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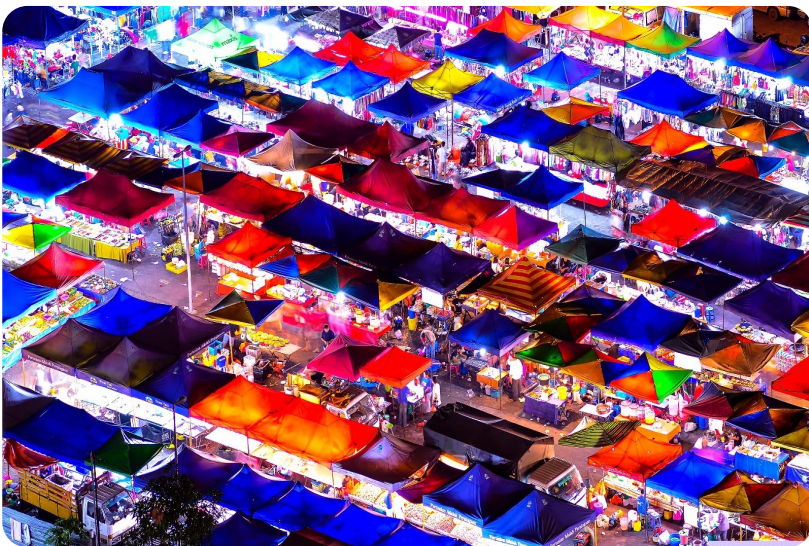
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HIGHLIGHTS

ENSURING UNITY AND ECONOMIC GROWTH, INCLUSIVE PRUDENT SPENDING, WELLBEING OF THE RAKYAT

Amid the tepid economic landscape, Budget 2017 presented a pragmatic approach towards the nation's aim in achieving a developed nation status by 2020. With the on-going market volatility, dwindling oil prices and headwinds in the global economic facade, the Budget 2017 forecasted the Malaysian economy to be between 4% and 4.5% in 2016 and between 4% and 5% in 2017.

Themed 'Ensuring Unity and Economic Growth, Inclusive Prudent Spending, Wellbeing of the Rakyat', the Budget is focused on stimulating domestic demand and buffering the impact on the increasing cost of living particularly for the B40 (bottom 40% of the population) and M40 groups (households with a monthly income of between RM3,900 and RM8,300). It prioritises people-centric projects and intensifies development of start-ups as well as small & medium enterprises (SME) to strengthen the grassroots economy.



On the investment perspective, the pro-business initiatives highlighted in the Budget 2017 covers the corporate income tax, tax incentives, streamlining of the Goods and Services Tax (GST) treatment, and stimulating SMEs. Through an allocation of RM522 million under the High Impact Fund, MIDA will continue to drive economic and employment growth through attracting quality private investments with a focus on the catalytic and high growth sectors identified under the 11th Malaysia

Plan. This includes the chemical, electrical & electronics, machinery & equipment, medical device and aerospace industries.

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The announcement to reduce corporate tax to a maximum rate of 4% based on the annual increase in chargeable income for Year of Assessment (YA) 2017 and 2018 is an unconventional but impactful measure. This is expected to encourage more business expansions. Meanwhile, SMEs can enjoy a reduction of corporate tax rate from 19% to 18% on chargeable income up to RM500,000 for YA 2017. This will help to increase the competitiveness of SMEs.

% of Increase in Chargeable Income as Compared to the Immediate Preceding Year of Assessment	% Point of Reduction on Income Tax rate	Reduced Income Tax Rate on Increase in Chargeable Income (%)
Less than 5%	Nil	24
5% - 9.99%	1	23
10% - 14.99%	2	22
15% - 19.99%	3	21
20% and above	4	20

In Malaysia, 97% of business establishments are SMEs and these businesses are responsible for nearly 36% of the country's GDP, 65% of the country's employment and nearly 18% of Malaysia's exports. Being the backbone of Malaysia's economy, Year 2017 has been declared as the Start-up and SME Promotion Year.

The Government dedicated several measures towards the development of SMEs. Approximately RM6.7 billion has been allocated for SME development and entrepreneurship programmes to be implemented by relevant Ministries and agencies, including RM75 million for the SME Masterplan. A total of RM200 million from the Working Capital Guarantee Scheme (WCGS) has been allocated for start-ups, while a guarantee of up to RM15 billion provided for various schemes under *Syarikat Jaminan Pembiayaan Perniagaan* has been extended until 2025.

Towards developing a steady talent pool for the business ecosystem in Malaysia, the Government has allocated RM7.4 billion of higher education funds for 20 public universities and RM4.6 billion to Technical Vocational Education and Training (TVET) institutions. The Government also announced the extension of the period and expansion of the scope of a double deduction incentive for the Structured Internship Programme (SIP). This is done to encourage higher participation and increase employability of local graduates through an early exposure to the working environment.

The existing incentive will be extended for another 3 years until year of assessment 2019. Double deduction is also given on expenses incurred by companies that participate in SIP approved by Talent Corporation Malaysia Berhad. SIP is available for Malaysian students pursuing full-time degree and diploma courses in institutions of higher learning that are registered with the Ministry of Higher Education or for equivalent vocational level as recognised by Malaysian Qualifications Agency or Department of Skills Development. This programme has been expanded to include Malaysian students pursuing full-time vocational level (Malaysian Skills Certificate Level 3).

Tax incentives for Halal Industry Players operating in Halal Parks have also been extended to include the production of nutraceutical and probiotic products. This is to encourage new investments in halal food products so as to further promote the development of Halal Parks located across the country.

HIGHLIGHTS

Acknowledging the positive economic spill-over of the tourism sector and on its endeavour to boost development of economic corridors in Sabah and Sarawak, the existing incentive for new 4 and 5 star hotels was also extended. This incentive, in the form of Pioneer Status or Investment Tax Allowance,



which was supposed to expire on 31 December 2016 is now extended for another 2 years. The extension of this incentive is to fulfil the country's need for an additional 37,000 rooms of 4 and 5 star hotels in Peninsular Malaysia, Sabah and Sarawak; and to support high-end tourists with global standards accommodation.

On the GST front, the Budget highlighted the streamlining of GST treatment in Free Zones and under the Warehousing Scheme. It is proposed that, among others, supply and removal of goods made within and between Free Commercial Zone (FCZ); goods imported into Free Industrial Zone (FIZ), supply and removal of goods made within and between FIZ will not be subjected to GST. In addition, the Budget also proposed that no GST shall be charged on the goods from the Principal Customs Area (PCA) consisting of Licensed Manufacturing Warehouse, Excise Warehouse and FIZ that are deposited into and supplied within and between warehouses under the Warehousing Scheme. These streamlined treatments will be effective from 1 January 2017.

Overall, the 2017 budget has been prudent in balancing the country's priorities and ensuring a strong economic foothold, which is timely given the current subdued global economy landscape. Malaysian companies in particular should leverage on the facilities provided by the Government to expand or diversify their operations. As the principal investment promotion arm of Malaysia, MIDA will continue its efforts in ensuring that the government's aspirations and targets are met through growing and developing more quality foreign and domestic investments in the country.

GRAPHENE – THE MATERIAL OF THE FUTURE

Graphene is the wonder material of the 21st century. It is the first two dimensional (2D) crystal isolated by man and it is this unique structure of graphene that gives it its special properties. As one of the world's strongest material - harder than diamond and approximately 300 times stronger than steel, graphene is also bendable, stretchable, nearly transparent and can take any form desirable.



The discovery of graphene crystal has also given birth to a new class of crystals that are also just one atom in thickness. The crystals can also be 'shuffled' with each other and engineered to create a new material customised to industry's demands. As such, graphene is becoming a potential key material for various industries.

Graphene in Malaysia

The isolation of the first graphene sheets has initiated an explosion of graphene related research around the globe and in the Asia Pacific region, Malaysia is one of the first countries to venture into this field. To introduce this super material to local markets, one of the initiatives undertaken is the introduction of the National Graphene Action Plan 2020 (NGAP 2020) in July 2014. This plan aims to transform Malaysia into a global graphene innovation hub. It is expected to generate RM9 billion worth of revenue, contribute RM20 billion to the gross national income and create 9,000 jobs by 2020.

NGAP 2020 is the result of an extensive collaboration between the Malaysian government, private sector, domestic and international research institutes and academia to assess how the country can benefit from the potential of graphene. The Ministry of International Trade and Industry (MITI) as the co-chair of the Execution Steering Committee for NGAP 2020, will continue to support developments in the graphene venture, together with the Ministry of Science, Technology and Innovation (MOSTI). MIDA, the national investment promotion agency under MITI, has been playing a key role in implementing the action plan. MIDA provides guidance and support to NanoMalaysia Berhad (NanoMalaysia), a business entity entrusted with nanotechnology commercialisation activities, in facilitating companies to look into the business potentials of graphene.



To date, 50 companies have been identified and are working closely with MIDA and NanoMalaysia to explore the applications of graphene as a product enhancer in their respective sectors. Of these, 19 are at various stages of product development. After weighing factors as such technical feasibility, economic viability, relevance on time adoption and impact to Malaysia under the NGAP 2020 timeframe, it has been decided that five application groups should be prioritised. The areas listed are lithium ion battery anodes and ultracapacitors, rubber additives, plastic additives, conductive inks and nanofluids.

Lithium Ion Battery Anodes & Ultracapacitors, and Conductive Inks

- Addition of graphene in lithium ion battery and conductive inks are expected to greatly impact the E&E industry. Upon execution, it can accelerate the implementation of electric vehicles, enable fast charging and high energy storage in electronics as well as replace the traditional circuit board.

Rubber Additives

- Addition of graphene to rubber will make the traditional rubber more 'rubbery' in a way that graphene increases its elasticity as well as strength. Hence, the success in this subsector will be able to produce high quality rubber products with elevated strength and are smaller in size.

Plastic Additives

- Nano-composites will benefit the downstream sector where the hybrid of plastic and graphene will produce higher performance plastic with lesser cost.

Nanofluids

- Nanofluids will boost the efficiency of upstream operation of oil and gas.

In April 2015, MIDA in collaboration with NanoMalaysia and Felda Global Ventures (FGV), organised a 'Seminar on Graphene' for our local players. Over 200 participants from various sectors attended the seminar. Presentations given by representatives from Cambridge Nanosystems, NanoMalaysia and Ministry of Science, Technology and Innovation (MOSTI) have created awareness on this new technology and its future potential in our local market. In the following year, another graphene conference, Graphene Malaysia 2016, was jointly organised by NanoMalaysia and Phantoms Foundation. The event provided all stakeholders to gather new information on graphene and the opportunity to interact, exchange ideas, network and form commercial collaborations with graphene leaders and specialists from the world over.

During Graphene Malaysia 2016, the Minister of MITI, YB Dato' Sri Mustapa said, "Given Malaysia's comparative and competitive advantages, particularly in having a strong manufacturing foundation, we have the opportunity to become one of the early leaders in adopting graphene. We need to act fast to seize the moment. Graphene certainly holds many untapped potentials and Malaysia is committed to assisting companies and industries to innovate with graphene. To show that we are serious about translating innovation to wealth, we have provided tax breaks and facilitate funding for R&D related activities. MIDA offers R&D incentive programmes that can be enjoyed by manufacturers with in-house R&D facility or research service providers."

MINI HYDRO: THE FLOW OF ENERGY (FEATURING AMCORP PERTING HYDRO)

The usage of conventional non-renewable energy such as fossil fuels (oil and coal) and natural gas has two major consequences, namely the depletion of a finite resource and the emission of greenhouse gasses that induces harmful climate change. As Malaysia is moving towards a more sustainable socio-economic development, the Government has been formulating various policies and programmes related to ensuring long-term reliability and security of the energy supply in the country.

The focus is now on using new sources of energy, such as renewable energy to supplement the conventional supply of energy. Rapid development of renewable energy is essential in ensuring energy security, mitigating climate change and creating economic benefits. This can be done through increased government support such as renewable energy legislation, incentives and commercialisation. In this regard, the fuel policy which comprises oil, gas, hydro and coal has been extended to include renewable energy as the fifth fuel.

Mini hydropower is defined as the production of electricity through harnessing the power of flowing water from lakes, rivers, and streams. The concept is simple. Moving water turns the turbine; the turbine spins the generator; and electricity is produced. Many other components may be added to the energy-generating system, but it all begins with the energy already within the moving water.

Renewable energy in Malaysia is derived from various sources such as solar power, biogas, biomass, geothermal and hydropower. Among them, hydropower is identified to be the largest single renewable energy source, contributing more than 16% of electricity generation worldwide and about 85% of global renewable electricity according to the International Energy Agency. As such, hydropower is considered one of the most cost-effective energy generation technologies.

Malaysia is seeking to achieve its target of adding 490 MW of mini hydropower, which can be translated into potential investments of RM4.9 billion by 2020. It is also one of the areas in green technology promoted by the Malaysian Investment Development Authority (MIDA).

MIDA has cooperated with several key companies to encourage the development of mini hydropower in Malaysia. One such company is Amcorp Perting Hydro Sdn Bhd (APHSB).

Amcorp Perting's mini hydropower plant is located in the Bukit Tinggi Forest Reserve at Perting River, Bentong, Pahang. The plant generates clean electrical energy by utilising the water flow of Sungai Perting. Investment in this renewable energy project was made possible through local loans and tax incentives from MIDA. In 2015, the mini hydro power plant was successfully upgraded from 4 MW to 6 MW. The electricity generated from the plant is sold to Tenaga Nasional Berhad via its Renewable Energy Power Purchase Agreement (REPPA) for a feed-in-tariff concession period of 21 years.

Amcorp Perting Hydro, a wholly owned subsidiary of Amcorp Properties was bestowed the prestigious ASEAN Renewable Energy Award at an award ceremony held on 12 September 2012 in Phnom Penh, Cambodia by the ASEAN Centre for Energy (ACE). APHSB was selected as a winner under the "On-Grid" category for its Sungai Perting mini hydro power station.

APHSB's award-winning mini hydro project is particularly unique as its power house is located above the Chamang Waterfall. Its water emission forms part of the picturesque waterfall at the recreational site. With its close proximity to Kuala Lumpur city centre, the Chamang Waterfall recreational area is a favorite holiday spot for city dwellers. As such, great care is exercised in the construction and operation of the mini hydro project to ensure it stays environmentally friendly with minimal negative impact on the recreational activities at the site.

The APHSB mini hydro power station was commissioned on 31 December 2009. Since 1 January 2010, it has been generating a total of 175,000 MWh of electricity. To date, the estimated greenhouse gas (GHG) emission reduction is 120,000 tonnes CO2 equivalent.

Apart from the obvious benefits of good clean renewable energy generation and GHG emission reduction, APHSB's mini hydro project has benefitted the community in the surrounding area through direct and indirect employment opportunities. This project has also increased business opportunities for local suppliers in transportation, maintenance and repair, parts supply, food and other services. Business opportunities for local stakeholders such as bankers, consultants, contractors and manufacturers have also benefitted from this project. As water is a free, sustainable and indigenous resource, APHSB's mini hydro project also contributes to the country's economic sustainability and has helped reduce the dependency on the ever depleting imports of fossil fuels.

In short, sustainability is important for both the public and private sectors. Both parties need to work in tandem to spur the growth of the industry and the economy. MIDA remains committed to facilitate, support and assist companies to develop and promote the energy industry and to continue to create a more sustainable business environment.



Smart Manufacturing - The Way Forward for Malaysia

“Developments in revolutionary smart manufacturing technologies are changing the global manufacturing landscape. MITI is championing the adoption of smart manufacturing in the country. We are doubling our efforts to create a conducive business environment which will give manufacturers the confidence to invest in new technologies and processes as well as the skills to make the most of them,” said YB Dato’ Sri Mustapa Mohamed, Minister of International Trade and Industry (MITI) during the Seminar on Smart Manufacturing and Automation 2017 organised by MIDA on 12 January 2017.



At the event, the Minister witnessed an exchange of Memorandum of Understanding (MoU) between MIDA and Rockwell, a US-based industrial automation and smart technology provider. Dato’ Azman Mahmud, CEO of MIDA who was also present during the event said, “With this MoU, not only are we exploring avenues on grooming local companies to increase their competitiveness, but we will also be organising more outreach programmes, and even the possibility of establishing a smart manufacturing demo centre right here in MIDA. As MIDA celebrates its 50th anniversary this year, we continue to be the strategic partner to businesses in seizing the opportunities arising from the technology revolution of this era.”

More than 300 participants from various industries attended the full day seminar that aimed to connect all stakeholders to accelerate industrial growth through the adoption of smart technology.

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Sumitomo Mitsui Card Collaborates with Soft Space - DISF Recipient for its expansion into the ASEAN payment market

Soft Space, a home-grown FinTech company signed a Memorandum of Understanding (MOU) with Sumitomo Mitsui Card Company (SMCC) to offer innovative payment solutions in Southeast Asia and Japan on 13 January 2017. The signing hosted by MIDA at its HQ, was witnessed by YB Datuk Chua Tee Yong, Deputy Minister of International Trade & Industry.

On congratulating the collaboration, the Deputy Minister said, “The sealing of the collaborative venture between both companies today is a significant milestone not only for Soft Space, but also for Malaysia.

This reflects that Malaysian technology companies are of international standards and able to meet stringent global requirements. The fact that SMCC, a member of the Sumitomo Mitsui Financial Group – a top Japanese conglomerate, have chosen a Malaysian company for its expansion into the ASEAN payment market, underscores the creative capabilities in the country.”

EVENTS



"I am happy to note that the incentives provided by the Government have accelerated Soft Space's growth and innovative capabilities in a shorter period of time than expected. The assistance has enabled Soft Space to build a stronger R&D foundation and continuously introduce innovative products," YB Deputy Minister further added. Soft Space has been granted the Domestic Investment Strategic Fund (DISF) and Pioneer Status Incentive for high technology industry by MIDA in December 2013.

Also present at the event were Datuk Phang Ah Tong, Deputy CEO of MIDA, Mr. Kazunori Okuyama, Senior Managing Director and Representative Director of SMCC as well as Mr. Chang Chew Soon, CEO of Soft Space.

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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 or e-mail us at investmalaysia@mida.gov.my.

MIDA, your first point of contact for investments in Malaysia.



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