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StarBiz

Rescue plan: Khazanah Nasional Bhd has hired Morgan Stanley to explore options for Malaysia Airlines, the nation's loss-making flagship carrier. > See page 2

Facebook, Amazon set lobbying records as tech scrutiny grows

COLOMBUS: Facebook Inc and Amazon.com Inc set records for lobbying in the second quarter as Washington ramped up scrutiny of big technology companies, while Google's spending dipped as it continued to reshuffle its influence operations.

The world's largest social media site spent more than US$4.1mil on lobbying, the most among big Internet platforms, an increase from its previous high in the same period a year earlier.

Facebook disclosed lobbying around blockchain, the technology that underlies cryptocurrencies. The company has been trying to win support for its Libra cryptocurrency, which drew scepticism from President Donald Trump, congressional Democrats and Federal Reserve chairman Jerome Powell and took a beating from lawmakers in both houses of Congress during two days of hearings last week.

The company was also in the final stages of settling an investigation by the Federal Trade Commission into privacy violations in the Cambridge Analytica scandal. The FTC has voted to fine the company US$5bil and is expected to announce the final details of the settlement within days.

Amazon spent more than US$4mil on lobbying, topping a quarterly record in the first three months of the year, according to disclosures filed with Congress before Monday's midnight deadline. Amazon, which runs a broad lobbying operation on a diverse range of issues, is closing in on a US$10bil cloud services contract that the Pentagon is poised to award to a single bidder next month.

Last week, Trump criticised Amazon as the perceived front-runner for the contract, saying companies such as Oracle Corp and Microsoft Corp had complained that the process was unfair.

Oracle has led a sustained lobbying campaign against the department's plans to award the project, known as Joint Enterprise Defense Infrastructure, or JEDI, to a single bidder.

In June, Amazon hired Jeff Miller, who bundled US$1mil for Trump's 2016 campaign, to lobby for its cloud computing division on issues related to "cyber security and technology services," the filings show.

On July 18, Trump said he would look "very seriously" at the bid.

Oracle spent almost US$1.7mil during the quarter, when it said it lobbied on issues including cloud and government IT procurement. — Bloomberg

Anti-corruption compliance worry

Is Corporate Malaysia ready for new laws against bribery?

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PETALING JAYA: Businesses in Malaysia have less than a year to comply with the legal anti-bribery provisions of the Malaysian Anti-Corruption Commission (MACC) Act, but concerns have risen on the readiness and awareness of commercial organisations, especially small-scale businesses.

Questions have also been raised on whether local businesses have implemented adequate internal measures to prevent potential acts of corruption.

If found guilty of an act of corruption under the soon-to-be-enforced Section 17A, the penalties imposed on a commercial organisation would be severe.

A company could be fined not less than 10 times the value of the gratification or RM1mil, whichever is higher, or be subjected to imprisonment not exceeding 20 years, or to both.

Come June 1, 2020, Corporate Malaysia must brace itself for the new anti-bribery measure as the government seeks to weed out corruption in the local business scene.

In just 10 month's time, Section 17A of the MACC Act will come into force and businesses operating in the country are expected to introduce adequate procedures to prevent acts of corruption.

Without such procedures such as internal guidelines or staff training, companies and their directors could be prosecuted under Section 17A if an associated person such as an employee or subcontractor is caught involved in corruption for the benefit of the commercial organisation.

Recall that the Parliament passed a bill in April 2018 to amend the MACC Act 2009, primarily with the insertion of Section 17A. The law was gazetted on May 4, 2018.

Speaking to *StarBiz*, Minority Shareholders Watch Group (MSWG) chief executive officer Devanesan Evanson said that many businesses in Malaysia were still delaying their compliance with the requirements of Section 17A.

"The good thing is, more and more companies, especially the public-listed companies, have started to show interest in preparing for Section 17A.

"It is definitely not difficult to implement the adequate procedures, the companies just need the will to do it," he said.

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Mah Sing buys Kepong land for M Luna project

PETALING JAYA: Mah Sing Group Bhd has acquired a 5.47-acre tract of land in Taman Metropolitan, Kepong for the development of the M Luna serviced apartments project.

The piece of land, which was purchased for about RM94.8mil, will eventually see the development of the serviced apartments with a RM705mil gross development value (GDV).

Mah Sing said that the land is ready for immediate development as it comes with an approved development order for serviced apartments.

The land is located 200 meters from the Kepong Metropolitan Park, which also includes a 140-acre lake, and is also next to the Middle Ring Road 2 (MRR2).

"This is our second land acquisition for 2019 and reflects Mah Sing's ability to acquire reasonably priced prime land which is ready for a quick turnaround," said Mah Sing founder and group managing director Tan Sri Leong Hoy Kum in a statement.

"Our strategy is on the right track, supported by the demand-supply gap in Malaysia, whereby there are 212,744 new households formed per year compared to 88,000 new houses completed per year (2012 to 2017)," Leong added.

According to the statement, the most affordable units in the development would have an indicative built-up of 700 sq ft and an indicative starting price of RM385,000.

The project will be developed over four years with a registration of interest exercise planned for the fourth quarter of this year.

The development is some 5km from Mah Sing's Lakeville Residence in Taman Wahyu, Batu Caves.

The upcoming Metro Prima MRT2 Station, scheduled for operations in 2021, is only 3.3km from the project, while the Taman Wahyu KTM station is situated 4km away.

The company said that based on population analysis and market survey, it intends to target mainly first-time home-buyers and upgraders.

With this land buy, Mah Sing said its prime landbank has grown to 2,104 acres with a total remaining GDV and unbilled sales of RM25.84bil to sustain growth over eight to nine years.

Report: Morgan Stanley hired for MAS strategy

Investment bank will be looking at options, including stake sale

KUALA LUMPUR: Khazanah Nasional Bhd has hired Morgan Stanley to explore strategic options for Malaysia Airlines Bhd, the nation's loss-making flagship carrier, according to people familiar with the matter.

The investment bank will be responsible for looking at options for the airline, including a potential stake sale, said the people who asked not to be named as the discussions are private. Khazanah, Malaysia's sovereign wealth fund and the sole shareholder of the airline, aims to get a deal done by the end of this year, one of the people said.

Discussions are ongoing and details including timeline could still change, the people said. Khazanah is working on the way forward for Malaysia Airlines, including evaluating all strategic options to revive its performance, the sovereign wealth fund said in an emailed response to Bloomberg News.

A representative for Malaysia Airlines declined to comment, referring the matter to Khazanah. A representative for Morgan Stanley declined to comment. Malaysia Airlines has been seeking to transform itself since Khazanah took it private in 2014 following two tragic incidents - one of its planes vanished over the Indian Ocean and another was shot down over Ukraine.

While revenues have been rising over the past year, overcapacity in Asia and external volatility including the trade war between the US and China are expected to continue to hamper growth, the company said in June.

Khazanah asked Malaysia Airlines to come up with a strategic plan in February to help it compete in the aviation industry and deliver better returns after it missed two profitability deadlines. Prime Minister Tun Dr Mahathir Mohamad said this month that the government is studying four proposals it received for the airline from local investors.

While Dr Mahathir has said the carrier still faces the possibility of being shut down as the government seeks to save money, he also emphasised that he wants the airline to recover and keep "Malaysia" in its name. He also acknowledged that turning the company around without laying off staff – a key issue for the government – is difficult. — Bloomberg

Proposals: Dr Mahathir said the government is studying four proposals it received for the airline from local investors. — Reuters

Destini secures three-year contract from Petrofac

PETALING JAYA: Destini Bhd has secured a three-year contract from Petrofac (Malaysia PM304) Ltd to service its wells in Malaysia through its wholly owned subsidiary, Destini Oil Services Sdn Bhd (DOS).

In a statement, Destini said that the contract which has the option of a one-year extension, was awarded to it on June 26, 2019 for the provision of tubular handling equipment and running services for all Petrofac wells located offshore Malaysia.

The contract's total value is not fixed and will depend on the amount of work orders to be issued by Petrofac to DOS throughout the contract duration, which commenced on July 1.

The contract is expected to contribute positively to the group's earnings in the future.

Destini operates in four major industries – aviation, marine, oil and gas (O&G), and land systems.

Meanwhile, Petrofac is part of the Petrofac group of companies, a major O&G multinational engaged in various aspects of the O&G industry.

Petrofac carries out the business of exploration and production of petroleum.

Ireka forms JV to explore rail opportunities

PETALING JAYA: Ireka Corp Bhd has entered into a joint venture (JV) and shareholders' agreement with CRRC Urban Traffic (Europe) Co Ltd (CRRC UT Europe) to pursue urban transportation business opportunities in Malaysia and the South-East Asian region, particularly in the areas of rail, urban transportation, logistics, trading and construction.

In a statement, Ireka said that a 51:49 JV company (JVCo) would be established between Ireka and CRRC UT Europe.

CRRC UT Europe is a subsidiary of CRRC Urban Traffic Co Ltd, a member of the CRRC Group, the world's largest rolling-stock and rail transit equipment manufacturer.

Earlier on Dec 4, 2017, CRRC UT Europe also took a strategic stake in Ireka, emerging as a substantial shareholder, holding approximately an 8.48% equity interest in the company. "The businesses of the JVCo will include sales and marketing of urban transportation products, special-purpose vehicles and other electro-mechanical equipment from CRRC UT and its affiliates.

"In addition, the JVCo will also provide coordination and liaison services on urban transportation projects; installation, maintenance and after-sales services, the possibility of manufacturing in respect of vehicles, machinery and equipment; and to explore long-term investment opportunities for urban transportation projects and logistics businesses," said Ireka.

Ireka added that the JVCo would also focus on providing urban traffic solutions to the government, city councils and public institutions by deploying integrated solutions and innovative products such as new energy electric buses, and the autonomous rail rapid transit (ART) system.

ART is a leading-edge technology from the CRRC Group that combines the transit capacity of a modern tram with a virtual track, rail-less technology, hence bringing about a significant reduction in implementation costs and timeline compared to traditional rail transit systems.

Ireka has three core businesses - infrastructure, real estate and technology.

In its over five decades of operation in the infrastructure business, Ireka has been involved in notable projects such as the MRT V7 rail line, the KL International Airport runway, the Kuala Lumpur Middle Ring Road II and the North-South Expressway, among others.

Section 17A widens MACC powers to prosecute companies

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Acknowledging the need to raise awareness on Section 17A, MACC chief commissioner Latheefa Koya said recently that the commission had embarked on an awareness campaign.

The enforcement of Section 17A widens the MACC's powers to prosecute commercial organisations involved in corruption, marking a significant shift from the graft-buster's focus on only individuals before this.

Devanesan said the move to enforce Section 17A – also known as the corporate liability provision – is "long overdue".

"With the legal provision, the board of directors must be more vigilant in future and must consciously implement anti-corruption measures.

"If you have the guidelines in place, the risk of the company or director being prosecuted for an employee's act of corruption is lower," he said.

According to the Institute of Corporate Directors Malaysia president and CEO Michele Kythe Lim, the enforcement of Section 17A is consistent and aligned with global developments, specifically in the United Kingdom.

"The intention of Section 17A is for boards to oversee the risk of corruption in companies and set the right tone from the top. This means putting in place adequate procedures and processes, and governance structures.

"Boards and directors cannot disassociate themselves with the issues within the company.

"The fact is that if there are adequate procedures in place, then there is a defence if boards or directors are charged," she said.

Lim pointed out that the MACC only launched the "Guidelines on Adequate Procedures" in December 2018.

"It is a bit premature to determine whether Malaysian companies have adequate internal anti-corruption measures. There is not enough data available just yet.

"There should be greater clarity at least a year after the provision comes into force in June 2020," she said.

Devanesan said that Section 17A may not completely eradicate corruption in the Malaysian corporate sector.

Quoting the example of Enron Corp, which hit bankruptcy in 2001 after a massive accounting fraud in the US, Devanesan said that businesses would still find ways to skirt the anti-corruption rules.

"To prevent this, the MACC should send a strong message to all stakeholders that severe action will be taken against those who try to bend the rules.

"Through strict enforcement, the MACC must show that any corrupt practice will not be tolerated," he said.