Malaysia
Your Ideal Location for Regional Establishments

The 2011 Global Services Location Index (GSLI) by AT Kearney measures the attractiveness of offshore locations in 50 countries against 39 measures across three major categories: financial attractiveness, people skills and availability, and business environment. Asia makes a particularly strong showing in this year’s Index, with India, China and Malaysia claiming the top three spots.

The Malaysian government has identified the services sector as an area that offers numerous opportunities for growth and the sector is being actively promoted. Regional establishments, which include Operational Headquarters (OHQs), International Procurement Centres (IPCs), Regional Distribution Centres (RDCs), Regional Offices (ROs) and Representative Offices (REs) are among those activities promoted.

Malaysia’s world class infrastructure, good connectivity and strategic location within ASEAN are some of the main reasons why MNCs continue to choose Malaysia to locate their regional establishments. Attractive investment incentive packages including tax incentives and liberal policies on foreign equity participation and employment of expatriates are other factors cited by these MNCs for the establishment of these operations in Malaysia.

Malaysia is also being promoted as a regional centre for shared services. Most of these establishments in Malaysia are engaged in business process outsourcing (BPO) activities, including provision of shared services such as data entry, transaction processing and document management, customer contacts such as call centres, telemarketing and customer service, common corporate functions such as finance/accounting, human resource, IT, and technical support as well as R&D services to support their operations in the Asia Pacific region.

Regional Establishments Approved
Attractive investment incentive packages, including tax incentives and a liberal policy on foreign equity participation and employment of expatriates are granted to encourage the establishment of these Regional Establishments.

Number of Regional Establishments Approved as at 31st December 2012

<table>
<thead>
<tr>
<th>Type</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>RO</td>
<td>1,807</td>
<td>57%</td>
</tr>
<tr>
<td>RE</td>
<td>870</td>
<td>27.5%</td>
</tr>
<tr>
<td>OHQ</td>
<td>231</td>
<td>7.3%</td>
</tr>
<tr>
<td>IPC</td>
<td>232</td>
<td>7.3%</td>
</tr>
<tr>
<td>RDC</td>
<td>28</td>
<td>0.9%</td>
</tr>
</tbody>
</table>

Source: MIDA
Some of the world renowned MNCs which have established Regional Operations in Malaysia:

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<thead>
<tr>
<th>Malaysia</th>
<th>OHQ</th>
<th>IPC</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>General Electric, Du Pont, Dow Chemicals, PepsiCo, Grey Communications, Hess Oil &amp; Gas, Air Products, Henry Schein, Kellogg’s, Freudenberg-Nok, Spansion, Schlumberger, Baker Hughes, Intel, Transocean, Agilent, IBM, Mars Foods, Hewlett-Packard, E-Storm, Harman, United Brands</td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>Sharp Electronics, Japan Tobacco International, Bridgestone, NGK Spark plugs, NEC Infrontia, Sumitomo, Nippon Electric Glass, Nippon Menard, Oji Paper Asia</td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>BASF, Muehlabauer, Eppendorf, Arvato, Siemens, Nordenia, Bayer, Binder, A. Hartrodt</td>
<td></td>
</tr>
<tr>
<td>Australia</td>
<td>IBA Health, IEV Group, Leighton, Linfox, Wagners, Worley Parsons, Executec, Paradigm, Ansell, Dome, Delta Asia, Cochlear, Avanser</td>
<td></td>
</tr>
<tr>
<td>UK</td>
<td>RMC Industries, British-American Tobacco, Diagonal Consulting Group, Forsoc Asia, Ikon Science, Avocet Mining, OHM Surveys, Fitness First, G4S Management, Velosi</td>
<td></td>
</tr>
<tr>
<td>Switzerland</td>
<td>Novartis Corporation, SBM Group, Omya Group, Tetra Pak</td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>Lafarge, Thales International, Monier, Bioneris S.A</td>
<td></td>
</tr>
<tr>
<td>Netherlands</td>
<td>Flexsys, Prometic, Friesland Foods, Dow Corning, Barry Callebaut, Organon, Mammoot, Subsea, Core, Accision</td>
<td></td>
</tr>
<tr>
<td>Sweden</td>
<td>Volvo, UCB Group, Ascom</td>
<td></td>
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<tr>
<td>Norway</td>
<td>Aker Kvaerner, Wilhelmson, AGR</td>
<td></td>
</tr>
<tr>
<td>Singapore</td>
<td>NOL Global, ACE Asia Pacific, Global Footware, International SOS</td>
<td></td>
</tr>
<tr>
<td>Hong Kong</td>
<td>Aramis, OMG, DBC, Promat</td>
<td></td>
</tr>
<tr>
<td>Belgium</td>
<td>Oileon</td>
<td></td>
</tr>
</tbody>
</table>

| Japan    | Matsushita, Sharp, Sony, Kenwood, TDK Corporation, Canon Opto, Murata, Sumiden, Katolec, Nitco, Ohshima, G-Tech, Hitachi, JVC Electronics, NEC Electronics, Brother Engineering, Sharp-Roxy, Nitto Denko, Mitsumi, Mitsubishi, Nippon Wiper Blade, Nidec |
| USA      | Dell, Knowles, Darden, Smart Modular Technologies, Jabil |
| Germany  | Robert Bosch, Henkel, B. Braun |
| Taiwan   | Acer, Inventec Electronics, Titan |
| France   | Mapa Spontex, Safic-Alcan |
| Hong Kong| Lee Kum Kee |
| Netherlands| Flextronics, Benchmark Electronics |
| Singapore| Ghim Li, Woleco, Jackspeed Leather, World Kitchen, Om Materials |

| Germany  | Osram Opto Semiconductor, BMW, EPCOS AG, Siteco Group, BD Agriculture, Siteco Group, BD Agriculture |
| Japan    | UMW Toyota |
| UK       | Scapa Group |
| Belgium  | Agfa |
| France   | Sidel Group |
| Finland  | Amer |
| Spain    | Acerinox |
| Canada   | International Merchandising Inc |
| India    | BEMI |
| Hong Kong| CPM Sdn. Bhd. |

| Australia| Australian Aviation Training College |
| Norway   | Westard Industri AS |
| USA      | Hobsons, International Metals, Nextech Solution |
| Korea    | Hyundai Rotem Company, Korean Register of Shipping, SK Energy Co. Ltd |
| Singapore| Imago Production, Userx Phye. Ltd., IMI Inpro Tec |
| UK       | Cambridge Education Group Limited |
| Thailand | Bangkok Airways |
An OHQ generally refers to a locally incorporated company that provides qualifying support services to its offices or related companies regionally and globally.

Incentives
An approved OHQ company is eligible for:

• Full tax exemption for a period of 10 years for income derived from the following sources:

  Business Income
  Income arising from services rendered by an OHQ company to its offices or to related companies outside Malaysia

  Interest
  Income derived from interest on foreign currency loans extended by an OHQ company to its offices or to related companies outside Malaysia

  Royalties
  Royalties received from R&D work carried out in Malaysia by an OHQ company on behalf of its offices or related companies outside Malaysia

• Dividends paid from the exempt income will be exempted from tax in the hands of its shareholders

• The income generated by an OHQ company in providing qualifying services to its related companies in Malaysia will not be taxed during its tax-exempt period, provided such income does not exceed 20% of its overall income derived by providing qualifying services

Eligibility Criteria
Companies that meet the following criteria can apply for OHQ status and incentive:

• Locally incorporated under the Companies Act, 1965

  • A minimum paid-up capital of RM0.5 million

  • A minimum total business spending (operating expenditure) of RM1.5 million per year

• Appoint at least three senior professional/management personnel

• Serve at least three related companies outside Malaysia

• Have a sizeable network of companies outside Malaysia for its related companies

• Have a well-established network of companies that employ a significant and substantial number of qualified professionals, technical and supporting personnel.
• Carry out a minimum of three qualifying services such as general management and administration; business planning and coordination; procurement of raw materials, components and finished products, technical support and maintenance, marketing control and sales promotion planning, data/information management and processing, R&D work carried out in Malaysia on behalf of its offices or related companies within or outside Malaysia, training and personnel management to its offices or related companies within and outside Malaysia and treasury and fund management services to its offices and related companies outside Malaysia.

• Open foreign currency accounts with licensed onshore banks, licensed offshore banks in Labuan or overseas banks for crediting foreign currency receivables, other than export proceeds, with no limit imposed on the overnight balances.

• Obtain any amount of domestic credit facilities in ringgit.

• Obtain any amount of foreign currency credit facilities from licensed onshore banks and licensed merchant banks in Malaysia, and from any non-resident, provided the OHQ does not on-lend to, or raise the funds on behalf of, any resident.

• Invest abroad any amount, including extension of credit facilities to its related companies, to be funded with foreign currency funds or borrowing. It may also convert any amount of ringgit for investment abroad if it does not have domestic credit facilities or up to RM10 million per calendar year if it has domestic credit facilities.

• Expatriates posts will be approved based on the requirements of the OHQ. And the expatriates will be taxed only on the portion of their chargeable income attributable to the number of days that they are in Malaysia.

Other Benefits
An approved OHQ company can also enjoy the following benefits:

• Open foreign currency accounts with licensed onshore banks to retain any amount of export proceeds in foreign currency.

Equity Requirements
A company granted OHQ status and incentive is allowed 100% foreign equity ownership.
International Procurement Centres
An IPC is a locally incorporated company which carries on a business in Malaysia to undertake the procurement and sales of raw materials, components and finished products for its group of related and unrelated companies in Malaysia and abroad. This would include procurement from, and sales made to, local sources and third countries.

Regional Distribution Centres
An RDC is a collection and consolidation centre for finished goods, components and spare parts produced by its own group of companies for its own brand to be distributed to dealers, importers or its subsidiaries or other unrelated companies within or outside the country. Among the value-added activities involved are bulk breaking, re-packaging and labeling.

Incentives
An approved IPC/RDC status company can be considered for:

• Full tax exemption of its statutory income for 10 years; and
• Dividends paid from the exempt income will be exempted from tax in the hands of its shareholders.

Eligibility Criteria
Companies that meet the following criteria can apply for IPC/RDC status and incentive:-

• Incorporated under the Companies Act, 1965
• A minimum paid-up capital of RM0.5 million
• A minimum total business spending (operating expenditure) of RM1.5 million per year
• Utilisation of Malaysian ports and airports
• A minimum annual sales turnover of RM50 million by the third year of operation for IPC/RDC status or RM100 million for tax incentive
Centres / Distribution Centres

- Direct export at least 80% of the total annual sales value, including 30% via drop shipment arrangement and domestic sales of not more than 20% of total annual sales value.

Other Benefits

An approved IPC/RDC status company will be able to enjoy the following facilities and benefits:

- Expatriate posts based on the requirements of the IPC/RDC
- Open one (1) or more foreign currency accounts with licensed commercial banks to retain its export proceeds without any limit
- Enter into foreign exchange forward contracts with licensed commercial banks to sell forward export proceeds based on its projected sales
- Bring in raw materials, components or finished products with customs duty exemption into free commercial zones (FCZs), licensed manufacturing warehouses (LMWs) and bonded warehouses for re-packaging, cargo consolidation and integration before distribution to its final consumers.

Equity Requirements

A company granted IPC/RDC status and incentive is allowed 100% foreign equity ownership.
Opportunities for Regional Establishments

Representative / Regional Offices

A Representative Office/Regional Office of a foreign company based in Malaysia performs permissible activities for its headquarters/principal. Such offices should be totally funded from sources outside Malaysia and are not required to be incorporated or registered under the Companies Act, 1965 or be registered with the Companies Commission of Malaysia (CCM).

A Representative Office collects relevant information regarding investment and business opportunities to develop bilateral trade relations and promote the export of Malaysian goods and products.

An approved Representative/Regional Office is allowed to carry out the following activities:-

- Planning or coordination of business activities
- Gathering and analysing of information or undertaking feasibility studies on investment and business opportunities in Malaysia and the region
- Identifying sources of raw materials, components or other industrial products
- Research and product development
- Act as a coordination centre for the corporation’s affiliates, subsidiaries and agents in the region.

A Regional Office serves as the coordination centre for its affiliates, subsidiaries and agents within the Asia Pacific region. It is responsible for conducting designated activities within the region it operates.

An approved Representative/Regional Office is not allowed to carry out the following activities:-

- Engage in any trading (including import and export), business or any form of commercial activity
- Lease warehousing facilities. Any shipment/transshipment or storage of goods must be carried out through a local agent or distributor
• Sign business contracts on behalf of the foreign corporation or provide services for a fee
• Participate in the daily management of any of its subsidiaries, affiliates or branches in Malaysia
• Conduct any business transaction or derive income from its operations

Expatriate Employment
Companies applying for OHQ/IPC/RDC status can also request for expatriate posts, namely Key Posts and Time Posts. Key Posts are posts that are permanently filled by foreigners and Time Posts are posts that are filled by foreigners for a specific period of time.

An approved Representative/Regional Office is allowed to employ expatriates at the managerial and technical level. Expatriate posts are usually approved for a period of three (3) years. Expatriates working in Regional Offices are taxed only on the portion of their chargeable income attributable to the number of days they are in Malaysia.

Applications
Applications for OHQ/IPC/RDC status, incentives and expatriate posts as well as approval for establishment of Representative Offices and Regional Offices should be submitted to MIDA.
Malaysia is strategically located in the heart of Southeast Asia – one of the world’s fastest growing regions. Situated between the Indian Ocean and the South China Sea, and at the southernmost tip of the Asian Continent, Malaysia is well serviced by all major air and shipping lines. This easy access to the rest of the world has today made Malaysia an attractive centre for trade, investment and tourism.

Malaysia lies in the equatorial zone where no seasons mark the passing of the months. The country is generally warm throughout the year with temperatures ranging from 25°C to 32°C in the lowlands and between 21°C to 28°C in the highlands. The country has a total land area of 329,847 km² and consists of 13 states and three Federal Territories i.e. Kuala Lumpur, Putrajaya and Labuan. Peninsular Malaysia stretches from Thailand in the north to Singapore in the south, while the states of Sabah and Sarawak straddle the northern and western coasts of Borneo.

Malaysia’s cosmopolitan population of 29 million is a unique mix of some of the world’s oldest civilisations – the Malay, Chinese and Indian civilisations. This has blessed the nation with a rich cultural heritage and has made Malaysia an outstanding example of a harmonious, multi-religions and multi-racial society. In Peninsular Malaysia, the main races are the Malays, Chinese and Indians. In Sabah and Sarawak, the Kadazans and Ibans form the largest ethnic groups respectively.

Malaysia has a stable and fast-growing economy with a forecasted Gross Domestic Product (GDP) growth of 5.0 – 6.0% for the year 2013. Manufactured goods, especially electrical and electronic products, are the major contributors to the nation’s GDP. The Malaysian economy has performed remarkably well over the years due to the country’s political stability, the sound financial and economic policies adopted by the government, and the efficient management of its natural resources which include oil and gas. Even more impressive is the fact that economic growth in Malaysia was achieved within an environment of relatively low inflation.
WHY MALAYSIA

Economic Strength
- GDP growth: 5.0 - 6.0% (2013f)
- Gross national savings: 32.19% of GNI (2013f)
- Unemployment rate: 3.3% (2013f)
- Inflation (CPI): 2.5% (2013f)
- Natural resources - oil, gas, tin, timber, palm oil, rubber

* = forecast
(Source: Central Bank of Malaysia, Department of Statistics & Malaysian Institute of Economic Research, Malaysia)

Supportive Government Policies
- Pro-business policies
- Responsive government
- Liberal investment policies
- Attractive tax and other incentives
- Liberal exchange control regime
- Intellectual property protection

An Educated Workforce
- Talented, young, educated and productive workforce
- Multilingual workforce speaking two or three languages, including English
- Comprehensive system of vocational and industrial training, including advanced skills training.
- Harmonious industrial relations with minimal trade disputes

Developed Infrastructure
- Network of well-maintained highways and railways
- Well-equipped seaports and airports
- High quality telecommunications network and services
- Fully developed industrial parks, including free industrial zones, technology parks and Multimedia Super Corridor
- Advanced MSC Malaysia Cybertowns and Cybercentres

A Vibrant Business Environment
- Market-oriented economy
- Well-developed financial and banking sector, including the Labuan International Offshore Financial Centre
- Wide use of English, especially in business
- Legal and accounting practice based on the British system
- Large local business community with long history in international business
- Large foreign business community in all business sectors
- Extensive trade links - country's total trade was valued at RM 96.7 billion (as at February 2013)*
- Balance of trade - RM 11.48 million (as forecasted in 2013)

*(Source: Department of Statistics Malaysia)

Quality of Life
- Friendly and hospitable Malaysians
- Safe and comfortable living environment
- Excellent housing, modern amenities, good healthcare and medical facilities
- Excellent educational institutions including international schools for expatriate children
- World-class recreational and sports facilities
- Excellent shopping with goods from all over the world

(Source: Central Bank of Malaysia, Department of Statistics & Malaysian Institute of Economic Research, Malaysia)
UNITED ARAB EMIRATES
Director/Consul Investment
Malaysian Investment Development Authority

People's Republic of China

Shanghai
Consul General Investment
Consulate General of Malaysia
Investment Section

Taiwan

Director/Director/Consul Investment
Malaysian Investment Development Authority

Korea, Republic of

Director/Counselor Investment
Embassy of Malaysia

Mumbai

Director/Consul Investment
Malaysian Investment Development Authority

NEW YORK

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Malaysian Investment Development Authority

CHICAGO

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BOSTON

Director/Malaysian Investment Development Authority

HOUStON

Director/Consul Investment
Malaysian Investment Development Authority

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REPUBLIC OF SOUTH AFRICA

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