ADVANCED MATERIALS (GRAPHENE): INVESTMENT OPPORTUNITIES IN MALAYSIA

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MIDA IN BRIEF
Who Are We?

The principal Malaysian Government agency responsible for the promotion of investments and coordination of industrial development and selected services sectors in the country.


Functions of MIDA

- Foreign Direct Investment
- Domestic Investment
- Assist companies in the implementation & operation of their projects
- Facilitate exchange & coordination among institutions engage in or connected with industrial development
- Advisory services
- Manufacturing Licences
- Tax Incentives
- Expatriate Posts
- Duty Exemption
- Principal Hub & Selected Services
- Planning for industrial development
- Recommend policies & strategies on industrial promotion and development
- Formulation of strategies, programmes and initiatives for international economic cooperation
MITI & Agencies

MIDA as a One Stop Centre

Based in MIDA

- Immigration Department
- Royal Malaysian Customs
- Labour Department
- Telekom Malaysia Berhad

Based outside MIDA

- MATRADE
- MIDA
- SMECORP Malaysia
- MPC
- Tenaga Nasional
- Haikal Industry Development Corporation
- Malaysia Industrial Development Finance Berhad
- SME Bank
- MAI
- Malaysian Mini Industry
- MDEC
- Malaysian Association of Industry
- Malaysian Small and Medium Industry
- Malaysian Investment Development Authority

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**Investment Agenda**

**MIDA - Taking the Lead**

- High Income – Target USD 15,000 to USD 20,000 per capita by 2020
- Re-energise the private sector to drive growth
- Cluster - and - corridor based activities
- Enhance the sources of growth
- Create a competitive domestic economy
- Real GDP growth between 5%-6% per annum
- Private investments growth of 9.4% or RM291 billion per annum
- Catalytic and Growth (3+2) Sub-Sectors

*Note:
- NEM : New Economic Model
- ETP : Economic Transformation Programme
- 11MP : 11th Malaysia Plan

- NKEAs – 11 industry sectors and Greater KL
- Total investment target – USD444 billion (RM1.4 trillion)
- Private sector led economy – USD410 billion (92%)
- 73% Domestic Direct Investment (DDI)
- Increased services sector contribution to GDP (67% by 2020)
- High Income – Target USD 15,000 to USD 20,000 per capita by 2020
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- Cluster - and - corridor based activities
- Enhance the sources of growth
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- Real GDP growth between 5%-6% per annum
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- Catalytic and Growth (3+2) Sub-Sectors

- Aerospace
- Machinery & Equipment
- Transport Equipment
- Advanced Materials
- Logistics
- Environmental Management
• **Three (3) catalytic subsectors** namely Chemical, E&E and M&E industries; and **two (2) subsectors** of high potential growth namely Aerospace and Medical Devices have been identified in the 11th MP to drive the growth of the manufacturing sector.

• The “3+2” subsectors were selected due to their strong inter-linkages with other subsectors and indirectly their capacities will be the base to support the development of the overall manufacturing sector.
### Total Approved Investment in the Economy in 2015

**USD42.5 Billion Approved Investment**

<table>
<thead>
<tr>
<th>FDI, USD7.9 B, 19%</th>
<th>DDI, USD34.6 B, 81%</th>
</tr>
</thead>
</table>

#### Approved Investments in the Manufacturing Sector – 2015

<table>
<thead>
<tr>
<th>Year</th>
<th>Employment</th>
<th>Total Investment</th>
<th>FDI:DDI</th>
<th>Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>66,494</td>
<td>USD17.4 B (41%)</td>
<td>29% : 71%</td>
<td>680</td>
</tr>
</tbody>
</table>

#### Approved Investments in the Services Sector – 2015

<table>
<thead>
<tr>
<th>Year</th>
<th>Employment</th>
<th>Total Investment</th>
<th>FDI:DDI</th>
<th>Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>112,194</td>
<td>USD25.1 B (59%)</td>
<td>11% : 89%</td>
<td>4,150</td>
</tr>
</tbody>
</table>

USD1.00 = RM4.29

178,688 Employment Opportunities

62.8% (112,194) were in Services Sector

“Malaysia attracted a total of USD42.5 billion worth of investments in the manufacturing, services and primary sectors”

4,830 Projects Approved

Source: MIDA
Total Approved Investment

(Jan – Aug 2016)

USD21.7 Billion Approved Investment

<table>
<thead>
<tr>
<th>Sector</th>
<th>Investment (USD)</th>
<th>FDI:DDI</th>
<th>Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>4.9 B</td>
<td>63.3% : 36.7%</td>
<td>368</td>
</tr>
<tr>
<td>Services</td>
<td>16.8 B</td>
<td>22.6% : 77.4%</td>
<td>2,106</td>
</tr>
</tbody>
</table>

2,474 Projects Approved

More than 74,800 Employment Opportunities

FDI USD6.9 B (30.5%)

DDI USD15.1 B (69.5%)
ADVANCED MATERIALS (GRAPHENE) INDUSTRY IN MALAYSIA
Eleventh Malaysia Plan (2016-2020)

“Promoting investment to spearhead economic growth”

Advanced Materials Support Most of Government Initiatives Identified in NKEAs of Manufacturing Sectors

Source: Economic Planning Unit and Ministry of International Trade and Industry
The Technology Strategy Board (TSB), UK defines advanced materials as:

“Materials designed for targeted properties. Both completely new materials such as graphene or high temperature superconductors and those that are developments on traditional materials such as alloys or composites may be described as an advanced material. Such materials show novel or improved structural (strength, hardness, flexibility) and/or functional properties (electronic, magnetic, optical).”

The United States’ National Institute for Standards and Technology (NIST) define Advanced Materials as:

“Materials that have been developed to the point that unique functionalities have been identified and these materials now need to be made available in quantities large enough for innovators and manufacturers to test and validate in order to develop new products” (NIST, 2011)
Graphene & Graphene Applied Products

Graphene
- a carbon-based nanomaterial (advanced material)

Graphene Applied Products
- superior physical properties and application versatility

Innovation Economy
- New Economic Model & Economic Transformation Programme
Total Graphene Market

It will reach $349 million in 2025

Source: Nano Malaysia-Lux Research
Quality Investment

Quality Investment (FDI & DDI)

- High Technology
- High Value Added
- Strong Linkages with Domestic Industries
- Capital Intensive
- R&D & Design
- High Income Jobs
- GNI Impact
- Export Oriented
- Skills Intensive
- Knowledge Intensive

Source: Malaysian Investment Development Authority
Member of the Steering Committee NGAP 2020

Strategic Partner for Lux Research: NanoMalaysia Forum 2014 & Graphene Malaysia 2016

Facilitating Companies to Look Into the Business Potentials of Graphene

National Graphene Action Plan 2020
INVESTMENT POLICIES
Manufacturing License

The Industrial Coordination Act 1975 requires manufacturing companies with shareholders’ funds of **RM2.5 million and above** or engaging **75 or more** full time paid employees to apply for a manufacturing license (ML). ML application will be processed by MIDA.

Investment Policies

**OWNERSHIP**
Manufacturing & selected services sectors can be wholly foreign-owned

**EXPATRIATE POSTS**
Liberal policy, based on merit of each case

**CAPITAL**
Freedom to Repatriate Capital, Interest, Dividends and Profits – No Restrictions
INCENTIVES
Advanced Materials

1. Development and manufacture of:-
   (a) Polymers or Biopolymers
   (b) Fine Ceramics or Advanced Ceramics
   (c) High Strength Composites

Main Incentives

GENERAL LIST

PIONEER STATUS (PS)
Income tax exemption ranging from 70% or 100% for a period of 5 or 10 years

INVESTMENT TAX ALLOWANCE (ITA)
60% or 100% on qualifying capital expenditure for 5 years. Can be offset against 70% or 100% of statutory income.

SMALL COMPANIES LIST

PIONEER STATUS (PS)
100% income tax exemption for a period of 5 years

INVESTMENT TAX ALLOWANCE (ITA)
60% on qualifying capital expenditure for 5 years. Can be offset against 100% of statutory income.
Reinvestment Allowance

60% on qualifying capital expenditure for 15 consecutive years

Under 2016 Budget, Malaysia Government has agreed to provide a special RA for 3 years to companies in manufacturing and selected agricultural sectors, whose RA have expired (Year of assessment of 2016 - 2018).

(Application to be submitted to IRB)

Import Duty Exemption

For raw materials and components

(Application to be submitted to Tariff Division, MIDA)
R&D Incentives

**Contract R&D company**

*Pioneer Status (PS)*

Income tax exemption ranging from 100% for a period of 5 years

**R&D company**

*Investment Tax Allowance (ITA)*

100% on qualifying capital expenditure for 10 years

**In-house R&D**

*Investment Tax Allowance (ITA)*

50% on qualifying capital expenditure for 10 years

Source: Malaysian Investment Development Authority
### Automation Capital Allowance

<table>
<thead>
<tr>
<th>TYPE OF INCENTIVE</th>
<th>TARGET GROUP</th>
<th>IMPLEMENTATION TIMELINE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Category 1:</strong></td>
<td><strong>Manufacturing companies</strong> (labour and non-labour intensive) operating at least 36 months in Malaysia</td>
<td><strong>Category 1:</strong> Year of Assessment (YA) 2015 – YA 2017</td>
</tr>
<tr>
<td>Labour intensive industries (rubber products, plastics, wood, furniture and textiles) – ACA of 200% on the first RM4 million expenditure incurred within Year of Assessment 2015 to 2017.</td>
<td></td>
<td><strong>Category 2:</strong> Year of Assessment (YA) 2015 – YA 2020</td>
</tr>
<tr>
<td><strong>Category 2:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other industries - ACA of 200% on the first RM2 million expenditure incurred within Year of Assessment 2015 to 2020.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Other Incentives

Incentives for Domestic Companies

Domestic Investment Strategic Fund

Incentives for Small Scale Companies

Incentives for Acquiring a Foreign Company for High Technology
Free Trade Agreements (FTAs)

REGIONAL / BILATERAL FTAs

- Potential market of 2.7 billion population
- Tariff reduction and elimination mostly by 2016
- Constitutes 60% of Malaysia’s global trade via preferential treatment

ON-GOING FTA NEGOTIATIONS

- Once concluded, will increase the share of Malaysia’s global trade via preferential treatment to 80%
- Potential market of additional 1.8 billion population

China, Japan, Korea, India, Australia, New Zealand, Chile, Turkey, Pakistan

RCEP, EU
Malaysia’s Involvement in FTAs

Malaysia has implemented 13 Free Trade Agreements:

**ASEAN**
1. ASEAN Free Trade Area (1992)
2. ASEAN-China (2004)
3. ASEAN-Korea (2006)
4. ASEAN-Japan (2008)
5. ASEAN-India (2009)
6. ASEAN-Australia-New Zealand (2009)

**BILATERAL**
2. Pakistan (2007)
3. New Zealand (2009)
4. Chile (2010)
5. India (2011)
6. Australia (2012)
7. Turkey (1.8.2015)

Malaysia is still negotiating RCEP, Malaysia-EU, Malaysia-EFTA and ASEAN-Hong Kong.

Source: MITI
Association of Southeast Asian Nation (ASEAN)

- Implemented AFTA in 2010
- 7th largest economy in the world – combined GDP USD2.4 trillion
- 3rd largest market in the world - population over 633 million people in 2015 and estimated to 717 million in 2030.
- Intra-ASEAN trade is 24% of total global trade of USD2.51 trillion in 2013
- Total FDI inflows of USD122 billion in 2013 with intra-ASEAN investments alone contributing 17%
- 97.3% of products traded in the region will be duty-free
- ASEAN Economic Community 2015, integrated market & production base – freer flow of goods, services, investments, skilled labour and capital
Why Malaysia?

STRATEGIC LOCATION
Home to Tropical Paradise
We Embrace Multiculturalism
An Unsurpassed Lifestyle

Liberal Investment Policies
Political and Economic Stability
Pro-business Government

Well Developed Infrastructure/Connectivity
Harmonious Industrial Relations
Excellent Facilities - Convention and Conferences

Trans Pacific Partnership
Young, Trainable and Educated Labour Force
Banking System

Quality of Life
IP Protection
Good Track Record

English speaking language

An Unsurpassed Lifestyle
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Thank you

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