risk turned sour in Asia after HSBC's flash manufacturing PMI printed at 48.3 points in February, down from 49.5 last month and a seven-month low.

"This move deeper into contractionary territory is not what the market wanted to see at a time when sentiment is growing increasingly fragile," Mr Shamu said.

Financials were mixed, with the big four banks in the red.

"The ASX 200 reversed sharply from a healthy gain, while the Nikkei, Hang Seng and Shanghai Composite were all trading lower."

Mr Shamu said earnings were fairly positive yesterday.

"Just taking a look at how reporting season has turned out so far, 179 out of 197 companies have reported," he said.

"Out of those, about 43 per cent have surprised to the upside on the sales front, while 53 per cent have surprised to the upside on earnings.

"While this seems average at best, the majors did well earnings wise and really helped underpin the rest of the market."

Financial stocks were mixed. **ANZ** fell 0.78 per cent to $31.60, while **Commonwealth Bank** shed 0.53 per cent to $74.60. **National Australia Bank** lost 0.28 per cent to $35.16, while **Westpac** fell 0.42 per cent to $33.10. Invest-

The retail sector was mostly higher. **Woolworths** rose 0.5 per cent to $36.19, while **Wesfarmers** fell 0.3 per cent to $43.05. **Myer** lifted 4.07 per cent to $2.56 after renewing its push for talks with David Jones about a merger, while **David Jones** rose 1.56 per cent to $3.25. **Harvey Norman** added 0.96 per cent per cent to $3.17, while **JB Hi-Fi** added 1.16 per cent to $17.915.

In media, **Fairfax Media** soared 23.08 per cent to 88c after unveiling a lower first-half profit and plans to generate new revenue and **News Corporation** fell 1.64 per cent to $19.17.

Ten Network fell 2.9 per cent to 34c, while **Seven West** rose 0.48 per cent to $2.10. **Southern Cross Media** dropped 4.38 per cent to $1.42. **Nine Entertainment** lifted 0.9 per cent to $2.24.

Telstra rose 0.38 per cent to $5.27, while **Qantas** fell 1.65 per cent to $1.19.

Meanwhile, the dollar fell sharply following the China manufacturing data.

At 5pm AEDT, the currency was at US89.45c versus US90.18c at the same time on Wednesday.

The dollar hit a five-week high of US90.82c on Tuesday as risk aversion in global markets receded and the Reserve Bank reiterated that steady interest rates were appropriate.

BUSINESS SPECTATOR

Fairfax attacked for 'glacial' pace of change

Continued from Page 17

Fairfax broke out the financial performance of real estate business Domain in detail for the first time, raising speculation that it may be considering a sale or float.

However, chief executive Greg Hywood played down talk of Domain launching a public offering as revenues rose 4 per cent year-on-year to $68.6m.

"We have some strategic options we're taking around how we build the business, but I'm going to talk about that and I'm certainly not going to talk about an IPO," Mr Hywood said.

The chief executive of fund manager Allan Gray, Simon Marais, urged Fairfax to "grow revenues for two more years before a float or sale".

Mr Marais, who owns a 11.43 per cent stake in Fairfax, described the result as "surprisingly positive" and cautioned against an acquisition spree as Fairfax reported net cash of $80m and said it would consider making acquisitions in the digital media sector.

In positive outlook guidance, Mr Hywood said the advertising market was improving and trading in the first five weeks of the second half of financial-year 2014 saw revenues 3 per cent below the prior year, representing an improvement on the trend in the first half.

AT A GLANCE

Half year to Dec 31 — Fairfax Media

REVENUE	$1.08bn	▼1.2%
UNDERLYING PROFIT	$86.4m	▲48.5%
NET PROFIT	$193.8m	▼50%
INTERIM DIVIDEND	2c	▲1c

Bernie Brookes with Myer ambassador Kate Peck at a recent Myer publicity event

RICHARD GLUYAS
COMMENT

MYER boss Bernie Brookes has played his board exquisitely on a fast break, while Brookes's chairman Paul McClintock has shown no hesitation in exploiting a completely rudderless David Jones.

This is boardroom politics to make Francis Underwood (the charming, scheming and utterly ruthless politician in the US TV series *House of Cards*) weep.

In fact, at the risk of telegraphing the *House of Cards* plot, the only thing missing in the tortuous Myer-DJs saga is a deceased journalist. And let's leave it that way!

The magnitude of Brookes's leverage at the moment, with McClintock intent on pursuing a merger with DJs when the Sydney retailer's board is imploding and chief executive Paul Zahra's future is uncertain, is shown by the size of his 39 per cent pay hike, up from a maximum of $3.6 million to $5m.

Brookes's contract was due to expire in August after it was extended for three years in 2011. McClintock has therefore had to pay through the nose to get Brookes safely locked in with an "open term" contract, as the chairman piles the merger pressure on DJs.

Underwood himself could not have put it better than McClintock's missive to Peter Mason, his opposite number at DJs who is soon to step down.

Foreshadowing Brookes's reappointment, McClintock told Mason: "Bernie would also be available to lead the combined company should the merger occur and should we jointly agree that he should be the ongoing CEO, providing us both with at least one option for that role."

Thanks heaps, Paul.

Three DJs directors, including Mason, will soon leave. Mason's hand was forced after he authorised share purchases by fellow departees Leigh Clapham and Steve Vamos at a sensitive time, and his failure to disclose the initial approach from Myer, believing it had no hope of getting across the line.

As for Zahra, who famously said he'd walk last October because he was "tired" (meaning tired of dealing with a board impatient for better results), the DJs boss is now in a position to effectively choose his own board, having seen off Mason, Vamos and Clapham.

At last week's second-quarter sales announcement, Zahra said nothing had changed since last October, which meant he'd stay until a replacement was found.

The truth is it's unclear if Zahra is coming or going.

What is clear, though, is that DJs' hostile institutional shareholders, who forced the board spill, are now eagerly awaiting more merger discussions. It's also clear that winners are grinners, and at last check Brookes was well ahead. McClintock, meanwhile, is still hunting a big payday ahead, when he leads a merged Myer and DJs.

Retailer's shares rally on chief staying put

REBECCA URBAN
RETAIL

THE share price said it all, really.

Shortly before 10.30am, Myer announced the surprise reappointment of its chief executive, Bernie Brookes, and its stock immediately shot up. By midday it was still climbing. It peaked at $2.58 later in the day, before closing up 10c, or 4 per cent, at $2.56.

Investors and analysts clearly welcomed yesterday's news that Mr Brookes, who had been expected to depart in August, had entered into a new open-term contract with the department store retailer.

Despite Myer's lacklustre performance since its November 2009 float, the 54-year-old retail executive is a popular figure in corporate Australia, highly regarded within the retail sector and by the investment community.

He is also one of the country's more visible and outspoken chief executives, which has seen him court controversy from time to time, such as last May when his comments about disability funding and the potential impact on sales sparked a backlash.

However, investors and analysts regularly describe Mr Brookes as a "steady pair of hands" at a challenging time for retailers.

"Bernie is a well-known and well-regarded CEO," said the Commonwealth Bank's Andrew McLennan. "He's a capable executive with good supply-chain capability and has done a pretty good job turning around Myer. The fact that he is hanging around is a positive for the market. It reduces that uncertainty that was there."

However, it was the realisation that Mr Brookes was staying largely to be part of Myer's renewed push for a merger with rival retailer David Jones that injected excitement into the market.

"Should a transaction to merge Myer and DJs be successfully completed, I can commit to presenting myself as a potential CEO for the merged entity," said Mr Brookes in the company's statement to the market.

The decision seems to have gone a long way to alleviate concerns aired last month that Myer was prepared to entertain a merger with DJs when both companies' chief executives had a foot out the door.

Several investors of both companies said they would prefer some management consistency if a deal of such magnitude was to progress.

One Myer investor said yesterday that Myer, having previously been rejected by the DJs board, appeared to have made a decision to take its campaign out into the open, pushing its case for a merger through the media.

However, it was doubtful as to whether the tactic would prove effective, the investor said. "Sure, they want to do a merger with DJs. How many times are they going to say it?" the investor said.

"It goes back to what the DJs board think of a merger. And it's not just benefits that need to be considered but the potential risks as well."

Geoff Wilson, chairman of Wilson Asset Management, whose listed WAM Capital owns DJs shares, would like to see the DJs board engage with Myer and explore options for a merger.

"Department store retailing is a tough business," Mr Wilson said.

"I think there would be a degree of logic in putting David Jones and Myer together."

BBY analyst Anthony Vogel said although Myer appeared to be signalling its seriousness to pursue a merger, the 20 per cent blowout in DJs' share price since the original approach last October meant the metrics of the transaction had changed significantly and were no longer as attractive to DJs investors.

He also noted that the two companies would be approaching talks with opposing objectives.

While it was understandable that Myer appeared intent on blending the organisations for the cheapest outlay, the DJs board was also bound to maximise returns to its own investors by seeking a takeover premium, Mr Vogel said.

Retailer revives $3bn bid for DJs

Continued from Page 17

Melinda Conrad. "The problem is there's nobody at DJs who can make a decision. The letter is going to come back, 'Not known at this address'," said one analyst who asked not to be named.

David Jones yesterday acknowledged the renewed offer and said the board was considering the proposal.

"The board confirms that it will consider any proposal which is on terms that are in David Jones shareholders' best interests," it said in a statement to the Australian Securities Exchange.

While Myer had spent months assessing candidates to succeed Mr Brookes, Mr McClintock said the board had resolved that Mr Brookes's experience made him the best candidate to steer the company through the merger process.

"We didn't think it was appropriate or realistic to change CEOs when there's so many things going on," Mr McClintock said.

Mr Brookes said he would remain at Myer even if the merger did not go ahead.

"I signed on to complete the work that we've started on our five-point plan to build the loyalty program, improve the merchandise and omni-channel offer, and refurbish and build new stores," he said.

"If a merger of equals eventuates I would be very happy to put my name forward to run the merged entity, but that would be the decision of the new board."

Cromwell plans towers revamp

CROMWELL Property Group has flagged plans to redevelop some of it key towers as it turned in a strong first half result.

The group reported a 59 per cent jump in profit from operations to $73.2 million as its portfolio expanded, most notably with the purchase of Northpoint Tower in North Sydney for $278.7m in a 50-50 joint venture with South Africa's Redefine Properties.

Cromwell's profit from operations for the half rose 13.3 per cent on last year's first half to 4.26c a security, with distributions for the half up 3.3 per cent to 3.75c a security.

Cromwell chief executive Paul Weightman singled out the Northpoint Tower as having the potential for further retail development and added that Sydney's Bligh House could be refurbished as a hotel or converted into apartments.

Brisbane's Health & Forestry House also had attracted inquiries from developers interested in turning it into a hotel or apartments.

Cromwell kept its earnings and distributions guidance for fiscal 2014 of at least 8.4c a security and 7.5c a security respectively.

The group wants to increase its funds management unit to 20 per cent of earnings and that should see it buy more major assets this year. Mr Weightman said the funds would take some time to reach a size where they would contribute materially.

Cromwell securities added a half cent to close at 99c.

BEN WILMOT

DAILY DEALS

QUEENSLAND

Industrial sale, 36 McRoyle Street, Wacol

A private investor has purchased a refurbished warehouse in Brisbane for $6 million. The 5578sq m warehouse is leased to Mackay's Furniture Transport on a five-year lease for a net annual rental of $575,000.

PRICE: $6m
YIELD: 9 per cent
TENANT: Mackay's Furniture Transport
BUYER: Private investor
SELLER: Private investor
AREA: 5578sq m (building), 11,590sq m (land)
AGENT: Stewart Gamblin and Tom Warriner, Colliers International

NSW

Office lease, 166 Epping Road, Lane Cove West

Melbourne-based boutique fund manager Quintessential Equity has secured two tenants for its Lane Cove West office building, in Sydney's north, returning a net annual income of about $287,000.

Space of 957sq m has been leased by engineering firm Downer EDI Works and infrastructure and business services company Mouchel International in separate deals.

RENT: About $300 per square metre (net)
TENANTS: Downer EDI Works; Mouchel International
LESSOR: Quintessential Equity
AREA: 957sq m

WA

Office sale, Lot 131 Harold Street, Highgate

Kingston International College has purchased a heritage-listed office building near the Perth CBD for $3.5m.

PRICE: $3.5m
BUYER: Kingston International College
VENDOR: Finbar Group
AREA: 1263sq m (building), 1156sq m (land)
AGENT: Wayne Lawrence, Colliers International

VICTORIA

Office lease, 100 Drummond Street, Carlton

Not-for-profit family services agency Drummond Street Services has taken a 10-year lease at an office building in inner Melbourne for a net annual rental of $470,400.

RENT: $280 per square metre (net)
TENANT: Drummond Street Services
LESSOR: Private investor
AREA: 1680sq m
AGENT: Phil Cullity, Savills

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