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If you are in any doubt as to the course of action to take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

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Shareholders should rely on their own evaluation to assess the merits and risks of the proposal as set out herein.



PUBLIC PACKAGES HOLDINGS BERHAD

(Company No: 162413-K)

(Incorporated in Malaysia under the Companies Act, 1965)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

PROPOSED DIVERSIFICATION OF THE BUSINESS OF PUBLIC PACKAGES HOLDINGS BERHAD INTO THE BUSINESS OF HOTEL AND COMMERCIAL PROPERTY LEASING BUSINESS

NOTICE OF EXTRAORDINARY GENERAL MEETING

The Notice of the Extraordinary General Meeting ("EGM") of the Company to be held at 3rd Floor, Meeting Room of Plot 468 & 482, Jalan Perusahaan Baru, Prai Industrial Estate, 13600 Prai, Penang on Monday, 26 August 2013 at 10:00am together with the Form of Proxy is enclosed herewith.

You are requested to complete the enclosed Form of Proxy and deposit it at the Registered Office of the Company at Wisma Public Packages, Plot 67 Lintang Kampong Jawa, Bayan Lepas Industrial Estate, 11900 Bayan Lepas, Penang on or before the time and date indicated below if you are not able to attend the EGM. The lodging of the Form of Proxy shall not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy :10:00 am, 24 August 2013

Date and time of the EGM :10:00 am, 26 August 2013

This Circular is dated 2 August 2013

DEFINITIONS

For the purpose of this Circular, except where the context otherwise requires, the following definitions shall apply:-

Act	- Companies Act, 1965 of Malaysia as amended from time to time, and any re-enactment thereof
Board	- Board of Directors of PPH
Bursa Securities	- Bursa Malaysia Securities Berhad (Company No. 635998-W)
Circular	- This Circular to shareholder of PPH dated 2 August 2013 in relation to the Proposed Diversification
Directors	- Directors of PPH
EGM	- Extraordinary General Meeting
EPS	- Earnings per share
Feasibility Study Report	- A market & financial feasibility study on the operation of hotel business in Georgetown, Penang conducted by Horwath, HTL dated February 2013
FYE(s)	- Financial year(s) ending/ended
Hotel Development or Proposed Development	- The development of The Quay on Lot 742 inclusive of the restoration of existing heritage buildings erected on Lot 741 and 743
Land	- Lot 741, 742 & 743, Seksyen 23, Bandar Georgetown, Timor Laut, Pulau Pinang with land areas of 1,330 square metre, 2,873 square metre and 1,022 square metre respectively comprise of commercial unit and a vacant land.
Listing Requirements	- Main Market Listing Requirements of Bursa Securities as amended from time to time
LPD	- 30 June 2013, being the latest practicable date prior to the printing of this Circular
Major Shareholders	- Includes a person who has an interest or interests in one or more voting shares in a corporation and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is equal to or more than 10% of the aggregate of the nominal amounts of all the voting shares in the corporation or equal to or more than 5% of the aggregate of the nominal amounts of all the voting shares in the corporation where such person is the largest shareholder of the company. For the purpose of this definition, “interest in shares” shall have the meaning given in Section 6A of the Companies Act 1965. A major shareholder includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a major shareholder of the listed issuer or any other corporation which is its subsidiary or holding company.
NA	- Net Assets
NTA	- Net Tangible Assets
PAT	- Profit After Taxation
PBT	- Profit Before Tax
Proposed Diversification	- Proposed diversification of the business of PPH Group into hotel and

DEFINITIONS

	commercial property leasing business
Proposed Development	- The overall development would comprise of a hotel, office and commercial components.
PPH or Company	- Public Packages Holdings Berhad (Company No. 162413-K)
PPH Group or Group	- Public Packages Holdings Berhad and its subsidiaries
PPH Plaza	- A wholly-owned subsidiary of PPH to operate the hotel and commercial property leasing business
PPH Share(s) or	- Ordinary share of RM0.50 each in PPH
The Quay or the Hotel	- A 5 storey boutique hotel and retail lots with a total built up of approximately 18,050 square metres and 950 square metres respectively with approximately 160 guestrooms together with 2 storey car park of 100 car park spaces and 7 retail lots
RM and sen	- Ringgit Malaysia and sen, respectively, the lawful currency of Malaysia

Words incorporating the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include corporations, unless otherwise specified.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted.

Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise stated.

TABLE OF CONTENTS

LETTER TO OUR SHAREHOLDERS CONTAINING:-

	PAGE
1. INTRODUCTION	1
2. DETAILS OF THE PROPOSED DIVERSIFICATION	3
3. RATIONALE FOR THE PROPOSED DIVERSIFICATION	7
4. HISTORICAL FINANCIAL PERFORMANCE OF PPH GROUP AND FUTURE DIRECTION OF THE EXISTING CORE BUSINESS	7
5. OVERVIEW AND PROSPECTS	8
6. RISK FACTORS	10
7. EFFECTS OF THE PROPOSED DIVERSIFICATION	12
8. APPROVALS REQUIRED FOR THE PROPOSED DIVERSIFICATION	13
9. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS	13
10. DIRECTORS' RECOMMENDATION	13
11. ESTIMATED TIME FRAME FOR COMPLETION OF THE PROPOSAL	13
12. OUTSTANDING PROPOSALS ANNOUNCED BUT PENDING IMPLEMENTATION	13
13. EGM	13
14. FURTHER INFORMATION	14

APPENDICES

I. BACKGROUND INFORMATION ON HOTEL PROJECT	
II. INDEPENDENT MARKET AND FINANCIAL FEASIBILITY STUDY OF THE HOTEL PROJECT	
III. EXECUTIVE SUMMARY FROM QUANTITY SURVEYOR	
IV. FURTHER INFORMATION	

NOTICE OF EGM Enclosed

FORM OF PROXY Enclosed



PUBLIC PACKAGES HOLDINGS BERHAD

(Company No: 162413-K)
(Incorporated in Malaysia under the Companies Act, 1965)

Registered Office:

Wisma Public Packages
Plot 67 Lintang Kampong Jawa
Bayan Lepas Industrial Estate
11900 Bayan Lepas, Penang

2 August 2013

Board of Directors:

Koay Chiew Poh, *Executive Chairman*
Koay Teng Liang, *Executive Director*
Koay Teng Kheong, *Executive Director*
Koay Chiew Kang, *Executive Director*
Nurjannah Binti Ali, *Independent Non-Executive Director*
Ng Thim Fook, *Independent Non-Executive Director*
Ong Eng Choon, *Independent Non-Executive Director*
Koay Chue Beng, *Alternate Director to Koay Chiew Poh*

To: The Shareholders of Public Packages Holdings Berhad

Dear Sir/Madam,

PROPOSED DIVERSIFICATION OF THE BUSINESS OF PUBLIC PACKAGES HOLDINGS BERHAD AND ITS SUBSIDIARIES INTO THE BUSINESS OF HOTEL AND COMMERCIAL PROPERTY LEASING BUSINESS

1. INTRODUCTION

The Board had on 3 June 2013 announced that the Company wishes to undertake a proposed diversification of its business into “hotel and commercial property leasing business”.

The proposed diversification consists of:-

- i. the development of a boutique hotel with the proposed name of “The Quay” which consist of a five (5) storey boutique hotel that accommodates 160 guestrooms and seven (7) commercial retail lots with a total built up of approximately 18,050 square metres and 950 square metres respectively, together with 2 storey car park of 100 car park spaces, on a Land which was acquired by its wholly-owned subsidiary, PPH Plaza Sdn Bhd (“PPH Plaza”) in year 1995 for development purpose. The details of the Land is as described under item 2.3 of this Circular; and

- ii. the restoration of the existing heritage buildings situated on part of the Land as also described under item 2.3 of this Circular.

(Collectively referred to as “Proposed Diversification” or “Proposed Development”)

The estimated total construction cost of the Proposed Development is approximately RM74,390,000. The Company expects that the profit contribution of this hotel and commercial property leasing business will start to accrue in year 2018.

Horwath HTL, an Independent Market Researcher has been engaged to conduct a market & financial feasibility study (“Feasibility Study”) on the operation of hotel business in Georgetown, Penang and its report is attached as Appendix II in this Circular.

The Company will appoint a Class A contractor via a tender exercise for the Proposed Development. The tender process is scheduled to commence in December 2013 and the Company expects the commencement of the construction for the Proposed Development to begin in January 2014 and to be completed by June 2017.

The Proposed Diversification is expected to commence business in October 2017 (this expected date of commencement of business is different from the information per page 21 of the Feasibility Study Report where it was stated that the first full year of operation is targeted to be in 2016. The reason for this difference is because the Feasibility Study Report was based on the information available at the time of the study (on May 2012) that the proposed project would be initiated earlier but has since being deferred due to management decision.

The breakdown of the development cost of The Quay is as below:

		RM
1.	Building Cost	32,076,700
2.	Mechanical & Electrical	19,024,300
3.	Hotel Related Works	14,430,000
4.	Contingencies	3,000,000
5.	Restoration cost	5,859,000
	Total	74,390,000

A quantity surveyor report is also attached to this Circular as Appendix III detailing the Proposed Development costs.

As at LPD, the Company had on 27 April 2011 and 16 August 2012 submitted their development plan to Majlis Perbandaran Pulau Pinang “MPPP”) and MPPP vide its letter dated 20 October 2011 and 12 October 2012 respectively granted the approval to commence the Proposed Development from 13 September 2011 to 12 September 2012 and from 13 September 2012 to 12 September 2013 respectively. However, as the Company plans to increase the number of guestroom to 160 rooms, an additional application in relation to the changes on development plan was submitted to MPPP on 23 March 2013. MPPP had on 2 May 2013 responded to the said application and requested for further information and documents.

Barring any unforeseen circumstances, the following are the milestones for the construction of The Quay:-

Date	Milestone
December 2013	Open for tender
January 2014	Award of the development contract
January 2014	Commencement date
June 2017	Completion date

The Proposed Development is expected to be financed via a term loan of RM50 Million and the balance will be financed by internally generated funds, and the proportions of which are likely to be 67% and 33% respectively.

The Board expects the Proposed Development to result a diversion of 25% or more of the net assets of PPH and as such, the Board proposes to seek the shareholders' approval at the forthcoming EGM for the Proposed Diversification pursuant to paragraph 10.13 of the Listing Requirements.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSED DIVERSIFICATION AND TO SEEK YOUR APPROVAL ON THE RESOLUTION IN RELATION TO THE PROPOSAL TO BE TABLED AT THE COMPANY'S FORTHCOMING EGM. THE NOTICE OF EGM AND THE FORM OF PROXY ARE ENCLOSED IN THIS CIRCULAR.

SHAREHOLDERS OF PPH ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR BEFORE VOTING ON THE RESOLUTION TO GIVE EFFECT TO THE PROPOSAL AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED DIVERSIFICATION

Presently, PPH is principally involved in investment holding and the provision of financial, administrative and advisory services. Its subsidiaries are principally involved in manufacturing and retailing of corrugated cartons and packing materials.

Accordingly, the Board believes that barring any unforeseen circumstances, the hotel and commercial property leasing business may in the future result in the diversion of 25% or more of the net assets of PPH to an operation which differs widely from those operations previously carried on by PPH. In this regard, the Board proposes to seek the shareholders' approval for the proposed diversification of the existing core business of the Group to include hotel and commercial property leasing business pursuant to the Listing Requirements.

Notwithstanding the Proposed Diversification, the Board intends to continue with the Group's existing business in the same manner.

2.1 Information of PPH Plaza

PPH Plaza Sdn Bhd (Company No. 330349-H) was incorporated as a private limited company on 12 January 1995. The authorised capital of PPH is RM10,000,000 comprising 10,000,000 ordinary shares of RM1.00 each, of which all have been fully issued and paid-up.

PPH Plaza was principally involved in the business of commercial leasing activities since the date of its incorporation on 12 January 1995. In tandem with the plan to diversify into the business of hotel and commercial property leasing business, PPH Plaza has on January 2013 changed its object clause to include provision of hotel and lodging facilities.

The directors of PPH Plaza as at 3 June 2013 are as below:-

1. Koay Chiew Kang
2. Koay Chue Beng
3. Koay Teng Kheong

2.2 Key management

The Board has appointed a hotel consultant with 35 years of experience in the hotel industry to be tasked in setting up the hotel management systems, standard operating procedures as well as recruitment and training.

2.3 Information of the Land

The Land is rectangular in shape and has triple frontages onto Lebuhr Pantai, Gat Lebuhr Gereja and Pengkalan Weld and is located within the financial hub in the heart of Georgetown. It is also situated within the core zone of UNESCO World Heritage Site with close proximity to well-known heritage buildings such as the OCBC Bank, The Whiteways Arcade and the Logan Heritage.

The Land is located approximately 1 kilometre north-west of The Butterworth Ferry Terminal (Pengkalan Tun Raja Uda) and is about 2 kilometres north-east of KOMTAR, the urban renewal centre of Penang.

The Land is approachable directly from Lebuh Pantai and Weld Quay. The immediate surrounding properties comprise mainly of commercial colonial buildings, pre-war double-storey shophouses in nature.

The Land comprises three contiguous lots (i.e. Lot Nos 741, 742 & 743) and erected on Lot Nos 741 & 743 are two (2) units of two-storey pre-war heritage buildings bearing postal addresses Nos 29 & 31, Lebuh Pantai, 10300 Georgetown, Penang and No 7, Pengkalan Weld, 10300 Georgetown, Penang respectively.

The following units of commercial retail lots are currently situated on the Land and are all tenanted:-

	Unit No.	Rental per month (RM)	Expiry Date
1.	1 st Floor, Room A, No. 29 Beach Street, 10300 Penang	3,200	31/03/2013
2.	1 st Floor, Room B, No. 29 Beach Street, 10300 Penang	1,150	28/02/2014
3.	1 st Floor, Room C, No. 29 Beach Street, 10300 Penang	1,080	31/12/2013
4.	1 st Floor, Room D, No. 29 Beach Street, 10300 Penang	2,000	31/07/2013
5.	1 st Floor, Room G, No. 29 Beach Street, 10300 Penang	420	31/10/2013
6.	1 st Floor, Room H, No. 29 Beach Street, 10300 Penang	1,000	31/12/2013
7.	6, 8 & 10 Church St Ghaut, 10300 Penang	5,500	16/12/2013
8.	29A Lebuh Pantai Gat Lebuh Gereja, 10300 Penang	13,000	31/05/2016
9.	4 Church St Ghaut, 10300, Penang	800	14/12/2013
10.	No. 7A (Ground Floor), Weld Quay, 10300 Penang	4,487	31/01/2014
11.	No. 7 (First Floor) Weld Quay, 10300 Penang	1,900	30/09/2013
12.	No. 7B (Ground Floor), Weld Quay, 10300 Penang	1,500	30/04/2013
13.	No. 7 (First Floor), Weld Quay, 10300 Penang	3,500	31/12/2013
14.	31 Lebuh Pantai, 10300 Penang	15,000	31/12/2016

The title particulars of the Land as obtained from Pejabat Pengarah Tanah dan Galian Pulau Pinang in KOMTAR are as follows:-

Lot No.	:	741	742	743
Title No.	:	GRN 101119	GRN 101120	GRN 101121
Section	:	23	23	23
Town	:	Georgetown	Georgetown	Georgetown
District	:	North East	North East	North East
State	:	Penang	Penang	Penang
Tenure	:	Grant in Perpetuity (Freehold)	Grant in Perpetuity (Freehold)	Grant in Perpetuity (Freehold)
Surveyed Land Area	:	1,330 sq. metres (or 14,317 sq. feet)	2,873 sq. metres (or 30,926 sq. feet)	1,022 sq. metres (or 11,001 sq. feet)
Annual Rent	:	RM3,432.00	RM7,413.00	RM2,637.00
Category of Land Use	:	Tiada	Tiada	Tiada
Express Condition	:	(FIRST GRADE) The Land comprised in this title: (a) Shall not be affected by any provision of the National Land Code limiting the compensation payable on the exercise by the State Authority of a	(FIRST GRADE) The Land comprised in this title: (a) Shall not be affected by any provision of the National Land Code limiting the compensation payable on the exercise by the State Authority of a	(FIRST GRADE) The Land comprised in this title: (a) Shall not be affected by any provision of the National Land Code limiting the compensation payable on the exercise by the State Authority of a

		right of access or use conferred by Chapter 3 of Part Three of the Code or on the creation of a Land Administrator's right of way; and (b) Subject to the implied condition that land is liable to be re-entered if it is abandoned for more than three years shall revert to the State only if the proprietor for the time being dies without heirs; And the title shall confer the absolute right to all forest produce and to all oil, mineral and other natural deposits on or below the surface of the land (including the right to work or extract any such produce or deposit and remove it beyond the boundaries of the Land)	right of access or use conferred by Chapter 3 of Part Three of the Code or on the creation of a Land Administrator's right of way; and (b) Subject to the implied condition that land is liable to be re-entered if it is abandoned for more than three years shall revert to the State only if the proprietor for the time being dies without heirs; And the title shall confer the absolute right to all forest produce and to all oil, mineral and other natural deposits on or below the surface of the land (including the right to work or extract any such produce or deposit and remove it beyond the boundaries of the Land)	a right of access or use conferred by Chapter 3 of Part Three of the Code or on the creation of a Land Administrator's right of way; and (b) Subject to the implied condition that land is liable to be re-entered if it is abandoned for more than three years shall revert to the State only if the proprietor for the time being dies without heirs; And the title shall confer the absolute right to all forest produce and to all oil, mineral and other natural deposits on or below the surface of the land (including the right to work or extract any such produce or deposit and remove it beyond the boundaries of the Land)
Restriction in Interest	:	Tiada	Tiada	Tiada
Registered Owner	:	PPH Plaza Sdn Bhd	PPH Plaza Sdn Bhd	PPH Plaza Sdn Bhd

The Land was acquired in year 1995 at a purchase consideration of RM14,326,775.00.

The Land is free from all liens, charges, mortgages, leases, claims, equities, restraints, caveats and any security interest or encumbrance. The carrying value of the Land as at 31 December 2012 is RM22 million.

The buildings erected on the Land are as below:-

i) Lot No 741

On the subject land, stands two (2) adjacent units of 2-storey heritage pre-war buildings bearing postal addresses Nos 29 & 31, Lebuhr Pantai, 10300 Georgetown, Penang. These buildings can be identified as Digi and Jing-Si Books & Café.

These buildings are basically of load bearing column and clay brickwalls and timber pitched roof laid over with clay tiles and corrugated zinc sheets. The main doors to the ground floors are of glass panels

and the windows are of aluminium frame glass whilst the windows to the first floors are of swing glass panels in timber casement.

The 2-storey heritage pre-war buildings are approximately 90 year of age with gross built up and net lettable areas of 22,450 sq ft and 21,250 sq ft respectively.

ii) Lot No 742

Vacant Land

iii) Lot No 743

On the subject land, stands a 2-storey heritage pre-war building bearing postal address No. 7, Pengkalan Weld, 10300 Georgetown, Penang.

This building is basically constructed of plastered brickwalls and timber pitched roof laid over with clay tiles and corrugated zinc sheets. Externally, the doors to the main entrance on the ground floor are of aluminium roller shutter and the windows are of glass panels in timber frame casement and are further secured with m.s grilles whilst the windows to the first floor are of glass panels in timber casement.

The 2-storey heritage pre-war building is approximately 90 year of age with gross built up and net lettable areas of 10,000 sq ft and 8,800 sq ft respectively.

2.4 Information on the commencement of the operation of the Hotel

Barring any unforeseen circumstances, PPH expects to commence the hotel and commercial property leasing business in October 2017 except for the units of commercial retails lots which were currently being tenanted out as stated in item 2.3. The Proposed Diversification is expected to commence business in October 2017 (this expected date of commencement of business is different from the information per page 21 of the Feasibility Study Report where it was stated that the first full year of operation is targeted to be in 2016. The reason for this difference is because the Feasibility Study Report was based on the information available at the time of the study (on May 2012) that the proposed project would be initiated earlier but has since being deferred due to management decision).

2.5 Competition and Barrier of Entry

PPH is a new and relatively smaller player as compared to the established hotels in Georgetown such as E&O Hotel and City Bayview Hotel but the Company expects to price the room rates of The Quay at mid-range level and the Company intends to focus its market niche on both business travellers and tourists instead of just tourist only.

2.6 Contribution of the hotel and commercial property leasing business

The management of PPH forecasts to achieve the following revenue during its first 12 months of operation and targets to achieve gross profit margins of 48% from the hotel and commercial property leasing business. However, the management do not expect a positive return in net profit for the first year of operation and but is optimistic to achieve net profits thereafter.

The Company takes into consideration of the estimated future occupancy rate stated in the Feasibility Study Report, historical hotel occupancy rate which include the length of stay of various type of customers, cancellation and no-show rate to arrive the forecast revenue of the hotel business.

The Company has examined the expenditures such as laundry, labour, electricity and every expense associated with the business to arrive the forecast profit.

		Forecast Revenue in first 12 months of operations (RM)
1.	Hotel Business	11,584,720
2.	Commercial Property Leasing	600,000
	Total	<u>12,184,720</u> =====

3. RATIONALE FOR THE PROPOSED DIVERSIFICATION

The Proposed Diversification is undertaken as part of PPH's plan to mitigate the overdependence on its existing core business by providing the Group with an alternate income stream. Based on the positive outlook of the hotel industry from the feasibility study on the industry, the Board of Directors believes that the Proposed Diversification will be a good strategy to fully unlock the value of the Land.

The Proposed Diversification is undertaken pursuant to the Listing Requirements as the Board believes that the hotel and commercial property leasing business will divert 25% or more of the net assets of the Group to an operation which differs widely from the present operations carried on by the PPH Group.

4. HISTORICAL FINANCIAL PERFORMANCE OF PPH GROUP AND FUTURE DIRECTION OF THE EXISTING CORE BUSINESS

The summary of the PPH Group's historical financial performance based on its audited consolidated financial statements for the past 5 FYE 31 December 2008 to 2012 and the unaudited results for the 3 months' financial period ended ("FPE") 31 March 2013 are as follows:

	< ----- Audited FYE 31 December ----- >					Unaudited 3 months FPE 31
	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	March 2013 RM'000
Revenue	163,548	131,548	145,949	151,306	139,568	32,719
PBT	4,517	10,779	10,725	10,250	18,100	2,130
PAT	3,134	9,002	8,307	7,929	14,218	1,523
EPS (sen)	8.2	2.85	7.2	7.6	12.9	1.39
NA	93,922	96,316	114,029	119,311	133,631	1.23

Commentary on financial performance

FYE 31 December 2008

For the financial year ended 31 December 2008, the Group's revenue was RM163 million, 10.8% higher than RM147 million achieved in year 2007 and the Group's net profit before tax for the year also increased by 67% from RM2.7 million in year 2007 to RM4.5 million in year 2008.

FYE 31 December 2009

The Group's revenue and profit after tax for the year ended 31 December 2009 were RM132 million and RM9 million respectively, as compared to RM163 million and RM3 million achieved in year 2008. The lower sales experienced was mainly due to the volatility of demand and the higher profit generated was attributed to the cost control exercise implemented in the financial year.

FYE 31 December 2010

The Group's total revenue improved to RM146 million from RM132 million achieved in year 2009. The Group has also reported a profit from operations of RM11 million for the financial year 2010 against RM12 million in the year 2009. This decline was primarily due to higher paper prices experienced by the Group as a result of

more challenging and volatile market. Nevertheless the Group still managed to record profit after tax of RM 8.3 million for the year 2010 despite the global economic uncertainty stemming from the global financial crisis.

FYE 31 December 2011

Total revenue increased by 4% from RM146 million to RM151 million in year 2011, while profit after tax reduced from RM8.3 million to RM7.9 million, mainly due to higher material cost.

FYE 31 December 2012

The Group's revenue for year ended 31 December 2012 was RM140 million as compared with the RM151 million in year 2011. The lower sales experienced was mainly due to the general reduction of demand for its products. Despite the drop in revenue, the Group net profit after tax has surged to RM14 million from RM8 million in year 2011 which was mainly caused by a fair value adjustments on investment property of RM4 million. In tandem of this, earnings per share and net asset per share of the Group improved to 12.90 cents (2011: 7.20 cents) and RM1.22 (2011: RM1.09) respectively.

5. OVERVIEW AND PROSPECTS

5.1 Overview and outlook of the Malaysian economy

5.1.1 Demographic Snapshot

Malaysia is a rapidly developing economy in Asia. Its Gross Domestic Product (GDP) measured on purchasing power parity basis in 2011 was estimated at USD 448 billion (USD 414 billion in 2010) and is ranked the 29th in the world according to the International Monetary Fund. The country is currently classified as an Upper Middle Income economy by the World Bank with the third largest GDP per capita in the region. The GDP per capita PPP was estimated at USD 15,384, an 11 percent increase from USD 13,800 in 2009.

(Source: CIA the World Fact Book)

5.1.2 Key Economic Indicators

Malaysia has transformed itself since the 1970s from a producer of raw materials into an emerging multi-sector economy. After coming to office in 2003, former Prime Minister Abdullah Badawi tried to move the economy farther up the value-added production chain by attracting investments in high technology industries, medical technology and pharmaceuticals, an effort that continues under current Prime Minister Najib Tun Razak. The Najib administration is continuing efforts to boost domestic demand and to wean the economy off its dependence on exports. Nevertheless, exports particularly electronics remain a significant driver of the economy.

As an oil and gas exporter, Malaysia has profited from higher world energy prices, although the rising cost of domestic gasoline and diesel fuel, combined with strained government finances, has forced Kuala Lumpur to reduce government subsidies. The government is also trying to lessen its dependence on state oil producer Petronas, which contributes 40 percent of government revenue. For the full year 2011, Petronas achieved a pre-tax profit of MYR 82.7 billion (approximately USD 26.3 billion). However, its oil and gas reserves are ageing and the company needs to spend as much as USD 18 billion annually over the next five years for exploration and improving recovery of existing reserves.

The central bank maintains a healthy foreign exchange reserves and its well-developed regulatory regime has limited Malaysia's exposure to riskier financial instruments and the global financial crisis. For the first quarter of 2011, the economy grew at 5.2 percent, well above market expectation. It slowed in the second quarter at 4.3 percent due to weaker exports to developed countries. According to Bank Negara Malaysia, the debt crisis in the Euro zone and the slowing growth in the US pose risks to the Malaysia's economy because of the volatility those developments can cause in the financial markets. The third quarter registered a higher growth rate of 5.8 percent, spurred by the domestic demand growth of 9 percent and the recovery of the supply chain disruption arising from the Japanese tsunami and earth quake disaster in March 2011. The fourth quarter recorded a growth

of 5.2 percent, resulting in GDP growth for the full year at 5.2 percent, higher than the central bank's predicted 5.0 percent.

After suffering declining foreign direct investments (FDI) over 2008 and 2009, the trend was reversed in 2010 with USD 8.9 billion worth of total investments, and continued in 2011 recording the highest level over the last 5 years at USD 10.2 billion.

(Source: CIA the World Fact Book, MIDA, IMA Asia, Ministry of Finance, Bank Negara Malaysia)

5.2 Overview of the Tourism Industry

Despite the H1N1 threat and the economy downturn across the region in 2009, the country recorded a 7.2 percent increase in visitor arrivals to 23.6 million and this moved Malaysia up two notches in the United Nations World Tourism Organisation (UNWTO) barometer, placing the country among the top 10 in terms of tourist arrivals for 2009. It secured ninth position, just below Turkey and Germany, in terms of arrivals. In 2011, the country recorded 0.6 percent increase in arrivals, the lowest increase since 2004. The secretary-general of UNWTO predicts Malaysia to be within the top five by 2020.

Nevertheless, the Tourism Minister, Datuk Seri Dr Ng Yen Yen, believes the growth rates and trend of the historical arrivals to be in line with government's Tourism Plan 2020 target of achieving 36 million tourist arrivals and MYR 168 billion in tourism receipts by 2020.

(Source: Tourism Malaysia, August 2010)

Tourism Prospects

The World Tourism Organisation (WTO) forecasts international arrivals worldwide are expected to reach 1 billion by 2012. For 2011, international arrivals grew 4 percent to 980 million, of which 22 percent travelled to Asia Pacific. By 2030, the arrivals worldwide are projected to reach 1.8 billion.

However, the WTO forecast that mature regions such as Europe and the Americas will register slower arrival growth rates in the next 10 years compared to emerging regions such as Asia and the Middle East and by 2020, the market share of Europe will shrink to approximately 46 percent, whilst those of East Asia and the Pacific will expand to 25 percent.

By 2020, the Malaysian Government is looking at attracting 36 million tourists, a projected Compound Annual Average Growth (CAAG) of approximately 4 percent. Between 2007 and 2011, the CAAG of arrivals registered 4.2 percent. Moving forward, arrivals to Malaysia may suffer a slight reduction in 2012/2013 from certain countries following the suspension of numerous routes by Malaysia Airlines as well the ongoing Euro zone debt crisis. In 2012, Malaysia Airlines suspended services to Cape Town, Johannesburg, Buenos Aires, Rome, Karachi and Surabaya. In addition, the airline also suspended four routes from Kota Kinabalu to Tokyo, Osaka, Perth, and Seoul, thus ending Kota Kinabalu as a hub, although the airline will maintain services to those routes from Kuala Lumpur. The airline also dropped its service completely to Tokyo's Haneda Airport but will continue to serve the city's primary international gateway, Narita Airport. The national carrier however, will focus on intra-regional routes such as Southeast Asia, South Asia, Greater China and North Asia. Malaysia Airlines will join the Oneworld airline alliance in late 2013 and will seek closer operation with Qantas Airways, fuelling speculation that the latter carrier will move its Southeast Asian hub from Singapore to Kuala Lumpur hence, resuming flights from Australia to Kuala Lumpur since it suspended the route in 1998.

(Source: Tourism Malaysia, August 2010)

Premised on the above, the Board believes that the outlook and prospects of the hotel industry in Malaysia are expected to be positive in the long term.

5.3 Penang Tourism Overview

Penang has always been a popular tourist destination, both domestically and internationally. Penang is known for its rich heritage, multicultural society and its vibrant culture, its hills, parks, and beaches, shopping and good

food. Penang Island has been ranked by *Yahoo! Travel* as one of the “10 Islands to Explore before You Die” and is listed in Patricia Schultz’s best-selling “1,000 Places to See before You Die” travel book.

The pre-war houses in the historic centre of George Town were for half a century until January 2001 protected from urban development due to the *Rent Control Act* which prohibited landlords from arbitrarily raising rentals as a measure to provide affordable housing to the low-income population. Its eventual repeal visibly changed the landscape of the island’s demographic pattern and economic activity as it led to overnight appreciation of house and real estate prices, forcing out tenants of multiple generations of their homes to the city outskirts and the development of new townships, the demolition of many pre-war houses, the mushrooming of high-rise residences and office buildings, and the emptying out and dilapidation of many areas in the city centre. Unperturbed development sparked concerns for the preservation of the heritage buildings, leading to more vigorous conservation efforts. On 7 July 2008, George Town was formally inscribed as a UNESCO World Heritage Site and officially recognised as having “a unique architectural and cultural townscape without parallel anywhere in East and Southeast Asia”.

The state government does not publish tourism arrivals as tourists arrive in Penang by land, sea and air, making tracking of visitor arrivals difficult. However, the statistics of hotel guests as compiled by Tourism Malaysia provides an indication of tourist arrivals to Penang. Hotels that are covered include quality guesthouses, budget and international standard hotels.

Just as in the business sector, the global financial crisis of 2009 had a negative impact on tourism in Penang where total hotel guest arrivals took a negative growth in that year. However, it is interesting to note that foreign guests registered a 6 percent growth. Between 2005 and 2009, the proportion of domestic guests was higher, but the trend reversed in 2010. Foreign guests have consistently registered growth since 2005. Indonesians topped the list of foreign guests followed by Singaporeans, Mainland Chinese, Japanese and Americans.

To further boost tourism, the Penang state government plans to develop and promote Penang as the Medical City of the region by providing quality healthcare that is affordable for all segments of the market and to set-up a pro-active administration that will be able to look into the comfort and needs of the patients and their families. Out of Malaysia’s total medical tourism receipts of approximately MYR288 million in 2009, Penang contributed MYR162 million or 57 percent. In 2010, this increased to MYR227 million or 66 percent of the total MYR336 million national medical tourism receipts. In 2010, the Hotel Resort Insider named Malaysia as one of the top five medical tourism destinations in the world. Penang has some seven specialty hospitals, which form the Penang Health Association to jointly promote medical tourism in Penang. The lifting of levies imposed on Indonesians seeking medical treatment in Malaysia at the beginning of 2011 is expected to draw more medical tourists from Indonesia. In total, there are eight private hospitals in Penang. The Economist in its recent article on August 13, 2011, wrote a flourishing article on the state of medical care and medical tourism in Penang where low cost and well-equipped hospitals have drawn foreign patients seeking medical treatment. The state government is currently targeting southern China where it promoted medical tourism in Guangzhou in September 2011. Medical tourists numbered approximately 250,000 in 2010, chalking an increase of almost 24 percent. Most of the medical tourists arrived from Indonesia.

(Source: *Tourism Malaysia*, August 2010)

6. RISK FACTORS

The Company has considered the following in their evaluation of the investment risks associated with the Proposed Diversification and Shareholders should carefully consider the following information (which may not be exhaustive), in addition to information contained in this Circular, before voting on the resolution pertaining to the Proposed Diversification:-

6.1 Business Risk

The Proposed Diversification is subject to certain risk inherent in the hotel and commercial property leasing business. These include, inter-alia availability of labour, availability of financing, changes in general economic and business conditions and tourism arrivals.

The management of PPH Group seeks to limit these risks through, inter-alia, prudent financial policies, continuous review of operations, marketing strategies to improve efficiency and to ensure proper due diligence are implemented during the period between planning, development and promotion. However, no assurance can be given that any change to the said risk factors will not have a material adverse effect on the business of hotel and commercial property leasing.

6.2 Business Diversification Risk

The Company has not been previously involved in hotel and commercial property leasing business. Hence, the Company may be subject to new challenges and risks arising from hotel and commercial property leasing business in which the Company does not have track record to ensure the success of the venture in hotel business. Nevertheless, the Management believes that the hotel consultant to be employed for the management of the hotel business, has sufficient experience in hotel industry to derive the management team of the said hotel. The consultant will work with the Management in identifying and recruiting experienced heads of department for the hotel. This includes head of Sales & Marketing, Food & Beverages, Security, Human Resource, Finance, Engineering, Housekeeping, Front Office, Operations and a general manager as well. The consultant will also draw up standard operation procedures and assist in conducting training for all new recruits and work closely with the Management in developing a sales and marketing plan.

6.3 Competition Risk

The Company may also face some disadvantages being a new entrant in the hotel industry as it lacks the track records as compared to the existing players which enjoy the privilege on their established brand name and reputation.

The PPH Group's competitiveness will depend on its technical expertise, process know-how, marketing strategy. The Company will constantly review its development and marketing strategy to fulfill the needs and specifications of their guests.

6.4 Non-completion Risks

The Proposed Diversification has yet to commence any activity as the Company is expected to start inviting suitable contractors and professional to participate for its tender exercise in December 2013. There is no certainty to the successful completion of the transaction and upon any non-fulfilment of any condition or necessary procedure by successful bidding contractors or by the Company, the Proposed Development may not be completed. Notwithstanding the above, PPH shall take all reasonable steps and procedures to ensure the completion of the Proposed Development and safeguard the Company's position.

6.5 Political, Economic and Regulatory Risks

Like all other business ventures, changes in political, economic and regulatory conditions could materially and adversely affect the financial and business prospects of the Proposed Diversification. Amongst the political, economic and regulatory uncertainties are the changes in the general economic condition, business as well as the credit conditions. While, PPH Group will seek to limit the impact of such risk to its business, and that the risks in relation to the Proposed Development and Proposed Diversification.

6.6 Financial Risks

PPH intends to fund part of the construction cost for the Proposed Development of The Quay via bank borrowings. As such, any significant fluctuation in interest rates may increase the cost of borrowings for PPH. PPH will monitor closely the fluctuations in interest rate and will negotiate with the relevant financial institution for an attractive and cost effective financing package.

7. EFFECTS OF THE PROPOSED DIVERSIFICATION

7.1 Share Capital and Substantial Shareholders

The Proposed Diversification will not have any effect on PPH's issued and paid-up share capital or substantial shareholders' shareholdings as the Proposed Diversification does not involve any issuance of shares in PPH.

7.1.1 NTA

The Proposed Diversification is not expected to have any material effect on the net tangible assets of the PPH Group.

7.1.2 NA, NA Per Share and Gearing

The proforma effects of the Proposal on the NA, NA Per Share and gearing position of, assuming the Proposal was completed by 31 December 2012 (being the date of latest audited statement of financial position of PPH Group), is illustrated below:-

	Audited consolidated as at 31.12.2012 RM'000	After the completion of the Proposed Development RM'000
Share capital	54,949	54,949
Share premium	1,295	1,295
Reserves	77,387	76,887
Shareholders' funds/NA	133,631	133,131
Number of shares ('000)	109,896	109,896
NA per share (RM)	1.21	1.21
Borrowings (RM'000)	48,685	98,685
Gearing (Times)	0.48	0.72

The increase to the borrowings in the above table is due to bank borrowings taken for the Proposed Development.

Notes:

- (1) After deducting the estimated incidental expenses of approximately RM500,000 in relation to the Proposed Development.
- (2) The Proposed Development is expected to be funded through a combination of internally-generated fund and bank borrowings. Assuming that RM50 million of the Proposed Development cost is funded by bank borrowings.
- (3) The gearing ratio was derived by dividing the total borrowings with the shareholders' fund/NA of the PPH Group.

7.1.3 Earnings and Earnings Per Share

The Proposed Development and Proposed Diversification are not expected to have any material effect on the earnings and earnings per share of the PPH Group for the FYE 31 December 2013.

However, the Proposed Development is expected to contribute positively to the future earnings of the PPH Group.

8. APPROVALS REQUIRED FOR THE PROPOSED DIVERSIFICATION

The Proposed Diversification is subject to the following approvals:-

- a) The shareholders of PPH at an EGM to be convened; and
- b) Any other relevant authorities, if required.

The Proposed Diversification is not conditional upon any other corporate proposals or transaction taken by PPH.

9. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

None of the directors and/or major shareholders of PPH and/or persons connected with them have any interest, direct and/or indirect, in the Proposed Development and Proposed Diversification.

10. DIRECTORS' RECOMMENDATION

After having considered all aspects of the Proposed Diversification, the Board is of the opinion that the Proposed Diversification is in the best interest of PPH.

Accordingly, the Board recommends that you vote in favour of the resolution pertaining to the Proposed Diversification to be tabled at the forthcoming EGM.

11. ESTIMATED TIME FRAME FOR COMPLETION OF THE PROPOSAL

The tentative timetable for the completion of the Proposed Diversification is set out as follows:-

Events	Date
EGM to approve the Proposed Diversification	26 August 2013
Completion of the Proposed Development	June 2017
Commencement of the Proposed Diversification	October 2017

12. OUTSTANDING PROPOSALS ANNOUNCED BUT PENDING IMPLEMENTATION

Save for the Proposed Diversification, there are no other outstanding corporate exercises, which have been announced by the Company but not yet completed as at the LPD.

13. EGM

An EGM, notice of which is enclosed with this circular, will be held at 3rd Floor, Meeting Room of Plot 468 & 482, Jalan Perusahaan Baru, Prai Industrial Estate, 13600 Prai, Penang or any adjournment thereof for the purpose of considering and if thought fit, passing the ordinary resolution so as to give effect to the Proposed Diversification.

If you are unable to attend and vote in person at the EGM, you are requested to complete, sign and return the enclosed Proxy Form in accordance with the instructions contained therein so as to arrive at the Registered Office of the Company at Wisma Public Packages, Plot 67 Lintang Kampong Jawa, Bayan Lepas Industrial

Estate, 11900 Bayan Lepas, Penang as soon as possible and in any event not later than forty eight (48) hours before the time fixed for the EGM.

The lodging of the Proxy Form will not preclude you from attending and voting in person at the EGM should you subsequently are able to do so.

14. FURTHER INFORMATION

Shareholders are advised to refer to the attached appendices of this Circular for further information.

Yours faithfully
For and on behalf of the Board of
PUBLIC PACKAGES HOLDINGS BERHAD

KOAY CHIEW POH
Executive Chairman

PPH Plaza Sdn Bhd**Assumptions:-**

- a. Total estimated construction cost = RM68 million (inclusive of RM28.5 million of Machinery, Equipment, Furniture and Fittings)
Financing:
 - Internally generated fund = RM18mil
 - Bank borrowings = RM50mil
 - Loan Tenure = 11 years + grace period of 4 years (3 years construction and 1 year in operation)
 - Interest Rate - 5.5%
 - Building will be completed in 3 years
 - Principal repayment will commence after a year in operation with instalment amount of RM378,750 per month inclusive of interest.
- b. The estimated first year annual revenue inclusive of rental income and car park revenue is RM11,584,720.
However, the management do not expect a positive return in net profit for the first year of operation but is optimistic to achieve positive net profits thereafter.
- c. Total **no. of employees** required is 94 inclusive of management staff.
- d. Expenses Budget

Direct operating expenses

Cleaning & chemical	0.5% from room revenue
Credit card collection	Assumption collection : 50% by credit card and charges is at 2.5%
Decoration & promotion	0.4% from room revenue
Laundry & dry cleaning	2.0% from room revenue
Linen & duvet	0.5% from room revenue
Printing and stationery	RM 3,000 per month
Property maintenance	3.0% from room revenue
Room amenities & supply	2.0% from room revenue
Staff welfare	5% from total operating salaries
Other expenses	1.0% from room revenue
Telephone & internet charges	RM 2,500 per month
Travel agent commission	1.0% from room revenue
Water and electricity	10% from room revenue

Marketing expenses

Advertisement	0.5% from room revenue
Travelling & trade show	0.8% from room revenue

Administrative expenses

Audit fee	RM 5,000 per year
Bank charges	RM 2,000 per month
Computer consumables	RM 2,000 per month
Insurance	0.8% from estimated building cost
Printing and stationery	RM 2,000 per month
Quit rent & assessment	RM 250,000 per month
Secretarial fee	RM 70 per month
Tax fee	RM 3,000 per year
Training expenses	RM 40,000 per year

- e. Taxation is calculated based on 25% tax rate.

The company has been granted investment tax allowance by the Malaysian Investment Development Authority ("MIDA") vide a letter of approval by MIDA dated 17 June 2013 ("MIDA Letter"), on 60% of its qualifying capital expenditure acquired by the Company against 70% of the statutory income of the Company for a period of 5 years subject to the following conditions:-

- (i) Place : Lot 742 & 743, Section 23, Bandar Georgetown, Daerah Timur Laut, 10200 Pulau Pinang
- (ii) The proposed hotel shall be accredited as a four or five star class hotel by Minister of Tourism Malaysia
- (iii) The Company has to keep a separate accounting records for promoted activities and non-promoted activities subject to such accounting records is approved Inland Revenue Board of Malaysia.

The Company was also advised to maintain its paid up capital on a debt to equity ratio of not more than 5:1 and to apply to MIDA to fix a date to start enjoying this incentive within two years from the date of the MIDA Letter.

APPENDIX II INDEPENDENT MARKET AND FINANCIAL FEASIBILITY STUDY OF THE
HOTEL PROJECT

May 2, 2013

The following report is an independent assessment of the proposed hotel development by Public Packages Holdings Berhad (PPHB) prepared by Horwath HTL for inclusion in PPHB's circular to shareholders in relation to its proposed diversification of business into the hospitality industry.

Horwath HTL has prepared this report in an independent and objective manner and has taken reasonable consideration to ensure the accuracy of the report. It is our opinion that the report represents a true and fair assessment of the industry within the limitations of, among others, secondary market research.

Our assessment is for the overall industry and may not necessarily reflect the individual performance of any hotel. We do not take any responsibility for the decisions and actions of readers of this document. This report should not be taken as a recommendation to buy or not to buy shares of any company.

Yours sincerely,



Director – Kuala Lumpur

**MARKET AND FINANCIAL FEASIBILITY STUDY
EXECUTIVE SUMMARY
PROPOSED HOTEL PROJECT**

**GEORGETOWN, PENANG
MALAYSIA**

PUBLIC PACKAGES HOLDING BERHAD

FEBRUARY 2013



Hotel, Tourism and Leisure

TABLE OF CONTENTS

<u>1</u>	EXECUTIVE SUMMARY	3
1.1	PROJECT BACKGROUND	3
1.2	SITE ANALYSIS CONCLUSION	4
1.3	COMPETITIVE HOTEL MARKET ANALYSIS	4
1.4	FACILITIES RECOMMENDATIONS	7
1.5	ESTIMATED PROJECTED PERFORMANCE	9
1.6	OPERATING CASH FLOW PROJECTION ASSUMPTIONS	10
1.7	EBITDA SUMMARY	11
1.8	INVESTMENT OUTLAY ASSUMPTIONS	11

Appendix I – Ten-Year Cash Flow Projections for Subject Hotel

Appendix II – Pre-Tax All Equity Internal Rate of Return for Subject Hotel

Appendix III – “Going Green: Minimum Standards Toward a Sustainable Hotel”



**MARKET AND FINANCIAL FEASIBILITY STUDY
EXECUTIVE SUMMARY
PROPOSED HOTEL PROJECT**

GEORGETOWN, PENANG

PUBLIC PACKAGES HOLDINGS BERHAD

FEBRUARY 2013

I EXECUTIVE SUMMARY

Horwath HTL was engaged by Public Packages Holdings Berhad (the Client), to undertake a market and feasibility study for a proposed hotel component of a mixed-use development (the Hotel) to be situated within the core UNESCO Heritage Zone in George Town, Penang, Malaysia. The overall development would comprise of a hotel, office and commercial components.

Our analysis has included discussions with representatives of the government, tourism, and the hospitality industry in Malaysia. We have also reviewed economic and tourism conditions and the status of the competitive market to estimate likely future demand and supply for the hotel market in George Town. All information, estimates and assumptions contained in the report reflect what was available to us as of **May 2012**, the sources and bases of which are stated in the appropriate sections.

I.1 PROJECT BACKGROUND

The proposed development will be located on Lebuhraya (Church Street) within George Town's core zone of the UNESCO World Heritage Site, and would comprise of three separate buildings occupying a total land area of approximately 66,000 square feet. Two of the three buildings are existing heritage buildings, which are planned for office and commercial spaces, while the site housing the Hotel will be a new build structure on a land area of approximately 30,900 square feet. For the purpose of this report, all facilities recommendations and space program calculations will be restricted to the hotel building only. The Hotel will have a height limit of 18 meters (in line with the World Heritage regulations) and its first full year of operation is target to be in 2016.

1.2 SITE ANALYSIS CONCLUSION

On the whole, we believe the Site's location is suitable for an upper-tier hotel development given its accessibility and overall surroundings, and this suitability may increase given the development of the upscale Rice Miller mixed-use development to be located west of the Site, which may also serve as a catalyst to further redevelopment and improvement of the surrounding area. The proximity to main leisure and corporate demand generators places it in a good position to capture leisure and corporate demand. However, the Site's potential to capture long stay guests is moderately low, as they have shown to prefer apartments closer to the industrial parks, or Gurney Drive, where there are more shopping and dining options.

1.3 COMPETITIVE HOTEL MARKET ANALYSIS

To determine the competitive hotel supply, we analysed the historical hotel demand sources and identified those characteristics upon which guests base their decisions of hotel selection. The market characteristics and performance figures discussed in this section have been gleaned from interviews and market discussions held with the general managers and/or sales and marketing directors of the hotels. Some of these are estimated by Horwath HTL based on these interviews supported by our existing database, knowledge and experience. Characteristics considered include the following:

- Achieved ADR in 2011 of above MYR 200;
- Property size of above 100 rooms;
- Guest mix;
- Location;
- Quality of physical product, furnishings, and service;
- Pricing, positioning and perceived status;
- Apparent marketing strategies; and,

Using the abovementioned considerations, the list of hotels that would be considered competitive for the subject Hotel are listed as follows:

IDENTIFIED COMPETITIVE SET, GEORGETOWN 2011

Hotel	Year Build	Location	Room Count
Traders Hotel	1986	Jalan Magazine	442
Northam All-Suites	1999	Jalan Sultan Ahmad Shah	142
Laurel Evergreen	2000	Persiaran Gurney	368
Eastern & Oriental Hotel (E&O)	1886	Lebuh Farquhar	100
The Gurney	2001	Persiaran Gurney	259
G Hotel	2007	Persiaran Gurney	304
Total			1,615

The historical performance of the overall competitive market between 2007 and 2011 is summarized in the table below:

COMPETITIVE MARKET HISTORICAL SUPPLY AND DEMAND, 2007 TO 2011

Year	Daily RNA	% Change	Daily RND	% Change	OCC	ADR (MYR)	% Change	RevPAR (MYR)	% Change
2007	1,616	-	1,212	-	75%	219	-	164	-
2008	1,616	0%	1,252	3%	77%	232	6%	180	9%
2009	1,616	0%	1,160	-7%	72%	239	3%	172	-4%
2010	1,616	0%	1,200	3%	74%	247	4%	184	7%
2011	1,616	0%	1,242	4%	77%	266	8%	205	11%
CAAG¹	0%		1%			12%		6%	

¹ Compound Annual Growth Rate from 2007 to 2011

Note: RNA = Room Night Available; RND = Room Night Demand; ADR = Average Daily Rate; RevPAR = Revenue per Available Room; OCC = Occupancy

From our fieldwork, we understand that there are multiple new hotel projects in Penang that are at different development stages. It should be noted that the following new additions are not intended to disclose all known and possible new supply to the competitive market in the future, but highlights the most likely projects to be completed. In addition to the confirmed projects, which will be individually highlighted below, a generic supply comprising of 600 guestrooms is added to the list to account for rumoured and other potential projects that are likely to enter the market. The following lists the identified new additions to supply in George Town that are deemed to be competitive with the subject Hotel:

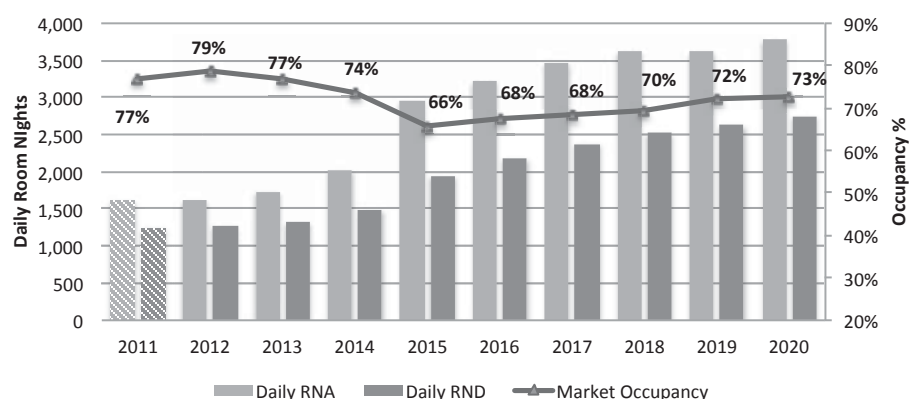
ESTIMATED NEW SUPPLY

Hotel	Location	Room Count	Est. Opening Year ¹
Victory Annexe - Extension of E&O	Lebuh Farquhar	120	2013
Baby G	Jalan Kelawei	208	2014
Rice Miller Hotel	Lebuh China	48	Q3 2014
One Mansion – Holiday Villa	Jln. Sultan Ahmad Shah	220	Q4 2014
Royal Bintang	Lebuh Downing	180	2015
St. Giles Wembley	Jln. Magazine	420	2015
Times Square Hotel Component	Jln. Dato Keramat	250	2017
Generic Supply	-	600	Between 2015 and 2020

¹ Expected opening year based on announced opening date together with on-site construction progress as of April 2012.

Based on our analysis of the historical performance and the estimates of future supply additions, the following table outlines our projections of growth in market demand and the resultant room occupancy performance until 2020:

FORECAST MARKET SUPPLY & DEMAND AND ESTIMATED OCCUPANCY



While the ADR growth between 2007 and 2011 recorded at a CAAG of 5 percent, this is not expected to be sustainable in the longer term. We expect growth in 2012 and 2013 to continue at 4 to 5 percent given minimal increases in new supply. However, from 2014 to 2016, the market ADR is projected to register a negative average annual growth rate as the large influx of new supply into the market is likely to result in a price war and aggressive pricing strategies. It would take a several years for the new supply to be fully absorbed by the market, thus exerting downward pressure on rates. Properties, especially older ones, would have to resort to significant discounting to maintain or expand market share. As the market stabilizes, the ADR growth is expected to regain its stabilized pace of 3.5 percent from 2017 onwards. The following table presents ADR and RevPAR projections for the competitive market based on the assumptions discussed in the foregoing:

ADR AND REVPAR PROJECTIONS, 2011 TO 2020

Year	ADR (MYR)	% Change	Occupancy	RevPAR (MYR)	% Change
2011	266	-	77%	205	
2012	280	5.0%	79%	221	8%
2013	291	4.0%	77%	223	1%
2014	299	3.0%	74%	221	-1%
2015	293	-2.0%	66%	193	-12%
2016	299	2.0%	68%	202	5%
2017	310	3.5%	68%	212	5%
2018	321	3.5%	70%	223	5%
2019	332	3.5%	72%	240	8%
2020	343	3.5%	73%	250	4%
CAAG 2011-2020	2.9%			2.2%	
CAAG 2011-2020 (RND)	9.1%				

1.4 FACILITIES RECOMMENDATIONS

1.4.1 Positioning

The recommended market positioning is based on the analysis of the market environment, the project Site's strengths and weaknesses and the incorporation of the Client's development objectives. We recommend a **professionally managed upscale design / lifestyle boutique hotel** with an extremely unique product incorporating the heritage exterior and a contemporary internal product.

The following are examples of successful modern boutique hotels that have had to work within the confines of a historical / conservation building:

EXAMPLE ONE: THE CLUB HOTEL SINGAPORE BOUTIQUE HOTEL



Clockwise from Top-left: Hotel Exterior, Lobby Area, Standard Room, Restaurant
Source: Google Images

EXAMPLE TWO: THE WATERHOUSE AT SOUTH BUND, SHANGHAI



Clockwise from Top-left: Hotel Exterior, Lobby Area, Standard Room, Rooftop Bar
Source: Google Images

1.4.2 Recommended Guestroom Facilities

The following table details our recommended guest room size and mix for the subject Hotel:

RECOMMENDED GUESTROOM MIX			
Room Type	Room Count	Average Size	% of Total Rooms
Standard	105	38	91%
Suites	10	76	9%
Total	115	-	100%

The above room mix and size would total a floor area of 4,750 square meters (excluding circulation and support areas), which is about 57 percent of the total available floor area. This would leave the reminding 43 percent for other facilities, circulation and support areas. This is deemed reasonable given that property would provide limited facilities.

1.4.3 Recommended Food & Beverage Facilities

We would recommend one main restaurant and a lobby lounge / bar located on the ground floor with street frontage, which is popular for casual meetings between corporate guests and a relaxing place for leisure guests to unwind. Due to the minimal food options and small size of the bar / lounge, it is recommended that the bar / lounge be under the same management as the main restaurant.

1.4.4 Recommended Meeting Facilities

The following table details our recommended function facilities for the subject Hotel:

RECOMMENDED FUNCTION FACILITIES			
Function Room	Count	Size Per Room (m²)	Total Size (m²)
Meeting Space	2	80	160
Living Room/Business Centre (Pre-function Space)	-		50
Total			210

More relevant to the subject Hotel, boutique hotels tend to have extremely limited meeting facilities due to their small room count and targeted demand segment. Hence, we recommend the subject Hotel to have minimal function space. While the subject Hotel is not expected to capture large meeting groups due to its recommended room count of 115, it is still important to capture some small- to mid-sized high-yielding meeting groups so as to drive business on weekends and holidays and provide a degree of stability in its occupancy.

I.5 ESTIMATED PROJECTED PERFORMANCE

The following table summarizes the projected occupancy, ADR and RevPAR levels from 2016 to 2020 for the subject Hotel in constant 2011 MYR value:

OVERALL PERFORMANCE FORECAST OF SUBJECT HOTEL

Year	Occupancy	Constant ADR	ADR Discount	Inflated ADR ¹	Inflated RevPAR
2016	53%	367	5%	392	209
2017	61%	367	0%	427	260
2018	66%	367	0%	442	293
2019	69%	367	0%	458	318
2020	70%	367	0%	474	332

¹Inflation rate in accordance to projected market ADR increases

In estimating the ADR performance levels, the subject Hotel is expected to reach a stabilised level in its fifth year of operation after establishing itself in the upscale-tier competitive set. In the initial years of operation, we have allowed for some discounting of the room rate to allow the subject Hotel to build its market share, particularly in regard to establishing relationships with the key wholesalers in the market. It will also take time for the property to build up its capture of direct FIT and corporate demand. As such, we have allowed for a 5 percent discount in 2016 then inflate ADR in accordance to what was presented in Chapter 5 section 5.10. It should be noted that our ADR projections represent net room rates and do not include any service charge, breakfast or transport components.

1.6 OPERATING CASH FLOW PROJECTION ASSUMPTIONS

A summary pro forma financial statement for the proposed Hotel's stabilized year in 2011 values is presented below:

PP ASIA HOTEL PROJECT		Horwath HTL 浩華		
Stabilised Statement Of Estimated Cash Flow Before Debt Service & Taxes		Hotel, Tourism and Leisure 酒店、旅遊及休閒		
Expressed in 2011 MYR Values (000's)				
Rooms	115			
Room Nights Available	41,975			
Room Night Demand	29,452			
Room Occupancy %	70%			
Average Room Rate	367			
Revenue	Amount (000's)	PAR	POR	% Ratio
Rooms	10,809	93,990	367	95.5%
Other Operated Departments	118	1,024	4	1.0%
Rentals & Other Income	388	3,377	13	3.4%
Total Revenue	11,315	98,392	384	100.0%
Departmental Expenses	Amount (000's)	PAR	POR	% Ratio
Rooms Payroll	942	8,195	32	8.7%
Rooms Other	1,081	9,399	37	10.0%
Total Rooms	2,023	17,594	69	18.7%
OOD Costs	59	512	2	50.0%
Total OOD	59	512	2	50.0%
Total Departmental Expenses	2,082	18,107	71	18.4%
Total Departmental Income	9,233	80,285	313	81.6%
Undistributed Operating Expenses	Amount (000's)	PAR	POR	% Ratio
Administrative & General Payroll	805	7,000	27	7.1%
Administrative & General Other	453	3,936	15	4.0%
Total Administrative & General	1,258	10,936	43	11.1%
Sales & Marketing Payroll	368	3,200	12	3.3%
Sales & Marketing Other	339	2,952	12	3.0%
Total Sales & Marketing	707	6,152	24	6.3%
POM Payroll	345	3,000	12	3.0%
POM Other	509	4,428	17	4.5%
Total POM	854	7,428	29	7.5%
Utilities	1,035	9,000	35	9.1%
Total Undistributed Expenses	3,854	33,515	131	34.1%
Gross Operating Profit	5,379	46,770	183	47.5%
Other Charges	Amount (000's)	PAR	POR	% Ratio
Fixed Charges	147	1,279	5	1.3%
FF&E Reserve	566	4,920	19	5.0%
Total Other Charges	713	6,199	24	6.3%
EBITDA	4,666	40,572	158	41.2%

Note: IBOC = Income Before Other Charges; EBITDA = Earnings Before Interest, Tax, Depreciation & Amortisation

1.7 EBITDA SUMMARY

The subject Hotel's earnings before interest, tax, depreciation and amortization (EBITDA) from 2016 to 2025, are summarized in the table below (in current 2011 terms), both as an amount ('000's) and as a percentage of total revenue:

EBITDA PROJECTIONS 2016 TO 2020 (INFLATED VALUES)

Year	Total Revenue	EBITDA	EBITDA
	(MYR '000)	(MYR '000)	% Revenue
2016	9,334	2,716	29.1%
2017	11,495	4,191	36.5%
2018	12,935	4,985	38.5%
2019	14,005	5,475	39.1%
2020	14,635	5,622	38.4%

1.8 INVESTMENT OUTLAY ASSUMPTIONS

1.8.1 Construction Cost

The return on investment analysis for the proposed project is based on the following critical project cost assumptions:

PROPOSED RESORT, PROJECT COST ASSUMPTIONS

	Unit	Projected Cost	
		(USD '000) ¹	(MYR '000)
Construction Cost	Includes FF&E	14,421	44,000
Professional Fees	8% of total construction cost	1,154	3,520
Operating Equipment Per Room	USD 4,000	440	1,342
Pre-opening Expenses Per Room	USD 5,000	550	1,678
Total Working Capital	1 months	162	495
Total Development Cost		16,772	51,173
Total Development Cost Per Room		146	445

¹USD 1.00 to MYR 3.0511 based on the 2011 average reported by Oanda

As per the Client's advice, a development cost of MYR 44 million (inclusive of FF&E), at MYR 4,655 per square meter, has been used for the calculation of this project's investment analysis. The estimated total development costs for mid-tier to top-tier hotel developments in Georgetown is between approximately MYR 250,000 to MYR 475,000 per key, excluding land costs. Hence, the proposed Hotel's overall development cost of MYR 471,000 is deemed reasonable for its positioning and product quality. However, these estimates will need to be refined by a certified quantity surveyor based on the final design and material specification of the proposed development, and do not form part of the current scope of work.

1.8.2 Internal Rate of Return (IRR)

Thus, the Internal Rate of Return (IRR) and Payback Period for the above scenario are presented in the table below:

ESTIMATED IRR AND PAYBACK PERIOD	
Pre-tax unleveraged IRR (without land cost)	11.4%
Pre-tax unleveraged payback period	10 years

Pre-tax unleveraged IRR (without land cost)	11.4%
Pre-tax unleveraged payback period	10 years

APPENDIX I
10-YEAR CASH FLOW STATEMENT

PP ASIA HOTEL PROJECT

Statement Of Estimated Cash Flow From Operations Before Debt Service & Taxes
(Expressed In Thousands Of Current MYR)

	2016	2017	2018	2019	2020
	AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT
Rooms	115	115	115	115	115
Occupancy %	53%	61%	66%	69%	70%
Average Room Rate	392	427	442	457	473
REVENUE					
ROOMS	8,766	10,892	12,299	13,340	13,945
OTHER OPERATED DEPARTMENTS	106	125	142	154	161
RENTALS & OTHER INCOME	461	477	494	511	529
TOTAL	9,334	11,495	12,935	14,005	14,635
DEPARTMENTAL EXPENSES					
ROOMS	2,048	2,283	2,487	2,648	2,758
OTHER OPERATED DEPARTMENTS	53	63	71	77	80
TOTAL	2,101	2,345	2,558	2,725	2,838
TOTAL DEPARTMENTAL INCOME	7,232	9,149	10,377	11,280	11,797
UNDISTRIBUTED OPER. EXPENSES					
ADMINISTRATIVE AND GENERAL	1,419	1,503	1,582	1,653	1,714
SALES & MARKETING	810	852	893	930	964
PROPERTY OPER. & MAINTENANCE	932	1,002	1,066	1,121	1,164
UTILITIES	1,140	1,221	1,295	1,359	1,411
TOTAL	4,302	4,579	4,836	5,063	5,253
GROSS OPERATING PROFIT	2,931	4,571	5,541	6,217	6,544
INCOME BEFORE OTHER CHARGES	2,931	4,571	5,541	6,217	6,544
OTHER CHARGES					
FIXED CHARGES	121	149	168	182	190
FF&E RESERVE	93	230	388	560	732
TOTAL	215	379	556	742	922
EARNINGS BEFORE INTEREST, TAX, DEPRECIATION & AMORTISATION	2,716	4,191	4,985	5,475	5,622

NOTES:

1. PERCENTAGES OF DEPARTMENTAL EXPENSES ARE TO DEPARTMENTAL REVENUES; ALL OTHER PERCENTAGES ARE TO TOTAL REVENUE.
2. THE COMMENTS AND ASSUMPTIONS CONTAINED IN THIS REPORT ARE AN INTEGRAL PART OF THIS ESTIMATED STATEMENT.
3. TOTALS MAY NOT ADD DUE TO ROUNDING.

APPENDIX II
PRE-TAX ALL EQUITY INTERNAL RATE OF RETURN

PP ASIA HOTEL PROJECT
Investment Analysis
(Expressed In Thousands Of Inflated MYR)
Rooms 115



	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Equity Investment	-19,767	-14,825	-16,580	0	0	0	0	0	0	0	0	0	0
Income Before Debt Service & Taxes				2,716	4,191	4,985	5,475	5,622	5,819	6,023	6,234	6,452	6,678
Loan Interest	0	0	0	0	0	0	0	0	0	0	0	0	0
Depreciation/Amortisation	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0	0	0	0	0	0	0
Income After Deductions	2,716	4,191	4,985	2,716	4,191	4,985	5,475	5,622	5,819	6,023	6,234	6,452	6,678
Unused Loss Carry Forward	0	0	0	0	0	0	0	0	0	0	0	0	0
Taxable Income	2,716	4,191	4,985	2,716	4,191	4,985	5,475	5,622	5,819	6,023	6,234	6,452	6,678
Profits Tax 0.0%	0	0	0	0	0	0	0	0	0	0	0	0	0
Debt Service	0	0	0	0	0	0	0	0	0	0	0	0	0
Reversion 8.0%													83,470
Less Outstanding Debt													0
Net Cash Flow Year 10 Reversion	-19,767	-14,825	-16,580	2,716	4,191	4,985	5,475	5,622	5,819	6,023	6,234	6,452	6,678
Cumulative Cash Flow To Year 10	-19,767	-34,593	-51,173	-48,456	-44,265	-39,280	-33,805	-28,183	-22,363	-16,341	-10,107	-3,655	86,493

ESTIMATED IRR 11.4%

PAYBACK PERIOD 10 Years

APPENDIX III

“GOING GREEN: MINIMUM STANDARDS TOWARD A SUSTAINABLE HOTEL”



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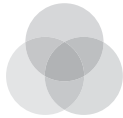
INTERNATIONAL
TOURISM
PARTNERSHIP

Going Green

Minimum standards toward a
Sustainable Hotel



SURFERS PARADISE RESORT, QUEENSLAND, AUSTRALIA:
The saltwater lagoon provides sand beaches, waterfalls, an
artificial coral reef and a haven for local fish species.



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KASBAH DU TOUBKAL, HIGH ATLAS MOUNTAINS, MOROCCO:

Considerately restored to its former splendour using traditional techniques and local materials, the Kasbah both respects and adds value to the local community.

PHOTOGRAPH: ALAN KEOHANE,
WWW.KASBAHDUTOUBKAL.COM



What does it mean to be a sustainable hotel?

While the term ‘green’ in business originally related to environmental issues, it has evolved to embrace all aspects of sustainability and corporate social responsibility (CSR). **To be properly ‘green’, a company now needs to incorporate sustainable thinking in its decision-making at all levels throughout the organisation.**

In the past, corporate philanthropy, or ‘giving back’ to the community, used to be the way a company looked to enhance its reputation externally. Today, even the most basic level of acceptable business practice requires a more sophisticated approach. Companies are judged on their accountability, transparency, business ethics, socio-economic awareness and resource-efficiency as well as their financial results.

Businesses today are under external scrutiny as never before. Shareholders, investors, employees, customers, environmental and ethical groups - and the general public - expect companies to be exemplary across the ‘triple bottom line’ of economic, social and environmental management. If they are not, pressure groups and the media are willing and able to expose their weaknesses. As our understanding and knowledge grows about issues such as global warming, climate change, human rights injustices and the causes of poverty, the world looks as much to the business community as to governments to provide solutions.

Integrating responsible practices into your hotel or resort operation will benefit your business in many ways. ‘Admired’ companies attract investors, enjoy better customer and guest loyalty and are able to recruit and retain high-calibre, motivated employees. This helps them improve their market share and position. Hotel owners and operators that understand the environmental and socio-economic context in which they operate are better

placed to manage risk and maintain their licence to operate. Resource-efficient hotels not only improve their bottom line by eliminating wasteful practices, but also lighten their load on the planet, something we all urgently need to do.

The strategies and approaches presented in this paper will help to increase the sustainability of hotel operations by minimising their negative impacts on the surrounding ecosystems and cultures while increasing their positive contributions to biodiversity conservation, cultural heritage preservation and community development.

These practical steps are intended to guide hotel managers toward a more sustainable operation.

- 1 POLICY AND FRAMEWORK —→
- 2 STAFF TRAINING AND AWARENESS —→
- 3 ENVIRONMENTAL MANAGEMENT —→
- 4 PURCHASING —→
- 5 PEOPLE AND COMMUNITIES —→
- 6 DESTINATION PROTECTION —→

1 POLICY & FRAMEWORK } YOU WILL NEED COMMITMENT FROM EVERYONE, FROM THE TOP DOWN.

- + **DESIGNATE** or appoint a senior member of staff responsible for environmental management. They should have the awareness, knowledge and skills to implement best practices to regional and international standards.
- + **IDENTIFY** a person from each department who will be part of the hotel's environmental working group or 'green team'.
- + **INSTITUTE** ways to measure your progress – for example through indicators such as water use in litres or cubic metres per guest night, energy use in kWh per guest night and waste in kg per guest night.
- + **DRAW UP** responsible business policy to which the entire operation can commit.

2 STAFF TRAINING & AWARENESS } SUCCESS WILL DEPEND ON THE 'BUY-IN' AND CONTINUED MOTIVATION OF YOUR STAFF.

- + **LAUNCH** a responsible business programme to staff and solicit feedback.
- + **MAINTAIN** staff awareness of the programme through regular meetings, posters and information on notice-boards etc.
- + **ENCOURAGE** motivation through competitions, suggestion boxes and reward staff for successes each month.
- + **INCLUDE** a module on your responsible business policy and programme in all staff induction and refresher training.
- + **COMMUNICATE** results to staff as you progress the programme.

3 ENVIRONMENTAL MANAGEMENT } AIM FOR THE HIGHEST ENVIRONMENTAL STANDARDS IN TERMS OF BIODIVERSITY PROTECTION, HYGIENE, SAFETY, INDOOR AIR QUALITY AND OVERALL ENVIRONMENTAL MANAGEMENT.

- + **ASSESS** your current environmental impacts and determine potential primary, secondary and tertiary impacts and their significance. List possible mitigation and management alternatives and describe which ones will be used.
(Much of the information on your resource use, waste and use of chemicals can be found in utility and purchasing bills.)
- + **INSTALL** meters for each department and for specific items of equipment that are high energy and water users.
- + **MEASURE** and monitor your progress on a regular basis. This can be daily, weekly or monthly, depending on usage and your department.
- + **SET** measurable short and long term targets for improvement and take corrective action when they are not met.
- + **WORK** with other hotels and local businesses to improve environmental standards in the local area or destination.
- + **INFORM** guests, vendors, and local stakeholders about your environmental policy, programmes and successes.

TABLE 1.

ENERGY	WATER USE	WASTE
✓ IDENTIFY the key areas of energy use and the fuel sources. ✓ INSTALL meters in each department and fit sub-meters for high energy-consuming items. ✓ DESIGNATE members of staff who will be responsible for collecting energy data. ✓ IDENTIFY simple changes in routine that can be made to save energy (such as turning off lights and running equipment such as dishwashers and washing machines at full loads). ✓ CHECK and maintain all equipment regularly to ensure it is functioning efficiently. ✓ IDENTIFY and implement low-cost measures such as fitting energy-efficient light bulbs and motion detectors, improving insulation and using heat recovery techniques etc. ✓ USE bicycles and environmentally preferable vehicles around the resort (e.g. electric from renewable sources, hybrid or biofuels) and encourage guests to use greener vehicles. ✓ CALCULATE your energy usage and assess it against available industry benchmarks (e.g. environmentalbench) in terms of kWh per guest night or CO₂ generated. ✓ MONITOR your performance continuously and set realistic reduction targets based on your results.	✓ IDENTIFY the key areas of water use and how reductions can be achieved. ✓ IMPLEMENT immediate water savings through changes in routine (e.g. reducing washing/rinsing cycles in laundry). ✓ CHECK regularly for leaks from cisterns, taps and pipes and that plugs in basins fit properly. ✓ INSTALL sensors, low-flow and other water-saving fittings in kitchens, guest bathrooms and public washrooms. ✓ USE opportunities to divert and capture rainwater for reuse. ✓ MINIMISE water use by recycling grey water for gardening, washing floors, flushing toilets, etc. ✓ ASSESS your water use against industry benchmarks (such as environmentalbench) if available. ✓ MONITOR results continuously, report on progress and take corrective action as necessary.	✓ IDENTIFY the different waste streams you create (e.g. glass, paper, plastic, aluminium and other metals, cooking oils, cardboard and organic waste), which departments are responsible for what, and how the waste is currently dealt with. ✓ CALCULATE the amount in weight for each waste stream and identify measures to reduce, reuse and/or recycle each one. ✓ DRAW UP a waste management plan with specific reduction, reuse and recycling targets to be met by a specific time. ✓ MINIMISE packaging and other waste reduction measures. ✓ ENSURE that effluent from wastewater treatment system complies with all relevant local, regional and international water quality standards. ✓ MONITOR results continuously, report on progress and take corrective action as necessary.

4 PURCHASING } WORK WITH YOUR SUPPLIERS OVER TIME TO GREEN YOUR SUPPLY CHAIN.

- + **SOURCE** products which are the most sustainable in their manufacture, use and disposal.
- + **REVIEW** all the products and services you purchase and identify where more sustainable alternatives are available.
- + **EXAMINE** how your suppliers select their suppliers so that you can help develop a fully sustainable supply chain.
- + **INTEGRATE** sustainable criteria into your purchasing policy and procedures.
- + **ENCOURAGE** local businesses to cut down on transport energy by sourcing locally.
- + **BUY** as much seasonal and local produce as possible.
- + **BUY** products in bulk and reduce packaging where possible.
- + **CHALLENGE** suppliers and other business partners to improve their practices.
- + **GIVE PREFERENCE** to 'fair trade' products (such as coffee and tea) or eco-labelled goods where possible.
- + **NEVER** purchase or sell items made from protected wildlife or illegally-traded species and inform your guests if there are any such items that may be offered for sale outside the hotel.
- + **RECOGNISE** suppliers' efforts through special events, promotion and longer-term contracts.

5 PEOPLE & COMMUNITIES } LOOK AT THE WORLD OUTSIDE YOUR HOTEL AND HOW YOU CAN TAKE A MORE RESPONSIBLE, LEADERSHIP ROLE.

- + **BE FAIR**, honest, open and transparent in all your dealings with customers, employees and suppliers and respect their human rights at all times.
- + **BE SENSITIVE** to the needs of those you employ and in the surrounding community such as respecting their local culture, heritage and traditions.
- + **IDENTIFY** ways in which the local community can benefit from the presence of your establishment.
- + **DEVELOP** and support tourism-related businesses in partnership with the local community.
- + **USE** locally provided services where possible.
- + **TRAIN** local workers in order to phase them into management positions over time.
- + **EMPLOY** local people where possible.
- + **SUPPORT** local community development projects with money, time and under-utilised resources.
- + **PROVIDE** ways for guests to volunteer for local conservation or community development projects.

6 DESTINATION PROTECTION } MAINTAIN A 'SENSE OF PLACE' THAT SUPPORTS THE GEOGRAPHICAL CHARACTER OF A PLACE—ITS ENVIRONMENT, CULTURE, HERITAGE, AESTHETICS, AND THE WELL-BEING OF ITS CITIZENS.

- + **SUPPORT** conservation and cultural heritage preservation projects through financial and in-kind support and volunteer programmes.
- + **USE** native plant species for landscaping and natural insect control measures such as fish and other animals.
- + **'SHOWCASE'** the local culture and heritage through produce, art and handicraft of local communities.
- + **CONTRIBUTE** to habitat restoration efforts when possible.
- + **UTILISE** guidelines and training programmes to improve behaviour and increase awareness with regard to recreational activities.
- + **REQUIRE** the use of guides in sensitive areas.
- + **PROVIDE** guests with lists of products and souvenirs to avoid.
- + **WORK** with local people when developing cultural attractions.
- + **EDUCATE** guests and local people about different cultures and acceptable behaviours.
- + **DESIGN** an interpretive guest education programme to revolve around specific themes, with clear messages relating to local environmental and cultural issues.
- + **RESPECT** locally determined limits on scale and activities with regard to tourist interaction with local people.
- + **CHOOSE** an efficient mode of transport, such as buses and trains to decrease energy consumption and emissions.
- + **PROVIDE** 'no vehicle' zones.
- + **CONSIDER** the use of non-motorised transportation and electric motors to decrease pollution and noise.
- + **TRAIN** staff in the proper maintenance of vehicles and boats and mandate maximum speeds.



ITP

ABOUT THE INTERNATIONAL TOURISM PARTNERSHIP

The International Tourism Partnership was founded by HRH The Prince of Wales in 1992 to inspire global leaders in the travel and tourism industry on a non-competitive platform, to share knowledge and resources, develop policy and actively implement programmes and initiatives that have a positive impact on social, economic and environmental issues.

ITP assists the industry to make a valuable contribution to the countries and cultures in which they operate, to their customers, their shareholders and future generations. ITP is a global programme of the International Business Leaders Forum, the operating name of The Prince of Wales International Business Leaders Forum: a company limited by guarantee registered in England 2552695. Registered Charity No 1024119. Registered office as postal address.

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APPENDIX III EXECUTIVE SUMMARY FROM QUANTITY SURVEYOR

UNI/12/051/MCW/EST-001

17 January 2013

CONFIDENTIAL

NT Industrial Park (M) Sdn. Bhd.
29, 1st Floor (Room C),
Beach Street,
10300 Pulau Pinang.

(Attn.: Mr. Tommy Koay / Mr. Tony Koay)

CADANGAN MENDIRIKAN 1 BLOK BANGUNAN 5 TINGKAT YANG TERDIRI DARIPADA: I) KEDAI (11 UNIT) DI TINGKAT BAWAH II) HOTEL (85 UNITS) DI TINGKAT 1-4 DI ATAS LOT 742, SEK.23, BANDAR GEORGETOWN, DAERAH TIMUR LAUT, GAT LEBUH GEREJA, PULAU PINANG FOR MESSRS. NT INDUSTRIAL PARK (M) SDN. BHD.

**PLOT 742 & PLOT 743
PRELIMINARY COST ESTIMATE NO. 1**

As requested, we have pleasure in submitting herewith our Preliminary Cost Estimate No. 1 for the above project based on your Preliminary Architectural Plans, the total construction cost is estimated at **RM68,531,000.00** and the breakdown as attached for your perusal.

The above shall be adjusted upon receipt of civil & structural details and mechanical & electrical estimates from M&E consultants.

The above estimate excludes:-

- 1) Land Cost;
- 2) Development Charges;
- 3) Interest on Loan;
- 4) Cost escalation and special construction methods due to abnormal site & ground condition;
- 5) Statutory Contribution to Local Authorities;
- 6) Diversion/ Relocation of existing services. (if any)
- 7) Professional fees & Legal Fees.
- 8) Financing charges.

Yours faithfully,



UNITECH QS CONSULTANCY SDN. BHD.

UNITECH CONSULTANCY GROUP

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CADANGAN MENDIRIKAN 1 BLOK BANGUNAN 5 TINGKAT YANG TERDIRI DARIPADA

I) KEDAI (11 UNIT) DI TINGKAT BAWAH

II) HOTEL (140 UNITS) DI TINGKAT 1-4 FOR PLOT 742

III) HOTEL (20 UNITS) FOR PLOT 743

DI ATAS LOT 742, SEK.23, BANDAR GEORGETOWN, DAERAH TIMUR LAUT, GAT LEBUH GEREJA, PULAU PINANG.

PRELIMINARY COST PLAN NO. 1

PRELIMINARY COST PLAN NO. 1			LOT 742				LOT 743			
Gross Floor Area =	Overall		Shop Lot		Hotel (140 Rooms)		Hotel (20 Rooms)			
	159,382	FS	7,367.00	FS	126,972.00	FS	25,043.00	FS		
	Amount (RM)	RM/ls	Amount (RM)	RM/ls	Amount (RM)	RM/ls	Amount (RM)	RM/ls		
Summary										
1 Building Construction Cost	26,613,000.00	166.98	679,000.00	92.17	23,020,000.00	181.30	2,914,000.00	116.36		
2 Mechanical & Electrical Works	19,024,300.00	119.36	593,500.00	80.56	15,889,300.00	125.14	2,541,500.00	101.49		
3 External Works	2,344,700.00	14.71	-	-	-	-	-	-		
4 Preliminaries @ 6.5% to Item 1-3	3,119,000.00	19.57	-	-	-	-	-	-		
	51,101,000.00	320.62	1,272,500.00	172.73	38,909,300.00	306.44	5,455,500.00	217.85		
5 Hotel Related Works	14,430,000.00	90.54	-	-	12,270,000.00	96.64	2,160,000.00	86.25		
6 Contingencies	3,000,000.00	18.82	-	-	-	-	-	-		
Total Estimated Project Cost	68,531,000.00	429.98	1,272,500.00	172.73	51,179,300.00	403.08	7,615,500.00	304.10		

Constituent Functional Element	Estimated Construction Cost (RM)	Cost per FS of GFA (in RM)	Estimated Construction Cost (RM)	Cost per FS of GFA (in RM)	Estimated Construction Cost (RM)	Cost per FS of GFA (in RM)	Estimated Construction Cost (RM)	Cost per FS of GFA (in RM)	%
1.0 SUBSTRUCTURE									
1.1 Site Preparation	60,000.00	0.38	-	-	40,000.00	0.32	20,000.00	0.80	0.10
1.2 Basement Carcase Works	9,000,000.00	56.47	-	-	9,000,000.00	70.88	-	-	14.42
1.3 Piling	1,914,000.00	12.01	89,000.00	12.08	1,524,000.00	12.00	301,000.00	12.02	3.07
1.4 Work Below Lowest Floor Finishes	958,000.00	6.01	45,000.00	6.11	762,000.00	6.00	151,000.00	6.03	1.53
Group Elemental Total	11,932,000.00	74.86	134,000.00	18.19	11,326,000.00	89.20	472,000.00	18.85	19.12
2.0 STRUCTURAL FRAME									
2.1 Frame & Upper Floor	4,784,000.00	30.02	222,000.00	30.13	3,810,000.00	30.01	752,000.00	30.03	7.67
2.2 Roof Structure	240,000.00	1.51	-	-	173,000.00	1.36	67,000.00	2.68	0.38
2.3 Stair Structure	55,000.00	0.35	-	-	39,000.00	0.31	16,000.00	0.64	0.09
Group Elemental Total	5,079,000.00	31.87	222,000.00	30.13	4,022,000.00	31.68	835,000.00	33.34	8.14
3.0 WALLING, ETC.									
3.1 External Walls	318,000.00	2.00	6,000.00	0.81	260,000.00	2.05	52,000.00	2.05	0.51
3.2 Internal Walls and Partition	988,000.00	6.20	45,000.00	6.11	787,000.00	6.20	156,000.00	6.20	1.58
3.3 Doors	1,040,000.00	6.53	67,000.00	9.09	816,000.00	6.43	157,000.00	6.26	1.67
3.4 Windows	118,000.00	0.74	17,000.00	2.31	75,000.00	0.59	26,000.00	1.00	0.19
Group Elemental Total	2,464,000.00	15.46	135,000.00	18.32	1,938,000.00	15.26	391,000.00	15.51	3.95
4.0 ROOF COVERINGS, ETC.									
4.1 Roofing	277,000.00	1.74	-	-	219,000.00	1.72	58,000.00	2.32	0.44
4.2 Rainwater Goods	183,000.00	1.15	-	-	103,000.00	0.81	80,000.00	3.19	0.29
Group Elemental Total	460,000.00	2.89	0.00	0.00	322,000.00	2.54	138,000.00	5.51	0.74
5.0 FINISHES									
5.1 Internal Wall Finishes	1,715,000.00	10.76	56,000.00	7.60	1,385,000.00	10.91	274,000.00	10.91	2.75
5.2 Internal Floor Finishes	1,447,000.00	9.08	10,000.00	1.36	1,200,000.00	9.45	237,000.00	9.45	2.32
5.3 Internal Ceiling Finishes	403,000.00	2.53	-	-	336,000.00	2.65	67,000.00	2.65	0.65
5.4 External Finishes	821,000.00	5.15	17,000.00	2.31	671,000.00	5.28	133,000.00	5.28	1.32
5.5 Stair Finishes	81,000.00	0.51	-	-	57,000.00	0.45	24,000.00	0.96	0.13
Group Elemental Total	4,467,000.00	28.03	83,000.00	11.27	3,649,000.00	28.74	735,000.00	29.25	7.16
6.0 JOINERY FITTINGS, ETC.									
6.1 Built-in Fitments (Furnitures)	-	-	-	-	-	-	-	-	-
6.2 Interior Design Works (ID)	-	-	-	-	-	-	-	-	-
6.3 Signage and Graphics	70,000.00	0.44	-	-	50,000.00	0.39	20,000.00	0.80	0.11
Group Elemental Total	70,000.00	0.44	-	-	50,000.00	0.39	20,000.00	0.80	0.11
7.0 SERVICES									
7.1 Cold Water Plumbing	521,000.00	3.27	43,000.00	5.84	391,000.00	3.08	87,000.00	3.47	0.83
7.2 Hot Water Plumbing	302,000.00	1.89	39,000.00	5.29	209,000.00	1.65	54,000.00	2.16	0.48
7.3 Soil, Waste and Vent Pipes	357,000.00	2.24	14,000.00	1.90	290,000.00	2.28	53,000.00	2.12	0.57
7.4 Sanitary Appliances	961,000.00	6.03	9,000.00	1.22	823,000.00	6.48	129,000.00	5.15	1.54
Group Elemental Total	2,141,000.00	13.43	105,000.00	14.25	1,713,000.00	13.49	323,000.00	12.90	3.43
	26,613,000.00	166.98	679,000.00	92.17	23,020,000.00	181.30	2,914,000.00	116.16	42.64
8.0 M & E SERVICES									
8.1 Fire Fighting System	1,598,500.00	10.03	74,500.00	0.59	1,324,000.00	10.43	200,000.00	7.99	2.56
8.2 Air Cond and Ventilation System	5,078,300.00	31.86	294,000.00	2.32	4,125,800.00	32.49	658,500.00	26.29	8.14
8.3 Lift Installation	3,630,000.00	22.78	-	-	3,280,000.00	25.83	300,000.00	13.98	5.82
8.4 Electrical Installation	4,290,000.00	26.92	150,000.00	1.18	3,607,000.00	28.41	533,000.00	21.28	6.87
8.5 Façade Lighting and Landscape Lighting	1,300,000.00	8.16	-	-	1,000,000.00	7.88	300,000.00	11.98	2.08
8.6 Telephone Installation	280,000.00	1.76	15,000.00	0.12	225,000.00	1.77	40,000.00	1.60	0.45
8.7 Data Installation	460,000.00	2.89	18,000.00	0.14	342,000.00	2.69	100,000.00	3.99	0.74
8.8 Extra Low Voltage Installation	507,500.00	3.18	12,000.00	0.09	385,500.00	3.04	110,000.00	4.39	0.81
8.9 Building Management System	1,000,000.00	6.27	-	-	1,000,000.00	7.88	-	-	1.60
9.10 Swimming Pool System	300,000.00	1.88	-	-	300,000.00	2.36	-	-	0.48
9.11 Hot Water System	550,000.00	3.45	-	-	300,000.00	2.36	250,000.00	9.98	0.88
9.12 Gas System	30,000.00	0.19	30,000.00	0.24	-	-	-	-	0.05
Group Elemental Total	19,024,300.00	119.36	593,500.00	4.67	15,889,300.00	125.14	2,541,500.00	101.49	30.48
Sub-Total :	45,637,300.00	286.34	1,272,500.00	96.84	38,909,300.00	306.44	5,455,500.00	217.64	73.12
9.0 EXTERNAL WORKS									
9.1 Road & Pavement	367,000.00	2.30	-	-	295,000.00	2.32	72,000.00	2.88	0.59
9.2 Primary Stormwater Drainage	279,700.00	1.75	-	-	208,700.00	1.64	71,000.00	2.84	0.45
9.3 External Water Reticulation	260,000.00	1.63	-	-	180,000.00	1.42	80,000.00	3.19	0.42
9.4 Primary Soil Drainage	310,000.00	1.95	-	-	250,000.00	1.97	60,000.00	2.40	0.50
9.5 Fencing & Gates	128,000.00	0.80	-	-	128,000.00	1.01	-	-	0.21
9.6 Ancillary Buildings	400,000.00	2.51	-	-	250,000.00	1.97	150,000.00	5.99	0.64
9.7 Landscaping	600,000.00	3.76	-	-	450,000.00	3.54	150,000.00	5.99	0.96
Group Elemental Total	2,344,700.00	14.71	0.00	0.00	1,761,700.00	13.87	583,000.00	23.28	3.76
10.0 HOTEL RELATED WORKS									
10.1 Interior Design Works (ID)	2,640,000.00	16.56	-	-	2,235,000.00	17.60	405,000.00	16.17	4.23
10.2 Furniture, Fixture and Equip. (FF&E)	9,680,000.00	60.73	-	-	8,195,000.00	64.54	1,485,000.00	59.30	15.51
10.3 Operator's Equipment (OE)	350,000.00	2.20	-	-	350,000.00	2.76	-	-	0.56
10.4 Miscellaneous	1,760,000.00	11.04	-	-	1,490,000.00	11.73	270,000.00	10.78	2.82
Group Elemental Total	14,430,000.00	90.54	0.00	0.00	12,270,000.00	96.64	2,160,000.00	86.25	23.12
Estimated Total Construction Cost :	62,412,000.00	391.59	1,272,500.00	96.84	52,941,000.00	416.95	8,198,500.00	327.17	100.00

Exclusions

Exclusions

- Land cost;
- Professional fees;
- Development Charges;
- Statutory Contribution to Local Authorities
- Diversion / Relocation of existing services (if :)
- Financing charges;
- Legal cost and disbursement and other similar development expenditure;
- Cost escalation and special construction methods due to abnormal site & ground condition;



(Company No: 570031-P LJB Permit No. 2003/FC00343)
UNITECH QS CONSULTANCY SDN. BHD.
quantity surveyors : construction cost consultants

Directors
TAN CHEOW PIN
B. Sc. (Hons.) QS (UK),
MRICS, MRISM, MCI Arb,
MMIArbs, AIVMM, Reg. QS.

ANDY NG AI HUA
B. Sc. (Hons.) HBP (USM),
MRICS, MRISM, ICECA, MCI Arb,
MMIArbs, AIVMM, Reg. QS.

UNI/12/051/MCW/EST-002

17 January 2013

CONFIDENTIAL

NT Industrial Park (M) Sdn. Bhd.
29, 1st Floor (Room C),
Beach Street,
10300 Pulau Pinang.

(Attn.: Mr. Tommy Koay / Mr. Tony Koay)

CADANGAN MENDIRIKAN 1 BLOK BANGUNAN 5 TINGKAT YANG TERDIRI DARIPADA: I) KEDAI (11 UNIT) DI TINGKAT BAWAH II) HOTEL (85 UNITS) DI TINGKAT 1-4 DI ATAS LOT 742, SEK.23, BANDAR GEORGETOWN, DAERAH TIMUR LAUT, GAT LEBUH GEREJA, PULAU PINANG FOR MESSRS. NT INDUSTRIAL PARK (M) SDN. BHD.

**RESTORATION WORKS FOR PLOT 741 & PLOT 743
PRELIMINARY COST ESTIMATE NO. 1**

As requested, we have pleasure in submitting herewith our Preliminary Cost Estimate No. 1 for the above project based on your Preliminary Architectural Plans, the total construction cost is estimated at **RM5,859,000.00** and the breakdown as attached for your perusal.

The above shall be adjusted upon receipt of civil & structural details and mechanical & electrical estimates from M&E consultants.

The above estimate excludes:-

- 1) Land Cost;
- 2) Development Charges;
- 3) Interest on Loan;
- 4) Cost escalation and special construction methods due to abnormal site & ground condition;
- 5) Statutory Contribution to Local Authorities;
- 6) Diversion/ Relocation of existing services. (if any)
- 7) Professional fees & Legal Fees.
- 8) Financing charges.

Yours faithfully,



UNITECH QS CONSULTANCY SDN. BHD.

UNITECH CONSULTANCY GROUP

Main Office ② 12A-A, Menara Northam, 55, Jalan Sultan Ahmad Shah, 10050 Penang, Malaysia.

① 604. 229 0092 ① 604. 229 0029 ③ admin@uqs.com.my ④ www.uqs.com.my

Branch Office ② B-06-01, Menara Bata, PJ Trade Centre, No 8, Jalan PJU 8/8A, Bandar Damansara Perdana, 47820 Petaling Jaya, Selangor.

① 603. 7725 9129 ① 603. 7725 6129 ③ adminki@uqs.com.my ④ www.uqs.com.my



CADANGAN MENDIRIKAN 1 BLOK BANGUNAN 5 TINGKAT YANG TERDIRI DARIPADA
 I) KEDAI (11 UNIT) DI TINGKAT BAWAH
 II) HOTEL (85 UNIT) DI TINGKAT 1-4
 DI ATAS LOT 742, SEK.23, BANDAR GEORGETOWN, DAERAH TIMUR LAUT, GAT LEBUH GEREJA, PULAU PINANG.

PRELIMINARY COST PLAN NO. 1

PRELIMINARY COST PLAN NO. 1			RESTORATION WORKS					
			LOT 741		LOT 743			
			2 Storey (Digi Center)		2 Storey			
Overall			28,622.00 FS		9,970.00 FS			
Gross Floor Area =			38,592 FS					
Summary			Amount (RM)	RM/s	Amount (RM)	RM/s	Amount (RM)	RM/s
1	Building Construction Cost	2,487,000.00	64.44	1,803,000.00	62.99	684,000.00	68.61	
2	Mechanical & Electrical Works	2,752,000.00	71.31	2,042,000.00	71.34	710,000.00	71.21	
3	External Works	-	-	-	-	-	-	
4	Preliminaries @ 6.5% to Item 1-3	341,000.00	8.84	-	-	-	-	
		5,580,000.00	144.59	3,845,000.00	134.34	1,394,000.00	139.82	
5	Hotel Related Works	-	-	-	-	-	-	
6	Contingencies @ 5.0% to Item 1-5	279,000.00	7.23	-	-	-	-	
	Total Estimated Project Cost	5,859,000.00	151.82	3,845,000.00	134.34	1,394,000.00	139.82	

Constituent Functional Element	Estimated Construction Cost (RM)	Cost per FS of GFA (in RM)	Estimated Construction Cost (RM)	Cost per FS of GFA (in RM)	Estimated Construction Cost (RM)	Cost per FS of GFA (in RM)	%	Brief Elemental Notes
1.0 SUBSTRUCTURE								
1.1 Site Preparation	-	-	-	-	-	-	-	Allow for site clearance
1.2 Basement Carcase Works	-	-	-	-	-	-	-	
1.3 Piling	-	-	-	-	-	-	-	150mmx150mm, 200mm x 200mm, 300mm x 300mm RC piles; 24m deep
1.4 Work Below Lowest Floor Finishes	-	-	-	-	-	-	-	RC pile caps, stumps, ground beams & slabs
Group Elemental Total	0.00	0.00	0.00	0.00	0.00	0.00	-	
2.0 STRUCTURAL FRAME								
2.1 Frame & Upper Floor	252,000.00	6.53	187,000.00	6.53	65,000.00	6.52	4.81	Precast concrete columns & beams, structural steel column
2.2 Roof Structure	119,000.00	3.08	87,000.00	3.04	32,000.00	3.21	2.27	Structural steel truss, RC flat roof
2.3 Stair Structure	8,000.00	0.21	4,000.00	0.14	4,000.00	0.40	0.15	RC staircase
Group Elemental Total	379,000.00	9.82	278,000.00	9.71	101,000.00	10.13	7.23	
3.0 WALLING, ETC.								
3.1 External Walls	80,000.00	2.07	59,000.00	2.05	21,000.00	2.05	1.53	115mm Thick cement sand brick
3.2 Internal Walls and Partition	240,000.00	6.22	178,000.00	6.20	62,000.00	6.20	4.58	230mm Thick fire-rated bricks & 115mm thick cement sand bricks
3.3 Doors	128,000.00	3.32	95,000.00	3.30	33,000.00	3.30	2.44	Fire-rated doors, PVC doors, timber flush doors with ms frame
3.4 Windows	155,000.00	4.02	115,000.00	4.00	40,000.00	4.00	2.96	Aluminium frame top hung and fixed glass windows, metal frame fixed louvre windows, curtain walling.
Group Elemental Total	603,000.00	15.63	447,000.00	15.55	156,000.00	15.55	11.51	
4.0 ROOF COVERINGS, ETC.								
4.1 Roofing	150,000.00	3.89	110,000.00	3.84	40,000.00	4.01	2.86	Metal deck roofing with insulation, flat roof with water-proofing
4.2 Rainwater Goods	46,000.00	1.19	28,000.00	0.98	18,000.00	1.81	0.88	Allowance only
Group Elemental Total	196,000.00	5.08	138,000.00	4.82	58,000.00	5.82	3.74	
5.0 FINISHES								
5.1 Internal Wall Finishes	422,000.00	10.93	313,000.00	10.91	109,000.00	10.91	8.05	Cement & sand plastering with emulsion paint & ceramic tiles.
5.2 Internal Floor Finishes	366,000.00	9.48	271,000.00	9.45	95,000.00	9.45	6.99	Homogenous tiles, carpet & power float floor with hardener
5.3 Internal Ceiling Finishes	103,000.00	2.67	76,000.00	2.65	27,000.00	2.65	1.97	Laminated ceiling, polyglass ceiling, skimcoating and etc.
5.4 External Finishes	205,000.00	5.31	152,000.00	5.28	53,000.00	5.28	3.91	Plaster & acrylic paint, etc.
5.5 Stair Finishes	10,000.00	0.26	5,000.00	0.17	5,000.00	0.50	0.19	Cement render, mild steel railings & Homogenous, stainless steel railing.
Group Elemental Total	1,106,000.00	28.66	817,000.00	28.46	289,000.00	28.79	21.11	
6.0 JOINERY FITTINGS, ETC.								
6.1 Built-in Filaments (Furniture)	-	-	-	-	-	-	-	) No allowance
6.2 Interior Design Works (ID)	-	-	-	-	-	-	-	) No allowance
6.3 Signage and Graphics	70,000.00	1.81	50,000.00	1.75	20,000.00	2.01	1.34	Allowance only
Group Elemental Total	70,000.00	1.81	50,000.00	1.75	20,000.00	2.01	1.34	
7.0 SERVICES								
7.1 Cold Water Plumbing	50,000.00	1.30	27,000.00	0.94	23,000.00	2.31	0.95	Allow for water tanks, internal pipework and fittings.
7.2 Hot Water Plumbing	26,000.00	0.67	14,000.00	0.49	12,000.00	1.20	0.50	Allow for water tanks, internal pipework and fittings.
7.3 Soil, Waste and Vent Pipes	27,000.00	0.70	15,000.00	0.52	12,000.00	1.20	0.52	Allow for internal pipework and fittings.
7.4 Sanitary Appliances	30,000.00	0.78	17,000.00	0.59	13,000.00	1.30	0.57	Medium range sanitaryware and fittings.
Group Elemental Total	133,000.00	3.45	73,000.00	2.55	60,000.00	6.02	2.54	
8.0 M & E SERVICES	2,487,000.00	64.44	1,803,000.00	62.99	684,000.00	68.61	47.47	
8.1 Fire Fighting System	291,000.00	7.54	216,000.00	7.52	75,000.00	7.52	5.55	) As per M&E Engineer's advice
8.2 Air Cond and Ventilation System	1,375,000.00	35.63	1,020,000.00	35.61	355,000.00	35.61	26.25	) As per M&E Engineer's advice
8.3 Lift Installation	-	-	-	-	-	-	-	) As per M&E Engineer's advice
8.4 Electrical Installation	775,000.00	20.08	575,000.00	20.06	200,000.00	20.06	14.79	) As per M&E Engineer's advice
8.5 Facade Lighting and Landscape Lighting	-	-	-	-	-	-	-	) As per M&E Engineer's advice
8.6 Telephone Installation	78,000.00	2.02	58,000.00	2.01	20,000.00	2.01	1.49	) As per M&E Engineer's advice
8.7 Data Installation	78,000.00	2.02	58,000.00	2.01	20,000.00	2.01	1.49	) As per M&E Engineer's advice
8.8 Extra Low Voltage Installation	155,000.00	4.02	115,000.00	4.01	40,000.00	4.01	2.96	) As per M&E Engineer's advice
8.9 Building Management System	-	-	-	-	-	-	-	) As per M&E Engineer's advice
9.10 Swimming Pool System	-	-	-	-	-	-	-	) As per M&E Engineer's advice
9.11 Hot Water System	-	-	-	-	-	-	-	) As per M&E Engineer's advice
9.12 Gas System	-	-	-	-	-	-	-	) As per M&E Engineer's advice
Group Elemental Total	2,752,000.00	71.31	2,042,000.00	71.21	710,000.00	71.21	52.53	
Sub-Total :	5,239,000.00	135.75	3,845,000.00	134.06	1,394,000.00	139.53	100.00	Applicable to building proper only.
9.0 EXTERNAL WORKS								
9.1 Road & Pavement	-	-	-	-	-	-	-	Premix tarmac driveway, road kerb, car park line.
9.2 Primary Stormwater Drainage	-	-	-	-	-	-	-	Precast concrete boundary drains & box culverts.
9.3 External Water Reticulation	-	-	-	-	-	-	-	Allow for connection to existing water main, hydrants, etc.
9.4 Primary Soil Drainage	-	-	-	-	-	-	-	Allow for connection to existing sewer main, manholes, etc.
9.5 Fencing & Gates	-	-	-	-	-	-	-	Chain link fence.
9.6 Ancillary Buildings	-	-	-	-	-	-	-	Allow for 1 no. of refuse chamber, 1 no. of guard house, 1 no. of TNB sub-st.
9.7 Landscaping	-	-	-	-	-	-	-	Allowance only.
Group Elemental Total	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
10.0 HOTEL RELATED WORKS								
10.1 Interior Design Works (ID)	-	-	-	-	-	-	-	For Hotel & Lift Lobby & Room
10.2 Furniture, Fixture and Equip. (FF&E)	-	-	-	-	-	-	-	Budget at RM55,000.00 per module.
10.3 Operator's Equipment (OE)	-	-	-	-	-	-	-	Budget at RM350,000.00 for kitchen equipment.
10.4 Miscellaneous	-	-	-	-	-	-	-	Budget at RM10,000.00 per module.
Group Elemental Total	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Estimated Total Construction Cost:	5,239,000.00	135.75	3,845,000.00	134.06	1,394,000.00	139.53	100.00	Excluding Preliminaries and Contingencies.

Exclusions

- Land cost;
- Professional fees;
- Development Charges;
- Statutory Contribution to Local Authorities
- Diversion / Relocation of existing services (if any);
- Financing charges;
- Legal cost and disbursement and other similar development expenditure;
- Cost escalation and special construction methods due to abnormal site & ground condition;

1. RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

All information in relation to PPH in this Circular has been seen and confirmed by the Board of Directors of PPH.

2. CONSENTS AND CONFLICT OF INTEREST

Horwath HTL, the Independent Market Researcher for the Proposed Diversification and Unitech QS Consultancy Sdn Bhd, the Quantity Surveyor, have given and have not subsequently withdrawn its written consent to the inclusion in this document of its name, letter and all references thereto in the form and context in which they appear in this document. Horwath HTL and Unitech QS Consultancy Sdn Bhd are not aware of any situation which would or are likely to give rise to a possible conflict of interest in relation to its role as Independent Market Researcher and Quantity Surveyor respectively for the Proposed Diversification.

3. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES**3.1 Material Commitments**

As at the LPD, the Board is not aware of any material commitments incurred or known to be incurred, which upon becoming enforceable may have a material impact on the profit or NA of the PPH Group.

3.2 Material Contingent Liabilities

As at the LPD, the Board is not aware of any material contingent liabilities incurred or known to be incurred, which upon becoming enforceable may have a material impact on the profit or NA of the PPH Group.

4. MATERIAL LITIGATION

Neither PPH nor any of its subsidiary companies are engaged in any material litigation, claims or arbitration either as plaintiff or defendant and the directors of PPH are not aware of any proceedings pending or threatened against the Company and its subsidiary companies or of any facts likely give rise to any proceedings which might materially or adversely affect the position or business of the PPH Group.

5. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at Wisma Public Packages, Plot 67 Lintang Kampong Jawa, Bayan Lepas Industrial Estate, 11900 Bayan Lepas, Penang during normal business hours from Mondays to Fridays (except public holidays) from the date of this Circular up to and including the date of the forthcoming EGM:

- (a) The Memorandum and Articles of Association of PPH and PPH Plaza;
- (b) The audited consolidated financial statements of PPH for the past 2 FYE 31 December 2012;
- (c) The quarterly report for period ended 31 March 2013;
- (d) The letters of consent referred to in Section 2 above;
- (e) Feasibility Study Report from Horwath HTL dated February 2013;
- (f) Letter from Quantity Surveyor dated 17 January 2013.



PUBLIC PACKAGES HOLDINGS BERHAD
(Company No. 162413-K)
(Incorporated in Malaysia under the Companies Act, 1965)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Extraordinary Annual General Meeting of Public Packages Holdings Berhad will be held at 3rd Floor, Meeting Room of Plot 468 & 482, Jalan Perusahaan Baru, Prai Industrial Estate, 13600 Prai, Penang on Monday, 26 August 2013 at 10.00 a.m. or any adjournment thereof for the purpose of considering and, if thought fit, to pass the following ordinary resolution:-

ORDINARY RESOLUTION – PROPOSED DIVERSIFICATION OF THE BUSINESS OF PUBLIC PACKAGES HOLDINGS BERHAD INTO HOTEL AND COMMERCIAL PROPERTY LEASING BUSINESS

“THAT subject to the approval of all relevant parties being obtained, approval be and is hereby given to the Company to enter into hotel and commercial property leasing business activities which reasonably be expected to result in the diversion of 25% or more of the net assets of the Company to an operation which differs widely from the existing business activities carried on by the Company (“the Proposed Diversification”).

AND THAT the Directors of the Company be hereby authorized to implement the Proposed Diversification and to do all such acts and things as are necessary to give full effect to the Proposed Diversification with full power to assent to any conditions, modifications, variations and/or amendments as may be required or imposed by the relevant authorities.”

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend the Extraordinary General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a General Meeting Record of Depositors as at 14 August 2013. Only a depositor whose name appears on the Record of Depositors as at 14 August 2013 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

By Order of the Board

LEE PENG LOON (MACS 01258)
P’NG CHIEW KEEM (MAICSA 7026443)
Joint Company Secretaries

Penang
Dated: 2 August 2013

NOTES ON APPOINTMENT OF PROXY

1. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. A member shall be entitled to appoint up to a maximum of two (2) proxies to attend and vote at the same meeting. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
3. Where a member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (“omnibus account”) there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
4. For a proxy to be valid, this form, duly completed must be deposited at registered office of the Company not less than forty-eight (48) hours before the time appointed for holding the meeting.
5. In the case of a corporate member, this form must be executed under the corporation’s common seal or under the hand of an officer or attorney duly authorised in which, it must be supported by a certified true copy of the resolution appointing the officer or certified true copy of the power of attorney.

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PUBLIC PACKAGES HOLDINGS BERHAD
(Company No. 162413-K)

PROXY FORM

*I/We.....
(Full Name in Block Letters)

of

.....
(Address)

being * a member/members of Public Packages Holdings Berhad, hereby appoint

.....
(Full Name in Block Letters)

of.....
(Address)

or failing him, the Chairman of the meeting, as *my/our proxy to vote for *me/us on *my/our behalf at the Extraordinary General Meeting of the Company, to be held at 3rd Floor, Meeting Room of Plot 468 & 482, Jalan Perusahaan Baru, Prai Industrial Estate, 13600 Prai, Penang on Monday, 26 August 2013 at 10.00 a.m. and at any adjournment thereof.

ORDINARY RESOLUTION	FOR	AGAINST
PROPOSED DIVERSIFICATION		

Please indicate with an "X" in the appropriate box provided on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy may vote as he thinks fit.

The proportion of my holding to be represented by my proxies are as follows:-

First proxy	"A"	%
Second proxy	"B"	%
	<u>100</u>	<u>%</u>

In case of vote taken by a show of hand *first proxy "A" / second proxy "B" shall vote on my behalf.

No. of Shares Held:

Signature of Member(s)

Signed thisday of2013

Notes:-

1. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. A member shall be entitled to appoint up to a maximum of two (2) proxies to attend and vote at the same meeting. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
3. Where a member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
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Fold along this line

AFFIX
STAMP



PUBLIC PACKAGES HOLDINGS BERHAD

(Company No. 162413-K)

Wisma Public Packages
Plot 67 Lintang Kampong Jawa
Bayan Lepas Industrial Estate
11900 Bayan Lepas, Penang

Fold along this line

