



MALAYSIAN INDUSTRIAL DEVELOPMENT AUTHORITY

# ANNUAL REPORT 2010



# *MISSION STATEMENT*

*Positioning Malaysia for Global Competitiveness*

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# BOARD MEMBERS



▶ **TAN SRI DR.  
SULAIMAN MAHBOB**  
*Chairman, MIDA*



▶ **DATUK JALILAH  
BABA**  
*Director General, MIDA*



▶ **TAN SRI ABDUL  
RAHMAN MAMAT**  
*Secretary General  
Ministry of International  
Trade and Industry  
(until 5 December 2010)*



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



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



▶ **DATUK AHMAD  
KABEER BIN NAGOOR**  
*Executive Director  
AKN Technology Berhad*



▶ **TAN SRI DATUK  
MUSTAFA MANSUR**  
*President  
Federation of Malaysian  
Manufacturers*



▶ **DATUK DR. REBECCA FATIMA STA MARIA**  
Secretary General  
Ministry of International  
Trade and Industry  
(from 6 December 2010)



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



▶ **DATO' GHAZALI BIN DATO' YUSOFF**  
Executive Chairman  
Nusantara Technologies  
Sdn. Bhd.



▶ **TAN SRI DATO' MUHAMMAD ALI BIN HAJI HASHIM**  
Chairman  
Waqaf An Nur Corporation  
Berhad



▶ **DATUK NG PENG HAY**  
Chairman  
Wellcall Holdings Berhad



▶ **DATO' AZMAN SHAH DATO' SERI HARUN**  
President  
Malaysian Employers  
Federation



▶ **ZULKIFLY DATO' HAJI ZAKARIA**  
President  
UMW Oil & Gas



▶ **DATO' SERI DR. AHMAD ZAHID HAMIDI**  
President  
MIDA

# MANAGEMENT



**TAN SRI DR. SULAIMAN MAHBOB**  
Chairman, MIDA



**DATUK JALILAH BABA**  
Director General



**DATO' AFIFUDDIN ABDUL KADIR**  
Deputy Director General I



**DATO' WAHAB HAMID**  
Deputy Director General II



**N. PARAMESWARAN**  
Senior Director, Services



**RADHA MENON**  
Senior Director, Resource Industry



**PHANG AHTONG**  
Senior Director, Investment



**AZMAN MAHMUD**  
Senior Director,  
Non-Resource Industry



**WILLIAM HO YUEH WENG**  
Director, Industry Support Division  
(until 13 October 2010)



**KANG LAY KIM**  
Director, Information Management  
and Statistics Division



**HINDON ABDUL AZIZ**  
Director, Domestic Investment  
Promotion Division



**PHANG YEW FOOK**  
Director, Transport Industry Division  
(until 19 October 2010)



**AZIAN MOHD YUSOF**  
Director, Business and  
Other Services Division



**N. SANGARAN**  
Director, Machinery and Engineering  
Supporting Industries Division



**N. RAJENDRAN**  
Director, Foreign Investment  
Promotion, Asia/Oceania Zone  
(from 14 October 2010)



**YEOH HOCK ENG**  
Director, Chemical Industry Division



**INON ABDUL HAMID**  
Director, Electronics Industries  
Division



**SIMON LEE YEW WENG**  
Director, International  
Cooperation Division  
(until 27 Jun 2010)



**MANMOHAN SINGH**  
Director, Strategic Planning Division



**CHAI SIEW FOON**  
Director, Textiles and Non-Metallic  
Mineral Industries Division  
(from 7 September 2010)  
Director, Life Sciences Industry Division  
(until 6 September 2010)



**TAN PIAK BONG**  
Director, Logistics and Regional  
Operations Division



**MATHIALAKAN CHELLIAH**  
Director, Wood and  
Paper Industries Division



**K. SUKOMARAN**  
Director, Textiles and Non-Metallic Mineral  
Industries Division (until 6 September 2010)  
Director, Cross Border Investment Division  
(from 7 September 2010 until 30 November 2010)



**CHUA CHEE KIONG**  
Director, ICT and Electrical  
Industries Division  
(until 27 June 2010)



**HOO AH TENG**  
Director, Foreign Investment  
Promotion, Asia/Oceania Zone  
(until 2 August 2010)



**TENG YIT CHAN**  
Director, Communications  
and Media Division



**WAN HASHIM WAN JUSOH**  
Director, Foreign Investment  
Promotion, America Zone



**AHMAD MAT SIN**  
Director, Corporate  
Management Division  
(until 1 September 2010)



**MOHD RASLI MUDA**  
Director, Corporate Management  
Division  
(from 2 September 2010)



**JASWANT SINGH**  
Director, Life Sciences  
Industry Division  
(from 7 September 2010)



**TAN CHEE CHAI**  
Director, Industry Support Division  
(from 16 November 2010)



**ZAINAB MUDA**  
Director, Food Industries Division



**AHMAD TAJUDIN OMAR**  
Director, Foreign Investment  
Promotion, Europe Zone  
(until 2 May 2010)



**HAFIZAH SHAHAR**  
Director, Transport Industry Division  
(from 8 November 2010)  
Director, Metal and Fabrication  
Industries Division  
(until 19 September 2010)



**N. JEYASIGAN**  
Director, Foreign Investment  
Promotion, Europe Zone  
(from 20 September 2010)



**ROESLINA ABBAS**  
Director, International Cooperation  
Division  
(from 20 September 2010)



**FOO SIN FONG**  
Director, Metal and Fabrication  
Industries Division  
(from 20 September 2010)



**AIZAH ABDULLAH**  
Director, ICT and Electrical Industries  
Division  
(from 28 June 2010)



# CHAIRMAN'S MESSAGE



*The Malaysian economy rebounded strongly in 2010 in line with the continued recovery in the global economy. The country's Gross Domestic Product (GDP) registered a growth rate of 7.2 per cent in 2010 after contracting by 1.7 per cent in 2009. The manufacturing sector which expanded by 11.4 per cent in 2010, was the fastest growing sector, underlying its importance as an engine of growth for the economy. It contributed 27.7 per cent to the country's GDP, 72.1 per cent of total exports and 27.8 per cent of total employment.*

*It is heartening to note that Malaysia attracted significantly higher levels of investments in the manufacturing sector in 2010 compared with 2009. Investments approved in the manufacturing sector surged by 44.8 per cent to RM47.2 billion in 2010 from RM32.6 billion in 2009. The approved investments in 2010 surpassed the average annual investment target of RM27.5 billion set under the Third Industrial Master Plan (IMP3) by RM19.7 billion or 71.6 per cent.*

*Despite the stagnation of global FDI inflows and the intense global and regional competition for FDI, Malaysia continues to remain a competitive investment location for foreign investors. Foreign investments amounted to RM29.1 billion, accounting for 61.7 per cent of total investments approved in the manufacturing sector during the year.*

*Domestic investments approved in the manufacturing sector in 2010 surged to RM18.1 billion from RM10.5 billion in 2009, indicating continued interest by domestic companies in investing in this sector. This is also in line with Government's continued drive to encourage domestic investors to assume a more prominent role under the Economic Transformation Programme (ETP).*

*The services sector remains an important source of growth for the Malaysian economy. A total of 3,301 projects, with investments of RM36.7 billion, were approved in 2010. Domestic investments amounted to RM32.8 billion, accounting for 89.4 per cent of the total investments approved during the year while foreign investments totalled RM3.9 billion.*

*During the year, the Malaysian Government unveiled the New Economic Model (NEM), Government Transformation Programme (GTP), ETP, National Key Economic Areas (NKEAs) and the 10th Malaysia Plan (10MP) to lay the foundation for the country's transformation into a high income economy.*

*MIDA will assume an important role in ensuring that there is a significant leap in investment activities in the 12 NKEAs and other growth areas led by a more dynamic private sector to achieve the targets set under the 10MP. Towards this end, MIDA has been empowered by the Government with the necessary authority to negotiate directly with investors for targeted projects.*

*The National Committee on Investment (NCI) was established in MIDA to hasten the decision making process whereby senior officials from relevant authorities deliberate on applications for investment projects and approve them in real time. This move is expected to improve Malaysia's ability to attract and secure targeted projects.*

*A Special Task Force on Investment has also been established in MIDA to coordinate investment promotion activities and statistical information by all investment promotion agencies in the country.*

*The initiatives and targets set under the ETP would entail additional responsibilities for MIDA in enhancing FDI and domestic investments. The corporatisation exercise currently being undertaken by MIDA will enhance its organisational structure so as to enable it to focus on priority areas identified under the ETP. The new structure will transform MIDA into a more effective investment promotion agency to compete for and attract quality investments. The corporatisation of MIDA will also provide the necessary organisational flexibility for MIDA to attract and retain the manpower and talents it needs in order to function more effectively. The empowerment and the corporatisation of MIDA will enable it to engage investors swiftly and more effectively, thus attracting higher levels of investments in the manufacturing and services sectors, as targeted under the 10MP and ETP.*



**TAN SRI DR. SULAIMAN MAHBOB**  
Chairman, MIDA

# DIRECTOR GENERAL'S MESSAGE



*The year 2010 was a landmark year for MIDA. YAB Prime Minister had announced on 30 March 2010 at the Invest Malaysia 2010 event that MIDA will be empowered and corporatised. MIDA will be empowered to negotiate directly with investors for targeted projects and assume the role as a central investment promotion body to enhance the coordination and cohesion among the various investment promotion agencies (IPAs) in the country. To reflect the new role and functions, MIDA is renamed as the Malaysian Investment Development Authority while maintaining its*

*acronym, MIDA. The corporatisation exercise currently being undertaken by MIDA will transform MIDA into an effective investment promotion agency to compete and attract quality investments.*

*Following YAB Prime Minister's announcement, MIDA initiated various measures relating to the empowerment and corporatisation process such as the establishment of the National Committee on Investments (NCI) and a Special Task Force on Investment, the delegation of power on licensing and incentives matters from Ministry of International Trade and Industry (MITI) and the Ministry of Finance (MOF) through NCI, revision of the MIDA Act, the establishment of steering committees and working groups to oversee the corporatisation process, restructuring and redefining of its new corporate entity as well as the development of a new MIDA logo.*

*In line with the decision to empower MIDA, a new high level Committee known as the National Committee on Investments (NCI) was set up in MIDA on 20 May 2010 to consider and approve projects in real time. The membership of the NCI include MIDA Chairman as the Chairman of NCI and the Director General of MIDA as the Alternate Chairman with permanent members consisting of senior officials from the relevant ministries and agencies.*

*I am pleased to note that Malaysia continued to attract a high level of investments into the manufacturing and services sectors in 2010. Within the manufacturing sector, a total of 910 projects involving investments of RM47.2 billion were approved compared with RM32.6 billion in 2009, representing an increase of 44.8 per cent. Projects approved in 2010, when implemented, are expected to create a total of 97,319 employment opportunities, of which 74.2 per cent will be in the managerial, technical, supervisory and skilled manpower categories. Foreign investments worth RM29.1 billion were approved constituting 61.7 per cent of total investments. Domestic investments surged by 72.4 per cent to RM18.1 billion in 2010. The services sector attracted investments amounting to RM36.7 billion from 3,301 projects approved with the majority of investments from domestic sources amounting to RM32.8 billion or 89.4 per cent of total investments. These projects are expected to generate 53,506 employment opportunities.*

*To raise the economy up the value chain, MIDA will adopt a more targeted approach in attracting quality investments, which include high technology and capital intensive industries, R&D activities and high value-added industries. Some of the quality manufacturing and services projects approved in 2010 include an expansion project in manufacturing, development and service of thin film solar modules, components and semi-finished products; an expansion and diversification project to manufacture thin-film magnetic disks and substrates; a new project to manufacture silicon ingots and solar wafers; an expansion project by a local aerospace firm to undertake the activities of maintenance, repair and overhaul (MRO) for commercial airlines; an expansion project to manufacture medical devices; an expansion project to manufacture glass fibre and a flagship terminal project designed and built to be an important part of the downstream petroleum supply chain.*

*MIDA will further intensify its promotion activities to attract quality investments. In 2010, MIDA partnered with Bursa Malaysia in co-organising the Invest Malaysia 2010 event where the landmark announcement by YAB PM was made to empower and corporatise MIDA. In addition, MIDA was also instrumental in organising the International Herald Tribune (IHT): Dawn of the New Decade Forum addressing issues on financial recovery and Asia's potential in developing alternative investments and impact of financial reforms on investors. These programmes complemented the ongoing promotional efforts to attract foreign investments on a targeted basis such as roundtable meetings with companies, specific project missions (SPMs) and strike force missions. As part of these efforts, MIDA had also expanded its global networking presence with the opening of additional overseas offices in Munich, Bangkok and Houston. In line with the New Economic Model (NEM) and Economic Transformation Programme (ETP), MIDA also intensified its domestic promotion activities through its extensive outreach programmes undertaken throughout the country namely organising domestic seminars and meetings/dialogues with various local companies, chambers and industry associations.*

*After 43 years in existence, the empowerment and corporatisation of MIDA is a major milestone in its history and will enhance its capacity and capability to compete with other regional and domestic IPAs in attracting investments as well as enable it to complement the Government's effort in transforming the nation into a high income economy.*



**DATUK JALILAH BABA**  
Director General, MIDA



# Chapter 1

## INTRODUCTION

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# 1

## INTRODUCTION



*Global economic recovery continued in 2010, albeit at an uneven pace, led by strong economic activity in emerging market economies. Despite the healthier global growth, the international environment remained highly uncertain, weighed down by continued structural weaknesses in the advanced economies. Various developments had also exerted an impact on the world economy, including the Icelandic volcanic ash cloud and protests in Europe as a result of austerity measures undertaken by some debt-ridden European nations.*

### **Global Developments**

*Based on the World Bank's Global Economic Prospects 2011, world gross domestic product (GDP) expanded 3.8 per cent in 2010, led by strong demand growth in developing countries. Demand in such economies played a major role in the overall recovery, contributing 46 per cent of global growth in 2010.*

*The recovery process had begun taking shape in mid-2009 in developing Asia, particularly China, where manufacturing production has already returned to pre-crisis levels. These Asian economies, buoyed by strong growth, continue to invest billions of dollars on infrastructure, improving roads, ports, telecommunications and power plants. This presents attractive opportunities for industry in this region.*

*With Asia as a major global economic powerhouse, and driven by key factors such as buoyant domestic demand and the steady performance of the continent's emerging markets, Asian companies are now increasingly being recognised for their innovativeness, stature and global reach. Given Asia's rising economic prowess, competition for business in the region will intensify; trade in goods and services between Asia and the world will continue to increase.*

*According to UNCTAD's Global Investment Trends Monitor (published on 17 January 2011), global foreign direct investment (FDI) inflows edged up 1 per cent to US\$1,122.0 billion in 2010, from US\$1,114.1 billion in 2009. Despite the stagnation of global FDI inflows, Malaysia still attracted US\$8.58 billion of global FDI last year, far surpassing the US\$1.4 billion in 2009.*

### **Domestic Economy**

*Malaysia delivered a robust economic performance in 2010, achieving a 7.2 per cent GDP growth with the manufacturing sector recording a double digit growth of 11.4 per cent. The manufacturing sector is an important contributor to the economy, accounting for 27.7 per cent of the nation's GDP, 72.1 per cent of total exports and 27.8 per cent of total employment. This sector attracted a significantly higher level of investments amounting to RM47.2 billion in 2010, compared with RM32.6 billion in 2009.*

The services sector also remains a major contributor to GDP. In 2010, this industry accounted for 57.4 per cent of Malaysia's GDP with a 6.8 per cent growth. The services sector is estimated to employ some 6.3 million people, or 53.6 per cent of the country's workforce.

These developments augur well as Malaysia forges ahead towards the status of a high-income developed nation, as set out in the New Economic Model. Driven by the series of transformation efforts embodied in the Tenth Malaysia Plan (10MP), the Economic Transformation Programme (ETP) and the Government Transformation Programme (GTP), MIDA will strive to provide the necessary impetus for a private-sector-driven economy.

The ETP represents a comprehensive effort that aims to transform Malaysia into a high-income nation by 2020. Under the ETP, 12 National Key Economic Areas (NKEAs) have been identified as drivers of economic activities that have the potential to directly and materially contribute a quantifiable level of economic growth for the domestic economy. The 12 selected NKEAs are oil, gas and energy; palm oil; financial services; tourism; business services; electrical and electronics; wholesale and retail; education; healthcare; communications content and infrastructure; agriculture; and greater Kuala Lumpur.

Meanwhile, the 12 NKEAs have identified 131 Entry-Point Projects (EPPs) that will require US\$444 billion of aggregate funding between 2011 and 2020, with 92 per cent (US\$410 billion) coming from the private sector while the remaining 8 per cent (US\$34 billion) will stem from the public sector.

Thus, a key challenge for MIDA is to ensure a significant leap in investment activities in the 12 NKEAs and non-NKEAs, led by a more dynamic private sector to achieve the targeted annual investment growth of 12.8 per cent or RM115 billion under the 10MP.

## **MIDA's Corporatisation**

During the period under review, Malaysia was able to harness increased trade flows in the region because of its strategic location and extensive connections throughout Asia. Going forward, MIDA has a pivotal role in ensuring that the nation will continue strengthening its manufacturing and services bases. While foreign companies and MNCs establish their regional bases in Malaysia, MIDA continues to ensure that domestic enterprises also take advantage of the country's strengths to establish their presence in this region.

To spur growth and strengthen the organisation responsible for the promotion and coordination of the manufacturing and services sectors, an ambitious plan to corporatise MIDA is being undertaken to support its transformation and ensure that companies can leverage on Malaysia's excellent business environment, strong market connectivity, access to talent and a skilled workforce.

The corporatisation of MIDA will enhance MIDA's organisation structure, with a view to focusing on priority areas identified under the ETP. The new organisation structure will transform MIDA into an effective investment promotion agency to compete and attract quality investments in the NKEAs and non-NKEAs. The corporatisation will also provide the necessary organisational flexibility for MIDA to attract and retain the manpower and talent it needs to function more effectively in implementing the initiatives outlined under the ETP and achieving the relevant goals.

MIDA has also been empowered by the Government with the necessary authority to negotiate directly with investors for targeted projects. In addition, MIDA has been designated as the central investment-promotion agency for the manufacturing and services sectors, excluding utilities and financial services, to enhance coordination and cohesion



*among the various investment promotion bodies in the country.*

*The empowerment and corporatisation of MIDA will enable it to act swiftly in engaging investors more effectively and attracting higher levels of investment in the manufacturing and services sectors, as targeted under the 10MP and ETP.*

*The changes announced by the Government will entail additional responsibilities for MIDA in its efforts to enhance FDI and domestic investments. The major new roles include facilitating the provision of total solutions for the entire business eco-system for companies in the areas of technology acquisition, funding, tax incentives, training programmes, business development and transformation, as well as nurturing local technopreneurs in acquiring sophisticated technologies in knowledge-intensive industries and services.*

*With its corporatisation already underway and targeted for completion by the end of 2011, MIDA will position itself as a world-class investment promotion agency for the 21st century.*

## **Conclusion**

*The Malaysian economy is projected to expand 5 per cent to 6 per cent in 2011. Growth is likely to improve during the course of the year, with a better performance in the second half.*

*Private investment is expected to remain strong, supported by capital spending among the domestic-oriented industries given the high levels of capacity utilisation and business confidence, as well as the implementation of key initiatives announced by the Government under the ETP.*

*UNCTAD's World Investment Report 2010 indicates that global FDI inflows will pick up to about US\$1.3 trillion to US\$1.5 trillion in 2011, rising to some US\$1.6 trillion to US\$2 trillion in 2012. UNCTAD's World Investment Prospects Survey 2010-2012 shows renewed business optimism and investors' stronger intentions of pursuing foreign expansion in 2011 and 2012.*

*Given the preceding scenario, global FDI inflows into Malaysia are expected to gather momentum in 2011 and beyond. In this context, the Government will continue responding to local and global developments to maintain the country's attractiveness as the preferred investment destination in the region.*

*MIDA certainly experienced a defining year in 2010. With its continued focus on harnessing excellence, MIDA will keep pushing the frontiers, to position Malaysia as an Asian hub as well as a home for investment, business, innovation and talent.*





# Chapter 2

## PERFORMANCE OF THE MANUFACTURING SECTOR

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# 2 PERFORMANCE OF THE MANUFACTURING SECTOR



## OVERVIEW

In 2010, the Malaysian economy experienced a strong resumption of growth. Real Gross Domestic Product (GDP) recorded a growth of 7.2 per cent in 2010<sup>1</sup>. Manufacturing continued to be an important contributor to the economy, accounting for 27.7 per cent of the country's GDP in 2010.

The production index of the manufacturing sector increased by 11.0 per cent while sales of manufactured products increased by 13.8 per cent to RM469.5 billion in 2010. Exports of manufactured products increased by 12.0 per cent from RM411.4 billion in 2009 to RM460.9 billion in 2010 and accounted for 72.1 per cent of Malaysia's total exports in 2010. Employment in the manufacturing sector was estimated at 3.3 million persons or 27.8 per cent of total employment in 2010<sup>2</sup>.

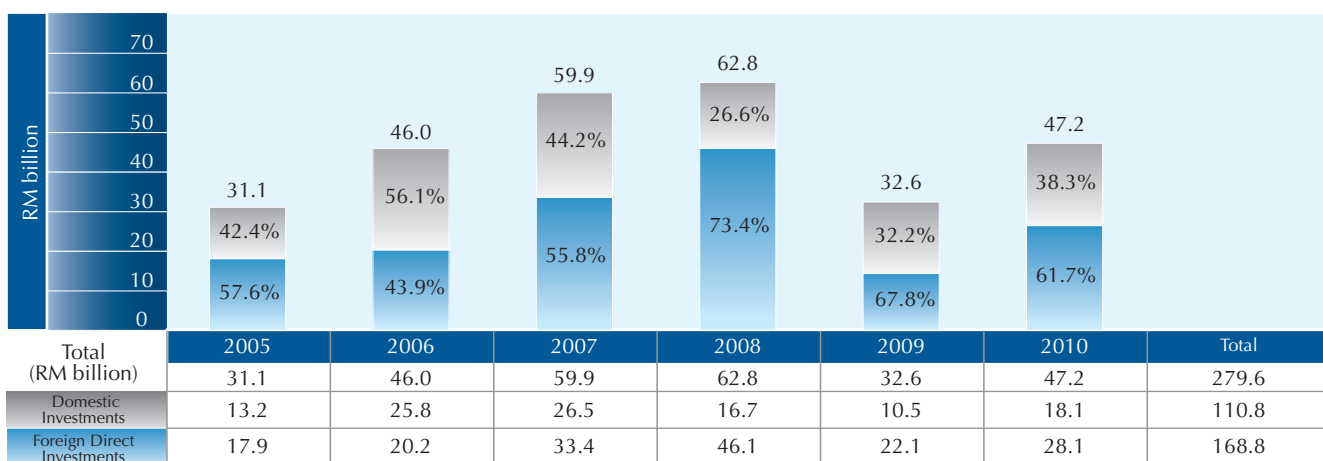
## INVESTMENT PERFORMANCE

Malaysia attracted significantly higher levels of investments in the manufacturing sector in 2010 compared with 2009. The number of approved projects also recorded an increase. A total of 910 manufacturing projects were approved with investment amounting to RM47.2 billion in 2010 compared with 766 manufacturing projects with investments of RM32.6 billion in 2009. The approved investments in 2010 surpassed by RM19.7 billion or 71.6 per cent of the average annual investment target of RM27.5 billion set in the Third Industrial Master Plan (IMP3), 2006-2020.

<sup>1</sup> Department of Statistics

<sup>2</sup> Economic Report 2010/2011, Ministry of Finance, Malaysia

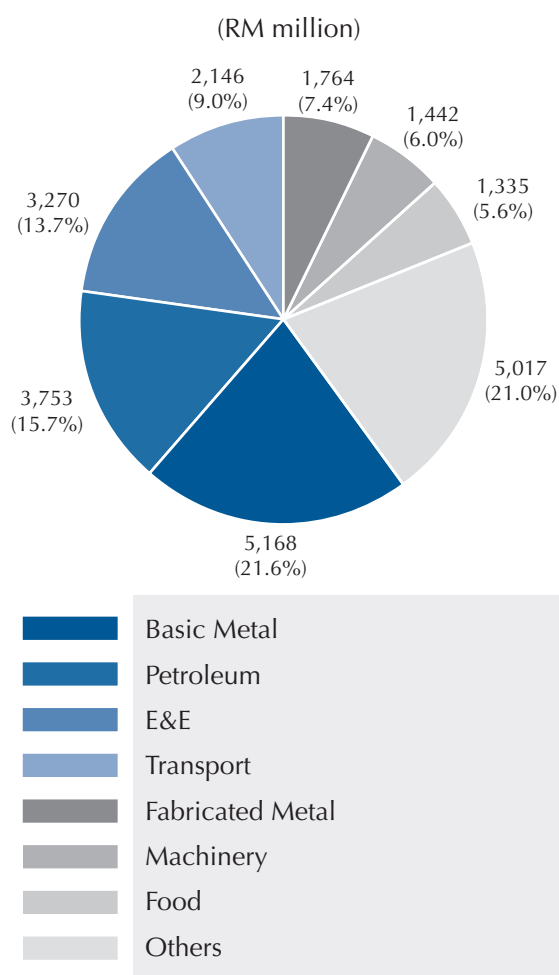
**Chart 1 - Investments in Approved Projects, 2005-2010**



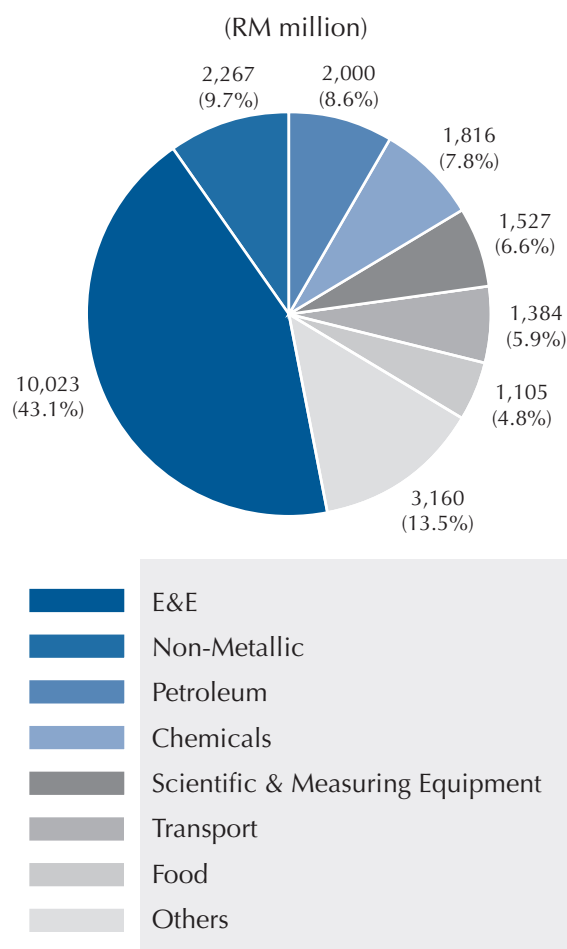
## New Projects

The majority of the approved projects in 2010 were new projects (537 projects) with investments of RM23.9 billion representing 50.6 per cent of the total investments approved. Of this, RM12.2 billion or 51.0 per cent was domestic investments while RM11.7 billion or 49.0 per cent was foreign investments.

**Chart 2 - Investments in New Projects by Industry, 2010**



**Chart 3 - Investments in Expansion/ Diversification Projects by Industry, 2010**



## Capital-Intensive Projects

With increased competition from low cost producers such as China, India and Vietnam, Malaysia is no longer competitive in the area of low-end manufacturing. To raise the economy up the value chain, the Government will continue to intensify its efforts in identifying and attracting investments in new growth areas and emerging technologies, high value-added industries, high technology and capital intensive industries and R&D activities in line with the Government's effort to become a high income nation by 2020.

Capital-intensity (as measured by the capital investment per employee or CIPE ratio) of approved projects in 2010 was RM484,767. The CIPE ratio of manufacturing projects has registered an increasing trend since 1990 (RM167,638). This reflects the

## Expansion/Diversification Projects

Expansion/diversification activities by existing manufacturing companies continued in 2010. Of the total approved projects, 373 projects were for expansion/diversification involving investments of RM23.3 billion, accounting for 49.4 per cent of total investments.

general trend towards more capital-intensive, high value-added and high technology projects.

In 2010, a total of 69 projects with investments of RM100 million or more each were approved, of which nine had investments exceeding RM1 billion. Investments in these 69 projects amounted to RM36.3 billion or 76.9 per cent of the total investments approved.

These capital-intensive projects were mainly in E&E products (RM11.9 billion), petroleum products including petrochemicals (RM5.7 billion), basic metal products (RM4.5 billion), non-metallic mineral products (RM2.6 billion), transport equipment (RM2.5 billion), scientific and measuring equipment (RM2.0 billion) and fabricated metal products (RM2.0 billion) industries.

### **Export-Oriented Projects**

Of the 910 approved projects in 2010, a total of 305 projects (33.5%) were export-oriented projects involving exports of at least 80 per cent of their output. Investments in these export-oriented projects totalled RM23.1 billion or 48.9 per cent of total investments. Foreign investments in these export-oriented projects amounted to RM17.1 billion, while domestic investments totalled RM6.0 billion. These export-oriented projects were mainly in the E&E products (RM6.1 billion), petroleum products including petrochemicals (RM3.7 billion), basic metal products (RM2.4 billion), scientific and measuring equipment (RM2.1 billion), fabricated metal products (RM1.5 billion) and chemicals and chemical products (RM1.3 billion) industries.

### **Employment Opportunities**

A skilled workforce is essential for manufacturing companies to compete globally. The workforce transition in the manufacturing sector is already taking place with an increasing proportion of

employment being in more highly skilled occupations. Approved projects in 2010 are expected to generate a total of 97,319 employment opportunities, of which 72,221 or 74.2 per cent will be in the managerial, technical, supervisory and skilled manpower categories. Industries which are expected to create the most number of employment opportunities are E&E (29,212), transport equipment (13,159), basic metal products (6,901), rubber products (6,764), and machinery and equipment (6,653).

## **Approved Projects by Ownership**

### **Domestic Investments**

In-line with the call by the Government for domestic investors to assume a prominent role under the Economic Transformation Programme (ETP), domestic investments approved in the manufacturing sector increased to RM18.1 billion in 2010 from RM10.5 billion in 2009. Domestic investments accounted for 38.3 per cent of total approved investments in 2010.

The major portion of the domestic investments approved in 2010 amounting to RM12.2 billion was in new projects, while RM5.9 billion was in expansion/diversification projects. Domestic investments were mainly in the petroleum products including petrochemicals (RM4.7 billion), transport equipment (RM2.8 billion), basic metal products (RM1.6 billion), E&E (RM1.5 billion), food manufacturing (RM1.2 billion), and chemicals and chemical products (RM1.1 billion) industries.

### **Foreign Investments**

Malaysia continued to remain a competitive investment location for foreign investors. Of the total investments approved, RM29.1 billion or 61.7 per cent was foreign investments. This was attributed to the greater interest by foreign investors to invest in

quality projects in new growth areas and emerging technologies, which are high value-added, high technology, and skills and knowledge-intensive in nature.

Foreign investments in new projects totalled RM11.7 billion. Investments were mainly in basic metal products (RM3.6 billion), E&E products (RM2.3 billion), fabricated metal products (RM1.3 billion), petroleum products including petrochemicals (RM753.6 million) and scientific and measuring equipment (RM667.2 million).

Existing foreign investors continued to reinvest, consolidate, expand and diversify into higher value-added products and activities to increase competitiveness of their operations in the country. Foreign investments in expansion/diversification projects totalled RM17.4 billion. Investments were mainly in the E&E products (RM9.6 billion), non-metallic mineral products (RM2.1 billion), scientific and measuring equipment (RM1.5 billion), chemicals and chemical products (RM1.5 billion) and food manufacturing (RM662.8 million) industries.

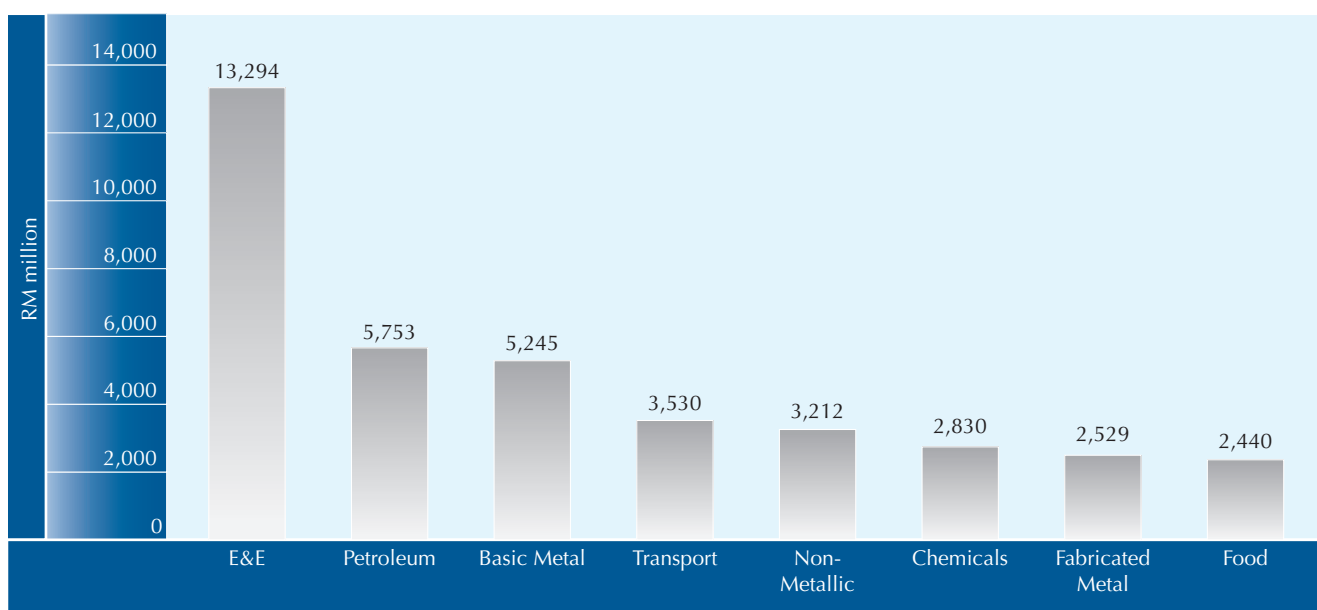
## Major Sources of Foreign Investments

The five leading sources of foreign investments in approved projects in 2010 were the USA (RM11.7 billion), Japan (RM4.0 billion), Hong Kong (RM2.8 billion), Singapore (RM2.2 billion) and Germany (RM1.9 billion). These five countries jointly accounted for 77.7 per cent of total foreign investments approved during the period.

## Approved Projects by Industry

In 2010, the E&E industry remained the leading industry in terms of number of approved projects (126 projects), as well as investments (RM13.3 billion). This was followed by petroleum products including petrochemicals (RM5.8 billion), basic metal products (RM5.2 billion), transport equipment (RM3.5 billion), non-metallic mineral products (RM3.2 billion), chemicals and chemical products (RM2.8 billion), fabricated metal products (RM2.5 billion) and food manufacturing (RM2.4 billion). These eight industries accounted for RM38.8 billion or 82.3% of total investments approved.

**Chart 4 - Investments in Approved Projects by Major Industry, 2010**





## Approved Projects by Location

The states of Penang, Selangor and Johor continued to be the leading states both in terms of number of approved projects as well as investments. A total of 625 projects or 68.7 per cent of the approved projects will be located in these three states. The concentration of projects in these states was mainly due to the more developed infrastructures in these states. These three states jointly accounted for 365 new projects or 68.0 per cent of the total number of new approved projects in 2010.

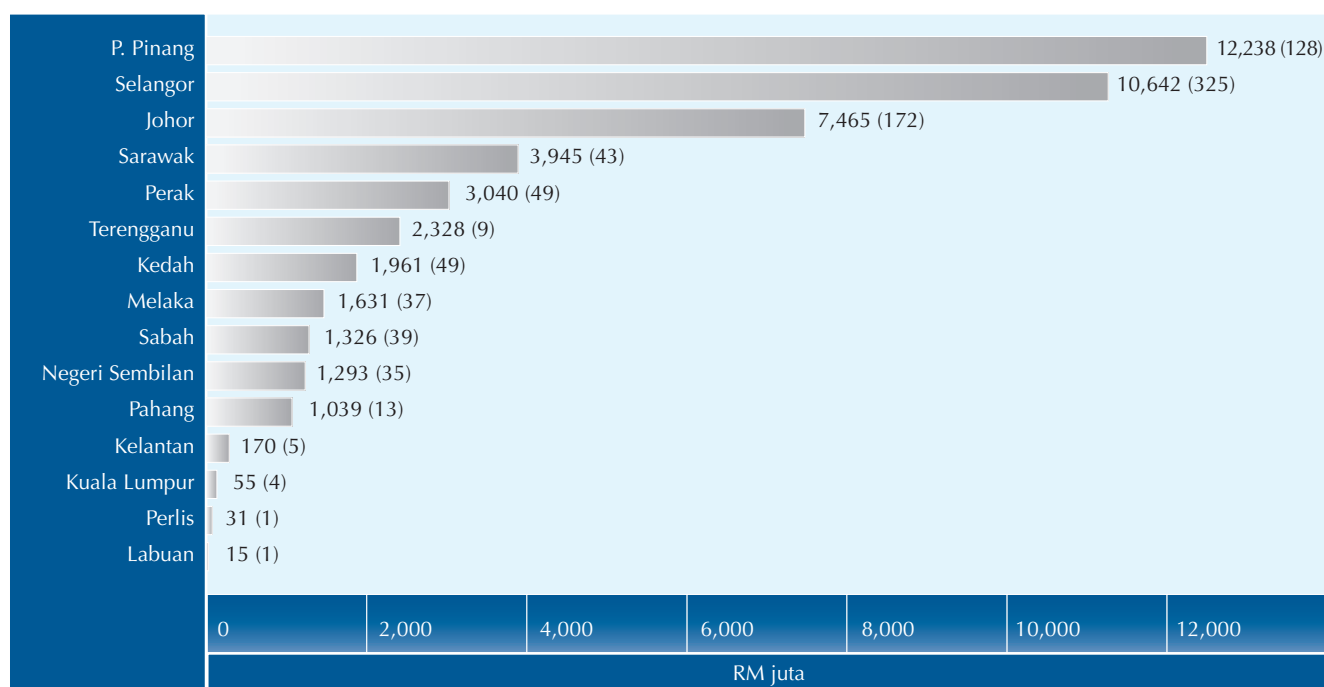
By value of investments, the state of Penang registered the highest level (RM12.2 billion), followed by Selangor (RM10.6 billion), Johor (RM7.5 billion), Sarawak (RM3.9 billion) and Perak (RM3.0 billion).

## Implementation Rate

A total of 5,648 manufacturing projects were approved during the period 2005 - 2010 of which 4,185 projects (74.1%) had commenced production as at 31 December 2010 while 258 (4.6%) were at the stage of factory construction and machinery installation. Of the 4,185 projects in production, 637 projects had commenced production in 2010.

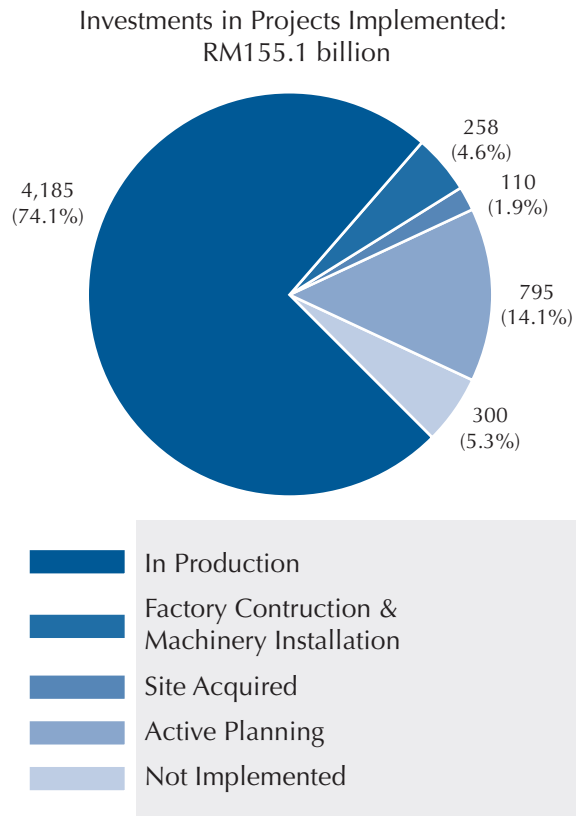
Total capital investments in the 4,443 projects that were implemented (covering projects which have commenced production and those that have undertaken factory construction and machinery installation) amounted to RM155.1 billion. In addition, 110 projects with investments of RM18.2 billion have acquired sites for factories, while 795 projects (RM88.9 billion) are in active planning stage. When these 905 projects are realised, total investments will amount to RM107.1 billion.

**Chart 5 - Investments in Approved Manufacturing Projects by State, 2010**



Note: Figures in parentheses refer to number of projects approved

**Chart 6** - Status of Implementation of Manufacturing Projects Approved during 2005-2010, as at 31 December 2010





# Chapter 3

## PERFORMANCE OF THE SERVICES SECTOR



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# 3 PERFORMANCE OF THE SERVICES SECTOR



## OVERVIEW

The services sector has been identified as the next engine of growth for the Malaysian economy. It comprises a broad range of services including regional establishments; support services; MSC status companies; real estate (housing); transport; energy; telecommunications; distributive trade; hotels and tourism; financial services; health services and educational services.

The services sector remains the major contributor to GDP. In 2010, the services sector contributed 57.4 per cent to GDP with a growth rate of 6.8 per cent<sup>3</sup>. Employment in the services sector was estimated at 6.3 million people or 53.6 per cent of total employment<sup>4</sup>.

A total of 3,301 projects with investments of RM36.7 billion were approved in the services sector in 2010. Of the total investments, domestic investment

**Table 1 - Approved Investments in the Services Sector**

SERVICES SUB-SECTOR	NO.	RM MILLION
Regional Establishments	183	374.2
Support Services	89	1,089.3
MSC Status Companies	218	1,484.7
Real Estate (Housing)	1,328	6,552.6
Telecommunications (Including Post)	50	6,376.0
Transport	54	5,633.0
Energy	-	5,059.5
Hotel and Tourism	50	2,558.3
Distributive Trade	857	2,383.1
Education Services	347	2,340.8
Financial Services	70	1,853.2
Health Services	15	555.9
Bionexus Status and Software	40	481.9
<b>Total</b>	<b>3,301</b>	<b>36,742.5</b>

<sup>3</sup> Department of Statistics.

<sup>4</sup> Economic Report 2010/2011, Bank Negara.

amounted to RM32.8 billion and foreign investments totalled RM3.9 billion. The approved projects during this period are expected to provide 53,506 job opportunities.

## **REGIONAL ESTABLISHMENTS**

As at 31 December 2010, a total of 2,946 regional establishments have been approved, comprising 199 Operational Headquarters (OHQs), 217 International Procurement Centres (IPCs), 27 Regional Distribution Centres (RDCs), 809 Regional Offices (ROs) and 1,694 Representative Offices (REs).

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

In 2010, a total of 183 new regional establishments were approved to be set up in Malaysia with investments of RM374.2 million. Estimated annual sales turnover for IPCs and RDCs amounted to RM4.8 billion. These operations will create a total of 1,169 jobs for Malaysians. Operations such as OHQs, IPCs and RDCs generally create more job opportunities for Malaysians in the managerial, professional and technical levels.

The present trend for MNCs especially in the E&E sector is to move towards services activities by establishing their global operations in this region. Malaysia could reap much benefit from this trend.

### **Operational Headquarters (OHQs)**

In 2010, a total of 22 OHQs were approved with investments of RM197.5 million. Of these, six were

from the Netherlands, three were from Australia and the USA, two were from the UK, one each from Germany, Hong Kong, Denmark, Sweden, Austria and Japan. The remaining two were joint-venture projects of which one was between Malaysia and Thailand and the other, between France and Australia.

A total of 158 expatriate posts were approved for these OHQs and 396 employment opportunities will be provided for Malaysians.

These OHQs are involved mainly in oil and gas, finance, E&E, construction, food and beverages, timber, logistics, healthcare and health informatics, pharmaceuticals, chemicals, automotive, power and engineering services, IT and biotechnology industries.

### **International Procurement Centres (IPCs)**

Multinational corporations, with their strong network of production bases in the Asia Pacific region, have established IPC operations in the country. Their IPCs serve as procurement and distribution centres and undertake supply chain management for their manufacturing operations both in Malaysia and abroad.

Five projects to establish IPCs were approved in 2010 with investments of RM64.9 million and estimated annual sales turnover of RM2.3 billion. Of the five IPCs approved, one each were from the USA, Japan and Singapore, one was a joint-venture company with Singapore and Japan and one by a local company. These IPCs will provide employment opportunities for 403 Malaysians, mainly in the managerial, technical and skilled categories and will procure a total of RM1.2 billion worth of products from local companies.

In addition, eight existing IPCs have embarked on expansion programmes by adding new products in their procurement and distribution network.

## **Regional Distribution Centres (RDCs)**

As at 31 December 2010, a total of 27 RDCs have been approved with investments of RM122.8 million and total annual sales turnover of RM2.6 billion. Of these, four were from Germany, two each from the UK, Malaysia and the USA, and one each from Austria, the Netherlands, Switzerland, Belgium, Finland, France, Italy, Ireland, Spain, Denmark, Canada, Hong Kong, Pakistan, Japan and India while two were joint-venture projects with Japan and Germany. A total of 655 employment opportunities will be created by these RDCs, of which 90 per cent will be filled by Malaysians.

In 2010, five projects were approved for RDCs with investments valued at RM42.7 million and total annual sales turnover of RM2.5 billion. These RDCs will provide employment opportunities for 94 Malaysians. Of these, one each were from the USA, Hong Kong, Japan, Pakistan and one by a local company.

## **Regional/Representative Offices (ROs and REs)**

ROs and REs are established mainly to assist foreign companies to plan or coordinate business activities for the corporations' affiliates, subsidiaries and agents in Malaysia and in the region. The establishment of these ROs and REs will provide opportunities for the companies to set up OHQs/ IPCs/RDCs in the long run.

In 2010, a total of 55 ROs and 96 REs were approved with total investments of RM69.2 million. Of the total, investments for ROs and REs were RM32.4 million and RM36.8 million, respectively. The ROs/REs approved were mainly from Singapore (24), the USA (12), Japan (11) and the UK (eight). These ROs and REs are expected to create employment opportunities for 276 Malaysians.

## **SUPPORT SERVICES**

Support services cover research and development (R&D), renewable energy and energy conservation/efficiency, engineering design, integrated logistics services, integrated market support services, cold chain facilities, sterilisation, central utilities facilities and bonded warehouse. These activities are the targeted service activities currently being promoted by the Government to further enhance the value creation of the manufacturing sector in Malaysia.

In 2010, a total of 86 support services projects were approved involving total investments of RM1.1 billion. Domestic investments which totalled RM832.3 million continued to dominate the support services sector while foreign investments amounted to RM256.3 million. A total of 2,466 employment opportunities would be created by these projects.

## **Renewable Energy (RE)**

Renewable Energy (RE) was introduced in 2001 as the fifth fuel policy by the Government. The policy was introduced to address issues on sustainable development for the country. The main renewable resources for generation of energy include biomass such as wastes from palm oil, rice, sugar cane, timber, sawmill and paper recycling mills; municipal wastes; biogas from landfills, palm oil mill effluent and animal wastes; mini-hydro; solar; and wind power. Within the RE sector, biomass resources and solar energy are widely used for the generation of electricity, accounting for 90 per cent of the renewable energy sources.

Under the Ninth Malaysia Plan, the Government had targeted for 350 MW of grid-connected power from RE translating to 1.8 per cent of RE in the electricity mix. However, only 53MW or 15 per cent of the targeted RE capacity was achieved for purposes of connecting the power to the national

**Table 2 - Investments in Approved Support Services, 2010**

<b>SUPPORT SERVICES</b>	<b>NO.</b>	<b>RM MILLION</b>
Renewable Energy	21	563.7
Global Operations Hub/Global Distribution Hub	4	235.2
Integrated Logistics Services	3	102.6
Research and Development (R&D)		
• R&D Incentive	4	15.4
• R&D grant schemes	33	47.0
Energy Conservation/Efficiency	7	37.5
Cold Chain Facilities	2	34.1
Bonded Warehouse	12	30.5
Oil and Gas Services	1	14.6
Other Services	2	8.7
<b>Total</b>	<b>89</b>	<b>1,089.3</b>

grid. Nevertheless, more than 430MW of off-grid electricity was generated by companies for their own consumption. The RE target set under the Tenth Malaysia Plan is 5.5 per cent of the total electricity generation mix or 985MW by 2015.

To encourage the usage of renewable resources for energy generation, the Government via the Budget 2011 announcement has extended the tax incentives for renewable energy for another five years which will end on 31 December 2015. The newly proposed RE Act has also incorporated a mechanism on Feed-in-Tariff (FiT) to enable the sales of RE by independent providers including households to utility companies.

In 2010, a total of 21 renewable energy projects were approved with tax incentives compared with 18 projects in 2009. Total investments in approved projects increased from RM381.6 million in 2009 to RM563.7 million in 2010. Of the total investments approved, RM541.9 million or 96.1 per cent was

domestic investments while RM21.8 million or 3.9 per cent was foreign investments. These projects would provide employment opportunities for 493 workers in this sub-sector.

Twenty of the approved projects were new projects and one was an expansion project. These projects would generate energy in the form of electricity, steam or heat using biomass, solar and hydro power.

### **Global Operations Hub/ Global Distribution Centre**

In 2010, four companies were approved tax incentives to undertake Global Operations Hub/Global Distribution Center with total investments of RM235.2 million.

Two foreign-owned companies would provide Global Operations Hub activities such as Global Training Centre, Global Payroll Centre, Shared Services Centre, Global Resources Services,



*Strategic Marketing, Planning Support, Distribution Hub, Trading, Global Information Data Centre, Global Logistics/Supply Chain Distribution Hub to their group of companies.*

*A foreign-owned company will undertake Global Distribution Centre activities, distributing medical products under its own brand to related companies within the Group.*

*Another company is an existing Malaysian-owned company which is expanding its operation to set up a Centralised Principal for Full Fledged Supply Chain Business Model. This project covers activities such as Global Procurement, R&D Hub, distribution and logistics management.*

### **Integrated Logistics Services (ILS)**

*The main activities in the ILS industry cover freight forwarding, warehousing, transportation and other related value-added services such as distribution, procurement and supply chain management on an integrated basis.*

*Companies undertaking ILS are eligible for tax incentives. The objective of granting the incentive is to create an efficient and competitive logistics industry to encourage the integration and consolidation of the various transport intermediaries along the logistics supply chain in Malaysia. In this regard, Malaysian companies are encouraged to expand and venture into higher value-added services to enable them to compete globally.*

*In 2010, three Malaysian-owned companies were approved to undertake new and expansion projects with total investments of RM102.6 million. These projects would involve activities such as building Inland Container Depots, upgrading of warehouses and ICT equipment, increasing the number of transportation, and having more value-added*

*activities such as distribution, packing, re-packaging, re-labeling, grading and sampling.*

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

*R&D activities include industrial design (product and process development including designing and prototyping) and research services provided by design houses, contract R&D companies, R&D companies, and approved R&D institutes/research companies.*

*In 2010, four R&D projects were approved tax incentives. Of these, three projects would undertake R&D activities for the E&E and testing equipment industries and one project was an in-house R&D project undertaken by a manufacturing company to improve its coating product. Total investments amounted to RM15.4 million of which RM14.8 million or 95.9 per cent comprised foreign investments while the remaining 4.1 per cent was domestic investments.*

*In addition, 33 R&D projects with total investments of RM47.0 million were approved under other financial assistance schemes.*

### **Energy Conservation/Efficiency**

*Conserving energy or using energy in a more efficient manner is crucial to preserve our environment and achieve sustainable development. To encourage wider adoption of energy efficient systems and equipment by companies, the Government has extended the tax incentives for energy conservation/efficiency for another five years which will end on 31 December 2015.*

*In 2010, seven energy conservation/efficiency projects were approved tax incentives compared with six projects in 2009. Total investments approved amounted to RM37.5 million (2009: RM375.2*

million), of which 97.1 per cent was domestic investments. Energy conserved from these projects amounted to 1,614 MWh which translates into a saving of RM872,649 per annum.

### **Cold Chain Facilities**

Companies providing cold chain facilities and services for perishable agricultural such as fruits, vegetables, flowers, ferns and meat and aquatic products are eligible for tax incentives.

In 2010, two Malaysian-owned companies were approved tax incentives with total investment RM34.1 million. These companies provide chilled and cold room/truck facilities for fishermen and farmers nearby.

### **Bonded Warehouse**

A bonded warehouse operates as a central storage for the distribution of bonded goods (i.e. goods on which Customs duties and taxes have not been paid). Activities that can be carried out in these warehouses are warehousing, bulk breaking, repackaging, re-labelling of imported goods, consolidation and entreport.

In 2010, a total of 12 bonded warehouses were approved. Total investments in these projects amounted to RM30.5 million of which 96.1 per cent was domestic investments.

### **Oil and Gas**

The exploration of oil and gas services has substantive linkages with supporting industries and services. Malaysia has the potential to be the service hub for the oil and gas industry in the Asia Pacific region due to the activities of Petronas and the presence of major oil and gas companies that have established their regional operations in Malaysia.

In 2010, a Malaysian owned project with investments of RM14.6 million was approved customised incentives to undertake pipeline integrity management, pipeline inspection and pipeline cleaning for the oil and gas industry.



# Chapter 4

## FOREIGN INVESTMENT PROMOTION



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# 4 FOREIGN INVESTMENT PROMOTION



MIDA is the central investment promotion agency in Malaysia and serves as the first point of contact for foreign investors, considering Malaysia as an investment location. In 2010, MIDA continued with its various promotional programmes and activities to promote and attract foreign investments into the manufacturing and services sectors.

The programmes undertaken include Trade and Investment Missions, Roundtable Meetings and Mini Seminars, Specific Project Missions, International Seminars/Forums/Strike Force Mission/Dialogues with foreign chambers, Industry Leaders Programme and advertisements and advertorials. These programmes were targeted to attract new investments

as well as investments in expansion and diversification activities especially in high technology, capital-intensive, knowledge-intensive and high value-added industries.

## Trade and Investment Missions

In 2010, MIDA organised and participated in six trade and investment missions abroad. The delegation members comprised Malaysian government officials including officials from the state governments as well as representatives from the private sector. In conjunction with these missions, seminars on Trade and Investment Opportunities in Malaysia and Roundtable Meetings were organised.

**Table 3 - Trade and Investment Missions in 2010**

NO	PROGRAMME	DATE
1.	Trade and Investment Mission to Europe (Amsterdam, Hamburg and Birmingham)	7 - 13 March
2.	Trade and Investment Mission to Korea (Seoul and Busan)	17-23 July
3.	Trade and Investment Mission to Singapore	4-5 August
4.	Trade and Investment Mission to USA (Atlanta, Philadelphia and Washington DC)	18-22 September
5.	Trade and Investment Mission to Taiwan (Taipei and Kaoshiung)	4-8 October
6.	Trade and Investment Mission to West Asia (Doha, Riyadh and Jeddah)	11-18 December

**Visits by YAB Prime Minister,  
YAB Deputy Prime Minister,  
YB Minister of MITI,  
YB Deputy Minister of MITI  
and Director General of MIDA**

In 2010, MIDA was also involved in organising seminars, Roundtable Meetings, Private Meetings and visits to companies in conjunction with the official visits of YAB Prime Minister, YAB Deputy Prime Minister, YB Minister of International Trade and Industry, YB Deputy Minister of International Trade and Industry and Director General of MIDA.

**Table 4 -** Visits by YAB Prime Minister, YAB Deputy Prime Minister, YB Minister of MITI, YB Deputy Minister of MITI and Director General of MIDA in 2010

NO	PROGRAMME	DATE
1.	Visit of YB Deputy Minister of MITI to China	5 January
2.	Visit of YAB Deputy Prime Minister to United Kingdom	10-14 January
3.	Visit of YAB Prime Minister to India	19-23 January
4.	Visit of YAB Prime Minister to Hong Kong	22-24 March
5.	Visit of YAB Deputy Prime Minister to France	5-7 April
6.	Visit of YAB Prime Minister to Japan	18-21 April
7.	South East Asia Economic Ministers' Roadshow to USA	2-8 May
8.	Roundtable Meeting with selected American Companies and Private Meetings with the American Corporations in USA	5 May
9.	Visit of YB Minister of MITI to Singapore for the 12th Asia-Pacific Conference of German Business	12-14 May
10.	Visit of YAB Prime Minister to Laos PDR	2-4 June
11.	Visit of YB Minister of MITI to Japan	4-7 June
12.	Visit of YAB Deputy Prime Minister to Indonesia	28-29 June
13.	Visit of YB Minister of MITI to Shanghai, China	22-25 July
14.	Visit of YAB Deputy Prime Minister to the Republic of Korea	26-29 July
15.	Visit of YB Minister of MITI to Indonesia	1-3 August
16.	Working Visit by Director General of MIDA to Shanghai, China	18-21 September
17.	Visit of YB Minister of MITI to Australia in conjunction with the FORBES Global CEO Conference 2010	27 September-4 October
18.	Visit of YAB Prime Minister to Belgium	3-5 October
19.	Visit of YB Minister of MITI and Minister of PM's Office to Singapore	6-7 December

## Specific Project Missions

A total of 32 Specific Project Missions were organised to meet targeted companies in the selected

countries in 2010. These missions met with companies in high-technology, capital-intensive and high value-added industries.

**Table 5 - Specific Project Missions in 2010**

NO	TARGET SECTOR	COUNTRY VISITED	DATE
1.	Backlighting, Display and Electronics Components	Japan	17-24 February
2.	Food Processing	Singapore	7-9 April
3.	Business and Other Services Industry	United Arab Emirates (Dubai)	13-15 April
4.	Polymers, Chemicals and Oleochemicals	Taiwan	25 April-2 May
5.	Machinery and Equipment	USA	1-14 May
6.	Iron and Steel, Special Steel and Non-Ferrous Metal	Europe (Sweden, Italy, Spain)	9-21 May
7.	R&D for Furniture, Duplex Board and Oil Palm Biomass	Japan and Korea	9-20 May
8.	Food Industry	Japan	18-27 May
9.	Business and Other Services Industry	Korea	24-28 May
10.	Solar, LED, Chemicals and Polymers	Japan (Osaka, Tokyo)	23 May-5 June
11.	OHQs, IPCs and RDCs	India	30 May-6 June
12.	Medical Devices and Pharmaceutical Industries	USA (Los Angeles, Chicago, New York and Boston)	31 May-12 June
13.	IC Design and Semiconductors	Europe (France, Germany and UK)	7-17 June
14.	Automotive Electronic Components	Korea (Seoul) Japan (Tokyo and Osaka)	13-19 June
15.	Advanced Ceramics, Technical/Functional Textiles and Green Building Products	USA	19 June-4 July
16.	Solar Industry	Japan (Tokyo, Osaka)	30 June-9 July
17.	OHQs, IPCs and RDCs	Australia	1-7 July
18.	Aircraft Parts Manufacturing and MRO Sub-sector	Europe (Germany, Austria, Switzerland, France and UK)	7-21 July
19.	Electronics	USA (San Jose, Los Angeles and Chicago)	12-24 July
20.	Food Industry	China (Yinchuan, Changchun and Shanghai)	25 September-2 October
21.	Business and Other Services Industry	Europe (Germany, France and UK)	26 September-5 October

NO	TARGET SECTOR	COUNTRY VISITED	DATE
22.	Machinery and Equipment	Korea and Japan	26 September-8 October
23.	Medical Devices and Pharmaceutical Industries	Europe (Germany, Switzerland, Italy, France and UK)	2-15 October
24.	Food Industry	Europe (France, Netherlands and Switzerland)	18-30 October
25.	Polymers, Chemicals and Oleochemicals	Europe (Italy, Germany, UK and France)	17-31 October
26.	Machinery and Equipment	Europe (Germany, Netherlands, Italy and Switzerland)	1-12 November
27.	Solar and ICT Industry	Europe (Italy, Sweden and UK)	16-30 November
28.	Business and Other Services Industry	Australia	21-28 November
29.	Advanced Ceramics and Technical/ Functional Textiles	Korea and Japan	28 November-9 December
30.	Glulamined Timber, Oil Palm biomass and Paper Products (Specialty & Security paper)	Europe (Netherlands, Austria, Germany, and UK)	29 November-8 December
31.	OHQs, IPCs and RDCs	People's Republic of China (Guangzhou) and Hong Kong	12-21 December
32.	Iron and Steel, Special Steel and Non-Ferrous Metal	Japan and Korea	12-23 December

### **International Seminars/Forums/Briefings/Strike Force Missions Participated and Organised by MIDA**

MIDA organised and participated in International Seminars/Forums/Briefings Outside/Strike Force Missions as part of its investment promotion strategies in 2010.

▶ **Table 6 -** International Seminars/Forums/Briefings/Strike Force Missions in 2010

NO	PROGRAMME	NUMBER OF EVENTS
1.	International Seminars	8
2.	Forums	8
3.	Briefings Outside MIDA	6
4.	Strike Force Missions	1

### **Visits by Foreign Investors/Delegations**

In 2010, MIDA received a total of 358 visits by delegations/investors from overseas. They were briefed by MIDA on the policies, facilities, incentives and opportunities for investments in the manufacturing and services sectors. In addition, MIDA also liaised with other Ministries, Departments, State Governments, agencies and the private sector to facilitate these visits.

### **Enquiries Received and Briefings Conducted**

During the course of the year, MIDA received more than 2,500 enquires from foreign and local companies on the establishment of manufacturing and services projects. MIDA also conducted briefings for foreign delegations, private sector,



industry associations, chambers of commerce and Government agencies to update them on the policies, incentives and business operating environment in Malaysia.

### **Public Relations Activities**

MIDA continued with its public relations activities which included advertisements, visits of journalists, participation in exhibitions and trade fairs and Industry Leaders Programme.

### **Advertisements and Advertorials**

In 2010, MIDA placed advertisements in domestic and foreign publications, which included Forbes Asia, FDI, Financial Times, The Economist, Gulf Business, International Herald Tribune, Chosun Ilbo, Nikkei Business, Site Selection, Aswaq, Al-Khaleej and Industry Europe.

### **International Exhibitions/Trade Fairs**

MIDA continued to participate in international exhibitions and trade fairs in 2010 to create awareness on investment opportunities in Malaysia. These exhibitions and trade fairs also provided opportunities for networking between Malaysians and foreign businessmen to explore business partnerships/collaborations and setting-up of joint-ventures. In 2010, MIDA participated in four overseas exhibitions in Brunei Darussalam, United Arab Emirates, Singapore and People's Republic of China.

### **International Herald Tribune: Dawn of the New Decade Forum**

On 27 and 28 September 2010, MIDA in collaboration with International Herald Tribune organised the Dawn of the New Decade: Alternative Investment forum. The Forum addressed issues on financial recovery, Asia's potential in developing alternative investments and the impact of financial reforms on investors. YAB Deputy Prime Minister on behalf of YAB Prime Minister gave a keynote address on the second day of the event. A press conference was held after the keynote address for the local and foreign media.

### **Media Hospitality**

In 2010, MIDA organised a Media Day on the Semiconductor Industry. The Media Day was held to brief the media on the overview of the semiconductor industry in Malaysia. MIDA sponsored five journalists to Penang and Kulim, Kedah to visit and interview selected semiconductor companies operating in the region.





# Chapter 5

## DOMESTIC INVESTMENT PROMOTION



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# 5 DOMESTIC INVESTMENT PROMOTION



## Introduction

The New Economic Model (NEM) embodies a spirit of inclusivity emphasizing on public-private partnerships which will drive greater participation by the private sector in the country's economy. Domestic private investments is targeted to be a key engine of growth further boosted by a comprehensive business environment, investment policies and other incentives. This is to ensure a more sustainable growth and diverse economic foundation.

Among the initiatives taken by MIDA to encourage higher contribution of domestic investors were providing attractive incentives for Malaysian companies undertaking investments in promoted areas/activities, nurturing identified Malaysian companies to become major players in their industry, intensifying efforts for business matching and collaborations among Malaysian companies, and continuously promoting a business and investor-friendly environment.

MIDA will continue to disseminate and update information on investment policies, incentives, business opportunities and support services made available for Malaysian businessmen through its extensive outreach programmes which will be undertaken throughout the country. Among the outreach initiatives that were held in 2010 were Domestic Investment Seminars, Specific Industry Seminars and meetings/dialogues with various local chambers and industry associations.

## Domestic Investment Seminars

MIDA in collaboration with SME Corporation Berhad (SME Corp) organised three domestic seminars in Kuala Lumpur, Sabah, and Sarawak. A total of 2,582 participants attended these seminars in 2010. The seminars were sponsored by Export-Import Bank of Malaysia (EXIM Bank), RHB Bank, Labuan Financial Services Authority (LFSA) and Malaysian Industrial Development Finance Berhad (MIDF) with the support of MITI agencies, state Government agencies, and Federation of Malaysian Manufacturers and other industry associations.

The seminars were conducted with the following objectives:

- to increase awareness and emphasise the importance of the services sectors to the development of the Malaysian economy;
- to provide the latest updates on the government policies, incentives and facilities for Malaysian services providers;
- to highlight and promote the investment opportunities available in the services sectors; and
- to provide a forum for the business community to network with key Government agencies.

▶ **Table 7 - Domestic Investment Seminars in 2010**

NO	PROGRAMME	VENUE	DATE
1.	<i>National Domestic Investment Dialogue and Seminar</i>	<i>Kuala Lumpur</i>	<i>23 February</i>
2.	<i>Sabah Domestic Investment Dialogue and Seminar</i>	<i>Kota Kinabalu, Sabah</i>	<i>1 July</i>
3.	<i>Sarawak Domestic Investment Dialogue and Seminar</i>	<i>Kuching, Sarawak</i>	<i>8 October</i>

### **Specific Industry Seminars**

Four specific industry seminars were organised in 2010 on the Wood-Based and Food Processing Industries, Outsourcing Opportunities and the Electronics Industry in Malaysia. The seminars were held in Kuala Terengganu, Kota Bharu, Johor Bahru and Penang respectively.

### **Dialogues/Briefings with Chambers of Commerce/ Association/Agency**

In fostering closer networking with the domestic players, MIDA also took the initiative to organise four dialogues with various Chambers of Commerce and Industry Associations in 2010. These dialogues enabled the chambers to be updated on the latest policies on investment and promotional programmes organised by MIDA and also provided a platform for exchanging ideas on related issues.

▶ **Table 8 - Specific Industry Seminars in 2010**

NO	PROGRAMME	VENUE	DATE
1.	<i>Seminar on Business Opportunities in the Wood Based Industry</i>	<i>Kuala Terengganu, Terengganu</i>	<i>5 July</i>
2.	<i>Seminar on Business Opportunities in the Food Processing Industries</i>	<i>Kota Bharu, Kelantan</i>	<i>5 August</i>
3.	<i>Seminar on Outsourcing Opportunities in Malaysia</i>	<i>Johor Bahru, Johor</i>	<i>27-28 July</i>
4.	<i>Electronics Industry Seminar</i>	<i>Penang</i>	<i>29-30 November</i>

## **Bumiputera Business Development Unit (BBDU)**

The BBDU was established in MIDA with the role of encouraging higher and more effective participation of Bumiputera players in the manufacturing and services sectors. In this regard, the BBDU has conducted nine programmes in 2010 such as dialogues/briefings/workshops/meetings with Bumiputera Chambers of Commerce/Associations/agencies/companies and Networking Sessions with GLCs/Malaysian Companies.

MIDA has also been actively participating in exhibitions to further inform and create awareness of investment opportunities to the local business community. Among the exhibitions were:

- GreenTechAsia 2010;
- MTA Malaysia 2010; and
- SMIDEX 2010.

**Table 9 - Dialogues/Briefings with Chambers of Commerce/Association/Agency in 2010**


NO	PROGRAMME	VENUE	DATE
1.	Dialogue with Malaysian Companies in Johor	Johor Bahru, Johor	20 April
2.	Dialogue with Malaysian Companies	Miri, Sarawak	29 April
3.	Networking Session with Domestic Chambers and Industry Associations	Kuala Lumpur	12 October
4.	Networking Dinner with Foreign and Malaysian Companies in Melaka	Melaka	4 December
5.	Women Entrepreneurs Networking Luncheon	Kuala Lumpur	17 December







# Chapter 6



## PROMOTION OF CROSS BORDER INVESTMENTS

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# 6 PROMOTION OF CROSS BORDER INVESTMENTS



## **Introduction**

Malaysian companies are encouraged to venture overseas as they are well positioned to tap new investment opportunities through cross border investments (CBIs). CBIs will enable Malaysian companies to become part of the global production network through expansion of marketing channels, acquisition of new technologies and sourcing of lower cost resources overseas. This would result in improvement of the competitiveness of Malaysian companies in facing the challenges of the global economic environment.

## **Trends of Malaysian Investments Overseas**

In 2010, Malaysia's direct investments abroad (DIA) amounted to RM42.6 billion, a 52.7 per cent increased from RM27.9 billion in 2009. The surge in DIA can be attributed to increased interest by Malaysian companies to diversify their operation abroad due to the global economic recovery. The top destinations for Malaysia investments in 2010 were the ASEAN countries, which accounted for 41.8 per cent of the total DIA. Other major destinations were Australia, United Kingdom, Hong Kong and Korea. Some Malaysian investments were channeled via

international offshore financial centres, before being redirected to its final destination. The key sectors include financial intermediation, mining and quarrying, services, trade/commerce and manufacturing.

## **Promotion of CBI**

MIDA has been tasked to promote CBI since 2002. Among the initiatives and programmes undertaken in 2010 to promote CBI were:

- Organising seminars on business and investment opportunities for targeted countries;
- Networking with Investment Promotion Agencies/Boards of Investment in targeted countries; and
- Evaluating and approving applications for Malaysia – Singapore Third Country Business Development Fund.

## **Seminars on Business and Investment Opportunities in Targeted Countries**

In 2010, MIDA collaborated with various foreign embassies in Kuala Lumpur and Investment Promotion Agencies (IPAs) of respective countries to

organise seven seminars in Malaysia on business and investment opportunities in the targeted countries as follows:

- Seminar On Business And Investment Opportunities In Bangladesh (8 January);
- Seminar on Business Opportunities in Venezuela (16 April);
- Seminar on Business and Investment Opportunities in Sri Lanka (20 May);
- Seminar on Business Opportunities in Yemen (24 June);
- Seminar on Business and Investment Opportunities in Lesotho (29 June);
- Seminar on Iran Investment Opportunities (1 July); and
- Seminar on Business and Investment Opportunities in Zambia (26 July).

The objectives of these seminars were:

- to update participants on policies and procedures, business and investment opportunities available in the host country; and
- to provide networking platform and identify trade and investment leads in the respective countries.

## Visits and Dialogues

In 2010, MIDA received visits from 77 delegations from countries such as Indonesia, Sudan, Bangladesh, Kazakhstan, Nigeria and Mauritius. The objectives of these visits were to strengthen bilateral ties and seek business/investment interest from Malaysian companies.

## Familiarisation Programmes (South-South Countries and OIC Countries)

Two Familiarisation Programmes were organised in 2010 as follows:

- Familiarisation Programme for Officials of Investment Promotion Agencies of the South-South Countries - in collaboration with the Ministry of Foreign Affairs (Wisma Putra) under the Malaysian Technical Cooperation Programme (MTCP); and
- Familiarisation Programme for Officials of Investment Promotion Agencies of the Organisation of Islamic Conference (OIC) Member Countries - in collaboration with the Economic Planning Unit (EPU) under the MTCP and Islamic Development Bank (IDB).

The objectives of the programme include:

- to share Malaysia's experience in promoting and coordinating the development of the manufacturing and services sectors in Malaysia;
- to learn about the latest developments and best practices of Investment Promotion Agencies; and
- to foster closer rapport and strengthen ties through networking and sharing of experience among participating countries.



# Chapter 7

## INTERNATIONAL RELATIONS



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# 7 INTERNATIONAL RELATIONS



## **Association of South-East Asian Nations (ASEAN)**

ASEAN Trade in Goods Agreement (ATIGA) which is an improvement over the ASEAN Free Trade Area-Common Effective Preferential Tariff (AFTA-CEPT) Scheme entered into force on 17 May 2010. The ATIGA consolidates all ASEAN's existing initiatives, obligations and commitments on intra-ASEAN trade in goods, including both tariff and non-tariff elements, into one single comprehensive document.

Based on the commitments under the ASEAN CEPT scheme, import duties have been eliminated on 99.65% of tariff lines in the Inclusion List for ASEAN-6 (Brunei, Indonesia, Malaysia, Singapore, Philippines and Thailand) effective 1 January 2010.

Another major achievement in 2010 was the commencement of a pilot project to kick-start the ASEAN Self Certification System by three participating Member States namely, Brunei Darussalam, Malaysia and Singapore on 1 November 2010 for a period of one year in response to the need to streamline the rules of origin procedures to facilitate trade of ASEAN originating goods.

ASEAN also continues to strengthen and deepen the economic relations with her major trading and

*Dialogue Partners through the establishment of regional free trade areas. In 2010, the following agreements have entered into force:*

- ASEAN-China Investment Agreement which was signed on 15 August 2009 came into force on 1 January 2010;
- ASEAN-India Trade in Goods Agreement which was signed on 13 August 2009 came into force on 1 January 2010; and
- ASEAN-Australia New Zealand Free Trade Agreement which was signed on 27 February 2009 came into force on 1 January 2010.

*MIDA's role in the ASEAN economic cooperation process covers cooperation in market access and facilitation of trade in goods, and cooperation in the promotion, facilitation and liberalisation of investment.*

## **Investment Cooperation**

The ASEAN Comprehensive Investment Agreement (ACIA) signed on 26 February 2009 involves revision, combination and enhancement of the current Framework Agreement on the ASEAN Investment Area (AIA) signed in 1998 and the ASEAN Agreement for the Promotion and Protection of Investments (IGA) signed in 1987.

Currently, the ASEAN Coordinating Committee is finalising the reservation lists under ACIA and continued its work to enhance the ASEAN investment environment. The deliverables of the CCI in 2010 include:

- The South East Asia Ministers Road Show to the US which focused on promotion of ASEAN as an investment destination;
- Annual ASEAN-China Expo (CAEXPO), in Nanning, China;
- Web-link of Investment Promotion Agencies (IPA) to ASEAN Secretariat;
- On-going studies funded by the ASEAN-Australia Development Cooperation Programme Phase II (AADCP II);
- Web-publication of Annual ASEAN Investment Report and Statistics of FDI in ASEAN 2010 on the ASEAN Secretariat's website; and
- Collaboration with the Organisation for Economic Cooperation and Development (OECD) on investment policies including invitation to the Special Dialogue with the OECD Investment Committee and ASEAN-OECD Investment Policy Conference.

## Trade Cooperation

ASEAN's total trade declined by 19 per cent from US\$1.9 trillion in 2008 to US\$1.5 trillion in 2009, in line with global trade which experienced a total decline of 22.6 per cent in 2009. Intra-ASEAN trade was down by 20.0 per cent and so was trade with the rest of the world, which contracted by 18.7 per cent. ASEAN trade with its Dialogue Partners also remained strong despite the global financial/economic crisis. Even with a 9.5 per cent decline in total trade, China emerged as ASEAN's largest trading partner in 2009. The

European Union and Japan came in as ASEAN's second and third largest trading partner despite significant drops in total trade, i.e. 17.6 per cent and 25.0 per cent, respectively. ASEAN's trade surplus with the rest of the world reached US\$61.2 billion in 2009, more than double the level in 2008.

Continuous work has been taken to facilitate intra-ASEAN trade and to enhance market access. In 2010, MIDA continued to participate in the meetings of the Sub-Committee on ATIGA Rules of Origin (SC-AROO) and Coordinating Committee on the Implementation of the ATIGA (CCA).

The work of the committees in 2010 included:

- Implementation of the Pilot Project on Self-Certification;
- Resolving of implementation issues; and
- Review of the General Exceptions List (GEL).

## ASEAN External Relations

In 2010, ASEAN continued to pursue deeper regional economic integration initiatives with her Dialogue Partners. MIDA participated in these initiatives through supporting the Ministry of International Trade and Industry in ASEAN's Free Trade Agreement (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 Cooperation on Investment Chapter;
- ASEAN-India Investment Agreement; and
- ASEAN-Australia/New Zealand FTA – Work Programme on Investment Chapter.



## **Asia-Pacific Economic Cooperation (APEC)**

*MIDA continued to be Malaysia's lead agency for the Investment Experts Group (IEG) meetings. Three IEG meetings were held in Japan in 2010.*

*MIDA's contributions towards the deliverables of the IEG for the year included:*

- *Being a focal point of the APEC E-Portal on Guide to Investment Regime of APEC Member Economies responsible for providing and updating information on Malaysia's investment regime;*
- *Providing information and identifying priority programmes for the overall APEC Investment Strategy (Roadmap for Investment) 2010;*
- *Participating in the APEC Seminar on Capacity Building for Sharing Success Factors of Improvement of Investment; and*
- *Continuing to participate in the Investment Facilitation Action Plan (IFAP) programme proposed by Member Economies to accelerate regional economic integration.*

## **Bilateral Economic Cooperation**

*In 2010, MIDA continued to participate in Malaysia's bilateral FTA negotiations with her trading partners. MIDA's role covered negotiations for market access in trade in goods, rules of origin and investments. The focus of the work included:*

- *Malaysia - Turkey FTA;*
- *Malaysia - Australia FTA; and*
- *Malaysia - India CECA.*

## **Multilateral Trade Relations**

*In 2010, MIDA continued its role in the World Trade Organisation (WTO) on the market access modalities for non-agricultural products and tariff elimination for environmental goods.*

*The Ministry of International Trade and Industry as the focal point in consolidating and streamlining Malaysia's positions on international trade and investment has been continuously consulting MIDA on various trade and investment related issues.*





# Chapter 8

## THE AUTHORITY



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# 8 THE AUTHORITY



*MIDA is the principal Government agency for the promotion and coordination of the development of the manufacturing and services sectors (excluding utilities and financial services).*

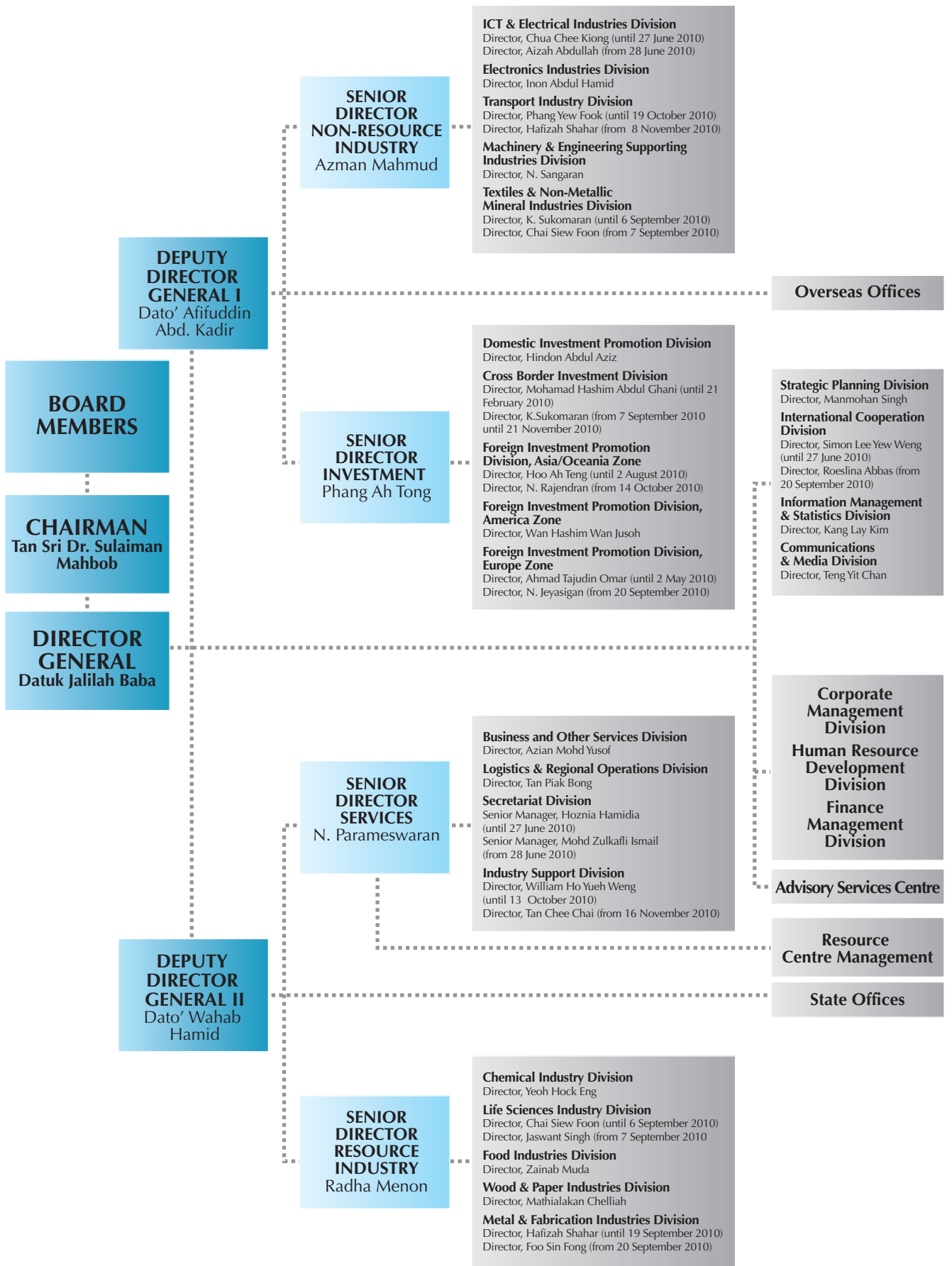
*MIDA was established in 1967 under the Federal Industrial Development Authority Act, 1965 as a statutory body under the purview of the Ministry of International Trade and Industry (MITI).*

## **Functions of MIDA**

*The functions of MIDA are as follows:*

- (a) Undertake activities related to the promotion of manufacturing and services sector (excluding utilities and financial sectors) within or outside Malaysia;*
- (b) Undertake or cause to be undertaken research and planning on matters related to industrial development and its services sector and restructuring;*
- (c) Advise the Government on the granting of manufacturing licences, incentives, expatriate posts and any other facilities related to the promotion, development and coordination of industries;*
- (d) Advise the Government on measures for the promotion of industries and their related services, including the imposition or alteration of, and exemption from customs and other duties, and import and export licensing;*
- (e) Facilitate and assist the activities of the Federal and State institutions engaged in or connected with industrial development and its related services;*
- (f) Provide consultancy service including training and technical assistance;*
- (g) Undertake any activity that promotes cooperation with other countries in line with the objective of the Government with respect to industries and their related services;*
- (h) Assist Malaysian companies in seeking technology and investment opportunities abroad;*
- (i) Report annually to the Minister on the progress and problems of industrialisation and its related services in Malaysia and make recommendations on the manner in which such problems may be dealt with;*
- (j) Carry out other functions consistent with this Act as the Minister may in writing authorise; and*
- (k) Generally do all such matters incidental to or consequential upon the exercise of its power on the performance of its functions under the Act.*

# MIDA ORGANISATION CHART



## **Board Meetings**

MIDA's Board comprises 13 members, headed by a Chairman appointed by the Minister of International Trade and Industry. Other members are the Secretary General of the Ministry of Finance or his representative, the Secretary General of the Ministry of International Trade and Industry, the Director General of MIDA, the Permanent Secretary of the Ministry of Industrial Development for Sabah and Sarawak respectively, and seven other members representing the commercial, manufacturing, financial, industrial and services sectors. Seven meetings were held in 2010 including two special Board Meetings.

## **Annual Media Conference 2010**

The Annual Media Conference was held on 18 January 2011. The Minister of International Trade and Industry, YB Dato' Sri Mustapa Mohamed, officiated the Media Conference and announced the investments in the manufacturing and services sectors in 2010. Companies were also invited to share the success stories of their investments in Malaysia. The Conference was attended by members of the print and electronic media, diplomats from foreign missions based in Malaysia, foreign and local chambers of commerce and industry, bilateral associations, CEOs of multinational companies and GLCs, senior Government officials and bankers.

## **Human Resource Development**

In 2010, a total of 62 in-house training programmes and 77 external training programmes were organised and coordinated. These programmes were conducted with a view to enhance the knowledge and competency of MIDA's staff.

## **Empowerment and Corporatisation of MIDA**

MIDA has contributed significantly to Malaysia's rapid industrial development in the past and will assume an important role in the future development of the manufacturing and services sectors in the country. MIDA has been in the forefront of the Government's efforts in attracting investments and has stressed on pro-business attitude, efficiency and effectiveness in meeting investor's needs.

In line with the vision to achieve a developed nation status, the Government recognised the urgent need to relook at the role and functions of MIDA. Against this backdrop, the Honorable Prime Minister announced on 30 March 2010 the following four key changes to MIDA:

- (a) MIDA to be renamed as the Malaysian Investment Development Authority while maintaining the acronym MIDA;
- (b) MIDA to be corporatised;
- (c) MIDA to be empowered to negotiate directly with investors; and
- (d) MIDA to be designated as the central investment promotion agency.

The changes announced by the Government are crucial for the following reasons:

- (a) The change of name is to convey to investors its broader scope and centrality in promoting investments in the manufacturing and services sectors;

- (b) *The corporatisation will provide MIDA the necessary organisational flexibility to attract and retain the manpower and talents it needs in order to be an internationally competitive national investment promotion agency;*
- (c) *The empowerment of MIDA will give MIDA the necessary authority to negotiate directly with investors for targeted projects in the manufacturing and services sectors. This will also enable MIDA to approve incentives in real time and act swiftly to engage investors more effectively; and*
- (d) *The designation of MIDA as the central investment promotion agency for the manufacturing and services sectors (excluding utilities and financial services) will enable the Government to enhance the coordination and cohesion among the various investment promotion bodies in the country.*

*The changes announced by the Government would entail additional responsibilities for MIDA in its efforts to enhance FDI and domestic investments.*

### **Establishment of National Committee on Investment**

*The National Committee on Investment (NCI) was established in MIDA in May 2010 to enable faster decision making process whereby senior officials from the relevant authorities such as Ministry of Finance (MOF), Ministry of International Trade and Industry (MITI), Inland Revenue Board (IRB), Economic Planning Unit (EPU), Bank Negara Malaysia and other co-opted agencies deliberate on applications for investment projects and approve them in real time. This has cut red tape and bureaucracy and enables faster decision making by the Government. This move is expected to assist Malaysia to secure targeted projects expeditiously.*

### **Establishment of National Task Force on Investment**

*A special Task Force on Investment (TFI) has also been established in MIDA to coordinate investment promotion activities and statistical information by all state investment promotion agencies and economic corridors.*





# FINANCIAL STATEMENTS

*The following pages contain the audited financial statements of the Malaysian Industrial Development Authority for the year ended 31 December 2010 together with the Auditor General's Certificate as transmitted to the Minister of International Trade and Industry in compliance with Sections 7 & 8 of the Statutory Bodies (Accounts and Annual Report) Act, 1980.*

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# FINANCIAL STATEMENTS



**SIJIL KETUA AUDIT NEGARA  
MENGENAI PENYATA KEWANGAN  
LEMBAGA KEMAJUAN PERINDUSTRIAN MALAYSIA  
BAGI TAHUN BERAKHIR 31 DISEMBER 2010**

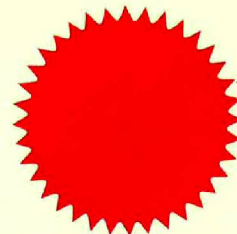
Penyata Kewangan Lembaga Kemajuan Perindustrian Malaysia bagi tahun berakhir 31 Disember 2010 telah diaudit oleh wakil saya. Pihak pengurusan bertanggungjawab terhadap Penyata Kewangan ini. Tanggungjawab saya adalah mengaudit dan memberi pendapat terhadap Penyata Kewangan tersebut.

Pengauditan telah dilaksanakan mengikut Akta Audit 1957 dan berpandukan piawaian pengauditan yang diluluskan. Piawaian tersebut menghendaki pengauditan dirancang 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 Kemajuan Perindustrian Malaysia pada 31 Disember 2010 serta hasil operasi dan aliran tunainya untuk tahun tersebut adalah selaras dengan piawaian perakaunan yang diluluskan.

  
(BOON JON LIN)  
b.p. KETUA AUDIT NEGARA  
MALAYSIA

PUTRAJAYA  
12 JULAI 2011



**LEMBAGA KEMAJUAN PERINDUSTRIAN MALAYSIA (MIDA)**  
[Ditubuhkan di Malaysia di bawah Akta Lembaga Kemajuan Perindustrian Malaysia  
(Pindaan) 2002]

**PENYATA Pengerusi dan seorang Ahli Jemaah**

Kami, **TAN SRI DR. SULAIMAN MAHBOB** dan **DATO' GHAZALI BIN DATO' YUSOFF** yang merupakan Pengerusi dan salah seorang Ahli Jemaah, **Lembaga Kemajuan Perindustrian 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 Kemajuan Perindustrian Malaysia** pada 31 Disember, 2010 dan hasil kendaliannya serta perubahan kewangannya bagi tahun yang berakhir pada tarikh tersebut.

Bagi pihak Jemaah,

Bagi pihak Jemaah,



.....  
TAN SRI DR. SULAIMAN MAHBOB

PENGERUSI

**1** JULAI 2011

KUALA LUMPUR



.....  
DATO' GHAZALI BIN DATO' YUSOFF

AHLI JEMAAH

**1** JULAI 2011

KUALA LUMPUR

**LEMBAGA KEMAJUAN PERINDUSTRIAN MALAYSIA (MIDA)**  
**[Ditubuhkan di Malaysia di bawah Akta Lembaga Kemajuan Perindustrian Malaysia (Pindaan) 2002]**

**PENGAKUAN OLEH PEGAWAI UTAMA YANG**  
**BERTANGGUNGJAWAB KE ATAS PENGURUSAN KEWANGAN**  
**LEMBAGA KEMAJUAN PERINDUSTRIAN MALAYSIA**

Saya, **JALILAH BABA** pegawai utama yang bertanggungjawab ke atas pengurusan kewangan dan rekod-rekod perakaunan **LEMBAGA KEMAJUAN PERINDUSTRIAN 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 28 April 2011 )



**DATUK JALILAH BABA**

Di hadapan saya,



**BALANCE SHEET AS AT 31 DECEMBER 2010**

	Note	2010 RM	2009 RM
<b>NON CURRENT ASSETS</b>			
<b>PROPERTY, PLANT AND EQUIPMENT</b>	6	<b>155,302,518</b>	10,528,587
<b>WORK IN PROGRESS</b>	7	<b>174,331</b>	142,711,499
<b>RECEIVABLES</b>	8	<b>920,740</b>	897,431
<b>CURRENT ASSETS</b>			
Receivables	8	<b>3,441,426</b>	2,916,663
Advances		<b>286,293</b>	377,339
Deposits		<b>7,558,332</b>	7,669,415
Prepayments		<b>4,920,712</b>	5,465,107
Fixed Deposits with a Licenced Bank		<b>507,449,771</b>	212,000,000
Cash at Bank and in Hand		<b>52,642,873</b>	27,174,996
<b>TOTAL CURRENT ASSETS</b>		<b>576,299,407</b>	255,603,520
<b>CURRENT LIABILITIES</b>			
Special Accounts	9	<b>317,991,347</b>	117,344,464
Other Payables	10	<b>51,235,790</b>	48,608,886
Short Term Employee Benefits	11	<b>386,752</b>	247,874
<b>TOTAL CURRENT LIABILITIES</b>		<b>369,613,889</b>	166,201,224
<b>NET CURRENT ASSETS</b>		<b>206,685,518</b>	89,402,296
<b>TOTAL NET ASSETS</b>		<b>363,083,107</b>	243,539,813
<b>FINANCED BY:</b>			
<b>OPERATING FUND</b>		<b>95,438,176</b>	59,133,469
<b>DEVELOPMENT FUND</b>	16	<b>259,278,898</b>	176,806,782
<b>CONVEYANCE LOAN FUND</b>		<b>3,000,000</b>	3,000,000
<b>COMPUTER LOAN FUND</b>		<b>350,000</b>	350,000
		<b>358,067,074</b>	239,290,251
<b>NON CURRENT LIABILITIES</b>			
<b>LONG TERM EMPLOYEE BENEFITS</b>	11	<b>5,016,033</b>	4,249,562
		<b>363,083,107</b>	243,539,813

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

## STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 RM	2009 RM
<b>INCOME</b>			
GOVERNMENT GRANT		<b>181,103,400</b>	158,152,000
OTHER INCOME	12	<b>12,384,510</b>	2,940,429
		<b>193,487,910</b>	161,092,429
<b>LESS: EXPENDITURE</b>			
EMOLUMENTS	13	<b>54,876,771</b>	57,476,688
OTHER EXPENDITURE	14	<b>96,291,415</b>	88,433,275
DEPRECIATION	6	<b>6,015,017</b>	3,673,796
		<b>157,183,203</b>	149,583,759
<b>EXCESS INCOME OVER EXPENDITURE</b>		<b>36,304,707</b>	11,508,670

## STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 31 DECEMBER 2010

	Operating Fund RM	Development Fund RM	Conveyance Loan Fund RM	Computer Loan Fund RM	Total RM
Balance as at 1 January 2009	47,624,799	159,852,071	3,000,000	350,000	210,826,870
Government grant received	-	19,035,125	-	-	19,035,125
Excess/(less) income over expenditure	11,508,670	(411,232)	-	-	11,097,438
Application	-	(1,669,182)	-	-	(1,669,182)
<b>Balance as at 31 December 2009</b>	<b>59,133,469</b>	<b>176,806,782</b>	<b>3,000,000</b>	<b>350,000</b>	<b>239,290,251</b>
Government grant received	-	90,424,000	-	-	90,424,000
Excess/(less) income over expenditure	36,304,707	(4,007,950)	-	-	32,296,757
Application	-	(3,943,934)	-	-	(3,943,934)
<b>Balance as at 31 December 2010</b>	<b>95,438,176</b>	<b>259,278,898</b>	<b>3,000,000</b>	<b>350,000</b>	<b>358,067,074</b>

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

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 RM	2009 RM
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>EXCESS INCOME OVER EXPENDITURE</b>		<b>36,304,707</b>	11,508,670
Gain on Sale of Property, Plant and Equipment		(8,250)	-
Loss on Disposal of Property, Plant and Equipment		2,980	13,126
Write-offs		19,885	-
Depreciation of Property, Plant and Equipment	6	6,015,017	(5,583,474)
Deferred Grant Recognition		(3,943,934)	(1,669,182)
Interest Income		(1,376,521)	(568,780)
Miscellaneous Income		(6,237,065)	-
Profit on Computer Loan		(2,479)	(2,983)
<b>EXCESS INCOME FROM OPERATING ACTIVITIES BEFORE WORKING CAPITAL CHANGES</b>		<b>30,774,340</b>	3,697,377
DECREASE/(INCREASE) IN:			
Receivables		(548,072)	(1,099,094)
Advances		91,046	(133,049)
Deposits		111,083	(259,681)
Prepayments		544,395	(1,540,964)
INCREASE/(DECREASE) IN:			
Special Accounts		200,646,883	38,315,473
Other Payables		2,626,903	31,096,708
Employee Benefits		905,349	4,497,436
<b>Net Cash from Operating Activities</b>		<b>235,151,927</b>	74,574,206
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Development Grant Received		90,424,000	19,035,125
Acquisition of Property, Plant and Equipment		(1,969,900)	9,507,462
Work In Progress		(67,680)	(27,732,664)
Proceeds from Sale of Property, Plant and Equipment		8,251	-
Development Expenditure		(6,248,127)	(1,352,930)
Interest Received - Operating Fund		1,376,521	568,780
Interest Received - Development Fund		1,705,562	941,698
Rental Received - Development Fund		534,615	-
Profit Received - Computer Loan		2,479	2,983
<b>Net Cash from/(used for) Investing Activities</b>		<b>85,765,721</b>	970,454
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>320,917,648</b>	75,544,660
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>		<b>239,174,996</b>	163,630,336
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	15	<b>560,092,644</b>	239,174,996

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



## **NOTES TO THE ACCOUNTS - 31 DECEMBER 2010**

### **1. GENERAL INFORMATION**

*Malaysian Industrial Development Authority was incorporated in Malaysia under the Malaysian Industrial Development Authority (Amendment) Act, 2002.*

*MIDA's main activity is to promote and coordinate the development of the manufacturing and related services sector in Malaysia. MIDA is headquartered in Plaza Sentral, 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 risk and interest rate risk as it is not involved either directly or indirectly in stock market transactions and borrowings from financial institution.*

#### **(a) Foreign Currency Exchange Risk**

*MIDA is exposed to foreign currency exchange risk in maintaining the operating*

*cost of its 23 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 RM1,000.00 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*

## NOTES TO THE ACCOUNTS - 31 DECEMBER 2010 (Continued)

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:

Office Building	2% per annum
Office machines and equipment	10% per annum
Motor vehicles	20% per annum
Computers, peripherals and software	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 (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 the 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.

**NOTES TO THE ACCOUNTS - 31 DECEMBER 2010 (Continued)**

**4. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(f) Conversion of Foreign Currencies**  
 (Continued)

(iii) Closing Rates

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

	2010 RM	2009 RM
US Dollar	3.1419	3.4208
Australian Dollar	3.1182	3.1531
Euro	4.3113	5.1010
British Pound	5.0302	5.6868
China Renminbi	0.4724	0.5011
Swedish Krona	46.2521	49.4628
Japanese Yen	3.8174	3.8206
Taiwan Dollar	10.3542	10.5710
South Korea Won	0.2792	0.2942
UAE Dirham	84.6512	92.2879
Indian Rupee	7.0347	7.3728
Singapore Dollar	2.4250	-
Thai Baht	10.5278	-

**(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.

**NOTES TO THE ACCOUNTS - 31 DECEMBER 2010 (Continued)**

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

**6. PROPERTY, PLANT AND EQUIPMENT**

*Kuala Lumpur Sentral Sdn. Bhd. (KLSSB) and Malaysian Resources Corporation Berhad (MRCB) contributed a sum of RM1,075,000 in the form of a rebate against the final instalment of the purchase price of MIDA's new head office building and the contribution was towards the cost of setting up of an immigration facility to be located in the building.*

**NOTES TO THE ACCOUNTS - 31 DECEMBER 2010 (Continued)**

**6. PROPERTY, PLANT AND EQUIPMENT (Continued)**

	Freehold Land		Office Building		Motor Vehicles		Computer & Peripherals		Machines & Office Equipment		Total	
	Operating Fund RM	Development Fund RM	RM	RM	Operating Fund RM	Development Fund RM	Operating Fund RM	Development Fund RM	Operating Fund RM	Development Fund RM	2010 RM	2009 RM
<b>COST</b>												
As at 1 January	326,810	-	-	7,205,807	5,378,642	19,579,381	2,676,800	100,000	35,267,440	44,869,693		
Additions	-	42,000,000	106,813,238	735,578	404,784	692,800	145,531	-	150,791,931	2,893,430		
Disposals	-	-	-	(80,771)	(30,731)	-	(9,064)	-	(120,566)	(94,791)		
Adjustments	-	-	-	-	-	-	-	-	-	(12,400,892)		
<b>As at 31 December</b>	<b>326,810</b>	<b>42,000,000</b>	<b>106,813,238</b>	<b>7,860,614</b>	<b>5,752,695</b>	<b>20,272,181</b>	<b>2,813,267</b>	<b>100,000</b>	<b>185,938,805</b>	<b>35,267,440</b>		
<b>ACCUMULATED DEPRECIATION</b>												
As at 1 January	-	-	-	4,352,608	3,552,140	15,229,396	1,584,709	20,000	24,738,853	30,403,992		
Adjustments	-	-	-	-	(29,988)	-	(6,825)	-	(117,583)	(81,665)		
Disposals	-	-	-	(80,770)	-	-	-	-	-	-		
Current year's depreciation	-	-	2,136,265	1,225,592	608,316	1,797,670	237,174	10,000	6,015,017	3,673,796		
<b>As at 31 December</b>	<b>-</b>	<b>-</b>	<b>2,136,265</b>	<b>5,497,430</b>	<b>4,130,468</b>	<b>17,027,066</b>	<b>1,815,058</b>	<b>30,000</b>	<b>30,636,287</b>	<b>24,738,853</b>		
<b>As at 31 December 2010</b>	<b>326,810</b>	<b>42,000,000</b>	<b>104,676,973</b>	<b>2,363,184</b>	<b>1,622,227</b>	<b>3,245,115</b>	<b>998,209</b>	<b>70,000</b>	<b>155,302,518</b>	<b>-</b>		
<b>As at 31 December 2009</b>	<b>326,810</b>	<b>-</b>	<b>-</b>	<b>2,853,199</b>	<b>1,826,502</b>	<b>4,349,985</b>	<b>1,092,091</b>	<b>80,000</b>	<b>-</b>	<b>10,528,587</b>		

## NOTES TO THE ACCOUNTS - 31 DECEMBER 2010 (Continued)

## 7. WORK IN PROGRESS

	Balance as at 1.1.2010 RM	Capitalised/ Transferred RM	Payments made in the year RM	Balance a at 31.12.2010 RM
MIDA Building, KL Sentral	141,329,790	(141,329,790)	-	-
Technical Advisor MIDA Building	1,008,658	(1,008,658)	-	-
PKI (Public Key Infrastructure)/ Digital Signature	266,400	(266,400)	-	-
Computer Software	106,651	-	67,680	<b>174,331</b>
<b>Total</b>	<b>142,711,499</b>	<b>(142,604,848)</b>	<b>67,680</b>	<b>174,331</b>

## 8. RECEIVABLES

	2010 RM	2009 RM
Other receivables	<b>3,067,745</b>	2,540,672
Receivables - Conveyance loan	<b>1,209,627</b>	1,217,800
Receivables - Computer loan	<b>84,794</b>	55,622
	<b>4,362,166</b>	3,814,094
Receivables due within 12 months	<b>3,441,426</b>	2,916,663
Receivables due after 12 months	<b>920,740</b>	897,431
	<b>4,362,166</b>	3,814,094

## 9. SPECIAL ACCOUNTS

	Strategic Investment and High Impact Project Funds RM	Upgrading of Basic Infrastructure of Existing Industrial Estates RM	Industry Studies and Other Projects RM	Balance as at 2010 RM	Balance as at 2009 RM
<b>Balance as at 1 January 2010</b>	108,575,988	79,446	8,689,030	<b>117,344,464</b>	79,028,991
Receipts	303,571,997	170,643,409	1,843,638	<b>476,059,044</b>	458,846,773
Interest on deposits with bank	4,257,519	667,549	160,288	<b>5,085,356</b>	3,397,563
Application	(152,149,595)	(127,785,431)	(562,491)	<b>(280,497,517)</b>	(423,928,863)
<b>Balance as at 31 December 2010</b>	<b>264,255,909</b>	<b>43,604,973</b>	<b>10,130,465</b>	<b>317,991,347</b>	<b>117,344,464</b>

**NOTES TO THE ACCOUNTS - 31 DECEMBER 2010 (Continued)**

**10. OTHER PAYABLES**

In 2010, payment of **RM2,067,527** (2009: RM22,656,257) was paid to local service providers/companies, service industry associations and professional bodies from the allocation of RM50 million received for the Services Sector Capacity Development Fund (SSCDF) project approved 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 service sector.

Settlement of invoices are in accordance with MIDA's Financial Rules and Regulations. The breakdown of other payables in Ringgit Malaysia and foreign currencies are as follows:

	2010 RM	2009 RM
Ringgit Malaysia	<b>50,444,346</b>	46,959,242
US Dollar	<b>62,579</b>	476,854
Australian Dollar	<b>40,883</b>	271,969
Euro	<b>121,613</b>	183,887
British Pound	<b>10,464</b>	171,276
China Renminbi	<b>41,601</b>	57,880
Swedish Krona	<b>70,408</b>	113,017
Japanese Yen	<b>87,426</b>	321,163
Taiwan Dollar	<b>22,027</b>	14,841
South Korea Won	<b>10,841</b>	6,929
UAE Dirham	<b>25,629</b>	24,872
Singapore Dollar	<b>245,153</b>	-
Indian Rupee	<b>43,723</b>	6,956
Thai Baht	<b>9,097</b>	-
	<b>51,235,790</b>	48,608,886

**11. EMPLOYEE BENEFITS**

Provision of employee benefits:

	2010 RM	2009 RM
<b>Balance as at 1 January</b>	<b>4,497,436</b>	-
Adjustment	<b>(219,296)</b>	-
Payment	<b>(247,874)</b>	-
Additions	<b>1,372,519</b>	4,497,436
<b>Balance as at 31 December</b>	<b>5,402,785</b>	4,497,436
Payable within 12 months	<b>386,752</b>	247,874
Payable after 12 months	<b>5,016,033</b>	4,249,562
	<b>5,402,785</b>	4,497,436

**12. OTHER INCOME**

	2010 RM	2009 RM
Deferred grant recognition (Note 16)	<b>3,943,934</b>	1,669,182
Interest on deposits at banks	<b>1,327,809</b>	506,855
Interest on conveyance loan	<b>46,335</b>	55,014
Interest on computer loan	<b>2,479</b>	2,983
Interest on deposits	<b>2,377</b>	6,911
Rental income	<b>351,600</b>	345,600
Gain on sale of property, plant and equipment	<b>8,250</b>	-
Miscellaneous income	<b>6,701,726</b>	353,884
	<b>12,384,510</b>	2,940,429

## NOTES TO THE ACCOUNTS - 31 DECEMBER 2010 (Continued)

**12. OTHER INCOME**  
(Continued)

Miscellaneous income includes an amount of **RM6,237,065** paid from the Development Fund Account for the cost of setting up new overseas branch offices under the project for the establishment of additional MIDA offices overseas.

**13. EMOLUMENTS**

	2010 RM	2009 RM
Salaries and wages	27,848,702	27,118,912
Fixed allowances	16,565,555	16,602,382
Statutory contributions for employees	4,395,993	4,336,834
Overtime allowances	774,587	637,276
Other employee benefits	5,291,934	8,781,284
	<b>54,876,771</b>	<b>57,476,688</b>
No. of employees at the end of the financial year	733	726

**14. OTHER EXPENDITURE**

	2010 RM	2009 RM
Travel and transportation	12,879,504	10,113,009
Transportation of things	1,233,604	1,845,621
Communications and utilities	11,859,098	8,059,154
Rental	37,578,507	37,072,960
Supplies and materials	2,975,414	9,467,434
Maintenance and minor repairs	6,008,096	3,530,648
Professional/ other services and hospitalities	21,674,404	17,206,211
Miscellaneous expenses	1,468,001	1,039,660
Loss on foreign exchange conversions	591,922	82,642
Loss on sale of property, plant and equipment	2,980	13,126
Write-offs	19,885	2,810
	<b>96,291,415</b>	<b>88,433,275</b>



**NOTES TO THE ACCOUNTS - 31 DECEMBER 2010 (Continued)**

**15. CASH AND CASH EQUIVALENTS**

	2010 RM	2009 RM
Cash and cash equivalents comprised of:		
Fixed deposits at a licensed bank	507,449,771	212,000,000
Cash deposits at licensed banks	52,610,139	27,149,311
Cash in hand	32,734	25,685
	<b>560,092,644</b>	<b>239,174,996</b>

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 2010 was **2.30%** with an average maturity period of two weeks.

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

	2010 RM	2009 RM
Ringgit Malaysia	553,303,105	235,168,509
US Dollar	1,792,742	1,501,403
Australian Dollar	492,956	129,127
Euro	1,228,532	973,971
British Pound	447,622	231,231
China Renminbi	174,955	140,827
Swedish Krona	232,233	146,887
Japanese Yen	1,470,784	465,841
Taiwan Dollar	69,393	31,558
South Korea Won	43,071	29,686
UAE Dirham	147,625	37,468
Singapore Dollar	231,170	-
Thai Baht	56,019	-
Indian Rupee	402,437	318,488
	<b>560,092,644</b>	<b>239,174,996</b>

Also included in cash and cash equivalents at year end are cash balances of Special Accounts (Note 9) amounting to **RM317,991,347** (2009: RM117,344,464) which can only be utilised for the approved purpose.

## NOTES TO THE ACCOUNTS - 31 DECEMBER 2010 (Continued)

## 16. DEVELOPMENT FUND

## Income Statement

	2010 RM	2009 RM
<b>Income</b>		
Deferred grant recognition (Asset)	3,943,934	1,669,182
Rental Income	534,615	-
Interest income	1,705,562	941,698
	<b>6,184,111</b>	2,610,880
<b>Less: Expenditure</b>		
Expenditure	6,248,127	1,352,930
Depreciation	3,943,934	1,669,182
	<b>10,192,061</b>	3,022,112
(Less) income over expenditure	<b>(4,007,950)</b>	(411,232)
<b>Deferred grant</b>		
Balance as at 1 January	176,806,782	159,852,071
Current year's development grant (Asset)	-	35,125
Current year's development grant (Cash)	90,424,000	19,000,000
Amortisation of deferred grant (Asset)	(3,943,934)	(1,669,182)
	<b>263,286,848</b>	177,218,014
<b>Balance as at 31 December</b>	<b>259,278,898</b>	176,806,782

Payment of **RM6,237,065** to Operating Fund account (Note 12) for the cost of setting-up new overseas branch offices under the development project for the establishment of additional MIDA offices overseas.

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

## 17. CAPITAL COMMITMENTS

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

	2010 RM	2009 RM
MIDA Building	-	7,717,210
Technical Advisor, MIDA Building	-	443,810
Office Renovations	<b>78,800,000</b>	-
Motor Vehicles	<b>938,370</b>	196,144
PKI (Public Key Infrastructure)/ Digital Signature	<b>49,200</b>	379,600
Computer and Peripherals	<b>4,135,520</b>	2,153,459
	<b>83,923,090</b>	10,890,223

## 18. CONTINGENT LIABILITY

In 2010, MIDA signed a three (3) year contractual obligation with a third party valued at RM38.2 million for continuation of the rental of telecommunication infrastructure; maintenance of Wide Area Network-IPVPN; technical support services and Electronic Messaging System (EMS) for head office, existing overseas and state offices and 3 new overseas branches.



# HEADQUARTERS AND STATE OFFICES

<i>Headquarters</i>	84
<i>State Offices</i>	84
<i>Overseas Offices</i>	86

## HEADQUARTERS AND STATE OFFICES

### HEADQUARTERS

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