



cutting through complexity

Greater Kuala Lumpur, Malaysia

Striking the Right Balance

Investing in Malaysia guide.

kpmg.com/my

Contents

2	FOREWORD	59	Consumer Packaged Goods, Wholesale Retail/Supply Chain
3	EXECUTIVE SUMMARY	67	Clean Technology
7	Malaysia : The nucleus to 21st Asian Century	75	Striking the Right Balance
11	Global Competitiveness within ASEAN region	81	KPMG – Your Guide to Success
15	Greater Kuala Lumpur (GKL) – Designed for Business Regeneration	91	Bookshelf
21	Breaking new ground for businesses		
29	Oil & Gas		
41	Engineering Services		
49	Healthcare		

FOREWORD

There are no fixed growth paths for cities. Some aspire to become global cities and wield significant influence on the rest of the world by amassing power, capabilities and resources. Others build on their regional presence and become vibrant nodes within a larger socio-economic system within a country.

Urban infrastructure is undoubtedly one of the greatest challenges facing the world today. With more than half of the global population already huddled into cities that – together – make up less than two percent of the planet's land cover, the pressure now being placed on urban infrastructure is unprecedented.

All around the world, we see inspirational and innovative examples of city projects that are sure to transform not only the urban setting, but also the way the world's urban populations interact with their infrastructure, their governments, their cities and the environment. This publication demonstrates Malaysia and in particular the Greater Kuala Lumpur as an investor destination which embody the spirit of innovation from the angle of scale, feasibility, technical or financial complexity, innovation and impact on society.

We hope that the publication reflects the diversity and scale of Malaysia and the Greater Kuala Lumpur's potential as the nucleus for businesses in Southeast Asia and Asia.



Johan Idris
Managing Partner
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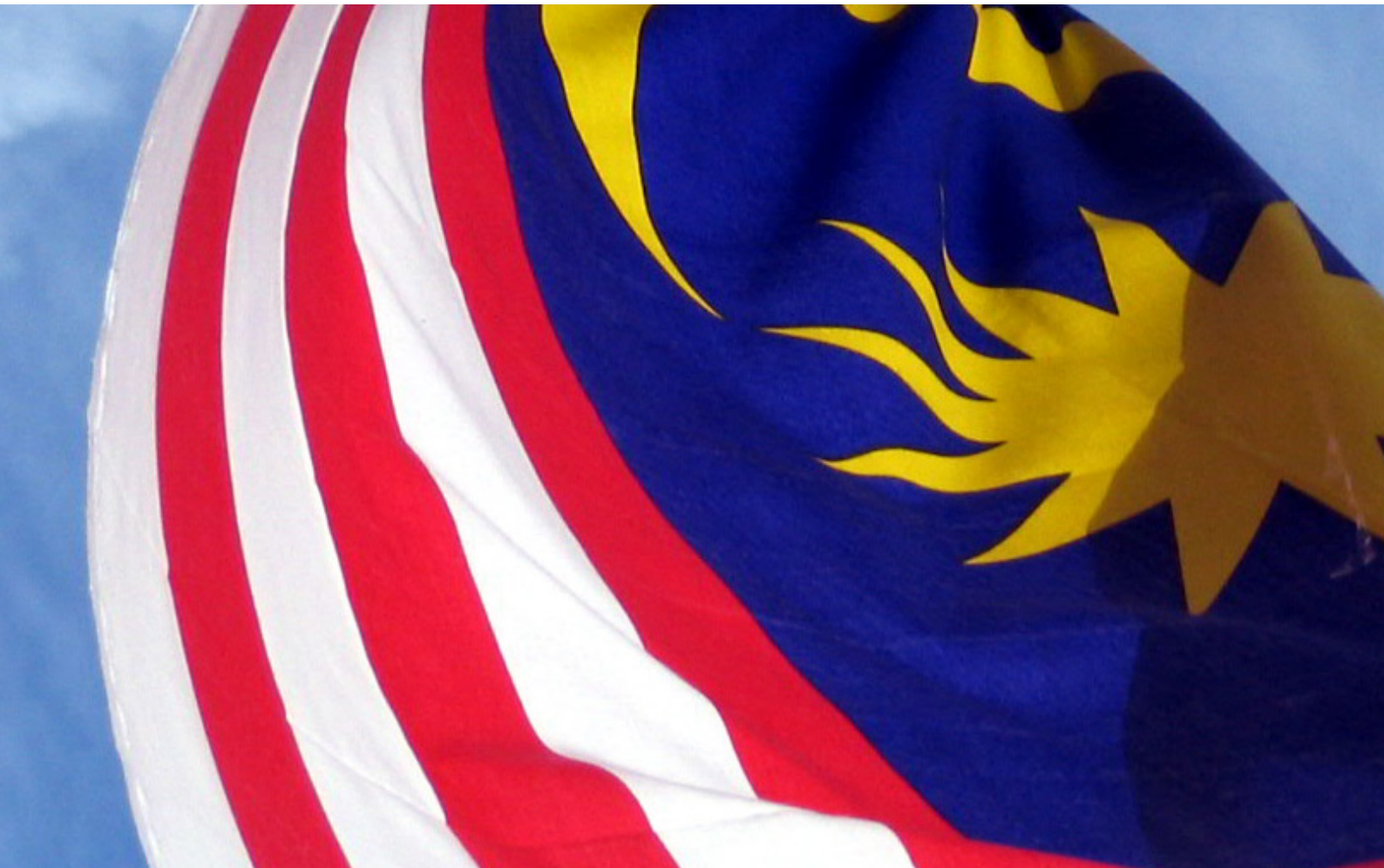
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EXECUTIVE SUMMARY

Major global forces taking shape today will significantly impact the business landscape for the public and private sector through to 2020 and beyond. Appropriate strategies for future success will include greater cooperation in the international and regional arena. Regardless of a country's aspirations, growth is crucial to ensure its relevance within its regional and international context. To lay the foundation for growth, key themes emerge which are broadly classified as government policies, social and economic infrastructure, human capital, business-conducive environment and cultural experience.

Indeed, in both the developed and developing world, cities are striving to provide a raft of critical urban infrastructure assets to support their burgeoning – in some cases – unrelenting – growth; more effective transportation systems, reliable and low-carbon energy, safe and secure water networks, and efficient and scalable social infrastructure will all play central roles in the smooth transition to urbanization.

So it is hardly surprising that a keen focus on cities and their impact on everything from economic growth and social well-being to climate change and sustainability has taken shape. In the developing world, the urban population is expected to jump by more than 1.3 billion over the next two decades, with each new entrant seeking better employment opportunities and a higher quality of living that can only be delivered through efficient and effective urban infrastructure. In the developed world, too, a massive amount of new infrastructure will need to be cultivated to meet the growing and shifting demands of established urban populations. Twenty years ago, no city planner had considered the benefits of a smart grid, the internet was virtually non-existent and commercially available electric cars were the stuff of science fiction. Technology is sprinting away at an amazing pace.



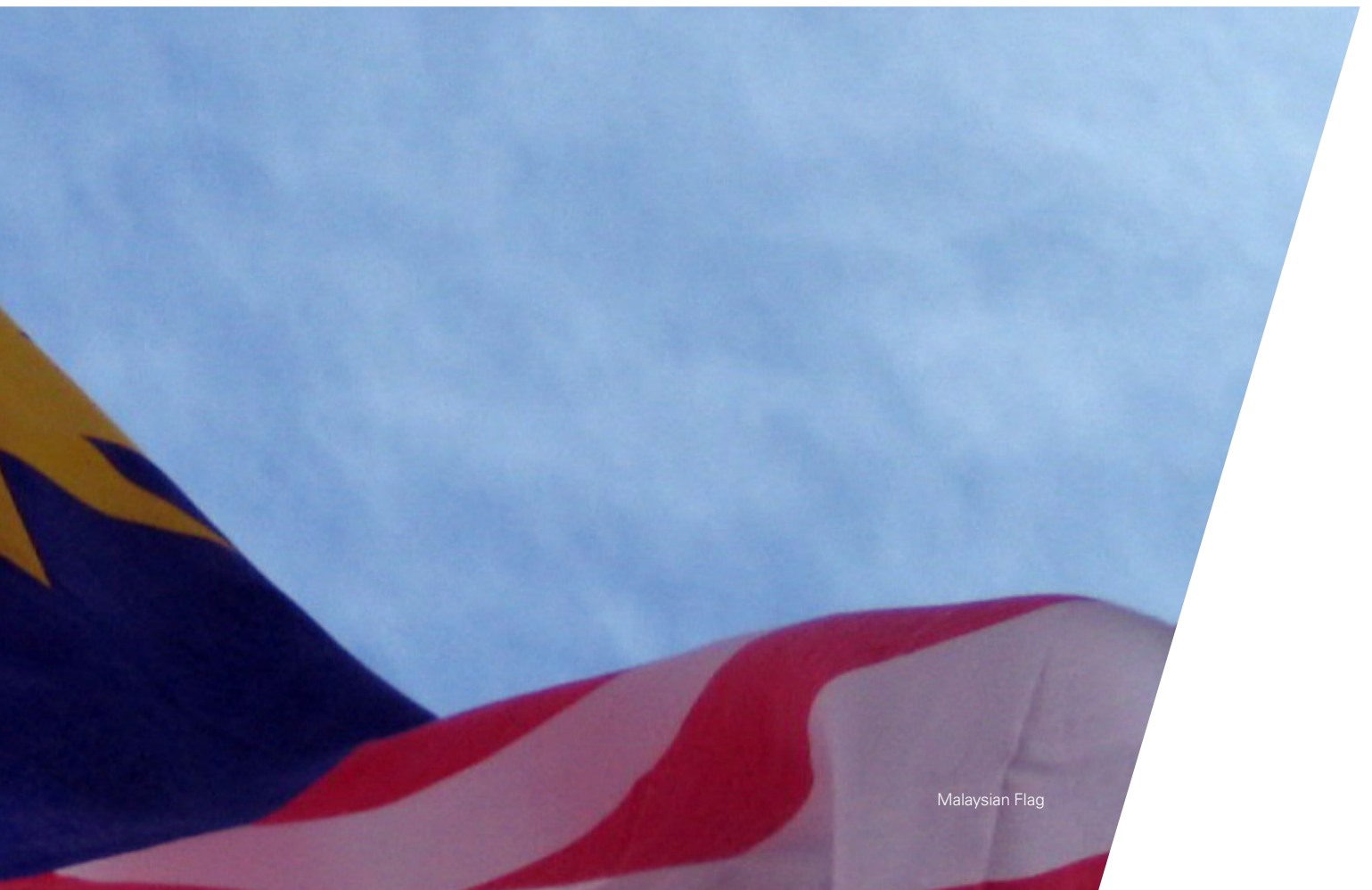
Environmental concerns have also risen up to the top of the agenda for citizens, businesses and politicians alike. Today, the world now demands that our infrastructure not only be efficient and effective, but environmentally sustainable as well. As we stand on the verge of a new era of urban infrastructure development – there is clear and ample evidence that the world is beginning to innovate and bring new solutions to respond to these deep and simmering challenges.

Looking around Malaysia and in particular the Greater Kuala Lumpur, it is not difficult to find examples of investment agencies, city planners, developers, engineers, investors and policy makers who are re-examining and re-inventing the way infrastructure is delivered to solidify a new vision for the future and catalyze a fundamental change in the way we interact with the urban environment. Under the Economic Transformation Programme (ETP), the government has embarked on a growth trajectory through various programmes identified

through 12 National Key Economic Areas (NKEAs), focusing on building a knowledge-based economy by 2020. The growth towards knowledge capital, coupled with advances in technology, availability of talent pool, incentives to support foreign direct investments (FDIs), access to high growth markets will lead to economic growth as all these play critical roles in laying the foundation for stable and self-sustaining development.

Focus and Competitiveness

Greater Kuala Lumpur (GKL) is home to approximately seven million people, about 20 percent of Malaysia's total population. It is estimated that towards 2020, approximately 10 million people will be living in GKL. The transformation of GKL into a connected city, improved infrastructure, facilities and services, enhanced environmental metropolis and adequate human capital, will help build a city that transform lives and economic vitality as well.



Malaysian Flag

To ensure that GKL's transformation moves towards attracting multi-national companies (MNCs) to GKL, the Government has set-up a special purpose vehicle, InvestKL, to ensure the effective implementation of attracting foreign direct investment under the ETP's priority sectors. By providing a comprehensive and integrated investment environment for global and regional companies to operate from GKL, the Government plays a critical role in providing assistance in the form of policy, change in regulatory framework and growing Malaysia's human capital. Meanwhile, initiatives under the Government's National Key Economic Areas (NKEA) plays a crucial role in helping Malaysia to achieve sustainable development and sufficient environment to contribute to a high income nation.

The Oil and Gas sector is targeting five percent annual growth from the sector to 2020 by focusing in four key thrusts, sustaining oil and gas production, enhancing downstream growth, making Malaysia the number one hub for oil field services and building a sustainable energy platform for growth.

Business Services serve as a catalyst in transforming Malaysia into a knowledge economy. With human capital development as an integral component, the business services sector is a highly differentiated industry, comprising a range of high-value skills and services. This makes it a high-value-added sector that is poised to nurture innovation and broaden the knowledge and skill base within the country. Developing future growth segments such as pure play engineering services and jump-starting a vibrant clean technology industry, provides opportunities for MNCs to invest into the country for growth, exports, strengthening suppliers and boosting demand for such products and services.

The Healthcare industry in Malaysia has become a powerful engine of economic growth due to demographic shifts as well as greater affluence, changing lifestyle and ageing population. Three sub-sectors of the healthcare eco-system; pharmaceuticals, medical technology and health services have seen a shift into a more organized and coherent manner of collaboration and improve strategic bilateral relations. Healthcare travel has been identified to create a differentiated position for Malaysia which focuses on eco-system facilitation, broadens customer base from other countries for outpatient treatments and elective surgeries and reposition Malaysia as leaders of specific niche. Other opportunities would be the growing needs to address the outpatient and community-based care needs for the elderly in both provision of short term and long term holistic care for the aged.



Globally, medical tourism has been identified as a key source of foreign exchange. With increasing air-links via low-cost airlines, growth in this industry has great potential. Malaysia as an Islamic country could serve as a medical tourism hub for Muslim patients with its supporting retailing outlets of Halal products and Halal pharmaceutical products and services. The Government has identified standards to be developed and measures to be taken to facilitate certification process for Halal products to better access international market for Halal products. Halal products including Halal pharmaceutical products are seen to have great export potential in global markets to increase global competitiveness.

As Malaysia continues to progress up the value chain, the country is moving from a resource-based economy to one that is more service-oriented in line with the structure of most high-income nations. Most successful nations are highly focused on key sectors as nations must choose to be competitive in high-impact areas where they have an advantage. Promoting competition across sectors; adopt and develop international standards; liberalise services sectors; develop human capital; create and maintain robust fiscal policies that responds well to economic challenges; improve public service delivery augurs well in a market-competitive economy.



Merdeka Square, Kuala Lumpur



INTRODUCTION

Malaysia:

The nucleus to 21st Asian Century



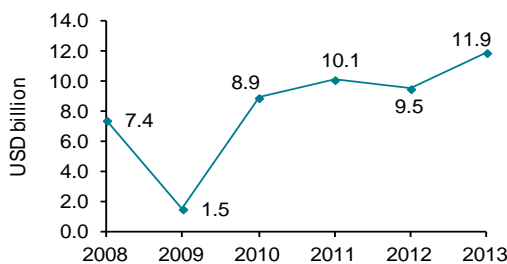
Malaysia :The nucleus to 21st Asian Century

Malaysia has become a rapidly rising economy in Asia and is currently one of the most developed countries within ASEAN. It is located at the centre of high-growth Asian markets with robust trade and domestic demand.

Malaysia has sustained GDP of over 7 percent for 25 years and is truly an iconic Asian city. It is the world largest issuer of 'sukuk' (Islamic financial certificates) and continues to witness strong loan growth. Its GDP is expected to reach around USD282 billion by 2020. Foreign Direct Investment (FDI) inflows into Malaysia have increased nearly sevenfold since 2009 to 2011. It achieved highest-ever FDI in 2013 at USD11.9 billion, surging ~18 percent past its previous record of USD10.1 billion in 2011.

The country has fast become a globally competitive economy, owing to a conducive business environment, rising middle-class, well-developed infrastructure and talented pool of resources.

Inflow of FDI into Malaysia¹



Metric (USD billion)	Timeframe					
	2008	2009	2010	2011	2012	2013
Inflow of FDI into Malaysia	7.4	1.5	8.9	10.1	9.5	11.9

Source: Themalaymailonline, article dated 13 Feb 2014; MIDA

Malaysia's progression can be seen through its improving international indices and the ranks assigned to it by various consultants and associations. It has some very accommodative macroeconomic policies in place driving the domestic investment climate. Its prime policies include Economic Transformation Programme (ETP), Government Transformation Programme (GTP) and New Economic Model (NEM).

* Conversion rates used throughout the publication taken from Oanda as on 31 March 2014: US\$/ RM - 3.26130
 1 Pemandu report dated 2013; Themalaymailonline, article dated 13 Feb 2014; MIDA





Sri Wawasan Bridge in Putrajaya, Malaysia

Economic Transformation Programme (ETP)

- Aims to accelerate Malaysia's high-income agenda
- 12 National Key Economic Areas (NKEAs)
- Private sector-led, Government facilitated
- Expected to generate USD538 billion* in total GNI contribution and 3.3 million jobs by 2020

Government Transformation Programme (GTP)

- Addresses people's expectations of the Government
- Contains seven National Key Result Areas (NKRAs)
- Ensures big, fast results for specific targets such as the cost of living and quality of life are achieved in the interest of the people

New Economic Model (NEM)

- Refers to the Economic blueprint to transform Malaysia into a high-income, advanced nation
- Contains eight Strategic Reform Initiatives (SRIs)
- Involves measures to transform both the workplace and workforce with the aim of improving the quality of human capital in the country

Global Competitiveness within ASEAN region

Malaysia ranked 20th out of 144 countries participated in The Global Competitiveness Index (GCI) 2014 - 2015.

Second among ASEAN countries, Malaysia scores the best in the two pillars namely efficient and competitive market for goods and services (7th) and well-developed and sound financial market (4th).

Another key point highlighted in GCI; Malaysia ranked 11th for the quality of its transport infrastructure, a remarkable accomplishment in this part of the world, where insufficient infrastructure and poor connectivity are major obstacles to development for many countries. Finally, Malaysia's innovation factor ranked at 21st, and sophistication factor ranked at 15th. This suggests the private sector is highly sophisticated and reaching its goal of becoming one of the most innovative nations. All this bodes well for a country that aims to become a high-income, knowledge-based economy by the end of the decade.

Greater Kuala Lumpur's competitive strengths such as innovative economy, investor protection, talent availability, quality of living and affordable and business friendly environment make the city stand out as a business hub. It is one of Asia's most dynamic capitals and increasingly a major global city.

Malaysia's Rankings

Ranked **9th** in AT Kearney's Global Retail Development Index 2014 Malaysia

Ranked **12th** in the IMD 2014 World Competitiveness Yearbook

Ranked **13th** as Top Prospective Host Economy for 2013-2015 in UNCTAD World Investment Report

Ranked **20th** out of 144 countries participated in The Global Competitiveness Index (GCI) 2014 - 2015

Malaysia ranked **top 20** economies worldwide and **1st** among emerging economies in East Asia in Ease of Doing Business World Bank Group Report 2015

"Companies are looking at new cost-effective locations with a business-friendly environment, so they look at Kuala Lumpur as a good, complementary alternative to Singapore," says **Zainal Amanshah, CEO for InvestKL.**

Source: StarBiz , The Star



The Tuanku Mizan Zainal Abidin Mosque or commonly known as The Iron Mosque in Putrajaya

Ease of Doing Business Rank in East Asia & Asia Pacific 2015

Economy	Ease of Doing Business Rank	Starting a Business	Getting Credit	Protecting Minority Investors	Trading Across Borders	Enforcing Contracts
Singapore	1	1	2	2	1	1
Hong Kong SAR, China	2	2	3	1	2	2
Malaysia	3	3	3	3	3	5
Taiwan, China	4	4	8	6	4	14
Thailand	5	9	17	5	5	4
Samoa	6	5	21	8	12	13
Tonga	7	7	5	20	11	8
Mongolia	8	6	9	4	25	3
Vanuatu	9	17	5	17	20	12
Vietnam	10	14	5	15	10	7
Fiji	11	21	11	13	21	10
Solomon Islands	12	10	11	9	14	19
China	13	15	11	16	16	6
Philippines	14	22	19	18	8	16
Brunei Darussalam	15	23	17	13	6	18
Palau	16	12	11	23	18	17
Indonesia	17	20	11	7	7	21
Papua New Guinea	18	16	24	11	23	23
Kiribati	19	13	22	18	13	11
Cambodia	20	24	1	9	22	22

Source: Ease of Doing Business Index, World Bank (2015)



Kuala Lumpur Train Station

3rd**Ease of Doing Business, 2015**

- World Bank report has ranked Malaysia as the 3rd friendliest country in East Asia and Pacific to do business with a total point of 78.83 percent

3rd**International Living's Annual Global Retirement Index 2014**

- International Living ranked Malaysia as the 3rd Asia's Best Retirement Haven

3rd**2014 A.T. Kearney Global Services Location Index**

- A.T. Kearney Index has ranked Malaysia as the 3rd destination for offshoring and outsourcing services based on politically stable, multilingual environment at reasonable rates

8th**Top 20 Destination Cities 2014**

- MasterCard Global Destination Cities Index has ranked Kuala Lumpur as the 8th destination city based on international visitor arrivals in 2014

Greater Kuala Lumpur (GKL) – Designed for Business Regeneration



Talent Pool

> 94% literacy level and school leavers entering job market have at least 11 years of basic education



Strategic location

2 - 6 hour flight radius to region's key business centres



Low inflation rate

Low and stable inflation rates at 1.90 percent in August 2013



Intellectual Property Protection

Compliance with TRIPS and other international standards



Excellent infrastructure

World-class infrastructure with superb road, rail, sea and air connectivity. Advanced communications infrastructure; mobile, Wi-Fi and broadband services

The Spatially Adjusted Liveability Index currently ranked Greater Kuala Lumpur at 37th place. Comparatively, other ASEAN - 5 cities like Phnom Penh, Jakarta, Manila, Bangkok and Hanoi are ranked at 64th, 56th, 48th, 49th and 57th respectively which makes Greater Kuala Lumpur among the better place to live in amongst the emerging countries in SEA. GKL is one of the National Economic Area under Malaysia's Economic Transformation Programme and the government is committed to enhance the "liveability" of GKL in order to achieve a top-20 ranking to be the Most Competitive and 20th Most Livable City by 2020.

Between 2005 and 2013, Malaysia's GDP grew steadily throughout the years, from USD159 billion to USD289 billion. So far on average, annual economic growth rate in Malaysia for the 9-year period is about 4.68% and maintained strong economic vibrancy.

Conducive business environment

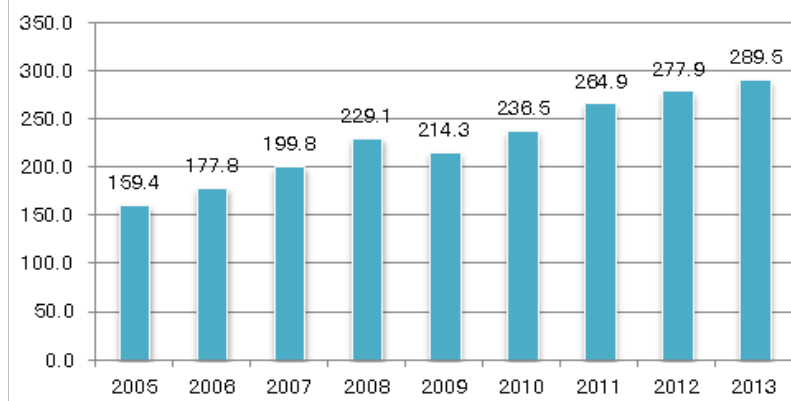
Political stability, investor-friendly incentives and tax policies. These are parameters and an ecosystem which facilitates ease of doing business. In the World Bank's Report on Doing Business 2015, Malaysia improved the ranking from 20th to 18th amongst 183 economies in Ease of Doing Business.

Investor protection measures are amongst the world's best. The World Bank's Report on Doing Business 2015 also ranked Malaysia 3rd for "Getting Credit", "Protecting Investors" and "Trading Across Borders" respectively.

Growth of Malaysia's GDP

Between 2005 and 2013, Malaysia's GDP grew steadily throughout the years, from USD159 billion to USD289 billion.

GDP at constant 2005 prices (USD billion)



Source: Department of Statistic Malaysia

Ample investment and business opportunities

There are myriad business and investment opportunities within 12 key sectors under the Economic Transformation Programme. The sectors for GKL consists of Gas and Energy, Financial Services, Wholesale and Retail, Palm Oil, Tourism, Electronic and Electrical, Business Services, Communication, Content and Infrastructure, Education, Agriculture and last but not least Healthcare.

Talent availability

The quality of Malaysia's workforce considered as one of the best in region. The country has a multilingual workforce and well educated talent pool with a high literacy rate of 94 percent with a minimum of 11 years of basic education. Furthermore in Malaysia attractive policies and incentives are implemented to attract top Malaysian talents back from overseas as well as to encourage foreign talent to GKL.



Abundance of man-made and natural attractions including tropical islands, forest reserves and hill resorts

Competitive business cost

Malaysia has a competitive business cost among major cities in the region in a few areas. High-value activities are at a competitive cost whereas employee compensation is up to 75 percent lower than that of the US. Rental for prime office is amongst the lowest in the region with approximately USD2.25 per sq ft per month in prime locations. The Office Space Across the World 2014 research shows that Greater Kuala Lumpur provides lower rental cost per sq ft in 2013 and 2014 in comparison to other countries and cities such as Singapore, Hong Kong, and Jakarta. On another hand many would consider Malaysia as an affordable place to set up business due to its inflation rate stands at 1.9 percent as at August 2013. The low and stable inflation rate over the past two decades is also another fundamental feature of Malaysia.

Quality living at affordable cost

Greater Kuala Lumpur was ranked 80th in Mercer's 2014 Quality of Living report, and 2014 Cost of Living report ranked at 115th. The reports cover over 200 countries across the globe, making GKL one of the cities that provide excellent quality of living with low cost of living. Excellent facilities are made available in the city-centre from international schools, medical centre and shopping malls to a thriving nightlife with varied restaurants, pubs and clubs. Malaysia also take prides for having one of the most luscious tropical rainforests and other attractions such as tropical islands, forests reserves and hill resorts which attracts large amount of tourists to visit Malaysia every year.



KL Skyline, Malaysia



Petronas Twin Tower, Kuala Lumpur



Commitment to make Malaysia more competitive

A total of six Strategic Reform Initiatives (SRIs) are introduced on 5 July 2011 to make Malaysia a more competitive and appealing destination for investors. The six SRIs consists of Competition, Standard and Liberalisation, Public Finance Reform, Public Service Delivery, Narrowing Disparity, Government's Role in Business and Human Capital Development.

Competition, Standard and Liberalisation

Implementing standards and liberalising services and competitive law

Public Finance Reform

Create fiscal space, and to encourage investment and instill business confidence in Malaysia

Public Service Delivery

Ensuring a lean, efficient and facilitative government

Narrowing Disparities

Developing Bumiputera SMEs and building Bumiputera Corporate Champions

Government's Role in Business

The Government is committed to the improvement of liquidity in capital markets and to avoid crowding out the private sector

Human Capital Development

Play the role as critical enabler to transform both the workplace and workforce



(Left)
Tropical beach



(Right)
National Dish of Malaysia:
Nasi Lemak; served with
belacan, ikan bilis, acar,
peanuts and cucumber.

A low-angle, upward-looking photograph of the Petronas Towers in Kuala Lumpur, Malaysia, during the 'blue hour'. The towers are illuminated with warm golden lights, contrasting with the cool blue and purple tones of the twilight sky. The image is partially covered by a semi-transparent purple rectangle that serves as a background for the text.

Breaking new ground
for businesses



Petronas Twin Tower, Kuala Lumpur

Greater Kuala Lumpur (GKL) – Breaking New Ground for Businesses

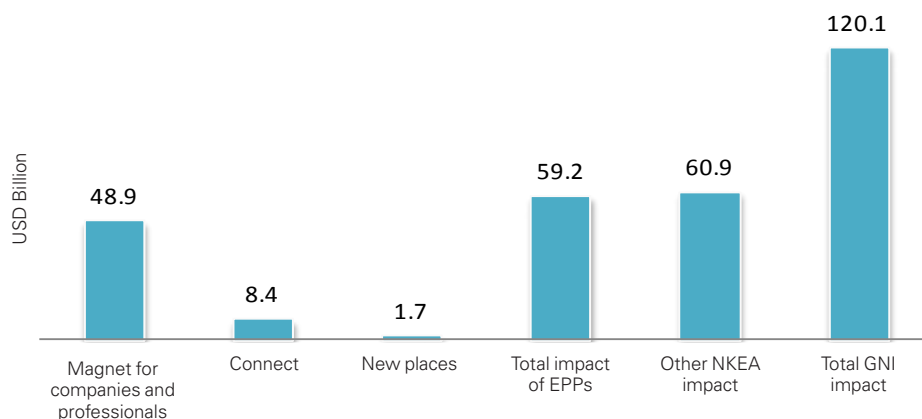
Malaysia has emerged as one of the fastest growing economies in Asia. Its rise is driven by the Government's initiatives including liberalization, ETP, skilled labour force and developed infrastructure.

GKL is the power centre of Malaysia's economy. In 2014, the population of the region was approximately 7 million, contributing 30 percent of Malaysia's gross national income, marked at USD60 billion².

GKL is expected to continue being the largest contributor at a GNI per capita level by 2020. The Malaysian Government's focus is on developing GKL as one of the top 20 cities in the world in terms of economic activity and livability by 2020. To achieve this, Nine Entry Point Projects, along four dimensions have been identified for GKL under ETP.

The four dimensions under the ETP are focused on increasing GKL's GNI to USD199.3 billion by 2020, from USD60 billion in 2014².

Impact of ETP on GKL's GNI by 2020

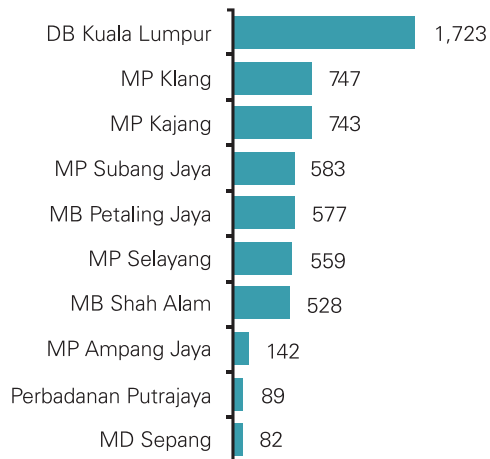


Source: Developing GKL as an Engine of Economic Growth

Dimensions	EPPs
GKL as a magnet	Attracting 100 of the world's most dynamic firms within priority sectors
	Attracting the right mix of internal and external talent
GKL connect	Connecting to Singapore via a high speed rail system
	Building an integrated urban mass rapid transit system
GKL new places	Revitalising the Klang River into a heritage and commercial centre for Greater KL
	Greening Greater KL to ensure every resident enjoys sufficient green space
	Creating iconic places and attractions
GKL enhanced services	Creating a comprehensive pedestrian network
	Developing an efficient solid waste management ecosystem

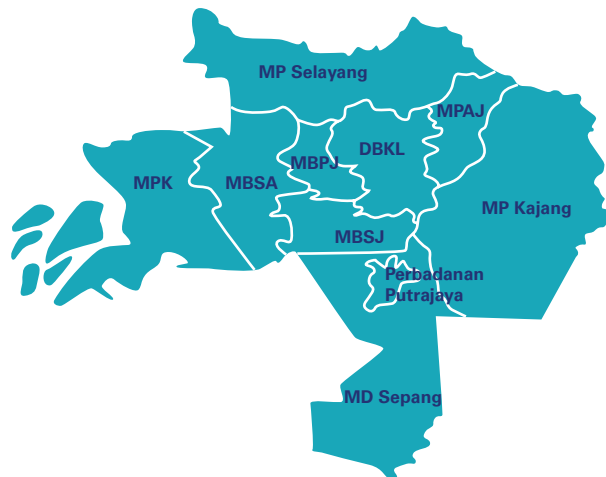
² Developing GKL as an Engine of Economic Growth, accessed March 2014

GKL population (thousand people), 2010

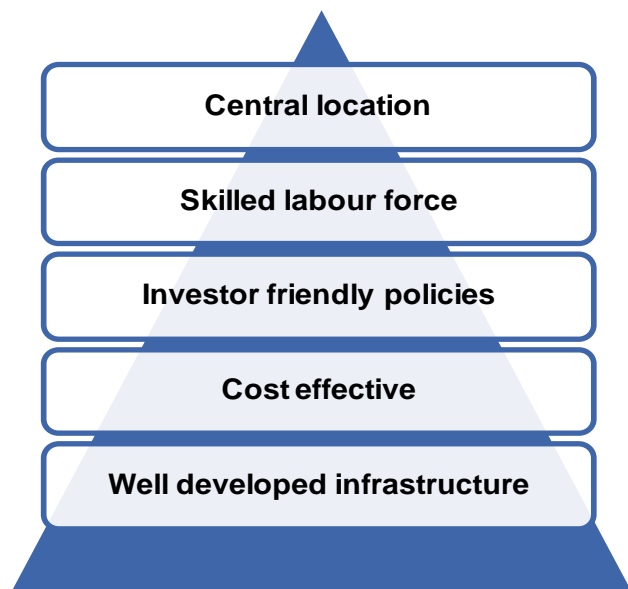


Source: Developing Greater Kuala Lumpur as an Engine of Economic Growth

10 municipalities under GKL



Factors driving the emergence of GKL as a regional hub



Central location

Greater Kuala Lumpur's central location represents a plethora of opportunities for all investors. It is at the focal point of major high growth Asian markets, with healthy trade, strong domestic demand and a vast market potential of 3.6 billion people.

Strategically located, it connects the Far East to Southeast Asia, Europe and the Middle East. GKL has a flight radius of 2 - 8 hours to some of the key business hubs including Singapore, Bangalore (India), Beijing, Shanghai (China), Dubai (UAE), Hong Kong, Seoul (Korea), Sydney (Australia), Taipei (Taiwan) and Tokyo (Japan).

Skilled labour force

The quality of workforce in Greater Kuala Lumpur is one of the best in the Southeast Asian region. The country takes pride in a well educated, multicultural and multilingual workforce.

Malaysia has a workforce of 12 million people with different levels of skills. Currently, 28 percent of the total workforce is highly skilled. The government is aiming to achieve the target of 50 percent of the workforce comprising highly skilled workers by 2020. Therefore, registration for vocational courses is planned to be increased from 130,000 places currently, to 300,000. The Government has also targeted to create 3.3 million jobs by 2020.

Multiple attractive policies and incentives have been formulated to attract Malaysian talent back from overseas, along with new foreign talent. TalentCorp was setup in January 2011 to facilitate initiatives addressing the availability of talent, aligned with the Economic Transformation Program.

Total employment in GKL expected to increase by 2020:

- **2010:** 2.5 million
- **2020:** 4.2 million
- **Driven by:** Growth in economic activities
- **Impact:** Contribute USD36.3 billion in annual GNI to the city by 2020.

"While regional neighbours are also experiencing impressive growth, the business and living environment in Greater Kuala Lumpur make it a very easy place to attract our best professionals to the scale; and quality of developments such as Warisan Merdeka and Tradewinds Square are quite rare and unique globally giving us yet another excellent recruiting tool," says **Jack Cummiskey, vice-president and regional manager, Asia's Turner International Malaysia Sdn Bhd.**

Source: StarBiz, The Star

'Returning Experts Programme (REP)' is one of the programs designed to encourage Malaysians studying or working abroad to return home. Under the programme, returning workers are entitled to a flat income tax rate of 15 percent for five years, along with tax exemption for all personal effects brought into the country, vehicle allowances and expedited immigration approvals for spouse and family.

Through the 'Malaysia My Second Home Programme', the Government is offering qualified expatriates, presently working in the country, the option to trade in their employment visas for residence passes to encourage them to remain in the country for the long-term. Holders of the pass enjoy a number of benefits including a 10-year work and residence term, the ability to change employers without having to renew the pass, automatic issuance of the residence pass for their spouse and children, employment permits for their spouse, and education benefits for the family.

Skill development and education is also one of Malaysia's focus areas. The national budget allocates USD30.7 million to develop educational programs and skills training³.



Investor friendly policies

Greater Kuala Lumpur represents a politically stable and investor friendly ecosystem, with incentives and tax policies, which facilitates ease of doing business.

In 2010, the Government launched the Economic Transformation Plan (ETP). The plan offers several business and investment opportunities within 12 National Key Economic Areas (NKEAs) identified. The Malaysian Government also announced six Strategic Reform Initiatives (SRIs) to boost Malaysia's global competitiveness.

In addition to the ETP, approximately 44 service sub-sectors have been liberalized in Malaysia since 30 June 2009 through the de-regulation of the Foreign Investment Committee guidelines. Some of the sub-sectors are healthcare, tourism, transport, business services and computer and related services.

Positioning GKL as a regional hub, the Government is strongly supportive towards foreign investors that are planning to locate their operational headquarters, regional distribution centres and global shared services in Malaysia. Generous incentives are also provided for specific industries or sectors, for example, biotechnology, Halal business, manufacturing and services to attract investor to view GKL as a striking investment destination for business growth.

The commodity-trading companies also have the benefit of the Global Incentives for Trading Programme (GIFT). It offers multiple incentives such as a nominal corporate tax rate, tax exemption for fees paid to non-Malaysian directors, and a 50 percent exemption on gross employment income for non-Malaysian professional traders.

In addition, the Malaysian Investment Development Authority (MIDA) provides specially tailored and customized incentives depending on the product promoted or activity carried out by the MNCs in Malaysia.

GKL is one of the 12 NKEAs identified by the government under Economic Transformation Programme. The region offers investors three propositions and can serve as:

- A central point to manage regional branches
- The main financial hub to execute financial transactions
- An offshore trading platform for commodities-based businesses

³ DPM: Highly skilled, multicultural workforce gives Malaysia distinctive edge in Asia, article dated 19 November 2013



Cost effective

Despite its fast growth, Greater Kuala Lumpur has a lower cost of living compared to many cities in Asia. According to Expatisan, GKL provides a lower and more affordable cost of living for residents and expatriates as compared to Hong Kong and Singapore in terms of food, housing, clothes, transportation, personal care and entertainment.

Although property is more expensive in GKL than other areas in Malaysia, it is still affordable. Renting a 1200 sq. ft. apartment costs approximately USD1211/month, whereas the same apartment costs almost USD6276/month in Hong Kong, USD4330/month in Singapore, USD2811/month in India and USD1864/month in China⁴.

Well developed infrastructure

Malaysia has well developed infrastructure facilities with excellent road, rail, sea and air connectivity.

Greater Kuala Lumpur's transportation system consists of well developed intermodal infrastructure in the Klang Valley. The city has two international airports and has one of the longest automated driverless metro systems in the world, the Kelana Jaya Line.

Port Klang, one of Malaysia's busiest container ports is also within the GKL radius. It is ranked 12th spot as the top 50 world container ports by World Shipping Council. This port has modern, up-to-date systems for fast cargo clearance and transaction and also has deep-water facilities to cater to some of the largest ships in the world.

The city also has advanced communications infrastructure including mobile, Wi-Fi and broadband services.

Future projects

- ASEAN Rail Express (ARX): Containerised service between Greater Kuala Lumpur and Bangkok. Plans to expand this to link Singapore, Vietnam, Cambodia, Laos, Myanmar and China
- Klang Valley Mass Rapid Transit: Integrated transit system with existing rail transportation network and bus routes in Greater Kuala Lumpur
- KL - Singapore High-speed link: A high-speed rail link between Greater Kuala Lumpur and Singapore, to be completed by 2020



Port Klang is one of Malaysia's busiest container ports within GKL radius

⁴ "World's most expensive cities," Global Property Guide, accessed March 2014

Oil & Gas

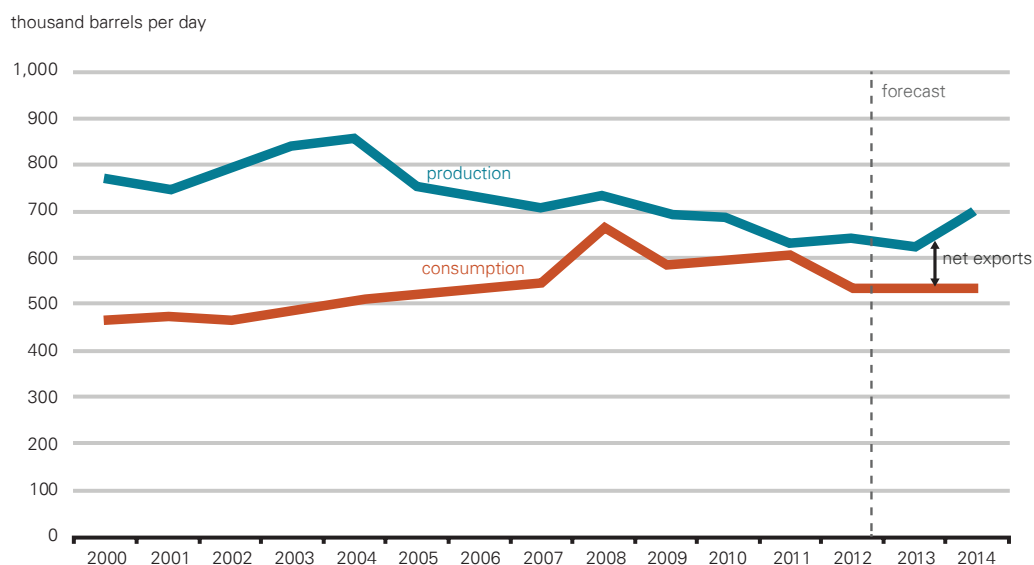




Industry Overview

The oil and gas sector is the mainstay of Malaysia's growth, contributing nearly 20 percent to the national GDP. Being the second largest oil and natural gas producer in Southeast Asia, it is strategically located amid important routes for seaborne energy trade⁵. The country aims to become an oil storage and trading hub in the region.

O&G Production and Consumption



Source: U.S. Energy Information Administration report dated 3 September 2013



O&G snapshot⁶

409 oil and gas fields (discovered); 68 oil and 36 gas producing fields

Oil production in Malaysia (2014): approximately 530 thousand barrels daily

Oil consumption in Malaysia (2014): approximately 700 thousand barrels daily

⁵ Site selection website, article dated May 2013 and BP's Statistical review of world energy 2013 report

⁶ U.S. Energy Information Administration report dated 3 September 2013

Greater Kuala Lumpur, Malaysia as O&G hub

Malaysia has the fifth largest reserves in Asia with 409 oil and gas fields. The country remains as a key exporter of liquefied natural gas in the world, supplying natural gas to China, India, Japan and more. Malaysia is a significant location for oil and gas services due to the Government's strong commitment towards the industry. Houston-based global oil and gas service giant, Baker Hughes chose Greater Kuala Lumpur as their regional headquarter location since 2009. The company recently completed USD33 million equipment manufacturing facility in Port Klang Free Zone and a 100,000 sq. ft. facility in Labuan.

State oil company Petronas continues to play fundamental role in supporting the development of the nation's oil and gas sector. The company is developing the first Independent LNG Trading Terminal in Asia to be located Pengerang, Johor with a capacity of 1.28 million cubic meters. This will be a part of the project to turn the location into a regional oil and gas hub to meet the current demand for LNG⁷.

The country has a politically stable environment which is bolstered by an established five-year term plan. It is also very business affable and predictable. It is easier to invest in Malaysia than anywhere else, when it comes to short- and long-term planning and making heavy investments. Malaysia closely monitors its compliance with global transactional transparency standards, thereby putting a big focus on fighting corruption.

Major companies in O&G sector

The oil reserves in Malaysia are the third highest in the Asia-Pacific region after China and India. The prime companies operating in this sector are both domestic and foreign players.

Key O&G Malaysian companies include SapuraKencana Sdn Bhd, KNM Process Systems Sdn Bhd, Malaysia Marine and Heavy Engineering Sdn Bhd, Sime Darby Engineering Sdn Bhd, Oilfab Sdn Bhd and Scomi Group of Companies.

Major Malaysian player SapuraCrest Petroleum Bhd and Kencana Petroleum Bhd merged in a deal worth more than USD3.07 billion in market capitalisation to create the world's fifth largest integrated oil and gas services firm. Labuan Shipyard was later acquired by SapuraKencana for further consolidation.

Major foreign operating companies	ExxonMobil, Shell, Murphy Oil, Hess and Talisman Energy
Small to medium-sized operators	Lundin, JX Nippon and Roc Oil
Oil field service and equipment players	Baker Hughes, Schlumberger and Technip

Greater Kuala Lumpur is recognised as a World Energy City with a signing of an agreement with World Energy Cities Partnership (WECP) in 2014

“Kuala Lumpur, as an integral city in the Asia Pacific, contributing to the regional economy, while expected to play a major role in the continuous development of the energy sector,” says **Christine Sagen Helgo, WECP President and Mayor of Norway's city of Stavanger.**

Source: InvestKL

⁷ “Petronas on track in Pengerang,” The Star Online, article dated 11 August 2014

There are also several foreign oil and gas companies that invest in Malaysia's oil and gas industry such as Exxon Mobil, Shell, ConocoPhillips, Murphy Oil, Hess and Talisman Energy.

Leading foreign oil and gas producer Exxon Mobil operates 43 platforms in 17 fields in Malaysia upstream segment. The company's subsidiary has also begun offshore natural gas field in Malaysia to boost the country's current status as world top exporter of liquefied natural gas (LNG).

Sector growth and targets⁸

Malaysia has developed tremendously in the last decade and has a great vision going forward, to 2020 and beyond, for becoming an oil and gas services hub.

Expansion in the upstream oil and gas sector is the primary driver for the growth in the specialized Machinery & Equipment (M&E) for the industry. Many opportunities have been created for the manufacture of specialized sub-sea extraction and production equipment post the oil and gas exploration's recent move to deepwater areas in the Asia Pacific region. Job prospects is expected to increase to 52,000 by 2020, mainly as engineers and geologists.

By 2020, this sector is targeted to raise the total Gross National Income (GNI) by ~104 percent from USD36.1 billion in 2011. In April 2011, Malaysian Petroleum Resources Corp (MPRC) formed the Industry Consultative Council (ICC) as an advisory body to further develop Malaysia as an O&G hub by 2017.

Under Entry Point Project 6 (EPP 6), MPRC hopes to draw 10 to 20 major international companies in the Oil Field Services and Equipment (OFSE) industry to Malaysia by 2017⁸. In addition, to encourage private investments, formulate solutions to address key investor issues as well as track the development of key projects, MPRC was formed to work with the Government and its agencies such as InvestKL, Ministry of International Trade and Industry (MITI), Ministry of Finance (MoF), Malaysian Industrial Development Authority (MIDA), Malaysian External Trade Development Corporation (MATRADE), State Governments and regional economic corridor authorities.

A Government body called Oil Field Services Unit (OFSU) would take the responsibility to oversee industry growth and development. The EPP 6 will create an attractive business environment for multinational companies by ensuring administrative ease and working with other government departments to develop an attractive fiscal regime.



Projected total GNI contribution by
2020: USD74 billion

Projected additional jobs created by
2020: 52,000

⁸ Invest KL Malaysia, and Economic Transformation Programme, PEMANDU (EPPs data taken as it is)



Initiatives

MPRC, together with Labuan Financial Services Authority (LFSA), announced the Global Incentives for Trading (GIFT) programme to attract the companies to setup trading operations in the country. Key incentives offered under the GIFT programme include:

- Flat corporate tax rate of 3 percent on chargeable income
- 100 percent exemption on directors' fees paid to non-Malaysian directors
- 50 percent exemption on gross employment income for non-Malaysian professional traders
- Other managerial capacity of Labuan international commodity trading companies

Key companies awarded a trading licence under the GIFT programme⁸:

- Petronas
 - Dialog
 - YTL Power International Bhd
 - UK-based BB Energy and Vitol
-

List of EPPs – Oil and Gas sector⁸

No.	EPPs	2020 GNI (millions)	Projected jobs by 2020	Location	Status
1	Rejuvenating Existing Fields through Enhanced Oil Recovery (EOR)	5,092	-	International, Nationwide	Work in progress
2	Developing Small Fields through Innovative Solutions	1,687	-	International, Nationwide	Work in progress
3	Intensifying Exploration Activities	-	-	International, Nationwide	Work in progress
4	Building a Regional Storage and Trading Hub	498.7	790	Nationwide	Work in progress
5	Unlocking Premium Gas Demand in Peninsular Malaysia	737.4	27,000	Johor, Melaka, Sabah	Work in progress
6	Attracting MNCs to Bring Their Global Oil Field Services and Equipment Operations to Malaysia	1,878.8	20,000	Nationwide	Work in progress
7	Consolidating Domestic Fabricators	1,260.4	5,000	Nationwide	Work in progress
8	Developing Engineering, Procurement and Installation Capabilities and Capacity through Strategic Partnerships and Joint Ventures	1,235.8	15,000	Nationwide	Work in progress
9	Improving Energy Efficiency	4,263.8	-	Nationwide	Work in progress
10	Building Up Renewable Energy and Solar Power Capacity	140.3	1,906	Nationwide	Work in progress
11	Deploying Nuclear Energy for Power Generation	65,122.7	2,637	-	Work in progress
12	Tapping Malaysia's Hydroelectricity Potential	1,748.5	590	Sarawak	Work in progress
13	Increase Petrochemical Outputs	-	-	-	Not started



“Kuala Lumpur has been extremely strategically important for the Technip Group as well as for the development of the service industry in Malaysia. I hope this will remain the case in the future,” says **Technip Advisor to the Chairman and CEO Bernard Di Tullio.**

Source: InvestKL

Various projects/ companies under EPPs:

- **EPP 1:** In January 2013, PETRONAS signed PSCs with Shell Malaysia for EOR projects off the coast of Sabah and Sarawak, with investments over USD12.1 billion. In May, PETRONAS inked a new type of PSC with Talisman and PETRONAS Carigali Sdn Bhd for EOR projects in Kinabalu Fields (fields with matured reservoirs off the coast of Sabah), drawing in investments worth USD1 billion. In November, PETRONAS signed another PSC with Shell Malaysia to explore Central Luconia, offshore Sarawak.
- **EPP 2:** In June 2013, PETRONAS signed three separate PSCs with PETRONAS Carigali, Hess Exploration and Production Malaysia BV to undertake the North Malay Basin project – a five-year development project worth USD5.3 billion that will commercialise nine stranded gas fields and establish a new gas gathering, processing and transportation hub. Halliburton Bayan Petroleum Sdn Bhd, a joint venture between Dialog Group and Halliburton International Inc, signed an agreement with PETRONAS Carigali to recover reserves from the Bayan Field, offshore Bintulu in Sarawak. Investments from the project are projected to reach USD1 billion over 24 years.
- **EPP 3:** In November 2013, PETRONAS recorded first oil production from the Gumusut-Kakap field, offshore Sabah, representing Malaysia’s second deepwater development. The development is operated by Sabah Shell Petroleum Co, with Murphy Sabah Oil Co, Conoco Philips Sabah and PETRONAS Carigali as partners.
- **EPP 4:** The Johor State Government, Holland’s Royal Vopak and Dialog Group partnered to build deep water oil storage in Pengerang. MPRC and Labuan Financial Services Authority (LFSA) launched the Global Incentives For Trading (GIFT) programme under the Labuan International Trading Commodity Company (LITC) to attract oil and gas players to trade petroleum and related products in Malaysia. Ten trading companies have registered for the GIFT programme till date. In April, Vitol, the world’s largest independent oil trader, and its joint venture partner MISC Bhd, launched operations at its storage facility in Tanjung Bin, Johor. In November, capital dredging work was completed at the Tanjung Langsat Port, Johor, positioning Malaysia as a strategic location to cater for storage facility.
- **EPP 5:** In September 2013, the Prime Minister announced a consortium comprising the Johor State Government, Dialog Group and Royal Vopak that will invest USD1.3 billion to build the Pengerang LNG terminal, allowing various LNG users to store and trade the commodity.
- **EPP 6:** Malaysia Petroleum Resources Corporation (MPRC) is a sole company under EPP 6. This EPP is expected to help transform the country into a cost-efficient base for engineering, procurement, construction, installation and commissioning activities in the Asia Pacific region.



- **EPP 7:** Malaysian fabricators have consolidated, dropping from eight to five major fabricators presently – MMHE Bhd, Kencana HL Bhd, Brooke Dockyard & Engineering Works Bhd, BHIC Penang Shipyard Bhd and Ramunia Bhd. In a significant consolidation exercise, MMHE acquired Sime Darby Fabricators for USD120.6 million. MMHE later entered into a joint venture with Technip. Lembaga Tabung Haji acquired fabricator Ramunia Holdings Bhd, which was then renamed to TH Heavy Engineering Bhd (THHE). THHE then acquired Oilfab and has invested in growing their yard in Port Klang.
- **EPP 8:** BC Petroleum Sdn Bhd, the joint venture company of Roc Oil, Dialog and PETRONAS Carigali, expects to invest between USD192 million to USD240.1 million during the pre-development of the risk service contract (RSC) for Balai Field project. This collaboration demonstrates how players can work together to scale greater heights. MMHE Bhd entered into a partnership with Technip to strengthen its engineering and project management capabilities. TH Heavy Engineering Bhd partnered with McDermott International, Inc, to enhance its engineering and installation capabilities.
- **EPP 9:** The Malaysian Government is working with national utility firm Tenaga Nasional Berhad (TNB) to make co-generation economically viable. The Government extended the 0 percent tax incentive for hybrid cars to 2013 as sales increased by fourfold, compared with 2009 sales. National car maker Proton plans to roll-out electric vehicles (EV) by 2014, along with more EV charging stations nationwide. Various associations supporting this EPP are Ministry of Energy, Green Technology and Water (KeTTHA) and Sustainable Energy Development Authority (SEDA).



- **EPP 10:** SEDA approved 960 applications for the FiT mechanism with an installed capacity of 450.85MW, out of the 1,480 applications received within the year. SEDA's 2000 Solar Home Roof Programme received great response from homeowners who could generate electricity from their rooftops with an allocation of up to 2,000 kilowatts of solar photovoltaic (PV) for 2012 and 6,000 kilowatts for 2013.
- **EPP 11:** The Nuclear Power Development Steering Committee, driven by the Ministry of Energy, Green Technology and Water (KeTTHA), has conducted studies since 2009 to prepare a Nuclear Power Infrastructure Development Plan (NPIDP). Malaysia Nuclear Power Corporation, MNPC is another association supporting this EPP.
- **EPP 12:** Through this EPP which is spearheaded by the Sarawak state Government, Sarawak Energy Bhd (SEB) and the Regional Corridor Development Authority (RECODA) will plan, construct, own and operate Sarawak's hydroelectric dams, a USD6.2 billion investment comprising five dams with a capacity of five gigawatts.
- **EPP 13:** This EPP targets to increase the country's petrochemicals output to cater to Asia-Pacific's rising demand for premium specialty chemicals. The Sipitang Oil & Gas Industrial Park (SOGIP) Master Plan detailed planned development and identifies potential companies required to position SOGIP as a premier industrial park focusing on petrochemicals and fertilisers.

Petroliam Nasional Bhd (Petronas)

Malaysia's national oil and gas company, wholly owned by the Government, Petronas, is a lifeline to the country's O&G industry and has supported the development of local companies such as Scomi, SapuraCrest, Kencana, Petra Perdana and Wasco. Exclusive rights to all oil and gas E&P projects is held by Petronas and it is undertaking major steps to rejuvenate the sector. It is primarily responsible for all licensing procedures. As the custodian of the country's hydrocarbon resources, Petronas has initiated risk-sharing contracts (RSC) for marginal oilfields over the last few years.

RSCs aim to develop resources from smaller oilfields while simultaneously explore Enhanced Oil Recovery (EOR) technology to improve production from others that are maturing. Introduced in 2011, the RSC is an alternative to the Production-Sharing Contract (PSC), endeavours at striking a balance between risk sharing and fair returns for the development of and from fields that have already been discovered.

Petronas had allocated around USD337 million until 2018, for its Exploration and Production Technology Centre's arm. The budget has been allotted to develop innovative and applicable technology to revive mature oil fields, while increasing production at maturing oilfields.

“Malaysia is a significant location for the oil and gas business, both peninsular Malaysia and in Sarawak and Sabah. As president of the region, it is important to me to be close to our customers,” says **Zvonimir Djerfi, president of Baker Hughes' Asia Pacific Division.**

Source: InvestKL







Engineering Services



Industry overview

Malaysia's engineering services sector covers a wide range of industries, from aerospace to energy, construction, automotive, electronics, and software. As the country heading towards the value chain, Malaysia is aggressively upgrading into a more sophisticated type of manufacturing.

According to Manufacturing Index 2014 by Cushman and Wakefield, Asia leads the global manufacturing locations with Malaysia being on world's most preferred location due to cost effectiveness. Manufacturing sector in the nation currently contributing 25 percent of GDP and this sector has tremendous growth potential to drive demand for engineering service in the near future.

GKL - Destination for high-tech investment

Foreign site selectors see Malaysia as a destination for high-tech investment. Malaysia is fit for enhanced coordination of investment promotion activities and a deeper focus on cultivating high-tech investment as well as projects in knowledge-intensive industry sectors.

Solid infrastructure, generous tax incentives, multilingual talents and connectivity with other ASEAN countries strengthen the country's status as a sought after destination to set up regional platform. Altran, global leader in high-technology engineering group is setting up its regional office in Greater Kuala Lumpur. The company has 30 years experience in providing services to big players in aerospace, automotive, energy, healthcare and telecommunication. GKL will be set as a platform for Altran to explore business opportunities in Asia-Pacific market⁹.



⁹ "Altran Develops its Business in South East Asia and Opens a Regional Office in Kuala Lumpur," Reuters, article dated 18 February 2013.

Meanwhile, the sector further establishes Malaysia as a global outsourcing hub for high-tech manufacturing value chain by enhancing its existing locational strength. Japan External Trade Organisation (JETRO) expresses Japanese firms' interest in investing in Malaysia's pure play engineering business. Tokuyama Corp would make a USD1.5 billion investment to build polycrystalline silicon factory in Malaysia for solar cell. Epson Precisions, market leader in printing and scanning products also wanted to relocate their regional distribution centre to GKL from Japan due to its high operating warehouse cost¹⁰.

Similarly Ibiden Co. Ltd, electronics and ceramics producer is investing USD399 million in Malaysia for a printed circuit board plant to increase production capacity whereby the expansion will create 1,500 jobs locally. There are also several other companies from Japan that express interest in participating in Malaysia's proposed Kuala Lumpur-Singapore High Speed rail link such as Sumitomo Corporation and Mitsui & Co Ltd.

Malaysia continues to attract more high-technology industries. Investors can be confident to get a supply of good local talents in Malaysia and sufficient professionals to meet the current demand for employees in the market. The country has a rich resource of engineering talent and GKL has the competitive advantage to nurture, attract and retain world-class talent to meet the need of local and foreign firms.

Major Companies in Engineering Sector

The engineering services companies in Malaysia vary by sectors but one of the bigger opportunities exist in manufacturing activities. JCY International is a global manufacturer of hard disk drive (HDD) mechanical components. The company is listed on Bursa Malaysia and it has manufacturing facilities in Malaysia as well as other regions such as Thailand and China.

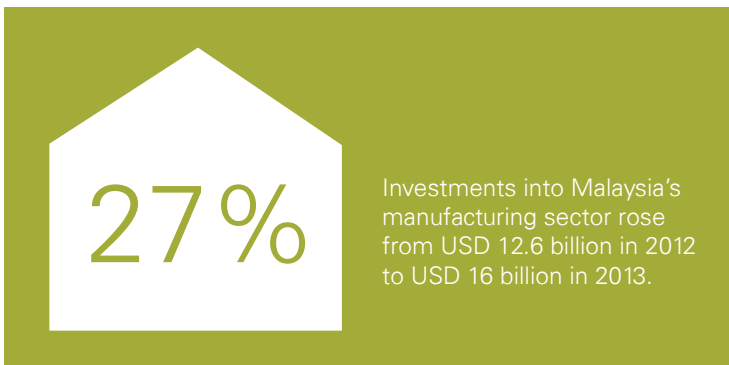
Foreign manufacturing players with solid presence in Malaysia's business climate comprises of Intel, Agilent, Plexus, First Solar, FMC Technologies and Western Digital whereas local players consists of Globetronics, Inari Technology, Alpha Precision and Vi Trox.

Sector Growth and Targets

Malaysian Government has set to grow 11,550 engineers by 2020 in the pure-play engineering services sector. This sector continues to attract investments with 787 manufacturing projects worth USD16 billion in 2013 with electrical & electronics industry witnessed the highest investment of USD3 billion. In 2013, manufacturing sector recorded a 27 percent leap in investment of USD16 billion as compared to USD12.6 billion in 2012.



Mature infrastructure and well trained workforce are few of the pull factors to bring in foreign investment to the country. US companies has a total investment of USD1.9 billion and 19 projects primarily focused on manufacturing sector. The companies comprise of long-standing firms that expand their operations locally, including GE, Motorola, AMD and Freescale Semiconductor. The investments successfully created more than 195,000 job opportunities and this reflects the confidence of multinational companies towards the business environment in Malaysia¹¹.



Source: Malaysia Investment Performance Report 2013

China investment in the nation's manufacturing industry has also increased tremendously in the past five years from USD92 million five years ago to USD920 million in 2013. In accordance with Prime Minister Datuk Seri Najib Tun Razak, Malaysia is anticipating for more FDI with both countries supporting each other in regional and multi-level initiatives including Asean-China Free Trade Area, Regional Comprehensive Economic Partnership and the 21st Century Maritime Silk Road¹².

On 9 June 2014, Malaysian Investment Development Authority (MIDA) signed a memorandum of understanding (MoU) with Invest Hong Kong to strengthen the collaboration between two parties to drive economic growth. A total of 434 projects were implemented as at 2013 with investment of USD1.65 billion from Hong Kong. Of these, the projects were concentrated on electronics & electrical, basic metal, fabricated metal, textiles & textile product, and wood & wood products.

The Government will continue to encourage both domestic and foreign investment in this sector with generous tax incentive when it comes to doing business in Malaysia, especially in high technology, value-added and knowledge based activities.

Initiatives

Malaysia has developed the EPP 5 initiative to nurture a large pure play engineering service. To achieve the growth target, the Malaysian Government has also taken initiatives to increase the skills and capabilities through training and research and development (R&D) in order to stimulate the demands for engineering services and accelerate global expansion.



¹¹ "US firms invested RM6.2bil last year,"The Star Online, article dated 25 April 2014

¹² "China investments in M'sian manufacturing surge to RM3bil last year,"The Star Online, article dated 5 August 2014

In 2012, the Malaysian Government carried out a deregulation, allowing 100 percent shareholding of Malaysian engineering companies by foreigners¹³. The Government also introduced the Tenth Malaysia Plan (2011-2015), resulting in the improvement of the overall building construction market. The participation of private sectors and investors are also involved in the development of public projects such as construction and management of schools, hospitals and other community infrastructures.

Altran Malaysia Sdn Bhd will be developing an innovation centre in Greater Kuala Lumpur with support from its subsidiary, Cambridge Consultants as a strategic advisor for this initiative. With strong support from the Government and local authorities, Cambridge Consultants will be venturing into innovative product development services to accelerate the growth of blue-chip and ambitious start-up companies in Malaysia. This initiative aims to attract the best talents in the market to stimulate the creation of wealth with Malaysian flair and European experience.

DreamEdge Sdn Bhd (DESB) is spearheading the project to develop the industry capabilities to support the country's demand for high skilled workforce. DESB plays a major role in establishing Malaysia into the competitive global digital engineering market. It managed to attract four Tier-1 companies from Japan to work closely together and provide assistance for them to establish their operations in Malaysia. On the local front, DreamEdge has successfully obtained the local industry leaders' confidence with contracts secured with firms such as Proton, Scomi Group and more.



¹³ Site selection website, article dated August 2013

Another key milestone for DreamEdge is the establishment of a Centre of Excellence (CoE) to serve as a ground to foster relationship between universities and firms in the same industry to build compelling value-propositions around the engineering service. The CoE will help to position Malaysia as a world-class digital engineering service hub as it not only supports domestic needs for digital engineering designs, but it also assists the global market in outsourcing their projects. With DreamEdge establishing the CoE, not only will human capital be developed and job opportunities be created, but further contribution towards the advancement of a knowledge-based innovation driven economy will be carried out, attracting more foreign investments into the region¹⁴.

“Greater KL was chosen as the location for our regional distribution centre (RDC) due to the city’s global and regional connectivity, political stability and cost competitiveness,” says **Dr Chin Kuen Keong, managing director of Epson Precision Malaysia.**

Source: InvestKL







Healthcare



Industry overview¹⁵

The healthcare industry is Malaysia's economic growth's powerful engine, owing to demographic shifts such as extended longevity. Another reason driving its growth is a rise in lifestyle diseases such as cardiovascular ailments, diabetes and hypertension.

The sector is primarily driven by domestic consumption of healthcare products and services, which is especially apparent in Greater Kuala Lumpur.

Malaysia's spending on this sector is around 5 percent of GDP, which is above its regional peers such as Indonesia, Singapore, China and India. However, its public spending is a disproportionate contributor to healthcare costs. Presently, this sector contributes around USD4.6 billion in GNI.

GKL, Malaysia - a growing healthcare and life sciences hub

Healthcare is one of the most attractive sectors in Greater Kuala Lumpur, owing to quality and affordable living. Many high-end hospitals, clinics, well trained doctors and medical staffs are centred in GKL. The country is now emerging as growing healthcare as well as life sciences hub by boosting its strength in pharmaceutical, medtech and biotech industry.

There is a huge potential in medical device market as Asia is contributing approximately 24 percent of the medical device market globally whereby Malaysia remains as one of the world's leading producer and exporter for medical gloves and catheters amounted to USD4.2 billion in 2013. According to MIDA, there are more than 180 medical devices manufacturers in Malaysia including regional operating offices such as Ambu, B. Braun, C.R. Bard, Ciba Vision, Meditop Corporation, St. Jude Medical, Symmetry Medical, Accellent and Teleflex.

On the other hand, pharmaceutical market in Malaysia is growing enormously. GKL is expected to be a regional leader in halal pharmaceutical market, with countries such as China, India and Russia expressing interest in tapping into the local's halal expertise. Malaysia is the pioneer to create the first halal pharmaceutical guidelines in the manufacturing and handling of such products. Moreover, the first CPhI International Halal Pharmaceutical Summit (IHPS) took place in GKL in November 2013. Selection of Malaysia and its capital as the conference host reaffirmed its position as a prominent player in becoming the international hub for halal pharmaceutical industry.

Malaysia accounts for **80 percent** of the world's market for rubber catheters and **60 percent** for rubber gloves.

Malaysia has the highest standard of healthcare among the ASEAN-5 and ranked 18th in terms of healthcare efficiency.

¹⁵ Invest KL

¹⁶ "Malaysia Pharmaceutical Market Update 2014," Pharmaphorum, article dated 9th April 2014

The Government is proactive in promoting policies that help foreign pharmaceutical companies to establish in-country facilities. Recently international firm Novartis identifies Malaysia as a potential location for biotechnology investment by setting up manufacturing plants in the country. Ranbaxy has also announced plans to build a USD35 million Greenfield manufacturing plant to serve both the local and ASEAN market.¹⁶

Initiatives that have been undertaken by Malaysia strengthened its position as a healthcare hub, has created ample opportunities for Malaysia to become a strategic investment destination. The formation of ASEAN Sleep Research & Competence Centre (ASRCC) is a collaborative effort between Philips Malaysia and University of Malaya Specialist Centre (UMSC). The centre will be known as South East Asia's first excellence centre in Malaysia aiming to address sleep disorders issues in the region.

Similarly, Malaysia's strong healthcare strategy combined with its aggressive efforts to create awareness for non communicable disease (NCD) motivated Danish diabetes specialist centre, Steno Diabetes Center, to open their first overseas branch in GKL. Dr John Nolan, the CEO of Steno responded that GKL was chosen due to its strategic location in South-East Asia and existing working relationship with the local doctors. The Centre will be set as a teaching hospital to develop knowledge in diabetic management as well as carries out experimental and clinical research into diabetes¹⁷.

There are ample opportunities being provided by the Malaysian Government to the investors to move into manufacturing and R&D of medical technology sub-sectors such as medical devices, diagnostic equipment and healthcare technology.



17 "Sharing diabetes expertise," The Star, article dated 9 November 2014



Major companies in Healthcare sector

The foundation for high-value healthcare products is provided by Malaysia's manufacturing base. The country is one of the largest manufacturers of rubber-based medical consumables.

More than 180 local and MNC medical device manufacturers in Malaysia are currently involved in high value products such as orthopedic products, diagnostic radiographic equipment and medical electrodes.

Based in Greater Kuala Lumpur, IHH Healthcare Berhad (IHH) is one of the largest private healthcare providers in the world based on market capitalization, focusing on markets in Asia and in the CEEMENA region. Apart from Malaysia, it offers premium healthcare services in Singapore, Turkey, China, Hong Kong and India. From clinics to hospitals, quaternary care and postoperative rehabilitation centres, ambulatory care and medical education, IHH offers a full spectrum of integrated healthcare services.

GlaxoSmithKline is one of the few international pharmaceutical companies that is based in Malaysia with a direct manufacturing presence in Malaysia. According to Business Monitor International (BMI) Report, Malaysia's manufacturing operation is diverse seeing that the country exports to Singapore, Hong Kong, Thailand, China, Indonesia and Philippines. Besides, the company has a solid product portfolio covering a wide range of products from over-the-counter (OTC) medication, vaccines to pharmaceuticals.

Upon government's support under Economic Transformation Programme, other foreign companies that expand their operation office into this country includes YSP Industries, Xepa-Soul Pattinson, Novartis and Ranbaxy.



Sector growth and targets¹⁸

Over the past decade, the healthcare sector has seen robust growth. Malaysia has the highest standard of healthcare among the ASEAN-5, as it has some tremendous healthcare services to offer. Factors that drive significant growth in this sector include rising affluence and an elderly population; increased awareness and demand for private healthcare; along with higher medical tourism spending. Backed by the aggressive promotion of Malaysia as an overall luxury tourist destination, healthcare tourism has immense potential in the country.



By 2020, Malaysia expects to attract 1.9 million healthcare tourists.

Seniors living sector has been identified as a huge long-term business opportunity in the healthcare sector that can potentially deliver major economic gains. The long term goal for Senior Living is to provide holistic aged care to meet the needs of the ecosystem. Though still in the early stages of development, senior living sector is projected to deliver 11,400 new jobs and USD286 million in incremental GNI by 2020.

Another key business opportunities in this sector is manufacturing of in-vitro diagnostic (IVD) kits and equipment. Global IVD markets are estimated to reach USD27 billion and due to Malaysia's expertise in combating tropical diseases, the country is well positioned to excel in this sub-sector of healthcare. Developing IVD manufacturing could potentially lead to USD 21 million GNI impact and generating 1,200 job opportunities.

Currently, the Government is aggressively promoting the sector by encouraging more private investments in areas such as manufacturing of pharmaceutical products, medical devices, clinical research, aged-care services and supporting collaborative efforts between public and private healthcare providers.

Initiatives

The prime initiative that drives the growth of Healthcare sector in Malaysia is the formulation of 13 EPPs. The medical devices' EPPs (EPP 7 to EPP 13) were formulated to contribute to the expansion of Malaysia's medical devices industry, which has reached a critical stage due to its rapidly increasing size.

Apart from influencing the country's cost advantage, these EPPs will control the capabilities in the large electronics and electrical industry and strong intellectual property (IP) protection framework. It will also provide accessibility throughout Asia to develop the medical devices industry further.

In August 2012, a statutory body was established namely The Medical Device Authority (MDA) which was solely responsible for enforcing and implementing the Medical Device Act 2012 (Act 737). Medical Device Regulation 2012 has been drafted by the MDA to support the implementation of Act 737.

List of EPPs – Healthcare sector¹⁹

No.	EPPs	2020 GNI (millions)	Projected jobs by 2020	Location	Status
1	Mandating Private Insurance for Foreign Workers	52.5	N/A	Nationwide	Operational
2	Creating a Supportive Ecosystem to Grow Clinical Research	177.4	905	Nationwide	Operational
3	Malaysian Pharmaceuticals – Increasing Local Generic Manufacturing for Exports	4,249.6	12,440	Nationwide	Operational
4	Reinvigorating Healthcare Travel	1,317.3	5,295	Nationwide	Operational
5	Creating a Diagnostic Services Nexus to Achieve Scale in Telemedicine for Eventual International Outsourcing	109.2	281	Nationwide	Not started
6	Developing a Health Metropolis: A World-Class Campus for Healthcare and Bioscience	302.5	10,400	Selangor	Not started
7	Upscale Malaysia's In-Vitro Diagnostic (IVD) Industry	233	3,620	Nationwide	Work in progress
8	Build Malaysian Showcase on Next Generation of Core Single Use Device (SUD) Products	276	5,300	Nationwide	Work in progress
9	Become the Hub for High-Value Medical Devices Contract Manufacturing	567.5	25,700	Nationwide	Not started
10	Create Malaysian Clinical Device Champions	429.4	11,600	Nationwide	Work in progress
11	Medical Equipment Supply Chain Orchestration	312.9	8,800	Penang	Not started
12	Medical Equipment Refurbishment Hub	58.3	800	Nationwide	Work in progress
13	Build Medical Hardware and Furniture Cluster	116.6	2,900	Nationwide	Not started
14	Renal Products	105.2	728	-	Work in progress
15	Mobile Healthcare Services	138	2,800	-	Work in progress
16	Institutional Aged Care	25.4	1,139	-	Work in progress
17	Retirement Villages	366.1	6,193	-	Work in progress

¹⁹ Economic Transformation Programme, PEMANDU (EPPs data taken as it is)

Various projects/ companies under EPPs:

- **EPP 1:** Beginning on 1 January, 2011, through the Hospitalisation and Surgical Scheme for Foreign Workers (SPIKPA). SPIKPA has registered 25 insurance companies and two Third Party Claims Administrators as providers.
- **EPP 2:** In June 2012, Clinical Research Malaysia (CRM), an entity under the Ministry of Health (MoH), was corporatised. CRM was established to stimulate growth of the clinical research sector and through consultations with public and private hospitals, helped lead the set-up of seven new MoH hospital clinical research centres (HCRCs), bringing the total to 27. Ten of the HCRCs are equipped to be categorised as Centres of Excellence for research. By the end of 2012, 319 clinical trials had been conducted.
- **EPP 3:** The Hovid Objective Pharmaceutical Excellence (HOPE) agreement between Sanofi Aventis Group's subsidiary Winthrop (M) Sdn Bhd and Hovid Bhd was extended to include the development of four new generic medicines. India's largest pharmaceutical company, Ranbaxy Laboratories Limited, invested USD38.3 million through a joint venture with local partners to establish its second manufacturing plant in Malaysia. Biocon Limited entered into an agreement with Chemical Company of Malaysia Pharmaceuticals Sdn Bhd to exclusively distribute Biocon's insulin products in Malaysia and Brunei.
- **EPP 4:** In view of this, the Malaysia Healthcare Travel Council (MHTC) has been established to develop and promote this sector and to function as a one-stop centre for all matters related to healthcare travel. Sime Darby Healthcare and Kumpulan Perubatan Johor (KPJ) have increased their commitment to establish new hospitals to meet growing demand from the local population and healthcare travellers. During 2012, Sime Darby built two new hospitals, while KPJ announced it will set up five hospitals nationwide by 2014.
- **EPP 5:** As at May 2013, four hospitals have participated as pilot sites for the DSN Sdn Bhd, comprising Hospital Kuala Lumpur, Hospital Selayang, Hospital Tengku Ampuan Rahimah and Hospital Sultanah Aminah.
- **EPP 6:** Universiti Malaya Holdings will spearhead an initiative to develop and position the Health Metropolis as Malaysia's premier medical hub and as one of the centres of excellence for medicine and bioscience in the region and globally.
- **EPP 7:** Medical Innovation Ventures Sdn Bhd (Mediven), a medical diagnostics firm, will spearhead this EPP through its IVD project. In November, Mediven announced an investment of USD2.74 million in its IVD project.
- **EPP 8:** Vigilenz Medical Devices Sdn Bhd has been identified to lead local medical device manufacturers in positioning Malaysia as the preferred supplier of high-quality contract manufacturing for SUDs. Another key player under this EPP, Karl Mueller Scientific had begun its operations in Malaysia since March, 2011.



- **EPP 9:** Two local firms, Medical Devices Corporation Sdn Bhd (MDC) and Straits Orthopaedics (Mfg) Sdn Bhd, are leading developments in this field by expanding their manufacturing activities to spur greater participation from Malaysian entrepreneurs.
- **EPP 10:** Sima Medical will be championing an effort to develop orthopaedic clinical device in Malaysia via its joint venture with the Naton Medical Group of China and Malaysian partners.
- **EPP 11:** Manufacturer UWC Holdings, which caters to the medical and healthcare industry among others, leads this EPP through its investment in the construction of a medical equipment manufacturing facility in Bukit Minyak, Penang.
- **EPP 12:** This EPP seeks to lower purchasing and maintenance costs for quality medical equipment, with the MDA to taking the lead in the establishment of a local medical equipment refurbishment hub.
- **EPP 13:** This EPP is spearheaded by LKL Advance Metaltech Sdn Bhd, a medical furniture manufacturer specialising equipment. LKL invested USD6.8 million to expand its premises, workforce and manufacturing capacity in 2012 with the construction of a new 70,000 sq ft factory in Sri Kembangan, Selangor.
- **EPP 14:** The key objectives of this EPP is to lower the cost of treatment and make Malaysia a regional base for renal therapy. Fresenius Medical Care, a global supplier of renal solutions and a major player in both HD and PD products, is looking into establishing a manufacturing facility to produce quality HD and PD fluids in Bandar Enstek, Negeri Sembilan.
- **EPP 15:** Love On Wheels Healthcare Services Sdn Bhd (LOWHS), which provides mobile services to senior citizens above the age of 60 in Malaysia, leads this EPP through its K.A.S.I.H. (Kasih Atas Sumbangan Ikhlas dan Hemat) project, which facilitates the recovery of elderly citizens in the comfort of their own homes, and access to nursing and rehabilitation services.
- **EPP 16:** Econ Healthcare Group, a Singapore-based company, is undertaking a project to build the first phase of its retirement village–cum–nursing home facilities in Cheras. The first phase of the project will include building a 200-bedded nursing home, while the second phase will include the retirement village facilities.
- **EPP 17:** Eden-On-The-Park is building the first Integrated Senior Active Lifestyle and Care Residence Resort in Kuching, Sarawak. This retirement village will serve as a prototype for other “Eden On The Park” development across Malaysia. The prototype of the retirement village franchise will be operated by Melbourne-based Aged Care Company, Optimum Aged Care Services of Australia.





“We believe that the results of the partnership between University Malaya Hospital, which is the brainchild of University Malaya Specialist Centre (UMSC) and Philips Malaysia (a subsidiary of Royal Philips) with InvestKL will provide medical students a good training and learning environment, equipping them with skills and talents that will be needed in the market. The students – future researchers and innovators – will benefit greatly from the opportunities presented with this collaboration and will be given the freedom to be innovative,” says **Prof Datuk Dr Mohd Amin Jalaludin, Vice Chancellor of University Malaya.**

Source: InvestKL

Projected total GNI contribution by 2020:
USD10.9 billion

Projected additional jobs created by 2020:
181,000



Consumer Packaged Goods, Wholesale Retail/Supply Chain



Consumer Packaged Goods

Industry overview²⁰

The growth of consumer packaged goods industry is driven by the rapid urbanization and rising income among Asian countries. Asia accounts for 60 percent of the world's total population, and is expected to overtake the West as the main consumer market with a total of 4.6 billion consumers by 2040.

According to Economic Intelligence Report 2014, Asia's food companies are showing strong profit growth. Not only has it grown in terms of quantity, but also in terms of variety as well. Meanwhile, many consumers are turning to packaged goods when choosing and purchasing their daily products, especially packaged food products sold in the supermarkets and hypermarkets.

Food processing sector accounted for approximately 10 percent of Malaysia's manufacturing output. Malaysia exports processed foods to over 200 countries, and have an annual export value of more than USD3.4 billion. This amounts up to two-thirds of Malaysia's food exports of over USD5.5 billion.

Malaysia exports processed foods to over **200 countries**, and have an annual export value of more than **USD3.4 billion**.

Malaysia, strategic country for consumer packaged goods business

As one of the Asia countries that has the fastest growing economy, Malaysia provides 44 percent of the world's total exports, inclusive of consumer packaged goods. With such a large area dedicated to exports, Malaysia owns a world-class warehousing facility in Port Klang, to allow large amounts of goods to be both exported and imported on a daily basis. Recently being ranked 12th as the world's busiest port, Port Klang covers 1,645 acres of Free Trade Zones and provides facilities for distribution and manufacturing activities. Malaysia is a strategic place for consumer packaged goods business seeing that it has the largest centre for international trade and manufacturing in the Southeast Asia region which provides great potential for further growth in this sector.

The country has a talent pool of supply chain management graduates that are innovative and are educated in a world-class supply chain education. In 2011, the Malaysian Government formed a partnership with the Massachusetts Institute of Technology to develop the Malaysia Institute for Supply Chain Innovation (MISI) as the centre for knowledge creation. Predominantly, the talent pool will increase over time, allowing more innovative ideas that can further improve the supply chain, processing and packaging of consumer goods.



²⁰ "Food Industry in Malaysia," Malaysian Investment Development Authority (MIDA)

Major Companies in CPG Sector

There are many companies in Malaysia, both local and multinational, that process and package its food products domestically. Some of these companies include Nestle, Mondelez, Dutch Lady, Apollo Food Holdings, Mamee-Double Decker (M) Sdn Bhd, Fraser & Neave Holdings Berhad and Unilever.

Mamee-Double Decker (M) Sdn Bhd is a local company that manufactures and produces and packages products cater for local and international market. There is a wide variety of products ranged from instant noodles, snacks, chilled drinks, confectionery and beverage. Adding on to their success, Mamee-Double Decker (M) Sdn Bhd has recently bagged the 2014 Frost & Sullivan Excellence Awards in Malaysia.

Fraser & Neave (F&N) is another well-known brand in Malaysia since 1883. Products under F&N consist of Red Bull, 100 Plus, Fruit Tree and Seasons. The company owns a soft drink factory capable to produce 20 million cases of soft drinks annually. It is located in Shah Alam and prides itself to be one of the largest of its kind in South East Asia.

“We’ve been very fortunate to have had such ease of setting up. We have had great ease communicating with the locals. The lingual flexibility of our local hires has enabled us to communicate well and support the eight locations under our portfolio – Lumut in Ipoh, Singapore, Indonesia, Oman, Mozambique, Malawi and Switzerland. Kuala Lumpur is one of few cities where we can find support for Asian countries,” says **Alexandre de Aquino Pereira regional finance general manager in ValeServe Malaysia.**

Source: The Star



Sector growth and targets

In 2013, a total of 66 projects in the food processing sector were approved with an investment of USD889.6 million. These projects have amounted up to USD230.4 million for local projects, whereas the foreign investments amounted up to USD644 million²¹.

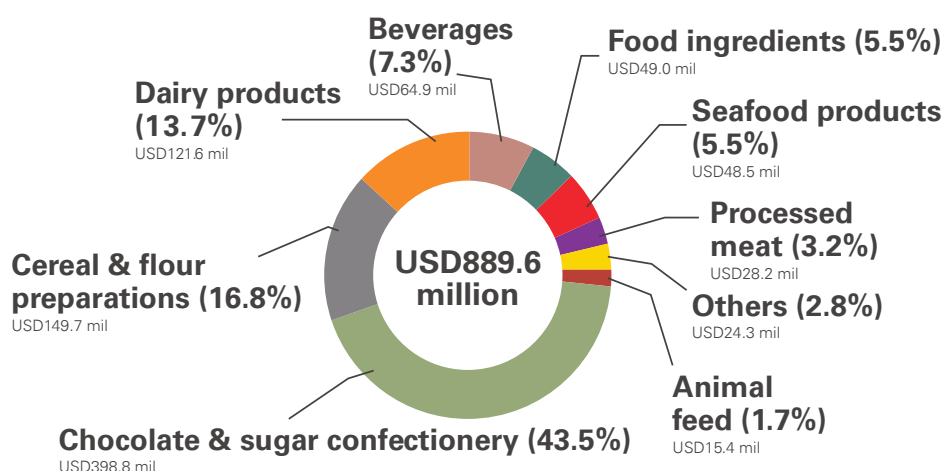
The Government launched the Third Industrial Master Plan few years back and it projected Malaysia to be a regional food production and distribution hub for halal foods by year 2020. The Government will therefore be taking great initiatives to boost efforts on total factor productivity (TFP) growth to strengthen the competitiveness of the food processing industry. These efforts will include undertaking production and export of high value added products, adopting quality standards, enhancing R&D, and upgrading human resource and technology²².

Initiatives²³

Malaysia launched EPP 8 initiative to strengthen the export capability of the food processing industry. Under this EPP, the involvement of foreign partners will continue to be pursued. With foreign partners, market access will be strengthened with contract manufacturing arrangements, equity sharing and licensing out of proprietary products and brands. The existing incentives provided under the Promotion of Investment Act will also be leveraged.

With the aim to become a regional food production and distribution hub for halal foods, the Malaysian Government has allowed halal industry players a 100 percent income tax exemption on qualifying capital expenditure for a period of 10 years, or an income tax exemption on export sales for a period of 5 years. Raw materials used for the development and production of halal promoted products are also given an import duty and sales tax exemption. In addition, double deduction on expenses will be granted when halal industry players obtain international quality standards such as HACCP, GMP, Codex Alimentarius, Sanitation Standard Operating Procedures and regulations for compliance for export markets.

Investments in approved manufacturing projects in the food processing industry by sub-sector, 2013



Source: Malaysia Investment Performance Report 2013

21 Malaysia Investment Performance Report, MIDA, 2013

22 MITI, accessed June 2014

23 Invest KL



Similar to halal industry players, Malaysian Government provides certain incentives for halal logistics operators, such as full income tax exemption for a period of 5 years, or 100 percent income tax exemption on qualifying capital expenditure for a period of 5 years. Import duty, sales tax on equipment, components and machinery used directly in the cold room operations are also exempted subject to the current policies.

Due to the unique opportunities available in this country, a few multinational companies choose to set up their large scale manufacturing hub in Malaysia. Giant chocolate provider The Hershey Co. is investing USD250.3 million in a new confectionary plant in Johor, Malaysia. It will be marked as Hershey's company largest investment in Asia in their 18 years of presence in the region. Nestle is also further expanding their investments in Malaysia. Additional growth to their manufacturing capacity not only results in larger investments, but also encourages potential growth for the export of halal products. This results in strengthening Malaysia as a global halal hub.

Current to date there are a total of 27 halal hubs in the country – inclusive of Selangor Halal Hub and PKFZ Halal Flagship Zone located at Klang Valley.

Wholesale Retail/Supply Chain

Industry overview²⁴

The wholesale and retail sector in Malaysia is a significant contributor to GNI, with more than 60 percent being contributed by domestic consumption to the country's GDP.

The sector's input to GNI in 2009 was around USD17.5 billion along with 50,000 jobs created. Retail will be a key driver of domestic consumption to achieve the 2020 GNI target, which in turn, will lead to economic growth.

GKL - A retail hub in Malaysia

Retail in Malaysia is still fragmented, revealing an opportunity for expansion. However, the region is establishing itself in wholesale and retail, owing to the growing urbanisation and population.

Greater Kuala Lumpur is becoming more cosmopolitan and sophisticated, which is the reason for the increasing number of megamalls and shopping centres in the region. It is a key location for foreign investors, as they tend to take advantage of the city's increasing affluence and growing demand for quality goods and services.

The shift from rural to urban areas is expected to create more demand for goods and services including higher value-added products, thereby flourishing the wholesale and retail business in whole of Malaysia. Catering to the urban population, modern chains continue to spring up in city centres. More than 75 percent of Malaysians are expected to live in cities by 2015.

The rise in Malaysia's population is also projected to raise the demand for goods and services, which will in turn support the growing retail business.

Projected total GNI contribution
by 2020: USD47.9 billion

Projected additional jobs created
by 2020: 454,190

Major companies in Wholesale and Retail sector

The retail sector in Malaysia is led by large chains of hypermarkets and supermarkets, such as Giant, with about 120 outlets nationwide, and Tesco with 50. By the end of 2012, there were around 121 hypermarkets, 113 superstores and 113 departmental stores owned by foreign and local companies.

Currently, foreign players dominate grocery, including AEON BIG, Hong Kong-based Dairy Farm, and Japan's AEON, along with local retailers such as Parkson and The Store. Other key players include Econsave, Mydin, Senheng Electric.

Sector growth and targets

Malaysia endeavours to increase its total GNI and aims at generating job opportunities in its wholesale and retail industry.

Baseline growth and business opportunities in the sector are currently expected to contribute USD13.9 billion to GNI, apart from creating 226,000 additional jobs.

With USD57.5 billion being required in private sector funding and investments to capitalise on these business opportunities, there will be three distinct economic drivers driving growth—higher retail expenditure per capita (driven by increased GNI per household by 2020), Urbanisation and Population growth.

List of EPPs – Wholesale and Retail sector²⁵

No.	EPPs	2020 GNI (millions)	Projected jobs by 2020	Location	Status
1	Increasing the number of large format stores	2,611.7	68,574	Nationwide	Operational
2	Modernising via the Small Retailer Transformation Programme (TUKAR)	1,710.7	51,544	Nationwide	Operational
3	Developing pasar komuniti (community markets)	2,707.9	140,947		Not started
4	Transforming automotive workshops	349.4	9,117	Nationwide	Operational
5	Developing makan (food) bazaars	69.5	4,205	Johor	Work in progress
6	Developing 1Malaysia malls	683.1	3,777	International	Not started
7	Developing a virtual mall	252.5	6,629	Kuala Lumpur	Work in progress
8	Facilitating local businesses to acquire stakes in foreign retail businesses	316.3	415	International	Work in progress
9	Making Malaysia duty-free	999.5	31,145	Nationwide	Operational
10	Setting up wellness resorts	820.5	21,545	Kuala Lumpur	Operational
11	Organising unified Malaysia sales	545.1	14,312	Nationwide	Operational
12	Transforming KLIA into a retail hub	293.9	7,716	Selangor	Not started
13	Developing big box boulevards	375	9,609	Nationwide	Not started



²⁵ Pemandu Economic Transformation Programme, PEMANDU (EPPs data taken as it is)

The image features a background of a clear blue sky transitioning into a bright orange and yellow sunset or sunrise glow at the bottom. A dark teal rectangular box is positioned in the upper left quadrant, containing the text "Clean Technology" in white. The bottom of the image shows the dark silhouette of a mountain range.

Clean Technology



Introduction of FiT policy makes Malaysia an attractive renewable energy investment destination

Industry overview

In Malaysia, renewable energy is being seen as an important investment avenue, unlike in the past. Abundant renewable resources available and depleting domestic fossil fuels have reinforced the need to source renewable energy alternatives²⁶.

In 2009, the government passed the National Renewable Energy Policy and Action Plan which set a roadmap for renewable energy development, setting aside quotas for different technologies. To facilitate the green initiative, Malaysia enacted the Renewable Energy Act 2011, a legislation that mandated the setting up of the Sustainable Energy Development Authority (SEDA). The Authority implements a feed-in tariff system for the distribution of renewable energy generated in the country²⁷.

The Tenth Malaysia Plan (2011-15) re-emphasised the use of renewable energy to meet Malaysia's growing energy demands, in particular hydro power for electricity generation and blending of bio fuels for transport sector²⁸.



26 Mondaq, article dated 11 September 2013

27 "A greener Malaysia," Asian Legal Business, article dated 1 March 2014

28 "Renewable energy a growth sector for Malaysia," The Star, article dated 28 August 2010

Major companies and projects in clean technology sector²⁶

A number of major Malaysian companies are investing in Solar Photovoltaic (PV) projects. These companies include Yingli Green Energy Holding Company Limited announced in May 2013 that they will supply over 10MW of solar panels for Malaysian PV projects; EQ Solar is investing USD490.7 million to manufacture solar modules, cells and wafers in Senai Hi-Tech Park; Berjaya Solar Sdn Bhd is investing USD61.7 million in a 100MW plant at Bukit Tagar, as a precursor to a proposed 50MW solar PV plant; Bosch has invested USD736.2 million for a new solar energy manufacturing site in Penang; Kulim Hi-Tech Park is the first high technology industrial park in Malaysia. The park's primary aim is to help Malaysia achieve its "Vision 2020" for the country to be fully industrialised.

There have been investments in Hydropower projects including The Hulu Terengganu (250MW) and Ulu Jelai (372MW) hydropower projects among other notable planned projects. Bakun Hydropower Project is likely to add 2.4GW to Malaysia's hydropower capacity.



Sector growth and targets

Malaysia, in its tenth plan targeted 985MW, nearly 5.5 percent of its electricity generation to be from renewable sources by 2015²⁹. It also aims to reduce its carbon emissions by 40 percent by 2020³⁰.

As at December 31, 2013, the total number of approved feed-in-tariff applications is 2,760 and the total approved renewable energy capacity expected to be connected to the grid by June 2015 is 536MW³¹.

During the period, a total of 49 renewable energy generation projects were approved compared to 33 in 2012, with total investments of USD521.5 million. Most of these came from domestic sources (USD429.4 million or 79 percent), while foreign investments accounted for USD110.6 million (21 percent). These projects are expected to create 969 employment opportunities in this area.

The most notable project in this sub-sector is USD155.3 million project to build the country's first ever geothermal energy plant in Tawau, Sabah. When completed, the plant will have a theoretical capacity of 30 MW³².

Malaysia is also trying to boost the production of green vehicles by promoting small energy-efficient cars. In January 2014, the Government planned financial assistance of USD613.5 billion to the manufacturers of such vehicles. It has also allowed foreign auto manufacturers to make small and energy-efficient cars in the country with additional benefits of lower taxes and an attractive investment environment.

Projected total GNI contribution
by 2020: USD140.3 million

Projected additional jobs created
by 2020: 1906

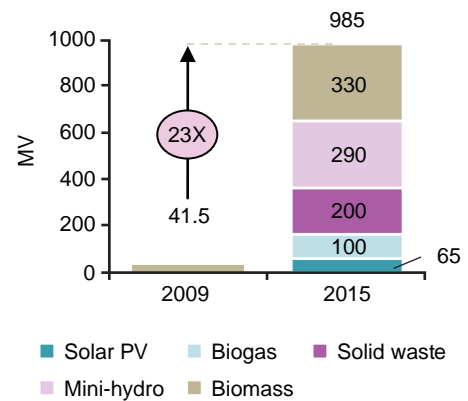
29 Tenth Malaysia Plan 2011-2015, Prime Minister's Department

30 Najib: Malaysia on track to meet greenhouse gas emission target, article dated 5 June 2014

31 "RM325mil boost for renewable energy fund," The Star, article dated 10 February 2014

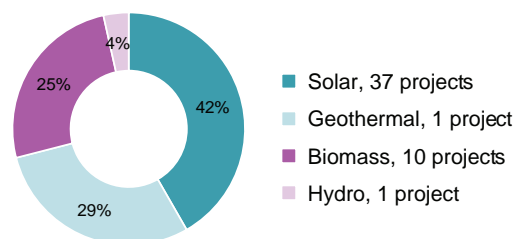
32 Malaysia Investment Performance Report 2013

Planned increase in renewable energy capacity



	2009	2015
Solar PV	0	65
Biogas	0	100
Solid waste	0	200
Mini-hydro	0	290
Biomass	41.5	330

Investments in approved renewable energy projects by technology, 2013



	Percentage
Solar, 37 projects	41.7
Geothermal, 1 project	29.3
Biomass, 10 projects	25.5
Hydro, 1 project	3.5

Initiatives

Malaysia launched EPP 10 initiative to harness renewable energy as a viable alternative to reduce Malaysia's reliance on fossil fuels, minimise carbon emissions, encourage job creation, and spur foreign direct investments³³.

In order to encourage the supply of renewable energy, SEDA fund introduced in 2011 to support the feed-in-tariff scheme, revised the surcharge on electricity bills for the renewable energy fund from 1 percent to 1.6 percent for Peninsular Malaysia effective 01 January 2014 to get an additional USD99.7mil per annum renewable energy fund. SEDA has also considered the inclusion of wind as another renewable resource in the renewable energy scheme³⁰.

In another initiative Malaysia teamed up with Japan-based Asian Energy Investments in 2013, to form an USD101.3 million venture capital fund to invest in clean technology in South East Asia³⁴. The Government has also proposed a USD104.3 billion "Sarawak Corridor of Renewable Energy" (SCORE) development plan, which includes heavy investment in 'jatropa' and palm-based biodiesel production³⁵.

During 2009, the Government relaxed its foreign investment by removing the requirement for 30 percent ethnic ownership of Malaysian companies, as a result of which Malaysia has become a more attractive foreign investment destination in renewable energy²⁶.

Carbon Capital has invested USD60.7 million in biogas and biomass projects in Sarawak, including a 10 MW biomass power plant using palm fruit waste, and four biogas projects. The company has also entered into a joint venture with Japan Carbon Mercantile to invest USD582.8 million in jatropa and oil palm cultivation in Sarawak. Other foreign firms such as 5N Plus, a high purity metal manufacturer from Canada, First Solar Inc from the U.S. and the Hanwha Q-Cells Group of South Korea are among the prominent foreign investors in Malaysia's green technology industry²⁷.

The Government also earmarked USD460 million in a Green Technology Financing Scheme (GTFS). It is a soft loan supported by the Government intended to benefit producers as well as users of green technology²⁶.

Apart from offering grants and funds, the Government also offers tax incentives under its Green Technology Financing Scheme.

A company which is granted pioneer status can receive up to 100 percent income tax exemption of statutory income for a period of 10 years. Qualifying capital expenditure incurred will also be granted a 100 percent investment tax allowance within a period of five years. There are also exemptions available for import duty and sales tax on imported machinery, equipments, materials, spare parts and consumable used directly in the generation process.

33 Economic Transformation Programme, PEMANDU


34 Malaysia launches \$100m clean tech fund", Asian Venture Capital Journal, article dated 25 September 2013

35 "Renewable Energy Investment in Malaysia", Cleantech Solutions, article dated 15 January 2014



International treaties

Malaysia became a signatory to the United Nations Framework Convention on Climate Change in 1993 and it ratified the Kyoto Protocol in 2002. As a developing nation, Malaysia has no binding emission reduction targets under the Kyoto Protocol. However, as at 2009; it had registered 67 clean development mechanism projects²⁶.

An aerial photograph of a city, likely Dubai, showing a mix of urban development and green spaces. A semi-transparent grey rectangle is overlaid on the center of the image, containing the title text. The background shows various buildings, roads, and landscaped areas.

Striking the Right Balance



Malaysia's central location, business friendly policies and incentives, reliable financial system, well connected infrastructure and multi-lingual workforce have attracted many MNCs to set up their regional and global operations in the country.

Between 2011 and 2013, 27 global companies have planned to set up their regional headquarters in Greater Kuala Lumpur, with total investment at USD245.4 million. These investments have created over 2,200 new jobs over the past two years, 80 percent of which are held by Malaysians. The 27 companies include Schlumberger, Vale, IBM, Darden, Cargill, Naton, Colas Rail, Linde and Rentokil³⁶.

In 2013, 12 MNCs and three global trading companies decided to invest USD32 million in the GKL region. As a result, nearly 626 new high skilled jobs and a cumulative GNI of USD148.3 million are expected to be generated over the next five years. Of the 12 MNCs, seven companies plan to set up regional control centres, four companies plan to establish regional support centres and one plans to set up a supply chain management hub. Apart from these, three global trading companies have also decided to set up regional trading centres in GKL³⁷.

39 Essex Street declared plans in October 2013 to set up a base in GKL. It is a first UK chambers to have a presence in Malaysia. It recently signed an agreement with the GKL Regional Centre for Arbitration (KLRCA) to take up office space in the Sulaiman building.

Islamic Development Bank (IDB), a Jeddah-based bank, announced plans in December 2013 to set up its Islamic Banking Centre of Excellence in GKL. The centre will facilitate the bank to provide multiple Islamic banking products and offerings that include research and development in innovation, capacity building, knowledge sharing and liquidity management.

ServiceSource International, a service revenue management company, also set up its global sales operation centre (GSOC) in GKL in 2010. Some of the reasons for investment in Malaysia included the country's stable government, its location in a low-disaster-risk zone in Asia, and its reliable infrastructure. The GSOC in GKL is the company's second regional post, supporting not only the regional headquarters in Singapore but the entire global business. The company has seen its talent base grow five-fold within a year from opening its GSOC in GKL. The company is working with InvestKL and TalentCorp on developing a global Six Sigma Competency Centre to build on this momentum.

"It will be the first of its kind and we are choosing Malaysia as our centre in Southeast Asia, given its incredible strength of Islamic banking. The centre of excellence will mitigate Islamic banking deals not only in Malaysia and Southeast Asia, but also to the greater part of the world," **IDB president Tan Sri Dr Ahmad Mohamed Ali**

Source: BusinessTimes, NST



³⁶"KL draws RM800mil, 27 global companies set up regional HQ", article dated 11 February 2014

³⁷ Malaysia Investment Performance Report, MIDA, 2013

“With an attractive ecosystem for inward investment, world-class infrastructure, strong economic frameworks and access to the rest of the ASEAN region, Kuala Lumpur will offer a fitting environment for Altran to continue to grow our presence in the market across our key business areas – aviation, automotive, healthcare, telecoms and smart society,” **Phillippe Salle, CEO, Altran**

Source: InvestKL

General Electric (GE) is another company that has decided to pursue further growth in Malaysia. GE plans to locate its ASEAN headquarters in Greater Kuala Lumpur driven by its presence in multiple projects across diverse sectors in Malaysia. GE has roughly 1,300 employees in Malaysia, where GKL serves as the headquarters for GE ASEAN and the Asia-Pacific hub for its oil and gas business. GE is also a technological partner of PETRONAS and helped modernize Sapura Group’s regional oil and gas service centre. Apart from this. It also operates in Malaysia’s lighting, healthcare and transport industries.

IBM, which has been present in Malaysia for over 50 years, strengthened its presence in the country with the establishment of a Global Delivery Centre in Cyberjaya, Selangor in 2012. IBM has plans to invest USD306.7 million in the center until 2017. The centre is expected to provide 3,000 jobs by 2017. IBM already has 21 shared services operations in Malaysia.³⁸ In March 2014, IBM Malaysia also introduced ‘Smarter Analytics kit’ to leverage cloud computing in the manufacturing, financial services, and plantation industries in Malaysia.

Kellogg Company, a US based cereal manufacturer is investing USD131.3 million in a new manufacturing facility in Malaysia with focus to expand its supply chain capacity in the Asia-Pacific region. The new facility, located at Bandar Enstek, Negeri Sembilan, will manufacture halal certified Pringles and other halal certified Kellogg’s brand snack food³⁹.

Siemens has been active in Malaysia for more than 40 years and is currently present in all key sectors including energy, healthcare, industry and infrastructure. In November 2013, the company had approximately 850 employees in Malaysia. Over the years, Siemens has made a combined total investment of more than USD12.9 billion in Malaysia’s development⁴⁰.

BMW started operations in Malaysia in 2003. The company’s activities cover the wholesale division of BMW, MINI and BMW Motorrad vehicles, spare parts and accessories along with the overall planning of sales, marketing and after-sales. BMW has its National Sales Centre (NSC) in Cyberjaya and BMW Assembly Facilities at the Kulim Hi-Tech Park, Kedah which supports the Malaysian region. In August 2013, the company shifted its regional parts distribution centre in Sembawang, Singapore to Port of Tanjung Pelepas (PTP) in Johor which supports 22 markets in the Asia-Pacific region⁴¹.

YAB Dato’ Sri Haji Mohammad Najib bin Tun Haji Abdul Razak, the Prime Minister of Malaysia, called on the US based Fortune 500 and Forbes 2000 companies to expand the USA’s investment in the Southeast Asian nation by making the Malaysian capital city of Greater Kuala Lumpur their regional hub for Asia. He also called British companies in the Oil & Gas, Business Services, Technology and Healthcare sectors to locate their Southeast Asian headquarters in GKL.

38 IBM remains committed to Malaysian market, article dated July 2013

39 Kellogg’s to set up plant in Negeri Sembilan, article dated 4 January 2014

40 Siemens in Malaysia, article dated November 2013

41 BMW moves Singapore parts centre to Johor, article dated March 2014

Conclusion

Malaysia's rising economy is attracting both domestic and international investors, thereby enabling its emergence as one of the strongest countries within ASEAN. It is positioned to establish itself as a regional business and investment hub, driven by the incentives and growth impetus provided by the government.

About InvestKL



InvestKL, the specialist investment agency for Greater Kuala Lumpur (GKL), is a Government entity under the purview of the Ministry of International Trade and Industry (MITI), Ministry of Federal Territories and PEMANDU, the Performance Management and Delivery Unit under the Prime Minister's Department. To ensure the country transform from a middle-income nation to a high-income nation by 2020, InvestKL plays a crucial role to attract MNCs to expand their business by setting up regional offices, regional hubs and shared services in GKL. InvestKL's vision is to position GKL as one of the world's top, dynamic investment destinations by attracting companies that are regional and globally focused, creating world class businesses and generating value add career opportunities.

The corporation provides a ranged of free and customized investment service including location recommendation, formulation of competitive fiscal package, talent management programs proposal, KL familiarization programmes and more. Since 2011, InvestKL has been supporting the foreign direct investment in Malaysia through promoting the Greater Kuala Lumpur as the ideal destination to set up regional business hub to multinational corporations (MNCs). InvestKL works with the other Government Ministries, entities and agencies to formulate attractive fiscal packages, and help corporations identify business opportunities while strengthening their competitiveness regionally and globally. They also would assist the MNCs with key management, finance and trading capacities to run their regional operations.

About MIDA



The Malaysia Investment Development Authority (MIDA) is the Government's principal agency to drive and promote investment into the manufacturing and service sectors in Malaysia. Incorporated as a statutory body under the Malaysian Industrial Development Authority (MIDA) Act in 1967, MIDA assists both local and foreign companies which intend to invest in the manufacturing and services sectors, as well as facilitates the implementation of their projects. The wide range of services provided by MIDA includes providing information on the opportunities for investments, as well as facilitating companies which are looking for joint venture partners. Senior representatives from key government agencies are stationed at MIDA's headquarters in Greater Kuala Lumpur to advise investors on government policies and procedures.

MIDA also plays an important role in encouraging and mobilising domestic direct investments by identifying opportunities, providing supports and enhancing incentives for Malaysian-owned companies. These strategies will help the country to make the quantum leap required in attracting quality investments.

About MDec

Multimedia Development Corporation (MDeC) has been given the mandate by the Malaysian Government for the coordination, promotion and development of the information technology (IT) industry and selected services in MSC Malaysia. Incorporated under Companies Act of Malaysia, owned and funded by the Government, Mdec advises the Government on IT legislation and policies, develops MSC Malaysia-specific practices and set world-class standards for MSC Malaysia information infrastructure and urban development.

Their role is to advise the Malaysian Government on legislation and policies, develop MSC Malaysia-specific practices, and set breakthrough standards for multimedia operations. They also promote MSC Malaysia locally and globally, as well as support companies which are locating and located within MSC Malaysia. MDeC accelerates the growth of MSC Malaysia as a global IT hub by attracting world class companies and nurturing Malaysia's SME's, globally markets MSC Malaysia and works with the Government's entities and private organisation to ensure that MSC Malaysia continues to be the nucleus for innovation in the region for the creation of outstanding IT products, solutions and services. They also assist in expediting permit and license approvals, and introduce companies to potential local partners and financiers.

About BioTech Corp

BiotechCorp is the key agency to execute the objectives of National Biotechnology Policy (NBP) and plays a role to identify value prepositions in the perspective of R&D and commerce. Incorporated on 13 May 2005 under provisions of Companies Act 1965, BiotechCorp also supports these ventures by providing financial assistance and advisory services. Acting as the centre point for all biotechnology initiatives in Malaysia, they are responsible to nurture growth of Malaysian biotechnologies companies, actively promoting foreign direct investment and create a conducive environment for biotechnology industry.

About TalentCorp

Talent Corporation Malaysia Berhad (TalentCorp) was established in January 2011 to drive initiatives towards catalysing talent for the ETP. TalentCorp drives initiatives around three talent supply segments: Malaysians at home, Malaysians abroad and foreign talents. To ensure domestic talent is optimised in line with the changing needs of Malaysia's economic growth, they work with key partners in both the private and public sectors to attract, nurture and retain home-grown talents. These initiatives include raising career awareness, promoting enhanced internships, coordinating graduate up-skilling programmes and optimizing on Government scholars.

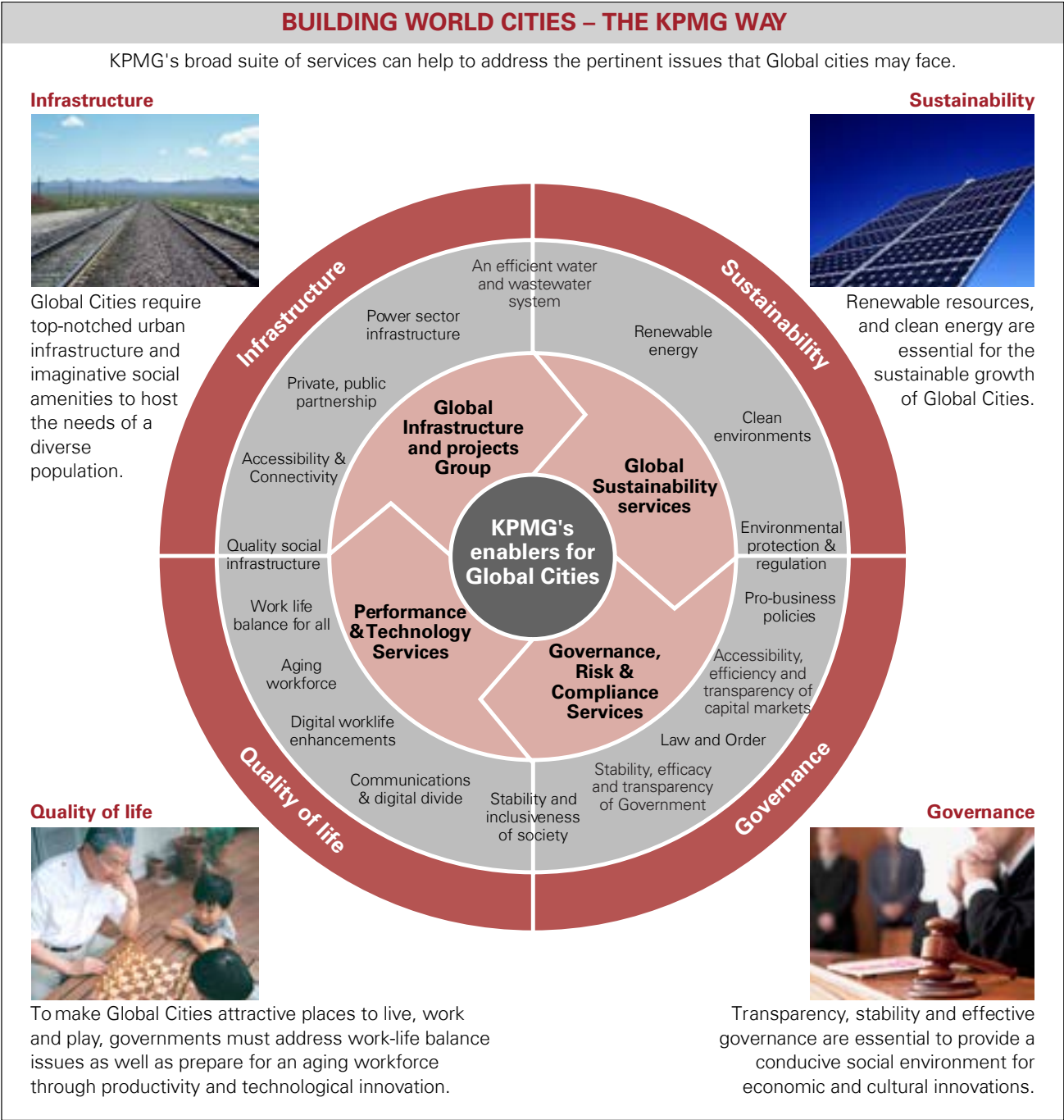
In parallel with the outreach programmes, TalentCorp also works with leading employers to facilitate the return of Malaysian professionals from abroad via the Returning Expert Programme as well as establish platforms for global Malaysians to contribute from abroad. TalentCorp collaborates with the Malaysian Immigration Department to facilitate top expatriate talents in Malaysia to work and live in Malaysia on a longer-term basis through the Resident Pass-Talent so that they can continue to contribute their expertise, particularly in the areas of critical skill gaps that cannot be fully addressed by Malaysian talent.



KPMG - Your Guide to Success



At KPMG, we believe world-class cities are built with care and focus on four core areas. They are infrastructure, sustainability, quality of life and governance. Our broad suite of services can help to address these pertinent issues which your city faces.





About KPMG

KPMG operates as a global network of professional firms providing Audit, Tax and Advisory services. We have 155,000 outstanding professionals working together to add value to businesses in 155 countries worldwide.

Drawing on 86 years of experience, KPMG in Malaysia provides audit, tax and advisory services. Established in 1928, not only is the Malaysian practice one of the oldest firms in the country, but also the oldest KPMG firm in the dynamic Asia Pacific region.

With over 1,900 staff positioned in 10 offices nationwide, we work closely with our clients to mitigate risks, grasp opportunities and optimizing value by cutting through complexity.

In Malaysia, we have established industry groups which enable the delivery of targeted, industry-specific experience, expertise and methodologies.

The focus on industry and country-specific knowledge helps us deliver exceptional people with an intimate knowledge of our clients' specific business issues, deep industry expertise as well as an overriding commitment towards service excellence.

A single management structure for our Malaysia offices allows efficient and rapid allocation of experienced professionals, giving us the scale and qualities to serve our clients across the Nation.





Staying Ahead of the Curve

Spanning three centuries globally, the KPMG Global network can be traced through its founding member firms originating in the UK, Germany, the Netherlands and the US.

The network brings together technical, regulatory and industry expertise to help clients succeed within Malaysia and across global markets.

Committed to Our Clients

Global capability and consistency are central to the way we work. The turn of the century brought into play new, evolving and aggressive rules of business and we understand it has become more challenging for corporations to stay competitive in the globalized environment.

Thus, we are committed to guide our clients through these challenges by delivering a globally consistent set of multidisciplinary financial and accounting skills and capabilities based on deep industry knowledge to translate that into local and global opportunities.

Industry Focus and Knowledge

Our core services are structured along the following industry groupings to reflect the dynamic and changing business environments in which our clients operate.

- Financial Services
- Industrial Markets
- Information, Communication and Entertainment
- Consumer Markets
- Infrastructure, Government and Healthcare

Our focus on global industries helps KPMG professionals develop a rich understanding of our clients' businesses and the insight, skills, and resources required to address industry-specific issues, challenges and opportunities. In particular, we provide our clients with the best possible outcome through

- Worldwide advisers who understand your business, market, and issues
- Relevant and commercial industry insights and KPMG's best practice
- Multidisciplinary teams working together to deliver value
- Increased value through shared knowledge and thought leadership

Audit

An independent audit is the foundation for decision-making in the capital markets. Hence, our audit process concentrates on the key areas of risk, based on a company's operational characteristics and performance profile.

Our partners and professionals are trained to look closely at all aspects of financial reporting to better isolate risk. The overall result is an independent and incisive view attesting the quality of the information provided.

Our Audit Services:

- Financial Statement Audit
- Reporting Accounting Services
- Technical Training Services
- Technical Advisory Services

Integrity, quality and independence are the building blocks of KPMG's approach. Our audit process does more than just assess financial information.

It enables our professionals to consider the unique elements of the client's business – its culture, the industry in which it operates, competitive pressures and the inherent risks.



Tax

KPMG Tax provides a comprehensive range of tax services designed to help our clients achieve cost-effective business strategies. Complemented by our extensive industry knowledge and an international network of professionals, we are ideally placed to provide exceptional tax services at both a domestic and an international level.

Our Tax Services:

- Corporate Tax Services
- Global Transfer Pricing Services
- Specialist Issues
- Tax Risk Management
- Capital Allowances Review
- International Executive Services
- Indirect Tax Services
- Goods and Services Tax (GST)
- Direct Investment Services





Advisory

Our Advisory practice assembles skilled and experienced professionals in multi-disciplinary groups to cater to the needs of individual clients. We work with them to help manage the challenges associated with growth, performance and governance. Clients can also draw from the capabilities and knowledge resources of KPMG's global network.

Our Advisory Services:

Management Consulting

- Financial Management
- IT Advisory
- People and Change
- Shared Services and Outsourcing Advisory
- Strategy and Operations

Risk Consulting

- Accounting Advisory Services
- Climate Change and Sustainability
- Financial Risk Management
- Forensic
- Internal Audit Risk and Compliance Services

Transactions and Restructuring

- Corporate Finance
- Restructuring
- Transaction Services





Bookshelf



A selection from our library of relevant reports and insights.

To access these publications, visit: www.kpmg.com



2013 Change Readiness Index

2013 Change Readiness Index focuses on the underlying capabilities that affect a nation's ability to manage change.



Future State 2030: The global megatrends shaping governments

This thought leadership explores how governments must respond to the global megatrends driving change into 2030.



Infrastructure 100: world cities edition

"This high-profile report showcases 100 of the most innovative and inspiring urban infrastructure projects from around the world."



The changing face of infrastructure: public sector perspectives

This thought leadership focuses on how the public and private sectors should work together in partnership to deliver infrastructure more effectively.



The rollout of next generation networks

This report focuses on the approaches being taken by governments to promote the development of Next Generation Network (NGN) in their countries.



Success and failure in urban transport infrastructure projects

This report analyzes the factors affecting the success of large urban transport infrastructure projects, with a view to explaining why some are more (or less) successful than others.



Operating healthcare infrastructure – analyzing the evidence

This report is intended to highlight the need to improve the quality of information on operational performance and cost of infrastructure.



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice and a thorough examination of the particular situation.

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