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Jho Low made RM400 million by quick flip of Iskandar land deal

The Edge Malaysia / The Edge Malaysia
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IN late 2006, the then 26-year-old Jho Low approached Khazanah Nasional seeking support for Kuwait Finance House's bid for RHB Bank Bhd. Khazanah had a 30% stake in RHB Bank at the time.

He did not succeed, but he got whiff of a business opportunity in the then emerging Iskandar regional development in Johor.

After finding out that Khazanah was inviting bids from Middle Eastern investors to buy and develop various parcels of land in the Medini area, Jho Low quickly used his connections to form Iskandar (Holdings) Company Ltd with three Middle East parties. The shareholders of Iskandar (Holdings) were Mubadala Development Company PJSC and Aldar Properties PJSC from Abu Dhabi, Saraya Holdings from Kuwait/Saudi, and Butamba Investment.

Butamba is the investment vehicle of Wynton Group Global Ltd, which is owned by Jho Low.

Iskandar Holdings then formed a consortium called Global Capital and Development Sdn Bhd. In that consortium were Iskandar Holdings (60%), Iskandar Investment Bhd (owned by Khazanah and the Johor state government) with 30% and Alpha (Five) Ltd with 5%.

Khazanah sold 133 million sq ft in gross floor area of land for development that came with infrastructure and approvals at US\$6.35 psf to

Global Capital, or a total of US\$845 million (RM3.0 billion) in May 2008. The consortium had three months to pay the first 10%.

Jho Low's effective interest via Butamba came up to 15% of the 133 million sq ft, so he would have to fork out a total of US\$126.75 million.

Sources tell The Edge that before the first 10% needed to be paid, Jho flipped his interest in Global Capital to Unity Capital Partners (Cayman) Ltd, which by that time was partly owned by UBG Bhd (Utama Banking Group), in which he was a substantial shareholder. Unity Capital was managed by fund manager Ian Tham.

UBG at that time had around RM2.0 billion in cash after selling off RHB Bank and another substantial UBG shareholder was the family of then Sarawak chief minister Tan Sri Taib Mahmud.

UBG placed around RM350 million of its money with Unity Capital, which then bought a part of Butamba's stake in Global Capital.

Sources familiar with what happened say that Jho Low flipped his effective interest in the land owned by Global Capital at US\$12 psf, which meant he made a profit of US\$5.65 psf or a total of US\$113 million (RM400 million) within weeks of Global Capital signing an agreement to buy the land for a total of US\$845 million (RM3.1 billion) or US\$6.35 psf.

“He made over US\$100 million without putting in a single cent by flipping it before the first 10% had to be paid,” says one source familiar

with the transaction. “When Taib’s people found out much later about Jho Low’s entry cost and what UBG paid (via Unity Capital), they were really upset.”

In order to appease Taib, Jho Low had to initiate the privatisation of UBG via PetroSaudi International (Seychelles)/Javace Sdn Bhd in 2010. The privatisation, which was completed in December 2010 at RM2.50 a share, allowed Taib to walk away with RM465 million. (See “UBG deal: Why Jho Low teamed up with Taib and later had to buy him out using 1MDB money”)

What is interesting to note is that UBG in 2011 impaired completely the remaining RM280 million investments in Unity Capital that were treated as assets held for sale. This assets held-for-sale accounting treatment is similar to the RM13.9 billion sitting in 1MDB’s accounts as at March 31, 2014.

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