

**PUBLIC ACCOUNTS COMMITTEE (PAC)'s
REPORT ON GOVERNANCE MANAGEMENT CONTROL OF
1MALAYSIA DEVELOPMENT BERHAD (1MDB)**

1. INTRODUCTION

- 1.1 1Malaysia Development Berhad (1MDB), a company wholly owned by the Minister of Finance Incorporated (MOF Inc) became the focus of the international community with various negative reports on this company's operation and financial position being widely reported by the media.
- 1.2 The Public Accounts Committee (PAC) has sent a letter dated 27 February 2015 to the National Audit Department (NAD) to ask NAD to carry out an audit on 1MDB by focusing on five (5) aspects as follows:-
- a. The source of RM2 billion raised by 1MDB to settle its loans from several banks;
 - b. RM3 billion new injection of funds from the Ministry of Finance (MOF);
 - c. 1MDB investment agreement in PetroSaudi;
 - d. Whether 1MDB investment money in the Cayman Islands has been brought back to Malaysia; and
 - e. The changes in international auditing firm to verify 1MDB's accounts.
- 1.3 The Cabinet meeting on 4 March 2015 decided that NAD was to verify 1MDB's accounts and reports regarding it must be submitted to the PAC. The NAD began auditing 1MDB starting 10 March 2015.
- 1.4 The PAC instituted proceedings against 1MDB under the heading of Governance Management Control 1MDB on 19 May 2015.

2. OBJECTIVE OF DISCUSSION

In accordance with the mandate given under Article 77 of the Standing Orders of the House of Representatives as well as Article 304 (a) Treasury Order (Amendment 2008), the PAC has summoned the Ministry of Finance as a shareholder of 1MDB before the Committee to assess the financial performance and the activities of 1MDB's Group of Companies since its inception until now to ascertain whether it meets the original objectives of the company's establishment.

3. SCOPE AND METHODOLOGY

3.1 The scope of the PAC proceedings include governance and management of investment activities undertaken by 1MDB, starting from its inception in 2009 until now. Proceedings were held with the parties involved, namely the Ministry of Finance (MoF), the Economic Planning Unit (EPU), the Board of Directors and Management of 1MDB, the former Board of Directors and senior management of 1MDB other than two auditors of the 1MDB which are Deloitte Malaysia and KPMG.

3.2 The PAC has conducted ten (10) proceedings under the heading 1MDB Corporate Governance Control Management by calling:-

- i. The Secretary General and Director General of the Economic Planning Unit to give briefing and explanation on 19 May 2015;
- ii. The Ministry of Finance and Deloitte Malaysia to provide clarification on 10 June 2015;
- iii. The Ministry of Finance and KPMG to provide clarification on 17 June 2015;

- iv. The Ministry of Finance and Datuk Shahrol Azral Ibrahim Hilmi (former CEO of 1MDB) for briefing and explanation on 25 and 30 November 2015;
- v. The Ministry of Finance and Mr. Arul Kandasamy (1MDB Chief Executive Officer) for briefing and explanation on 1 and 18 December 2015;
- vi. The Ministry of Finance and Tan Sri Dato' Seri Lodin Wok Kamaruddin (Chairman of 1MDB) to give explanations on 19 and 20 January 2016;
- vii. The Ministry of Finance, Tan Sri Mohd Bakke Salleh (former chairman of 1MDB) and Datuk Shahrol Azral Ibrahim Halmi (former CEO of 1MDB) to clarify issues on 11 February 2016.

3.3 PAC was given a presentation of the 1MDB audit report by NAD to comply with the instructions from the Cabinet on 4 March 2015, namely:-

- a) Presentation of Interim Report of the Auditor General on the audit carried out on 9 and 10 July 2015 along with a report on the audit carried out between 10 March 2015 to 15 June 2015. The Interim Report was limited to deliberation on financial statement analysis and investment in the joint venture with Petrosaudi, subscription of murabaha notes and Segregated Portfolio Company (SPC).
- b) On 4 and 7 March 2016, NAD then present the 1MDB Audit Report to the PAC containing analysis of financial statements and the financial position of the 1MDB Group of Companies until the financial year ended 2014 and the performance of its investments in equities, Murabahah Notes, funds portfolio, the SRC, the real estate sector and the energy sector. The final report also takes into account the issues that have been reported in the Interim Report and have been updated based on the documents received up to 31 October 2015.

4. THE COMPANY BACKGROUND

- 4.1 The establishment of 1MDB as a company under the Ministry of Finance Incorporated (MOF) has a direct bearing with Terengganu Investment Authority Berhad (TIA) which was established by Menteri Besar Incorporated (MBI Terengganu) on 27 February 2009.
- 4.2 The original purpose of TIA's establishment was to create Sovereign Wealth Fund with an initial fund of RM11 billion. The funds were to be obtained from outstanding oil royalty revenue of RM6 billion and funds from the bond issued in the local and foreign financial market along with the Federal Government's proposal of providing RM5 billion allocation based against Terengganu's future oil revenue.
- 4.3 On 1 April 2009, the Cabinet approved the TIA's proposal to have the Federal Government provide a guarantee for TIA to borrow up to RM5 billion from local and overseas the financial markets through Islamic Medium Term Notes (IMTN) for investment. The guarantee issued is pursuant to the Loan Guarantee (Bodies Corporate) Act 1965 which covers repayment of principal and interest for a period of 30 years.
- 4.4 Hence, on 15 May 2009, a programme agreement was signed between TIA and AmInvestment Bank Berhad for the issuance of RM5 billion IMTN. However, the agreement was opposed by MBI Terengganu.
- 4.5 The Federal Government then decided to take over TIA and the acquisition process was successfully completed on 31 July 2009 and TIA's name was changed to 1Malaysia Development Berhad (1MDB) on 25 September 2009.
- 4.6 Starting from 25 September 2009 it also changed the direction of 1MDB from a sovereign wealth fund under TIA to a strategic development company, wholly owned by the Minister of Finance Incorporated (MOF Inc) with an authorized capital of RM1 billion and paid up capital of RM1,000,002.

4.7 1MDB has visions to become a strategic catalyst to help bring ideas and new sources of growth and improve the country's competitiveness in the economic field, especially in a global environment. 1MDB main mandate among others are:-

- a) Invest in projects that can help drive strategic initiatives for long-term sustainable development and promote the inflow of foreign direct investment into the country;
- b) Use the existing network of sovereign wealth funds in the Middle East and China to bring in strategic foreign direct investment projects to the country; and
- c) Use a series of overseas investments as well as good relations between countries in bringing foreign strategic investment into the country.
- d) Good relations between two countries are utilised to strengthen investment and bilateral interests socially and economically, for example, with Saudi Arabia and the United Arab Emirates (UAE).
- e) This is evident when IPIC investment company belonging to the Government of Abu Dhabi has agreed to guarantee 1MDB's bond of USD3.5 billion and had given an advance loan of USD1 billion to 1MDB.

4.8 Since its inception 1MDB has been involved in various investments such as:-

- a) Joint venture with Petrosaudi Holdings (Cayman) Ltd;
- b) Investments in Segregated Portfolio Company (SPC) in the Cayman Islands;
- c) Investment in the property sector; and
- d) Investment in the energy sector.

5. OUTCOME OF DISCUSSION AND DISCOVERY

5.1 BACKGROUND OF EARLY ESTABLISHMENT OF 1MDB

5.1.1 Terengganu Investment Authority Berhad (TIA)

Terengganu Investment Authority Berhad (TIA) was incorporated on 27 February 2009 under the patronage of His Royal Highness Sultan of Terengganu who supported the idea of its establishment as a state sovereign wealth fund with an initial fund of RM11 billion. The funds will be raised from the bond issued in the local and foreign financial market with the Federal Government proposal to provide guarantees of RM5 billion against Terengganu future oil revenue. These funds are expected to be obtained from an outstanding oil royalty revenue of RM6 billion and the issuance of Islamic Medium Term Notes (IMTN) amounting to RM5 billion.

Issuance of Islamic Medium Term Notes (IMTN)

On 25 March 2009, a resolution made by TIA Board of Directors has given the authority to Mr. Shahrol Azral Ibrahim Halmi (CEO of TIA) to confirm the appointment of AmInvestment Bank Berhad (AmBank) as lead arranger and/or lead manager and primary subscriber to the proposed issuance of RM5 billion IMTN and to negotiate on the terms of appointment of AmBank. He was then tasked to make recommendations to TIA Board of Directors.

The first meeting of the Board of Directors of TIA on 15 April 2009 has approved the proposal to issue sharia-compliant bond IMTN amounting to RM5 billion for a term of 30 years to obtain funds for investment and as working capital. TIA's Board of Directors also agreed that there was no need to establish a Due Diligence Working Group and Due Diligence Planning Memorandum as information on IMTN need not be submitted to the Securities Commission before it being offered to potential investors. It was because the bond is guaranteed by the Government.

The Terengganu Menteri Besar in a letter dated 13 May 2009 to the Minister of Finance had stated the State Government's support for the RM5 billion IMTN issued by the TIA with certain conditions.

On 15 May 2009, a programme agreement was signed between TIA (issuer) and AmBank as the lead arranger, lead manager and facility agent. On the same date, the Federal Government issued a Government guarantee for the RM5 billion issuance of IMTN.

However, the act of signing the programme agreement and issuance of Government guarantee without following the terms and plans of Menteri Besar Incorporated Terengganu (MBI Terengganu) as shareholders have caused discontent and protests from MBI Terengganu.

Therefore, in accordance with Article 94 of the Articles of Association, the TIA Board of Directors has approved three resolutions dated 22 May 2009, which ordered the suspension of the IMTN issuance until corporate governance structure and best practices are created, including the establishment of the Advisory Board and the Investment Panel of the company and appoint a Board of Directors representing all special shareholders. TIA Board of Directors at that time were HRH Tengku Rahimah Putri Almarhum Sultan Mahmud, Datuk Ismee Ismail and Mr. Shahrol Azral.

Through TIA Board of Directors' resolution dated 22 May 2009 it was decided that Mr. Shahrol Azral was to take immediate action and urgently informed the IMTN advisers and ensure that there are no issuance of IMTN made. TIA Board also decided to suspend the authority granted to Mr. Shahrol Azral or any of the other directors in relation to the issuance of IMTN. However, the Chief Executive Officer and TIA Company Secretary had entered into a Subscription Agreement with AmBank on 25 May 2009, three days after the Board's resolution which ordered the suspension of the issuance of IMTN and any matters pertaining to the IMTN programme. The Chief Executive

Officer's actions, however, were contrary to the instructions of the Board.

On 26 May 2009, an aqad agreement for the sale of assets by Amlslamic Bank Berhad to TIA was signed by TIA Chief Executive Officer. On the same date, the Murabahah Purchase Agreement of RM4.396 billion and Murabaha Sales Agreement of RM13.625 billion were also signed by the Chief Executive Officer.

Mr. Shahrol Azral's action as TIA Chief Executive Officer who proceeded with IMTN related matters has led him to be discharged as a company director as agreed in TIA shareholders' resolution dated 27 May 2009, in line with Section 152A of the Companies Act 1965. This action was also in accordance with Article 73 of the Memorandum and Articles of Association which allow any director to be terminated from the company through a written resolution. The action was supported by MBI Terengganu in a letter dated 29 May 2009 to the Minister of Finance. MBI Terengganu has raised the serious shortcomings and reaffirm that they did not agree with the IMTN issuance methods which was not in accordance with the terms and plans of MBI Terengganu. Terengganu Menteri Besar's representative in TIA Board of Directors, HRH Tengku Rahimah Puteri also resigned as TIA Director on 27 May 2009. After the resignation, on the same date, TIA Board of Directors has made a resolution signed by Datuk Ismee and Mr. Shahrol Azral to continue the issuance of IMTN and to re-elect Mr.. Shahrol Azral as Director.

Public Accounts Committee (PAC) found that Mr. Shahrol Azral has violated the shareholders' instruction not to proceed with issuance of IMTN. Mr. Shahrol Azral also has committed an offence by signing the agreement without any authority given by the Board of Directors.

PAC was informed by Mr. Shahrol Azral that he did not follow orders to stop the issuance of RM5 billion Islamic Medium Term Notes and did not follow the instructions of the Board as he felt that the power actually lies with the shareholders in accordance with Section 117 of the Articles of TIA Berhad.

However, the PAC and NAD did not receive any document to prove that Section 117 was already in the Articles of TIA Berhad at the time.

PAC also in its proceedings found that Mr. Shahrol Azral gave varying reasons regarding the issuance of RM5 billion IMTN, namely:

- i) To the Secretary General of Treasury, he said the bond issue needed to proceed due to the agreement with AMBank *on bought deal basis* that cannot be stopped. But in his statement to the NAD and PAC, he gave the reason that 'the train has left the station' and the issuance of bonds cannot be stopped.

On 29 May 2009, TIA received a nett issuance of IMTN of RM4.385 billion from the full value of RM5 billion. This is because IMTN is issued at a price of RM87.92 per RM100 nominal value, i.e at a discounted rate of 12.08%. TIA Board of Directors during a meeting on 20 August 2009 was informed that the bonds were issued at a discounted rate based on the recommendations by AmBank as the lead arranger to ensure the IMTN get full subscription. In addition, the interest rate charged was 5.75% per annum with an effective rate of return of 6.68% per annum.

Checks carried out by NAD has found that the total cost of IMTN until its maturity is RM13.625 billion comprises RM5 billion for the principal (to be paid fully in 2039) and RM8.625 billion for the payment of benefits to bondholders throughout the period of 30 years. A transaction cost of RM11.25 million has been paid to AmBank as arranger fee. In addition, the trustee fee and agency fee of RM7.14 million, also payable at the rate of RM238,000 per annum for 30 years.

Terengganu MBI has also written a warning letter dated 29 May 2009 to AmBank alleging misconduct and non-conformity on the issuance of IMTN.

The Cabinet was informed on 3 June 2009 that HRH the Sultan of Terengganu has requested a report be made available on the Unauthorized Issuance of IMTN by TIA and the Report of the Managing Oil Royalty of the state of Terengganu as a Sovereign Wealth Fund with the Best Corporate Governance Practice and Transparency.

During a meeting chaired by the Chief Secretary of Treasury on 30 June 2009, Mr. Shahrol Azral explained that a directive from Terengganu State Government (a letter dated 27 May 2009 which ordered the publication of IMTN be suspended), was only received after the marketing process that began a week earlier, and the subscription closing date was on 29 May 2009. Publication of IMTN had to be continued as the directive given was too last minute and in order to maintain TIA's credibility, if the issuance was to be postponed. During NAD's interview with Mr. Shahrol Azral in June 2015, the former Chief Executive Officer admitted that IMTN bond issuance had to be continued because the programme agreement signed on 15 May 2009 was a bought deal where AmBank as the lead arranger and primary subscriber has received secondary subscriptions for the bonds.

However PAC found that the resolutions of the Board of Directors on 22 May 2009 has decided the suspension of the Board TIA and it was also decided that Mr. Shahrol Azral was to take immediate action on urgent basis to inform the advisory of IMTN and ensure that no IMTN were published. TIA Board also decided to suspend the authority granted to Mr. Shahrol Azral or any of the other directors in connection with ITMN.

Upon review made by NAD, it was found that during the Board meeting on 10 October 2009, Mr. Shahrol Azral has requested that IMTN be hastened on a request by TIA Special Adviser with a view to develop Bidong Island in collaboration with Mubadala in 2009. The AmBank

representative (who was also present at the meeting) have also confirmed that TIA advisor has requested the bond be expedited. However, through a press release on 23 May 2009, Mubadala has denied its involvement in Malaysia other than the project in Iskandar Development Region in Johor.

The NAD also found that TIA's Special Advisers were appointed on 8 April 2009 and they were Dato' Abdul Aziz bin Mohd Akhir and Mr. Low Taek Jho.

5.1.2 Governance Structure and Organisation of 1MDB Group

Based on the Memorandum and Articles of Association (M&A) 1MDB, the governance structure of 1MDB is divided into three stages, namely the Advisory Board, the Board of Directors and Top Management. The Advisory Board is responsible for providing guidance and advice as well as business investment. Article 117 of the M&A has outlined a number of decisions that require a written permission from the Prime Minister which include the following:

- a. Any changes to the company's M&A, whether in whole or in part;
- b. Any appointment and removal of any director (including the Managing Director and Alternate Director) and Top Management of the company; and
- c. Any financial commitment (including investments), restructuring or matters relating to guarantees issued by the Federal Government of Malaysia for the company's interests, national interests, national security or any policy of the Federal Government of Malaysia. For this purpose, the determination of the meaning of 'national interest', 'national security' and 'policy of the Federal Government of Malaysia' shall be finalised by the Federal Government of Malaysia.

The position of the Advisory Board, the Board of Directors and Top Management of 1MDB as at 31 October 2015 as well as a list for the Board of Directors from 2009 to 2014. The Tables are as follows:

TABLE 1
LIST OF ADVISORY BOARD IN 1MDB AS AT OCTOBER 2015

NAME	POSITION
Dato' Sri Mohd Najib Tun Abdul Razak	Prime Minister and Minister of Finance Malaysia (Chairman)
Sheikh Hamad bin Jassim Bin Jabr Al-Thani	Former Prime Minister and Qatar Foreign Minister (Special Advisor)
Tan Sri Mohd Sidek Hassan	Chairman of Petronas
Tan Sri Dato' Nor Mohamed Yakcop	Deputy Chairman of Khazanah Nasional Berhad
Tan Sri Dr. Ali Hamsa	Chief Secretary
Tan Sri Dr. Mohd Irwan Serigar Abdullah	Treasure's Secretary General
Khaldoon Khalifa Al Mubarak	Chairman of the Executive Affairs Authority of Abu Dhabi; and the Chief Executive Officer & Managing director, Mubadala Development Company
Chang Zhenming	Chairman and President, CITIC Group China

Source: 1MDB Website

TABLE 2
LIST OF THE BOARD OF DIRECTORS IN 1MDB AS AT OCTOBER 2015

NAME	POSITION	DATE OF APPOINTMENT
Tan Sri Dato' Seri Che Lodin Wok Kamaruddin	Chairman	20 October 2009
	Non-Executive Director	11 August 2009
Tan Sri Dato' Paduka Ismee Ismail	Non-Executive Director	23 March 2009*
Datuk Shahrol Azral Ibrahim Halmi	Non-Executive Director	23 March 2009*
Tan Sri Dato' Ong Gim Huat	Non-Executive Director	12 January 2010
Ashvin Jethanand Valiram	Non-Executive Director	2 February 2010
Arul Kanda Kandasamy	President and Executive Director	5 January 2015

Source: 1MDB Website

Note: (*) Appointed by TIA (TIA Is Known As 1MDB On 25 September 2009)

TABLE 3
LIST OF TOP MANAGEMENT IN 1MDB AS AT OCTOBER 2015

NAME	POSITION
Arul Kanda Kandasamy	President and Group Executive Director
Azmi Tahir	Chief Financial Officer
Ivan Chen	General Counsel
Vincent Koh Beng Huat	Chief Investment Officer
Badrul Hisham Abdul Karim	Executive Director of Business Development
Terence Geh Choh Heng	Executive Director of Finance

TABLE 4
POSITION OF THE 1MDB DIRECTORS FROM 2009 TO 2014

NAME	FINANCIAL YEAR				
	31.3.2010	31.3.2011	31.3.2012	31.3.2013	31.3.2014
Tan Sri Mohd Bakke Bin Salleh* (appointed on 27.02.2009 and 11.08.2009 and resigned on 07.04.2009)**	✓	X	X	X	X
Tan Sri Azlan Bin Mohd Zainol* (appointed on 11.08.2009 and resigned on 23.03.2010)**	✓	X	X	X	X
Christopher Lee Sian Teik* (appointed on 27.02.08.2009 and resigned on 23.03.2009)	✓	X	X	X	X
Datuk Sharul Azral Bin Ibrahim Halimi* (appointed on 11.08.2009)	✓	✓	✓	✓	✓
Tan Sri Dato' Paduka Ismee Bin Haji Ismail* (appointed on 23.03.2009)	✓	✓	✓	✓	✓
Tan Sri Dato' Seri Che Lodin Bin Wok Kamaruddin* (appointed on 11.08.2009)	✓	✓	✓	✓	✓
Tan Sri Dato' Ong Gim Huat (appointed on 12.01.2010)	✓	✓	✓	✓	✓
Ashvind Jethanand Valiram (appointed on 02.02.2010)	✓	✓	✓	✓	✓
Mohd Hazem Bin Abd. Rahman (appointed on 15.03.2013 and resigned on 01.01.2015)	X	X	X	✓	✓

Source: 1MDB website

Note: (*) Appointed by TIA (TIA Is Known As 1MDB On 25 September 2009)

(**) Resigned and Reappointed

5.2 EARLY INVESTMENT BY 1MDB

5.2.1 Investment in PetroSaudi International Ltd.

The joint venture project started with a letter by Prince of Turkey dated 28 August 2009 to the Prime Minister of Malaysia in which also attached a letter from Mr.. Tarek Obaid (CEO PetroSaudi International Ltd.) dated 28 August 2009 to introduce PetroSaudi International Ltd. The letter was then forwarded to the management of 1MDB for further action.

Mr. Tarek Obaid's letter contained proposals where 1MDB will be shareholding 40% worth or USD1 billion in a joint venture between 1MDB and PetroSaudi International Ltd. PetroSaudi International Ltd. will also contribute assets in the energy sector worth USD2 billion into the joint venture company. The letter also stated that Petrosaudi International Ltd. has agreed to give a goodwill discount valuation of its assets worth of USD1.5 billion.

The proposal stipulates holding ratio, cash distribution of USD1 billion, the value of assets and goodwill discounts of assets that are yet to be valuated as stated in Mr.. Tarek Obaid's letter shows that this project has been planned in advance. However, checks by NAD found no information about the letters from PetroSaudi International Ltd. and Prince of Turkey being mentioned during the presentation to the 1MDB Board of Directors during a special meeting to discuss the investment. The Chairman of the Board of 1MDB had mentioned that cash assets ratio to the joint venture company has yet to be finalised during the Board of Directors' meeting on 18 September 2009. If the proposed joint venture was finalised and identified from an early stage, 1MDB Board should be briefed in detail by the management on the decision of the proposed joint venture, as well as the letters from Prince of Turkey and from Mr. Tarek Obaid during the meeting on 18 September 2009.

5.2.1.1 1MDB Board of Directors Special Meeting on 18 September 2009

The joint venture project proposals under the Government of Malaysia and the Kingdom of Saudi Arabia (prepared by Investment Division officers, reviewed by the Executive Director of Business Development and supported and approved by the 1MDB Chief Executive Officer) has been submitted for consideration of the 1MDB Board of Directors during its meeting on 18 September 2009. Three main objectives of the joint venture project were to invest in Malaysia and abroad; to support long-term economic development in Malaysia; and to improve relations and cooperation between Malaysia and Saudi Arabia.

At the special meeting, Mr. Casey Tang (1MDB Executive Director of Business Development), in his briefing on the joint venture project to the Board of Directors, had urged all parties to ensure that the joint venture agreement was signed on the designated date, namely 28 September 2009. The date set was too short and this should not happen because the investment decision was involving big figure, while there was no specific project that required immediate investment.

1MDB Board of Directors was informed that this was an arrangement between the Government of Malaysia and Saudi Arabia (G2G). Mr. Casey Tang also said that PetroSaudi International Ltd. was wholly-owned by King Abdullah and the Saudi Government and has been around since 2000. Mr. Casey's information was also agreed by some of the members of the Board of Directors and former 1MDB Board of Directors during NAD's interview with them in June 2015. However, NAD cannot confirm the actual status of the company registration, whether it was owned by King Abdullah or the Saudi Government. Check on the PetroSaudi International Ltd. website found that the company was only established in 2005, privately owned and its ownership had nothing to do with the Government of

Saudi Arabia. NAD also found out that Mr. Tarek Obaid was the sole director to PetroSaudi International Ltd. based on the document, Written Resolution of the Sole Director of the Company. Therefore, the statement made by Mr. Casey Tang was found to be inaccurate.

On 18 September 2009 as well, an overseas company, namely PetroSaudi Holdings (Cayman) Limited had registered a company named 1MDB PetroSaudi Limited in the British Virgin Island (BVI). The company was then used as a joint venture between 1MDB and PetroSaudi Holdings (Cayman) Ltd. The proposed joint venture with PetroSaudi International Ltd. was only communicated to the 1MDB Board of Directors for the first time at the meeting on 18 September 2009. The registration of 1MDB PetroSaudi Ltd. (BVI) showed that the 1MDB management had decided earlier to collaborate with PetroSaudi International Ltd. and the 1MDB Board of Directors was only informed later. No records show that the 1MDB Board of Directors was informed if the special purpose vehicle, namely 1MDB PetroSaudi Ltd. (BVI) has been registered or established.

The 1MDB Board of Directors during the meeting on 18 September 2009 has decided to appoint three directors, with two of them having a professional qualification, as 1MDB representatives in the joint venture. However, there was no evidence that the proposal has been implemented.

The 1MDB Board of Directors has directed the management to ensure that PetroSaudi International Ltd. contributes in the joint venture by 50% in cash or at least USD1billion and the other 50% in the form of assets to the joint venture company. However, the 1MDB management did not carry out the instruction by the Board of Directors, instead it implemented the recommendations by Mr. Tarek Obaid in a letter dated 28 August 2009.

The Board of Directors also did not have detailed information about PetroSaudi International Ltd. and one of the members of the Board

of Directors has been instructed to find more information and on the profile of PetroSaudi International Ltd. The profile was not submitted and was informed by the management that the information was being obtained. However, based on NAD's interview with 1MDB Board of Directors, the profile was never presented to the Board of Directors until the joint venture agreement was signed. It is unusual for a joint venture agreement involving huge cash investments to be conducted in haste.

On 18 September 2009, the Board of Directors of 1MDB had requested the management to negotiate further with PetroSaudi International Ltd. and solve some important things before finalising the agreement as follows:

- a. Negotiate with PetroSaudi International Ltd. to resolve the issues raised by the 1MDB Board of Directors, to get better terms of negotiation. These matters should be reported back to the Board of Directors.
- b. Appoint Dato' Mohd Bakke and Mr. Shahrol Azral as corporate representatives in every meeting of the joint venture company after 1MDB was registered as a shareholder of the joint venture company. Further check by NAD found that the appointment of Dato' Mohd Bakke was replaced by Mr. Casey Tang.
- c. The common seal should be stamped on each document related to the joint venture with PetroSaudi International Ltd.

According to Tan Sri Bakke Mohd Salleh in the proceedings of the PAC, he said the Board of Directors has set four main principles in the joint venture between 1MDB and PetroSaudi International Ltd, namely:

- i) The management was instructed to carry out second independent assessment on the assets of PetroSaudi.

- ii) The Board of Directors wanted due diligence to be carried out on PetroSaudi to find out more about the company.
- iii) Establish a Board of Directors in the joint venture company where 1MDB has three representatives on the Board of Directors and PetroSaudi also has three representatives.
- iv) Two of the three representatives of 1MDB must have the expertise and experience in the oil and gas industry.

5.2.1.2 Special Meeting of 1MDB Board of Directors on 26 September 2009

Special Meeting of 1MDB Board of Directors was held on 26 September 2009, two days before the joint venture project was signed. During this meeting, the Board of Directors was still discussing whether to proceed with the investment in the joint venture.

However, the 1MDB Board of Directors has approved 1MDB participation in the joint venture project with PetroSaudi International Ltd. with the subscription of one (1) billion ordinary shares in 1MDB PetroSaudi Ltd. subject to the following conditions:

- a. Appoint an independent professional valuer to assess the assets of the joint venture company;
- b. Appoint three members representing 1MDB in the Board of Directors of the joint venture company, including those with experience in relevant sectors; and
- c. As wind up option, one party offered the shares to other shareholders at the fair market value or at the value agreed by both the Governments that have interest in the agreement.

A letter from a valuer, Edward L. Morse dated 20 September 2009 informed the 1MDB management that he will be appointed by 1MDB and 1MDB PetroSaudi Ltd. to perform an independent valuation on the hydrocarbon assets of PetroSaudi International Ltd. and its subsidiaries. However, until the meeting on 26 September 2009, 1MDB Board of Directors was not informed about this.

It was found that the joint venture agreement stated that 1MDB was entitled to appoint two directors in the composition of the Board of Directors of the joint venture company. This shows that the condition set by the 1MDB Board of Directors to appoint three members representing 1MDB in the Board of Directors of the joint venture company was not observed.

1MDB Board of Directors was also seen to approve the use of common seal on all joint venture documents with PetroSaudi International Ltd. This showed that the Board of Directors approved the participation in the joint venture project with PetroSaudi International Ltd. and not with other companies.

5.2.2 Joint Venture Between 1MDB and PetroSaudi (Cayman) Ltd. - 1MDB PetroSaudi Limited

On 28 September 2009, a joint venture agreement has been signed between 1MDB, PetroSaudi Holdings (Cayman) Ltd. and 1MDB PetroSaudi Ltd. in Kuala Lumpur. PetroSaudi Holdings (Cayman) Ltd. and 1MDB PetroSaudi Ltd. represented by Mr. Tarek Obaid, while 1MDB was represented by Mr. Shahrol Azral. The event was witnessed by the Prime Minister and Prince of Turkey. The objectives of the joint venture company as stated in the joint venture agreement are:

- a. "To seek, explore, enter into and participate in business and economic opportunities within and outside of Malaysia; and

- b. To enhance, strengthen and promote the future prosperity and economic development of Malaysia, to the extent that achievement of the above-mentioned objectives would maximise the profits of the Company."

According to the joint venture agreement, 1MDB will invest in cash totalling USD1 billion (40% equity) while PetroSaudi Holdings (Cayman) Ltd. contributes in the form of assets with value not less than USD 1.5 billion (60% equity) in this joint venture company.

NAD's check on the joint venture agreement found some issues and contradictory information. The joint venture company, namely 1MDB PetroSaudi Limited was registered on 18 September 2009 in the British Virgin Island by PetroSaudi Holdings (Cayman) Limited. Based on the search report of Cayman Island Registry of Companies, it was found that PetroSaudi Holdings (Cayman) Limited was also formed on 18 September 2009. This shows that the two companies were established on the same date.

In the joint venture agreement there was a clause which stated that 1MDB PetroSaudi Ltd. (which was established on 18 September 2009) had received an advance loan totalling USD700 million on 25 September 2009 from its parent company, namely PetroSaudi Holdings (Cayman) Ltd. The advance loan needs to be fully repaid on or before 30 September 2009. The existence of advance loan of USD700 million for the period of five days has raised questions. Check by NAD found no minute or document to show that the 1MDB Board of Directors was informed about the USD700 million advance loan before the joint venture agreement was signed. Besides, in NAD's interview with the 1MDB Board of Directors (former and current) in June 2015 found that the advance loan was never presented or discussed by the management of 1MDB before the joint venture project was finalised. A copy of the agreement for the USD700 million loan between 1MDB PetroSaudi Limited and PetroSaudi Holdings (Cayman) Limited, which was signed by Mr.

Tarek Obaid representing both companies, has been submitted by the management of 1MDB but NAD could not confirm it with the original document.

Although the draft of the joint venture agreement has been discussed during the meeting on 18 September 2009, but that too failed to be submitted by 1MDB to NAD. NAD checks on the documents submitted by Datuk Shahrol Azral to NAD on 5 June 2015 found that Mr. Brian Chia (Messrs. Wong & Partners - solicitors and advocates) via e-mail dated 30 September 2009 had questioned regarding the letter requesting repayment of the USD700 million advance loan using the letterhead of PetroSaudi International Ltd., while the one giving the advance loan was PetroSaudi Holdings (Cayman) Ltd. The e-mail was dated 30 September 2009, while the transfer of money for the repayment was also done on the same date.

The agreement dated 28 September 2009 also stipulated that the one billion shares subscription by 1MDB in the joint venture company totalling USD 1 billion must be paid in full before or on 30 September 2009. This shows that 1MDB was given a very short period (two days) to make payments of USD1 billion to 1MDB PetroSaudi Ltd. The 1MDB Board of Directors at its meeting on 26 September 2009 has approved the transfer of USD1 billion to the bank account of the joint venture company for the share subscription purpose in 1MDB PetroSaudi Ltd.

On 30 September 2009, Bank Negara Malaysia (BNM) had given approval for transfer of funds to the joint venture's account in J.P.Morgan SA and RBS Coutts Bank Ltd. (Geneva). Then on the same date, an amount of USD300 million was transferred to account 7619400 at J.P.Morgan (Suisse) SA; 1MDB PetroSaudi Ltd's bank. However, the remaining USD700 million was transferred to account 11116073 at RBS Coutts Bank Ltd., owned by another company which was not involved in the joint venture project.

Based on the documents presented by Datuk Shahrol Azral on 5 June 2015 and his statement during the Public Accounts Committee (PAC) meeting on 25 November 2015, the account was owned by Good Star Limited, which was a subsidiary of the PetroSaudi Group since 1 September 2009.

NAD also found that there was no approval given by 1MDB Board of Directors to transfer the money into two separate accounts.

5.2.2.1 Assessment Report by Edward L. Morse dated 29 September 2009

Valuer Edward L. Morse, through its letter dated 20 September 2009 informed that the company was appointed by 1MDB and 1MDB PetroSaudi Ltd. to carry out an independent valuation of hydrocarbon assets of PetroSaudi International Ltd. and its subsidiaries. The letter of appointment was signed by Mr. Shahrol Azral on 29 September 2009, the same day the valuation report was submitted by Edward L. Morse, which is the day after the joint venture agreement was signed on 28 September 2009. Taking into account the complexity of the assets that needed to be assessed, Edward L. Morse managed to produce the valuation report within eight days.

Assessment by Edward L. Morse Energy Advisory Services was carried out on assets (oil exploration and production rights) of PetroSaudi International Ltd., whereas the joint venture agreement had clearly stated that the company that owned all the rights and interest on the assets agreed for the joint venture project was PetroSaudi International Cayman, which was a different company than PetroSaudi International Ltd. The joint venture agreement also stated that on the date of the agreement, PetroSaudi Holdings (Cayman) Ltd. has transferred all published shares of PetroSaudi International Cayman (which has all the rights and interest in the

assets with the estimated value of USD2.7 billion) to 1MDB PetroSaudi Ltd. The report also cannot verify the assets owned by PetroSaudi Turkmenistan 1 Limited (Jersey company) and Petro Saudi Ltd. Inc. (Panama company). The actual ownership of the assets involved in the joint venture project could not be verified because no document submitted to the auditors of 1MDB as well as NAD to prove the actual date of the assets being transferred from PetroSaudi International Cayman to 1MDB PetroSaudi Ltd.

This report is related to the exploration and oil production rights in various locations in Argentina and Turkmenistan. According to Article 1.1 on the Overview of Assets in the valuation report stated, that valuer only checked the project economics without assessing the geological resources, property rights including contractual rights to the field. This shows that the oil production rights for Block 3 areas in Turkmenistan and Argentina have yet to be confirmed. This is because the area has been under long-running disputes between various parties. The limited information is a constraint on the valuation report.

In the report, it was explained that the block was originally owned by Buried Hill Energy, a company that was registered in Panama through a purchase agreement with the Government of Turkmenistan. However, the current ownership of the rights over the block was not mentioned. Therefore, the consent to receive the assets as equity in this joint venture investment can be considered as unrealistic and risky.

The report also stated many constraints, including PetroSaudi International Ltd. was unable to provide a cash flow model that can be used for comparison with assets in Turkmenistan, for not having the ability to assess the evolving royalty and fiscal regimes and check on the comparative value procedure. This shows that PetroSaudi International Ltd. did not have the expertise to deal with complex assets. While paragraph 4 of the valuation report also

stated that the assets in Argentina was a contingent assets which were not tradable and non reserves. However, it has been evaluated based on the high and low estimation that indicate high risk on the assets in Argentina. This shows that 1MDB has failed to evaluate assumptions used by the valuer regarding production, petroleum prices, discount rates and capital and operating expenses. The valuation report only evaluated the rights to the assets and not the value of the company that owned the assets. Therefore, the net worth of the company was not stated as well. All these constraints pose a risk to the accuracy of the valuation report.

In the meeting on 3 October 2009, 1MDB Board of Directors expressed concerns about the reliability of the valuation report as it has been prepared within a short period, as they were informed before, that valuation report will take several months and can only be ready by March 2010. A clause in the joint venture agreement, which stipulated that 1MDB should appoint an independent valuer to evaluate assets of PetroSaudi Holdings (Cayman) Ltd. and must submit the report on or before 30 September 2009 was an unreasonable stipulation. 1MDB Board of Directors also asked the management to get the valuation report and arrange for clarification by Edward L. Morse at the next meeting. That means the investment decision was made before the assets valuation report was presented to the Board of Directors to be studied or explained on the assets owned by the collaborator.

5.2.2.2 1MDB Board of Directors Meeting on 3 October 2009

At this meeting, 1MDB Board of Directors expressed their disappointment when their orders were ignored, and the funds distributed to other parties without their knowledge. Observations made by the Board of Directors were as follows:

- a. The Board of Directors was not informed about the change of plan to transfer an amount of USD700 million from 1MDB

into an account which was not owned by the joint venture company.

- b. The Board was also not informed about the change of bank account of the joint venture company from BSI-SA (Geneva) to J.P.Morgan (Suisse) Geneva. This raised questions because checks by NAD found that the approval to change the bank account was made by a resolution dated 30 September 2009 (the same date when the fund transfer was done), but interviews by NAD with some of the former Board of Directors found that they were not aware of the existence of this resolution, even though their signatures were on it.
- c. The Board of Directors was also unclear about the status ownership of the assets held by the joint venture company and quality of the assets transferred to the joint venture company including the inherent/potential risk associated with the assets.
- d. The Board of Directors also stated that investments of this scale required thorough and detailed consideration, and need to go through the due diligence process.
- e. The Board of Directors was of the opinion that all actions were done in a very short period and had compromised with the main control and check and balance which were important to protect the interests of 1MDB. The Board of Directors was also surprised by the speed taken by Edward L. Morse in preparing the valuation report.
- f. The Board of Directors had given strict instructions to Chief Executive Officer and management of 1MDB, not to deviate from the instructions given and adhere to the agreed procedure.
- g. The Board of Directors was of the opinion that the management had ignored the main thrust of the company

which was to focus on attracting foreign investments into Malaysia.

Accordingly, the 1MDB Board of Directors instructed the management to take corrective measures as follows:

- a. Determine whether the USD700 million from PetroSaudi Holdings (Cayman) Ltd. can be refunded so that it can be disbursed in accordance with the original plan;
- b. Obtain written confirmation from JP Morgan on the approval of the use of funds held in the joint account;
- c. Obtain written confirmation that the assets injected by PetroSaudi Holdings (Cayman) Ltd. were owned by the joint venture company and get a copy of the valuation report by Edward L. Morse and legal opinion for deliberation of the Board of Directors;
- d. Arrange a meeting with representative of the valuer Edward L. Morse and legal adviser to brief the Board of Directors in the next meeting;
- e. Get a written confirmation on the quality of assets (including the quality and shelf life of the oil wells, the political risk and other potential risks related to the assets placed under the joint venture company); and
- f. The Board of Directors was still not satisfied and directed the management to appoint independent valuers to revalue the assets in the joint venture company.

Based on the evidence of documents and interviews with former 1MDB Board of Directors, NAD found that instructions from the Board of Directors were not complied by the 1MDB management.

The approval given by the Board of Directors was for the cooperation with PetroSaudi International Ltd. and not with its subsidiary, namely PetroSaudi Holdings (Cayman) Ltd.

It was noted that 1MDB management has repeatedly ignored the specific instructions given by the Board of Directors. Among them are as follows:

- a. Signing the joint venture agreement on 28 September 2009 before taking action on matters required by the Board of Directors. This had caused the CEO and management of 1MDB to be reprimanded and given stern warning at the meeting of 1MDB Board of Directors dated 3 October 2009.
- b. Did not carry out the second valuation on the joint venture company's assets as directed by the Board of Directors on 3 October 2009.

Although the 1MDB Chief Executive Officer was found not complying to the directives, guidelines and corporate governance, the 1MDB Board of Directors still did not take any action against him.

5.2.2.3 1MDB Board of Directors Meeting on 10 October 2009

During this meeting, the 1MDB Board of Directors has raised the need for the valuation of assets where the management was asked to get 10 names of reputable valuers to be shortlisted and get the approval of the Chairman of the Advisory Board. Therefore, the management can discuss with PetroSaudi Holdings (Cayman) Ltd. on the appointment of second valuer.

Furthermore, the 1MDB Board of Directors has directed the 1MDB Chief Executive Officer to provide a comprehensive summary paper to the Chairman of the Advisory Board which contains a chronology of events related to the joint venture agreement, funding status and dissatisfaction of 1MDB Board of Directors on the valuation report of

assets of PetroSaudi Holdings (Cayman) Ltd. However, during the 1MDB Board of Directors Meeting on 7 November 2009, Mr. Shahrol Azral informed that the second valuation should not be made on the assets of the joint venture company as the Chairman of the Advisory Board did not agree with this proposal, but directed the 1MDB Board of Directors to appoint a consulting company to assess ownership of the joint venture company. However, checks by NAD found no document to prove that the appointment of the consultant had been made.

NAD checks found that the joint venture agreement has a clause stipulating that all financial reports, accounts and operations must be submitted to the shareholders on quarterly basis. However, the document could not be submitted by 1MDB to be checked by NAD. During the period of the joint venture project, the 1MDB Board of Directors was not informed in where the fund has been invested by the joint venture company although Mr. Shahrol Azral and Mr. Tang Keng Chee (Casey Tang) were appointed as the representative of 1MDB in the joint venture company. NAD was not given any documents as well, to prove the investment that has been made by the joint venture company.

Nevertheless, although the 1MDB Board of Directors was not satisfied with some actions taken by the 1MDB management, NAD found no evidence to show that this matter has been referred in writing to the Chairman of 1MDB Advisory Board. According to the Chairman of 1MDB Board of Directors during the PAC meeting on 19 January 2016, 1MDB Board of Directors was not satisfied with the way the management handled the matters related to the joint venture project in general. However they agreed to hear further clarification and confirmation from 1MDB management.

NAD analysis has concluded that the decision to make equity investment in the joint venture company, namely 1MDB PetroSaudi Limited was an act taken without strategic planning as it was

executed within eight days, without detailed valuation, and before solving first the issues raised by the Board of Directorst. The joint venture agreement also contained clauses which did not safeguard the interests of the company.

5.3 FINANCIAL STANDING OF 1MDB GROUP

5.3.1 2010-2014 Financial Standing by 1MDB

This information is presented by 1MDB to the PAC.

1Malaysia Development Berhad (1MDB)					
	FY2010	FY2011	FY2012	FY2013	FY2014
	RM'mil	RM'mil	RM'mil	RM'mil	RM'mil
Debt Principal					
- Edra	-	-	-	9,684	15,375
- Real Estate	-	-	-	800	2,271
- 1MDB Group (Exclude Edra & RE)	4,428	6,801	7,928	25,766	24,222
Consolidated	4,428	6,801	7,928	36,250	41,868
Debt Interest					
- Edra	-	-	-	643	781
- Real Estate	-	-	-	-	17
- 1MDB Group (Exclude Edra & RE)	248	333	462	972	1,601
Consolidated	248	333	462	1,616	2,399
Revenue					
- Edra	-	-	-	2,592	3,867
- Real Estate	-	-	-	-	392
- 1MDB Group (Exclude Edra & RE)	-	-	-	-	-
Consolidated	-	-	-	2,592	4,259

Net Profit/Profit for the Year					
- Edra	-	-	-	(1,292)	105
- Real Estate	-	(23)	(30)	2,714	893
- 1MDB Group (Exclude Edra & RE)	424	567	74	(644)	(1,663)
Consolidated	424	544	44	778	(665)
Tax/(Tax Recoverable)					
- Edra	-	-	-	99	(4)
- Real Estate	-	-	-	-	-
- 1MDB Group (Exclude Edra & RE)	-	-	-	-	-
Consolidated	-	-	-	99	(4)
Total Assets					
- Edra	-	-	-	17,427	24,844
- Real Estate	-	(20)	2,514	6,420	8,757
- 1MDB Group (Exclude Edra & RE)	4,955	8,163	7,020	20,814	17,808
Consolidated	4,955	8,143	9,534	44,661	51,409
Total Equity					
- Edra	-	-	-	3,923	4,281
- Real Estate	-	(22)	(52)	4,782	5,691
- 1MDB Group (Exclude Edra & RE)	426	966	1,431	816	27
- Consolidated adjustments	-	-	(221)	(7,137)	(7,557)
Consolidated	426	944	1,158	2,384	2,442

5.3.2 Status of the Assets of 1MDB

5.3.2.1 The Assets in Portfolio Investment and SPC

Based on the audit by NAD, the assets of 1MDB in portfolio management and Segregated Portfolio Company (SPC) as of 31 Mar 2014 are as follows:

TABLE 5

Asset Category	Value as of 31 Mar 2014 (RM Million)	Remarks
Available For Sale Investments	7,708.74	Investment in Segregated Portfolio Company (SPC)
Available For Sale Investments	5,176.22	Investment in Portfolio Management with a balance of USD1,565.99 million
Available For Sale Investments	503.91	Investment in unquoted debt securities
Total	13,388.87	

5.3.2.2 The Assets in Real Estate Investment

Based on the audit by JAN, the assets in the real estate investment by 1MDB as of 31 Mar 2014 are as follows:-

TABLE 6

Asset Category	Value as of 31 Mar 2014 (RM Million)	
Real Estate Investment	7,080.99	Land of Tun Razak Exchange (RM 2,700 million) Land of Sungai Besi Air Force Base / Bandar Malaysia (RM 4,294.97 million)
Inventory	1,109.86	Land of Air Hitam, Penang Island
Total	8,190.85	

5.3.2.3 The Assets in Energy Sector Investment

Based on the audit by NAD, the assets in the energy sector investment by 1MDB as of 31 Mar 2014 are as follows:-

TABLE 7

Asset Category	Value as of 31 Mar 2014 (RM Million)	
Intangible Assets	2,108.08	Goodwill on acquisition
Intangible Assets	6,451.15	Service Concession Agreement
Service Concession Receivables	3,295.58	Service Concession for the power plant in Egypt and Bangladesh
Real Estate, Plant and Equipment	5,898.69	Power Plant (5,622.49 million) Land and Building, Vehicle (RM276.20 million)
Other Receivables, Collaterals and Prepayments	324.54	Other Receivables and Collaterals
Bank Balance and Cash	3,234.93	Edra Group only
Mortgage Receivables	1,231.36	Mortgage of the Operation of Edra Group
Inventory	786.76	Power Plant
Investment in the Interest of Joint Venture and Associate Company	257.82	Interest in the power plant in Abu Dhabi and Pakistan
Trade Receivables	702.16	Receivables related to electricity sales
Total	24,291.07	

5.3.2.4 Other Assets Owned by 1MDB

Based on the audit by JAN, there are other different assets owned by 1MDB as of 31 Mar 2014 as follows:-

TABLE 8

Other Assets	Value as of 31 Mar 2014 (RM Million)	
Bank Balance and Cash	610.44	Fixed Deposit, Bank Savings and Cash
Other Receivables, Collaterals and Prepayments	4,881.90	Deposit paid to Aabar Investments PJS (RM 4,468.16 million)
Real Estate, Plant and Equipment	6.16	Vehicle and Equipment and Furniture
Tax Refund Receivables	39.56	
Other Investments	0.58	
Total	5,538.44	

The total value of the assets owned by 1MDB Group as of 31 Mar 2014 was RM51,409.43 million which included the investments in energy related assets, the assets in portfolio investment and SPC, the assets in real estate investments and other assets.

5.3.3 Loan Status of 1MDB Group

1MDB was set up to pioneer sustainable long-term economic development and growth in Malaysia and had received RM1 million as equity injection from the Government in 2009. To finance the investments, 1MDB generated fund through loans, sukuk issuance and USD notes in and outside the country. As of 31 Mar 2014, the loan balance of 1MDB Group was RM41.86 billion as shown in the table below:

TABLE 9
LOANS OF 1MDB GROUP AS OF 31 MAR 2014

Type of Loan	Fair Value
Loans from Domestic Market	13,951.81
Loans from International Market	19,762.03
Inherited Loans	8,152.62
Total Loans	41,866.46

Source: Document and Financial Statement of 1MDB Group

The loans of 1MDB can be divided into the following:

- i. Portfolio Loan
- ii. Real Estate Loan
- iii. Energy Sector Loan

In overall, the loans as of October 2015 are as follows:

TABLE 10

	DATE OF AGREEMENT	TYPE OF LOAN	LOAN TENURE	LOAN / FINANCING RATE	PURPOSE OF LOAN	LOAN AMOUNT	NET AMOUNT RECEIVED	DIFFERENCE	ACTUAL USAGE	REMARKS SETTLED/UNSETTLED AS OF OCT 2015
						(RM/USD Million)	(RM/USD Million)	(RM/USD Million)	(RM/USD Million)	
						(a)	(b)	(a)-(b)		
1	May 2009	Islamic Medium Term Notes (Ambank)	2009-2039	5.75%	General Investments and working capital	RM 5,000	RM4,385	RM11.25 (Transaction Cost) RM603.85 (Discount)	RM3,487.32 million (Equity in PSI) RM897.68 million (Working Capital in 1MDB)	Balance of RM 5 billion
2	2009	Islamic Revolving Credit (Affin Bank)	On demand	COF I + 0.5%	Working capital and Shariah Principle of Tawarruq	RM37	RM37	-	Working Capital	Settled by using the Revolving Credit RM229.50 million. (No. 25)
3	TM	Revolving Credit	TM	TM	Working capital	RM2	RM2	-	Working Capital	Settled
4	Sept 2010	Syndicated Term Loan RM2.5 B (Standard Chartered)	Sept 2010-Sept 2013	3.96%	1. RM600 million for indirect equity investment into an European-based operating PLC involved in energy Sector 2. Remaining balance for investments and working capital requirements in projects in energy, real estates, hospitality and agriculture sectors. All shall be located in Malaysia.	RM2,500	RM2,299.83	RM15.17 (Transaction Cost)	Investment of USD500 million in the Murabahah Notes in the financial year 2011 and for financing a part of the USD330 million Murabahah Notes in the financial year 2012.	Settled by using the USD3 billion Notes (No.14)

5	Mar 2011	Syndicated Term Loan (Standard Chartered)	Mar 2011- Sept 2013	KLIBOR + 1.3%	General investments and working capital	USD300	USD296.67 (RM895.72)	USD3.33 Transaction Cost	Repayment of the Principal Syndicated Term Loan RM2.50 billion	Settled by using the USD3 billion Notes. (No. 14)
6	2011	Islamic Revolving Credit		3.40% - 4.10%	Working Capital	RM75	RM75	-	Working capital	Settled
7	June 2011	Syndicated Term Loan RM2.50 B (Additional RM1.080 million) (Standard Chartered)	June 2011 – Sept 2013	3.96%	1. RM600 million for indirect equity investment into an European-based operating PLC involved in energy sector 2. Remaining balance for investments and working capital requirements in projects in energy, real estate's hospitality and agriculture sectors. All shall be located in Malaysia.	RM1,080	RM1,080	-	Financing a part of the USD330 million Murabahah Notes in the financial year 2012.	Settled by using the USD3 billion Notes. (No. 14)
8	August 2011	Term Loan (SRC)	August 2011 – July 2012	10 + 100 basic points for the first 3 years. The fourth year is based on the SKM rate of 10 years + 70 basic points.	General investments and general working capital	RM 2,000	RM 2,000	-	RM184 million – investment in the joint venture with Aabar Investment PJS RM1,549 million – investment ready for sale	Loan amounted to RM2 billion was later transferred to MKD on 15.02.2012. Due to that, this loan was no longer borne by 1MDB as of 31.03.2012.
9	May 2012	Syndicated Bridging Loan (Maybank)	May 2012 – November 2013	COF + 2.0%	1. Acquisition of 100% of voting shares of Tanjong Energy 2. Prefund the minimum required balance for the Finance Reserve Account	RM6,170	RM6,170.00	-	RM6,000 million – Acquisition of TEHSB RM170 million – Finance Service Reserve Account (FSRA)	Refinanced with Syndicated Bridging Loan RM5.5 billion (No. 18)

10	May 2012	USD Notes	May 2012 – May 2022	5.99%	RM2.5 billion (USD810.4 million) will be used to subscribe for newly issued ordinary shares in 1MDB Energy which in turn will be used to partially fund the capital acquisition, the repayment of debt and proposed acquisition of Tanjong Energy. The balance of net proceeds will be used for general corporate purposes (which may include future acquisitions).	USD1,750	USD1,560 (RM4,824.99)	USD192.50 (RM579.89) Transaction Cost	USD785.67 million – acquisition of TEHSB USD576.94 million – security deposit USD194.89 million – working capital/corporate expenses	Balance of USD1.75 billion
11	Sept 2012	Term Loan PERKESO	Sept 2012 – Oct 2022	MGS + 0.5%	Financing the resettlement cost of the military installation operated in Sungai Besi Camp for the Bandar Malaysia development project and/or other real estate investment.	RM800	RM800	-	RM457 – Upfront payment to 1MDB RM212 million – TRX RM34 million – BM RM92 million – Operation Cost of 1MDB RE RM5 million – loan interest	Balance of RM800 million
12	October 2012	USD Notes	Oct 2012 – Oct 2022	5.75%	RM2.16 billion (approx USD692.36 million) will be used to subscribe for newly issued Ordinary Share Capital (OSC) in 1MDB Energy (Langat) Sdn. Bhd. which in turn will be used to partially fund the capital acquisition. The balance of net proceeds will be used for general corporate purposes (which may include future acquisitions)	USD1,750	USD1,640 (RM5,093.12)	USD110 (RM311.76) Transaction Cost	USD709.86 million – acquisition of Genting USD790.35 million – security deposit USD139.79 million – working capital/corporate expenses	Balance of USD1.75 billion

13	Nov 2012	Syndicated Bridging Loan (Affin Bank/Ambank)	Nov 2012 –Feb 2016	COF + 2.0%	(i) Part finance the acquisition of Mastika Lagenda; (ii) To reimburse the borrower on the acquisition of Mastika Lagenda in the event the acquisition price has been fully settled; (iii)To prefund the Debt Service Reserve Account (DSRA); and (iv)To settle upfront and agency fees payable under the facility.	RM700	RM687.53	RM35.00 Transaction Cost	Repayment of deposits to 1MDB.	Balance of RM120 million Repaid a part of the principal payment through loan such as No.22&25
14	Mar 2013	USD Notes	Mar 2013 – Mar 2023	4.40%	The initial capital of the joint venture for Abu Dhabi Malaysia Investment Company Lt. (ADMIC) for the Tun Razak Exchange (TRX) project.	USD3,000 (RM9,265.55)	USD2,720 (RM8,434.25)	USD 280 (RM831.39)	USD1,007.04 million – Upfront payment to 1MDB (to settle the Syndicated Term Loan 2.5 billion (No.4), Term Loan USD300 million (No.5) and additional Syndicated Term Loan RM2.5 million (additional RM1.08 million (No.7)) USD24.85 million – Upfront payment to 1MDB Energy Ltd. USD1.50 million – Upfront payment to Brazen Sky Ltd. USD1,581.43 million – The Country's International Investment USD35 million – Donation to Yayasan Rakyat 1Malaysia (YR1M)	Balance of USD3 billion

15	Dec 2013	Term Loan (Ambank)	Dec 2013 – Apr 2015	COF+1.75% COF+2.0%	Part finance the proposed acquisition of the entire share capital of Jimah O&M Sdn. Bhd. And Jimah Teknik Sdn. Bhd. respectively for aggregate purchase consideration of RM1.225 billion.	RM600	RM600	-	RM600 million – acquisition of Jimah	Settled by using No.22 & 23
16	Dec 2013	Term Loan (Ambank)	Dec 2013 –Dec 2014	5.09%	Financing a part of the construction cost of the replacement facilities from Sungai Besi Air Base , Kuala Lumpur (PUKL) to the relocation site and financing a part of the initial and mobilization expenses related to the infrastructure cost of TRX project.	RM550	RM550	-	RM550 million – Upfront payment to 1MDB	Settled by using No. 17
17	Feb 2014 – Dec 2014	Sukuk Murabahah (Ambank)	<u>LTH</u> Feb 2014 –Feb 2021(S1) Feb 2014 – Feb 2024 (S2) <u>KWAP</u> Dec 2014 – Dec 2021 (S3) Dec 2014 – Dec 2023 (S4)	0.35%	Financing a part of the cost of the relocation project and/or the need for work capital.	<u>LTH</u> RM500 (S1) RM1,000 (S2) <u>KWAP</u> RM450 (S3) RM450 (S4)	<u>LTH</u> RM304.99 (S1) RM609.97 (S2) <u>KWAP</u> RM309.42 (S3) RM273.99 (S4)	RM902 Transaction Cost & Discount	RM919 million – Upfront payment to 1MDB RM902 million – Transaction cost and discount RM550 million – Repayment for the Term Loan RM550 million (No.16) RM29 million – Interest on Term Loan from PERKESO & Term Loan RM550	Balance of RM2,400 million

18	May 2014	Syndicated Bridging Loan (Maybank)	Tranche 1 May 2014- May 2024 Tranche 2 May 2014 -Nov 2014	<u>Tranche1</u> COF+2.5% <u>Tranche2</u> COF+2.75%	Refinancing a part of the Syndicated Bridging Loan RM6.17 billion	RM5,500	RM5,500	-	RM5,500 million – Repayment of Syndicated Bridging Loan to Maybank RM6.17 billion (No. 9)	Settled the T2 payment by using No.21 Balance of T1 RM3,150 million
19	May 2014	Term Loan(Deutsche Bank)	May 2014 – Feb 2015	LIBOR+3.25 %	Corporate usage	USD250	TM	TM	USD250 million – payment for terminating the option to Aabar Ltd	Settled by using No.20
20	Sept 2014	Term Loan (Deutsche Bank)	Sept 2014 –Sept 2015	LIBOR+3.75 %	Cancelation of the option of AabarLtd.	USD975	TM	TM	USD250 million – Repayment of principal Term Loan USD250 million (No. 19) USD725 million – payment for terminating the option to Aabar Ltd	Settled by using No.24 and USD25 million from Debt Service Reserve Account (DSRA)
21	Feb 2015	Term Loan (Marstan)	Feb 2015 – Apr 2016	8.50%	Full payment of Tranche 2 Powertek facility	USD555.02 (RM2,000)	USD555.02 (RM2,000)	-	USD555.02 – Repayment of Syndicated Bridging Loan Maybank RM5.50 billion – Tranch 2 (No.18)	Balance of USD555.02 million (RM2 billion)

22	Feb 2015	Standby Credit (Federal Government)	Feb 2015 –Dec 2015	3.40%	Corporate purposes and payment of loan/interest.	RM950	RM950.07	RM0.07 USD Currency Exchange	<p>RM115.51 million – Repayment of principal and interest of the Term Loan RM700 million (No.13)</p> <p>RM160.27 million – Repayment of principal and interest of the Term Loan USD975 million</p> <p>RM350 million – Repayment of a part of the principal Term Loan RM600 million (No.15)</p> <p>RM238.26 million – Coupon payment</p> <p>RM86.03 million – General corporate expenses</p>	Balance of RM950 million
23	Mar 2015	Islamic Term Loan (Exim Bank)	Mar 2015 – June 2016	COF-i+2.5%	The need for general work capital and energy sector of the 1MDB Group	USD150	TM	TM	<p>USD0.75 million – Payment of facilitation fee to Exim Bank</p> <p>USD7.23 million – FSRA</p> <p>RM0.37 million – Legal and issuance fees</p> <p>USD64.87 million – Repayment of the principal loan of Tadmax Resources</p> <p>RM250 million – Repayment of a part of the principal Term Loan RM600 million (No.15)</p>	Balance of USD150 million

24	May 2015	Cash Payment IPIC	-	-	Release the obligations and liabilities among the 1MDB Group, IPIC and Aabar.	USD1,000	USD1,000	.	USD50 million – Payment to Yurus Private Equity Fund I, L.P. USD950 million – Repayment of a part of the principal USD975 million (No.20)	Balance of USD1 billion
25	August 2015	Revolving Credit	On demand	COF+2.0%	The need for work capital/or to be determined later.	RM229.50	-	-	RM37 million – Repayment of Islamic Revolving Credit (No.2) RM120 million – Repayment of a part of the Term Loan RM700 million (No.13) RM8 million – escrow account RM64.50 million – upfront payment to 1MDB	Balance of RM229.50 million
26	Financial Statement 31.3.2014	TM	TM	TM	TM	RM800	RM807.98	RM7.98	TM	Difference between the list of loans given by 1MDB and the Cash Flow Statement for the year ended 31 Mar 2014.

5.3.4 Guarantee and Support from the Federal Government Before 2016

The Federal Government's guarantee was given in accordance with the provision in the Constitution and Loan Guarantee Act (Incorporation) 1965. Such guarantee is given to facilitate the Government company to obtain financing and loans at a more competitive cost. Section 6 of the Loan Guarantee Act (Incorporation) 1965 states that the Government company that obtains the Government Guarantee needs to get approval from the Ministry of Finance before it can obtain other loans. Section 7 states that through this Government Guarantee, the Government is responsible for fulfilling its obligation of the loan agreement, bond, promissory notes or other means taken by the Government company if that company fails to fulfill its obligation. The guarantee given under the Act needs the approval from the Cabinet.

5.3.4.1 The Federal Government's Guarantee to 1MDB

Since 2009, two Government guarantees have been given to 1MDB for funding as follows:-

- a. Islamic Medium Term Notes (IMTN) RM5 billion
 - i) On 1 April 2009, the Federal Government approved the grant of a guarantee to TIA to borrow RM5 billion from the domestic and international markets through IMTN for the purpose of investment in accordance with the Loan Guarantee Act (Incorporation) 1965 for a period of 30 years. The Government Guarantee given covers the principal repayment and cost of loan. When the Federal Government took over TIA and changed its name to 1MDB, the Federal Government also agreed to maintain the guarantee given for the financing after the process to take over TIA by MKD was completed on 31 July 2009.
 - ii) 15 May 2009, the Federal Government represented by the Hon. Minister of Finance II signed the grant of a Federal Government's Guarantee for IMTN amounted to RM5

billion. The purposes of IMTN are for general investment and work capital.

b. RM800 million Loan from PERKESO

i) On 11 November 2011, Cabinet agreed that the Government would give a guarantee for the loan obtained by 1MDB Real Estate Sdn. Bhd. (1MDB RE), a wholly-owned subsidiary of 1MDB, up to RM800 million from the market resources or domestic financial institution. The purpose of having a loan tenure of up to 10 years is to finance the cost of relocating the military installation operated at the Sungai Besi Air Force Base, Kuala Lumpur. The relocation was necessary to give way to the Bandar Malaysia development project in that area.

ii) The Federal Government represented by the Minister of Finance II signed a Federal Government Guarantee amounted to RM800 million on 28 September 2012.

5.3.4.2 Government Guarantee in The Form of Letter of Support

The Government has granted the guarantee in the form of letter of support. Through the issuance of letter of support and in the case of a default, the Government is only responsible for fulfilling its obligation after the company uses up its entire internal fund first for repayment of its debt. Two Letters of Support were given to 1MDB for financing as follows:

a. Issuance of the USD3 billion Notes

i) Goldman Sachs, which was appointed by the Abu Dhabi Government as the arranger for the issuance of the USD3 billion Notes in the form of private placement had applied for a Letter of Support (LOS) to be issued by MKD and IPIC for the purpose to attract the interest of investors. That was because

- 1MDB and Aabar (IPIC subsidiary) were not of international standards. LOS has to be issued so that the issuance of the USD3 billion Notes by the special purpose vehicle (SPV) company, which was 1MDB BVICO would be fully patronized.
- ii) 1MDB through the letter dated 15 January 2013 to the Minister of Finance had applied to MKD to issue a LOS for the purpose of a joint venture investment project worth USD6 billion by a ratio of 50:50 with Aabar.
 - iii) The memo of the Ministry of Finance on 18 February 2013 stated that the purpose of the issuance of the bonds was to finance the investment in real estate, energy and other strategic sectors as work capital.
 - iv) On 13 Mar 2013, the Cabinet Meeting approved the following:
 - The Federal Government through the Ministry of Finance issued a LOS for the issuance of the USD3 billion Notes by 1MDB BVICO.
 - The financial support would cover the principal payment amounted to USD3 billion and cost of loan.
 - v) On 8 Mar 2013, 1MDB set up the 1MDB Global Investments Ltd. (1MDB GIL) at British Virgin Islands for the purpose of issuing the USD3 billion Notes.
 - vi) On 14 Mar 2013, the Minister of Finance signed the LOS and the Federal Government would be responsible for providing the financial assistance to 1MDB GIL under the following situations:

- If 1MDB GIL is not able to repay the debt or there is a shortfall in repayment, 1MDB has to inject capital to ensure that 1MDB GIL is able to repay its debt; and
 - If 1MDB, as the shareholder of 1MDB GIL fails to provide the fund needed as mentioned above, the Federal Government needs to take over to come up with the fund.
- vii) The audit by NAD found that the LOS for the issuance of the USD3 billion Notes was for capital injection for the joint venture company for it to carry out its investments. However, there were no details on the said projects or investments. The audit by NAD on the USD Information Memorandum (Memo) of 1MDB GIL found that on 19 Mar 2013, the net receipt from the issuance of the USD Notes was USD2.72 billion only. The memo stated the said receipt would be used as either loan or investment in Abu Dhabi Malaysia Investment Company Limited (ADMIC), which was the joint venture company of 1MDB and Aabar.
- viii) The financial statement of 1MDB Group for the year as of 31 Mar 2014 stated that an amount of USD1.56 billion from the net receipt of the issuance of the USD Notes had been invested in the portfolio management in BSI Lugano, Switzerland. The audit by NAD found that 1MDB did not inform MKD regarding the change in decision on the issuance of the fund which was to be invested in the fund investment up until the investment by ADMIC was finalized according to Mr. Azmi during the Board of Directors meeting of 1MDB on 18 Mar 2013.

USD150 Million Loan from EXIM Bank

The Cabinet agreed to issue a LOS to Timeline Zone Sdn Bhd (TZSB), a wholly-owned subsidiary of 1MDB for a loan amounted to USD150 million from EXIM Bank Berhad on 13 March 2015. This loan was for financing the general corporate purposes but not limited to the need for work capital, future capital expenditure and equity infusion of energy businesses in 1MDB Group.

Based on the notice of usage issued by TZSB dated 23 Mar 2015 to NAD, the directive of the usage of the loan amounted to USD150 million was given to EXIM Bank as follows:

- i. A total of USD0.75 million was paid to EXIM Bank for facilitation fee;
- ii. A total of USD7.23 million was transferred into the FSRA (cash collateral) account in EXIM Bank;
- iii. A total of RM0.37 million for legal and issuance fee; and
- iv. The loan balance was used to meet the need for work capital of 1MDB.

Standby Credit RM950 million by The Federal Government

Standby Credit is a financial assistance granted by the Federal Government in the form of short term loan and drawdown when there is a need for it. The standby credit given to 1MDB was as follows:

- i) On 18 February 2015, 1MDB applied to the Federal Government for a short-term loan amounted to RM3 billion for financial support in expanding the energy

sector and real estate company. To support the role of 1MDB in the implementation of the development projects, the Federal Government on the same date agreed to provide a short-term loan up to RM3 billion to 1MDB for the purpose of financing the cash flow for the development project of Tun Razak Exchange (TRX) by 1MDB RE. However, on 25 February 2015, the Cabinet has cancelled the decision to provide funding amounting to RM3 billion to 1MDB and only approved standby credit of up to RM950 million with an interest rate of 3.40% per annum and is to be repaid no later than 31 December 2015. This loan was needed to finance cash flow for repayment of the loan plus interest by 1MDB and its subsidiaries, as well as the need of the company's corporate expenses. The remaining funds required by 1MDB will be obtained from other sources, particularly through monetisation measures of 1MDB assets and accelerate the implementation of TRX and Bandar Malaysia projects.

- ii) This loan was channeled into SPV, which is wholly owned by 1MDB, namely Plenitude Mentari Sdn Bhd. The terms and conditions for the loan set by the Government are as follows:
- 1MDB as the parent company issuing Letter of Comfort on the loan and, if default occurs, 1MDB must repay the loan on 31 December 2015;
 - Negative pledge on the sale of shares in KLFID Sdn. Bhd. (a wholly owned company of 1MDB), which is the land owner in TRX; and

- Provide a statement of cash flows and project progress reports for each drawdown during the term of the loan.
- Loan disbursements were made in seven stages to Plenitude Mentari Sdn. Bhd. as in the following table:

TABLE 11

Stage	Date of Disbursement	Total (RM Million)
1	27 February 2015	115.51
2	27 February 2015	160.27
3	27 February 2015	24.29
4	06 March 2015	3.04
5	11 March 2015	243.71
6	No Information	53.18
7	07 April 2015	350.00
Total		950.00

5.3.4.3 Federal Government's Risk Disclosure

In overall, up to October 2015, the Federal Government's risk disclosure in the event where 1MDB fails to repay the loan, is estimated at RM20.31 billion, excluding interest. The details are as follows:

TABLE 12

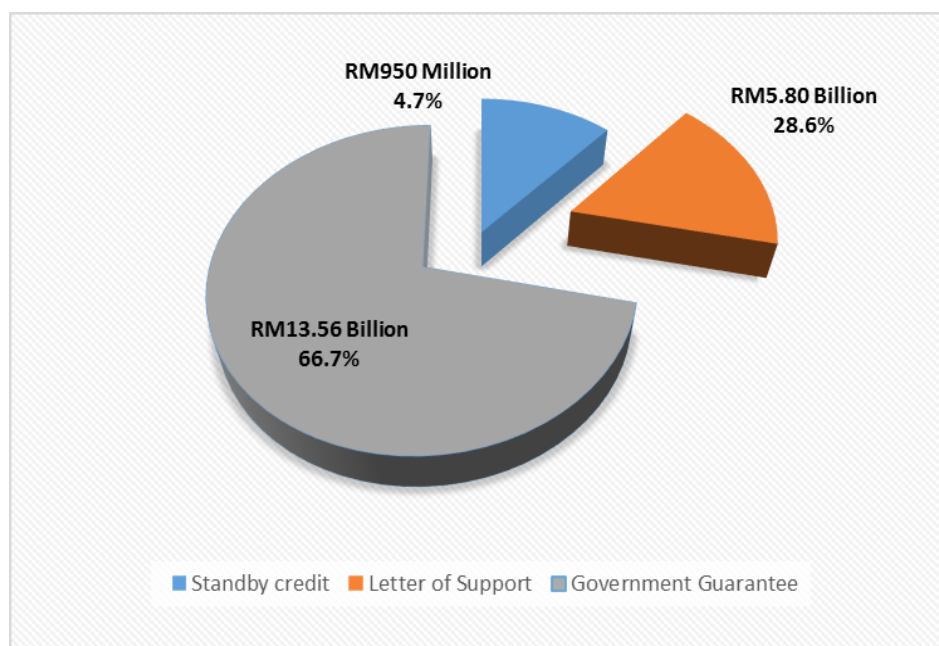
Company	Type of Assistance	Date	Type of Loan	Principal (RM/ USD Million)	% Coupon/ Interest	Date of Maturity/ Termination
1MDB	Government Guarantee	15.5.09	IMTN	5,000.00	5.75% semi annually	31.11.2039 (30 year)

1MDB Real Estate Sdn Bhd	Government Guarantee	28.9.12	Term Loan - SOCSO	800.00	4.04 per year	10.10.2022 (10 year)
1MDB Global Investments Ltd	Letter of Support	14.3.13	USD Note (Arranger-GoldmanSachs)	12,912.00/ (USD 3.0)	4.40 semi annually	09.03.2023 (10 year)
Timeline Zone Sdn Bhd	Letter of Support	18.3.15	Term Loan-Exim Bank Malaysia	645.60/ (USD0.15)	COFi+2.50 per year	23.6.16 (15 month)
Plenitude Mentari Sdn Bhd	Standby Credit	27.2.15	Federal Government Loan	950.00	3.40	31.12.15 (10 month)

Analysis by NAD towards Government Guarantee, LOS and Standby Credit of 1MDB Group as at 31 October 2015 are as follows:

- i) Government Guarantee – RM5.8 billion
- ii) Letter of Support – RM13.56 billion
- iii) Standby Credit – RM 950 million

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5.3.5 Review of Financial Statement 2010-2014

According to Section 143 (1) of Companies Act 1965, the Annual General Meeting (AGM) must be held each calendar year to table financial statements, declare dividends as agreed by the directors appoint new directors and decide the appointment of the company auditors. The company is also required to present its first financial statements in the first AGM within 18 months at the latest from the date of company's establishment and the financial statement of the coming years must be presented within 15 months from the date of the AGM.

Section 169 (1) of the Companies Act 1965 explains that the director is required to present the profit and loss account at the AGM in each calendar year no later than 18 months after the date the company is set up and subsequently once in every calendar year and not more than 15 months since the previous account is tabled.

However, the company can apply for permission from the Companies Commission of Malaysia (CCM) to extend this period as stipulated under section 143 (2) and Section 169 (2) of the Companies Act 1965.

The audited company's financial statements need to be tabled within six (6) months after the end of the financial year and to be submitted to CCM within one (1) month after the general meeting, as set out under Section 160 (1) of the Companies Act 1965. Section 169 (4) Companies Act 1965 also states that the profit and loss account and balance sheet of a company need to be audited before they can be presented at the company's AGM.

Checks by NAD found that 1MDB has submitted audited financial statements to CCM within the time stipulated, as outlined in Section 160 (1) of the Companies Act 1965. However, 1MDB failed to present its financial statements within six months after the financial year ended for 2010, 2012, 2013 and 2014, where the delay was between 36 days up to 181 days. 1MDB also failed to comply with Section 143 (1) and Section 169 (1) of the Companies Act 1965 for the financial year ended 31 March 2014 in which the

company failed to present its financial statements in its annual general meeting (AGM) in the calendar year and failed to present the financial statements within the period of 15 months from the date of the previous AGM.

However, 1MDB Financial Statements for the year ended 31 March 2015 have not been audited. On 24 July 2015, 1MDB has applied for an extension of time to present its financial statements and CCM has approved the extension until 31 March 2016 in a letter dated 21 August 2015. 1MDB informed CCM that the financial statement has yet to be audited since to all the financial information was in the authorities' possession.

5.3.5.1 Financial Statement Review For The Period Ended 31 March 2010

Equity interest in the joint venture company which was acquired on 28 September 2009 has been disposed of on 31 March 2010. To identify profit made on this disposal, 1MDB was to carry out an assessment of the equity/ assets of the joint venture company on 31 March 2010. Since the documents cannot be submitted to the company's auditors, which was Messrs. Ernst & Young (EY) and differs in views on asset ownership, which led to the termination of the service of Messrs. EY. However, Messrs. KPMG, which was appointed as the new auditor has signed the auditors' report on the financial statement ending 31 March 2010 with reference to the following documents:-

- a) Share Sale Agreement Letter dated 31 March 2010;
- b) Position Paper dated 18 September 2009;
- c) Joint Venture Agreement dated 28 September 2009;
- d) Assessment Report by Edward L. Morse, Energy Advisor Services dated 29 September 2009; and
- e) Valuation Report by Messrs Deloitte & Touche Financial Advisory Services Pte. Ltd. dated 1 October 2010.

In addition, Messrs. KPMG did not authorise the payment of investment cost of USD 1 billion that was made into the account of the joint venture company by the decision of 1MDB Board of Directors.

Review by NAD has found that the Murabahah Financing Agreement was approved by 1MDB PetroSaudi Ltd. shareholders on 14 June 2010, although the 1MDB's financial statements on 31 March 2010 stated that the agreement was signed on 31 March 2010. Messrs. KPMG confirmed that they were not given the shareholders' resolution of 1MDB PetroSaudi Ltd. dated 14 June 2010.

Changes in recognition of the date of the agreement from 14 June 2010 to 31 March 2010 has resulted 1MDB to overstating the profits amounted to RM651.80 million in which the financial statement for the period ended 31 March 2010, where a profit of RM651.80 million was supposed to be recorded in the financial statement for the year ended 31 March 2011. Without those profits, 1MDB supposed to record a loss of RM227.19 million as the following table:-

TABLE 13

Details	Total RM'000
a. Profit for the financial year ended on 31 March 2010	424,607
b. Profit on disposal of investments in joint venture company	651,800
c. Losses regardless of profit on disposal of investments in joint venture company (C = A-B)	(227,193)

Report by Messrs. KPMG on 1MDB's financial statement and its Group was released on 4 October 2010. However, Messrs. KPMG did not raise the need to disclose in the notes the events to the financial statements in the Events After The Balance Sheet Date in respect of the additional investment in Murabahah Notes totaling USD 500 million (RM1.57 billion) as at 14 September 2010.

5.3.5.2 Review of Financial Statement for the Year Ended 31 March 2011

1MDB has used RM2.50 billion funds from the Syndicated Term Loan, with a maturity period of three (3) years to subscribe for additional investment in Murabahah Notes with a longer maturity period, which would mature in March 2015 and March 2021. This practise is contrary to prudence concept. However, the loan has been paid in the financial year ended 31 March 2014 through the issuance of USD3 billion Notes for the ADMIC joint venture development project.

Messrs. KPMG confirmed that based on the accounting standards, the use of short term loans for the purpose of long-term investments does not need to be disclosed in the notes to the financial statements. It also does not indicate 1MDB's going concern problem.

5.3.5.3 Review Financial Statements For The Year Ended 31 March 2012.

1MDB Group has issued Note worth USD3.50 billion through two notes with a nominal value of USD1.75 billion over 10 years each on 18 May 2012 and 17 October 2012. Both notes were worth USD1.75 billion was guaranteed by 1MDB and International Petroleum Investment Company PJSC (IPIC) have been approved for issue by the 1MDB Board of Directors resolution dated 30 April 2012 and 9 October 2012.

Review by NAD found a total of RM4.24 billion (USD1.367 billion) out of USD3.50 billion Notes was paid to Aabar Investments PJS Ltd. (Aabar Ltd.) as a security deposit on 22 May 2012 (USD576.94 million) and 19 October 2012 (USD790.35 million). The security deposit payment was made without the approval of the 1MDB Board of Directors. In addition, the financial statements for the year ended 31 March 2012 also did not disclose events after the date of the

financial statements as it was still in the process of IPO listing as follows: -

- a. IPIC guarantee on the USD1.75 billion notes issued on 17 October 2012.
- b. Security deposit paid to Aabar Ltd. amounting to RM4.24 billion (USD1.367 billion);
- c. Call Option for 10 years that gives the right to Aabar Ltd. to acquire up to 49% of shares owned by 1MDB Energy Ltd. in the 1MDB Energy Sdn Bhd with a maximum price of RM1.225 billion;
- d. Call Option for 10 years gives the right to Aabar Ltd. to acquire up to 49% of shares owned by 1MDB Energy Langat Ltd. in the 1MDB Energy (Langat) Sdn Bhd. with a maximum price of RM862.40 million; and
- e. In the Inter-guarantor Agreement signed between 1MDB and IPIC dated 21 May 2012, 1MDB must ensure the Ministry of Finance Inc. repay all principal and related costs that have been advanced by IPIC if 1MDB fails to perform its obligations as guarantor. NAD also could not confirm whether Inter-guarantor Agreement was also provided for the second issuance of USD1.75 billion Note on 17 October, 2012. In addition, conditions in the Inter-guarantor Agreement are contrary to the letter of approval from the Minister of Finance dated 26 March 2012 and 3 August 2012 stating that the issuance of both the USD Notes were approved without a government guarantee.

Further checks has found matters mentioned above are not specified in the 1MDB's Letter of Representation regarding the audit of 1MDB's financial statements for the year ended 31 March 2012 to Messrs. KPMG dated 27 December 2012.

5.3.5.4 Review of Financial Statements For The Year Ended 31 March 2013.

In view of the 49% stake in PSOSL which was obtained on 1 June 2012 and subsequently disposed of on 12 September 2012 in which the capital gains totaling USD95.37 million (RM316.22 million) was acquired at the date of disposal. NAD did not have any documents to support this capital gain. However, Messrs. Deloitte also could not confirm this because PSOSL financial statements and the evaluation report were not submitted to them.

Messrs. Deloitte was supposed to validate the basis for the profits recorded. However, during an interview with Messrs. Deloitte, they were of the opinion that confirmation was not needed because 1MDB had disposed of the shares before the end of the financial year, i.e. on 31 March 2012 and that amount was below the materiality level set.

According to paragraph 2.6 in the Murabahah Notes Financing Agreement, the redemption can only be carried out on the following conditions: -

- a. To redeem the balance of Murabahah Notes in cash; or
- b. To change the balance of Murabahah Notes into ordinary shares in 1MDB PetroSaudi Ltd.

However, on 1 June 2012, 1MDB has changed the balance of Murabahah Notes to 49% equity in PSOSL which was contrary to the conditions above because PSOSL was not a subsidiary of 1MDB Petrosaudi Ltd. There were no documents being submitted to show that the above conditions have been amended by a supplementary agreement or those terms that had been agreed to be changed. According to the interviews with Messrs. Deloitte, additional agreements were not submitted to them during the auditing.

In addition, checks by NAD has found a total of RM4.24 billion (USD1.367 billion) from the issuance of two Notes of USD1.75 billion that was paid on 22 May 2012 and 19 October 2012 to Aabar Ltd as a security deposit without specific approval of 1MDB Board of Directors. However, Messrs. Deloitte, could not confirm whether any approval was obtained from the Board of Directors to pay the deposit.

5.3.5.5 Review of Financial Statement For The Year Ended on 31 March 2014.

On 1 September 2014, 1MDB Energy Holdings Ltd. has signed a Facility Agreement for a short-term loan amounted to USD975 million, which was also arranged by Deutsche Bank AG Singapore. Among the purposes of the loan were to refinance the existing loans of Deutsche Bank AG amounted to USD250 million and finance the acquisition and cancellation of the call option on the 1MDB Energy Langat Sdn. Bhd. shares and Powertek Investment Holdings Sdn. Bhd. shares given to Aabar Investments PJS Ltd.

The documents obtained by NAD show that the binding term sheet was signed on 2 October 2014 between 1MDB Synergy Sdn. Bhd. and Yurus Private Equity Fund I, L.P (Yurus) to acquire all the interests of Yurus in solar projects under the Master Joint Venture Agreement signed between 1MDB Synergy Sdn. Bhd. and Yurus on 11 April 2014, for a return of USD95 million.

However, review by NAD found the two matters were not being disclosed as Events After The Balance Sheet Date in the notes to the financial statements. Review by NAD has found the two matters were also not stated in the 1MDB Representation Letter dated 5 November 2014 to Messrs. Deloitte in the 1MDB Group financial audit statements for the year ended 31 March 2014.

Based on the comments by Messrs Deloitte to PAC which was referring to the company's records, Deloitte did not make any comments on the 1MDB accounts dated 31 March 2014. The accounts have been audited in a way which is unqualified, as it is "clean" and without any comment, without any qualification and without any emphasis of matter.

KPMG has verified 1MDB's accounts for the financial year ended 31.03.2010, 31.03.2011 and 31.03.2012. While Deloitte has verified 1MDB's accounts for the financial year ended 31.03.2013 and 31.03.2014. All of these accounts have been audited in a way which is unqualified as it is "clean" and without any comment, without any qualification and without any emphasis of matter (apart from 31.03.2010).

Based on the company's records, justification was given for the change of 1MDB's account auditors for the year ended 31.03.2013 (i.e. the year in which Messrs. KPMG was switched with Messrs. Deloitte) but not for the year ended 31.03.2014.

In the field of accounting, although there are accounting standards, to determine the accounting treatment for multiple transactions of a company, there are still some areas where accounting standards require interpretation either by the management and / or the auditors. The case is so technical that it requires, among other things, subjective judgment based on opinion, which may differ from one side to the other.

At the time 1MDB's accounts for the financial year ended 31.03.2013 was being prepared, there was a difference of opinion on some technical accounting issues between Messrs. KPMG and 1MDB management, which caused delays in the preparation of the accounts. Therefore, in order not to delay, 1MDB management presented the same technical issues to Deloitte, where both sides have reached an agreement on accounting treatment. Furthermore,

Messrs Deloitte, the world's largest accounting firm, has recommended a more comprehensive and thorough auditing method than that of KPMG, where almost 15 audit partners from Malaysia and other countries were would also be responsible for auditing the company. The proposal by Deloitte was considered very attractive at that time because 1MDB has purchased 15 new electric power stations operating in 5 countries and required the expertise of international auditors. Finally, KPMG was dropped and Deloitte took over as the company's auditors.

The change in auditors done by 1MDB was from KPMG to Deloitte, that was not from the "big four" to unknown small local auditors.

5.3.6 Appointment and Termination of Auditors

5.3.6.1 Messrs. Ernst & Young (EY)

Messrs. EY was the first auditor appointed on 25 March 2009 by TIA, whose contract was subsequently terminated on 15 September 2010 before the 1MDB submitted the first financial statement for the period ended 31 March 2010.

The checks conducted on the 2010 Audit Planning Memorandum dated 26 March 2010 which was prepared by Messrs. EY found the following:

- a. To determine the fair value of the assets and liabilities of the joint venture company at the date of acquisition, Messrs. EY has requested to review the due diligence report prepared by the management of 1MDB and the report regarding the ownership status of PSI property in the joint venture company. Messrs. EY also requested for financial statement of the joint venture company on 30 September 2009 to carry out an assessment of the fair value of the shares, assets,

liabilities and contingent liabilities of the joint venture company. This step is necessary to determine the goodwill value at the time of the joint venture. Messrs. EY has conducted a preliminary assessment and requested additional information to assess the reasonableness of the key assumptions to determine the expected value of the assets of PSI.

- b. During the 1MDB Board meeting on 5 April 2010 Messrs. EY has raised the need to have this document.

This shows Messrs EY was not satisfied with the reports and supporting documents submitted. This caused Messrs. EY to raise various concerns and request the management to submit more information. Messrs. EY did not find any documents related to the status of actual ownership, value and risks associated with the assets invested by the joint venture partners.

Messrs. EY has also raised the need to reaffirm the value of the asset for the purpose of reviewing the process of the appropriate accounting method to change the equity to Murabahah Notes in the financial year ended 31 March 2010. However, on the same date, 1MDB has no sufficient documents to prove ownership of the assets by the joint venture company.

This is supported by the statement during the meeting of the Board of Directors on 4 October 2010 that 1MDB PetroSaudi Ltd. has not yet prepared its financial statements and the Chief Executive Officer has convinced 1MDB Board of Directors that this matter would be discussed in the next Board meeting after receiving the financial statements of the company. However, there was no evidence to show that the discussion paper on the matter has been presented in any meeting of 1MDB Board of Directors

The stance of Messrs. EY has raised an unease situation to the management of 1MDB, hence the shareholders and the Board of Directors had decided to terminate the service of Messrs EY.

5.3.6.2 Messrs. KPMG

Messrs. KPMG was appointed on 15 September 2010 after the termination of Messrs EY. However, on 31 December 2013, the appointment of Messrs. KPMG has been terminated before 1MDB submitted its financial statements for the year ended 31 March 2013.

Based on the minutes of the meeting of the 1MDB Board of Directors on 11 November 2013, Messrs. KPMG has asked for the following documents in order to verify the fair value of 1MDB Group investment in Bridge Global SPC through Brazen Sky Ltd. (BSL) :-

- a) Confirmation on the ownership of investments of Bridge Global SPC through BSL by BSI Bank;
- b) Documents related to legal due diligence to verify that Bridge Global SPC has actually been legally established in accordance with the law, and to determine its legal structure for accounting purposes;
- c) The views of the legal counsel regarding Bridge Global SPC structure to determine the ownership of BSL for accounting purposes;
- d) The report on the net asset value (NAV) in Bridge Global SPC on 31 March 2013 and supporting documents showing how NAV was obtained; and
- e) Financial Statements of Bridge Global SPC on 31 March 2013.

Based on the minutes of the meeting between 1MDB and Messrs. KPMG on 29 November 2013, Mr. Hazem tried to convince Messrs KPMG regarding the investments. However, Messrs. KPMG was not satisfied because there was no evidence in writing.

During the meeting of the 1MDB Board of Directors on 9 December 2013, Mr. Hazem informed that Messrs. KPMG was not satisfied and would hold a meeting to determine whether the information submitted by the management of 1MDB was acceptable and sufficient for the purpose of that audit or they would issue a statement of reprimand. Messrs. KPMG decided to issue a reprimand report.

Due to the differing opinion between 1MDB and Messrs KPMG, 1MDB through its letter dated 30 December 2013 stated that Messrs. KPMG should obtained more information from the fund manager concerned. However, on 31 December 2013, 1MDB shareholders terminated Messrs. KPMG's contract and appointed Messrs. Deloitte as the new 1MDB auditors.

Messrs. KPMG in a letter dated 6 January 2014 to 1MDB management has pointed out that 1MDB's approach was only trying to convince them verbally without submitting the necessary documents. Among the key points raised in the letter are as follows:-

- a) Messrs KPMG was unable to carry out the necessary audit procedures to ensure the suitability of the classification and to evaluate the hedge/hybrid fund investment through Segregated Portfolio Company, Bridge Global Absolute Return Fund SPC by BSL;
- b) Although, Vistra Fund Services Asia Ltd. has made NAV calculation, Messrs. KPMG was unable to ascertain whether the evaluation was based on International Financial

Reporting Standards (IFRS) and the Malaysian Financial Reporting Standards (MFRS); and

- c) BSL as the holder of the fund, has the right to receive the unaudited financial statements of Bridge Global Absolute Return Fund SPC but until that date, the statement has yet been received.

In addition, several other factors stated in a letter dated 6 January 2014 also showed Messrs. KPMG was unable to validate the assessment of SPC fund without being given the additional information.

A very similar situation was also faced by Messrs. KPMG after two years as 1MDB's auditors, when it had to assess the investment of Murabahah Notes investment relating to Segregated Portfolio Company. This situation was the second time within four years, the auditor's service was ended after the end of financial year due to disagreements on investment valuation.

The termination of Messrs. KPMG as 1MDB auditors was made through 1MDB Board of Directors' Resolution dated 31 December 2013, which mentioned "*Ordinary Resolution No.1 - Upon the mutual agreement between the company and Messrs. KPMG, it is resolved that Messrs KPMG be removed as Auditors of the Company with immediate effect.*"

5.3.6.3 Messrs. Deloitte

1MDB Board of Directors had appointed Messrs. Deloitte through a resolution dated 31 December 2013 as the company's auditors after terminating the service of Messrs. KPMG. The termination of Messrs. KPMG and the appointment of Messrs. Deloitte has been made according to the recommendation by the Risk Management

and Audit Committee of 1MDB. Review by NAD up to 31 October 2015 found that Messrs. Deloitte is still the auditor for 1MDB.

Deloitte has validated their audit of the financial statement of 1MDB 2013 and 2014.

5.3.7 Failure to list Initial Public Offering (IPO) of Edra Global Energy Bhd. (Edra)

The initial proposal for 1MDB listing in the Initial Public Offering (IPO) was presented by Goldman Sachs during the Special Meeting of the Board of Directors on 8 February 2012. The proposed IPO was one of the post-acquisition strategic option after the acquisition of Tanjong Energy Holdings Sdn. Bhd. (TEHSB). 1MDB's Chief Executive Officer, Mr. Shahrol Azral has informed the 1MDB Board of Directors during a meeting on 2 March 2012, that part of the cost to finance the acquisition of TEHSB can be settled with the success of IPO.

1MDB has taken a short-term loan through syndicated bridging loan from Maybank Investment and RHB Bank Berhad amounting to RM6.17 billion while the remaining of RM2.5 billion will be borne through the issuance of USD Note totalling of USD1.75 billion that need to be settled.

During the 1MDB Board of Directors meeting on 15 October 2012, Mr. Vincent Koh has informed the implementation of IPO was expected to be in the first quarter of 2013 after the completion of the acquisition of Powertek and Kuala Langat power stations. However, in the 1MDB Board of Directors meeting on 22 January 2013, Mr. Shahrol Azral has informed that implementation of IPO was postponed until the end of 2013, after successfully acquiring and taking over of another greenfield energy project in joint venture with Mitsui & Co. Ltd. (3B Project). In addition, the postponement was made to avoid concurrent of IPO listing with the Malakoff group. In the 1MDB Board of Directors Meeting on 15 July 2013, Mr. Hazem informed that it is very important to acquire the 3B Project which will be implemented in joint venture with the Mitsui & Co. Ltd.

to meet the IPO listing criteria. Given the results of the bidding will only be known in January 2014, the IPO listing plan will be postponed once again.

Based on the Minutes of the 1MDB Board of Directors Meeting dated 19 August 2013, the Chairman of 1MDB has instructed the management to try to consolidate and rationalise all the three IPP companies as a preparation for 1MDB energy listing that was planned for 2014. Among the steps taken towards this instruction was by establishing 1MDB Energy Group Berhad (Edra) that is responsible for coordinating the planned IPO listing activities. This company later changed its name to Edra Global Energy Berhad (Edra) after the approval by the Companies Commission of Malaysia (SSM) on 1 December 2014, which becomes the parent company of the energy sector that acts as the sole management of all companies related to energy under the 1MDB group.

**TABLE 14
POSTPONEMENT OF IPO LISTING PLANS**

IPO		Reasons For The IPO Postponement
1MDB Board Of Directors Meeting	Listing Plans	
15.10.2012	First Quarter of 2013	<p>Based on the Minutes of the 1MDB Board of Directors Meeting dated 22 January 2013, IPO was postponed because:</p> <ul style="list-style-type: none"> • To add another acquisition of another greenfield energy project in joint venture with the Mitsui & Co. Ltd. • To avoid concurrent listing of IPO with the Malakoff Group.
22.01.2013	End of 2013	<p>Based on the Minutes of the 1MDB Board of Directors Meeting dated 15 July 2014, IPO was postponed due to the bidding result of the greenfield energy project in joint venture with the Mitsui & Co. Ltd. that was only known in January 2014.</p>

15.07.2013	2014	Based on the Resolution of the 1MDB Board of Directors dated 27 February 2015, IPO was postponed because there was a significant development on 1MDB and Edra that required amendments on the IPO Prospectus.
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According to 1MDB, the listing of 1MDB was postponed due to political reasons and the current market factors. Mr. Hazem, in the Board of Directors meeting on 26 March 2014 has informed that, based on the initial assessment of the investment bank, if the listing were successful, it could bring in revenue of RM15 billion to RM25 billion. However, when the IPO application was submitted to the Security Commission on November 2014, the IPO value that was expected to be acquired was in between RM9.86 billion to RM11.30 billion. According to the feedback by 1MDB, the success of the listing depends on external factors which are beyond the company's control. 1MDB has begun planning and initiate preparatory works for IPO in 2013, before negative statements and allegations made by the media and political parties in 2014 and 2015.

Impacts of the second postponement of IPO are as follow:

- Loans made with Maybank of RM6.17 billion which matured in November 2013 cannot be amortised and 1MDB has made an application to extend the maturity for another 6 months that ended in May 2014.
- 1MDB still failed to settle the loan on May 2014 and has refinanced the loan after making repayment of RM670 million. The refinance loan with Maybank currently stands at RM5.50 billion.
- The NAD assumed the repayment of RM670 million loan was made through a new loan taken in December 2013 by 1MDB Real Estate Sdn. Bhd. from Ambank Berhad. This is because most of the loan have been given to 1MDB as an advance and not used to finance the Bandar Malaysia resettlement project (which was the real purpose of the loan taken).

- 1MDB loan is increasing and financing that was supposed to be used for development project have been used partially to repay the loan.
- Borrowing costs incurred by the company was increasing and the cost that needs to be borne to extend the loan was also an additional cost.

6. 1MDB RATIONALISATION PLAN

Information based on the 1MDB's written report that was submitted to the PAC on 17 March 2016 is as follow:

A. Long Term Assets Vs Short Term Needs

1. Consolidated Debt and IPIC Advance Payment Position as at 31 January 2016*

			1MDB RM'mil	1MDB Group RM'mil
		<u>Facility</u>	<u>Jan'16</u>	
Loans and Borrowings			Carrying Amount	
1	Islamic Medium Term Notes	RM5,000 mil	4,440	4,440
2	Term loan from Marstan Investment	USD555 mil	2,000	2,000
3	PIH S/B's term loan	RM6,170 mil	-	2,889
4	1MDB Energy Ltd's USD notes	USD1,750 mil	-	6,998
5	1MDB Energy (Langat) Ltd's USD notes	USD1,750 mil	-	7,236
6	1MDB Energy (Langat) S/B's term loan	RM700 mil	-	119
7	1MDBRE term loan from SOCSO	RM800 mil	-	800
8	1MDB Global's USD notes	USD3,000 mil	-	12,082
9	Sukuk Murabahah Programme	RM2,4000 mil	-	1,626
10	Total Borrowing in Jimah Group	Total	-	4,863
11	Total Borrowing in PESB Group	Total	-	2,207
12	Term Loan from MOF	RM950 mil	-	950
13	Term Loan from EXIM Bank	USD150 mil	-	647
			6,440	46,857

- IPIC Advance Payment : RM4,300 million
- Total : RM46,857m + RM4,300m + RM51,157 million
- * NOTE: Amounts above are per “carrying amount” in 1MDB financial statements.
- Accordingly, figures are different from the ultimate principal repayment amount.
- * NOTE: MYR-USD ex-rate : 4.3

2. Finance Costs p.a.

- RM2.4 billion (2014)
- RM3.3 billion (2015)

3. Infrastructure Cost for Investment

- TRX – RM3 billion (2015-2018)
- Bandar Malaysia – RM2.7 billion (2013-2017)

Mismatch of assets in cash flow compared to the needs of interest on short-term services, infrastructure development and principal.

IPO in Edra Energy was not materialised in November 2014 because:

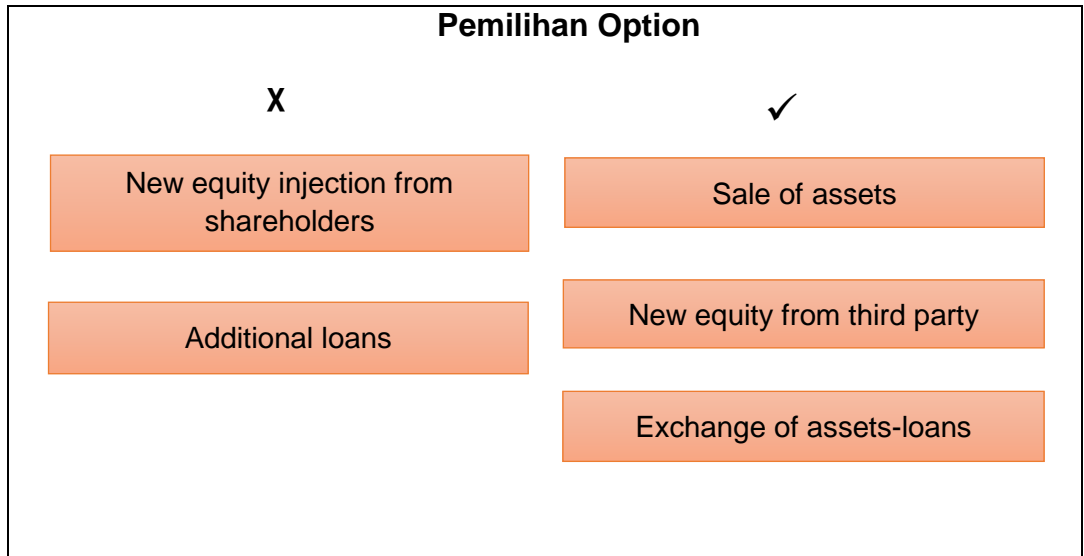
- **Negative publicity from political and media critics.**
- **Market factor.**

In November 2014, 1MDB and the Government of Malaysia have taken an immediate action to overcome the mismatch and evaluation of the going forward option.

B. Option Evaluation

By taking into account the following:

- The ability for short-term loan repayment
- The ability to match between the long-term loan for bond/Sukuk with sustainable cash flows.
- The needs of investment and ensuring the strategic projects like Bandar Malaysia and TRX will be developed in line with the vision of the Government of Malaysia.



✓ Outcome
1) Ensures international tender process for the sale of assets are transparent and at the maximum. 2) Promotes FDI. 3) Ensures the completion of strategic development projects.

C. Rationalisation Plan to Reduce Loan

All 1MDB loans and IPIC advance payments settled, exchanged and/or matched through the implementation of rationalisation plan based on current assumptions

1. IPIC loans to exchange of assets	USD4.5 billion value exchange
<p>Match & Reduce of Payment</p> <ul style="list-style-type: none"> • USD3.5 billion of USD Bonds • USD1.0 billion IPIC Advance Payment 	<ul style="list-style-type: none"> • Bi-lateral agreement for USD cash deposits and USD fund units exchange. • Bond is maintained in the Balance Sheet but the cost of interest and principal based on assumptions by IPIC.

Binding term sheet signed in June 2015, based on the completion term in June 2016.

2.

Edra Energy

Sales of RM9.83 billion Equity and RM7.43 billion change of “inherited loans”

Reduce of Payment of RM14,195 billion

- RM7.43 billion inherited loans (debt at operating companies)
- RM6.76 billion of acquisition loans

- Elimination of 100% assets in Edra Energy
- Repayment and loan change

SPA was signed in November 2015, depending on the completion term in March

- * Unaudited figures based on confirmation
- * USD-RM at 4.3 rate

3.

Bandar Malaysia

Sales of equity – Deferred Payments Terms

Match & Reduction of Loan

- GIL USD3.0 billion
- Sukuk RM2.4 billion **

- Elimination of 60% stake in BMSB including retaining 40% ownership (either 1MDB or MOF Inc SPV)
- GIL loan is maintained in the 1MDB Balance sheet but is matched with future cash flow.
- Sukuk loans of RM2.4 billion is at Bandar Malaysia project level
- The management of Bandar Malaysia will be done independently and separately by the company

SPA was signed in December 2015, completion term is in August 2016.

4.

Sales of Land Balance**Match & Reduction of Loan**

- RM5 billion of Sukuk
- RM800 million of SOCSO
**

Sales of Land and Equity based on Time Period

- Maintaining 100% ownership (either 1MDB or MOF Inc SPV)
- RM5 billion Sukuk maintained in 1MDB Balance Sheet and repayment is according to the time period.
- TRX management is independent and separate.
- Air Itam land will be managed and developed by JV shareholder.
- Sale of Pulau Indah land.

* Unaudited Figures based on confirmation

* USD-RM at 4.3 rate

** Loan repayment of RM2.4 b Sukuk and RM800 m SOCSO at TRX and BM project level.

D. EDRA Sales Revenue**EDRA SALE EQUITY PURCHASE PRICE
ADJUSTMENTS****MYR**

Aggregate value Per 31 March 2015	9,832,000,000.00
(less) Dividend Paid Apr 15-Mar-16	(585,264,073.40)
Total amount payable by CGN at Closing 23 Mar 2016	9,246,735,926.60
(less) Maybank Loan Repayment	(2,975,559,169.10)
(less) Marstan Loan Repayment	(2,200,000,000.00)
(less) EXIM Bank Loan Repayment	(645,000,000.00)
(less) Govt. of Malaysia Loan Repayment	(985,220,000.00)
(less) Fees and Transaction Costs	(117,000,000.00)
Cash Balance from Edra Sale Proceeds	2,323,956,757.50

E. Cash Flow Statement for 1MDB Rationalisation Plan

Cash flow statement prepared by 1MDB for a detailed Rationalisation Plan is as follow:

CASH FLOW FOR 1MDB RATIONALISATION PLAN

CASH FLOWS	2016	2022	2023	2039	TOTAL
Edra Sale Cash Balance	2,320.00				
Pulau Indah Sales Proceeds	300.00				
Bandar Malaysia 10% Deposits	741.00				
IPIC USD 1b Advance (Debt Swap)	4,200.00				
IPIC USD 3.5b Bond Interest (Debt Swap)(2016-2022)		5,413.10			
IPIC USD 3.5b Bond Principal (Debt Swap)(2016-2022)		11,900.00			
Bandar Malaysia 40% Stake Future Value			6,543.97		
Bandar Malaysia 60% Stake Deffered Payment			4,537.00		
Bandar Malaysia 60% Interest (2016-2023)			2,041.65		
Air Itam Land + JV GDV Profits Share			1,950.00		
TRX 100% Stake Future Value				12,286.10	
Total Cash Inflows	7,561.00	17,313.10	15,072.62	12,286.10	52,232.82
LESS CASH OUTFLOWS					
1MDB Repayment of TRX Intercompany Loan	1,250.00				
IPIC USD 1b Advance	4,200.00				
1MDB Energy USD3.5b Bond Interest (2016-2022)		5,413.10			
1MDB Energy USD3.5b Bond Principal (2022)		11,900.00			
1MDB GIL USD3.0b Interest (2016-2023)			3,643.20		
1MDB GIL USD3.0b Principal (2023)			10,200.00		
Bandar Malaysia 40% Capital Call			208.00		
RM 5b Sukuk Interest (2016-2039)				6,768.00	
RM 5b SukukPrincipal (2039)				5,000.00	
1MDB OPEX (2016-2039)				690.00	
Total Cash Outflows	5,450.00	17,313.10	14,051.20	12,458.00	49,272.30
					SURPLUS 2,960.52

Assumptions for Rationalisation Plan on 17 March 2016 are as follows:

- TRX yearly value increased from 5% p.a. (2017-2039)
- TRX land sales, equity sales and building sales for RM5 billion Sukuk repayment
- SOCSO loan of RM800 million will be at TRX as a repayment from TRX project cash flows
- As a conservative, it is assumed that the Rationalisation Plan has no dividend payment from TRX 100% ownership.
- Yearly evaluation of Bandar Malaysia will increase (2017-2023) at 5% rate p.a. for 2017, 2018-2023 at 10% p.a.
- 40% stake of Bandar Malaysia will be transferred to GLC or GLIC by 2023. The acceptance of transfer of 60% stake deferred payment and the return of Air Itam Land JV will be used for repayment purposes of USD3.0b 1MDB-GIL Bond.
- RM2.4b of Bandar Malaysia Sukuk will be in Bandar Malaysia as a repayment from project cash flow.
- As a conservative, it is assumed that the Rationalisation Plan will have no dividend payment from Bandar Malaysia 40% stake.
- Injection of Air Itam land to JV, land development by JV partners.
- Sales of Pulau Indah land.
- 2 x USD1.75 billion = USD3.5 billion bonds. Bond will be retained in the Balance Sheet in which the interest and principal will be paid by IPC according to the current Binding Term Sheet.
- RM-USD Avg exchange rate p.a.: 2016: 4.3, 2017: 4.0, 2018: 3.8, 2019: 3.6, 2020-2022: 3.4.
- Permanent loan in 1MDB's Balance sheet: RM5 billion Sukuk, USD3.0 billion and 2 x USD1.75 billion bonds. Servicing of the debt will be from matching cash flows.
- Any shortages on the above assumptions will be borne from the profits.

7. CORPORATE GOVERNANCE AND INTERNAL CONTROL

A good corporate governance will be able to assist the company in improving efficiency, transparency and accountability in achieving its objectives and enabling the operation of the company to be managed properly. Among the importance of establishing a good corporate governance and internal control is to ensure the company is managed according to the laws and proper business etiquettes. A good control element can strengthen the roles and responsibilities of the Board of Directors in ensuring the company's competitive advantage and effective risk management.

The Companies Act 1965 stated the responsibilities to be observed by the company to ensure good governance and finance. In addition, the guidelines issued by Putrajaya Committee on High Performance GLC through the Green Book: Enhancing Board Effectiveness (Green Book) and Blue Book: Intensifying Performance Management Practice (Blue Book) and Malaysian Code on Corporate Governance 2012 (MCCG 2012) issued by the Securities Commission has detailed basic principles and recommended actions related to important items of good management and corporate governance. Therefore, this guideline can be used as the best source of reference to important matters in management and culture of business. Failure to follow the principles of governance can expose the company to the risks of losses and failure to achieve its goals and objectives.

1MDB is a government-owned company belonging to the Ministry of Finance Incorporated (MOF Inc.). However, as an MOF Inc. company, 1MDB was given more privileges and flexibility compared to other government-owned companies under Ministry of Finance.

Among them are as follows:

- a. No shareholders representative in the 1MDB's Board of Directors
- b. Corporate tax exemption on all income of the company and some of its subsidiaries for a period of 10 years starting from 23 November 2010.
- c. Exemption of some of the Government's regulations in the management of revenues, remuneration and bonus payment to all members of Board of Directors and 1MDB management.

- d. Receive a few Government's guarantees and letter of supports and standby credit to finance the operation of the company. For example, receives a warranty period of 30 years for the issuance of the Islamic Medium Term Notes (IMTN) with a nominal value of RM5 billion.

Therefore, the operations and investments of this company are not regulated by MOF Inc.

7.1 THE IMPLEMENTATION OF 1MDB GROUP GOVERNANCE

Based on a review by NAD, it is found that in overall, the aspect related to corporate governance and internal control of 1MDB are unsatisfactory. It is found that part of the 1MDB's action and the decision by Board of Directors were not consistent with the best practice of corporate governance as described in the following paragraphs.

7.1.1 IMPORTANT INVESTMENT DECISIONS MADE ONLY THROUGH WRITTEN RESOLUTIONS

The Green Book recommends Board of Directors to have meetings with an average of six to eight times a year based on the needs of the company. Members of the Board of Directors are to be responsible to ensure that the corporate governance is established in managing the operation of the company in efficient and organised way, including by having a regular meeting to monitor the strategic achievement and financial performance in line with key performance indicators (KPI). Through the Board of Directors meeting, each of the members are able to give professional opinion, advice and explanation and full access on specific matters in the meeting's agenda.

Based on a review by NAD, it is found that the 1MDB Board of Directors has had meetings more than the average number of meetings recommended by the Green Book, with the number of meetings of 8 to 16 times per year for the period of 2009 to August 2015. On the other hand, the analysis by NAD found that the 1MDB Board of Directors has approved 425 written resolutions for the same period.

Even though Board of Directors meetings were held, NAD found that most of the important decisions in view of investment were made through written resolution such as making new investment, ending an investment or extending the period of an investment involving investments between USD1 billion to USD2.22 billion.

This shows constructive discussions between the Board of Directors and detailed evaluation on an investment was not done before an important decision was made. However, Chairman of the 1MDB Board of Directors informed the Public Accounts Committee (PAC) on 19 January 2015 that there were discussions made on investment before approval were given through resolution.

7.2 INVESTMENT MADE WITHOUT COMPREHENSIVE STUDY

Section 132 of the Companies Act 1965 states that the Board of Directors shall at all time exercise its powers to make the best decisions in the interest of the company. Other than that, the Green Book also states that the Board of Directors are responsible for managing risks by ensuring the management perform all the necessary studies before an investment is finalised to reduce the risk of failure and to protect the company.

Interview by NAD with the former 1MDB Chief Executive and several 1MDB Board of Directors found that they believe the Investment Committee does not need to be established as the number of 1MDB Board of Directors is small and all investments made were discussed in the Board of Directors meetings or through Board of Directors resolutions. The absence of the Investment Committee had contributed to the investment decisions made without thorough evaluation process or proper due diligence. In the four years since the establishment of 1MDB in 2009 and 2012, 1MDB investment with initial fund of RM5 billion IMTN has changed for four times from equity investment in a joint venture with PetroSaudi Holdings (Cayman) Ltd., a subsidiary of PetroSaudi International Ltd. down to portfolio funds of Cayman Islands. Changes in investment decisions in a short period involving huge amount of fund shows that the investment decisions were not made according to good governance practice.

Analysis by NAD found that some considerations related to investment decisions were made without thorough evaluation process. Among them are as follows:

- a) IMTN was issued in a short period of time because of the recommendations made by TIA special advisor, which at that time was to expedite the issuance of IMTN with the purpose to develop Bidong Island in collaboration with Mubadala company in 2009. Besides that, issuance of IMTN was made without taking action on the matters raised by TIA Board of Directors first. The issuance of IMTN with discount rate of 12.08%, resulting in every RM100 nominal value is equivalent to RM87.92 and generate net receipts of RM4.385 billion compared to the nominal value of RM5 billion. In addition, the profit rate for the investors is 5.75% per annum (effective rate of 6.68% per year) for a period of 30 years.
- b) The decision to invest in the joint venture with PetroSaudi was made in eight days, where the Board of Directors was only informed on 18 September 2009 that the joint venture agreement will be ratified on 28 September 2009. 1MDB investment of USD1 billion in this joint venture was made without due diligence process; no breakdown of details regarding the described project in the proposal paper prepared by the management; and no feasibility study was done on investment projects that will be done. Aspects of the project that were not studied in details before approval of investment include the background of the joint venture partner, the overall cost of the project and the term of investment that will be implemented. There are four different companies registered under the PetroSaudi but the proposal submitted for approval from the Board of Directors did not state all of the important information. In addition, the joint venture agreement contains several clauses that do not protect the interests of 1MDB.
- c) The decision to convert the equity in the joint venture company to Murabahah Notes subscription was made without a detailed discussion among the 1MDB Board of Directors and without evaluating the credit capabilities of PetroSaudi International Ltd. as a

corporate guarantor for the issuance of Murabahah Notes in 2010 and 2011 by 1MDB PetroSaudi Ltd. No justification for 1MDB to make additional subscriptions of Murabahah Notes while the funds to finance the investment were also obtained through loans from financial institutions.

- d) The change of Murabahah Notes to equity investment in the PetroSaudi Oil Services Limited (PSOSL) was made without any due diligence study to identify liabilities, the capability to generate fund and previous financial performance. The consideration for the investment did not take into account on the interest of 1MDB because the management still continues with the investment proposal in PSOSL despite being aware that PSOSL operates in the waters of Venezuela which are under sanction by the United States of America. Orders by the 1MDB Board of Directors to ensure PSOSL get to prolong drilling contract in Venezuela was also not performed by the management before the investment was done.
- e) For investment in the Segregated Portfolio Company (SPC), 1MDB took a high risk in deciding on an investment of USD 2.318 billion. This investment was made through Bridge Global Absolute Return Fund SPC (Bridge Global SPC), a one month company which has no licence as a fund manager or no experience to manage large funds.
- f) The acquisition of shares of the Tanjong Energy Holding Sdn. Bhd. with the bidding price of RM10.60 billion on 8 February 2012 was made without detailed consideration regarding the financing method, the cost of loan and commitment that need to be borne by 1MDB for the acquisition.
- g) For the acquisition of shares of the Mastika Legenda Sdn. Bhd. which was approved through a resolution dated 10 August 2012 with a price of RM2.75 billion, it is found that the proposal paper prepared by the 1MDB management did not have assumption management which should be taken into account when deciding. Among them are the basis and component of the cost acquisition determiner/enterprise value up to RM2.75 billion; investment target return and the ability to pay principal and cost of loan in the expected term; detailed explanation regarding the surplus of cash receipts

from the loan and issuance of USD1.75 billion notes compared to the acquisition, and the implication of the “10-years call and swap option” offered to SPV Aabar (IPIC subsidiary) on IPO and the financial performance of 1MDB as a whole.

- h) For the solar project, the 1MDB Board of Directors in a meeting dated 26 March 2014 has approved an unincorporated Master Joint Venture Agreement with DuSable without detailed consideration on the issue of technology restriction from another country, cost and long-term benefits to be gained by 1MDB.
- i) In addition, analysis by NAD found a few decisions related to loan/financing for investments were made without any detailed plans. The details are as follow:
 - i. The implications of guarantees given by IPIC on the issuance of USD1.75 notes (the first) including call and swap option and security deposit were made without any detailed studies on the impact of it on IPO and financial position of 1MDB Group.
 - ii. The 1MDB Group has acquired 10 loans/short-term financing of 15 to 48 months to finance the acquisition of energy sector assets which would be done over a long-term. This has caused 1MDB to take a new loan/financing to repay the loan/short-term financing which has matured.
 - iii. The implementation of IPO was delayed due to acquisition of new projects to increase the value of IPO without making projections of the company’s actual ability to repay the principal and cost of loans in the near term and the restrictions imposed by the financier.

7.3 THE ACTION OF THE MANAGEMENT WITHOUT APPROVAL BY THE BOARD OF DIRECTORS

The management is responsible to implement all decisions made by the Board of Directors to the best of its ability. Meanwhile, the Board of Directors plays the role to monitor all actions implemented by the management.

However, NAD found that most of the actions by the management of 1MDB were justified by general approval instead of specific approval by the 1MDB Board of Directors for each investment. Analysis by NAD on all 1MDB documents found that some actions by the management were made without specific approval or detailed discussion with the 1MDB Board of Directors. Among them are as follows:

- 7.3.1. The management of 1MDB did not inform the 1MDB Board of Directors regarding the proposed joint venture letter from Mr. Tarek Obaid dated 28 August 2009 and the terms proposed in regards to the joint venture agreed between 1MDB and PetroSaudi International Ltd. Among the proposed terms are the establishment of the holding ratio, cash distribution of USD1 billion, the value of assets, goodwill and profit expectations in the proposed joint venture.
- 7.3.2. Clear explanation was not given to 1MDB Board of Directors about the joint venture partner and the relation between the three companies which are PetroSaudi International Ltd. (Saudi), PetroSaudi Holdings (Cayman) Ltd., and PetroSaudi International (Cayman). The 1MDB Board of Directors gave conditional approval to the management of 1MDB to implement the joint venture with PetroSaudi International Ltd. but the actual agreement was signed with PetroSaudi Holdings (Cayman) Ltd., without informing the 1MDB Board of Directors regarding the change in partner. The PetroSaudi Holdings (Cayman) Ltd. is a newly established company by PetroSaudi International Ltd. for the joint venture purposes.
- 7.3.3. The establishment of 1MDB PetroSaudi Ltd. which later became the joint venture company was registered in advance by PetroSaudi Holdings (Cayman) Ltd. on 18 September 2009. It was eight days before the conditional approval was obtained from the 1MDB Board of Directors on 26 September 2009. The 1MDB Board of Directors was not informed that the company (1MDB PetroSaudi Ltd.) was established on 18 September 2009, the same day the proposal was

presented to the Board of Directors. This shows that the management of 1MDB had decided to go into a joint venture with PetroSaudi International Ltd. earlier without informing the Board of Directors.

- 7.3.4. The 1MDB Board of Directors was not informed of the clause in the joint venture agreement stating that, the joint venture company (1MDB PetroSaudi Ltd.) had to pay USD700 million loan taken from its parent company, PetroSaudi Holdings (Cayman) Ltd. on or before 30 September 2009, which was two days after the agreement was signed. NAD's interview with the former 1MDB Board of Directors in June 2015 found that the loan in the form of an advance was never presented or discussed by the 1MDB management before the joint venture project was finalised.
- 7.3.5. The approval from 1MDB Board of Directors was not obtained to pay USD700 million from the USD1 billion investment to be transferred into an account belonging to another company to pay for the advance loan. Correspondence emails between lawyers of the two companies on 30 September 2009 had questioned about a letter requesting payment of advance of USD700 million using the letterhead of PetroSaudi International Ltd, whereas the one that gave the advance was PetroSaudi Holdings (Cayman) Ltd.
- 7.3.6. The 1MDB Board of Directors was not informed about the appointment of Edward L. Morse as a valuer to carry out an independent valuation on the hydrocarbon assets of PetroSaudi International Ltd. and its subsidiary although the 1MDB management had begun negotiations regarding the terms of appointment of the valuer. This was proven through the valuer's terms of appointment letter dated 20 September 2009. However the 1MDB Board of Directors only directed that the appointment of an independent professional valuer to value the assets of the joint venture company

during a meeting on 26 September 2009 as one of the conditions for the approval to continue with the joint venture project. The valuation report by Edward L. Morse was released on 29 September 2009 and the valuer's terms of appointment letter was also signed by Mr. Shahrol Azral on the same date, which was one day after the signing of the joint venture agreement. The 1MDB management did not inform the appointment of Edward L. Morse to 1MDB Board of Directors during the meeting. Besides, taking into account the complexity of the assets which were valued, the valuation report can be provided within eight days from the date of the valuer's terms of appointment letter.

- 7.3.7. The approval from the 1MDB Board of Directors and shareholder to convert Murabahah Notes to PSOSL equity was only signed on 20 June 2012 but Mr. Shahrol Azral had already signed five documents related to the acquisition on 1 June 2012. It shows that the decision to dispose Murabahah Notes and acquire a 49% equity stake in PSOSL had been implemented earlier by Chief Executive Officer of 1MDB prior to the approval of the 1MDB Board of Directors.
- 7.3.8. The application for the suspension of payment of RM6.17 billion syndicated bridging loan from Maybank Investment Bank Bhd. on the loan for the acquisition of shares in Tanjong Energy Holdings Sdn. Bhd. (TEHSB) was made on 22 November 2013 whereas the approval from 1MDB Board of Directors was only obtained on 13 December 2013.
- 7.3.9. Credit enhancement (security deposit) totalled USD1.367 billion (RM4.468 billion) for the issuance of two Notes of USD1.75 billion to finance the acquisition of the energy sector of 1MDB Group was paid to Aabar Ltd. on 22 May 2012 and 19 October 2012 without special approval from the 1MDB Board of Directors.
- 7.3.10. Settlement Agreement for the termination of the option states that refundable deposit of USD300 million must be paid to Aabar Ltd. on 30 September 2014 and the balance is due 45 days after the IPO has been carried out. However, in November 2014, the management

had informed the 1MDB Board of Directors that a total of USD993 million had been paid, which exceeds the amount specified in the agreement without getting the approval of the 1MDB Board of Directors.

- 7.3.11. Credit Enhancement Agreement and Settlement Agreement had been signed with Aabar Ltd. But for now, the 1MDB has not yet put forward any confirmation that the Aabar Ltd. company is a subsidiary of IPIC or Aabar Investments PJS (Abu Dhabi).
- 7.3.12. 1MDB had submitted a Certificate of Incumbency issued by Offshore Incorporations Limited to prove that Aabar Ltd is a subsidiary of IPIC. Offshore Incorporations Limited Company which operated in Hong Kong was an agent that provides company registration services in BVI. NAD found that Aabar Ltd was not listed in the IPIC group based on the financial statements of 2013 and 2014.
- 7.3.13. NAD was unable to confirm the payment of USD855 million, USD993 million and USD295 million as an option termination payment and/or top up security deposit to Aabar Ltd. This was due to the incomplete supporting documents submitted by 1MDB to NAD.
- 7.3.14 The management process and the redemption of investment portfolio of SPC includes several situations in which the 1MDB Board of Directors was not given accurate information or the management was not transparent in providing information to the Board of Directors. For example, the 1MDB management was not informed that the proceeds of the redemption of investment portfolio of SPC held by Brazen Sky Limited had been pledged to Deutsche Bank; 1MDB Board of Directors was not informed that the actual payment of Aabar option was made by using the proceeds of the redemption of investment portfolio of SPC; and the 1MDB Board of Directors was only informed of the actual amount paid for the Aabar option after the payment was made. Asset Sale Agreement which was signed on 2 January 2015 in which Aabar Investments PJS Limited agreed to buy the remaining investment portfolio of SPC amounted to USD939.87 million from Brazen Sky Ltd. was also not presented

for the approval by the 1MDB Board of Directors and shareholders. It shows that the management had acted without the consent of the 1MDB Board of Directors, which required the balance of the investment portfolio of SPC to be redeemed before the end of December 2014 and the proceeds was to be brought back to Malaysia.

- 7.3.15 NAD was not able to confirm the balance of investment portfolio of SPC amounted to USD939.87 million because 1MDB did not submit a complete financial document. However, 1MDB auditors had confirmed the balance of the investment portfolio of SPC.
- 7.3.16 The decision of the collateral of the entire investment portfolio of SPC amounted to USD2.318 billion to Deutsche Bank as a guarantee on the loan amounted USD975 million was only been informed by Mr. Azmi Tahir, Chief Financial Officer of 1MDB during the meeting of 1MDB Board of Directors on 20 December 2014, showed that the decision was made without the special approval from the Board of Directors. 1MDB Board of Directors also believed that to use the entire investment portfolio of SPC as collateral was not reasonable as the loan amount was only USD975 million compared to the amount of collateral of USD2.318 billion.
- 7.3.17 The actions of the management that contradict with the instruction from the Board Of Directors/Shareholders are as follows:

TABLE 15
ACTIONS OF THE MANAGEMENT THAT CONTRADICT
WITH THE INSTRUCTION FROM BOARD OF DIRECTORS/ SHAREHOLDERS

Activity	The Decision Of Board Of Directors/Shareholders	The Action Of The Management
The deferment of IMTN issuance.	TIA Board of Directors resolution dated 22 May 2009 terminated and suspended all affairs related to the issuance of IMTN, and suspended the powers of the Chief Executive Officer in relation to IMTN.	<ul style="list-style-type: none"> • IMTN issuance continues in which Mr. Shahrol Azral had signed the IMTN Subscription Agreement with AmBank on 25 May 2009 (three days after the suspension), and signed the Aqad Agreement and the Sale and Purchase Agreement on 26 May 2009.
The termination of Mr. Shahrol as director of TIA.	TIA shareholder resolution dated 27 May 2009 signed by the Chief Minister of Terengganu had terminated Mr. Shahrol Azral as the company director.	<ul style="list-style-type: none"> • Datuk Ismee and Mr. Shahrol Azral as the TIA Board of Directors had called off the order from the shareholders through a resolution of the Board of Directors on the same date, 27 May 2009.
Three directors were appointed as 1MDB representatives in the joint venture company, 1MDB PetroSaudi Ltd.	1MDB Board of Directors meeting on 18 September 2009 and 26 September 2009 decided to appoint three directors where two of them must have professional qualifications or experience in the relevant sector as 1MDB representatives in a joint venture company with PetroSaudi.	<ul style="list-style-type: none"> • The joint venture agreement dated 28 September 2009 stated that 1MDB was entitled to appoint two directors in the composition of the Board of Directors of the joint venture company. This shows that the 1MDB management did not comply with the instructions of the Board of Directors to appoint three representatives in the joint venture company.
The contribution in the joint venture company, 1MDB PetroSaudi Ltd.	The Board of Directors meeting on 18 September 2009 decided that PetroSaudi is to contribute 50% in cash form (or at least USD1 billion) and another 50% in assets form to the joint venture company.	<ul style="list-style-type: none"> • 1MDB management did not follow the instructions of the Board of Directors but on the contrary had agreed with Tarek Obaid's proposal as in his letter dated 28 August 2009, where PetroSaudi's contribution was the in the form of 100% assets rather than cash.
A transfer of USD1 billion to a bank account of the joint venture company.	1MDB Board of Directors at its meeting on 26 September 2009 had approved the transfer of USD1 billion to the bank account of the joint venture company for the subscription of 1 billion shares in 1MDB PetroSaudi Ltd.	<ul style="list-style-type: none"> • On 30 September 2009, a total of USD300 million was transferred to account 7619400 in J.P.Morgan (Suisse) SA, the bank of 1MDB PetroSaudi Ltd. but the balance of USD700 million was transferred on the same date to account 11116073 at RBS Coutts Bank Ltd., owned by another company that was not involved in this joint venture project.

Activity	The Decision Of Board Of Directors/Shareholders	The Action Of The Management
Opening a bank account for the joint venture company, 1MDB PetroSaudi Ltd.	1MDB Board of Directors resolution dated 25 September 2009 approved the opening of an account of BSI SA, Geneva.	<ul style="list-style-type: none"> • The decision to change the bank account from the account of BSI SA, Geneva to JP Morgan (Suisse) Geneva made through a resolution dated 30 September 2009. • 1MDB Board of Directors questioned that this matter has been done without their knowledge in a meeting on 3 October 2009. • NAD's interview with former 1MDB Board of Directors found that they were not aware of this resolution although their signatures were on the document.
Status of the asset ownership of the joint venture company, 1MDB PetroSaudi Ltd.	Instruction from 1MDB Board of Directors on 26 September 2009 was to appoint an independent professional valuer to value the assets of the joint venture company.	<ul style="list-style-type: none"> • The joint venture agreement dated 28 September 2009 stated that the assets of the joint venture company were the assets transferred from PetroSaudi International Cayman to 1MDB PetroSaudi Ltd. • But the asset valuation report by Edward L. Morse, dated 29 September 2009 was on the assets owned by PetroSaudi International Ltd. • These companies were different entities. • The valuation report also unable to confirm the assets owned by Petro Saudi Turkmenistan 1 Ltd. (Jersey company) and Petro Saudi Ltd. Inc. (Panama company). • This raises the question of the assets ownership of the joint venture company 1MDB PetroSaudi Ltd.
The second valuation of the joint venture assets.	1MDB Board of Directors meeting on 3 October 2009 and on 10 October 2009 directed the management to appoint a consultant / independent valuer to do a second valuation on the assets of the joint venture company.	<ul style="list-style-type: none"> • Mr. Shahrol Azral informed that the Chairman of the Advisory Board disagreed with this proposal and instructed the 1MDB Board of Directors to appoint a consultant to value the ownership of the joint venture company. However, there were no documents proving the second valuation or appointment of consultant as ordered by the 1MDB Board of Directors/ shareholders had been implemented.

Activity	The Decision Of Board Of Directors/Shareholders	The Action Of The Management
Murabahah Financing Agreement between 1MDB and 1MDB PetroSaudi Ltd.	<ul style="list-style-type: none"> • 1MDB Board of Directors Resolution No. 17/2011 showed that the effective date of the agreement was on 14 June 2010. • 1MDB Board of Directors Resolution No. 25A/2012 stated that the Murabahah Financing Agreement dated as 14 June 2010. • Notice of Drawing dated 12 May 2011 issued by 1MDB PetroSaudi Ltd. to 1MDB signed by Mr. Tarek Obaid showed the Murabahah Financing Agreement dated 14 June 2010. • 1MDB PetroSaudi Ltd. Shareholder resolution for the shares held by 1MDB also dated 14 June 2010. 	<ul style="list-style-type: none"> • The Management Representation Letter issued by 1MDB on 4 October 2010, signed by Mr. Shahrol Azral stated that Share Sale Agreement had been ratified on 31 March 2010. • Copies of Murabahah Financing Agreement dated 31 March 2010.
Equity acquisition of Mastika Legenda Sdn. Bhd. (MLSB)	<p>1MDB Board of Directors through a resolution dated 25 July 2012 required the reports/results of asset valuation, due diligence and red flags provided by the consultant to be presented in the Board of Directors Meeting.</p>	<ul style="list-style-type: none"> • No record of the presentation of all reports as required by the 1MDB Board of Directors in the next meeting.
Acquisition of Tanjong Energy Holdings Sdn. Bhd. (TEHSB).	<p>1MDB Board of Directors meeting on 8 February 2012 which approved the acquisition of TEHSB required the 1MDB management to provide sensitivity analysis if the value of assets abroad was given 50% discount and to provide a comparison of the terms of the Power Purchase Agreement of assets in Malaysia and abroad.</p>	<ul style="list-style-type: none"> • TEHSB share purchase agreement was signed on 2 March 2012 without ensuring that the instruction of the 1MDB Board of Directors on 8 February 2012 had been implemented.

Activity	The Decision Of Board Of Directors/Shareholders	The Action Of The Management
To redeem the SPC fund portfolio and to be brought back to Malaysia.	1MDB Board of Directors in almost every meeting since May 2013 to May 2015 had directed the 1MDB management to redeem the investment portfolio in the SPC and to bring it back to Malaysia	<ul style="list-style-type: none"> • No serious action taken by the 1MDB management for the period from May 2013 until August 2014 to implement the instruction of 1MDB Board of Directors to redeem the entire investment portfolio of the SPC. • Money transfer from the proceeds of the redemption of SPC portfolio from Brazen Sky to 1MDB GIL did not comply with the instructions of the 1MDB Board of Directors in which the redemption proceeds of SPC portfolio should be brought back to Malaysia. That money transfers were also not presented for the special approval from the 1MDB Board of Directors.
The actual status of the fund portfolio in SPC.	During the Special Meeting of the 1MDB Board of Directors on 12 January 2015, Mr. Arul Kanda informed that the balance of SPC portfolio amounted USD939.87 million had been redeemed and held in cash form since 31 December 2014.	<ul style="list-style-type: none"> • Several facts and statements during the 1MDB Board of Directors meeting, press statements and the explanation to NAD in which brought up the issue on the redemption of the balance of SPC portfolio amounted USD939.87 million.
The use of provisions by the Government for the relocation of PUKL.	The Government has agreed to bear a part of the development cost for the relocation totalling RM1.117 billion while 1MDB will bear RM1.60 billion according to the Kuala Lumpur Air Force Base Relocation Agreement dated 15 June 2011.	<ul style="list-style-type: none"> • Until May 2015, the Government had fully transferred the provisions of RM1.117 billion. However, a total of RM288 million had been given in advance to 1MDB and was not fully utilised to finance the relocation of PUKL as the actual purpose of that provision given by the Government.

Activity	The Decision Of Board Of Directors/Shareholders	The Action Of The Management														
<p>The use of term loan from Ambank (M) Berhad of RM550 million.</p>	<ul style="list-style-type: none"> • 1MDB Board of Directors resolution dated 3 December 2013 had agreed that 1MDB RE was given term loan from Ambank (M) Berhad of RM550 million with annual interest rate of 5.09%. • The purpose of this loan was to finance the cost of construction of replacement facilities from PUKL to the relocation sites, as well as some initial expenses and the mobilisation related to the cost of infrastructure projects of TRX. 	<ul style="list-style-type: none"> • The 1MDB RE financial statement for January 2014 showed that a total of RM550 million from the term loan had been deposited into the account of 1MDB RE on 7 January 2014. However, on the same date, the entire amount was transferred to 1MDB. The loan was supposedly to be fully utilised for the relocation of PUKL for the Bandar Malaysia and TRX project. 														
<p>USD3 billion Notes Issuance for the TRX development project.</p>	<ul style="list-style-type: none"> • 1MDB through its subsidiary, 1MDB Global Investments Ltd. (1MDB GIL) had issued USD3 billion Notes on 19 March 2013 with the letter of support from Ministry of Finance. • The Notes were issued for the purpose of startup capital for the investment in Abu Dhabi Malaysia Investment Company Ltd. (ADMIC), which was the joint venture company between 1MDB and Aabar Investments PJS, as well as for general corporate purposes. • 1MDB GIL financial statement for 2014 stated that ADMIC was the joint venture company established for the TRX development project. 	<ul style="list-style-type: none"> • The USD3 billion Notes Issuance was not transferred for the TRX development project, but it was used for the following expenses: <table border="1" data-bbox="863 1128 1362 1559"> <thead> <tr> <th data-bbox="863 1128 1153 1178">DETAILS</th> <th data-bbox="1153 1128 1362 1178">USD MILLION</th> </tr> </thead> <tbody> <tr> <td data-bbox="863 1178 1153 1227">Transfer to 1MDB</td> <td data-bbox="1153 1178 1362 1227">1,007.04</td> </tr> <tr> <td data-bbox="863 1227 1153 1305">Transfer to 1MDB Energy Ltd.</td> <td data-bbox="1153 1227 1362 1305">24.85</td> </tr> <tr> <td data-bbox="863 1305 1153 1384">Transfer to Brazen Sky Ltd.</td> <td data-bbox="1153 1305 1362 1384">1.50</td> </tr> <tr> <td data-bbox="863 1384 1153 1433">Investment abroad</td> <td data-bbox="1153 1384 1362 1433">1,581.43</td> </tr> <tr> <td data-bbox="863 1433 1153 1512">Donation to Yayasan Rakyat 1Malaysia</td> <td data-bbox="1153 1433 1362 1512">35.00</td> </tr> <tr> <td data-bbox="863 1512 1153 1559">TOTAL</td> <td data-bbox="1153 1512 1362 1559">2,649.82</td> </tr> </tbody> </table>	DETAILS	USD MILLION	Transfer to 1MDB	1,007.04	Transfer to 1MDB Energy Ltd.	24.85	Transfer to Brazen Sky Ltd.	1.50	Investment abroad	1,581.43	Donation to Yayasan Rakyat 1Malaysia	35.00	TOTAL	2,649.82
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Donation to Yayasan Rakyat 1Malaysia	35.00															
TOTAL	2,649.82															

Activity	The Decision Of Board Of Directors/Shareholders	The Action Of The Management
The details of the proposal and payment of Aabar option.	1MDB Board of Directors during the meeting on 20 December 2014 has asked for a complete detail on the payment of the termination of Aabar option to be presented in the next meeting.	<ul style="list-style-type: none"> • During the 1MDB Board of Directors meeting on 23 February 2015, the Board has raised a question in regards to the payment of the termination of Aabar option which was informed to the 1MDB Board of Directors after the payment has been made.
Annulment of Tadmax Power equity acquisition.	1MDB Board of Directors on 20 October 2014 agreed to annul the equity acquisition of Tadmax Power following the due diligence report on the Pulau Indah land, Selangor which found that the land was not suitable to build a coal power plant.	<ul style="list-style-type: none"> • Ivory Merge (1MDB's subsidiary) did not take action as decided by the 1MDB Board of Directors. • A total of RM34.33 million has been paid in 4 stages to Tadmax Resources before the valuation report of due diligence been presented to the 1MDB Board of Directors on 20 October 2014.
Acquisition of land at Kuala Ketil, Kedah.	1MDB Board of Directors on 24 March 2015 had approved the acquisition of 260 acres of land at Kuala Ketil, Kedah for the pilot development of 50MW solar power plant with the return of RM33.40 million.	<ul style="list-style-type: none"> • The sale and purchase agreement was signed on 27 August 2015 for the acquisition of the land with the return of RM65 million. No documents showed the price difference of RM31.60 million for the land acquisition has been approved by the 1MDB Board of Directors.

JADUAL 16
SALAH NYATA MAKLUMAT ATAU MAKLUMAT YANG TIDAK TEPAT DIBERIKAN KEPADA
LEMBAGA PENGARAH 1MDB

INFORMATION GIVEN TO THE BOARD OF DIRECTORS	REVIEW BY NAD
<ul style="list-style-type: none"> • 1MDB Board of Directors had been given the picture that the joint venture project with PetroSaudi was a Government to Government (G2G) matters in a meeting on 18 September 2009. • Mr. Casey Tang has informed the 1MDB Board of Directors that PetroSaudi International Ltd. is owned by King Abdullah and Saudi Arabia Government had been established since 2000. 	<ul style="list-style-type: none"> • The information from Mr. Casey Tang has been acknowledged by several members and former members of the 1MDB Board of Directors during the interview between NAD with them in June 2015. • The website of PetroSaudi International Ltd. showed that the company has only been established in 2005, a private ownership and no information related to the ownership with the Saudi Arabia Government.
<ul style="list-style-type: none"> • The letter from Mr. Tarek Obaid dated 28 August 2009 to the Prime Minister includes the proposal to fix the holding ratio, the cash distribution of USD1 billion, assets value and goodwill in the joint venture company. 	<ul style="list-style-type: none"> • During the 1MDB Board of Directors Meeting on 18 September 2009, the Chairman of the Board of Directors stated that cash assets ratio to the joint venture company was not yet finalised. • The management was supposed to provide a detailed explanation to the 1MDB Board of Directors in view of the proposal in Mr. Tarek Obaid's letter about this project during a meeting on 18 September 2009.
<ul style="list-style-type: none"> • In the joint venture agreement dated 28 September 2009, PetroSaudi Holdings (Cayman) Ltd. was referred as 'PSI' whereas in the Written Resolution of the Sole Director of the Company signed by Mr. Tarek Obaid, PetroSaudi Holdings (Cayman) Ltd. was referred as 'PSH'. • The joint venture between 1MDB and PetroSaudi International Ltd. which was referred as 'PSI' has been announced in the 1MDB press statement dated 30 September 2009. 	<ul style="list-style-type: none"> • 4 different companies had been registered using the name 'PetroSaudi' which were: <ul style="list-style-type: none"> i. PetroSaudi International Ltd. established in Saudi Arabia. ii. PetroSaudi International established in Cayman Islands. iii. PetroSaudi Holdings (Cayman) Ltd. established in Cayman Islands. iv. PetroSaudi International Ltd. established in Seychelles. • The joint venture agreement dated 28 September 2009 was signed with PetroSaudi Holdings (Cayman) Ltd. 1MDB Board of Directors was not aware that 'PSI' in the joint venture agreement was referred to PetroSaudi Holdings (Cayman) Ltd. • In most cases, the abbreviation of 'PSI' was always being referred as PetroSaudi International Ltd. (Saudi Arabia). This showed that the abbreviation of 'PSI' used in the joint venture agreement seems to give the impression that PetroSaudi Holdings (Cayman) Ltd. was the same entity with PetroSaudi International Ltd. (Saudi Arabia).

INFORMATION GIVEN TO THE BOARD OF DIRECTORS	REVIEW BY NAD
<ul style="list-style-type: none"> • During the 1MDB Board of Directors meeting on 24 July 2010, Mr. Shahrol Azral has informed that the Chairman of the Advisory Board had agreed to support the decision of the Board of Directors to invest in the GDF Suez SA Project. 	<ul style="list-style-type: none"> • 1MDB Board of Directors was not informed on the terms given by the Chairman of the Advisory Board during the meeting between Mr. Shahrol Azral and the Chairman of the Advisory Board on 21 July 2010 that the management must conduct a risk analysis in regards to the investment including legal and financial due diligence.
<ul style="list-style-type: none"> • During a meeting on 21 June 2012, 1MDB Board of Directors was informed the receipt from the Notes issuance of USD1.75 billion (the first) was used for the purpose of Tanjong acquisition, interest fee and consent fee to OCBC as the payment term for Tranche 2 Syndicated Bridging Loan. The balance after those usages was USD300 million. 	<ul style="list-style-type: none"> • 1MDB Board of Directors was not informed on the actual usage on the receipt of Notes issuance of USD1.75 billion (the first) to pay the arranger fee, commission to the Goldman Sachs, security deposit and Tanjong acquisition. The acquisition of Tanjong was paid of a total of RM785.67 million instead of RM900 million as was informed. A total of RM576.94 million had been paid as a security deposit to Aabar Ltd. The balance after all the transaction was USD194.89 million.
<ul style="list-style-type: none"> • During the 1MDB Board of Directors meeting on 12 January 2015, Mr. Arul Kanda has informed that the cash balance of USD939.87 million had been redeemed and held in cash form since 31 December 2014. • During the meeting on 3 March 2015, Mr. Arul Kanda has informed 1MDB Board of Directors that he had ordered Mr. Azmi to pay in full the USD975 million loan to the Deutsche Bank by using the proceeds from the SPC portfolio redemption. Mr. Azmi however informed that BSI Bank had rejected the instruction to use the proceeds of the investment this way until it received a suitable indemnity from the Deutsche Bank to release BSI Bank from any liability in regards to the usage of funds this way. • During the 1MDB Board of Directors meeting on 24 March 2015, Mr. Arul Kanda had informed that Mr. Azmi has explained that the full redemption of the SPC investment portfolio had happened in early January 2015 Aabar being agreed to buy the balance of the portfolio totalled USD939.87 million from Brazen Sky to ease the redemption process of the investment portfolio earlier than planned. • During the meeting on 23 April 2015, Mr. Azmi has informed 1MDB Board of Directors that the balance of USD939.87 which supposed to be received from Aabar was still in the SPC fund portfolio because Aabar has not confirmed when the payment can be made. • The 1MDB Board of Directors in its meeting on 11 May 2015, was informed that the payment for the acquisition of Brazen Sky by Aabar was not yet received. • During a meeting on 25 May 2015, 1MDB Board of Directors has been informed that negotiation 	<ul style="list-style-type: none"> • Several statements given out by the 1MDB management since 12 January 2015 till May 2015 shows that the information keeps changing according to the situations. It was reported that the balance of the SPC portfolio totalling USD939.87 million which initially was said to have been redeemed in cash but later reported it was still in unit form. • The latest update on 25 May 2015 was the third time that the redemption of the balance of the SPC portfolio changed form.

INFORMATION GIVEN TO THE BOARD OF DIRECTORS	REVIEW BY NAD
was held for Aabar to take over a part of 1MDB Group assets together with obligation of two USD Notes of USD3.50 billion. Binding Term Sheet and advance payment totalled USD1 billion will be finalised at the end of May 2015.	

**TABLE 17
MISREPRESENTATION OF INFORMATION OR INACCURATE INFORMATION PROVIDED TO
AUDITORS / USERS OF FINANCIAL STATEMENTS**

INFORMATION GIVEN TO THE EXTERNAL AUDITORS / USERS OF FINANCIAL STATEMENTS	REVIEW BY NAD
Messrs. KPMG was given a Share Sale Agreement dated 31 March 2010 which showed sales of all equity holdings of 1MDB in 1MDB PetroSaudi Ltd. through the method of subscribing Murabahah Notes issued by 1MDB PetroSaudi Ltd. However, Messrs. KPMG was not provided with the shareholders' resolution of 1MDB Petrosaudi Ltd. dated 14 June 2010 in regards to the Murabahah Financing Agreement.	Murabahah Financing Agreement was approved by 1MDB PetroSaudi Ltd. shareholders on 14 June 2010 despite the fact that the financial statements ended 31 March 2010 stated that the agreement was signed on 31 March 2010.
Messrs. KPMG was not given information related to the Call Option to Aabar Investments PJS Ltd. (Aabar Ltd.) which took place after the reporting period of financial statements in 2012.	<p>Important information was not disclosed in the Events After The Balance Sheet Date in the financial statements of the 1MDB Group for the year ended 31 March 2012 as follows:</p> <ul style="list-style-type: none"> • Call option granted to Aabar Ltd. through the Option Agreement dated 18 May 2012 to acquire 49% equity in the Powertek Investment Holdings Sdn. Bhd. (PIHSB). • Call option granted to Aabar Ltd. through the Option Agreement dated 17 October 2012 to acquire 49% equity in the 1MDB Energy (Langat) Sdn. Bhd. • Corporate guarantee given by IPIC to the second issuance of USD1.75 billion Notes by 1MDB Energy (Langat) Ltd. (1MELL).
The 1MDB management has informed the NAD on 9 September 2015 that the physical payment was made through a bank account of Brazen Sky Ltd. at BSI Bank on behalf of the terminating company to Aabar because 1MDB did not have a bank account abroad.	<ul style="list-style-type: none"> • Termination payment of Aabar option did not occur through a bank account of Brazen Sky Ltd. Proceeds of the redemption of SPC fund portfolio totalling USD1.392 billion has been deposited into a bank account of Brazen Sky Ltd. between 11 September 2014 to 24 November 2014. • At almost the same period (12 September to 8 December 2014), a total of USD1.417 billion was transferred to 1MDB Global Investments Ltd. (1MDB GIL).

8. SUMMARY AND RECOMMENDATIONS BY THE PUBLIC ACCOUNTS COMMITTEE (PAC)

1MDB was established as a strategic development company wholly-owned by the Government of Malaysia. Among other things, 1MDB is inspired to drive a strategic development to promote foreign direct investment (FDI) into the country.

At the beginning, 1MDB had implemented several projects through the “government to government” (G-to-G), in which 1MDB had built relationships with several companies from Middle East such as Saudi Arabia and United Arab Emirates. After that, 1MDB had been involved in electrical power generation and real estate fields, in which efforts had been made to bring in foreign investors and FDI from the Middle East, through a memorandum of understanding (MOU) and joint ventures.

After investigation, the Public Accounts Committee (PAC) has found that the financing structure of capital and financial performance of 1MDB Group was not satisfactory. 1MDB was relying on debt (bank loans, bonds and sukuk) as the company’s capital, in which most of the debt had been guaranteed by the Government or provided with a letter of support from the Government. The debt began at RM5 billion in 2009 and increased to RM42 billion, compared with the assets of RM51 billion in the financial year ended 31.03.2014, in which 1MDB spent RM2.4 billion for interest payment on debt. In January 2016, the debt of 1MDB has reached RM50 billion, compared with the assets of RM53 billion, while 1MDB spent RM3.3 billion for interest payment on debt between 1 April 2014 to 31 March 2015 (unaudited estimation). It was clear that the level of debts and interest payments were too high compared with the company's cash flow. Therefore, 1MDB was depending on refinancing for the payment of matured debt and also take new debt for, among others, to pay the interest of previous debts.

After five years of operation, 1MDB was facing problems of imbalance cash flow in November 2014. The management and the Board of Directors at that time was depending on the initial public offering (IPO) of a wholly-owned

company by 1MDB, Edra Energy Berhad, to generate funds, which will be used for the payment of debts and interests. But then, the IPO cannot be implemented due to the internal and external factors of the company. Consequently, the first loss of the company totalled RM665 million which was announced in November 2014 had caused the confidence towards the company to be eroded. Subsequently, 1MDB was unable to refinance the RM2 billion debt that was almost mature at that time.

1MDB's business model was too dependent on loans and this put a huge burden on the company and caused the company to be unsustainable because it did not have sufficient income to finance the loans and its operating costs.

PAC found that the Government had taken immediate action to fix the cash flow problem of the company, which started in November 2014. In January 2015, the new top management has been brought in, after that the Minister of Finance Incorporated [MOF Inc.] had given serious attention to solve the problems of the company. A strategic research had been conducted and the summary has been presented in February 2015. Subsequently, 1MDB and MOF Inc. had presented the rationalisation plan to the Cabinet on 29 May 2015.

As a Government backed company, 1MDB should adopt the best practice of governance. After studying the final report of the National Audit Department and the proceedings of the PAC, the PAC found that the practices of 1MDB management and Board of Directors led to weak governance. For example, the management had, for several times, did not comply with the decisions and instructions of the Board of Directors or had proceeded with certain actions before receiving special approval from the Board of Directors. There were several large investments and loans made without a detailed assessment (including the impact on the cash flow of the company) and some major decisions have been made through a written resolution, based on discussion at the previous meeting. The Board of Directors was too dependent on and often accepts the explanation from the management, without delving further into the issues.

The experiences faced by 1MDB had gained public and international attention widely. This is a lesson to all GLCs in this country on the importance of the practice of good governance and integrity. This experience is also relevant to the government ministries, departments and agencies.

The PAC believes that:

1. 1MDB should adopt the good governance principles such as the guidelines issued by the Putrajaya Committee on High Performance GLC through the Green Book: Enhancing Board Effectiveness and the Blue Book: Intensifying Performance Management Practices.
2. The use of excessive debt in the capital structure cannot be allowed at all, especially when the cash flow of the company is not sufficient.
3. The Board of Directors failed to discharge their responsibilities and safeguard the interests of the company and shareholders. No appropriate action or proactive measures taken in scrutinizing the activities of the management and the future cash flows of the company. Close monitoring is needed by the Board of Directors, including in questioning the purchase price of the asset and the cost of debt.
4. The Advisory Board shall be abolished, together with the Article 117 in the memorandum and article of the company. Any reference to the Prime Minister shall be changed to the Minister of Finance, in accordance with provisions of other companies owned by MOF Inc.
5. Subsidiaries and assets owned by 1MDB Group (TRX, Bandar Malaysia, Air Itam Land, Pulau Indah Land) shall be handed over to MOF Inc. so that it can be monitored and managed closely and carefully.

Upon reviewing the Final Report of the National Audit Department and explanation by 1MDB, PAC was of the opinion that there were limitations and weaknesses in governance made by the 1MDB management and the Board of Directors.

Specifically, PAC believes that the former Chief Executive Officer (CEO) of 1MDB, Datuk Shahrol Azral needs to take responsibility for those weaknesses and blunders.

Therefore, the law enforcement agencies are required to carry out further investigation on Datuk Shahrol Azral Ibrahim Halmi and others involved from the management of 1MDB.

Disclaimer:

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