



**PENGERUSI JAWATANKUASA
KIRA-KIRA WANG NEGARA (PAC)
MERANGKAP AHLI PARLIMEN MASJID TANAH**
PEJABAT SEKRETARIAT
JAWATANKUASA KIRA-KIRA WANG NEGARA

Tel : 03-2601 7263 / 2698 6852 (DL)
Faks : 03-2698 9218
Email : pacparlimen@parlimen.gov.my
Laman Web : <http://www.parlimen.gov.my/pac>

26 June 2024

**MEDIA STATEMENT ON THE TABLING OF PAC REPORT REGARDING
FELCRA BHD UNDER THE MINISTER OF FINANCE INCORPORATED,
MINISTRY OF FINANCE, AND MINISTRY OF RURAL AND REGIONAL
DEVELOPMENT**

1. The Public Accounts Committee (PAC), today, tabled the PAC Report on FELCRA Berhad under the Minister of Finance Incorporated (MKD), Ministry of Finance Malaysia (MOF), and the Ministry of Rural and Regional Development (KKDW) in the Dewan Rakyat.
2. The PAC chose this issue following its report in the Auditor General's Report (LKAN) 2021 Series 2, which was presented in Parliament on February 16, 2023, given that Felcra is a government-related company synonymous with efforts to improve the living standards of rural communities, especially small-scale farmers.
3. This report is divided into two volumes, which are, Volume 1 includes a 100-page report with presentation documents, and Volume 2 is the Hansards for the proceedings held. The report was presented after the PAC held nine proceedings from 27 June 2023, to 29 February 2024, calling 15 witnesses from the National Audit Department, MOF, KKDW, FELCRA Berhad, and WZR Group, the contractor of Menara Semarak 20. Also included as witnesses were the former Chairmen of FELCRA Berhad, Datuk Bung Mokhtar bin Radin and Dato' Haji Tajuddin bin Abdul Rahman.

4. The preparation of this report took two days, and the total time allocated by the PAC to complete the proceedings and finalize the report from the first proceeding to its presentation was approximately 50 hours.
5. The PAC's findings are the following:
 - i. Key Performance Indicators (KPI)
 - ii. Consolidation & Recovery Program (P&P)
 - iii. Participant Affairs Contribution (HEP)
 - iv. Dividends to the government and participants
 - v. Plantation – fertilization & farm labor
 - vi. Manufacturing
 - vii. Subsidiary companies and joint ventures; and
 - viii. Corporate governance
6. During the proceedings, the PAC was informed that the debt of FELCRA Berhad and its subsidiaries, amounting to RM1.532 billion, had been restructured and rescheduled for 35 years by the Government through the approval of the Cabinet on 11 August 2021.
7. FELCRA Berhad informed that the restructured loan is now being paid according to the set schedule, allowing FELCRA Berhad to continue its operations.
8. However, through the proceedings, the PAC found that the biggest contributing factor to this debt situation was the operational losses of FELCRA Berhad's subsidiaries. This is clearly seen through the debts of joint estate companies, amounting to RM309.8 million, and FELCRA Properties to FELCRA Berhad, totaling RM842.7 million. The Government had provided a loan of RM544 million to FELCRA for the development of a

commercial project on Jalan Semarak, Kuala Lumpur, known as Semarak20.

9. Following that, the PAC conducted detailed proceedings regarding the disbursement of this Government loan to FELCRA, considering that this government-related company lacked expertise in large commercial development projects like Semarak20. The PAC summarized this in conclusions 7.4 and 7.5 of the report.
10. Three others conclusions are:
 - i. FELCRA put its original establishment objectives and mandate to create and generate income for its participants to fulfill its social and economic responsibilities, which have not been fully achieved.
 - ii. FELCRA's outstanding loan with the Federal Government as of 31 December 2021, was RM3.674 billion. The Government, through the Dewan Rakyat, agreed to convert part of FELCRA's debt amounting to RM969.27 million, which is FELCRA participants' debt, into Central Government equity.
 - iii. Concurrently, based on the Auditor General's Report (LKAN) 2021 Series 2, Management of the Federal Government Companies (2019-2021), FELCRA through its subsidiaries has ventured into various business fields but has not generated income, instead incurring more debt to cover operational costs.
11. As an improvement measure, the PAC recommends five actions for the Government to implement regarding the FELCRA issue:

- i. FELCRA should re-evaluate its group structure and operations based on its original objectives and social obligations to protect participants' interests and rural community development.
 - ii. KKDW and FELCRA should be more responsible and firm in overseeing their subsidiaries to ensure profitability and fulfillment of their establishment objectives.
 - iii. FELCRA should build capacity before venturing into any non-core business areas.
 - iv. KKDW should ensure that FELCRA and FELCRA Properties formulate comprehensive strategies, including sales and business opportunities, for the Semarak20 project to succeed. So that debt repayment to the Government can be done and strengthen the company's financial position.
 - v. KKDW and FELCRA should report the latest status of debt repayment to the Government and the implementation of strategies for the Semarak20 project to the PAC every three months as a monitoring mechanism.
12. The PAC gives MKD, MOF, KKDW, and FELCRA Berhad two months before being recalled for a Follow-Up Action Proceeding, allowing the Committee to acknowledge the actions taken by MOF and Felcra regarding the five (5) PAC recommendations presented.
13. The public can read every statement and findings of this report by visiting the PAC website at www.parlimen.gov.my/pac

Thank you.

YB Datuk Wira Mas Ermieyati binti Samsudin
Chairman of PAC Parlimen