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### Less Developed Areas Incentive: Towards a state of equality

Malaysia, which consists of 13 states and 3 federal territories, has a rich presence of natural resources and a proven record of economic performance. While some states have continuously topped the list of recipients for investments, other states have yet to achieve their full potential. As inclusivity is a key principle in Malaysia's national socio-economic development agenda, the government seeks to attract investment and create jobs for locals, especially in 'pockets' of less developed areas in Malaysia.



Whilst the government is successfully eradicating poverty in these pockets of regions, a sustainable business landscape in the region will guarantee a continued economic growth. What better way for this, than through private sectors' involvement anchoring growth in the less developed regions.

Back in 2005, an Incentive for Promoted Areas (expired in 2010) was introduced and it focused on selected regions i.e. Eastern Corridor of Peninsular Malaysia (Kelantan, Terengganu, Pahang and district of Mersing in Johor), Sabah, Sarawak and Perlis. It was observed that while growth has been evident in these areas, investment remains concentrated in the developed area possibly due to the linkages and infrastructure. Hence, the push is still needed in the less developed regions to create an equal playing field.

A similar incentive known as the Less Developed Areas (LDAs) incentive was introduced in 2015. This is part of the Government's effort to spur regional development and inclusiveness in the country through substantial employment creation and rural development. Such locational incentives are often seen as an impetus, among others, to induce investors in engaging into selected industries anchoring the development of selected regions and creating linkages for local businesses.

# HIGHLIGHTS

The LDAs incentive is available for both existing and new investors regardless of equity participation. The incentive comes in the form of:

- Income Tax Exemption of 100% up to 15 years of assessment (5+5+5) commencing from the first year of assessment the company derives statutory income. The company must comply with the conditions and achieve the Key Performance Index (KPIs) for each additional 5 years.

Or

- Income Tax Exemption equivalent to 100% of qualifying capital expenditure (Investment Tax Allowance) incurred within a period of 10 years. The allowance can be offset against 100% of statutory income for each assessment year. Unutilised allowances can be carried forward until fully absorbed. The company must comply with the conditions and achieve the KPIs for additional 5 years.

Investors enjoying the LDAs incentive can also be considered for additional perks such as Withholding Tax Exemption, Stamp Duty Exemption as well as Import Duty Exemption.



While there are no specific definitions or areas categorised as 'less developed', indicators assessed on the region are drilled down to the district levels. This includes unemployment rate in the region, availability of physical infrastructure and industrial estates, existing industrial activities as well as major economic contribution in the region/ district. Recipients of the incentive will be subjected to a set of conditions which becomes the company's Key Performance Indicators in enjoying the exemption as well as continuing the exemption for subsequent incentive periods.

To date, a total of seven (7) projects have been approved with the LDAs incentive. These are to be located in regions such as Gua Musang and Jeli, (Kelantan), Ulu Pauh (Perlis), Tebedu (Sarawak), Hilir Perak (Perak), and Kota Tinggi and Segamat (Johor). Impressively, investments totalled to almost RM1 billion for the next 10 years and will generate approximately 980 job opportunities for the locals. The

projects were assessed based on their benefits through the spill-over effects and whether they were in line with the Government's target in attracting sustainable quality investment into specific regions. These investments will then serve as the pre-cursor to burgeon second and third tiered companies into the LDAs.

Application for the LDAs incentive is open until 31 December 2020. Please visit <http://bit.ly/2ylvwCe> for more information.

## Gold & Jewellery Industry in Malaysia

The global jewellery industry is shining bright with annual sales of €148 billion expected to grow at a healthy clip of 5 to 6 percent each year, totaling €250 billion by 2020. Jewellery, known for its profound designs and use of the finest and expensive raw materials for accessories, has received a lot of support from the fashion industry. The integration of jewellery and fashion has helped create a wider market demand in almost every geography and culture.

Of all the precious metals, gold, which is used as a universal currency for centuries, continues to be a popular investment. Gold can be owned and supplied by multiple participants in the gold supply chain. Although the gold market is subject to volatility affected by the uncertainties surrounding the global economy, gold is still viewed as an effective way to diversify risk compared to other precious metals.

In Malaysia, the gold jewellery industry was perceived to have started in the late nineteenth century when some goldsmiths, which were mainly from the Canton province of China, migrated to Malaysia and settled down in the northern part of Malaya.



As trade marketing activities and trade fairs organised by the World Gold Council in Malaysia helped expose and develop local merchants, the gold jewellery manufacturing industry grew. Enterprising gold merchants started to venture out of Malaysia in the late seventies and early eighties. They began exporting to the Indian and Middle East markets and sourced for more advanced gold jewellery making machineries.

In the eighties and nineties, local retailers started to open up retail outlets in shopping malls, especially in the region around Kuala Lumpur. The abolishment of import duty on gold bullion and sales tax for gold jewellery also helped to boost up the trade. Thus, local gold retail trade mainly consist of a handful of retail chain stores operators, the biggest of which has more than 100 outlets in the shopping centres all over Malaysia.

Over the years, this industry has gone through major transformation. To stay competitive and move up the value chain, Malaysian gold and jewellery manufacturers invested in advanced production methods towards increasing efficiency, quality and design of their products.

Talent continues to be the main drivers of this industry as it relies heavily on a long tradition of skilled workers whose design capabilities, craftsmanship and adherence to quality standards determines the quality of the end product. This highlights that Malaysian companies have both the flexibility and creativity to design and produce jewellery for all market segments.





According to an executive director of Poh Kong Jewellers, “The current domestic gold jewellery market is estimated to be in the region of 25 metric tonnes annually. The most popular and main plain gold jewellery sold is 22K in gold fineness. This 22K gold jewellery makes up approximately 75% of the domestic market, with the balance gem-set jewellery, mainly of diamond and some 18K white gold jewellery.” Poh Kong, together with Habib Jewels and Tomei are among the famous jewellery brands in Malaysia.

In terms of export, Malaysia is ranked top five in the world for plain jewellery exports. Around 50 tonnes annually worth between RM6 billion and RM8 billion are exported, mainly to Singapore, Thailand and Middle East countries. This far exceeds the domestic usage of 20-25 tonnes annually.

Penang, which is home to more than 400 companies in the gold and jewellery industry, is the main contributor for the total gold and jewellery exports in Malaysia. The state accounts for 85% of the total RM7.2 billion exports of overall gold and jewellery in 2016. These companies export to more than 20 countries such as Japan, US, Germany, UAE, Canada, Hong Kong, Thailand, Philippines and Singapore. In May this year, five goldsmith and jewellery manufacturing firms announced that they will be investing RM49.6 million to start a gold and jewellery cluster at the Batu Kawan Industrial Park, Penang.

Due to Malaysia’s rich multicultural heritage, gold and jewelry made here are quite varied in designs. With unique characteristics from each ethnicity, designs range from oriental and modern to being nature-inspired and floral.

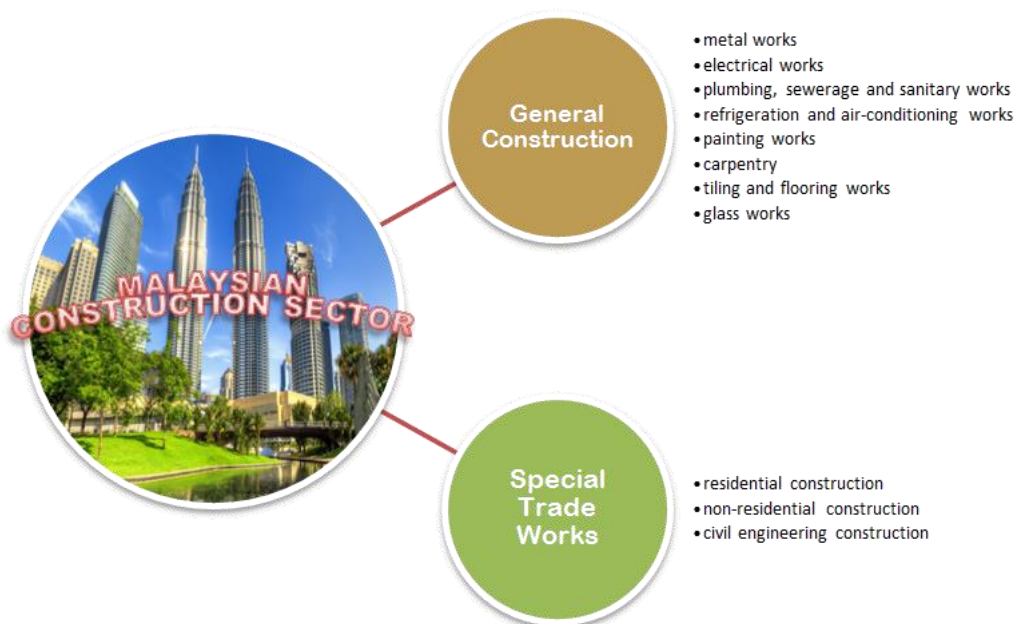
While there is a myriad of opportunities for gold and jewellery manufacturers in Malaysia, there is still much the industry can do to enhance its competitiveness in order to realise its potential. MIDA encourages industry players to focus on the production of high value added products such as high quality and niche market items, invest in modern equipment, undertake research to keep abreast with new market trends and development, explore networking and trade opportunities in exhibitions and trade fairs as well as to explore e-commerce and social media platforms to boost sales.



## Green Building for Sustainable Future

Green technology is the answer to current climate and environmental concerns that arises from unsustainable economic activities. It has strong potentials to stimulate economic growth while mitigating environmental degradation. Recognising this, global efforts to promote green technology as a new source of growth have intensified in recent years. There is a growing momentum in scaling up the green agenda on a global basis, with countries such as Denmark, South Korea, Finland and Germany already embarking on green technology movements in their respective countries.

To promote sustainability and increase awareness on environmental issues in Malaysia, the Green Building Index (GBI) was established in February 2009 by the Malaysia Architect Association (PAM) and Association of Consulting Engineers Malaysia (ACEM). Other green building rating tools such as GreenRE and MyCREST were also developed to facilitate and rate the implementation of low carbon in building development in Malaysia.



The construction sector, which makes up an important part of the economy due to the various industries linked to it such as basic metal products and electrical machinery, accounts for 41% of total carbon emission in Malaysia. Being a substantial economic driver, this sector can play a major role in reducing the total carbon emission in Malaysia.

Green building incentives are introduced to encourage construction firms in Malaysia to take part in green development. Under the provision of Budget 2014, projects related to green building and green data centre could be considered for Investment Tax Allowance (ITA) while services related to green building/green data centre; green township and green certification of products, equipment & building could be considered for Income Tax Exemption under Green Technology Incentive, provided for under the Income Tax Act, 1967.





# SERVICES

The task ahead is challenging, and therefore coordinated efforts from both the Government and private sector are necessary to maintain competitiveness in this industry. While the Malaysian building construction market is currently dominated by local industry players, due to the increased focus on green technology in Malaysia, we are seeing more and more foreign participants being involved, especially in the development of green buildings particularly in technologies relating to green building, prefabrication practice, smart building and energy efficient building.



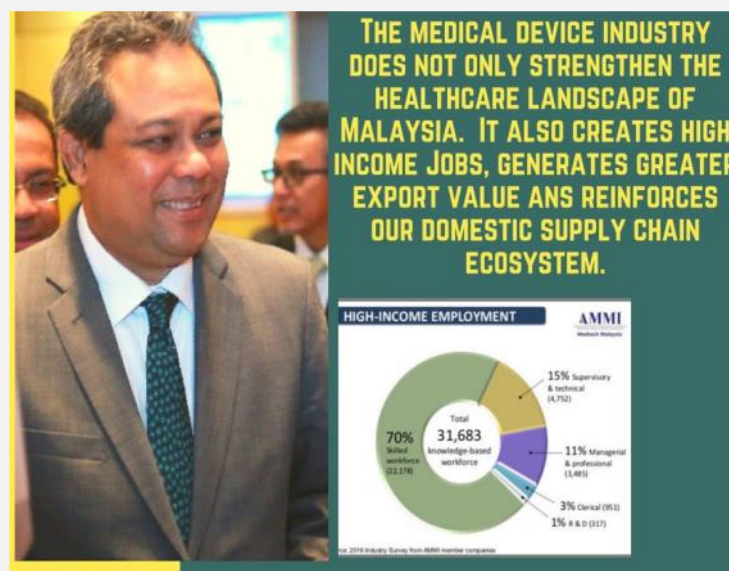
MITI and its agencies, particularly MIDA will continue to assume a stronger role in the facilitation and implementation of approved projects in this sector through initiatives such as Domestic Specific Project Missions, workshops, roadshows and seminars organised by MIDA. The agency also works closely with the relevant stakeholders such as Green Building Index Sdn. Bhd. (GBI), Real Estate and Housing Developers Association (REHDA) and Construction Industry Development Board (CIDB).

# EVENTS

## Medical Device Manufacturers Procure Over 60% of Raw Materials and Services Locally

Launched at the MIDA HQ on 2 August, the AMMI Medical Device Industry Outlook Report 2017 highlighted that AMMI recorded an outstanding value-added ratio of 57% in manufacturing medical devices in Malaysia. Equally impressive is the fact that some RM2.84 billion or 63% worth of raw materials and services were locally sourced from within the country. This reflects AMMI's commitment in supporting government initiatives to develop local small and medium-sized enterprises (SMEs).

The total value of cumulative investments reported by respondents to the association's survey stood at RM6.04 billion, as at December 2016. The value of its cumulative investments grew by a 17.1% compound annual growth rate (CAGR) between 2012 and 2016. AMMI Chairman, Hitendra Joshi stated that its members' collective exports last year rose by 17% to hit RM9.7 billion and this figure represents over half of Malaysia's total exports of medical devices in 2016. Malaysia's medical device exports are expected to reach RM17.7 billion by 2017.



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## Infineon's Block 8 Gearing Malaysia Towards Industry 4.0



YB Dato' Seri Ong Ka Chuan, second MITI Minister officially launched Infineon Technologies Malaysia's new building, Block 8 in Melaka on 8 August. During the opening ceremony, he said that Infineon's expansion reflects the attractiveness of Malaysia as a competitive location for companies to tap into the emerging opportunities in the ASEAN region.

"I am pleased to see that Infineon continues to expand in Malaysia with the opening of the new building that support its operations towards the era of industry 4.0. More companies need to follow Infineon's footsteps in maintaining their competitiveness. As business trends evolve with the rise of new and disruptive technologies, companies have to transform and up-scale their productions or risk losing out in capturing market opportunities," said YB Minister II.

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## MIDA CEO Interview with NHK World

Dato' Azman Mahmud, Chief Executive Officer of MIDA had an interview with NHK World on 4 August to speak on the attractiveness of Malaysia as preferred investment destination by foreign industry players.



## MIDA Job Fair at ASEAN Day 2017

In conjunction with ASEAN Day 2017 on 9 August, MIDA held a mini career fair which included open interviews at MITI. A total of 15 companies from various sectors and industries participated. Among them were Roland, Panasonic, Honda, Yakult, and Spirit Aerosystems. The programme was well attended by job seekers and was also graced by YB Dato' Seri Ong Ka Chuan, second MITI Minister and Datuk Seri J. Jayasiri, Secretary General of MITI.





## Investors to Reap the Benefits of ASEAN Ecosystem



ASEAN provides an effective platform for investors to utilise and maximise its value chain. The varying levels of economic development in ASEAN coupled with each country's industry specialisation allow greater complementation among local and multinational companies (MNCs) and locational complementation between member countries. Market-seeking and efficiency-seeking foreign direct investments (FDIs) may leverage on these complementation and increase their involvement in the regional supply chain.



On 10 August, MIDA together with the Ministry of International Trade and Industry (MITI) and the Malaysia External Trade Development Corporation (MATRADE) organised an Intra-ASEAN Investment Forum at the MITI Tower. The Forum, held in conjunction with ASEAN 50th Anniversary, was graced by YB Dato' Sri Mustapa Mohamed, Minister of MITI. It was also well participated by over 400 delegates from the business communities of various sectors.

The event featured discussions on 'Opportunities and Challenges of Investing in ASEAN', that was moderated by Tan Sri Dr. Mohd Munir Majid, Chairman of ASEAN-Business Advisory Council.

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## MIDA's Effort Gaining Traction - Konica Minolta Leading Japanese Industries to Implement Industry 4.0 in Malaysia

YAB Datuk Seri Utama Ir. Haji Idris bin Haji Haron, Chief Minister of Melaka officiated the ground breaking ceremony of Smart Industrial Centre (SIC) Melaka at the Bukit Rambai Industrial Park, Melaka on 10 August. The project, a collaborative venture between Konica Minolta Business Technologies (Malaysia) (hereinafter KMMY) and its business partners, marks Malaysia's first-of-its-kind manufacturing cluster centered on digital manufacturing concept.



On congratulating KMMY and its business partners for the ground breaking ceremony of SIC Melaka, Dato' Azman Mahmud, Chief Executive Officer of Malaysian Investment Development Authority (MIDA) said, "The company's initiative of developing SIC Melaka is laudable as it will provide a platform for KMMY's vendors, especially our Malaysian companies to embrace smart manufacturing. Through this establishment, local vendors stand to benefit via access to technical expertise as well as opportunity for technical collaboration with KMMY. I would like to encourage more foreign multinational corporations (MNCs) to emulate Konica Minolta in its drive to develop its local supply chain, which in return will also enhance forward-and-backward linkages, create quality jobs as well as enhance the overall competitiveness of the local supply chain network."

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# EVENTS

## Bavaria and MIDA Launched A Series Of Industry 4.0 Workshops With German Industry Experts

MIDA together with Bavaria International (Germany) and TAPIo Management Advisory as well as Invest Selangor, Johor State Investment Centre (JSIC) and Invest Penang organised a series of Industry 4.0 workshops in Selangor, Johor and Penang in August 2017. This initiative aimed to revolutionise the industrial ecosystems in Malaysia by familiarising local industry players with Industry 4.0 concepts and practices. These workshop featured two world class leaders, namely Mr. Daniel Gottschald, Managing Director of TUM International, an Expert on Industry 4.0 from the Technical University Munich, and Mr Hans-Joachim Heusler, the Chief Executive Officer of Bavaria International.



## MIDA Engages MNCs and SMEs in Southern Region to Further Promote Sustainable Business Linkages



MIDA organised a Supply Chain Conference for the Southern Region in Johor Bahru on 17 August. The event, graced by Prof Datuk Ismail Ibrahim, Chief Executive of Iskandar Regional Development Authority (IRDA) who represented the Chief Minister of Johor. The conference was the third of its series for 2017 after Pahang (East Coast Region) and Penang (Northern Region). According to Datuk N. Rajendran, Deputy Chief Executive Officer of MIDA in his welcoming remarks, the supply chain series was kick started with the national level conference held last year in December at the Ministry of International Trade and Industry (MITI). Following the successful outcome of the event, MIDA brought this supply chain conference to the various regions in Malaysia, focusing on the respective state's economic strengths.

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## Third Country Training Programme: Investment Promotion for African Countries



MIDA, supported by Malaysian Technical Cooperation Programme (MTCP) and the Japan International Cooperation Agency (JICA) organised the Third Country Training Programme (TCTP) on Investment Promotion for African Countries on 15-26 August. The programme, which caters to representatives from the government agencies of various African countries, is part of the Malaysian Government's commitment towards the promotion of technical cooperation among developing countries, strengthening of regional and sub-regional cooperation, as well as nurturing collective self-reliance among developing countries.

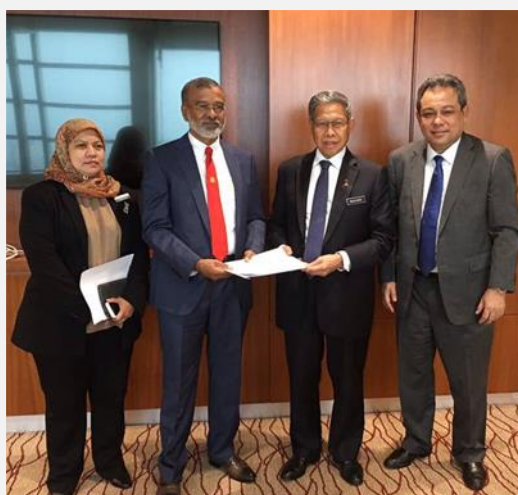
The 2 weeks programme is specifically designed to mutually benefit both the African countries and Malaysia by providing a comprehensive outlook on Malaysia's investment promotion framework and efforts. The keynote address during the opening ceremony was delivered by Dato' Wan Hashim Wan Jusoh, MIDA's Deputy Chief Executive Officer.

## IKEA to Establish Regional Distribution and Supply Chain Centre for ASEAN in Malaysia

IKEA, the world's largest furniture retailer headquartered in the Netherlands, has made a strategic decision to establish its Regional Distribution and Supply Chain Centre for ASEAN in Malaysia. The Centre, which will adopt the structure and technology of IKEA's biggest Regional Distribution Centre in Germany, will also be among the top 10 largest Regional Distribution Centres of IKEA Group globally.

On congratulating IKEA in a statement published on 22 August, YB Dato' Sri Mustapa Mohamed, Minister of International Trade & Industry (MITI) said, "The project, which resulted from continuous engagements and facilitation by the Malaysian Investment Development Authority (MIDA), represents a significant milestone for both IKEA and Malaysia. IKEA's decision of selecting our country as a base to support retailers in Malaysia, Singapore, Thailand, Indonesia, Vietnam, Philippines and India underscores the strategic fit of this country in supporting IKEA's overall growth strategy in the ASEAN region."

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## Launching of 'MIDA Genius' Nursery & Kindergarten



The 'MIDA Genius' Nursery and Kindergarten was officially launched on 22 August by the Chief Executive Officer of MIDA, Dato' Azman Mahmud. The centre, located at KL Sentral, has catered to a total of 66 children since it began operations in 2015.

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## MIDA-UNMC Conference Facilitates Increased Industry-Academia Collaboration

MIDA and The University of Nottingham Malaysia Campus (UNMC) collaborated to organise the Research Funding and Powering the Innovation Engine Conference on 23 and 24 August, which aimed at increasing industry-academia collaboration. The conference, held at MIDA's headquarters in KL Sentral, also aimed to present research funding opportunities and grants from leading funding bodies.

Dato' Azman Mahmud, Chief Executive Officer of MIDA in his welcoming address said, "Today, as many industries struggle to remain competitive, academia plays a growing role in supporting the industries' needs through joint undertakings in R&D activities. It is important that research carried out in universities finds its way into companies to enable job creation, company expansion and diversification, and spur the economic growth."



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## ECONOMY NEWS

Malaysia the fourth most attractive FDI destination

Malaysia factory output to remain robust

Economy seen on uptrend for next three to five years

Upbeat investment performance

Minister lauds resilient economy

Malaysia standing tall among emerging countries

## INDUSTRY NEWS

Malaysia, Singapore to ink rail deal by December

Bright prospects for medical device sector, but more talent needed

New halal frontier products

Infineon invests RM240mil to expand Melaka plant

Malaysia's unique story

Scientex buys 26.4ha in Rawang for RM85.4m

Factory output rises by 4pc

SCGM to invest in new factories

SCGM allocates RM133m for expansion plans

Trive Property to look into manufacturing solar panel products

Plan targets to make Malaysia marketing hub for EVs by 2030

Johor eyes Xinjiang halal food firms

Luxchem Corp sets RM15mil for capex

Hartalega to invest RM400m each in remaining 3 NCG plants

Malaysia targets RM50b halal exports

Sign of manufacturing boom

Hengyuan invests RM580mil in new refinery complex for Euro 4m gasoline production

Weida sets aside RM10mil for capex



## SERVICES NEWS

Kalmar Global sets sights on Asia

Rail networks are future of Malaysian logistics

Shell Malaysia partners Lazada Malaysia to launch first online store in the country

IJM launches Innovation Lab to drive innovation

Weifang Sime Darby launches liquid terminal

German firms keen to work with SMEs

Dialog, Honeywell ink joint venture

MPD-MDEC digital game push

Embrace Industry 4.0 SMEs urged

Malaysia ready to embrace digital economy

Global hub to serve O&G industry

Prudential to relocate Malaysia HQ to TRX

IKEA's ASEAN distribution hub

1,500 SMEs to be listed on Alibaba.com

AirAsia sells AACE stake to JV partner for US100m

UMW O&G sees higher rig utilization rate

Westports secures approval for container terminal expansion

Lazada eyes further expansion in Malaysia

Spreading Malaysian hospitality across the globe

Westports on RM10bil expansion

## ABOUT MIDA

The Malaysian Investment Development Authority (MIDA) is the Government's principal promotion agency under the Ministry of International Trade and Industry (MITI) to oversee and drive investments into the manufacturing and services sectors in Malaysia. Starting operations in 1967, MIDA is the first point of contact for investors that want to take advantage of Malaysia's vibrant economy, world-class infrastructure and business-friendly environment to set up their profit centre in Asia. For more information, visit [www.mida.gov.my](http://www.mida.gov.my) or e-mail us at [investmalaysia@mida.gov.my](mailto:investmalaysia@mida.gov.my).



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