



## Status Undang-undang Usaha Memperoleh Semula Wang Yang Dibayar Untuk Kontrak Projek Saluran Paip Suria Strategic Energy Resources Sdn Bhd (SSER)

### PRESS RELEASE MINISTRY OF FINANCE MALAYSIA

#### LEGAL STATUS OF EFFORTS TO RECOVER MONIES PAID FOR THE RM9.4 BILLION PIPELINE PROJECTS UNDER SURIA STRATEGIC ENERGY RESOURCES SDN BHD (SSER)

As disclosed last year, RM8.3 billion or 88% of the RM9.4 billion engineering, procurement, construction and commissioning (EPCC) contract value has been paid by SSER despite only 13% of the work has been purportedly done on two pipeline projects, which were the Multi-Product Pipeline (MPP) and Trans-Sabah Gas Pipeline (TSGP). Furthermore, the purported 13% of work done remains unaudited and unverified.

The projects were extremely lucrative for the contractors because payments were made based on timeline progress regardless of work progress done, if any. The terms of the contracts, which were approved by former Prime Minister Dato' Sri Najib Tun Razak, were the most generous in the world where payments were made without having to do the corresponding work.

#### Status of the contracts and negotiation

The RM9.4 Billion EPCC contracts for the pipeline projects and other associated contracts have been terminated. Together, all the contracts were valued at RM10.4 Billion. The Government of Malaysia is now negotiating with China-based contractors on the total compensation amount to be paid by SSER, as well as the sum that should be returned to SSER by the contractors after deducting total compensation cost from the total payments made. The Attorney General's Chambers (AGC) is heading the negotiation on behalf of the Government and will be recommending to the Government the next steps to take.

The contractors are China Petroleum Pipeline Engineering Company Ltd (CPPE) and Huanqiu Project Management (Beijing) Co Ltd (HQPMC). Table 1 below lists out the value of the contracts, and the amount already paid by SSER.

**Table 1: Details for MPP and TSGP as of 28 March 2019**

Contracts	Contract value(RM m)	Amount paid by SSER(RM m)
EPCC	9,385	8,252

CSA & Maintenance	688	106
PMC Service Agreement	312	19
<b>Total</b>	<b>10,385</b>	<b>8,377</b>

**Note: EPCC is Engineering, Procurement, Construction and Commissioning. CSA is Consultancy Services Agreement. PMC is Project Management Consultancy.**

### Status of borrowings by SSER

Out of the RM9.4 Billion EPCC contracts for MPP and TSGP, 85% of the cost was meant to be financed by a CNY12.9 Billion loan from EXIM Bank of China. The borrowing is guaranteed by the Government. Table 2 shows the details of the borrowings

**Table 2: Details of the EXIM Bank of China loan for the EPCC borrowed by SSER**

Items	Details
Term of facility	20 years
Total size	CNY12,877 m (approximately RM7,814 m)
Amount disbursed	CNY11,320 m (approximately RM6,869m)
Interest fee rate	3.25% p.a.
Commitment fee rate	0.25%p.a. on unutilised portion
Management fee rate	0.25% of the facility in 8 equal semi-annual instalment
Security arrangement	Government guarantee

Additionally, SSER has taken up a revolving credit worth RM1.2 Billion from CIMB Bank. The credit facility was supposed to be repaid in full by July 2019 but both SSER and CIMB are in discussion to have SSER to pay only RM0.6 Billion this year, with the rest to be settled in 2020. Table 3 presents the details of the RM1.2 Billion revolving credit facility from CIMB.

**Table 3: Details of the RM1.2 Billion revolving credit facility from CIMB borrowed by SSER**

Items	Details
Size	RM1.2 Billion
Interest rate	4.2% p.a
Tenure	18 months

### Updates on actions against SSER

On 15 January 2019, Bank Negara Malaysia (BNM) issued two summons detailing 6 charges against SSER for failing to abide by Section 214 (2) and (5) of the Financial Services Act 2013. The 6 charges were:

1. The disbursement of loan of 88% of project value was not in accordance with the progress of the MPP at 13% of work done, which remains unverified or unaudited.
2. The failure to ensure good and effective governance practice in the management and implementation of the MPP.
3. The failure to obtain BNM's approval for changes in the project timeline of the MPP.
4. The disbursement of loan was not in accordance with the progress of the TSGP.
5. The failure to ensure good and effective governance practice in the management and implementation of the TSGP.
6. The failure to obtain BNM's approval for changes in the project timeline of the TSGP.

On 5 April 2019, the Sessions Court fined SSER RM3 Million for each offense committed for a total of RM18 Million penalty. SSER has paid the fine.

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## Sayangi Malaysiaku!

Lim Guan Eng  
Minister of Finance

Ministry of Finance Malaysia  
Putrajaya  
25 May 2019

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