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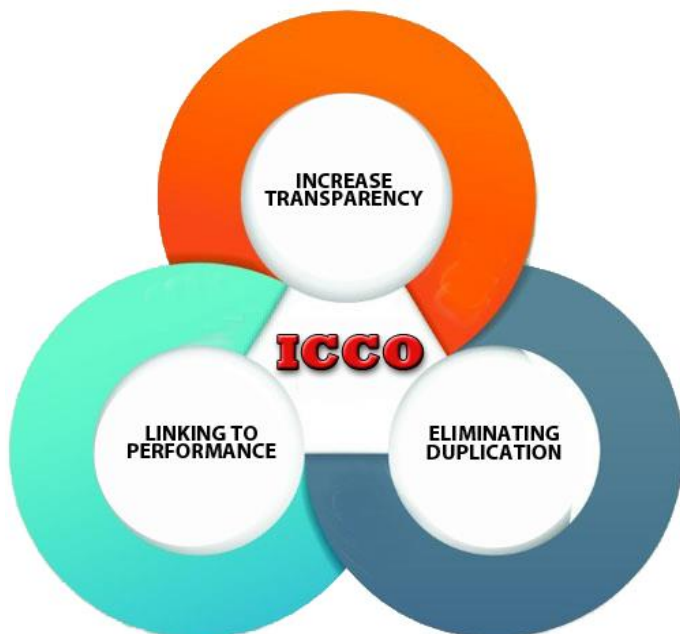
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MIDA STREAMLINES INFORMATION ON INCENTIVES THROUGH ICCO

Recognising the need for the services sector to move up the value chain, the Malaysian Government formulated the Services Sector Blueprint which was launched by YAB Prime Minister in March 2015. One of the four policy levers outlined in the blueprint was the effective management of the existing incentive framework. To meet this objective, an Incentive Coordination & Collaboration Office (ICCO) has been recently established in MIDA. ICCO aims to improve the central coordination of all incentive offerings by the Federal Government. The objective of this initiative is to enhance the effectiveness of the government's incentive mechanism by increasing transparency, eliminating duplication and linking to performance.



The importance of ICCO is re-emphasised in the 11th Malaysian Plan (11MP) under Chapter 8: 'Re-engineering Economic Growth for Greater Prosperity'. ICCO will act as a coordinator for all investment incentives. It will enable cross-agency visibility and allow for a more holistic assessment of incentives through structured information sharing between the approving government agencies. In addition, ICCO will undertake impact assessment on the incentives provided, besides assisting in high-level monitoring from a demand perspective.

MIDA, the principal investment promotion agency in the country, administers all incentives under the Promotion of Investments Act, 1986 (PIA) and selected incentives under the Income Tax Act, 1967. In alignment with MIDA Act,

1965, the organisation is also mandated to be the centre for collection, reference and dissemination of information relating to investments across all sectors of the economy.

HIGHLIGHTS

Given MIDA's key role in attracting investments and its close network with the vibrant industry sector, MIDA is best positioned to house ICCO. ICCO serves to facilitate and coordinate the overall incentive offerings and will not be taking over the management & operations of incentives from other ministries/agencies.

Therefore, the cooperation and support from other ministries and agencies are essential to ensure the smooth implementation of ICCO.

For the first phase of ICCO's implementation, MIDA has developed an interactive web portal i.e. i-Incentive portal, to provide information on incentives offered by the Federal Government. The portal, which currently stores information on 95 incentives schemes, covers only six (6) agencies under the Ministry of Industrial Trade and Industry (MITI) and selected Investment Promotion Agencies (IPAs) i.e. East Coast Economic Region Development Council (ECER), Iskandar Regional Development Authority (IRDA), Sabah Economic Development and Investment Authority (SEDIA), Malaysian Biotechnology Corporation (BiotechCorp) and Malaysia Digital Economy Corporation (MDeC) formerly known as Multimedia Development Corporation. The i-Incentive portal will later be extended to cover other ministries and agencies.

For the second phase of development, ICCO will collaborate with the relevant ministries and agencies to compile database of companies granted incentives under a centralised approval database management system. This exercise will further improve the central coordination and management of incentive scheme provision.

While incentives have assumed an important role in the past to attract investments, emphasis on developing the industrial ecosystem has taken prominence in order to attract high quality and sustainable investments. Creating an environment of ease of doing business, providing the right human capital and enhancing the supply chain are now considered more important than just merely relying on incentives. The role of incentives for Malaysia has changed. The establishment of ICCO demonstrates the Government's commitment to create a more effective and performance-driven system that would lead to a conducive and attractive business environment in Malaysia.

Visit i-Incentive portal at <https://incentives.mida.gov.my>.



PLASTIC COMPOUNDING & ITS OPPORTUNITIES

Global demand for plastic compounds is likely to reach 200 million tonnes by 2020. Factors driving the demand for plastic compounding products are low oil prices, the shift from commodity based to specialty products, and its increased usage as metal substitution as well as proximity of compounders to customers. Most of the demand comes from the transportation industry, particularly in automotive and aerospace while the electronics, medical and packaging industries provide sustenance to the plastic compounding markets.

Commodity plastics will continue to hold a larger share of volume, catering for key industries like construction, medical and automotive using Polyvinyl Chloride (PVC), Polyethylene (PE), Polypropylene (PP) and Polystyrene (PS). However, **engineering plastics** will have higher growth potential especially in automotive, medical and electronics industries which require Polyamide (PA), Polybutylene Terephthalate (PBT), Polyethylene Terephthalate (PET), Polycarbonate (PC) and Polyoxymethylene (POM).

For **high performance plastics**, the major customers are expected to be from the aerospace, medical and automotive industries. The products include Polyether Ketone (PEEK), Polyether Sulphones (PESU), Polyphenylene Sulphide (PPS), Polyphenyl Sulphone (PPSU) and other specialty polyamides. Although the market for high performance plastics may be smaller compared to commodity or engineering plastics, its high level of customisation and value add provide better margin for plastic compounders in this category.

Another potential growth area for plastic compounding is 3D printing, a technology that creates 3D objects by



adding layer upon layer of material. Plastic is the most common material used for 3D printing and without impacting conventional plastic processing in the medium term, 3D printing will provide an additional opportunity for the growth of plastic compounds.

conveyance articles to parts and components for the industries. The plastics industry registered a total sales turnover of RM24.8 billion in 2015, an increase from RM19.5 billion in 2014. Export of plastic products increased by 8.5% from RM11.9 billion in 2014 to RM13 billion in 2015. Plastic composites alone registered a turnover of RM3.5 billion involving 70 fabricators with the construction industry being the largest user followed by aerospace and marine industry.

What is Plastic Compounding?

A process to prepare plastic formulations by melt-blending plastic resins with additives and fillers.

Benefits

- > improves specific properties such as mechanical strength, flame retardance, recyclability, processability, durability and anti-microbial nature
- > improves aesthetics of the part of that will be produced.

Three Categories of Products

This process produces different kinds of plastic products:


- commodity
- engineering
- high performance plastics

INDUSTRY

The growth of the plastic industry can be attributed to the existence of a developed petrochemical sector in Malaysia. The sector provides a steady supply of materials for the plastic industry with world-scale resin production facilities. The positive progress of the Refinery and Petrochemical Integrated Development (RAPID) by PETRONAS in Pengerang, Johor will provide feedstock such as Linear Low Density Polyethylene (LLDPE), High Density Polyethylene (HDPE), Ethylene Vinyl Acetate (EVA), PP and others for high-end specialty plastic compounds and products. This opens up opportunities for plastic compounders to expand and develop their products. Example of major plastic compounders currently operating in Malaysia are Polyplastics, Lotte Chemical Titan, Toray, Kaneka and Penfibre.

Future Outlook

The plastics industry as a whole records encouraging growth, however the usage of plastic compounds is still comparatively low. Nevertheless, the increasing replacement of traditional materials with plastics in industries such as automotive, construction, aerospace and medical will drive the need for a more efficient and lean compounding technology. For plastic compounders, the key area for companies to focus on will be on building regional compounding capability, co-developing products with their customers, to adopt a horizontal and vertical product portfolio expansion and to shift from a volume to value based strategy.



Investments into production of engineering and high performance plastic compounds in Malaysia can be considered for tax incentives. Manufacture of plastic products such as engineering plastic, biopolymers or products thereof and high strength composites are among the products that are promoted in Malaysia.

SERVICES

THE GROWTH OF MALAYSIA'S SERVICES SECTOR: HEALTHCARE

Healthcare in Malaysia has undergone tremendous positive changes compared to a decade ago. The country has a universal public healthcare system which provides Malaysians with affordable and quality services, co-existing with the private healthcare system.

Under the 11th Malaysia Plan, wellbeing remains a priority for the government. In healthcare, the focus is to encourage more private investments in areas such as manufacturing of pharmaceutical products, medical devices, clinical research, aged-care services and supporting collaborative efforts between public and private healthcare providers in the provision of specific healthcare facilities such as dialysis, rehabilitation and medical testing lab centres.

The expansion of population, rising living standards, longer life expectancy, growing affluence and increasing consumer awareness have led to a growing demand for a better quality of healthcare services. To capitalise those demands, there have been an increasing number of private hospitals in the country, which offer extensive expertise in areas such as cardiology, oncology, aesthetic surgery, robotic surgery, fertility treatment, bariatric surgery, orthopaedics, dental implants, ophthalmology, neurology and aesthetics procedures that includes minimally invasive surgeries.

From the record of the Ministry of Health Malaysia, as at 31 December 2015, there are 183 licensed private hospitals, 7,146 private clinics, 63 private ambulatory care centres, 16 private nursing homes, 403 private haemodialysis centres and 1,867 private dental clinics operating in the country. Major private healthcare providers in Malaysia include KPJ Healthcare, Ramsay Sime Darby Health Care and IHH Healthcare (Pantai and Gleneagles Hospitals).

Malaysia, as one of Asia's most recognised developing countries, also has immense potential in an increasingly important sector - medical tourism, specifically in areas such as health screening, general surgery, cardiology, oncology, orthopaedics, obstetrics and gynaecology (O&G), urology,

gastroenterology, ophthalmology, cosmetic and breast surgery. The growing demand in healthcare tourism in this region is due to its value-for-money, high quality of care and competitive pricing as compared to its neighbouring countries such as Singapore and Thailand.



Malaysia received 882,000 healthcare travellers in 2014, a 124% increase from the figures recorded in 2010 of 392,900 healthcare travellers. Meanwhile, in terms of revenue generated from healthcare travellers, in 2014, Malaysia recorded RM776.6 million, as compared to RM378.7 million recorded in 2010 (105% increase). The top five medical tourist groups visiting Malaysia in 2014 were hail from Indonesia, India, Japan, United Kingdom and Australia.

For the healthcare sub-sector, companies that establish new private healthcare facilities or existing private healthcare facilities undertaking expansion/modernisation/refurbishment for purposes of promoting healthcare travel are eligible to apply for an income tax exemption.

The exemption is equivalent to Investment Tax Allowance (ITA) of 100% on the qualifying capital expenditure incurred within a period of five (5) years. The private healthcare facilities here refer to private hospitals or ambulatory care centres. This incentive is applicable for applications received by MIDA not later than 31 December 2017.

Since the introduction of the ITA, a total of 58 projects were approved amounting to RM6.9 billion investments. Domestic investments contributed almost all of the approved projects (99.86%)

International accreditation, increased insurance coverage and portability, and regional referral network are being fully leveraged to ensure Malaysia attracts higher in-patient mix and revenue-per-patient in the identified areas. To accommodate and promote this healthcare tourism industry, the Ministry of Health has established the Malaysia Healthcare Travel Council on 3 July 2009, which aims to promote medical services abroad and ensure that participating hospitals meet stringent international quality requirements.

Malaysia has achieved several recognitions for its healthcare industry such as being proclaimed the Medical Travel Destination of the Year by the

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International Medical Travel Journal (IMTJ) in 2015. IMTJ also awarded Gleaneagles Kuala Lumpur with 'Excellence in Customer Service', Imperial Dental Specialist Centre Kuala Lumpur with 'Best Quality Initiative', and Ramsay Sime Darby Health Care with 'Medical Travel Website of the Year'. International Living in its Annual Global Retirement Index 2015, named Malaysia the number one healthcare system in the world. Based on findings of detailed evaluation for the healthcare sector, the 2016 Frost & Sullivan Malaysia Excellence Awards recognised KPJ Healthcare as the 'Hospital of the Year' and Ramsay Sime Darby Health Care as the 'Patient Centric Hospital of the Year', among others.

There is certainly much potential for Malaysia to further develop the healthcare industry. The strength lies in the country's medical devices and pharmaceutical manufacturing, healthcare biotechnology and the medical tourism industry. To further spur the growth in the healthcare services, the Government has revised several major policies which include the liberalisation of foreign equity policy for private hospitals, private medical clinics and dental specialist clinics in 2012. Foreign investors are now allowed to hold 100% foreign equity ownership for these establishments.

The liberalisation of these sub-sectors has resulted in quality and high-value jobs, the transfer of specialised expertise and technology, opportunities for joint ventures, increased competitiveness of the services sector and more options for consumers.

One of the significant business partnerships that benefited from this liberalisation exercise is the joint venture between Sime Darby Berhad ("Sime Darby"); a Malaysian MNC and Ramsay Health Care Limited ("Ramsay Health Care"); an Australian based healthcare provider. The joint venture, officially formed in July 2013, marks Ramsay Health Care's first major presence into Asia since acquiring its Indonesian hospitals in 2005, and Sime Darby's first expansion outside Malaysia. Ramsay Health Care expressed their confidence that the new joint venture will provide a solid platform for expansion and further acquisitions in the Asian healthcare sector.

Other than the Ramsay Sime Darby Health Care joint venture, the liberalisation of private hospital has also attracted international healthcare players to Malaysia such as the Manipal Hospital and Columbia Asia Hospitals. Investors are encouraged to follow in the footsteps of these companies to leverage on Malaysia as the gateway to the enormous market in the Asia region and beyond.

EVENTS

MIDA Urges Companies to Undertake Research Collaboration to Sustain Competitiveness

"In the face of the tremendously changing industrial landscape, it is more crucial now than ever for companies to undertake and intensify R&D activities that will enable them to remain competitive and sustainable. While there is a noticeable increase in R&D spending, particularly in the manufacturing-led sectors, there is still much room for R&D activities in Malaysia. MIDA is working very hard to develop strong R&D linkages between the industry and tertiary and research institutions. Our aim is to advance technological improvements with commercial potential that will help push Malaysia's industries ahead of its competitors. We have R&D incentive programs that can be enjoyed by any investors who want to set up

research as a service or if they have an R&D office within the company,” said Dato’ Azman Mahmud, CEO of MIDA during the networking reception themed “Company Growth through Research Collaboration”, held on 5 April 2016 at MIDA HQ.



The event showcased successful collaborations between the academia and industry through the signing of Memorandums of Understanding (MoUs) between Nottingham MyResearch with Chulia Facilities Management and Gaharu Technologies. The MoU signed with Chulia Facilities Management was related to development of a medical device while Gaharu Technologies’ project involved tea products, where the research will be undertaken by the University.

More than 150 participants from 40 international and local companies as well as business chambers and government agencies participated in this event that was jointly organised by MIDA, Nottingham MyResearch and Malaysia Australia Business Council (MABC). The event was also supported by University of Nottingham Malaysia Campus, SME International Trade Association of Malaysia (SMITA), Malaysia Canada Business Council (MCBC) and Malaysian Dutch Business Council (MDBC).

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MIDA Targets 100 Additional IBS Manufacturing Companies by 2020

“The adoption of Industrialised Building System (IBS) in Malaysia is still very low even after nearly five decades of introduction. According to the latest data from the Implementation Coordination Unit (ICU) of the Prime Minister’s Office, only 24% of public projects valued at RM10 million and above have achieved an IBS score of 70 while CIDB reports that only 14% of private projects have achieved an IBS score of 50. We need to aggressively convince more developers, contractors, manufacturers and installers to adopt this method. With the adoption, companies can be more cost effective, increase the speed of construction, reduce foreign labour issues and improve overall performance in terms of quality, occupational safety and health as well as waste reduction,” said Datuk Phang Ah Tong, Deputy CEO of MIDA at the IBS Forum, organised in conjunction with the International Construction Week (ICW) and IBS Housing Expo (IHE) 2016 at Kuala Lumpur Convention Centre.



He further added that, “The Construction Industry Transformation Programme (CITP) has set important strategic goals and milestones to bring Malaysia’s construction industry to the next level. In line with the CITP initiatives (2016–2020), our target is to attract at least 100 new IBS manufacturers with investments of RM2 billion by 2020. To support the growth, MIDA provides both fiscal and non-fiscal facilitation to entice companies to adopt IBS method”.

MIDA's engagement in ICW and IHE 2016 was part of its promotional efforts in providing first-hand information on the benefits of IBS. The IBS forum, held on 13 April 2016 was jointly organised by MIDA and the Construction Industry Development Board (CIDB). With the theme "Facilities, Incentives and Challenges in IBS Adoption in Malaysia", the forum featured presentations by Datuk Phang as well as prominent panelists from SME Bank, Master Builders Association Malaysia (MBAM), Peninsular Precast Sdn. Bhd. and Bandar Utama Development Sdn. Bhd.

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JCY Established Principal Hub in Johor – The First Public Listed Malaysian Company to Join the Scheme



JCY Group, one of the largest Hard Disk Drive (HDD) mechanical components manufacturers in the world, announced the establishment of its Principal Hub (PH) in Johor. The media conference on the announcement was held on 22 April 2016. The session was led by YB Dato' Sri Mustapa Mohamed with the presence of Dato' Azman Mahmud, CEO of MIDA and Dr. Rozali bin Mohamed Ali, the Chairman of JCY International Berhad.

"Being located in Johor, JCY's Principal Hub establishment is a good example to highlight that the scheme is not confined to a specific area, but provides locational flexibility. In other words, companies can choose to establish their Principal Hub at any preferred location in Malaysia that best aligns with their strategic objectives. The scheme also fits the current trend of the way businesses manage their operations globally as MNCs are increasingly centralising key strategic value-adding functions to maximise value and be more cost efficient," YB Minister said.

"The PH establishment will function as the Global Procurement Centre for JCY Group. The centralisation of key decision making within the Group's network will build up the capabilities of Malaysian talents as experts with business, management and entrepreneurial knowledge and skills. With this new establishment, our local suppliers will also benefit from JCY's 'Grow with Suppliers' approach where priority will be given to Malaysian companies in supplying key materials and components to serve the procurement needs of JCY's global network. This will ultimately boost the competitiveness of our local suppliers in meeting international standards and enable them to integrate themselves into the global value chain," YB Minister added.

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SEMICON SEA 2016 – Local E&E Players Need to Upgrade Facilities and Processes to Remain Competitive in the Global Supply Chain

"For the Malaysian E&E industry to be more competitive, local industry players have no option but to upgrade their facilities and embrace automation and smart manufacturing such as the Internet of Things (IoT). Return on investments (ROI) in automation may not be apparent in the short term but, in the long term, companies will enjoy greater performance on efficiencies, improved quality products and reduced dependencies on unskilled labour," said YB Dato' Sri Mustapa Mohamed, Minister of International Trade and Industry at the Opening Ceremony of SEMICON Southeast Asia (SEA) 2016. His speech was read out by Dato' Azman Mahmud, CEO of MIDA.

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He further elaborated that, "The E&E industry is a dynamic industry that has contributed significantly to Malaysia's growth, export earnings, investments and employment. The semiconductor industry in particular, is the largest contributor comprising more than 40% of Malaysia's E&E exports. We are also currently the world's leading location for semiconductor assembly and test operations, accounting for more than 12% of the world installed capacity. 6 out of the 10 largest semiconductor companies in the world have established their presence in Malaysia. Growing the semiconductor sector, especially the front end will certainly spearhead the growth of the E&E industry in Malaysia."

SEMICON SEA 2016 marked Malaysia's second year to host the region's biggest microelectronics event. The conference, which has drawn a stronger participation with more than 7,500 expected visitors, featured MIDA Pavillion that hosted Northern Corridor Implementation Authority (NCIA) and MIMOS and 6 Malaysian companies namely, Inari Technology, JF Microtechnology, Linear DMS Solutions, Pentamaster Corporation, Koseido Engineering and Bokopt.



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MIDA IN THE NEWS

MIDA targets 100 more IBS manufacturing firms

MALAYSIA RANKING

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Malaysia's strong sectors to greatly benefit from TPP

Projects worth RM78.8b approved in 5 years

Zeti confident Malaysia will meet 4-4.5pc growth target

TPP offers local firms wider market access

Survey: Business confidence in Malaysia up

INDUSTRY NEWS

Japanese pulp and paper manufacturer takes over local companies

BP Plastics eyes double – digit sales growth with new machine

Relatively huge untapped halal market in the region

CMS : RM275m capex to keep growth on track

Boston Scientific plant to be ready by 2017

Singapore firm to build US\$200m RLPG terminal on Johor

Companies see beauty of halal makeup

PIPC long-term investors remain committed

Luring O&G majors to Malaysian shores

SCGM to invest RM80m in new Kulai facility

JCY Group to establish principal hub in Johor

Oil recovery in sight amid M&A prospect

Semicon support firms upbeat

E&E growth to depend on smart processes

Seacera to build plant in Perak

Coca-Cola upbeat on new production line

JF Technology opens to M&As

Analysts : E&E sector to enjoy great run

SERVICES NEWS

Healthcare tourism growing significantly

Tourism a key economic sector

CGN to set up regional headquarters in Malaysia

KPJ Healthcare focuses on expanding locally

MPD invests RM6m to lanch apps, games

McDermott to complete relocation to M'sia soon

Malakoff sets aside RM900m capex for capacity expansion

Edra powers into pole position

BMW makes Malaysia export hub

Texchem banking on polymer engineering arm

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.



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