



SIARAN MEDIA / MEDIA RELEASE

KEMENTERIAN KEWANGAN MALAYSIA MINISTRY OF FINANCE MALAYSIA

Suria Strategic Energy Resources Sdn Bhd – A RM9.4 Billion Scandal Where Payment Based On Timing Milestone And Not Progressive Work Done Resulted In RM8.3 Billion Being Paid, Or 88% Of Total Project Value Despite Only 13% of Work Completion Done

Suria Strategic Energy Resources Sdn Bhd (SSER) is a wholly-owned Ministry of Finance subsidiary set up on 19 May 2016 with the specific intent to undertake the Multi-Product Pipeline (MPP) and the Trans-Sabah Gas Pipeline (TSGP) projects. Both projects were approved by the Cabinet on 27 July 2016.

The MPP involved a 600km multi-product petroleum pipeline connecting Melaka and Port Dickson to Jitra, Kedah costing CNY4.53 billion and RM2.53 billion, or approximately **RM5.35 billion***.

The TSGP, on the other hand, was to build a 662km gas pipeline from Kimanis Gas Terminal to Sandakan and Tawau, costing CNY3.08 billion and RM2.14 billion, or approximately **RM4.06 billion***.

Both projects amounting to **RM9.41 billion** were awarded to China Petroleum Pipeline Bureau (CPPB) on 1 November 2016. The agreements were signed by the then Treasurer-General, Tan Sri Irwan Serigar Abdullah, who was also the Chairman of SSER. Tan Sri Irwan has recently resigned on 23 May 2018.

SSER successfully secured funding from China EXIM Bank amounting to 85% of the project value on 22 March 2017. The balance of the 15% of funds required were to be raised via sukuk issuance. Both the China EXIM Bank borrowings and the sukuk are secured with Federal Government Guarantees.

During a briefing provided to Treasury officials on 28 May 2018, SSER reported that the 3-year projects had commenced in April 2017. As at the end of March 2018 or exactly a year later, the MPP and TSGP projects had achieved only 14.5% and 11.4% progress completion respectively. The above completion rates have yet to be verified or audited.

However, we were shocked to discover that the amounts of RM4.71 billion and RM3.54 billion for the MPP and TSGP projects had already been drawn down and paid to CPPB. (See attached payment schedules.)

The total sum paid of **RM8.25 billion** constitutes a staggering **87.7%** of the total project value. This is despite an average completion rate of only 13%, with another 2 years of the contracts to go.

We have discovered that the payment schedule for the above contracts are based almost entirely on timeline milestones, and not on progressive work completion milestones. Worse, based on the agreements signed, 85% of the project value would be paid by 1 March 2018.

The above does not yet include 2 other consultancy agreements signed for the same projects above worth approximately RM312 million and RM213 million, and a maintenance agreement worth RM476 million, awarded to companies from China, totalling an additional RM1.0 billion.

The contracts were negotiated by the Prime Minister's Department, without involving Treasury officials. The Attorney General's Chambers have also confirmed that these contracts were signed despite numerous unanswered questions and red flags raised.

I have been informed by Treasury officials that SSER is an offshoot by the same people behind SRC International, a former subsidiary of 1MDB. SRC is the acronym for Strategic Resources Corporation, a name that is similar to SSER. The contracts for SSER were also signed at the same time as the contracts for the East Coast Rail Link project by Tan Sri Irwan Serigar Abdullah, and financed by China EXIM Bank.

It should be noted that the President of SSER is Dato' Mohammed Azhar bin Osman Khairuddin, who is also a member of the company's Board of Directors. Dato' Mohammed Azhar is also a Director of Putrajaya Perdana Sdn Bhd, a company linked directly with Low Taek Jho.

Based on the highly suspicious transactions above, I have instructed my officers to file a report with the Malaysian Anti-Corruption Commission last week. The Prime Minister, Tun Dr Mahathir Mohamad has been briefed on the scandal.

In addition, the Ministry of Finance, as the sole shareholder of SSER will be taking steps to take control of the company pending investigation.

The Board of Directors, and Tan Sri Irwan Serigar in particular, must answer as to why SSER signed such a lopsided contract that clearly jeopardises the interest of the Malaysian people and government.

In addition, we would welcome the former Finance and Prime Minister, Dato' Seri Najib Razak, who has been active on Facebook recently, to explain how he could possibly approve the above transactions.

Finally, if necessary, we would seek the assistance of the China government to help trace the flow of funds in China, in order to investigate the possibility of money laundering.

Sayangi Malaysiaku!

Lim Guan Eng
Minister of Finance
Putrajaya
5 June 2018

Table 1: Payment schedule for MPP**Design, procurement and supply contract**

Milestone	Date	% of contract price	% of payment (net retention)	Total payment (MYR million)
1	09-May-17	15%	15.00%	420.8
2	30-Oct-17	25%	23.75%	666.3
3	29-Jan-18	25%	23.75%	666.3
4	02-Apr-18	35%	32.50%	911.8
Total				2,665.3

Construction and commissioning contract

Milestone	Date	% of contract price	% of payment (net retention)	Total payment (MYR million)
1	08-May-17	15%	15.00%	120.2
	09-May-17			259.4
2	13-Oct-17	20%	19.00%	173.1
	30-Oct-17			308.5
3	18-Jan-18 29-Jan-18	25%	23.75%	262.1
4		10%	9.50%	
5		10%	9.50%	
6	20-Mar-18	5%	4.00%	101.2
7	-	15%	-	-
Total				2,043.6

Total payments for MPP	4,709.0
-------------------------------	----------------

Table 2: Payment schedule for TSGP**Design, procurement and supply contract**

Milestone	Date	% of contract price	% of payment (net retention)	Total payment (MYR million)
1	09-May-17	15%	15.00%	286.1
2	30-Oct-17	25%	23.75%	453.1
3	29-Jan-18	25%	23.75%	453.1
4	02-Apr-18	35%	32.50%	620.1
Total				1,812.4

Construction and commissioning contract

Milestone	Date	% of contract price	% of payment (net retention)	Total payment (MYR million)
1	08-May-17	15%	15.00%	91.4
	09-May-17			230.2
2	13-Oct-17	20%	19.00%	130.1
	30-Oct-17			278
3	18-Jan-18 29-Jan-18	25%	23.75%	205.3
4		10%	9.50%	
5		10%	9.50%	
6	20-Mar-18	5%	4.00%	85.7
7	-	15%	-	-
Total				1,731.1

Total payments for TSGP	3,543.5
--------------------------------	----------------

* Based on current exchange rates