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Greater Kuala Lumpur: Bridge between Asia and the world

Why Greater Kuala Lumpur is the ideal
business hub for regional and global
companies

July 2017



pwc



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Foreword

Asia remains the world's growth driver, and Greater Kuala Lumpur is at the heart of it

In PwC's World in 2050 report, released earlier this year, we continue to foresee the shift in global economic power away from established advanced economies towards emerging economies in Asia. The Emerging 7 (E7)¹ group, for example, could comprise almost 50% of world GDP by 2050, while the Group of 7's (G7)² share declines to just over 20%.

Malaysia and its capital, Greater Kuala Lumpur (KL), have been beneficiaries of this shift. Despite increasing global economic uncertainty and a 13% drop in global foreign direct investment (FDI) in 2016, Malaysia remained resilient and saw a 63.4% increase in approved FDIs to USD13.2 billion during the year.

Foreign investors are particularly interested in using Malaysia and Greater KL as their regional operational hub to tap into the growing opportunities in emerging Asia. In 2016, we saw USD 2.8 billion of approved FDIs into Global Establishments³, a three-fold increase compared to the preceding year. This investment category also received the largest share of FDI among the Malaysian services subsector.

Foreign investors are attracted to Greater KL due to its connectedness and strategic location, at the centre of Asia. Greater KL also offers a business friendly environment and a cost competitive location to operate as a regional base.

With its world class infrastructure, capable human capital and attractive government incentives that encourage investment, I am confident that Greater KL would meet your needs as a hub for regional expansion.

Come explore what the city offers.
It's all here in Greater KL.



A handwritten signature in black ink, appearing to read 'Faiz Azmi'.

Dato' Mohammad Faiz Azmi
PwC Malaysia
Executive Chairman

¹ A group of seven emerging economies: China, India, Brazil, Mexico, Russia, Indonesia, Turkey.

² The G7 consists of a group of seven major advanced economies: Canada, France, Germany, Italy, Japan, the United Kingdom and the United States.

³ Based on the Malaysian Investment Development Authority's statistics on approved investments in Global Establishments such as principal hubs, treasury management centres, integrated logistics services, and regional and representative offices.

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“ [Malaysia has] very developed infrastructure and connectivity, a highly diversified economy, proactive government policies and multilingual workforce. All these make Malaysia a good investment destination. ”

Faris Hadad-Zervos

Country Manager, Malaysia, East Asia and Pacific
World Bank





Executive summary

Your gateway to Asia's emerging markets

Greater Kuala Lumpur (KL), which covers a 2,793 sq km area encompassing KL city and the surrounding metropolitan areas, has a firm placing among the echelon of vibrant commercial centres in Asia.

The city has evolved to become a dynamic hub for domestic, regional and international markets. It has flourished because of a number of factors, including its skilled workforce, efficient and competitive market, and readiness to adopt new technology.

Situated at the centre of the trade route between China and India, and next to one of the world's busiest shipping lanes – the Straits of Melaka – Greater KL's strategic location adds to the city's attractiveness as a business destination.

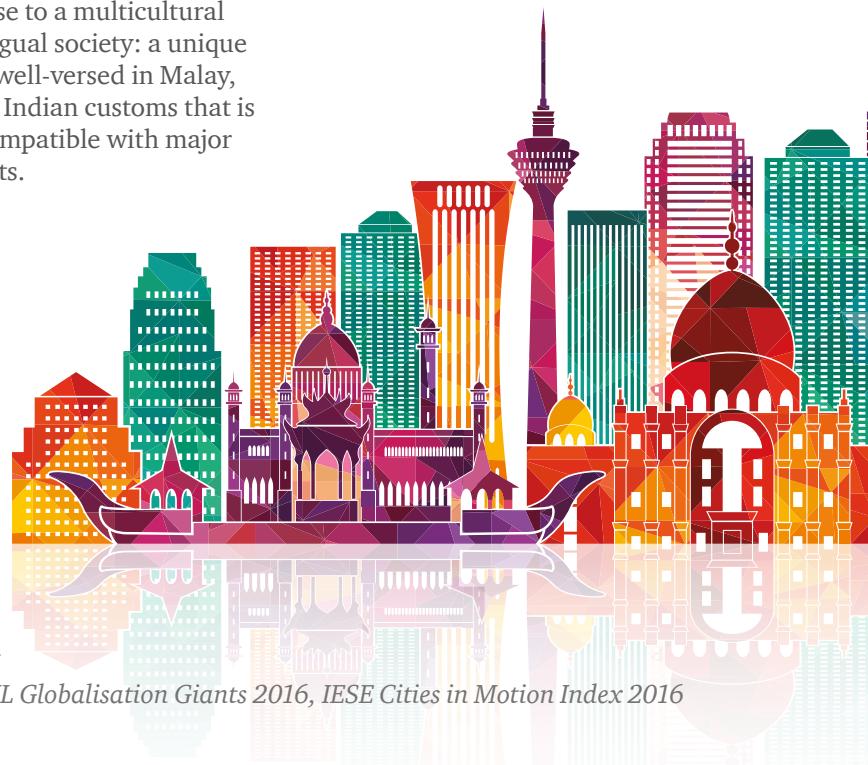
The storied history of the city has also given rise to a multicultural and multilingual society: a unique community well-versed in Malay, Chinese and Indian customs that is culturally compatible with major Asian markets.

These unique advantages make Greater KL an ideal gateway and commercial hub for companies across the world who wish to tap into Asia's emerging market – a market that is poised to be among the fastest growing in the world.

Chart 1: Greater KL at a glance

Among the Top 10 cities in Asia

According to A.T. Kearney Global Cities Index 2016, DHL Globalisation Giants 2016, IESE Cities in Motion Index 2016 and Mori Global Power City Index 2016



Strong human capital

Population - 7.4 mil

Diverse multi-cultural society

Main ethnic groups: Malay, Chinese and Indian

Skilled workforce - Top 10 in Asia in human development and innovation¹

Friendly liveability experience

6th in Asia

HSBC Expat Explorer Survey 2016



Business-friendly environment

5th in Asia - Easy place to do business

World Bank's Doing Business 2017

Ranked 5th amongst 30 global cities - Cost competitive city

PwC's Cities Of Opportunity 7, 2016

5th in Asia - Established infrastructure

Statista, 2016

¹ According to WEF's Human Capital Index 2016 and Cornell University, INSEAD and WIPO's Global Innovation Index 2016
Please refer to the Appendix section for the description of these indices and rankings.



Global connectivity

4th in Asia - Globally connected economy

DHL Global Connectedness Index 2016

6th in Asia - Trade-friendly

WEF Enabling Trade Index 2016

7th in the world - Global destination city

Mastercard Global Destination Cities Index 2016

Top 10 busiest airport in Asia

Airports Council International, 2015



Economic clout

5th in Asia - Competitive economy

WEF Global Competitive Index, 2016-2017

Top 10 in the world - Prospective destination for MNCs

UNCTAD World Investment Report 2016

5th in Asia - Key FDI recipients

fDi Intelligence FDI Report 2016

Rapid economic growth - 6.5% p.a.

(1970 - 2016)

OECD ECOSCOPE, 2016



Technological aptitude

5th in Asia - Upwardly mobile

Huawei Global Connectivity Index 2017

6th in Asia - Strong ICT position

WEF, INSEAD and Cornell University Networked Readiness Index 2016

6th in Asia - Investing in cloud

Asia Cloud Computing Association Cloud Readiness Index 2016

“

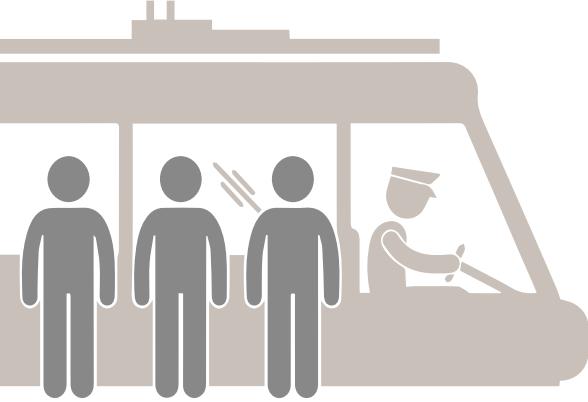
Maturing markets such as Malaysia are in the position to capture the current momentum of local and multinational companies looking for new investment destinations and to diversify their portfolios in light of Brexit and Trump's presidency.

”

David Wijeratne
PwC Growth Markets Centre Lead



Chart 2: Greater KL is investing in the future: rail, highway and urban developments

| KL - Singapore High Speed Rail | Bandar Malaysia | Tun Razak Exchange (TRX) |
|--|--|--|
| <p>Spanning 350 km, it will cut travelling time between the two cities to 90 minutes.</p> <p>Estimated cost: USD8.9 bil</p> <p>Target completion: 2026</p> | <p>A 486-acre integrated transit-commercial and investment hub. Estimated to attract 220,000 local and international business travellers, tourists and residents.</p> <p>Estimated cost: USD44.6 bil</p> <p>Target completion: 2022</p> | <p>A 7-acre development in the heart of KL, set to become a centre for international finance and business.</p> <p>Estimated cost: USD8.9 bil</p> <p>Target completion: 2018 (Phase 1)</p> |
| Digital Free Trade Zone | KLIA Aeropolis | |
|  <p>The first e-free trade zone in the world. Aims to provide a conductive environment for online traders, supported by business incentives and tax exemptions.</p> <p>The digital economy is expected to contribute 20% to the country's GDP by 2020.</p> <p>Launched in: March 2017</p> | <p>An urban centre sprawling over 100 sq km. The hub would serve as the core of Malaysia Airport's air cargo and logistics ecosystem.</p> <p>Expected contribution of up to USD6.7bil to the country's gross domestic product (GDP).</p> <p>Target completion: 2022-2027</p> | |
| MRT Line 2 | Multiple expressways | Greater KL Central Park, Taman Tugu |
| <p>The North-South line covers 52 km and will serve a corridor with a population of around 2 million people.</p> <p>Estimated cost: USD8.9 bil</p> <p>Target completion: 2022</p> | <p>Up to 3 expressway projects, totalling around 55 km are in the pipeline, aimed to improve connectivity across Greater KL.</p> <p>Estimated cost: USD3.4 bil</p> <p>Target completion: 2019</p> | <p>This new 66-acre urban rainforest park in the heart of the city is part of the initiative of enhancing KL's liveability.</p> <p>Estimated cost: USD144.9 mil</p> <p>Target completion: 2018</p> |

Sources: News articles

Conversion rate: RM4.486 = USD 1, based on Bank Negara Malaysia (BNM) conversion rate as at 30 December 2016.





*Why companies
invest here*

Location, location, location

Malaysia's strategic location and competitive position make it an attractive destination for foreign companies.

Recognition of Malaysia and Greater KL's status as prime investment and business locations for foreign companies is reiterated in a number of studies, such as A.T. Kearney's Global Services Location Index 2016 and UNCTAD's survey on FDI prospects for 2016 to 2018.

Multinational companies (MNCs) and global giants on the Fortune 500 and Forbes 2000 lists such as IBM, GE and GSK consistently recognise

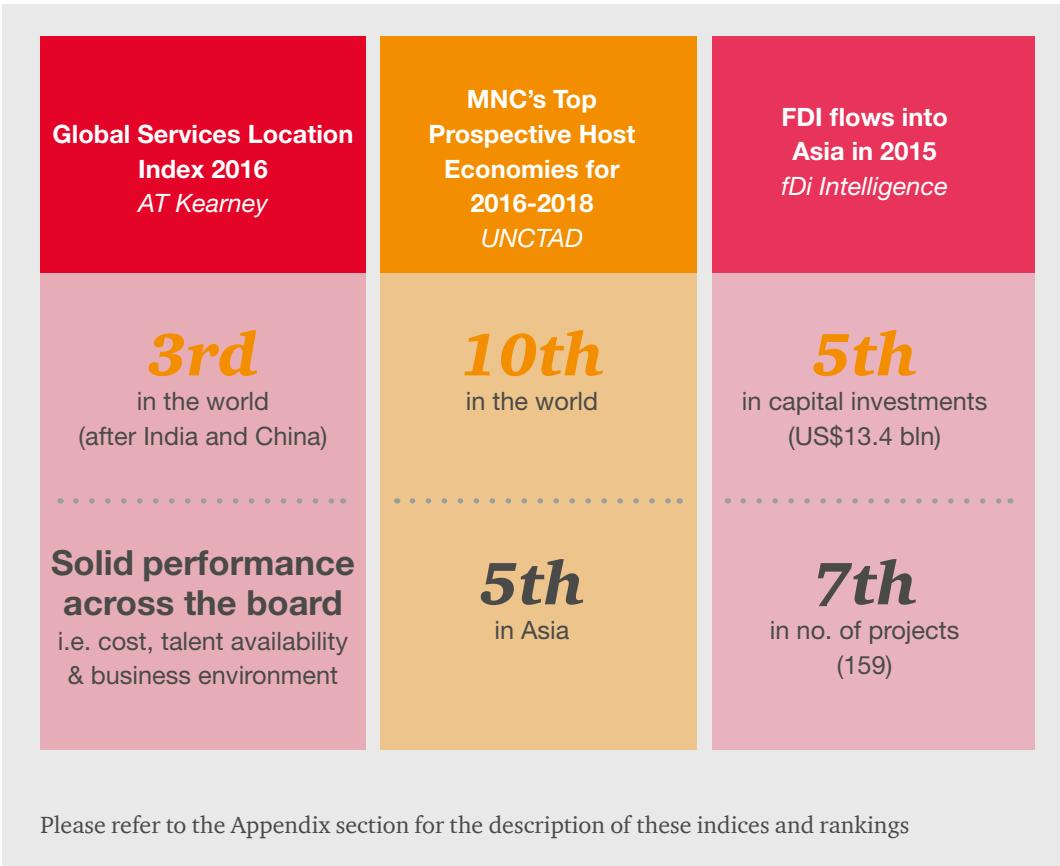
Malaysia as a valuable hub in their global operations (see Chart 4).

The numbers show just how attractive Malaysia is for foreign investors: in 2016, global establishments saw USD2.8 billion of approved foreign investment — a three-fold increase compared to the previous year. This includes setups such as principle hubs, treasury management centres, integrated logistics services, and regional and representative offices.

Over 5,000 companies from 60 nations have cast their anchors in Malaysia. Inward foreign direct investment (FDI) stock amounted to USD117.3 billion as at September 2016.

Sources: Malaysia Digital Economy Corporation (MDEC), and BNM statistics as cited by The Star

Chart 3: Malaysia, your business-friendly host country



Conversion rate: RM4.486 = USD1, based on BNM conversion rate as at 30 December 2016

Chart 4: Greater KL, the regional hub destination of choice for MNCs



AECOM

Greater KL serves as the engineering and construction multinational's **regional headquarters**, and the company plans to further establish a centre of excellence (COE) here to advance sustainable urban development in Malaysia.

Source: News articles

GE

The multinational conglomerate has its **ASEAN corporate headquarters and aircraft engine maintenance, repair and overhaul COE** in Greater KL.

Source: Company factsheet

Honeywell

Honeywell has chosen Greater KL to establish its **ASEAN Principal Hub** for Aerospace, Automation Control & Solutions and Performance Materials & Technologies strategic business units.

Source: The Star, 2016

IBM

IBM had set-up **over 20 COEs in Malaysia** that support the group's global and regional operations and clients. This includes the Accounting COE, which services its entire Asia Pacific (APAC) regional operations.

Source: Company brochure

Linde Group

The world's largest industrial gas company set up a **Remote Operational Center** in Greater KL to unite the control and operation of their industrial gas plants throughout the ASEAN region.

Source: Company press release

Panasonic

Panasonic has 20 major entities in Malaysia, including **14 entities based in Greater KL** servicing its markets across Asia-Pacific, encompassing manufacturing, sales and regional support functions.

Source: Greater Kuala Lumpur, Malaysia: Launchpad to Southeast Asia, 2nd Edition, 2015

Schlumberger

Schlumberger established its **APAC headquarters** in Greater KL in 2010, which serves as the group's financial hub for its operations in the eastern hemisphere. Its **Asia Centre for Reliability and Efficiency**, located in Port Klang is dedicated to advanced maintenance and servicing of oil and gas technologies for Asia-Pacific.

Source: The Edge, 2015

Worldline

This European leader in the payment and transactional services industry chose Greater KL to establish its **Asia Pacific Innovation and Management hub** to expand on Merchant services, eMobility and 'connected-of-things' offerings.

Source: The Edge, 2015

GlaxoSmithKline

The company's **Business Service Centre** in KL is the pharmaceutical giant's first global hub in Asia. It consolidates the organisation's global and regional service delivery in IT, finance and other support services into an integrated shared service network.

Source: The Borneo Post, 2012

Competitive business environment and cost friendly

Greater KL's strengths as a business hub lie in a thriving business ecosystem as highlighted in Chart 5. It also has a unique advantage of offering companies a competitive business environment to set-up base at low-costs.

Generally, the more competitive a city, the more costly it is to do business. However, Greater KL has more to offer. It is among the Top 10 competitive cities in Asia and the lowest cost in the region. It is ranked lower than Bangkok, Ho Chi Minh City, Jakarta and Manila in Economist Intelligence Unit's 2017 Worldwide Cost of Living Survey.

The following sections will discuss Greater KL's advantages as a business hub in further details.

Chart 5: Why companies choose Greater KL as their business hub





Top 10 cities and economies in Asia

Among the Top 10 cities in Asia

Greater KL regularly features as one of the Top 10 cities in Asia in multiple benchmark studies, as highlighted in Chart 6.

The city is the centre of Malaysia's administrative, commercial and financial activities. By 2020, Greater KL is expected to account for 40% of Malaysia's gross national income (GNI) and a third of the country's population, with around 10 million people living in the city metropolitan area¹.

As the nation's capital, Greater KL not only offers a highly strategic location at the centre of ASEAN and Asia, but also efficient markets for sectors such as logistics and financial services.

The government's focus on urban development in Greater KL has driven tremendous economic growth and investments in high value sectors. This has also drawn a steady inflow of young talent into the city, creating a strong labour market. These factors put together have helped position Greater KL as one of the top 10 business friendly cities in Asia.

Chart 6: Greater KL regularly features as one of the Top 10 cities in Asia

| City | A.T. Kearney Global Cities Index 2016 | DHL Globalisation Giants 2015 | IESE Cities in Motion Index 2016 | Mori Global Power City Index 2016 |
|------------------|---------------------------------------|-------------------------------|----------------------------------|-----------------------------------|
| Tokyo | 1 | 3 | 2 | 1 |
| Hong Kong | 2 | 2 | 4 | 4 |
| Singapore | 3 | 1 | 3 | 2 |
| Beijing | 4 | 6 | 10 | 6 |
| Seoul | 5 | 5 | 1 | 3 |
| Shanghai | 6 | 4 | 11 | 5 |
| Bangkok | 7 | 7 | 7 | 10 |
| Taipei | 8 | 13 | 6 | 9 |
| Mumbai | 9 | 15 | - | 11 |
| KL | 10 | 10 | 9 | 8 |
| Jakarta | 11 | 14 | 14 | 12 |
| Manila | 12 | 17 | 12 | - |
| Ho Chi Minh City | 13 | 16 | 13 | - |

Please refer to the Appendix section for the description of these indices and rankings

¹ Source: Economic Transformation Programme, Handbook, Performance Management & Delivery Unit (PEMANDU)

Malaysia emerges ahead of more developed countries such as Japan and Korea, as well as major emerging economies in Asia, e.g. China, India and Indonesia in multiple global competitiveness indices.

Even more competitive at country level

Greater KL's position among the leading cities in Asia can be attributed to Malaysia's overall competitiveness.

The country ranks among the Top 5 Asian countries in competitiveness indices by the IMD World Competitiveness Centre (IMD), the World Economic Forum (WEF) and the World Bank.

The country's strong competitive position can be attributed to a number of factors. In IMD's World Competitiveness Index for example, Malaysia was rated favourably in areas such as:

- 11th in the world in terms of economic performance
- 14th in the world for business efficiency
- 18th in the world in terms of government efficiency

Chart 7: Malaysia is known for its competitiveness and ease of doing business among Asian countries

| IMD World Competitiveness Index | | WEF Global Competitiveness Index | | World Bank Ease of Doing Business | |
|---------------------------------|-----------------|----------------------------------|-----------------|-----------------------------------|-------------------|
| Rank in Asia | Country | Rank in Asia | Country | Rank in Asia | Country |
| 1 | Hong Kong | 1 | Singapore | 1 | Singapore |
| 2 | Singapore | 2 | Japan | 2 | Hong Kong |
| 3 | Taiwan | 3 | Hong Kong | 3 | Korea |
| 4 | Malaysia | 4 | Taiwan | 4 | Taiwan |
| 5 | China | 5 | Malaysia | 5 | Malaysia |
| 6 | Japan | 6 | Korea | 6 | Japan |
| 7 | Thailand | 7 | China | 7 | Thailand |
| 8 | Korea | 8 | Thailand | 8 | Mongolia |
| 9 | India | 9 | India | 9 | Brunei Darussalam |
| 10 | Philippines | 10 | Indonesia | 10 | Bhutan |

Please refer to the Appendix section for the description of these indices and rankings



Malaysia's economic transformation has led to rapid growth for close to half a century. GDP growth has averaged 6.4% per year since 1970, outperforming most of its regional peers.

Source: Organisation for Economic Co-operation and Development (OECD) Ecoscope

Malaysia's economic transformation

Malaysia's economy has evolved significantly over the last 40 years. From a resource-based economy reliant on mining and agriculture, over the years it has developed into an export- and service-oriented economy, and is currently transitioning into a knowledge-based and innovation-driven economy (see Chart 9).

To achieve the next stage of economic transformation, the 11th Malaysia Plan (11MP) will focus on growing the

services and manufacturing sectors related to high-technology, high value-add and knowledge-based activities. Under the 11MP, growth will be driven by sustained domestic demand, private investments and infrastructure development.

The country's economy is seen to be resilient even in the face of the global economic slowdown, with forecasted growth well above the average growth for the region (see Chart 8).

Chart 8: Malaysia's economic outlook



Asia and Australasia GDP growth (2017-21): 3.2-4.0%

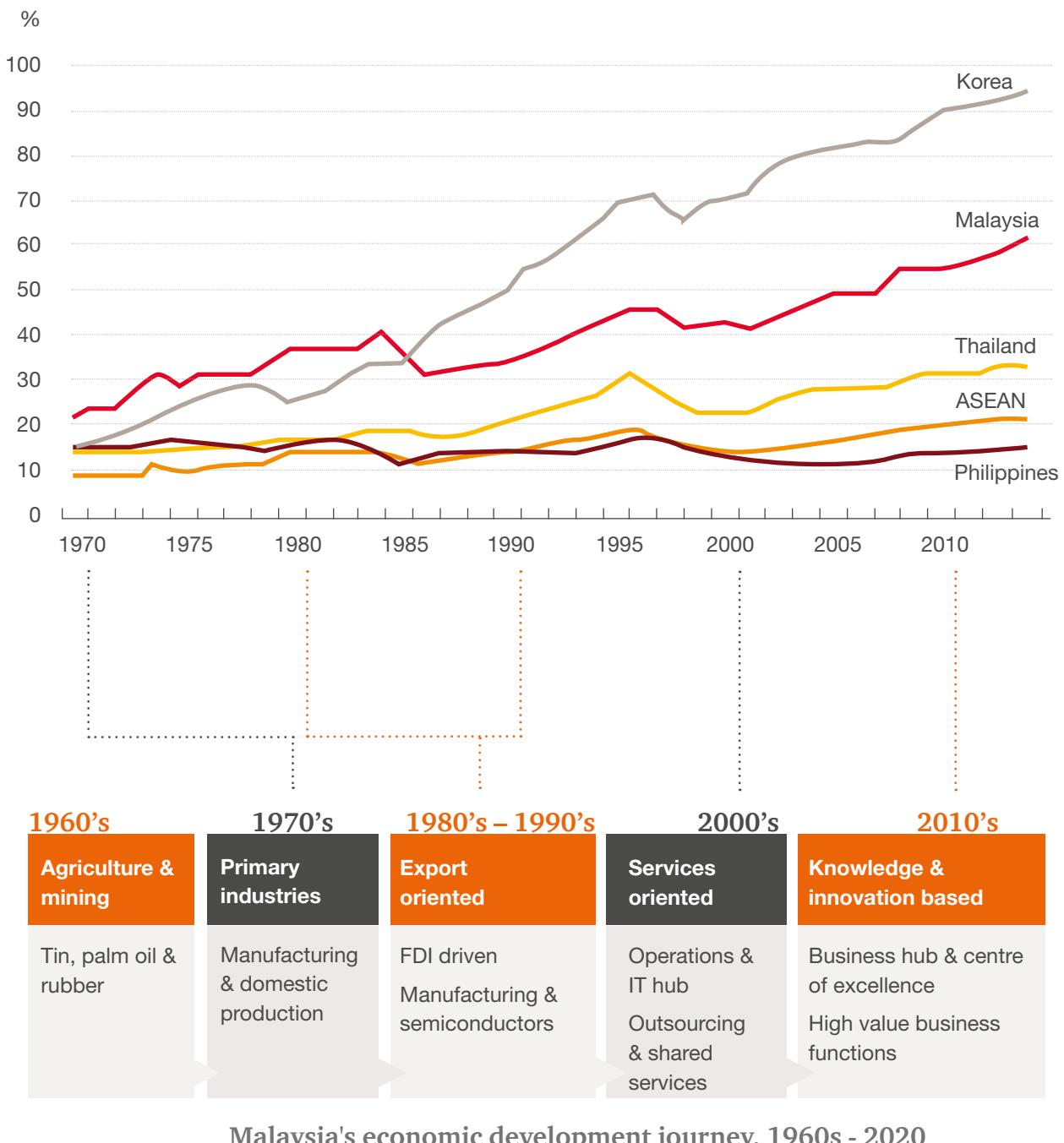
| What's driving the 11th Malaysia Plan? | | |
|--|----------------------|----------------------|
| Economic sectors | 11MP (growth p.a) | 10MP (growth p.a) |
| Construction | 10.3% | 11.1% |
| Private Investment | 9.4% | 12.6% |
| Services | 6.9% | 6.3% |
| Private consumption | 6.4% | 7.1% |
| Manufacturing | 4.8% | 5.1% |

Sources: Economist Intelligence Unit (EIU), 11MP

Malaysia's economy is on track to achieving developed nation status. The country's GDP per capita has steadily grown over the years to just over 60% of the average OECD level, far outpacing most of its ASEAN peers (Chart 9).

Chart 9: Transformation of Malaysia's economy, advancing to OECD level

GDP per capita as a proportion of the OECD average



Sources: OECD Ecoscope and Malaysian Investment Development Authority (MIDA), 2016

A business-friendly and affordable city

In PwC's benchmark of 30 of the world's leading cities, Cities of Opportunity 7, Greater KL featured well as a business friendly and affordable city.

The city moved up to 5th place in cost (i.e. improved affordability) and rose one place for ease of doing business since PwC's last study in 2014. It placed 20th out of 30 leading cities globally, with a robust pool of talent, coming in at 10th place in working age population.

While the city is stable in the areas it has always been known for (cost and ease of doing business), there is still room for improvement in areas such as liveability and natural disaster preparedness.

To address these concerns, the Government has embarked on a number of measures to improve Greater KL's positioning.

These include:

- Improving seamless public transport, with multi-billion dollar investments in rail, such as High Speed Rail (HSR) and Mass Rapid Transit (MRT);
- Building rail lines that are connected to a number of iconic urban development projects (e.g. TRX and Bandar Malaysia); and
- Embarking on green developments such as the Greater KL green park, Taman Tugu project.

As part of its commitment in support of global efforts towards sustainable urban development, Greater KL will also be host to UN-Habitat's 9th World Urban Forum in 2018.



Hazem Galal

PwC Cities and Local Government Global Leader



Chart 10: How Greater KL performed in PwC Cities of Opportunity 7, 2016



Numbers represent KL's rank out of 30 cities benchmarked.

About PwC's Cities of Opportunity

PwC's Cities of Opportunity 7 provides an in-depth benchmarking of the social and economic health of 30 of the world's leading cities by measuring their performance against 10 indicators, including transportation and infrastructure, ease of doing business, demographics and liveability, technology readiness and cost.

The full report can be accessed at www.pwc.com/cities





Liveability & culture

It's all here in KL

Greater KL provides a uniquely Asian mix of culture and culinary experiences, and everything in between.

The city is a hodgepodge of Malay, Chinese and Indian heritages and attractions, with hints of the country's British colonial past shining through.

Boasting modern amenities covering retail, accommodation, healthcare and private schools, Greater KL provides exceptional living standards at affordable prices compared to other major cities in the region. With a multi-cultural, multi-religious population of 7.4 million, Greater KL not only offers visitors a diverse experience, it provides access to a workforce that is multilingual and culturally similar to major economies in Asia.

It's no wonder why Greater KL consistently scores highly on global liveability and quality of living rankings. See Chart 12 for a comparison of the city's scores versus other major Asian cities.

¹ Greater KL has a comparable population size to Hong Kong (7.3 million) and Singapore (5.7 million), but is significantly less densely populated than both (Hong Kong: 27,000 people/sq km, Singapore: 11,000 people/sq km) according to Demographia.

Chart 11: Greater KL offers visitors a uniquely Asian experience



Population

Large population, low density¹

7.4
million people

3,400
people/sq km

Source: Demographia, 2016

Klang



Living standards

Upper medium income - World Bank

USD21,300
median household income

2 million
households earning > USD10k p.a.



Source: EIU ASEAN Cities, 2016



Greater KL demographics

Multi-cultural

Ethnic groups

Malay - 41% | Chinese - 39% | Indian - 9%

Religious practices

Islam | Buddhism | Hinduism | Christianity

Source: Department of Information Malaysia

Language Multi-lingual

English

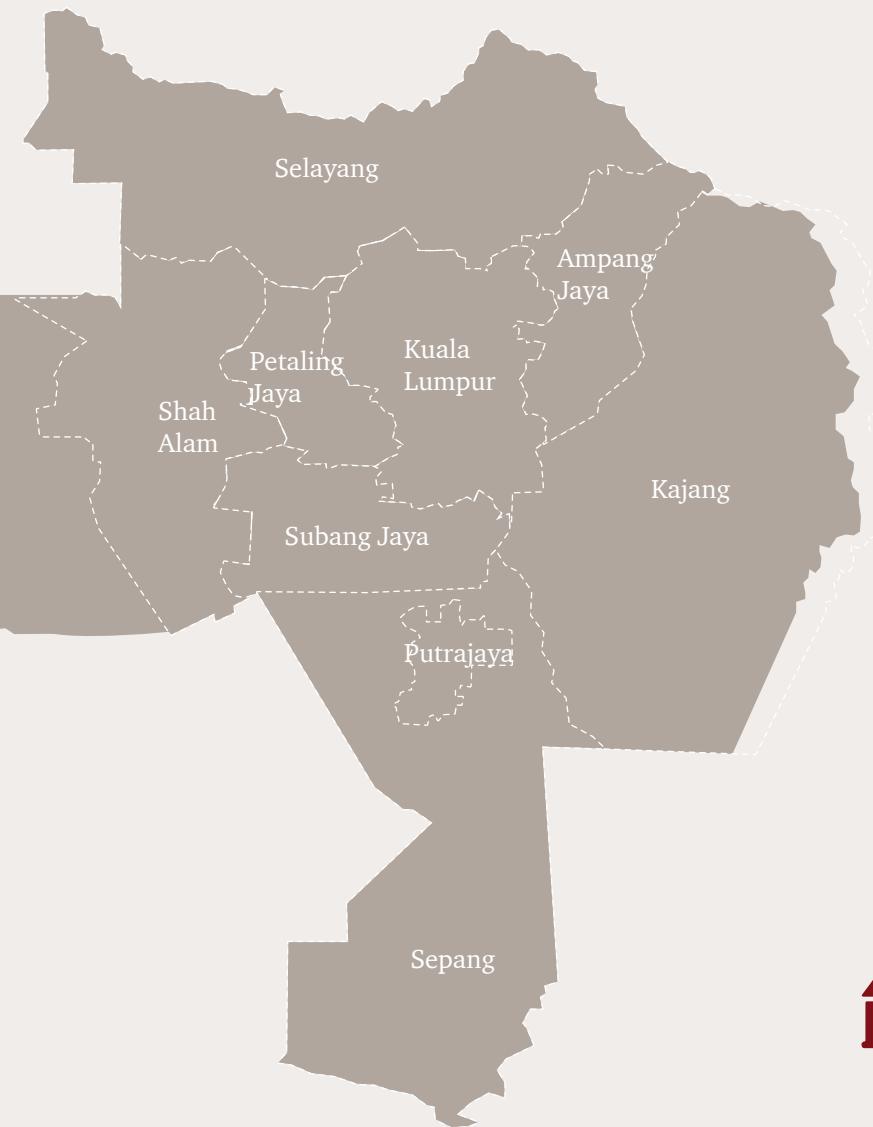
the business language

Bahasa Malaysia

the national language

Mandarin & Tamil

ethnic languages



Healthcare

Medical travel destination

Top 5 medical tourism destination countries in Asia

Source: The Huffington Post, 2016

Food Culinary melting pot

Asian food

Malay, Chinese, Indian, Indonesian, Japanese, Thai, Korean

Western-style outlets

Street food

also known as "hawker food"

Retail Shopping haven

Top 5

world's best shopping cities

70 mln sq ft

retail space by 2018
(exceeding the supply in Singapore)

Source: Expedia UK and Savills Malaysia, 2016

Accommodation Growing options

37% growth

in luxury high-rise residential units
(2015-2017)

>10,000

hotel rooms in the pipeline
(2016-2020)

Source: Knight Frank and JLL, 2016



Schools

Catering to various nationalities

Top 20 countries

no. of English-medium International schools

Various curriculums

e.g. English, French, German, Japanese, Korean

160

International schools in Malaysia

36 in Greater KL

Source: International School Consultancy, 2016

Chart 12: Greater KL and Malaysia offer greater quality of living

| PwC Cities of Opportunity, 2016 - Demographics & Liveability | | Mercer Quality of Living Survey 2016 | | HSBC Expat Explore Survey 2016 by experience | |
|--|------------|--------------------------------------|------------|--|------------|
| Cities in Asia | | Cities in Asia | | Countries in Asia | |
| City | World rank | City | World rank | City | World rank |
| Hong Kong | 11 | Singapore | 26 | Singapore | 4 |
| Tokyo | 13 | Tokyo | 44 | Taiwan | 7 |
| Seoul | 15 | Hong Kong | 70 | Thailand | 10 |
| Singapore | 17 | Taipei | 84 | Hong Kong | 12 |
| Shanghai | 21 | Kuala Lumpur | 86 | Japan | 13 |
| Beijing | 22 | Shanghai | 101 | Malaysia | 14 |
| Kuala Lumpur | 25 | Beijing | 118 | South Korea | 24 |
| Mumbai | 28 | Bangkok | 129 | Vietnam | 25 |
| Jakarta | 29 | Manila | 136 | Philippines | 32 |
| | | Jakarta | 142 | Indonesia | 35 |

Please refer to the Appendix section for the description of these indices and rankings





Human capital & innovation



A workforce ready to serve your business needs

The success of Malaysia's economic transformation is in part due to improvement in education and human capital development.

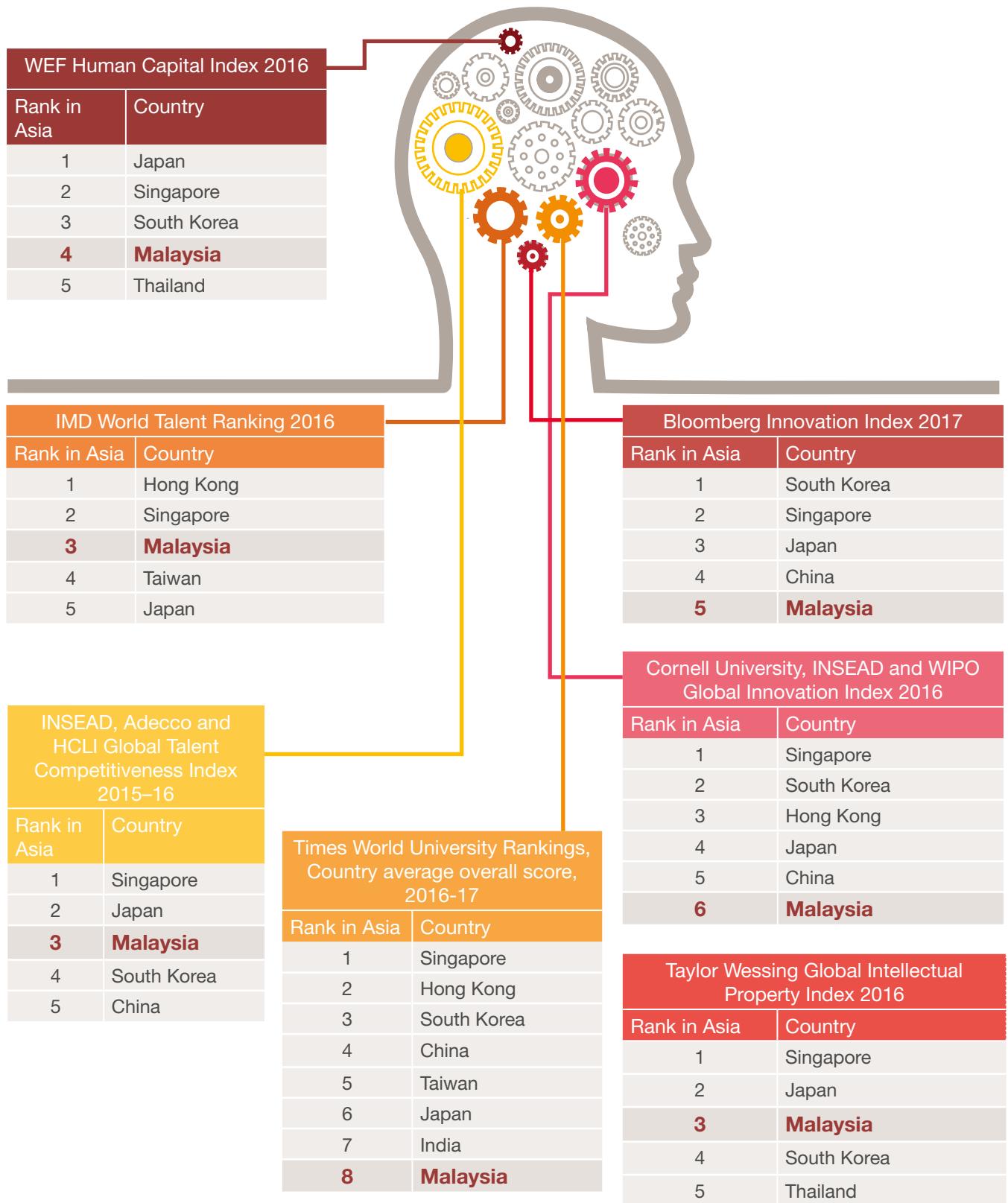
The country is recognised as one of the top Asian countries in terms of developing, attracting and retaining the talent pool necessary for businesses to maximise their performance. It places in the top 5 among Asian countries in human capital rankings and indices from international bodies such as WEF, IMD and INSEAD (see Chart 13).

Malaysia has also made concerted efforts towards creating a business

environment that is conducive for high value-added innovation and knowledge-based services.

Malaysia accedes to the World Intellectual Property Organisation (WIPO) Copyright Treaty and the WIPO Performance and Phonogram Treaty, and in July 2017 became one of the first countries in ASEAN to establish specialised courts to dispose of intellectual property (IP) cases. Malaysia's improving IP rights enforcement has led to its strong placing among Asian countries in terms of IP protection (see Chart 13).

Chart 13: Malaysia offers a world class talent pool and conducive environment for innovation



Please refer to the Appendix section for the description of these indices and rankings



Technologically ready

Well positioned to ride the digital wave

With an estimated 21 million internet users¹, the Malaysian digital economy's rapid growth² is supported by strong fundamentals such as high mobile, broadband and smartphone penetration rates (see Chart 14).

The country is also among the fastest digitally evolving nations in the world (see Chart 15). Malaysia came in second to Singapore among the ASEAN countries on The Fletcher School at Tufts University's Digital

Evolution Index, a measure of the drivers and barriers impacting countries' evolution into a digital economy.

In addition to being one of the top 10 exporters of high-technology products in the world³, Malaysia ranks highly in terms of networked readiness (see Chart 16), further demonstrating its readiness to take advantage of information and communications technology opportunities.

Chart 14: Malaysia's digital population

| | Penetration rate (2011) | Penetration rate (2016) |
|----------------------|-------------------------|-------------------------|
| Broadband | 62.3% | 77.9% |
| Mobile subscriptions | 127.7%* | 141.6%* |
| Smartphones | 22.2% | 64.0% |
| Social network | 41.1% | 67.7% |

Sources: Malaysian Communications and Multimedia Commission; PwC Entertainment and Media Outlook 2016-2020; Malaysian Digital Association; We Are Social

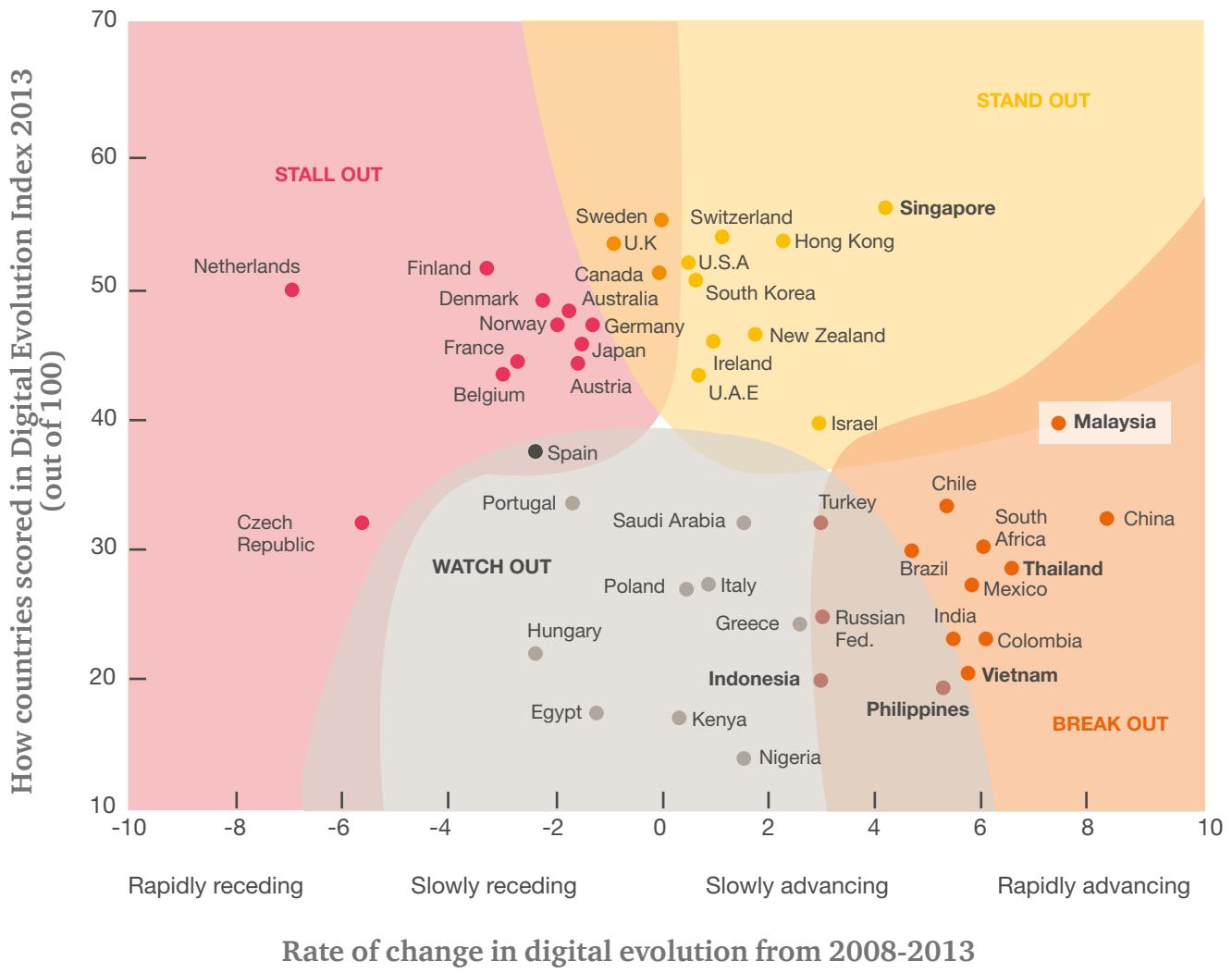
*Penetration rate exceeds 100% due to multiple subscriptions

¹ Source: Internet Live Stats estimate for July 2016

² The digital economy's contribution of 18% to national GDP in 2015 had already surpassed the government's initial target levels for 2020.

³ Source: United Nations Comtrade database statistics

Chart 15: Malaysia's rate of digital evolution is one of the fastest among countries studied

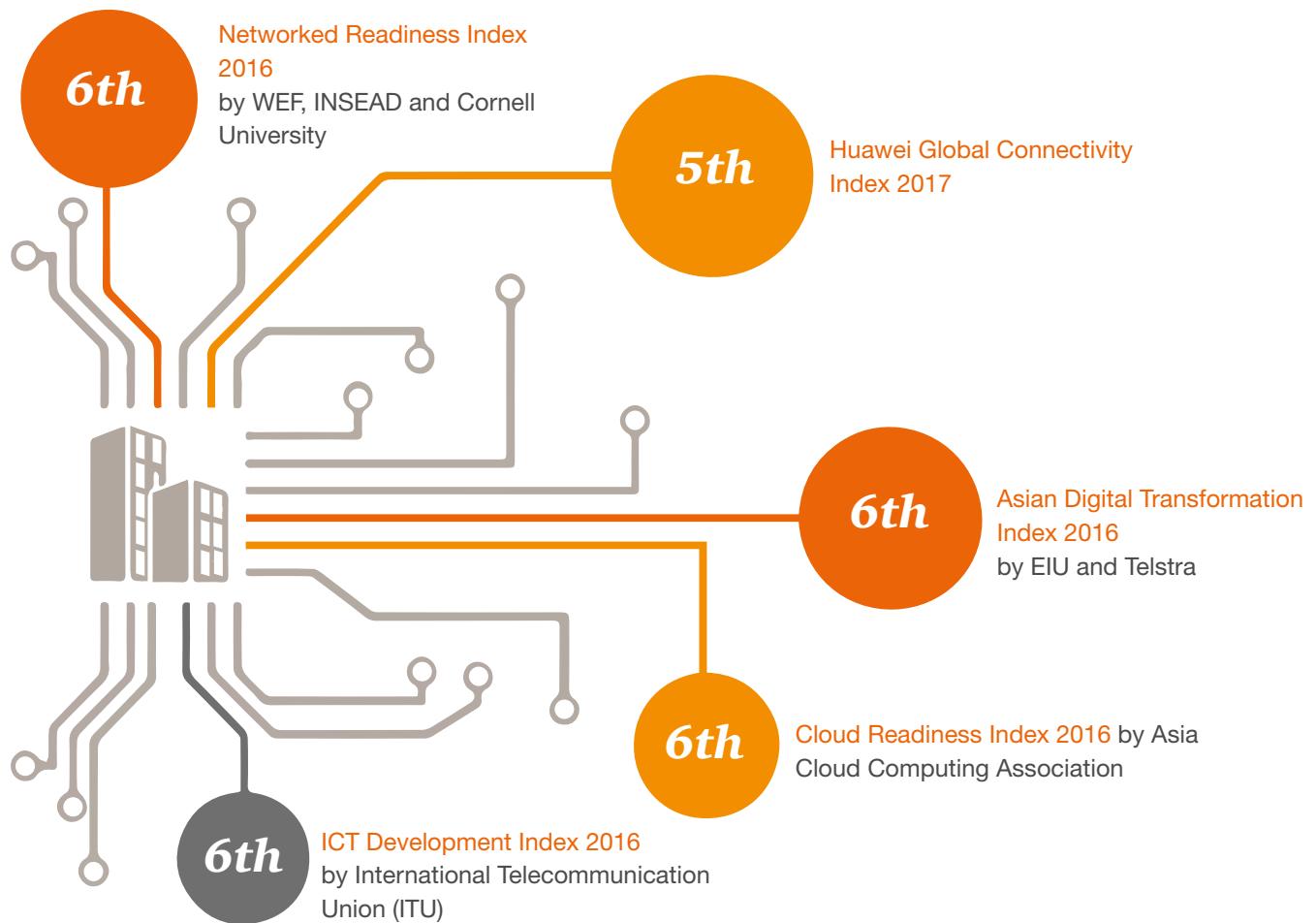


The digital trajectory chart above, based on data from the Digital Evolution Index by the Fletcher School at Tufts University, places Malaysia in the "break out" group.

This means that Malaysia is seen as having the potential to develop a strong digital economy, being one of the countries that has consistently impressive upward trajectory in improving its digital readiness.

Source: The Fletcher School at Tufts University, cited in Harvard Business Review, 2016

Chart 16: Malaysia's digital rankings among countries in Asia



Note: Asian leaders in terms of digital readiness and connectivity are: Singapore, Hong Kong, Japan, Korea and Taiwan

Please refer to the Appendix section for the description of these indices and rankings

Understanding growth in maturing markets

A cocktail of domestic and international factors is impacting the understanding of growth across developed and developing market economies. In our recent report, 'Winning in Maturing Markets', we explain how recent drops in economic performance and weaker growth predictions in emerging markets globally should not be seen as 'volatility'¹, and to instead view the distinctive characteristics of each country maturing in their economic journey. A country's return to previous or better growth levels depends on the maturity of its core institutions - such as in transparency, political stability, infrastructure, ease of doing business, availability of credit, talent and technological advancement.

Maturing markets such as Malaysia are in the position to capture the current momentum of local and

multinational companies looking for new investment destinations and to diversify their portfolios in light of Brexit and Trump's presidency. Identifying key sectors of opportunity, coupled with flexible strategies suited to the local market and founded on operational efficiency and innovation, can help investors to succeed in growing sectors such as health, education, manufacturing, retail, transport and communications.

"With exciting growth opportunities in key sectors of maturing markets such as Malaysia – we see large multinationals looking to lead change, smaller enterprises playing key roles in local supply chains and next-generation entrepreneurs leading the development of new products and operating models."



David Wijeratne

PwC Growth Markets Centre Lead

¹'Volatility' is defined as frequent and severe fluctuations in economic growth. Contrary to expectations, growth in developed markets has fluctuated more often than in emerging markets over the past 30 years, particularly in recent years. E.g. between 1981 and 2015, developed economies have experienced no less than 15 separate drops in absolute GDP growth, compared to 12 across emerging markets (sources: PwC 'Winning in Maturing Markets'; IMF).

Opportunities in the digital economy

We see the digital economy as a key enabler and achiever in Malaysia's economic growth ambitions. The pace of Southeast Asia's digital commerce sector growth is being driven by a younger population and rising income levels as Southeast Asian consumers spend more time and money transacting online, especially via m-commerce. This presents a myriad of opportunities for companies to invest in an ecosystem driven to engage the emerging middle class consumers transacting in and out of Malaysia and looking for more holistic, seamless and convenient online engagements in their everyday lives.

The digital progress of Malaysia's economy is impressive compared to developed economies in Asia such as Japan, Hong Kong and Singapore. Over 70% of Malaysia's population is

under 40 years old, and this includes a significant demographic that is highly active on social media and online chat platforms. Other key indicators include the quantity and quality of its interconnected business ecosystem and increased health cloud adoption. The government's commitment to technological transformation is also fostering a positive environment for domestic and foreign investment success (such as the 11th Malaysia Plan for better broadband coverage, Malaysia Digital Hubs and eTrade zones).

As these factors position Malaysia towards a global leader in digital enterprise, the technological transformation of its economy will also depend on investments that practice 'responsive and responsible leadership' as discussed at the recent World Economic Forum in

Davos – where public and private sector leaders foster inclusive development in the digital age. Maintaining customer and enterprise trust in digital transactions will also be crucial as the flourishing entrepreneurship and familiarity of digital commerce continues in Malaysia.

About PwC's Growth Markets Centre

David Wijeratne leads PwC's Growth Markets Centre (GMC) - a global team focused on supporting companies looking to enter and expand their business in growth markets. The GMC provides strategic market insights to help clients understand the market opportunities and navigate complex operational environments across various sectors. Key sectors of GMC focus include: automotive, retail and consumer, infrastructure and logistics, health and technology.





Connected city at the centre of Asia

Gateway to Asia's growth markets

According to PwC's World in 2050 report, of the top 20 fastest growing large economies from 2016 to 2050, nine will be from South and Southeast Asia: Vietnam, India, Bangladesh, Pakistan, Philippines, Indonesia, Malaysia, China and Thailand.

Located at the middle point between many of these emerging markets, connectedness is Greater KL's strength.

The city is within eight hours of major metropolises in the APAC region by flight, making it an excellent gateway city to some of the largest and fastest

growing economies in the world over the next 30 years. Kuala Lumpur International Airport (KLIA) is one the busiest airports in Asia, reaching a record 52.6 million passenger traffic in 2016¹.

Malaysia is also among the Top 5 most connected economies in Asia, placing highly in rankings by DHL and McKinsey Global Institute (see Chart 18). The country's globalised economy, which sees ample cross-border flows of trade, investment, talent and information, makes it the ideal gateway for foreign companies looking to expand in the region.



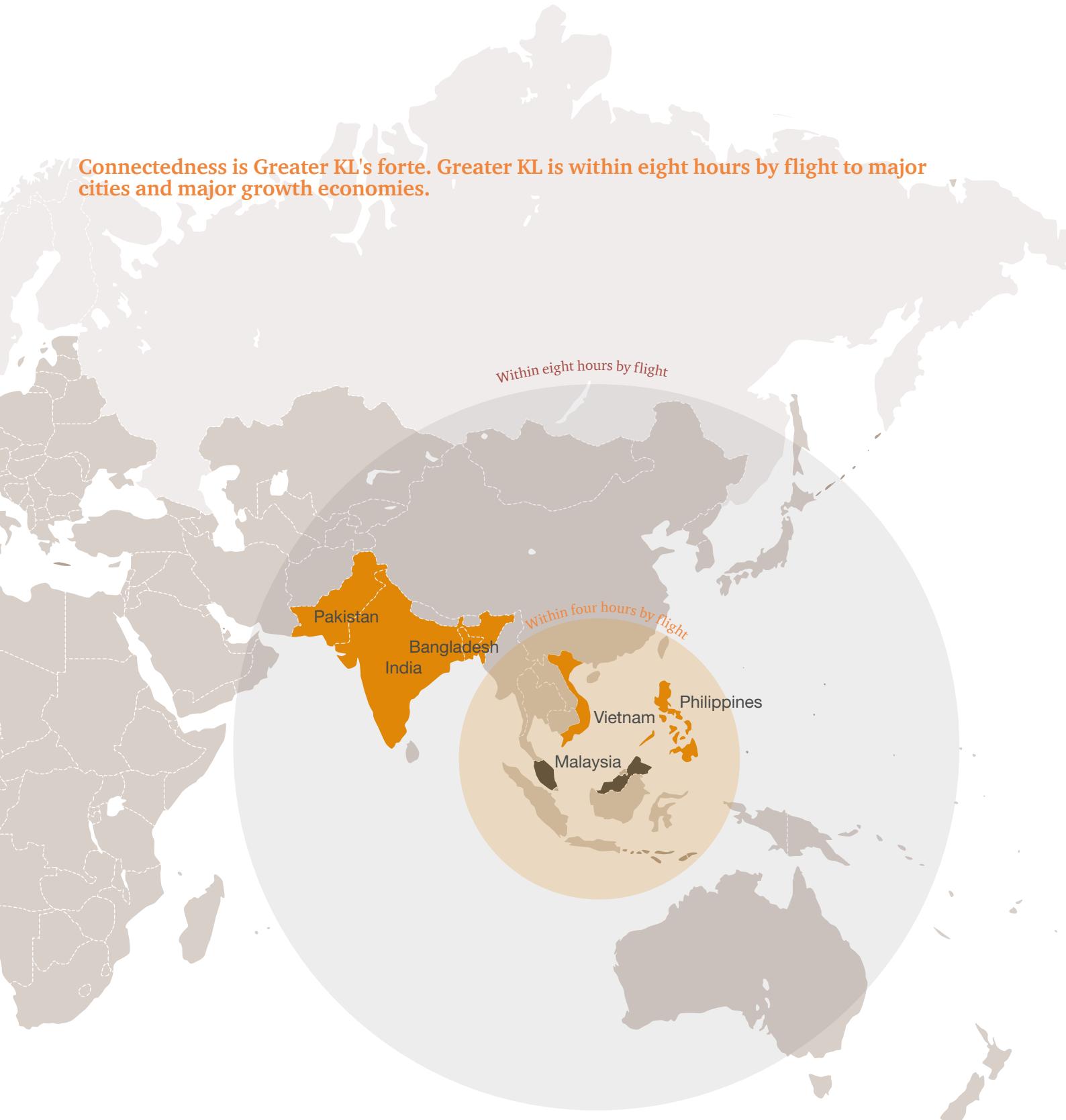
Chart 17: Greater KL is among the top destination cities in Asia



Please refer to the Appendix section for the description of these indices and rankings

¹ Source: Malaysia Airport Holdings Bhd, as cited by The Star

Connectedness is Greater KL's forte. Greater KL is within eight hours by flight to major cities and major growth economies.



Fastest growing economies as per PwC's World in 2050 report (4-5% GDP growth p.a. from 2016-2050)

Note: Illustrative purposes only, based on average direct flight times from KL to cities in each country.



Chart 18: Malaysia is among the top 20 most connected economies in the world

World Bank Trade Dependency Ratio¹ 2015

| Malaysia | Rank 20th | Rank 4th |
|----------|-----------|----------|
| World | | |
| Asia | | |

DHL Global Connectedness Index 2015

| Malaysia | Rank 19th | Rank 4th |
|----------|-----------|----------|
| World | | |
| Asia | | |

McKinsey Global Institute Connectivity Index 2016

| Malaysia | Rank 20th | Rank 4th |
|----------|-----------|----------|
| World | | |
| Asia | | |

¹ Trade as a percentage of GDP

Please refer to the Appendix section for the description of these indices and rankings



Trade connectivity

Malaysia is always looking towards creating a more liberalised and open global trading environment. The economy is very dependent on trade, which accounts for 134% of the country's GDP in 2015 (World Bank).

Thus far, Malaysia has implemented 7 bilateral free trade agreements (FTAs) and 6 regional FTAs, including with ASEAN members and major economies in Asia such as Japan, Korea, China and India.

Malaysia is also negotiating a number of multilateral and bilateral FTAs. Chief among them is the Regional Comprehensive Economic Partnership (RCEP), mooted by China.

Source: Various sources

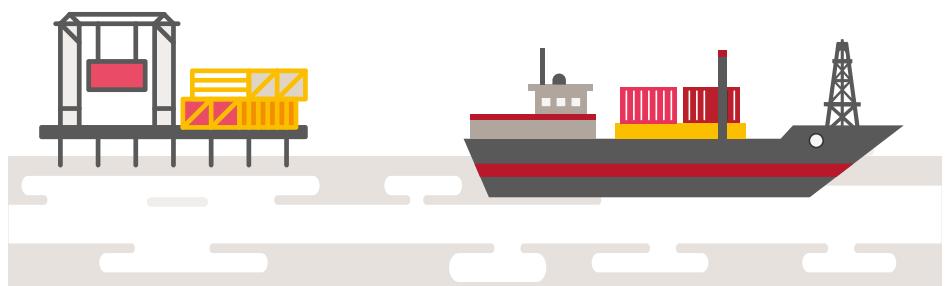
Chart 19: Malaysia's FTAs

Under negotiation

RCEP EU Iran
Hong Kong EFTA¹ Sri Lanka

Existing FTAs

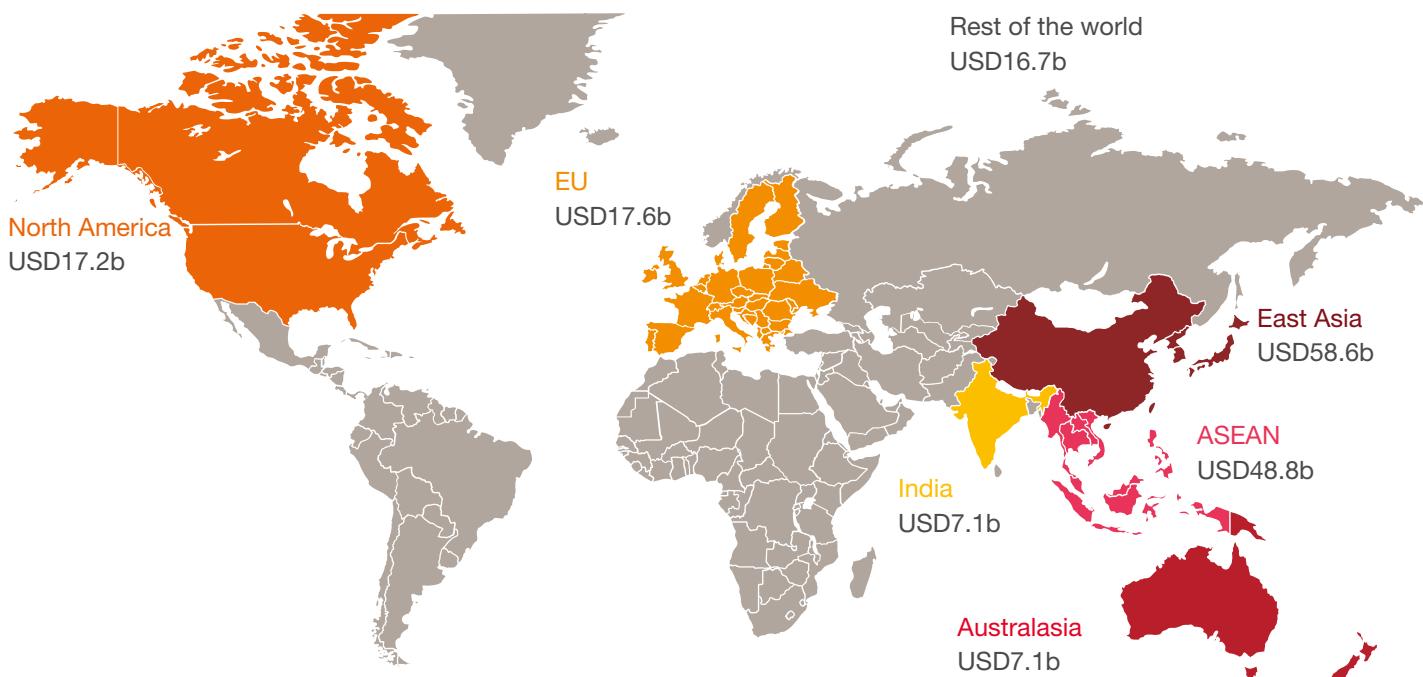
ASEAN Japan Australia India
China Korea New Zealand Pakistan
Turkey Chile



¹ EFTA - European Free Trade Association. Member countries: Austria, Denmark, Norway, Portugal, Sweden, Switzerland and the United Kingdom

Chart 20: Major regional trading partners of Malaysia

Malaysia exports, 2015



Source: Bank Negara Malaysia, 2016

Conversion rate: RM4.486 = USD1, based on BNM conversion rate as at 30 December 2016

Regional Comprehensive Economic Partnership

With negotiations expected to be substantially concluded by the end of 2017, the RCEP is anticipated to bolster trade between its 16 member countries, which collectively cover 29% of the world's economy with a market of 3.5 billion people and a combined GDP of USD21.4 trillion as of 2016.

Malaysia is expected to be a key beneficiary as the bulk of the country's top trading partners are also member countries of the RCEP (see Chart 22). According to Khazanah Research Institute, with China and South Korea committing to greater tariff liberalisation for goods under the RCEP, Malaysia would be able to have greater access to these major Asian markets. The partnership is also expected to spur more FDI for Malaysia from China and Japan.

Chart 21: RCEP quick facts



Chart 22: Malaysia's top 10 export destinations

| Country | Share of Malaysia's export, 2015 |
|---------------|----------------------------------|
| Singapore | 13.9% |
| China | 13.0% |
| Japan | 9.5% |
| United States | 9.4% |
| Thailand | 5.7% |
| Hong Kong | 4.7% |
| India | 4.1% |
| Indonesia | 3.7% |
| Australia | 3.6% |
| South Korea | 3.2% |

 RCEP countries

Source: Ministry of International Trade and Industry (MITI), 2016

RCEP countries: Australia, Brunei, Cambodia, China, India, Indonesia, Japan, Korea, Laos, Malaysia, Myanmar, New Zealand, Philippines, Singapore, Thailand, Vietnam

China's new silk route

Part of China's wider 'going global' effort, the Belt and Road (B&R) initiative is a concept which aims to increase connectivity between the Asian, European and African continents. The B&R will comprise the Silk Road Economic Belt and the 21st Century Maritime Silk Road that would link China to countries in those three continents.

This massive 'umbrella' type initiative comprises a potentially huge collective of current, planned and future infrastructure projects, and a host of bilateral and regional trade agreements.

Source: PwC's Growth Markets Centre

Greater KL's prime geographical location makes it one of the key cities on the Maritime Silk Road of the B&R. Not only is the city a land link to Singapore, but it is also a land and sea link to the Strait of Melaka —a major waterway that carried an estimated 85% of all China-bound maritime oil imports in 2014¹.

Consequently, Greater KL and Malaysia is expected to see major Chinese investments in railway, infrastructure and ports. Projects that appear to come under the belt and road initiative include²:

- Investment in power company Edra Global Energy Bhd (USD2.0 bil)
- Melaka Gateway, an offshore development of artificial islands off the coast of Melaka, and its accompanying deep sea port (USD8.9 bil)
- Deepening of Kuantan Port on the east coast of Peninsular Malaysia (USD1.8 bil)

Nine business-to-business memoranda of understanding (MoU) were signed between China and Malaysia during the Belt and Road Forum held in Beijing, China in May 2017. The MoUs collectively represent an estimated USD7 billion of proposed investments between the two countries (see Appendix section for further details of these MoUs).

In addition, Malaysia is also seeing an influx of Chinese corporations, which will lead to job creation and knowledge transfer. Chinese giants that have recently announced plans to come to Malaysia include Chinese banks such as China Construction Bank Corp and Bank of China which were granted banking licenses and have set up local operations.

¹Source: US Department of Defence's Annual Report to Congress on Military and Security Developments Involving the People's Republic of China 2015

²Source: The Star news article

Conversion rate: RM4.486 = USD1, based on BNM conversion rate as at 30 December 2016



Chart 23: China's Belt and Road initiative



The new silk road could also give rise to opportunities for digital revolution, and the creation of a "digital silk road". This would involve the development of high speed digital infrastructure that would connect businesses in China and the countries along the B&R.

Source: Xinhua



— Cost competitive

The Greater KL cost advantage

Based on PwC's Cities of Opportunity 7 benchmarking, Greater KL has the lowest cost scores amongst Asian cities. This can be attributed to a combination of factors such as:

- Competitive corporate and personal tax rates
- Relatively low cost of business occupancy
- Low cost of living
- High affordability in rent

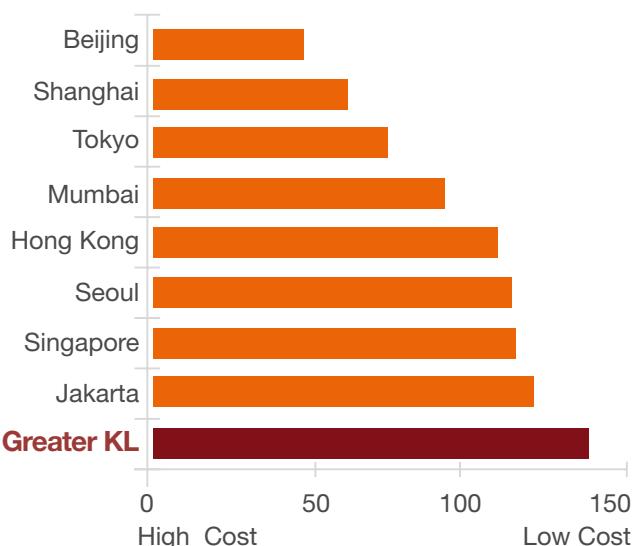
The city's competitive cost position is also corroborated by other studies:

- According to JLL's 3rd Quarter 2016 Asia Pacific Office Rental report, Greater KL has one of the lowest Grade A office rental rates in Asia at USD132 psm p.a. The rental of premium class office premises is even lower than other emerging Asian cities such as Bangkok, Manila and Jakarta.

- In Mercer's City Cost of Living ranking 2016, Greater KL is one of the least expensive cities in Asia to live in.
- The Economist Intelligence Unit's Worldwide Cost of Living Report 2017 rated Greater KL as the least expensive ASEAN city to live in.

Chart 24: Greater KL's competitiveness

PwC Cities of Opportunity 7, cost scores



Source: PwC

JLL Asia Pacific Office Rental, 3rd quarter 2016
Grade A office rent, USD psm p.a.





Mercer City Cost of Living ranking, 2016

| High Cost | Global rank | Asian city |
|-----------|-------------|-------------------|
| | 1 | Hong Kong |
| | 4 | Singapore |
| | 5 | Tokyo |
| | 7 | Shanghai |
| | 10 | Beijing |
| | 15 | Seoul |
| | 74 | Bangkok |
| | 80 | Manila |
| | 82 | Mumbai |
| | 88 | Ho Chi Minh City |
| | 93 | Jakarta |
| Low Cost | 151 | Greater KL |

Economist Intelligence Unit Worldwide Cost of Living Report 2017

| High Cost | Global rank | ASEAN city |
|-----------|-------------|---------------------|
| | 1 | Singapore |
| | 51 | Bangkok |
| | 59 | Hanoi |
| | 78* | Phnom Penh |
| | 78* | Ho Chi Minh City |
| | 82 | Jakarta |
| | 92* | Manila |
| | 92* | Bandar Seri Begawan |
| Low Cost | 96 | Greater KL |

* Tied at same rank

Source: JLL, Mercer, Economist Intelligence Unit

Please refer to the Appendix section for the description of these indices and rankings

Developed infrastructure

A mobile city

Greater KL has an extensive and efficient infrastructure system, which plays a crucial role in the effective functioning of the economy. IESE Cities in Motion Index ranked Greater KL's road and public transportation system 7th in Asia and 2nd in Southeast Asia, ahead of cities such as Hong Kong, Bangkok and Manila.

The 1st MRT line, which is expected to cost USD4.7 billion to complete and will span 51km across 31 stations from Sungai Buloh to Kajang, will further improve urban mobility and elevate Greater KL's status as a modern metropolis when it goes into full operation in July 2017.

The quality of the infrastructure also extends nationwide, where Malaysia's infrastructure pillar score in WEF's Global Competitiveness Index 2016-2017 puts it in 6th place in Asia and 2nd in Southeast Asia.

The strength of the country's transportation and infrastructure system helps provide for an effective logistics and supply chain for companies. Malaysia is ranked just behind Korea, Taiwan and China in World Bank's Logistics Performance Index.

Chart 25: Greater KL and Malaysia provide quality infrastructure

IESE Cities in Motion Index - Mobility and Transportation ranking

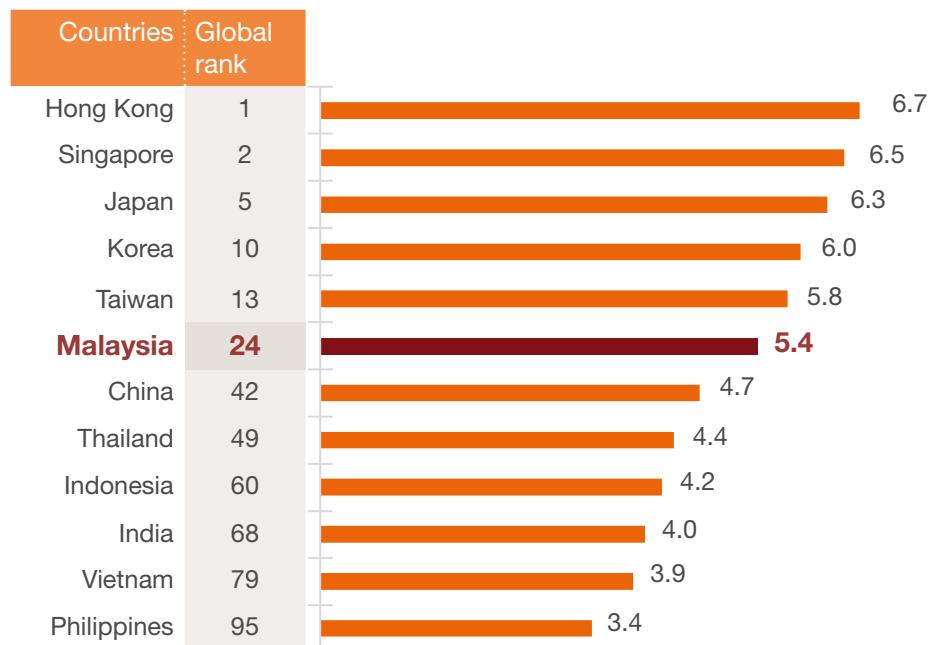
| Global rank | Asian city |
|-------------|---------------------|
| 1 | Seoul |
| 9 | Beijing |
| 12 | Shanghai |
| 23 | Singapore |
| 34 | Tokyo |
| 58 | Delhi |
| 60 | Kuala Lumpur |
| 72 | Bangkok |
| 92 | Hong Kong |
| 129 | Manila |
| 130 | Ho Chi Minh City |
| 136 | Mumbai |
| 146 | Jakarta |

Arcadis Infrastructure Investment Index 2016

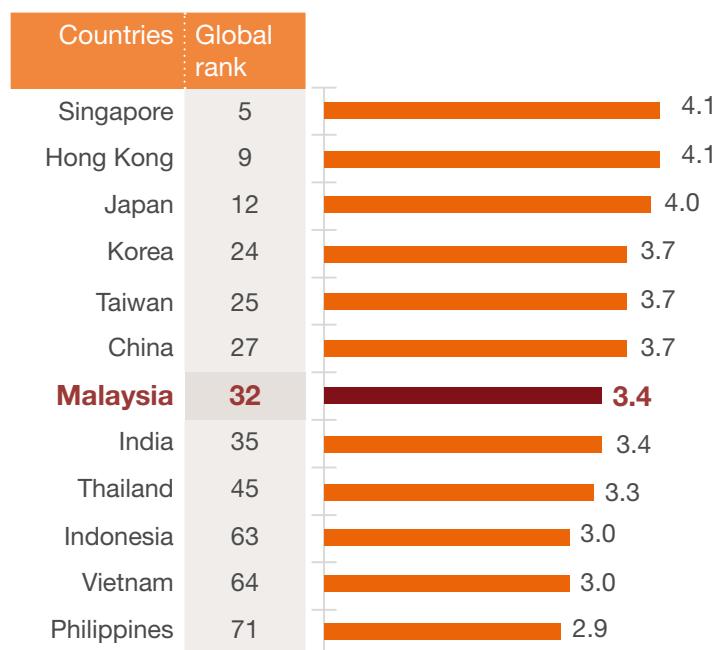
| Global rank | Asian city |
|-------------|-----------------|
| 1 | Singapore |
| 4 | Malaysia |
| 12 | Japan |
| 17 | China |
| 20 | South Korea |
| 21 | Indonesia |
| 23 | India |
| 25 | Thailand |
| 28 | Philippines |

Conversion rate: RM4.486 = USD1, based on BNM conversion rate as at 30 December 2016

WEF Global Competitiveness Index, 2016-2017 Infrastructure pillar score for Asian Countries



World Bank Logistics Performance Index 2016, Asian countries



Source: IESE, Arcadis, WEF and World Bank, 2016

Please refer to Appendix section for the description of the indices and rankings

The next stage of infrastructure development

Greater KL is taking transportation and infrastructure to the next level. A total of USD21.4 billion has been invested into the new KL-Singapore high speed rail, 2nd MRT line and four multiple expressways to increase connectivity within Greater KL and Malaysia.

The City is shaping up to be a robust global destination for investors and

tourists through several new urban centre development projects such as the Tun Razak Exchange (TRX) and Bandar Malaysia.

Greater KL aims to take it one step further by constructing a state-of-the-art 100 sq km KLIA Aeropolis, which will serve as the hub of Malaysia Airport's air cargo and logistics system.

Malaysia continues to be a focal point of attraction for investments into infrastructure, placing 4th in Asia and 5th in the world ahead of Japan and South Korea in the Arcadis Infrastructure Investment Index.

Chart 26: Notable mega infrastructure projects in Greater KL

Transportation



| MRT Line 1 | USD5.1 bil | |
|-------------------------|--------------------|--------------------------|
| Sungai Buloh-Kajang | | |
| MRT Line 2 | USD3.5 bil | |
| Sungai Buloh-Putrajaya | | |
| MRT Line 3 | USD8.9 bil | |
| Circle Line within KL | | |
| LRT Line 3 | USD2 bil | |
| Bandar Utama-Klang | | |
| HSR KL-Singapore | USD11.1 bil | |
| 350km | | |
| DASH Highway | USD2.6 bil | |
| Damansara-Shah Alam | | |
| SUKE Highway | USD170.8 mil | |
| Sungai Besi-Ulu Klang | | |
| DUKE3 Highway | USD833.7 mil | |
| Klang Valley-Greater KL | | |
| Total | USD34.2 bil | |
| | | Urban development |
| TRX | | USD8.9 bil |
| 70 acres | | |
| Bandar Malaysia | USD35.7 bil | |
| 496 acres | | |
| Warisan Merdeka | USD1.1 bil | |
| 19 acres | | |
| Kwasa Damansara | USD11.1 bil | |
| 2620 acres | | |
| Cyberjaya City Centre | USD2.5 bil | |
| 141 acres | | |
| KLIA Aeropolis | Not available | |
| 100 sq km | | |
| Total | | USD59.3 bil |

Source: PwC compilation

Conversion rate: RM4.486 = USD1, based on BNM conversion rate as at 30 December 2016





Incentives



Principal Hub incentive

The Malaysian Government issued guidelines on incentives for MNCs seeking to establish or expand their presence in ASEAN or the Asia Pacific region through a Malaysian Principal Hub in April 2015.

The incentive is designed to complement the Hub-and-Spoke

strategy of regional headquarters and supply chains evolving globally. It allows the hub to receive transactions or trade from various origins, consolidates them and sends them directly to various points in the supply chain.

Tax rate of 0% to 10%

Approved Principal Hub companies will be accorded one of three preferential corporate tax rates of zero, five or 10 percent, based on the level of value created and other benefits.

This will be determined by the level of business spending, high-value job creation, high-level personnel employed, level of value-adding functions and risks transferred to the principal hub company, and revenue.

Attracting multi-billion investments

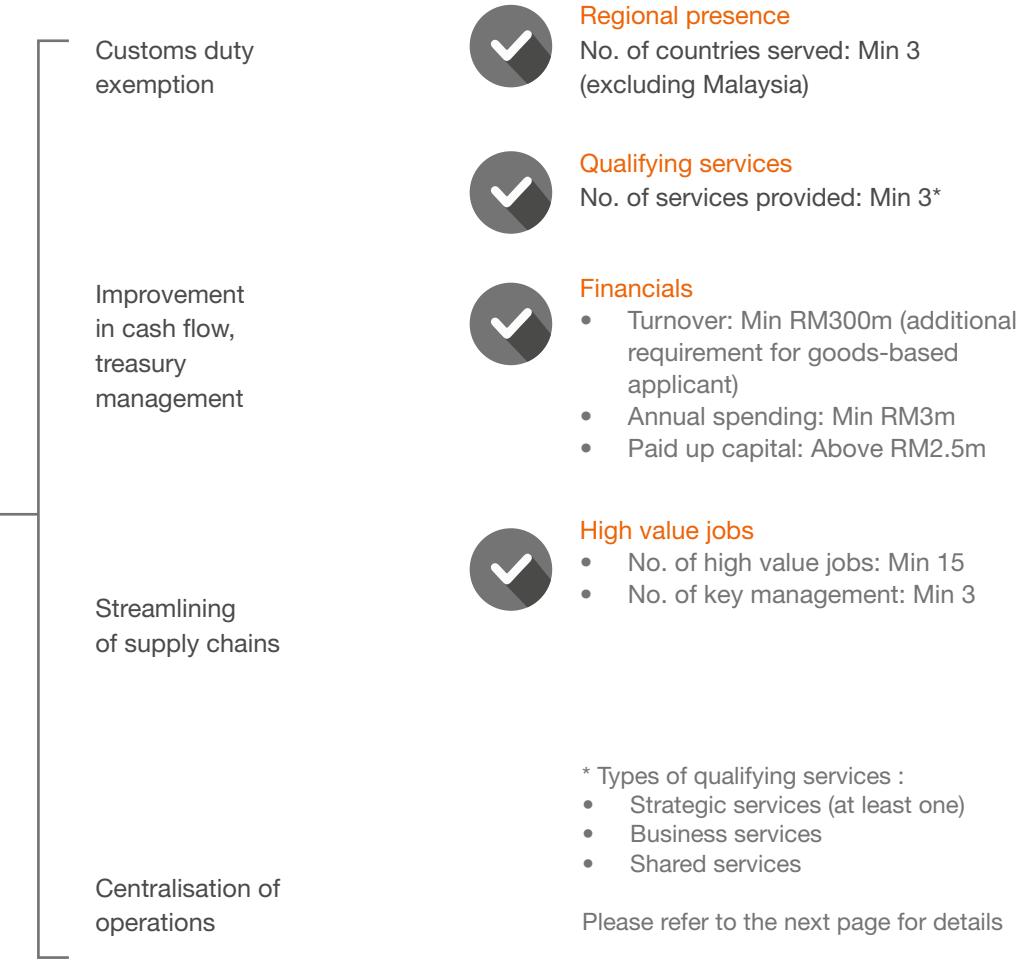
As of December 2016, the Government has approved 19 Principal Hub projects in the aerospace, electrical and electronics, food & beverage, engineering and resource-based industries.

According to data from MIDA, Principal Hub projects contributed USD3.1 billion worth of foreign and domestic approved investments in 2016.

Chart 27: Principal Hub benefits



Chart 28: Principal Hub incentive criteria



How it works

Definition

The Principal Hub is a locally incorporated company that uses Malaysia as a base for conducting its regional and global businesses and operations to manage, control and support its key functions.

The applicant has to serve and control network companies in at least three countries outside Malaysia.

Network companies

The Principal Hub applicant can extend its services to a wide network of companies including:

- Related companies** to the group including subsidiaries, branches, joint ventures and franchises
- Unrelated companies** involved in the applicants' supply chain and business with contractual agreements

Type of services

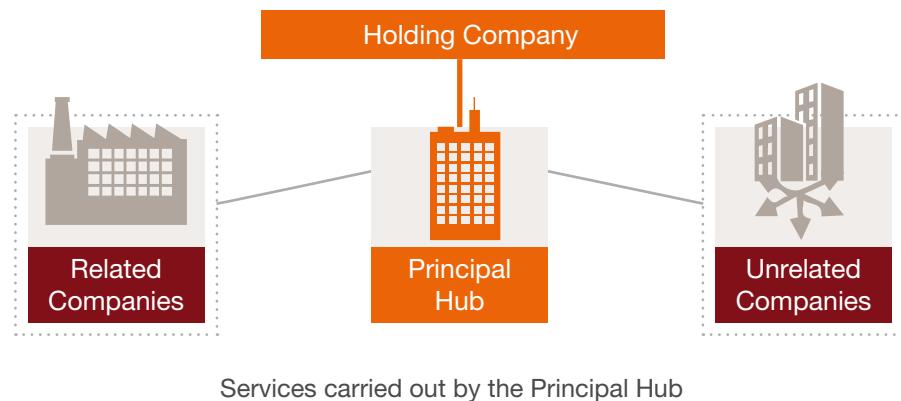
The nature of qualifying services carried out by the Principal Hub applicant can be classified into three clusters:

- Strategic services
- Business services
- Shared services

The applicant has to carry out at least three qualifying services, of which one must be from the strategic service cluster.

Please refer to the appendix for the detailed criteria on the Principal Hub scheme.

Chart 29: The Principal Hub structure and benefits



| Strategic Services | Business Services | Shared Services |
|--|---|--|
| <ul style="list-style-type: none"> • Regional P/L/ Business Unit Management • Strategic Business Planning & Corporate Development • Branding • IP Management • Corporate Finance Advisory Services • Senior-level/ Talent Acquisition Management | <ul style="list-style-type: none"> • Bid & Tender Management • Project Management • Technical Support & Consultancy • Strategic Sourcing, Procurement & Distribution • Research, Development & Innovation • Logistic Services | <ul style="list-style-type: none"> • Treasury & Fund Management • Sales & Marketing • Business Development • Information Management & Processing • Economic/ Investment Research Analysis |

The Principal Hub structure can lead to the following benefits:



Source: InvestKL and PwC, 2015-2016

Multimedia Super Corridor

Multimedia Super Corridor (MSC) Malaysia is made up of specially designated cybercities and cybercentres. These ICT hubs provide world-class infrastructure such as high-capacity global telecommunications and logistics networks, and form part of the government's wider initiative to groom the local ICT industry and attract world-class technology companies by creating a conducive ICT ecosystem.

Under this initiative, a special status is awarded by the Malaysia Digital Economy Corporation (MDEC) that entitles the recipient to exclusive financial and non-financial incentives, rights and privileges represented by the MSC Malaysia Bill of Guarantees.

This MSC Malaysia status is awarded to eligible local or foreign companies that employ multimedia technologies to produce or enhance their products and services, including companies that support global business service activities such as knowledge process outsourcing (KPO).

This lends support to Malaysia's shift in focus from low-value business process outsourcing (BPO) to higher value KPO by attracting companies that employ niche technical skills,

knowledge and expertise in advanced and sophisticated outsourcing. In addition to MSC Malaysia, MDEC is also actively promoting new verticals such as engineering services, legal and telemedicine.

For more information on MSC Malaysia, visit www.msccmalaysia.my

Some of the privileges afforded to MSC Malaysia status companies include:



Financial incentives

- Multi-tiered tax incentives, such as income tax exemption of up to 100% of statutory income for a period up to 10 years, or an Investment Tax Allowance of 100% qualifying capital expenditure to be set-off against up to 100% of statutory income for a period of 5 years
- Import duty exemption for multimedia equipment
- Eligibility for research and development grants (for majority Malaysian-owned MSC Malaysia company)
- Freedom to source funds globally for investments

Non-financial benefits

- Unrestricted employment of local and foreign knowledge workers (for companies located within MSC Malaysia)
- Protection of intellectual property and cyber laws
- No censorship of the internet
- Globally competitive telecommunication tariffs and services guarantees
- World-class physical and IT infrastructure, and research and development facilities (for companies located within MSC Malaysia)



Other incentives

Malaysia has a wide variety of incentives covering major industry sectors. Tax incentives can be granted through income exemption, allowances or enhanced tax deductions.

The following are some of the major types of incentives available in Malaysia.

For a snapshot of business tax rates in Malaysia, please refer to the Appendix section.



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
- Accelerated capital allowance
- Double deduction of expenses
- Allowance for increased export
- Special incentive schemes (for national & strategic projects)



Other government support

Include:

- Grants and loans from various government agencies
- Financial assistance for various training schemes under the Human Resources Development Fund



Double taxation agreements

Malaysia has concluded over 70 double taxation agreements (DTA), including DTAs with:

- Australia
- China
- India
- Japan
- Saudi Arabia
- Singapore
- USA (limited DTA)
- UK



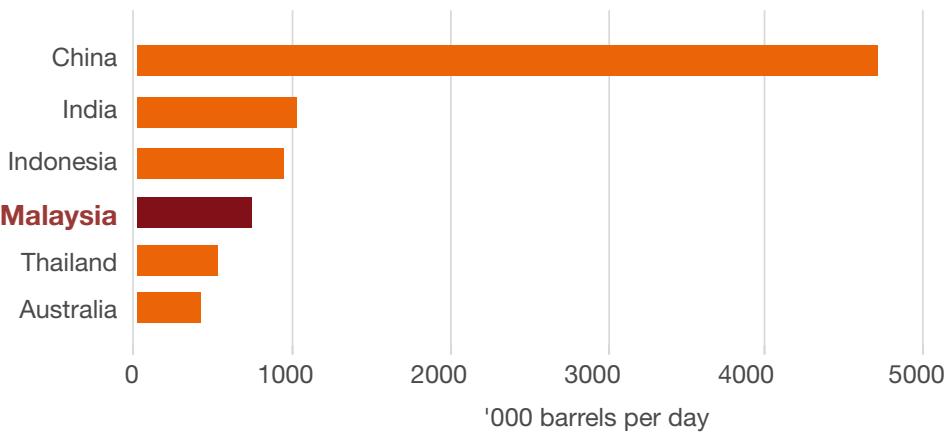
Sectors of opportunity

Oil & gas

Malaysia's position in the region

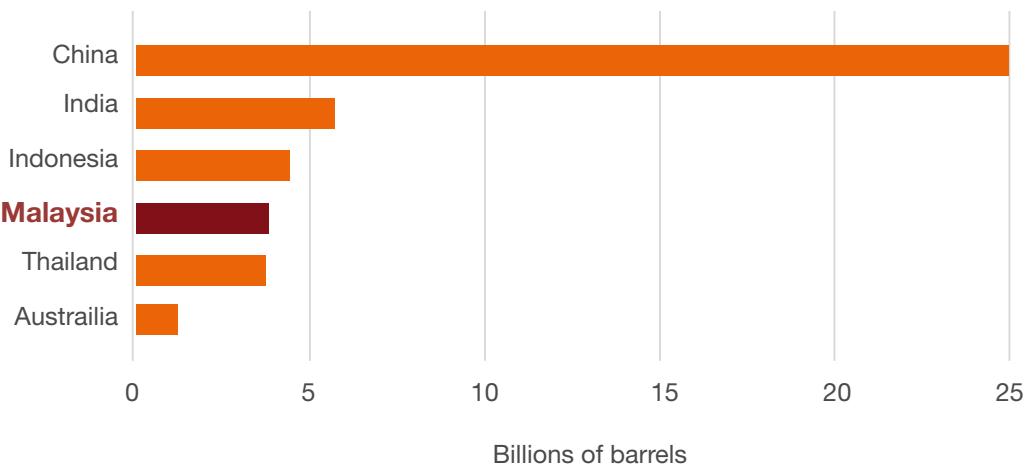
- **4th largest oil producer in APAC**, producing 730,000 barrels of crude oil per day (2015) - US Energy Information Administration (EIA)
- **4th highest proven crude oil reserves in APAC** at 3.8 billion barrels (2015) - EIA
- **Shared control over one of the most important energy trade routes**, the Strait of Melaka¹
- **KL is the 1st and only Southeast Asian city recognised as a World Energy City** by the World Energy Cities Partnership (WECP)
- **Significant investments into O&G** with USD2 billion in approved private investments from January – September 2016, 45% of which is foreign investment - MIDA

Chart 30: Top oil-producing APAC countries, 2015



Source: EIA International Energy Statistics

Chart 31: APAC countries with the largest proven oil reserves, 2015



Source: EIA International Energy Statistics

¹The shortest sea route between the Middle East and the Asian market, and a key chokepoint that carried an estimated 27% of total world maritime oil trade in 2013 according to the EIA.

Conversion rate: RM4.486 = USD1, based on BNM conversion rate as at 30 December 2016

Key opportunities within oil and gas

Enhanced Oil Recovery (EOR)

The use of advanced technologies to boost oil recovery up to 55% from mature oil fields in Malaysia. With Petronas, the national oil and gas (O&G) company, championing this effort, ExxonMobil and Shell have committed to invest more than USD10.7 billion in various offshore EOR projects.

Petrochemical and polymer industry

In an effort to develop the downstream sector, the Malaysian Government and Petronas are investing in a new petrochemical zone in Pengerang Johor, located next to Singapore.

Its planned refinery will have a capacity of 300,000 barrels per day and will supply naphtha and liquid petroleum gas feedstock for its integrated petrochemical complex. The overall project is estimated to cost USD19.8 billion¹ according to Petronas.

Saudi Arabia's Aramco has committed to set up a joint-venture with Petronas to invest USD6.9 billion into the Refinery and Petrochemical Integrated Development project in Pengerang.

Operational hub for O&G MNCs

Since 2011, 11 O&G multinational companies have set up regional hubs in Greater KL² to take advantage of the lower cost and exchange rates in light of the lower oil price. O&G services players that have recently relocated their regional operations from Singapore to KL include McDermott, Technip and Subsea 7.

Petroleum storage terminals

Malaysia is expanding into oil storage terminals to complement Singapore's storage facilities that are almost at capacity.

Major projects include the Pengerang Deepwater Terminal (PDT) and the ATT Tanjung Bin oil terminal. The terminals are being developed through partnerships between local players and foreign giants such as Royal Vopak, Vitol Group and Buckeye Partners, LP.



¹The development consists of the Pengerang Refinery and Petrochemical Integrated Development (RAPID) and the Pengerang Integrated Petroleum Complex (PIPC).

²Source: InvestKL

Shell Finance & Data Operations provides finance, accounting and business services to Shell operating companies across the Asia Pacific and Middle East regions.



Shaiful Zainuddin

Vice President
Finance Process Revenue, Shell

Finance and Data Operations in Kuala Lumpur (FO KL) is one of five locations globally providing finance and data operations for Shell. Our FO KL team is based in Shell Business Operation (a shared service centre) located in Cyberjaya, Malaysia.

FO KL has been in Malaysia for more than 10 years. It plays a crucial role in delivering high quality financial and data operations across the globe. The Finance and Data (FO) team based in Cyberjaya, is instrumental in seeing that Shell's world class standards are upheld across its global markets.

In Cyberjaya, we take pride in developing our FO staff, building their capabilities so they reach their full potential now and in the future. As a result, we expect to build a lasting and meaningful career in an environment that promotes inclusivity, respect and development.



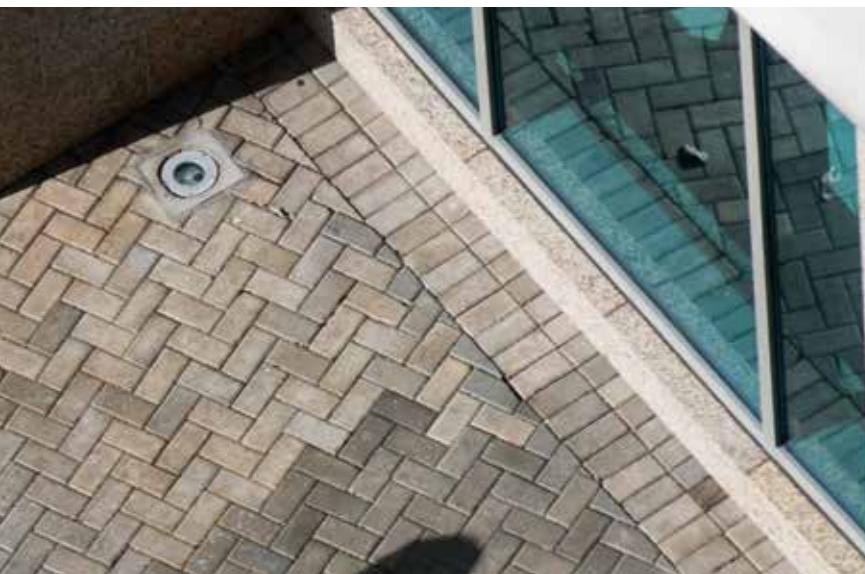
In a shared service environment, having the right people, skills and capabilities are essential to deliver the financial goals of the business. Today, FO KL delivers various finance processes. In the Revenue process, for example, this extends to master data maintenance, processing invoice and billing adjustments, cash application and allocation, monitoring of debts, account reconciliation and reporting. In Reporting & Analysis process, the services include financial accounting, reporting and production of management information. Other finance processes include Expenditure, Hydrocarbon Management, Governance, Risk & Assurance.

Shaiful Zainuddin, Vice President of Finance Process Revenue for Shell, says: "For us in Finance & Data Operations access to a high performing, globally competitive and diverse talent pool with multiple language and technical skills, good infrastructure and affordable cost of doing business all contribute to ensuring sustainable business operations in KL.

"Having returned to KL recently after living abroad for the last 13 years, I recognise that a location needs to provide access to quality living and international connectivity to run a global operation."

Malaysia continues to provide opportunity in the oil and gas sector. Shell has been a partner in fueling Malaysia's progress for over 125 years. Its journey with the nation is intertwined – as much as Shell has played a role in growing the country's energy sector, Malaysia has also played a significant role in the company's progress. Shell continues to be one of the top employers in Malaysia with thousands employed in the upstream, midstream and downstream businesses, as well as the service and support functions.

For more information on Shell/Shell in Malaysia, visit www.shell.com.my



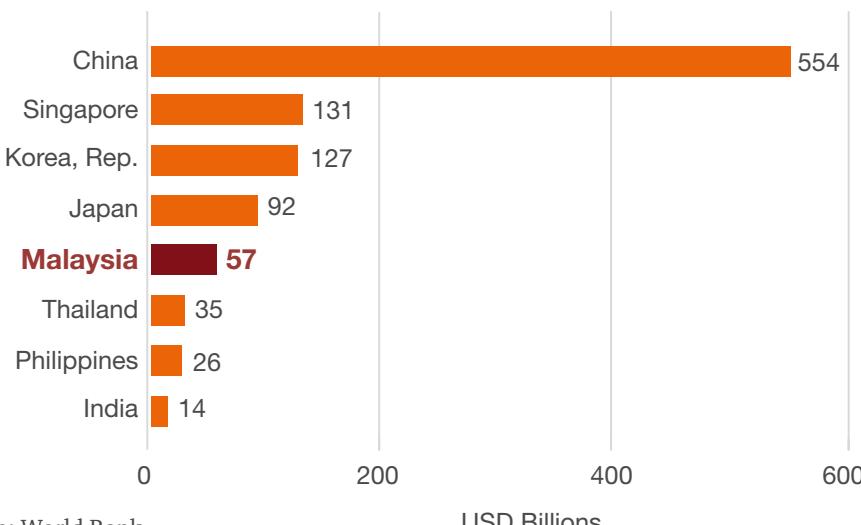
Technology

Malaysia's position in the region:

- **5th in APAC in terms of high-technology exports¹**, with an export value of USD57 billion in 2015 according to World Bank
- **7th most innovative economy in APAC** according to Bloomberg 2017 Innovative Index

- **8th highest internet penetration within APAC** according to the Internet Society
- **9th in APAC by export of information and communication technology (ICT) service²**, exporting USD8 billion worth of services in 2015 as per World Bank
- **Digital Economy is expected to contribute 20% of Malaysia's GDP by 2020**, up from 18% in 2015

Chart 32: Top high-technology exporting countries in APAC, 2015



Source: World Bank

USD Billions

| Rank in APAC | Economy | Internet penetration rate |
|--------------|-----------------|---------------------------|
| 1 | Japan | 86.3% |
| 2 | South Korea | 84.8% |
| 3 | Australia | 83.0% |
| 4 | New Zealand | 82.8% |
| 5 | Taiwan | 80.0% |
| 6 | Hong Kong | 74.2% |
| 7 | Singapore | 73.0% |
| 8 | Malaysia | 67.0% |
| 9 | New Caledonia | 66.0% |
| 10 | Macao | 65.8% |

Source: Internet Society

Chart 33: Internet penetration rates amongst APAC countries

¹High technology exports are products with high R&D intensity, such as in aerospace, computers, pharmaceuticals, scientific instruments, and electrical machinery.

²ICT service exports include computer and communication services (telecommunications and postal and courier services) and information services (computer data and news-related service transactions).

Conversion rate: RM4.486 = USD1, based on BNM conversion rate as at 30 December 2016

Key opportunities within technology

Digital Free Trade Zone (DFTZ)

The DFTZ, jointly created by China's Alibaba Group and MDEC and launched in March 2017, will be the world's first digital global trade platform outside of China. Envisioned to be a future one-stop digital hub of logistics, payment gateway, clearance and standardization, the first phase of the DFTZ will involve developing a regional e-commerce and logistics hub near KLIA.

Data Analytics

MDEC is committed to positioning Malaysia as a Big Data and Analytics hub, and has set a target of creating 20,000 data professionals by 2020. To this end, the agency has launched the ASEAN Data Analytics eXchange (ADAX) in March 2017 to foster collaboration among industry players and build up the local data analytics talent pool. It will have three components:

- An innovation and showcase lab for companies to bring in their data projects, where a dedicated in-house data science team will be able to help them
- A data platform that will encourage data sharing by allowing companies to anonymise data from their projects
- An ASEAN data accelerator for ASEAN startups, in partnership with Open Data Institute (ODI)

Through ADAX, MDEC is also partnering with the likes of Microsoft, IBM and SAS to set up the local data analytics ecosystem.

Creative content and technology

Malaysia is a major Asian player in two key areas of creative content and technology: games industry development and the animation industry due to its advantageous cost environment and strong talent pool. Bandai Namco became the latest addition to the list of major players that have set up studios in KL, joining the ranks of Streamline Studios who made KL its headquarters in 2011.

Internet-of-Things (IoT)

Malaysia has an ideal environment for IoT due to its high mobile, internet and social media penetration rate. The National IoT Strategic Roadmap, launched in 2015, aims to create a conducive ecosystem for IoT and position it as a new source of economic growth. IoT is expected to create USD2.1 billion GNI and 14,270 jobs by 2020.

Technology opportunities arising from IoT in Malaysia will be concentrated in applications and services, analytics-related technologies, as well as application of IoT in vertical markets such as agriculture, healthcare and smart cities.

According to IDC's 2016 Global IoT Decision Maker Survey, 50% of Malaysian organisations surveyed plan to deploy production IoT solutions within the next 12 months.

“We are entering a world facing exponential growth in connectivity, where in the next 10 years there will be more than 100 billion connections, mainly between machines. This will bring huge demand for ubiquitous and superfast networks.”



Yin Shucan
Chief Financial Officer
Huawei Malaysia

Tell us your views on the Malaysian market, and where do you see the growth opportunities?

We see that the mobile phone penetration rate in Malaysia is very high—over 200%. There is strong demand from consumers for faster, better quality and unique smartphones. Our Huawei P9 model, which features a dual-camera system that captures high quality photos is very popular. This shows that the demand from the local market for innovative smartphones is still very high.

We see opportunities in working with telecommunications companies and regulators to improve infrastructure and coverage, especially for areas outside of major cities that currently have limited connectivity. Local councils and ministries are also looking into smart cities for more developed areas

such as the Klang Valley and KL. Such smart cities initiatives will also require supportive infrastructure, which is why ICT infrastructure will be a major growth area.

In your opinion, what are some of KL's strengths as a location to set up a regional hub compared to its regional counterparts?

Besides the strong local demand as I mentioned, KL has an advantageous location as Malaysia is geographically located between the east and the west, and has well developed infrastructure. KL is very connected as you can travel to major locations within Asia by direct flight within 10 hours. There are also major ports that are close to the city which makes it easy for us to ship our goods into Malaysia and to our customers.

KL also offers a strong talent pool,



and every year we are able to recruit candidates with strong background in ICT. In addition, Malaysia has a very friendly investment policy, which also applies to KL. For example, Huawei was awarded MSC status by MDEC, and Operational Headquarters (OHQ) status by MIDA. We have received a lot of support and guidance from MIDA, MITI and InvestKL in terms of understanding local regulations and policies, which helped us set up locally when we first came to Malaysia.

The business environment and the bilateral relationship between Malaysia and China is also very stable, which gives confidence to Chinese investors to invest and expand locally. In terms of cost, Malaysia offers a relatively cheaper business environment to operate in compared to other countries such as Singapore, while still providing a sizeable market that can support our business for the long term.

Share with us your experience living and working in KL.

I'm originally from China, and I've been working in Malaysia for a year now. I feel that KL is a very liveable city. The environment here is very friendly, and it is very easy for an expat to settle down here. KL being geographically close to China means that it is easy for me to travel to our headquarters in Shenzhen, and to travel home to visit family. I also feel that the local culture is flexible and generally compatible with the culture back home, which makes it very easy to do business here.

Huawei came to Malaysia in 2011. The company set up its regional headquarters in Kuala Lumpur, which supports its businesses in Philippines, Indonesia, Singapore, Australia and New Zealand.

Huawei currently employs around 2,500 staff in Malaysia, and has 11 service centres that provide support services for the company's hardware business. In March 2017, the company opened its largest flagship store in the world in Pavilion Elite, Kuala Lumpur.



Consumer goods & industrial products

Malaysia's position in the region

- **3rd overall in AT Kearney's 2016 Global Retail Development Index¹**
- **3rd in terms of labour productivity among ASEAN member countries²**
- **4th in BMI Asia Pacific Retail Risk/Reward Index, Q1 2017, ahead of all other ASEAN countries**
- **5th World's Best Shopping City, Expedia UK 2016**
- **7th largest automotive manufacturer in APAC (23rd largest in the world) having produced 614,671 motor vehicles in 2015³**

AT Kearney's 2016 Global Retail Development Index

| Overall Rank | Country |
|--------------|-----------------|
| 1 | China |
| 2 | India |
| 3 | Malaysia |
| 4 | Kazakhstan |
| 5 | Indonesia |

BMI Asia Pacific Retail Risk/Reward Index, Q1 2017

| Overall Rank | Country |
|--------------|-----------------|
| 1 | Japan |
| 2 | China |
| 3 | South Korea |
| 4 | Malaysia |
| 5 | Indonesia |

¹ Ranks the top 30 developing countries for retail investment, based on macroeconomic and retail-specific variables to identify markets that are most attractive and offer future potential.

² Source: International Labour Organization. Labour productivity represents the total volume of output (gross domestic output) produced per unit of labour (employed person). It is an important economic indicator that is closely linked to economic growth, competitiveness and living standards.

³ Source: International Organisation of Motor Vehicle Manufacturers (Organisation Internationale des Constructeurs d'Automobiles, OICA)

Key opportunities within consumer and industrial goods

Machinery and equipment

The Malaysian Government is focusing on specialised machinery and equipment processes such as robotics and automation equipment, material handling, and packaging materials in order to drive the manufacturing sector's transition to high-value, high-technology production.

The country's competitiveness for business draws a sustained flow of foreign investments, the most recent of which is German based SEW-Eurodrive's newly set up Drive Technology Centre in Malaysia.

Automotive

Energy Efficient Vehicles and export of higher-end cars are the areas of opportunity for the automotive industry.

International carmakers that have made Malaysia their first choice as their manufacturing destination include Volvo, Beijing Auto International Corporation (BAIC) and Subaru².

Halal products

Malaysia is the global leader in the development of halal standards and is one of the leading global halal hubs, exporting USD8.8 billion worth of halal products¹ encompassing everything from food to cosmetics and pharmaceuticals in 2016.

MNCs such as Nestle, Colgate Palmolive and Unilever are tapping into the halal economy by leveraging on the well established local halal business ecosystem.

Aerospace

Malaysia is currently at the forefront of several aerospace markets including the design and manufacturing of composites, aircraft components, avionics and aircraft systems.

International players such as Spirit AeroSystems, Aerospace Composite Malaysia and Honeywell Aerospace Services have thriving local operations, GE has even set-up its aircraft engine maintenance, repair and overhaul COE in Greater KL to serve over 30 airlines in Asia.

¹ Halal products are products that have been produced or prepared so as to be permissible for use or consumption according to Islamic law.

² Volvo is setting up its first production plant outside of Sweden for its XC 90 hybrid model, whilst BAIC is partnering with a local company to make Malaysia its Southeast Asia electric vehicle manufacturing hub. Subaru also made Malaysia its first plant outside of Japan for manufacturing its XV and Forester cars.



“It is not hard to find good talent in Malaysia. We have been and still are very impressed with their calibre and their positive attitude towards work. They are willing to go the extra mile for our clients. This attitude is very much aligned with Dieffenbacher’s values.”



Andy Mueller

Senior Manager - Asia Pacific
Dieffenbacher Asia Pacific Sdn Bhd

Photo credit: The Edge Malaysia

Greater KL and Dieffenbacher

Situated in Greater KL, Dieffenbacher Asia Pacific Sdn Bhd serves as Dieffenbacher's Asia Pacific headquarters. The office in Greater KL is Dieffenbacher's biggest office outside of Germany. It provides technical and sales support to Dieffenbacher's global clients, with responsibilities ranging from providing after-sales services, sourcing spare parts and providing consulting advice to clients.

Talent availability

For us, the pool of highly capable engineering talent available locally in Malaysia was the decisive factor in establishing our regional headquarters in Greater KL.

Being able to find extremely capable engineers that are not only technically-proficient, but multi-lingual and familiar with ASEAN culture has been a pleasant surprise for the company. These qualities enable the local talent to communicate, connect and respond effectively to the needs of Dieffenbacher's clients within the region.



Strategic location and accessibility

In addition, Greater KL's strategic location and accessibility make the city an ideal location for multinationals with large regional clienteles such as Dieffenbacher. The city is centrally located and well-connected with numerous highways and international airports. This means that it is relatively easy for our employees to travel within the region for work.

Government support and liveability

Supportive government agencies, such as InvestKL that had provided assistance to us, further add to Greater KL's draw as a location to set up regional operations.

Greater KL's highly affordable cost of living is also commendable. Expatriates can enjoy both a fast-paced, modern city lifestyle, and townships that offer a peaceful and serene environment, all within the city.

DIEFFENBACHER

Dieffenbacher is a world-leading manufacturer of press systems and complete production lines for the wood-based panel industry, automakers and automotive suppliers. The group has been helmed and owned by the Dieffenbacher family since its founding in 1873, and with over 1700 associates and 16 production sites and sales offices worldwide, is now part of the strong community of specialist engineering companies based in Germany.

Source: Adapted from The Edge Malaysia's article featuring Dieffenbacher, published 26 December 2016



Engineering & construction services

Malaysia's position in the region

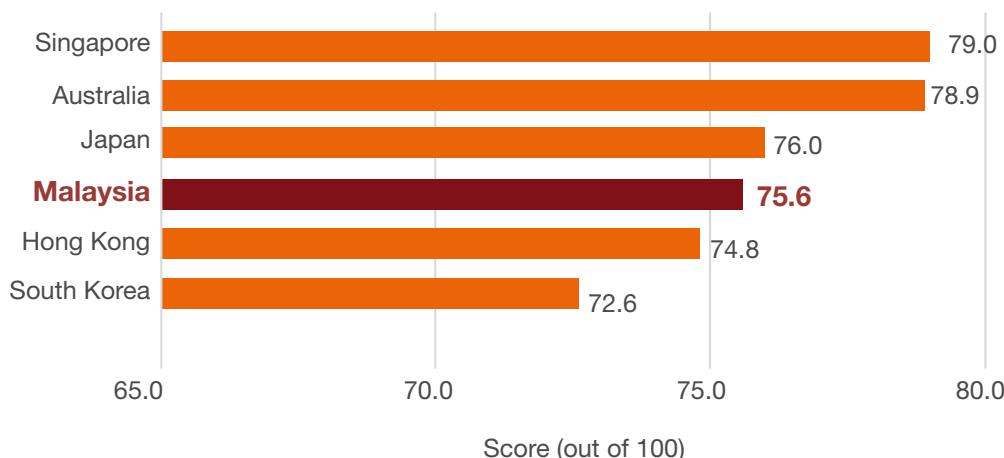
- Ranked 2nd in Asia in Arcadis Infrastructure Investment Index 2016
- Ranked 4th in BMI Research Asia Project Risk Index¹ out of 21 countries

- Ranked 6th in APAC for World Bank's Dealing with Construction Permits indicator², 13th overall
- The fastest growing sector with sector GDP growth of 8.9% in the first half of 2016. Infrastructure contracts awarded during the period worth USD6.6 billion

billion have already exceeded the full-year total for 2015 - RAM Rating

- Significant planned investments by the Government, with USD58 billion development expenditure to be spent between 2016 and 2020 under the 11MP.

Chart 34: BMI Asia Project Risk Index, 2016



Source: BMI Research, 2016

Chart 35: World Bank Dealing with Construction Permits indicator, 2016

| Rank in APAC | Country |
|--------------|-----------------|
| 1 | New Zealand |
| 2 | Australia |
| 3 | Taiwan |
| 4 | Hong Kong |
| 5 | Singapore |
| 6 | Malaysia |
| 7 | Tonga |
| 8 | Vietnam |
| 9 | Mongolia |
| 10 | South Korea |

Source: World Bank, 2016

¹ Ranking of countries' risks associated with developing infrastructure projects, covering financing, construction and operation of the asset. The higher the score, the lower the risk.

² Measures the ease of building a warehouse (time, procedures and cost), in addition to the quality of building regulation and its implementation.

Conversion rate: RM4.486 = USD1, based on BNM conversion rate as at 30 December 2016



Key opportunities within engineering and construction services

Rail

Greater KL is teeming with railway engineering and construction opportunities, with over 400km of new railways costing nearly USD20 billion to be built.

Major railway projects within Greater KL include the Mass Rapid Transit, the KL-Singapore High Speed Rail and the Light Rail Transit Line 3.

The East Coast Rail Line will connect ports on the east and west coasts of Malaysia. It is worth USD12.3 billion and represents further opportunities in rail outside of the Greater KL area.

Townships and urban developments

With a strong pipeline of property and construction projects representing over 260,000 acres of land up for development, there will be strong demand for engineering, design and development partners.

The urban development pipeline for Greater KL includes megaprojects such as the Tun Razak Exchange, Bandar Malaysia and KLIA Aeropolis.

Apart from the developments in Greater KL, there is the Malaysia Vision Valley, located just south of Greater KL, valued at around USD5.6 – 6.7 billion.

“I believe no matter who comes to Malaysia, whether it is to visit or do business, they will feel at home.”



Cai Zemin

General Manager
China Railway Dongfang Group

Photo credit: *The Edge Malaysia*

Choosing Greater KL

China Railway Group Limited (CREC) has set up its first regional business hub outside of China in Greater KL under its subsidiary, China Railway Dongfang Group. The company will inject USD2 billion in foreign direct investments into Malaysia in setting up this new regional hub.

Political stability and geographic advantage

Malaysia is an excellent location to set up a regional hub. The country is politically stable compared to other regions such as the Middle East and Africa. A stable political environment is vital for business as it provides confidence for companies to operate.

Accessibility to international markets

The country's strong socioeconomic ties add to its unique proposition. Malaysia has numerous free trade agreements and excellent standing with ASEAN, Commonwealth and Muslim countries. As a result, these markets become accessible to Chinese companies like CREC who wish to expand into global markets.

Conducive business environment and cultural diversity

We also consider the local business environment to be the right fit for CREC. Not only is Malaysia's infrastructure able to support CREC's construction business, its thriving



engineering, procurement and construction industry presents an opportunity for CREC to build relationships with local companies and expand their business rapidly. Malaysia's multiracial and multilingual society creates a talent pool that fits the company's plans. We trust that the local talent's strong command of English will make it easy for CREC to conduct business out of its planned regional hub. Furthermore, we believe that the diverse local culture is compatible with other countries such as China, India and the Middle East, and expatriates will have no trouble getting accustomed and will feel right at home in Malaysia.



CREC is one of the largest construction companies in the world. The company is listed on the Shanghai and Hong Kong stock exchanges, and as of 2016 is ranked 57th among Fortune Global 500 Enterprises. A global leader in construction and infrastructure, CREC is known for major railway projects including the Qinghai-Tibet railway and Singapore's Sengkang LRT, as well as non-rail projects such as the Palm Islands of United Arab Emirates and the Shanghai F1 racing circuit.

Source: Adapted from The Edge Malaysia's article featuring CREC, published 28 February 2017







*How we can
support you*

Let's get started

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

At PwC, we believe that there is no one-size-fits-all winning strategy. 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.

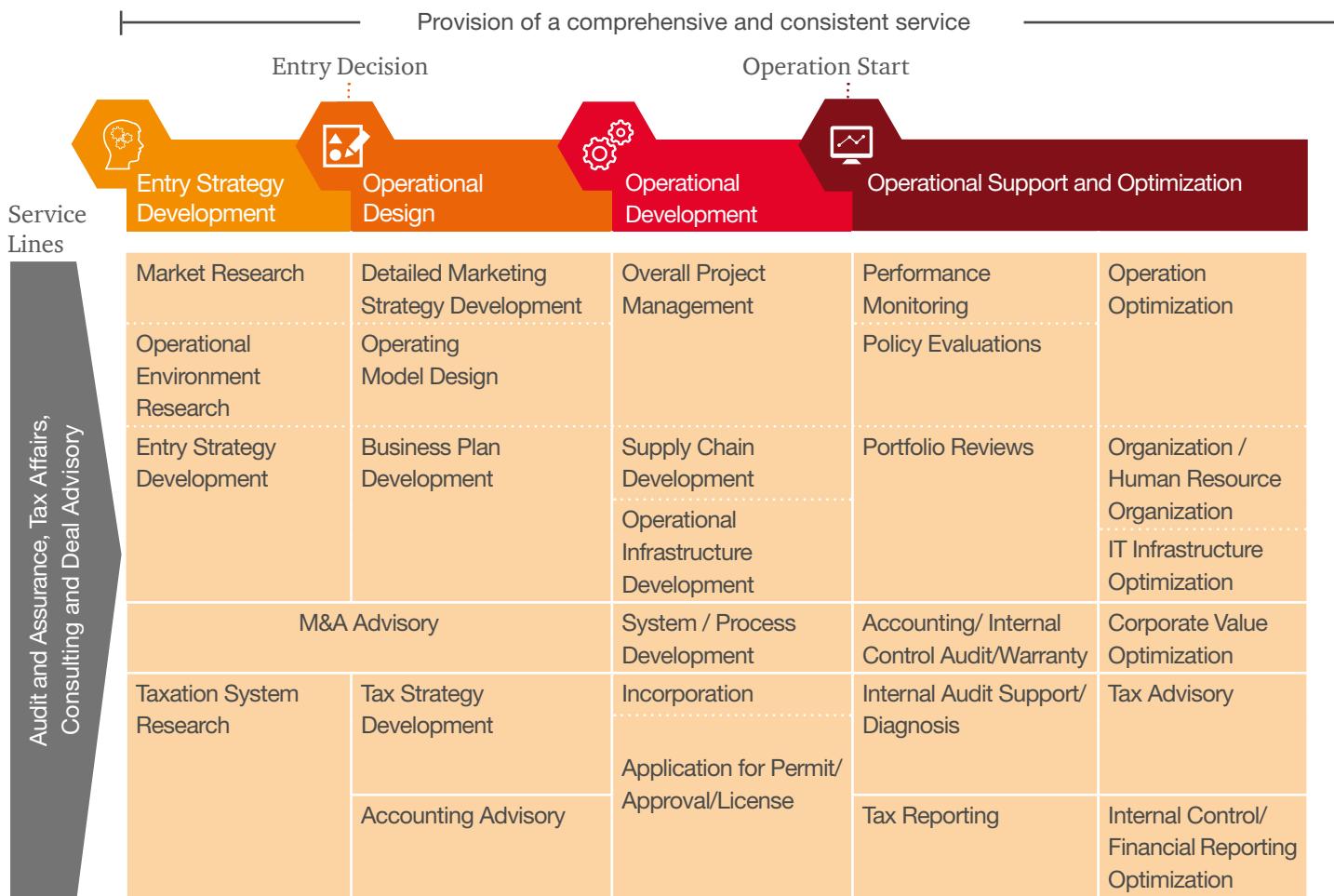
The table below highlights the main investment phases and some typical queries companies will need to address when investing in Malaysia or in the region.



PwC: Convenience of a broad range of professional services under one roof

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

Formulating and implementing your investment in Malaysia



Here's how we can help you:

Entry Strategy Development – PwC has solid business foundations in emerging countries. Leveraging on this, we support our client's efforts to maximize their investment impact and provide a feasible entry strategy.

Operational Design – PwC assists clients in creating an effective and efficient business plan coupled with risk and corresponding countermeasures.

Operational Development – PwC works closely with clients in developing key internal operating base systems for a smooth production run.

Operational Support and Optimization – PwC analyses and develops plans for improvements and optimisations for clients by examining and diagnosing their business and operating efficiency.

About us

PwC's history in Malaysia dates back to the early 1900s. Over the years, we have worked with many different types of clients - global companies, public sector entities, growing businesses and up-and-coming entrepreneurs. Because we believe we have a responsibility to play an integral role in the growth and progress of our nation. With our assurance, tax and advisory services, we help our clients succeed through both buoyant and challenging economic environments.

Our aim is to deliver value to you at all times. How we use our knowledge and experience to deliver that value, depends on what you want to achieve. We'll start by asking questions to get to know you and your business better. Are you looking to build trust? Give your shareholders more value? Or do you want to do something new with your business?

We have more than 2,400 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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Key government contacts

Government investment agencies' contacts



Invest KL

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



Ministry of Federal Territories

The Ministry of Federal Territories (Kementerian Wilayah Persekutuan, KWP) is the ministry of the Government of Malaysia that is in charge of overseeing the administration and development of the federal territories of Kuala Lumpur, Labuan and Putrajaya.

KWP coordinates and supervises the local governments and administrators of the federal territories.

www.kwp.gov.my



Kuala Lumpur City Hall

Kuala Lumpur City Hall (Dewan Bandaraya Kuala Lumpur, DBKL) is the governing body of the city of KL.

DBKL aims to achieve progress, peace and prosperity for KL through physical and social economic development, controlled planning and urban services.

www.dbkl.gov.my



Ministry of International Trade and Industry

www.miti.gov.my



Malaysian Investment Development Authority

www.mida.gov.my



Malaysia Digital Economy Corporation

www.mdec.my



PEMANDU Associates Sdn Bhd

www.pemandu.gov.my



Appendix

Details of Principal Hub incentive

| 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 commitment +20% | 30 | Jobs: Base commitment +20% | 50 | Jobs: Base commitment +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 | | | | | | | | | |

Snapshot of business tax in Malaysia

| | | |
|--------------------------------|--|--|
| Corporate tax | 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) | 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) | 0 - 30 % | On gains arising from the disposal of real property or Real Property Company shares, ranging from 0% to 30%, depending on the holding period of the property and whether the disposer is a company or an individual (citizen / PR / non-citizen) |
| Withholding tax* | 15% | Interest |
| | 10% | Royalties |
| | 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) Specific rates (others) | Excise duties are levied on liquor, tobacco, motor vehicles and playing cards. |

*A reduced rate may apply under the double tax agreement with certain treaty partners

Source: PwC 2016/2017 Malaysia Tax Booklet

Details of memoranda of understanding

The following table lists the details of the nine business-to-business MoUs between China and Malaysia that were signed during the Belt and Road Forum held from 14 to 15 May 2017 in Beijing, China as reported by various news sources.

| MoU | Parties involved | Value of investment |
|--|--|---------------------|
| Strategic alliance agreement to develop the Robotic Future City project in Johor, Malaysia | Johor Corporation and Siasun Robot Investment | USD3.4 bil |
| Sarawak methanol and derivatives project | Yayasan Hartanah Bumiputera Sarawak, Consortium of Huanqiu Contracting and Engineering and Macfteam | USD1.9 bil |
| Exclusive agent agreement to export Cavendish bananas and tropical fruits | Agrofresh International Sdn Bhd and Dashang Co Ltd | USD1.5 bil |
| Engineering, procurement, construction and commissioning contract to develop The Shore, a mixed-use commercial hub in Kota Kinabalu, Sabah | Titijaya Land Bhd and CREC Development | USD0.1 bil |
| Establishment of a low-cost carrier terminal in Zhengzhou, China | AirAsia Bhd, China Everbright Group and Henan Government Working Group | USD0.1 bil |
| Framework investment collaboration agreement to develop the Melaka Gateway project | KAJ Development, Powerchina International Group, Shenzhen Yantian Port Group and Rizhao Port Group | Not available |
| MoU to promote and develop the Malaysia Innovation Cluster within the China-Malaysia Qinzhou Industrial Park | Associated Chinese Chambers of Commerce and Industry Malaysia, Zhongrun Economic Development, Citic Construction and China-Malaysia Qinzhou Industrial Park management committee | Not available |
| Sister port relationship deal | Northport (Malaysia) Bhd and Weifang Sime Darby Port Co Ltd | Not available |
| Agreement to explore ways to improve market accessibility and products | Shanghai Stock Exchange and Bursa Malaysia Bhd | Not available |
| Total | | USD7.0 bil |

Source: Adapted from New Straits Times and The Star articles, both published 15 May 2017

Conversion rate: RM4.486 = USD1, based on BNM conversion rate as at 30 December 2016

Description of indices and rankings

| Ranking/index | Description |
|---|---|
| A.T. Kearney Global Retail Development Index 2016 | Ranks the top 30 developing countries for retail investment, based on macroeconomic and retail-specific variables to identify markets that are most attractive and offer future potential. |
| A.T. Kearney Global Cities Index 2016 | Ranks 125 cities according to five dimensions including their ability to attract and retain global capital, people and ideas as well as their future prospects. |
| A.T. Kearney Global Services Location Index 2016 | Ranks the top outsourcing countries worldwide based on financial attractiveness, people skills and availability and business environment |
| ACI Worlds Busiest Airports 2015 | Airports Council International's (ACI) passenger traffic results for the most-travelled airports in 2015. |
| Arcadis Infrastructure Investment Index 2016 | The Index ranks 41 countries by their risk profiles and attractiveness to investors in infrastructure. |
| Asia Cloud Computing Association Cloud Readiness Index 2016 | Ten parameters make up the CRI, which is a composite index score measuring how prepared countries are to adopt and roll-out cloud computing in their country. |
| Asian Digital Transformation Index 2016 | Assess the country and business environment that enables digital transformation and are scored in 3 categories: digital infrastructure, human capital and industry connectivity. |
| Bloomberg 2017 Innovation Index | Scores countries' ability to innovate, using factors including research development expenditure, manufacturing value-added and patent activity |
| BMI Asia Pacific Retail Risk/Reward Index Q1 2017 | Provides a globally comparative and numerically based assessment of a market's attractiveness. |
| BMI Research Asia Project Risk Index 2016 | Ranking of countries' risks associated with developing infrastructure projects, covering financing, construction and operation of the asset. The higher the score, the lower the risk. |
| Cloud Readiness Index 2016 | Measures how prepared countries are to adopt and roll-out cloud computing in their country. |
| Cornell University, INSEAD and WIPO Global Innovation Index | The index ranks countries which has the highest number of patent applications and use of cutting edge technologies. |
| DHL Global Connectedness index 2015 | The index measures trade flows (products and services), investment flows (capital), information flows, and people flows of each country. |
| DHL Globalisation Giants Index | Ranks cities with the most intense international flow of trades, capital and people compared to their internal activity. |
| EIA International Energy Statistics | The U.S. Energy Information Administration (EIA) is responsible for collecting, analyzing, and disseminating energy information. EIA programs cover data on coal, petroleum, natural gas, electric, renewable and nuclear energy. |
| EIU 2025 Global City Competitiveness Index | Measures the competitiveness of 120 cities. The index defines competitiveness as a city's capability to attract capital, business, talent and people. |
| EIU Worldwide Cost of Living Report 2017 | Compares the cost of living indices in 133 cities, from New York to Tokyo. |
| Euromonitor Top 100 City Destination Ranking 2016 | Covers world's leading cities in terms of international tourist arrivals. |

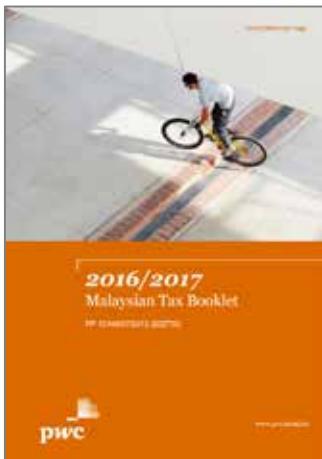
| Ranking/index | Description |
|---|---|
| Expedia UK 2016 | Scores the 25 best destinations for shopping all over the globe. |
| fDi Cities of the Future Ranking 2015/2016 | Officials in economic development and those charged with attracting investment are invited to tell about their specific strategy for bringing in FDI. |
| fDi Intelligence FDI flows into Asia in 2015 | Based on FDI statistics collated by fDi Intelligence, a division of the Financial Times Ltd. |
| fDi Intelligence FDI Report 2016 | Annual assessment of global cross border investments. |
| HSBC Expat Explorer Survey 2016 | A breakdown of HSBC Expat survey looking at the expatriate experience living in foreign cities. |
| Huawei Global Connectivity Index 2017 | Benchmarks 50 countries according to levels of ICT connectivity and digital transformation to broadband, data centers and cloud services. |
| IESE Cities in Motion Index - Mobility and Transportation ranking | Measures the efficiency and safety of roads and public transportation by cities. |
| IESE Cities in Motion Index 2016 | Examines a wide aspects that make-up sustainability and quality of life in cities. It takes into account ten dimensions such as governance, technology, economy and human capital. |
| IMD World Competitiveness Centre (IMD) | Another important barometer for assessing the competitiveness of countries. The index benchmark countries across different facets of the economy, government, business and infrastructure. |
| IMD World Talent Ranking | This benchmark assesses how countries develop, attract and retain the talent pool necessary for businesses to maximize their performance. |
| Infrastructure Ranking 2016, Statista | Ranking of countries according to the quality of their infrastructure in 2016. |
| INSEAD, Adecco and HCLI Global Talent Competitiveness Index | The index measures the ability of countries to compete for talent i.e. their ability to attract, develop and retain the human capital. |
| International Labour Organization | Labour productivity represents the total volume of output (gross domestic output) produced per unit of labour (employed person). It is an important economic indicator that is closely linked to economic growth, competitiveness and living standards. |
| International Organisation of Motor Vehicle Manufacturers | Collects production and sales data of vehicle manufacturers around the world. |
| Internet Society | Takes a look at the regional internet ecosystem and the impact of internet connectivity on the emerging digital economy. |
| JLL Asia Pacific Office Rental, 3rd quarter 2016 | JLL measures office rentals for each quarter. |
| Mastercard Global Destination Cities Index 2016 | Ranks cities by overall total overnight visitors volume within regions. |
| Mckinsey Global Institute Connectivity Index, 2016 | The index measures the connectedness of 131 countries across all five flows of goods, services, finance, people, and data and communication. |
| Mercer City Cost of Living ranking, 2016 | Assesses quality of city living conditions to help multinational companies and other employers fairly compensate employees when placing them on international assignments. |

| Ranking/index | Description |
|---|--|
| Mori Global Power City Index 2016 | Evaluates and ranks the major cities of the world according to their power to attract creative people and business enterprises from around the world. |
| Network readiness Index 2016 | Measures the propensity for countries to exploit the opportunities offered by information and communications technology (ICT). |
| PwC Cities of Opportunity - demographics & liveability | Examines liveability of cities based on the number of attractions, climate, safety, infrastructure, senior well-being, health, education and youth perceptions of each city. |
| PwC Cities of Opportunity 7, cost scores | The study includes 30 cities worldwide and provides an objective perspective on where business cities are working best, and where challenges lie. |
| Taylor Wessing Global Intellectual Property Index | Provides a comprehensive assessment of how the intellectual property (IP) regimes of 43 important jurisdictions compare with each other. |
| The ICT Development Index 2016 | Compares countries level of ICT developments in terms of availability of: networked infrastructure, usage of ICT in society and the impact of usage of ICT. |
| Times World University Rankings - Country overall score | Provides a list of countries having the best universities based on their teachings, research and knowledge transfer. |
| UNCTAD MNC's Top Prospective Host Economies | Based on UNCTAD business survey on FDI prospects for 2016 to 2018. |
| UNCTAD World Investment Report 2016 | This report provides insights on the ownership structures of multinational enterprises (MNEs), and maps the global network of corporate entities using data on millions of parents and affiliates. It analyses national and international investment policy practices worldwide, and proposes a new framework for handling ownership issues. |
| WEF Global Competitiveness Index | The index is a comprehensive assessment of national competitiveness. It measures the set of institutions, policies, and factors that drive sustainable economic prosperity. |
| WEF Global Enabling Trade Index 2016 | Evaluates 136 economies based on their capacity to facilitate the flow of goods over borders and to their destination. |
| WEF, INSEAD and Cornell University Networked Readiness Index 2016 | Measures the capacity of countries to leverage Information and communication technologies (ICT) for increased competitiveness and well-being. It also considers innovation trends of recent years through the lens of the Network Readiness Index (NRI). |
| World Bank Dealing with Construction Permits indicator, 2016 | Measures the ease of building a warehouse (time, procedures and cost), in addition to the quality of building regulation and its implementation. |
| World Bank Ease of Doing Business | Economies are ranked on their ease of doing business. A high ranking means the regulatory environment is more conducive to the starting and operation of a local firm. |
| World Bank Logistics Performance Index 2016 | This survey presents logistics professionals perceptions on logistics policy and performance across 160 countries. |
| World Bank's Doing Business 2017 | Measures the regulations that enhance business activity and those that constrain it. Doing Business presents quantitative indicators on business regulations and the protection of property rights that can be compared across 190 economies. |

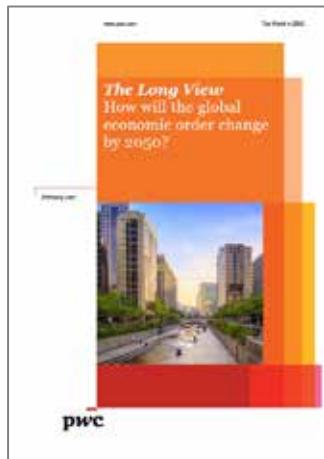
Glossary

| | |
|-------|---|
| 11MP | 11th Malaysia Plan |
| ADAX | ASEAN Data Analytics eXchange |
| APAC | Asia Pacific |
| ASEAN | Association of South East Asian Nations |
| B&R | Belt and Road |
| BAIC | Beijing Auto International Corporation |
| BNM | Bank Negara Malaysia |
| BPO | Business process outsourcing |
| COE | Centre of excellence |
| DBKL | Kuala Lumpur City Hall |
| EOR | Enhanced oil recovery |
| FDI | Foreign direct investment |
| GDP | Gross domestic product |
| GNI | Gross national income |
| HSR | High Speed Rail |
| IMD | IMD World Competitiveness Centre |
| IoT | Internet of Things |
| IP | Intellectual property |
| KL | Kuala Lumpur |
| KPO | Knowledge process outsourcing |
| KWP | Ministry of Federal Territories |
| MDEC | Malaysia Digital Economy Corporation |
| MIDA | Malaysian Investment Development Authority |
| MNC | Multinational company |
| MoU | Memorandum of understanding |
| MRT | Mass rapid transit |
| O&G | Oil and gas |
| OECD | Organisation for Economic Co-operation and Development |
| OICA | Organisation Internationale des Constructeurs d'Automobiles |
| PDT | Pengerang Deepwater Terminal |
| PIPC | Pengerang Integrated Petroleum Complex |
| RAPID | Pengerang Refinery and Petrochemical Integrated Development |
| TRX | Tun Razak Exchange |
| WEF | World Economic Forum |

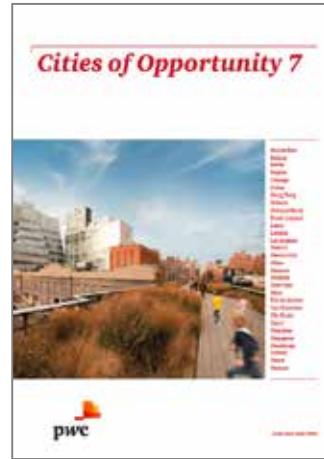
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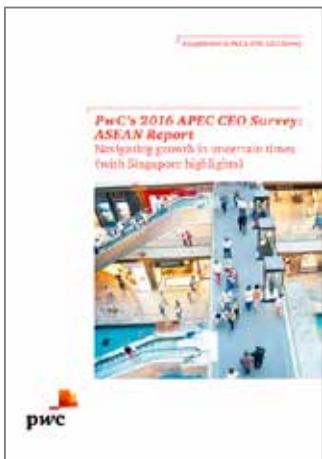
2016/2017 Malaysian Tax Booklet



The World in 2050



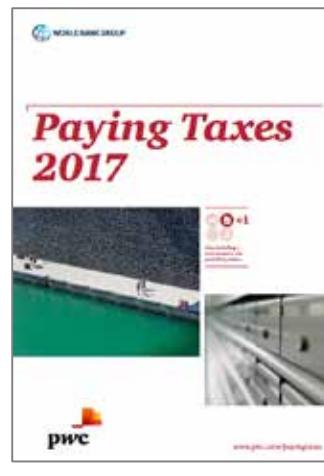
Cities of Opportunity 7



PwC's 2016 APEC CEO Survey: ASEAN Report



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