

# The Observer

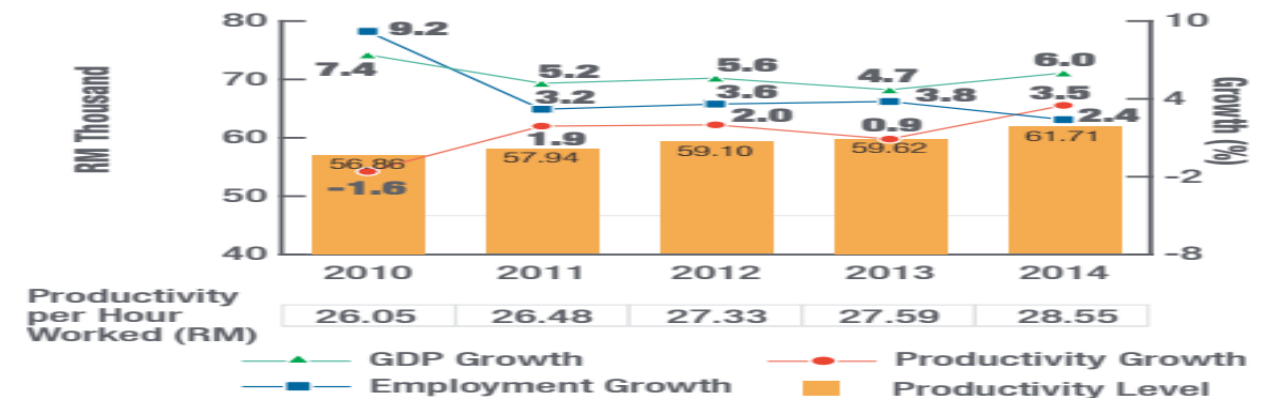
12 June 2015

## MARKET AND REGULATORY UPDATE

### MALAYSIA'S PRODUCTIVITY PERFORMANCE

In 2014, Malaysia's labour productivity as measured by real added value per employee improved by 3.5% at RM61,708 from RM59,622 in 2013. Meanwhile, labour productivity as measured by real added value per hour worked improved to RM28.55 in 2014 from RM27.59 in 2013. The growth in productivity was a contributing factor to the higher growth in Gross Domestic Product (GDP) at 6.0%. The higher GDP was also due to improvements in labour efficiency during the year. Employment grew by 2.4%, which was slower than the 3.8% recorded in 2013 (Figure 1.1). For the period of 2011-2014, Malaysia's labour productivity registered a growth of 2.1%. Malaysia's labour productivity is targeted to grow at an average annual rate of 3.7% towards becoming a high-income economy by 2020.

**Figure 1.1: Malaysia's Labour Productivity Performance, 2010-2014**



Computed from: Department of Statistics, Malaysia; Economic Report, Ministry of Finance

[Source: Malaysia Productivity Report 2014/2015]

## **MSWG's QUICK TAKE ON ONGOING CORPORATE TRANSACTIONS**

### **PARKSON HOLDINGS BERHAD (PHB)**

Parkson Retail Group Limited (PRGL), a 53.07% owned subsidiary of the Company listed on The Stock Exchange of Hong Kong Limited, had announced on 5 June 2015 that Parkson Retail Development Co Ltd (an indirect wholly-owned subsidiary of PRGL) (Tenant) is involved in a litigation with its Landlord. The Landlord is an independent third party.

The litigation is not expected to have a material impact on the earnings of the Group for the financial year ending 30 June 2015 and the net assets as at 30 June 2014.

The Board of PHB wishes to announce that in the event that all remedies sought by the Landlord as set out below is fully granted by the Court namely:

1. RMB47,488,000 as a fee for occupying the premises during the period from 1 October 2014 up to 30 April 2015 ("First Remedy"); and
2. an additional fee for occupying the premises for the period from 1 May 2015 up to the date on which the Tenant has vacated the premises ("Second Remedy");

the impact on the earnings and net assets of the Group upon the granting of the First Remedy is approximately RM8 million but unable to assess the impact of the Second Remedy as the amount of such fee is not known yet.

The Board further wishes to highlight that the litigation will have no material impact on the business and operations of the Group.

*[Source: PHB's announcement on Bursa Malaysia's website on 5 June 2015]*

### **MSWG'S COMMENTS:**

Even though the Board of PHB had highlighted that the litigation will have no material impact on the business and operations of the Group, shareholders may be concerned that there could be more potential disputes on tenancy agreements for PRGL's underlying business in China as this was the second case since the first dispute occurred on 25 March 2015.

We hope that the Company would evaluate all potential disputes on tenancy agreements and strengthen its risk management framework with more robust procedures and processes to avoid or mitigate such occurrences.

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## **MSWG's WATCHLIST**

### **TANJONG OFFSHORE BERHAD (TOB)**

The Board of Directors of TOB has vowed to clean up the weaknesses identified by a forensic audit carried out by Ferrier Hodgson on 20 March 2015 and accepted the recommendations of the Special Task Force formed to study the next course of action.

The audit specifically focused on six deals raised by minority shareholder complaints citing a lack of transparency, queries by Bursa Malaysia, a probe by the Malaysian Anti-Corruption Commission (MACC) and police reports.

The deals under question were Bourbon, Gastec RM34.3 million, the purchase of a property in Birmingham for RM62.7 million, the chromite project of RM6.2 million in the Philippines, TOB's investment of RM3.2 million in the Ethylene Propylene Diene Monomer (EPDM) project in China and a construction work request.

*[Source: TOB's announcement on Bursa Malaysia's website on 5 June 2015]*

#### **PERDANA PETROLEUM BERHAD (PPB)**

The Board of Directors of the PPB announced that the Company had on 5 June 2015 re-organised its group structure by transferring the entire equity interest in Perdana Pluto Limited (PPL) of 2,950,001 ordinary shares (Sale Shares) held by its wholly-owned subsidiary, Perdana Marine Offshore Pte Ltd (PMO) to the Company (the Re-organisation). The consideration for the transfer of the Sale Shares is USD2,950,001.

The Re-organisation to streamline the group structure of PPB has been approved by the Labuan Financial Services Authority.

Subsequent to the Re-organisation, PPL will cease to be a subsidiary of PMO and will now become a 100% wholly-owned subsidiary of PPB.

*[Source: PPB's announcement on Bursa Malaysia's website on 5 June 2015]*

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#### **LOCAL NEWS AND DEVELOPMENTS**

Malaysian ringgit drops most in Asia this week as crude declines

<http://www.theedgemarkets.com/my/article/malaysian-ringgit-drops-most-asia-week-crude-declines?type=Markets>

M'sia recorded a productivity growth of 3.5pc in 2014

<http://www.nst.com.my/node/86976>

India imposes anti-dumping duty on some steel from Malaysia, China

<http://www.thestar.com.my/Business/Business-News/2015/06/08/India-imposes-antidumping-duty-on-some-steel-from-China-Malaysia/?style=biz>

Will buyout offer for Kian Joo be reviewed?

<http://www.thestar.com.my/Business/Business-News/2015/06/06/Will-buyout-offer-for-Kian-Joo-be-reviewed/?style=biz>

What's special about Cocoaland?

<http://www.thestar.com.my/Business/Business-News/2015/06/06/Whats-special-about-Cocoaland/?style=biz>

Can auditors be insightful, transparent?

<http://www.thestar.com.my/Business/Business-News/2015/06/06/Can-auditors-be-insightful-transparent/?style=biz>

MARC withdraws rating on Jimah East Power's RM8.4b sukuk

<http://www.thesundaily.my/news/1451535>

Malaysia's April exports down 8.8% yoy at RM60.4b, imports fall 7% to RM53.5b

<http://www.theedgemarkets.com/my/article/malaysias-april-exports-down-88-yoy-rm604b-imports-fall-7-rm535b?type=Markets>

Directors of loss-making AirAsia X to forfeit RM434,658 in fees

<http://www.theedgemarkets.com/my/article/directors-loss-making-airasia-x-forfeit-rm434658-fees?type=Markets>

AirAsia X rights issue oversubscribed

<http://www.thesundaily.my/news/1449483>

RAM lowers Bernas' ratings

<http://www.thesundaily.my/news/1449492>

MoF meeting with Fitch ratings reps may have changed their negative stance, Treasury sec gen

<http://www.thesundaily.my/news/1448453>

International Reserves of Bank Negara Malaysia as at 29 May 2015

[http://www.bnm.gov.my/index.php?ch=en\\_press&pg=en\\_press\\_all&ac=3215&lang=en](http://www.bnm.gov.my/index.php?ch=en_press&pg=en_press_all&ac=3215&lang=en)

Quake rocks Sabah

<http://www.theedgemarkets.com/my/article/quake-rocks-sabah?type=Markets>

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## GLOBAL NEWS AND DEVELOPMENTS

Tsipras dismisses 'absurd' creditors' offer as Greek markets slide

<http://www.ft.com/intl/cms/s/0/82aefd0a-0b70-11e5-994d-00144feabdc0.html>

Strong Gains In Hiring Put Eyes on Fed

<http://www.wsj.com/articles/u-s-adds-280-000-jobs-in-may-jobless-rate-ticks-up-to-5-5-1433507493>

OPEC members approve Indonesia's bid to rejoin: Indonesia Energy Ministry

<http://www.reuters.com/article/2015/06/05/us-indonesia-opec-deals-idUSKBN00L0QM20150605>

OPEC refuses to cut oil production

[http://money.cnn.com/2015/06/05/investing/opec-decision-oil-prices/index.html?iid=SF\\_LN](http://money.cnn.com/2015/06/05/investing/opec-decision-oil-prices/index.html?iid=SF_LN)

South Korea reports jump in MERS infections, sixth patient dies

<http://www.reuters.com/article/2015/06/08/us-health-mers-southkorea-idUSKBN00N14T20150608>

Germany's Manufacturing Orders Rise

<http://www.wsj.com/articles/germany-manufacturing-orders-rise-1433493404>

India's Economic Growth Hits Four-Year High

<http://www.wsj.com/articles/indias-economic-growth-hits-four-year-high-1432902911>

China's Exports Decline for a Third Month in Drag on Growth

<http://www.bloomberg.com/news/articles/2015-06-08/china-s-exports-decline-for-a-third-month-in-drag-on-growth>

Wal-Mart says independent chairman, other outside proposals voted down  
<http://www.reuters.com/article/2015/06/05/us-wal-mart-stores-shareholders-proposal-idUSKBN0OL1UB20150605>

SEC probing whether activist investors secretly acted jointly: source  
<http://www.reuters.com/article/2015/06/05/us-sec-probe-idUSKBN0OK2LG20150605>

Japan's first-quarter GDP revised sharply higher  
<http://www.cnn.com/id/102735507>

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## MSWG Analysts

Lya Rahman, General Manager, Corporate Services, [lyarahman@mswg.org.my](mailto:lyarahman@mswg.org.my)  
Chong Chee Fern, General Manager, Corporate Monitoring [chongcf@mswg.org.my](mailto:chongcf@mswg.org.my)  
Rebecca Yap, Head, Corporate Monitoring [rebecca.yap@mswg.org.my](mailto:rebecca.yap@mswg.org.my)  
Quah Ban Aik, Head, Corporate Monitoring [banaik.quah@mswg.org.my](mailto:banaik.quah@mswg.org.my)  
Norhisam Sidek, Manager, Corporate Monitoring [norhisam@mswg.org.my](mailto:norhisam@mswg.org.my)  
Shahnul Niza Bin Dato' Dr. Mohd Yusof, Manager, Corporate Monitoring [shahnul.niza@mswg.org.my](mailto:shahnul.niza@mswg.org.my)  
Lee Chee Meng, Manager, Corporate Monitoring [cheemeng@mswg.org.my](mailto:cheemeng@mswg.org.my)  
Wong Kin Wing, Manager, Corporate Monitoring, [kinwing@mswg.org.my](mailto:kinwing@mswg.org.my)  
Nor Khalidah Khalil, Analyst, Corporate Monitoring [khalidah@mswg.org.my](mailto:khalidah@mswg.org.my)  
Vinodth Ramasamy, Analyst, Corporate Monitoring [vinodth.ram@mswg.org.my](mailto:vinodth.ram@mswg.org.my)

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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 Tanjong Offshore Berhad.*
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