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Listed firms lag behind foreign peers in integrated reporting

Firms should use annual reports to tell their business stories

by Adrian Wong
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KUALA LUMPUR: Malaysian companies listed on Bursa Malaysia are not fully utilising their annual reports to communicate their business "story" to stakeholders through integrated reporting, a study by PricewaterhouseCoopers (PwC) Malaysia found.

This is unlike their foreign counterparts, who have more fully embraced the new reporting approach.

"Because of the more mature regulatory requirements overseas, foreign companies have already gone some way towards adopting the framework used by their multinational parents," PwC Malaysia assurance leader Pauline Ho told reporters at the launch of PwC's study on "The State of Integrated Reporting in Malaysia" yesterday.

"It is easier for them because the parent will be pushing for them to adopt it [integrated reporting]," she said.

Ho said Malaysian companies communicate a lot of information in their annual reports, but much of it was focused on historical performance, with limited linkages to their stated goals and views on the future prospects of the business.

"Companies need to move away



Ho: The integrated approach will enable firms to communicate their long-term value in a clearer and more succinct manner.

from using annual reports as a compliance document and to use it as a platform to communicate their stories. The integrated approach will enable them to communicate their long-term value in a clearer and more succinct manner," she said.

PwC's study is an analysis of Bursa Malaysia's top 30 companies' annual reports against the International Integrated Reporting Framework.

The study found that 90% of Malaysian companies disclosed a strategic vision in their annual reports, but only 33% of those companies included their strategic priorities.

Also, 90% of Malaysian companies discussed market trends, but only 20% actually linked market discussion to their companies' strategic decision-making.

Some 43% make reference to their business model in their annual report, but only 7% explicitly link the business model to value creation.

While all companies surveyed included a statement of risk management and internal control, as required by Bursa Malaysia's listing requirements, only 27% report their principal risks.

"It is about making sense of the information," said Nik Mohd Hasyudeen Yusoff, executive director of the Securities Commission Malaysia and executive chairman of the Audit Oversight Board.

"Imagine there are two boxes. One is filled with dots, while the other is where the dots are connected. The dots are information, [but] the connected dots are insights.

"When you talk about invest-

ment decisions, the more you understand about how the dots are connected, the better perspective you'll have of what the organisation is all about," he said.

AirAsia X Bhd chief executive officer Azran Osman-Rani admitted that he did not fully grasp the full benefits of producing an integrated report initially.

"I didn't put a lot of weight in the annual report simply because it's a bit outdated. In today's world, most people get their information instantaneously, that's why we use social media. That being said, some points mentioned just now did resonate as there are people who see the annual report as their first source of information," he said.

Both Nik Hasyudeen and Azran were members of a panel discussion held during the presentation of the study's findings at the launch.

PwC Malaysia managing partner Sridharan Nair said many companies do not fully appreciate the value that integrated reporting can bring to their business as some view it as a compliance-driven add-on that means more work.

"It can help companies focus on the true value drivers of their business and articulate their own story instead of allowing the market to define the narration."

He said the very nature of integrated reporting allows companies to communicate their true worth to their stakeholders and hence can be a significant competitive advantage.

Ford Malaysia records best 1H results, with 25% sales jump

by Supriya Surendran
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KUALA LUMPUR: Ford Motor Co announced its "best-ever" first-half performance in Malaysia yesterday when its sales surged nearly 25% to a record 6,520 units in the first half of 2014 (1H14), driven by sustained demand for its Fiesta, Ranger, Kuga and Focus nameplates.

June, in particular, stood out as a record month for the US carmaker as its sales jumped 58% year-on-year (y-o-y) to 1,307 units.

"Malaysian consumers are discerning in their desire for quality, smart and safe vehicles that are also economical and fun to drive. We are delighted that they are responding so enthusiastically to the segment-leading global Ford vehicles," said Ford Malaysia and Asia-Pacific emerging markets managing director, David Westerman, in a statement.

Westerman said the company will continue to further expand its line-up in Malaysia, with the upcoming launches of the Ford EcoSport compact urban SUV (sport utility vehicle), Fiesta ST, as well as two additional variants of the Kuga.

"This really is an exciting time for Ford in Malaysia, and we remain absolutely committed to further growing our business [here]," he added.

The Ranger pickup remained Ford's top-selling car here, with 728 units sold in June alone, a 64% jump y-o-y. It recorded its best ever 1H14 performance in Malaysia, with sales rising by 43% to 3,667 units.

June also saw the redesigned new Fiesta delivering its best monthly performance in more than a year, with retail sales surging by 103% y-o-y to 410 units. Year-to-date sales stand at 1,778 units.

Ford said Fiesta's figures were boosted by the availability of the 1.0L EcoBoost engine in the five-door variant. The Kuga SUV recorded sales of 101 units in June, with a year-to-date figure of 478 units.

The Focus' year-to-date sales stand at 575 units and Ford thinks the improved figures are indicative of Malaysian customers' appreciation of the car's smart technologies.

Johor denies PTP land takeover for Forest City project

JOHOR BARU: The Johor state government has denied any takeover of land owned by the Port of Tanjung Pelepas (PTP) for the Forest City project as stated by an online news portal.

Menteri Besar Datuk Seri Mohamed Khaled Nordin said the allegation was totally untrue as he was unaware of any moves by the state government to assist the project.

He told reporters this after officiating the "Program Merakyatkan Seni Budaya, Bazar Ramadan Dan Aidilfitri 1Malaysia" here on Wednesday.

Khaled also denied that the state government planned to take back 404ha of land given to PTP as stated in another news portal.

He said land owned by the PTP can only be used for its purposes, and from the aspect of long-term planning, this is left to the company.

The Forest City project is a mixed commercial development venture in phases involving about 2,068ha and undertaken by Country Garden Pacific View Sdn Bhd. — Bernama

IPI up 6% in May, factory sales up 5.5%

by Ahmad Naqib Idris
Adzman Shah

KUALA LUMPUR: Malaysia's industrial production index (IPI) grew 6% year-on-year (y-o-y) in May 2014, underpinned by manufacturing, mining and electricity output growth.

In a statement yesterday, the Statistics Department said manufacturing and mining output rose 7.8% and 1.4% respectively, while electricity production increased 4.6%.

The IPI's cumulative five months' growth came to 5.1% y-o-y. In monthly terms, May IPI increased 0.6% from April.

May IPI was "better than expected", supported mostly by the gain in the manufacturing and electricity indices, Affin Investment Bank Bhd economist Alan Tan told *The Edge Financial Daily*.

He said the stronger global demand for semiconductors will

Index of industrial production, Malaysia — May 2014

Sector	Seasonally adjusted index		Original index	
	Index	% changes month-on-month	Index	% changes year-on-year
IPI	116.7	0.6	117.0	6.0
Mining Index	100.4	(1.3)	99.6	1.4
Manufacturing Index	124.0	0.4	124.1	7.8
Electricity Index	117.3	(0.2)	122.9	4.9

Source: Department of Statistics

support the recovery of Malaysia's exports as the country is a major producer of semiconductors, while domestic demand remains healthy.

"We expect gross domestic product (GDP) growth of 5.9% in the second quarter of 2014 (2Q14), compared with a 6.2% growth in the first quarter. We are expecting some moderation in 2Q14 GDP growth due to the higher base in 2Q13," said Tan.

Affin is maintaining its full-year

GDP forecast of 5.5% for 2014.

In a separate statement yesterday, the department said May manufacturing sales rose 5.5% to RM53.1 billion from RM50.3 billion a year earlier on higher transaction value for items including refined petroleum products and semiconductor devices.

For the five months to May, sales value of the manufacturing sector grew 9.9% y-o-y to RM271.4 billion. On a month-on-month (m-o-m)

basis, however, sales in May fell 0.4% from RM53.3 billion in April.

RHB Research Institute Sdn Bhd said the manufacturing sales growth of 5.5% in May was lower compared with 7.8% in April and 8.9% in March owing to the moderation in manufacturing exports during the month.

However, the research house said manufacturers were more optimistic and had recruited more workers during the month in line with the improvement in m-o-m sales.

"As a result, a total of 2,087 workers were recruited in May, bringing total employment in the sector to 1.029 million workers during the month, compared with the recruitment of 2,004 workers in April," it said in a note to clients.

RHB Research expects the global economy to pick up pace as the year progresses, supported by stronger growth in developed countries.

"This will likely improve demand for the country's exports and manufacturing sales in 2014," it said.

Perak Corp JV to develop RM390m animation theme park in Ipoh

by Surin Murugiah

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KUALA LUMPUR: Perak Corp Bhd (PCB) has inked a syndicated term loan facility totalling RM280 million, which will partly fund the development of Asia's first animation theme park, Movie Animation Park Studio (MAPS) in Bandar Meru Raya in Ipoh.

Participating in the syndicated loan are Affin Bank Bhd, Affin Investment Bank Bhd, Bank Pembangunan Malaysia Bhd and Ma-

laysia Debt Ventures Bhd.

In a statement yesterday, PCB said the project, estimated to cost RM390 million, would be developed, owned and managed by Animation Theme Park Sdn Bhd (ATP), a joint-venture company between Sanderson Project Development Malaysia Sdn Bhd and PCB.

Perak State Development Corp chief executive and ATP chairman Datuk Aminuddin Md Desa said MAPS was set to transform the landscape of Perak's tourism industry.

"We are heartened that the financial institutions involved in this transaction are supportive of our efforts to promote the state of Perak as a premier tourist destination.

"MAPS is certainly a unique, world-class attraction and we look forward to seeing the completion of this project, which is well underway," he said.

PCB said MAPS is expected to be completed by end-2015.

It said MAPS will be the first animation theme park in Asia to

feature state-of-the-art animation-based attractions as well as showcase famous animated characters from internationally renowned DreamWorks Animation.

It added that MAPS will offer over 40 attractions including 24 world-class major rides and shows such as a 4D-theatre, 5D-simulator, outdoor canopy ride, motion simulator, tower drop, car stunt show.

In addition, MAPS will feature five themed food and beverage outlets, and nine themed retail outlets.