



KL calling:
dynamic, digital, diverse

Investors guide



EY

Building a better
working world

Foreword

The next phase of Kuala Lumpur's growth is pivoting towards next-gen industries, including Industry 4.0. In recent years, Kuala Lumpur has garnered investments from high-tech multinational corporations in advanced medical technologies, digital e-platforms, Internet of Things, robotics and higher-value Global Business Services.

Malaysia's world-class infrastructure, supportive government policies and agencies and future-ready digital talent proficient in English and Asian languages continue to attract international businesses to establish their regional headquarters and centers in Kuala Lumpur.

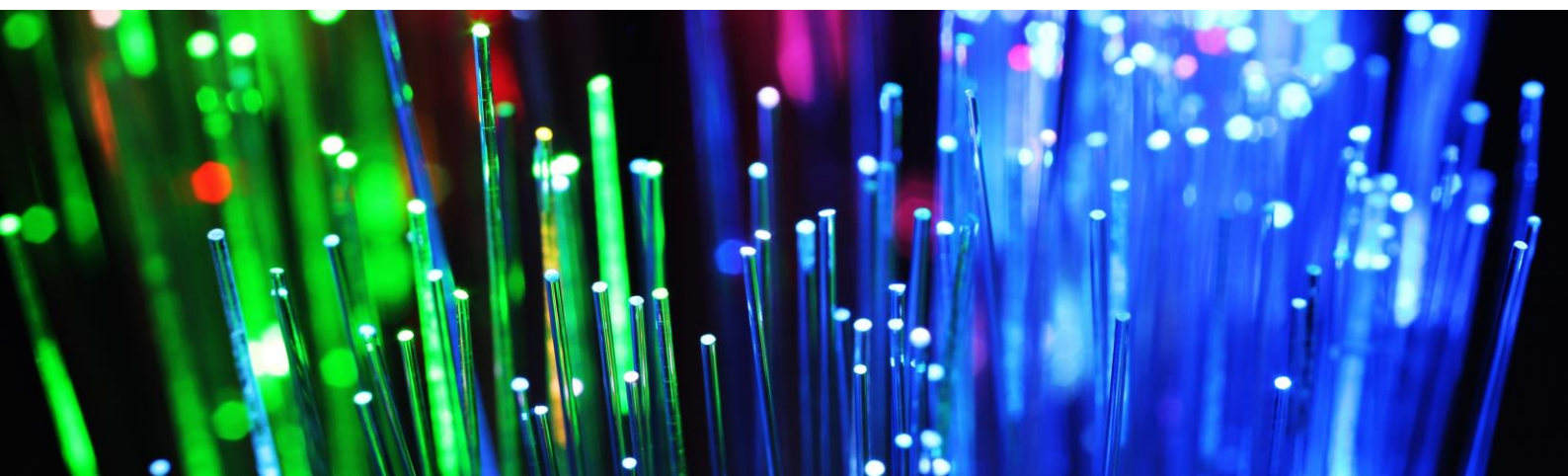
Beyond 2020, I envision that Kuala Lumpur will holistically evolve to become a smart digital city, driven by a balanced community purpose, i.e., to serve its residents' needs and systemically improve common facilities and amenities for the well-being of Malaysians, business residents, expatriates and international visitors.

Malaysia welcomes investors to recognize Kuala Lumpur's 3 D strengths: dynamic, digital, diverse, and participate in Kuala Lumpur's next exciting transformation!

Selamat datang ke Kuala Lumpur!



Dato' Abdul Rauf Rashid
EY Asean Assurance Leader
Malaysia Managing Partner
Ernst & Young PLT



“

Malaysia's fundamentals remain strong and attractive to investors.

Despite the COVID-19 pandemic, we remain in active discussions with potential investors.

Although some investors are taking a wait-and-see approach, others remain committed to their investments as they hold a long-term view.

In addition, we are in talks with global multinational corporations from the high-value services, technology and logistics sectors who are interested to expand their capacity or set up their regional headquarters here in Kuala Lumpur.

Muhammad Azmi Zulkifli
CEO, InvestKL

“

Our strategy is to be as close as possible to our customers to understand their needs and to develop suitable products and solutions to fulfil their requirements. As the region's most competitive manufacturing powerhouse, Kuala Lumpur emerged as a natural favorite.

ABB

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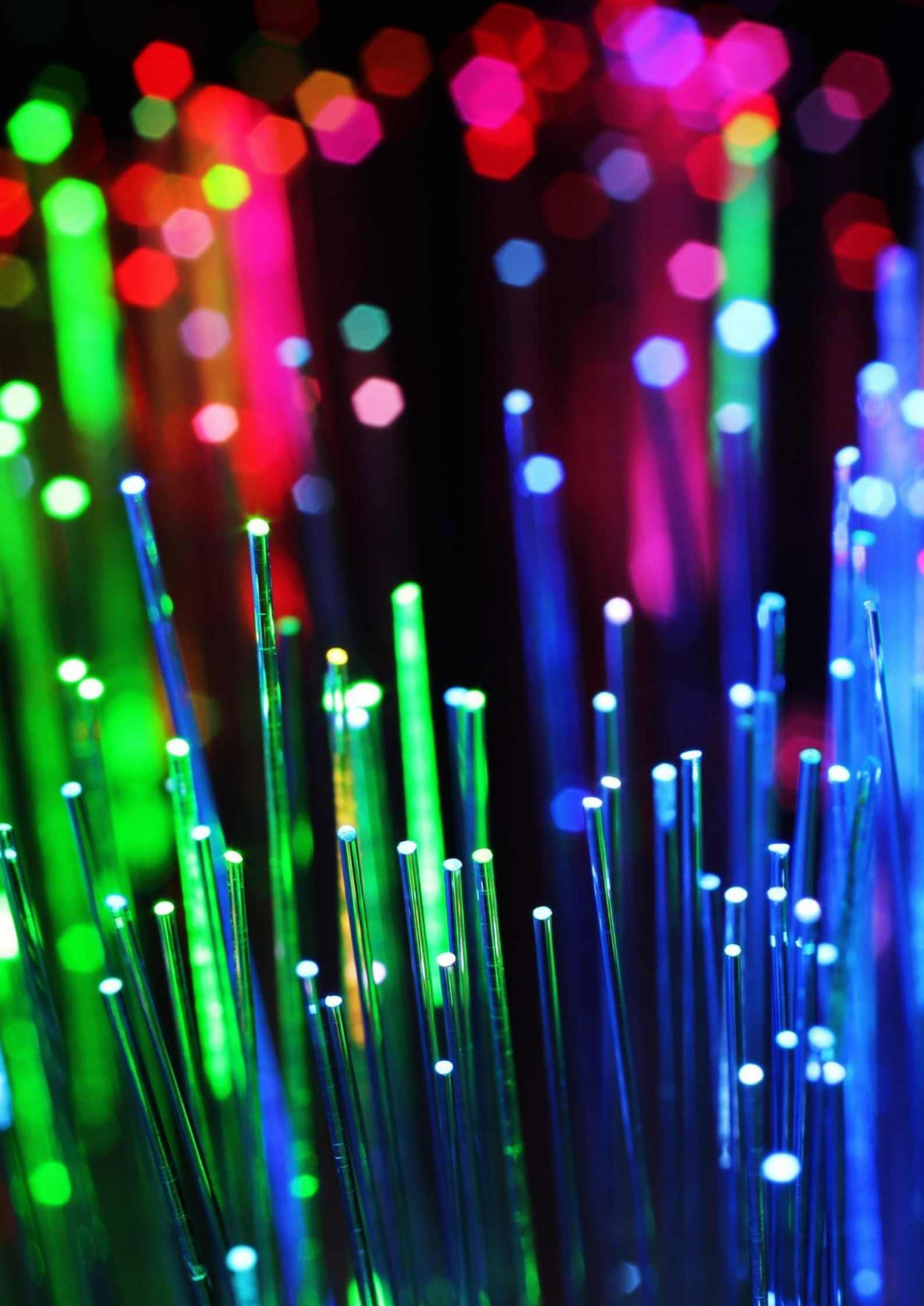
About 16 months into our journey, we found that our Kuala Lumpur talent hires are hungry to develop themselves through the experience of a fast-growing organization and exposure to our Japan and Asia-Pacific markets, as well as our information technology support to world-wide users.

Edwards Lifesciences

“

KL's international port, Port Klang, and other Malaysian ports are located in the best route, connecting the Pacific Ocean and the Indian Ocean. Beyond ASEAN, Malaysia's central location also provides excellent connectivity to Asia-Pacific.

United Imaging Healthcare



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Executive summary

Over five decades, Kuala Lumpur has evolved to become a **dynamic, digital and diverse** regional hub in Asia.

The evolution of Kuala Lumpur (KL) has been remarkable - from a tin mining town to a major regional hub with diversified industries, including global semiconductors, banking and capital markets, prime grade real estate developments, world-class universities and multimodal transport hubs for international aviation, rail and shipping.

KL's next transformation path is pivoting towards next-generation digital industries, from digital e-platforms, Internet of Things (IoT), robotics, advanced medical technologies through to high-value Global Business Services (GBS).

In addition to a suite of attractive tax incentives for high-tech sector investments, KL is gaining global investors' attention as Asia's truly 3 D city that is dynamic, digital and diverse. In contrast to other high-density cities in the region, KL has balanced growth attributes, including a green ecosystem, rapid growth dynamics, integrated transport facilities, world-class connectivity, future-ready multilingual talent and high-technology capabilities.

KL stands future-ready to be Asia's next strategic investment hub - it has the right balance of talent and dynamic business ecosystem to optimize regional operating models and to elevate corporations' expansion into ASEAN and the Asia-Pacific region.

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Positive change need not come at the expense of tradition and faith...we see this in Malaysia, where vibrant entrepreneurship is propelling a former colony into the ranks of advanced countries.

Barack Obama
44th President
United States of America



Before the COVID-19 pandemic, with the challenging global business environment, leading multinational corporations (MNCs) were optimizing their business models to aspire for “high-value, high-impact” central operating models. The COVID-19 pandemic has catalyzed the acceleration of MNCs’ decisions to centralize their Asia-Pacific operations in the most strategic and cost-competitive location to better manage their supply chain management activities.

In optimizing operating models, the search for flexible tax regimes becomes imperative. Malaysia’s flexible tax regime, including the Principal Hub incentive and high-tech sector incentives, has attracted MNCs to locate their regional headquarters operations in KL. The recent wave of global investors include Industry 4.0 high-technology manufacturers and service providers.

Did you know?

Malaysia’s competitiveness

1st Best country in the world to invest in

CEOWORLD Magazine 2019

1st among ASEAN countries for lowest cost of living

Mercer’s 2020 Cost of Living Survey

2nd most competitive market within ASEAN

World Economic Forum (WEF)’s Global Competitiveness Report 2019

2nd in ASEAN on digital readiness

Cisco Global Digital Readiness Index 2019

3rd most attractive global destination for GBS

AT Kearney 2019 Global Services Location Index

6th in Asia-Pacific on digital transformation

Asia Digital Transformation Index 2018

12th in ease of doing business

World Bank’s Ease of Doing Business 2020

27th out of 141 countries in competitiveness

WEF’s Global Competitiveness Report 2019

KL "GROWTH" pillars

G. R. O. W.

Green ecosystem

- ▶ Malaysia's National Sustainable Development Goals (SDGs) Roadmap focuses on the implementation of national strategies and approaches to advance multisectoral efforts towards attainment of the 2030 Agenda
- ▶ KL's green and recreational space per capita is projected to double to 20m² by 2020; 2.5m street trees targeted by 2030
- ▶ KL aims for 40% recycling rate by 2040; carbon neutrality by 2050; e-waste collection centers around KL
- ▶ Green building certifications to encourage construction companies to adopt advanced green technologies
- ▶ Green technology tax incentives for sustainable and green projects

Rapid growth dynamics

- ▶ Malaysia's gross domestic product (GDP) growth anticipated to recover and projected to increase by 6.9% (World Bank) in 2021
- ▶ Mobile and broadband penetration near 130% and National Fiberisation and Connectivity Plan (NFCP) delivery target of 30Mbps in 98% of populated areas by 2023
- ▶ New rail-based Mass Rapid Transit (MRT) transport, Sungai Buloh-Kajang line, connects 31 stations serving 1.2m people in KL

One integrated place

- ▶ Two international airports, Kuala Lumpur International Airport (KLIA)1 and KLIA2, both of which are linked to major cities in Asia-Pacific, Europe and the Middle East
- ▶ Major international seaport, Port Klang (includes Northport and Westport), has trade connections to over 120 countries and links to more than 500 ports; upcoming projects include RM140b Carey Island maritime city comprising industrial parks, free trade zones and mixed commercial, residential developments
- ▶ KL rail links to ASEAN include connectivity to Thailand and Singapore. Future rail projects include the High Speed Rail (HSR) from KL to Singapore; and East Coast Rail Link (ECRL) from KL to Port Klang and Kuantan Port (East Coast).

Worldwide: global connectivity

- ▶ KL, capital city of world's leading business destination
 - ▶ 12th for ease of doing business among 190 countries¹
 - ▶ 3rd preferred GBS location among global destinations²
 - ▶ World's best country to invest³
- ▶ KL, capital city of world's leading open economy
 - ▶ Significant external trade - trade to GDP ratio: 129%
- ▶ KL, MNCs' preferred investment location
 - ▶ Foreign Direct Investment (FDI), 2019: RM82.4b
 - ▶ Top 5: China Mainland, US, Singapore, Taiwan, Japan
 - ▶ Number of foreign companies in Malaysia: 4,844 (2019)
 - ▶ MNCs in Greater KL: 91 (2019)
 - ▶ MNCs' regional hubs in Greater KL: strategic central location to manage ASEAN and Asia-Pacific operations

Notes:

- ¹World Bank's Ease of Doing Business 2020
- ²AT Kearney 2019 Global Services Location Index
- ³CEOWORLD Magazine
- ⁴WEF's Readiness for the Future of Production Report 2018
- ⁵Asia Digital Transformation Index 2018
- ⁶Cisco Global Digital Readiness Index 2019

Sources:

- ▶ KL City Hall (DBKL) official website
- ▶ Bank Negara Malaysia (BNM) Economic and Monetary Review 2019
- ▶ Draft KL Structure Plan 2040, Kuala Lumpur City Hall (DBKL)
- ▶ Malaysia Investment Performance Report 2019, Malaysian Investment Development Authority (MIDA)
- ▶ The Companies Commission of Malaysia (SSM), official website
- ▶ InvestKL Performance Report 2019
- ▶ Ministry of Science, Technology and Innovation (MOSTI), official website
- ▶ United Nations (UN) Economic and Social Commission for Asia and the Pacific
- ▶ Department of Energy (DoE), Malaysia, official website
- ▶ Communications and Multimedia facts and figures, Malaysian Communications and Multimedia Commission (MCMC), 2Q 2019
- ▶ SDGs Coordination & Partnership, United Nations of Malaysia
- ▶ Department of Statistics Malaysia (DOSM), official website
- ▶ List of Universities in Malaysia, 2018, StudyMalaysia
- ▶ Polytechnic Information Book October 2018, Ministry of Higher Education
- ▶ Community College Information Book October 2018, Ministry of Higher Education
- ▶ Mymrt, official website
- ▶ Malaysia Rail Link, official website
- ▶ Malaysian Highway Authority Annual Report 2018
- ▶ Port Klang Authority, official website
- ▶ Quick Facts 2019 Malaysia Educational Statistics, Ministry of Education
- ▶ World Shipping, official website
- ▶ Media sources
- ▶ EY research, Malaysia

T. H.

Talent diversity, future-ready

- ▶ One-third of Malaysia's labor force have tertiary education
- ▶ Greater KL has a strong pipeline of skilled young talent - over 330,000 tertiary students enrolled in 240 higher learning institutions (including universities, polytechnics and colleges)
- ▶ Over two-fifths (41%) of Malaysians are young - aged below 25 years old
- ▶ Balanced male-female gender ratio : (51%: 49%). As of 2020e - Male: 16.8m, Female: 15.9m

High-tech, digital-ready

Digital readiness

- ▶ Malaysia ranked as one of Asia's leading countries in embracing Industry 4.0 technologies⁴
- ▶ 6th in Asia on digital transformation⁵
- ▶ 2nd in ASEAN on digital readiness⁶

Leading-edge technologies

- ▶ "City Brain" project using big data and artificial intelligence (AI) for KL city traffic management
- ▶ Proposed SEA Next-Generation Vehicle (NxGV) hub in Greater KL, a collaboration between Malaysia and China automotive players





Dynamic regional hub

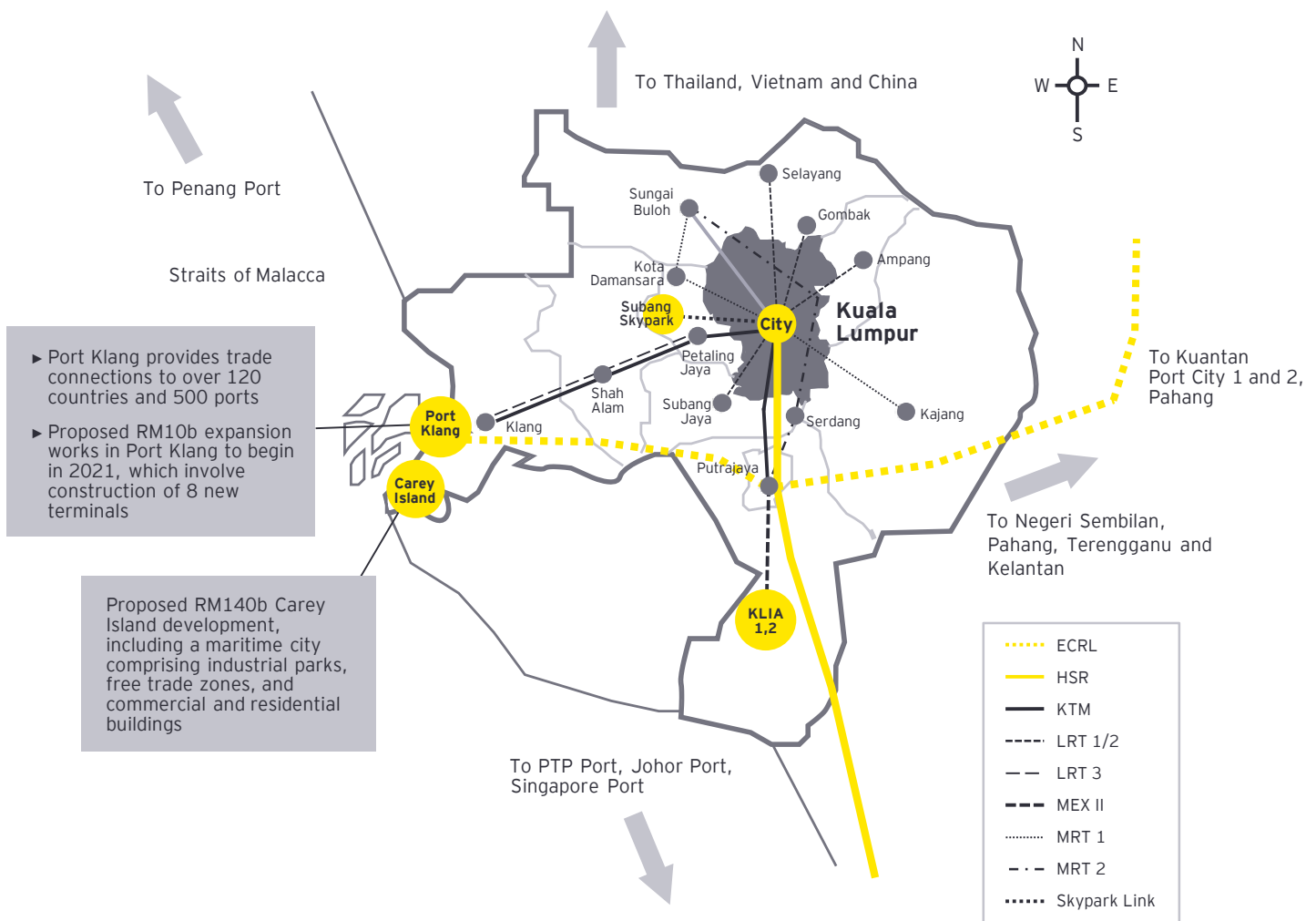
- ▶ Asia-Pacific's transport nexus
- ▶ Asia-Pacific's Industry 4.0 hub

Asia-Pacific's transport nexus

KL, Malaysia's capital city, epitomizes world-class quality and central connectivity to regional and global transport hubs. KL is well-connected by multiple city and suburban roads and highways, rail and air transport networks, which connect intracity, interstate (including rural connectivity) and key regional and international cities, including Singapore, Bangkok, Jakarta, Hong Kong, Shanghai and Tokyo.

KL has two major international airports, KLIA1 and KLIA2, which are strategically located in the center of Asia-Pacific and well-connected to key regional and international routes. In addition, KL is served by a major international seaport, Port Klang, which connects with key ports located in the Straits of Malacca (including Penang and Singapore), Pacific and Indian oceans. Port Klang, centrally located in this East-West shipping trade route, comprises Westport and Northport.

Chart 1: Greater KL transport connectivity to regional and international markets



► Port Klang provides trade connections to over 120 countries and 500 ports

► Proposed RM10b expansion works in Port Klang to begin in 2021, which involve construction of 8 new terminals

Proposed RM140b Carey Island development, including a maritime city comprising industrial parks, free trade zones, and commercial and residential buildings

- Notes:**
- HSR refers to High Speed Rail, connecting Kuala Lumpur with Singapore
 - KTM refer to Keretapi Tanah Melayu, the main rail operator in Peninsular Malaysia
 - MRT 1, 2 refer to Mass Rapid Transit Line 1 and Line 2. MRT line 2 (52km) is expected to be fully completed by 2022 and fully operational by 2023
 - LRT 1/2 and 3 refer to Light Rail Transit Line 1, 2 and 3. LRT 3 (37 km) from Bandar Utama to Johan Setia is expected to commence operations in 2024
 - Subang Skypark Link (26km) runs from KL Sentral to Subang Skypark
 - ECRL refers to East Coast Rail Link - connects Port Klang, Selangor to Kuantan Port, Pahang. Expected project completion by 2026
 - MEX II (18km) refers to Maju Expressway II - connects Putrajaya to KLIA
 - KL's other intra and inter-state highways include West Coast Expressway, DASH, SUKE, EKVE and SPE

- Sources:**
- Mass Rapid Transit Corporation, official website
 - Malaysian Resources Corporation Berhad (MRCB), official website
 - KTM Berhad, official website
 - Port Klang Free Zone (PKFZ), official website
 - Malaysia Rail Link, official website
 - EY KL calling 2016
 - Media sources

Asia-Pacific's Industry 4.0 hub

KL is gaining traction as MNCs' preferred Industry 4.0 hub for their strategic regional activities, ranging from GBS, R&D Center of Excellence (CoE), talent competency centers to the manufacture of advanced medical technologies.

KL's aspirations align with Malaysia's national policy on Industry 4.0, which aims to drive digital transformation of the manufacturing and related services sectors through the optimization of people, process and technology.

Malaysia:

2025 targets - Industry 4.0

- ▶ Increase level of productivity per person in manufacturing by 30%
- ▶ Elevate contribution of manufacturing sector to RM392b
- ▶ Improve Global Innovation Index ranking to top 30
- ▶ Increase number of high-skilled workers in manufacturing to 35%

“

Malaysia has a thriving export-oriented business community comprising large listed and small and medium-sized enterprise enterprises that are in constant pursuit of performance improvement, even before the COVID-19 pandemic disrupted their activities.

Increasing MNC investor interest to establish KL as their regional base sets a positive momentum for Malaysia's future economy and talent pool to grow with the expansion of Industry 4.0 in the region.



Chow Sang Hoe

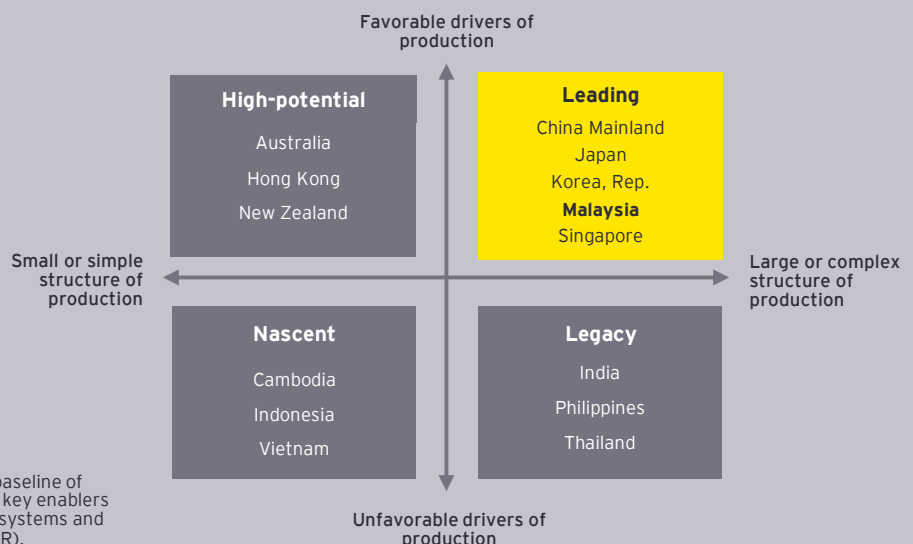
EY Asean Consulting Leader
Malaysia Consulting Managing Partner
Ernst & Young Advisory Services Sdn Bhd

High-tech, future-ready

Among Asia-Pacific countries and regions, Malaysia is ranked as a "Leading" country, exhibiting strong performance across drivers and structure of production. This leading ranking indicates Malaysia's high level of readiness for Industry 4.0 adoption.

Note: "Structure of production" refers to a country's baseline of production, and "Drivers of production" refer to key enablers that position a country to transform production systems and capitalize on the Fourth Industrial Revolution (4IR).

Chart 2: WEF Readiness for the Future of Production Report



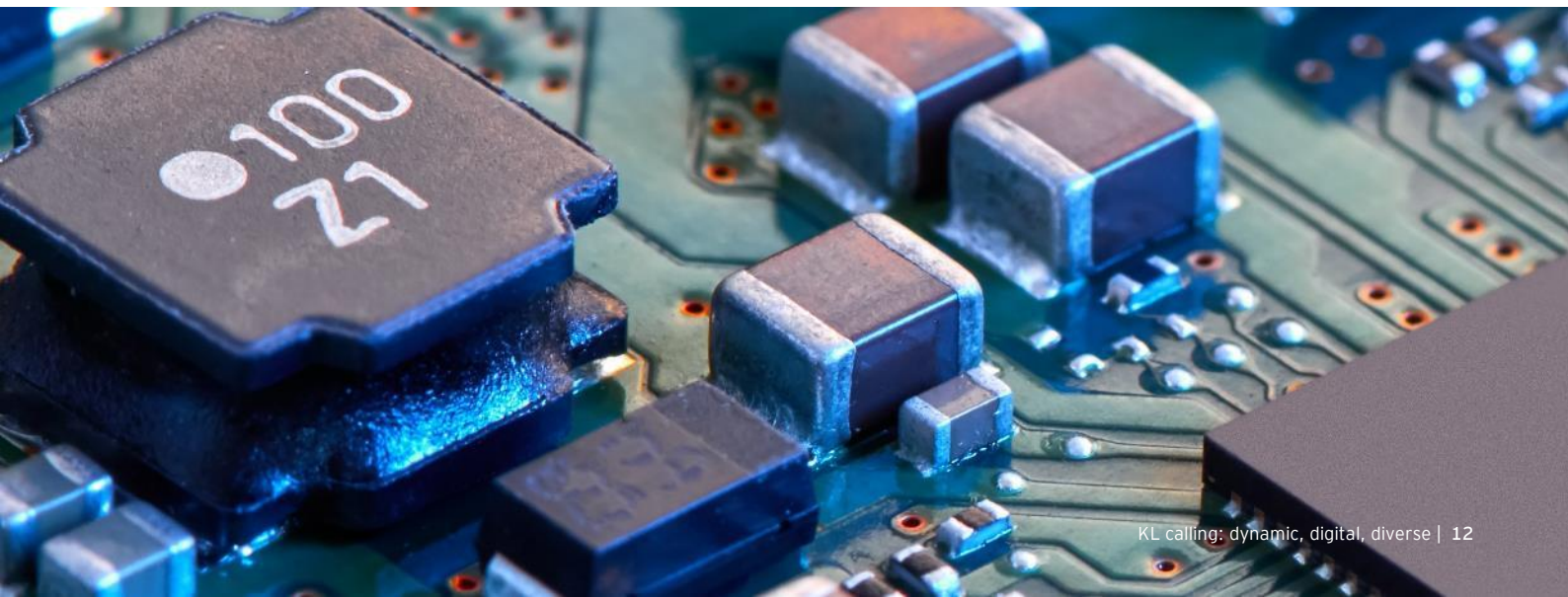
Sources:

- ▶ National policy on Industry 4.0, Ministry of International Trade and Industry (MITI)
- ▶ WEF Readiness for the Future of Production Report 2018

Chart 3: Industry 4.0 activities, tax incentives, tech funds

Tax incentives and tech funds	Key activities								
	Automation	ICT equipment	Licensing or purchasing of new technology	Modernization or upgrading of facilities and tools ¹	Technology adoption	R&D	Obtaining standards or certifications	Training	Project funding
Automation Capital Allowance (CA)	■								
Accelerated Capital Expenditure for ICT Equipment and Software		■							
Business Loan Guarantee Scheme	■								
Domestic Investment Strategic Fund (DISF)			■	■		■	■	■	
High Impact Fund						■		■	
Industry 4.0 Fund					■				
Industry Digitalization Transformation Fund					■				
Global Tech Fund									■

¹Applicable to MNCs and Malaysian conglomerates (outsourcing activities) undertaking manufacturing or services activities



Digital

next-generation sectors

- ▶ Digital e-platforms
- ▶ Robotics and industrial products
- ▶ Internet of Things
- ▶ Advanced medical technologies
- ▶ Global Business Services







Digital next-gen sectors

- ▶ **Digital e-platforms**
- ▶ Robotics and industrial products
- ▶ Internet of Things
- ▶ Advanced medical technologies
- ▶ Global Business Services



KL, the regional e-commerce hub

Malaysia's digital economy has grown exponentially to nearly US\$64b (RM268b) in 2020, contributing about one-fifth or 18.5% of the country's GDP. E-commerce, a key sector of Malaysia's digital economy, is projected to generate nearly US\$10b (RM42b) between 2018 and 2022, with a double-digit compound annual growth rate (CAGR) of 17%.

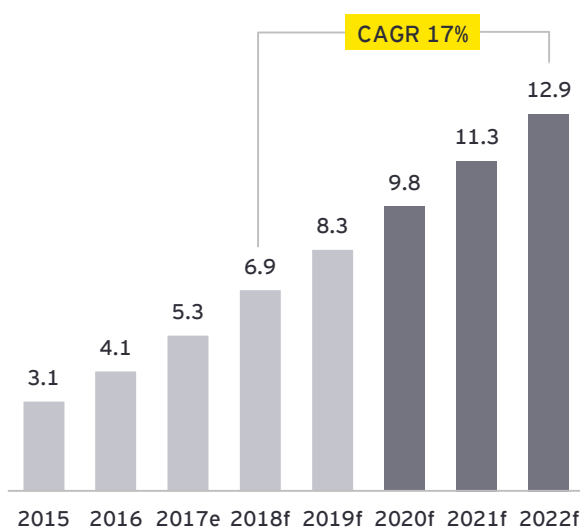
A key factor driving Malaysia's e-commerce expansion is the strong demand from the young adults segment, aged between 20 to 39 years, which forms over a-third of the Malaysian population. In KL, numerous leading regional e-commerce players, including Alibaba Group, Shopee, Zalora and Lazada, have established their regional distribution centers, e-fulfilment hubs and distribution warehouses, indicating their choice of KL as their regional e-commerce hub.

Malaysia's Digital Free Trade Zone (DFTZ), developed since 2016, facilitates seamless cross-border trade and enables local businesses to export their goods with e-commerce focus. Comprising both physical and virtual zones (i.e., e-fulfillment hub, satellite services hub and e-services platform), DFTZ allows global brands to export products to regional buyers with ease while enabling global marketplaces to source from local manufacturers or sellers.

**Quick facts:
global digital economy**

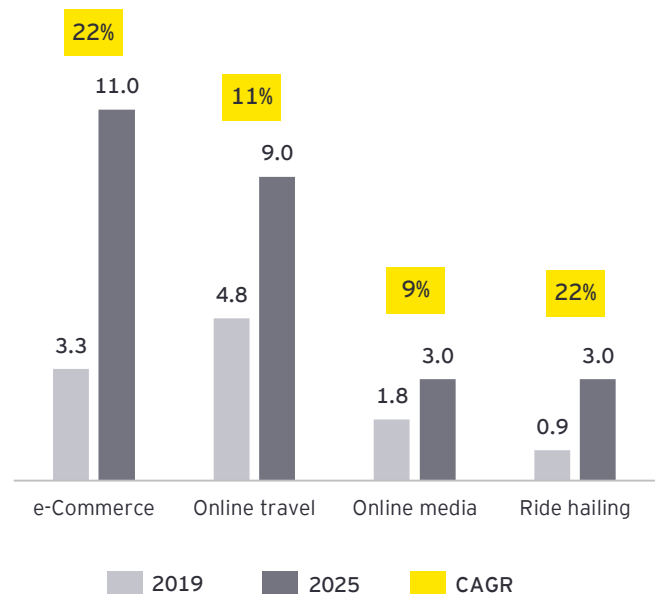
- ▶ Digital economy includes multiple advanced technologies (including hyper connectivity, IoT, big data, advanced analytics, wireless networks, mobile devices, social media and new technology platforms.
- ▶ Global digital economy is projected to surpass US\$16t by 2021
- ▶ Global e-commerce market, a key part of the global digital economy is estimated to surpass US\$5t in 2021

Chart 4: Malaysia's e-commerce sales (US\$b)



*e = estimate
f = forecast

Chart 5: Malaysia's internet economy (US\$b)



Sources:
 ▶ Industry Trend Analysis - Asia E-Commerce: The Outperformer, Growth Potential Unmistakable, 6 November 2018, Fitch Solutions
 ▶ E-commerce to further boost Malaysia's digital economy, 10 December 2019, The Malaysian Reserve
 ▶ Malaysia's Digital Economy: A New Driver of Development, September 2018, World Bank Group
 ▶ e-Economy SEA 2019 Report, Google, Temasek and Bain & Company
 ▶ Malaysia External Trade Development Corporation (MATRADE), official website

Supportive government policies: digital-first

KL's Industry 4.0 transformation is supported by Malaysia's national policies, roadmaps and policy frameworks, government initiatives and tax incentives to facilitate e-commerce growth and the digital economy.

Digital Connectivity: NFCP

- ▶ **National Fibreisation and Connectivity Plan**
 - ▶ RM21.6b nationwide project to establish robust and affordable digital connectivity
 - ▶ 5-year implementation plan (2019-2023)
 - ▶ 5G rollout in 2021

National eCommerce Strategic Roadmap

Six thrust areas:

- ▶ Accelerate seller adoption of e-commerce
- ▶ Increase adoption of e-procurement by businesses
- ▶ Lift non-tariff barriers (e-fulfillment, cross-border, e-payment, consumer protection)
- ▶ Realign existing economic incentives
- ▶ Make strategic investments in selected e-commerce player(s)
- ▶ Promote national brand to boost cross-border e-commerce

Malaysia Smart City Framework

Recommended policies:

- ▶ Primary infrastructure shall be upgraded to incorporate smart and IoT elements
- ▶ Shared digital infrastructure and internet connectivity
- ▶ Quality of human capital shall be enhanced to meet future demands of industry
- ▶ Open data and open government practices shall be promoted
- ▶ Cybersecurity shall be strengthened in smart city context
- ▶ Sustainable and smart environment practices shall be encouraged

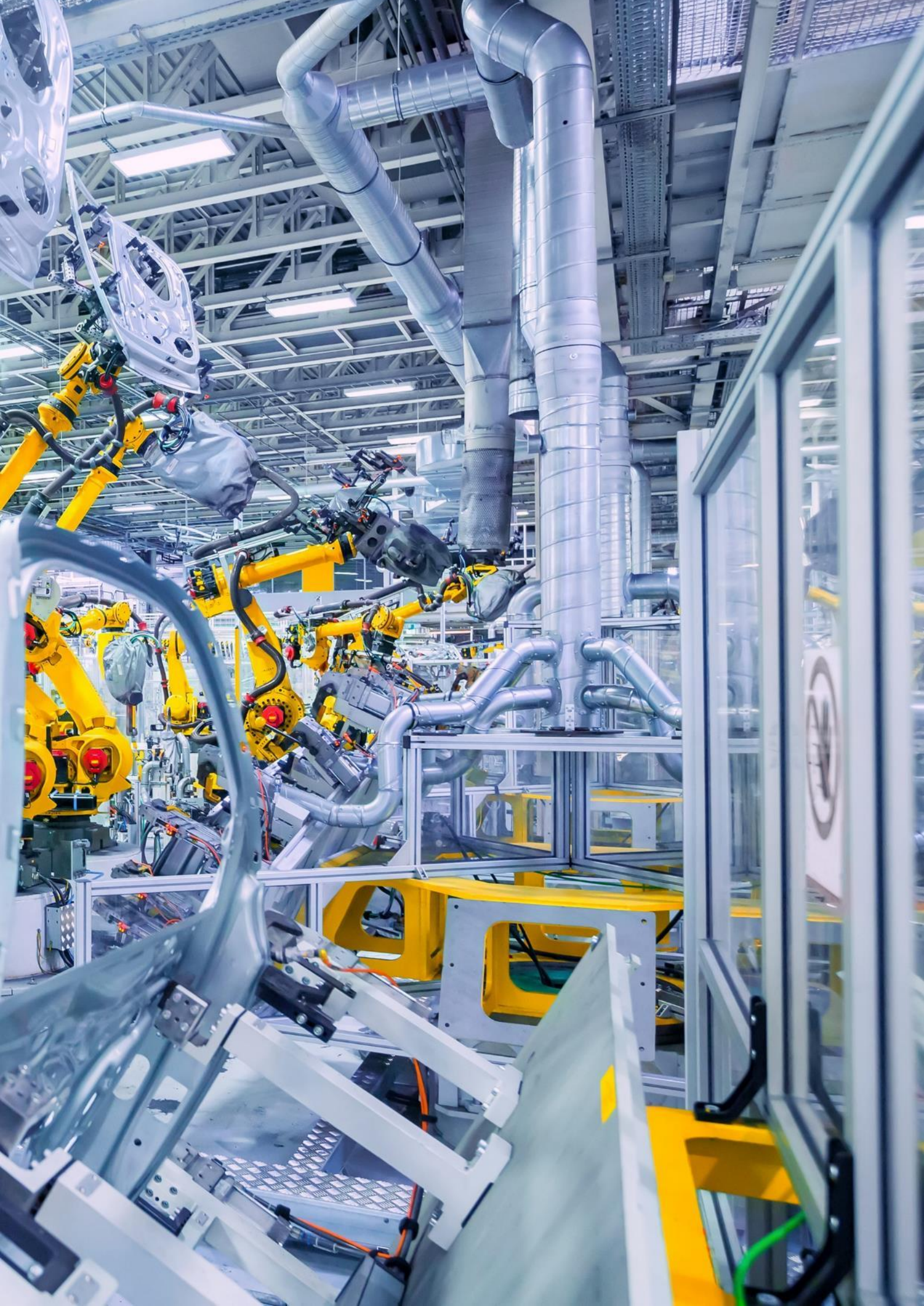
Sources:

- ▶ Malaysia's National eCommerce Strategic Roadmap, MITI
- ▶ *Malaysia's e-commerce on a growth trajectory*, 3 December 2018, The Star Online
- ▶ Malaysia Smart City Framework, Ministry of Housing and Local Government
- ▶ *2020 Economic Stimulus Package - full speech text (in English)*, 27 February 2020, New Straits Times
- ▶ NFCP, official website

A photograph of a modern industrial factory floor. Several large, yellow robotic arms are mounted on white circular bases. The arms are positioned in a way that suggests they are working on a production line. The background shows a complex network of metal beams, pipes, and overhead lighting, typical of a large-scale manufacturing facility. The overall scene is brightly lit, emphasizing the clean and organized environment of the factory.

Digital next-generation sectors

- ▶ Digital e-platforms
- ▶ **Robotics and industrial products**
- ▶ Internet of Things
- ▶ Advanced medical technologies
- ▶ Global Business Services



KL, emerging regional robotics center

Malaysia is gaining reputation as a leading country with strong potential to adopt robotics automation. A number of world-leading MNCs have established their regional operations center in KL.

Robotics adoption is integral in achieving Malaysia's Industry 4.0 aspirations. Industry analysts anticipate significant robotics adoption opportunities in the small and medium-sized enterprise (SME) sector of which 98.5% are manufacturing companies.

Quick facts: global industrial robots

- ▶ 2018: Global industrial robot installations are valued at US\$16.5b (RM69.3b)
- ▶ Global industrial robot installations projected to increase at 8% CAGR over 2018-2022
 - ▶ By 2022, over 70% of global installations of industrial robots are expected to be in Asia and Australia

Malaysia, high level of readiness for robotics adoption

Malaysia is rated as a "Leading" Asia-Pacific country in its readiness to adopt Industry 4.0 technology, including robotics.

Areas where Malaysia has competitive advantage include

- ▶ Technology and innovation
- ▶ Human capital

Chart 6: WEF Readiness for the Future of Production Report - Malaysia*



*Ranked out of 100 countries

Sources:

- ▶ Executive Summary World Robotics 2019 Industrial Robots, International Federation of Robotics
- ▶ The Readiness for the Future of Production Report 2018, WEF
- ▶ National policy on Industry 4.0, MITI

Robotics funding and incentives

Businesses and organizations can apply for various incentives to assist their Industry 4.0 transition in the areas of:

- ▶ Automation
- ▶ Modernization or upgrade of facilities and tools
- ▶ Licensing or purchasing of new technology
- ▶ Information and communications technology (ICT) equipment and software
- ▶ Technology adoption

Incentives for robotics*

- ▶ **Pioneer Status or Investment Tax Allowance**
- ▶ **MSC Malaysia Status**
Tax incentives granted for the provision of services related to robotics
- ▶ **High Impact Fund**
Granted to projects with high level of investments, export potential, value-added, employment of knowledge workers
- ▶ **Global Tech Fund**
 - ▶ Digital Innovation Ecosystem
 - ▶ Investments in research and development and commercial (R&D&C)

*Further details of incentives, refer to Appendices - Sector incentives

MNC highlights: robotics

ABB Group

Digital Operations Center

What investment?

- ▶ 2019: ABB, a Swiss-Swedish technology and robotics MNC, launched its Digital Operations Center as a commitment to deploy digital robotic solutions for next-gen connected factories

What is the core purpose?

- ▶ Harness Industry 4.0 technologies including cloud computing, big data analytics and end-to-end connectivity to provide real-time monitoring and technical support for ABB robots across the region
- ▶ Provide solutions to large and small manufacturers in the region to improve productivity, profitability and in transitioning to Industry 4.0

Why KL?

- ▶ Strategic location in ASEAN
- ▶ Economic diversity
- ▶ Growing talent pool

Sources:

- ▶ ABB Group opens regional robotics Digital Operations Centre in Malaysia, July 2019, InvestKL
- ▶ National policy on Industry 4.0, MITI
- ▶ EY Tax, Malaysia

Viewpoint



R Narayanan
Country Managing Director
ABB Malaysia Sdn Bhd

Most conducive ecosystem for Industry 4.0

Malaysia is ripe for a digital future and ABB is poised to help companies, including SMEs, bridge the digital gap by transitioning to a new and connected era of manufacturing.

In mid-2019, ABB opened a regional robotics Digital Operation Center in Greater KL to support Malaysia's digital ecosystem. The center harnesses Industry 4.0 technologies, such as cloud computing, big data analytics and end-to-end connectivity to provide real-time monitoring and technical support for ABB robots across ASEAN markets as well as Taiwan and India.

In helping Malaysian companies to become more digitally enabled and technologically equipped, there has been an increasing focus in creating a cohesive ecosystem which comprises a robust ICT platform, supportive government policies and investment in emerging technologies.

More than 27% of our workforce in Malaysia have been with ABB for more than 10 years. This strand of talent continuity and experience allows us to put innovation in the front and center of our competitive edge, as we deliver the full scale of ABB's pioneering technology to the market.

“

Our strategy is to be as close as possible to our customers to understand their needs and to develop suitable products and solutions to fulfil their requirements. As the region's most competitive manufacturing powerhouse, KL emerged as a natural favorite.



“

As a technology company, we need the right talent pool to grasp the culture, language and history of the region to drive ABB's leadership in digital technologies.

Historical to digital connect

Our long history in KL, which goes as far back as 1904, has provided us with an extensive experience and understanding of the local market. In Malaysia, we have worked with local utilities, transportation and infrastructure customers to promote more efficient and sustainable use of energy.

Just two decades ago, ABB installed the first robot in 1995 for a local automotive company based in Shah Alam. Today, ABB is setting up other regional functions in Greater KL, including the APAC Management Cluster for Electrification Distribution Solutions (ELDS) and the SEA Center of Excellence for Treasury Operations.

Invest tech, invest talent

To remain competitive and power the future of digitalization, we invest in technology and people.

At ABB, we value the pioneering spirit of our people and the different ways of thinking and acting, different qualities and skills, different experiences and backgrounds of our diverse workforce. While the basic professional qualifications are pre-requisites, our focus is attracting and retaining people who are passionate about innovation and solving some of the biggest challenges faced by businesses and societies today.

We are confident that the talent pool in KL can propel our regional growth and expansion.



Digital next-generation sectors

- ▶ Digital e-platforms
- ▶ Robotics and industrial products
- ▶ **Internet of Things**
- ▶ Advanced medical technologies
- ▶ Global Business Services





KL's dynamic IoT infrastructure

KL is advancing to become a smart city leveraging on IoT-based solutions, including AI and big data analytics, to generate real-time traffic predictions using video and image recognition technologies.

The implementation of the NFCP, which provides higher speed and higher quality connectivity further drives KL's digital economy. In addition, supportive Government policies to encourage the digital economy, including the Global Tech Fund, drives innovation and R&D in the IoT sector.

In ensuring an IoT-ready ecosystem, Malaysia's public-private-academia community are collaborating to build a pipeline of ICT talent.

Quick facts: global IoT market

- ▶ By 2021, the global IoT technology market is estimated to have 25b connected devices
- ▶ Global IoT spending is projected to rise by 12.6% CAGR to reach US\$1.1t in 2023

Malaysia enhances IoT ecosystem

Malaysia is accelerating the deployment of 5G network, the training of ICT talent and sets relevant funding and incentives to enhance the IoT ecosystem:

Intelligent connectivity

GSM Association (GSMA) estimates that 20% of Malaysia's total cellular connections will be on 5G by 2025 to build convergence with IoT under intelligent connectivity.

National Fiberisation and Connectivity Plan

The NFCP provides the strategic direction for the implementation of policies and initiatives and conducive ecosystem for IoT. NFCP plans include:

- ▶ Approved development expenditure of RM21.6b over 2019 - 2023
- ▶ Targets to provide 3G/4G cellular network average speeds of 30 Mbps to 98% of populated areas

Digital technology talent pool

- ▶ **MY Digital Tech Talent Initiative**
 - ▶ Participating ICT MNCs provide curriculum assets and training including IoT to teachers in 16 institutions awarded premier Digital Tech University for 2019-2021
- ▶ Industry 4.0 Talent Competency & Technology Mentoring Programs
- ▶ Microsoft and MIMOS to establish Artificial Intelligence Center to provide access to IoT and AI-focused workshops, trainings, labs and development tools

Sources:

- ▶ MOSTI, official website
- ▶ National Applied Research and Development Centre (MIMOS), official website
- ▶ Worldwide Semiannual Internet of Things Spending Guide, International Data Corporation (IDC)
- ▶ *IoT: the next wave of connectivity and services, March 2018, GSMA*
- ▶ *MIMOS and Microsoft's Artificial Intelligence Centre to Accelerate Malaysia's Industry 4.0, 8 April 2019, Microsoft*
- ▶ MCMC, official website
- ▶ Media sources

Did you know?

Nearly 44% of ASEAN respondents of TechTarget IT priorities survey identified IoT as one of the driving force of digital transformation, followed by infrastructure (41%) and cybersecurity (36%).

As Malaysia advances the deployment of end-to-end encryption for IoT devices and IoT device penetration testing, KL is a prime destination as the regional cybersecurity hub.

Incentives for IoT*

- ▶ **MSC Malaysia Status**
- ▶ **Global Tech Fund for digital innovation ecosystem**
- ▶ **Global Tech Fund for driving investments in R&D&C**

*For further details of incentives, refer Appendices - Sector incentives

MNC highlights: Cybersecurity

TÜV AUSTRIA Cybersecurity Lab Sdn Bhd

Cybersecurity Testing and Certification Center of Excellence, Greater KL

What is it?

- ▶ In March 2020, the TÜV AUSTRIA Cybersecurity Lab was formed by a joint venture between TÜV TRUST IT, a member of TÜV AUSTRIA Group, and LE Global Services (LGMS) of Malaysia. It houses a global cybersecurity testing and certification Center of Excellence that serves both domestic and international markets.

What is the core purpose?

- ▶ Provide services in cybersecurity assessment to identify vulnerabilities within client's information technology (IT) infrastructure, testing and certification

Why Malaysia?

- ▶ Strategic geographical location within Asia-Pacific
- ▶ Skilled and qualified cybersecurity talents
- ▶ English proficiency

Sources:

- ▶ TechTarget/Computer Weekly IT Priorities survey
- ▶ Success Stories of MNCs Volume 4, InvestKL
- ▶ *Malaysia has potential to be Asia-Pacific cybersecurity hub, says Austrian Ambassador, 3 March 2020, New Straits Time Times*
- ▶ Media sources
- ▶ EY Tax, Malaysia

Viewpoint



KL, the nearshore Asia-Pacific hub

Orange Business Services (Orange), the B2B branch of the Orange Group, functions as one of the business operations hub in delivering multi-technology services for ASEAN, Australasia, China Mainland, Hong Kong, India, Japan and Korea. In May 2017, Orange established a regional CoE called the Asia Competency Centre (ACC) in KL to provide end-to-end services delivery to customers across Asia-Pacific. Orange conducted thorough research to identify a conducive location that met the requirements of accessibility, talent availability, technological maturity, ease of entry and business set-up, including capital investment and maintenance cost requirements. It was evident that KL was a strong contender.

KL as a prime and vibrant business hub in the region offers a business friendly environment and a cost competitive location. Importantly, Malaysia has a well-educated workforce with business acumen and technical skills. While English is widely used as a business language, the workforce is multilingual and suitable to serve our Asian Language service support in the region. In addition, KL is in a very strategic location, right in the center of ASEAN and Asia-Pacific with excellent air transport connectivity to most international destinations. KL's time zone covers most of our Asia-Pacific business.

For Orange's expatriates, KL offers a balanced quality of life, particularly the recreation, leisure, social and cultural aspects, including a good range of international schools for their children.

Chong Ming Tan
Head of Asia Competency Centre
Orange Business Services

“

There was a growing need for a nearshore CoE to provide end-to-end service delivery for our Asia-Pacific customers.

Orange conducted thorough research to identify a location that met the requirements of accessibility, talent availability, technological maturity, ease of entry and business set-up, including meeting our capital investment and maintenance cost requirements. It was evident that KL was a strong contender.





Beyond infrastructure and talent, there is scope to forge strong business partnerships and propel MNCs regional expansion.

KL's unique multi-competency talent

Orange's ACC functions as one of our business operations hub in delivering multi technology services to ASEAN, Australasia, China Mainland, Hong Kong, India, Japan and Korea.

Orange Cyberdefense, an integral part of the ACC, is Orange Group's specialist cyber security business unit, powering the security services for Orange Business Services. Our Security Operations Centre (SOC) in KL delivers global protection with local expertise.

Cybersecurity and defense are key strategic offerings in supporting the new digital services for our Asia Pacific customers .

In KL, we find talent with:

1. Strong international mindset and sensitivity to cultures within Asia-Pacific
2. Good technologically savvy talent pool and government-academia-business support to develop local talent in the ICT field
3. Multiple Asian language capabilities

Our strategy in Malaysia is to continue building a safer digital society through innovative solutions and services, fostering strong local partnerships, recruiting, developing and retaining our talented staff.

Many Malaysian businesses have engaged us in their digital transformation projects, with cybersecurity services at the core. Our KL SOC is in a unique position to collect and aggregate data from on-premises and cloud sources to quickly understand the efficiency and effectiveness of our customers' security measures. We are keen to continue investing in developing additional local SOC capabilities to ensure our customers are quickly alerted to emerging cyber-threats, while assisting them to demonstrate compliance with local regulations and digital investigations, and providing increased risk visibility into IT/OT environments.

Our adoption of cloud services in Malaysia is providing organizations flexibility, scalability and agility. By investing in additional technologies and upskilling our KL SOC analysts in early 2020, we offer managed services that strengthen core CSP capabilities, providing businesses deep cross-cloud security incident visibility, enforcement of security policy compliance and management, and streamlining our incident investigations.

With KL's good infrastructure, capable human capital and attractive government incentives which encourage investment, I am confident that KL can meet MNC needs to develop a hub for regional expansion.



Digital

next-generation sectors

- ▶ Digital e-platforms
- ▶ Robotics and industrial products
- ▶ Internet of Things
- ▶ **Advanced medical technologies**
- ▶ Global Business Services





KL, the regional medical technology hub

Malaysia is increasingly recognized as the region's medical technology hub, producing a broad range of products from medical-grade gloves, diagnostic imaging equipment to high-tech, digital medical technologies.

A key segment of Malaysia's medical technology sector is the medical devices industry, with over 200 participating companies. The industry, estimated at over US\$1.6b (RM6.7b), is expected to expand significantly at 8% CAGR into 2024.

Over 80% of Malaysia's manufactured medical devices are exported to the US, Germany, Japan and Singapore. The manufactured exports include technologically advanced cardiac pacemakers, stents, orthopedic implantable devices, monitoring devices and electro-medical devices.

Quick facts: global medical devices

- ▶ The global medical devices market is segmented into consumables, diagnostic imaging, dental, orthopedic and prosthetic, patient aid and other (i.e., ophthalmic instruments, sterilizers) products
- ▶ In 2019, 21% (US\$85.3b) of total global medical devices sales were contributed by the Asia region and is expected to increase at 7% CAGR into 2023.

Malaysia advancing with next-gen medical technologies

Artificial intelligence

- ▶ 2018: M3DICINE, an Australian medical devices firm, together with Collaborative Research in Engineering, Science & Technology (CREST), launched Stethee, an AI-enabled stethoscope system that is fully manufactured in Malaysia
- ▶ Stethee utilizes AI, IoT and machine learning (ML) to analyze heart and lung sounds for detection of diseases

3D printing

- ▶ Medical applications of 3D printing technology are gaining traction. It utilizes metal or hard polymer materials for reconstructive surgeries
- ▶ 2016: A European additive manufacturing MNC established its CoE to advance 3D printing applications for medical devices and other applications

Neuro-robotics

- ▶ 2019: Malaysia became the first country in ASEAN and fourth in the world to offer Hybrid Assistive Limb (HAL) treatment, a cybernetic treatment used to treat paralysis
- ▶ Cybernetic treatment is applied neurorobotics that aims to restore connections between muscles and the neural system

Sources:

- ▶ Malaysia Medical Devices Report, Q2 2020, Fitch Solutions
- ▶ Worldwide Medical Devices Market Forecasts, January 2020, Fitch Solutions
- ▶ Association of Malaysian Medical Industries (AMMI), official website
- ▶ Malaysia Investment Performance Report 2019, MIDA
- ▶ Ministry of International Trade and Industry Report 2018, MITI
- ▶ *Malaysia first in Asean region to offer Cyberdyne HAL treatment*, May 2019, The Borneo post
- ▶ *Stethee, the World's First Artificial Intelligence (AI)-enabled Stethoscope System*, January 2018, KPKesihatan
- ▶ *Future of healthcare is already in Malaysia*, December 2019, The Asean Post
- ▶ Media sources

KL's conducive technology ecosystem, particularly its easy access to technology supply networks, regional transport connectivity and Industry 4.0 talent pool continue to attract global MNCs to establish their regional CoE and core support functions. Malaysia's diverse ecosystem of technology suppliers include:

- ▶ Electrical and electronics (E&E)
- ▶ Machinery and equipment (M&E)
- ▶ Engineering supporting industries
- ▶ Electronic manufacturing services (EMS)
- ▶ Sterilization services

This network of supporting industries provide essential components and services for the production of medical devices.

Incentives for medical devices*

- ▶ **Pioneer Status or Investment Tax Allowance**
Tax incentives for High Technology companies for the design, development and manufacture of medical equipment, implants and devices
- ▶ **High Impact Fund**
Granted to projects with high level of investments, export potential, value-added, employment of knowledge workers

*For further details of incentives, refer to Appendices - Sector incentives

MNC highlights: Advanced medical technologies

Edwards Lifesciences Regional hub, Kuala Lumpur

What investment?

- ▶ Edwards Lifesciences (Edwards), an American medical technology firm, launched a regional business service center (BSC) in KL in April 2019
- ▶ Edwards intends to invest RM100m in 2019-2023; plans include setting up an analytics CoE
- ▶ Aims to attract digitally skilled talent in areas of AI, ML, big data analytics and data management

What CoE?

- ▶ The BSC provides key support functions such as finance, IT, supply chain, human resources (HR), digital health, marketing and quality assurance to seven offices across the Japan, Asia and Pacific (JAPAC) region
- ▶ In the future, the CoE aims to assist patients with structural heart disease in the APAC region

Sources:

- ▶ Guide on Medical Devices Industry in Malaysia, MIDA
- ▶ *Edwards Lifesciences to invest RM100 million in Malaysia, April 2019*, The Borneo Post
- ▶ EY Tax, Malaysia

Viewpoint



Xu Jian
Managing Director
United Imaging Healthcare,
Asia-Pacific

KL in strategic East-West nexus

In late 2017, United Imaging Healthcare (UIH) set up its regional headquarters in KL. UIH manufactures digital medical devices, such as health care technology products with AI and Industry 4.0 functionalities.

UIH chose KL for its strategic regional location in Asia-Pacific as Malaysia is strategically located in the center of ASEAN and Asia-Pacific. In fact, KL's international port, Port Klang and its three seaports, in conjunction with other ports such as the Port of Tanjung Pelepas and Johor Port are key nodes along the Straits of Malacca - the best route connecting the Pacific Ocean and the Indian Ocean.

Another key point is that Malaysia has a diversified and qualified talent pool. Malaysia, a multicultural country with 32 ethnic groups has good access to affordable and quality education and this has propelled the development of a diverse talent pool.

Malaysia is also home to one of the largest overseas Chinese communities. As a MNC originating from China, we view it as a strong factor when choosing a regional headquarter, since it fosters ease of communication.

“

KL's international port, Port Klang and other Malaysian ports are located in the best route connecting the Pacific Ocean and the Indian Ocean. Beyond ASEAN, Malaysia's central location also provides connectivity to Asia-Pacific.



Malaysia has one of the largest overseas Chinese communities. As a MNC from China, we see this as a strong factor when choosing a regional headquarter, since it fosters ease of communication.

Key talent differentiators

It took us just two years to build Malaysia into UIH's headquarters in ASEAN. Professionals engaged in marketing, sales, operations and after-sales have contributed to UIH's growth. Over UIH's initial experience, we realized what makes Malaysian talent different from those in other regions are the following three attributes:

1. **Multilingualism:** Chinese, Malay, Tamil and English are the four widely used languages here
2. **English proficiency:** As our recruited talent have been learning English since childhood, Malaysian employees are proficient in this language, which is helpful for UIH's international operations
3. **Professional qualifications:** Most of our employees have been previously engaged in the diagnostic imaging industry, which makes them highly qualified in this business

Malaysia's numerous advantages

With Malaysia growing to be a regional hub for the supply of medical equipment, further improvements in areas such as the provision of flexible financial and foreign exchange policies will encourage more investments.

When comparing Malaysia with ASEAN peers, Malaysia has a number of strengths, such as vast land, cost-effective labor resources and access to the Straits of Malacca.

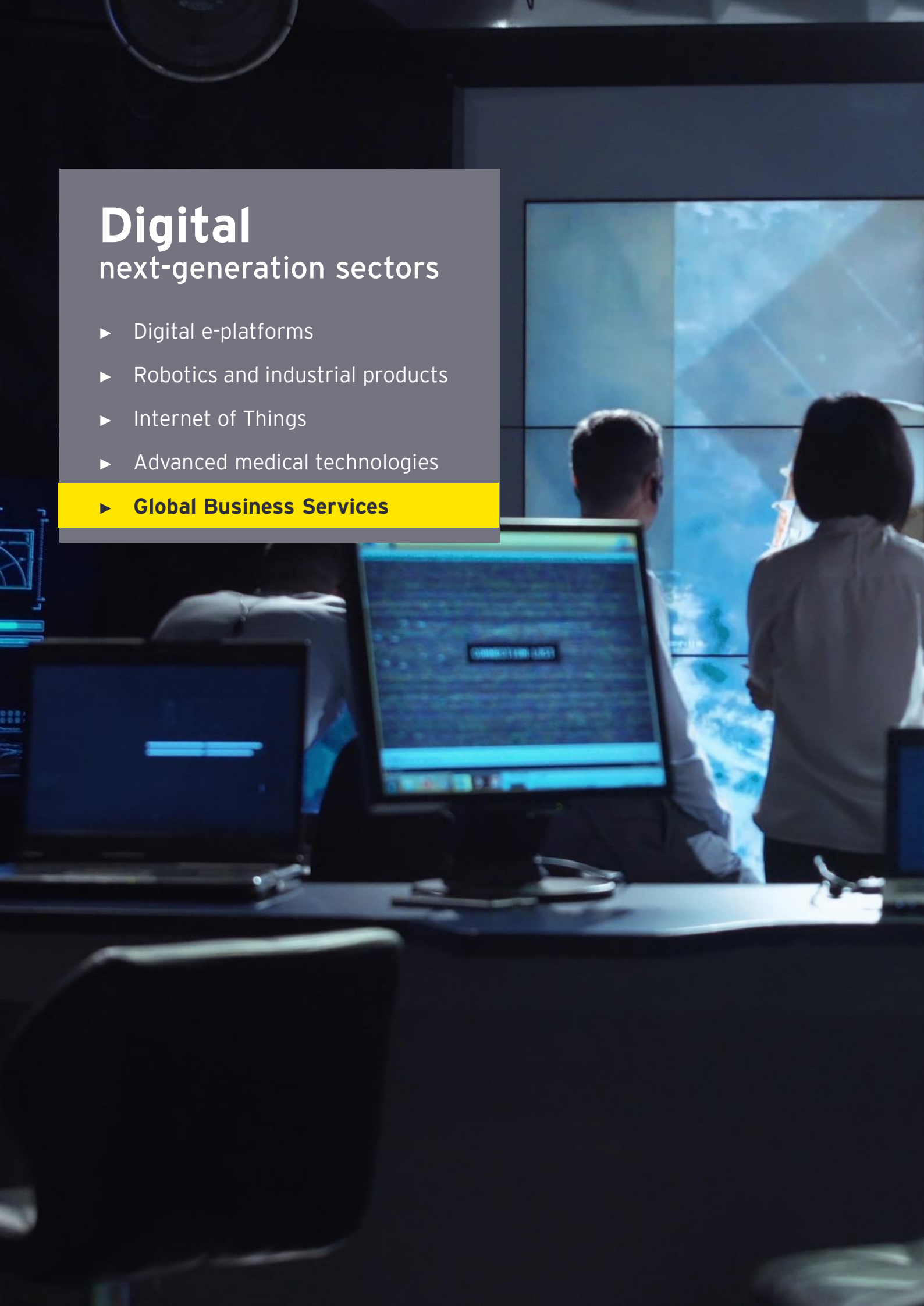
After the COVID-19 crisis, we anticipate Malaysia can realize economic take-off sooner if it continues to be investor-friendly.



Digital

next-generation sectors

- ▶ Digital e-platforms
- ▶ Robotics and industrial products
- ▶ Internet of Things
- ▶ Advanced medical technologies
- ▶ **Global Business Services**





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25 PRINT:PRINT:PRINT
30 PRINT "THIS IS A COMPUTER SIMULATION OF AN
LUNAR LANDING"
PRINT "LANDING CAPSULE." : PRINT: PRINT
PRINT "THE ON-BOARD COMPUTER HAS FAILED
AND THE LUNAR LANDING IS ABORTED. YOU MUST LAND THE
CAPSULE MANUALLY"
PRINT "SET DOWN RATE OF RETRO
THRUSTERS TO A VALUE BETWEEN"
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RESET FILE IA-812E.4
ALLOCATE_VVI FZ-2A8D.0
PONG_RNF HQ-8DE3
EOF XY-0070
YWD_WHZ EJ-0380
JLX_XYU WS-9C70
CLOCK YF-4880
TRUE RT-0570.F/C
ZPR_PRT CK-4E6F
HANDLER_AMT /A
V05_READY /B
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CONNECTION LOST

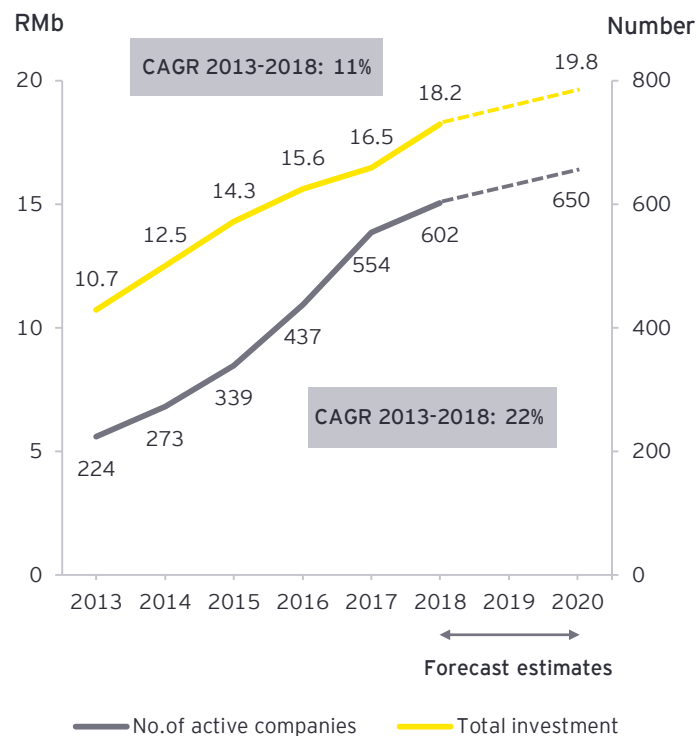
KL, region's leading GBS hub

Malaysia is Asia's leading regional GBS and shared services hub.

KL, as Malaysia's capital city, is gaining traction as the region's strategic business services hub. Leading MNCs, from insurance services to advanced technology innovators, have relocated their Asia-Pacific "high-value, high-impact" central operating models to KL, leveraging on Industry 4.0 technologies and ICT talent pool.

Among the key factors driving their relocation decision is KL's dynamic business ecosystem, agile multilingual and multiskilled talent pool. In addition, MNCs factored Malaysia's competitive Principal Hub tax incentive package and comparatively lower operating cost, for the streamlining of their regional and global business operations and business expansion in the region.

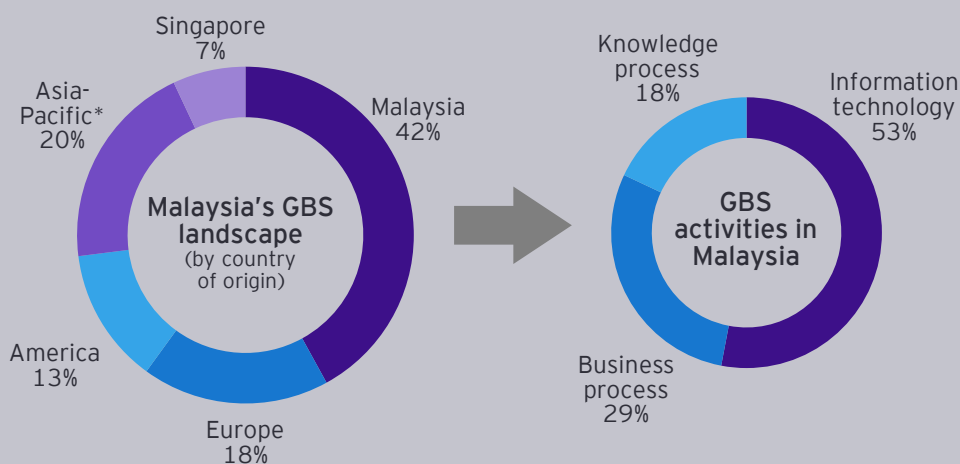
Chart 7: GBS investment growth, Malaysia



Preferred, high-value GBS destination

Malaysia's top 3 ranking in the Global Services Location Index was supported by favorable business environment, competitive labor costs and productivity of skilled professionals. Malaysia's share of global GBS activities has expanded to 42%, with information technology leading Malaysia's GBS activities.

Chart 8: Malaysia - GBS market profile and activities



Global Services Location Index, 2019	
1st	India
2nd	China
3rd	Malaysia
4th	Indonesia
5th	Vietnam

*Asia-Pacific exclude Malaysia and Singapore

Sources:
 ▶ GBS Focus Group, 5th Penang GBS Conference 2019
 ▶ 2019 Global Services Location Index, AT Kearney

With the challenging global business environment, leading MNCs are optimizing business models to aspire for “high-value, high-impact” central operating models.

The COVID-19 pandemic has accelerated the decisions of MNCs to consider near sourcing of their Asia-Pacific operations and the development of a regional hub with most central and cost-competitive location to serve their supply chain management activities.

In optimizing operating models, the search for flexible tax regimes becomes imperative. Malaysia’s flexible tax regime, including the Principal Hub incentive and high-tech tax incentives continues to attract MNCs to locate their regional headquarters operations to KL, particularly for Industry 4.0 activities.

MNC highlights: GBS

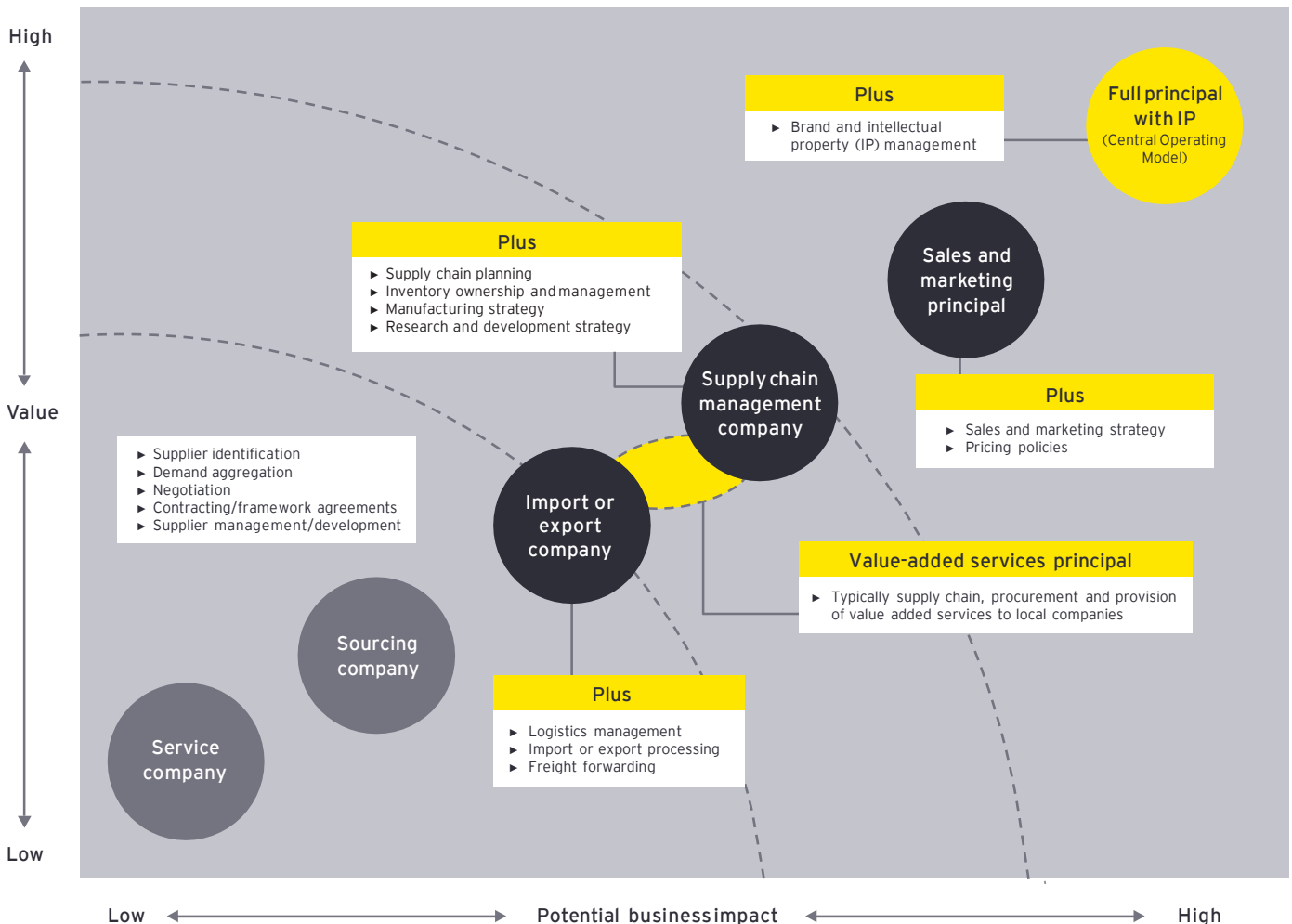
AstraZeneca

Headquarters and GBS hub, Greater KL

What investment?

- ▶ In March 2019, AstraZeneca launched a new headquarters in Greater KL serving Asia-Pacific
- ▶ The headquarters houses local and global operations across numerous functions, including finance and procurement
- ▶ A new GBS hub was also established, equipped with high-tech robotic technology and automation to support financial, accounting and business service

Chart 9: Optimizing operating business models



Sources:
 ▶ EY KL calling 2016
 ▶ AstraZeneca to invest RM500m in Malaysia, 12 March 2019, InvestKL

Viewpoint



Erik Ramp
Country Managing Director
Edwards Lifesciences Malaysia

KL, strategic regional BSC center

In April 2019, Edwards Lifesciences (Edwards) launched a regional business services center (BSC) in KL Eco City. The BSC provides core support functions, including IT, finance, HR, supply chain, and digital health to seven offices across JAPAC.

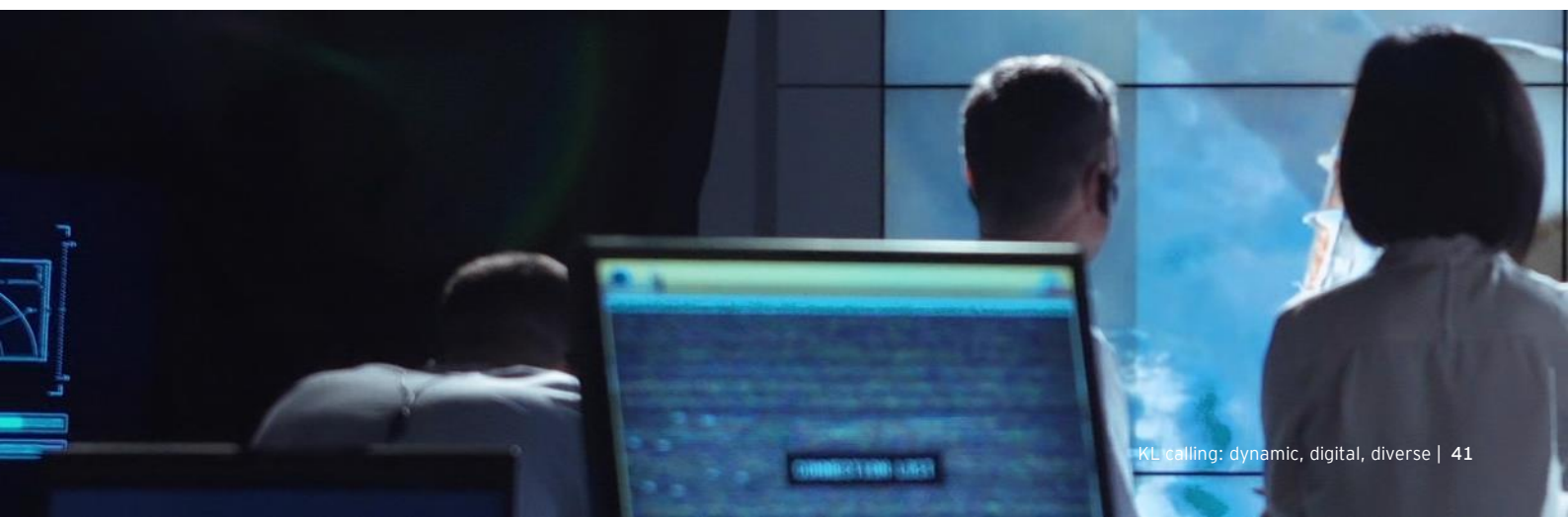
Edwards chose Kuala Lumpur for its new regional BSC based largely on KL's skilled workforce, diverse culture, and multilingual talent pool. About 16-months into our journey, we find our KL talent hungry to develop themselves through experiences at a fast-growing organization with exposure to JAPAC and global markets.

At Edwards, we are building a BSC, and this is an important distinction for us. We do not consider ourselves a shared services center. We have a sizable sales organization in Malaysia. We are building regional marketing, strategy, sales operations, and digital services to serve JAPAC. In KL, we recruit specific skills such as those with life sciences qualifications and those who are willing to travel within the region to interact with colleagues, physicians and health care stakeholders.

From a location perspective, KL provides convenient connectivity to Asia-Pacific. Our KL office is increasingly becoming a hub for regional meetings and employee development programs.

“

About 16-months into our journey, we find our KL talents are hungry to develop themselves through experience at a fast-growing organization with exposure to JAPAC and global markets.



“

Edwards will not compromise on talent by moving work to the BSC. This puts a huge burden on us in KL to recruit and retain the best. Except for niche IT skillsets, we have been able to find local talent in KL to support our growth.

Skilled pool of IT talent in KL

The amazing pool of technical talent in KL has been a driver behind the expansion of our global “follow the sun” model. Finding experienced IT talent that can set the vision and strategy for their groups has been a key differentiator. In some areas, we also managed to provide the leadership necessary to help Edwards global IT improve its quality perspectives and move some of our global IT initiatives forward.

Communication and adaptability skills have been another strength of our IT talent in KL. When working in an MNC like Edwards and within a group like IT that has a global scope, our employees must be able to adjust to cultural differences and communication styles easily.

Seamless digitalization

At Edwards, we focus on our areas of expertise, which is structural heart therapies and critical care monitoring. In this space, digital technologies and advanced analytics are growing in importance globally. We can assume Malaysia is moving in this direction as well.

Hospital systems have tremendous amounts of data that can be utilized to help improve patient outcomes. AI and ML are real enablers of better cardiac readings and patient monitoring. Digital and mobile channels are increasingly more important to how we increase awareness of structural heart disease and the therapies available to patients.

Specific to IT, we are also beginning to look at robotic process automation (RPA) pilots for some of our more standardized processes, and progressively moving into AI, ML, and mobility technology. In this post-COVID-19 world, we note that digitization is critical in ensuring business continuity. So far, Edwards Malaysia has been able to make a seamless transition to remote work through our digital and mobile toolsets.



An aerial photograph of a tropical island. The island is covered in dense, vibrant green forest. The water surrounding the island is a clear, bright turquoise color. A small boat is visible in the water, leaving a white wake. The sky is not visible, as the image is focused on the island and water.

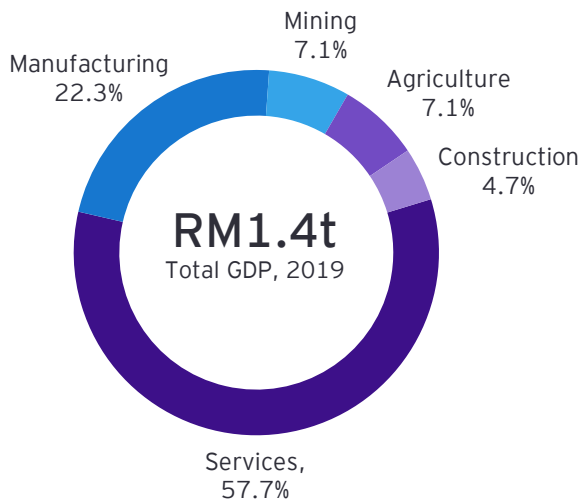
Diverse ecosystem

- ▶ Diversified, sustainable economy
- ▶ Diverse green initiatives
- ▶ Future-ready, multicultural talent

Diversified, sustainable economy

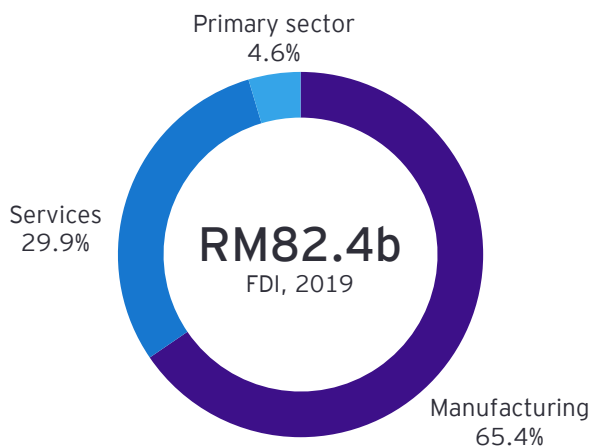
The vibrant dynamics of KL reflect Malaysia's diversified and sustainable economy comprising a balanced mix of services, manufacturing, mining, agriculture, real estate and construction sectors. Malaysia is a key global exporter of electricals and electronics, latex gloves, palm oil and more recently, GBS.

Chart 10: Malaysia's GDP composition



- ▶ Before the COVID-19 pandemic, Malaysia achieved GDP growth of 4.3% in 2019
- ▶ Malaysia's diversified economy is driven by the services sector, contributing to more than half (57.7%) of Malaysia's GDP
- ▶ Bank Negara Malaysia (BNM) estimates Malaysia's GDP to recover and increase by 5.5% to 8.0% in 2021

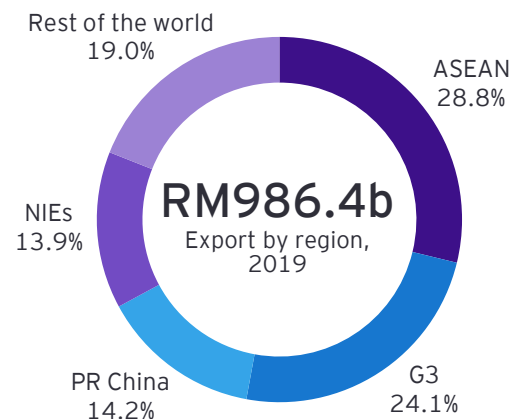
Chart 11: FDI by sector



Note: Primary sector includes agriculture, mining, plantation and commodities

- ▶ Malaysia recorded RM82.4b (2019) in approved FDI with two-thirds being in manufacturing investments
- ▶ Manufacturing FDI:
 - ▶ Top 5 by market: China Mainland (RM15.4b), US (RM14.3b), Singapore (RM5.6b), Taiwan (RM5.2b), Japan (RM3.8b)

Chart 12: Malaysia's export markets by region



Note:

1. G3 includes the US, Europe and Japan
2. Newly Industrialized Economies (NIEs) refers to Hong Kong SAR, Korea and Taiwan

- ▶ Malaysia gross exports recorded RM986.4b (2019) with ASEAN comprising nearly 30% of total exports.
- ▶ Among total exports, manufactured goods comprise 85% of total exports, while agriculture and minerals the remaining 15%

Sources:

- ▶ World Bank, official website
- ▶ Bank Negara Economic and Monetary Review 2019
- ▶ Malaysia Investment Performance Report 2019, MIDA

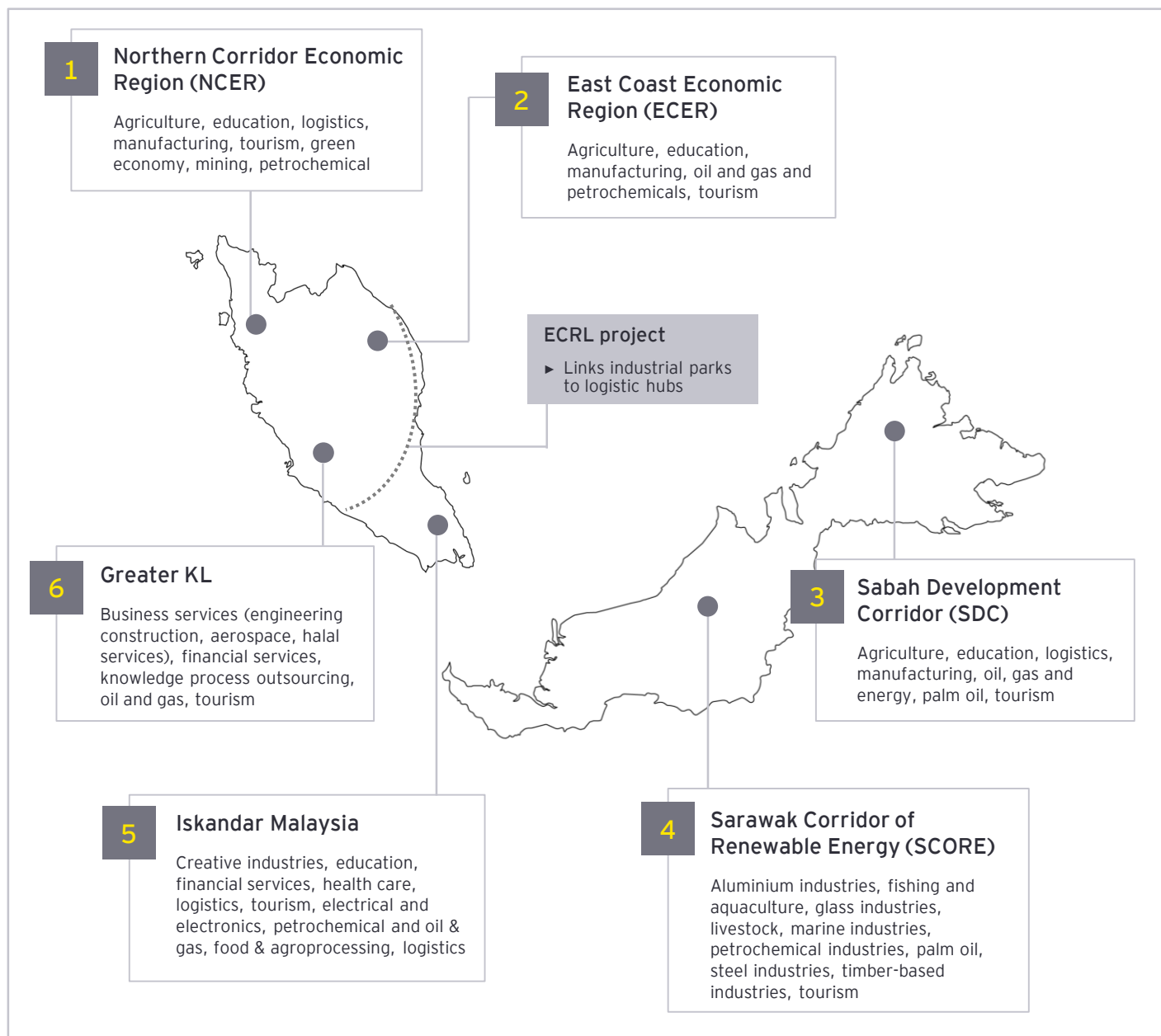
Diversified, sustainable economy

Malaysia's economic corridors

Malaysia's six economic growth corridors consists of high-density clusters with diversified industries, from agro-based, manufacturing to business services.

Investors can consider an array of area and business opportunities, from the main commercial hub (Greater KL), Malaysia's Silicon Valley (Penang), real estate development (Iskandar Malaysia), infrastructure construction (East Coast Economic Region), agro-based industries (Northern Corridor) to resource-rich states (Sabah and Sarawak).

Chart 13: Malaysia's economic corridors and promoted sectors



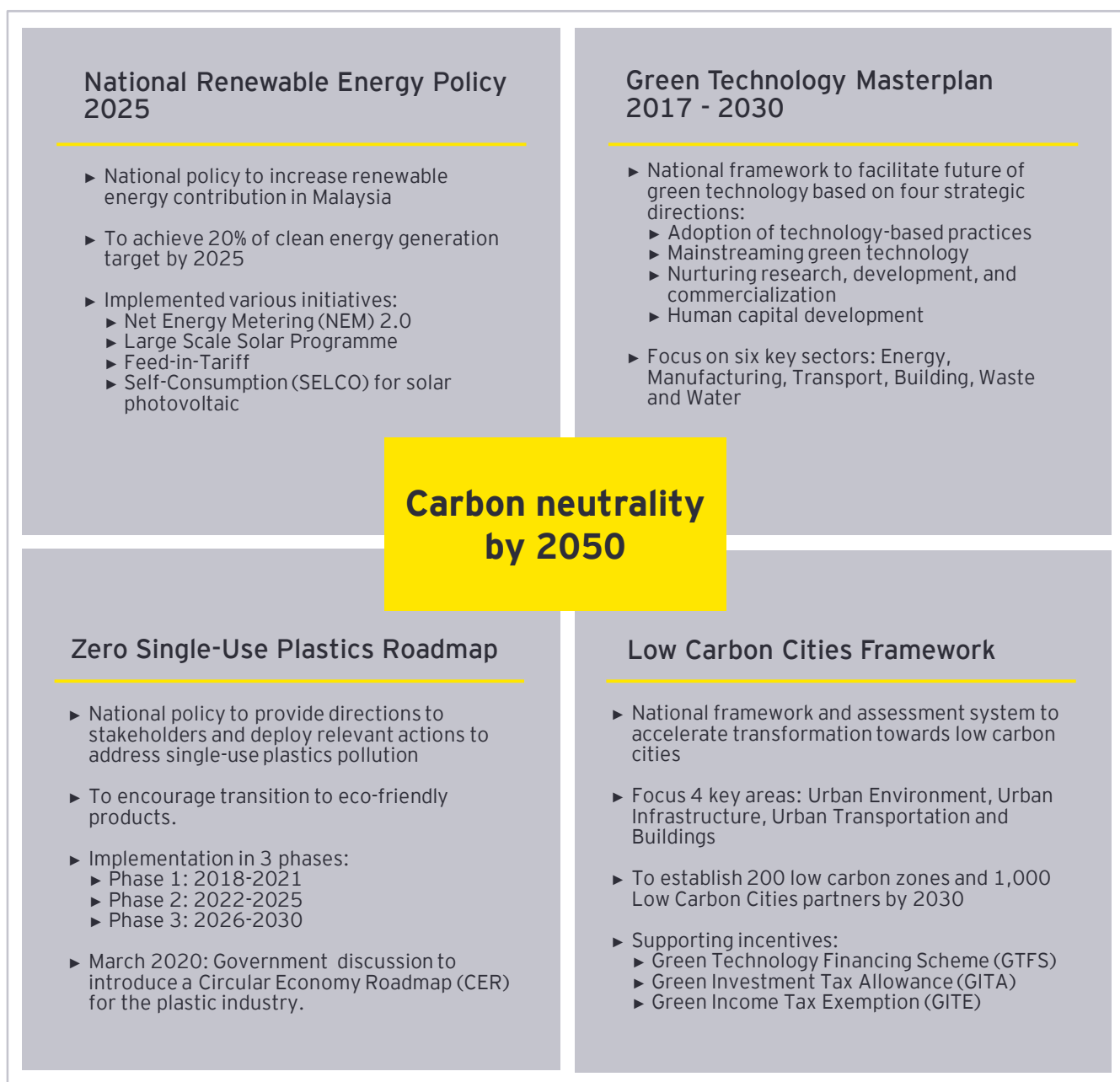
Sources:

- MITI, official website
- Iskandar Malaysia, official website
- Sarawak Corridor of Renewable Energy, official website
- NCER, official website
- ECER, official website
- InvestKL, official website
- EY research, Malaysia

Diverse green initiatives

KL's diverse developments is guided by Malaysia's green policies. Under the Paris Agreement (COP21), Malaysia pledged to reduce 45% of greenhouse gas (GHG) emissions in relation to 2005 GDP by 2030. The government, supported by various stakeholders and agencies, is implementing green guidelines to support the nation's goal towards achieving a holistic sustainable developments. Green business in Malaysia is estimated to contribute approximately 1.5% to GDP by 2030.

Chart 14: Malaysia's green initiatives



Note:

Malaysia plans to launch a Renewable Energy Transition Roadmap (RETR) 2035. However, delays are expected due to uncertainties in policymaking and COVID-19 outbreak.

Sources:

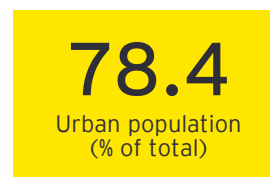
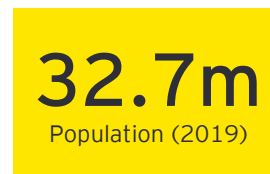
- ▶ Government of Malaysia, official website
- ▶ Ministry of Environment and Water, official website
- ▶ Sustainable Energy Development Authority (SEDA), official website
- ▶ Media sources
- ▶ EY research, Malaysia

Future-ready, multicultural talent

Malaysia's demographics is characterized by young demographics with over 40% of Malaysians below 25 years old. Multiethnicity, particularly from Asia's highly populated countries - China, India and Indonesia has harnessed multilingualism. In addition, high literacy rates and the accessibility to tertiary institutions, provides employers good access to a diverse and future-ready talent pool.

Malaysia's demographics

- ▶ Malaysia's population of 32.7m comprise multiethnic and multilingual populace comprising Malays, Chinese, Indians
- ▶ Malaysia's population density of 99 persons per km² is ranked 114th globally
- ▶ Over three quarters (78.4%) of Malaysians are urbanites
- ▶ Malaysia's average life expectancy of 75 years is slightly below the OECD average of 79 years



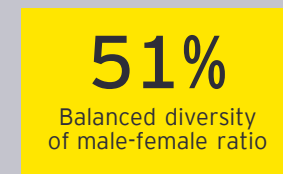
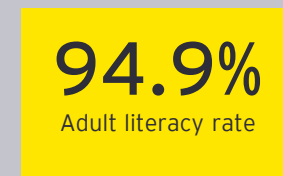
Talent diversity, future-ready

- ▶ One-third of Malaysia's labor force have tertiary education
- ▶ Greater KL has a strong pipeline of skilled young talent, over 330,000 enrolment of tertiary students from over 240 institutes of higher learning (including universities, polytechnics and colleges)

Did you know?

Malaysia's young, competent, multilingual talent

- ▶ Over two-fifths (41%) of Malaysians are young - aged below 25 years old.
- ▶ High adult literacy rate of 94.5% (aged 15 years old and above)
- ▶ Skilled: nearly one-third of labor force (29.4%) have tertiary education
- ▶ Balanced male-female gender ratio: (51%:49%). As of 2020e - Male: 16.8m, Female: 15.9m



Sources:

- ▶ Department of Statistics Malaysia (DOSM), official website
- ▶ Literacy rate, 2018, United Nations Educational, Scientific and Cultural Organisation (UNESCO) Institute for statistics
- ▶ World Urbanization Prospect: 2018 Revision, United Nations Department of Economic and Social Affairs
- ▶ List of Universities in Malaysia, 2018, StudyMalaysia
- ▶ Polytechnic Information Book October 2018, Ministry of Higher Education
- ▶ Community College Information Book October 2018, Ministry of Higher Education



Appendices

- ▶ Benchmarking competitiveness
- ▶ Tax incentives
- ▶ References

Benchmarking competitiveness

Malaysia's competitiveness rankings



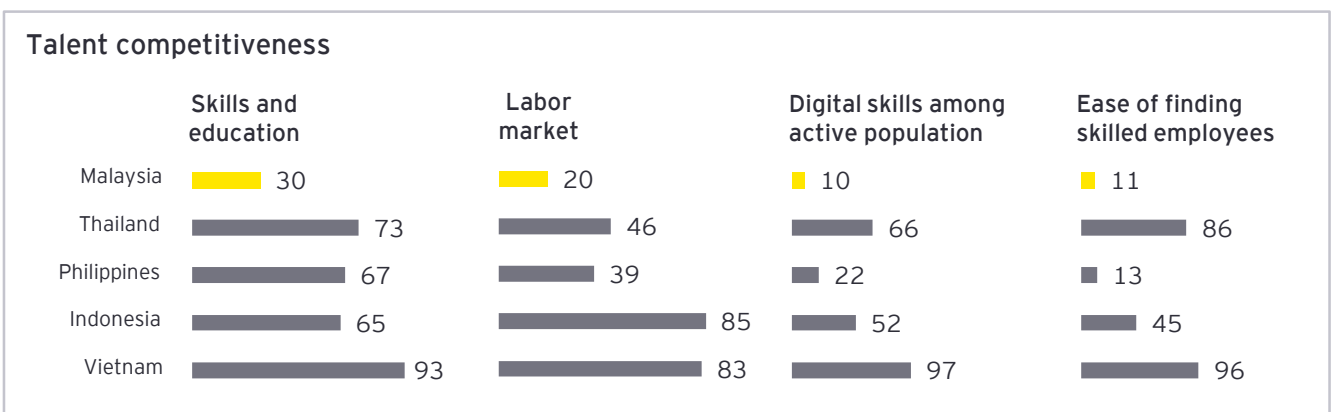
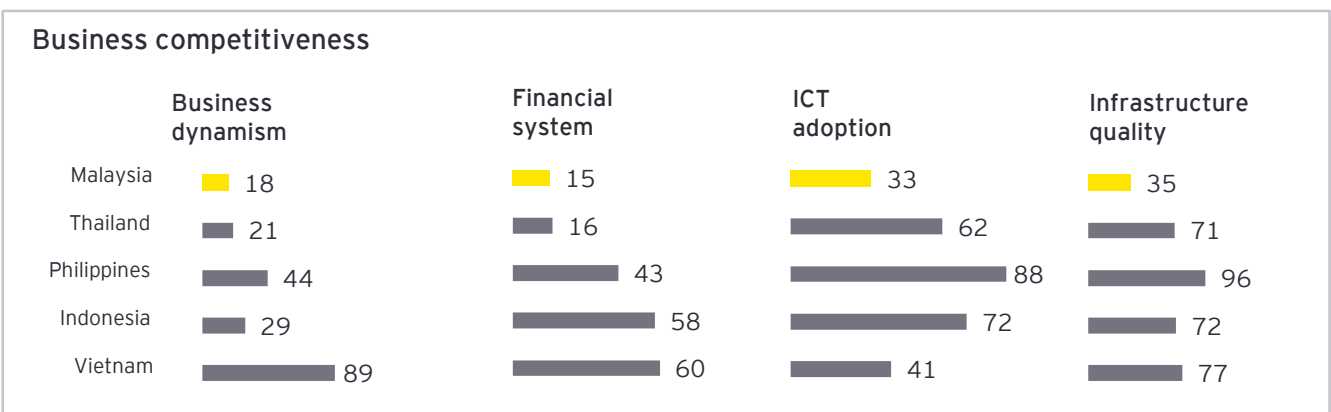
Sovereign credit ratings and outlook, 2020

Malaysia's favorable credit ratings are indicative of Malaysia's economic stability.

	Rating	Outlook
S&P	A-	Negative
Moody	A3	Stable
Fitch	A-	Negative

Malaysia's global competitiveness

In the WEF's Global Competitiveness Report 2019, Malaysia ranked 27 out of 141 countries. Relative to ASEAN peers, Malaysia's competitiveness ranks higher in most dimensions:



Sources:
 ▶ Global Competitiveness Report 2019, WEF
 ▶ Doing Business Report 2020, World Bank
 ▶ 2019 Global Services Location Index, AT Kearney
 ▶ Media sources
 ▶ EY research, Malaysia

KL's cost competitiveness among Asia-Pacific cities

KL is one of the most affordable cities in Asia-Pacific in terms of office rental, cost of hiring Malaysian professionals and overall living cost.

Lowest prime central business district (CBD) office rentals

Gross effective rental rate for KL's prime CBD office space is US\$15.2/sqm/month, the lowest among Asian cities.

Competitive salaries of professionals

In KL, the average salary for a finance director is US\$100,000 per annum.

In comparison, the average salary for a finance director in Hong Kong and Singapore are 2.7 times and 1.9 times that of the KL's average salary respectively.

Affordable cost of living

A highly affordable city, Kuala Lumpur ranked 42nd among key Asian cities

The top 10 most expensive Asian cities are:

1. Hong Kong, China
2. Ashgabat, Turkmenistan
3. Tokyo, Japan
4. Singapore
5. Shanghai, China
6. Beijing, China
7. Seoul, Korea
8. Tel Aviv, Israel
9. Shenzhen, China
10. Guangzhou, China

Chart 15: Prime office rental in key Asia-Pacific cities

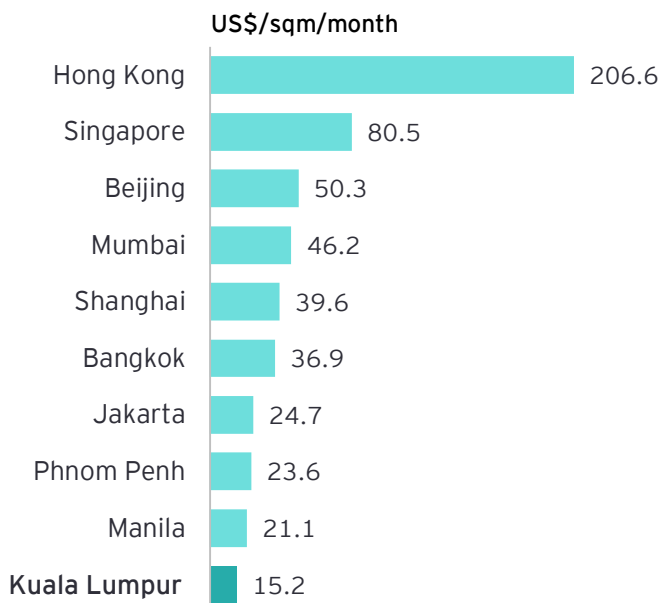
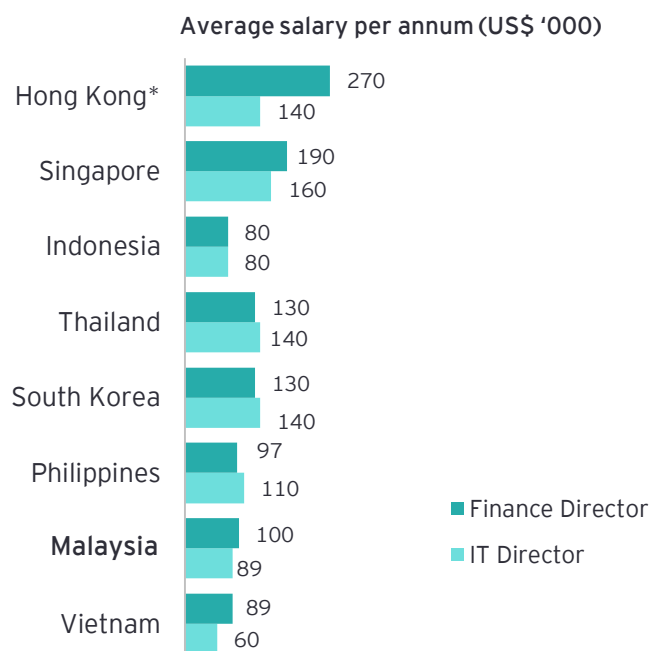


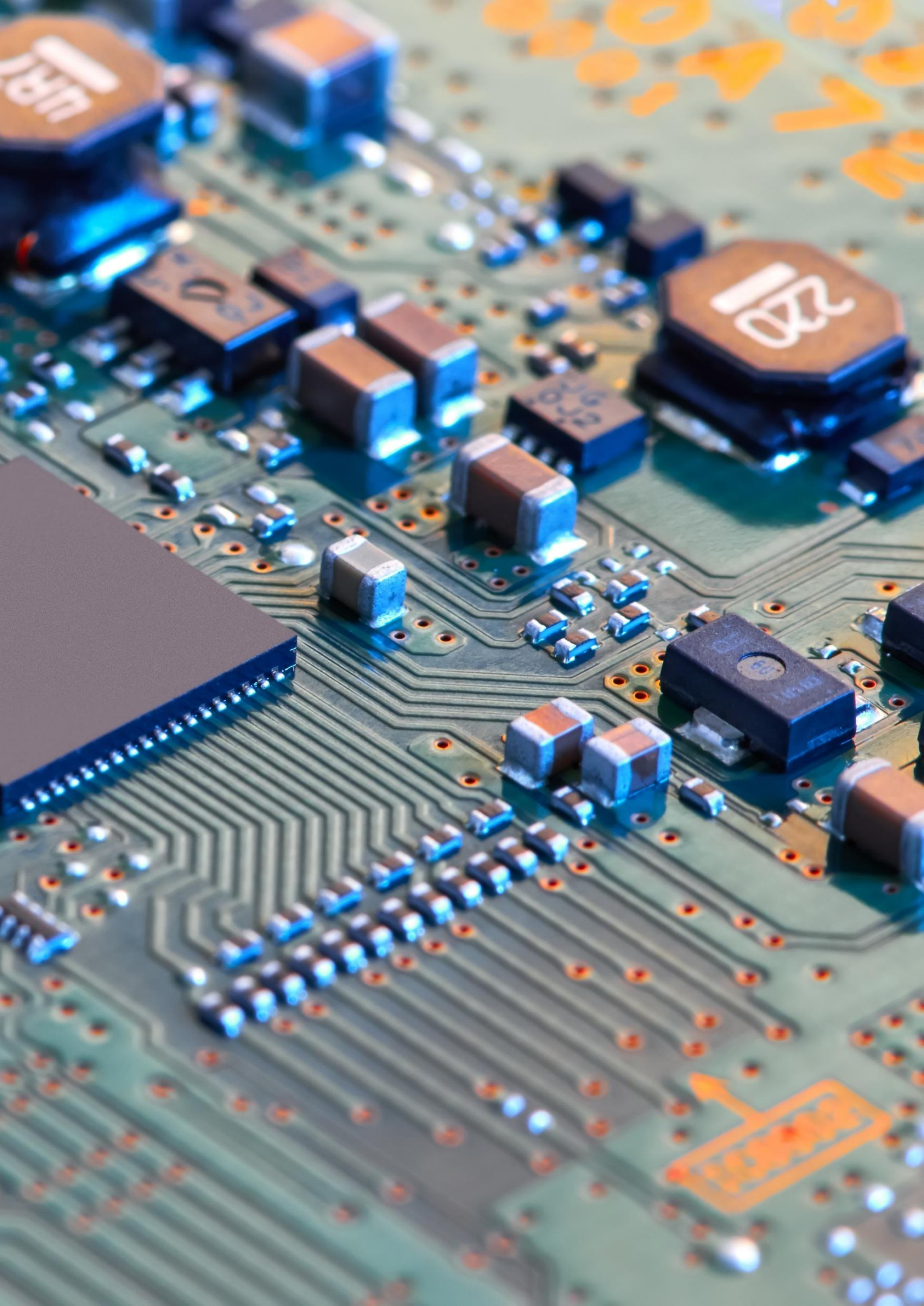
Chart 16: Average salary for finance and IT professionals, Asia-Pacific¹



Note:
¹Currency conversion: 1US\$ = RM4.20
 *Salary is based on 8 - 14 years experience

Sources:

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R&D incentives

Overview

A wide range of tax and non-tax incentives are offered to attract investments in R&D activities.

Types of incentives	
Pioneer Status (PS)	▶ Tax holiday
Investment Tax Allowance (ITA)	▶ Tax allowance
Special incentive scheme	▶ Tax exemption ▶ Tax allowance ▶ Cash grants
Incentives for researchers to commercialize research findings	▶ Tax exemption
Double deductions	▶ Super deduction (200%)
Financial assistance	▶ Financial support
R&D grants	▶ Cash grants

Example of key tax incentives offered under Promotion of Investments Act 1986, and administered by MIDA

- ▶ **In-house R&D:** R&D carried out within the company in relation to its own business
 - ▶ ITA: 50% of qualifying capital expenditure for 10 years, to be set off against 70% of statutory income
- ▶ **R&D Company:** Provides R&D services in Malaysia to related and unrelated companies
 - ▶ ITA: 100% of qualifying capital expenditure for 10 years, to be set off against 70% of statutory income
- ▶ **Contract R&D Company:** Provides R&D services in Malaysia to unrelated companies only
 - ▶ PS: 100% tax exemption on statutory income for 5 years
 - ▶ ITA : 100% on qualifying capital expenditure for 10 years, to be set off against 70% of statutory income

Sector incentives

Digital e-platforms

MSC Malaysia Status	<p>Incentives granted for the provision of services related to 'Sharing Economy' platforms</p> <ul style="list-style-type: none"> ▶ 100% income tax exemption on statutory income for a period of 5 + 5 years.
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Robotics and industrial products

Pioneer Status (PS) or Investment Tax Allowance (ITA)	<p>Tax incentives for High Technology companies for the design, development and manufacture of electronic machines, equipment, systems or devices</p> <ul style="list-style-type: none"> ▶ PS: 100% income tax exemption on statutory income for a period of 5 years; or ▶ ITA at the rate of 60% on qualifying capital expenditure incurred for a period of 5 years, to be set off against 100% of statutory income*
High Impact Fund (HIF)	<p>HIF granted to projects with high level of investments, export potential, value-added, employment of knowledge workers to create significant spin-off effects.</p> <ul style="list-style-type: none"> ▶ Matching grant (50:50) for the following: <ul style="list-style-type: none"> ▶ Allowable expenditure relating to training and R&D activities ▶ Allowable expenditure relating to training, R&D, and modernization activities focused on the adoption of enabling technologies related to Industry 4.0
MSC Malaysia Status	<p>Tax incentives granted for the provision of services related to robotics (i.e. robotics solutions provider):</p> <ul style="list-style-type: none"> ▶ 100% income tax exemption on statutory income for a period of 5 + 5 years.
Global Tech Fund (GTF) for Digital Innovation Ecosystem	<p>GTF for Technology Accelerators to bring catalytic impact to the digital innovation ecosystem, by fulfilling the following objectives:</p> <ol style="list-style-type: none"> 1. Improve the prospects of innovative, high-growth Malaysian technology startups achieving commercial success in international markets as well as scaling up the start-ups 2. Assist innovative, high growth Malaysian technology start-ups by delivering a range of impactful activities to develop the capabilities required to realize their economic potential in international markets faster than they otherwise would 3. Develop Malaysia's digital ecosystem in the identified technology area/s (including robotics) through its initiatives in providing money, mentor and market access. <ul style="list-style-type: none"> ▶ Funding quantum: Up to 30% of the approved total project cost; subject to an undisclosed ceiling limit.
Global Tech Fund (GTF) for driving Investments in research and development and commercial (R&D&C)	<p>GTF for local and foreign technology companies to set up a CoE to conduct high value technology innovation or R&D activities focused on emerging technologies, including robotics.</p> <ul style="list-style-type: none"> ▶ Funding quantum: Up to 30% of the approved total project cost; subject to an undisclosed ceiling limit.

*Projects of national and strategic importance may qualify for ITA of 100% on qualifying capital expenditure incurred, to be set off against 100% of statutory income

Internet of Things

MSC Malaysia Status	<p>Tax incentives granted for the provision of services related to IoT (i.e., IoT solutions provider):</p> <ul style="list-style-type: none"> ▶ 100% income tax exemption on statutory income for a period of 5 + 5 years.
Global Tech Fund (GTF) for Digital Innovation Ecosystem	<p>GTF for Technology Accelerators to bring catalytic impact to the digital innovation ecosystem, by fulfilling the following objectives:</p> <ol style="list-style-type: none"> 1. Improve the prospects of innovative, high-growth Malaysian technology startups achieving commercial success in international markets as well as scaling up the start-ups 2. Assist innovative, high growth Malaysian technology start-ups by delivering a range of impactful activities to develop the capabilities required to realize their economic potential in international markets faster than they otherwise would; and 3. Develop Malaysia's digital ecosystem in the identified technology areas (including IoT) through its initiatives in providing money, mentor and market access. <ul style="list-style-type: none"> ▶ Funding quantum: Up to 30% of the approved total project cost; subject to an undisclosed ceiling limit.
Global Tech Fund (GTF) for Driving Investments in R&D&C	<p>GTF for local and foreign technology companies to set up a CoE to conduct high value technology innovation or R&D activities focused on emerging technologies, including IoT.</p> <ul style="list-style-type: none"> ▶ Funding quantum: Up to 30% of the approved total project cost; subject to an undisclosed ceiling limit.

Advanced medical technologies

Pioneer Status (PS) or Investment Tax Allowance (ITA)	<p>Tax incentives for high technology companies for the design, development and manufacture of medical equipment, implants and devices</p> <ul style="list-style-type: none"> ▶ PS: 100% income tax exemption on statutory income for a period of 5 years; or ▶ ITA at the rate of 60% on qualifying capital expenditure incurred for a period of 5 years, to be set off against 100% of statutory income*
High Impact Fund (HIF)	<p>HIF granted to projects with high level of investments, export potential, value-added, employment of knowledge workers to create significant spin-off effects.</p> <ul style="list-style-type: none"> ▶ Matching grant (50:50) for the following: <ul style="list-style-type: none"> ▶ Allowable expenditure relating to training and R&D activities ▶ Allowable expenditure relating to training, R&D, and modernization activities focused on the adoption of enabling technologies related to Industry 4.0

*Projects of national and strategic importance may qualify for ITA of 100% on qualifying capital expenditure incurred, to be set off against 100% of statutory income

Global Business Services

MSC Malaysia Status	<p>Tax incentives granted for the provision of services related to global business services or knowledge process outsourcing:</p> <ul style="list-style-type: none"> ▶ 100% income tax exemption on statutory income for a period of 5 + 5 years.
Principal Hub (PH) incentive	<p>The PH incentive is available for companies that intend to use Malaysia as a base for conducting its regional and global businesses and operations to manage, control, and support its key functions including management of risks, decision making, strategic business activities, trading, finance, management and human resource.</p> <ul style="list-style-type: none"> ▶ Concessionary corporate tax rate of 0%, 5%, or 10% is granted depending on the tier and category that the company is assigned

Principal Hub incentive

Qualified companies who use Malaysia as their PH can optimize their supply chain operating model and benefit from tax savings. Corporates can leverage on the PH model to streamline their global or regional resources and enhance consistency across its group of companies.

In consideration of Malaysia's competitive PH incentive package, vast talent pool, competitive operating cost environment and other advantages, MNCs can strategize Malaysia as a preferred principal location to grow their business in the region or globally.

Principal Hub: potential target market

- ▶ MNCs looking to grow business in the region
- ▶ Local corporations with global presence
- ▶ Manufacturing companies looking to move up the value chain
- ▶ Companies currently enjoying or which have previously enjoyed International Procurement Centre (IPC), Regional Distribution Centre (RDC) and Operational Headquarters (OHQ) incentives

Malaysia's PH concept requires the hub to act as a regional or global nerve center for decision making - to manage, control, and support its key functions including management of risks, strategic business activities, trading, finance, management and human resource.

Accordingly, the qualifying criteria for PH incentives require investors to maintain critical operational, management and legal functions and value-based economic activity in Malaysia.

Qualifying services for Principal Hub incentive

To qualify for Malaysia's PH incentive, a company needs to carry out a minimum number of qualifying services, including regional profit and loss (P&L) or business unit management, strategic business planning and corporate development from the strategic services cluster as follows:

Strategic services	Business services
<p>Mandatory</p> <ul style="list-style-type: none"> ▶ Regional P&L or business unit management* ▶ Strategic business planning and corporate development 	<ul style="list-style-type: none"> ▶ Bid and tender management ▶ Treasury and fund management ▶ Research, development and innovation ▶ Project management ▶ Sales and marketing ▶ Business development ▶ Technical support and consultancy ▶ Information management and processing ▶ Economic or investment research analysis ▶ Strategic sourcing, procurement and distribution ▶ Logistics services
<ul style="list-style-type: none"> ▶ Corporate finance advisory services ▶ Brand management** ▶ IP management** ▶ Senior-level talent acquisition and management 	
<p>Shared services</p>	
<ul style="list-style-type: none"> ▶ Corporate training and human resource management ▶ Finance and accounting (transactions, internal audit) 	

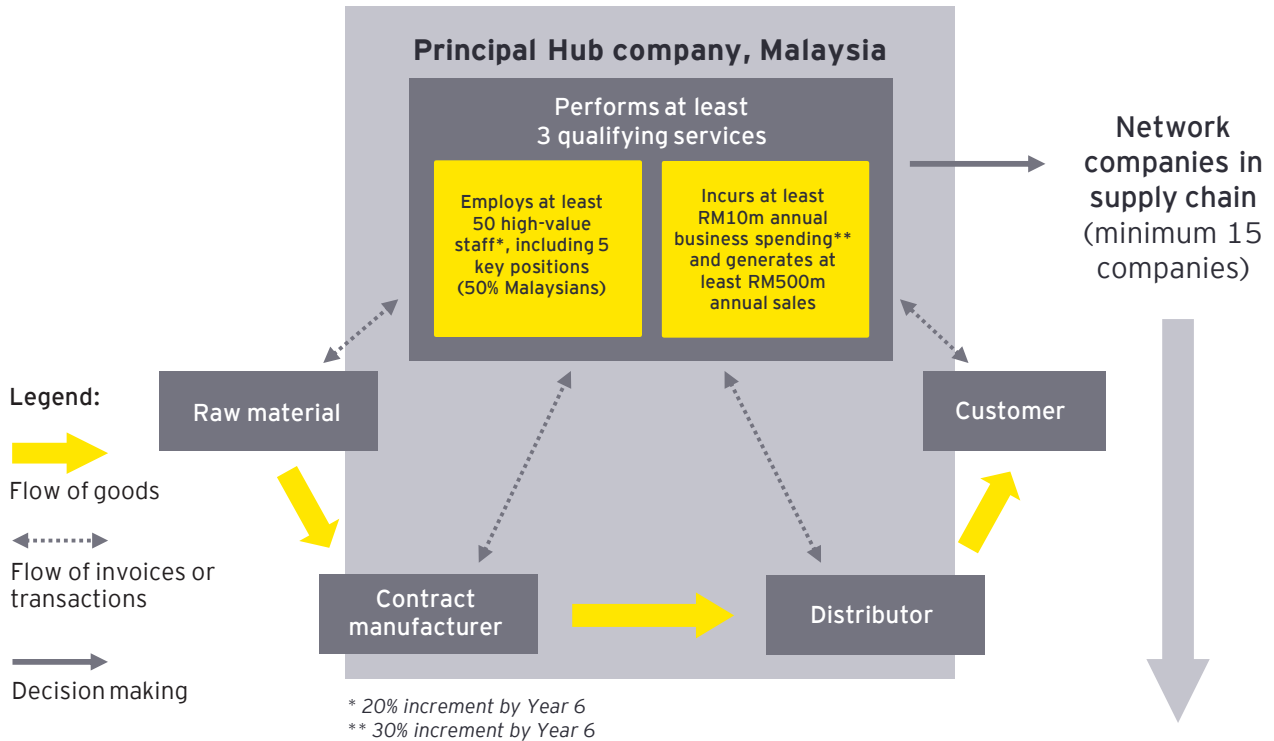
* Focuses on the growth of the company with direct influence on how company resources are allocated - determining the regional/global direction, monitoring budget expenditure and net income, and ensuring every program generates a positive return on investment.

**These activities are services activities and do not include royalties and other income derived from Intellectual Property Rights (IPRs) owned by the company.

Case study: Positioning Malaysia as an Asia Hub in the operating model of a global fast-moving consumer goods company

As an illustration, a multinational company “XYZ” with no prior business presence in Malaysia, chooses Malaysia as a base to set up their Asia supply chain hub (i.e., centralized procurement). All products are purchased via the Asia Hub for “re-sale” to the company’s related entities in ASEAN and Australasia. XYZ successfully obtains PH Tier 1 incentives equivalent to 0% concessionary tax rate for a period of 5 + 5 years¹.

Chart 17: Operating model of company XYZ’s Asia hub



Asia hub to serve and control network companies

- ▶ The remuneration to be received by XYZ’s Asia hub will be based largely on the value that the hub provides to its network companies.
- ▶ Higher value functionality, for example, the creation or transfer of significant business substance into the Asia hub, would justify a higher fee.

The Asia hub’s functions include:

Purchase categorization, waste minimization, alternate materials, specification rationalization	Purchase forecasting and demand planning	Identification, qualification, selection of vendors	Negotiation and execution of purchase contracts, leverage of purchasing spend	Foreign exchange management and hedging
Managing vendor production scheduling and delivery timelines	Order management, consolidation and execution	Arranging logistics, managing customs and import procedures	Disputes management and resolution, including adjudicating compensation claims	Buy-sell of materials and products

¹Where the “new” hub company serves at least 10 network companies, employs at least 30 high-value staff (including 4 key positions) and incurs at least RM5m in annual business spending (subject to the relevant increments), the “new” company may qualify for Tier 2 incentives equivalent to 5% concessionary tax rate for a period of 5 + 5 years. Different conditions and rates apply to applicants that are categorized as an “existing company”.

Principal Hub incentive

Key features and considerations

Malaysia provides a stable and flexible operating environment to MNCs seeking both tax and operational cost efficiencies.

When formulating decisions on the optimization of an operating model, factors to consider include the alignment of the operating model with transactional and transfer pricing positions and meeting risks mitigation objectives.

The salient features of Malaysia's PH incentives are summarized as follows:

Principal Hub incentive features

- 1 Concessionary tax rates**
Concessionary corporate tax rate of 0%, 5%, or 10% is granted depending on the tier and category that the company is assigned
- 2 Type of income exempted**
The incentive allows for all types of income to be exempted to the extent they are generated from the qualifying activity¹
- 3 Flexible qualifying criteria**
The incentive accommodates varied business models allowing a mix of commitments which meets Malaysia's investment criteria²
- 4 Serve and control network companies**
Network companies include related companies as well as non-related companies with contractual agreements with the PH. These companies are not required to be located in countries outside Malaysia
- 5 Extended duration**
Incentive is for 5 years with a potential extension of 5 years

Notes:

¹ Excluding royalties and other income derived from Intellectual Property Rights owned by the company.

² Investment criteria: Creating high income jobs, minimum annual business spending and annual sales requirements, Gross National Income (GNI) impact through local spending and multiplier effect and having strategic functions driven through Malaysia.

Benefits of using Malaysia as a Principal Hub

Tax efficiencies

- ▶ Tax savings (maximum corporate tax of 24%, reduced to 0%, 5%, or 10% concessionary tax rate)

Operational efficiencies

- ▶ Lower logistic costs (closer to regional customers and suppliers)
- ▶ Lower management and staff costs
- ▶ Access to world-class infrastructure and talent pool

EY thought leadership and alerts



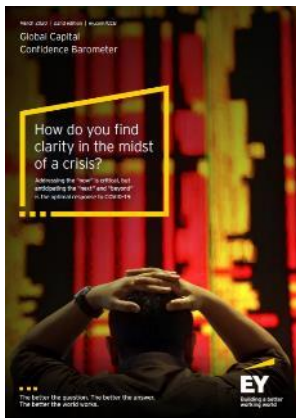
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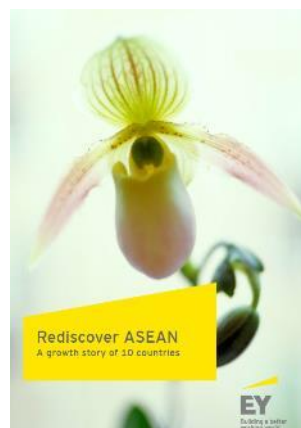
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Glossary

Abbreviation	Definition	Abbreviation	Definition
3 D	Dynamic, Diverse and Digital	M&E	Machinery and Equipment
ACC	Asia Competency Centre	MCMC	Malaysian Communications and Multimedia Commission
AI	Artificial Intelligence	MEX II	Maju Expressway (Extension)
APAC	Asia-Pacific	MIDA	Malaysian Investment Development Authority
ASEAN	Association of Southeast Asian Nations	MITI	Ministry of International Trade and Industry
BEPS	Base Erosion and Profit Shifting	ML	Machine Learning
BNM	Bank Negara Malaysia	MNC	Multinational Corporation
BSC	Business Service Centre	MOF	Ministry of Finance
CA	Capital Allowance	MRCB	Malaysian Resources Corporation Berhad
CAGR	Compound Annual Growth Rate	MRT	Mass Rapid Transit
CBD	Central Business District	MSC	Multimedia Super Corridor
CER	Circular Economy Roadmap	NCER	Northern Corridor Economic Region
CoE	Center of Excellence	NEM	Net Energy Metering
CREST	Collaborative Research in Engineering, Science & Technology	NFCP	National Fiberisation and Connectivity Plan
CSP	Cloud Service Provider	NxGV	Next-Generation Vehicles
DASH	Damansara-Shah Alam Elevated Expressway	OECD	Organization for Economic Co-operation and Development
DBKL	Dewan Bandaraya Kuala Lumpur	OT	Operational Technology
DFTZ	Digital Free Trade Zone	OHQ	Operational Headquarters
DISF	Domestic Investment Strategic Fund	P&L	Profit and Loss
DOE	Department of Energy	PH	Principal Hub
DOSM	Department of Statistics Malaysia	PKFZ	Port Klang Free Zone
E&E	Electrical and electronics	PS	Pioneer Status
ECER	East Coast Economic Region	R&D	Research and Development
ECRL	East Coast Rail Link	R&D&C	Research and Development and Commercial
EKVE	East Klang Valley Expressway	RDC	Regional Distribution Centre
ELDS	Electrification Distribution Solutions	RPA	Robotic Process Automation
EMS	Electronic Manufacturing Services	SDG	Sustainable Development Goal
FDI	Foreign Direct Investment	SCORE	Sarawak Corridor of Renewable Energy
GBS	Global Business Services	SDC	Sabah Development Corridor
GDP	Gross Domestic Product	SEA	South-East Asia
GHG	Greenhouse Gases	SELCO	Self-Consumption for solar photovoltaic
GITA	Green Investment Tax Allowance	SME	Small to Medium Enterprises
GITE	Green Income Tax Exemption	SOC	Security Operations Centre
GNI	Gross National Income	SPE	Setiawangsa-Pantai Expressway
GSMA	Global System for Mobile Communications	SSM	Companies Commission of Malaysia
GTF	Global Tech Fund	SUKE	Sungai Besi-Ulu Kelang Elevated Expressway
GTFS	Green Technology Financing Scheme	UIH	United Imaging Healthcare
HAL	Hybrid Assistive Limb	UN	United Nations
HIF	High Impact Fund	VAT	Value-added Tax
HR	Human resources	WEF	World Economic Forum
HSR	High Speed Rail		
ICT	Information and Communications Technology		
IoT	Internet of Things		
IP	Intellectual Property		
IPR	Intellectual Property Right		
IPC	International Procurement Centre		
IT	Information Technology		
ITA	Investment Tax Allowance		
JAPAC	Japan and Asia-Pacific		
KL	Kuala Lumpur		
KLIA	Kuala Lumpur International Airport		
KTM	Keretapi Tanah Melayu		
LGMS	LE Global Services		
LRT	Light Rail Transit		
MATRADE	Malaysia External Trade Development Corporation		

US\$1 = RM4.20
(average rate, June 2019-June 2020)

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Charts and tables

No.	Chart
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12	Malaysia's export markets by region
13	Malaysia's economic corridors and promoted sectors
14	Malaysia's green initiatives
15	Prime office rental in key Asia-Pacific cities
16	Average salary for finance and IT professionals, Asia-Pacific
17	Operating model of company XYZ's Asia Hub

Industry contacts

Invest KL

InvestKL is a government Investment Promotion Agency mandated to attract large multinationals and technology companies to establish their regional business, innovation and talent hubs and undertake regional activities in Greater Kuala Lumpur. As an agency under the Ministry of International Trade and Industry (MITI), InvestKL provides investment facilitation and aftercare, geared towards fast-tracking multinationals investments, contribute to industry growth and foster sustainable high-income jobs in the Greater Kuala Lumpur. As Malaysia's economically and commercially vibrant metropolis, Greater Kuala Lumpur serves as the ideal hub for companies in diverse sectors such as high value services, IoT and robotics, Industry 4.0 related, consumer & industrial products, oil, gas & energy, engineering services and more. InvestKL partners with various government agencies and key strategic partners to attract multinational companies from US, Europe and the Asia-Pacific region to grow and enhance their regional business from Greater Kuala Lumpur.



InvestKL is able to assist in the investment process, with services including but not limited to:

- ▶ Collaborating in the formation of an effective business strategy for company growth
- ▶ Strategic planning of competitive fiscal package
- ▶ Introducing investors to the various specialized business hubs
- ▶ Providing post investment aftercare services
- ▶ Facilitating talent management and development programs
- ▶ Facilitating MNC value chain collaboration within the local ecosystem

Visit www.investkl.gov.my

Ministry of International Trade & Industry

The Ministry of International Trade & Industry (MITI) is the key driver in making Malaysia the preferred destination for quality investments and enhancing the nation's rising status as a globally competitive trading nation. Its objectives and roles are oriented towards ensuring Malaysia's rapid economic development and help achieve the country's stated goal of becoming a developed nation.

Some of MITI's functions include:

- ▶ To attract quality investment and further innovate industrial activities to produce high value-added goods and services
- ▶ To elevate Malaysia's competitiveness among the top global trading nations
- ▶ To formulate and implement investment, trade and industrial policies to generate sustainable economic growth
- ▶ To create innovative and high skilled employment opportunities for Malaysia's growing workforce
- ▶ To drive Malaysia towards a developed nation and enhance the well-being of all Malaysians



Visit www.miti.gov.my/index.php

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EYG no. 006127-20Gbl

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Acknowledgements

KL calling: dynamic, digital, diverse is supported by publicly available research publications, research papers, statistical bulletins and online information from international and local government institutions and organizations which are duly acknowledged in the references section.

Sincere appreciation to the project team who have put their best efforts in developing a comprehensive investors guide on KL.