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NEWS·INFORMATION·OPPORTUNITIES

ISKANDAR REGIONAL DEVELOPMENT AUTHORITY

Malaysia 2012 GDP at 5.6%: *Above market expectations*

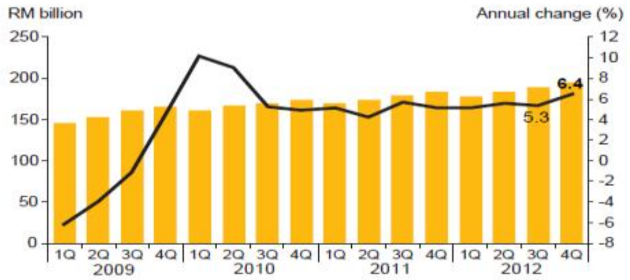
Economic Transformation Programme : Annual Report 2012

Highlights

Malaysia's 4Q 2012 GDP expanded by +6.4% YoY, beating consensus estimates of +5.8% YoY.
For full 2012, Malaysia registered a growth of +5.6% as compared with +5.1% in 2011.

Meanwhile, 3Q 2012 growth was revised to slightly higher +5.3% YoY from +5.2%

Higher growth in the fourth quarter
(at constant year 2005 prices)



Source: Department of Statistics, Malaysia

Domestic demand remained the key contributor to growth despite its slower pace of expansion of +7.5% YoY in 4Q 2012 against +11.4% YoY amid slower pace of increase in all components i.e. consumer spending, gross fixed capital formation and government consumption expenditure.
The double digit investment growth was sustained by both private sector and public sector.

GDP by Expenditure Components
(at constant 2005 prices)

	2011		2012		
	4Q	Year	3Q	4Q	Year
	Annual change (%)				
Aggregate Domestic Demand (excluding stocks)	10.4	8.2	11.4	7.5	10.6
Consumption	11.1	8.9	7.3	4.8	7.1
Private sector	*7.3*	*7.1*	*8.5*	*6.1*	*7.7*
Public sector	*22.9*	*16.1*	*2.3*	*1.1*	*5.0*
Gross Fixed Capital Formation	8.4	6.5	22.7	15.0	19.9
Private sector	*18.8*	*12.2*	*22.9*	*20.2*	*22.0*
Public sector	*1.9*	*-0.3*	*22.4*	*11.1*	*17.1*
Net Exports	-10.5	-7.4	-50.3	-5.9	-29.4
Exports of Goods and Services	*5.5*	*4.2*	*-3.0*	*-1.5*	*0.1*
Imports of Goods and Services	*7.8*	*6.2*	*4.4*	*-0.9*	*4.5*
GDP	5.2	5.1	5.3	6.4	5.6

Source: Department of Statistics, Malaysia

On the supply side, manufacturing led the way accompanied by strong increase in agriculture output, rebound in mining activities and sustainable double digit expansion in construction sector. In contrast, services sector moderated .

GDP by Economic Activity
(at constant 2005 prices)

	2011		2012		
	4Q	Year	3Q	4Q	Year
	Annual change (%)				
Agriculture	6.9	5.9	0.5	5.6	0.8
Mining	-3.8	-5.7	-1.2	4.3	1.4
Manufacturing	5.2	4.7	3.3	5.8	4.8
Construction	7.5	4.6	18.3	18.1	18.5
Services	6.6	7.0	7.0	6.3	6.4
Real GDP (Annual Change)	5.2	5.1	5.3	6.4	5.6
Real GDP (Preceding Change)	1.8	5.1	3.3	2.9	5.6

Source: Department of Statistics, Malaysia

Country	2011 %	4Q2012 %	2012 %	2013 (F) %
Malaysia	5.1	6.4	5.6	5-6
Thailand	0.1	18.9	6.6	6.0
Indonesia	6.5	6.1	6.2	6.3
Spore	4.9	1.1	1.2	1 - 3

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Comparing with Thailand, Singapore and Indonesia, growth for Malaysia in 2012 is commendable.

For Thailand, the higher growth registered for 2012 was due to the massive re-construction and re-investment activities following the floods in 2011 (and thus, the low base) while Indonesia, being an emerging market enjoyed a higher growth than Malaysia driven by its strong domestic consumption and market confidence on its economic reforms.. Among ASEAN countries, Indonesia will continue to lead in attracting foreign direct investments and baring unforeseen circumstances, we can expect its GDP growth to continue this pace at least for the next 3 years.

Singapore's growth is expected for a developed nation following a high base in 2011. Singapore 2013 Budget which continued its strategies to increase productivity and reduce dependence on foreign labour will 'push' more Singapore companies to look beyond Singapore for their investments and expansion. Iskandar Malaysia will be the logical choice to relocate their operations.

Singapore's investment in Iskandar Malaysia amounted to RM6.3 billion for the period of 2006 to 2012 in manufacturing and services sector such as education, healthcare and etc.

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" In 2012, they (Economic Transformation Programme and the Government Transformation Programme) recorded favorable results in meeting their Key Performance indicator targets. ….I am please to report that the ETP also facilitated cross-structural reform needed for Malaysia to achieve sustainable levels of economic growth.

Thourgh increased private investments and growth in the domestic consumption, we were able to meet our targeted GDP growth of 5.6% in 2012, despite the increasingly volatile and challenging global landscape."
….YAB Dato' Sri Mohd Najib Tun Hj Abdul Razak

19 March 2013

Our Prime Minister unveiled the Annual Report of the Economic Transformation Programme (ETP) and the Government Transformation Programme (GTP).

Review of ETP 2012 (source: ETP Annual Report 2012)

The ETP is a two pronged initiative geared at building economic sustainability for Malaysia.The two key components of ETP are:

1. National Key Economic Areas (NKEAs) which identified key economic sectors which can bring in the most economic opportunities to Malaysia
2. Strategic Reform Iniatiatives (SRIs) with focus to review cross cutting structural policies to bring about a competitive economic landscape

The ETP aimed at encouraging the private sector to retake its role as the engine of economic growth while the enabling public sector remained focused on catalytic projects. Large identified public sector driven catalytic projects include the Mass Rapid Transit (MRT), River of Life and the Pengerang Integrated Petroleum Complex.

The 10 Indicators of Success

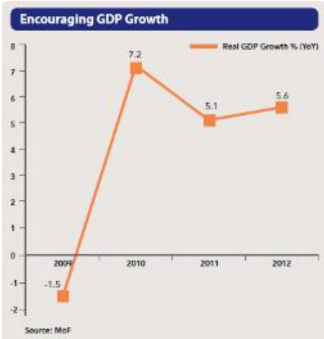
1. EPPs expanded to 152 and SRIs are on track

When the ETP was launched in 2010, there were 131 EPPs. Today, the EPPs had expanded to 152 EPPs from which 149 projects have been announced with total committed investments of RM211.34 billion, expected to generate GNI of RM135.64 billion and create 408,443 jobs.

Key progress in the implementation of SRIs include the introduction of the Competition Act, liberalization of 15 out of the 17 subsectors, improvement in business processes, establishment of minimum wage and rationalization in the Government's role in the private sector. (See page xx for more details on the liberalization policies which will have an impact on Iskandar Malaysia)

2. 49% GNI growth since 2009

The country's GNI per capita has risen from USD6,700 in 2009 to USD9.970 in 2012. This represents a 48.8% surge in a three year period. Based on current projections and barring unforeseen circumstances, Malaysia has the potential to achieve a GNI per capital of USD15,000 earlier than the 2020 target.



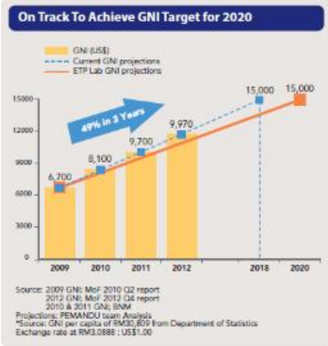


Exhibit B

3. Continued robust GDP growth

In 2012, Malaysia's GDP rose 5.6% against 5.1% in 2011.

4. **Highest revenue in history recorded in 2012**

Malaysia's economy continued to surpass its GDP and GNI targets in 2012. This has enabled the Government to record its highest revenue in the history estimated at about RM207 billion. As a result, the Government was able to implement many socio-economic programmes such as Bantuan Rakyat 1 Malaysia

5. Strong investment story

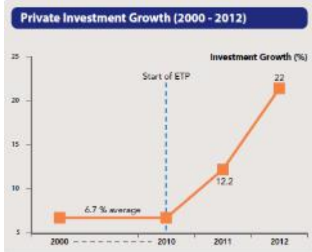
Malaysia's investments grew by 19.9% in 2012 compared to 6.5% in 2011, accounting for 26.7% of GDP.

ETP Goals (2020)

Gross National Income (GNI) = USD15,000

Jobs = 3.3 million

Investments = USD444 billion



Private investments has tripled since the start of ETP with a 22% growth compared to an average of 6.7% between year 2000 and 2010. This is a testament of the growing private sector onfidence in the national transformation initiative.

6. Private consumption on the rise reflecting growing consumer confidence.

7. Robust capital market development

8. Consistent reduction in fiscal deficit

Malaysia has consistently reduced in fiscal deficit from 6.6% of GDP in 2009 to 5.6% in 2010, 4.8% in 2011 and 4.5% in 2012. Moving forward, the aim is to reduce the deficit to 4.0% and 3.0% in 2013 and 2015 respectively.

9. Endorsement from credible global organisations

Malaysia's achievements have been recognised globally in our rise in global rankings.

World Reports	Rank-ing	
World Bank's Ease of Doing Business Report	12 (2013)	18 (2012) ahead of Sweden, Taiwan, Germany, Japan and Switzer-land
AT Kearney's FDI Confi-dence Index	10 (2012)	21 (2010) ahead of France, South Korea, Thai-land, Vietnam, Canada and Tur-key
IMD World Competitive Yearbook	14 (2012)	16 (2011) ahead of Australia, UK, South Korea, Japan and France
WEF Global Competitive-ness	25 (2012)	21 (2011)
CNN Best Shopping Cities	4	Ahead of Paris and Hongkong

10. Overall excellent KPI achievement in 2012

In 2012, the overall KPI for NKEAs surpassed targets to reach 118% whilst the SRIs recorded 93%.

NKEAs: Progress in 2012 (with focus on projects in Iskandar Malaysia

Of the 12 NKEAs, we shall now look at the NKEAs where investment projects in Iskandar Malaysia have contributed and will continue to contribute to the success of the NKEAs.

Oil, Gas and Energy

EPP4 Building a Regional Storage and Trading Hub

Oil storage is an important part of the oil and gas value chain arising from growing energy demand in Asia and longer transit time from inflow of crude oil from Africa, Middle East and Latin America.

While Singapore with a total of 10 million cubic metres of independent storage capacity, Malaysia especially Johor and Iskandar Malaysia is well placed to tap into the RM1 trillion in physical oil trade and RM1 trillion in derivative trade.

The oil storage hub in Iskandar Malaysia and Pengerang will be similar to the Amsterdam-Rotterdam-Antwerp complementing each other in refining and petrochemical activities, independent storage, bunkering and blending as well as good market access to customers in China, India and South-east Asia.

Flagship projectsunder EPP4 are:

- Independent deepwater oil storage terminal (Vopak-Dialog Group-Johor State Government)
- Vitol storage terminal in Tg Bin which commenced operations in April 2012 (Expansion in Phase 2 has begun work)

The Government, Malaysia Petroleum Resources Corporation (MPRC) and Labuan Financial Services Authority (LFSA) launched the Global Incentives for Trading (GIFT) in Oct 2011 and todate, ten trading companies have registered for the GIFT programme.

Platts, which provides Asian benchmark assessments for most oil products traded in the region, agreed to include the Tanjung Bin storage terminal in its pricing process for fuel oil, diesel, jet fuel and gasoline from 1 Dec 2012.

Overview of storage facility projects in Southern Johor

EPP5 Unlocking Premium Gas Demand in Peninsular Malaysia

The lack of gas supply in Peninsular Malaysia has led to limited investment in energy intensive industries as well as restricting new investments which require or choose gas as a cleaner alternative .

This EPP looks at importing liquefied natural gas (LNG) farther at market prices. An estimated 500 mmscfd of extra latent gas demand will be required by 2020.

The regasification terminal at Sungai Udang will help meet some of the demand for gas in the industrial sector. Sungai Udang facility will have a maximum capacity of 3.8 million tonnes per year with two floating storage units (FSUs). This is positive for Iskandar Malaysia as we continue to work towards attracting more high value and quality investments.

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Oil, Gas and Energy

EPP7 Consolidating Domestic Fabricators

Good progress in this EPP where from eight major fabricators, there are now five, comprising of MMHE Bhd, Kencana HL Bhd, Brooke Dockyard & Engineering Works Bhd, BHIC Penang Shipyard Bhd and Ramunia Bhd. .

EPP9 Improving Energy Efficiency

Among the initiatives are:

i. Government to lead by example on energy efficiency practices

Ii. Government to work with TNB to make co-generation economically viable

Iii. Regulating to ensure better insulation for new and renovated buildings

EPP10 Building up renewable energy and solar power capacity

This EPP build on the recommendation under the 10 Malaysian Plan which target renewable energy to account for 5% of total energy capacity in 2015. This is translated to 985 megawatt of renewable energy generating capacity.

Todate, the cumulative installed capacity is approximately 100mw.

We believed that this is an area that Iskandar Malaysia can contribute effectively, not only through the initiatives recommended in our Blueprints but through our engagements with government and private companies within Malaysia and overseas. Todate, we have received strong interest for collaboration from companies and agencies from Japan, Korea and Denmark.

EPP13 Increase petrochemicals output

This EPP is led by PETRONAS through the development of the Refinery and Petrochemical Integrated Development (RAPID) in Johor and the Sabah Ammonia Urea projects.

RAPID project will cost RM60 billion and the complex will include crude oil refinery of 300,000 barrels per day, naphtha cracker with capacity of 3 million tonnes of ethylene, propylene, C4 and C5 olefins as well as 22 mini petrochemical complexes.

Together with EPP4 (oil storage terminals), new investments will reshape the investments landscape in Iskandar Malaysia

New 4 star hotels in Iskandar Malaysia in 2013/2014

- Traders Hotel (Nusajaya)
- Renaissance (Permas Jaya)
- Double Tree (Menara Landmark)

Source	Capacity (MW)
Solar PV (individual)	2.20
Solar PV (bukan individual)	22.807
Biomass (oil palm/agro waste)	41.5
Biomass (solid waste)	8.9
Biogas	6.1572
Mini hidro	15.7
Solar MBIPV	1.96
SREP	1.25
Total	100.47

Exhibit 2.2: Cumulative installed capacity (MW) from installed RE sources
Source: SEDA 2012

Tourism

EPP3 Establishing Premium Outlets in Malaysia

The Johor Premium Outlets in Iskandar Malaysia, opened in Dec 2011. It is the first Premium Outlets in Southeast Asia and revolutionize the shopping scene in Malaysia. Together with LEGOLAND and the Puteri Harbour Family Themepark, JPO is one of the must-go attraction in Iskandar Malaysia. The second phase of JPO comprising an additional 60 outlets will open in 4Q2013.

EPP7 Targeting more international events

The hosting of international events is a good platform to promote Malaysia as an international tourism destination. An International Events Unit under the Malaysian Convention and Exhibition Bureau is tasked to identify and bid for international events. In 2012, Iskandar Malaysia co-hosted the World Islamic Economic Forum.

With the opening of Pinewood Iskandar Malaysia Studios this year, IRDA can collaborate with IEU and MyCEB to co brand and position the upcoming events . This would include a close collaboration with PUSPAL to ensure licenses and approvals are managed when bringing in international artistes and exhibitors.

EPP10 Establishing Malaysia as a Leading Business Destination

Iskandar Malaysia being strategically located next to Singapore can be a good location for meetings, incentives, conventions and exhibitions (MICE). In 2012, MyCEB secured 45 major MICE events which brought over 61,000 delegates with estimated revenue of RM597 million. While there is an urgent need to improve air connectivity to Iskandar Malaysia and to upgrade quality of hotels and convention centers to host international events, Iskandar Malaysia can offer its new tourism attractions to complete MICE events held in Kuala Lumpur and elsewhere.

EPP11 Enhancing connectivity to priority medium haul market

Although this EPP refers mainly to connectivity to Kuala Lumpur International Airport (KLIA), there is urgent need to improve connectivity to Senai International Airport to truly make Iskandar Malaysia the southern gateway. More work and support from Government is needed to bring in more short haul direct flights into Senai International Airport as well as to improve cross border crossings.

EPP12 Improving rates, mix and quality of hotels

In the 2012 Budget, the Government has extended the tax incentives to include hotels with 4—5 star rating. In 2012, an additional 3,648 new 4 star and 5 star rooms were completed in Malaysia. In Iskandar Malaysia, new hotels include KSL Resort and Granada Hotel.

What is more important is the quality of service and competitive rates for investors to have a reasonable return. There is a need for a market mechanism to manage the rates in Iskandar Malaysia .

Business Services

The sectors under Business Services cut across industries and professions, which include Mainrenance, Repair and Overhaul (MRO) activities, Business Process Outsourcing as well as green technology industries.

EPP1 Growing aviation MROs

While most MROs are located in Subang and KLIA, there is a growing interest in setting up MROs in Senai.

EPP2 Building globally competitive outsourcers

There are many type of services which can be categorized as knowledge process outsourcing, business process outsourcing and IT outsourcing.

In 2012, Frost and Sullivan established its Global Innovation Centre of Excellence in Iskandar Malaysia. Other foreign firms include AIG, Chartis and AIA had expanded their shared services centres in Malaysia.

EPP3 Positioning Malaysia as world class data centre hub

A number of new data centres (DCs) was launched in 2012 adding on 150,000 sq ft of new capacity mainly in Cyberjaya, Petaling Jaya and Mont Kiara. On a smaller scale, TM had established its own data centre in Menara Cyberport.
Moving on, new DC Parks will be established in Iskandar Malaysia and in Cyberjaya. The DC Parks will cluster DCs within a designated location to bring in economy of scale in centralized facilities as well as better centralized infrastructure.

EPP4 Jumpstarting a Vibrant Green Economy

The Green Technology Funding Scheme (GTFS) which was established in 2009 to kickstart investments in green technology has been extended beyond 2012 to 2015. Todate, 219 companies received green certification and 76 companies approved loans totaling RM1.09 billion.
This EPP also saw the implementation of the Energy Services Companies (ESCO) accreditation framework.

Summary of Business Services NKEA

	2020 Target
Incremental GNI impact	RM78.7 billion
Additional Jobs	245,000

Critical targets for 2013:

- 10 per cent revenue growth on overseas sales for Shared Services & Outsourcing
- Four new companies performing Knowledge Process Outsourcing (KPO) services
- 25 per cent revenue growth on Data Centre services
- RM2 billion investment realised for Green Technology initiatives
- RM300 million approved in loan value under Green Technology Financing Scheme (GTFS)
- 140 new specialist consultant engineers in Pure-Play Engineering Services

Communications Content and Infrastructure

This NKEA spans across content, network applications, services and devices.

EPP1 Nurturing Malaysia's creative content

This EPP aims to enhance capacity, capability and competency in Malaysia's creative industry to produce world class content.
New incentives such as the Film-in-Malaysia incentive which provide for a 30% rebate for film produced in Malaysia. The 2012 Budget introduced a RM200 mil creative industry fund.
In 2012, this EPP contributed to the creation of award winning War of the World– Goliath.

Pinewood Iskandar Malaysia Studios

- **Investments = RM400 million**
- Studio facility - **2 HD TV Studios** (24,000 sq ft)
- **5 Film Stages** (100,000 sq ft)
- Technical Block with Post Production Suites

Media@Medini

- Medini Business Zone, 30 acres development integrating the work, live and community concept.
- House the **media & film production related** businesses and supporting services, at the studios doorstep.

Critical targets for 2013:

- To record RM500 million of revenue from the export of creative content
- To digitise 28,000 hours additional content
- To make available 5,000 content titles for online market access

Opportunities in Business Services NKEA for:

- More SSOs in Iskandar Malaysia
- Investments in DC Park which will be catalytic for the Financial services cluster
- Green Technology initiatives and Financing Scheme will draw more local and foreign investments especially from Japan, Korea and Denmark.

Opportunities in Creative Industry for:

- More investments in the creative industry , thus positioning Iskandar Malaysia as the film production hub
- Job opportunities in new skill areas (carpentry, make up, visual effects, hair, sound, technical set up etc)
- Creating a vibrant eco-system to encourage innovation and creativity

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Education

The NKEA Education has made great strides led by tertiary education. EduCity in Iskandar Malaysia is the location for five of the new foreign branch campus/ college which have all already begun operations by 2012.

NKEA Education encouraged the expansion of private TEVTs which will produce more skilled talent into the workforce.

EPP3 Scaling up international schools

Todate, there are 81 international schools in operation, 29 already approved by the Ministry of Education (MOE) but have not commenced operations and 18 new applications pending with MOE. In Iskandar Malaysia, there are already more than 8 international schools in operation with 3more to open in 2013.

The opening of Marlborough College Malaysia truly changed the international school landscape. MCM's success in attracting expatriate children from Singapore and beyond enhanced the livability aspect of investing and working in Iskandar Malaysia.

EPP10 Building a Hospitality and Tourism Cluster

This EPP will complement the growth in the tourism sector as identified in the NKEA Tourism. In 2012, Malaysia Centre for Tourism and Hospitality Education (MyCenTHE) established cluster in Penang (led by KDU University College) and in Sabah (led by INTI University College). The Johor cluster led by KFCH International College will be launched in 2Q2013.

EPP11 Launching of EduCity

EduCity at Nusajaya is a key strategic project to lead in the development of an education hub in Iskandar Malaysia. EduCity is a 395 acre planned evelopment based on attracting best-in-class faculties of renowned universities sharing common facilities. Foreign branch campuses and international schools set up in EduCity are:

- Newcastle University Medicine Malaysia (NUMed)
- Netherlands Maritime Institute of Technology (NMIT)
- Raffles University Iskandar (RUI)
- University of Southampton Malaysia Campus (opened 1 Oct 2012)
- Marlborough College Malaysia (opened 27 Aug 2012)
- Raffles American School (opened 13 Aug 2012

In 2013, University of Reading Malaysia will take in students. There remain challenges in egulatory policies and processes which may impede the recruitment of international students.

EPP12 Championing Malaysia's International Education Brand

This is led by Education Malaysia Global Services (EMGS) tasked to promote and market education in Malaysia to the international markets. Besides promoting and marketing, EMGS will be the one-stop centre on all matters relating to students visas/passes.

Critical targets for 2013

- Establish at least one new foreign branch campus in Malaysia
- Implement coordinate marketing initiatives to achieve 110,000 international students in Malaysia in international schools, institutions of higher learning and technical and vocational institutes.

Healthcare

The primary goal of the Healthcare NKEA is to facilitate the development of Malaysia's healthcare sector by identifying and supporting collaborative efforts between public and private healthcare providers.

EPP3 Malaysian pharmaceuticals: Increasing local generics manufacturing for exports

In Dec 2012, Biocon Ltd signed an agreement with Chemical Company of Malaysia (CCM) Pharmaceuticals to distribute exclusively Biocon's insulin products in Malaysia and Brunei. Biocon has also committed to set up a plant in BioXcell in Iskandar Malaysia targeting completion in 2014. Collaborations between MNCs and Malaysian companies are important to develop and expand the market for locally made generics pharmaceuticals.

EPP4 Reinvigorating Healthcare Travel

While the market for healthcare tourism is large, Malaysia lagged behind Thailand and Singapore in high value healthcare business. The establishment of the Malaysia Healthcare Travel Council (MHTC) is to provide a single platform for healthcare tourism.

The healthcare tourism sector generated some RM558 million by Nov 2012. 70% of healthcare travelers are from Indonesia.

Medical Devices

Given Malaysia's experience in the electrical and electronics sector as well as precision engineering, Malaysia is well-positioned to increase the size and profitability of its medical devices industry.

The EPPs under medical devices are:

EPP7—Upscale Malaysia IVD industry

EPP8—Build Malaysian showcase on next generation of core single use device products

EPP9—Becoming the hub for high value medical devices contract manufacturing

EPP10—Create Malaysian clinical devices champion

EPP11—Medical equipment supply chain orchestration

EPP12—Medical equipment refurbishment hub

EPP13—Build medical hardware and furniture cluster

Opportunities in Healthcare NKEA

Because Iskandar Malaysia has a strong industrial base, we have the good eco-system to attract more medical devices companies to set up their facilities here for the growing ASEAN and Asia markets.

Other new opportunities include:

- Retirement villages
- Mobile healthcare services
- Institutional aged care

LOWHS staff pledging to care for you in the comfort of your home, workplace and wherever you will be

Editorial Economic Intelligence Iskandar Regional Development Authority

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