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MAS report linked to breaches of Act (HL)

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THE police report by Malaysian Airline System Bhd against some of its former officials is believed to be linked to breaches of Section 131 of the Companies Act 1965, following their failure to disclose their interests in a related-party transaction.

The report followed the findings of an internal investigation by MAS' current management team, which took office last February. The team last June decided to "revisit" all contracts and agreements made by the previous management.

While the police report contained no names, only that there were irregularities in how MAS' cargo division was being run, it is understood that it was accompanied by the findings of the internal investigations.

Sources say the findings allegedly point towards a web of complicity involving deals between companies in which former chairman Tan Sri Tajudin Ramli and several other MAS officials have interests in but had failed to disclose, as required of them under the Companies Act 1965.

The findings also suggested that some of the contracts entered into by the carrier's subsidiary, MASkargo Sdn Bhd, were not in favour of MAS. This has resulted in the airline looking at ways to minimise the financial impact of some of the contracts by scaling down its commitments.

Section 131 of the Act, among others, states that a company director must state his interest, whether directly or indirectly, in a contract or proposed contract with the company at a board meeting the soonest possible.

Sources suggested that the previous management of MAS may have even breached Section 132 of the Act, which deals with the duties and liabilities of a company's officers.

The report, filed on January 9, concerns the dealings of MASkargo with German firm ACL Advanced Cargo Logistics GmbH, the outfit that MAS in 1999 had contracted to develop its European cargo hub.

MAS had decided to move its European cargo hub to Hahn Airport, a former military airfield in Germany, from Amsterdam. ACL was appointed to build and operate the advanced cargo centre that reportedly cost some RM70 million to develop.

ACL is 60 per cent owned by Naluri International Ltd, a wholly-owned subsidiary of listed Naluri Bhd. Tajudin as at April 2001 holds in excess of 47 per cent in the company.

When the deal with ACL was made, Tajudin was the chairman and largest shareholder of both MAS and Naluri.

The remaining 40 per cent in ACL is said to be owned by an offshore company, Caerphily Pte Ltd, in which Tajudin's family holding company, Kauthar Sdn Bhd, has a controlling stake.

Tajudin's brother, Bistaman, is said to be a director and substantial stakeholder in Caerphily. Bistaman is also listed Technology Resources Industries Bhd's (TRI) group executive vice-president, a company controlled by Tajudin.

Wan Aishah Wan Hamid, who was a former director of MAS and TRI, is also director of Caerphily together with former MASkargo vice-president Ralph Manfred Gotz.

"There was no mention in any of (MAS) board's minutes to suggest that Tajudin had declared his interest in ACL," said a source.

Hahn and another cargo hub in Sharjah, United Arab Emirates, also

operated by ACL, is to be part of MAS Cargo Spine Network. It is an ambitious project for the airline to establish cargo hubs in Europe via Hahn, in the West Asia via Sharjah as well as in the Australasia and North America.

"Based on documented evidence and interviews with staff and external parties, there were enough evidence to suggest irregularities of former directors and senior officials.

"The investigation found one common feature (that) the agreements and contracts (between MASKargo and ACL) do not favour MAS," sources said.

Besides using the services of local legal firms, MAS had used those of legal firms in Singapore and Hong Kong in its audit of all contracts undertaken by the company under the previous management.

MAS senior general manager for corporate services Dr Mohamadon Abdullah, who lodged the police report, in a statement released in Kuala Lumpur yesterday, said: "... As this is now a police matter, we are not in a position to reveal further details."

The police is expected to complete their initial investigations on MASKargo this week. A senior police official confirmed that statements will be recorded from several individuals including Tajudin.

Last year, the Government bought over Naluri Bhd's controlling 29.09 per cent stake in MAS for RM1.79 billion or RM8 per share.

Last August, Prime Minister Datuk Seri Dr Mahathir Mohamad said the Government may take action against MAS' previous management if a crime had been committed.

Its current chairman Tan Sri Azizan Zainul Abidin was quoted by a newspaper yesterday as saying that if "it is obvious that there had been criminal activity, the process of law will take place".

In November 1999, ACL agreed to handle MAS' cargo at the German airport in a deal based on estimates that MAS would carry 73,000 tonnes of freight a year to Hahn from Kuala Lumpur.

The Hahn cargo centre was supposed to handle an annual 150,000 tonnes of cargo and MAS agreed to fly seven times a week to Hahn directly from Kuala Lumpur.

Under the new management, however, flight frequency to the Hahn Airport was reduced to two flights a week as it found that from the inception of the operation, the project was not feasible.

Among others it found that cargo trucks had to travel 110km from Hahn to the Frankfurt International Airport to get Customs clearance.

Last year, Naluri had threatened to sue the national carrier for about RM190 million for reducing cargo flight frequency to the Hahn Airport.

The airline's latest annual report disclosed that ACL was paid RM28.75 million for its services for the year ended March 31 2001. No payment was made in the previous financial year.

MAS has reported losses for the last five financial years. The RM1.33 billion setback for the year ended March 31 2001, however, was its single-biggest after-tax loss since being listed on the Kuala Lumpur Stock Exchange on December 16 1985.

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