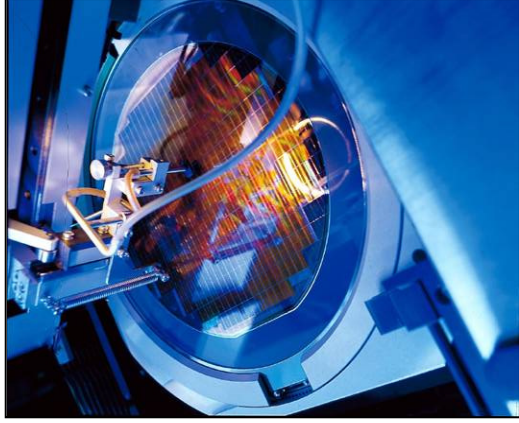




INVESTMENT OPPORTUNITIES IN THE MANUFACTURING AND SERVICES SECTOR & AN UPDATE ON SERVICES LIBERALISATION

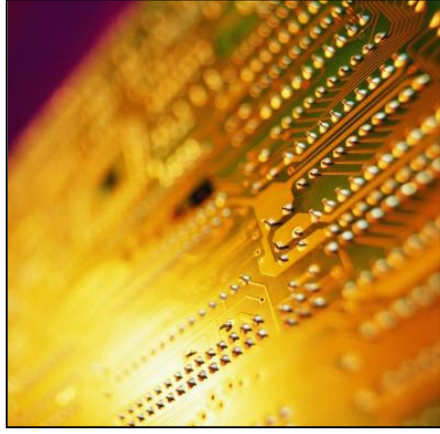


By
Mr. N. Parameswaran
Senior Director Services, MIDA
18 August 2009

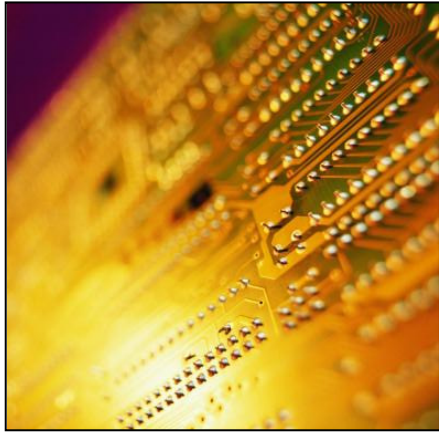
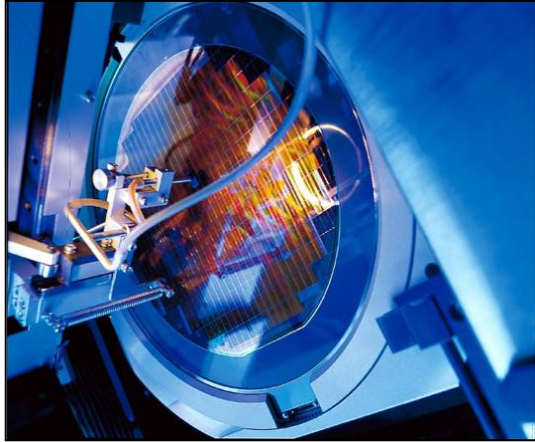


Contents

- ✓ **Investment Policies**
- ✓ **Incentives**
- ✓ **Malaysia-Singapore Third Country Business Development Fund**
- ✓ **Third Industrial Master Plan (IMP3)**
- ✓ **Services Liberalisation**



Investment Policies



Guidelines on Manufacturing Licence

The Industrial Coordination Act, 1975 (ICA) requires manufacturing companies with shareholders' funds of RM2.5 million and above or engaging 75 or more full-time employees to apply for a manufacturing licence.

Fast Track Approval for Manufacturing Licence

Approval of manufacturing licence is given within two (2) days for non-sensitive industries (Peninsular Malaysia only)

Promoted Products/Activities for the Manufacturing Sector

- General Promoted Products/Activities
- Small-Scale Companies
- High Technology Projects
- Strategic Projects
- Specific Incentives for Selected Industries

Promoted Services Activities

Regional Establishments

- **Operational Headquarters (OHQ)**
- **International Procurement Centre (IPC)**
- **Regional Distribution Centre (RDC)**

Logistics

- **Integrated Logistics Services**
- **Cold Chain Facilities**

Promoted Services Activities

Tourism

- Hotel
- Tourist project
- Recreational camp
- Convention centre
- Wellness/medical tourism

Environmental Management

- Energy conservation/efficiency
- Energy generation, using renewable energy sources
- Storage, treatment and disposal of hazardous waste
- Recycling of agricultural waste and agricultural by-products

Promoted Services Activities

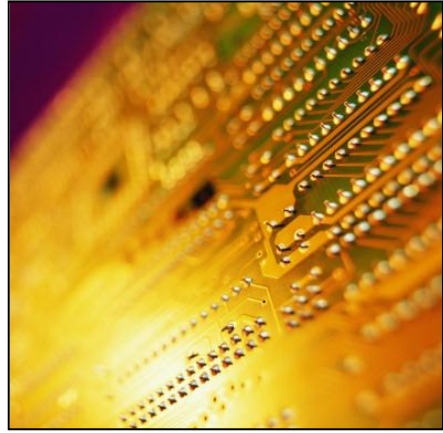
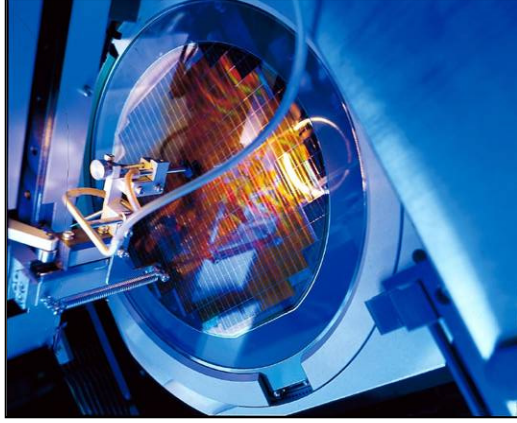
Education

- Technical, Vocational & Science Training

Business Services

- Shared services outsourcing
- Research & Development (R&D)
- ICT Services
- Market Support Services
- Central Utility Facilities
- Technical & Laboratory Testing
- Film & Video Production & Post Production

Incentives



Major Incentives Provided

- **Pioneer Status (PS)**
Tax exemption on statutory income ranging from 70% to 100% for a period of 5 to 10 years
- **Investment Tax Allowance (ITA)**
ITA of 60% to 100% on qualifying capital expenditure incurred for a period of 5 to 10 years
- **Reinvestment Allowance (RA)**
Granted for 15 consecutive years commencing from the 1st year the investment is made
- **Full Income Tax Exemption**
Income tax exemption for a period of 10 years for regional establishments & MSC status companies

Special Incentive

Reinvestment In Resource-based Industries

- Pioneer Status or ITA for Malaysian companies (with at least 51% Malaysian equity) which reinvest in rubber, oil palm and wood-based industries

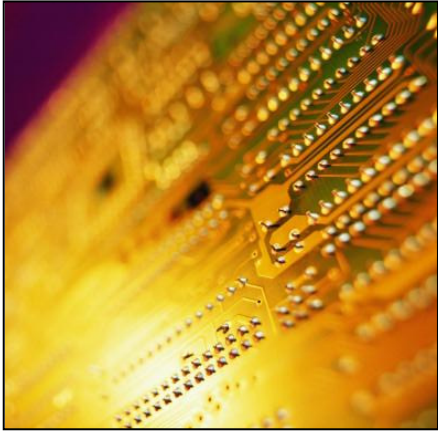
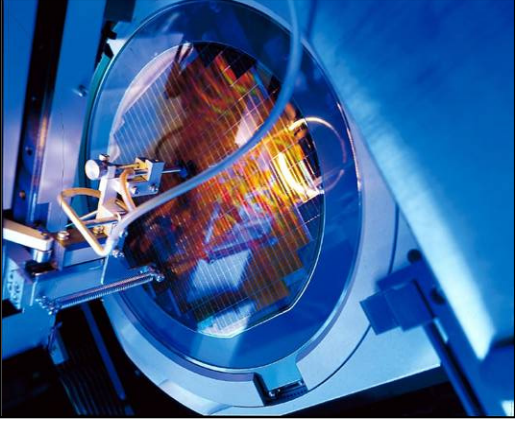
Reinvestment In Food Processing Activities

- 60% Malaysian-owned companies that reinvest in promoted food processing activities are eligible for another round of Pioneer Status or ITA

Import Duty and Sales Tax Exemptions

- Exemption from Import Duty on Raw Materials/Components
- Exemption from Import Duty and Sales Tax on Machinery and Equipment

Malaysia-Singapore Third Country Business Development Fund



Malaysia-Singapore Third Country Business Development Fund

- **Purpose : to encourage businessmen from both countries to co-operate & to jointly identify business & investment opportunities in third country**
 - **Type of projects**
 - ✓ **Joint feasibility studies by enterprises – 50% matching grant on eligible costs**
 - ✓ **Joint market research by business associations – 50% matching grant on eligible costs**
 - ✓ **Participation in joint missions – reimbursement up to 50% of eligible expenses**
- (Both countries contribute an equal % share of the eligible expenses/costs)**

Malaysia-Singapore Third Country Business Development Fund

- **Type of investments which qualify for consideration are those which will provide access to:**
 - **New technologies / established and commercialised technologies;**
 - **Overseas markets; and**
 - **Overseas resources.**

- **Sectors considered include:**
 - **Manufacturing**
 - **Infrastructure development**
 - **Tourism**
 - **Construction**
 - **information technology**
 - **Trading**
 - **Services**

Malaysia-Singapore Third Country Business Development Fund

- **Status of the fund:**
 - **Total fund: RM5,000,000**
 - **Total grant approved: RM649,151**
 - **Balance of fund available: RM4,350,849**

- **No. of applications processed: 23**
 - **Approved : 11**
 - **Rejected : 5**
 - **Closed : 7**

Third Industrial Master Plan (2006-2020)

**Malaysia – Towards
Global Competitiveness**



IMP3 TARGETS FOR MANUFACTURING AND SERVICES SECTOR

	Manufacturing	Services
Average annual growth	5.6%	7.5%
GDP contribution in 2020	28.5%	59.7%
Total investments 2006-2020	RM412.2 billion	RM687.7 billion
Average annual investments	RM27.5 billion	RM45.8 billion

TARGETED INDUSTRIES IN THE MANUFACTURING SECTOR (IMP3)

Resource-Based Industries

- Wood-based products, such as specialty & high value-added products, and own design & brand furniture
- Palm oil, such as oleochemical derivatives and preparations, nutritional foods and ingredients, biotechnology-based products and biomass products
- Foods, such as convenience foods, functional foods, food ingredients

TARGETED INDUSTRIES IN THE MANUFACTURING SECTOR (IMP3) *(cont.)*

Resource-Based Industries

- Rubber products, such as rubber engineering products, seismic bearings, automotive rubber-metal components, high pressure hoses and marine fenders
- Petrochemicals, such as alpha-olefins, vinyl acetate, ethylene dichloride, polyurethanes and butadiene-styrene-rubber
- Pharmaceutical products, such as biopharmaceutical products, new off-patent drugs, sterile products and oncology products

TARGETED INDUSTRIES IN THE MANUFACTURING SECTOR (IMP3) *(cont.)*

Non Resource-Based Industries

- Electrical and electronic products, such as semiconductor, flat panel display, solar energy products, telecommunication equipment & devices, photonics & optoelectronics products
- Medical devices, such as in-vitro diagnostic devices, cardiovascular devices, orthopaedic devices, medical & surgical equipment and instrument
- Machinery and equipment, such as metalworking machine tools, materials handling equipment, specialised machinery, packaging machinery and fuel cell power generators

TARGETED INDUSTRIES IN THE MANUFACTURING SECTOR (IMP3) *(cont.)*

Non Resource-Based Industries

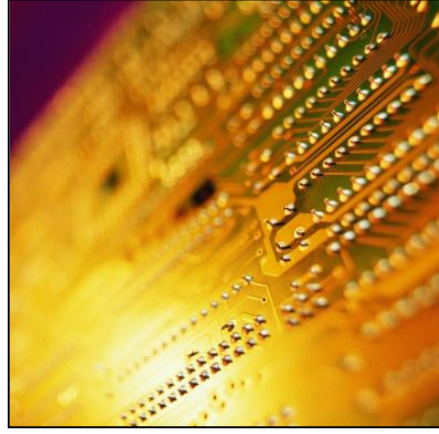
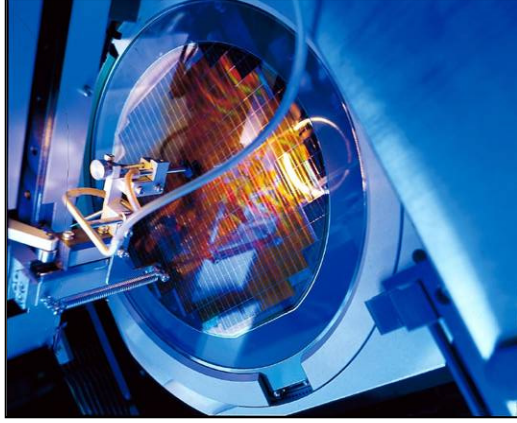
- Metals and metal products, such as stainless steel plates, seamless steel pipes, steel tyre cord
- Transport equipment, such as engines, transmission systems, automotive electronics components, aircraft parts and components
- Textiles and apparel, such as fibre, yarn, high quality fabrics and industrial textiles

SERVICES ACTIVITIES TARGETED FOR FURTHER ENHANCEMENT IN THE IMP3

- ✓ **Business and Professional Services**
- ✓ **Distributive Trade Services**
- ✓ **Construction Services**
- ✓ **Education & Training Services**
- ✓ **Health Services**
- ✓ **Tourism Services**
- ✓ **ICT Services**
- ✓ **Logistics Services**



Services Liberalisation



SERVICES LIBERALISATION

Liberalisation of 27 Services Sub-Sectors

- **Liberalisation of 27 services sub-sectors in the move to attract more FDI in the services sector in Malaysia**
- **Establishment of a National Committee for Approval of Investment in the Services Sector in MIDA**
 - **MIDA as one-stop centre to facilitate investments into the services sector**
 - **Exclusion: financial services, air travel, utilities, Economic Development Corridors, Multimedia Super Corridor (MSC) and BioNexus Status Companies and distributive trade**

27 SERVICE SUB-SECTORS LIBERALISED

Computer and Related Services

- **Consultancy services related to the installation of computer hardware**
- **Software implementation services - systems and software consulting services; system analysis services; systems design services; programming services and systems maintenance services**
- **Data processing services – input preparation services; data processing and tabulation services; time sharing services and other data processing services**
- **Data base services**
- **Maintenance and repair services of computers**
- **Other services – data preparation services; training services; data recovery services; and development of creative content**

27 SERVICE SUB-SECTORS LIBERALISED

Health and Social Services

- **All veterinary services**
- **Welfare services delivered through residential institutions to old person and the handicapped**
- **Welfare services delivered through residential institutions to children**
- **Child day-care services including day-care services for the handicapped**
- **Vocational rehabilitation services for handicapped**

27 SERVICE SUB-SECTORS LIBERALISED

Tourism Services

- **Theme Park**
- **Convention and exhibition centre (seating capacity of above 5,000)**
- **Travel agencies and tour operators services (for inbound travel only)**
- **Hotel and restaurant services (for 4 & 5 star hotels only)**
- **Food serving services (for services provided in 4 & 5 star hotels only)**

27 SERVICE SUB-SECTORS LIBERALISED

Transport Services

- **Class C freight transportation (Private Carrier Licence – to transport own goods)**

Sporting & Other Recreational Services

- **Sporting services (sporting event promotion & organisation services)**

Business Services

- **Regional Distribution Centre**
- **International Procurement Services**
- **Technical testing and analysis services – composition and purity testing and analysis services, testing and analysis services of physical properties, testing and analysis services of integrated mechanical and electrical systems, and technical inspection services**

27 SERVICE SUB-SECTORS LIBERALISED

Business Services (con't)

- **Management consulting services – general, financial (excluding business tax), marketing, human resources, production and public relations services**

Rental/Leasing Services without Operators

- **Rental/leasing services of ships that exclude cabotage and offshore trades**
- **Rental of cargo vessels without crew (bareboat charter) for international shipping**

Supporting & Auxiliary Transport Services

- **Maritime agency services**
- **Vessel salvage and refloating services**

FINANCIAL SECTOR LIBERALISATION

- **Aimed to:**
 - **Enhance Malaysia's linkages with international economies & promote greater economic regional integration;**
 - **Provide greater access to consumers to a wider range of world class financial products & services;**
 - **Further strengthen Malaysia's competitive position in Islamic finance to become an international Islamic financial hub; and**
 - **Promote Malaysia as a leading global shared services and outsourcing centre.**
- **Period of implementation : 2009 – 2012**

FINANCIAL SECTOR LIBERALISATION

- **The liberalisation package:**
 - **Issuance of new Islamic & commercial banking licences and family takaful licences to strong & world-class players that will bring in specialised expertise and offer significant value propositions to Malaysia;**
 - **Flexibility to increase foreign equity limits from 49% to 70% for investment banks, Islamic banks, insurance companies and takaful operators;**
 - **Enhance operational flexibilities of foreign institutions that operate in Malaysia to improve outreach of financial products & services by allowing locally incorporated foreign commercial banks to establish 4 new full-fledge branches (effective 2010) and 10 microfinance branches (effective 2009);**

FINANCIAL SECTOR LIBERALISATION

- **The liberalisation package (*cont.*)**
 - **Greater flexibility for Labuan offshore companies to establish operational and management offices in Kuala Lumpur;**
 - **To provide a more flexible operating business environment; offshore banking institutions licensed by LOFSA will be accorded flexibility to have a physical presence onshore from 2010 & licensed offshore insurance companies from 2011; and**
 - **Greater flexibility for employment of expatriates in the specialist areas that can contribute to the development of the financial sector.**

FIC DEREGULATION

- **Deregulation of Foreign Investment Committee (FIC) guidelines**
 - **Acquisition of equity stakes, mergers & takeovers**
 - **FIC guidelines covering acquisition of equity stakes, mergers and takeovers are repealed with immediate effect;**
 - **FIC will no longer process share transactions nor impose equity condition on such transactions;**
 - **FIC will no longer process property transactions, except where it involves dilution of Bumiputera or Government interests;**
 - **Equity conditions for investments (if any) will continue to be imposed by the relevant sector regulators; and**
 - **Listed companies will no longer be subject to equity conditions post-IPO. Upon IPO, the equity condition will be subsumed as part of the public spread requirement.**

FIC DEREGULATION

- **Treatment of fund raising by listed companies**
 - **Currently, companies going for IPO will need to meet both Security Commission's public spread requirement (25%); and FIC's Bumiputera equity requirement (30%)**
 - **Going forward**
 - ✓ **FIC requirement is removed;**
 - ✓ **SC, as sector regulator will continue to impose public spread requirement;**
 - ✓ **SC will now impose a Bumiputera equity requirement as part of public spread requirement (50% of public spread to be offered to Bumiputera)**
 - **There will no longer be any equity condition imposed post IPO except in the case of RTO and backdoor listing**

FIC DEREGULATION

- **Acquisition of properties**
 - **FIC will only process transactions involving dilution of Bumiputera & Government interests, for properties > RM20 million**
 - **All other property transactions will no longer require the approval of FIC**
 - **State Government however, maintain the right to impose additional conditions**

CAPITAL MARKET LIBERALISATION

- **Fund Management & Unit Trust Segments**
 - **Full liberalisation for qualified and leading fund management companies to establish operations in Malaysia**
 - **Foreign shareholding limits for unit trust management companies to be raised from 49% to 70%**
- **Stock Broking Segment**
 - **Foreign ownership limits in existing stock broking companies to be increased from 49% to 70%**

Thank You



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