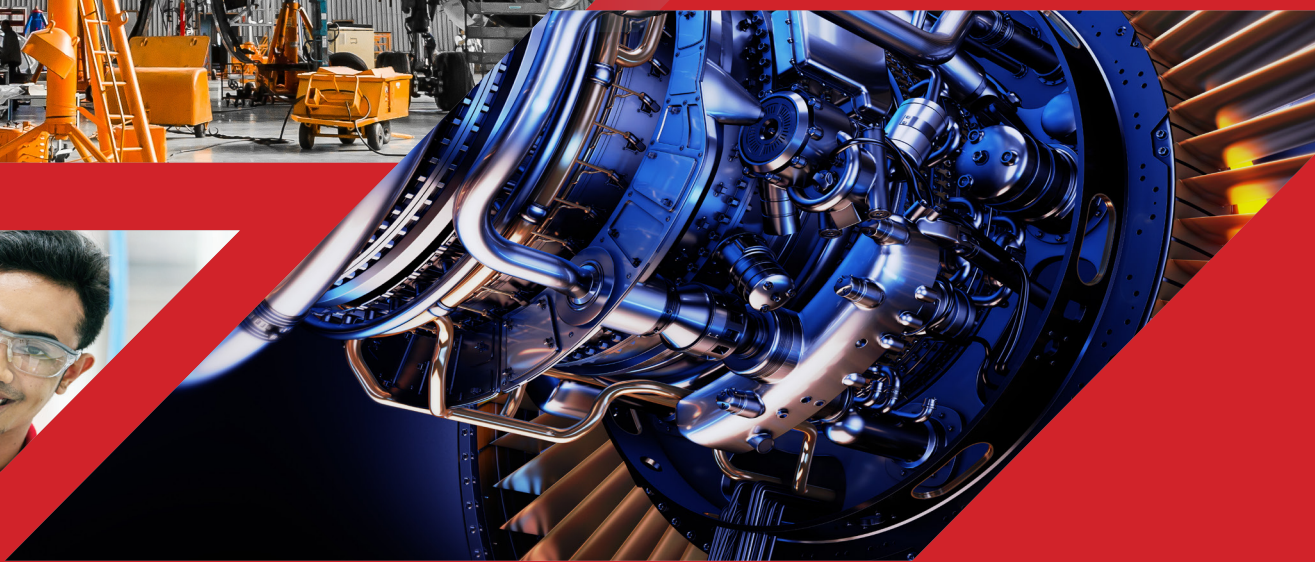




MALAYSIA'S AEROSPACE INDUSTRY



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SUCCESS STORY

Malaysia-Your Asia-Pacific Aerospace Hub

A catalytic industry playing a major role

Strategically located at the heart of the wider Asia-Pacific region, Malaysia sits within the world's largest air travel market, and has world-class infrastructure. Together with its business-friendly Government, supportive industry policies, diversified manufacturing base, and widely available industry talent, the country is a cost-effective location for projects.

The Malaysian Government considers the industry to be a catalytic high-value industry under its 11th Malaysia Plan (11MP) and beyond. Malaysian Investment Development Authority (MIDA) emphasised the development of the aerospace industry, its supply chain, and its competency through industry-led research and technology (R&T). The Government has also put in place the Malaysian Aerospace Industry

Blueprint 2030 (MAIB2030) to help drive the industry's growth. Underscoring the Asia-Pacific region's air travel market growth, The Boeing Company predicts that demand for planes will pick up over the next decade, with the region needing almost 17,485 planes. The region will also account for 39 per cent of global deliveries of passenger and freight planes over the same period.

With 40 per cent of aerospace industry growth coming from Asia-Pacific alone, and a collective GDP of four ASEAN countries exceeding US\$1 trillion by 2030, the future of the industry is in Asia.

Given the robust industry growth outlook for the Asia-Pacific region, opportunities abound in:



The manufacturing of parts and components



The manufacturing/assembly base for light aircraft and corporate planes



Aerospace supply chain activities such as engineering, electronics, composite materials, as well as manufacturing and systems integration



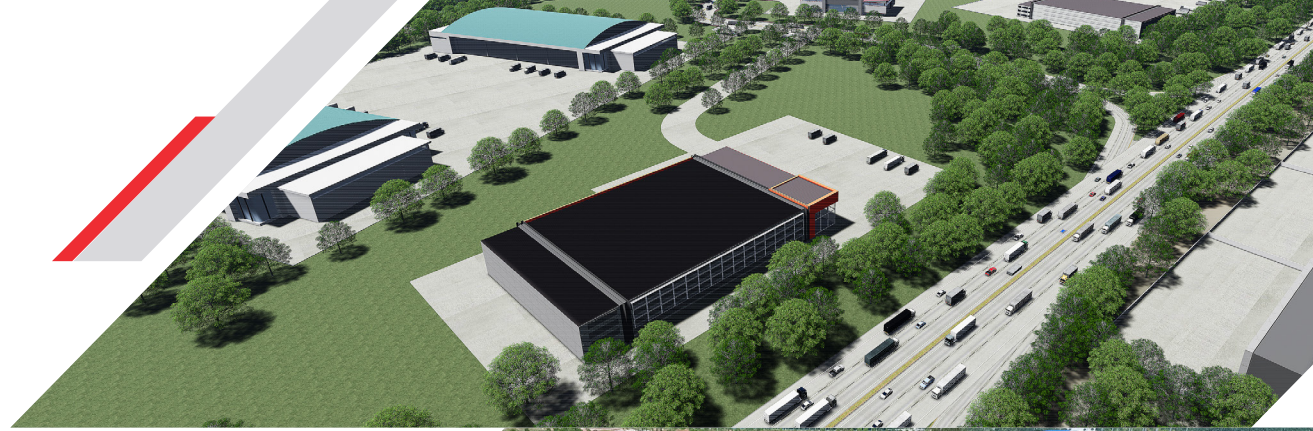
Aircraft/components maintenance, repair, and overhaul (MRO) activities



Aircraft conversion and modification activities



Strategically located in the heart of Southeast Asia, Malaysia's economic landscape with state-of-the-art and world-class infrastructure such as the KLIA Aeropolis, Subang Aerotech Park, Senai Aerospace Park, Serendah High Value Manufacturing Park Kulim Hi-Tech Park, Nusajaya Tech Park and Penang Technology Park@Bertam.



KLIA Aeropolis



*Kulim Hi-Tech
Park*



*UMW Aerospace
Park*

THE 2030 TARGET

The Malaysian Aerospace Industry Blueprint 2030 (MAIB2030) has set targets for Malaysia to become the No. 1 aerospace nation in Southeast Asia and an integral part of the global market. The blueprint targets a total revenue of RM55.2 billion and the creation of more than 32,000 high-income jobs.

MIDA's role under the blueprint is to promote aerospace investments through incentives and matching funds. The organisation also serves to assist companies that intend to invest in the manufacturing and services sectors, as well as facilitates the implementation of the projects.



The Malaysian aerospace industry has grown significantly to become the second-largest in Southeast Asia, providing more than 27,500 jobs opportunities mostly in the MRO and aero-manufacturing subsectors



MAIB2030 lays out Malaysia's aerospace industry focus on the following five areas, with R&T integral in supporting these areas:



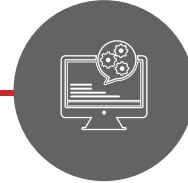
MRO

To capture at least **5%** of global market share



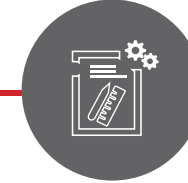
Aero-Manufacturing

To be the **top** for aerospace parts and components sourcing by becoming a large sub-assembly, Tier-1, and Risk Sharing Partner



Systems integration

To become self-reliant (with at least **70%** local content) in integration and upgrading of strategic assets



Engineering and design services

To capture at least **3.5%** of global market share



Education and training

To be the **No.1** supplier of industry talent within Southeast Asia

MIDA'S ROLES AND INITIATIVES



AEROSPACE MANUFACTURING

Aerospace manufacturing is one of the fastest growing subsectors within the industry, both in the areas of metallic and composite details and assemblies. In Malaysia, aerospace manufacturing has overtaken all other subsectors in the industry as the main contributor to total revenue. There are efforts underway to further develop local supply chains and vendors (Tier 2 and below) to support demand.

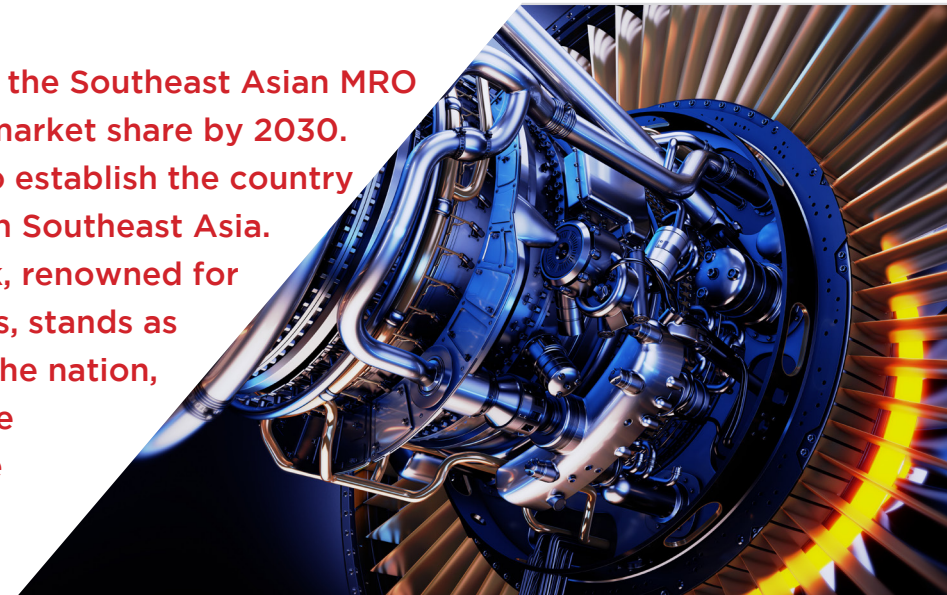
Tier 1 set ups such as UMW Holdings Berhad's plant (which manufactures Rolls-Royce fan cases) catalyse lower tier industry growth. The company's new aerospace hard metal manufacturing park provides an excellent platform to nurture this subsector. Leading aerostructure manufacturing firms with a presence in Malaysia include Spirit AeroSystems Malaysia Sdn. Bhd., Composites Technology Research Malaysia Sdn. Bhd., Aerospace Composites Malaysia Sdn. Bhd., SME Aerospace Sdn. Bhd., Upeca Aerotech Sdn. Bhd. (part of Senior plc), Singapore Aerospace Manufacturing (SAM), and Honeywell.

MRO

MRO is considered a mature subsector in Malaysia – companies within this space already serve industry giants such as Airbus SE, GKN Aerospace, GE Engine Services Malaysia Sdn. Bhd., Leonardo Helicopters, SR Technics Malaysia Sdn. Bhd., Hamilton Sundstrand Malaysia, ExecuJet Malaysia as well as local companies such as Airod Sdn. Bhd., Asia AeroTechnic Sdn. Bhd. and Sapura Technics Sdn. Bhd.



Malaysia aims to secure 50% of the Southeast Asian MRO business and 5% of the global market share by 2030. This ambitious goal is poised to establish the country as the premier aerospace hub in Southeast Asia. Notably, Subang Aerotech Park, renowned for its competitive cost advantages, stands as the largest MRO center within the nation, accommodating a diverse range of both local and global service providers.



AEROSPACE INDUSTRY INCENTIVES

INCOME TAX EXEMPTION

- Income tax exemption equivalent to pioneer status
 - Income tax exemption ranging from 70% to 100% for a period of 5 or 10 years
- Income tax exemption equivalent to investment tax allowance
 - 60% or 100% on qualifying capital expenditure for 5 years



REINVESTMENT ALLOWANCE

- 60% on qualifying capital expenditure for 15 consecutive years

IMPORT DUTY EXEMPTION

- For raw materials/components and machinery and equipment



TOP REASONS TO LOCATE IN MALAYSIA

Malaysia invites aerospace companies to soar new heights by establishing activities and operations within the nation's dynamic landscape. Besides its top-notch infrastructure (both generally and industry-specific), Malaysia is committed to making the aerospace industry a key contributor to the manufacturing sector, in line with the nation's drive towards becoming a high-income economy based on innovation, creativity and high-value activities.

Malaysia is a growing market in Southeast Asia that is host to some of the biggest global aerospace companies. There is a complete ecosystem ranging from research and development, engineering and design, manufacturing, MRO, and human capital development. Malaysian companies are experienced with quickly adapting to evolving technologies and working in a borderless business world, which includes enabling OEMs to explore collaborations with any partner, from anywhere in the world.

Having a business-friendly Government, which has welcomed investors from across the globe over the decades, helps to ease the process of setting up operations. Malaysia's 12MP – which will run from 2021 to 2025 – will continue to support the growth of the industry, as the Government pushes for Malaysia to be a global aerospace centre in the Asia-Pacific region. The industry, which has grown substantially in the past 20 years, is integral to the country's industrialisation and technological development programmes.

A crucial point to note is that Malaysia aims to be the preferred global aerospace outsourcing centre through participation in 'design and build' activities in aircraft programmes. Besides that, the country is also aiming to secure a greater share of the aero manufacturing and MRO market as well as develop its capability in avionics and systems integration.



With MIDA at the forefront, Malaysia strives to become the preferred global aerospace outsourcing centre. Through strategic investment missions to targeted nations, collaborative industry linkage and supply chain programmes, Malaysia entices OEM and Tier-1 companies. This integration strengthens Malaysia's position in the global aerospace supply chain network.

SUCCESS STORY



GKN AEROSPACE

GKN Aerospace Services Ltd is a Tier 1 supplier of airframe and engine structures, landing gear, electrical interconnection systems and transparencies.

The UK-based company has set up its seventh Asian repair facility for aircraft engine components and its first engine systems business in the region at Nusajaya Techpark located on the southern tip of the Peninsular Malaysia.

This facility, which requires 150 – 300 workers, focuses on servicing engines with low-pressure compressor (LPC) components, while its research will be centred on the application of additive manufacturing (3D-printing) technology into engine parts repair. The facility's location was identified with the help of the Malaysian Government and the MIDA and also serves as a state-of-the-art repair and research site for customers in Asia-Pacific.



UMW AEROSPACE SDN. BHD

Among local companies in the aerospace ecosystem, UMW Aerospace Sdn. Bhd., a wholly-owned company of the UMW Group, stands out for being the first Malaysian Tier 1 aerospace engine component manufacturer. UMW Aerospace's skilled workforce located in its plant in Serendah, Malaysia, produces fan cases, one of the largest and most complex parts of the engine to manufacture, for Rolls-Royce aero engines.

The Serendah plant complements the Rolls-Royce assembly plant in Singapore and rolled out its maiden fan case for Rolls-Royce Trent 1000 engines in November 2017. UMW Aerospace has a 25 + 5-year contract with Rolls-Royce Plc and the production of these fan cases will also have spill-over effects for the aerospace ecosystem as it will further develop the supply chain.

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