: *Did PetroSaudi made any dividend payment for the first Murabaha loan? 8.67%.*

Encik Khaw Hock Hoe: *Yes, they did.*

Dato' Abd. Aziz Sheikh Fadzir: *They did? Where did the 2011 account, where did you put it? Where is that? Can you tell me? [Disampuk] Tidak, dia tulis Murabaha profit but I want to see that profit is a paper profit or money in. Where? I have been trying to find it.*

Seorang Ahli: *[Bercakap tanpa menggunakan pembesar suara]*

Dato' Abd. Aziz Sheikh Fadzir: *I'm dying. [Ketawa]*

Encik Khaw Hock Hoe: *On page 10.*

Dato' Abd. Aziz Sheikh Fadzir: *Page 10. There is USD331 million there.*

Encik Khaw Hock Hoe: *Yang Berhormat, towards the bottom...*

Dato' Abd. Aziz Sheikh Fadzir: *Ya, ya. Murabaha profit received. Okay, what is the revaluation lost? It was USD500 million somewhere...*

Encik Khaw Hock Hoe: *That was in 2012.*

Dato' Abd. Aziz Sheikh Fadzir: *2012 is it?*

Tuan pengerusi: *[Bercakap tanpa menggunakan pembesar suara]*

Dato' Abd. Aziz Sheikh Fadzir: *Banyak sangat.*

Tuan pengerusi: *[Bercakap tanpa menggunakan pembesar suara]*

Dato' Abd. Aziz Sheikh Fadzir: *But you confirm the money was received?*

Tuan Tony Pua Kiam Wee: *Quick question that applies to both to 2011 and 2012 accounts, there was significant revaluation of the properties in both sets of accounts. What were the basis? I assume that was a valuer, who were the valuers?*

Encik Khaw Hock Hoe: *In the accounts that years Yang Berhormat has mentioned, the revaluation— first of all the treatment. The treatment was the company treated those as investment property, alright. That's accordance to the accounting standards. They then elected the choice of fair valuing the properties. In doing that, they appointed independent valuer which was CH Williams Talhar & Wong to do the valuation both in 2011 and 2012.*

Tuan Tony Pua Kiam Wee: *So, the account basically to in consideration just the CH Williams valuation?*

Encik Khaw Hock Hoe: *That's correct.*

Tuan Tony Pua Kiam Wee: *Is there a reason why, this is not your responsibility but I assume you may have asked CH Williams. Why the increase in valuation was so huge just within a year period?*

Encik Khaw Hock Hoe: *For 2011, I think if I would draw your attention to the notes. Note four that is in page 31 for 2011 financials. I just want to highlight that the land was acquired at 194 million and for which the valuer which already disclose there as CH Williams Talhar & Wong had actually done the valuation on that as is basis meaning just the land and come up with the value. Just that I can't comment why the – I think that to the benefit of 1MDB and I think that's question for management how they were able to obtain it at USD194 million.*

As for 2012, there was further revaluation. In 2011 financial in page 35. What we understand was then the basis of the valuation took into account the development order that the company had received.

Tuan Tony Pua Kiam Wee: *But if it took into account the development order which means that the company plans to develop the land, then shouldn't the value of the property be held at cost rather than revalue upwards?*

Encik Khaw Hock Hoe: *No, the standards allow the revaluation.*

Tuan Pengerusi: *As investment...*

Encik Khaw Hock Hoe: *As investment property, yes. What happened was the...*

Tuan Pengerusi: *But not transfer to stock...*

Encik Khaw Hock Hoe: *They did the revaluation and then they moved it to development property.*

Tuan Pengerusi: *Actually that is quite ingenuous.*

Tuan Tony Pua Kiam Wee: *No, no, that is ingenuous, yes but in subsequent audit report, it was still held as investment property. It was never transferred to a development property.*

Tuan Pengerusi: *Deloitte told us last week that still investment property until it was sold but it wasn't...*

Encik Khaw Hock Hoe: *I am not aware of that subsequent but in the 2012 financial, it was reclassified to land held for development.*

Tuan Tony Pua Kiam Wee: *So, subsequent one obviously not your problem but I am curious, do you revalue first than treat it as a development property or – okay. You do a revaluation transfer to land held for development and then subsequently Deloitte then transfer it back to investment property. Okay. You will know. So basically we do know that in subsequent account yours park... investment property, so the only way that could happen is they brought it back to investment properties. So, there was DO actually approved for, this is the...*

■1520

Encik Khaw Hock Hoe: *TRX land.*

Tuan Tony Pua Kiam Wee: *TRX land, okay.*

Dato' Kamarul Baharin bin Abbas: *For 2012, the same properties revalue again right?*

Encik Khaw Hock Hoe: *That is correct.*

Dato' Kamarul Baharin bin Abbas: *Same property?*

Encik Khaw Hock Hoe: *Same property.*

Dato' Kamarul Baharin bin Abbas: *By CH Williams?*

Encik Khaw Hock Hoe: *That is correct, the same valuer.*

Tuan Tony Pua Kiam Wee: *Okay, on 2012, why was 2012 late? The 2012 is signed on 27th December.*

Encik Khaw Hock Hoe: *There were several transactions that were happening after the year end of which then end it up with the funds in Cayman Islands so that then by which time then we started to do the audit and then finish it in December.*

Tuan Tony Pua Kiam Wee: *When was the Murabaha to Caymans?*

Encik Khaw Hock Hoe: *It was in September 2012.*

Tuan Tony Pua Kiam Wee: *So, you started the audit only after September?*

Encik Khaw Hock Hoe: *Okay no, Yang Berhormat Petaling Jaya Utara sorry. Let me just... my colleagues are looking at me. The notes were redeemed in June which was swap to 49% in PetroSaudi Oil Services which is a company involves in oil drilling services. Then, in September the company made a decision to then liquidate debt investment and then move the funds to Cayman Islands.*

Tuan Tony Pua Kiam Wee: *And your audit only started after September?*

Encik Khaw Hock Hoe: *No.*

Encik Ahmad Nasri Abdul Wahab: *No, our audit started even earlier it just that we have this waiting time to get further information before we resume our audit.*

Tuan Tony Pua Kiam Wee: *Was there any problem face in 2012 as you did in 2013 when you could not get certain information from the management, perhaps on a timely or not obtain at all from the management?*

Encik Khaw Hock Hoe: *In rest well the transaction we were able to obtain the agreement. In respect of the funds we did also. I mean the engagement partner also did go down to Singapore to see*

BSI Bank to understand the investment in Cayman Islands and then we had obtained a confirmation of the units that they have invested in. So...

Tuan Pengerusi: *No, no.*

Tuan Tony Pua Kiam Wee: *[Bercakap tanpa menggunakan pembesar suara]*

Tuan Pengerusi: *No, no, no. Some of our Members want to postpone the meeting to a later date since they have a lot of questions too. I think you are also quite tired, it has been three hours, so why don't we end it at 3.30 pm and then we can comeback another time. Is it okay Yang Berhormat Petaling Jaya Utara? [Disampuk] Don't work so hard. [Ketawa] So, any other questions Yang Berhormat Petaling Jaya Utara? Just one.*

Tuan Tony Pua Kiam Wee: *[Bercakap tanpa menggunakan pembesar suara]*

Tuan Pengerusi: *Ya.*

Tuan Tony Pua Kiam Wee: *You are explaining?*

Encik Khaw Hock Hoe: *Yes. I think basically we had to get all this information and then only we signed off.*

Tuan Tony Pua Kiam Wee: *Murabaha to PetroSaudi oil services was a swap?*

Encik Khaw Hock Hoe: *That is right.*

Tuan Tony Pua Kiam Wee: *So the Murabaha note was swap to PSOI and then September 1MDB sold...*

Encik Khaw Hock Hoe: *Sold that to the Bridge Partners.*

Tuan Tony Pua Kiam Wee: *...To Bridge Partners.*

Encik Khaw Hock Hoe: *Yes.*

Tuan Tony Pua Kiam Wee: *So, you sold to Bridge Partners in exchange for...*

Encik Khaw Hock Hoe: *Investment into units after that.*

Tuan Tony Pua Kiam Wee: *Investment. So there was no cash transaction at any point in time for USD2.318 billion? It was always assets swap.*

Encik Khaw Hock Hoe: *I mean I am not aware about the cash but the agreement reflected those transactions.*

Tuan Tony Pua Kiam Wee: *I assume the audit would have gone through whether there was cash receive and cash then paid for the investment or was it direct from assets to assets. That should have been audited right?*

Encik Khaw Hock Hoe: *For the investments, we obtain the portfolio statements from BSI, that is why I said that the partner went down to see BSI...*

Tuan Tony Pua Kiam Wee: *No, no. That is the final balance sheet item but the process of getting to the Caymans investment, was it an asset swap all the way? So, it is double assets swap or was there a payment to 1MDB of USD2.318 billion of which that payment cash was then invested in the Caymans fund.*

Encik Khaw Hock Hoe: *Now, we are not aware of the payment that was made to Brazen Sky. Brazen Sky is the investment vehicle because that point in time we are not auditors of Brazen Sky yet in September 2012. So that the money went to Brazen Sky and Brazen Sky was the one that used, they proceed to invest in Cayman Islands. What we did was we obtain the portfolio statement from BSI to sure the investments.*

Tuan Pengerusi: *The Brazen Sky was – who are the Directors of Brazen Sky?*

Encik Ahmad Nasri Abdul Wahab: *The director is Azmi Tahir and also Terence Geh.*

Tuan Pengerusi: *You means the CFO?*

Encik Ahmad Nasri Abdul Wahab: *Yes.*

Tuan Pengerusi: *He just came in and he was appointed because he pointed in 2012 right?*

Encik Ahmad Nasri Abdul Wahab: *Yes.*

Tuan Pengerusi: *Azmi, the CFO?*

Encik Ahmad Nasri Abdul Wahab: *Terence Geh.*

Tuan Pengerusi: *Terence Geh right?*

Datuk Seri Reezal Merican: *Terence Geh ya?*

Tuan Pengerusi: *Okay then we can call both of them because there is a gap now between their time and when they took over the audit and who was the auditor of Brazen Sky? When was Brazen Sky incorporated?*

Encik Khaw Hock Hoe: *In 2012, when they use Brazen Sky to hold the investment in the units.*

Tuan Tony Pua Kiam Wee: *So basically what the auditors are saying that because you weren't party to the transaction within Brazen Sky, which is not part of the group audit then, you are not entirely certain the process of how USD2.318 million ended in the BSI Bank, the Cayman Investments fund.*

Encik Khaw Hock Hoe: *The Cayman.*

Tuan Tony Pua Kiam Wee: *Whether it is by cash or by assets transaction...*

Encik Khaw Hock Hoe: *That is correct.*

Tuan Tony Pua Kiam Wee: *Not entirely clear because you did not do the audit for Brazen Sky.*

Encik Khaw Hock Hoe: *That is right.*

Tuan Tony Pua Kiam Wee: *Okay.*

Dato' Abd. Aziz Sheikh Fadzir: *They transfer from the first USD2.2 billion into this new company 1MDB, PetroSaudi Oil is it?*

Tuan Tony Pua Kiam Wee: *[Bercakap tanpa menggunakan pembesar suara] ...Need to hold the PetroSaudi Oil services.*

Dato' Abd. Aziz Sheikh Fadzir: *Did you manage to look at the accounts of PetroSaudi Oil Services Limited?*

Encik Khaw Hock Hoe: *No, we did not look at that accounts because when we were finalizing the audit we looked at the investment that has gone to the units.*

Dato' Abd. Aziz Sheikh Fadzir: *[Bercakap tanpa menggunakan pembesar suara] ...In September right? The first batch is from the so called USD2.2 billion Murabaha...*

Tuan Tony Pua Kiam Wee: *[Bercakap tanpa menggunakan pembesar suara]*

Dato' Abd. Aziz Sheikh Fadzir: *So, you are not at all looking at it?*

Encik Khaw Hock Hoe: *Yes, we were not because after that it was already sold of to the Bridge Partners. That is why we focus on the investments in the unit.*

Tuan Tony Pua Kiam Wee: *Can I confirm also the statement you saw from the BSI Bank was the confirmation of assets with a valuation specified of USD2.318 million?*

Encik Khaw Hock Hoe: *The confirmation we saw was confirming the units.*

Tuan Tony Pua Kiam Wee: *I do not understand.*

Encik Khaw Hock Hoe: *That means it's set out each of the funds...*

Tuan Tony Pua Kiam Wee: *Six investments.*

Encik Khaw Hock Hoe: *Yes, the six funds and then the number of units. The value per unit, basically the unit.*

Tuan Tony Pua Kiam Wee: *So basically there is value attach per unit?*

Encik Khaw Hock Hoe: *The confirmation says that of course when you add up all the unit it will come out to that USD2.318 billion.*

Tuan Tony Pua Kiam Wee: *There is...*

Encik Khaw Hock Hoe: *There is a confirmation statement.*

Tuan Tony Pua Kiam Wee: *So, I can derive the valuation from the confirmation statement.*

Encik Khaw Hock Hoe: *It states that the...*

Tuan Tony Pua Kiam Wee: *That is the figure.*

Encik Khaw Hock Hoe: *Yes, right.*

Tuan Tony Pua Kiam Wee: *So, it is not like they just put units without a value to it?*

Dato' Abd. Aziz Sheikh Fadzir: *[Bercakap tanpa menggunakan pembesar suara]*

■1530

Encik Khaw Hock Hoe: *No, the portfolio wasn't define at point in time because they has just invested in. Which we were told that there was a new investment fund.*

Tuan Tony Pua Kiam Wee: *My question is very simple. When I looked at that statement will I be able to add up to 2.318?*

Encik Khaw Hock Hoe: *Yes, they will show the number in this. Correct.*

Tuan Tony Pua Kiam Wee: *Last question. Was there a reason that you're aware of why they converted Murabaha to Cayman investment? Was there question arising from the auditors part prior to the accounts and was there pressure on them to convert this Murabaha or anything that you're aware of?*

Encik Khaw Hock Hoe: *Not that we are aware of. I think the only thing we understood from this management decision was to go into more so called liquid investments.*

Dato' Abd. Aziz Sheikh Fadzir: *Just approve this 2.2 billion conversion from Murabaha into investment of the company and then come out from that into a unit you saw...*

Encik Khaw Hock Hoe: *Yes, there are Board manage to that.*

Seorang Ahli: *Did you read the report on your... 2.318? [Bercakap tanpa menggunakan pembesar suara]*

Tuan Pengerusi: *Is that kind of investments regular thing? I mean that investment fund, is it a regular thing? Is there something similar to it you know, is it common place?*

Encik Khaw Hock Hoe: *Well, at that point in time of the audit what was represented to us was that all these breach funds are basically they want to invest in hybrid investment that's in oil and gas. So that was all we're aware of.*

Tuan Pengerusi: *By that time breach fund was not in trouble lah. I think it was...*

Encik Khaw Hock Hoe: *There was in 2012.*

Tuan Pengerusi: *When was it there was some report breach funds investigated?*

Tuan Tony Pua Kiam Wee: *Nothing to do it, breach investigated. It is a owner of breach being separately investigated.*

Tuan Pengerusi: *So when was that the report? So did you actually question in management why that you breach fund.*

Encik Khaw Hock Hoe: *No, no.*

Tuan Pengerusi: *No ya.*

Encik Khaw Hock Hoe: *I mean we know that it's license fund management company base in Hong Kong.*

Tuan Tony Pua Kiam Wee: *So I can assume or safely say that was no pressure at all from the auditors because you were questioning on the Murabaha notes, that's why they converted it into a investment.*

Encik Khaw Hock Hoe: *No pressure.*

Tuan Tony Pua Kiam Wee: *Okay.*

Tuan Pengerusi: *Because what we call it – why were you terminated back – my last question for today. Why were you terminated, then – you said just now you were terminated because of couple of reasons. Was this for another reason? Subsequence impact.*

Encik Khaw Hock Hoe: *31st Mac 2013 as I said when now the funds are in the balance sheet, so obviously the first thing we tell management is that all disclosure required of investment. So from the beginning of the audit, we said that you need to get information about this fund. So towards the end, I think there is something which still didn't get and we still wanted it...*

Tuan Pengerusi: *Specifically to this issue lah.*

Encik Khaw Hock Hoe: *Ya, to this issue and obviously for us to sign off to know what investment is. I said I'm not sure maybe because they are unhappy that I was asking or we were asking this information.*

Tuan Tony Pua Kiam Wee: *So I would say that for 2012, you let it go because subsequence event. It was new you stated in accounts but for 2013 being a full year accounts, you wanted more scrutiny detail information on that fund and that was in forth coming and hence the delays in 2013 accounts.*

Encik Khaw Hock Hoe: *Yang Berhormat, let me just clarify the part, if not we let it go. No, not like that. Just let me clarify...*

Tuan Pengerusi: *That is usual trick. Don't fall into it. [Ketawa]*

Encik Khaw Hock Hoe: *I think for the 31st Mac 2012 audit, the item that is on the balance sheet is actually the Murabaha notes.*

Tuan Tony Pua Kiam Wee: *Yes.*

Encik Khaw Hock Hoe: *Right. So subsequence to year end, this has then become the investment in Cayman Islands. So of course our focus then was to see that yes this is confirm their fund management company has confirmed thus their unit and there, this is investment. So that will satisfy ourselves as to them recover duty of the notes as 31st Mac 2012. But when it comes to Mac 2013, this investment is in the balance sheet. I think that's the different.*

Tuan Tony Pua Kiam Wee: *Perhaps my language was a bit more layman but I get what you mean. I agree what you mean.*

Encik Khaw Hock Hoe: *Thank you Yang Berhormat.*

Tuan Tony Pua Kiam Wee: *Actually Mr. Chairman, I have only two questions left. So I don't know how many more the rest have.*

Datuk Johan Idris: *We continue if we can...*

Dato' Abd. Aziz Sheikh Fadzir: *My justification of calling you back would be that there are lot of thing we ask, you can't confirm, you need to look at your numbers. Why don't you go back to look your numbers. Because to us, it's very important for us to come out with the good report to public about the whole thing, how they will concern.*

Tuan Pengerusi: *Any number we can ask them to give it to us. I think Datuk Johan also wants to get this over with. If we call for second time, I give a different interpretation to the public. [Ketawa]*

Datuk Johan Idris: *If can, we better just finish – I think so what Alex mentioned is correct. It was 2010 notes, 2011 notes, 2012 notes then after that the Cayman funds. So the disclosure of Cayman fund is different because we need to have presentation and disclosure because asset need to be categorized as either level 1, level 2 or level 3.*

Tuan Tony Pua Kiam Wee: *That's right.*

Datuk Johan Idris: *Thank you very much.*

Tuan Pengerusi: *When was it, when do you know about it when they wanted to put it as item in the 2013 account.*

Datuk Johan Idris: *Yes, 2013.*

Tuan Pengerusi: *It was a subsequence event?*

Encik Khaw Hock Hoe: *No, 2013 is the 31st Mac 2013 is the years there have funds in the balance sheet. So the disclosure requirements as Datuk Johan has mentioned would be all those things.*

Tuan Pengerusi: *Yalah, I mean subsequent 31st Mac 2013 lah. As at, yes.*

Encik Khaw Hock Hoe: *As at, Tuan Pengerusi.*

Tuan Pengerusi: *But you was converted before that date ya. In 2012.*

Dato' Abd. Aziz Sheikh Fadzir: *I'm sure that when it became unit, that investment is actually there.*

Encik Khaw Hock Hoe: *There is base on the confirmation that we received from BSI.*

Tuan Tony Pua Kiam Wee: *So you went down to Singapore to see the bank?*

Encik Khaw Hock Hoe: *Yes my engagement partner went down meet their senior management asks them to explain about the investment, yes.*

Tuan Tony Pua Kiam Wee: *How many people were there attending to you?*

Encik Khaw Hock Hoe: *The engagement partner and the engagement manager.*

Tuan Tony Pua Kiam Wee: *Okay from the bank?*

Encik Khaw Hock Hoe: *Oh, from the bank.*

Tuan Tony Pua Kiam Wee: *Who met you from the bank?*

Encik Ahmad Nasri Abdul Wahab: *From the bank, I can't quite recall because – I went there twice. One is in 2012, the other one is 2013. I recalled a person by name of Kevin Swampillai. That's the first person.*

Encik Khaw Hock Hoe: *Kevin Swampillai.*

Tuan Pengerusi: *Manager of the bank lah?*

Encik Khaw Hock Hoe: *Ya, he is one of the Representative of BSI Bank Singapore.*

Tuan Tony Pua Kiam Wee: *Okay, did he have a position that you remember?*

Encik Khaw Hock Hoe: *I need to get back to you on that.*

Tuan Tony Pua Kiam Wee: *Sure. Okay.*

Encik Khaw Hock Hoe: *Can I? Ya. Can I give all the names that I met?*

Tuan Tony Pua Kiam Wee: *Okay, thank you.*

Encik Khaw Hock Hoe: *Will do that.*

Dato' Abd. Aziz Sheikh Fadzir: *How do we get this thing confirm?*

Tuan Pengerusi: *No, Deloitte in their testimony told us they actually viewed statements and you know, statements and even cash statements I think there was one part they said.*

Tuan Tony Pua Kiam Wee: *No, they actually viewed statement and visited the bank. Go for in Singapore and Switzerland.*

Tuan Pengerusi: *So what's the difference in your case for you not to be so confidence about it that Deloitte can be because you did the same test. You did your interviews, you did your physicals siting of the statements. What's the difference between their method and your method?*

Encik Khaw Hock Hoe: *Okay, Tuan Pengerusi. I cannot comment on Deloitte method was. But earlier on I was trying to explain when you are trying to audit the 31st Mac 2013, their portfolio statement that was given to us was as 31st December 2012, so that's one. So when we keep asking give us the statement as of 31st Mac 2013. They said we cannot get it and second thing we said was in the statement this time you cannot have units because I'm curious how you could disclose in your account if you don't know what the assets are and how the basis, how to value them. So, it is their responsibility to do that first then when I get it, I will look at it and say okay, I agree with that basis. That was what we were asking for and it was for 31st March 2013 and that we did not get.*

■1540

Tuan Tony Pua Kiam Wee: *Okay, so let me try to translate that into language that I can understand. [Ketawa] The unit does not tell you what asset they were. Whether they were share or bonds or property, is that what you are saying?*

Encik Khaw Hock Hoe: *Yes. Correct.*

Tuan Tony Pua Kiam Wee: *So, they are just describe as unit.*

Encik Khaw Hock Hoe: *Unit.*

Tuan Tony Pua Kiam Wee: *But they did not tell you what exactly they are, shares or...*

Encik Khaw Hock Hoe: *That is correct.*

Tuan Tony Pua Kiam Wee: *Okay, number two is they give you a value on the units but they do not explain to you how they arrived at the value of the units.*

Encik Khaw Hock Hoe: *Yang Berhormat, that is correct.*

Tuan Tony Pua Kiam Wee: *Okay. So, those are the two things that cause you to asking for more information from...*

Encik Khaw Hock Hoe: *Yes that is right.*

Dato' Abd. Aziz Sheikh Fadzir: *[Bercakap tanpa menggunakan pembesar suara] ...In 2012, did you get that or you are alright with...*

Encik Khaw Hock Hoe: *No. Even, the... I will just confirm.*

[Ahli-ahli berbincang sesama sendiri]

Encik Khaw Hock Hoe: *Yes correct, in my recollection the 31st December 2012 also just units and don't have the details.*

Tuan Tony Pua Kiam Wee: *[Bercakap tanpa menggunakan pembesar suara] ...Because of your subsequent events and there was confirmation that the money was there.*

Dato' Abd. Aziz Sheikh Fadzir: *Subsequent event doesn't matter but were you okay with it?*

Encik Khaw Hock Hoe: *Yes. At point in time as I said in September 2012 they just invested into this new fund.*

Dato' Abd. Aziz Sheikh Fadzir: *None of them or anyone ever tell you there was guaranteed by Aabar on the fund?*

Encik Khaw Hock Hoe: *We are not aware of that. That representation was not made to us.*

Dato' Abd. Aziz Sheikh Fadzir: *Until when? When did you, when were you discharged?*

Encik Khaw Hock Hoe: *31st December 2013.*

Dato' Abd. Aziz Sheikh Fadzir: *Until 31st December 2013, you were not at all been told about the Aabar guarantee on the principal.*

Encik Khaw Hock Hoe: *No.*

Seorang Ahli: *[Bercakap tanpa menggunakan pembesar suara]*

Tuan Tony Pua Kiam Wee: *That is why Deloitte... There was a question but I lost material... Okay, my next question was, is there an issue with another subsidiary of 1MDB in your audit for 2013, while you were doing your audit for 2013 which is SRC International?*

Encik Khaw Hock Hoe: *I think the SRC was already disposed of to MoF in the...*

Tuan Tony Pua Kiam Wee: *In March 2013, just before year end again.*

Encik Khaw Hock Hoe: *It was like... It was disposed by way of the dividend in...*

Tuan Tony Pua Kiam Wee: *Sorry, on March 2012.*

Encik Khaw Hock Hoe: *March 2012.*

Tuan Tony Pua Kiam Wee: *March 2012, was there ever an issue with SRC on 2012?*

Encik Khaw Hock Hoe: *No.*

Tuan Tony Pua Kiam Wee: *No.*

Encik Khaw Hock Hoe: *At that time when we understood that there is only a million, it was like a million dollars worth of capital and then they transferred it back to MoF like a dividend in... So, I pay you USD1 million and therefore you take back the share.*

Tuan Tony Pua Kiam Wee: *Did they take a USD4 billion loans within the year but it never got reflected in 1MDB book because within the same year they transfer it back to the MoF.*

Encik Khaw Hock Hoe: *We are not aware of that.*

[Ahli-ahli berbincang sesama sendiri]

Encik Ahmad Nasri Abdul Wahab: *We are not the auditors of SRC. We've never been appointed as auditors for SRC for the purposes of the 1MDB accounts, audited account 31st March 2012. The company disposed SRC by way of dividend in... So we do not have any access to SRC financial at that particular point of time.*

Tuan Tony Pua Kiam Wee: *I understand, was during your audit it was disposed? Basically, all the transaction involving SRC took place within that year, within the 2012 year enhance because it's taken it out within the same year then it is not reflected in March 2012 accounts for 1MDB.*

Encik Ahmad Nasri Abdul Wahab: *That is correct.*

Dato' Abd. Aziz Sheikh Fadzir: *All the three years, the issues of 1MDB are basically is a cash flow issues. You know, from the very day until 2012, where you audit the account but in your liquidity risk you never mention anything about it. Despite you know all the cash flow statement are all negative, all funded by borrowing. Why it's like that?*

Tuan Pengerusi: *Even the shareholder fund also is actually has a result of the revaluation of the land anyway.*

Dato' Abd. Aziz Sheikh Fadzir: *All the profit come from the revaluation of asset.*

Tuan Pengerusi: *The company has no cash. Tidak ada sen. So, no cash, no real cash and then high gearing so didn't it concern you at that time because you did not highlight it in your report as well.*

Encik Khaw Hock Hoe: *At that point in time, I think there was no basis for us to believe that there was a going concern issue. I think...*

Dato' Abd. Aziz Sheikh Fadzir: *[Bercakap tanpa menggunakan pembesar suara] ...Going concern alone is also about the liquidity. [Disampuk] You know, I mean it can be a full going concern. Okay.*

[Ahli-ahli berbincang sesama sendiri]

Tuan Pengerusi: *No, but at least this is the question that I post to Deloitte as well. Why didn't you actually mention it officially in the account about all this issues but they said the same thing as you. They were confident of... going concern and everything. At your time it wasn't as severe as Deloitte because Deloitte, the loan liabilities actually went up to USD40 billion against shareholders fund of USD2 billion. At this point of time, I think it is only...What is it at your last audit? It was only how much our funds against the liabilities? So, yours...*

Dato' Abd. Aziz Sheikh Fadzir: *Why are you treating 1MDB really special, why? I wish you treat my company that way.*

Tuan Pengerusi: *[Bercakap tanpa menggunakan pembesar suara]*

Dato' Abd. Aziz Sheikh Fadzir: *This one you can dump 28 million people.*

Encik Khaw Hock Hoe: *Tuan Pengerusi. Maybe I just share in one way how we determine whether under the auditing standard there is ongoing concern issue. So for example in 2012, one of the indicators that we normally looked for is, we look at the total current asset. Total current asset against your current liability. So, because again going concern issues is always in the very immediate future. So in that year, when we were looking at it, we were looking USD7 billion of current asset and the USD500 million of current liabilities. So, that is one indicators of going concern.*

Tuan Pengerusi: *How about reclassifying asset if the company has a midterm liquidity issue then shouldn't all your longer term debt be narrowed and made a current.*

Encik Khaw Hock Hoe: *Good questions Tuan Pengerusi. So again, when we look at the borrowings then we will see whether there are default. So let say, there was indication that the lender maybe writing letter to the company and if we noted that, then that will be sort of like a going concern issue because writing a letter to the company just give you an indicator that the bank is concern. If the bank issue an event of default letter, then that point that you have mentioned just now correct. Depending on the other borrowing if there is cost default then all this will become current. That is right. Eventhough the terms are none current they will become current because of terms in agreement.*

Tuan Pengerusi: *Did you ever rely on an implicit government guarantee backing this company up in terms of when you are doing your audit?*

Encik Khaw Hock Hoe: *Not our purposes because. Not for this purpose as in for the going concern. Sorry, no, no. [Ketawa]*

Dato' Abd. Aziz Sheikh Fadzir: *In 2012, your current asset mostly are the USD6 billion asset that so called going to be transferred to unit. You yourself are worried about it. You yourself while you don't know what kind of unit is that, when you signed off the 2012. Do you still happy with that?*

■1550

Encik Khaw Hock Hoe: *No. I think as I have mentioned just now in 2012, what we know of that when the investment was made in Cayman Islands, that was into the new funds. I don't think at that point in time we were concerned with the units in terms of their recoverability.*

Dato' Abd. Aziz Sheikh Fadzir: *In 2012 accounts, you look at that the way you classified your current asset, because of the USD6 billion investments has been converted into non-current to current asset. That is based on that units. So, that means that unit is available for sale within a year to justify that is going concern. You are also not sure whether you can actually liquidate that money within one year.*

Encik Khaw Hock Hoe: *The assets that classified held for sale is actually the Murabaha note.*

Dato' Abd. Aziz Sheikh Fadzir: *Yeah, you said that converted to...*

Encik Khaw Hock Hoe: *Yes, so what happened is that...*

Dato' Abd. Aziz Sheikh Fadzir: *Whether I miss it already... I found it just now, I can't find it now. [Ketawa]*

Encik Khaw Hock Hoe: *Page six, Yang Berhormat.*

Tuan Pengerusi: *That is actually a very good question. The same question which I post to Deloitte. If you are not confident about making the, those asset liquid, then how can you say that you have enough current assets to cover your current liabilities?*

Dato' Abd. Aziz Sheikh Fadzir: *Page 43. "In 2012, the Murabaha together with its outstanding profit receivables, 'bla, bla, bla', amounting USD6.8 billion was transferred to assets classified as held for sale. As I said, when you looked at the units in 2012, you yourself also not pretty sure but you go along with it because in 2012 account is classified as Murabaha. I mean, in terms of the book. Right? When you talked about going concern, you are talking about December 2012, when your opinion is on December 2012? How you can say that they have got an asset? I mean it still good, there is no liquidity issues. I don't know how I want to put into question but what I am trying to say, just now you said you were not lenient in a way because in 2012 account, it's still have Murabaha notes. Right?*

Encik Khaw Hock Hoe: *Correct.*

Dato' Abd. Aziz Sheikh Fadzir: *But in 6(b), you are saying that you are okay because the liquidity, because the current asset is USD6.8 billion. Right? What I am saying that this is based on the subsequent event which is in December, when you were looking at it but just now when we were talking*

about it, you are also saying that you are not sure but you allow it, because the account is still talk about Murabaha. So, I'm asking your judgement again, it's all about judgement.

Encik Khaw Hock Hoe: *Okay, okay. Yang Berhormat, let me clarify. I would like to state that when I said for 2012, I don't think we said that we're not happy about the units in 2012. That reference was made for 2013. For the purposes of this Murabaha notes of USD6.8 billion, when we said that we're happy of the recoverability was because in September 2012, that was the time when they realized the proceeds and then put it into the funds, which was then confirmed by the units. So, we were happy with that point. It's only in March 2013, when we said the company needs to find out what has the unit become? I think that's the time when we're saying we do not have enough information. I hope I was able to clarify that.*

Tuan Tony Pua Kiam Wee: *Okay, I remember what I wanted to ask on the BSI Bank just now. Just two questions. Number one, the two transactions, one in June, one in September to PSOI and subsequently to Cayman. There were agreements involved. You have cited both agreements.*

Encik Khaw Hock Hoe: *Yes.*

Tuan Tony Pua Kiam Wee: *Perhaps the Auditor General's Office, you can look at this agreement as well. Second question, I am a little bit, I believe my colleague asked as well. We have a big idea of what in BSI Bank but we've never seen custodian statement of sort. How does it work where the BSI Bank, they hold in trust or they – whose the owner stated there? If you can help us understand...*

Encik Khaw Hock Hoe: *The confirmation was said that these are the investment units held for Brazen Sky and then it's were say as at what date, what's the confirmed value. I am talking about the one that I received for the subsequent event and then you just say now, what are the each of the fund, how many units.*

Tuan Tony Pua Kiam Wee: *So, BSI Bank Act purely as a custodian bank.*

Encik Khaw Hock Hoe: *Custodian bank, that's right.*

Tuan Tony Pua Kiam Wee: *So, the custodian bank provides Brazen Sky which is the subsidiary, the statement with the number of units,*

Encik Khaw Hock Hoe: *Yes.*

Tuan Tony Pua Kiam Wee: *And the value attached to it.*

Encik Khaw Hock Hoe: *No, the value is stated on the letter.*

Tuan Tony Pua Kiam Wee: *So, is it a statement or a letter?*

Encik Khaw Hock Hoe: *It's a confirmation with a statement. Okay, sorry. So, it comes with the letter, then there is a statement attached to it that shows the unit.*

Tuan Tony Pua Kiam Wee: *So, the unit doesn't have a value?*

Encik Khaw Hock Hoe: *The unit value is stated at the – in September was the par value of the unit, 1,000. So they have, each unit is USD1,000. So, each fund, then they will have a few hundred thousand....*

Tuan Tony Pua Kiam Wee: *The USD1,000, is it stated in the BSI Bank statement?*

Encik Khaw Hock Hoe: Yes.

Tuan Tony Pua Kiam Wee: So, the BSI Bank statement is actually detailed out that each of these units are worth USD1,000. Is that strange? I never had this type of accounts before. [Ketawa]

Tuan Pengerusi: Comparable to other unit trust or whatever, is that a normal thing?

Tuan Tony Pua Kiam Wee: No, because it's strange because it should be the Fund Manager that gives the valuation of what are the assets in there and not a custodian bank who then has to be responsible for what is actually stated as a value of these assets.

Encik Khaw Hock Hoe: I think, when we were doing the audit for 2013. You are right, Yang Berhormat. That time when we're asking for more info, then they said the custodian bank is trying to get it from the fund manager. So, that means the fund manager will provide the information to the custodian bank and the custodian bank is the one who issued the confirmation.

Tuan Tony Pua Kiam Wee: Why can't the fund manager provide it direct to you?

Encik Khaw Hock Hoe: I think that, I mean that was the arrangement.

Tuan Pengerusi: That's a valid question because you do your asset confirmation, debtors confirmation because you have to go and ask the manager, where can I see all this? So, they just send you to the bank and showed that statement which is not a regular...

Tuan Tony Pua Kiam Wee: Because if I am custodian bank, I am not responsible for how much value are these assets. My understanding of custodian bank. I'm not responsible for the value of these assets. I'm just holding it on your behalf. And the people who were dictated the value, will have to be whoever who is actually managing the fund.

Encik Khaw Hock Hoe: So, that is why I said that the custodian bank would as you're right obtain the fund value from the fund manager. And then for the 2012 audit, that was what they then confirmed to us. So, BSI confirmed to us.

Tuan Tony Pua Kiam Wee: Was there any attempt to get the confirmation from Bridge Capital or whoever who was the fund manager, then?

Encik Khaw Hock Hoe: No.

Tuan Tony Pua Kiam Wee: Should there have been?

Encik Khaw Hock Hoe: At that point in time, we relied on the custodian bank confirmation. So, I...

Tuan Pengerusi: Usually fund manager, you actually have a listing of what you actually invest in and everything. So, in this case, they just gave you a statement on top of a statement which has made up. In a normal sense, the fund manager will give you a list, okay this what we invest in, government securities, equities, whatever, right?

Tuan Tony Pua Kiam Wee: But that's what – to be fair that's what they were asking the bank and they were not satisfied with it.

Tuan Pengerusi: I know. So this is not a regular investment fund manager statement or they are saying that's why you can't accept it for your...

■1600

Encik Khaw Hock Hoe: *Okay, sorry. I think maybe we're crossing line a bit. Alright. So for 2012 audit, we obtain a confirmation from BSI Bank because that time they told us this was the custodian bank for which they have arranged for Brazen Sky to invest and BSI was the custodian bank. So, that year we've gotten a confirmation from BSI Bank. In 2013 audit, when we now try to audit the assets and whatever not, so now we're asking the custodian bank again, now give us the details. So then they say okay, we will get it from the fund managers to try to give it the details and I think that where we are saying that we couldn't get those...*

Tony Pua Kiam Wee: *I agree.*

Encik Khaw Hock Hoe: *...Which is ...*

Tony Pua Kiam Wee: *But I am just wondering shouldn't there is a need for you to ask the management to ask the Fund Manager to give the statement rather than asking custodian bank to get it for you because it's the management, it's the company that appointed the fund manager. The company did not appoint the custodian...*

Tuan Pengerusi: *But there is...*

Datuk Seri Reezal Merican: *Fund managers...*

Tuan Pengerusi: *...Management...*

Tony Pua Kiam Wee: *...Asking whether the auditors find it strange and that should have been the way rather than you're having to go to custodian bank. That's what I am asking. You didn't do anything wrong because you refuse to acknowledge. I'm just asking, shouldn't the process have been asking the management, you need to get it from the...*

Encik Khaw Hock Hoe: *Fund manager.*

Tony Pua Kiam Wee: *...Fund manager rather than the auditors themselves having to go to custodian bank and request the custodian bank to get it from the fund manager.*

Seorang Ahli: *[Bercakap tanpa menggunakan pembesar suara]*

Tony Pua Kiam Wee: *Is that the right framing of the situation? Did you ask the management this question?*

Encik Khaw Hock Hoe: *I mean when we ask management the question, I think that was basically they said you go and get it from the custodian bank.*

Dato' Abd. Aziz Sheikh Fadzir: *[Bercakap tanpa menggunakan pembesar suara]*

Encik Khaw Hock Hoe: *Sorry.*

Dato' Abd. Aziz Sheikh Fadzir: *[Bercakap tanpa menggunakan pembesar suara]*

Encik Khaw Hock Hoe: *Yes, that's right. That's why we made this attempt to go and see BSI.*

Tuan Pengerusi: *[Bercakap tanpa menggunakan pembesar suara] Well, at least you give us some clarity on this issue about the 'units' or 'units with', you know all of us becoming 'units now'. You know, for believing there are unit in the BSI Bank account.*

Tony Pua Kiam Wee: *Okay, my last question.*

Dato' Abd. Aziz Sheikh Fadzir: *[Bercakap tanpa menggunakan pembesar suara]*

Tony Pua Kiam Wee: *No, no, no, no. Actually I have two question.*

Tuan Pengerusi: *[Bercakap tanpa menggunakan pembesar suara]*

Tony Pua Kiam Wee: *Sorry, last three question. [Ketawa]*

Dato' Abd. Aziz Sheikh Fadzir: *[Bercakap tanpa menggunakan pembesar suara]*

Tuan Pengerusi: *[Bercakap tanpa menggunakan pembesar suara]*

Tony Pua Kiam Wee: *I will, I will.*

Tuan Pengerusi: *[Bercakap tanpa menggunakan pembesar suara]*

Tony Pua Kiam Wee: *Okay, but not difficult but these are all subsequent events to 2012 account. We understand that the 1MDB secured two additional loans to buy the two power plants. The Tanjong as well as the Mastika Legenda, these two companies...*

Tuan Pengerusi: *[Bercakap tanpa menggunakan pembesar suara]*

Tony Pua Kiam Wee: *Subsequent event to 2012 but it was in 2012 account. The first one just a simple question. In the subsequent events, it was clearly started that in the acquisition of Tanjong, Tanjong 1 is on page 72. There was a loan obtained, USD1.75 billion for which IPIC provided the guarantee.*

Dato' Abd. Aziz Sheikh Fadzir: *[Bercakap tanpa menggunakan pembesar suara]*

Tony Pua Kiam Wee: *Page 72 and then in...*

Dato' Abd. Aziz Sheikh Fadzir: *[Bercakap tanpa menggunakan pembesar suara]*

Tony Pua Kiam Wee: *...Page 73, again this time at the point number (s), another USD1.75 billion notes, there was no mention of guarantee by IPIC although subsequently we found from Deloitte audit there was a guarantee as well. So was it just, what we called it? Accident miss out or you are not informed or...*

Encik Khaw Hock Hoe: *Sorry Yang Berhormat Petaling Jaya Utara, which one...*

Tony Pua Kiam Wee: *Okay, there is point (d).*

Encik Khaw Hock Hoe: *Point (d). Okay.*

Tony Pua Kiam Wee: *Point (d), you notice that at the end of the paragraph, it says that "1MDB energy for which company basically obtained a guarantee from IPIC, a company incorporated in UAE had provided a corporate guarantee". Right, that is point (d).*

Encik Khaw Hock Hoe: *Correct.*

Tony Pua Kiam Wee: *Right? There is no such sentence.*

Dato' Abd. Aziz Sheikh Fadzir: *[Bercakap tanpa menggunakan pembesar suara]*

Tony Pua Kiam Wee: *No, the last sentence only 1MDB energy provided the guarantee. There is no guarantee from IPIC. We read from subsequent accounts in Deloitte, IPIC also provided a guarantee. Is that just...*

Encik Khaw Hock Hoe: *But I was just reading the last sentence for which the company and IPIC a company in UAE had respectively provided a corporate guarantee.*

Dato' Abd. Aziz Sheikh Fadzir: *[Bercakap tanpa menggunakan pembesar suara]*

Encik Khaw Hock Hoe: *Oh, that's under (d). Yes.*

Tony Pua Kiam Wee: *That's (d), okay. (d) is for USD1.75, they took two loans of USD1.75 billion. The first one is to acquire Tanjong Energy under point (d) and then under point (s)...*

Encik Khaw Hock Hoe: *Oh (s).*

Tony Pua Kiam Wee: *Point (s) is to acquire Mastika Lagenda, they took another USD1.75 billion but there was no mention of the IPIC guarantee. Is it just oversight or they didn't give you or...*

Encik Khaw Hock Hoe: *Alright, I mean based on information that would be available on our files, I mean that would be the disclosure.*

Tony Pua Kiam Wee: *No, no, I am just determine whether the management didn't give it to you or they give it to you but you just not a bit oversight but just an oversight that you didn't noted down on your subsequent events.*

Encik Khaw Hock Hoe: *No, I cannot confirm that there's any oversight because normally the disclosures would tally to the documents.*

Tony Pua Kiam Wee: *Can you just verify the documents again?*

Encik Khaw Hock Hoe: *Okay.*

Tony Pua Kiam Wee: *Because this, it's just a minor, not a big thing but in subsequent accounts, it shows that the IPIC guaranteed for this second loan as well.*

Tuan Pengerusi: *It's a big thing because Deloitte said there is a guarantee. If they said there is no guarantee... [Ketawa]*

Tony Pua Kiam Wee: *The other question is, now, in the guarantee terms, as part of the guarantee terms, 1MDB has to provide 40% of the loan as deposit with Aabar which is the subsidiary of IPIC. They also have to give an option of 49% for the companies that would be acquired. I am not sure whether it's stated in your subsequent events, I don't see it. Is it necessary to disclose in a subsequent events? But after the financial year.*

Encik Khaw Hock Hoe: *Yang Berhormat Petaling Jaya Utara, I will check and revert to you on this.*

Tony Pua Kiam Wee: *Okay. The last, not the last. The additional question to that, this is where I need your help, this is advice from you. Option, if I were to grant an option to- say another company, when I mention that in my accounts, do I have to provide a fair value for this option?*

Encik Khaw Hock Hoe: *[Bercakap tanpa menggunakan pembesar suara]*

Tony Pua Kiam Wee: *I know, it doesn't affect your accounts, this is not to do with you. I'm just asking for professional...*

Encik Khaw Hock Hoe: *[Bercakap tanpa menggunakan pembesar suara]*

Tony Pua Kiam Wee: *Yes.*

[Ahli-ahli berbincang sesama sendiri]

■1610

Tuan Tony Pua Kiam Wee: *Okay, now my official last question. I assume over the last three years when you all do the audit you provided management letters to 1MDB on issues of potential concern or things to look at. Any particular issues that were highlighted in these letters?*

Encik Ahmad Nasri Abdul Wahab: *Our issuance of management letter is basically part of our communication to the Audit Committee Members. So instead of issuing a letter to them, we actually presented our findings to the Audit Committee Members. Of course when we communicated to them, we basically inform them about the status of audit and what are the issues that have been resolved or what not. With regards to the 2012 audit when we completed the audit and we noted about the subsequent event. We have actually communicated to the Audit Committee Members that there's a need to look at the fund accounts in more thorough and that is also communicated...*

Tuan Tony Pua Kiam Wee: *That funds in which accounts? Cayman?*

Encik Ahmad Nasri Abdul Wahab: *Yes, in Cayman and also we also communicated during our audit planning to the Audit Committee Members that these are the things that we need look at further because this is a new things in the accounts. Previously was Murabaha notes, now it's fund under management or the financial assets itself.*

Tuan Tony Pua Kiam Wee: *Sorry, what was the last bit, I didn't quite understand.*

Encik Ahmad Nasri Abdul Wahab: *Yes, because when we inform the Audit Committee Members that it is no longer a Murabaha notes now, it's fund under management or financial assets we need more information in order for us to value the financial assets. So, we already inform them that – we also inform them that the funds need to be audited. I mean failure if it is not audited by a reputable firm, we would also like to audit that funds.*

Tuan Tony Pua Kiam Wee: *That's a good point.*

Tuan Pengerusi: *[Bercakap tanpa menggunakan pembesar suara] ...Is it the board of directors did not take it up?*

Encik Khaw Hock Hoe: *Yang Berhormat, just let me to sum it up. I think whatever the matters that required the Audit Committees attention was highlighted to the Audit Committee at each of the closing years audits. So, I think what Encik Nasri is trying to refer to was particular instances of areas that the Audit Committee should look into.*

Tuan Tony Pua Kiam Wee: *Yes, that's fine. Were there physical document given to them like presentation or something like that?*

Encik Khaw Hock Hoe: *Yes, Audit Committee presentations.*

Tuan Tony Pua Kiam Wee: *Are we able to get copies of this three year's presentations?*

Tuan Pengerusi: *Can you give?*

Encik Khaw Hock Hoe: *Yes, I think PAC has the power to request, right? Ya.*

Tuan Pengerusi: *Ya. We have the power to request, you can refuse. Then you find out what the penalties are. [Ketawa]*

Encik Khaw Hock Hoe: *No. We will assist, we will provide.*

Tuan Pengerusi: *Those are no secret, the communications between you and your clients is not secret.*

Datuk Johan Idris: *We will assist to the best we can.*

Dato' Abd. Aziz Sheikh Fadzir: *Last two question Tuan Pengerusi. How effective is the Audit Committee in 1MDB? [Ketawa]*

Encik Ahmad Nasri Abdul Wahab: *They have carried out...*

Datuk Seri Reezal Merican: *You can skip, you can skip that question, okay. [Ketawa]*

Tuan Tony Pua Kiam Wee: *Asking on behalf of shareholders. [Ketawa]*

Tuan Pengerusi: *[Bercakap tanpa menggunakan pembesar suara]*

Tuan Tony Pua Kiam Wee: *A shareholder is here, a shareholder is sitting here. [Disampuk] Yes, shareholders asking.*

Encik Khaw Hock Hoe: *Tuan Pengerusi, I think in all honesty, I think generally the audit functions do not go on to evaluate how effective the Audit Committee are or the Directors are. I think I just want to highlight that but of course there are circumstances whether you say the Audit Committee is effective or not. If you have one meeting a year, do you think it is effective? How do you monitor policies and procedures if the Audit Committee only has one meeting a year. So I just give you instances.*

Tuan Tony Pua Kiam Wee: *Perhaps if there are more specific instances that you want to say and it's not part your audit scope work to comment. You can actually like just now turn off the microphone so that our members have a better understanding on the background.*

Datuk Johan Idris: *But if I can say, we have disclosed everything. I think so Alex and Nasri have said it right. Effectiveness of Audit Committee is not of external auditors. I think external auditors will look at the number of meeting held, the quality of discussion, the quality of discussion will be discussed at the board minutes, then the board minutes should read, so that is what we can say as of right now.*

Tuan Pengerusi: *Do you have a private meeting without the management with the Audit Committee Members?*

Encik Ahmad Nasri Abdul Wahab: *Yes, we have.*

Tuan Pengerusi: *They didn't confide in you their worries or their concern about how management was acting?*

Encik Ahmad Nasri Abdul Wahab: *No, they did not.*

Dato' Abd. Aziz Sheikh Fadzir: *Last ya, my last question tadi itu. I mean until you were terminated, you seem to be happy to continue. So, despite your 2012, you can only submit the accounts in December 2012 for such a big conglomerate. That should give you the incentive to continue and audit 1MDB?*

Encik Khaw Hock Hoe: *I think the 2012 were obviously circumstances which actually management was in control. Generally we don't, how should I say? Generally we don't say just because*

the audit client takes longer to do, then we don't do the audit. I mean our firm has audits, they are now being asked to do like already three or four years ago, so it's not that consideration.

Dato' Kamarul Baharin bin Abbas: *Do they have quarterly result? Do they prepare quarterly...*

Tuan Pengerusi: *No, not listed companies.*

Tuan Tony Pua Kiam Wee: *[Bercakap tanpa menggunakan pembesar suara]*

Dato' Kamarul Baharin bin Abbas: *No, no. Otherwise if – that's why the Audit Committee does not function.*

Tuan Pengerusi: *No, no Audit Committee meet six times a year.*

Dato' Kamarul Baharin bin Abbas: *Oh! Six time, discuss what? They don't have the accounts.*

Tuan Pengerusi: *I just want to have my closing questions. This is right of the Chairman. So you have to wait. [Ketawa] The real Chairman. Today I have been hijacked by the two, Yang Berhormat Petaling Jaya Utara and Yang Berhormat Kulim. [Ketawa] Okay, issue number one. There have been a lot of allegations that management bypass the board making decision. That means when the decision is made at the Board, it is already been preapproved by the shareholder. Did you come across these cases when it comes to approvals? There are a lot of approvals in your time as auditors or was it properly done Board first and then get the shareholders ascent?*

Encik Khaw Hock Hoe: *I think based on the minutes that we have seen, I think the process have been as far as you can see for the needs was that the matters of this, some of them discuss with the Board and then it goes to the shareholder. There are some decision that are made by what we call the circular resolutions. So from that angle I think it's – I think from a life angle, we can't tell whether the management went to the shareholder first.*

■1620

Tuan Pengerusi: *I state the circular resolution. Circular resolutions, are they just mundane matters of administration or any meaningful significant decisions?*

Encik Khaw Hock Hoe: *I think there are some significant decisions that were made through circular resolutions ya.*

Tuan Pengerusi: *Can you give us some, any information on that?*

Encik Khaw Hock Hoe: *The instances? I can't recall but I will look at the file again.*

Tuan Pengerusi: *Never mind. Just get the summary of those decisions, those you consider significant but were done through circular resolution. Okay, that's number one.*

Number two, Deloitte said you give them professional clearance. Now, obviously you said that your problem and the reason why you are terminated was because you did not agree to how the management was treating those issues but not corporative, in that sense. Did you relay that your concerns to Deloitte?

Encik Khaw Hock Hoe: *When we gave the clearance to Deloitte – no, I would like to for the record say that is not about this agreement. We highlighted to Deloitte that there were delays in this information. Delays in information and for which we have highlighted to the Audit Committee.*

Tuan Pengerusi: *Deloitte.*

Encik Khaw Hock Hoe: *That's right, that is in our clearance...*

Tuan Pengerusi: *So they are wide eye, mata terbuka. They know.*

Encik Khaw Hock Hoe: *Yes, yes.*

Tuan Pengerusi: *They know when they took over audit, there was going to be some issues like this?*

Encik Khaw Hock Hoe: *That's right. It was communicated in our letter.*

Datuk Johan Idris: *Clearly, delays in information required by us from external parties.*

Tuan Tony Pua Kiam Wee: *What issues like, whether it is Cayman or just general...*

Datuk Johan Idris: *It is being communicated in the Audit Committee...*

Tuan Pengerusi: *Okay. When you took over from EY, you know there were issues about PetroSaudi formation, you know why did our money will buy in to the company and then have to pay USD700 million back to what we call it – the shareholders of PetroSaudi. Then also, the PetroSaudi acquisition was rushed through whether there was proper due diligence done or not. Now, did EY communicates this to you when there hand over to you. Any issues?*

Encik Khaw Hock Hoe: *No, they did not.*

Tuan Pengerusi: *Strange, there should know right?*

Encik Khaw Hock Hoe: *In the conversation with EY, we were just told that they had delays in information and it was mentioned to us was about the valuation of the Murabaha notes and then in the clearance letter, they made reference to that conversation.*

Tuan Pengerusi: *Because they never actually sign the audit report, right?*

Encik Khaw Hock Hoe: *No, they did not.*

Tuan Pengerusi: *Okay, that's a question to ask EY. [Disampuk] No, because PetroSaudi think was such significant issue that you know raise any doubt of concern, the previous auditors should inform incoming auditor of these issues.*

Dato' Abd. Aziz Sheikh Fadzir: *But seem benda itu sudah convert jadi Murabaha, they don't have to go and audit...*

Tuan Pengerusi: *Ya, but still...*

Dato' Abd. Aziz Sheikh Fadzir: *No, no I'm talking about KPMG there don't have to...*

Tuan Pengerusi: *Oh! KPMG tak. Okay last question, ada any questions if I – oh last one. Did you know Jho Low. Any of you ever met him?*

Datuk Johan Idris: *Not seen him.*

Tuan Pengerusi: *Okay not seen him. Never met at all ya? Any of you ya? Never try to interfere with any of your work. Okay. Alright. That's my last question. Thank you very much Datuk Johan. [Ketawa] Datuk Johan, thank you very much and your team. You have done quite well today to answer question from us more than four hours. Just longer than Deloitte.*

Datuk Johan Idris: *Thank you very much everyone and...*

Tuan Pengerusi: *We appreciate your cooperation today...*

Seorang Ahli: *Passion.*

Tuan Pengerusi: *Passion and cooperation and if there any other reasons for us to call you back, we will call you back. Only if there is any other reason. We try not to. Okay, thank you very much.*

Encik Ahmad Nasri Abdul Wahab: Tuan Pengerusi, *can I just check something Tuan Pengerusi. In terms of all communication that we need to provide to PAC, how do we go about?*

Tuan Pengerusi: *Send to me as Chairman... keep it.*

Dato' Dr. Mohamad Isa bin Hussain: *I think pass through to us, we will do the coordination.*

Tuan Pengerusi: *Okay. Dato', yang daripada Deloitte dengan Tan Sri punya maklumat tak dapat-dapat sampai sekarang.*

Datuk Seri Reezal Merican: Banyak maklumat yang kita minta awal.

Dato' Dr. Mohamad Isa bin Hussain: *We are doing the coordination.*

Tuan Pengerusi: *Yalah. [Ketawa]*

Dato' Dr. Mohamad Isa bin Hussain: *Sebab we need, I think the mechanism we agree to pass over the PAC.*

Tuan Pengerusi: *I know tapi yang itu hari pun kita tak dapat lagi.*

Dato' Dr. Mohamad Isa bin Hussain: *Earlier one we will try to catch up.*

Tuan Tony Pua Kiam Wee: Bila, bila? MoF takkan lama sangat.

Dato' Dr. Mohamad Isa bin Hussain: *You knows, we are trying to...*

Tuan Tony Pua Kiam Wee: *Jangan we have to trying to. [Disampuk] Bila?*

Datuk Seri Reezal Merican: Sudahlah, dia hendak bagi itu. Sabar, sabar. Dia nak bagilah tu.

Tuan Pengerusi: Jadi Dato' kita, serius hendak maklumat itulah.

Datuk Seri Reezal Merican: Secepat mungkin lah, secepat mungkin.

Tuan Pengerusi: Terima kasih ya.

[Mesyuarat ditangguhkan pada pukul 4.26 petang]