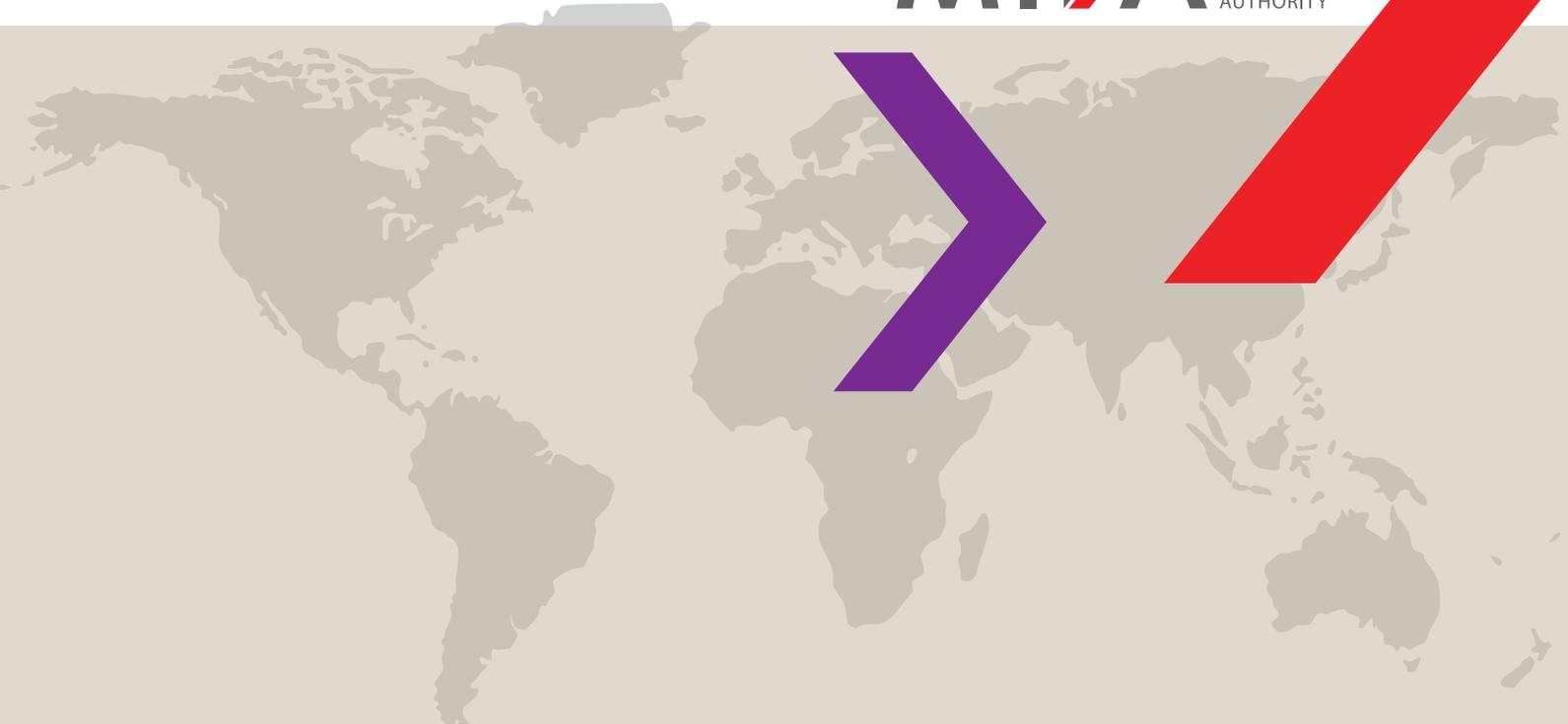




TRANSFORMATION IN MOTION  
ANNUAL REPORT 2012



MALAYSIAN  
INVESTMENT  
DEVELOPMENT  
AUTHORITY





MALAYSIAN INVESTMENT DEVELOPMENT AUTHORITY

Annual Report 2012

“Any good investor will tell you to invest for the long-term, and that is precisely why here in Malaysia, we are investing into the long-term future of our country. MIDA is playing a pivotal role in this as we continue towards our goal of becoming a developed nation by 2020.”

*- Dato' Seri Najib Tun Razak, at the opening ceremony of MIDA's new headquarters, 3 July 2012.*

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## MIDA REBORN

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# 06



**A NEW ERA:** MIDA officially moved into its new headquarters on 27 July 2012. With a built-up area of approximately 300,000 sq. ft., MIDA Sentral allows the agency to serve investors more effectively and professionally than ever before.

# Reborn and revitalised

*Empowered to execute Malaysia's investment agenda.*

**T**he world is changing, and with it, the world's global investment environment. But in a globalised economic environment, change is truly the only constant.

Malaysia recognised that the winds of investment were going to shift some years ago and responded by setting in motion a comprehensive, long-term economic plan that will transform the country into a high-income nation by the year 2020. Since its launch, however, the Economic Transformation Programme (ETP) has become more than a national

promoting and coordinating the country's industrial development, MIDA was prepared to embrace this change with a passion.

## Not your average investment promotion agency

Since 2011, Malaysia's investment environment has been reshaped to attract the right types of investments, while MIDA has been restructured and empowered to execute the government's plans.

“Malaysia was also ranked as the **25th most competitive nation in the world** by the World Economic Forum in its Global Competitiveness Report 2012-2013.”

economic blueprint. Instead, it has turned into a call-to-arms that asks the country's private and public sectors to change or be changed. Malaysian enterprises have risen to the occasion.

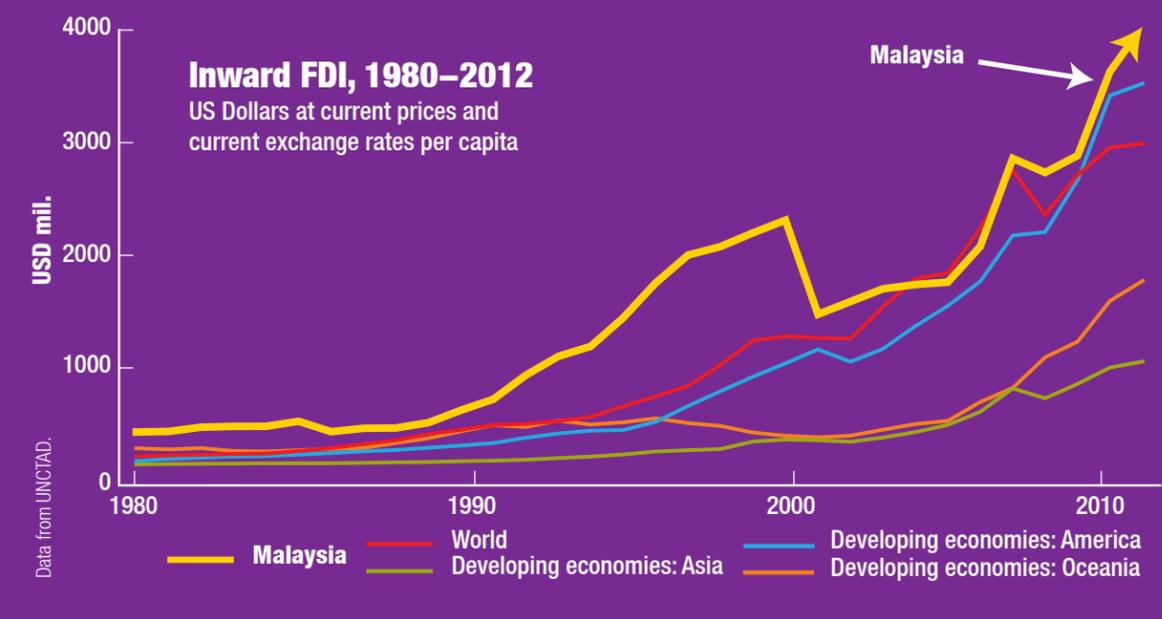
Most of the strategies within the ETP will be driven by private sector investments. This means that above all else, Malaysia must be business-friendly and responsive to the constantly evolving needs of the global business community. In 2011, the Malaysian Industrial Development Authority was renamed the Malaysian Investment Development Authority and given the responsibility of spearheading the national investment agenda of the ETP and New Economic Model. After spending more than four decades

On the outside, MIDA's renaissance is heralded by its new corporate identity and headquarters at MIDA Sentral. On the inside, a new organisation structure streamlined to the National Key Economic Areas (NKEAs) identified under the ETP reflects the agency's commitment to the blueprint's goals.

The new MIDA does not merely promote industrial development. Instead, it focuses on driving high quality domestic and foreign investments in new and emerging industries that will cement Malaysia's reputation as a centre for high technology and creative products and services. MIDA's headquarters houses senior representatives from key agencies such as the Department of Labour, the Immigration

## Always a step ahead of the curve

MIDA is one of the most successful investment promotion agencies in the world, with a track record for consistently attracting more foreign direct investments (FDI) per capita than neighbouring countries, other developing regions and even the world on average.



Department, Royal Malaysian Customs, Tenaga Nasional Berhad and Telekom Malaysia Berhad to assist and advise investors on government policies and procedures. In addition, other entities such as the Ministry of Tourism, the Ministry of Health, the Department of Occupational Safety and Health and the Department of Environment have dedicated officers assigned to promptly respond to requests from MIDA and investors.

MIDA's new game plan will be carried out by a strategic approach to business. The agency will leverage an ecosystem methodology towards promoting investments and developing targeted industries. New, strategically-important industries will be nurtured through appropriate incentives,

while existing industries will be encouraged to reinvest in higher value-added, knowledge-intensive activities. MIDA has also been tasked with coordinating the efforts of the country's various investment promotion agencies towards meeting the human capital needs of investors and transforming the domestic investment landscape.

MIDA intends to bring about a significant leap in investment activities across all key economic sectors identified under the New Economic Model and the ETP. Its investment promotion efforts in Malaysia and abroad will help the country make the quantum leap towards becoming a high-income nation.

MIDA's renaissance is just beginning. ■

# Wisdom and foresight

*A visionary Board of Directors charts the agency's direction.*

One of the catalysts behind MIDA's renewal is its Board of Directors, which comprises fourteen (14) members headed by a Chairman appointed by the Minister of International Trade and Industry. Other Board members include the Secretary General of the Ministry of International Trade and Industry, a senior representative from the Ministry of Finance, the Chief Executive Officer of MIDA and the Permanent Secretaries of the Ministries of Industrial

Development for Sabah and Sarawak respectively. The Board also has eight members from the private sector representing the commercial, manufacturing, financial, industrial and services sectors.

Three Board meetings were held in the year 2012, during which MIDA's Board of Directors charted a new direction for of the organisation and made strategic decisions on its future.



**TAN SRI DR. SULAIMAN MAHBOB**  
Chairman, MIDA  
(until 28 May 2012)



**TAN SRI AMIRSHAM A. AZIZ**  
Chairman, MIDA  
(from 29 May 2012)



**DATUK NOHARUDDIN NORDIN**  
Chief Executive Officer, MIDA



**DATUK DR REBECCA FATIMA STA MARIA**  
Secretary General  
Ministry of International Trade and Industry (MITI)



**DATO' SITI HALIMAH ISMAIL**  
Secretary  
Tax Analysis Division,  
Treasury



**DATUK DR K. GOVINDAN**  
Group Chief Executive Officer  
RAM Holdings Berhad



**DATUK NORIYAH AHMAD**  
Co-Chairman  
Malaysia-Thailand Joint  
Authority (MTJA)  
(from 1 July 2012)



**DATUK HAJI HASHIM PAJJAN**  
Permanent Secretary  
Ministry of Industrial  
Development, Sabah



**DATU LIAW SOON ENG**  
Permanent Secretary  
Ministry of Industrial  
Development, Sarawak



**DATUK NG PENG HONG @ NG PENG HAY**  
Chairman  
Wellcall Holdings Berhad



**TAN SRI AZMAN SHAH DATO' SERI HARUN**  
President  
Malaysian Employers  
Federation



**TAN SRI YONG POH KON**  
President  
Federation of Malaysian  
Manufacturers (FMM)  
(from 1 July 2012)



**TENGGU DATO' ZAFRUL  
TENGGU ABDUL AZIZ**  
Chief Executive Officer  
Maybank Investment Bank  
Berhad (from 1 July 2012)



**DATO' GOOI SOON CHAI**  
President of Agilent  
Technologies Malaysia  
and Singapore Agilent  
Technologies Microwave  
Products (M) Sdn Bhd  
(from 1 July 2012)



**STUART L. DEAN**  
Chief Executive  
Officer GE ASEAN  
GE Global Growth & Operations  
(from 1 July 2012)

# People power

*A competent management team drives the investments.*

Led by CEO Datuk Noharuddin Nordin, MIDA's management team is a formidable combination of astute experience and exuberant dynamism. As the old made way for new in 2012, the top-heavy

organisation of the past was replaced with a flatter structure aligned to Malaysia's national economic agenda and the strategic priorities of the Economic Transformation Programme (ETP).



# No red tape

*MIDA's new organisation structure makes faster decisions.*

The restructuring of MIDA began back in November 2011, when the restructuring plan was submitted to the Public Service Department for approval. The new proposed structure called for five JUSA (*Jawatan Utama Sektor Awam*) top ranking posts — one JUSA B and four JUSA C — which were duly approved on 12 July 2012. The restructuring also warranted an additional 33 new managerial posts in MIDA, which were approved on 16 September 2012. These posts form the foundation upon which MIDA will build its new organisation structure.

The JUSA B post will be in charge of overseeing the revamped Strategic Planning & Investment Ecosystem Section. As of 31 December 2012, this post remained vacant. Strategic Planning has of course been a mainstay of MIDA's organisation for many years and is a critical part of its success. While Strategic Planning has been a mainstay of MIDA's organisation for many years and is a critical part of its success, it was felt that MIDA needed a new team of officers dedicated to cultivating Malaysia's overall investment ecosystem.

## Cultivating Malaysia's investment ecosystem

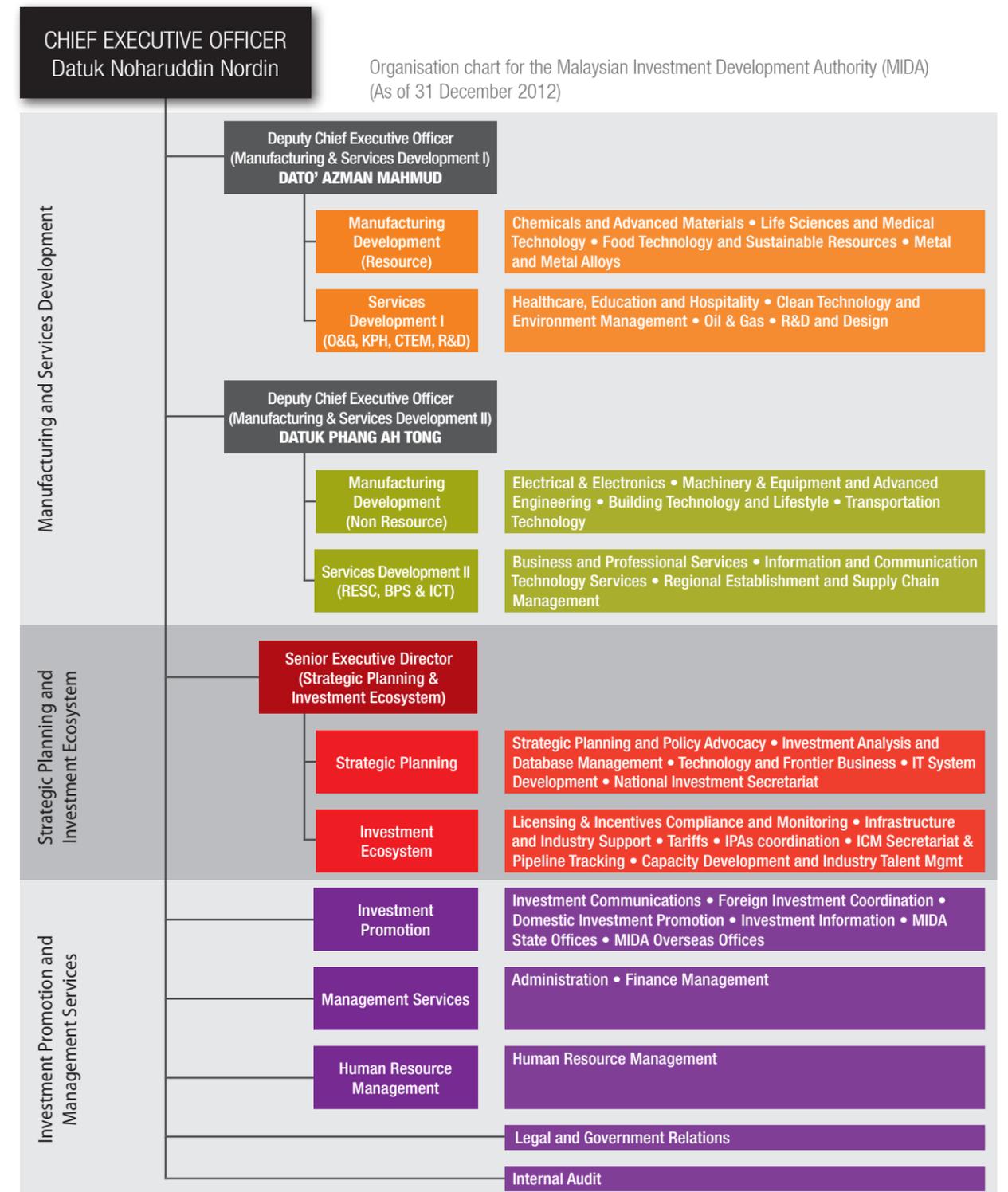
The new Investment Ecosystem arm at MIDA will coordinate the efforts of all of the country's state and national investment promotion agencies and serve as Secretariat to the Investment Monitoring Committee (IMC). It is also tasked with streamlining the efforts of infrastructure and utilities service providers in serving investor needs while monitoring

the development of talent and capacity in target industries. As it is responsible for MIDA's Tariffs portfolio, this Division will also help ensure that exploitative businesses do not misuse or manipulate the incentives they are offered. It is expected to have over 50 employees when it is fully staffed and will coordinate the progress and achievements of KPIs of relevant Divisions in MIDA and track investment pipelines.

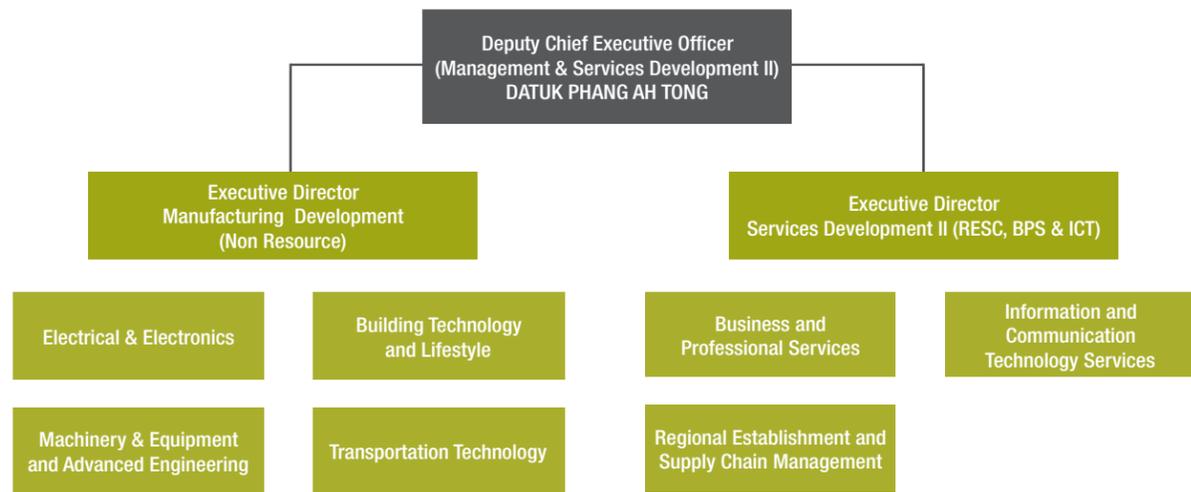
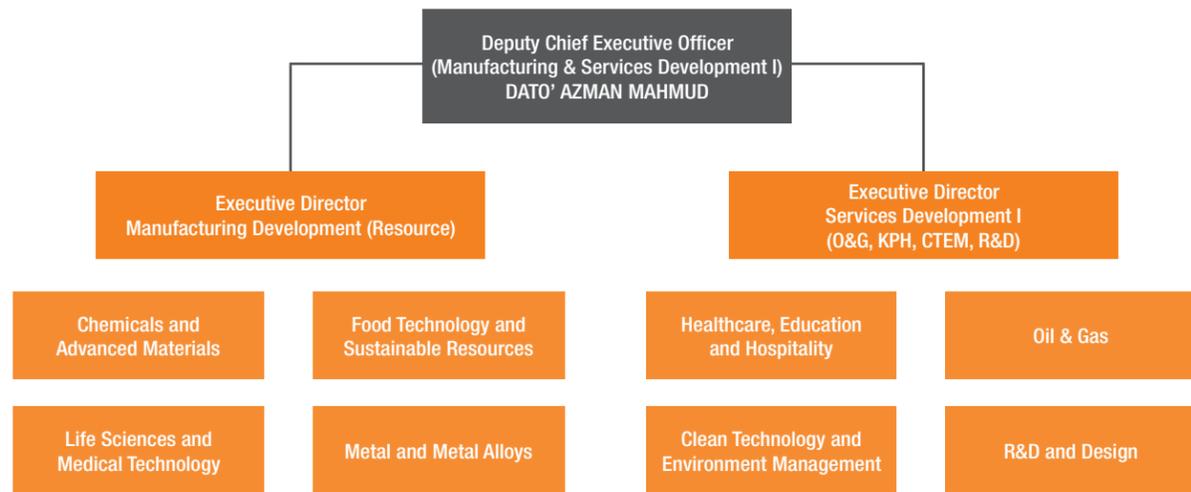
Other Divisions led by JUSA C officers include Management Services and Domestic Investment. Management Services will oversee all of MIDA's internal functions such as Administration, Human Resources and Finance. The new Domestic Investment Division is tasked with boosting the participation of local businesses in Malaysia's economic transformation.

Given the importance of the Services Sector in Malaysia's economic future, it is only fitting that MIDA should align its resources towards attracting investments in this area. In 2012, MIDA established two new Services Development Sections led by senior (JUSA C) MIDA officers, each of which have Divisions dedicated to attracting investments in service industries targeted by the ETP.

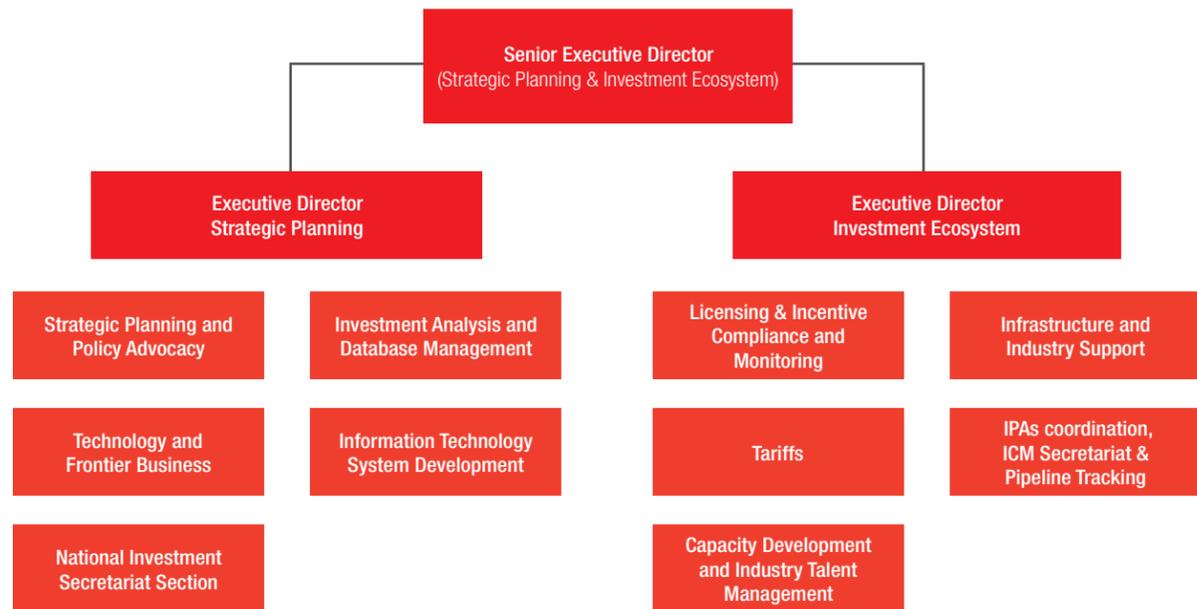
MIDA's new organisation reflects the changing dynamics of today's investment environment. A short chain of command and a wider span of control empowers MIDA's management to make faster decisions and to communicate more effectively with employees. With less red tape and fewer bureaucratic controls, MIDA will make it easier than ever before to do business in Malaysia. ■



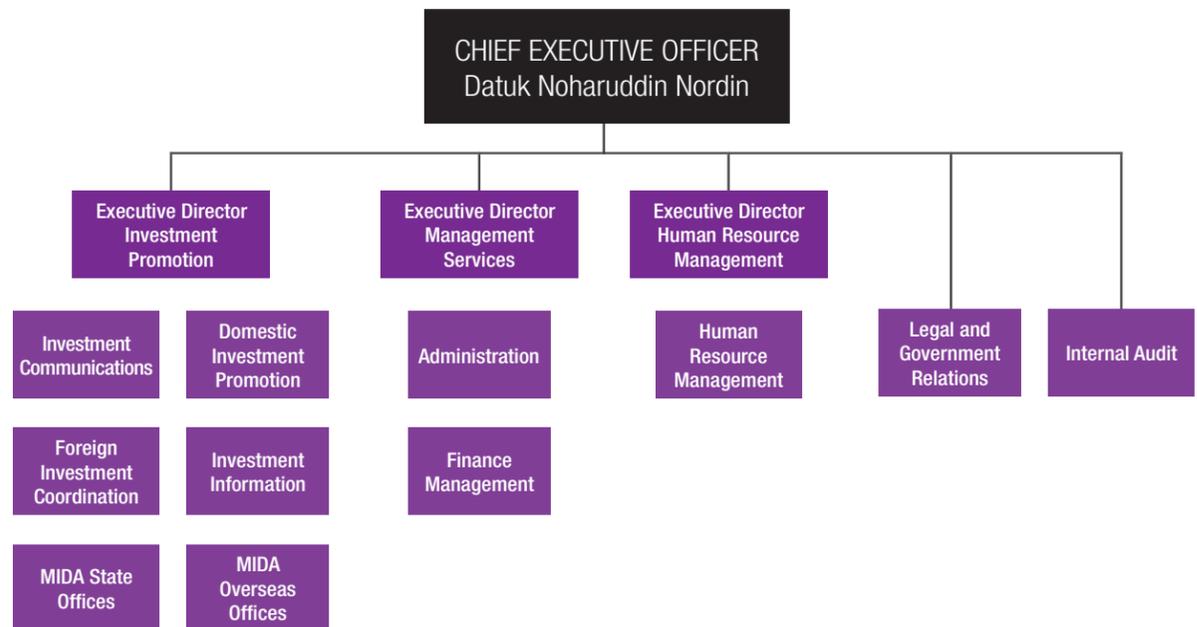
### MANUFACTURING AND SERVICES DEVELOPMENT



### STRATEGIC PLANNING AND INVESTMENT ECOSYSTEM



### INVESTMENT PROMOTION AND MANAGEMENT SERVICES



# MIDA's mandate

*The Authority and its functions.*

**M**alaysian Investment Development Authority (MIDA) is Malaysia's principal investment promotion agency for investments in the manufacturing and services sectors (excluding financial services and utilities).

Formerly known as the Malaysian Industrial Development Authority, MIDA was first established as a statutory body in 1967 under the Federal Industrial Development Authority Act 1965 under the purview of the Ministry of International Trade and Industry (MITI). In 2011, the Act was amended and renamed the Malaysian Industrial Development Authority (Incorporation) (Amendment) Act 2011 with the launch of the New Economic Model. According to the Act, MIDA's functions are to:



manufacturing and services sectors (excluding financial and utilities) including policies on:

- » the granting of manufacturing licenses;
- » the incentives applicable to investors in Malaysia;
- » expatriate posts;
- » the imposition or alteration of, and exemption from, custom duties; and
- » any other fiscal or non-fiscal facilities;

- Lead, co-ordinate, monitor and evaluate the implementation of the policies, strategies, activities and development of investment in the manufacturing and services sectors (excluding financial and utilities);
- Undertake activities relating to the promotion of investment in the manufacturing and services sectors (excluding financial and utilities) within or outside Malaysia;
- Undertake or cause to be undertaken research and planning on matters relating to investment in the manufacturing and services sectors (excluding financial and utilities);
- Advise the Government on the policies relating to the promotion of investment in the

- Formulate measures for the promotion of investment in the manufacturing and services sectors (excluding financial services and utilities);
- Co-ordinate and facilitate the activities relating to the promotion and implementation of investment in the manufacturing and services sectors (excluding financial and utilities) at the Federal and State levels;
- Provide consultancy services including training and technical assistance;



- Undertake any activity that promotes co-operation with other countries in line with the objectives of the Government with respect to investment in the manufacturing and services sectors (excluding financial and utilities);
- Assist Malaysian companies in seeking technology and investment opportunities abroad;
- Act as a centre for collection, reference and dissemination of information relating to investment across all sectors of the economy;
- Report periodically to the Minister on the progress and problems of investment in

- the manufacturing and services sectors (excluding financial and utilities) in Malaysia and make recommendations on the manner in which such problems may be dealt with;
- Carry out any other functions consistent with this Act as the Minister may authorise in writing; and
- Generally do all such matters incidental to or consequential upon the exercise of its powers of the performance of its functions under this Act.

## READ ME FIRST

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By Tan Sri Amirsham Aziz, Chairman of MIDA.
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By Datuk Noharuddin Nordin, Chief Executive Officer of MIDA.

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## OFFICIAL LAUNCH OF MIDA SENTRAL AND THE NEW LOGO

3rd July 2012

**A NEW CHAPTER:** Posing for the media at the launch of the new MIDA are (from left) Datuk Noharuddin Nordin, CEO, MIDA; Tan Sri Amirsham Aziz, Chairman, MIDA; Dato' Seri Najib Tun Razak, Prime Minister; Dato' Sri Mustapa Mohamed, Minister of International Trade and Industry (MITI); Datuk Jacob Dungau Sagan, Deputy Minister of International Trade and Industry.

YAB Dato' Sri Mohd Najib bin Tun Haji Abdul Razak  
Prime Minister of Malaysia



# This beautiful home

By Tan Sri Amirsham A. Aziz, Chairman, MIDA.

**W**eak demand in Europe, slowing exports out of China and a stagnant US economy all contributed to a challenging year for the global economy in 2012. Developing economies began to succumb to the weaknesses of the world's high-income countries, dragging down global GDP growth by 0.5 per cent to 2.3 per cent (2011: 2.7 per cent)<sup>1</sup>.

However, Malaysia's economy bucked this global trend by expanding 5.6 per cent (2011: 5.1 per cent) driven by stronger domestic demand that more than compensated for the weak external environment. In fact, domestic demand recorded the highest rate of expansion over the last decade underpinned by higher consumption patterns and investments.

This strong economic foundation helped Malaysia to break all records for approved investments and employment in 2012. Despite uncertain global economic conditions, the country attracted RM 162.5 billion worth of approved investments in the manufacturing, services and primary sectors in 2012, about 10 per cent more than the average annual investment target of RM 148 billion set under the 10th Malaysian Plan (10MP). The share of domestic investment inflows increased to almost quadruple the amount of foreign direct investments in 2012, a sure sign of the confidence local businesses have in the country's ability to prosper its investors. The surge in domestic investments also dovetails nicely with the Government's efforts to develop a self-sustaining, high-income economy driven by local investors, especially with the emergence of a fast-growing services sector and the new opportunities

<sup>1</sup> World Bank Global Economic Prospects



it will bring to Malaysia's economy and its business community.

Malaysia's positive economic performance over the past few years coupled with the progressive reforms of the Government have also helped improve its standing among international agencies such as the World Bank, International Finance Corporation and World Economic Forum. Malaysia was ranked the 12th most business-friendly country in the world by the World Bank in its Ease of Doing Business Report 2013 ahead of Germany (20th), Japan (24th) and Switzerland (28th). This is the country's highest position ever since the World Bank and the International Finance Corporation began compiling the annual ranking in 2005. Malaysia was also ranked as the 25th most competitive nation in the world by the World Economic Forum in its Global Competitiveness Report 2012-2013, which

## Businesses love doing business in Malaysia

Economy	Ease of Doing Business (Rank)		
	2013	2012	2011
Singapore	1	1	1
Hong Kong SAR	2	2	2
New Zealand	3	3	3
Republic of Korea	8	8	15
Australia	10	15	11
<b>Malaysia</b>	<b>12</b>	<b>18</b>	<b>23</b>
Chinese Taipei	16	25	24

Table 1 Ease of Doing Business 2013, Top Asia-Pacific Rankings

also recognised that the country has advanced from being an efficiency-driven economy to an innovation-driven economy. Surveys of transnational corporations consistently rank Malaysia among the world's top 20 most FDI-attractive destinations<sup>2</sup>.

All these achievements demonstrate that Malaysia is well on its way towards becoming a developed nation and will certainly enhance Malaysia's efforts in attracting global FDI. Nonetheless, global and domestic developments dictate that Malaysia cannot rest on its laurels. If anything, the country must intensify its efforts to improve its competitiveness in the face of competition from both developed and developing countries as well as a challenging globalised economy. Over 81 per cent of countries around the globe have a national investment promotion agency today, all of which are competing for investor dollars<sup>3</sup>. In addition, the World Bank expects global GDP to grow a mere 2.4 per cent in 2013 in view of the deteriorating prospects in both the advanced and developing economies<sup>4</sup>, exacerbated by the slow recovery of the US economy

<sup>2</sup> World Investment Report, UNCTAD

<sup>3</sup> Investment Promotion Agency Observer, Issue #1, 2013, UNCTAD

<sup>4</sup> World Bank Global Economic Prospects

and the on-going European sovereign debt crisis. All these factors are expected to have spill-over effects for most Asian trading nations, including Malaysia.

Investments into Malaysia will also be influenced by recent legislative and policy developments such as minimum wage and retirement policies, the progressive removal of subsidies on utilities as well as the proposed implementation of a Goods and Services Tax (GST) regime. To ensure that the national investment agenda remains on track, MIDA will assume a greater role in advising the Government in the formulation and implementation of investment policies for both manufacturing and services sectors.

On behalf of the Board, I would like to congratulate the management and staff of MIDA on a job well done in 2012. While the year ahead will no doubt present new challenges to the institution and the country, it will also be laden with opportunities. We are confident that MIDA will find these opportunities and capitalise upon them for the benefit of this beautiful country we call home. ■

**TAN SRI AMIRSHAM A. AZIZ**  
Chairman, MIDA

# Committed to the programme

By Datuk Noharuddin Nordin, CEO, MIDA.

**D**espite a gloomy macroeconomic environment, Malaysia's record-breaking investment performance figures in 2012 indicate that the country is on track to meet the goals of the Economic Transformation Programme (ETP).

On that note, it gives me great pleasure to present MIDA's annual report for 2012.

Total investments approved in the manufacturing, services and primary sectors amounted to a whopping RM 162.5 billion in 2012 – more than in any other year – and created over 180,000 new employment opportunities. This is a remarkable achievement given the state of the world's economy.

The services sector attracted the lion's share of investment dollars (RM 117.6 billion), 67 per cent more than in 2011 (RM 70.4 billion). Domestic investments of RM 105.4 billion accounted for 90 per cent of these investments, with foreign investments making up the rest.

Meanwhile, the manufacturing sector attracted 804 projects worth RM 41.1 billion in investments in 2012, down from the RM 56.1 billion for 846 projects recorded in 2011. Almost 50 per cent of these investments came from domestic sources (RM 20.2 billion), while the rest came from foreign sources (RM 20.9 billion).

The numbers do not lie. Malaysia clearly remains a favoured investment destination among the world's businesses. Although FDI inflows into Malaysia fell



by 17.4 per cent to US\$ 10.1 billion in 2012 (2011: 12.1 billion), the country nonetheless remained the third largest recipient in FDI flows in ASEAN after Singapore (US\$ 56.7 billion) and Indonesia (US\$ 19.9 billion). This contraction mirrors the slowdown of FDI in other parts of the world in 2012. Data from UNCTAD indicates that overall global FDI flows declined by 18 per cent to an estimated US\$ 1.3 trillion in 2012, down from a revised US\$ 1.6 trillion.

Significant investor uncertainty hampered FDI recovery driven by a weakening macroeconomic environment with lower growth rates for GDP, trade, capital formation and employment. Additional risk factors in the policy environment are also contributing to uncertainty: the Eurozone crisis, the United States fiscal cliff, changes of government in a number of major economies in 2012 and broad-based policy changes with implications for FDI.

As a result of all this uncertainty, FDI flows in developed countries fell drastically to values last seen almost ten years ago. The majority of EU countries saw significant drops in FDI flows with the total fall amounting to some US\$ 150 billion while United States' FDI flows fell by US\$ 80 billion. Although FDI flows to developing economies declined three per cent to US\$ 680 billion, this was still US\$ 130 billion more than FDI flows to developed countries – the first time this has ever happened. Flows to developing Asia lost some momentum but remained at historically high levels.

Unfortunately, these global investments will not translate into economic benefits immediately. The World Bank expects global GDP growth to remain sluggish in 2013 at 2.4 per cent as the European slowdown continues to suppress global demand<sup>1</sup>. Growth is likely to be uneven across regions, with most advanced economies operating with significant

<sup>1</sup> World Bank Global Economic Prospects

spare capacity as they grapple with structural deficiencies while emerging markets continue to chart relatively strong growth. Nevertheless, systemically important economies are expected to maintain their growth-supportive policies, which should stave off another global downturn.

Amidst this global uncertainty, Malaysia's economy is expected to remain solid, expanding between five and six per cent in 2013, supported by robust domestic demand conditions and the gradual revival of the external environment. In addition, domestic fiscal policy is expected to remain supportive towards the implementation of key projects under the ETP this year. MIDA is also strengthening the country's investment ecosystems and has adopted a more focused approach in attracting quality investments in targeted sectors and new growth areas. The investments approved in 2012 demonstrate a general trend towards more capital-intensive, high value-added and high technology projects. This trend is evident in the average Capital

## A record-breaking year

The annual media conference on Malaysia's Investment Performance was held on 27 February 2013 at Perdana Hall, Level 10, MIDA Sentral. YBhg. Tan Sri Amirsham A. Aziz, Chairman of MIDA opened the event while YB



Investment Per Employee (CIPE) ratio of RM 536,336 in 2012, which has trended upwards consistently since it was first recorded in 1990.

MIDA is the principal government agency tasked with promoting and attracting investments in the services sector. This sector is expected to expand its contribution to the economy during this decade, and MIDA is continuously engaging and collaborating with other economic development agencies to enhance investment activity within this sector in Malaysia.

MIDA has been restructured to make it more competitive internationally and to allow it to meet the numerous challenges of the global investment environment. New divisions have been formed while other divisions have been merged, and the new organisation now reflects MIDA's alignment with the National Key Economic Areas (NKEAs) identified by the ETP as well as targeted Non-NKEAs. These

changes will actualise MIDA's role as the central investment promotion agency for the manufacturing and services sectors and turn it into a distinguished partner for both domestic and foreign investors that wish to leverage Malaysia's unique advantages.

Moving forward, MIDA will continue to advocate strategic reform initiatives to transform Malaysia into a competitive and developed economy on its way to becoming a high-income nation by 2020. While inflows of FDI are crucial for the continued development of the economy, the role of domestic investments is not to be underestimated. The New Economic Model, ETP and the 10th Malaysia Plan (10MP) all acknowledge the importance of domestic investments in assuming a leading role in the growth of the economy.

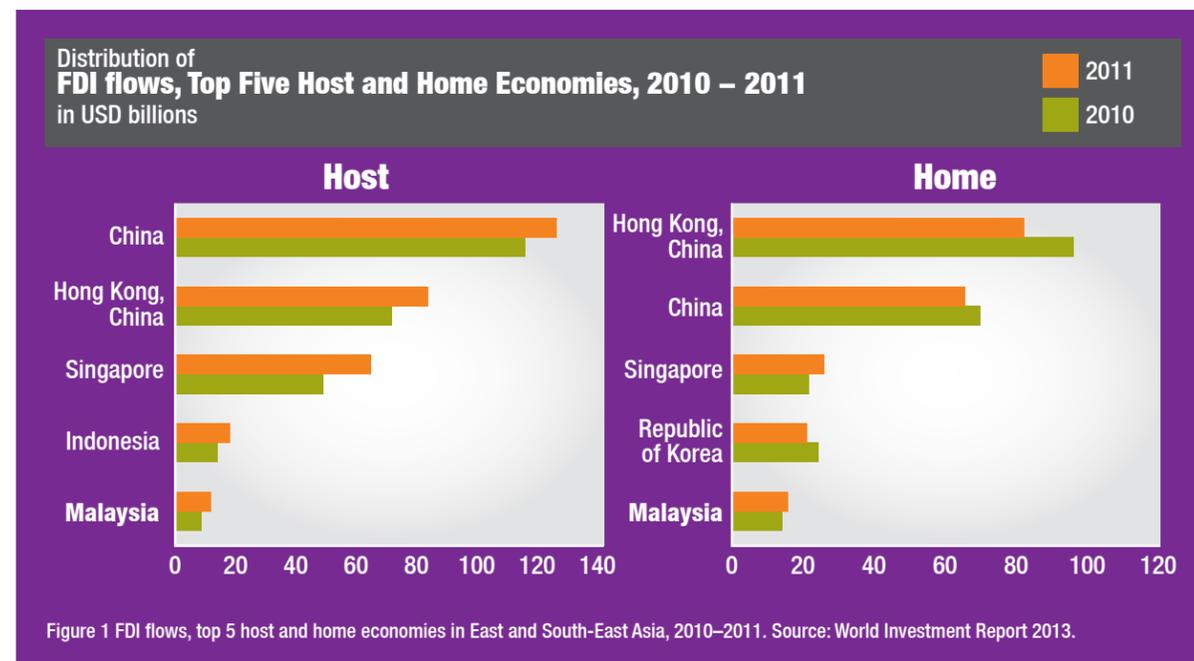
The ETP has targeted domestic investments to reach 73 per cent of overall investments by 2020. The funds and incentives introduced by MIDA in July 2012 to

enhance domestic investment are expected to begin to bear fruit in 2013 as the local business community begins to take advantage of their benefits.

In 2013, MIDA will also redouble its efforts to mobilise domestic direct investments by harnessing and leveraging outsourcing opportunities, upgrading capacities and improving the innovative capabilities of domestic companies through R&D and human capital development. MIDA will also encourage the acquisition of technology and international standards and promote the commercialisation of R&D findings, particularly those that capitalise on locally available resources in terms of both renewable and non-renewable natural resources as well as manpower.

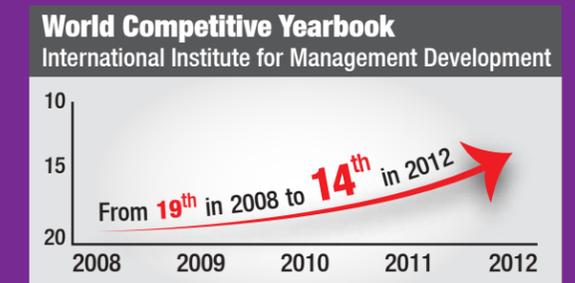
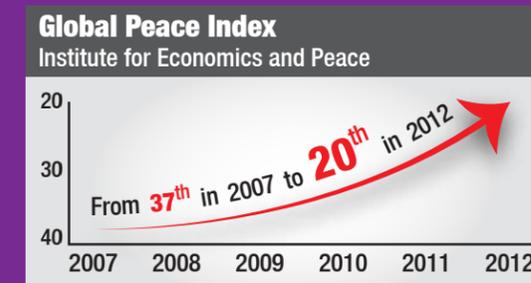
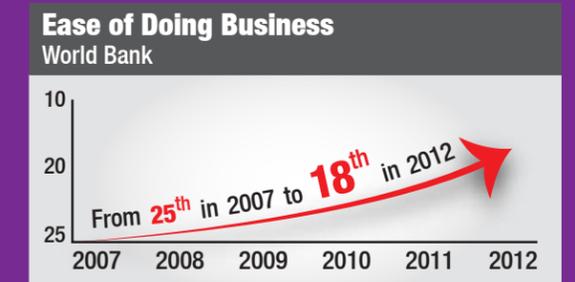
I would like to take this opportunity to thank my colleagues at MIDA for their tireless efforts and endless patience in putting our transformation into motion as we chart the country's national investment agenda. Your hard work is beginning to show very good results. Together, I know we will continue to evolve, continue to change and continue to be one of the region's leading investment promotion agencies. ■

**DATUK NOHARUDDIN NORDIN**  
Chief Executive Officer, MIDA



## Ever upward

Malaysia's position in international rankings has been improving steadily over the years.



## A RECORD-BREAKING YEAR

In a year that challenged investment promotion agencies the world over, MIDA fared better than most.

**30 Hold on to your seats**

**33 New marks of quality**

**36 Changes in the manufacturing sector**

**36 The rise of domestic investors**

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**BEST FOOT FORWARD:** Chief Operating Officer of Strand Aerospace Malaysia Naguib Mohd Nor (left) escorting CEO of MIDA Datuk Noharuddin Nordin (centre) to the company's operations room during a tour of the company's grounds.

# Hold on to your seats

*Malaysia is moving inexorably up the value chain.*

The year 2012 will go down in MIDA's history as a year of transformative growth. It was the year in which the agency began to operate as "the new MIDA", enabling it to make faster decisions and to coordinate the agendas of all other investment promotion agencies. It was also the year in which MIDA made the strategic move to devise specific policies to promote the development of domestic investments with the ultimate aim of transforming the domestic investment landscape.

The result was a more responsive, more receptive and more innovative MIDA that was able to

investments in 2012 or Gross Fixed Capital Formation (GFCF) amounted to RM 139.5 billion, 9.1 per cent higher than the year's target of RM 127.9 billion.

Much of MIDA's success in the year under review was due to the government's efforts to rebrand Malaysia as a centre for high technology, high value-added industries over the past decade. In the mid-1990s, the country began building its talent pool in earnest, passing legislation that would allow private colleges and universities to produce graduates in technical professions to serve Malaysia's high technology industrial base. This was followed by

"These quality investments do not always manifest as high levels of capital investments but can have **significant multiplier effects** throughout the economy."

synergise all of the country's various incentive packages and lead its various economic promotion agencies to a record-breaking year of investments for the country. Malaysia attracted RM 162.5 billion in investments in 2012, the highest ever recorded in terms of approved investments. Domestic investments accounted for 78 per cent of this figure, with foreign investments making up the rest – a ratio that is in line with the targets of the government's Economic Transformation Programme (ETP).

Another ratio that is in line with the ETP is the share of investments in the services sector, which stood at 72.4 per cent (RM 117.6 billion). Realised private

the National Skills Development Act in 2006, which empowered the Department of Skills Development to coordinate the country's manpower training needs. The result of both these initiatives today is a fresh pool of talent capable of meeting the human capital needs of multi-national corporations (MNCs) higher up the value chain. Malaysia may no longer be a competitive destination for labour-intensive assembly lines, but thanks to this talent pool, MNCs are expanding their operations in Malaysia instead of shrinking them. MNCs may also be moving some lower value chain processes to other, cheaper locations such as Vietnam and China, but they are also establishing new operations for higher value-

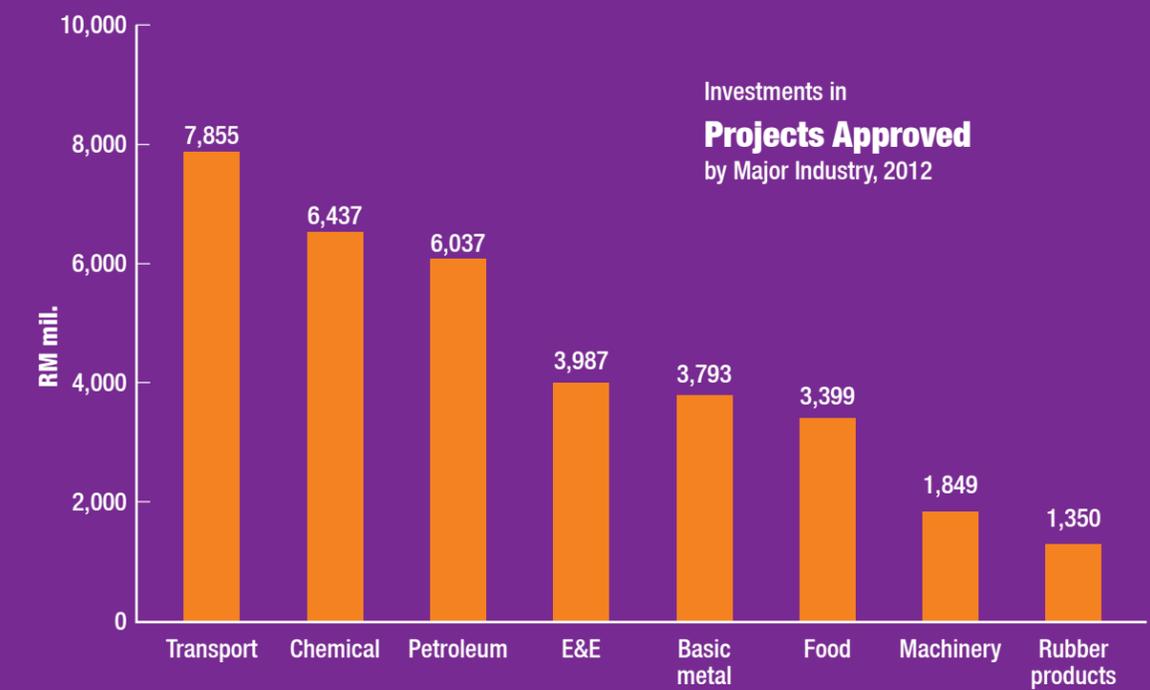
added activities that offer high-income jobs for Malaysians.

Malaysia has adopted a more focused and targeted approach in attracting quality foreign investments in recent years. These quality investments do not always manifest as high levels of capital investments but can have significant multiplier effects throughout the economy. MIDA's long-term objective is to turn Malaysia into a country that produces innovative products and ideas. As low value-added assembly becomes less important,

industry players are expected to reduce their investments into low-value sectors and increase their activities in new, high value-added activities that will open up new opportunities for growth. The creation of these new business ecosystems will support the market for high-skill employment and spur the development of a high-income economy. Malaysia's continued competitiveness is dependent on strengthening the manufacturing and services sectors and accelerating the country's shift towards high value-added, high technology, knowledge-intensive and innovation-based industries.

## Malaysia's most attractive industries

Together, the top eight industries by investment accounted for RM 34.7 billion or 85 per cent of total investments approved. All these industries registered higher levels of investments in 2012 compared with 2011, with the exception of E&E, basic metal products and food manufacturing.



This is particularly evident in the country's E&E industry which is advancing into high technology, high value operations after four decades of labour-intensive assembly line work. New and existing E&E players are diversifying their investments in the country, following the footsteps of industry giant Intel Malaysia, which celebrated its 40th anniversary in 2012. Since first setting up shop in 1972, the computer chip maker's five-acre manufacturing and assembly site in Penang has grown into a 160-acre multi-functional site that includes design and development and shared services centres across high-tech campuses in Penang and Kulim.

Malaysia's solar industry will also gain from the country's deep roots and experience in electronics. The country's solar value chain is already complete, meeting both upstream and downstream needs of the industry. By way of example, long-time

Malaysian investor Panasonic recently relocated a large portion of the company's production capacity for solar modules from Hungary and Mexico to its new RM 1.84 billion, 28.35 ha photovoltaic plant in Kulim. The new facility will produce Panasonic HIT solar modules, which are among the world's most advanced modules. This project came close on the heels of chemical products leader Tokuyama Corp's decision to invest RM 3 billion into a polycrystalline silicon plant in Samalaju, Sarawak.

The maturing of the E&E sector has also created a new breed of local companies that leverage the supply chains and talent pools spawned by large MNCs and develop their own innovative solutions. One such company is Advance Tech Communications Sdn Bhd, which has developed a micro-computer with integrated telephony that runs on Windows 7. This company has in turn partnered

with TOP IT Industries Sdn Bhd, which specialises in assembling and manufacturing high-end computing and mobile devices.

Malaysia's established track record in electronics manufacturing also gives it a strong foothold in the medical devices industry, which has been identified as a National Key Economic Area under the ETP. There are about 190 medical device manufacturers in the country producing a wide range of products including catheters, medical gloves, implantable devices, orthopaedic devices, dialysers and diagnostic imaging equipment. Home-grown Malaysian companies that make latex gloves meet about 60 per cent of the world's demand for rubber gloves. Malaysia also holds about 80 per cent of the global market for catheters.

### New marks of quality

One of MIDA's key objectives in 2012 was to not only increase the number and value of overall investments, but also to rebrand Malaysia as a destination for quality investments. In MIDA's terms, these investments encompass export-oriented projects, projects that provide quality employment opportunities to Malaysians and capital-intensive projects that will have significant knock-on effects throughout the economy.

MIDA certainly upped the ante in attracting export-oriented projects in 2012. A total of 239 projects were approved during the year involving investments of RM 15.2 billion. These projects propose to export at least 80 per cent of their output (see Table 1). Malaysia is and always has been a preferred destination for export-oriented projects due to its excellent infrastructure, telecommunication services, financial and banking services, supporting industries as well as a skilled

Industry	Value of Projects (RM bil)	Number of Projects
Petroleum products including petrochemicals	5	6
Transport equipment	2.1	13
E&E products	1.6	52
Chemicals & chemical products	1.2	11
Rubber products	1.1	8

Table 1 Top industries with export-oriented projects, 2012.

## A sound investment

Premium AV leader Bose Corporation chooses Malaysia as its R&D and manufacturing hub.

Bose Corporation is a world-renowned producer of premium electronics specialising in audio equipment. The company is best known for its loudspeakers, noise-cancelling headsets, and automotive sound systems. The company has manufacturing facilities all around the world with its main R&D centre based in Massachusetts, USA. The company has a total global workforce of nine thousand (9,000) and boasted \$2.5 billion of revenue in the year of 2012.

The company selected Malaysia as its first off-shore R&D centre as well as a manufacturing hub for its premium audio systems. The company will be engaged in the design, development and manufacturing of



audio/visual (AV) products and systems for consumers, automotive and professional sound systems applications. The company will also develop its Malaysia office to become a distribution hub for its products for Asia Pacific and European markets.

The project is estimated to produce job opportunities for 1,383 people comprising mainly skilled workers and engineering professionals. The establishment of this facility will put Malaysia into the spotlight in the field of advanced acoustic technologies. Moreover, the collaboration between Bose and local universities will enhance the technical knowledge of local graduates in premium acoustic technologies.



**GETTING IT RIGHT:** MIDA executives answering questions from journalists at a preliminary media briefing before leading them on a press expedition to Penang.

and trainable work force. As such, the country is expected to continue to attract such quality investments.

In 2012, MIDA also sought to attract projects that will create quality employment opportunities in the country now and in the future. The 6,442 projects approved in 2012 are expected to create employment opportunities for 182,841 people, of which 56.4 per cent (103,180 jobs) are in the services sector and 41.9 per cent (76,631 jobs) are in the manufacturing sector. Of the 76,631 jobs in the manufacturing sector, 73.5 per cent will be in the managerial, technical, supervisory and skilled manpower categories. Investments into the primary sector will create 3,030 employment opportunities for workers.

Throughout the year, MIDA adopted a more focused and targeted approach towards winning capital-intensive quality investments, attracting seven projects with investments of at least RM 1 billion and 73 projects worth at least RM 100 million. The combined total of these capital-intensive investments in 2012 was RM 29.2 billion – 71 per cent of total investments approved for the year – and the projects are expected to have substantial multiplier effects on the manufacturing sector and the economy by spawning new supporting industries, creating high-income employment opportunities and transferring new technologies and R&D that will require local resources and skills.

As a result of these investments, the capital investment per employee (CIPE) ratio for 2012 rose

## Bigger share

Malaysian businesses are supporting the country's economic growth by investing more.

**Investments in Projects Approved, 2011**  
by Source (RM bil.)

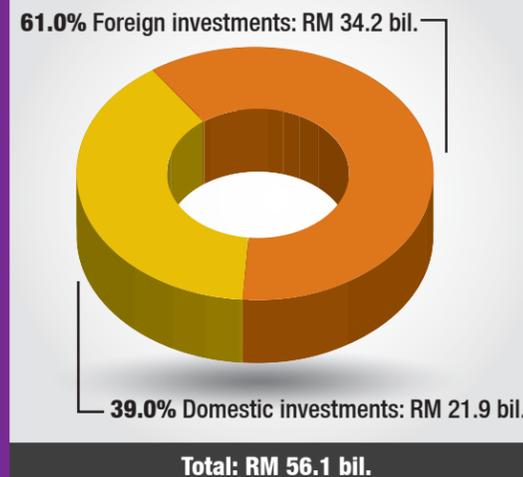


Figure 1 Sources of investments in projects approved, 2011

**Investments in Projects Approved, 2012**  
by Source (RM bil.)

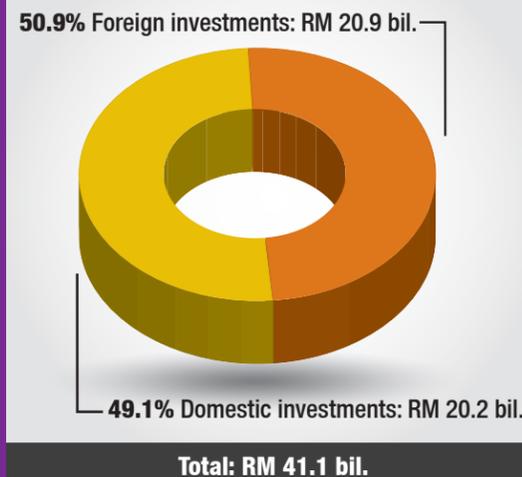


Figure 2 Sources of investments in projects approved, 2012

## Bio Billions

Malaysia's life sciences industries come alive as biotechnology companies take advantage of the country's infrastructure and investment incentives.



The year 2012 was a defining year for Malaysia's biotechnology industry, when investments into the sector leaped to RM 2.9 billion from RM 184.9 million the year before.

One of the reasons behind this tremendous increase in investments is the landmark RM 1.15 billion project involving South Korean diversified conglomerate Cheil Jedang and France's Arkema Asie SAS, one of the world's leading chemical producers. The joint-venture company CJ Bio Malaysia Sdn Bhd in Terengganu's Kerteh BioPolymer Park is the first in the world to use the fermentation process in producing L-methionine, an amino acid commonly used in the manufacturing of animal feed for the poultry industry. The facility will also provide Arkema Asie SAS with a 50,000 tonne capacity to manufacture high added value DMDS thiochemicals in addition to methyl mercaptan, primarily for the gas and petrochemicals markets. More than 95 per cent of the company's products will be exported, and it is expected to generate employment for 300 persons and create opportunities for 25 locals to be engaged in the scientific and technical fields. More than 60 employees will be paid salaries of above RM 3,000.

Strovi Tel was also a significant Malaysian biotechnology project approved in 2012. The RM 695.6 million plant in Enstek Technology Park, Negeri Sembilan is the first plasma fractionation facility in the ASEAN region and will produce plasma biopharmaceutical products such as albumin and immunoglobins for therapeutic

applications. The technology foundation comes from the company's French partner and will also involve research into product safety, increasing the shelf life of products, improving fractionation yields and developing new products. The project is expected to employ 121 knowledge workers and provide new job opportunities and careers for Malaysians in the field of fermentation, chemical engineering, biotechnology and molecular biology.

Another major project was Biocon, a new project by an Indian biotechnology company to develop and manufacture biopharmaceuticals such as insulin and insulin analogues with a total investment of RM 577 million at Bio-XCell Ecosystem in Iskandar Malaysia, Johor. This project is the first integrated biopharma manufacturing and development facility in Malaysia that will comply with USFDA and EMEA current good manufacturing practices (cGMP) standards. The project is expected to employ 450 people.

The future is bright for Malaysia's blossoming biotechnology and life sciences sector. At the 2012 BIO International Convention alone, four business collaborations were signed between Malaysian and global biotechnology companies that promise to attract RM 3 billion in investments over the next three to five years. The sector is set to expand further when Malaysia's first pharmaceutical park is completed – the Melaka Pharma Park is expected to draw RM 1.5 billion in investments over the next three years.

to RM 536,336, and has been on a general upward trend ever since the ratio was first recorded in 1990. The industry with the highest CIPE ratio in 2012 was petroleum products including petrochemicals (RM 4,738,958), followed by chemicals and chemical products (RM 2,349,438) and scientific and measuring equipment (RM 1,134,442).

### Changes in the manufacturing sector

The stagnation of global FDI throughout most of the world challenged Malaysia in 2012. A total of 804 projects were approved involving investments of RM 41.1 billion in 2012, down 27 per cent from the year before. Nonetheless, the country's strong, diversified manufacturing base across multiple industries helped most subsectors register an increase in investments except for E&E, basic metal products and non-metallic mineral products.

Indeed, despite the challenging global investment environment, Malaysia attracted RM 26.8 billion in greenfield investments in 2012 (473 projects), comprising 65.4 per cent of total investments approved. Existing companies in Malaysia also continued to expand and diversify their operations, reflecting their continued confidence in the country's investment environment. A total of 331 expansion/diversification projects with

**THIS IS HOW IT WORKS:** A technician at VisDynamics Research in Melaka demonstrating the company's proprietary mix of dynamics and machine vision technology for semiconductor assembly and testing.

investments amounting to RM 14.2 billion were approved in 2012.

### The rise of domestic investors

The growing share of domestic investments in Malaysia over the years is an important economic development given the subdued global investment environment and increasing competition for foreign investors. It is vital that domestic businesses step forward to drive the country's economic transformation, and the results of 2012 indicate that Malaysian-owned businesses are up to the challenge. In 2012, domestic investments accounted for 78 per cent of total investments (RM 127.6 billion), up from 56 per cent in 2011 (RM 86.6 billion). Much of this was due to a sharp increase in activity in the services sector, where domestic investments doubled from RM 48.2 billion in 2011 to RM 105.4 billion in 2012.

### Sustainable FDI against weak externalities

Despite the challenges of the global environment, Malaysia nonetheless remains a highly competitive destination for FDI in the region. Foreign investments in approved manufacturing projects amounted to RM 20.9 billion in 2012, of which RM 12.6 billion (60.6 per cent) was in new projects while the remaining RM 8.2 billion (39.4 per cent) was in projects involving the expansion or diversification of existing operations. The major sources of foreign investments in 2012 were Japan (RM 2.8 billion), Saudi Arabia (RM 2.6 billion), Singapore (RM 2.2 billion), the People's Republic of China (RM 2 billion) and the Republic of Korea (RM 1.6 billion). These five countries jointly accounted for 53.9 per cent of Malaysia's total foreign investments approved during the period under review.

## A global hit

Home-grown success story Globetronics Technology hits the big time with next-generation multiport sensor technology.

Globetronics Technology Bhd is a home-grown Electronic Manufacturing Services (EMS) company which specialises in semiconductors, LED encoders, quartz crystals, timing devices, chemicals and providing IT solutions and services. Incorporated in 1990, the company was founded by two local techno-entrepreneurs who left their jobs at Intel to do contract manufacturing. Today, Globetronics is a reliable and established vendor to many Integrated Design Manufacturers (IDMs).

Over a period of five years starting in 2012, the company will invest a total of RM 58.2 million into a ground-breaking project to manufacture multiport proximity sensors. The project is a breakthrough for the company and local E&E industry, as multiport sensors are the latest technology in sensor devices for computers, telecommunications and medical applications.

Multiport technology allows three-dimensional (3D) projection, which enables the image to be actively functional through a contactless interface. The device is the first of its kind in sensor and optic technology, and Globetronics is the first company in the world to produce the device, positioning it as a front-runner to become the supplier for key consumer electronic giants such as Apple and Samsung.

The project is a collaboration between Globetronics and a Swiss-based R&D firm and is expected to result in 71 new jobs comprising mainly knowledge workers.

It is also important to note that investments from the European Union (EU) amounted to RM 4 billion in 2012, accounting for 19.1 per cent of total foreign investments approved for the year. Malaysia was the EU's 23rd largest trading partner in goods in 2011. Bilateral trade between the EU and Malaysia is dominated by industrial products, which accounts for more than 90 per cent of total trade. Malaysian exports to the EU have risen steadily over the last decade except for a severe dip during the 2008-2009 economic downturn.

### Approved investments actualised

The Government continues to undertake various measures and initiatives at federal and state levels to help investors implement their approved projects. In addition to these steps, MIDA has appointed Special Project Officers (SPOs) to offer investors hands-on assistance while introducing online services for submitting various paperwork requirements. These efforts have helped accelerate the implementation of approved projects.

During the period of 2008 to 2012, a total of 3,213 projects amounting to RM 147.2 billion were implemented out of the 4,245 manufacturing projects that were approved during the period. The projects implemented cover a broad range of industries, from E&E manufacturing to transport equipment. A total of 3,005 projects were in production as at 31 December 2012 and 208 projects were at the stage of factory construction and machinery installation. In addition, 76 projects with investments of RM 18.2 billion had acquired sites for factories, while 783 projects (RM 52.7 billion) were in the active planning stage. When these 859 projects are realised, total investments of these projects will amount to RM 70.9 billion.



**HIGH SECURITY:** A journalist having her picture taken as part of a product demonstration by Muehlbauer Technologies Sdn Bhd during a media visit to the plant organised by MIDA.

### Larger slices of the pie for everyone

The Government's efforts to close the wealth gap among Malaysia's states and to distribute business and job opportunities more equitably continue to show good results. The country's five regional economic corridors attracted RM 21.2 billion of investments in the manufacturing sector, comprising 51.7 per cent of the sector's total investments. This distribution trend will eventually result in more balanced economic development across the whole country and ensure that all Malaysians will have a slice of the economic pie.

In terms of value, Selangor received the largest amount in approved investments in the manufacturing sector in 2012 (RM 11.7 billion) followed by Johor (RM 5.5 billion), Sabah (RM 5 billion), Sarawak (RM 4.7 billion) and Negeri Sembilan (RM 2.8 billion). These five states

## Olé, Olé, Oleo!

Malaysia's oleochemicals industry prepares to boost the Palm Oil National Key Economic Area (NKEA) under the ETP.

Malaysia is one of the world's leading basic oleochemicals producers and net exporters of fatty acids, fatty alcohols, methyl esters and glycerine. The Economic Transformation Programme identifies seven EPP champions under the Palm Oil NKEA, two of which kicked off their projects in 2012.

The first project is Unileon Sdn Bhd, a joint venture between EPP champion United Plantations Bhd and Oleon NV, Europe's largest oleo-chemical group. Oleon NV has production plants in Belgium, Germany, Norway and France, converting renewable raw materials into 500,000 tons of fatty acids, esters, glycerin, dimers and other specialties that are exported to more than 100 countries around the world. The new joint-venture plant in Pulau Indah off the coast of Port Klang, Selangor will produce food emulsifiers and natural esters for a variety of applications. The company has created job opportunities for almost 45 Malaysians and will play a vital role in transferring the knowledge of European oleochemical processing technologies to Malaysia.

The other EPP champion that made the headlines in 2012 is Malaysia-based Emery Oleochemicals, which has teamed up with Korean consumer goods giant Aekyung Group to produce non-petrochemical based surfactants. Emery is leader in high quality, natural-based chemicals, and the company's joint venture with Aekyung (Emery Aekyung Sdn Bhd) will involve the production of palm oil-based oleochemicals surfactants for use in the latter's consumer detergent products under the brand names of Trio, Point and Kerasys. At present, most detergents are made with surfactants



based on petrochemical raw materials such as alcohol and glycol, linear alkylbenzene sulfonate and linear alpha olefins.

The joint venture will generate significant synergy for both Emery Group and Aekyung Group, which has an established market base in consumer goods in Korea. Like Unileon, this project will also entail the transfer of technology and formulation know-how to Malaysia. As the business grows, the project will evaluate potential areas for investment to better serve the market.

Both these high technology projects are in line with the Palm Oil National Key Economic Area (NKEA) as they will help shift the focus of the palm oil downstream industry towards producing more high value oleo derivatives and insulate the upstream industry from commodity price shocks. The finished products will mainly be for the export market, and the project will generate job opportunities for Malaysian manufacturing equipment specialists and industrial engineers.

contributed 72.6 per cent of the total investments approved in the country in 2012.

In terms of the number of projects approved, three states proved most popular among investors, attracting a total of 69 per cent of the total projects approved: Selangor (252 projects), Johor (184 projects) and Pulau Pinang (115 projects). Many of these projects involve high-value manufacturing facilities.

### The services sector drives investments

The Government's efforts to advance the services sector to support Malaysia's economic growth continued to bear fruit in 2012, and the sector is expected to expand its contribution to the economy during this decade. It attracted the largest portion of approved investments into the economy last year (RM 117.6 billion), 67 per cent more than the total approved investments of RM 70.4 billion in 2011. Domestic investments of RM 105.4 billion (2011: RM 48.2 billion) accounted for 90 per cent of investments, with foreign investments making up the rest. MIDA approved 5,536 projects in 2012

which are expected to generate 103,180 high-income employment opportunities.

Although India is the preeminent global location for IT, BPO, and knowledge process outsourcing (KPO), Malaysia is considered a leading alternative, particularly for R&D and software development work. In fact, ever since it was first published in 2004, the A.T. Kearney Global Services Location Index™ has ranked Malaysia as the third most attractive destination for offshoring global services after China and India<sup>1</sup>. While wage and currency shifts due to the financial crisis have led to major changes in the rankings of the 50 other countries in the annual study, Malaysia's deep talent pools and cost advantages consistently make it a favourite choice for companies seeking offshore locations for host business functions such as IT services and support, contact centres and back-office support.

It is also no secret that Malaysia's infrastructure and logistics network is on par with that of Hong Kong and Singapore but at significantly more cost-effective rates. According to the December 2012 Prime Office Occupancy Costs report by CBRE, Central Hong Kong had the most expensive office space in the world in 2012 (US\$ 246.30 per sq. ft.), followed by London, Tokyo, Beijing and New Delhi's

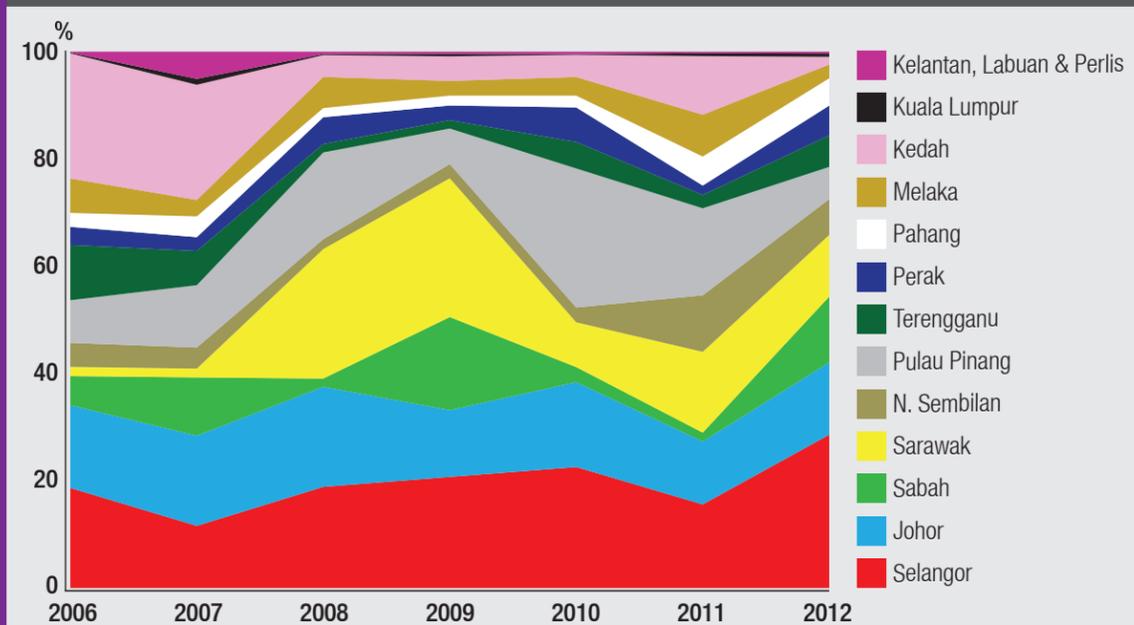
CBD. Singapore was in 19th place at US\$ 104.66 per sq. ft., more than double what office space costs in Kuala Lumpur (US\$ 47.06 per sq. ft.). Indeed, a fitness studio company which relocated its regional headquarters to Malaysia from Hong Kong estimates that it is paying 30 per cent less for office space and staff now, allowing it to save RM 3 million a year.

As at 31 December 2012, there were 3,168 approved regional establishments in Malaysia, including 231 Operational Headquarters (OHQs), 232 International Procurement Centres (IPCs), 28 Regional Distribution Centres (RDCs), 870 Regional Offices and 1,807 Representative Offices. In 2012, a total of 111 new regional establishments were approved to be set up in Malaysia with investments of RM 2.03 billion. These operations will create a total of 1,041 jobs for Malaysians, mainly at the managerial, professional and technical levels.

## More for everyone

Not only are investments increasing, but they are also being distributed more equally among Malaysians.

Distribution of Investments into the Manufacturing Sector, 2006 – 2012 by State (%)



<sup>1</sup> A.T. Kearney Global Services Location Index™.

**LISTEN CLOSELY:** S. Choudhury, CEO of Vigilenz Medical Devices Sdn Bhd (standing) welcoming journalists on a media expedition organised by MIDA. The decade-old company exports its products to over 20 countries around the world.

Regional procurement and distribution centres undertake supply chain management for their owners' manufacturing operations both in Malaysia and abroad. These investments can have significant multiplier effects on Malaysia's economy by stimulating the growth of other services such as logistics and financial services. In 2012, a total of 14 regional headquarters were approved with proposed investments (operating expenditure) totalling RM 1.2 billion, projected to contribute RM 88.2 million to the country's GNI and to create a total of 578 job opportunities for Malaysians.

Many companies that have established international procurement centres (IPC) in Malaysia have diversified their activities to include supply chain management to support their manufacturing operations in the region. Such IPCs also enhance a company's competitiveness by encouraging synergy among manufacturing plants and between common infrastructure and support facilities, making the entire manufacturing process more cost-effective and efficient. Nine IPC projects were approved in 2012 involving investments of RM 566 million, three of which were approved with incentives. They contributed around RM 496.5 million to GNI and are estimated to have an annual sales turnover of



RM 620 million. These IPCs will provide employment opportunities for 132 Malaysians, mainly in the managerial, technical and skilled categories and will procure a total of RM 1.0 billion worth of products from local companies.

In 2012, one RDC was approved with investments valued at RM 111.7 million and total annual sales turnover of RM 51.1 million. The approved RDC is a Taiwanese company involved in the design and development of integrated circuits. This RDC will distribute semi-finished and finished products of its group of companies under the PENDRIVE brand name to their customers domestically as well as in the USA, Europe and throughout Asia.

MIDA has thus far approved six projects making Malaysia their Global Operations Hub. These projects have substantial investments with significant spin-off effects on the economy.

### Creating value with support services

Support services such as renewable energy and energy conservation/efficiency, research and development (R&D) and logistics and cold chain facilities are among the service activities currently promoted by the Government in order to enhance value creation within Malaysia's manufacturing sector. Service providers undertaking these activities are eligible to apply for tax incentives in the form of Pioneer Status (PS) and Investment Tax Allowance (ITA) for a period of 5 to 10 years.

In 2012, a total of 56 support services projects were granted tax incentives, involving total investments of RM 518.4 million. Domestic investments continued to dominate the support services sector (RM 470.3 million) while foreign investments amounted

## Malaysia, at your service

2012 will be remembered for a spate of high-profile announcements by leading global service companies that will make Malaysia their regional headquarters.



Malaysia's ranking of eighth among 18 countries on the overall level of service sophistication by the Service Development Index (SDI) in the Second Global Market Expansion Services Report reflects the nation's increasing popularity as a destination for regional and global operational hubs among MNCs and large corporations. Another study by PriceWaterhouseCoopers (PWC) Malaysia reaffirms SDI's findings that Malaysia has always been a preferred destination for multinational companies seeking to establish their headquarters in the region.

Long-time Malaysian investor Frost & Sullivan certainly thinks so. The global market research and consulting firm opened its Global Innovation Centre (GIC) of Excellence in Nusajaya in 2012 and has committed to invest over RM 500 million more over the next seven years to set up another centre in Iskandar Malaysia. The company's 12-year old Kuala Lumpur office is its biggest outside of India and currently employs some 130 staff. Its establishment in Iskandar Malaysia is expected to eventually provide employment to some 830 people by 2020.

Meanwhile, oilfield services giant Schlumberger Ltd announced that it would establish its regional hub in Kuala Lumpur, as did world number two oilfield services company Halliburton. Halliburton will establish a regional technical and business centre in Malaysia focusing on the evaluation and development of the country's shale resources. The RM 250 million facility will employ about

150 Malaysians and 30 foreigners, along with 180 skilled workers in various capacities. At least 97 per cent of Halliburton's employees in Malaysia can expect to earn more than RM 4,000 per month.

Darden Restaurants Inc has also chosen Malaysia as its regional management centre and operations hub. The company owns and operates more than 2,000 restaurants in North America, generating over US\$ 8.0 billion in annual sales. The hub in Kuala Lumpur is Darden's first venture outside of the United States. Darden has also selected Semporna, Sabah as the location for the world's first Integrated Lobster Aquaculture Park, which will feature an R&D centre, a hatchery and growth facilities for king lobsters. The RM 4.9 billion project is expected to employ 8,717 Malaysians when it is complete.

Up north, IHS Inc picked Penang for its regional Centre of Excellence (COE) and as a platform to enable scalable growth for the Asia-Pacific region. The company will be carrying out operational and service activities and support in areas which include information and insight operation, call centre, finance, IT and data management. The RM 207 million office will employ about 1,025 Malaysians and 39 foreign employees in addition to 177 skilled workers. About 17 per cent of the company's workforce can expect to be paid more than RM 3,000 per month.

to RM 48.1 million. A total of 983 employment opportunities will be created by these projects.

**a) Renewable energy and energy conservation**

Energy conservation and more efficient energy use are crucial to preserve the environment and to achieve sustainable development. By 2015, the Government aims to have 5.5 per cent of the country's total electricity generation mix (985MW) coming from renewable energy. To facilitate this shift, the Government has established a Feed-in-Tariff mechanism to allow the sale of electricity produced from indigenous renewable resources to power utilities for a specific duration.

energy-efficient appliances under the Sustainability Achieved via Energy Efficiency (SAVE) programme.

For the business community, companies can avail themselves of tax incentives as well as import duty and sales tax exemptions subject to the prevailing guidelines for these applications. In 2012, a total of 17 such energy conservation/efficiency projects were approved tax incentives. Total investments approved amounted to RM 1,009.9 million, of which 74.5 per cent were domestic investments.

**b) Research and Development (R&D)**

In 2012, nine R&D projects were approved with tax

undertaken on an integrated basis. In 2012, five companies were approved incentives for ILS expansion projects. These companies are venturing into freight forwarding, warehousing, transportation and distribution as well as value-added services such as packing, repacking and relabeling with investments of RM 328.7 million.

A logistics company that provides integrated and seamless logistics services (door-to-door) along the logistics value chain as a single entity on a regional or global scale may be granted International Integrated Logistics Services (IILS) status and be issued a Customs Agent Licence. In 2012, four such

companies were approved IILS status which will enable them to expand their activities globally and compete more effectively against established MNCs in the region.

Meanwhile, a wholly-owned Malaysian company was approved to provide cold room facilities for perishable products from local farmers, breeders as well as fishermen. The facility also offers other value-added activities such as washing, peeling, grading, freezing and packing of perishable products to provide its customers greater value. ■

“The main renewable resources for energy generation are biomass, mini-hydro, solar and wind.”

The main renewable resources for energy generation are biomass, mini-hydro, solar and wind. Biomass and solar are most widely used within the RE sector, accounting for 90 per cent of the country's renewable energy sources. In 2012, a total of 33 renewable energy projects were approved, amounting to RM 1,192.1 million, nearly triple the year before (2011: RM 424.4 million). Most of these investments came from domestic sources (83.7 per cent). Of the 33 projects approved, 20 projects will use solar energy and 13 projects will use biomass and biogas.

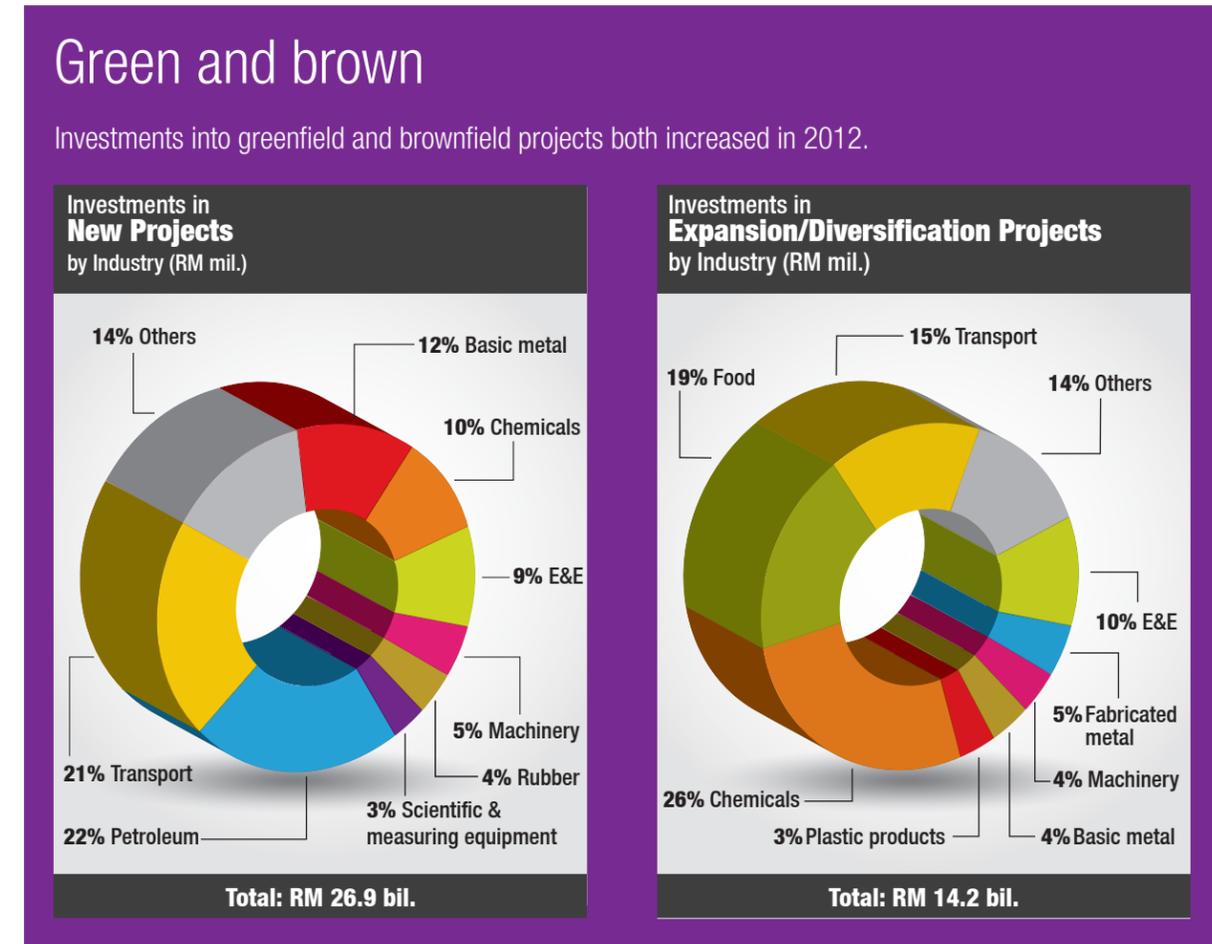
Besides promoting the exploitation and development of the country's renewable energy resources, the Government has also undertaken many initiatives to encourage industries and consumers to go green by using energy-efficient equipment and products. In 2012, rebates were given to encourage middle-class households to buy

incentives with total investments of RM 243.2 million. Of this total, RM 157.9 million (65 per cent) were foreign investments, while the remaining RM 85.3 million (35 per cent) were domestic investments.

Five projects were contract R&D projects for the healthcare industry and green water technology, while the other four projects were for in-house R&D activities comprising sports car development by Hicom Potenza Sports Cars Sdn Bhd, advanced die structure technology and substrates design by SCG Industries Malaysia Sdn Bhd and the development of brake disk substrates by Kobe Precision Technology Sdn Bhd.

**c) Logistics and cold chain facilities**

Integrated logistics services (ILS) comprise freight forwarding, warehousing, transportation and other related value-added services such as distribution, procurement and supply chain management



## MIDA IN THE FIELD

MIDA officers travelled far and wide to present Malaysia's "ecosystem" value proposition to the world.

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**WE DO IT BETTER:** Representatives of VisDynamics Research in Melaka explaining the company's technical advantage over its competition during a media exhibition organised by MIDA.

## A global citizen

*Maintaining Malaysia's role as a leading investment location.*

**M**IDA received more than 1,000 enquiries from foreign and local companies eager to invest into various sectors of the Malaysian economy in 2012. The focus for the year was to employ the new “ecosystem” approach to matching investors’ needs and to generate quality investments in new and emerging technologies. To this end, MIDA officers undertook various programmes and activities to promote and attract investments into Malaysia from foreign sources. MIDA is also working closely with other agencies to identify the skills and talents required by industries in priority economic sectors as well as in the skilled Malaysian diaspora overseas.

The programmes undertaken include Trade and Investment Missions, Roundtable Meetings and Mini Seminars, Specific Project Missions, International Seminars/Forums/Dialogues with foreign chambers as well as advertisements and advertorials. These programmes were geared towards attracting new investments as well as encouraging reinvestments (expansions and diversifications), especially in high technology, capital-intensive, knowledge-intensive and high value-added industries. MIDA also conducted a corporate investment plan survey to identify the effectiveness of the organisation’s various programmes over the years to promote investments.

### The ecosystem punch

MIDA has outlined several new strategies to promote investments towards achieving the national investment agenda in line with the Economic



**EUROPE BECKONS:** Federal Councillor Johann N. Schneider-Ammann, Head of the Federal Department of Economic Affairs of Switzerland, on behalf of the EFTA States, welcoming participants to a briefing on trade opportunities as Malaysia and the European Free Trade Association (EFTA) began negotiations for a free trade agreement.

Transformation game plan. The most notable of these strategies will involve leveraging the ecosystem approach in promoting investments and developing targeted industries.

The ecosystem approach is an integrated and holistic approach to promote the entire value chain of industry clusters. It provides insights into high value activities and spin-offs, both as prerequisites for backward and downstream linkages. It is critical to identify opportunities which may be promoted that can further strengthen the value chain of a

## From Europe, with love

European life sciences technology corporation Eurocor leverages Malaysia’s medical devices ecosystem.

Eurocor is a European life sciences technology corporation specialising in the research, development and manufacture of interventional cardiovascular and endovascular products. The company provides interventional physicians with innovative coronary stent technologies and special cardiovascular and endovascular devices.

Eurocor Asia Sdn Bhd was established in 2010. The company’s new RM 39 million plant in Gelang Patah,



Johor will manufacture angioplasty catheters and coronary stents for patients with heart problems and is the first of its kind in Malaysia. The new facility is a knowledge and research-intensive project and is expected to generate 182 jobs, approximately 40 per cent of which will enjoy salaries of above RM 3,000.

Eurocor Asia Sdn Bhd plans to export 95 per cent of its products to Europe, South East Asia and to the Middle East.

particular industry cluster and facilitates the process of decision-making on targeted products identified as vital missing links.

The ecosystem approach will enhance Malaysia’s competitiveness in terms of lowering costs and promoting the sustainable development of industry. By leveraging on enablers like infrastructure and supporting industries through a cluster-based ecosystem approach, investors’ reliance on increasing tax incentives can be better managed.

### Winning over foreign investors

In the effort to promote quality and sustainable FDI inflows, MIDA organised and participated in seven investment promotion missions abroad in 2012 (see Appendix). The missions comprised Malaysian Government officials including officials from the State Governments and regional economic corridors as well as representatives from the private sector.

The main objectives of investment promotion missions are to update foreign investors on the business climate in Malaysia while enhancing and promoting business opportunities and partnerships. MIDA’s missions in 2012 included individual seminars on investment opportunities, roundtable meetings, business matching meetings and networking sessions. In addition to these general investment promotion missions, MIDA also organised 28 specific project missions abroad in 2012 to target selected companies in various countries (see Appendix). These missions mostly focused on companies associated with high technology, capital-intensive and high value-added industries.

Providing the latest information to investors is a key component of investment promotion activities. MIDA organised several seminars, roundtable meetings, private meetings and visits to companies in 2012 in conjunction with official visits of the Prime Minister of Malaysia and his deputy, the Minister of International Trade and Industry and his deputies as

## Investment promotion in 2012

well as the Chief Executive Officer (CEO) of MIDA. The aim of these visits was to update business leaders on the business opportunities and latest economic developments in Malaysia. MIDA also organised and participated in four international seminars, forums and briefings in 2012 as part of its investment strategies, networking initiatives and public awareness programmes.

MIDA also conducted briefings for foreign delegations, the private sector, industry associations, chambers of commerce and Government agencies to update them on the policies, incentives and business environment in Malaysia. In 2012, MIDA received more than 250 visits by delegations and investors from overseas. MIDA briefed the visitors on policies, facilities, incentives and opportunities for investments in the manufacturing and services sectors. These visits were joined by other ministries, departments, State Governments, regional economic corridors and the private sector.

## The spirit of ASEAN

No economic region can develop alone, and Malaysia's success over the years is due in no small part to its reputable standing in the Association of Southeast Asian Nations (ASEAN).

ASEAN continues to pursue integration into the global economy through various free trade agreements (FTAs) and comprehensive economic partnership (CEP) agreements with several dialogue and major trading partners. ASEAN also launched the Regional Comprehensive Economic Partnership (RCEP) between ASEAN and the People's Republic of China, Japan, Republic of Korea, India, Australia and New Zealand. The grouping represents more than 3.4 billion people, a combined GDP of US\$ 17.23 trillion and 43.9 per cent of world trade.



**HERE'S THE PLAN:** MIDA executives briefing journalists on the first day of a media expedition to Melaka.

The ASEAN Economic Community (AEC) is the next step of economic integration. It is aimed at transforming ASEAN into a single market and production base by 2015. The AEC is characterised by four pillars: a single market and production base, a highly competitive economic region, a region of equitable economic development, and a region that is fully integrated with the global economy. The various measures and initiatives that are being implemented to achieve the goals of the AEC are present in each of these four pillars.

Attracting FDI inflows is an important goal of the AEC and will also play a big part in determining the success of ASEAN's integration efforts. In fact, stimulating FDI inflows by reducing business costs associated with multinational activities in the region has always been a primary objective of ASEAN economic cooperation.

FDI inflows have become paramount to an outward-looking development strategy in the contemporary global economy. According to UNCTAD, FDI inflows to ASEAN decreased by 7.3 per cent to US\$ 106.5 billion in 2012 from US\$ 115.0 billion in 2011 due to volatile global economic conditions. Economic integration is a good strategy for ASEAN to enhance

## Investment promotion in 2012

its internal strengths to meet this challenging environment. Simultaneously, ASEAN needs to strengthen its macroeconomic environment and investment climate by balancing FDI inflows and outflows.

AEC is important for ASEAN in the light of the opportunities and challenges that the region faces. The integration will increase regional economic prosperity and stability and reduce the development gaps among members. This commitment was further reinforced with the signing of the ASEAN Comprehensive Investment Agreement (ACIA), the ASEAN Trade in Goods Agreement (ATIGA) and the ASEAN Framework Agreement in Services (AFAS).

In the area of services liberalisation, Member States have completed eight packages of services

liberalisation commitments under the ASEAN Framework Agreement in Services (AFAS), underscoring the commitment of ASEAN Member States to work towards the free flow of services by 2015. The package provides for at least 80 services sub-sectors with a high degree of liberalisation and allows for foreign equity participation of at least 70 per cent for the priority sectors and 51 per cent for the other sectors.

Meanwhile, the ASEAN Comprehensive Investment Agreement (ACIA) entered into force on 29 March 2012 and will further cement the goal of making investments a key driver of ASEAN economic integration and development. ACIA is balanced in its focus. Investment liberalisation will be progressive, with a view towards achieving a free and open investment environment in the region, in line with



**IT WAS A GOOD YEAR:** YB Dato' Sri Mustapa Mohamed (left), receiving the 2011 Malaysia Investment Performance Report from then Chairman of MIDA Tan Sri Dr. Sulaiman Mahbob. Tan Sri Amirsham Abdul Aziz succeeded Tan Sri Dr. Sulaiman as Chairman of MIDA on 29 May 2012.

the goals of the AEC while also providing flexibilities for Member States.

ACIA's comprehensive provisions will enhance the protection of investments and improve investors' confidence towards investing in the region. It will encourage further development of intra-ASEAN investments, especially among MNCs based in ASEAN through expansion, industrial cooperation and specialisation, all of which will contribute to greater economic integration.

Meanwhile, the ASEAN Agreement on the Movement of Natural Persons (MNP) was signed on the side-lines of the 21st ASEAN Summit in November 2012. The agreement is expected to facilitate the movement of investors, business people and skilled labour among Member States.

The ASEAN Coordinating Committee on Investment (CCI) continued its work on implementing the CCI Work Programmes 2011-2012 in order to enhance the ASEAN investment regime. As Malaysia's lead agency for the ASEAN CCI Meetings, MIDA participated actively in the ASEAN investment-related programmes. MIDA was a speaker at the AEC Symposium which was held on 19 September 2012 in Jakarta and at the 2nd ASEAN Investment Forum (AIF) — a platform for strategic dialogue and sharing of experiences among the ASEAN Heads of Investment Promotion Agencies held on 16 November 2012 in Phnom Penh, Cambodia.

MIDA's role in the ASEAN economic cooperation process covers cooperation in market access and facilitation of trade in goods as well as cooperation in the promotion, facilitation and liberalisation of investment. MIDA supported the Ministry of International Trade and Industry (MITI) in ASEAN's FTA negotiations by providing inputs and recommendations in the areas of trade in goods

(including rules of origin) and investments. The FTA negotiations were as follows:

- ASEAN-Japan Comprehensive Economic Partnership (AJCEP) on Investment Chapter;
- ASEAN-India Investment Agreement; and
- ASEAN-Australia-New Zealand FTA - Work Programme on Investment Chapter.

MIDA also continued to be Malaysia's lead agency for the Investment Experts' Group (IEG) meetings in the Asia-Pacific Economic Cooperation (APEC). In 2012, three IEG meetings were held which were focused on the following key priorities:

- Liberalising trade and investment and expanding regional economic integration;
- Strengthening food security;
- Establishing reliable supply chains; and
- Fostering innovative growth.

Besides these developments, 2012 was also the year in which the ASEAN Trading Link went live for the first time. The trading platform connects Bursa Malaysia, Singapore Exchange and the Stock Exchange of Thailand to create a US\$ 1.3 trillion virtual market. The stock markets of Indonesia, the Philippines and the Vietnamese exchanges in Hanoi and Ho Chi Minh City are expected to come on board over the next few years, at which point the platform will rank among the eighth or ninth-largest in the world by market capitalisation.

ASEAN has a total population base of 600 million and GDP of US\$ 1.8 trillion (RM 5.68 trillion). In 2012, it accounted for 27 per cent (RM 358.1 billion)

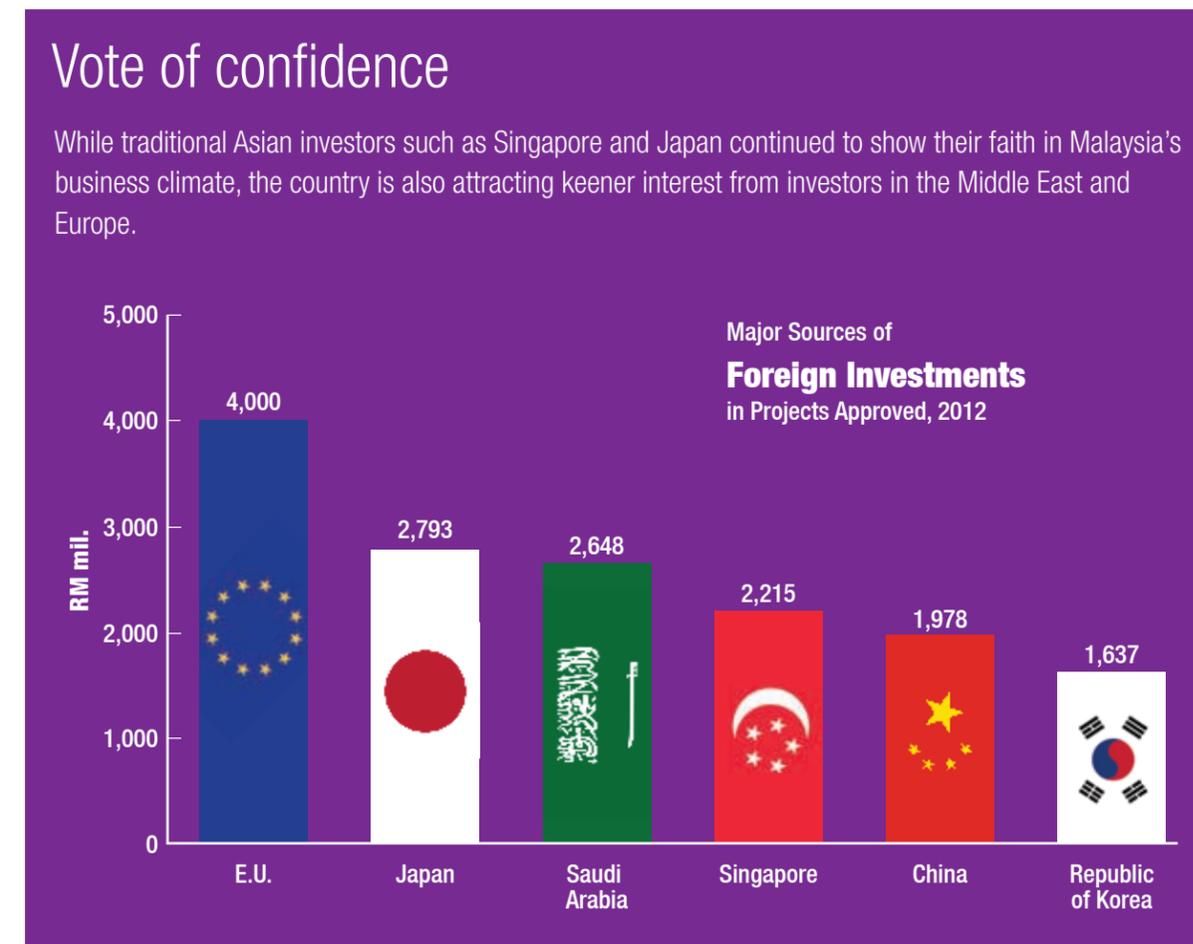
of Malaysia's external trade compared with 25 per cent in 2011 (RM 330.8 billion). The trade bloc will continue to play a key role in the nation's economic growth.

### Enhancing bilateral and multilateral trade

MIDA's ability to engage with prospective foreign investors and contribute to the country's future growth also depends on Malaysia's bilateral and multi-lateral trade activities which go a long way towards attracting foreign investors.

In 2012, MIDA continued to participate in Malaysia's bilateral FTA negotiations with its trading partners. MIDA's role covered negotiations for market access in the trade in goods, rules of origin and investments. It also participated in the negotiation of Investment Guarantee Agreements (IGAs) with the San Marino Republic and Qatar in 2012. The IGAs are to ensure the protection of foreign investments including investments made by Malaysian investors in host countries.

As the focal point in consolidating and streamlining Malaysia's positions on international trade and investment, MITI has continuously consulted MIDA



on various trade and investment related issues. In 2012, MIDA-MITI continued its role in the World Trade Organisation (WTO) by working towards market access modalities for non-agricultural products and tariff elimination for environmental goods and products in the Information Technology Agreement (ITA).

### Nurturing domestic investors

Domestic investments have always had an important role in the growth of Malaysia's economy, but now they are expected to drive the national investment agenda. Malaysia's continued competitiveness is dependent on strengthening domestic manufacturers and service providers and

accelerating their shift to high value-added, high technology, knowledge-intensive and innovation-based industries. This transformation will require stronger domestic investments as well as a new breed of FDI inflows in new growth areas.

In this regard, Malaysia has embarked on new strategies to further promote domestic investments that will help the country make the quantum leap required in driving the national investment agenda to transform the economy. Several measures were announced to spur domestic investment in 2012:

- The establishment of a Domestic Investment Strategic Fund of RM 1 billion, which will be managed by MIDA to provide handholding and assistance to Malaysian-owned



**WE SING AND DANCE, TOO:** Members of MIDA's choir troupe performing during the launch ceremony of MIDA's new building and logo.

companies in targeted industries. The package of assistance will be customised based on the needs of the individual company. The special fund is to accelerate the shift of Malaysian-owned companies in targeted industries to high value-added, high technology, knowledge-intensive and innovation-based industries. The fund aims to:-

- » Harness and leverage on outsourcing opportunities created by MNCs operating in Malaysia;
  - » Intensify technology acquisition by Malaysian-owned companies; and
  - » Enable Malaysian-owned companies to obtain international standards/certification in strategic industries.
- The re-introduction of the incentive for acquiring foreign companies for high technology, which will enable Malaysian-owned companies to acquire state-of-the-art technologies through a leapfrogging approach to move up the value chain or to diversify into new areas. This initiative will facilitate innovation activities among Malaysian-owned companies.
  - Malaysian-owned manufacturing companies that are already in operation for a year or less and undertaking promoted products or activities under the Promotion of Investments Act, 1986 are now eligible to apply for tax incentives. This flexibility is to facilitate new investments by Malaysian-owned companies.
  - Enhancement of tax incentives for small Malaysian-owned companies eligible to

apply for tax incentives under the Promotion of Investments Act, 1986 by increasing the shareholders' funds threshold from RM 500,000 to less than RM 2.5 million.

- Introduction of a special tax rate to encourage small Malaysian service providers to merge into larger entities to build up the competitiveness of the smaller entities, in light of the Government's efforts to further liberalise the services sector.

The creation of the RM 1 billion Domestic Investment Strategic Fund (DISF) in 2012 was warmly received by the private sector. The idea of the fund is to fast-track the participation of Malaysian companies into the global supply chain of targeted industries and high-growth sectors. As at December 2012 a total of 19 companies have been approved grants under the Fund.

Following the announcement of the initiatives to enhance domestic investments, MIDA organised various road shows and seminars for local businesses. The Domestic Investment Seminar organised by MIDA in Kota Kinabalu, Sabah on 4 December 2012 attracted over 163 participants. Themed "Investment Opportunities in High Growth Sectors in Sabah", the seminar's objectives were to disseminate information on the new incentives on Domestic Direct Investment (DDI) Initiatives and to provide an update on investment opportunities in high growth sectors in Sabah.

MIDA also organised eight specific industry seminars/workshops in 2012 in collaboration with the Electronics Industry Division, Wood & Paper Industries Division, Food Technology Industry Division, and Business & Other Services Sector Division. The objectives of these seminars/workshops were to:

## Investment promotion in 2012

- Update participants on the latest trends in their industries;
- Disseminate information on business opportunities in the manufacturing and services sectors;
- Inform the business community of the Government's initiatives in promoting industries and the incentive packages offered to investors; and
- Facilitate networking among local investors/ companies and MIDA and other Government agencies.

In addition, MIDA organised three Roundtable Meetings (see Appendix) with selected Malaysian and foreign companies in Selangor, Kuantan and Penang in 2012. The meetings were chaired by Dato' Sri Mustapa Mohamed, the Minister of International Trade and Industry. The objectives of these Roundtable Meetings were to:

- Gather information on the interests of companies on their expansion or diversification plans;
- Obtain feedback from companies on issues related to their operations; and
- Update companies on initiatives undertaken by MITI and MIDA in promoting investments.

MIDA participated in over 30 local exhibitions to further educate the local business community and create awareness on investment opportunities in Malaysia (see Appendix). MIDA also organised nine briefings on the Domestic Investment Strategic Fund (DISF) at MIDA's headquarters and in locations across the country.

## Media coverage and expos

To support the efforts of MIDA's investment officers, the Investment Communications Unit continued to undertake public awareness and public relations activities throughout 2012. These activities included buying advertisement space, participating in exhibitions and investment promotion fairs as well as organising visits for foreign journalists. Four prominent international journalists visited Malaysia under the Journalist Visit Programme in 2012 to learn about the country's investment environment:

- Date: 14 -17 February 2012  
Eldon R. Ball  
Senior Editor, Technology and Economics Off Shore Magazine
- Date: 16 - 20 April 2012  
Wang Qiang  
Chief Editor, Shanghai Business Daily
- Date: 28 May - 3 June 2012  
Urs Walterlin  
International Correspondent, Handelsblatt, Germany
- Date: 11 - 17 July 2012  
Phil Bolton  
Global Atlanta, Georgia, USA

In 2012, MIDA placed advertisements and advertorials in several domestic and foreign publications, including the International Business Review, Malaysian Business, Forbes Asia, FDI, Chosun Ilbo, Nikkei Business, Site Selection, Aswaq, Al-Khaleej and Industry Europe. It also continued to participate in international exhibitions and investment promotion fairs to create awareness on investment opportunities in Malaysia. These

## Investment promotion in 2012

exhibitions and investment promotion fairs have also provided opportunities for networking between Malaysians and foreign businessmen to explore business partnerships and collaborations and to set up joint ventures. In 2012, MIDA participated in 33 local exhibitions and five overseas exhibitions.

## Human resource development

To safeguard MIDA's ability to fulfil its role in the future, MIDA's Human Resource Division continued to nurture its talent. The three main thrusts of the department are to enhance competency among staff, to groom selected employees as future leaders and to establish a high value performance culture. In 2012, the department focused on developing the

organisation's human capital by providing high value training programmes for officers.

The department's main objective is to inculcate an awareness of the importance of training for knowledge upgrading and self-development among MIDA's staff. Training infrastructure has been provided to facilitate the way forward, while the training programmes have provided a solid foundation for MIDA staff to excel.

Various development programmes were organised and coordinated to develop competent staff at MIDA. In 2012. These programmes were focused on enhancing performance by developing patterns of thinking, problem-solving and soft skills. The staff actively participated in programmes throughout the year, utilising 96 per cent of training credit hours. ■



**HAPPY BIRTHDAY, DATO' SRI:** Datuk Noharuddin Nordin (left) presenting Dato' Sri Mustapa Mohamed with a special birthday gift from MIDA: a five-point pledge to excellence. Looking on are Deputy Minister Datuk Mukhriz Tun Dr Mahathir and Secretary General Datuk Dr Rebecca Fatima Sta Maria.

## FINANCIAL STATEMENTS

The audited financial statements of the Malaysian Investment Development Authority for the year ended 31 December 2012 along with the Auditor General's certificate as transmitted to the Ministry of International Trade and Industry (MITI) in compliance with Sections 7 and 8 of the Statutory Bodies (Accounts and Annual Reports) Act, 1980.

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**THIS WAY, PLEASE:** Jaswant Singh, Executive Director, Investment Ecosystem leading a MIDA delegation on a site visit to B. Braun Medical Industries Sdn Bhd (Penang).

**CERTIFICATE OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS  
OF THE MALAYSIAN INVESTMENT DEVELOPMENT AUTHORITY  
FOR THE YEAR ENDED 31 DECEMBER 2012**

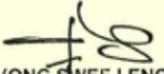


**SIJIL KETUA AUDIT NEGARA  
MENGENAI PENYATA KEWANGAN  
LEMBAGA PEMBANGUNAN PELABURAN MALAYSIA  
BAGI TAHUN BERAKHIR 31 DISEMBER 2012**

Penyata Kewangan Lembaga Pembangunan Pelaburan Malaysia bagi tahun berakhir 31 Disember 2012 telah diaudit oleh wakil saya. Pihak pengurusan bertanggungjawab terhadap Penyata Kewangan ini. Tanggungjawab saya adalah mengaudit dan memberi pendapat terhadap Penyata Kewangan tersebut.

Pengauditan telah dilaksanakan mengikut Akta Audit 1957 dan berpandukan piawaian pengauditan yang diluluskan. Piawaian tersebut menghendaki pengauditan direncanakan dan dilaksanakan untuk mendapat kepastian yang munasabah sama ada Penyata Kewangan adalah bebas daripada kesilapan atau ketinggalan yang ketara. Pengauditan ini termasuk memeriksa rekod dan dokumen secara semak uji, menyemak bukti yang menyokong angka dan memastikan pendedahan yang mencukupi dalam Penyata Kewangan. Penilaian juga dibuat terhadap prinsip perakaunan yang digunakan, unjuran signifikan oleh pengurusan dan persembahan Penyata Kewangan secara keseluruhan. Saya percaya pengauditan yang dilaksanakan memberi asas yang munasabah terhadap pendapat saya.

Pada pendapat saya, Penyata Kewangan ini memberi gambaran yang benar dan saksama terhadap kedudukan kewangan Lembaga Pembangunan Pelaburan Malaysia pada 31 Disember 2012 serta hasil operasi dan aliran tunainya untuk tahun tersebut adalah selaras dengan piawaian perakaunan yang diluluskan.

  
**(ONG SWEE LENG)**  
b.p. KETUA AUDIT NEGARA  
MALAYSIA



PUTRAJAYA  
14 OGOS 2013

**STATEMENT BY THE CHAIRMAN AND A MEMBER OF THE BOARD**

**LEMBAGA PEMBANGUNAN PELABURAN MALAYSIA (MIDA)  
(Ditubuhkan di Malaysia di bawah Akta Lembaga Pembangunan Pelaburan Malaysia  
(Pindaan) 2011)**

**PENYATA PENERUSI DAN SEORANG AHLI JEMAAH**

Kami, **TAN SRI AMIRSHAM A. AZIZ** dan **DATUK DR. REBECCA FATIMA STA MARIA** yang merupakan Pengerusi dan salah seorang Ahli Jemaah, Lembaga Pembangunan Pelaburan Malaysia, dengan ini menyatakan bahawa, pada pendapat Jemaah, Penyata Kewangan yang mengandungi Lembaran Imbangan, Penyata Pendapatan, Penyata Perubahan Ekuiti dan Penyata Aliran Tunai yang berikut ini berserta dengan nota-nota di dalamnya, adalah disediakan untuk menunjukkan pandangan yang benar dan saksama berkenaan kedudukan kewangan Lembaga Pembangunan Pelaburan Malaysia, pada 31 Disember, 2012 dan hasil kendaliannya serta perubahan kewangannya bagi tahun yang berakhir pada tarikh tersebut.

Bagi pihak Jemaah,   
**TAN SRI AMIRSHAM A. AZIZ**

PENERUSI  
2 OGOS 2013  
KUALA LUMPUR

Bagi pihak Jemaah,   
**DATUK DR. REBECCA  
FATIMA STA MARIA**

AHLI JEMAAH  
6 OGOS 2013  
KUALA LUMPUR

**DECLARATION BY THE OFFICER PRIMARILY RESPONSIBLE  
FOR THE FINANCIAL MANAGEMENT OF THE  
MALAYSIAN INVESTMENT DEVELOPMENT AUTHORITY (MIDA)**

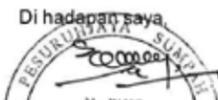
**LEMBAGA PEMBANGUNAN PELABURAN MALAYSIA (MIDA)**  
(Ditubuhkan di Malaysia di bawah Akta Lembaga Pembangunan Pelaburan Malaysia  
(Pindaan) 2011)

**PENGAKUAN OLEH PEGAWAI UTAMA YANG  
BERTANGGUNGJAWAB KE ATAS PENGURUSAN KEWANGAN  
LEMBAGA PEMBANGUNAN PELABURAN MALAYSIA (MIDA)**

Saya, **NOHARUDDIN NORDIN** pegawai utama yang bertanggungjawab ke atas pengurusan kewangan dan rekod-rekod perakaunan **LEMBAGA PEMBANGUNAN PELABURAN MALAYSIA** dengan ikhlasnya mengakui bahawa Lembaran Imbangan, Penyata Pendapatan, Penyata Perubahan Ekuiti dan Penyata Aliran Tunai dalam kedudukan kewangan yang berikut ini berserta dengan Nota-Nota kepada Penyata Kewangan di dalamnya mengikut sebaik-baik pengetahuan dan kepercayaan saya, adalah betul dan saya membuat ikrar ini dengan sebenarnya mempercayai bahawa ia adalah benar dan atas kehendak-kehendak Akta Akuan Berkanun, 1960.

Sebenarnya dan sesungguhnya )  
diakui oleh penama di atas )  
di KUALA LUMPUR )  
pada 2 OGOS 2013 )

  
.....  
**DATUK NOHARUDDIN NORDIN**

Di hadapan saya  
  
.....  
No. W607  
Nama: GURDEEP SINGH  
AJL JAG SINGH  
.....  
**PESURUH JAJA SUMPAAH**  
253 - TINGKAT 4  
JALAN TUN SAMBANTHAN  
(BRICKFIELDS)  
50470 KUALA LUMPUR

# Balance sheet

As at 31 December 2012

	Note	2012 (RM)	2011 (RM)
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	6	203,600,360	151,353,649
Work in progress	7	478,293	62,317,120
Receivables	8	641,701	766,641
<b>CURRENT ASSETS</b>			
Receivables	8	1,318,979	6,183,143
Advances		212,257	520,531
Deposits		6,492,232	7,672,231
Prepayments		4,241,976	4,709,851
Fixed Deposits with licenced banks		500,000,000	708,308,346
Cash at bank and in hand		102,974,821	37,248,926
<b>TOTAL CURRENT ASSETS</b>		<b>615,240,265</b>	<b>764,643,028</b>
<b>CURRENT LIABILITIES</b>			
Special Accounts	9	437,921,867	553,552,750
Other Payables	10	38,365,307	48,108,357
Short Term Employee Benefits	11	184,800	298,276
<b>TOTAL CURRENT LIABILITIES</b>		<b>476,471,974</b>	<b>601,959,383</b>
<b>NET CURRENT ASSETS</b>		<b>138,768,291</b>	<b>162,683,645</b>
<b>TOTAL NET ASSETS</b>		<b>343,488,645</b>	<b>377,121,055</b>
<b>FINANCED BY:</b>			
Operating fund		106,095,308	110,710,758
Development fund	16	225,640,657	257,808,715
Conveyance loan fund		3,000,000	3,000,000
Computer loan fund		350,000	350,000
		<b>335,085,965</b>	<b>371,869,473</b>
<b>NON-CURRENT LIABILITIES</b>			
Long term employee benefits	11	8,402,680	5,251,582
<b>TOTAL</b>		<b>343,488,645</b>	<b>377,121,055</b>

The accompanying notes form an integral part of these financial statements.

# Statement of income

For the year ended 31 December 2012

	Note	2012 (RM)	2011 (RM)
<b>INCOME</b>			
Government grant		163,431,300	173,790,900
Other income	12	22,572,260	10,398,691
		<b>186,003,560</b>	<b>184,189,591</b>
<b>LESS: EXPENDITURE</b>			
Emoluments	13	65,274,696	56,368,632
Other expenditure	14	105,780,205	106,637,805
Depreciation	6	19,564,109	5,910,572
		<b>190,619,010</b>	<b>168,917,009</b>
<b>(LESS)/EXCESS INCOME OVER EXPENDITURE</b>		<b>(4,615,450)</b>	<b>15,272,582</b>

# Statement of changes in equity

For the year ended 31 December 2012

	Operating fund (RM)	Development fund (RM)	Conveyance loan fund (RM)	Computer loan fund (RM)	Total (RM)
<b>Balance as at 1 January 2011</b>	95,438,176	259,278,898	3,000,000	350,000	358,067,074
Government grant received	-	1,800,000	-	-	1,800,000
Excess/(less) income over expenditure	15,272,582	382,273	-	-	15,654,855
Application during the year	-	(3,652,456)	-	-	(3,652,456)
<b>Balance as at 31 December 2011</b>	<b>110,710,758</b>	<b>257,808,715</b>	<b>3,000,000</b>	<b>350,000</b>	<b>371,869,473</b>
Funds received during the year	-	3,200,000	-	-	3,200,000
Excess/(less) income over expenditure	(4,615,450)	(17,713,747)	-	-	(22,329,197)
Application during the year	-	(17,654,311)	-	-	(17,654,311)
<b>Balance as at 31 December 2012</b>	<b>106,095,308</b>	<b>225,640,657</b>	<b>3,000,000</b>	<b>350,000</b>	<b>335,085,965</b>

The accompanying notes form an integral part of these financial statements.

# Cash flow statement

For the year ended 31 December 2012

	Note	2012 (RM)	2011 (RM)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Excess/(less) Income Over Expenditure		(4,615,450)	15,272,582
Adjustment for:			
Interest on deposits at bank		(3,298,496)	(3,787,107)
Profit on Computer Loan		(2,773)	(3,740)
Profit on Conveyance Loan		(37,217)	(44,927)
Interest on Deposit		(1,302)	(1,040)
Gain on Disposal of Property, Plant and Equipment		(2,868)	(56,876)
Loss on Disposal of Property, Plant and Equipment		369,709	19,728
Deferred Grant recognition		(17,654,311)	(3,652,456)
Depreciation	6	19,564,109	5,910,572
Provision for Employee Benefits		3,346,058	594,332
Receivables Write-Offs		17,480	13,457
<b>Excess/(less) income from operating activities before working capital changes</b>		<b>(2,315,061)</b>	<b>14,264,525</b>
Working Capital Changes: [Decrease/(increase)]			
Receivables		4,971,624	(2,601,075)
Advances		308,274	(234,238)
Deposits		1,179,999	(113,899)
Prepayments		467,875	210,861
Other Payables		(9,743,050)	(3,127,433)
<b>Cash used for/from operating activities</b>		<b>5,130,339</b>	<b>8,398,741</b>
Employee benefits payment		(308,436)	(447,259)
<b>NET CASH USED FOR/FROM OPERATING ACTIVITIES</b>		<b>(5,438,775)</b>	<b>7,951,482</b>

Continued on next page >>

The accompanying notes form an integral part of these financial statements.

# Cash flow statement (con't)

For the year ended 31 December 2012

	Note	2012 (RM )	2011 (RM )
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of Property, Plant and Equipment		(72,260,532)	(2,047,885)
Capitalisation of MIDA Building - Work in Progress		62,317,120	67,680
Proceeds from sales of Property, Plant and Equipment		82,871	123,330
Profit on Computer Loan		2,773	3,740
Payments for Work in Progress		(478,293)	(62,210,469)
Grant received - Development Fund		3,200,000	1,800,000
Interest received - Development Fund		978,720	2,023,889
Rental received - investment account		39,412	407,905
Payments - Development Fund		(18,731,879)	(2,049,521)
Grants received - Special Accounts		206,096,176	376,571,686
Interest received - Special Accounts		17,966,312	15,572,330
Payments - Special Accounts		(339,693,371)	(156,582,613)
Interest on deposits at bank		3,298,496	3,787,107
Profit on Conveyance Loan		37,217	44,927
Interest on deposits		1,302	1,040
<b>Net cash used for/from investing activities</b>		<b>(137,143,676)</b>	<b>177,513,146</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(142,582,451)</b>	<b>185,464,628</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>			
Effect of rate changes on foreign currency rates on cash and cash equivalents		325,446	(139,670)
Cash and cash equivalents at beginning of the year after effect of foreign currency exchange rates		745,231,826	560,232,314
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR</b>	<b>15</b>	<b>602,974,821</b>	<b>745,557,272</b>

The accompanying notes form an integral part of these financial statements.

# Notes to the accounts

## 1. General information

Malaysian Investment Development Authority (MIDA) was incorporated in Malaysia under the Malaysian Investment Development Authority (Amendment) Act, 2011.

MIDA's main activity is to promote and coordinate the development of the manufacturing and related services sector in Malaysia. MIDA is headquartered at MIDA Sentral, No. 5, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur, Malaysia.

## 2. Basis of preparation

The financial statements have been prepared on the historical cost basis of Accounting and in accordance to applicable approved Accounting Standards in Malaysia for 'Private Entity Reporting Standard' (PERS) issued by 'Malaysian Accounting Standards Board' (MASB) and relevant Treasury Circulars..

## 3. Financial risk management policy

MIDA's financial risk management policy seeks to ensure that adequate financial resources are made available to carry out its activities and to meet its obligations whilst managing its risk of foreign currency rates, non-payment of loans to employees and liquidity and cashflow risk. MIDA is not exposed to market risks and interest rate risks as it is not involved either directly or indirectly in stock market transactions and borrowings from financial institutions.

### a) Foreign currency exchange risk

MIDA is exposed to foreign currency exchange risk in maintaining the operating cost of its 24 overseas branches. To monitor the risk, MIDA sends remittances once in two months as well as utilisation

of Accountant General's rate for translation of foreign currencies.

### b) Credit risk

Credit risk is managed on loans to employees whereby all loans approved comply with loan disbursement rules and regulations.

### c) Liquidity and cashflow risk

MIDA relies on managing the Federal Government grants received, the operational cashflows and the allocation and utilisation of funds for working capital requirements.

## 4. Significant accounting policies

### a) Property, plant and equipment

Property, plant and equipment each costing RM 1,000.00 and more or property, plant and equipment which requires regular maintenance irrespective of its cost have been capitalised. Furniture, curtains, carpets, office partition and other similar items, irrespective of the cost have not been capitalised.

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss (if any) except for freehold land and work-in-progress which is not amortised. Computer Software purchased on a package basis according to specific projects is capitalised. Depreciation of property, plant and equipment are provided on the straight line basis calculated to write off the cost of the assets over their estimated useful lives. The principal rates used are as follows:-

## Notes to the accounts (con't)

Office Building	2% per annum
Office machines and equipment	10% per annum
Motor vehicles	20% per annum
Computer hardware & software	20% per annum
Office renovation	20% per annum

**b) Receivables**

Known bad debts are written-off and allowance is made for any debts considered to be doubtful of collection.

**c) Special accounts**

All receipts are credited and all payments are debited to the relevant account. Balances of special accounts at balance sheet date are recognised as liabilities.

Special Accounts managed by MIDA are financed by third parties according to specific projects and activities.

**d) Federal government grants**

Government grants received for the purpose of meeting operating expenses are recognised as income in the income statement for the current year.

Other grants received for the purpose of meeting approved development project cost or other specific cost are credited to the development fund or the relevant fund. All applications are debited to the relevant fund. Balances at balance sheet date are recognised as fund balances.

**e) Deferred grant**

Deferred grant is a component of development fund and is recognised as income in the income statement over the period necessary to match them with the

related cost that they are intended to compensate on a systematic basis.

**f) Conversion of foreign currencies****(i) Foreign currency transactions**

Transactions in foreign currencies have been translated and recorded into Ringgit Malaysia at the Accountant General's Department of Malaysia (AG) rates of exchange ruling on the date of transaction except for contracts quoted in foreign currency whereby the transaction is translated using the Central Bank or Commercial Bank rate prevailing at date of payment.

Foreign currency balances at balance sheet date are translated into Ringgit Malaysia at the AG rates ruling on that date. All exchange differences are dealt with through the income statement.

**(ii) MIDA overseas offices**

The operations of MIDA overseas offices are integral to the headoffice operations and the foreign currency transactions are translated by applying the policy described above.

**(iii) Closing Rates**

The principal closing rates used in the translation of foreign currency amounts are shown below:

Currency	2012 (RM)	2011 (RM)
US Dollar	3.0902	3.1825
Australian Dollar	3.2136	3.2220
Euro	3.9654	4.3274
British Pound	4.9358	5.0423
China Renminbi	0.4956	0.5010
Swedish Krona	46.1024	47.4287

## Notes to the accounts (con't)

Japanese Yen	3.8191	4.1083
Taiwan Dollar	10.6033	10.5430
South Korea Won	0.2841	0.2812
UAE Dirham	83.3206	85.6917
Indian Rupee	5.6465	6.3245
Singapore Dollar	2.5252	2.4704
Thai Baht	10.0636	10.2955
South African Rand	0.3515	0.3918

**g) Income recognition**

Interest and rental income is recognised in the income statement based on the accrual concept. Interest on deposits at banks or that relate specifically to development fund or special accounts are credited to the development fund or special accounts.

**h) Employee Benefits****(i) Short Term Benefits**

Salary, wage, bonus and employee social security contribution are treated as current year's expenditure.

**(ii) Permanent Contribution Plan**

MIDA made contributions to the Employees Provident Fund (EPF) for employees on the EPF scheme and to the Pension Trust Fund for those employees on the Government's pension scheme. These contributions are treated as current year's expenditure. Once the contributions have been paid, MIDA has no further payment obligations.

**(iii) Long Term Benefits****Cash award in lieu of accumulated leave:**

Cash award in lieu of accumulated leave is given to employees who are unable to utilise all their leave upto to a maximum of 150 days due to exigency of the service. The cash award is paid

on the last working day before retirement and the computation is based on the salaries and fixed allowances at the balance sheet date.

**i) Cash and cash equivalents**

These are short term, highly liquid assets that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**j) Impairment of asset:**

The carrying values of assets are reviewed for impairment when there is an indication that the assets might be impaired. An impairment loss is charged to the income statement immediately. Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately.

**k) Financial Instruments**

The carrying amounts of financial assets and liabilities approximate their fair values at the balance date.

**l) Maturity principle**

The Receivables maturity structure is as follows:-

- (i) Maturity due within 12 months
- (ii) Maturity due after 12 months

**5. Taxation**

Malaysian Investment Development Authority (MIDA) has been granted tax exempt status under Section 127, of the Income Tax Act, 1967.

## Notes to the accounts (con't)

## Notes to the accounts (con't)

## 6. Property, plant and equipment

	Freehold Land		Office Building (RM)	Office Renovation (Development) (RM)	Motor Vehicles (RM)	Computer Hardware & Software Operating Fund (RM)	Development Fund (RM)	Machines & Office Equipment		Total (RM)	
	Operating Fund (RM)	Development Fund (RM)						Operating Fund (RM)	Development Fund (RM)	2012	2011
<b>COST</b>											
As at 1 January	326,810	42,000,000	106,830,902	0	8,392,554	5,817,048	20,255,625	2,830,718	100,000	<b>186,553,657</b>	185,938,805
Additions	0	0	87,000	41,111,174	630,193	127,425	28,069,971	153,999	2,080,770	<b>72,260,532</b>	2,047,885
Disposals	0	0	0	0	(176,732)	(1,379,441)	(4,597,796)	(1,826,100)	(100,000)	<b>(8,080,069)</b>	(1,433,033)
As at 31 December	<b>326,810</b>	<b>42,000,000</b>	<b>106,917,902</b>	<b>41,111,174</b>	<b>8,846,015</b>	<b>4,565,032</b>	<b>43,727,800</b>	<b>1,158,617</b>	<b>2,080,770</b>	<b>250,734,120</b>	<b>186,553,657</b>
<b>ACCUMULATED DEPRECIATION</b>											
As at 1 January	0	0	4,272,883	0	5,898,417	4,507,168	18,467,163	2,014,377	40,000	<b>35,200,008</b>	30,636,287
Disposals	0	0	0	0	(176,730)	(1,369,121)	(4,596,308)	(1,448,199)	(40,000)	<b>(7,630,358)</b>	(1,346,851)
Current year's depreciation	0	0	2,138,358	8,222,235	1,218,739	607,968	7,085,643	83,091	208,075	<b>19,564,109</b>	5,910,572
As at 31 December	<b>0</b>	<b>0</b>	<b>6,411,241</b>	<b>8,222,235</b>	<b>6,940,426</b>	<b>3,746,015</b>	<b>20,956,498</b>	<b>649,269</b>	<b>208,075</b>	<b>47,133,759</b>	<b>35,200,008</b>
<b>AS AT 31 DECEMBER 2012</b>	<b>326,810</b>	<b>42,000,000</b>	<b>100,506,661</b>	<b>32,888,939</b>	<b>1,905,589</b>	<b>819,016</b>	<b>22,771,302</b>	<b>509,348</b>	<b>1,872,695</b>	<b>203,600,360</b>	<b>-</b>
<b>AS AT 31 DECEMBER 2011</b>	<b>326,810</b>	<b>42,000,000</b>	<b>102,558,019</b>	<b>0</b>	<b>2,494,137</b>	<b>1,309,879</b>	<b>1,788,462</b>	<b>816,342</b>	<b>60,000</b>	<b>-</b>	<b>151,353,649</b>

## Notes to the accounts (con't)

## 7. Work in progress

	Balance as at 1.1.2012 (RM )	Capitalised/ Transferred (RM )	Payments made in the year (RM )	Balance as at 31.12.2012 (RM )
Interior Design Works, MIDA Building, KL Sentral	57,765,768	(57,765,768)	—	—
Technical Advisor, Interior Design Works, MIDA Building	546,260	(546,260)	—	—
Renovations for MIDA Overseas Offices	537,092	(537,092)	—	—
Computer Hardware & Software	3,468,000	(3,468,000)	478,293	478,293
<b>TOTAL</b>	<b>62,317,120</b>	<b>62,317,120</b>	<b>478,293</b>	<b>478,293</b>

## 8. Receivables

	2012 (RM )	2011 (RM )
Other receivables	1,084,880	5,838,301
Receivables - Conveyance loan	824,725	1,025,204
Receivables - Computer loan	51,075	86,279
	<b>1,960,680</b>	<b>6,949,784</b>
Receivables due within 12 months	1,318,979	6,183,143
Receivables due after 12 months	641,701	766,641
	<b>1,960,680</b>	<b>6,949,784</b>

## 9. Special accounts

	Strategic Investment and High Impact Project Funds	Upgrading of Basic Infrastructure of Existing Industrial Estates/ (NKEA- HAZMAT)	Industry Studies And Other Projects	Balance As At 2012	Balance As At 2011
<b>Balance as at 1 January 2012</b>	494,325,716	54,541,405	4,685,629	553,552,750	317,991,347
Receipts	137,720,000	68,000,000	376,176	206,096,176	376,571,686
Interest on deposits with bank	14,868,871	2,988,571	108,870	17,966,312	15,572,330
Application	(284,583,773)	(51,268,116)	(3,841,482)	(339,693,371)	(156,582,613)
<b>Balance as at 31 December 2012</b>	<b>362,330,814</b>	<b>74,261,860</b>	<b>1,329,193</b>	<b>437,921,867</b>	<b>553,552,750</b>

## Notes to the accounts (con't)

### 10. Other payables

- (i) In 2012, payment of **RM4,173,750** (2011: RM7,280,956) was paid to local service provider companies, service industry associations and professional bodies from the allocation of RM50 million received for the Services Sector Capacity Development Fund (SSCDF) project under the First Economic Stimulus Package. The project is to assist Malaysian service provider to enhance capacity and competitiveness in line with the government's objective to liberalise the services sector.
- (ii) In 2012, payment of **RM33,212,373** was paid to local companies from the allocation of **RM34,939,715** received for the 'National Key Economic Areas' (NKEAs) 'Business Services' - 'Entry Point Project 5' (EPP5) and NKEA Business Services - 'Entry Point Project (EPP3): IC Design: Augmentation of Eda Tools for Enablers' - Selangor Human Resource Development Centre (SHRDC).
- (iii) Settlement of invoices are in accordance with MIDA's Financial Rules and Regulations.
- (iv) The breakdown of other payables in Ringgit Malaysia and foreign currencies are as follows:

Currency	2012 (RM)	2011 (RM)
Ringgit Malaysia	37,091,195	46,716,120
US Dollar	152,760	165,044
Australian Dollar	22,943	29,643
Euro	295,786	144,634
British Pound	127,211	245,848
China Renminbi	79,865	33,155
Swedish Krona	40,195	20,192
Japanese Yen	156,047	251,021
Taiwan Dollar	15,351	39,854
South Korea Won	81,479	33,627
UAE Dirham	26,876	290,164
Singapore Dollar	23,831	7,187
Indian Rupee	126,822	73,249
Thai Baht	13,974	17,245
South African Rand	110,972	41,374
<b>TOTAL</b>	<b>38,365,307</b>	<b>48,108,357</b>

### 11. Employee benefits

Provision of employee benefits	2012 (RM)	2011 (RM)
Balance as at 1 January	5,549,858	5,402,785
Adjustment	(251,520)	(28,920)
Payment	(308,436)	(447,259)
Additions	3,597,578	623,252
<b>BALANCE AS AT 31 DECEMBER</b>	<b>8,587,480</b>	<b>5,549,858</b>
Payable within 12 months	184,800	298,276
Payable after 12 months	8,402,680	5,251,582
	8,587,480	5,549,858

## Notes to the accounts (con't)

### 12. Other income

	2012 (RM)	2011 (RM)
Deferred grant recognition (Note 16)	17,654,311	3,652,456
Interest on deposits at banks	3,298,496	3,787,107
Interest on conveyance loan	37,217	44,927
Interest on computer loan	2,773	3,740
Interest on deposits	1,302	1,040
Rental income	438,905	272,424
Gain on sale of property, plant and equipment	2,868	56,876
Miscellaneous income	1,136,388	2,580,121
<b>TOTAL</b>	<b>22,572,260</b>	<b>10,398,691</b>

### 13. Emoluments

	2012 (RM)	2011 (RM)
Salaries and wages	33,381,213	28,535,309
Fixed allowances	15,226,588	16,425,514
Statutory contributions for employees	5,424,807	4,526,816
Overtime allowances	1,074,063	757,028
Other monetary benefits	10,168,025	6,123,965
<b>TOTAL</b>	<b>65,274,696</b>	<b>56,368,632</b>
No. of employees at the end of the financial year	776	719

### 14. Other expenditure

	2012 (RM)	2011 (RM)
Travel and transportation	14,654,705	11,804,408
Transportation of things	1,473,219	1,334,011
Communications and utilities	18,167,824	17,859,394
Rental	33,771,724	43,245,871
Supplies and materials	3,937,509	2,951,132
Maintenance and minor repairs	7,984,270	6,651,940
Professional/ other services and hospitalities	23,692,471	21,351,772
Miscellaneous expenses	744,033	1,147,413
Loss on foreign exchange conversions	1,028,749	258,679
Loss on sale of property, plant and equipment	308,221	19,728
Write-offs	17,480	13,457
<b>TOTAL</b>	<b>105,780,205</b>	<b>106,637,805</b>

### 15. Cash and equivalents

Cash and cash equivalents comprised of:-	2012 (RM)	2011 (RM)
Fixed deposits at a licensed bank	500,000,000	708,308,346
Cash deposits at licensed banks	102,935,964	37,203,639
Cash in hand	38,857	45,287
<b>TOTAL</b>	<b>602,974,821</b>	<b>745,557,272</b>

## Notes to the accounts (con't)

Cash comprises of cash at bank and in hand including deposits. Cash equivalents comprises of fixed deposits maturing within one month from the date of placement and which are readily convertible to known amount of cash which are subject to an insignificant risk of change in value. The weighted average interest rate that was effective during the year 2012 was **3.07%** (2011: 2.90%) with an average maturity period of two weeks.

Included in Cash and Cash equivalents are Ringgit Malaysia and foreign currency balances as stated below:

Currency	2012 (RM)	2011 (RM)
Ringgit Malaysia	595,170,281	738,819,848
US Dollar	2,073,017	2,170,034
Australian Dollar	288,667	319,218
Euro	1,887,556	1,125,674
British Pound	403,319	393,273
China Renminbi	253,566	193,327
Swedish Krona	133,068	163,299
Japanese Yen	1,908,041	1,685,853
Taiwan Dollar	61,437	95,456
South Korea Won	74,720	21,194
UAE Dirham	159,632	128,858
Singapore Dollar	261,161	93,134
Thai Baht	61,849	49,306
Indian Rupee	171,455	226,577
South African Rand	67,052	72,221
<b>TOTAL</b>	<b>602,974,821</b>	<b>745,557,272</b>

Also included in cash and cash equivalents at year end are cash balances of Special Accounts (Note 9) amounting to **RM 437,921,867** (2011:

RM 553,552,750) which can only be utilised for the approved purposes.

**16. Development fund****Income statement**

	2012 (RM)	2011 (RM)
<b>INCOME</b>		
Deferred grant recognition (Asset)	17,654,311	3,652,456
Rental Income	39,412	407,905
Interest income	978,720	2,023,889
	<b>18,672,443</b>	<b>6,084,250</b>
<b>Less: Expenditure</b>		
Expenditure	18,731,879	2,049,521
Depreciation	17,654,311	3,652,456
	<b>36,386,190</b>	<b>5,701,977</b>
<b>Excess/(Less) income over expenditure</b>	<b>(17,713,747)</b>	<b>382,273</b>
<b>Deferred grant</b>		
Balance as at 1 January	257,808,715	259,278,898
Current year's development grant (Cash)	3,200,000	1,800,000
Amortisation of deferred grant (Asset)	(17,654,311)	(3,652,456)
	<b>243,354,404</b>	<b>257,426,442</b>
<b>Balance as at 31 December</b>	<b>225,640,657</b>	<b>257,808,715</b>

Development fund comprises of grants for projects related to MIDA Building KL Sentral, MIDA ICT systems, Industry Study and the establishment of additional MIDA overseas offices.

## Notes to the accounts (con't)

**17. Commitments**

Capital commitments that have been contracted by MIDA and not provided for in the financial statements.

	2012 (RM)	2011 (RM)
Interior Design Works, MIDA Building	—	28,334,232
Technical Advisor, Interior Design Works, MIDA Building	—	297,960
Overseas Office Renovations	—	137,158
Motor Vehicles	287,408	—
PKI (Public Key Infrastructure)/ Digital Signature	—	—
Computer Hardware, Software and Installation	495,307	1,110,600
<b>TOTAL</b>	<b>782,715</b>	<b>29,879,950</b>

**18. Contingent liability**

In 2012, MIDA signed a three (3) year contractual obligation with a third party valued at RM38.2 million for the continuation of the rental of telecommunication infrastructure; maintenance of Wide Area Network-IPVPN; technical support services and Electronic Messaging System (EMS) for headoffice, existing overseas and state offices and two (2) new overseas branches.

**19. Financial statements**

The Financial Statements were authorised for issue by Circulation to the Members of the Board on 7 August 2013.

## APPENDICES

80 Events

83 VIP visitations

84 International investment promotion activities

86 Domestic investment promotion activities

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**MEDIA SECURITY:** Journalists on a MIDA-sponsored media outing listening to an executive from Muehlbauer Technologies Sdn Bhd explain the intricate process behind the company's cards and 'tecurity' systems. Muehlbauer is the world's market leader in innovative systems and software solutions for the production and personalisation of cards, passports and RFID applications.

## Events

*MIDA's participation in local and overseas events in 2012.*

### APPENDIX 1 LOCAL EVENTS

NO.	NAME OF EVENT	ORGANISER	DATE	VENUE
1.	Program Turun Padang YB Menteri ke Langkawi	SME Corporation Malaysia	10-11 Jan 2012	Kuah, Langkawi
2.	Penang International Halal Expo & Conference (PIHEC) 2012	PIHH Development Sdn Bhd	24 – 26 Feb 2012	Penang International Sports Arena
3.	1Malaysia Youth Business Expansion Strategies (1MYBEST) Expo	United Youth Movement of Malaysia (GBBM)	10-11 Mar 2012	Kenanga Wholesale City, Kuala Lumpur
4.	ACCCIM 3rd SME Conference 2012	ACCCIM	15 Mar 2012	Berjaya Times Square Hotel
5.	Malaysia – UK Trade and Investment Forum	UK Trade and Investment (UKTI)	12 Apr 2012	Shangri-La Hotel, Kuala Lumpur
6.	13th Defence Services Asia Exhibition and Conference	DSA Exhibition and Conference Sdn Bhd	16-19 Apr 2012	Putra World Trade Centre (PWTC), Kuala Lumpur
7.	15th Southeast Asian Healthcare and Pharma Show	ABC Exhibitions Sdn Bhd	17-19 Apr 2012	Kuala Lumpur Convention Centre (KLCC)
8.	Launch of Key Logistics Spots in Malaysia	EU-Malaysia Chambers of Commerce and Industry (EUMCCI)	24 Apr 2012	Grand Millennium Kuala Lumpur
9.	Showcase in conjunction with Malaysia – IDB Group Investment Forum	MATRADE	9-10 May 2012	JW Marriot Hotel, Kuala Lumpur
10.	Program Himpunan Usahawan Mikro, Kecil dan Sederhana (Jom Niaga) Negeri Selangor	SME Corporation Malaysia	10-11 May 2012	Kompleks Karangraf, Shah Alam
11.	Seminar on Electronics Industry – Empowering Global Economy Through Technology	MIDA	15 May 2012	Pulau Pinang
12.	Kaunter Informasi Sempena Mesyuarat Agung Tahunan Ke 21 Persatuan Pengilang & Industri Perkhidmatan Bumiputera Malaysia (PPIPBM)	Persatuan Pengilang & Industri Perkhidmatan Bumiputera Malaysia (PPIPBM)	17 May 2012	Sime Darby Convention Centre
13.	Karnival Usahawan SME Bank 2012	SME Bank	19-20 May 2012	Suria Sabah Shopping Mall, Kota Kinabalu, Sabah
14.	Cradle Fund: Asia Business Angel Forum (ABAF) 2012	Cradle Fund Sdn Bhd	24-25 May 2012	JW Marriot Hotel, Kuala Lumpur
15.	Kaunter Informasi Semasa Program Seminar Entrepreneurship Enhancement Think-in (1MEET) Sempena Karnival G2Y Hari Belia Negara 2012	Bahagian Pembangunan Usahawan, MITI	24-25 May 2012	Menara Usahawan, Putrajaya

*Continued on next page >>*

### APPENDIX 1 LOCAL EVENTS (CON'T)

NO.	NAME OF EVENT	ORGANISER	DATE	VENUE
16.	Seminar and Business Networking Session (B2B) Programme	MIDA	19-20 Jun 2012	Intercontinental Hotel, Kuala Lumpur
17.	Pameran Sempena Majlis Pelancaran Laporan Tahunan MITI	MITI	20 Jun 2012	MATRADE Exhibition & Convention Centre
18.	SME Annual Showcase “SMIDEX 2012”	SME Corporation Malaysia	20-22 Jun 2012	Kuala Lumpur Convention Centre (KLCC)
19.	SME Solutions Expo	Business Media International	28-30 Jun 2012	Mid Valley Exhibition Centre
20.	Kaunter Informasi Semasa Program Jelajah Janji Ditepati (PJJD), Bangi, Selangor	MITI	8 Jul 2012	Bangi, Selangor
21.	Asian Mining & Energy Investment Forum (AMEI)	Vertical Events	12-13 Jul 2012	Hilton KL Sentral
22.	Program MITI Mendekati Pelajar Universiti	MITI	26 Jul 2012	UiTM Cawangan Kelantan
23.	Seminar dan Pameran Perdagangan dan Perindustrian Peringkat Negeri Sarawak	Kementerian Pembangunan Perindustrian (MID) Sarawak	11 Sep 2012	Kuching, Sarawak
24.	Malaysia Oil & Gas Services Exhibition and Conference (MOGSEC 2012)	Malaysian Oil and Gas Services Council	18-20 Sep 2012	Kuala Lumpur Convention Centre (KLCC)
25.	Sabah International Expo 2012 (SIE2012)	Ministry of Industrial Development, Sabah	21-24 Sep 2012	Sutera Harbour Resort, Sabah
26.	Kaunter Informasi Semasa Program Jelajah Janji Ditepati (PJJD), Paroi, Negeri Sembilan	MITI	29 Sep 2012	Kompleks KBS Paroi, Negeri Sembilan
27.	International Greentech & Eco Products Exhibition & Conference Malaysia (IGEM 2012)	KeTTHA	10-13 Oct 2012	Kuala Lumpur Convention Centre (KLCC)
28.	Kaunter Informasi Semasa Program Jelajah Janji Ditepati (PJJD), Kudat, Sabah	MITI	14 Oct 2012	Kudat, Sabah
29.	Kaunter Penerangan Sempena The 9th TPO Network World Conference and Award	MATRADE/International Trade Centre (ITC)	18-19 Oct 2012	Menara MATRADE
30.	BioMalaysia 2012	MOSTI & Biotech Corp	5-7 Nov 2012	Kuala Lumpur Convention Centre (KLCC)
31.	Malaysia Agriculture, Horticulture & Agrotourism International Show (MAHA International 2012)	Ministry of Agriculture and Agro-based Industry	23 Nov -2 Dec 2012	Malaysia Agro-Exposition Park Serdang (MAEPS)
32.	Klinik Usahawan Sempena Majlis Perhimpunan Usahawan Perakayuan Bumiputera dan Hari Terbuka Lab NATIP Teras 7	Lembaga Perindustrian Kayu Malaysia	27-28 Nov 2012	Pusat Maritim Putrajaya
33.	International Trade Malaysia (INTRADE 2012)	MATRADE, in collaboration with MITI	27-29 Nov 2012	MATRADE Exhibition & Convention Centre

*Continued on next page >>*

## Events (con't)

*MIDA's participation in local and overseas events in 2012.*

### APPENDIX 2 OVERSEAS EVENTS

NO.	NAME OF EVENT	ORGANISER	DATE	VENUE
1.	Offshore Technology Conference (OTC) 2012	Society of Petroleum Engineers (SPE)	30 Apr-3 May 2012	Reliant Park, Houston, USA
2.	Bio International Convention 2012	BIO	18-21 Jun 2012	Boston, USA
3.	China International Fair for Investment & Trade (CIFIT) 2012	Investment Promotion Agency of the Ministry of Commerce, China	8-11 Sep 2012	Xiamen, China
4.	China-ASEAN Expo (CAEXPO) 2012	Government of People's Republic of China	21-25 Sep 2012	Nanning, China
5.	China Overseas Investment Fair (COIF) 2012	China Industrial Overseas Development and Planning Association	3-4 Dec 2012	Beijing, China

## VIP visitations

*Investment promotion visits facilitated by MIDA for the Prime Minister of Malaysia, the Deputy Prime Minister of Malaysia, the Minister of International Trade and Industry, the Deputy Minister of International Trade and Industry and CEO of MIDA in 2012.*

### APPENDIX 3 VIP VISITATIONS

NO.	PROGRAMME	DATE
1.	YBM's Visit To Zurich & Davos, Switzerland (Zurich & Davos)	23 – 30 January
2.	YAB PM's Visit To Myanmar (Yangon)	28-29 March
3.	YBM's Visit To Oman (Muscat)	27-29 April
4.	YBM's Visit To Thailand (Bangkok) In Conjunction of World Economic Forum On East Asia 2012	30 May – 1 June
5.	YBM's Visit To The Russian Federation (Kazakhstan & Moscow) In Conjunction With Meeting Of APEC Ministers	3-6 June
6.	YBM's Visit To UK (London)	6-8 June
7.	YBM's Visit To Indonesia (Jakarta) ASEAN-Latin America Business Forum	9-10 July
8.	YBM's Visit To Singapore & Johor	30-31 July
9.	YBM's Visit To Singapore GES Summit 2012	22-23 October
10.	YAB DPM's Official Visit To China (Nanning) RTM & CAEXPO	18-24 September
11.	YB Minister Visit To Hong Kong Invest Malaysia In Hong Kong	5-9 November
12.	YBM's Working Visit To Turkey And Egypt (Istanbul & Cairo)	10 – 13 October

## International investment promotion

*Investment promotion missions, roundtable meetings, seminars and other trade promotion activities organised in 2012.*

### APPENDIX 4 GENERAL INVESTMENT PROMOTION MISSIONS

NO.	PROGRAMME	DATE
1	TIM To Thailand & Myanmar	22 - 24 Feb
2	TIM To Japan (Kyoto, Nagoya, & Tokyo)	23 - 27 Apr
3	Investment Mission To USA (Houston, St. Louis & Phoenix)	29 Apr -5 May
4	TIM To Korea (Seoul & Busan)	14 - 19 Jul
5	TIM To USA (New York, Minneapolis & Boston)	15 -19 Oct
6	TIM To Thailand (Songkhla)	30 - 31 Oct
7	TIM To India (Mumbai & Hyderabad)	12 - 16 Dec

### APPENDIX 5 SPECIFIC PROJECT MISSIONS

NO.	TARGET SECTOR	COUNTRY VISITED	DATE
1.	Renewable Energy & Energy Efficiency	Tokyo & Osaka, Japan	9 - 16 February
2.	IC Design, Electronic Components & Semiconductor	Korea & Taiwan	19 Feb - 29 Mar
3.	Materials For Renewable Energy & Energy Storage	China	26 Feb - 3 March
4.	LED, Electronics and Solar Industry	Osaka, Fukuoka & Tokyo, Japan	4 - 11 March
5.	Specialty Paper & High End Furniture	China & Korea	26 March - 5 April
6.	Automotive	China	18 - 27 April
7.	Midstream and Downstream Metal Products	Korea	24 - 29 April
8.	Specialized Machinery - Oil & Gas Equipment - Front-end Semiconductor Equipment - Packaging & Industrial Automation Machinery	USA - Houston, Chicago, San Jose	30 April - 11 May
9.	Petrochemical Products, Rubber Products & Specialty Chemicals	Japan & South Korea	14 - 23 May
10.	Biotechnology & Medical Devices	Boston, New York, Houston, Chicago, Minnesota & San Jose	18 - 29 June
11.	Electronic Components & IC Design Houses	Netherlands, Germany, Switzerland and UK	19 - 29 June
12.	Treasury Management Centre	Germany	25 - 29 June
13.	Aerospace	UK & France	8 - 18 July

### APPENDIX 5 SPECIFIC PROJECT MISSIONS (CON'T)

NO.	TARGET SECTOR	COUNTRY VISITED	DATE
14.	Technical Textiles & Advanced Ceramic Products	Tokyo & Osaka, Japan	9 - 13 July
15.	Business Services and Materials for Energy Storage (OHQ & R&D for Energy, Design & Architecture Management & Engineering Consulting)	Melbourne & Perth, Australia	23 - 28 July
16.	Pharmaceutical, Biotechnology & Cosmaceutical	Japan & Korea	1 - 13 September
17.	Specialised Machinery & Equipment For Semiconductor Industry, Packaging Machine & Machine Tools, Large Castings & Forgings	Tokyo & Osaka, Japan	17 - 27 September
18.	LED, Solar & Industrial Electrical Products	UK, Switzerland, Italy & Germany	18 - 28 September
19.	Specialty Paper, High End Furniture (Design & Development) And Oil Palm Biomass	Europe	30 September - 9 October
20.	Logistics & Regional Operations	Belgium, Switzerland, Netherlands and Norway	15 -23 October
21.	LED Fab, Wafer Fab, Semiconductor	Tokyo & Osaka	16-24 October
22.	Robotic & Automation Specialised Processing Equipment, Packaging & Material Handling Equipment And Machine Tools.	Sweden, Switzerland & Germany	24 Oct - 7 November
23.	Food Processing & Halal Food	Tokyo & Osaka (Japan) and South Korea	4 - 14 November
24.	Oleochemicals	Belgium, Switzerland, Netherlands and Norway	5 - 12 November
25.	Life Sciences	Germany, Italy & France	11 - 20 November
26.	Aerospace & Automotive	USA & Japan	26 Nov - 12 December
27.	Regional Operations - Treasury Management Centre (TMC) - Oil & Gas	Singapore	10 - 13 December
28.	Renewable Energy, Environmental Management & Education	China	12 - 22 December

### APPENDIX 6 SEMINARS, FORUMS AND BRIEFINGS

NO.	PROGRAMME	DATE
1	Investment Promotion Mission / Specific Project Mission To Houston, USA In Conjunction with Offshore Technology Conference (OTC) 2012	29 April - 5 May
2	Invest Malaysia 2012 Conference	12-13 April
3	Malaysia - Islamic Development Bank Group	29 Apr -5 May
4	Investment Forum	9 - 11 May

## Domestic investment promotion

*General missions, roundtable meetings, seminars and other investment promotion activities organised in 2012.*

### APPENDIX 7 SPECIFIC INDUSTRY SEMINARS AND WORKSHOPS

NO.	PROGRAMME	VENUE	DATE
1	'Bengkel Industri Berasaskan Kayu'	Kuantan, Pahang	14 May 2012
2	Seminar On Electronics Industry – Empowering Global Economy Through Technology	Penang	15 May 2012
3	Seminar & Business Networking (B2B) Session Spearheading Outsourcing Opportunities in High Tech Industries	Kuala Lumpur	19 – 20 Jun 2012
4	Workshop on Paper and Printing Industry	Penang	25 Jun 2012
5	Workshop on Design and Development in Furniture Industry	Muar, Johor	18 Jul 2012
6	Workshop with Selected Companies in Food Industry	Kota Bharu, Kelantan	24 Sep 2012
7	MIDA'S One 2 One Session – In conjunction with IGEM 2012		10 -13 Oct 2012
8.	Conference on The Services Sector	Kuala Lumpur	22 November 2012

### APPENDIX 8 ROUNDTABLE MEETINGS

NO.	PROGRAMME	VENUE	DATE
1	Roundtable Meeting with Selected Companies in Selangor	Selangor	16 February 2012
2	Roundtable Meeting with Companies in Pahang	Kuantan, Pahang	8 March 2012
3	Roundtable Meeting with Companies in the Medical Devices/Pharmaceutical and Supporting Industries	Penang	25 April 2012

### APPENDIX 9 INDUSTRY BRIEFINGS ON THE DOMESTIC INVESTMENT STRATEGIC FUND (DISF)

NO.	PROGRAMME	VENUE	DATE
1.	Federation of Malaysian Manufacturers (FMM) Members	MIDA	8 Aug 2012
2.	Industry Associations on Electrical & Electronics, Photovoltaic & Solar and ICT	MIDA	19 Aug 2012
3.	Sarawak Trade & Industries Seminar – organised by the Ministry of Industrial Development (MID) Sarawak	Sarawak	11 Sep 2012
4.	Industry Associations on Machinery & Equipment, Mould & Die and Engineering Services	MIDA	14 Sep 2012
5.	Seminar Insentif Pelaburan anjuran Unit Perancang Ekonomi Negeri (UPEN), Negeri Sembilan	Port Dickson, Negeri Sembilan	18 Sep 2012
6.	Industry Associations on Pharmaceutical & Medical Devices	MIDA	21 Sep 2012
7.	Federation of Malaysian Manufacturers (FMM), Penang Branch	Pulau Pinang	21 Sep 2012
8.	Federation of Malaysian Manufacturers (FMM), Kedah Branch	Kedah	27 Sep 2012
9.	Industry Associations on Biomass	Putrajaya	1 Nov 2012

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