

*A look at Greater Kuala Lumpur as an investment and  
business centre for Southeast Asia.*

**2nd edition**



***Greater Kuala Lumpur,  
Malaysia: Launchpad to  
Southeast Asia***

**An investment guide**

June 2015





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# Foreword



## Dato' Mohammad Faiz Azmi

PwC Malaysia  
Executive Chairman

Greater KL can be your launchpad to a US\$2.5 trillion ASEAN market

ASEAN is on track to becoming the 'third force' in the making behind China and India. Over the last two years the region has attracted more foreign direct investments than China<sup>1</sup>, as investors are drawn to the region's burgeoning middle class.

According to Organisation for Economic Co-operation and Development's (OECD) estimates, ASEAN's growing middle class will account for 59% of global middle-class consumption by 2030, up from just 23% in 2009. The region's workforce is already the third largest in the world, with an economy that combined, would represent the world's sixth-largest.

This makes it an ideal time for companies to establish and expand their foothold in the region, considering its GDP growth rates averaging 6.4% p.a. are forecast to overtake China by 2050<sup>2</sup>. The spectrum of sectors companies could rapidly tap into is huge, and includes consumer products, financing, retail, infrastructure, education and healthcare.

Greater Kuala Lumpur (KL) offers an ideal hub for companies looking to access ASEAN's rising opportunities, with its well-connected and established regional business network. In 2014 alone, a total of 156 regional establishments were approved in Greater KL. Throughout Malaysia, there are over 3,500 regional establishments as at end of 2014.

With the introduction of the Principal Hub incentive, which offers preferential tax rates of between 10% and zero percent, Greater KL is set to enhance its position as an attractive destination for regional and global business operations.

In addition to a progressive investment ecosystem, Greater KL offers world class infrastructure, a well-connected global supply chain, and a strong economic and financial framework. It provides companies with a low-risk, cost effective and profitable location to springboard into the region.

With these fundamentals in place, I believe there are opportunities to be realised in Greater KL, given its position as an ideal hub for companies looking to expand into the region.

Come and find out how Greater KL can be your launchpad into ASEAN and Asia.

<sup>1</sup> Thomson Reuters, 'Southeast Asia attracts more foreign direct investment than China for second year', 2015

<sup>2</sup> PwC, 'The World in 2050', 2015



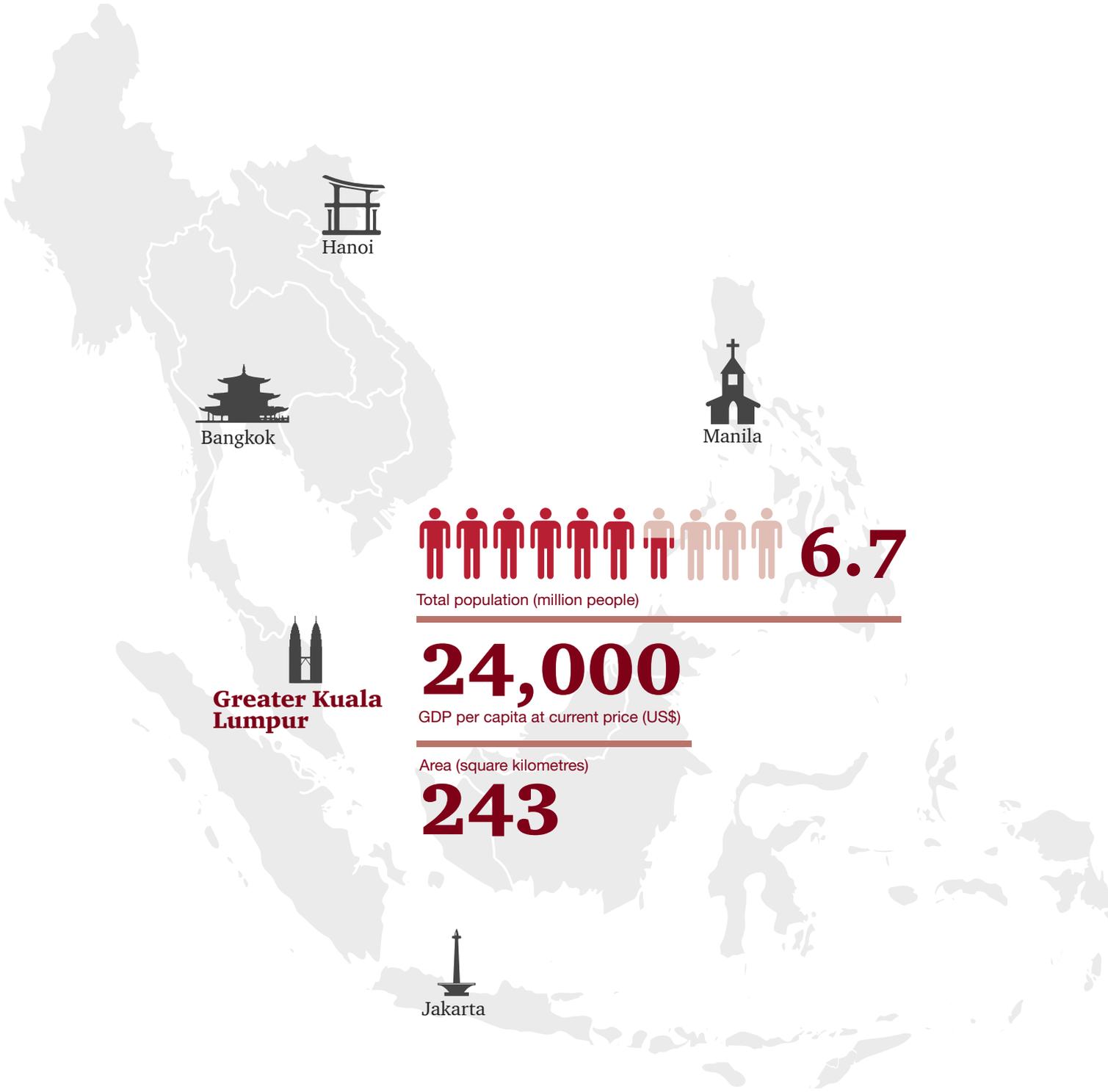
Kuala Lumpur skyline at sunrise

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Emerging Southeast Asian cities



Source: Department of Statistics Malaysia, 2013

# Executive summary

## Growth for the 21st century in Asia

The aftermath of the global financial crisis continues to plague advanced economies with uncertainty. More and more investors are looking to emerging markets for growth.

Asia's rise is on the wave of a profound shift of economic power eastwards. In a scenario put forward by the Asian Development Bank, Asia could account for more than half of global gross domestic product (GDP), trade and investment by 2050.

## Southeast Asia – A rising star

A young, growing population with increasing income in the Southeast Asia (SEA) region has attracted more multinational companies, particularly after the 2009 crisis.

Often cast in the shadows of China and India, investors are now paying attention to the strong growth potential in SEA as well as the deepening regional links led by the Association of Southeast Asia Nations (ASEAN)<sup>2</sup>.

The implementation of ASEAN Economic Community (AEC) at the end of 2015 is expected to foster closer economic collaboration between members of ASEAN whilst positioning the region from a competitive business standpoint.

## Greater Kuala Lumpur is the key to unlocking the larger Southeast Asian market

Greater Kuala Lumpur<sup>1</sup> (KL) leads the other developing ASEAN capitals in many key areas such as competitiveness, investor protection, talent and quality of living. Basing yourself in Greater KL not only offers you access to a US\$2.5 trillion and growing regional market, the city is also a profitable and cost-competitive supply chain centre. In addition, Greater KL has the strong support of a stable Government that is committed to pro-business reforms.

## Principle hub incentives

The Malaysian Government has launched a brand new incentive to attract multinationals to locate their operations hub in Malaysia. The 'Principal Hub' incentive will position leading cities in Malaysia as an optimal location to drive regional and global business operations.

## Opportunity knocks

Greater KL, being Malaysia's commercial and financial centre, is an ideal hub for services and

industrial support services. Among the key sectors are:

- Oil and gas
- Electrical and electronics
- Financial services
- Healthcare
- Business services

Investors in particular, can leverage on the established supply chain and the multi-billion dollar investment opportunities presented by the government's Economic Transformation Programme for these sectors.

## Why Greater Kuala Lumpur?

Greater KL remains a cost-competitive choice. With stable inflation, good operating margins and attractive incentives, doing business in Greater KL is both affordable and profitable.

The city also has great potential to complement Singapore as a command centre, particularly with its competitive business environment, greater resource availability in the long run and position as an established global services hub amongst multinational companies.

<sup>1</sup> Greater KL includes the KL city centre and the greater metropolitan area, covering 10 municipalities.

<sup>2</sup> ASEAN members include Thailand, Laos, Myanmar, Singapore, Brunei, Malaysia, Cambodia, Indonesia, Philippines and Vietnam.

# Greater Kuala Lumpur at a glance

*A cost and business competitive centre, with access to a growing Southeast Asian market*

What Greater Kuala Lumpur has to offer



## Greater Kuala Lumpur's competitive strengths

Competitive economy <b>1</b>	Investor protection <b>2</b>	Talent availability <b>3</b>	Quality of living <b>4</b>	Affordable & business friendly <b>5</b>
Transitioning from an efficiency-driven economy to an innovation-driven one.	Strong investor protection ahead of countries such as Australia, the US and the UK.	Highest talent ranking in SEA with good scores in quality of the labour force and talent environment.	2nd most liveable city in SEA and only one of two SEA cities that made the top 100.	Greater KL scored well in terms of cost and ease of doing business - 8th and 18th position in the world.

WEF Global Competitive Report, 2014-15

World Bank Doing Business, 2015

IMD World Talent Report, 2014

EIU Global Liveability Survey, 2014

PwC Cities of Opportunity, 2014  
World Bank Doing Business, 2015

# Growth for the century in Asia

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1

Pedestrian bridge in Putrajaya (the federal government administrative centre)

*“Intra APEC trade will remain more robust than APEC's trade with the rest of the world or the growth of global trade overall”*

PwC, APEC CEO Survey 2014

## Developing Asia will account for more of the world's GDP in the coming years

### Gravitational shift eastwards

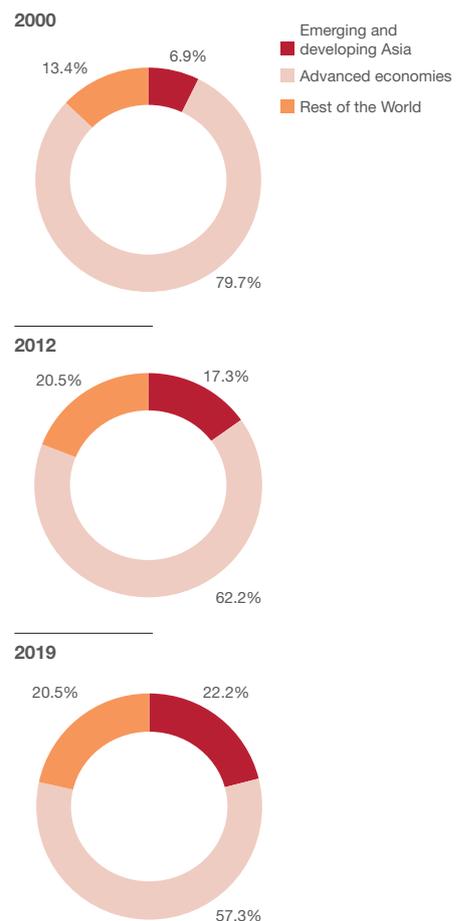
The Asian region driven by emerging markets has proven to be resilient in spite of global economic uncertainties post-global financial crisis. Backed by a population of close to 3.6 billion people and an average real GDP growth of 8% in the last decade, the Asian region is expected to sustain its positive economic expansion, supported by strong domestic demands.

PwC's 'The World in 2050'<sup>1</sup> projects that the largest E7<sup>2</sup> emerging economies' GDP will surpass that of the G7<sup>3</sup> economies by 2030.

### Asia Pacific business confidence is rising

Despite slower growth in China, business confidence continues to rise in Asia Pacific. Based on PwC's APEC CEO Survey 2014, 46% of executives are "very confident" in revenue growth over the next 12 months. Investments are also set to rise across the region, with 67% saying that their investments will increase over the similar period.

### Share of global nominal GDP



Source: International Monetary Fund (IMF) 'World Economic Outlook', Oct 2014

<sup>1</sup> 'The World in 2050' report highlighted the shift in global economic power to emerging economies.

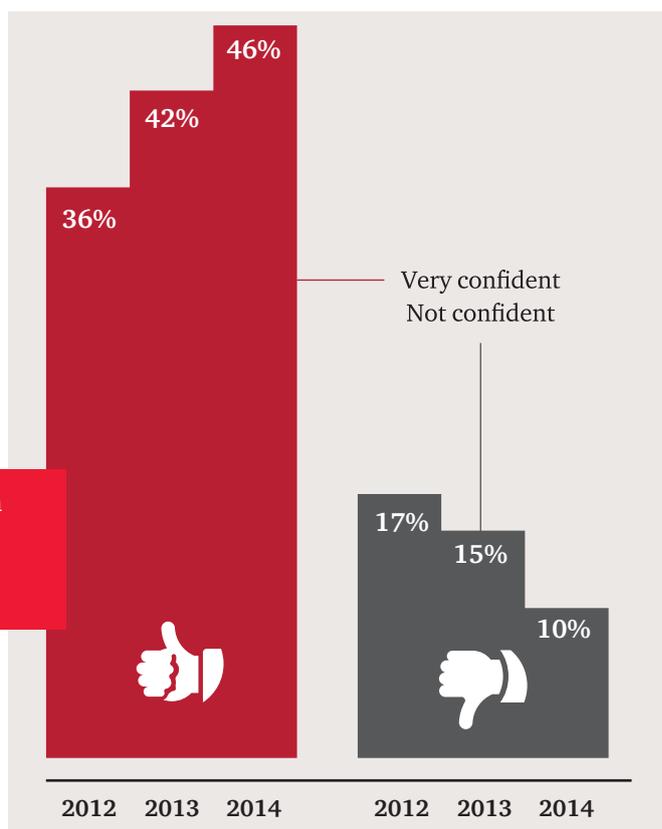
<sup>2</sup> The E7 represent the seven largest emerging market economies: China, India, Brazil, Russia, Indonesia, Mexico and Turkey.

<sup>3</sup> The G7 are seven of the most developed countries: US, Japan, Germany, UK, France, Italy and Canada.

**Investments are increasing:  
A tangible sign of rising confidence in APEC**

Despite slowing growth in China, confidence in revenues has incrementally improved

**More executives in Asia Pacific are confident of near-term revenue growth**



**Malaysia among the top 10 most attractive investment destinations in APEC**

Source: PwC APEC CEO Survey, 2014

**Business investment rising across APEC**

Investments will decrease	In the next 12 months	Investments will increase
2%	China	72%
3	US	61
4	Indonesia	57
2	Hong Kong, China	51
3	Singapore	50
7	The Philippines	47
5	Vietnam	45
8	Japan	43
6	<b>Malaysia</b>	43
7	Thailand	43
9	Russia	41
8	Australia	40
7	Korea	40
4	Chinese Taipei	39
4	Mexico	38
7	New Zealand	33
8	Chile	29
5	Peru	29
8	Canada	28
9	Brunei	15
8	Papua New Guinea	11

Source: PwC APEC CEO Survey, 2014

# Southeast Asia - A rising star

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Night view of Greater Kuala Lumpur Tower

**The ASEAN-5<sup>1</sup> long-term GDP growth to surpass China, averaging 6.4% p.a. to 2050**  
PwC, The World In 2050

## Growth opportunities in Southeast Asia

Southeast Asia - a large young population and rising income will fuel consumption and investment growth



### Demographic advantage

- Has a large population of about 600 million which is relatively young.
- Great investment potential given increased size of workforce, purchasing power and demand for goods and services.



### Rising consumer spending

- Total consumer spending in ASEAN countries is set to reach US\$2 trillion by 2020, representing real growth of 45.7% over the period from 2013-2020.
- Transforming into a modern market, influenced by the western culture, lifestyle and retail format.



### Growing middle-income households

- Fuelled by ongoing economic expansion.
- ASEAN's growing middle-class will account for 59% of global middle-class competition by 2030.



### More foreign direct investment

- Investors are exploring new growth opportunities beyond China and India. In 2014 major economies in SEA drew more foreign direct investments combined compared to China, totalling US\$128 billion (China: US\$120 billion), according to Thomson Reuters.
- With the focus shifting to SEA, early movers stand to reap the greatest benefits.



### Closer regional integration through Asean Economic Community

- Set for launch in December 2015, AEC aims to integrate ASEAN's diverse economies, for example through reducing tariffs within the region.
- It also plans to further integrate ASEAN into the global economy<sup>2</sup>

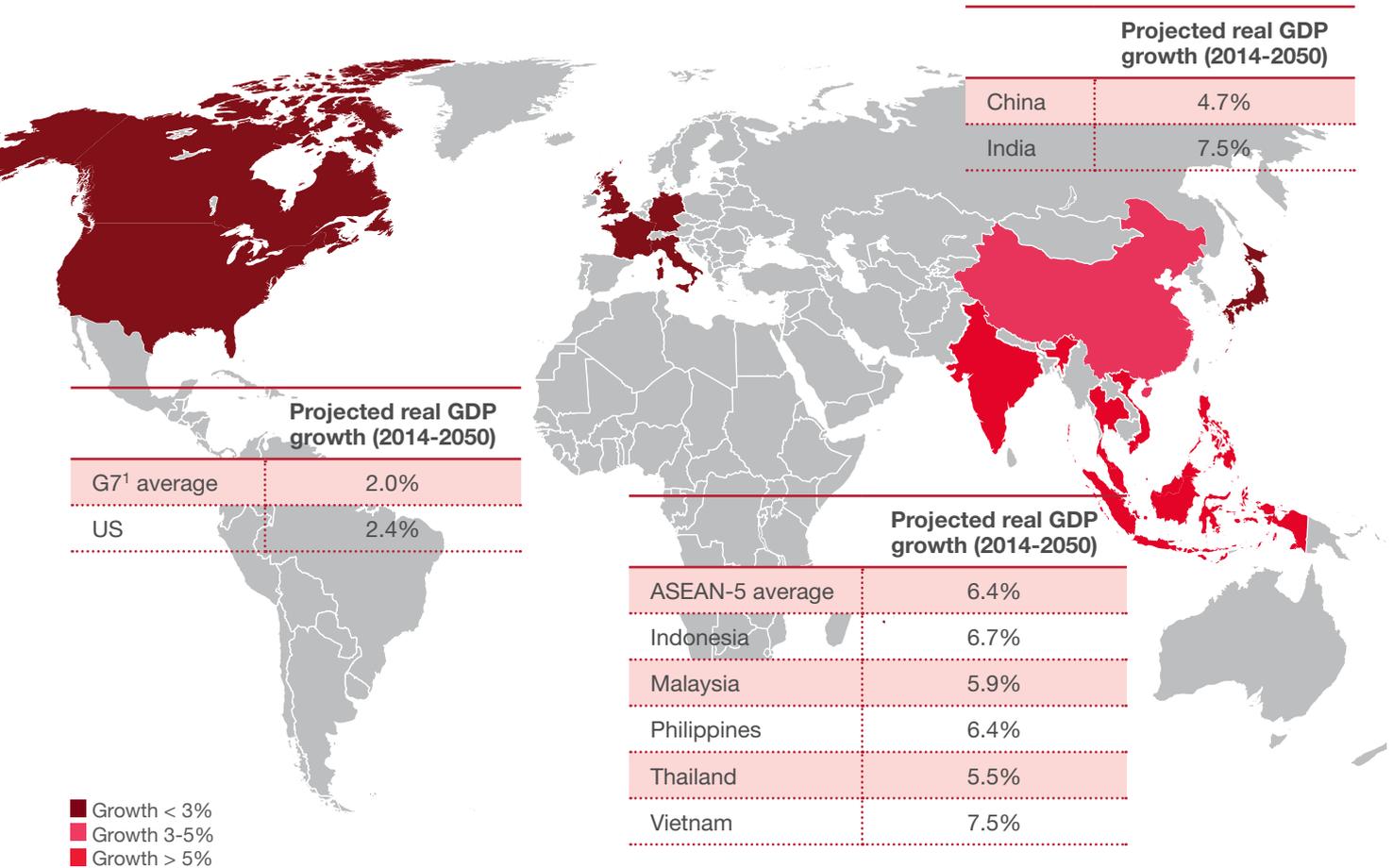
<sup>1</sup> ASEAN-5: Association of Southeast Asian Nations' five largest developing countries i.e. Indonesia, Malaysia, Philippines, Thailand and Vietnam

<sup>2</sup> ASEAN currently has free trade agreements with China, Japan, Korea, India, Australia and New Zealand.

*“Southeast Asia is expected to grow faster than the Asia average and to add about 174 million people by 2050.”*

Asian Development Bank,  
‘Asia 2050: Realizing the Asian Century’

The ASEAN-5 long-term GDP growth to surpass China, averaging 6.4% p.a. to 2050



Source: PwC, ‘The Wytorld in 2050’, 2015

<sup>1</sup> Consists of France, Germany, Italy, Japan, UK, US and Canada



# Cities of opportunity



Bukit Bintang junction (KL's main shopping district)

*Greater Kuala Lumpur/Malaysia outranks the rest of the ASEAN-5 in ease of doing business, competitiveness, investor protection, talent and liveability.*

## To grow in Southeast Asia, base yourself in Greater Kuala Lumpur

### How Southeast Asian cities rank

Singapore is the top ranked city in many aspects, not only in SEA but the world. However, similar to major cities like Hong Kong and Tokyo, the cost of doing business in this city state is among the highest in Asia.

In the face of rising cost and competitive pressure, companies need to consider more cost competitive locations, with attractive business environments to operate in.

Among the major SEA cities, Greater KL is a viable choice after Singapore.

Greater KL exemplifies the strengths and characteristics of Malaysia in general, and has an edge over cities like Bangkok, Hanoi, Jakarta and Manila in the areas highlighted in the following table.

### Greater Kuala Lumpur's competitive strengths

Competitive economy <b>1</b>	Investor protection <b>2</b>	Talent availability <b>3</b>	Quality of living <b>4</b>	Affordable & business friendly <b>5</b>
Transitioning from an efficiency-driven economy to an innovation-driven one.	Strong investor protection ahead of countries such as Australia, the US and the UK.	Highest talent ranking in SEA with good scores in quality of the labour force and talent environment.	2nd most liveable city in SEA and only one of two SEA cities that made the top 100.	KL scored well in terms of cost and ease of doing business - 8th and 18th position in the world.

*WEF Global Competitive Report, 2014-15*

*World Bank Doing Business, 2015*

*IMD World Talent Report, 2014*

*EIU Global Liveability Survey, 2014*

*PwC Cities of Opportunity, 2014*

*World Bank Doing Business, 2015*

## “The real city is made of flesh, not concrete.”

Edward Glaesar, ‘Triumph of the City’

Greater KL/Malaysia outranks the rest of the ASEAN-5 cities/countries in terms of:

### 1. Competitiveness

Malaysia is **ranked 20th** out of 144 countries in the World Economic Forum (WEF) Global Competitiveness Report 2014-2015. The report highlighted Malaysia’s transition from an efficiency-driven economy to one that is innovation-driven.

Separately, in the IMD World Competitiveness Yearbook 2014, Malaysia is **ranked 12th** (out of 60 countries).

### 2. Investor protection

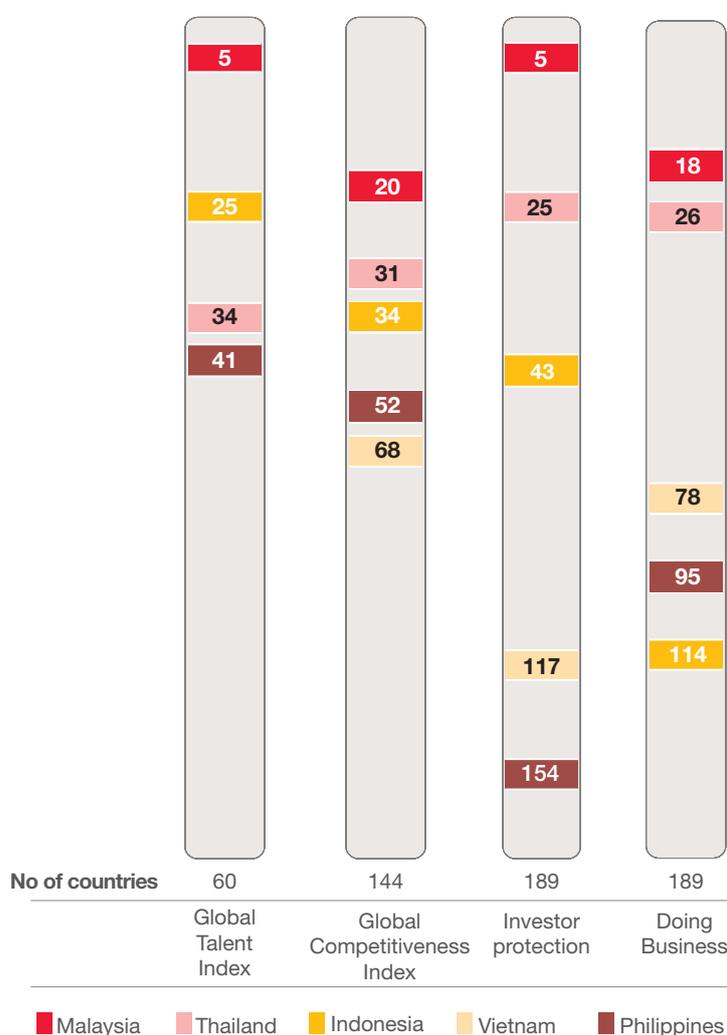
Malaysia provides strong investor protection as it is **ranked 5th** (out of 189 countries) globally by the World Bank, ahead of countries such as Australia, Brazil, China, Japan, the UK and the US.

### 3. Talent

Malaysia is **ranked 5th** (out of 60 countries) in the IMD World Talent Report, with good scores in terms of the quality of its labour force and talent environment. Both are key factors in the development of the services sector and to generate and retain talent.

### Malaysia leads the ASEAN-5 countries in competitiveness, investor protection and talent

#### Key indicators (Rank)



Source: World Bank ‘Doing Business’, 2015; WEF ‘Global Competitiveness Report 2014 – 2015’; IMD World Talent Report, 2014.

*“Greater Kuala Lumpur... is, by general consensus, one of Asia’s most dynamic capitals and increasingly a major global city.”*

PwC, ‘Cities of Opportunity 2012’

#### 4. Quality of living

Greater KL enjoys macroeconomic and political stability, and a high standard of living as shown in various surveys:

- **Ranked 16th** out of 54 cities in the 2014 ECA's International Location Ratings Survey for expatriate living conditions
- **Ranked 80th** out of 221 cities in the 2012 Mercer's Quality of Living Survey
- **Ranked 72nd** out of 140 cities in the 2014 Economist Intelligence Unit's (EIU) Global Liveability Survey

#### **KL has a higher standard of living among major Southeast Asian cities**

Cities	Quality of living ranking (out of 221 cities)
<b>Kuala Lumpur</b>	<b>80</b>
Bangkok	115
Manila	128
Jakarta	138
Hanoi	147

Source: Mercer, 'Quality of Living Survey', 2012

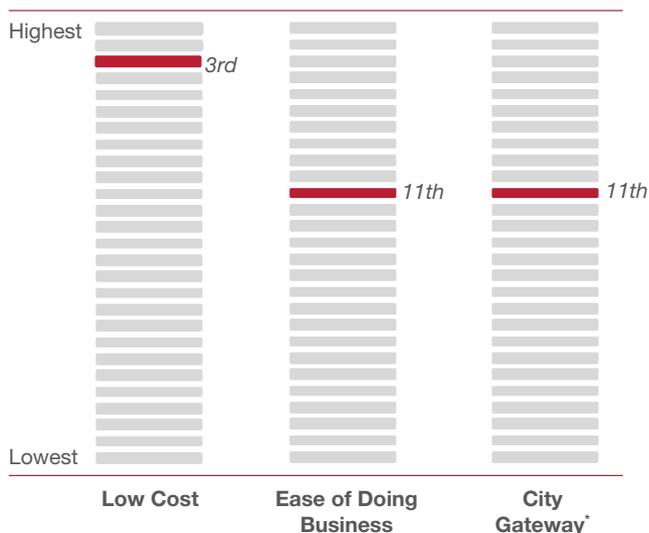
## 5. Affordable, business friendly

As a capital of finance, commerce and culture, KL is **placed 17th** out of the 30 cities surveyed in PwC’s ‘Cities of Opportunity 2014’ report<sup>1</sup>, where it scored well in terms of cost and ease of doing business.

This is also supported by the World Bank’s Doing Business 2015 report. Malaysia was **ranked 18th** in ease of doing business, out of 189 countries, ahead of countries such as Japan, Taiwan and Switzerland. Malaysia was particularly high in ranking in the following areas: protecting minority investors, trading across borders, starting a business, getting credit, enforcing contracts, paying taxes, and resolving insolvency.

### KL is a business-friendly and affordable city

Categories surveyed in ‘Cities of Opportunity 2014’, how KL ranks among 30 cities



\* Measures a city’s global connection and attraction beyond its borders.  
Source: PwC ‘Cities of Opportunity’, 2014

<sup>1</sup> PwC’s ‘Cities of Opportunity’ looks at baseline projections of key variables such as economic clout, intellectual capacity, health and other socioeconomic variables.

## Other key considerations for Greater KL

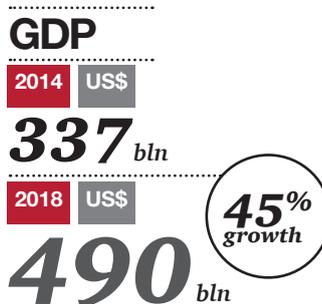
### Access to Malaysia's billion dollar market

Greater KL gives you access to Malaysia's high growth, multi-billion market. Household spending alone is expected to reach US\$281 billion by 2018.

## Malaysian market snapshot

# Economics & People

## Economy



Undertaking the Economic Transformation Programme (ETP) initiatives to spur private sector growth and investments.

Expected investments of US\$400 bln over 2011-2020.

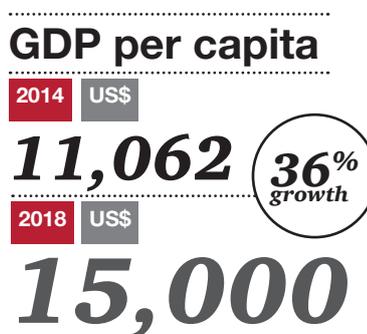
## Population



A young and expanding workforce, with a current labour force of 12.6 mln.

76% of the population live in urban areas.

## Income



Aims to achieve high-income status nation by 2020, with per capita income of US\$15,000 by 2018.

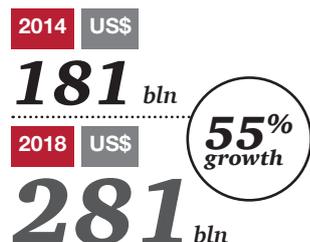
Income level is expected to double over 2011-2020, under the ETP initiatives.

Source: Bank Negara Malaysia (BNM), Business Monitor International (BMI), World Bank

## Markets

### Retail

#### Household spending

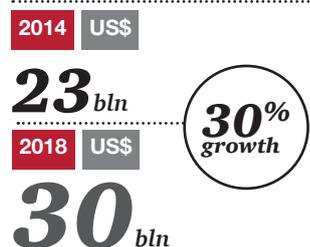


Ranked 9th in Asia in A.T. Kearney's Global Retail Development Index 2014.

By 2020, 61 new hypermarkets, 163 new superstores and 356 new supermarkets.

### Tourism

#### Tourist receipts

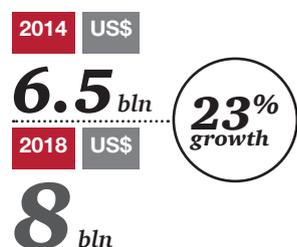


Ranked 3rd in tourist arrivals in Asia after China and Thailand.

Ranked 12th in global receipts ahead of Singapore.

### Telecommunication

#### Total mobile revenue

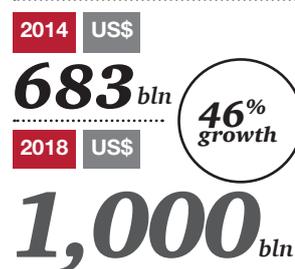


3G subscribers to grow by 25% over the period (2011-2016) to reach 13.1 mln.

Mobile handset sales to reach 9.8 mln in 2016, with smartphones accounting for two-third of sales.

### Financial

#### Size of financial system



Ranked 4th in WEF's Global Competitiveness Report 2014/2015 in financial market development.

An international Islamic financial centre, with the largest sukuk market in the world.

### Power

#### New power capacity



New capacity to replace retiring plants and meet future demand.

Demand for electricity will increase by CAGR of 2.3% from 2011 - 2035

### Oil & Gas

#### Committed capex



Key upstream investments: Enhanced oil recovery, marginal oilfield and deepwater exploration.

Key midstream investments: Refinery, petrochemical, storage, trading and liquefied natural gas terminal.

# The sparkle is in Greater Kuala Lumpur

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Fireworks above the KL skyline



*Multinationals are making Greater Kuala Lumpur their business centre and supply chain hub given its many enabling factors.*

## Greater Kuala Lumpur stands out with strong prospects and a pro-business government

What Greater Kuala Lumpur has to offer .....

**1**  
**Profitable, cost competitive**  
Malaysian listed companies have among the highest operating margins and returns in Southeast Asia.

**5**  
**Pro-business government committed to reform**  
Undertaking transformation programme to deliver growth and create a competitive business environment.



**2**  
**Well-known business services centre**  
An established global services hub, ranked 3rd in A.T. Kearney's Global Services Location Index for the last eleven years (2004-2014).

**3**  
**Your base to a US\$2.5 trillion Southeast Asian market**  
Has the infrastructure and facilities to access a growing SEA market.

**4**  
**Principle hub incentives**  
Offers competitive tiered tax rates, 5+5 years tax incentives, with no local equity required.

## How Greater Kuala Lumpur functions as a key economic activity node

The city of Greater KL, Malaysia's economic hub, is well equipped with developed infrastructure to facilitate the flow of business. This has propelled the city's local growth and successfully drawn in many investors.

Here's what investing in KL could mean for you:

### 1. A profitable, cost competitive centre

Greater KL is ranked Top 10 in terms of low cost of living, business occupancy, rent, consumer price index and tax rates.

### 2. A well-known business services centre

In 2014 alone, 156 regional establishment applications were approved in Greater KL reinforcing the city's position as an ideal business services centre.

### 3. Your base to a US\$2.5 trillion Southeast Asia market

Greater KL is often the centre of SEA supply chain connections, and has the developed infrastructure, talent and market-oriented economy to support regional trade and operations.

### 4. Principal hub incentives

A recently launched incentive scheme designed to promote centralised operations and regional growth from Malaysia.

### 5. Pro-business governmental support, committed to reforms

The Malaysian Government is constantly proactive and pro-business. It offers tax and other incentives to encourage business growth and development.

Through economic reform initiatives, such as the ETP, the government seeks to provide opportunities for businesses to expand and stay competitive.

At present, multinational corporations are making Greater KL their supply chain hub given its many enabling factors. More international partnerships and investments are underway as Greater KL is well-positioned to be further developed into a world-class city.

The following section outlines these advantages further.

## Regional centre

With its well-established network of financial institutions and business headquarters, Greater KL is a viable and attractive hub for business management, finance and trading.

Between 2011 and 2014, Greater KL has attracted 47 large MNC's to establish regional headquarters here, with committed investment of RM 4.2 billion.

In business management, the government is actively promoting Malaysia as a regional centre, either as a Principal Hub (PH), regional office (RO) or centre of excellence (COE).

Attractive investment incentive packages such as income tax exemptions, liberal policies on foreign equity participation and employment of expatriates are provided for regional establishments.

## Commodity trading centre

The Malaysian Government has introduced the Global Incentives for Trading (GIFT) programme, which aims to attract international commodity trading companies into the country.

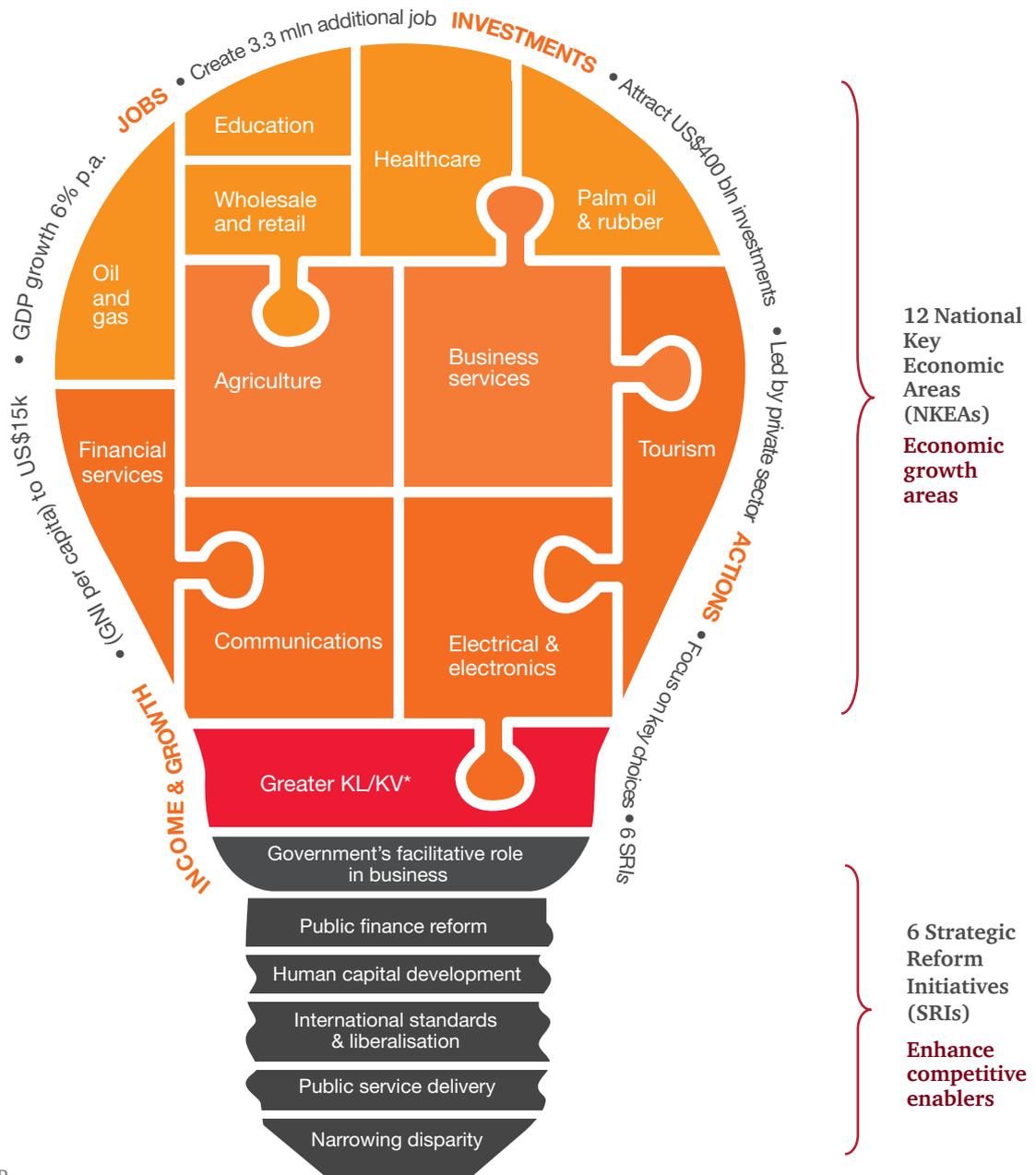
For example, international petroleum and petroleum-related trading companies will be given tax incentives if they use Greater KL as their regional base for trading operations.

**The potential and significance of Greater KL is reflected in the Government's transformation programme**

- Greater KL is the only city-focused National Key Economic Area (NKEA) in Malaysia's Economic Transformation Programme (ETP).
- InvestKL was established as a special purpose investment promotion entity to seek and facilitate high quality investment into Greater KL.

**Government reforms to support pro-business environment**

**Overview of ETP**



\* KV - Klang Valley  
Source: PEMANDU, ETP

*“Panasonic appreciates the quality of talent in Malaysia. This has enabled us to relocate our higher value business to Malaysia effectively.”*

Toshiro Okamoto, Managing Director, Panasonic Management Malaysia Sdn Bhd

### **PANASONIC: Serving Asia profitably from Malaysia for nearly 50 years**

One of the leading Japanese multinational electronics corporations globally, Panasonic Corporation (Panasonic) has 20 major entities in Malaysia including 14 in Greater KL. These encompass manufacturing operations as well as sales and regional support functions. Panasonic Malaysia's operations serves major markets across Asia-Pacific, supplying products ranging from television to cooling solutions. Panasonic employs more than 10,000 Malaysians in its various business entities.

Panasonic has operated in Greater KL and Malaysia since the 1960s, both benefitting from and contributing to Malaysia's economic and industrial development.

Specifically, Panasonic has found that Malaysia provides a very good level of manufacturing infrastructure (gas, electricity, water and trade logistics infrastructure) which has enabled their business operations to service Asia-Pacific markets successfully.

Panasonic appreciates the quality of talent in Malaysia, specifically the ability to communicate effectively in English. This has allowed the ease of technology transfer to Malaysia, enabling Panasonic to relocate its higher value business to Malaysia

effectively.

Next, Panasonic is going to move its Asian regional marketing activities for the consumer electronics and cooling solutions business to Malaysia.

Managing Director, Okamoto-san also chairs the Japanese Business Chamber of Commerce and is a Malaysian veteran as this is his second stint in Malaysia. His first assignment was in 1991-1996 as a sales manager and he returned in 2011 as Managing Director of Panasonic Management Malaysia. He rates Malaysia's living experience highly as he has found Malaysia to be a friendly city, with ease in communication and with distinct advantages such as good weather and no natural disasters. These benefits are enjoyed by Panasonic's 200+ Japanese expatriate workers in Malaysia.

Looking ahead, he sees opportunities for Panasonic to continue contributing to Malaysia's growth and transformation as a regional and global player in supplying services and products to consumers and businesses. These opportunities can be realised with continued strong support from the pro-business and growth-friendly Malaysian government.



**Panasonic**

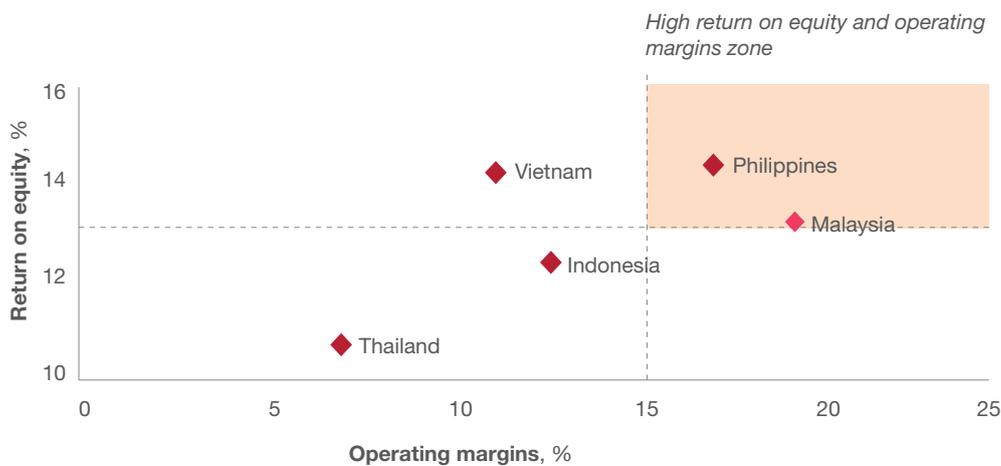
# 1. A profitable, cost-competitive centre

## Cost competitive and profitable location for doing business

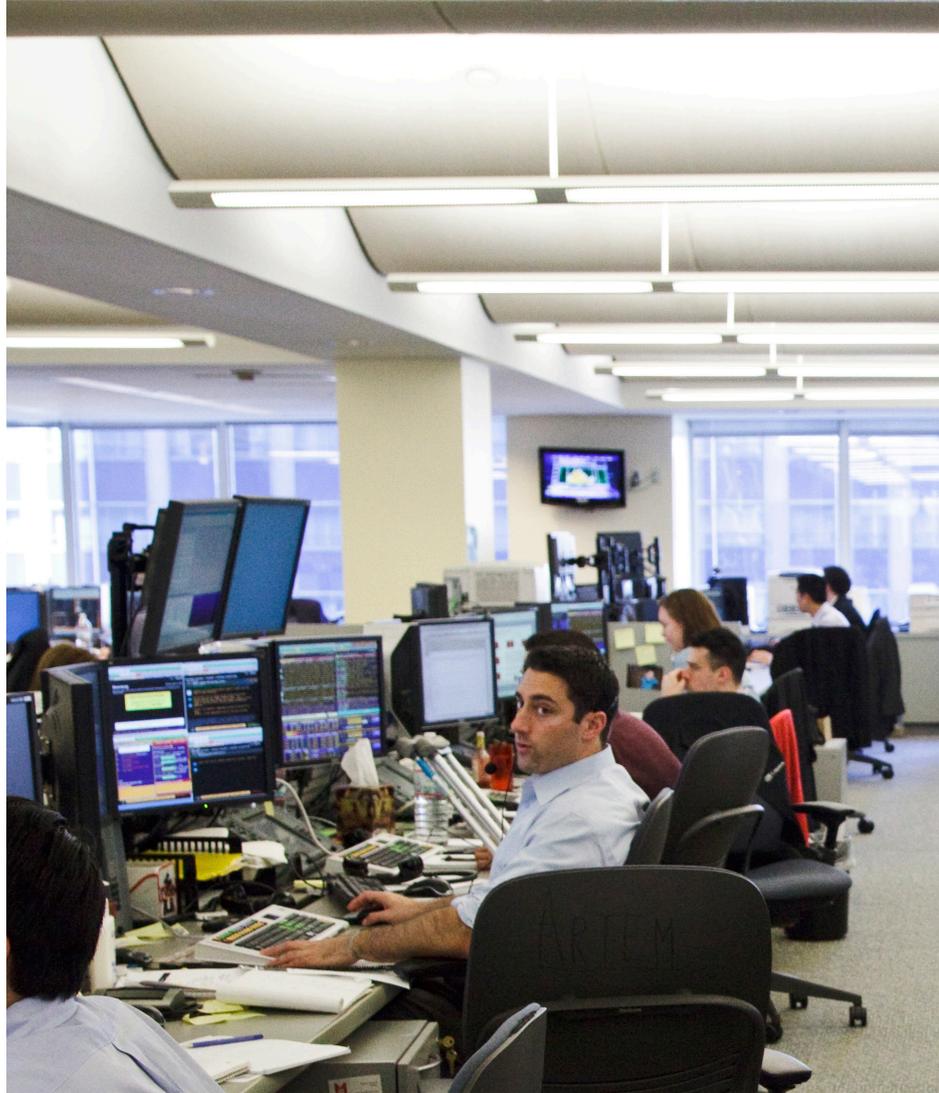
- **High operating margins and returns.** Among the listed companies in developing SEA countries, profitability indicators show that major companies in Malaysia are located in the upper right quadrant i.e. with high operating margins and high return on equity.

## The corporate sector in Malaysia achieved strong operating margins, with comparable return on equity in 2014

### Corporate sector performance



Source: Bloomberg, 2014



- Out of the 30 cities surveyed in PwC's 'Cities of Opportunity 2014', KL ranked:
  - **3rd** in terms of low cost<sup>1</sup>
  - **5th** lowest in cost of business occupancy
  - **5th** lowest in cost of rent and consumer price index
  - **9th** lowest in tax rates
- **Lower salary levels.** In a survey conducted by Robert Walters, the median annual income for a manager (accounting and finance) in KL is around 40% lower than Singapore.
- **Lower rental costs.** A DTZ<sup>2</sup> study found that the average total cost of leasing prime net usable space including rent, maintenance costs, and tax in KL is only US\$3,693 compared to the average of US\$10,951 in Singapore.

### Greater Kuala Lumpur has lower salary levels than developed cities such as Singapore and Hong Kong

#### Median annual income (manager-level)



Source: Robert Walters, 'Global Salary Survey 2014'

<sup>1</sup> Cost of a business person living in cities i.e. middle class lifestyle

<sup>2</sup> DTZ, 'Occupier Perspective Global Occupancy Costs: Offices 2014'



Suria KLCC center court

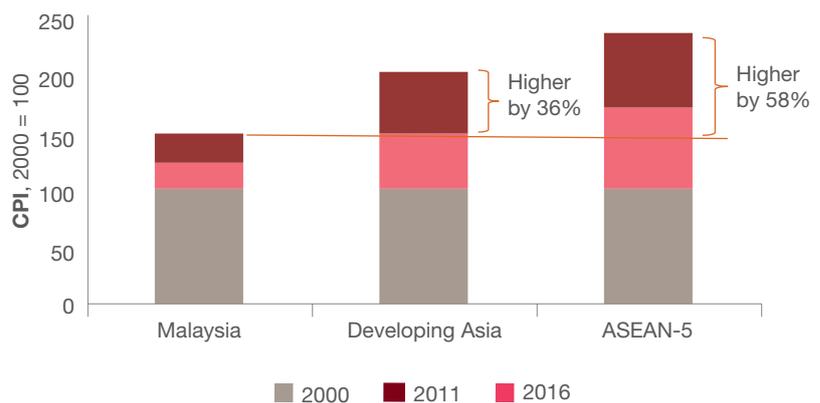
### Lower price inflation.

Malaysia offers lower cost increases compared to its neighbours in the region.

- Historically, price inflation in Malaysia has been consistently lower compared to the average for developing Asian countries.
- The 2016 projection for price inflation shows that the average inflation rate for developing Asian economies will be higher than Malaysia by 36%.

### Lower inflation in Malaysia compared to other developing Asian countries

#### Price inflation



Source: Bank Negara Malaysia (BNM) and IMF

## 2. A well-known business services centre

### Expanding its role as a command centre

Greater KL's capabilities extend beyond just housing regional establishments. Here's where Greater KL plays an extended role:

#### Management

- **Global services hub.** Greater KL is already a well-known and established location for business process outsourcing (BPO). The A.T. Kearney Global Services Location Index (2014) ranks Malaysia the world's **3rd best global services location**.
- **Research and development hub.** Greater KL is also actively engaged in product development activities, and serves as a centre of excellence hub.
- **Greater KL complements existing command centres.** Singapore is widely recognised as a business hub, in SEA and globally.

However, it is reasonable to expect that in the longer term, Singapore may not meet the growing demands of the whole region. So, Greater KL can complement Singapore, and be a co-hub due to its proximity to Singapore and greater availability of resources such as land and manpower.

#### Finance

- **Ideal shared services centre location.** Greater KL can serve as a location for shared services centres to coordinate investments, finance, marketing, logistics, procurement and IT functions.

#### Trading

- **Commodity trading base.** Greater KL has great potential to be a destination of choice for international commodity traders. Trading companies can take advantage of Malaysia's Global Incentives for Trading (GIFT) programme to set up trading operations based in Greater KL for the following commodities:
  - Petroleum and petroleum-related products
  - Non-petroleum products, e.g. metals, minerals and agriculture products

**Malaysia has been ranked 3rd in the world as a global services location for eleven years in a row since 2004**

#### A.T. Kearney Global Services Location Index, 2014

Rank	Country
1	India
2	China
<b>3</b>	<b>Malaysia</b>
4	Mexico
5	Indonesia
6	Thailand
7	Philippines
8	Brazil
9	Bulgaria
10	Egypt

Source: A.T. Kearney, 'Global Services Location', 2014

## Greater Kuala Lumpur as a command centre

*“Hess is passionate about developing its people, or growing our own timber as we call it, and Greater Kuala Lumpur offers the perfect environment for that. Apart from the opportunity to be involved in several exciting projects across the region, most expatriate employees also like Kuala Lumpur because it offers them the same lifestyle that they are used to back home.”*

Joe Ritchie, Director of Finance Southeast Asia, Hess Oil and Gas

### Hess: A leading global energy partner

US-based Hess Corporation is a Fortune 500 company with offices in over 20 countries across six continents. Hess has had a presence in Malaysia for over a decade in the upstream segment, through its partnership with Petroliaam Nasional Berhad (PETRONAS). Its joint venture with PETRONAS Carigali, namely Carigali Hess, operates a natural gas production block within the Malaysia-Thailand Joint Development Area in the Gulf of Thailand. PETRONAS also recently awarded Hess a Production Sharing Contract for the development of the North Malay Basin, off Peninsular Malaysia.

In addition to its headquarters in New York City, the company has its regional headquarters in Houston, Woodbridge, London and Greater KL. Hess Oil and Gas Sdn Bhd in Greater KL is the SEA headquarters for Hess Corporation. The Regional Headquarters (RHQ) in Greater KL is involved in project planning, technical evaluation and portfolio management for the SEA region. Hess' choice of Greater KL as its SEA regional headquarters reflects Malaysia's political stability and easy access to other parts of the SEA region.

Most importantly, the ability to pull in global talent is a critical factor for the company's regional operations. Key management positions in its RHQ are being filled with talent from abroad across different specialisations. As a leading global energy company, Hess has well-established training programmes to equip its employees with the optimum industry skills. Together with practical experience, the training programme is able to produce more talent for the oil and gas industry. Going forward, the Greater KL RHQ will be a net exporter of talent to the corporation.

Joe Ritchie, the Director of Finance for SEA echoed the importance of global talent mobility in Hess' operations. As a regional hub, he also noted that Greater KL has good airline connectivity and communications infrastructure. The city also offers quality living supported by a combination of factors, such as low cost of living, exciting after-work activities, and availability of international schools.



### Entry point and easy access to five regional growth corridors in Malaysia

The Government has identified five economic growth corridors within Malaysia to leverage on the competitive advantage of different states and develop high impact industry clusters in these areas.

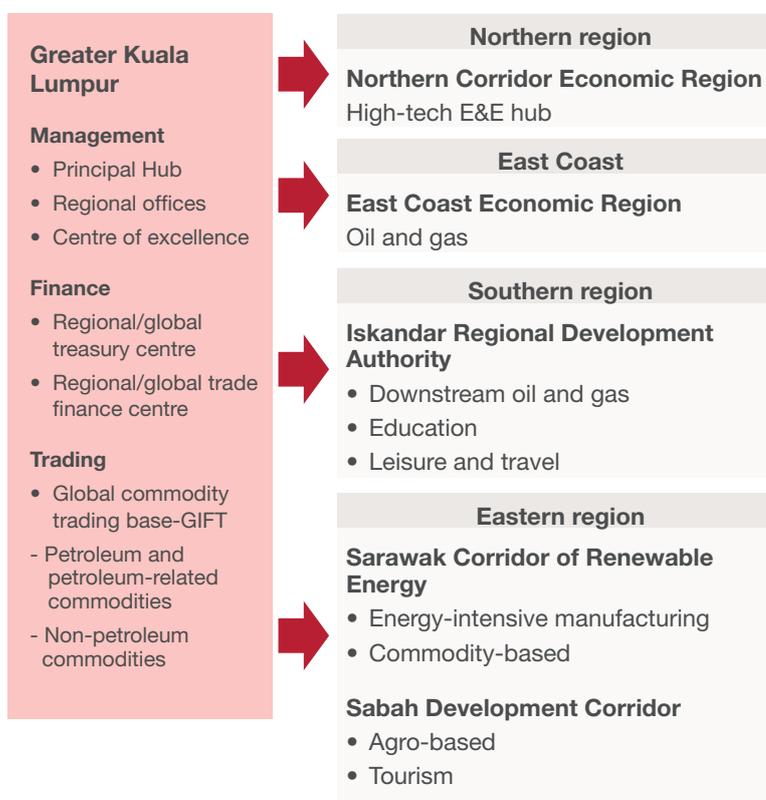
Greater KL is central and well-connected to these economic growth corridors, making it attractive to investors for these key reasons:

- **Easy access to growth corridors.** Investors can access the niche industries, vast resources and supply chain in Malaysia’s five domestic growth corridors from Greater KL via excellent land and air connectivity.

For example, the corridors within Peninsula Malaysia can be reached by the North-South Expressway and East Coast Expressway, while the corridors in East Malaysia can be reached via affordable air travel.

- **Ideal location for services HQ.** As Malaysia’s commercial and financial centre, Greater KL is a viable location to set up HQs for operation services in the economic growth corridors.

### Access to the country's growth corridors from Greater Kuala Lumpur, Malaysia's corporate and financial sector hub



### 3. Your base to a US\$2.5 trillion Southeast Asian market

#### A gateway to tap on Southeast Asia’s growth and create shareholder value

Greater KL provides access to huge markets while taking advantage of Asia’s rise – a growing population and increasing middle-income households.

Here’s how Greater KL is expected to further propel growth and development in the region:

- **Growing population.** The SEA region has a large population of approximately 600 million, which is double the population of the US.
- **Rising consumption of imported goods and services.** This is fuelled by growing middle-income households, which in turn, will benefit export-oriented sectors and industries.
- **Young talent at competitive rates.** Malaysia’s young, educated and productive workforce is cost competitive compared to other Asian economies.
- **Well connected to the region via air and sea.** Within SEA, Greater KL is connected to many regional destinations. It is strategically located in the heart of Asia, and only takes an average of a six to eight-hour flight to the region’s key business centres including Hong Kong, Seoul, Sydney, Shanghai, Taipei, and Tokyo.

Greater KL also has access to major ports in the region via Port Klang located along the Straits of Malacca, a strategic sea route in Asia, with more than 60,000 vessels passing through each year.

#### Greater KL gives investors opportunities to tap on Southeast Asia’s growing income level that has increased more than four times since 1990

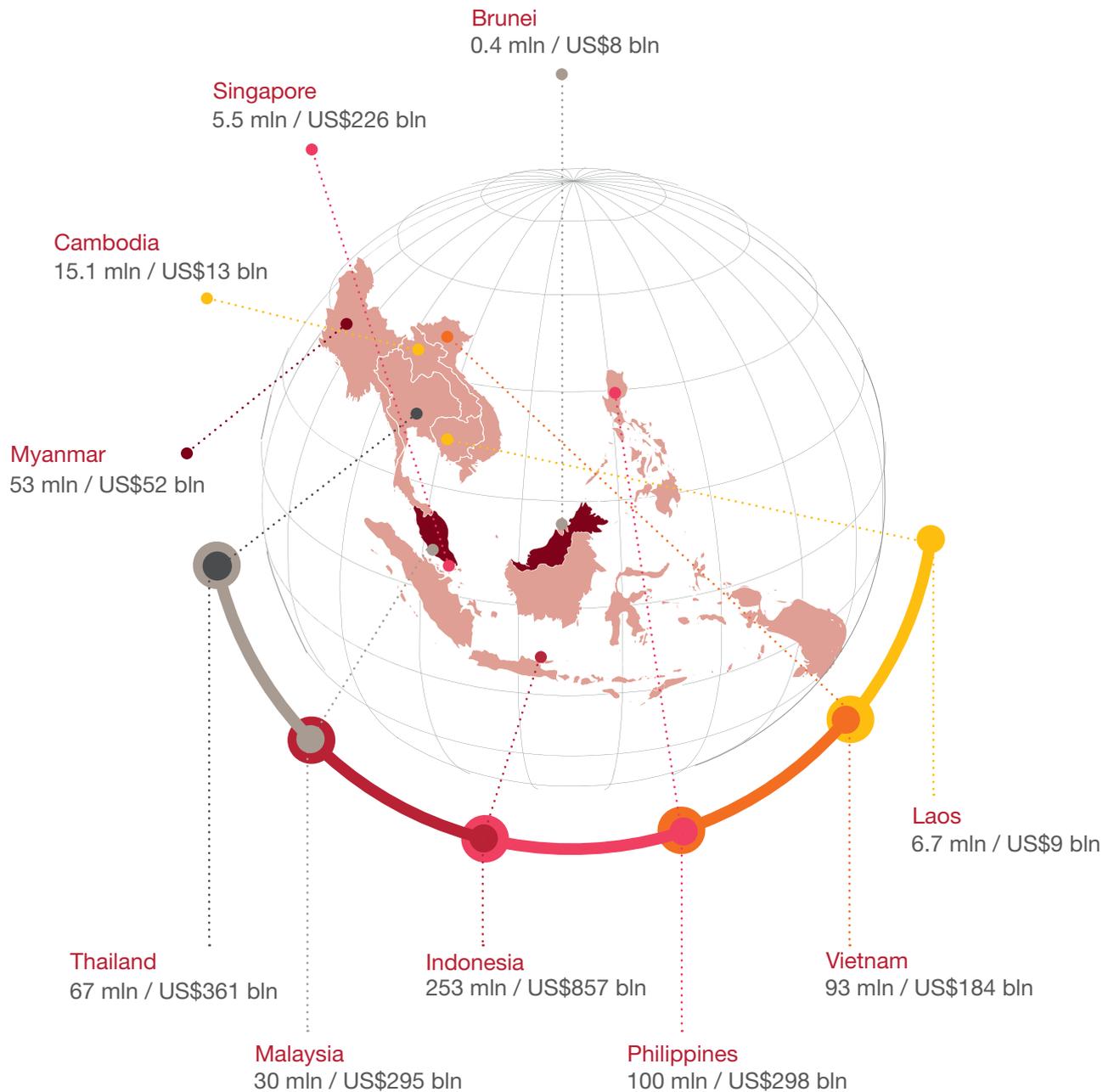
Southeast Asian population and national income

Indicators	1990	2000	2010	2014
Total population (million people)	397	519	600	620
GDP at current prices (US\$ billion)	343	609	1,800	2,469
GDP per capita at current prices (US\$)	863	1,172	3,000	3,982

Source: IMF, 'World Economic Outlook', October 2014

Greater KL is at the centre of a high growth Southeast Asia market with potential to cater to 600 million people and a US\$2.5 trillion economy. This is where you can tap on growth to create shareholder value

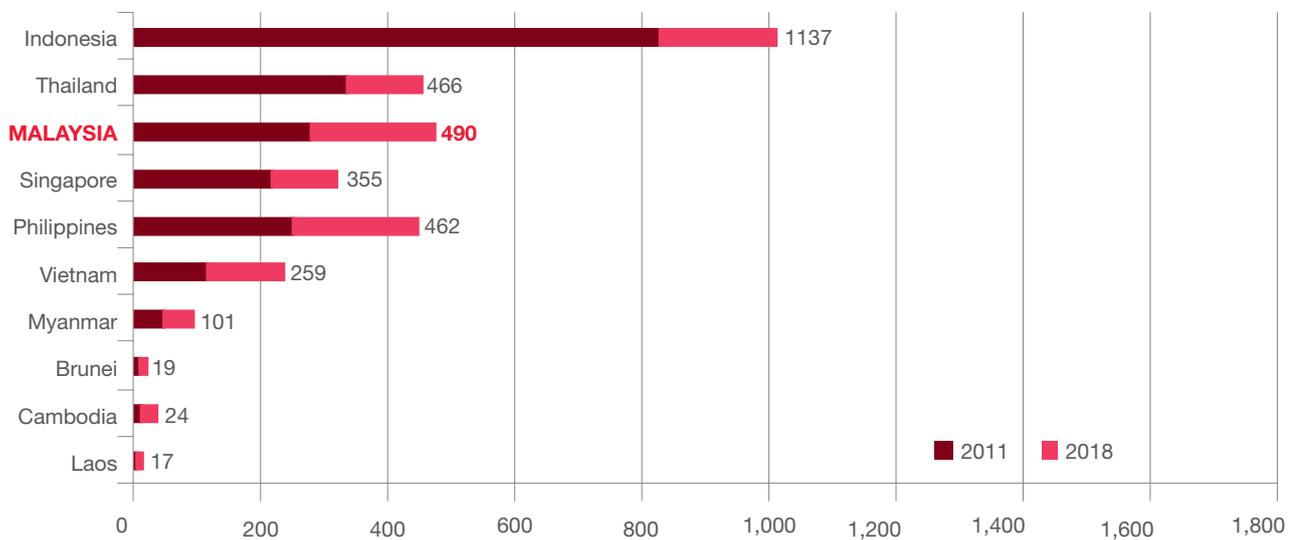
Size of Southeast Asia countries' population and domestic demand, 2014



Source: EIU ViewsWire 2014  
 \*All figures are estimates



### Nominal GDP (US\$ bln) of Southeast Asia countries



Source: IMF 'World Economic Outlook', October 2014\*

\*All figures are estimates

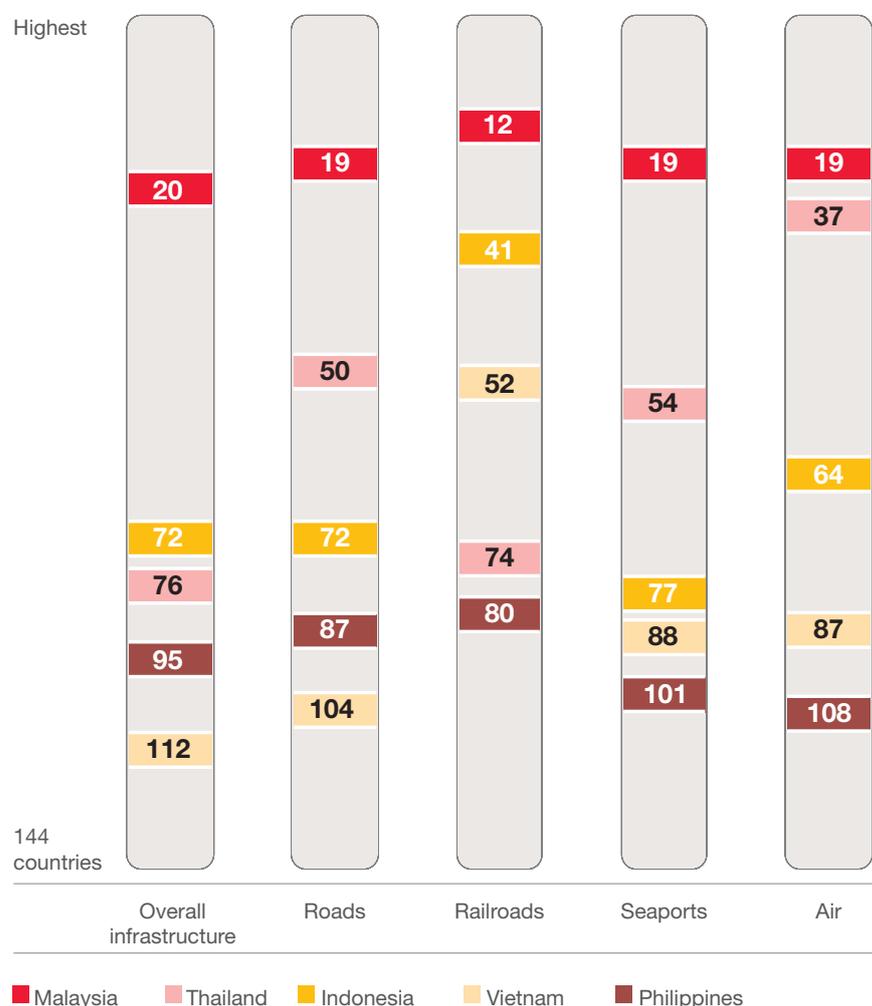
### High degree of trade openness supported by a strong trade infrastructure

How Greater KL has an edge over other countries' capital cities:

- **Geographically located between the Middle East and the rest of Asia.** Malaysia is strategically located, close to regional resources and supply chains.
- **Close bilateral relations with regional neighbours.** As Malaysia's business centre, Greater KL can leverage on the resource-rich economies of Indonesia, Thailand and Vietnam.
- **Proximity to services-based markets.** For example, Singapore's technology hub and financial services and Hong Kong's financial services.
- **Strong trade infrastructure to widen market reach.** Greater KL has good infrastructure such as transportation, communication, and financial services, which facilitates trade. Malaysia scores commendably in the WEF Global Competitiveness Ranking for quality of transport infrastructure (roads, railroads, seaports, and air).

### Malaysia has a well-developed infrastructure compared to the other ASEAN-5 countries

#### Quality of infrastructure indicators (Rank)



Source: WEF, 'Global Competitiveness Report 2014- 2015'

*Other indicators of Malaysia's strong infrastructure among the ASEAN-5 countries:*

- No.1 in the IMD World Competitiveness Yearbook 2014 for infrastructure performance in Southeast Asia.
- Ranks 25th out of 138 countries in the WEF Global Enabling Trade Report 2014. This places Malaysia among the top 20% of global trade enabled economies. Of significance, Malaysia is first in terms of availability and quality of transport infrastructure.

## Free trade agreements (FTAs) help you move goods easily and in a cost-efficient way

Investors can benefit from Malaysia's existing trade agreements and gain a competitive edge in doing business:

- **ASEAN Free Trade Area (AFTA)**, and other regional and international trade treaties such as the Malaysia-Australia Free Trade Agreement
- **Established FTAs** with advanced economies such as Japan, New Zealand and Australia, as well as developing economies such as Pakistan, India and Chile

According to the United States International Trade Commission (USITC), there is a significant rise in total exports and imports in SEA, which is largely driven by the ASEAN-5 economies that have impressive growth rates.

Further efforts to liberalise trade of goods, services, and investment, will remove barriers to doing business leading to increased competitiveness.

Apart from FTA's, Malaysia is a strong trade facilitation performer, with strengths in these key areas:

- **Low cost of moving goods across borders.** This means Malaysia will not be significantly affected by the imposed tariff cuts
- **Strong infrastructure**
- **Lesser irregular payments for import/export licenses**

## Relaxed trade barriers via FTAs provide opportunities to increase competitiveness for firms in Malaysia

### Existing FTAs

- Japan
- New Zealand
- Australia
- China
- Korea
- Pakistan
- India
- Chile
- Turkey

### Under negotiation

- European Union (EU)
- Trans – Pacific Partnership Agreement
- Trade Preferential System (Organisation of Islamic Conference)
- Developing Eight Preferential Tariff Agreement (PTA-D8)\*

\*PTA-D8 includes: Bangladesh, Egypt, Indonesia, Iran, Malaysia, Nigeria, Pakistan and Turkey

Source: Ministry of International Trade and Industry of Malaysia (MITI), 2015

## Moving towards an ASEAN Economic Community (AEC) 2015

SEA is a strategic location for setting up your supply chain, and is actively working to create a single market and production base – the ASEAN Economic Community (AEC) by 2015. With the establishment of AEC, we expect ASEAN will be able to compete with other economically dynamic regions.

AEC will be supported by a free flow of goods, services, investment and capital, and equitable economic development through reduced poverty and socio-economic disparities.

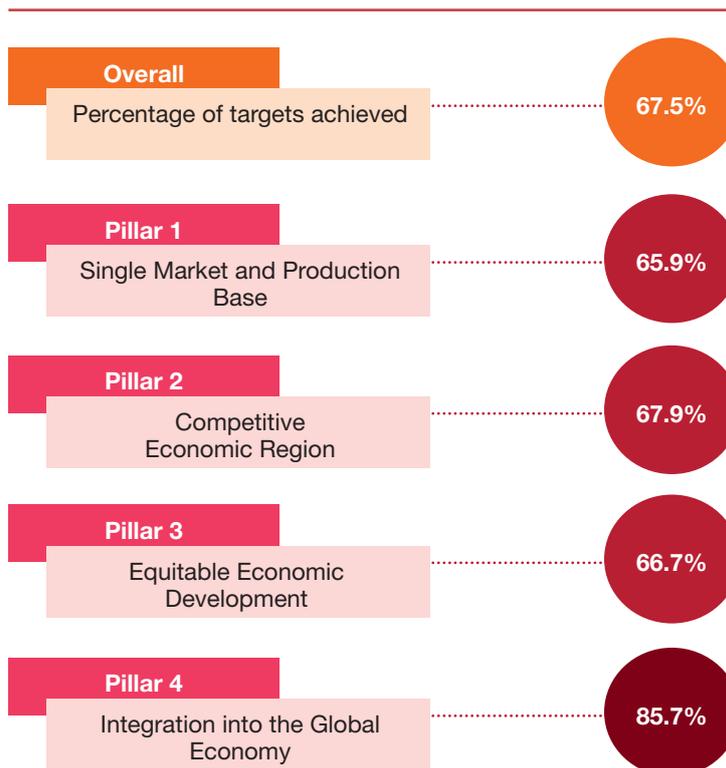
WTO research estimates that the gains from trade facilitation reform have a more significant impact on tariff cuts in ASEAN.

- As a comparison, reducing applied tariffs to the regional average could increase intra-regional trade by about 2% (US\$6.3 billion)
- However, improving port facilities and competitiveness in the internet services sector would boost trade by 7.5% (US\$22 billion) and 5.7% (US\$17 billion) respectively.

## Where are we now?

To monitor the integration of the region, an AEC Scorecard was issued in 2012. A key takeaway is that 67.5% of targets were achieved under Phase I (2008-2009) and Phase II (2010-2011).

### Targets were achieved under Phase I (2008-2009) and Phase II (2010-2011)

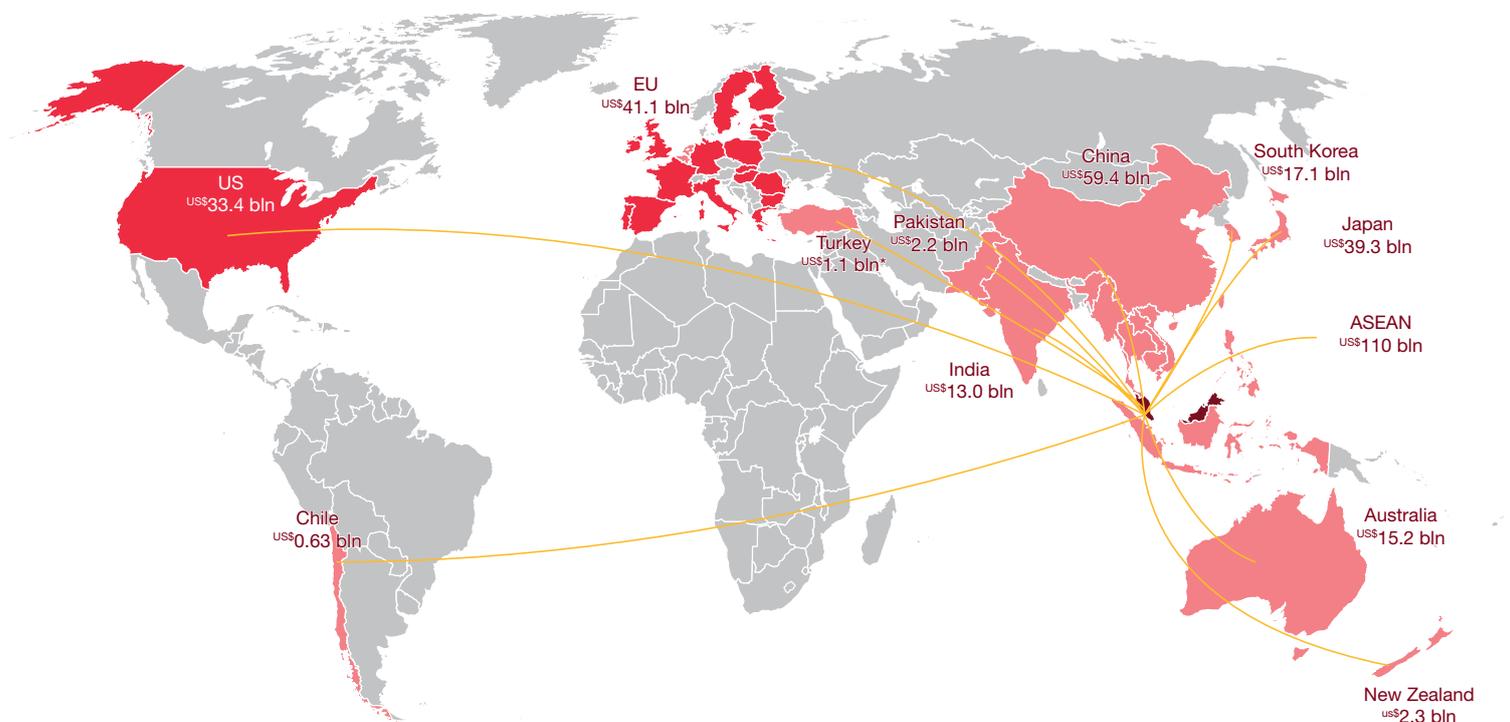


Source: ASEAN Economic Community Scorecard, 2012

## Greater KL: Greater regional integration with ASEAN centrality

### Malaysia's FTAs and trade with FTA countries

Through FTAs, Malaysia is a gateway to a market of more than 4.6 billion people. Trade with FTA countries totaled US\$335 billion in 2014.



Light red: Countries with FTA

Dark red: Countries with ongoing FTA negotiations

- Malaysia EU FTA negotiation under Malaysia-European Union Free Trade Agreement
- Malaysia US FTA negotiation under Trans-Pacific Partnership Agreement (TPP)

\* 2013 trade figures

Source: MITI, 2014; BNM Monthly Statistical bulletin, Jan 2015; World bank 2014

## 4. Principal hub incentives

### Benefits

The Principal Hub incentive announced by the Ministry of International Trade and Industry (MITI) in April 2015 is divided into a three-tiered tax rate ranging from 10% to zero percent. It is up to a period of five years and can be extended for a further five years.

The incentive requires no local equity ownership and regional companies will also get to enjoy cost savings from customs duty exemption, streamlining of supply chains and centralisation of operations.

### Principal Hub incentive benefits and criteria

Please refer to page 74 for further details.

#### Principal Hub incentive criteria



##### Regional presence

No. of countries served: Min 3 (excluding Malaysia)



##### Qualifying services

No. of services provided: Min 3\*



##### Financials

- Turnover: Min RM300m
- Annual spending: Min RM3m
- Paid up capital: Above RM2.5m



##### High value jobs

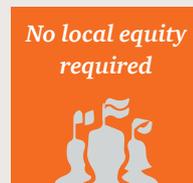
- No. of high value jobs: Min 15
- No. of key management: Min 3

\* Types of qualifying services :

- Strategic services (at least 1)
- Business services
- Shared services

Please refer to the next page for details

#### Principal Hub benefits



Customs duty exemption

Improvement in cash flow, treasury management

Streamlining of supply chains

Centralisation of operations

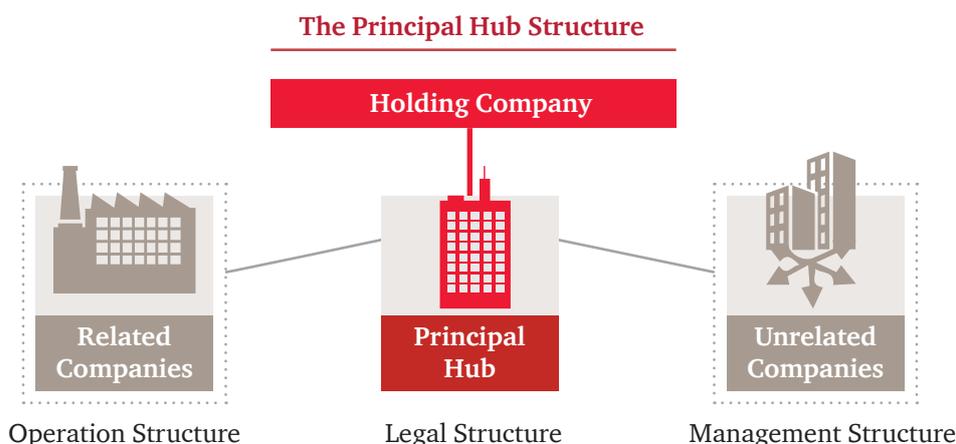
## How it works

Under Section 127(3)(b) of the Income Tax Act of 1967, MIDA is granting investment incentives to MNCs and local corporations that establish Principal Hubs in Malaysia.

By definition, the Principal Hub is a locally incorporated company that uses Malaysia as a base for its regional and global businesses and operations to manage, control, and support its key functions. These include management of risks, decision making and strategic business activities such as trading, finance, management and human resource.

The regional Principal Hub is structured such that MNCs can be closer to customers and supply chains to improve operational efficiency, and to promote product/service quality and speed to market at a lower cost.

The Principal Hub structure also enables MNCs to better share resources and experiences among group companies, thus allowing better integration and harmonisation within the group structure to promote consistent products and service standards to their markets.



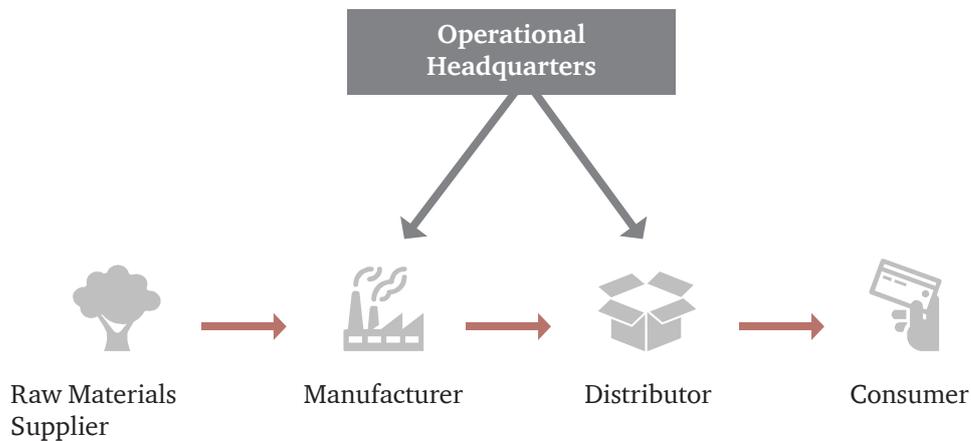
Strategic Services	Business Services		Shared Services
<ul style="list-style-type: none"> <li>Regional P&amp;L/ Business Unit Management</li> <li>Strategic Business Planning &amp; Corporate Development</li> <li>Brand/IP Management</li> <li>Corporate Finance Advisory Services</li> <li>Senior-level/ Talent Acquisition Management</li> </ul>	<ul style="list-style-type: none"> <li>Bid &amp; Tender Management</li> <li>Project Management</li> <li>Technical Support &amp; Advisory</li> <li>Strategic Sourcing, Procurement &amp; Distribution</li> <li>Research, Development &amp; Innovation</li> <li>Logistic Services</li> </ul>	<ul style="list-style-type: none"> <li>Treasury &amp; Fund Management</li> <li>Sales &amp; Marketing</li> <li>Business Development</li> <li>Information Management &amp; Processing</li> <li>Economic/ Investment Research Analysis</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Training &amp; HR Management</li> <li>Finance &amp; Accounting</li> <li>General Administration</li> <li>IT Services</li> </ul>

Source: InvestKL, Principal Hub incentive: Guidelines and criteria, 2015

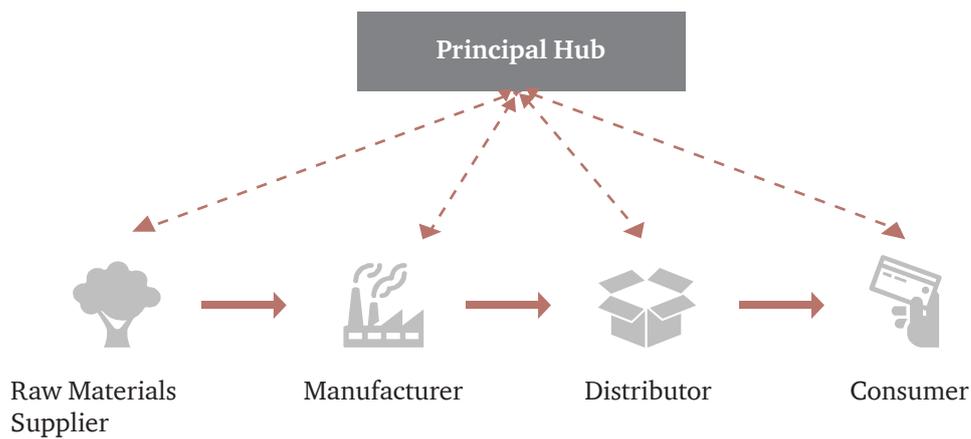
This diagram depicts the inefficiencies of traditional business models that have evolved over the years to more centralised and efficient business models that focus on minimising risks and costs while increasing profitability from a supply chain and operational efficiency perspective.

**Comparison between the traditional model vs the Principal Hub model**

**Traditional Model**



**Principal Hub Model**



LEGEND	
	Flow of Goods
	Management Services
	Transaction/Trade

Source: InvestKL, Principal Hub incentive: Guidelines and criteria, 2015

# Greater Kuala Lumpur, Malaysia

– an established regional hub



## Worldline Malaysia's Principal Hub experience

Global player and European leader in business payments and transactional services

### *What made Malaysia an attractive destination for setting up the principal hub for your organisation?*

Worldline chose Malaysia as a principal hub as it is strategically located in the heart of Southeast Asia. Amongst other factors, Malaysia offers a cost-competitive location for expansion to regional and international markets, with a dynamic and vibrant business environment, ideal for growth.

Malaysia's key strengths include its well-developed infrastructure, political stability, a productive and skilled workforce and a well developed legal system.

Another compelling reason making Malaysia a good fit for Worldline's regional expansion is its reputation as one of the most technologically developed industrialised nations in ASEAN.

In addition, its telecommunications network served by digital and fibre optic technology and its five international airports make Malaysia an ideal springboard into the Asia-Pacific market.

Among the leading cities in Malaysia, our choice of locating to Greater Kuala Lumpur was due to the fact

that it is a major financial, economic and education centre for the South East Asian region, boasting a multilingual workforce that speaks two to three languages, including English. While other parts of Asia such as Hong Kong and Singapore offer similar standards of living, the cost of living in these countries is much higher than Malaysia. This greatly impacts Worldline's cost of acquiring talent.

***“This interview was repurposed courtesy of InvestKL”***

### ***What are the key changes from your previous structure to your current structure?***

Our experience transforming into a principal hub has been both interesting and challenging from different aspects. One example is the transfer of the marketing department team to Malaysia. The move was critical in order to have a concerted effort in its strategy and execution. Previously strategy and execution was worked on by various teams in different locations. The new environment is more challenging due to the diverse group of cultures and perspectives from the different marketplace but it is more strategic and cost-effective.

Another key challenge that we face is that while talent is readily available, finding the right fit of people for the right positions that are geared towards regional development has become difficult. An example would be the search for regional roles within operations and sales. The challenge here comes from the competition for talent in the region.

### ***What are the key benefits in converting your Malaysian operations into a principal hub?***

One of the key benefits is the knowledge and the diverse experience of the teams from both developed and emerging markets. The sharing of knowledge serves to assist the team in the transfer of knowledge and technology that then enables us to create products that are more competitive and cutting edge.

As a hub there is an overview of the ongoing planning, strategy and execution as well as resourcing capabilities that makes the organisation more cost-effective, increases efficiency and heightens productivity as well as the movement of resources across the region.

### ***What are the services provided by the principal hub to its related parties?***

The key management team for Asia Pacific is located in Malaysia. Services provided include management of human resources, sales, marketing and operations such as risk and quality management etc. For Worldline, one of the key strengths of Malaysia as a hub is that it is our innovation centre for Asia Pacific.



***How many countries does the principal hub services currently?***

Generally the hub is to benefit the global marketplace that Worldline operates in, however at present the hub serves most of the ASEAN countries as well as Greater China.

***Which countries do you plan to expand the principal hub operations to in the next five years?***

Part of the plan is to expand to the neighbouring emerging economies such as Sri Lanka and Bangladesh, as well as the upcoming ASEAN countries such as Myanmar and Cambodia.

***What is the role of the principal hub in managing the risk of your organisation's value chain? For example, does it take on a role in supply chain management, hedging, pricing negotiations, etc.?***

The overall aspect of management and control for software licensing, strategic planning and management of sales and marketing activities, operational and quality control as well as human resource management are performed by the Asia Pacific management team in Malaysia.

One of the other roles of the hub is to have the core risk management team based in Malaysia. Their duty is to assess risks of new and upcoming projects from a financial and legal perspective as well as delivery and resourcing availability. It also tracks, manages and reports on ongoing projects to ensure that delivery is not at risk and is within budget.

***What do you hope to achieve within the next 10 years through the establishment of the principal hub?***

Our vision is to have Malaysia recognised as the Centre of Excellence, bridging European technology advancements with Asian creativity to create innovations that will benefit our clients regionally and globally. The other vision for this principal hub is to be a platform that enable the consolidation of our position as a leading player in this region and to continue our ongoing expansion to ASEAN countries and other regions.

## 5. A pro-business government committed to reforms

---

### Economic Transformation Programme (ETP)

The ETP is a comprehensive effort to transform Malaysia into a high income nation by 2020, by boosting both private consumption and investments.

Through collaborations between the public and private sector, the ETP aims to create a vibrant and competitive business environment for investors, focusing on two broad areas:

- 12 National Key Economic Areas (NKEAs) and
- Six Strategic Reform Initiatives (SRIs)

The 12 NKEAs represent economic sectors that will drive the highest possible growth and will receive prioritised government support.

The six SRIs, complement the 12 NKEAs, improving the country's competitiveness in areas such as ease of doing business, talent development and improving public service delivery.

### Greater Kuala Lumpur - Malaysia's growth driver

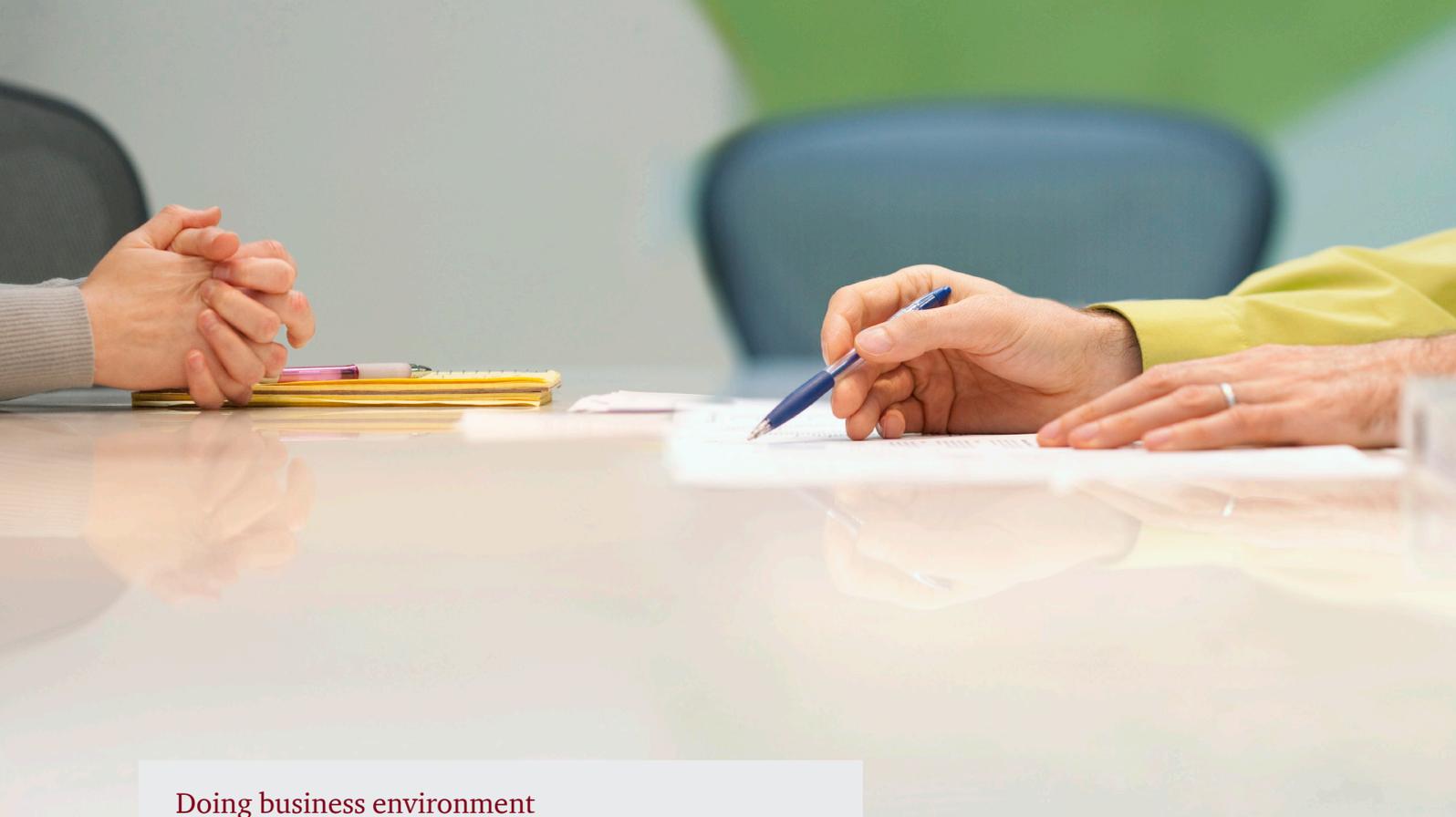
Greater KL is already a significant contributor to the Malaysian economy, accounting for 30% of the country's Gross National Income (GNI) and 20% of the population in 2010.

The government recognises that the city and its greater metropolitan area (Greater KL) has a critical role in shaping and driving the country's economy and has included it as one of the 12 NKEAs.

Among the aspirations set for Greater KL by the year 2020 by ETP are:

- Grow income (i.e. GNI) by 2.5 times to US\$210 billion
- Top 20 most liveable city in EIU's Global Liveability Index
- Population of 10 million people (from 6 million in 2010)

As part of Greater KL development plans, more than US\$18 billion is to be invested over the next 10 years to improve quality of living, transportation and other public amenities.



## Doing business environment

The government is committed to enhancing the business environment further, through the implementation of SRIs under the ETP. The areas of improvement identified are:

- Timeliness

The government has shortened the time to set up companies from a month to around a week or shorter. It is also providing more clarity on investment guidelines to help speed up the licencing and investment process. Currently, it takes around four weeks to obtain licences and six weeks to three months<sup>1</sup> for the government to evaluate investment incentive applications.

- Talent

The government has set up Talent Corporation in 2011 to address talent gaps. Among the initiatives undertaken are:

- Attracting Malaysians studying and working abroad to return home
- Engaging industry players on industry talent development programmes
- Working with the government on tax incentives
- Reaching out to graduates through career fairs and school-to-work training programmes.

<sup>1</sup> Malaysian Investment Development Authority (MIDA) is the principle government agency to grant tax incentives. MIDA is committed to complete the evaluation of applications within the stipulated time from the date complete information is received.



### Improvements in paying taxes

In World Bank's Doing Business 2015 report, Malaysia moved up 4 rankings in paying taxes to **32nd position** out of 189 countries, ahead of economies such as Taiwan and Australia.

The improvement in ranking is attributed to reduction in total tax rate and number of tax payments.

### Increasing integrity within the corporate sector

Malaysia continues to maintain its investor friendly position with continuous efforts to uphold the principles of good governance and integrity.

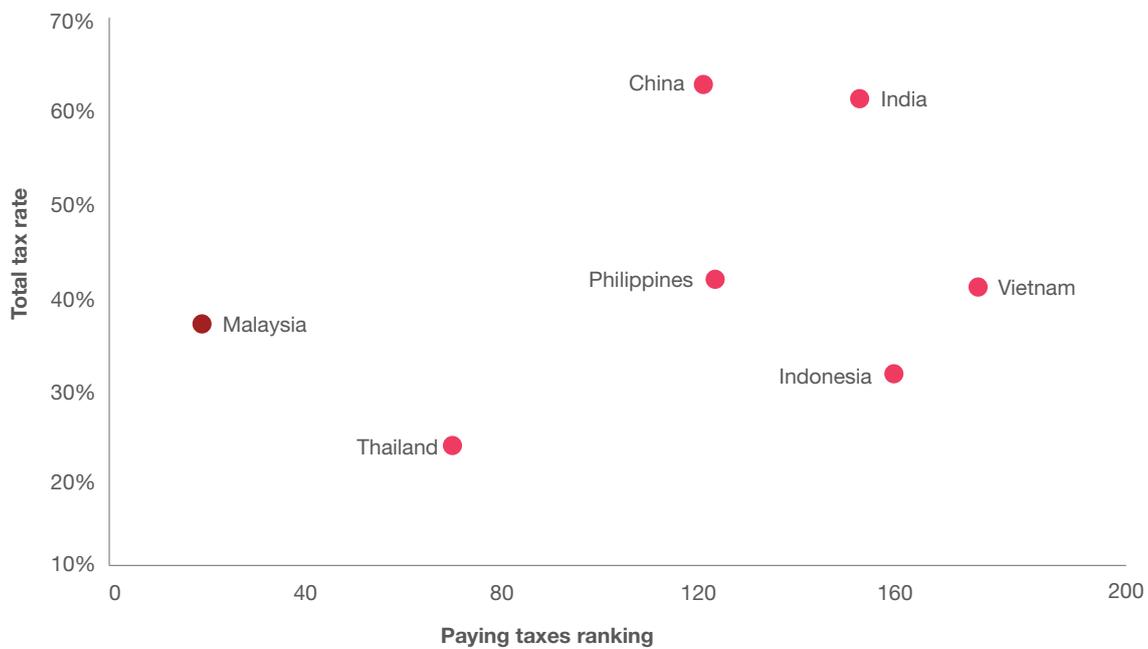
Malaysia ranks highly on a few fronts:

- **Ranked 2nd** in Transparency International's Corruption Perception Index 2014 amongst SEA countries, where corruption is perceived to be the lowest.
- **Ranked 4th** in Asian Corporate Governance Association's CG Watch Market Scores 2012. The trend observed is that there are signs of a culture of openness.



### Malaysia has a low tax burden and is ranked highly for ease of paying taxes

#### Total tax rate and paying taxes ranking



Source: PwC-IFC-World Bank 'Paying Taxes', 2015

# Sectors of opportunity

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Highway along KL city at night



# 5

# Oil & gas

## Greater Kuala Lumpur is now a World Energy City

The oil and gas sector (O&G) continues to be an important driver of Malaysia's development which contributes approximately 20% of the country's gross domestic product. Malaysia produces about 588,000 barrels of crude oil a day in 2014 and is the second largest oil producer in SEA after Indonesia.

Under ETP, Malaysia has set out to develop its technical capabilities and position itself as the regional hub for O&G services. This effort bore fruit when in September 2014, Greater KL became the first SEA city to be recognised as a World Energy City by the World Energy Cities Partnership (WECP)<sup>1</sup>.

This recognition put Greater KL on the global map, alongside other renowned energy cities such as Stavanger, Aberdeen, Houston and Perth. Through this partnership, Greater KL is now able to contribute effectively to WECP's worldwide network in terms of sharing of best practices, energy policies and business development activities.

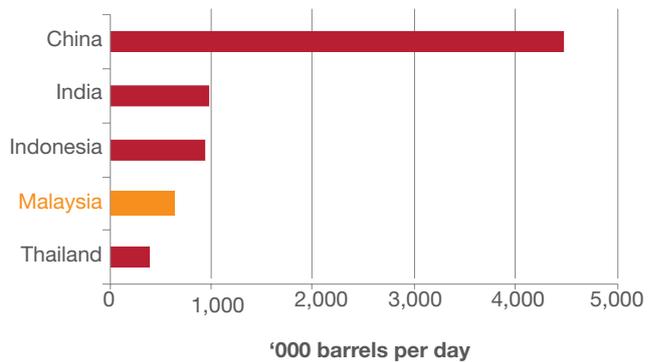
### Location of World Energy Cities



### Malaysia O&G investments to continue rising

Despite lower oil prices, Petronas (the national oil company) is still expected to spend US\$20 bln on capital expenditure in 2015-2016

### Top 5 oil producing countries in Asia (2013)



Source: Energy Information Administration International Energy Statistics

### O&G development and investment opportunities (2011-2020)



<sup>1</sup> WECP is an organisation of the world's leading energy cities which are globally recognised as international energy capitals.

<sup>2</sup> Issuing of Risk Sharing Contracts (RSC) for Marginal Field Development will be on hold until oil prices stabilise at US\$80.

# Electrical and electronics

## Up-scaling and moving-up the value chain

Electrical and electronics (E&E) is a major growth pillar in Malaysia's industrial programme, the government aims to up-scale and capture higher value-added activities in design and manufacturing.

In 2014, the sector accounted for 37% of Malaysia's manufactured exports, totaling US\$81.7 billion. There are currently 1,900 active E&E companies, out of which more than 70 are MNCs. These MNCs include Panasonic, Intel, Agilent, Motorola, Texas Instruments and Advanced Micro Devices.

## Malaysia's global E&E position

### Semiconductors

- 5% share of global output, valued at US\$35 billion.
- Strong presence in semiconductor assembly, packaging and testing.

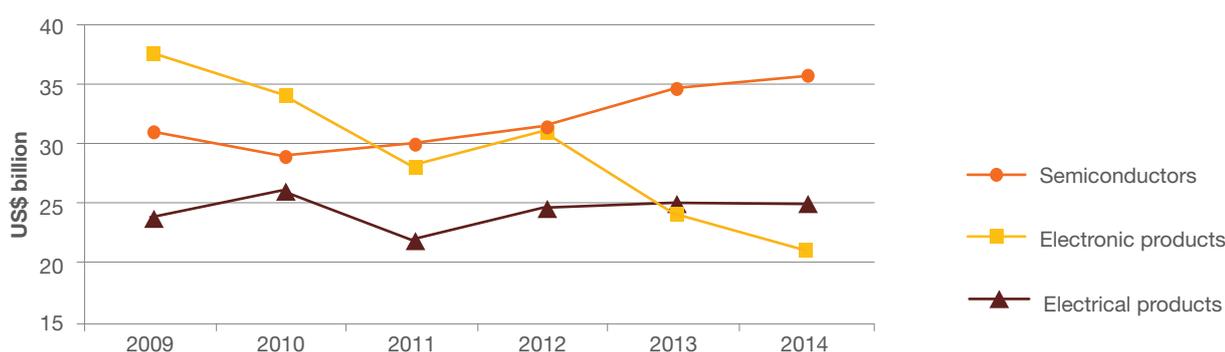
### Light emitting diode (LED)

- Exports around 10% of the global LED market, specifically in solid state lighting (SSL).

### Solar

- 3rd largest solar module manufacturer in the world, after China and Germany.

## Exports of Malaysia's E&E products (2009 to 2014)



## Targeted areas for development and up-scaling

### Semiconductors

- Fabrication, using mature technology
- Assembly & testing using advanced packaging
- Integrated circuit design
- Substrate & silicon production



### LED

- SSL, front-end (higher value-add) parts
- LED packaging & equipment



### Solar

- Solar module manufacturing
- Solar wafer & cell manufacturing
- Silicon production



### Industrial electronics

- Test & measurement hub
- Wireless communication & Radio Frequency Identification (RFID)
- Automation equipment
- Transmission & distribution



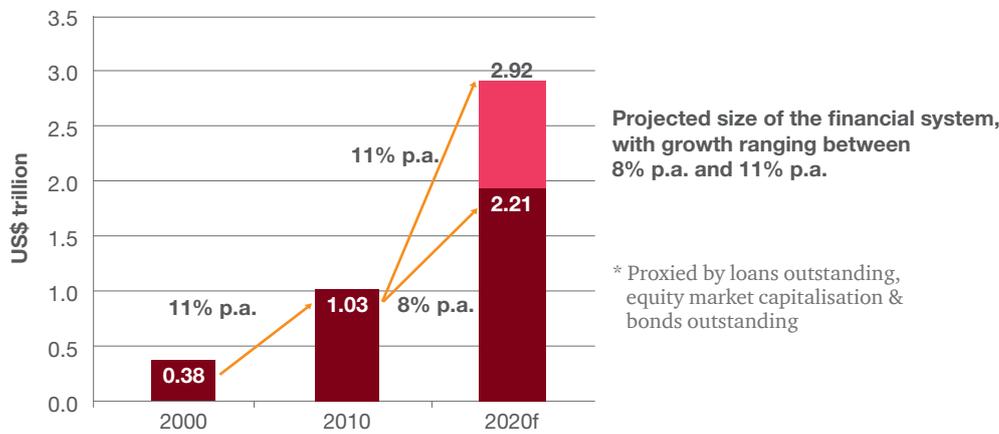
# Financial services

## Strong and stable, with attractive growth

Malaysia's financial services (FS) sector has remained resilient despite concerns over the global financial climate. The country's banking system grew strongly by 9.5% in 2014, with a total capital ratio of 15%.

From 2011 to 2020, the country's FS sector is forecasted to double in size or grow larger with assets amounting to US\$2 trillion and above, driven by a steady economic growth of 6% p.a. over the period.

### Size of Malaysia's financial system\*



Source: BNM, "Financial sector blueprint 2011 – 2020", 2011

f - forecast

### ASEAN - 5 countries credit risk rating

Country	Moody's	S&P
Malaysia	A3	A-
Thailand	Baa1	BBB+
Philippines	Baa2	BBB
Indonesia	Baa3	BB+
Vietnam	B1	BB-

Source: Bloomberg, 2014

## FS growth opportunities

### FS liberalisation

More flexibility for foreign FS players



### Capital market

Initiatives to revitalise the stock and bond markets



### FS outsourcing

Ideal location for financial shared services & treasury management



### Islamic finance

Move to strengthen Malaysia's position as an Islamic finance hub



### Insurance

Expansion of insurance services



### Fund

Growth in assets under management



# Healthcare

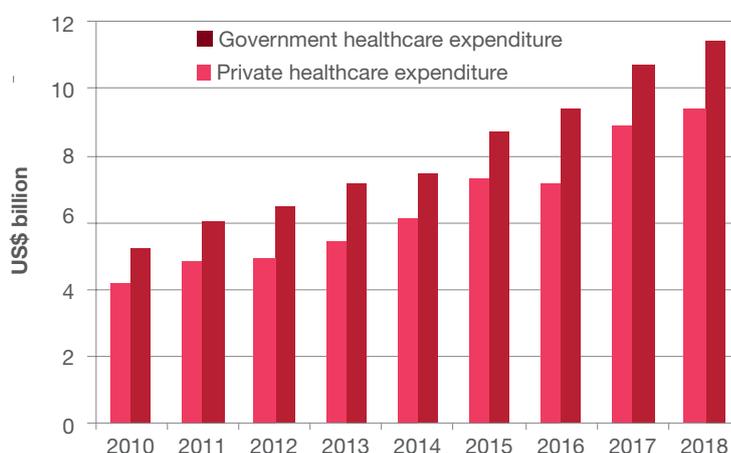
## High standards, set for growth

Malaysia has the highest standard of healthcare in SEA after Singapore, and is expected to grow from around US\$13.7 billion in 2014 to US\$21.40 billion by 2018 according to a study by Business Monitor International (BMI).

This significant growth is driven by:

- Rising affluence and an elderly population
- Increased awareness and demand for private healthcare
- Higher medical tourism spending

## Malaysia's healthcare expenditure



Source: BMI Malaysia Pharmaceutical and Healthcare report Q1, 2015

## Healthcare growth opportunities

### Medical devices

- In-vitro diagnostic (IVD) devices
- Single-use devices (SUDs) e.g. catheter and woundcare
- High value medical devices contract manufacturing
- Medical equipment supply chain orchestration
- Medical equipment refurbishment
- Medical furniture and hardware



### Health services

- Private hospitals
- Medical tourism
- Diagnostic services for telemedicine
- Health metropolis\*, wellness & healthcare centre

\* Healthcare and bioscience campus for the provision of education, research and healthcare services



### Pharmaceutical

- Generic drugs
- Clinical research



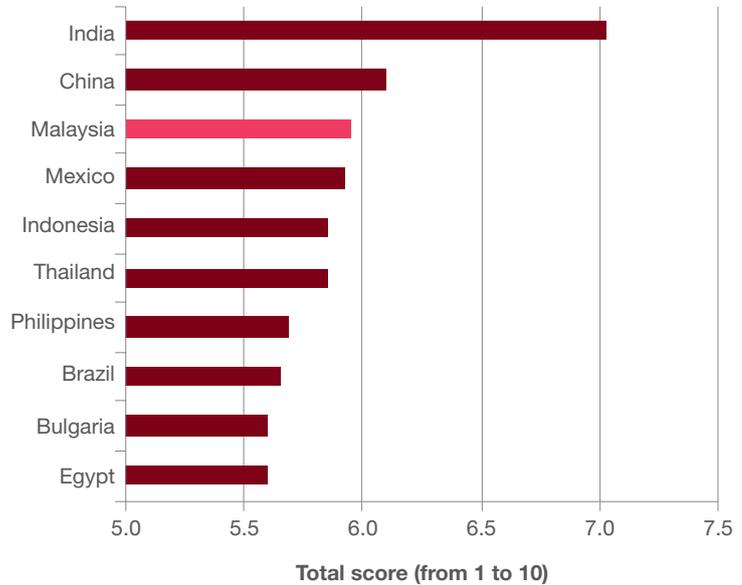
# Business services

## Top 3 global services location in the world

Malaysia is a preferred destination for many MNCs, and has been ranked 3rd in A.T. Kearney's Global Services Location Index from 2004 to 2014. To date, there are more than 5,000 foreign companies from more than 40 countries operating in Malaysia.

Malaysia also has a significant services sector. It is the largest contributor to the country's GDP with a 59% share in 2014 and grew on average above 6.2% p.a. over the last three years.

## A.T. Kearney's top 10 global services locations in 2014



Source: A.T. Kearney's Global Services Location Index 2014

## Business services growth opportunities

### Outsourcing

- IT outsourcing & data centre
- Business-process outsourcing (BPO)
- Knowledge-process outsourcing (KPO)
- Shared services



### Industry specific business services

- Aviation maintenance, repair and overhaul (MRO) services
- Green technology industry\*
- Engineering services
- Global Islamic Finance Knowledge Process Outsourcing (KPO) hub

\* Business services to support renewable energy, energy efficiency and green products.



### Regional

- Operational headquarters (OHQ)
- International procurement centres (IPC)
- Regional distribution centres (RDC)
- R&D and design activities
- Centre of excellence (COE)
- Global commodity trading centre - GIFT



**How PwC can help**



*PwC - Convenience of a broad range of professional services under one roof*

*Helping you coordinate and optimise time in dealing with various investment issues*

### Let's get started

You've seen what Malaysia has to offer. So how can you take advantage of the opportunities in Malaysia to advance your position in Asia and effectively set up a profitable centre here?

At PwC, we believe that no one size fits all. Each company is unique, from the industry it plays in and its business strategy, to its risk appetite and prior expertise and experience. Companies will, however, need to adapt their operations to suit a local environment, so they can perform more effectively.

The table below highlights two main investment phases and some typical questions companies will need to address when investing in Malaysia or in the region.

### Formulating and implementing your investment in Asia and Malaysia

<b>Formulate strategy &amp; decision</b>	Feasibility study	<ul style="list-style-type: none"> <li>• Can my Malaysia principal be my Asia principal?</li> <li>• Can I have two Asia hubs?</li> </ul>
	Operations and business fit	<ul style="list-style-type: none"> <li>• What kind of presence should I have in Asia?</li> <li>• What types of functions should I have in Malaysia?</li> </ul>
	Site location evaluation	<ul style="list-style-type: none"> <li>• Where do I locate my competency centre?</li> <li>• What are the opportunity costs?</li> </ul>
<b>Implementing (Making the investment)</b>	Entry strategy	<ul style="list-style-type: none"> <li>• What type of organisation structure should I use?</li> <li>• Do I set up a new business or buy an existing one?</li> </ul>
	Investment and licensing application	<ul style="list-style-type: none"> <li>• What government/regulatory approvals and documents do I need?</li> <li>• How long will it take to obtain relevant approvals?</li> </ul>
	Tax planning	<ul style="list-style-type: none"> <li>• How do I maximise tax efficiency for funding my investment?</li> </ul>

## Here's how we can help you:

- **Work with you to address practical investment questions** – we've got in-depth local investment and business knowledge to bring you up to speed with the Malaysian business environment.
- **Adapt to the Malaysian business environment** – having previously advised many foreign investors, we can share their experiences of adapting to work and living in Malaysia. This brings you a practical perspective of what to expect from the Malaysian business environment.
- **Make informed business decisions for a successful investment experience** – leveraging on our relationships built with regulators and government authorities, we'll bring the necessary expertise and resources to help you build a strong foundation for the investment choices that you will make.

## What we offer

PwC has played an integral part in the growth and progress of Malaysia since 1900. Today, we work with a variety of global companies, growing businesses, public sector entities and Malaysian companies, providing solutions to their complex business issues. We deliver industry-focused assurance, tax and advisory services, to help you succeed through both buoyant and challenging economic environments.

Whether you are looking to build, diversify or do something new with your business; we hope to engage you in a conversation so we can better understand your needs. We have more than 2,200 people committed to delivering quality and giving you access to commercial insights across our global network to help you make better business decisions.

## Get in touch



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# Government key contacts

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Seri Wawasan bridge in Putrajaya

## Government investment agencies' contacts

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### **Invest KL**

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InvestKL is mandated by the Malaysian Government to attract and facilitate large global multinationals to set up their regional operations in Greater KL/Klang Valley and strategically grow their business in Asia.

InvestKL can assist at any stage of your investment process, offering services such as formulating the most competitive fiscal packages and post investment services.

[www.investkl.gov.my](http://www.investkl.gov.my)

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### **MIDA**

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Malaysian Investment Development Authority (MIDA) is the government's principal agency for the promotion of the manufacturing and services sectors in Malaysia.

MIDA assists companies which intend to invest in the manufacturing and services sectors, as well as facilitates the implementation of their projects.

[www.mida.gov.my](http://www.mida.gov.my)

### **MDeC**

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Multimedia Development Corporation (MDeC) advises the Malaysian Government on legislation and policies, develop Multimedia Super Corridor (MSC)-specific practices, and set breakthrough standards for multimedia operations.

MDeC ensures that companies interested in entering MSC Malaysia have what they need to succeed.

[www.mdec.my](http://www.mdec.my)

## **MPRC**

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Malaysia Petroleum Resources Corporation (MPRC)'s role is to promote, catalyse and transform the oil and gas services sector. The objective is to position Malaysia to be the number one oil and gas hub in the Asia Pacific region by 2017.

To achieve this, MPRC is mandated to; recommend appropriate policies relating to the oil and gas sector by reviewing existing business regulations and tax incentives, collaborate and promote partnerships and joint ventures between local companies with global MNCs, research institutions and academia. Together the mandate will encourage the growth of regional/ operational headquarters in Malaysia as well as greater involvement in research and development activities, technology transfer and talent training and development.

[www.mprc.gov.my/](http://www.mprc.gov.my/)

## **TalentCorp**

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Talent Corporation Malaysia Berhad (TalentCorp) was established to formulate and facilitate initiatives to address the availability of talent in line with the needs of the country's economic transformation. Collaborating closely with relevant Government agencies and employers in priority economic sectors, TalentCorp develops demand-driven initiative to enhance graduate employability, optimise Malaysian professionals, engage Malaysians abroad, and facilitate foreign talent.

[www.talentcorp.com.my/](http://www.talentcorp.com.my/)

## **BiotechCorp**

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BiotechCorp is responsible for executing the objectives of the National Biotechnology Policy.

BiotechCorp acts to identify value propositions in both R&D and commerce and to support these ventures via financial assistance and developmental services.

[www.biotechcorp.com.my](http://www.biotechcorp.com.my)

## **HDC**

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Halal Industry Development Corporation (HDC) coordinates the overall development of the Halal industry in Malaysia.

HDC provides investors and stakeholders with the necessary assistance to penetrate the global Halal market through the adoption of the Malaysian experience and expertise in food and non-food sectors.

[www.hdcglobal.com](http://www.hdcglobal.com)

# Special features

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## Malaysia by the numbers

### Facts and figures

A multi-ethnic and multi-cultural country, Malaysia is located at the heart of Southeast Asia.

Malaysia is a nation capitalising on its transformation with over US\$400 billion worth of investment opportunities.



2014	Malaysia
Land area (sq km)	330,252
GDP (US\$ bln)	337
GDP per capita (US\$)	11,062
GDP growth (%)	5.9
Inflation (%)	3.4
Market capitalisation (US\$ bln)	577
Equity market return (%)	8.7
Equity market price earning ratio	16.28
Credit rating	
- Standard & Poor's	A-
- Moody's	A3
EIU country risk rating	
- Sovereign risk	BBB
- Currency risk	A
- Banking sector risk	A
Unemployment rate (%)	3.1

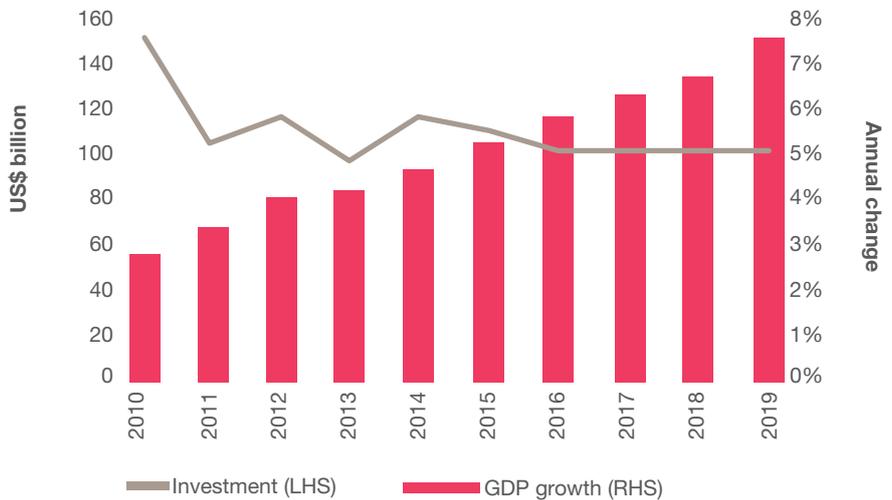
Source: IMF, Securities Commission Malaysia

# Macro-economic environment

## Greater Kuala Lumpur benefits from Malaysia's resilient and stable macro-economic environment

- One of the most advanced developing countries in Asia with an upper middle income economy of GDP per capita US\$11,062 (IMF).
- Supported by diversified economic activities. Greater KL contributes 9.2% share to the country's GDP.
- Accorded investment grade ratings, supported by a track record of macroeconomic stability and strong net external creditor position.

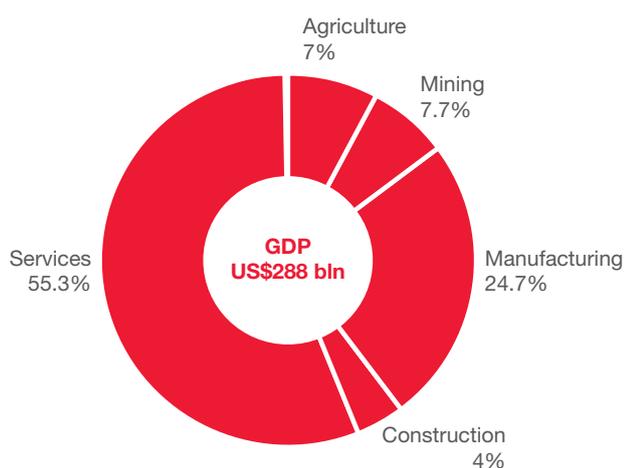
Malaysia's GDP growth and investment outlook



Source: Department of Statistics Malaysia, BNM



### GDP by economic activity, 2014



Source: Ministry of Finance, Malaysia, Economic Report 2014-2015

### Credit ratings

Country	Moody's	Fitch	S&P
Australia	Aaa	AAA	AAA
Singapore	Aaa	AAA	AAA
United States	Aaa	AAA	AA+
<b>Malaysia</b>	<b>A3</b>	<b>A-</b>	<b>A-</b>
Thailand	Baa1	BBB+	BBB+
Indonesia	Baa3	BBB-	BB+
Philippines	Baa2	BBB-	BBB
Vietnam	B1	BB-	BB-

Source: Moody's, Fitch and S&P, 2014

# Malaysia's investment climate

## Easy place to start a business

### Malaysia - ranked within Top 20 for ease of doing business

- The World Bank's Doing Business 2015 report ranked Malaysia 18th out of 189 countries (second among the ASEAN-5).
- The Malaysian economy has a proven track record for remaining cost-competitive.
- Its ability to sustain its cost-competitiveness has lessened the burden on businesses, enabling them to focus on deriving profit.

### Malaysia - an easy place to start a business

#### Starting a Business indicators

Indicators	Malaysia	East Asia & Pacific	OECD
Procedures (number)	3	7.3	4.8
Time (days)	5.5	34.4	9.2
Cost (% of income per capita)	7.2	27.7	3.4
Paid-in minimum capital (% of income per capita)	0.0	256.4	8.8

Source: World Bank, 'Doing Business', 2015

## Greater Kuala Lumpur's competitive cost

Kuala Lumpur has a competitive business cost among major cities in Southeast Asia

### Indicators – Regional cost comparison

Cities	2014 Salary (Manager – Accounting and Finance, US\$)	2014 Total occupancy cost per workstation (US\$)	2014 Mercer Cost of Living Survey (Rank)*	2012 Median Total Cash Compensation (US\$)
Bangkok	23,000 - 39,000	3,272	88	n.a.
Hanoi	n.a.	4,608	131	41,929
Ho Chi Minh City	32,000 - 45,000	4,536	135	41,929
Jakarta	n.a.	4,562	119	84,021
<b>Kuala Lumpur</b>	<b>34,000 - 49,000</b>	<b>3,693</b>	<b>115</b>	<b>71,420</b>
Manila	n.a.	3,685	125	45,529
Singapore	73,000 - 105,000	10,951	4	149,390

Notes: (1) Salary for an accounting and finance manager with four to six years experience; converted to US\$ from the local currency using average market rates from Bloomberg.

(2) Median total compensation accounting. This is country-specific, not city-specific based on cash compensation for general industry, general management, IT, finance and accounting.

(3) Note that for the Mercer survey, the higher the rank, the higher the cost of living.

n.a - not available

\*Mercer Cost of Living Survey 2014 covers 211 cities

Sources: DTZ, Global Occupier Metrics 2014; Mercer, 'Cost of Living 2014'; Robert Walters, 'Salary Survey 2014'; Towers Watson, '2012 General Industry General Management, IT, Finance and Accounting Compensation Report – Asia'

## Incentives to support FDI

### Investment incentives (Rank)

Country	Ranking
<b>Malaysia</b>	<b>4</b>
Thailand	18
Indonesia	19
Philippines	41

Source: IMD, 'World Competitiveness Yearbook 2014'

### Wide-ranging incentives for investors

- Malaysia is ranked 4th out of 60 countries in the ranking of most attractive incentives to foreign investors. Our score of 7.68 beats countries like Japan, New Zealand, Australia, UK and China (IMD World Competitiveness Yearbook 2014).
- Malaysia has entered into double taxation agreements with more than 40 countries.
- Malaysia has Investment Guarantee Agreements (IGAs) with most major industrialised countries such as US, UK, China and South Korea.
- Malaysia does not discriminate against investors from any particular country and provides the same treatment to foreign investors as well as domestic investors.
- To position Malaysia as a global base for commodity trade, Malaysia Petroleum Resources Corporation (MPRC) and Labuan International Business and Financial Centre (IBFC) jointly launched the Global Incentives for Trading (GIFT) programme. GIFT is targeted at petroleum and commodity trading companies, to use Malaysia as their regional base for storage and trading operations.



## Tax incentives

Tax incentives are provided under the Promotion of Investment Act 1986 and Income Tax Act 1967. Main incentives include:

- Pioneer status
- Investment tax allowance
- Reinvestment allowance
- Industrial adjustment allowance
- Double deduction of expenses
- Approved agricultural projects incentives
- Inbound tour operators incentives
- Industrial building allowance
- Inbound tour operators incentives
- Operational Headquarters Incentives
- Tax rebates
- Tax holiday

## Non tax incentives

strengthened its investment incentives such as:

- Grants and loans from various government agencies such as Green Technology Fund and working capital loans from SME Corporation
- Malaysia Training allowance

## GIFT programme

Main tax incentives under the GIFT programme for international commodity trading companies based in Malaysia:

- A flat corporate tax rate of 3% on chargeable income
- 100% exemption on director fees paid to non-Malaysian directors
- 50% exemption on gross employment income for non-Malaysian professional traders

## Details on the Principal Hub incentive

### Incentives for the Principal Hub

3-tier incentive	Tier 3		Tier 2		Tier 1	
Blocks	5	+5	5	+5	5	+5
Tax rate	10%		5%		0%	
High value jobs by end of year 3 with minimum monthly salary of RM 5,000	15	Jobs: Base commitmet +20%	30	Jobs: Base commitmet +20%	50	Jobs: Base commitmet +20%
High value jobs Jobs that require higher and more diverse set of managerial/ technical/professional skills such as management, analytics, communication, problem-solving, and proficiency in I.T						
At least 50% must be Malaysians by end of year 3						
Including key positions- Minimum monthly salary of RM 25,000	3		4		5	
Annual business spending*	RM3 Mil	Business spending: Base commitment +30%	RM5 Mil	Business spending: Base commitment +30%	RM10 Mil	Business spending: Base commitment +30%
Qualifying services	Strategic + 2		Regional P&L + 2		Regional P&L + 2	
Minimum serving/ business control of no. of countries	3		4		5	
Use of local ancillary services	Local financial institution services (including finance and treasury), logistics, legal and arbitration services, finance and treasury services.					
Trading of Goods annual sales turnover (additional requirement for goods-based applicant company)	RM 300 million					

\* USD1 ~ RM3.60

Source: MITI, Implementation guidelines under the Malaysian Budget 2015

## The Principal Hub structure

### A case study

The A Group of Companies (“A Group”) is primarily involved in the manufacturing of oleochemicals. Its presence in the Asia Pacific region (including Malaysia) was previously restricted to manufacturing bases and distribution centres.

“A Group” decided to establish a principal hub to expand its presence in the Asia Pacific region on a large scale. Malaysia was selected as the location for its principal hub, due to ready accessibility to a multi-lingual, educated workforce, ready infrastructure and competitive costs of doing business.

“A Group” retained its contract manufacturing base in Malaysia, and established a separate entity (i.e. “PH Company”) in Malaysia which performed the following activities:

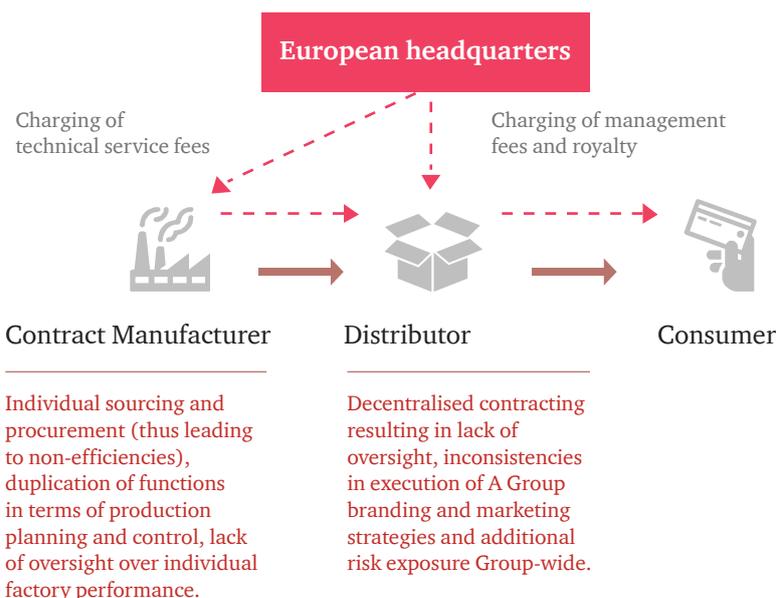
- Branding and marketing;
- Strategic decision making (business development and regional P&L management);
- Research and development;
- Technical design;
- Production control and inventory management;
- Funding and liquidity management; and
- Quality control and assurance.

To carry out the activities listed above, PH Company brought in talent from its European headquarters, including 15 expatriate employees across all divisions, and recruited local talent, bringing its total headcount to 80 employees.

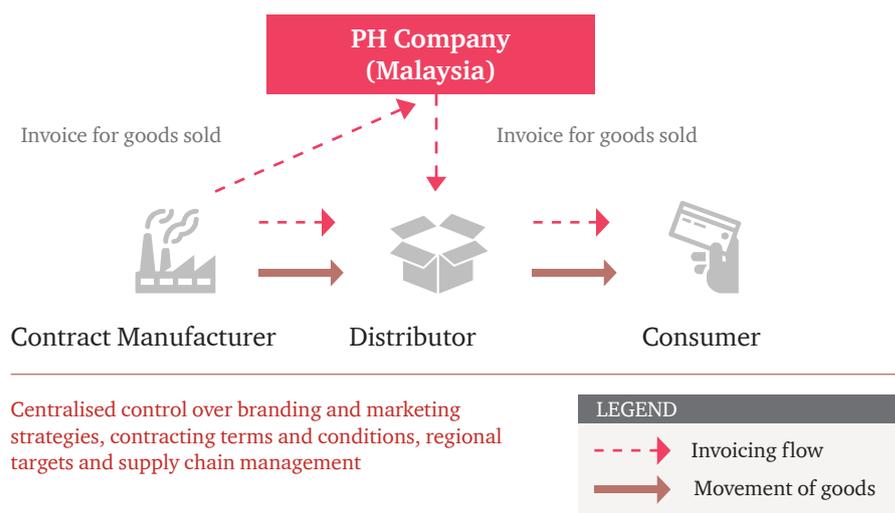
As the controller of “A Group’s” regional P&L, PH Company is required to assume the residual risk associated with the Group’s value chain in the Asia Pacific region. This necessitates a transfer of risks which was previously spread out across the Group’s distribution arm to PH Company.

The following diagrams illustrate this shift:

### Before PH Company:



### After PH Company:



With PH Company, “A Group” targets to achieve 100% growth within five years from its establishment in the Asia Pacific region, with a 150% increase in profit across the value chain due to business process improvements and efficiencies achieved in eliminating duplicative functions across its value chain and a centralised approach to expanding its business in the Asia Pacific.

### Snapshot of business taxes in Malaysia

Tax area	Rates	
Corporate tax (effective from 2016)	24%	Maximum tax rate for companies
Stamp duty	0-3%	Chargeable based on the nature of instruments and legal documents subject to exemptions
Goods and services tax (GST) (effective 1st April 2015)	6%	Replacing the sales and service tax, GST is generally charged on the consumption of goods and services at every stage of the supply chain
Real property gains tax (RPGT)	5%-30%	On gains arising from the disposal of real property or Real Property Company shares, ranging from 5% to 30%, depending on the holding period of the property.
Withholding tax	15%	Interest
	10%	Royalties
	0%-10%	Technical fees
Import duty	0-60%	Rate varies considerably depending on classification. Average duties for most goods are below 10%, except for transportation, metal, rubber and textile products.
Excise duty	60-105% (cars)	Excise duties are levied on liquor, tobacco, motor vehicles and playing cards.
	Specific rates (others)	

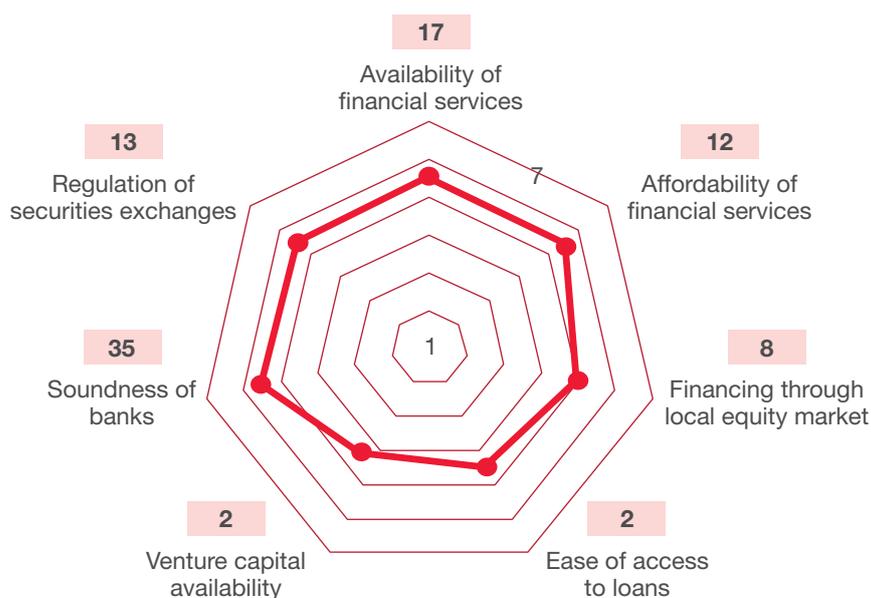
Source: PwC, '2014/2015 Malaysia Tax and Business Booklet'

## Sound financial sector

Malaysia's financial system has the ability to assist business activities efficiently

- Ranked **2nd** out of 144 countries for Ease of Access to Loans in the WEF Global Competitiveness Report 2014-2015.
- Malaysian banks such as Maybank, CIMB, Public Bank, Hong Leong Bank and RHB Bank have strong presence regionally. Malaysian banks are striving to become regional leaders by 2015.
- Malaysia's financial markets are among the more developed markets in Asia. The size of our debt securities market has grown to RM1117 billion (US\$330 billion) or 104.4% of GDP in 2014, making it one of the larger debt securities markets emerging in Asia.
- Malaysia maintains an open and liberal foreign exchange administration regime.
  - Investors are free to obtain Malaysian Ringgit and other foreign currencies to fund their investments.
  - Non-residents are free to obtain any number of credit facilities from residents to finance the purchase or construction of residential properties in Malaysia.

### Financial market development indicators (rank)

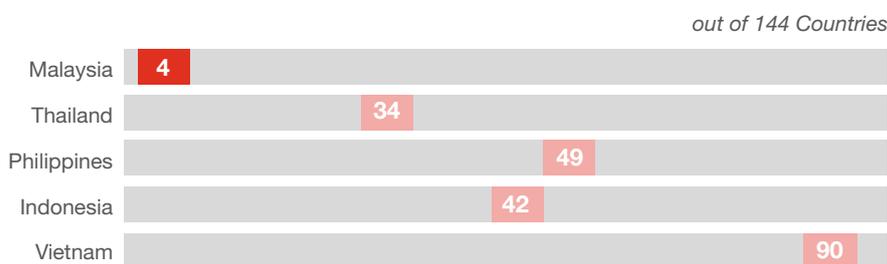


Denotes ranking out of 144 countries

Note: 7 is the maximum score for each indicator, while 1 is the lowest score.

Source: WEF, 'Global Competitiveness Report 2014 – 2015'

### Financial market development (rank)



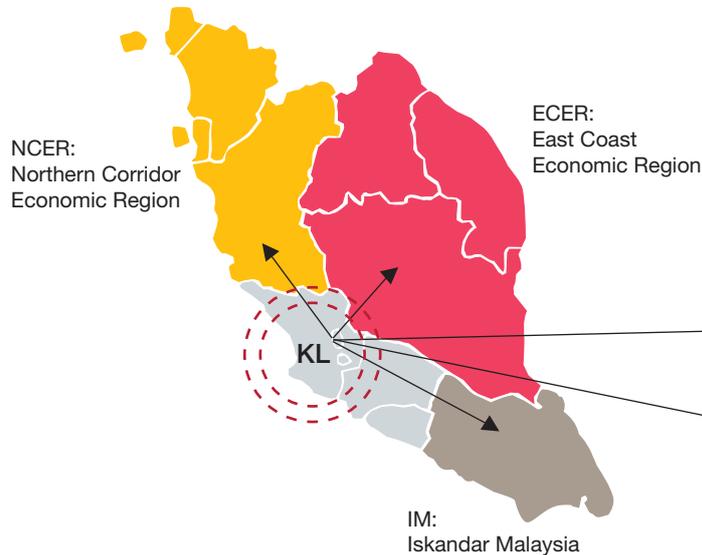
Source: WEF, 'Global Competitiveness Index 2014-2015'

# Where to invest in Malaysia

## The five economic growth corridors

### Greater Kuala Lumpur

- Malaysia's corporate and financial centre. Home to Malaysia's largest corporations, financial institutions and MNCs such as Shell, Citigroup, BASF, Zurich Financial Services, AEON, Dow Chemicals, Hess, ABB, Ericsson and Alstom.
- Other key industries: Business services<sup>1</sup>, E&E, manufacturing, transportation and logistics, ICT, tourism, retail and education.
- Target investments by 2020: US\$57 billion.



### Northern Corridor Economic Region (NCER)

- Home to Penang, Malaysia's E&E hub and an important regional ICT centre. There are about 200 E&E companies such as Intel, National Semiconductor, AMD, HP, Motorola and Agilent.
- Other key industries: Solar panel, LED, medical devices, manufacturing, agriculture, tourism and logistics.
- Target investments by 2025: US\$58.3 billion.

### East Coast Economic Region (ECER)

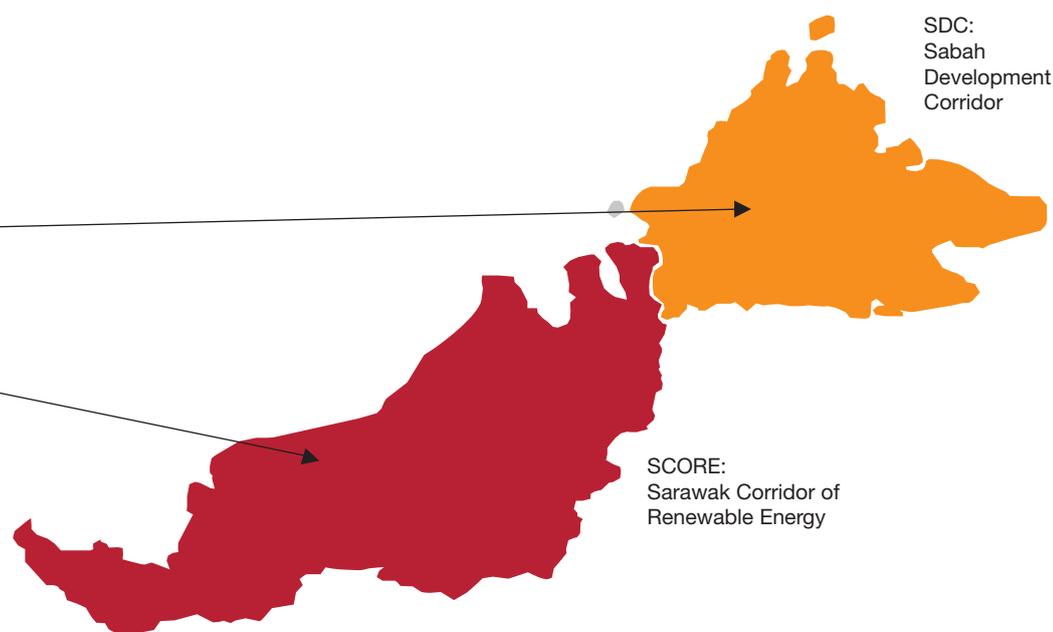
- Petrochemicals and O&G centre, with key players such as BASF, Amoco, Kaneka, Eastman and Polyplastics.
- The tourism sector contributes half of the region's investments.
- Other key industries: Automotive, manufacturing and agriculture.
- Target investments by 2020: US\$ 36.9 billion.

### Iskandar Malaysia (IM) and Johor State

- Oil refinery, petrochemical and storage hub, with more than US\$39 billion in upcoming investments. Key players include PETRONAS, BASF, ITOCHU, Versalis SpA. Dialog, Vopak, Vitol, Trafigura, MISC.
- Other key industries: Heavy industries (e.g. steel and metal works), E&E, manufacturing, palm oil and oleochemicals, transportation and logistics, tourism, healthcare and education.
- Target investments by 2025: US\$116.8 billion.

Source: Various economic growth corridors and other sources

<sup>1</sup> Business services e.g. BPO, SSO, RHQ, OHQ, COE, IPC, ITO



SDC:  
Sabah  
Development  
Corridor

SCORE:  
Sarawak Corridor of  
Renewable Energy

### Sarawak Corridor of Renewable Energy (SCORE)

- Heavy industries hub such as smelter (e.g. aluminium, steel, metal and alloys), glass and silicon manufacturing and related downstream sectors.
- Access to renewable hydropower, with potential to generate 20,000 MW of electricity.
- Other key industries: O&G, marine engineering, tourism, timber-based industries, livestock, fishing and aquaculture, and palm oil.
- Target investments by 2030: US\$105 billion.

### Sabah Development Corridor (SDC)

- Key industries: Tourism and O&G.
- Other major industries: Agriculture (e.g. palm oil, livestock and fishery), timber based industries and manufacturing.
- Target investments by 2020: US\$36 billion.

# Greater Kuala Lumpur as a command centre

## Top companies have set up their operations centre in Greater KL

Fortune Global 500 and Forbes Global 2000 Companies		
<ul style="list-style-type: none"> <li>• AECOM</li> <li>• Agilent</li> <li>• AgustaWestland</li> <li>• Aker Solutions</li> <li>• Alstom</li> <li>• American Express</li> <li>• Baker Hughes</li> <li>• BASF</li> <li>• Bayer</li> <li>• Brambles</li> <li>• Bridgestone</li> <li>• Cerner</li> <li>• China Shipping Container</li> <li>• Citigroup</li> <li>• Clariant</li> <li>• Colas Rail Asia</li> <li>• ConocoPhillips</li> <li>• Darden</li> <li>• Dow Chemicals</li> <li>• DuPont</li> <li>• Epson Precision</li> </ul>	<ul style="list-style-type: none"> <li>• G4S Management Services</li> <li>• HESS</li> <li>• Henry Schein</li> <li>• Hewlett-Packard</li> <li>• Hitachi</li> <li>• Huntsman</li> <li>• IBM</li> <li>• Intel</li> <li>• Jardine</li> <li>• Kajima</li> <li>• Kellogg's</li> <li>• Lafarge</li> <li>• Lenovo Group</li> <li>• Linde</li> <li>• NEC</li> <li>• Nippon Electric Glass</li> <li>• Nitto Denko</li> <li>• Novartis Corporation</li> <li>• Panasonic</li> <li>• Philips</li> <li>• Philip Morris</li> </ul>	<ul style="list-style-type: none"> <li>• Sara Lee</li> <li>• Schlumberger</li> <li>• Sharp</li> <li>• Siemens</li> <li>• Subsea 7</li> <li>• Syngenta</li> <li>• Taisho Pharmaceutical</li> <li>• Technip</li> <li>• Thales International</li> <li>• The Linde Group</li> <li>• ThyssenKrupp</li> <li>• Toshiba</li> <li>• Transocean</li> <li>• Turner Construction Company</li> <li>• UCB Group</li> <li>• Vale</li> <li>• Volvo</li> <li>• Weatherford</li> <li>• Worldline</li> <li>• WorleyParsons</li> <li>• Zurich Insurance Group</li> </ul>

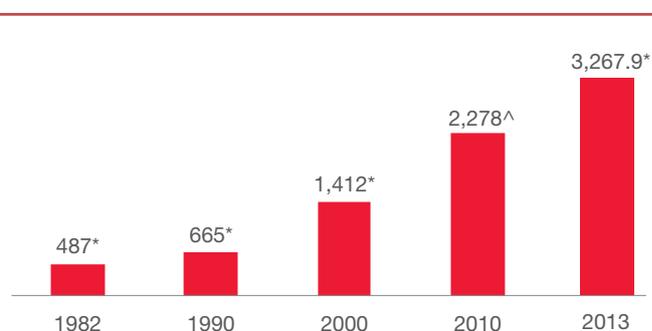
Source: MIDA, Fortune and Forbes

# Malaysia's talent pool

## Quality talent

- A study by the IMD ranked Malaysia 5th in World talent ranking, with good scores in terms of the quality of its labour force and talent environment. Both are key factors in the development of the services sector and to generate and retain talent.
- Malaysia has a relatively young population. An increasingly large proportion of the workforce has tertiary education. Malaysia's youthful and educated population compares favourably to other countries.
- The score for Malaysia's education components in the Human Development Index published by the United Nations Development Programme has improved from 0.53 in 1990 to 0.77 in 2014.

### Number of professionals in Malaysia ('000)



\* Includes professional, technical and related workers, administrative, and managerial workers under the Dictionary of Occupational Classification, 1980

^ Includes legislators, senior officials and managers, professionals, technicians and associate professionals under the Malaysia Standard Classification of Occupations, 1998

Sources: Department of Statistics Malaysia

### Top 10 world talent ranking, 2014

2014 Ranking	Country
1	Switzerland
2	Denmark
3	Germany
4	Finland
<b>5</b>	<b>Malaysia</b>
6	Ireland
7	Netherlands
8	Canada
9	Sweden
10	Norway

Source: IMD World Talent Report 2014

# Talent development

## Extensive investments to develop talent

- Malaysia's education expenditure as a percentage of total development expenditure has increased two-fold from 9.9% during 1981-1985, to 18.7% during 2011-2015. The number of students enrolled at local institutions of higher learning has more than doubled from 2000 to 2010.
- The government has formulated and facilitated initiatives to address the availability of talent in line with the needs of the country's economic transformation. This is based on three strategic thrusts developed by TalentCorp:
  - Optimise Malaysian Talent
  - Attract and Facilitate Global Talent
  - Build Networks of Top Talent

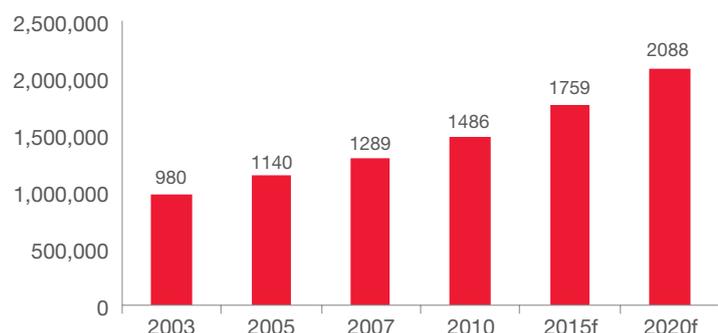
The strategic thrusts are focused on demand-driven initiatives in collaboration with relevant government agencies and employers in priority economic sectors.

## Federal Government's expenditure on education

Year	Education Development Expenditure (RM million)	% of Total Development Expenditure
1981-1985	4,742	9.9%
1986-1990	5,615	15.6%
1991-1995	7,661	14.0%
1996-2000	18,491	18.7%
2001-2005	41,044	24.2%
2006-2010	42,385	19.1%
2011-2015	32,165f	18.7%

Source: Ministry of Finance, Malaysia

## Higher education enrolments in Malaysia



Source: Ministry of Higher Education, Malaysia

f - forecast



### TalentCorp's three strategic thrusts

Strategic Thrust 1 Optimise Malaysian Talent	Strategic Thrust 2 Attract & Facilitate Global Talent	Strategic Thrust 3 Build Networks of Top Talent
Raise career awareness	Outreach to Malaysians abroad	Build networks of future leaders
Enhance school-to-work transition	Facilitate returning talent	Develop diaspora networking platforms*
Build platforms to optimise talent	Enhance expatriate facilitation	Engage expatriate community

Malaysian Talent
  Malaysian Diaspora
  Foreign Talent

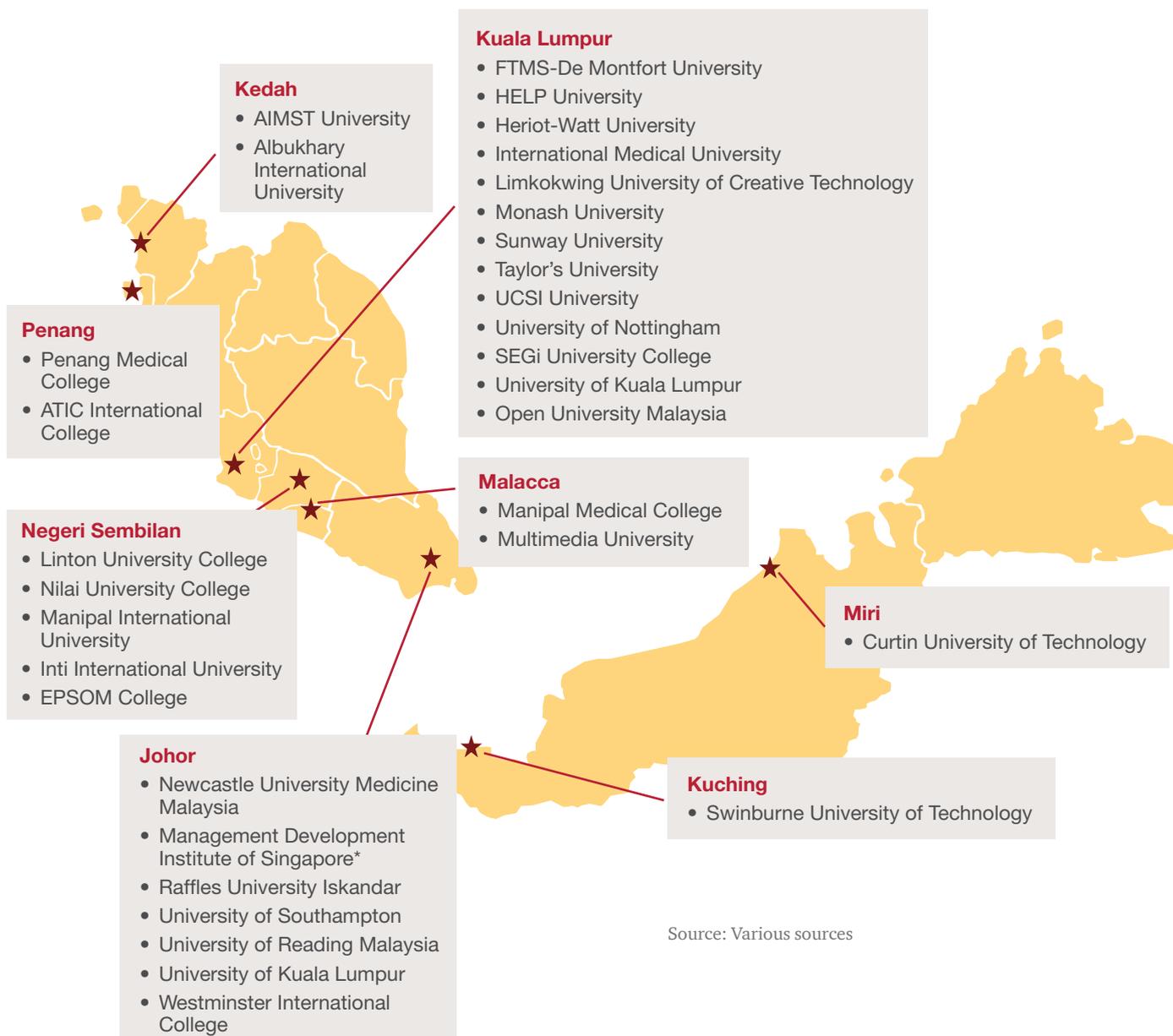
\* Develop network to tap Malaysian talent living abroad.

Source: TalentCorp Analysis, 2012

# Malaysia - an education hub

Education and training opportunities are known to be important factors in developing talent. Identifying education as one of the NKEA under the ETP, Malaysia is set to position itself as an international education hub. To strengthen the private education sector, Malaysia liberalised its higher education by introducing the Private Higher Education Institutions Act 1996, allowing foreign and private universities to set up their institutions in Malaysia. There are currently 31 public and 65 private universities in Malaysia, 400 colleges, polytechnics and industrial training institutions.

## Major private higher education centres in Malaysia



Source: Various sources

# Living in Greater Kuala Lumpur

## A vibrant and conducive living environment

Greater KL is a sprawling cosmopolitan city and is currently home to 6.7 million people, living in the city centre and greater metropolitan area. It is ranked among the 16th most liveable cities in Asia by ECA International Location Ratings Survey for expatriate living conditions in 2014, with a rich multicultural heritage, world class shopping malls, active social and entertainment scene, quality accommodation, and modern infrastructure and amenities.

### Live in style

- Has some of the region's best hotels and properties, winning regional and international awards and recognition.
- There are a total of 25 five-star hotels around Greater KL and around 23,000 luxury condos and serviced residence units.

### Rich entertainment

- A food haven, with a wide variety of local, Asian and Western cuisine.
- Wide range of nightlife to cater to every taste from vibrant nightclubs to quiet fusion bars.
- Colourful cultural arts, music and theatre scene, with both local and international acts.

### Retail therapy

- Convenience of modern retail formats e.g. shopping malls, hypermarkets, supermarkets and department stores, selling international brands.
- Sample local retail options such as handcraft, street, night and flea markets.

### Diverse culture

- Rich and diverse cultural experience and heritage i.e. Malay, Chinese, Indian and colonial history.
- Large expat community in Greater KL, with over 35,000 expats.

### International education

- There are 27 international schools in Greater KL educating over 15,000 students
- Curriculum offered: International Baccalaureate, American, British, French, German, Japanese, South Korean and Taiwanese.

### Healthcare

- Highest standard of healthcare among the ASEAN-5.
- 27 private hospitals in Greater KL. Several of them have international accreditation.

### Modern recreation

- Wide range of modern outdoor activities e.g. golf, equestrian, theme parks and sports facilities.
- Plenty of green spaces, with a total of 12 parks and three forest reserves.

### Infrastructure

- Best city infrastructure in the region, among the ASEAN-5.
- Comprehensive network of roads, railroads and air transport.
- Modern telecommunications and high-speed broadband networks.

# Turning Greater Kuala Lumpur into a top 20 liveable city

## River of Life

- By 2017, the government aims to transform the Klang River into a vibrant and liveable waterfront area similar to cities such as Vancouver, Melbourne and Seoul.
- Involves river rehabilitation and the beautification of riverbanks and rivers.
- A total of US\$1.3 billion has been allocated to this project.

## Tun Razak Exchange

- A new iconic commercial centre which aims to bring together leading financial institutions, top global companies and support services to create a cluster of world-class players.
- The 70 acre site, with a gross development value of more than US\$8 billion, will spearhead a greener Greater KL with sustainable buildings, large tranquil parks, rooftop gardens and links to public transportation.

## Mass Rapid Transit (MRT)

- The urban integrated rail transit system consists of three lines spanning 141 km. About 90 new stations are planned and are estimated to cost US\$15.6 billion.
- The MRT system is expected to carry up to two million passengers by 2020, serving over 64% of travel in and out of Greater KL city centre. The first phase of MRT project will be operational by end of 2016.

## Solid waste management

- The government is identifying suitable systems for its hi-tech waste disposal plants and solid waste management systems, modeled on countries like South Korea, Japan and Singapore.
- This includes incinerators, construction and demolition waste recycling and anaerobic digester plants.

## Greening Kuala Lumpur

- Efforts to increase green spaces around Greater KL to improve liveability, comfort and spaces for healthy recreational activities.
- For example, new developments will need to prioritise 30% of total area for green spaces and the creation of a green corridor through the integration of the parks system.

## Iconic places and attractions

- To enhance the overall appeal of the city and increase tourism, plans are underway to improve the connectivity and integration of Greater KL's iconic places and attractions.
- These places and attractions, will be clustered around heritage sites, parks, arts and crafts, and retail and shopping areas.

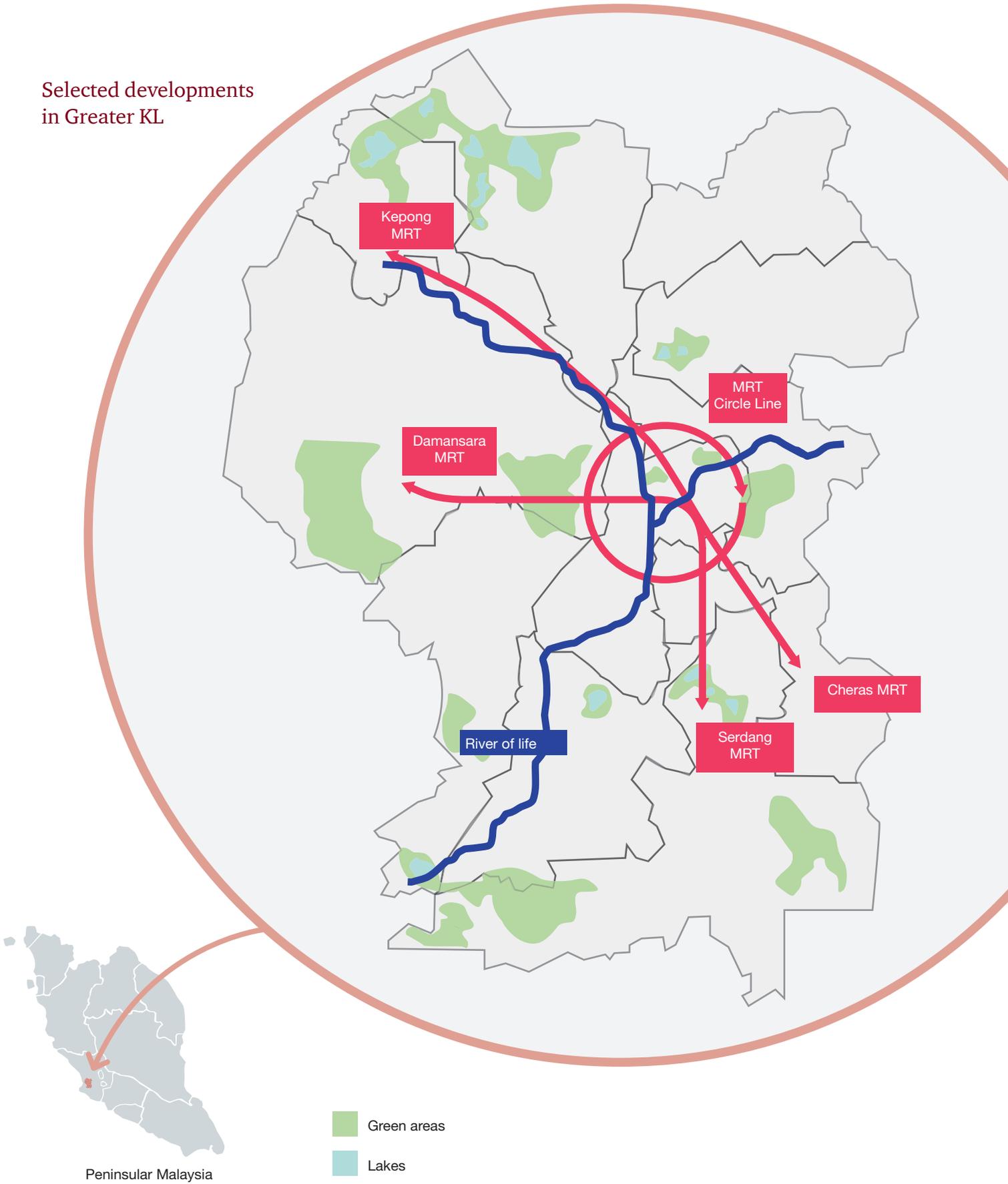
## Seven new highways

- In an effort to improve traffic flow and boost accessibility and connectivity between the city centre and the suburbs, seven new highways spanning 467.9km have been announced.
- The highways are estimated to cost US\$6.19 billion and are expected to commence in 2015.

## LRT2 Extension Project

- The development will extend the 56 km long Light Rail Transit (LRT) line by 35.5km, with 25 new stations at a cost of US\$2.5 billion.
- The LRT currently serves 300,000 commuters daily and ridership is expected to increase by 167% to 800,000 after the LRT2 Extension Project is completed by the end of first quarter of 2016.

### Selected developments in Greater KL



Peninsular Malaysia

# Glossary

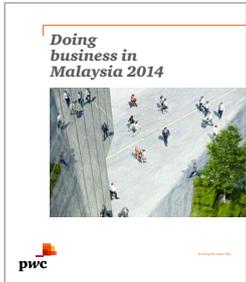
Abbreviation	Full term
AEC	ASEAN Economic Community
AFTA	ASEAN Free Trade Area
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
bln	Billion
BMI	Business Monitor International
BNM	Bank Negara Malaysia
BPO	Business process outsourcing
CG	Corporate governance
COE	Centre of excellence
E&E	Electrical and electronics
ECER	East Coast Economic Region
EIU	Economist Intelligence Unit
EOR	Enhanced oil recovery
EPP	Entry Point Project
ETP	Economic Transformation Programme
EU	European Union
FDI	Foreign direct investment
FS	Financial services
FTA	Free Trade Agreement
GDP	Gross domestic product
GIFT	Global Incentives for Trading

Abbreviation	Full term
GNI	Gross national income
HDC	Halal Industry Development Corporation
HQ	Headquarters
ICT	Information and communications technology
IM	Iskandar Malaysia
IMD	International Institute for Management Development
IMF	International Monetary Fund
IPC	International procurement centre
IT	Information technology
ITO	Information technology outsourcing
IVD	In-vitro diagnostic
KL	Kuala Lumpur
KPO	Knowledge-process outsourcing
LED	Light emitting diode
LNG	Liquefied natural gas
LRT	Light Rail Transit
LTE	Long term evolution

Abbreviation	Full term
MDeC	Multimedia Development Corporation
MIDA	Malaysian Investment Development Authority
MISC	Malaysia International Shipping Corporation
MITI	Ministry of International Trade and Industry of Malaysia
mln	Million
MPRC	Malaysia Petroleum Resources Corporation
MRO	Maintenance, repair and overhaul
MRT	Mass Rapid Transit
MSC	Multimedia Super Corridor
MW	Megawatt
NCER	Northern Corridor Economic Region
NKEAs	National Key Economic Areas
O&G	Oil and gas
OECD	Organisation for Economic Co-operation and Development
OFSE	Oilfield services and equipment
OHQ	Operational Headquarters
PETRONAS	Petroleum National Berhad

Abbreviation	Full term
PwC	PricewaterhouseCoopers
R&D	Research & development
RDC	Regional distribution centre
RFID	Radio frequency identification
RHQ	Regional Headquarters
RPGT	Real property gains tax
S&P	Standard & Poor's
SCORE	Sarawak Corridor of Renewable Energy
SDC	Sabah Development Corridor
SEA	Southeast Asia
SRIs	Strategic Reform Initiatives
SSL	Solid state lighting
SSO	Shared service and outsourcing
SUDs	Single-use devices
TNB	Tenaga Nasional Berhad
TPP	Trans-Pacific Partnership Agreement
trn	Trillion
UK	United Kingdom
US	United States
US\$	United States dollar
USITC	United States International Trade Commission
WECP	World Energy Cities Partnership
WEF	World Economic Forum
WTO	World Trade Organization

# Other PwC publications



PwC Doing Business in Malaysia 2014



Engaging and empowering Millennials



Malaysia entertainment and media outlook 2014-2018



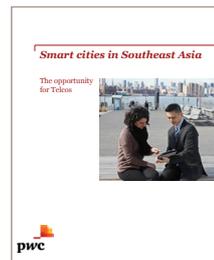
The state of Integrated Reporting in Malaysia



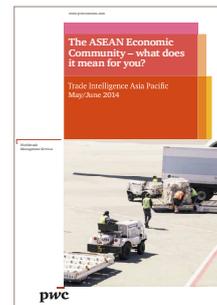
PwC's 2014 APEC CEO Survey: New vision for Asia Pacific



Japan Rebooted ASEAN, the next frontier: Tapping Southeast Asia's surging growth



Smart cities in Southeast Asia: The opportunity for telcos



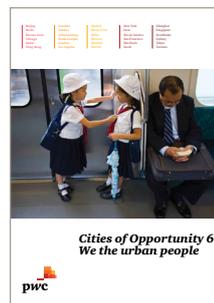
The ASEAN Economic Community: What does it mean for you?



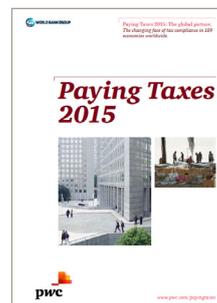
The World in 2050



Cities of opportunity 6: Taking the pulse of 30 cities



Cities of Opportunity 6: We the urban people



Paying taxes 2015: The global picture

<sup>1</sup> ETP - Economic Transformation Programme



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