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PORT KLANG FREE ZONE GETS THE GREEN LIGHT



- GOVT 'YES'
TO UNDERTAKE
PROJECT
- PORT KLANG
AUTHORITY TO
GET SOFT LOAN

THE TOTAL OUTLAY:

RM4.6b

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NEW STRAITS TIMES FRIDAY, AUGUST 24, 2007

Ministry: Jafza pullout amicable

PORT KLANG: The withdrawal of Jebel Ali Free Zone Authority (Jafza) from the Port Klang Free Zone (PKFZ) was amicable and would not affect PKFZ's viability, the Transport Ministry said.

Jafza, which had signed a 15-year agreement with the Port Klang Authority (PKA) to manage the PKFZ, pulled out because of changes in the company's policy.

"The decision was made based on changes to Jafza's current policy, which required it to only manage a free zone as an equity holder," the ministry said in a statement yesterday.

The PKFZ was modelled on the Jebel Ali Free Zone in Dubai, whose port ranks ninth in the world in terms of container traffic. A management agreement between Jafza and PKA to manage the new free zone on Pulau Indah was inked on Oct 24, 2003. Both parties agreed to terminate their contract on July 18.

Construction work on PKFZ was completed on Oct 31 last year and operations commenced a month later. To date, it has 30 investors with a total investment of RM725 million.

In saying the government respected Jafza's decision to quit the PKFZ, the ministry said the move would not affect future co-operation and business opportunities between Jafza and the PKA.

PKA will continue to manage PKFZ via its subsidiary, Port Klang Free Zone Sdn Bhd.

PKA has also set up a one-stop centre for investors.

To further promote the PKFZ, PKA will participate in overseas trade missions, seminars and exhibitions to attract investors.

Additionally, co-operation will also be increased with the Malaysian Industrial Development Authority and Malaysia External Trade Development Corporation as well as international marketing firms in Holland, India and China to bring the PKFZ into the European, Indian and China markets.

"PKA is confident PKFZ will achieve 80 per cent occupancy in five years and create 25,000 to 35,000 jobs."



The deserted Port Klang Free Zone in Pulau Indah has racked up a RM4.632 billion bill, including development costs and interest payments.

Govt throws lifeline to Port Klang Free Zone

■ By Eileen Ng
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PORT KLANG: After weeks of speculation, the government broke its silence yesterday with a firm undertaking to support the controversial Port Klang Free Zone (PKFZ) in Pulau Indah.

The Transport Ministry said in a statement that the total outlay for the Port Klang Authority (PKA) project was estimated at RM4.632 billion, after interest, professional and variation charges were added to the RM1.088 billion in the purchase price of the 405ha site and development costs of RM1.845 billion.

"Because of the high overall cost of the PKFZ, the government has approved a soft loan to the PKA. Details of the borrowing are being finalised," the ministry said.

The project has been criticised as too expensive, particularly after its price tag ballooned from a reported RM1.1 billion at the time of its inception in 1999 to a level that has left the PKA deeply in debt.

COST OF PORT KLANG FREE ZONE

RM1.088b

Land purchase price

RM1.845b

Development costs

RM1.699b

Interest, professional fee,
variation order

(Note: Port Klang Authority bought land from Kuala Dimensi Sdn Bhd at RM25 per sq ft. Kuala Dimensi bought land at RM3 per sq ft.)

In a breakdown of the free trade zone's costs, the ministry said the PKA had bought the land from Kuala Dimensi Sdn Bhd at RM25 per sq ft, based on a valuation conducted by the Valuation and Property Services Department.

Kuala Dimensi, an "associate" of Wijaya Baru Global Bhd, had bought the undeveloped property in 1999 from a local co-operative for RM95 million or RM3 per sq ft.

The ministry said the PKA's purchase price was reached because of work done on the site, including land reclamation, drainage, construction of access roads, installation of street lights, water services and payment to various utility agencies.

"The repayment period to Kuala Dimensi is 15 years at an interest rate of 7.5 per cent and the land cost came up to RM1.807 billion."

It also explained that an initial plan to develop PKFZ in two phases had been merged into one on the advice of the then PKFZ operator, Jebel Ali Free Zone Authority (Jafza).

Jafza exited the management contract signed in October 2003 last month, citing "strategic" reasons.

Upon Jafza's recommendation, the development costs of PKFZ totalled RM1.845 billion, compris-

ing four blocks of eight-storey leased office buildings, 512 light industrial units, three-storey free zone authority office, three-storey Customs office and checkpoint, 175,000 sq ft exhibition centre, a multi-storey car park, security building and ancillary buildings.

It also included infrastructure work such as landscaping and security fencing, the upgrading of roads leading to the PKFZ, construction of a 135-room business-class hotel, electrical works and construction of a 42km concrete trenching.

"Taking into account the land acquisition and development costs, as well as 7.5 per cent interest rate, 10 per cent professional fee and 20 per cent variation order, the entire development cost of PKFZ is RM4.632 billion."

It maintained that the PKFZ, which opened for business last November, was a viable national project to enhance Port Klang as a loading centre, stimulate the economy, create spin-off activities and provide jobs.

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NEW STRAITS TIMES FRIDAY, AUGUST 24, 2007

80pc occupancy goal for free zone

■ By Goh Thean Eu
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PORT KLANG: Port Klang Free Zone aims to have an 80 per cent occupancy rate, equivalent to housing between 650 and 700 companies, by 2012.

However, PKFZ, after more than nine months in operations, has only signed up 30 companies, or a 12 per cent occupancy rate.

It has attracted investments of more than RM700 million, comprising customers taking up 16 units of light industrial units, 30.8ha of open land, and 449 sq m of office spaces.

PKFZ business development general manager Chia Kon Leong said: "When our customers sign up with us, they have the option to take up more land. The actual numbers will be much more once they exercise the option."

"Besides, we are also in talks with other companies. The take-up rate will be fast after the first two years."

To achieve the goal, Chia said PKFZ would go on an aggressive promotion.

"Twenty per cent of our expenses will go to marketing and promotions. Our annual working capital is between



The Port Klang Free Zone aims to generate between 25,000 and 30,000 jobs in 2012.

RM12 million and RM16 million. We are working to be operationally self-sustaining in three years."

Chia said the company expected to generate RM80 million when it hit the 80 per cent occupancy rate.

However, he did not say when PKFZ would recover its multi-billion ringgit investments.

He said there were other economical benefits and spillover effects when PKFZ be-

came a success.

"When we hit our 80 per cent occupancy rate in 2012, we can expect to generate between 25,000 and 30,000 jobs."

He said the exit of Jafza International would not affect its operations and goals.

"Port Klang Authority has the capability to do it (manage PKFZ). We have Malaysians who are capable of doing it."

PKA, which owns PKFZ, signed a 15-year contract with

Jafza International in 2004 to manage and market its free zone.

Under the agreement, Jafza International would partner PKA in conceptualising the development and marketing of PKFZ.

These include management, administration, marketing and sales.

However, last month Jafza International, operator of Dubai's Jebel Ali Free Zone, pulled out of the 15-year contract.

CHRONOLOGY OF EVENTS

2002 — Port Klang Authority (PKA) buys land to construct Port Klang Free Zone (PKFZ) for RM1.088 billion or RM25 per sq ft from Kuala Dimensi.

Oct 24, 2004 — Jebel Ali Free Zone Authority (Jafza) and PKA sign a 15-year contract for Jafza to manage and market PKFZ.

June 13, 2006 — Norwegian oil and gas engineering group Aker Kvaerner signs a long-term lease agreement to take up 17.6ha at PKFZ.

Nov 1, 2006 — PKFZ begins operation.

April 2007 — PKFZ managing director Noel Gulliver William returns to Dubai, leaving the managing director position vacant.

June 12, 2007 — Reports of mismanagement in PKFZ and its viability surface.

July 9, 2007 — Newly-appointed PKA chairman Datuk Chor Chee Heung dismisses talk that Jafza is pulling out of its contract with PKA due to a lack of progress in marketing PKFZ. The setting up of PKFZ Sdn Bhd to manage and market the free zone fuels speculation that PKA is taking over the project.

July 18, 2007 — Jafza and PKA terminate their 15-year contract.

Aug 23, 2007 — Transport Ministry issues a statement about PKFZ, explaining how the cost ballooned from RM1.088 billion to RM4.632 billion.