

**MSWG****MINORITY SHAREHOLDER WATCHDOG GROUP****Badan Pengawas Pemegang Saham Minoriti Berhad**

Incorporated in Malaysia \* Company No. 524898-M

# The Observer

## MESSAGE FROM THE CEO

**27<sup>th</sup> February 2014**

With AirAsia X joining MAS in the red in its latest quarterly earnings report, it appears that challenges to airlines goes beyond domestic issues. As always, staff costs, aircraft fuel expenses and financing charges were the significant determinants to financial performance. What is evident from this latest quarter of red ink is the overriding need to keep costs manageable and being prudent during these uncertain times.

On a far more positive note, Jobstreet's buyout by Seek Ltd was a deal welcomed by all -- and most notably, by shareholders of the Australian company. Following news of the deal, which will see Seek owning 75 percent of the merged JobsDB/JobStreet entity, shares in Seek surged by almost 18 per cent, clearly buoyed by the mushrooming potential of its ownership of two market-leading Asian online businesses.

The Seek buyout is, for Jobstreet, a culmination of many years of prudent growth and costs management. Its founding team deserves their success and this serves as a timely reminder that Malaysia is capable of building a world-class business when it is managed properly.

Regards,

Rita

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## MSWG's QUICK TAKE ON ONGOING CORPORATE TRANSACTIONS

### ***MALAYSIA MARINE AND HEAVY ENGINEERING HOLDINGS BERHAD ("MMHB")***

As disclosed in MMHB's prospectus dated 6 October 2010 ("Prospectus") issued in conjunction with the Company's listing on Bursa Malaysia, the company had raised gross proceeds of approximately RM980.780 million from its IPO ("Proceeds").

The Board of Directors of MMHB had, in April 2012, approved a variation of the utilisation of Proceeds which was announced on 4 April 2012 to Bursa Malaysia Securities Berhad, detailed as follows:

#### **Summary of the variation of utilisation of Proceeds**

RM393.433 million out of RM833.780 million originally allocated for the Yard Optimisation Programme

to be utilised for the acquisition of the Pasir Gudang fabrication yard by Malaysia Marine and Heavy Engineering Sdn Bhd, a wholly-owned subsidiary, from Sime Darby Engineering Sdn Bhd (“SDE”).

As of 21 February 2014, the company has yet to utilise the RM110 million allocated for capital expenditure in Turkmenistan which will expire on 29 October 2014 i.e. within 48 months from the date of listing.

In view of the above, the Board of Directors had on 21 February 2014 given its approval to reallocate the said unutilised portion of the Proceeds amounting to RM110 million for utilisation under the Yard Optimisation Programme as the company did not have any plans to invest further into Turkmenistan in the immediate future. The Board was of the opinion that the said reallocation of Proceeds was in the best interest of the company.

The variation of utilisation of Proceeds is not subject to any regulatory approval or the company’s shareholders’ approval.

**MSWG’S COMMENTS:**

We noted that the variation and re-allocation in the utilisation of proceeds may occur in any business entities due to changes in circumstances or business plans. Of paramount importance is that there must be transparency and any variations must be carried out in the interest of all shareholders.

***PARKSON HOLDINGS BERHAD (“PHB”)***

The CEO of Parkson Retail Group Ltd (“PRGL”), Tan Hun Meng resigned from his post with effect from 1 March 2014 but will remain on the Board amid the latest poor financial performance of PRGL. The Board of PRGL had appointed Chong Sui Hiong as the interim CEO of PRGL with effect from 1 March 2014 until the company has completed a due process on the recruitment of a CEO of PRGL.

PRGL reported a net loss of RMB5 million (approximately RM2.69 million) for the 4<sup>th</sup> quarter FY 2013, versus 4<sup>th</sup> quarter FY 2012’s net profit of RMB178 million. The losses were mainly attributed to intense competition, and higher costs as its number of new stores expanded, lower margins from newer stores and slower economic growth in China. PRGL’s same-store-growth declined 1.8% in FY 2013.

PRGL, which is a 51%-owned subsidiary of PHB, contributed approximately 67% of revenue and 78% of net profit to PHB Group for FY 2013.

**MSWG’S COMMENTS:**

The management of PRGL took several measures to counter the deterioration in the business performance of PHB’s China unit which has been deteriorating in the past one year by expanding its business to second or even third tier cities in China, renovating the Group’s flagship stores and re-strategising the asset-light business model to REIT structure.

Nevertheless, the resignation of CEO may not be a good timing, and shareholders may also be concerned whether the Group has taken effective measures to reinvent the business model of the Group, given that there could be a lack of the relevant experience in managing property development and considering that China’s consumer behaviour which is gradually turning to online shopping instead of shopping at malls may have structural impact to the business of department stores.

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## MSWG's WATCHLIST

### **HB GLOBAL LIMITED ("HBGL")**

The Board of Directors of HBGL announced on 24 February 2014 that BDO Governance Advisory Sdn Bhd ("BDO") had completed and finalised the special audit on inventory balance as at 30 November 2013 and performed adequate procedures to reconcile inventory movements to the balance as at 31 December 2012.

Based on the findings of the special audit, the Board of Directors and the management will ensure a tighter internal control system on its operating environment and an internal audit will be conducted on its internal control system upon implementation.

### **MALAYSIAN RESOURCES CORPORATION BERHAD ("MRCB")**

MRCB had on 25 February 2014 released its 4<sup>th</sup> quarter 2013 result. The company suffered a pre-tax loss of RM110.37 million for FY 2013 compared to a pre-tax profit of RM134 million in FY 2012. Total revenue for FY 2013 slipped to RM940.91 million from RM1.28 billion previously.

The fourth quarter FY 2013's pre-tax profit fell to RM19.32 million from RM32.42 million in the same quarter of 2012, but revenue rose to RM369 million from RM303.08 million previously.

According to the announcement, the lower revenue for FY13 was mainly due to the revenue recognition from the Kuala Lumpur Sentral Lot G office towers and hotel which was sold en-bloc in the preceding financial year.

On the loss recorded for the current financial year, this was mainly due to a one-off loss arising from the fair value adjustment on the extended credit period for the settlement for Lot G office towers sale coupled with the provision of additional rental guarantee and construction costs.

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## LOCAL NEWS AND DEVELOPMENTS

Selangor to enforce water rationing tomorrow

<http://www.thesundaily.my/news/966633>

The big guys get guidance on governance

<http://www.thestar.com.my/Business/Business-News/2014/02/22/The-big-guys-get-guidance-on-governance/>

1MDB's financials remain elusive as ever

<http://www.kinibiz.com/story/tigertalk/73117/1mdb%E2%80%99s-financials-remain-elusive-as-ever.html>

Highlight Another delay for Rapid

<http://www.theedgemaalaysia.com/highlights/276807-highlight-another-delay-for-rapid.html>

IOSCO: Study Malaysia's capital market

<http://www.nst.com.my/business/latest/iosco-study-malaysia-s-capital-market-1.489619>

AirAsia refutes MAHB's claim on special treatment received

<http://themalaysianreserve.com/main/news/corporate-malaysia/5476-airasia-refutes-mahbs-claim-on-special-treatment-received>

Bernas must protect farmers' welfare after delisting

<http://themalaysianreserve.com/main/news/corporate-malaysia/5477-selangor-drops-rm1b-bond-programme>

Malaysia's GUH in talks for stake in Cambodian power plant

<http://www.thestar.com.my/Business/Business-News/2014/02/24/GUH-eyes-stake-in-Cambodian-plant/>

Up to 49% of MPIB to be sold

<http://www.thestar.com.my/Business/Business-News/2014/02/24/Up-to-49-of-MPIB-to-be-sold-But-general-insurance-will-continue-to-be-MPHB-Capitals-core-business/>

Ekuias set for first IPO by mid-2014

<http://www.nst.com.my/business/todayspaper/ekuias-set-for-first-ipo-by-mid-2014-1.491681>

Broad change plan: Maxis

<http://www.nst.com.my/business/todayspaper/broad-change-plan-1.491679>

After latest RM1.2b loss, BT suggests bankruptcy for MAS

<http://www.themalaymailonline.com/money/article/after-latest-rm1.2b-loss-bt-suggests-bankruptcy-for-mas>

Australia's SeekAsia buying JobStreet's business for RM1.73b

<http://www.thestar.com.my/Business/Business-News/2014/02/19/Seek-Ltd-to-acquire-online-ops-of-Jobstreet-for-RM1dot73bil/>

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## GLOBAL NEWS AND DEVELOPMENTS

Parkson Retail Group Ltd. : Resignation of Chief Executive Officer, Appointment of Acting Chief Executive Officer and Re-designation of Director

<http://www.4-traders.com/news/Parkson-Retail-Group-Ltd--Resignation-of-Chief-Executive-Officer-Appointment-of-Acting-Chief-Exec--17976319/>

How WhatsApp's Arora Sealed Facebook Deal

<http://blogs.wsj.com/digits/2014/02/21/how-whatsapps-arora-sealed-facebook-deal/>

Citigroup Downplays Property Bubble in Singapore: Southeast Asia

<http://www.bloomberg.com/news/2014-02-23/citigroup-downplays-property-bubble-in-singapore-southeast-asia.html>

China Downplays Yuan, Banking Risk as Zhou Sees 7% to 8% Growth

<http://www.bloomberg.com/news/2014-02-23/china-downplays-yuan-banking-risk-as-zhou-sees-7-to-8-growth.html>

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### **DISCLOSURE OF INTERESTS**

- *With regard to the companies mentioned, MSWG holds a minimum number of shares in all these companies covered in this newsletter, save for HB Global Limited.*
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We welcome your feedback on our newsletter and our work. Email us at [mswg.ceo@mswg.org.my](mailto:mswg.ceo@mswg.org.my) with your comments and suggestions.

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