ECONOMIC TRANSFORMATION PROGRAMME

ANNUAL REPORT 2014

JABATAN PERDANA MENTERI


GOVERNMENT OF MALAYSIA
MMC-GAMUDA
MRT
MASS RAPID TRANSIT
Sg Buloh - Kajang Line

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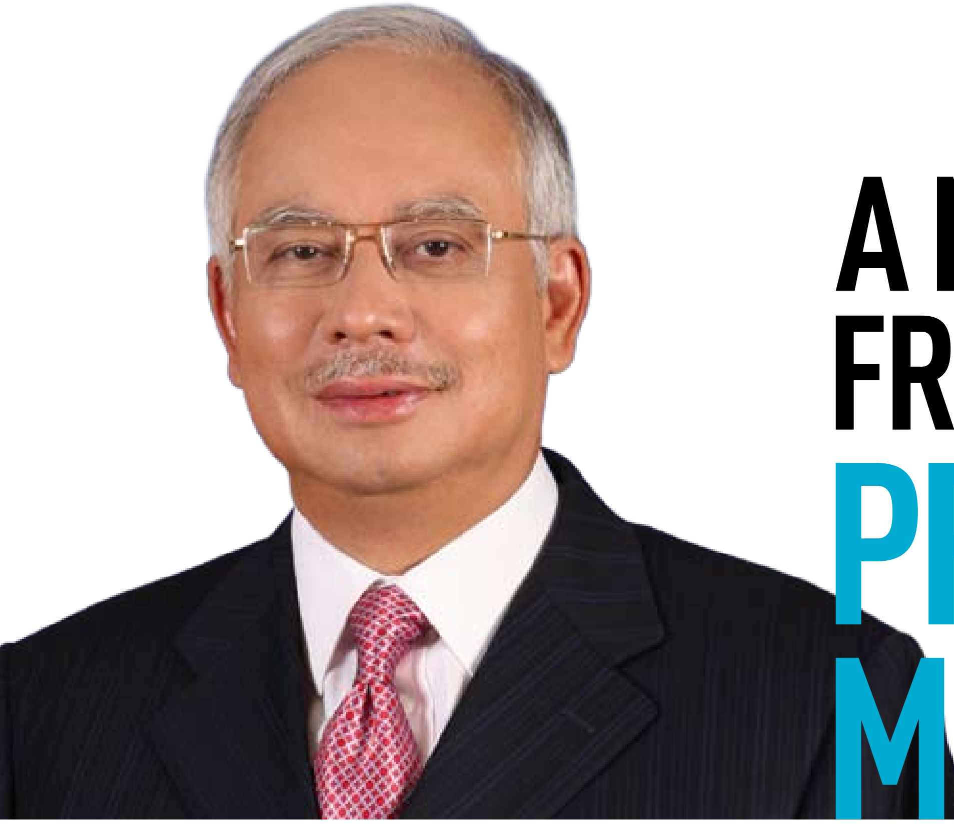


A NOTE FROM THE PRIME MINISTER

The Economic Transformation Programme (ETP) arrived at a major milestone in 2014. We are now at the halfway point of Malaysia's goal of achieving developed nation status by 2020, and I am glad to say that we remain on track.

I have heard the concerns about the rising cost of living, how Malaysia would cope with a fall of more than 50 per cent in the price of oil, and the value of the ringgit being affected by global currency fluctuations. Our focus is always on the people, which is why we are already attempting to address their needs through the Kedai Rakyat 1Malaysia, the 1Malaysia clinics and the PR1MA housing developments.

But more recent developments also need to be taken into account. And this is why in January I announced that we are revising this year's fiscal deficit and expenditure figures, making use of the policy space we have created to respond to global economic changes.

I also set out a strategy to counter external developments and strengthen Malaysia's economic resilience by continuing fiscal reform and consolidation, assisting people and businesses affected by the recent floods, and ensuring sustainable development.

In an increasingly interconnected world, it is important that we build a stronger and more resilient economy. That is why we have taken steps to rationalise subsidies, while at the same time diversifying the economy and reducing reliance on oil revenue. As a result, the Malaysian economy is increasingly resilient and better able to cope with economic impacts beyond our control.

Our economic policies are working and our economic fundamentals are strong: Malaysia's GDP is projected to grow by between 4.5-5.5 per cent in 2015. Our deficit is falling, our reserves are strong, we have trusted financial institutions, low unemployment, and record levels of foreign investment.

We must continue diversifying our economy while powering on with fiscal reforms. The ETP plays a significant role in this through the programme's 12 National Key Economic Areas (NKEAs), which include projects such as the Mass Rapid Transit (MRT) which both enhance the rakyat's quality of life and help to catalyse business growth.

Initiatives like Advanced Shared Facilities, under the Electrical and Electronics NKEA, have allowed SMEs to research and develop higher-value products. The Business Services NKEA, meanwhile, has helped move Malaysia up the value chain in specialised sectors such as aerospace and shipbuilding.

Upskilling of our capabilities so that we are equipped with the expertise needed to achieve a developed nation status is key. The Human Capital Development SRI has been instrumental in this and as a result, in 2014 the World Economic Forum's Human Capital Index ranked Malaysia 22nd out of 122 countries and fifth in the Asia Pacific region.

We have also made strong progress in promoting inclusiveness and income equality through the Narrowing Disparity SRI, led by *Unit Peneraju Agenda Bumiputera* (TERAJU) which also oversees the Bumiputera Economic Empowerment Programme (*Pemerkasaan Ekonomi Bumiputera* – PEB) launched in 2014. A programme close to my heart, the PEB builds on existing initiatives, such as the RM47.07 billion worth of business and financing opportunities that have been created since TERAJU's inception, to accelerate Bumiputera development.

We have also taken steps to widen our revenue base through the Goods and Services Tax (GST) — to be introduced in April 2015. An important initiative under the Economic Transformation Programme, the GST is a strategic reform aimed at modernising our taxation system to make it more effective, more efficient and more business friendly.

I am confident that we are on the right track to meet the targets set for 2020. And I wish to express my appreciation to the civil service, whose work in launching and implementing the ETP has been central to our efforts, to the private sector participants who continue to drive this programme, and to the rakyat for their support.

Let us remain focused on delivering at every stage as we move closer to 2020, and I look forward to the entire nation sharing the fruits of our labour.

Our deficit is falling, our reserves are strong, we have trusted financial institutions, low unemployment, and record levels of foreign investment

YANG AMAT BERHORMAT
DATO' SRI MOHD NAJIB TUN HJ. ABDUL RAZAK
Prime Minister of Malaysia

A NOTE FROM THE DEPUTY PRIME MINISTER

As the Chairman of the Government Transformation Programme (GTP) Delivery Task Force which works in harmony with the Economic Transformation Programme (ETP), I am pleased to note that both programmes continue to deliver desired outcomes in line with the goals of the National Transformation Programme (NTP). The GTP helps to lay a supportive environment to improve the efficiency of our public service, sharing the mantle of the ETP to encourage business activity and spur economic growth.

We are thus on the right track to become a high-income nation by 2020, propped up by the planning and cooperation between the Government, the private sector and the rakyat in implementing the NTP.

In 2014, as the ETP remained robust in catalysing private sector activity, the GTP stayed firm in its role of enhancing the public delivery system to better serve the needs of the rakyat and the business community. Across the board, this has seen us accomplish progress in all of the GTP's National Key Result Areas (NKRAs), setting the pace for us to elevate public sector services in line with the needs of a high-income nation.

These gains are illustrated through our achievements in raising the rakyat's standard of living and well-being through the Addressing the Rising Cost of Living, Improving Rural Development, Improving Urban Public Transport and Raising Living Standards of Low-Income Households NKRAs, as well as reducing graft under the

Fighting Corruption NKRA and keeping our citizens safe through the Reducing Crime NKRA.

As Minister of Education, I am also especially pleased with the inroads we have achieved in transforming Malaysia's education system under the Education NKRA, which is further supported by the integration of this NKRA into the Malaysian Education Blueprint 2013-2025. Together with private sector driven initiatives under the ETP's Education NKEA, we have thus improved our approach to the provision of education in our country and more importantly, enhanced student outcomes to produce skilled graduates who will enter the workforce with the desired capabilities and expertise to drive a high-income economy.

These results notwithstanding, we must remain mindful that we now stand at a critical juncture of the country's transformation. With the first half of the NTP behind us, we must now focus on building on our achievements thus far to maintain the pace for change. We now only have five years remaining in our transformation efforts, with much still to be done to ensure we attain our targets for 2020.

Nonetheless, I am optimistic that with the continued dedication from the civil service as well as participation from the private sector and support from the rakyat, we will arrive at our destination in due course. I would therefore like to thank all our stakeholders for their efforts in Malaysia's transformation and for contributing towards creating prosperity for all.

We are thus on the right track to become a high-income nation by 2020, propped up by the planning and cooperation between the Government, the private sector and the rakyat in implementing the NTP

YANG AMAT BERHORMAT
TAN SRI DATO' HJ. MUHYIDDIN MOHD. YASSIN
Deputy Prime Minister of Malaysia

REVIEW OF THE ETP 2014

It has been said that hard times truly define the mettle of a person. This test can also apply to nations, ours included. 2014 was an extraordinary year for Malaysia, marked by unprecedented events that shocked and saddened the nation.

Nothing could have braced us for the devastating airline tragedies that touched all our lives, nor prepared us for the worst flooding in the history of our nation across several states.

In addition to these events, towards end 2014, we were exposed to uncertainty in the external environment, triggering alarms on the adverse domino effect upon our economy.

With crude oil prices spiralling far below predictions from US$100 per barrel (during the time when Budget 2015 was planned) to amounts below US$60 per barrel in late November due to a global supply glut, we were one of the first few countries to review our Budget to factor in the impact of this volatility.

There is no doubt that reforms and measures taken to strengthen our economy in the last five years since the launch of the National Transformation Programme have enabled us to be swift and agile in our reactions to ripples from outside.

Recall that the Economic Transformation Programme (ETP) was formulated following the global financial crisis of 2008 when the entire world was grappling with the debilitating effects of economic recession. With our backs pushed against the wall, we had to introduce tough, bold measures to weather external volatility while accelerating economic growth to become a high-income nation by 2020.

This explains why despite anomalies materialising in 2014, our economy continued to attain solid gross domestic product (GDP) growth in the aftermath, clocking in at six per cent for the whole year, easily surpassing the 5.7 per cent estimate by the World Bank and taking many economists by surprise.

We continue to chalk up growth in key indicators used to measure Malaysia's progress towards our true north goals of achieving US$15,000[1] in Gross National Income (GNI) per capita, creating US$444 billion in investments and 3.3 million employment opportunities by 2020.

[1] *Our GNI per capita target was derived in 2010 using the World Bank's Atlas Method to determine high-income threshold each year. For the 2020 target, we took into account the organisation's historical global inflation benchmark figure of two per cent until 2020*

Senator Dato' Sri Idris Jala
Minister, Prime Minister's Department,
CEO, Performance Management & Delivery Unit (PEMANDU)

Senator Dato' Sri Abdul Wahid Omar
Minister, Prime Minister's Department,
Economic Planning Unit

In 2014, GNI per capita rose to RM34,123[2], from RM30,809 boosted by private sector investments at RM146 billion[3]. We have also been able to create 1.8 million[4] new employment opportunities within the larger economy in the last four years, striding closer to our 2020 target.

There is no denying that 2014 was a watershed year in cementing the Government's commitment towards fiscal discipline. We demonstrated our seriousness to transform policies to meet the needs of the current fiscal climate and ensure sustainability in the long term. These measures include shifting towards a managed float for retail prices of RON95 petrol and diesel, the implementation of GST in April 2015 and our disciplined approach in keeping the nation's fiscal deficit in close check.

Such manoeuvres have without a doubt helped us become increasingly resilient to external volatility. More importantly, our economic fundamentals remain intact and continue to improve through crucial fiscal reforms.

Enhancing Sustainability and Inclusiveness

Achieving our targeted numbers in GNI, investment and employment make up only a portion of our pursuit towards high-income status. In order to truly transform, we must include as many people as possible in wealth creation, while developing at a sustainable pace over time without straining available resources.

Sustainability and inclusiveness are, therefore, key to our nation's transformation, and represent areas which we closely track in assessing our progress towards high-income status.

In formulating the ETP, one of the Government's objectives was to reduce its historical reliance on revenue from oil and gas, and encourage diversification of sectors in the Malaysian economy. It was to this end that the 12 National Key Economic Areas (NKEAs) were identified as areas for focused development.

Four years on from the start of the ETP, this diversification has clearly paid off. Reliance on oil and gas contribution towards the nation's revenue has steadily dropped from 40.3 per cent in 2009 to 29.7 per cent[5] in 2014 with other sectors increasingly contributing to the country's coffers.

We have also exercised growing fiscal discipline as we aim for a balanced budget by 2020. With the progressive elimination of subsidies for fuel (petrol, diesel and gas), electricity, cooking oil and sugar, in tandem with efforts to increase revenue through more stringent tax collection, we have reduced our fiscal deficit by leaps and bounds to 3.5 per cent[6] in 2014 from 6.7 per cent in 2009.

Ground-breaking measures have been instituted through the Government Transformation Programme's low-income households National Key Results Area (NKRA) to promote inclusiveness in our economy.

*[2] GNI by Expenditure Components in Current Prices, Department of Statistics Malaysia (DOSM)
PEMANDU has used the World Bank Atlas Model as a benchmark from the onset. However, as the World Bank only releases GNI per capita figures for 2014 in July 2015, we refer to the Government's statistics for indicative purposes*
[3] GDP by Type of Expenditure at Constant 2005 Prices, Fourth Quarter 2014, National Accounts Gross Domestic Product, Department of Statistics Malaysia
[4] Source: DOSM (2014 figures are as of fourth quarter 2014)
[5] Source: Economic Report, Ministry of Finance (estimate)
[6] Annual Report 2014, BNM

Over the years, we have seen tremendous success in poverty eradication. According to the latest preliminary data from the Department of Statistics Malaysia (DOSM), only one per cent of our population was in poverty as at 2014, compared with 3.8 per cent in 2009. This also represents a far cry from the first records of poverty in Malaysia collected in 1970, when 49.3 per cent, or almost half, of the population was classified as living in poverty.

In a survey done by the Asian Development Bank (2013), Malaysia recorded a 55.3 per cent reduction in the percentage of population living below the poverty line. It is the biggest reduction among ASEAN countries such as Indonesia (six per cent), Vietnam (six per cent) and the Philippines (2.5 per cent). ADB noted that this was achieved in Malaysia through cash assistance, 1AZAM programmes which offer microcredit facilities to encourage entrepreneurship among low-income families, healthcare, education, housing and more.

Based on the preliminary 2014 Household Income Survey by DOSM, both mean and median growth of household income were at 8.4 per cent between 2012 and 2014. This was higher compared with inflation rate at 2.6 per cent per annum. The bottom 40 per cent group registered a higher mean growth of 11.9 per cent. However, our efforts to narrow the income divide between the rich and the poor must continue in line with our objective to ensure inclusive economic growth.

On its part, the ETP has taken a multi-pronged approach to increasing the rakyat's income through the creation of high-value jobs. In 2012, the ETP oversaw the introduction of the minimum wage and minimum retirement age to allow employees to earn higher incomes and remain employed for a longer period.

Inroads were also made in increasing the number of women in the workforce, targeting for working women to represent 55 per cent of all employees by 2020. At the end of 2014, our women workers accounted for 53.4 per cent of the labour force.

Towards the Last Mile: Key Indicators of Transformation

We have made progress in supporting broader economic development as shown by the following key indicators.

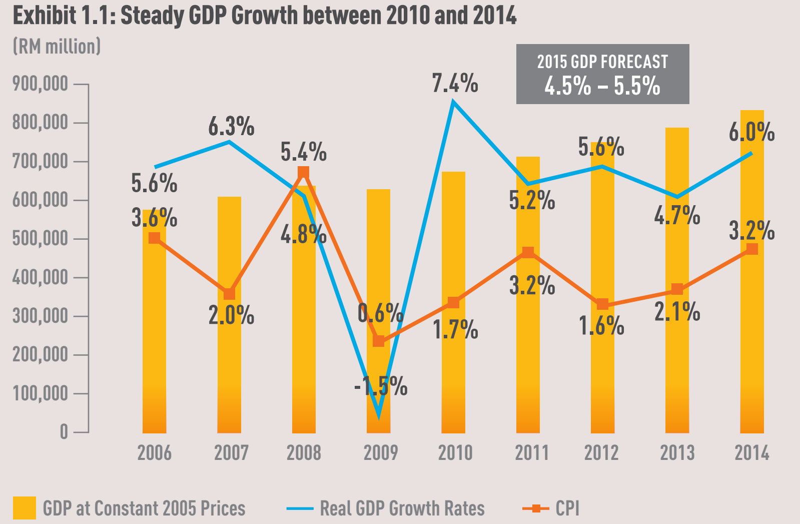
Stable Economic Growth

1 Malaysia has been on a steady GDP growth path since the start of the ETP amidst low inflation rates. GDP came in at 7.4 per cent in 2010 due to front-loading of economic stimulus and since 2011, growth has been trending within a respectable band of four to six per cent (see Exhibit 1.1).

Bolstered by strong domestic demand, we achieved a formidable six per cent GDP growth in 2014. For 2014, our GDP expansion extended beyond the expectations of economists as well as the World Bank which forecast a 5.7 per cent GDP growth for the year.

Against a landscape where advanced economies continue to struggle for growth and GDP of the global economy has not touched four per cent since 2007[7], Malaysia is in an enviable position indeed.

Exhibit 1.1: Steady GDP Growth between 2010 and 2014



Source: Bank Negara Malaysia (BNM)

[7] *IMF World Economic Outlook 2009-2014*

Closing in on High Income with NKEAs Being Main Contributors to GNI

2 Clearly, GNI per capita has been on an uptrend since the launch of the ETP in 2010. GNI per capita grew 47.7 per cent from US$7,059 in 2009 to US$10,426[8] in 2014 (see Exhibit 1.2).

NKEAs under the ETP were conceived to create greater competitiveness in economic sectors that could potentially drive up contribution to GNI. This is why the top 12 sectors were chosen. Focus placed on these sectors has not only helped drive up GNI contribution, it has also helped diversify the economy to create more resilience and ability to weather external shocks.

In 2014, NKEAs contributed to 68 per cent of the total GNI contribution (see Exhibit 1.3).

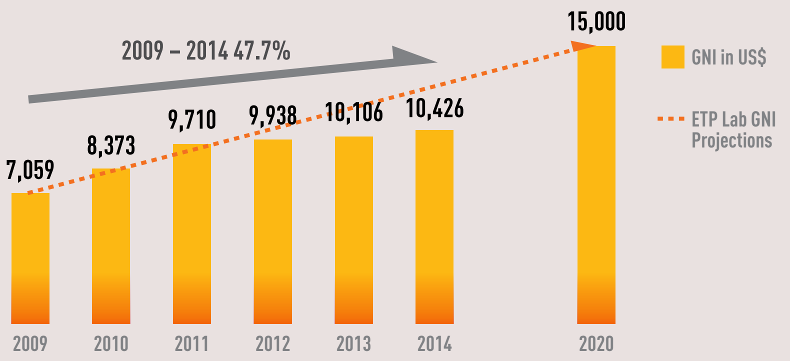
Employment on the Rise

3 Thanks in part to the ETP's efforts to create 3.3 million jobs by 2020, a majority of the labour force remains in gainful employment.

Since 2009, the unemployment rate has declined from 3.7 per cent to three per cent[9] as at December 2014. For Malaysia's total labour force of 14.18 million, 13.75 million[10] of our workers are employed.

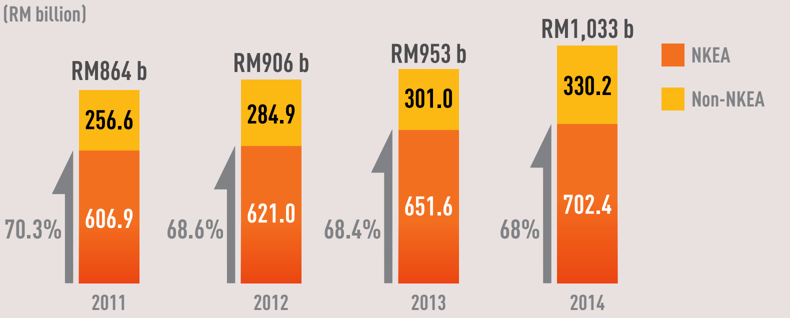
Additionally, since the launch of the ETP in 2010, a total of 1.8 million new jobs have been created with 1.5 million employment opportunities within the NKEA universe. (see Exhibit 1.4).

Exhibit 1.2: GNI Per Capita Continues to Grow



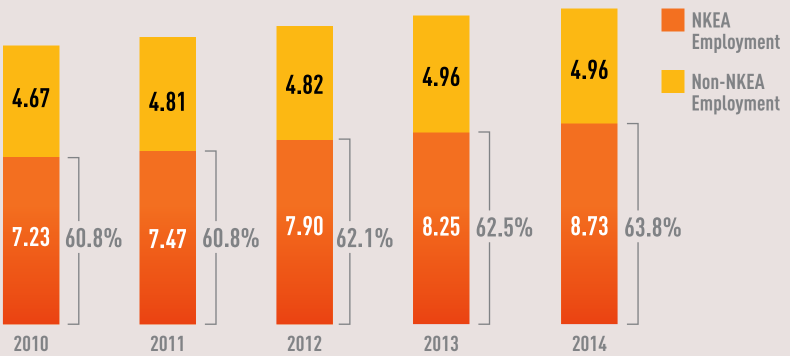
2014 GNI: RM34,123 GNI per capita, US$10,426 GNI per capita
Note: GNI is at current prices. 1 US$ = 3.27285974643047 MYR, average for period of 2014
Source: GNI by Expenditure Components in Current Prices. Department of Statistics (DOSM) Exchange Rates, BNM

Exhibit 1.3: NKEAs' Share of the GNI
(RM billion)



Source: DOSM

Exhibit 1.4: Creation of Employment Opportunities under the NKEA Sectors
Employment breakdown by NKEA/non-NKEA (million)



Note: 2014 figures are as of 4th Quarter 2014
Source: DOSM

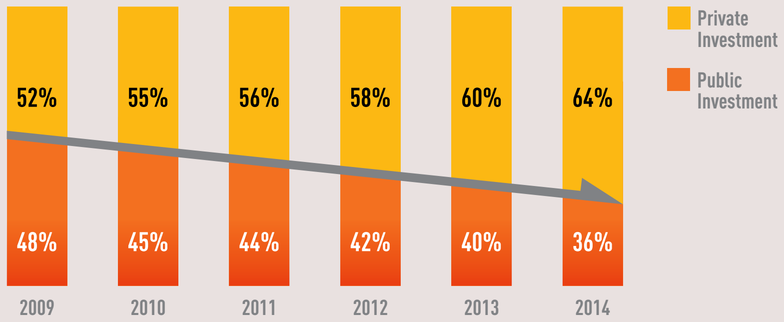
[8] *GNI by Expenditure Components in Current Prices, BNM*
Exchange rate 1 US$ = 3.273 MYR (BNM's Exchange Rate Average for Period of 2014)
GNI = RM1,032,618 mil (Department of Statistics' GNI by Expenditure Components in Current Prices)
2014 Mid Yr Population = 30,262,000 (BNM's January 2015 Statistical Bulletin, GNI by Expenditure Components in Current Prices)
[9] *Fourth Quarter 2014, National Accounts Gross Domestic Product, DOSM (preliminary data)*
[10] *Fourth Quarter 2014, National Accounts Gross Domestic Product, DOSM*

Growing Share of Private Investment

4 Since the launch of the ETP in 2010, private investments continue to outpace public investments in line with the ETP's objective to elevate the private sector as the main driver of the economy (see Exhibit 1.5). In 2014, the ratio was 64:36[11] for private vs public investments.

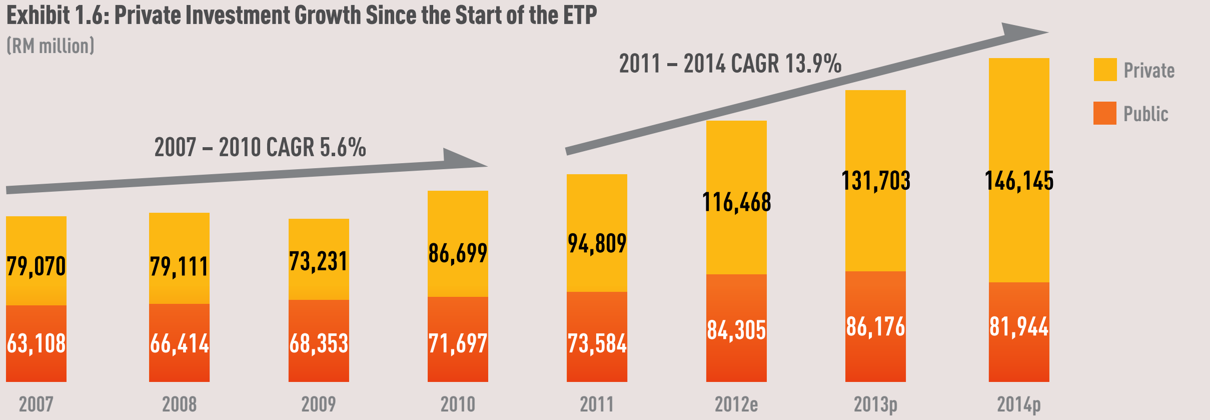
In fact, CAGR for private investment grew about 2.5 times between 2011 and 2014 compared to 2007 and 2010[12] (see Exhibit 1.6).

Exhibit 1.5: Private Sector Dominates Investment Ratio



Source: DOSM, GDP at constant prices

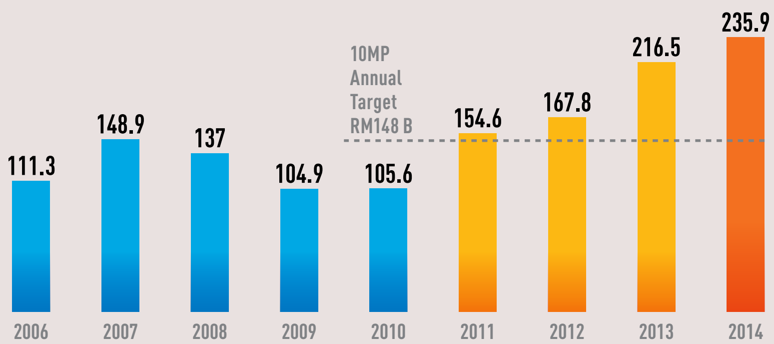
Exhibit 1.6: Private Investment Growth Since the Start of the ETP
(RM million)



Source: DOSM, Private Investment in Constant 2005 Prices in RM

Malaysian Investment Development Authority (MIDA)-approved investments continued to surpass the 10th Malaysia Plan annual target for investments, with 2014 achieving RM235.9 billion[13] (see Exhibit 1.7).

Exhibit 1.7: Approved Investment from MIDA



Source: MIDA (including Manufacturing Jan – Jun 2014)

Fiscal Consolidation Measures on Track

5 Malaysia is committed to reducing its fiscal deficit and for the last four years has been steadfast in meeting its target deficit amount. We have successfully been able to reduce fiscal deficit from 6.7 per cent in 2009

[11] Fourth Quarter 2014, National Accounts Gross Domestic Product, DOSM
[12] Private Investment in Constant 2005 Prices in RM, DOSM
[13] Malaysian Investment Development Corp announcement on 26 Feb 2015

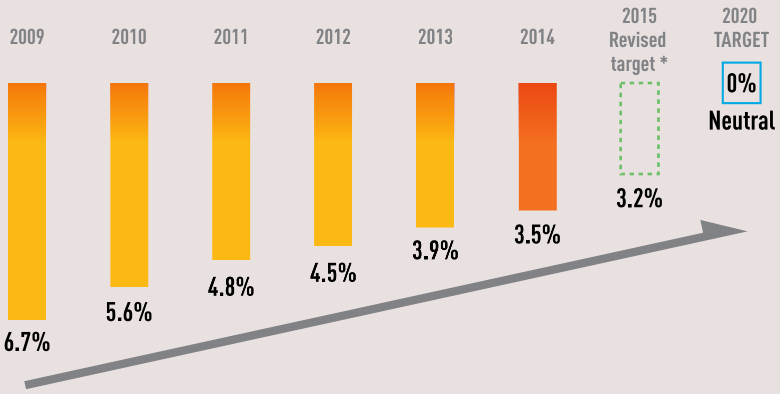
to 3.5 per cent[14] in 2014. To be prudent about the effect of dropping oil prices our deficit target for 2015 was reduced from three per cent to 3.2 per cent. We remain confident that we will get a balanced budget by 2020 (see Exhibit 1.8).

In addition, since October 2013 we have made significant strides in trimming Government expenditure in the form of subsidies. In October 2013, sugar subsidies were removed and in October last year, the Government announced the implementation of the managed float pricing mechanism for RON95 and diesel fuel, reducing Government expenditure by RM11 billion for 2015.

As part of Budget 2014, the Prime Minister also announced the implementation of the Goods and Services Tax (GST) on 1 April 2015 to achieve more equitable revenue collection and broaden our tax base. Currently only two million people pay tax from a nation of 29 million.

With GST at six per cent, it is projected that we would be able to capture an estimated RM19.4 billion in revenue by December 2015, with this amount then being channelled back to help improve the quality of life for Malaysians. In the long term, we would be able to allocate more resources for infrastructure and people development, and improve our social safety nets.

Exhibit 1.8: Malaysia has been Disciplined in Bringing Down its Fiscal Deficit



Source: Ministry of Finance

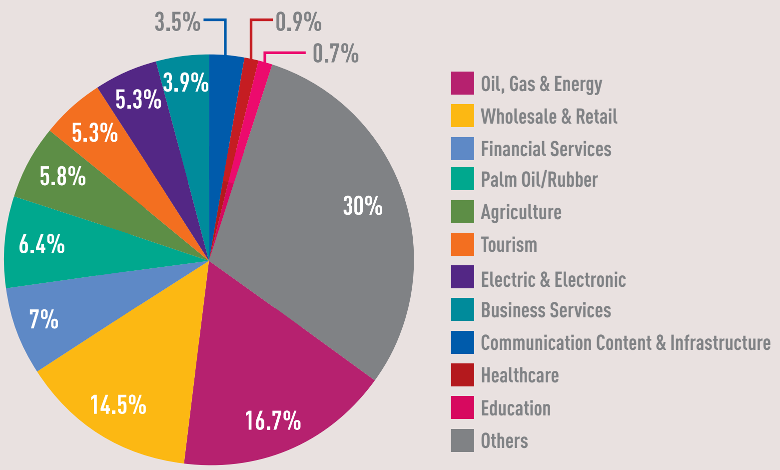
Government Revenue Increases

6 With rising efficiency of tax collection, we have seen Government revenue rise in the last five years since 2010. Growing Government revenue enables us to spend on the right areas to improve infrastructure and create a better quality of life for Malaysians. It also puts us in better stead to help the poor and disenfranchised Malaysians through better safety programmes. In 2014, we expect to record RM225.1 billion[15] in revenue, compared to RM213.4 billion[16] in 2013.

Reducing Dependence on Oil & Gas Revenue, Diversification of Economy

7 Although Malaysia's economy started off being focused on mining and agricultural activities, over the years, our economy became more industrialised as a result of efforts to diversify the Malaysian economy. We were able to move towards manufacturing and service-based industries. This diversification continues with the ETP which focuses on developing competitiveness in the 12 top sectors of the economy so we do not end up putting all our eggs in the commodities basket. The results speak for themselves. Today, the oil and gas industry (including upstream and downstream) contributes 16.7 per cent of GDP, and other sectors contribute the remaining portions (see Exhibit 1.9).

Exhibit 1.9: Malaysia GDP Structure, Based on NKEA Sectors (FY2014)

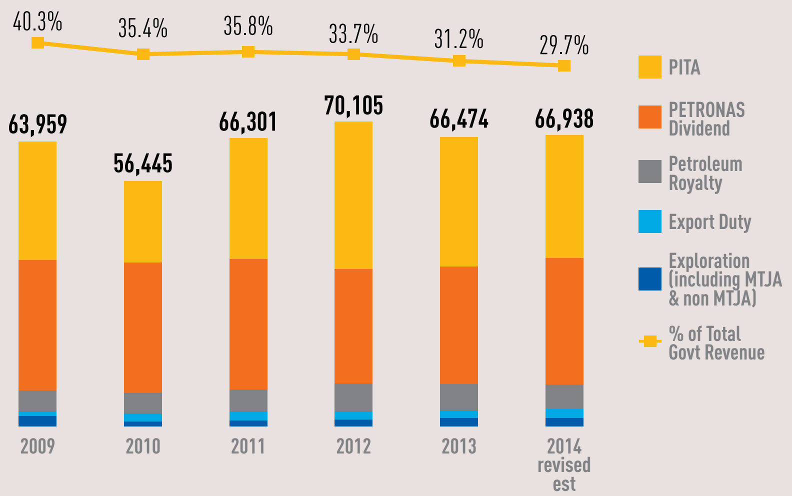


Data Source: DOSM

[14] *Annual Report 2014, BNM*
[15] *Economic Report 2014/2015, Ministry of Finance (estimated)*
[16] *Economic Report 2014/2015, Ministry of Finance*

The contribution of the oil and gas industry to the Government's revenue has also been steadily decreasing from 40.3 per cent in 2009 to an estimated 29.7 per cent in 2014 (see Exhibit 1.10).

Exhibit 1.10: Oil Revenue Contribution to Overall Government Revenue



Source: Estimates of Federal Government's Revenue 2010/2011/2012/2013/2014, Ministry of Finance

Robust Capital Market Economy

8 Malaysia remained the largest fundraising destination in ASEAN for the second straight year in 2014, raising RM22.7 billion through IPOs as well as secondary offerings. This serves to indicate not only investor confidence in the Malaysian economy, but also our market's competitiveness within the region.

Private Consumption on Uptrend

9 As testimony to the impact of the ETP on the economy as a whole, private consumption continues to register strong growth from stable labour market conditions, wage growth and private investment activities. Consumption now accounts for 65.7 per cent[17] of the GDP.

Continued Global Recognition

10 In the IMD's World Competitiveness Yearbook 2014, Malaysia's ranking improved to 12th from 15th in 2013. In addition to having top universities like Harvard and Princeton write case studies on the National Transformation Programme in Malaysia, research commissioned by the staff of the World Bank Group through the Competitive Industries and Innovation Programme attested to transformative results seen on the ground. Titled "Doing, Learning, Being: A Study of Malaysia's Transformation Programme" the case study was conducted by Professor Charles Sabel, Professor of Law and Social Science, Columbia Law School, and Luke Jordan, a former World Bank development specialist.

Also in 2014, PEMANDU was named one of the leading Government Innovation Teams in the world by NESTA, UK and Bloomberg Philanthropies.

NKEAs Drive Growth

The ETP's 12 NKEAs represent our efforts to focus economic growth on industries in which our capabilities, expertise and specialisation can be enhanced in line with those of a high-income economy. In 2014, our overall KPI for the NKEAs stood at 110 per cent.

The following is a snapshot of the activities of each NKEA during the year, with detailed reporting disclosed within the respective chapters of this report.

Greater Kuala Lumpur /Klang Valley (GKL)

This past year has seen the GKL gain global recognition, most notably with the Economic Intelligence Unit (EIU) raising Kuala Lumpur's rank to 70th on its 2014 Liveability Ranking from 79th in 2010. This denotes the second highest jump in the world of any city in the rankings over the last four years. Kuala Lumpur was also ranked seventh in Asia and second among ASEAN cities. The city was also ranked 25th by the Financial Times (UK)'s fDi Global Cities of the Future, coming in only second behind Seoul among Emerging Market cities.

The NKEA's EPPs continued to register good progress in its EPPs, with its flagship Mass Rapid Transit (MRT) Entry Point Project (EPP) progressing as scheduled and on target, for Phase 1 operation (Sg Buloh to Semantan) by Jan 2017 and full completion (Sg Buloh to Kajang) expected in July 2017. Highlighting its attractiveness as a regional commercial hub, 14 MNCs invested in GKL in 2014, surpassing the 2014 target of 13 MNCs. The investments include regional headquarters, global shared service centres and principal hub operation with investors from the US, Europe and Asia.

[17] *Fourth Quarter 2014, National Accounts Gross Domestic Product, DOSM (Domestic demand at constant 2005 prices, GDP at constant 2005 prices)*

As for the River of Life project, good progress is being made with the river cleaning initiatives at 53 per cent progress. The river beautification works in the Heritage Quarter, where Masjid Jamek, Bangunan Sultan Abdul Samad and the St Mary's Cathedral are situated, started in March 2014.

Oil, Gas and Energy (OGE)

This NKEA continued to further Malaysia's standing in the regional and global OGE industry. As we seek to achieve greater efficiency in oil production, PETRONAS has identified 10 potential enhanced oil recovery (EOR) projects offshore Malaysia. Notwithstanding this, global movements in oil and gas prices had necessitated a greater focus on cost management towards the end of the year.

We have also made great strides as a regional storage and trading hub, with the commencement of Dialog Bhd's Pengerang Independent Terminals Sdn Bhd in April 2014, which ushered in the first vessel carrying fuel for its petroleum storage facility for trading.

Additionally, we have established important international linkages to create greater opportunities for collaboration and investment, with ties created with UK Trade and Investment, Scottish Development International, Energy Industries Council, Stavanger Economic Development and the Korea Trade-Investment Promotion Agency. Kuala Lumpur has also been recognised as a World Energy City by the World Energy Cities Partnership.

Financial Services

Malaysia has continued to enhance its financial services industry across the board through the ETP. During the year, the ASEAN Banking Integration Framework reached its final stage of completion. The establishment of the framework, led by Bank Negara Malaysia, together with its regional counterparts, will promote regional banking expansion and integration. Bursa Malaysia has also emerged as the leading fundraising market in ASEAN, while maintaining its position as Asia's top exchange for Shariah investments. The country also continues to lead the global Sukuk market, accounting for around 65.8 per cent of global issuances during the year.

Further increasing the vibrancy and diversity of our financial industry, the Securities Commission has developed a draft conceptual regulatory framework for equity crowdfunding, which aims to improve market access and widen the range of investments and capital-raising products.

Wholesale and Retail

This NKEA continues to provide opportunities for creating a vibrant ecosystem for wholesale and retail trade in Malaysia, which includes supporting the country's SMEs who represent the backbone of our economy. In this regard, the Small Retailer Transformation Programme (TUKAR), has contributed to the development of a total of 1,920 sundry shops across the country since its launch in 2011, helping owners raise incomes and learn valuable business skills.

We have also strived to provide innovative retail offerings with the establishment of Makan Bazaars. One prominent example would be located at Oasis Square in Ara Damansara, Selangor, which has a total net leasable area of 141,567 sq. ft. It is how well-established as a unique, one-stop destination for a local and international culinary experience.

Palm Oil and Rubber

The Palm Oil and Rubber NKEA has successfully capitalised on opportunities from Malaysia's solid position as a leading producer of these commodities, exploring growth in new, high-value areas in the downstream segment. This includes high-value oleo-chemical investments through a partnership signed between Genting Plantation Bhd and US-based Elevance Renewable Sciences Inc to build a 240,000 MT metathesis bio-refinery for olefins and other specialty chemicals in Sabah and a RM80 million investment by Sarawak Oil Palms Bhd for a phytonutrient plant, also in Sabah.

> In 2014, our overall KPI for the NKEAs stood at 110 per cent

Sime Darby and Verdezyne have also initiated plans to establish what will be the world's first processing plant for renewable feedstock derived-dodecanedioic acid, a green chemical found in high-performance nylon, lubricants and moulding resins.

In the upstream segment, more independent smallholder cooperatives have begun to take off. In 2014 alone, eight new cooperatives started their operation to deliver fresh fruit bunches (FFB) to palm oil mills. Including the two existing cooperatives in operation, all 10 cooperatives delivered a total of 14,215 metric tonnes of FFB during the year.

In the rubber segment, the Malaysian Rubber Board has nurtured the natural rubber industry to lead the region in producing natural and renewable rubber products. During the year, the Board initiated planning for a trial project to fit Prasarana Bhd's RAPID buses in the Klang Valley with Ekoprena (epoxidised natural rubber) tyres, which is expected to commence in 2015.

Tourism

Despite unfortunate events affecting Malaysia's aviation industry in 2014, tourism remained a major contributor to Malaysian economic growth in 2014, with tourism arrivals growing by 6.7 per cent from 25.72 million to 27.4 million, with receipts at RM72 billion compared to RM65.4 billion in 2013.

Business Tourism remains a significant driver of growth, spearheaded by the Malaysia Convention & Exhibition Bureau (MyCEB), which was established to expand the Business Events segment and to position Malaysia as a leading destination in this lucrative and growing sector. The events supported by MyCEB generated a total of 362,280 international delegate days, surpassing a target of 230,000 delegate days. Together with industry partners, MyCEB secured and supported 152 business events in 2014, encompassing incentive groups, exhibitions and several landmark conventions including the International Federation of Surveyors (FIG) Congress 2014 and the Toastmasters International Convention 2014, both held for the first time ever in Malaysia.

Malaysia has also made significant progress in the promotion of Golf Tourism in Malaysia through the combined efforts of Tourism Malaysia and the Malaysian Golf Tourism Association (MGTA). In the short time span since the set-up of MGTA, Malaysia has made prominent progress as a golf destination. Malaysia earned international accolades from the inaugural World Golf Awards 2014, winning Asia's Best Golf Destination award while the Els Club Teluk Datai in Langkawi earned the highest award of being the World's Best New Golf Course of 2014, beating out many international nominees.

Electrical and Electronics (E&E)

The downstream segment of this industry expanded strongly in 2014, supporting this NKEA in achieving its targets for 2020. The value of E&E's GNI stood at RM44.1 billion in 2014. High-value jobs in the industry have risen 17 per cent during the period from January -July 2014.

Investments approved for E&E in 2014 also surpassed its target of RM5.1 billion for the year, hitting RM8.9 billion. Cumulative investments in E&E have reached RM42.2 billion since the start of the ETP.

More importantly, we have made important strides in high-value E&E activities. Notable developments include a 66 per cent utilisation rate of wafer testing labs, while international company SanDisk Corporation has chosen to establish a manufacturing and R&D facility in Malaysia, cementing our status as an international hub for high-tech semiconductor manufacturing.

Business Services

The Business Services sector is the second-fastest growing in Malaysia, with the country having developed expertise in niche segments in recent years. In 2014, the AT Kearney Global Location Services Index placed Malaysia third in shared services and outsourcing, a position the country has consistently held for the past 10 years.

Malaysia is also ranked second in the ASEAN in terms of market share in the aerospace industry and last year, the National Aerospace Blueprint 2015-2030 was drafted to make Malaysia the leading aerospace market in Southeast Asia by 2030.

Other significant developments include the launch of a new project under EPP 2, "Building globally competitive shared services and outsourcers", which was the Goldbury Global IT Automotive Outsourcing Hub. The project, led by Goldbury Communications Sdn Bhd, aims to generate RM113 million in GNI, create 450 highly skilled jobs and contribute RM4.2 million in investments by 2020. It will support automotive companies using SAP's automotive solutions and is expected to service 100,000 SAP users globally. The hub is located in Medini Iskandar, Nusajaya, and paves the way for Goldbury to become a prominent player in global automotive services.

During the year, EPP 7, "Making Malaysia the Hub for Aerospace OEMs in Southeast Asia" was developed as a spin-off from EPP 1. The project is led by the Ministry of International Trade and Industry and owned by M-Aerotech (a subsidiary of MARA), together with the Malaysian Investment Development Authority (MIDA), the Malaysia External Development Corporation (MATRADE), SMECORP and Malaysian Industry-Government Group for High Technology (MIGHT), and is targeted to contribute RM1.1 billion to GNI and create RM1.9 billion in investment and 3,368 highly skilled jobs by 2020.

Communications Content and Infrastructure (CCI)

This NKEA has been instrumental in bringing richer communications content to wide segments of the population, increasing accessibility and lowering costs, while also building Malaysia into a regional leader in exports of creative content.

The past years have seen Malaysia continue to push availability of broadband access to the rakyat, with the percentage of households with Internet access at 67.3 per cent. This is now relatively better than most ASEAN countries. The growing saturation of broadband services has also led to the development of LTE, with LTE penetration now at 23 per cent.

Since the start of the ETP, Malaysia's connection to the global network has become faster with an international bandwidth capacity of 3.2Tbps, while this year, the Konsortium Rangkaian Serantau was able to procure more bandwidth and reduce the Internet wholesale bandwidth cost by 34 per cent.

With the convergence of communications and content, CCI is a new growth area for the nation. The past year has seen the Film in Malaysia Incentive (FIMI) attracting 11 productions with an increase in estimated qualified Malaysian production expenditure (QMPE) from RM149 million in 2013 to RM335 million in 2014. As at end of 2014, the revenue of creative content exports amounted to RM609 million, a significant increase since the beginning of the ETP.

Education

The Education NKEA continues to support the development of the education sector, benefiting local students while attracting a growing number of foreign students. In 2014, the NKEA recorded strong progress in becoming not just an economic contributor but also an economic enabler. Strong student enrolment at private Higher Education Institutions in the hospitality and tourism programmes exceeded the initial target of 16,000 to record 18,269 enrolments. The NKEA also remains on track to contribute largely to the ultimate target of national preschool enrolment of 97 per cent and childcare enrolment of 25 per cent by 2020.

Education Malaysia Global Services (EMGS) continues to drive Malaysia as a global education hub, leading efforts to attract international students to our shores. 117,000 international students were enrolled in 2014. EduCity@Iskandar also played its part in promoting Malaysia as an education destination, increasing student enrolment by 35 per cent in 2014 from the previous year.

Agriculture

Since the start of the ETP, the Agriculture NKEA has successfully provided a platform for large agriculture companies to widen their market access outside Malaysia, while offering an avenue for smaller players to increase their capacity and capabilities to earn higher incomes. During the year, the NKEA showed encouraging progress in EPP 1: High-Value Herbal Products, with eight products undergoing pre-clinical trials and another six registering their first patients to undergo clinical trials.

Two new companies, Oasis Aquaculture Sdn Bhd and SBH Perak Agro Aquaculture Sdn Bhd were appointed as anchor companies under EPP 6: Replication of IZAQs, while existing anchor companies produced 30,081 tonnes of shrimp during the year, increasing productivity through the use of technology. The NKEA also saw the first planting of the MD2 pineapple, as well as the first harvest of produce under the 21st Century Village project, with 224 tonnes of papaya harvested. Meanwhile, anchor companies under EPP 13: Dairy Clusters produced 18.12 million litres of milk during the year, with the number of farmers under the project now at 281, of which 198 are smallholders.

Healthcare

This NKEA continued to grow from strength to strength in 2014, with five new projects accorded EPP status–expected to create 528 jobs, generate income of RM52.8 million and attract RM201.2 million in investments.

The year also proved significant for the healthcare industry following an increase in pharmaceutical exports, the completion of major initiatives to develop the aged care segment and more pharmaceutical MNCs planning to move their manufacturing operations to Malaysia. During the year, pharmaceutical exports rose 15.9 per cent, surpassing the year's target of five per cent growth, while the final draft of the Private Aged Healthcare Facilities and Services Act reached completion. Other measures completed included a syllabus for training Elderly Care Centre Operation, Elder Care Centre Administration and Elderly Care Centre Management, physical planning guidelines for aged care facilities and the development of a package of incentives for aged care facilities and services for developers and operators.

SRIs Foster Global Competitiveness

Formulated from policy recommendations from the New Economic Model, the SRIs represent components required for Malaysia to achieve global competitiveness. Initially made up of six SRIs, 2014 saw the Public Service Delivery SRI transferred to a higher platform and renamed the Public Service Delivery Transformation programme, the reporting of which is available in the GTP Annual Report 2014. In 2014, the overall KPI achievement for SRIs was 120 per cent.

Competition, Standards and Liberalisation

Following the enforcement of the Competition Act 2010 in January 2012, the Malaysia Competition Commission (MyCC) has been active in investigating cases, while also continuing to enforce the law through advocacy. The MyCC has conducted an average of 30 advocacy programmes every year since its establishment, leading to an increase in the number of complaints received to 72 in 2014 from just eight in 2012. Between 2011 and 2014, the MyCC has issued 27 instances of policy advice to Government agencies.

In June 2014, the Prime Minister launched the National Standards Compliance Programme which aims to increase quality-conscious industries that will embed standards in their delivery of products and services. Standards are also increasingly being given priority by Ministries and agencies due to their prominence within the ETP. The Ministry of Agriculture has consolidated its various agriculture certifications under Malaysian Good Agriculture Practices (MyGAP) which represents a comprehensive certification scheme for the agricultural, aquaculture and livestock sectors. This consolidation has not only improved the administrative efficiency of certification but also has improved its brand recognition in both the domestic and international markets.

On the services liberalisation front, efforts to review and streamline regulations and procedures to facilitate investors and improve the business environment were carried out. These improvements under the business enabling framework which documents policy instruments and related approvals and registrations are available online on a dedicated portal (http://myservices.miti.gov.my).

Human Capital Development (HCD)

Due to the vast landscape of human capital development, the HCD-SRI acts as an enabler itself in addition to the various human capital policies by EPU and other agencies.

Through the SRI-HCD's role of strengthening HCD policies, our country was ranked 22nd out of 122 countries and fifth in Asia-Pacific in the inaugural Human Capital Index 2013 by the World Economic Forum.

The country has also recorded marked progress in workforce and employment, increasing the labour force participation rate to 68 per cent, of which 53.4 per cent are women.

Reducing Government's Role in Business

The Government has divested 32 companies as of November 2014, out of the 33 firms targeted. MOF Inc has divested three companies, namely Jaring Comms Sdn Bhd, aviation component manufacturing firm Composites Technology Research Malaysia Sdn Bhd, and Penang Port Sdn Bhd, while the rationalisation programme at the Ministry level has seen the Ministry of Works wind up Steel Frame & Truss Technology Sdn Bhd and CIDB Events Management Sdn Bhd.

During the year, Ekuiti Nasional Bhd (Ekuinas) divested all its holdings in Konsortium Logistik Bhd and unlocked values from offshore supply vessel operator Icon Offshore Bhd through an initial public offering in June. All in all, GLICs and GLCs have institutionalised divestment of non-strategic assets as part of their plans moving forward.

Public Finance Reform

The Government continued with its fiscal consolidation and subsidy rationalisation in 2014 by reducing fuel subsidy (RON95 and diesel) by another 20 sen per litre on 2 October 2014. Subsequently on 1 December 2014, the Government achieved a major milestone with the shift of RON 95 petrol and diesel fuel pricing to the managed float mechanism, allowing the administration to unwind fuel subsidies that have been extended for almost 16 years. Plans are also on track to introduce the Goods and Services Tax in April 2015. The Government has made great strides in reducing its fiscal deficit from 6.7 per cent of GDP in 2009 to 3.5 per cent in 2014, the move towards a balanced budget by 2020, notwithstanding the unexpected sharp decline in oil prices beginning November 2014. The fiscal deficit has continued to shrink since the start of the ETP, as has the Government's dependence on oil-based revenue, with oil and gas contribution now being estimated at 29.7 per cent of total Government revenue from as high as 40.3 per cent previously.

Narrowing Disparity

Led by TERAJU, the initiatives under this SRI gained momentum in 2014, with RM47.07 billion worth of business and financing opportunities created for the Bumiputera business community to date.

The Carve Out and Compete initiative achieved a new milestone this year, carving out opportunities worth RM10.2 billion from various projects, and a total of RM23.5 billion since 2012.

The year also saw a continuance of programmes that improved Bumiputera access to financing and markets, such as the RM2.24 billion TeraS Fund, the RM580 million Halal Fund, SJJB (Skim Jejak Jaya Bumiputera) and export programmes. The Pemerkasaan Ekonomi Bumiputera (PEB) or Bumiputera Economic Empowerment programme, for which TERAJU is the secretariat, also commenced in 2014.

2020: Staying the Course

Malaysia has shown significant progress towards high-income status in the past four years. As we enter the final phase of the ETP, it has become more important than ever for us to stay the course and maintain the momentum that has been established in the country's transformation.

While the Government continues to ensure a supportive and conducive environment for commercial activity, the responsibility for driving economic growth must rest on the private sector which is better equipped with resources and capabilities to develop the NKEAs. We will also continue to practice fiscal discipline to protect economic fundamentals. This is especially important as global economic growth may decelerate in the short-term.

If there is one thing we hope to see improve amongst the private sector, it is that more Malaysian companies will accept the challenge of transforming into regional and global champions. Malaysian companies must explore global business opportunities without sacrificing their domestic investment commitments. We must build products and services that will allow us to stand shoulder to shoulder with the corporate giants of the world. That is the spirit that will take us to success, and keep us successful once we attain high-income status.

In the next five years, PEMANDU will remain in its role of overseeing the ETP to ensure we arrive at our targeted goals for 2020, while working in tandem with other Government programmes, such as the 11th Malaysia Plan which will commence in 2016 and see us through the final lap towards 2020.

Nothing is stronger than our resolve to reach our goals. We are confident the future holds much promise for Malaysians as we usher in a new era of development.

> In 2014, the overall KPI achievement for SRIs was 120 per cent

ETP MILESTONES

2014

3 APR

PENGERANG INTEGRATED COMPLEX, JOHOR
The PETRONAS Board of Directors approved the Final Investment Decision (FID) OF RM89 billion for the development of the Pengerang Integrated Complex in Johor

12 MAY

GTP & ETP ANNUAL REPORT 2013
Launch by the YAB Prime Minister Datuk Seri Najib Tun Razak at Angkasapuri

26 JUNE

PHASE 1A OF PENGERANG INDEPENDENT TERMINALS OPENS
Project equipped with 25 oil storage tankers that provide crude oil storage facilities for trading purposes

26 JUNE

HEALTHCARE NKEA PROGRESS UPDATE
Four new entry-point projects (EPPs) announced - To bring a gross national income (GNI) impact of RM45.9 million by 2020, 490 new jobs and attract RM200.3 million in investments

3 JULY

NATIONAL GRAPHENE ACTION PLAN LAUNCHED
The plan is based on an in-depth analysis of the economic potential for Malaysia through innovation with graphene and the steps required to capture its value

10 OCT

GOODS AND SERVICES TAX (GST)
Prime Minister announces more details on GST implementation during Budget 2015 speech

GROW & SHARE TOGETHER

10 OCT

MRT LINE 2
Approval of MRT Line 2 from Sungai Buloh to Putrajaya by the Federal Government announced during the tabling of Budget 2015

13 DEC

DATARAN MEDAN PASAR
Refurbishment of Dataran Medan Pasar at Lebuh Pasar completed and reopened

2013

28 DEC

BUKIT BINTANG KLCC WORLD FIESTA PARADE
Street Festival jointly organised by BBKLCC Tourism Association & Tourism Malaysia

12 NOV

SOFT LAUNCH NATIONAL STANDARDS COMPLIANCE PROGRAMME (NSCP)

3 OCT

AIRBUS SETS UP REGIONAL SERVICE CENTRE

28 AUG

MALAYSIA GOOD AGRICULTURE PRACTICE LOGO (MYGAP) LAUNCHED

1 JUL

MINIMUM RETIREMENT AGE
Enforced at 60 years old for employees in private sector

19 MAR

GTP & ETP ANNUAL REPORT 2012
Launch by the Prime Minister at Angkasapuri

7 FEB

INTERNATIONAL PERFORMANCE REVIEW

1 JAN

MINIMUM WAGES ORDER TAKES EFFECT FOR EMPLOYEES
RM900 for Peninsular, RM800 for Sabah & Sarawak

2012

27 NOV

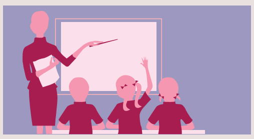
ETP TURNS TWO
Implementation in full swing

16 NOV

PROGRESS UPDATE
20 new ETP and Corridor projects announced
Three SRI updates

1-15 NOV

SPECIAL NEEDS EDUCATION LAB



18-19 SEPT

SENIORS' LIVING LAB

13 SEPT

PROGRESS UPDATE
21 new projects announced
Three SRI updates

28 MAY

PROGRESS UPDATE
21 new projects announced
Six SRI updates

MAY – JUNE

ELECTRICAL & ELECTRONICS 2.0 LAB

2 APR

GTP & ETP ANNUAL REPORT 2011
Launch by the Prime Minister at Angkasapuri

14 FEB

CITIES AND CORRIDORS OPEN DAY
Held at Kota Kinabalu

7 FEB

INTERNATIONAL PERFORMANCE REVIEW

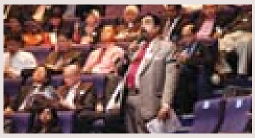
2011

8 SEPT

INVESTKL
Announced by the Prime Minister

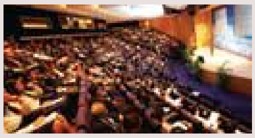
5 JUL

ETP UPDATE
Launch of the six Strategic Reform Initiatives



1 JAN

TALENTCORP
Initiation of a government agency tasked to attract Human Capital talent



2010

30 NOV

PROGRESS UPDATE
Strong start continues with announcement of nine more projects

25 OCT

ECONOMIC TRANSFORMATION PROGRAMME ROADMAP
Launched by the Prime Minister with announcement of nine projects

NATIONAL KEY ECONOMIC AREAS

FOCUSED APPROACH TO ECONOMIC GROWTH

Malaysia will leverage its competitive advantages by prioritising investment and policy support behind a selected number of key growth engines. Hence, the Economic Transformation Programme focusses on 12 National Key Economic Areas (NKEAs) as announced in the 10th Malaysia Plan. These NKEAs will receive prioritised government support including funding, top talent and Prime Ministerial attention.

The Government nonetheless remains committed to provide ongoing support for the growth of the non-NKEA sectors. However, the Government will focus its efforts on the NKEAs because of their significant role in driving the economy through GNI contribution.

- GREATER KUALA LUMPUR /KLANG VALLEY
- OIL, GAS AND ENERGY
- FINANCIAL SERVICES
- WHOLESALE AND RETAIL
- PALM OIL AND RUBBER
- TOURISM
- ELECTRICAL AND ELECTRONICS
- BUSINESS SERVICES
- COMMUNICATIONS CONTENT AND INFRASTRUCTURE
- EDUCATION
- AGRICULTURE
- HEALTHCARE

GREATER KUALA LUMPUR/ KLANG VALLEY

> The year 2014 has been both an exciting and meaningful one for the GKL/KV NKEA. We're witnessing good progress with the EPPs well on track, whilst all stakeholders remain committed to the goal of making Kuala Lumpur a world-class city by 2020

Datuk Seri Tengku Adnan Tengku Mansor
Minister of Federal Territories

Q&A

WHAT ARE SOME OF THE HIGHLIGHTS UNDER THE GREATER KUALA LUMPUR/KLANG VALLEY (GKL/KV) NKEA FOR 2014?

The year 2014 has been both an exciting and meaningful one for the GKL/KV NKEA. We're witnessing good progress with the EPPs well on track, whilst all stakeholders remain committed to the goal of making Kuala Lumpur a world-class city by 2020.

Furthering the vision to boost city connectivity and enhance the public transport network in line with our world-class aspirations, this year, the MRT Line 1 (Sg Buloh – Kajang) project made significant progress in the construction of both the elevated and underground sections. The project remains well ahead of schedule at 59 per cent completion.

The MRT Line 2 (Sungai Buloh-Serdang-Putrajaya) also received Cabinet approval in 2014. We envisage this line to be highly catalytic in transforming the public transportation network within the GKL/KV area. A public engagement on MRT Line 2 is expected in 2Q 2015 and we will seek the rakyat's feedback on the proposed alignment.

The River of Life (RoL) project which is envisaged to breathe new life into the city through the revitalisation of the Klang and Gombak Rivers into a Heritage and Commercial Centre is on track, reaching 37 per cent against the annual target of 39 per cent.

Phase 1 of the River beautification works along the 10.7km stretch within the city centre, where important historical landmarks are situated, started in 2014 and is expected to be fully completed in 3Q 2016. What we have learned from other global cities that have cleaned up their rivers too is that this catalytic project has the capacity to transform the landscape of the city centre.

I congratulate *Dewan Bandaraya Kuala Lumpur* (DBKL) for successfully upgrading 48.87km of walkways in the city centre, far ahead of its 2020 target of 42km. The Greener KL EPP also met its 2020 target this year by completing the planting of more than 100,000 trees.

Another transformative project for GKL/KV is the High Speed Rail connection from Kuala Lumpur to Singapore. The Land Public Transport Commision (*Suruhanjaya Pengangkutan Awam Darat* – SPAD), which leads this project, has met its KPIs and will be in discussions with the relevant state authorities to finalise the Malaysian alignment.

I am also pleased to note that InvestKL once again surpassed expectations securing 14 new MNCs from Europe, USA and the Asia Pacific region to be located in KL in 2014. These MNCs are focused on education, oil & gas, healthcare, IT, logistics, engineering services and industrial product sectors and will contribute greatly to the creation of high-income jobs.

more on next page

continued from previous page

HOW WILL GKL/KV COMPETE AGAINST MORE ESTABLISHED ASIAN CITIES SUCH AS SINGAPORE, TOKYO AND HONG KONG IN ITS BID TO BECOME A WORLD-CLASS CITY?

GKL/KV has already earned its place on the global map as one of the iconic cities of Southeast Asia. It boasts world-renowned landmarks such as the PETRONAS Twin Towers as well as features a unique blend of diverse cultures and heritage.

With the EPPs further building upon existing attractive features in our beloved city, our efforts are being recognised. In the Economic Intelligence Unit (EIU)'s 2014 Liveability ranking, of 140 cities, Kuala Lumpur was placed at number 70, up nine places from its 2010 ranking. Recording the second highest jump for any city over the last four years, we're very excited with current developments and inspired to push the envelope in developing GKL/KV into a location that trumps expectations. In this latest ranking Kuala Lumpur was also placed seventh among the cities in Asia and second in ASEAN.

Drawing from the experience of other successful cities, our main focus is to ensure that we build an integrated and modern public transportation network that is on par with other global cities. Hence the importance of building the MRT Line 1, Line 2 and eventually, Line 3.

As cities compete for top talent, we will not forget talent management. The setting up of TalentCorp ensures that we undertake a structured approach in managing our home-grown and expatriate talent pool.

In our quest towards becoming a world-class city, culture and heritage must also be preserved and promoted. Towards that end, we started establishing heritage trails that run through a number of landmark sites in the city centre and this year approximately 27,000 tourist enjoyed the guided tours of these trails.

We are hopeful that a combination of investments in infrastructure, attracting investments and talent plus the enhancement and promotion of our rich culture and heritage should make GKL/KV a unique world-class city.

GKL/KV WILL SEE POPULATION GROW FROM SIX MILLION IN 2010 TO 10 MILLION BY 2020 AS A RESULT OF GREATER ECONOMIC ACTIVITY IN THIS REGION. HOW IS THE GOVERNMENT PREPARING TO COPE WITH THE PRESSURE FROM SUCH A SPIKE?

The GKL/KV population has grown from six million in 2010 to nearly seven million in 2013. This reflects the current worldwide trend towards urbanisation and further signifies GKL/KV's increasing importance as an economic growth engine and talent magnet. As we strive to be a global city, this poses real liveability issues for the Government to manage and ensure a sustainable growth model.

After careful planning at the outset of the GKL/KV lab, we are focused towards enhancing mass movement of people through public transport, providing high quality services in the areas of sewerage & solid waste management, developing green initiatives, leveraging on our river and heritage assets, whilst continuing to attract investments that will ultimately lead to high-income jobs creation. The nine EPPs and two Business Opportunities under the GKL/KV were envisioned towards addressing these key areas.

GREATER KUALA LUMPUR/ KLANG VALLEY

The Greater Kuala Lumpur/Klang Valley (GKL/KV) NKEA is based on a geographic region unlike the other NKEAs which are industry-based. As the country's main growth centre, this region is critical from both financial and economic perspectives and requires a comprehensive and sustainable development plan that copes with rapid urbanisation.

As its true north, the Greater KL/KV aspires to be a metropolis that simultaneously achieves a top-20 ranking in city economic growth while also being among the global top-20 most liveable cities by 2020.

Efforts have reaped early results, as shown by Kuala Lumpur's rise to the 70th spot amongst 140 cities in the Economist Intelligence Unit (EIU)'s 2014 Global Liveability Ranking.

Kuala Lumpur is up nine places from its 2010 ranking. This is the second highest jump for any city in the last four years and is a testament to the efforts being undertaken. Kuala Lumpur was also ranked seventh and second among Asian and ASEAN cities, respectively.

In another global ranking of 140 cities, Kuala Lumpur was ranked a respectable 25th in the Financial Times (UK) fDi Global Cities of the Future and only second behind Seoul among Emerging Market Cities.

EIU Global Liveability Ranking 2014

GKL/KV 7th in Asia

2015 Outlook

Moving forward, attracting new investments into GKL/KV and the creation of high-skilled jobs will be fundamental to the city's growth. This is also vital for the continued progress of the Economic Transformation Programme's 11 other NKEAs, to which the GKL/KV NKEA contributes by acting as a springboard for investment and job creation.

InvestKL has set itself a higher annual target of attracting 15 MNCs in 2015, from 13 previously. This is expected to create at least 600 new high-income employment opportunities with a regional scope.

TalentCorp is expected to intensify efforts to ramp up quality talent under the Returning Expert Program.

Additionally, under the Expatriate Services Division that was set up in 2014, the issuance of the Employment Pass Process is targeted to be completed within five working days from a current one to two-month process. This should considerably assist in meeting the 2015 target of approving 1,000 applications under the Residence Pass – Talent Programme.

The High Speed Rail connection to Singapore is expected to gain traction as SPAD, which leads this EPP, will be in discussions with authorities to finalise the Malaysian alignment of the track.

The MRT Line 1 (Sg Buloh-Kajang), which is divided into two phases, is progressing on schedule. Phase 1 from Sg Buloh to Semantan is expected to be operational by December 2016, while full operations from Sg Buloh to Kajang will commence by July 2017. In 2015, efforts will be focused on ensuring that Phase 1 of the project, which involves the structural completion of the 12 stations and the percentages of tracks laid are monitored and met. Continuous improvements in safety standards will be strived for above all. In addition, the Prime Minister had announced the proposed MRT Line 2 (Sungai Buloh–Serdang–Putrajaya) during the tabling of the 2015 Budget. Public feedback on the proposed MRT Line 2 is expected by 2Q 2015.

Efforts under the RoL project will continue to focus on river cleaning and beautification. In 2015, under the river cleaning initiative, the construction of two large regional Sewerage Treatment Plants in Bunus and Jinjang-Kepong will commence. Phase Two works of the Interceptor Systems along the 10.7km river beautification corridor will start and the construction of the Waste Water Treatment Plant (WWTP) in Pasar Borong Kuala Lumpur (slated to be the largest WWTP in Kuala Lumpur) is also expected to be completed.

Sungai Buloh MRT Line 1 Depot under construction

These, coupled with the numerous initiatives that have been completed so far, should result in the continuous improvement of the river water quality as the EPP strives to raise the water quality to recreational standards (Class IIb). The Department of Irrigation and Drainage Malaysia (*Jabatan Pengairan dan Saliran Malaysia* - JPS), which leads the river cleaning initiatives, is committed to ensuring that public outreach programmes impact thousands of residents along the Sg Bunus and Upper Sg Klang river basins.

River beautification works along the 10.7km stretch within the city centre are divided into 11 packages to be tendered out. Phase One, which started in 2014, is focused on Precinct 7 or Heritage Quarter, where Kuala Lumpur's important historical landmarks (Masjid Jamek, Bangunan Sultan Abdul Samad, St Mary's Cathedral, Panggung Bandaraya) are situated, and is expected to be fully completed in 3Q 2016. The remaining 10 packages covering the riverfront areas from Kg Puah in Sentul to Brickfields will also be tendered out in 2015.

Although the progress of EPP 9: Solid Waste Management has been slower than hoped, efforts are being intensified to ensure the initial objectives of this EPP are met. The first step towards this end is the commencement of the Solid Waste Management Lab in 1Q 2015. The outcome of the lab would chart the way forward on how solid waste should be managed in a more environmentally sustainable and holistic manner.

2014 KPI Analysis

The NKEA achieved 103 per cent of its KPIs in 2014, largely due to strong cooperation among stakeholders and proactive monitoring of projects to resolve challenges quickly.

As the ETP reaches its mid-point, an assessment of efforts that have been undertaken is timely. As previously highlighted, Kuala Lumpur has moved up nine places to the 70th spot since 2010 in the 2014 EIU Global Liveability Ranking.

In 2014, InvestKL attracted 14 MNCs to invest in Greater KL, surpassing its target of 13 MNCs for the year. 1,241 jobs were created against the KPI of 600 jobs. InvestKL also outperformed its targets on the number of realised investments with RM378 million in investments realised in 2014 compared to the target of RM236 million.

In terms of talent attraction, TalentCorp exceeded its annual target by approving 1,007 applications under the Residence Pass – Talent Programme (RP-T). 12,852 interns were successfully placed under the Structured Internship Programme compared to the 2014 target of 12,000.

As for the Returning Expert Programme, only 604 applicants were approved as opposed to the target of 1,200. This was mainly due to the fine-tuning of the evaluation criteria that is more stringent on the type of work experience, income levels and suitability of critical skills. A total of 1,006 JPA scholars served their bond with private sector employers under the Scholarship Talent Attraction & Retention initiative in 2014. While this falls short of the 2014 target of 2,000 scholars, it has more than doubled the number of scholars in 2013. While private sector companies are increasingly aware of the benefits of accessing a pool of entry-level talent under the STAR initiative, TalentCorp, in close collaboration with the Public Service Department (*Jabatan Perkhidmatan Awam* – JPA), will expend more effort to raise awareness among JPA scholars, both at home and abroad, about employment opportunities in Malaysia.

EPP 3, which entails the High Speed Rail connection to Singapore, fully met its 2014 KPIs. The Economic Council (EC)'s approval for the contracting model and project structure were obtained. The Vision Document for the Phase One of the Socio-Economic Development Plan was also completed. At the Leaders' Retreat 2014, the Prime Minister of Malaysia and Singapore had confirmed Malaysia's terminal location in Bandar Malaysia and three possible terminal locations in Singapore, being Tuas West, Jurong East and City Centre. The Mass Rapid Transit construction project made good progress in both the elevated and underground sections. Overall progress is at 59 per cent and is ahead of schedule. The percentage completion of elevated piers and underground works for station excavation also exceeded annual targets.

Under the RoL project, most of the river cleaning KPIs met the annual targets:

- The wastewater discharge at the completed WWTPs at Pasar Harian Selayang, Pasar Jln Kelang Lama and Pasar Air Panas were compliant to Class IIb, 97 per cent ahead of time.
- Six construction packages were tendered out by the Sewerage Service Department.
- The construction of 14 packages under the purview of the Department of Irrigation and Drainage (*Jabatan Pengairan dan Saliran* – JPS) were also 99 per cent completed compared to the annual target of 95 per cent.

However, the planning and design of the Interceptor System at Precinct 7 was slightly behind schedule at 91 per cent.

As for the River Beautification initiative, although works at Precinct 7 commenced in March 2014, progress has been slower than expected reaching only four per cent against the annual target of 16 per cent. This is due to a number of issues such as technical and contractual matters related to the interface with the construction of the Interceptor system under the river cleaning initiative.

As for the land development initiative, in August 2014 DBKL's Economic Planning and Development Coordination Department as planned, had commenced a "Study on Best Potential Development for Freezed Government Land along the 10.7km River beautification corridor". The study is due to be completed by the end of March 2015.

The Greener KL EPP, which aims to increase the green density within Kuala Lumpur and is led by DBKL's Department of Landscape and Recreation outperformed the annual target of planting 30,000 trees by planting 39,636 trees. In addition, private sector participation in funding the trees to be planted was also encouraging. 3,950 trees were contributed by 26 private companies compared to the target of 2,500 trees.

As for EPP 7, Creating Iconic Places and Attraction, 26,876 tourists took up the heritage trails guided tour, exceeding the annual target of 24,000 tourists. Four major events were held at Medan Pasar which exceeded the initial target of three, with many smaller events organised regularly throughout the year. However, the changing of retail operators in Medan Pasar has proved to be challenging with only two retail operators converted against the annual

Riverwater Treatment Plant for Sg Sering target of three. This was mainly due to various reasons including existing lease agreements that are still in force, limited interest from owners to switch tenants and interested parties have not been able to lease the lots they are keen on.

In 2014, DBKL's Urban Transportation Department, which leads EPP 8, upgraded 12.7km of non-covered pedestrian walkways in Kuala Lumpur, exceeding the annual KPI of 12km. The upgraded walkways include those along Jalan Tun Ismail, Jalan Tun Razak, Changkat Bukit Bintang and Changkat Raja Chulan.

It was a challenging year for Solid Waste Management and the progress for the setting up of the Anaerobic Digestion facility for food waste was slower than expected as land matters were a stumbling block. The 2014 KPI of processing 2,700 tonnes of Construction and Demolition (C&D) waste in the Sg Kertas facility was not fully met as only 2,446 tonnes were processed. This is because the sending of C&D waste to the facility cannot be enforced as the related Regulation in Act 672 of the Solid Waste Management and Public Cleansing Act is not yet gazetted and adopted by the Selangor State Government.

2014 Key Performance Indicators

GREATER KUALA LUMPUR/ KLANG VALLEY NKEA		KPI (Quantitative)							
No.	KPI	Target (FY)	Actual (YTD)	Achievement					
				Method 1		Method 2		Method 3	
				%		%			
EPP #1	Number of Letter of Intents concluded for MNCs to set up Regional Headquarters/Regional Hub activity in GKL	13	14	108		100		1.0	
	Employment generated	600	1,241	207		100		1.0	
	Realised investment from MNCs since 2011 (RM mil)	236	377.49	160		100		1.0	
EPP #2	Number of approved application under Returning Expert Program	1,200	604	50		50		0.5	
	Number of approved application under Residence Pass-Talent Program	1,000	1,007	101		100		1.0	
	New JPA scholars under STAR Program	2,000	1,006	50		50		0.5	
	Number of internship places filled under Structured Internship Programme	12,000	12,852	107		100		1.0	
	Number of new participants in GEMS & Upskilling programme	7,000	3,622	52		52		0.5	
EPP #3	Connecting KL to Singapore via a High Speed Rail system: (i) Securing EC's approval on contracting model and project structure (ii) Completion of the Socio-Economic Development Action Plan (SEDAP) Vision Document	100%	100%	100		100		1.0	

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GREATER KUALA LUMPUR/ KLANG VALLEY NKEA		KPI (Quantitative)							
No.	KPI	Target (FY)	Actual (YTD)	Achievement					
				Method 1		Method 2		Method 3	
				%		%			
EPP #4	Elevated: Percentage completion of piers	90%	90%	100	●	100	●	1.0	●
	Elevated: Percentage completion of elevated guideway	80%	59%	74	●	74	●	0.5	●
	Underground: Progress completion of tunnel built	12,818 meters	12,305 meters	96	●	96	●	0.5	●
	Underground: Progress completion of station excavation	80%	88%	131	●	100	●	1.0	●
	Lost time number of accidents per million man hours worked	2.0%	1.64%	100	●	100	●	1.0	●
EPP #5	Compliance of wastewater discharge quality of completed Waste Water Treatment Plant (WWTP): Pasar Harian Selayang, Pasar Jln Kelang Lama & Pasar Air Panas	100%	98.6%	99	●	99	●	0.5	●
	Percentage reduction in oil & grease levels from the installed oil & grease traps (KPKT / JKT (MPS / MPAJ)	99%	99.5%	101	●	100	●	1.0	●
	Percentage reduction in oil & grease levels from the installed oil & grease traps KWP / DBKL (JKAS)	99%	99.81%	101	●	100	●	1.0	●
	River of Life (Phase 1): Percentage completion of construction works on Precint 7 river beautification	16%	4.22%	26	●	26	●	0	●
	River of Life (Phase 2): Percentage completion of river beautification at One Malaysia Park (Detailed Design)	100%	95%	95%	●	95	●	0.5	●
	Study on Best Potential Development for Freezed Government Land along River Beautification Corridor	40%	40%	100	●	100	●	1.0	●
	Percentage completion of 6 construction packages: (i) Package G06 (ii) Package G07 (iii) Package B21 (iv)Package B22 (v) Package B20 (vi) Package 2	73%	78%	117	●	100	●	1.0	●

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GREATER KUALA LUMPUR/ KLANG VALLEY NKEA		KPI (Quantitative)							
				Achievement					
No.	KPI	Target (FY)	Actual (YTD)	Method 1		Method 2		Method 3	
				%		%			
	Reduction of rubbish collected at log booms at SMART (L1 & L2) as compared to 2010 (Baseline: 0%)	80%	73.7%	92	●	92	●	0.5	●
	Construction of 14 packages for river cleaning	95%	99%	200	●	100	●	1.0	●
	Results from water quality monitoring stations meets river Water Quality Index	57%	63%	100	●	100	●	1.0	●
	Percentage of planning and design of interceptor system at Precint 7	100%	91%	91	●	91	●	0.5	●
EPP #6	Number of trees planted	30,000	39,636	132	●	100	●	1.0	●
	Number of trees funded by the private Sector	2,500	3,950	158	●	100	●	1.0	●
	Number of trees tagged under Global Positioning Index (GPI)	19,206	18,218	95	●	95	●	0.5	●
	Number of trees maintained	57,618	54,413	94	●	94	●	0.5	●
EPP #7	Countdown Clock	52%	55.32%	106	●	100	●	1.0	●
	Heritage Trails: Number of local and international tourists visiting	24,000	26,876	112	●	100	●	1.0	●
	Medan Pasar: Change of suitable retail operators	3	2	67	●	67	●	0.5	●
	Medan Pasar: Major events conducted	3	4	133	●	100	●	1.0	●
EPP #8	Upgrading of non-covered pedestrian network system (km)	12	12.7	106	●	100	●	1.0	●
EPP #9	Setting up an anaerobic digestion facility for food waste: Cabinet's decision on a Joint-Cabinet Paper between the Ministry of Housing, Natural Resources Environments (NRE) or the Ministry of Energy, Green Technology and Water	100%	60%	60	●	60	●	0.5	●
	Tonnage of construction and demolition waste processed in Sg Kertas facility (mt)	2,700	2,446	91	●	91	●	0.5	●

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GREATER KUALA LUMPUR/ KLANG VALLEY NKEA		KPI (Quantitative)							
No.	KPI	Target (FY)	Actual (YTD)	Achievement					
				Method 1		Method 2		Method 3	
				%		%			
BO 3	Construction of piping network at Petaling Jaya Utara (Package D47): Percentage of construction progress	45%	48%	107	●	100	●	1.0	●
	Regionalisation of Sewerage Treatment Lot 130 Klang: Percentage of construction progress	100%	99%	96	●	96	●	0.5	●
	Langat Centralised Sewage Treatment Plant & Network: Complete Preliminary Design	100%	100%	100	●	100	●	1.0	●
	Sewer Rehabilitation Projects in Kuala Lumpur, Shah Alam, Subang Jaya and Petaling Jaya (Package G08): Construction progress (cumulative)	99%	94%	80	●	80	●	0.5	●
	Regionalisation of Sewerage Treatment Plants (STP) in Kajang 2: Construction progress (cumulative)	63%	65.95%	113	●	100	●	1.0	●
				103%		**91%**		**79%**	

Exhibit 1.1

Method 1 Scoring is calculated by a simple comparison against set 2014 targets. The overall NKEA composite scoring is the average of all scores

Method 2 Scoring is calculated by dividing actual results against set 2014 targets with an added rule:
- If the scoring is less than 100%, score #2 is taken as the actual percentage
- If the scoring is equal or more than 100%, score #2 is taken as 100%. The overall NKEA composite scoring is the average of all scores

Method 3 Scoring is calculated by dividing actual results against set 2014 targets with an added rule:
- If the scoring is equal and less than 50%, score #3 is indicated as 0
- If the scoring is more than 50% and less than 100%, score #3 is indicated as 0.5
- If the scoring is equal or more than 100%, score #3 is indicated as 1

ENTRY POINT PROJECTS

EPP 1

ATTRACTING 100 OF THE WORLD'S MOST DYNAMIC FIRMS

WITHIN PRIORITY SECTOR

To date, InvestKL has successfully attracted 46 MNCs with approved investments totalling RM4 billion and commitment of over 6,000 jobs. Out of this, RM1 billion of investments have been realised and over 3,000 jobs created. This EPP is on track to reach its target of attracting top 100 MNCs by 2020. This has been driven by the Greater KL/Klang Valley's attractiveness as an investment destination, its ease of doing business and reasonable cost.

In 2014, InvestKL attracted 14 MNCs to invest in Greater KL, outperforming its target of 13 MNCs per year. These MNCs will be setting up regional headquarters, global shared service centres and principal hub operation. Of the 14 MNCs, eight are European, three are from the US and the remaining are from the Asia-Pacific region. The principal areas of operation include education, oil & gas, healthcare, IT, logistics, engineering services, business services, global trader and industrial products sectors.

KEY TAKEAWAYS

In order to secure the top-tier Fortune 500 and Forbes 2,000 MNCs to invest in GKL/KV a number of approaches have been identified. InvestKL will be deepening their existing collaboration with their alliance partners, working with MIDA to target deals together and also leveraging on existing relationships between Malaysian embassies and the business communities in the countries that they are based in.

46 MNCs
attracted RM4 billion investment

EPP 2

ATTRACTING INTERNAL AND EXTERNAL TALENT

Ensuring a rich pool of talent in Malaysia is among Talent Corporation Malaysia (TalentCorp)'s mandate. To this end, TalentCorp has continued to develop and facilitate initiatives to enhance graduate employability, promote talent diversity, engage Malaysians abroad and facilitate foreign talent.

In 2014, as part of stakeholder collaboration, TalentCorp intensified partnerships with universities and the Government to enhance awareness of emerging job opportunities through more effective career services information. In collaboration with the Economic Planning Unit and the Securities Commission Malaysia, TalentCorp organised two Business Leaders Dialogues in April and August 2014 between the YAB Prime Minister, CEOs of top 50 listed companies and Government-linked investment companies to leverage Malaysia's diversity and ensure better representation in terms of gender, ethnicity and age, particularly in leadership and management.

As a result, effective 1 January 2015, all listed companies are required to disclose their diversity policy for board, management and workforce in terms of gender, ethnicity and age in their annual reports. Towards greater diversity in top management, TalentCorp also partnered with ICAEW to launch the Women in Leadership Malaysia (WIL MY) programme to provide leadership development and mentoring for senior women managers.

YAB Prime Minister with CEOs of multinational companies and foreign chambers at the launch of the Expatriate Services Division on 19 June 2014

The Returning Expert Programme (REP) was fine-tuned to take into account the needs of the economy by evaluating experts based on their work experience, income level and suitability of critical skills. Global Malaysians was also launched in September 2014 to connect Malaysian professionals working overseas with leading Malaysian employers keen to tap into their international experience and expertise. While the tightening of REP incentives resulted in lower approvals in 2014, it is expected that in the long-term, it will facilitate the return of Malaysians with the right experience and expertise who are best placed to contribute to Malaysia's transformation.

The RP-T Programme saw 1,007 highly skilled expatriates approved in 2014. The Expatriate Services Division (ESD) was established in 2014 to better facilitate the entry and retention of foreign talent needed by the Malaysian economy, particularly in critical skill areas which face shortages. In addition, the Immigration Department will commit to a client charter of five working days to process employment pass applications by companies registered with the ESD. The client charter reflects the Government's commitment to ensuring ease of doing business for major investors. The transformation of the ESD was executed through a joint cooperation between the Ministry of Home Affairs, Immigration Department and TalentCorp.

A total of 1,006 JPA scholars served their bond with private sector employers under the Scholarship Talent Attraction & Retention (STAR) initiative in 2014. While this falls short of the 2014 target of 2,000 scholars, it more than doubled the number of scholars in 2013. While private sector companies are increasingly aware of the benefits of accessing a pool of entry-level talent under the STAR initiative, TalentCorp, in close collaboration with JPA, will expend more effort to raise awareness among JPA scholars, both at home and abroad, about employment opportunities in Malaysia. In October 2014, the JPA and TalentCorp launched a pilot JPA Management Apprenticeship Programme (MAP) for JPA scholars graduating from UK and US universities in 2014. The JPA MAP initiative places scholars who have not yet found employment in three-month apprenticeships at various leading investors and employers such as Celcom, First Solar, Strand Aerospace and PwC.

In partnership with Malaysia's leading employers, the Structured Internship Programme has helped 12,852 Malaysian undergraduates studying locally to gain structured workplace experience and gain industry exposure to companies leading the economic transformation.

The Graduate Employability Management Scheme (GEMS) is a programme for graduates who have been unemployed for more than six months. Graduates are trained, exposed and prepared for future career opportunities with the intention to contribute to the economy by reducing the country's unemployment rate. The Scheme also offers an Upskilling Programme for graduates identified as top talents, which aims to increase the availability of local talents and creating a world-class workforce in Malaysia by developing industry-ready entry-level talents for high skilled jobs. This year, the Scheme fell short of the 7,000 target as only 3,622 went through the programme, although the number committed by recruitment companies via Letter of Intent was 5,040.

KEY TAKEAWAYS

It is crucial that the Expatriate Services Division (ESD) is implemented effectively and its client charter is adhered to. The private sector must also remain committed to its diversity agenda to allow Greater KL/KV to capture a richer pool of human capital.

Expatriate Services Division

5 working days to approve employment pass

EPP 3

CONNECTING KL TO SINGAPORE

VIA A HIGH SPEED RAIL SYSTEM

SPAD, which leads this EPP, has secured the approval of the Economic Council on the High Speed Rail contracting model and project structure. The Vision Document pertaining to Phase One of the Socio-Economic Development Plan was also completed.

The Prime Ministers of Malaysia and Singapore had, at the Leaders' Retreat 2013, jointly announced the Southern Corridor High Speed Rail project. At the same forum in 2014, the leaders had confirmed Malaysia's terminal location in Bandar Malaysia and three possible terminal locations in Singapore, being Tuas West, Jurong East and City Centre. In addition, a High Speed Rail Work Group under the Joint Ministerial Committee platform between Malaysia and Singapore has been formed to ensure steady progress of this game changing project. Discussions at this platform are expected to include various implementation aspects such as high speed rail design and operations aspects, security and immigration requirements, appropriate financing and governance framework. To facilitate discussions on the project further, the Prime Ministers also agreed to co-located Customs, Immigration and Quarantine (CIQs) to facilitate ease of travel in line with the improved travel time proposition brought about by the high speed rail. This arrangement would result in high speed rail passengers going through the CIQ processes only once throughout their high speed rail journey.

SPAD is also in discussions with state and local authorities to finalise the Malaysian alignment.

KEY TAKEAWAYS

The primary objective for the construction of the high speed rail is to reduce the travel time between Kuala Lumpur and Singapore to 90 minutes by strengthening the link between two of Southeast Asia's most vibrant and fast-growing economic engines. This EPP is not only about connecting and transforming people mobility between two cities in a shorter time, but also about developing cities along the rail alignment that is able to leverage the availability of the high speed rail. This has been evident in other countries which have been transformed by connection to a high speed rail e.g. Japan and France.

HSR Terminal GKL/KV

to be located at Bandar Malaysia

EPP
4

BUILDING AN INTEGRATED URBAN MASS RAPID TRANSIT SYSTEM

Sungai Buloh - Kajang Line (MRT Line 1)

The Mass Rapid Transit (MRT) system was proposed to ease congestion and provide commuters to the city centre with an efficient and environmentally sustainable mode of transportation. The construction of the MRT Line 1 (Sungai Buloh to Kajang) is progressing well. The first phase of the MRT Line 1 (Sungai Buloh – Semantan) is expected to be operational by end December 2016, while the full line is expected to be operational by July 2017.

The 51km length of MRT Line 1, with 31 stations, is expected to run at an interval of 3.5 minutes. Each train will have four coaches, with a capacity of 1,200 passengers, with the daily ridership projected to reach 400,000 passengers. The line will also be integrated with the existing KTM Komuter, LRT and ERL rail systems at various locations e.g. Sungai Buloh, KL Sentral, Kajang, Pasar Seni and Maluri.

MRT Line 2 (Sungai Buloh-Serdang-Putrajaya), announced by the Prime Minister during the tabling of the 2015 Budget, will further transform the public transportation network in Greater KL/KV. In 2Q 2015, a public engagement that allows the rakyat to provide feedback on the proposed alignment will take place.

Most KPIs under the MRT construction are on track, however, the percentage completion of the elevated guideway (actual 59 per cent against target 80 per cent) experienced slight delays due to the underperformance of contractors. Nonetheless, the overall progress of the MRT construction is proceeding very well and slightly ahead of schedule at 59 per cent, with elevated sections at 49 per cent and underground sections at 73 per cent.

The fatal accident involving three MRT construction site workers in August 2014 was an unfortunate tragedy and further affirms the fact that a lot of improvements in safety practices need to be undertaken. A Zero Tolerance Programme was introduced by the Project Delivery Partner which includes increased checks and safety inspections, extra layer of policing for high risk activities, and the introduction of an additional dedicated team to enforce safety standards. Moving forward, the KPI set for this EPP will not only focus on the construction progress of Line 1, but also on safety aspects.

KEY TAKEAWAYS

The MRT project is a game-changer in increasing people mobility, productivity and quality of life. With MRT Line 1's progress on track and Line 2 being approved, in the near future planning should also start for MRT Line 3 (Circle Line) to reach the objective of increasing public transport modal share to 40 per cent.

MRT Line 1

59% construction progress

EPP 5

REVITALISING THE KLANG AND GOMBAK RIVERS

INTO A HERITAGE AND COMMERCIAL CENTRE

Uncovering the stairs of Masjid Jamek

The RoL project, with a budget of RM4.4 billion was initiated to transform the Klang and Gombak rivers into a vibrant and livable waterfront with high economic value. This will be achieved by raising the water standards of the Klang and Gombak Rivers and its six tributaries to recreational standard (Class IIb). The RoL project is focused on three key areas: river cleaning, river beautification and land development.

JPS leads the river cleaning initiative with the support of over 20 agencies across four Ministries and two local authorities in Selangor. The River Cleaning project consist of 65 packages and the current progress stands at 53 per cent.

Some notable achievement this year include the completion of installation of 158 communal grease traps within the areas under DBKL, MPAJ and MPS. Additionally, the wastewater discharge at the completed WWTPs at Pasar Harian Selayang, Pasar Jln Kelang Lama and Pasar Air Panas were also compliant to Class IIb, 97 per cent of time.

There were initial delays to commence the interceptor works in Precinct 7 due to the technical issues that arose due to the interface between the existing river beautification works. Once completed in 2016, the inceptor system initiative which has four WWTPs will ensure that the sullage and trade waste from workshops, restaurants and other premises are first treated before being discharged into the river. This will greatly improve the river water quality in the said area.

The River of Life – Public Outreach Programme (RoL-POP)'s objective is to generate improvement in attitudes and behaviours of target groups within the RoL project areas towards river care and preservation. With the RoL-POP now entering its second phase, efforts to clean and improve water quality are now concentrated on the Sungai Bunus river basin. There are four stages for the "Sungai Untuk Kehidupan Anda (Suka)" campaign. In 2014, Phase 1 initiatives, focused around the Upper Sg Klang river basin, continued and workshops on managing waste and adoption of the river were conducted for the local communities. The workshops were attended by about 300 participants across the six local communities (Taman Warisan, Eco Melawati, AU3 Keramat, AU2 Keramat, Wangsa Melawati and Sierra Ukay).

The River Beautification initiative is being led by DBKL's Physical Planning Department and is focused on the 10.7km river front stretch within the city centre from Kg Puah to Brickfields. Phase 1 started in 2014 and is focused in Precinct 7 or Heritage Quarter, where important historical landmarks of Kuala Lumpur (Masjid Jamek, Bangunan Sultan Abdul Samad, St Mary's Cathedral, Panggung Bandaraya) are situated. Phase 1 works are expected to be fully completed in the third quarter of 2016. However, progress has been slower than expected, whereby construction progress was only 4 per cent against the 2014 target of 16 per cent. We faced numerous challenges, e.g. the interface with the construction of the Interceptor system under the river cleaning initiative had to be resolved both from a technical and a contractual point. The site also has numerous landmarks of historical importance and this meant that the contractors had to be extra careful and cautious in the way they had to approach the method of construction. For instance the preserving of the grand staircase of Masjid Jamek required that manual labour be employed so as to retain as much of the old structure as possible. Since the staircase was part of the original mosque design from more than a hundred years ago, this is clearly a very important and celebrated finding. The remaining 10 river beautification packages covering the river front areas from Puah Pond up north to Brickfields will also be tendered out in 2015.

The Government also intends to recoup the investments into the RoL project of RM4.4.billion through the land development portion. To this end, in August 2014 DBKL's Economic Planning and Development Coordination Department had commenced a "Market Study to determine the highest and best use for the identified Government land along the river beautification corridor". The study aims to seek the most feasible development model to generate capital from the Government-owned land along the 10.7km river front corridor and is due to be completed by the end of March 2015.

KEY TAKEAWAYS

When it is fully completed in 2020, the RoL project will transform the Kuala Lumpur city centre, on par with other global cities that have also undertaken similar projects to clean their river and develop their water fronts.

River cleaning works will continue and the construction of the two largest regional sewerage treatment plants in Bunus and Jinjang-Kepong will commence in 2015. Phase Two of the Interceptor Drainage System along the remaining 10.7km river beautification corridor will also start.

River beautification efforts along the 10.7km stretch will intensify as the 10 packages under Phase Two will be tendered out in 2015. A policy framework arising from the "Study on Best Potential Development for Freezed Government Land along the 10.7km River beautification corridor" will also be put in place.

However, relocation of squatters will continue to be one of the key areas of focus under the river cleaning initiative. Government efforts alone are not enough and public support is paramount to achieve desired water quality of Class IIb and to keep rivers clean in a sustainable manner.

River Cleaning Highlight

Construction of the sewerage treatment plant in Bunus to start in 2015

EPP
6

GREENING GREATER KUALA LUMPUR

TO ENSURE RESIDENTS ENJOY SUFFICIENT GREEN SPACE

This EPP aims to increase Kuala Lumpur's green space in line with its aspiration to become a more 'Liveable City'. This EPP is led by DBKL's Department of Landscape and Recreation. In 2014, 39,636 trees were planted and in addition private companies contributed to the planting of an additional 3,950 trees. In 2014, DBKL had also started the process of tagging all the trees planted under this EPP with a global positioning system technology which will enable them to easily identify the location of these trees for future maintenance. A total of 18,218 trees have been tagged and this process will continue in 2015. The aim is to ensure the trees that are planted survive beyond 2020, thus having long-term contribution to the city's environmental climate.

Trees planted at Tasik Manjalara

However, despite the success of surpassing the 2020 Roadmap target of planting 100,000 trees in the city, DBKL has derived that the total green space per capita is shrinking. Ongoing acceleration of developments in Kuala Lumpur have reduced the amount of total green space in the city. In 2010, Kuala Lumpur was recorded to have 13m^2 of green space per capita. However in 2014, Kuala Lumpur only had 8.5m^2 green space per capita.

This development is alarming and in fact it is less than the World Health Organisation's requirement of 9m^2 of green space per capita.

Moving forward, efforts will be stepped up to improve the total green space per capita and also explore ways for partnership with private companies and civil society to enhance the greenery of Greater KL/Klang Valley.

KEY TAKEAWAYS

The EPP has met its 2020 Roadmap target of planting 100,000 trees in just under four years and while that is commendable, there are many other areas that need to be improved on to ensure that the green space per capita is increased.

26 Companies

contributed to the planting of 3,950 trees

EPP 7

CREATING ICONIC PLACES
AND ATTRACTIONS

Greater KL has immense potential to further leverage existing heritage sites that can be preserved and redeveloped to both celebrate its history and embrace its future as a global city. Development in KL is implemented in stages, including the improvement of facade, facilities and directional signage, enhancing preservation efforts and promoting events, arts and cultural to market these places.

Following the conversion of Medan Pasar into a car-free square in 2013, initiatives this year included the restoration of surrounding historical buildings, change of business operations and promotion of arts and cultural events to market this pedestrian arcade. To date a total of 13 buildings had the façade repainted in a collaborative effort between DBKL and the building owners.

A total of four major events were held at Medan Pasar which exceeded the initial target of three, with many smaller events organised regularly throughout the year. Dataran Medan Pasar was officially launched on 13 December 2014 by the Minister of Federal Territories in conjunction with the KL International Drum and Dance Festival.

By establishing heritage trails, a number of guided walking trails were developed through landmark sites such as Dataran Merdeka, Medan Pasar, Central Market, Tun Abdul Razak Heritage Park and Kampung Baru. DBKL prepared informational facilities such as trail maps, information board and supporting articles in addition to providing free guided tour. A total of 26,876 tourists took up the guided tour which exceeded the initial target of 24,000 marking the trails a huge success.


Medan Pasar after improvement work

KEY TAKEAWAYS

DBKL has planned for another walking trail linking Dataran Merdeka to Jalan Parlimen (known as Heritage Trail 5) which is currently in design stage and construction is due to commence in 2015.

The agency will continue to develop new trails in areas outside of the heritage quarter so that visitors can have a more fulfilling experience of the city. A Master Plan of heritage trails is being drawn up and will be ready in 2015 which will cover all interesting sites in Kuala Lumpur.

26,876 Tourists

participated in heritage guided tours

EPP
8

CREATING A COMPREHENSIVE PEDESTRIAN NETWORK

This EPP which is led by DBKL's Urban Transportation Department seeks to improve accessibility for pedestrians and the physically challenged by creating a fully integrated and barrier-free pedestrian network.

To this end, this EPP was set out to improve a total of 42km of walkways in the city centre to allow for a safer and more comfortable walking experience for those who fall within the high pedestrian traffic area. These walkways comply with DBKL's guidelines on the Safe City Concept which focuses on the use of ease-of-access design and placement of fences to minimise potential criminal opportunities. The walkways include an inclined entrance to allow wheelchair access and green shrubs to camouflage the anti-climb fence.

In 2014, 12.7km of pedestrian walkways were renewed and to date, DBKL has managed to renovate a total of 48.87km of walkways compared to the initial target of 42km. These upgraded walkways now have created a user-friendly pedestrian network that also connects to the main public transportation hubs.

Improved pedestrian walkways at Jalan Pudu

Pedestrian walkway along Jln Tun Perak

Nevertheless, a recurring issue faced by DBKL is vandalism. Motorcyclists commonly flout traffic laws and park their motorcycles on the walkways, thus hindering usability by pedestrians. There have also been incidents where larger vehicles park on the curb of the walkways, causing the pavement to crack. Stricter enforcement will be required to avoid these incidences in the future.

Moving forward, DBKL will be conducting a survey in 2015 to have a quantitative gauge on safety perception and overall public feedback on the upgraded walkways. If findings are positive, DBKL will continue to improve walkways to create an integrated pedestrian network.

KEY TAKEAWAYS

The pedestrian network represents a part of a larger plan for improvements in high quality access for people mobility. Key to continued success is periodic maintenance of the pedestrian network and although the initial target have been met, discussions will be held with DBKL on the possibility to do more.

48.87km

of pedestrian network upgraded

EPP 9

DEVELOPING AN EFFICIENT SOLID WASTE MANAGEMENT SYSTEM

Construction & Demolition Waste facility at Sg Kertas, Kuala Lumpur

Although the progress of EPP 9: Solid Waste Management, has been slower than hoped for, efforts are being intensified to ensure the initial objectives of this EPP are met. The first step towards this end is the commencement of the Solid Waste Management Lab in Q1 2015, that seeks to address the issues and way forward. There are also plans to carry out a detailed design of the leachate treatment system in Taman Beringin. To increase recycling rates, separation at source will be implemented at six states (Negeri Sembilan, Melaka, Pahang, Johor, Kedah and Perlis) and the Federal Territories of Kuala Lumpur and Putrajaya beginning September 2015 and this will be a major effort towards the aspiration to cultivate a sustainable approach towards how waste is managed.

The Sungai Kertas Construction and Demolition (C&D) Waste Recycling Facility commenced operations in January 2014 and has the capacity to process 300 tonnes of C&D waste per hour. Although the facility is already processing waste, the plant is struggling to achieve the initial target to process 10,800 tonnes of waste per year. This is because the sending of waste to the facility cannot be enforced as the related Regulation in Act 672 of the Solid Waste Management and Public Cleansing Act will only be gazetted in 2015.

The Department of National Solid Waste Management (*Jabatan Pengurusan Sisa Pepejal Negara* – JPSPN) is in the process of securing the land before the Anaerobic Digester plant in Sungai Besi can be established. Land matters remain a major hindrance in establishing the Anaerobic Digester in Sungai Besi. JPSPN has been working on ways and discussing with stakeholders and is in the process of resolving this matter. Once fully operational, the plant is expected to process food waste and municipal sludge into approximately 48,729 litres of natural gas per month and 162 metric tonnes of compost per month.

KEY TAKEAWAYS

Landfills in Malaysia are currently inadequate to process the rapid increase in waste and there must be greater resolve to implement the 3R (Reduce, Reuse, Recycle) programme. Malaysia must also move away from landfills and start to reduce & segregate waste and start to explore options to monetise opportunities from the waste industry.

BUSINESS OPPORTUNITIES

1

Vitalising Putrajaya

The Government's administrative capital, Putrajaya, is an ideal satellite township to benefit from spill over effects of Greater KL/KV's development. However, it currently lacks vitality despite being equipped with world-class infrastructure. Therefore, the following initiatives have been undertaken, showing encouraging results:

- Reshape the main boulevard – More upmarket F&B outlets like Padi House and Secret Recipe have started operations in Galeria Putrajaya and to date 35 new outlets have opened up along the boulevard
- Leverage waterfront potential – Putrajaya Corporation's City Trail initiative provides for walking trail and recreational facilities along the lakeside from Putra Mosque to Alamanda Shopping Mall. The trail was completed middle of the year and pending official launching in 2015
- Putrajaya is becoming a centre for education with the establishment of the Nexus International School and Heriot-Watt University Malaysia campus in this area. Heriot-Watt University Malaysia's purpose-built campus opened in Putrajaya in September 2014
- Optimise use of Putrajaya International Convention Centre – This convention centre has increased in popularity as a venue for conferences and events and has seen heavy bookings throughout the year since it is managed by Putrajaya Corporation. 214 Conferences and 273 Events were organised throughout 2014

This year has also seen the corporation successfully organising more international level events in Putrajaya such as Floria Putrajaya, the Putrajaya International Islamic Art and Cultural Festival (PIIACuF), Putrajaya Lighting Festival and Formula E racing, in addition to medium/small scale events which are held throughout the calendar year. An average of 500,000 visitors attended these major events which were held over several days respectively

3

Sewerage Non River

An efficient sewerage system is a basic amenity in any city. As Greater KL/KV is expected to grow its population to 10 million by 2020, existing facilities will have to be upgraded. The main objective is to do away with individual septic tanks and small sewerage treatment plants (STPs) and move towards more efficient regional networks. As with most basic infrastructure projects, large Government funding is required to upgrade and rehabilitate existing sewer network totalling 346km, 32 regional STPs and 1,495 multi-point STPs, all of which do not meet the standards of the Department of Environment. In addition, 91 per cent of all STPs will be upgraded to Standard A Category 1 by 2020 which means the discharge is the highest quality of effluent from treatment plants to receiving waters and hence will not pollute the rivers.

There are 33 work packages in total with two at Pre-tender stage, 30 under construction and one recently completed. JPP *(Jabatan Perkhidmatan Pembentungan)* as the implementing agency, has managed the projects well from the start and this year shows two achievements with projects (Kajang 2 STP and D47 sewer network) progressing ahead of schedule. The rest are at different stages of construction and will be completed progressively by 2020.

Note: BO No.2 (Housing) is no longer tracked by the Greater KL/KV NKEA and has been moved under the jurisidiction of the Ministry of Urban Wellbeing, Housing and Local Government

Summary of Greater Kuala Lumpur/Klang Valley NKEA

	2020 Target
Incremental GNI Impact	**RM190 billion**
Additional Jobs	**0.32 million**

Critical targets for 2015

- MNC Attraction
  - Letter of Intents concluded for MNCs to set up Regional Headquarters/Regional Hub activity in GKL is targeted at 15
- Talent Attraction
  - The Returning Expert Programme aims to see 1,200 expats return to Malaysia
  - The STAR Programme aspires to have 2,000 JPA scholars
  - 70% of issuance of Employment Pass Process to be within five working days
- High Speed Rail
  - 100% completion of approval for Malaysian alignment
- My Rapid Transit
  - 80% of Tunnels and Station Trackway handed over to System Works Contractor
  - 100% of structural completion of 12 stations for Phase 1 (Sg. Buloh - Semantan) 100% of track laid for Phase 1 (Sg. Buloh - Semantan)
  - 15 trains delivered and tested at Sg Buloh Depot
- River of Life
  - Implementation of Bunus STP to achieve 5% construction progress
  - Implementation of Jinjang-Kepong STP to achieve 3% construction progress
  - 100% Compliance of wastewater discharge quality from all completed Waste Water Treatment Plant (WWTP) to Water Quality Index ≥ 76.5 (Class II)
- Greening KL
  - 30,000 trees tagged under Global Positioning Index
  - 100% Completion of Waste Water Treatment Plant (WWTP) construction in Pasar Borong Kuala Lumpur
  - 100% of effluent from all 101 communal grease traps installed to comply with the National Water Quality Standards (fat, oil and grease)
  - 80% Reduction of rubbish collected at SMART (L1 & L2) log booms as compared to 2010 result (0%)
  - Water quality results from three selected water quality monitoring stations meet WQI ≥ 60
  - Water quality results from five selected RWTP meet WQI ≥ 76.5 (Class II)
  - 50% Construction progress of interceptor system at Precinct 7
  - 50% of construction progress for River Beautification works (Phase1)
  - 100% completion of Policy Framework arising from the Market & Feasibility Study of Freezed Government Land along RB Corridor
- Iconic Places
  - Heritage Trail 5: 45% completion of the project
- Pedestrian Network
  - 100% completion of the outcome evaluation report for walkways constructed between 2011 - 2014
- Solid Waste Management
  - 100% completion of detailed Designing of Leachate Treatment System in Taman Beringin
  - Increase the recycling rate: Regulation on separation at source to be amended by August
  - Completion of Gazettement of land for Anaerobic Digestion facility
  - Completion of Gazettement of regulation on Construction & Demolition Plant

CHANGING LIVES

Siti Rohani Mohd Sidek
Assistant Manager, Pizza Hut

Brighter Prospects for Fresh Graduates with GEMS

"I joined TaletCorp's Graduate Employability Management Scheme (GEMS) after several months of unemployment. I had graduated with a CGPA of 3.25 from UITM, where I studied Business and Economics, in May 2014. A friend of mine, who had heard of GEMS through word-of-mouth, was planning to join the scheme and urged me to sign up as well.

I soon left my hometown of Setiu in Terengganu to attend two weeks of management training with TalentCorp, joining around 24 others who were seeking employment opportunities. That experience helped to expose us to the corporate working environment. The training also familiarised us with the recruitment process, where we learned things such as interview Do's and Don'ts.

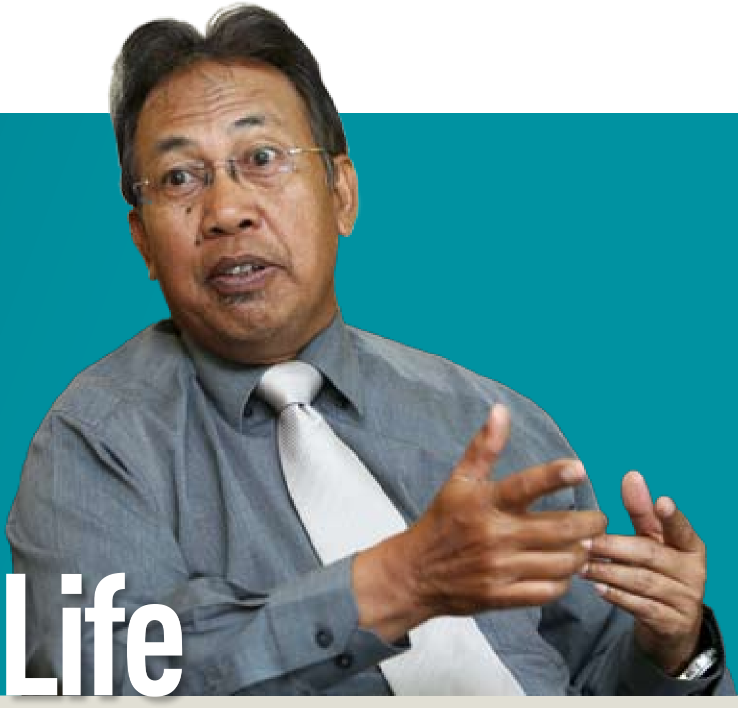
In addition, the training provided us with invaluable lessons which helped to raise our confidence, especially in interacting with others. We also attended English classes and were given lessons on grooming and résumé writing. During the training period, we were also provided a monthly allowance of RM500.

After the training, TalentCorp organised interview sessions with various host companies from the Fast Moving Consumer Goods (FMCG), tourism and hospitality industries, helping me to secure my current job as assistant manager at Pizza Hut, which is owned by QSR Brands, one of the leading fast food operators in Southeast Asia. The majority of my course mates were also successful in getting jobs through the interviews with TalentCorp's host companies.

I am now serving my six-month probation period, and as the scheme requires us to remain attached with our host company for at least six months, I am not only ensured of job security, but also of building my skills and experience. My employer has also been generous enough to provide housing near the outlet where I work. My duties are focused on the area of customer service, and I am fortunate to meet people from all walks of life as part of my daily responsibilities.

I believe GEMS provides an important platform to nurture and provide experience to fresh graduates keen on making a better life for themselves. Being from Setiu, where the number of large corporates is limited, GEMS also provided me with access to meet with more companies and increase my chances of landing a high-paying job. I am especially grateful that GEMS has provided me with a pathway to build my career, and am confident that this experience will strengthen my chances of moving up the corporate ladder."

ON THE GROUND
WITH CIVIL SERVICE



Breathing Life Into Our River

Dato' Sri Ir. Hj. Ahmad Husaini Sulaiman

Director General of Department of Irrigation and Drainage Malaysia

For Dato' Sri Ir. Hj. Ahmad Husaini Sulaiman, Director General of the Department of Irrigation and Drainage Malaysia, it is not just hard work that has driven the Department to achieve its KPIs under the Greater Kuala Lumpur/Klang Valley NKEA's River of Life project. "It is important that we keep our spirits high and continue to believe in what we are doing. I hope that our passion will be translated into a cleaner river and more scenic riverside for all to enjoy," he says.

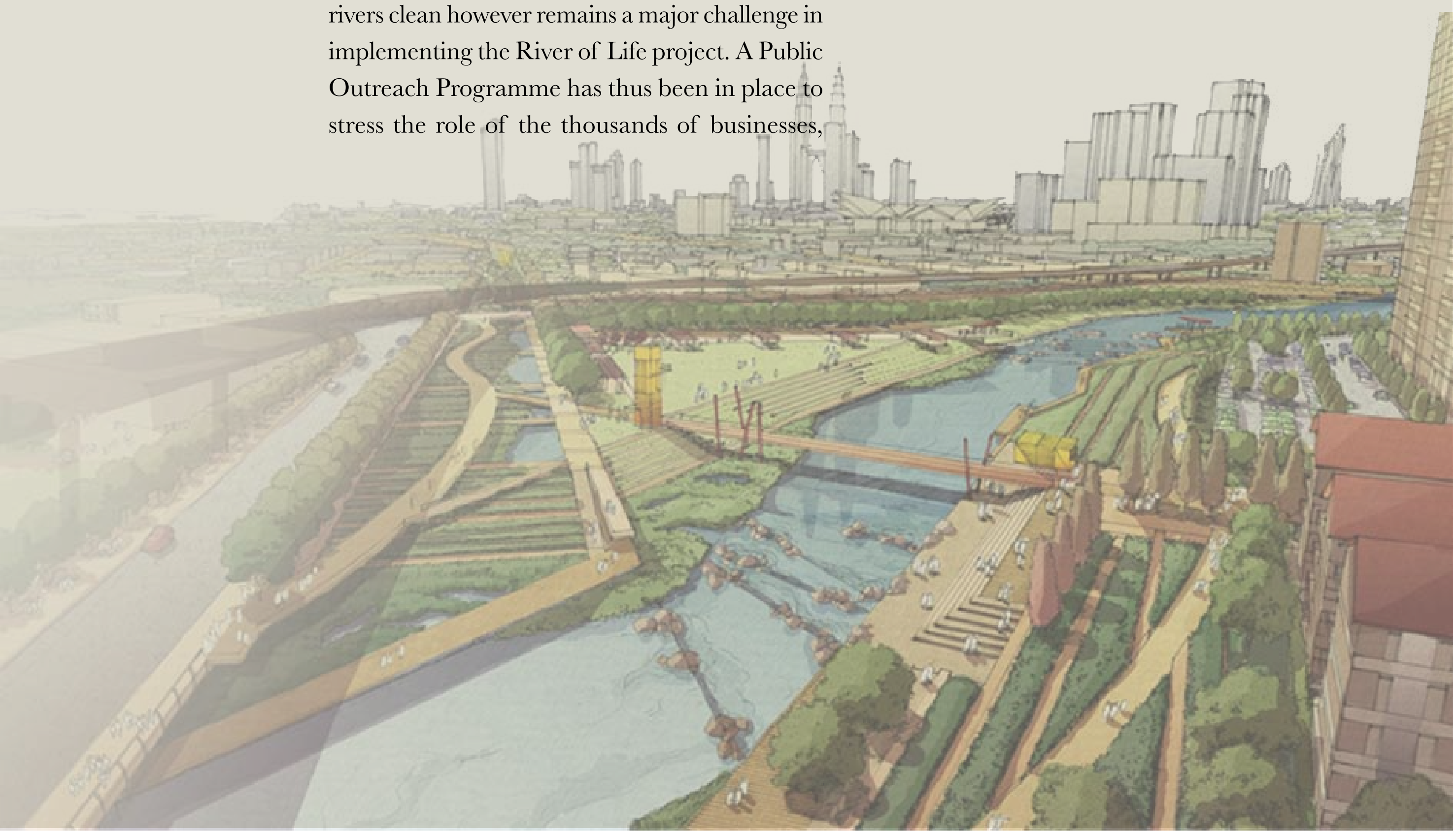
The EPP has already achieved significant progress since its implementation, with its target of raising the standard of the city's Klang and Gombak rivers to Class IIb (recreational standards) already within sight. The project is divided into river cleaning, river beautification and land development. The Department oversees a total of 65 packages of projects under the initiative, working in conjunction with a number of stakeholders including DBKL and municipal councils. As at the end of 2014, 53 per cent of progress has been achieved for river cleaning.

"We have been very particular about our strategies and the work we have to do to achieve the desired results. Strong cooperation between the various agencies is crucial. The River Cleaning Taskforce sits every month to discuss issues and monitor the progress of the project," Dato' Sri Ahmad Husaini explains.

Much of the progress however goes largely unnoticed, as it involves efforts that are out of the public's sight, such as the installation of gross pollutant traps to capture floatables as well as other discharge from factories and residential areas. The Department is also implementing interceptor systems to treat sullage before it enters the main waterways.

Increasing cooperation from the public to keep the rivers clean however remains a major challenge in implementing the River of Life project. A Public Outreach Programme has thus been in place to stress the role of the thousands of businesses, eateries, factories and people living near the rivers in maintaining the quality of the city's main tributaries. "We need the public to understand the importance of cleaning the river," says Dato' Sri Ahmad Husaini, who highlights that the project will not only help spur economic growth, but create a public open space for recreational activities.

He is also hopeful that the project can act as a catalyst for other rivers in the country. "Our vision for River of Life is to contribute to Malaysia's development as a high-income nation. In addition to the infrastructure that is being put in place, this also requires the rakyat to shift their mentality towards keeping our rivers clean. If we can improve our rivers, we can create a good impression of our city and the country as a whole," he says.



OIL, GAS AND ENERGY

"The Government has made strides in ensuring robust energy infrastructure, diversifying sources of energy, particularly in the power sector and shifting towards market-based pricing for energy

Datuk Seri Panglima Dr. Maximus Ongkili
Minister of Energy, Green Technology and Water

Q&A

THE GOVERNMENT EMBARKED ON THE ECONOMIC TRANSFORMATION PROGRAMME IN 2010 TO TRANSFORM MALAYSIA INTO A HIGH-INCOME NATION BY 2020. WE ARE NOW AT THE MIDWAY POINT TO 2020. ARE YOU SATISFIED WITH THE PROGRESS OF THIS NKEA SO FAR?

Malaysia's progress towards high-income nation status is dependent upon it being an open, pro-market economy. This is necessary in order for the private sector to undertake the investments and innovations that a free enterprise market system encourages. The Government has made strides in (1) ensuring robust energy infrastructure, (2) diversifying sources of energy, particularly in the power sector and (3) shifting towards market-based pricing for energy. The combination of these three allows Malaysia to look with confidence on this NKEA as we progress to 2020.

At the same time, Malaysia is blessed with energy resources, particularly in the oil and gas sector. The Government and PETRONAS have worked hard as custodians of these resources, from exploring hard-to-reach oil fields and building up reserves to extracting more value from marginal oil fields. We have also gone on to build an extensive petrochemicals industry with integrated complexes in Johor and Sabah. If this is done right, it will add tremendous value to Malaysia's energy supply chain and transform the country into an oil and gas hub in its own right.

HOW IS THE GOVERNMENT HELPING TO IMPROVE ENERGY EFFICIENCY PROJECTS?

Promoting retrofitting of Government buildings through Energy Performance Contracting (EPC) to reduce energy consumption and thus reducing carbon emissions. Also, rationalising subsidies that will drive the private sector to also undertake energy efficiency initiatives, especially by the industrial sector.

WHAT ARE YOUR KEY TAKEAWAYS IN IMPLEMENTING THIS NKEA?

Malaysia must prepare for the day when we are a net importer of energy. Since 2014, we have turned into a net importer of crude oil and petroleum products.

In such a scenario, the security and stability of the energy supply system is of paramount importance, and only an open market can ensure such security and stability.

It is for this reason that much effort has been put into the restructuring of energy markets. Nonetheless, the restructuring has to be done gradually so as not to unduly burden the rakyat. At the same time, the Government has taken the necessary steps to ensure a sustainable power generation mix in this country through efficiency initiatives such as the use of fuel-efficient and environmentally-friendly technologies. With this clear vision, the Government will ensure that the country will have a reliable and secure energy supply in meeting the socio-economic objectives of the nation.

OIL, GAS AND ENERGY

Oil, gas and energy are closely linked to the broad economy and therefore have a systemic effect on countries. This is particularly true for net energy producers such as Malaysia.

As a result, the Government has embarked on initiatives outlined under this NKEA to ensure energy supply security. Incentives have also been aimed at diversifying the country's portfolio of energy sources and promoting energy efficiency.

It should be noted that Malaysia's energy intensity (energy used per unit GDP) has been on the decline over the past decade, reflecting the gradual growth of services as a percentage of the Malaysian economy. Additional gains have been made via energy efficiencies such as adoption of energy efficient practices in buildings, usage of high efficiency appliances as well as industrial users and utilities adopting co-generation for optimised energy use.

To attract interest in different types of renewable energy, the Government revised a surcharge on electricity bills from 1.0 per cent to 1.6 per cent for Peninsular Malaysia and commenced a surcharge for customers of Sabah Electricity Sdn Bhd (SESB) to support the Feed-in-Tariff (FiT) scheme that was introduced by the Sustainable Energy Development Authority Malaysia (SEDA) in 2011. At the same time, plans for additional power plants were announced during the year as part of the Government's aim to ensure consistent and sufficient electricity supply to power economic growth.

In 2014, the country's foray into the downstream sector recorded another major milestone. National oil company PETRONAS announced the final investment decision (FID) for the development of a world scale Refinery and Petrochemical Integrated Development (RAPID) facility earlier this year. The RAPID project is targeted to increase the volume of Malaysia's petrochemicals outputs and cater to Asia Pacific's demand for premium specialty chemicals.

In addition, there have been significant moves on the part of the Government to enable for electricity and fuel prices to be more market-oriented in 2014. Given the systemic effect of the oil, gas and energy sector on the economy, these adjustments will translate into long-term structural benefits to the economy.

2015 Outlook

For the year ahead, analysts and energy agencies have trimmed their crude oil prices to around US$50-US$80, from US$100 a barrel. This has raised concerns that energy companies, particularly in the upstream space, will revisit and reassess their investments globally.

Notwithstanding this, projects which have already reached FID, such as PETRONAS's RAPID project, will progress on schedule. In addition, Malaysia's first deep-water development, the Gumusut-Kakap field, has commenced production. Once operating at full capacity, the floating platform is expected to reach a yearly peak oil production of about 135,000 barrels a day, according to Shell Malaysia, which operates the deep-water project with partners ConocoPhillips, Petronas Carigali and Murphy Sabah Oil.

These developments in Malaysia's upstream and downstream energy sectors allow the industry to look to 2015 with optimism.

As Malaysia continues to expand economic activities in the upstream and downstream oil, gas and energy sector, it will be crucial for Malaysian companies and individual entrepreneurs to develop skills, capabilities, standards and technology which will allow them to thrive in this high-value global industry.

2014 KPI Analysis

Overall, the NKEA has met all its 2014 KPIs due to closer collaboration between various stakeholders. The clear aim of meeting the year's KPIs drove relevant agencies to work collaboratively to address and resolve issues within aggressive timeframes.

2014 Key Performance Indicators

OIL, GAS AND ENERGY NKEA		KPI (Quantitative)							
No.	KPI	Target (FY)	Actual (YTD)	Achievement					
				Method 1		Method 2		Method 3	
				%		%			
EPP #1	Addition Resources – Million Stock Tank Barrel (MMstb)	15	37.9	253	●	100	●	1.0	●
EPP #2	Total Production from Marginal Field (Oil and Gas)(Kboe/d)	60	87.5	146	●	100	●	1.0	●
	Production from Marginal Field (Oil) - Thousand Barrels per Day (kbd)	40	58.3	146	●	100	●	1.0	●
	Production from Marginal Field [Gas] - Million Standard Cubic Feet Per Day (MMscfd)	120.3	175.5	146	●	100	●	1.0	●
EPP #3	Number of explored wells	30	29	97	●	97	●	0.5	●

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OIL, GAS AND ENERGY NKEA		KPI (Quantitative)							
				Achievement					
No.	KPI	Target (FY)	Actual (YTD)	Method 1		Method 2		Method 3	
				%		%			
EPP #4	Cumulative committed capacity for oil storage facilities (in million cubic metres)	8.7	9.17	105		100		1.0	
	Number of oil trading companies based in Malaysia	6	9	150		100		1.0	
EPP #5	Implementation of third party access preparation of four key legal frameworks (enablers): 1. Amendment of Gas Supply Act 2. Third Party Access Code 3. Tariff Structure 4. Competition Guideline	100%	90%	90		90		0.5	
	Pengerang - Regasification Terminal 2 FID	100%	100%	100		100		1.0	
	Gas Pricing and Marketing - Finalise GSA at market price with RAPID & Pengerang COGEN Power	100%	90%	90		90		0.5	
EPP #6	Amount of investment made by Oil & Gas Supplier, Services and Equipment companies (RM mil)	1,500	1,691	113		100		1.0	
	Realisation of investment made by Oil & Gas Supplier, Services and Equipment companies (RM mil) in year 2014	1,500	826.2	55		55		0.5	
EPP #7	Number of first time bidders (companies) for international projects in new market segments (includes new countries or new segments within the same country)	6	6	100		100		1.0	
EPP #8	Number of MNCs bringing their global operations to Malaysia or mergers/JVs between local OGSE companies and global MNCs	6	6	100		100		1.0	
EPP #10	Additional amount of grid-connected renewable energy power plants installed capacity (MW)	250	245.2	98		98		0.5	

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OIL, GAS AND ENERGY NKEA		**KPI (Quantitative)**							
No.	**KPI**	**Target (FY)**	**Actual (YTD)**	**Achievement**					
				Method 1		**Method 2**		**Method 3**	
				%		**%**			
EPP # 11	Formulation of Nuclear Power Infrastructure Development Plan (NPIDP)	100%	97%	97		97		0.5	
	Enactment of a new comprehensive Atomic Energy Regulatory Act	100%	90%	90		90		0.5	
	Establishment of Malaysia Atomic Energy Regulator Commission (MAERC): Concept of MAERC Governance Structure	100%	90%	90		90		0.5	
EPP #13	Realisation of PIPC Master Plan - PMO structure set up and operationalised	100%	100%	100		100		1.0	
	Realisation of PIPC Master Plan - Formation of Development Corporation structure	100%	100%	100		100		1.0	
	Realisation of PIPC Master Plan - Completion of PIPC infrastructure projects planned for 2014	100%	49.7%	50		50		0	
	Completion of internal & external Sipitang Oil and Gas Industrial Park (SOGIP) infrastructure	100%	77.8%	78		78		0.5	
				108%		**92%**		**76%**	

Exhibit 2.1

Method 1 Scoring is calculated by a simple comparison against set 2014 targets. The overall NKEA composite scoring is the average of all scores

Method 2 Scoring is calculated by dividing actual results against set 2014 targets with an added rule:
- If the scoring is less than 100%, score #2 is taken as the actual percentage
- If the scoring is equal or more than 100%, score #2 is taken as 100%. The overall NKEA composite scoring is the average of all scores

Method 3 Scoring is calculated by dividing actual results against set 2014 targets with an added rule:
- If the scoring is equal and less than 50%, score #3 is indicated as 0
- If the scoring is more than 50% and less than 100%, score #3 is indicated as 0.5
- If the scoring is equal or more than 100%, score #3 is indicated as 1

ENTRY POINT PROJECTS

EPP 1

REJUVENATING EXISTING FIELDS

THROUGH ENHANCED OIL RECOVERY (EOR)

PETRONAS identified 10 potential EOR projects in offshore Malaysia and implemented its first EOR technology, at a cost of around RM10 billion, at the Tapis field offshore Terengganu. This is the largest offshore EOR project in Southeast Asia and it sets out to extend the field's life by another 25 years and boosts production from the Tapis field by up to 35,000 barrels of oil per day, from the current 3,000-4,000 barrels a day.

KEY TAKEAWAYS

In implementing the EOR projects, PETRONAS is faced with a number of challenges. Execution of such projects require high expenditure as well as specialised expertise due to the complexity of EOR operations. Offshore EOR implementation poses significantly greater challenges as Malaysia's offshore facilities are ageing and require extensive rejuvenation work.

PETRONAS is continuously looking into improving the viability of EOR projects including introducing fit-for-purpose petroleum arrangements such as EOR PSCs and collaboration with relevant Malaysian authorities to provide special incentives meant to promote EOR development. This includes PITA incentives. Within PETRONAS, the Exploration & Production Technology Department (EPTD) has been established to build internal capability on EOR studies. An EOR Centre (EORC) to facilitate and provide focus on implementation of EOR projects has also been established.

EPP 2

DEVELOPING MARGINAL FIELDS

THROUGH INNOVATIVE SOLUTIONS

During the year, PETRONAS awarded a Small Field Risk Service Contract (SFRSC) to EQ Petroleum Developments Malaysia Sdn Bhd (EnQuest) and Uzma Energy Venture (Sarawak) Sdn Bhd (Uzma) for the development and production of the Tanjong Baram field, located about six kilometres offshore Sarawak.

PETRONAS awarded another SFRSC to Ophir Production Sdn Bhd, a joint venture firm between Octanex Pte Ltd, Scomi D&P Sdn Bhd and VESTIGO Petroleum Sdn Bhd, for the development and production of petroleum from the Ophir field, located offshore Peninsular Malaysia

KEY TAKEAWAYS

The remaining undeveloped marginal fields face both technical and commercial challenges. On the technical front, these fields usually lack of data or have poor quality data, have highly compartmentalised reservoirs, are stranded from existing facilities and require high development costs. Due to small volumes and high development costs, the small fields are faced with issues of commercial viability, with very marginal potential value.

EPP 3

INTENSIFYING EXPLORATION ACTIVITIES

As the search for hydrocarbon becomes more challenging, exploration will need to look at hydrocarbon targets in new horizons such as in deeper waters and zones with higher subsurface pressure and temperatures. Moving forward, PETRONAS will continue to identify new exploration opportunities in existing as well as new basins. Technology will be a key enabler in exploring more challenging environments, both in terms of subsurface imaging, as well as operational and development efficiency. Accordingly, cost, technology application and basin knowledge will also be key for successful exploration.

KEY TAKEAWAYS

In order to retain investment attractiveness, PETRONAS is assuming a larger 'enabler' role, beyond its role as the resources owner and manager, by leading and undertaking numerous block de-risking activities. PETRONAS continues to acquire new and reprocess existing seismic data to further assess and test basin potential and identify new play types to improve prospectivity. PETRONAS also conducts various in-house basin studies and drilling campaigns to mature new play types, leads and prospects in order to maximise the probability of success in discovering economical sizable discoveries.

PETRONAS will continue to formulate fiscal and commercial incentives for frontier areas and unconventional resource. New incentives and commercial terms are being offered by PETRONAS to attract investments and promote upstream activities. The Government PITA incentive on qualifying exploration expenditures significantly contribute towards enhancing contractor's risk-taking attitude and efforts to encourage higher levels of exploration activities.

PETRONAS will continue to aggressively promote available blocks in Malaysia to capable players with attractive prospects and a range of PETRONAS-led effort to reduce risks.

PETRONAS is also pursuing different partnership arrangements to ensure effective exploration and monetisation of resources. Matching of domestic exploration portfolios to suitable players is also an ongoing PETRONAS initiative to ensure that the opportunities are aligned with targeted players' respective focus areas.

EPP 4

BUILDING A REGIONAL STORAGE AND TRADING HUB

Pengerang Deepwater Terminal

Johor Petroleum Development Corporation (JPDC) plays a key role in this EPP by working with federal and state agencies to facilitate and track developments of key projects. Much progress has been made under this EPP following the commencement of Pengerang Independent Terminals Sdn Bhd (PITSB). PITSB is a private-public partnership between Dialog Group Berhad, Holland's Royal Vopak N.V. and the Johor State Government.

The Prime Minister launching Pengerang Independent Terminal Sdn Bhd's Phase 1A

First vessel berthing at Pengerang Deepwater Terminal in April 2014, marking the start of its operations

Phase 1A of PITSB, which includes the first 25 storage tanks with a capacity of 432,000 cubic metres, was completed in March of 2014, welcoming and receiving the first product vessel MT Vinalines Glory on 12 April 2014. The terminal was officially opened by the Prime Minister on 26 June 2014. Since then, as of December 2014, 93 ships have called at the terminal. Phase 1B commenced operations in October 2014, adding an additional 25 tanks and 432,000 cubic metres storage capacity. Phase 1C is expected to be completed by end of 2014 and will be commissioned for start up in the first quarter of 2015. Once fully completed, 1.3 million cubic metres of storage will be available at the terminal. This achievement is a step towards the realisation of the nation's vision to turn Pengerang into an oil and gas hub.

KEY TAKEAWAYS

In an increasingly competitive environment, win-win partnerships need to be cultivated between Malaysian companies and reputable international companies with global trading networks to facilitate knowledge transfer and develop strong industry ties.

EPP 5

UNLOCKING PREMIUM GAS DEMAND

IN PENINSULAR MALAYSIA

The commencement of operations at PETRONAS Gas Bhd's (PGB) LNG Regasification Terminal (RGT) in Sungai Udang, Malacca, helped to address the natural gas shortage in Peninsular Malaysia and prepare for future increases in gas demand. Also, proposed amendments to the Gas Supply Act 1993 by the Energy Commission are in progress, in line with efforts under this EPP to promote third party access (TPA) and facilitate the entry of new industry players and enable competitive gas pricing.

KEY TAKEAWAYS

While the Government and PETRONAS have made good strides in addressing the natural gas shortage with PGB's regasification terminal, there is a need for further liberalisation to attract new players into the market. This would lead to greater economic efficiency, market certainty and competitive pricing, ultimately benefitting consumers.

For new players, a shift towards liberalisation in this sector translates into an attractive investment environment devoid of undue administrative impediments.

The introduction of regulated gas pricing undermines the long-term sustainability and security of gas supply in Peninsular Malaysia. The extent of price distortion encourages overconsumption of gas while discouraging supply as there were little incentives to either end-users to use gas prudently and efficiently, or for the gas suppliers to source gas supplies as it has now become economically unattractive.

The prospects of rising dependence on imports as indigenous production continues to decline with newer discoveries becoming progressively smaller and costlier. This, coupled with the need for additional volumes to be procured at international market prices creates a stronger impetus for gas price reform.

Otherwise, the annual subsidy burden due to pricing disparities becomes untenable if gas continues to be supplied on a non-commercial basis. This results in an unsustainable basis for both the country's long-term gas supply security and also the efficiency of the economy.

In many ways, the need for both gas market reforms as well as subsidy rationalisation has already been recognised by the Government and have been clearly spelt out in the New Energy Policy enunciated in the 10th Malaysia Plan (10MP). The Government has also approved the implementation of a two-tier gas pricing mechanism as a means to gradually bring about full market-based pricing of gas in the country – a vital step to ensuring the feasibility of market liberalisation.

The advent of market liberalisation will facilitate the entry of new industry players, enable competitive gas pricing, encourage more efficient utilisation, and improve accessibility to gas supplies — all of which will translate into stronger foundations for the country's energy security and ultimately its economic security, prosperity and well-being.

KEY CHALLENGES – GAS SUPPLY AGREEMENT (GSA) FOR RAPID

The key challenge in finalising the GSA Term Sheet for the PETRONAS Refinery and Petrochemical Corporation's Refinery Complex (PRPC RC) and Utility Facilities (PRPC UF) is the uncertainty in the timeline towards market liberalisation i.e. the implementation of the Third Party Access (TPA) as well as the non-availability of the regulatory framework for TPA. In order to mitigate this uncertainty, provisions have been incorporated in the Term Sheet so as to give flexibility for both Sellers and Buyers in the event that TPA is enforced.

KEY CHALLENGES – GSA FOR PENGERANG COGEN POWER (PCP)

The key challenge in finalising the GSA with PCP lies in addressing the dynamic change in requirements of PCP's electricity off takers i.e. Refinery and Petrochemical Integrated Development (RAPID) and Tenaga Nasional Bhd (TNB). These changes will subsequently affect PETRONAS's gas supply to PCP and hence requires a GSA that can fit both PETRONAS' and PCP's requirements. At the same time, the GSA is still in the midst of finalising other commercial terms such as the market pricing of the components for gas supply to PCP, thus introducing further complexity to the GSA finalisation.

EPP
6

ENCOURAGING INVESTMENTS IN THE OIL & GAS SERVICES

AND EQUIPMENT (OGSE) INDUSTRY

Malaysia Petroleum Resources Corporation (MPRC) made great strides in establishing international linkages with various international agencies such as UK Trade and Investment (UKTI), Scottish Development International (SDI), Energy Industries Council (EIC), Greater Stavanger Economic Development and the Korea Trade-Investment Promotion Agency (KOTRA). With these linkages, more collaboration and business opportunities can be derived to benefit the industry at large and elevate Malaysia's status as a centre for oil and gas activities.

MPRC also organised talks with Malaysia Technology Development Corporation (MTDC) to facilitate industry understanding on available grants. However, with the rapid expansion of the industry, key challenges remain. These include the need for human capital development. In response to industry needs, MPRC is working closely with the Ministry of Education (MoE) via its Industry Centre of Excellence (ICoE) programme. To this end, MPRC has been promoting more university-industry linkages and has participated in many forums to drive students' interest in joining the industry.

To ensure better access to funds, MPRC also worked with Bank Negara Malaysia to facilitate talks between the banking sector and oil and gas companies.

KEY TAKEAWAYS

Developing vibrant clusters requires the establishment of various linkages between different players, be they private, public, domestic and foreign, within and without the industry.

The natural boundaries of industrial clusters are dynamic and will shift from time to time due to shifts in technology, international capital flows, geo-politics, and relative pricing for different sources of energy.

EPP
7

TAKING LOCAL OIL AND GAS SERVICES & EQUIPMENT COMPANIES

TO THE GLOBAL STAGE

Efforts under this EPP, led by MPRC, are focused on helping domestic oil and gas service providers and manufacturers to explore opportunities beyond Malaysia. In line with this and to raise Malaysia's profile on the international stage, MPRC promoted the National Oil & Gas Services and Equipment (OGSE) companies to six countries. MPRC also hosted the Malaysia Pavilion at the Offshore Technology Conference (OTC) in Houston, Texas and brought OTC Asia to Kuala Lumpur. Through MPRC's efforts, Kuala Lumpur was recognised as a World Energy City by the World Energy Cities Partnership (WECP).

KEY TAKEAWAYS

While there is an uptick in participation by Malaysian oil and gas firms in the Asian region, only a handful have successfully established a global presence in the energy sphere. Therefore, there is a need for relevant stakeholders to facilitate the growth of domestic players. This is particularly so for companies with limited brand awareness.

As such, marketing channels such as trade shows are needed to establish linkages between local OGSE manufacturers and foreign firms.

EPP
8

ATTRACTING MNCS TO SET UP OPERATIONS IN MALAYSIA

AND PARTNER WITH LOCAL FIRMS

For the year, Atlas Hall formed a joint venture with Oiltools AS, which allows Atlas Hall to market and deliver Oiltools' services and products in Malaysia and the ASEAN region. The past year also saw the establishment of a joint venture between D&P Services and Australia's leading drill stem test provider Farley Riggs. Other joint ventures signed include an agreement between Johor Corporation's Tanjung Langsat Port Sdn Bhd (TLP) and Dubai's Oilfields Supply Center Ltd for construction, management and operation of a common user supply base at Tanjung Langsat Port, Johor and between TH Heavy Engineering and McDermott International Inc.

MPRC University Pavilion at MOGSEC 2014

KEY TAKEAWAYS

The success of this EPP was largely attributed to the alignment of policies and regulations to promote growth. The formulation of the Global Incentives for Trading (GIFT) programme to promote Malaysia as a trading hub is therefore vital to attract global trading companies in petroleum and petroleum products to set up operations in Malaysia. Led by MPRC, the programme was formulated together with the Labuan Financial Services Authority (LFSA), Ministry of Finance (MoF) and Inland Revenue Board (IRB).

EPP 9

IMPROVING ENERGY EFFICIENCY

Under the Government Lead by Example (GLBE) programme by the Ministry of Energy, Green Technology and Water, efforts are underway to implement upgrades and retrofit Government buildings in a bid to be more energy efficient and reduce greenhouse gas emissions.

More energy-efficient appliances have entered the market, following increased awareness on energy-saving methods created by the Sustainability Achieved via the Energy Efficiency (SAVE) programme.

KEY TAKEAWAYS

With the ongoing subsidy rationalisation initiative, electricity pricing will subsequently reach its true production cost, which will encourage more energy efficient-related programmes to be conducted at customer level. However, for Malaysia to truly achieve energy efficiency, awareness programmes on the merits of energy efficiency must be strengthened.

EPP 10

BUILDING UP RENEWABLE ENERGY

AND SOLAR POWER CAPACITY

This EPP has made good progress, with installed capacity of renewable energy reaching 245 megawatts in 2014.

Under this EPP, Sustainable Energy Development Authority (SEDA) Malaysia conducted an inaugural balloting event for solar photovoltaic (PV) feed-in approval (FiA) applications for non-individuals for installed capacity up to 425 kW.

KEY TAKEAWAYS

Feed-in-Tariffs (FiT) had to be high at the outset to encourage investments. However, as consumers and investors become familiar with the process of generating renewable energy (RE) and as technology changes further reduce the cost of RE, FiT rates will fall.

EPP 11

DEPLOYING NUCLEAR ENERGY

FOR POWER GENERATION

The Nuclear Power Development Steering Committee has completed its Nuclear Power Infrastructure Development Plan. Whilst Malaysia actively explores various sources of energy for power generation, the Government is cognisant of the need to strike the right balance in finding an optimal energy mix for the country and having a source of power that is safe.

KEY TAKEAWAYS

Striking the right balance and finding an ideal energy mix is challenging. In the case of nuclear power, it is important that due consideration is given when deciding which energy mix to adopt. Due to its wide-ranging impact on the environment and communities, the nuclear power industry needs maximum informed consent and public consensus is required to make an informed decision.

EPP 12

TAPPING MALAYSIA'S HYDROELECTRICITY POTENTIAL

This EPP spearheads the use of hydroelectricity in the country to help reduce carbon dioxide emissions and ensure secure and sustainable power supply for the country, and potentially the ASEAN region. In achieving this vision, different agencies in Sabah, Sarawak and Peninsular Malaysia have been tasked with ensuring hydroelectric potential is tapped in a responsible, sustainable and optimal manner.

Up to the end of 2014, the installed capacity of small hydro under the FiT programme was 15.70MW, contributing to over 154,597MWh cumulative power generated. Sarawak and Sabah are also actively expanding their respective hydro generation capacity with the development of various projects such as Baram hydrodam – 1,200MW (northern Sarawak), Baleh hydro dam – 1,285MW (central Sarawak) and the development of small hydro-power potentials in 17 identified sites in Sabah with estimated combined installed capacity of 432MW.

EPP 13

INCREASE PETROCHEMICAL OUTPUTS

PETRONAS's Board of Directors has approved the FID for the development of the Pengerang Integrated Complex (PIC) comprising Refinery and Petrochemical Integrated Development (RAPID) and other associated facilities. RAPID is projected to cost about US$16 billion while the associated facilities will involve an investment of about US$11 billion.

Located in Johor, the facility—which will house a 300,000 bpd-capacity crude oil refinery and a petrochemical complex with a combined capacity of 7.7 mtpa of differentiated and specialty chemicals such as synthetic rubber and green polymers—is strategically located for easy access to major demand markets in South Korea, China and India.

The project will also see the development of a host of associated facilities, i.e. the raw water supply facility, power co-generation plant, LNG regasification terminal and other ancillary facilities. At the peak of its construction, the PIC Project is expected to have a workforce of about 70,000 people with varying skills and disciplines. In its operational stage, the PIC will require over 4,000 employees. Additionally, the Federal Project Steering Committee for Pengerang Integrated Petroleum Complex (PIPC) chaired by the Chief Secretary was established to oversee all multi-agencies infrastructure projects undertaken in PIPC and ensure timely completion of the infrastructure work.

KEY TAKEAWAYS

The success of this EPP hinges on timely completion and close interaction between multiple state and federal agencies, as well as on investors to align all development. To that end, a programme management office (PMO) was established in the Johor Petroleum Development Corporation to closely monitor all projects as well as to identify interdependence factors as well as minimise potential project delay.

Additionally, more interactive communication will be required, particularly with the local community in Pengerang, to increase awareness surrounding the various opportunities being created under PIPC.

Overall view of Pengerang Integrated Complex site progress (as of December 2014)

BUSINESS OPPORTUNITIES

1

Process Improvements

Process improvements in operating refining and petrochemical facilities in line with global best practices have the potential to achieve better efficiency and create economic benefits.

2

Economic Growth

The oil, gas and energy (OGE) sector is expected to continue growing in tandem with the expected three per cent growth in Malaysia's energy consumption, driven by expanding economic activity and a growing middle class. This is set to create progressive additional demand for all types of energy, and consequently will also require additional investment.

ENABLERS

Technological innovation has ushered in a new era of growth for the oil and gas sector globally. Advances in drilling, geology and new imaging technologies help find hydrocarbons located thousands of feet below the surface.

While technological advancement has helped companies unlock value, the dramatic change in market conditions and technology has created a challenge in aligning the talent pool with specific market requirements. As a knowledge intensive industry, a key enabler for Malaysia's OGE NKEA is human capital, requiring a workforce of 52,300 by 2020.

However, better remuneration and increased competition from the global marketplace has led to an outflow of skilled professionals to other countries and a shortage of talent in Malaysia. Adding to that complexity are the large segments of workforce approaching retirement and the lack of skilled graduates from Malaysian universities.

Initiatives have therefore been put in place between PEMANDU, MPRC and TalentCorp to build up a strong workforce to sustain growth. To ensure talent availability over the long term, MPRC, oil and gas companies and universities are working collaboratively to build up individual capability development.

Additionally, to attract world-class expatriate talent, a consolidated approach between TalentCorp and MPRC was initiated to lure expats with long-term resident passes and tax perks.

Summary of Oil, Gas and Energy NKEA

	2020 Target
Incremental GNI Impact	**RM131.4 billion**
Additional Jobs	**52,300**

Critical targets for 2015

- Roll-out of Euro4M RON97 and gazetting of Euro5 for petrol and diesel
- Implementation of third party access for gas supply
- Increase in additional power generated from renewable sources
- Increase in investment by oil & gas supplier and services companies in Malaysia

ON THE GROUND
WITH AN INDUSTRY CATALYST

Forging Strategic Linkages in the Race to the Top

Ir. Dr. Shahreen Madros

Executive Director of Malaysia Petroleum Resources Corporation

As Malaysia races to become one of Asia's top energy players by 2020, it recognises that strengthening trade and investment ties with other major energy countries is crucial in a rapidly evolving energy landscape and fluid global geopolitical environment.

Malaysia's vision resonated with the WECP, a non-profit organisation which groups 22 international energy capitals, including Stavanger, Aberdeen, Houston, Doha, Rio de Janeiro and Perth. WECP aims to bring together centres of energy around the world to facilitate business development as well as technology and knowledge transfer.

"One of the key pillars in Malaysia's energy strategy is to become Asia Pacific's oil and gas services and equipment (OGSE) regional hub. [Kuala Lumpur] becoming a member of the WECP fits into the strategy," says Dr Shahreen Madros, Executive Director at Malaysia

Petroleum Resources Corporation, which has been supporting the Mayor of Kuala Lumpur, YBhg Datuk Seri Hj Ahmad Phesal bin Hj Talib in the city's bid to be recognised as a World Energy City. The WECP is bound by a co-operative agreement signed by the mayors of each city and the WECP President is supported by a Secretariat office based in Houston, US.

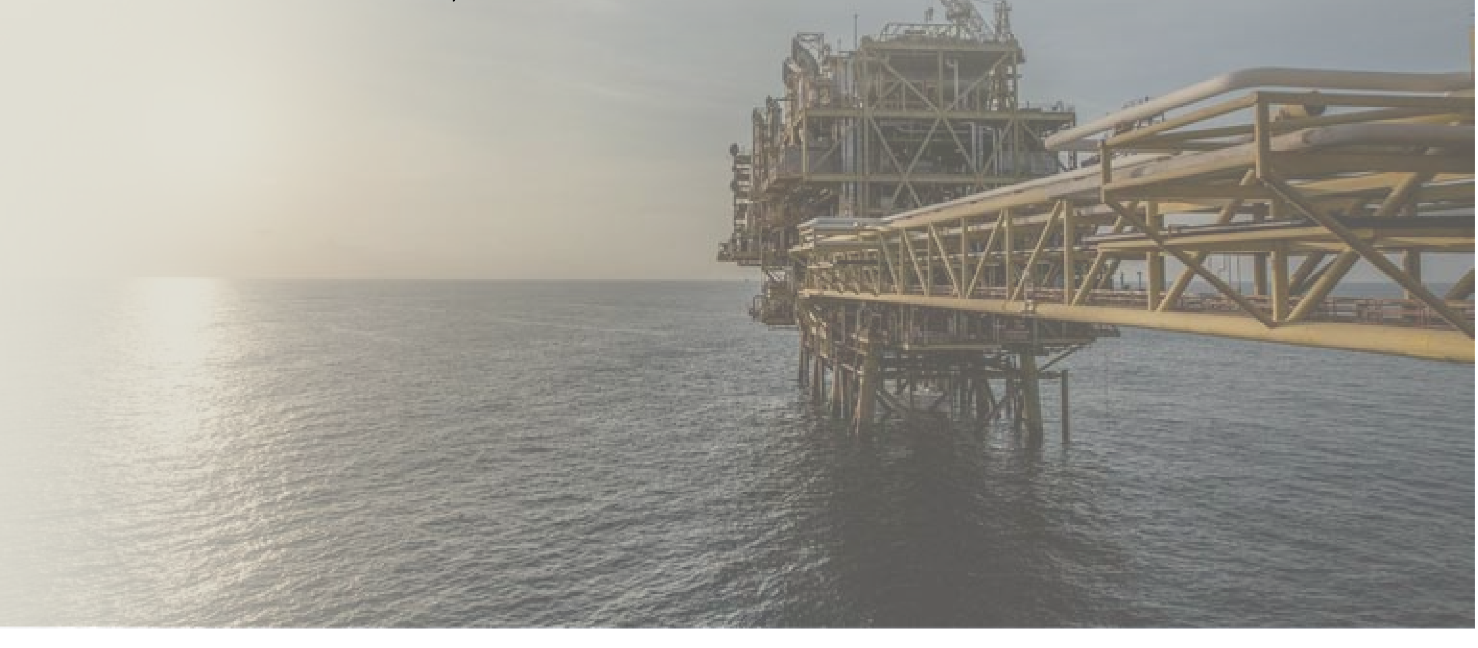
He adds that as the first Southeast Asian city to receive recognition as a World Energy City, it is envisaged that Kuala Lumpur will enhance linkages and strengthen ties with other countries in ASEAN.

"The recognition accorded to Kuala Lumpur by the WECP is timely as 2015 is an important year for Malaysia as we are the current chairman of ASEAN and this is an opportune time for Malaysia to strengthen regional collaboration with its ASEAN neighbours such as Indonesia, Vietnam, Thailand and Myanmar " he says.

"This will not only help us realise Kuala Lumpur's aspiration of becoming a leading world energy city but also put Malaysia at the forefront in ensuring the realisation of the ASEAN Economic Community."

The partnership with WECP also offers a chance for over 4,400 OGSE providers within Malaysia to capitalise on the worldwide network of industry support services and R&D collaboration between WECP member universities. This is crucial to Malaysia's aim to boost the capabilities and scale of its domestic OGSE providers to become regional and world-class players.

"In the face of an increasingly competitive energy landscape, domestic OGSE providers need to change their mindsets and grow beyond their home turf. As we become more connected to other energy hubs, more doors will open. Therefore, we hope domestic OGSE providers will leverage on the WECP to create linkages with technology firms in other WECP member cities and establish partnerships."



ON THE GROUND
WITH AN INDUSTRY CATALYST

Bringing Renewable Energy into the Mainstream

Dato' Dr. Ali Askar Sher Mohamad

Chief Operating Officer of SEDA Malaysia

Renewable power generation can help Malaysia manage carbon emissions, meet sustainable development goals and diversify the national energy mix, apart from improving the energy security and energy autonomy of the nation. In order to achieve this goal, Malaysia needs to enhance and develop its human capital, a responsibility the Sustainable Energy Development Authority of Malaysia (SEDA Malaysia) has been tasked with in the renewable energy landscape under the Oil, Gas and Energy NKEA.

"We are making good progress in the Train-the-trainers (TtT) sessions, having appointed Universiti Teknologi MARA to develop a pool of trainers for the Grid-Connected Solar Photovoltaic (GCPV) Systems Installation and Maintenance Training Course," says Dato' Dr. Ali Askar Sher Mohamad, chief operating officer at SEDA Malaysia.

In addition to solar PV, SEDA Malaysia has also made decent progress in enhancing and developing skills required to manage and handle small hydropower plants. “New training sessions and workshops are being planned as our aim is to further enhance and develop the human capital as they are necessary to ensure the sustainability of any renewable energy projects,” he adds.

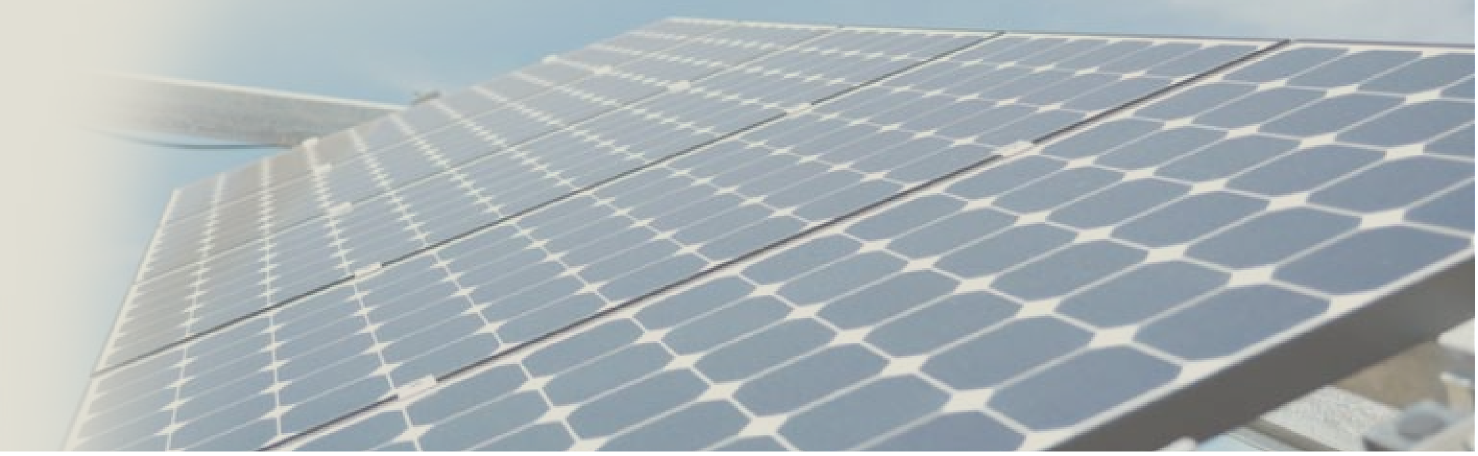
“SEDA Malaysia’s main goal is to bring renewable energy into the mainstream. While we have engaged with the power generation planning committee for renewable energy capacity to be embedded into the national energy mix, it was also crucial to equip the workforce to ensure long-term sustainability of renewable energy projects.”

The efforts by SEDA Malaysia have shown positive progress in the years since the launch of the ETP. Renewable energy, which includes solar PV, small hydro, and biomass/biogass today accounts for about 1 per cent of Malaysia’s total energy mix after the introduction of the Feed-in-Tariff mechanism, which allows locally-produced electricity to be sold to power utilities at a fixed premium for a specific period. Now, to further build up the country’s renewable energy capacity, Dato’ Ali says SEDA Malaysia will introduce a new net energy metering framework, where companies using solar PV systems will be able to utilise the energy generated for self-consumption.

“This new framework will increase the renewable energy capacity by another 2,000 MW in the coming years. This will then see renewable energy accounting for a larger portion of the national energy mix,” he adds.

Still, the road towards steering renewable energy into the mainstream is not without its challenges. “It is imperative to ensure the long-term sustainability of the renewable energy projects service providers embark on. To achieve this, we will have to ensure that we continuously carry out upskilling programmes to maintain a pool of skilled talent and operability of [renewable energy] ,” Dato’ Ali says.

Going forward, Dato’ Ali says efforts will be taken to identify new renewable energy resources, such as wind and geothermal, in a bid to diversify Malaysia’s renewable energy portfolio.



FINANCIAL SERVICES

> As one of the most developed financial services industries in the region, I believe our industry is well-placed to continue contributing to the development of our country

Dato' Seri Ahmad Husni Mohamad Hanadzlah
Minister of Finance II

Q&A

HOW IMPORTANT IS THE FINANCIAL SERVICES INDUSTRY TO THE MALAYSIAN ECONOMY?

Malaysia's financial services industry has progressed to form part of the backbone of our economy; emerging as a primary source of financing for the private sector to undertake business activity and drive economic growth.

Thus, as the country transforms into a high-income nation, it has become increasingly vital for the financial services to advance in tandem with our aspirations for 2020. As one of the most developed financial services industries in the region, I believe our industry is well-placed to continue contributing to the development of our country while supporting our rakyat's needs for financial security as well as wealth creation and preservation.

WHAT WERE SOME OF THE INDUSTRY'S KEY HIGHLIGHTS IN 2014?

Bursa Malaysia emerged as one the region's top destinations for fundraising in 2014, bearing testament to our efforts to enhance the vibrancy of our capital market. This was further bolstered by Malaysia's standing as a continued frontrunner in global *Sukuk* issuances, cementing our position as a global leader in Islamic finance.

We have also made significant inroads in the regionalisation of our financial services industry, with Bank Negara Malaysia and its ASEAN counterparts leading the development of the ASEAN Banking Integration Framework. The framework, which has been finalised and approved by all ASEAN Central Bank Governors on 31 December 2014, will support regional banking expansion and integration.

WHAT IS THE GOVERNMENT'S CORE FOCUS IN ENSURING THE CONTINUED COMPETITIVENESS OF OUR FINANCIAL SERVICES INDUSTRY?

One area of great importance is in strengthening our social safety nets and extending access to financial services. In this regard, efforts under this NKEA to increase the insurance penetration and drive the growth of the private pension industry play a key role in ensuring adequate financial protection for the rakyat.

Continued innovation of financial products and services are also crucial in raising the competitiveness of our financial institutions, especially with increasing regionalisation that will see heightened rivalry in the industry. To this end, the Government will strive to provide a supportive environment to allow for the continued growth of our industry. This will become especially important as we are again faced by the headwinds of uncertainty in the global economy.

WHAT ARE THE KEY GROWTH AREAS FOR THE FINANCIAL SERVICES NKEA AS THE ETP ENTERS THE FINAL LAP OF ITS IMPLEMENTATION?

The Islamic finance industry remains a core growth driver of the financial services industry. Malaysia will continue to leverage its expertise as one of the world's early movers in this industry to drive further development of the financial services industry as a whole.

In addition, as we become a high-income nation with GNI increasing on an annual basis, we see plenty of room for growth in wealth and asset management. With wealth and asset management products increasingly accessible to the rakyat through innovative and cost-effective means, these segments are well-poised for further growth.

FINANCIAL SERVICES

Malaysia, being a medium-sized and an open economy, naturally has a financial sector which is highly attuned to global trends. Within that context, the Malaysian financial industry has prudential regulation which is designed to ensure broad financial and macroeconomic stability.

Malaysia has also followed global trends towards the internationalisation of financial services, resulting in the creation of pools of liquidity in financial centres. For instance, Malaysia has emerged as a leading market for the issuance of *Sukuk*.

As with the global financial industry, the Malaysian market has seen developments in the changing role of financial services providers, with increasing focus on the provision of advisory services. This is driven by the need for financial institutions to diversify revenue base in an environment of narrowing interest margin. This in part is attributable to increased competition in the industry and the continued environment of historically low interest rates, primarily driven by the efforts of developed nations to stimulate economies in the wake of the Financial Crisis.

Examples include the three rounds of Quantitative Easing in the US and Japan's stimulus spending.

Additionally, capital has become increasingly mobile as the cost and ease of conducting international financial transactions has reduced over time. This creates broader investment opportunities for investors, and a multiplicity of financing sources for projects.

In view of this fluid landscape for financial services, the Malaysian industry remains on track to achieve the Financial Service NKEA's targets to grow the industry's GNI contribution to RM180.2 billion and create 275,400 jobs by 2020. There are still significant opportunities in the areas of risk pricing, reducing the cost and increasing the competition in channel management and generally in driving down transaction costs. Collectively these will continue to allow providers of finance to enhance and share in the success of the broad Malaysian economy.

2015 Outlook

The financial industry is projected to register growth in 2015, driven by general economic growth and demand for asset accumulation. Greater integration in ASEAN is expected to create new market opportunities. The insurance market is also expected to grow progressively while alternative investment vehicles for retirement such as Private Retirement Schemes, which provide new and more accessible avenues for the public to grow their wealth, are expected to contribute to the growth of the investment market.

2014 KPI Analysis

Notwithstanding a backdrop of uncertainty in financial markets due to expectations of changes in the US Quantitative Easing regime, in tandem with an increase in the overnight policy rate to 3.25 per cent for the first time in three years in July 2014, the Financial Services NKEA surpassed its KPI targets.

For targets under the purview of the Securities Commission (SC), these were met based on an analytic outlook which meets their planned initiatives for the whole implementation year. Effective cooperation between the Ministry of Finance, BNM and their ASEAN counterparts, meanwhile, led to the formulation of the ASEAN Banking Integration Framework. Bursa Malaysia, another EPP owner for this NKEA, has also put in place and executed the appropriate strategies, such as introducing new products, for the EPPs it oversees.

The progress of this NKEA in 2014 demonstrated that Malaysia's financial services stakeholders possess the right capabilities to transform the financial landscape. The independence of BNM also facilitates industry growth, as mapped in the Financial Sector Blueprint.

2014 Key Performance Indicators

FINANCIAL SERVICES NKEA		KPI (Quantitative)							
				Achievement					
No.	KPI	Target (FY)	Actual (YTD)	Method 1		Method 2		Method 3	
				%		%			
EPP #1	Launch of crowdfunding platform	100%	80%	80		80		0.5	
	Increase in value of new listings. Target Market Capitalisation (RM bil)	18	17.33	96		96		0.5	
	Number of new products and offerings	5	6	120		100		1.0	
EPP #5	Percentage completion of framework for the provision of basic life insurance and family *takaful* products through direct channel	100%	80%	80		80		0.5	
EPP #6	Investor education and awareness programme on Private Retirement Scheme (PRS): (i) Asset under management of PRS (RM mil) (ii) Number of contributors	100%	250.7%	251		100		1.0	
EPP #9 & 10	Percentage completion for the ASEAN Banking Integration Framework (ABIF) via ABIF taskforce for endorsement at the ASEAN Finance Ministers' meeting	100%	100%	100		100		1.0	
				121%		**93%**		**75%**	

Exhibit 3.1

Method 1 Scoring is calculated by a simple comparison against set 2014 targets. The overall NKEA composite scoring is the average of all scores

Method 2 Scoring is calculated by dividing actual results against set 2014 targets with an added rule:
- If the scoring is less than 100%, score #2 is taken as the actual percentage
- If the scoring is equal or more than 100%, score #2 is taken as 100%. The overall NKEA composite scoring is the average of all scores

Method 3 Scoring is calculated by dividing actual results against set 2014 targets with an added rule:
- If the scoring is equal and less than 50%, score #3 is indicated as 0
- If the scoring is more than 50% and less than 100%, score #3 is indicated as 0.5
- If the scoring is equal or more than 100%, score #3 is indicated as 1

ENTRY POINT PROJECTS

EPP 1

REVITALISING MALAYSIA'S
EQUITY MARKETS

Invest Malaysia was held in New York on 24 September 2014, to promote the Malaysian market to US-based fund managers and capital market players

In 2014, in line with our efforts to build a sustainable marketplace, Bursa Malaysia continued to capitalise on Malaysia's fundamental strengths, including tapping into its expanding young, educated working population, as well as adapting to the challenges and opportunities presented by ASEAN Economic Community (AEC) 2015 and the integration of ASEAN nations.

Bursa Malaysia has initiated the retail outreach programme to engage, educate and grow the domestic retail participation, especially among the young investors. One of the key initiatives in this area was the launch of the BursaMarketplace on 28 April 2014, a one-stop online portal for all traders and investors. BursaMarketplace is a first-of-its-kind virtual marketplace that creates a completely unique user experience designed to provide market insights, real-time pricing information and investor education. The aim is to create an active and vibrant eCommunity focusing on enhancing trading and developing financial literacy. To further reach out to retail, a number of investor conferences, educational programmes and youth outreach programmes were also held.

Cementing the Exchange's position as a key player within ASEAN, Bursa Malaysia introduced the ASEAN Post Trade Services on 26 August 2014. As an extension of the existing ASEAN Trading Link, ASEAN Post Trade Services will facilitate the clearing and settlement of outbound trades executed on the respective participating stock exchanges including safekeeping of the securities traded. Bursa Malaysia is the single contact point in respect of the clearing, settlement and custody of the foreign securities in relation to their outbound trades executed on any of the participating ASEAN Stock Exchanges.

As to be on par with more advanced markets and continue to attract new investors into the market, Bursa Malaysia has expanded and widened the product range available. New additions made in 2014 included the launch of the MyETF MSCI Malaysia Islamic Dividend, the US$ denominated RBD Palm Olein Futures Contract (FPOL) and launch of the enhanced 5-Year Malaysia Government Securities Futures (FMG 5). In addition, the number of securities available stocks for Securities Borrowing and Lending (SBL) was increased from 171 to 227, while Macquarie Capital was brought in an effort to increase the issuance of structured warrants.

Bursa Bull Charge: Another effort by Bursa Malaysia to drive capital market collaboration to raise the bar on sustainability, inclusiveness and level of entrepreneurship in our community

A key development which set Bursa Malaysia apart from other Asian Exchanges in 2014 was the introduction of the Environmental, Social and Governance (ESG) Index in December. This was a key milestone and demonstrates Malaysia's commitment to develop and encourage high quality companies which are committed to improving their ESG practices. With an increasingly competitive capital market landscape, investors are becoming more aware of issues relating to governance and transparency. The immediate impact of this enhancement will be to put Malaysia on the radar screen of rapidly growing Socially Responsible Investment (SRI) funds. Going forward, developing and sustaining these traits as key selling points for the Malaysian Corporates will assist in raising the profile and interest in the Malaysian capital market over the long term.

Whilst the Exchange is focused on harnessing the latent potential of Malaysia's high domestic savings rate and building a more inclusive local investment community which encompasses the younger generations and women, the impact of ASEAN integration also opens the door of opportunity to attract greater interest from regional investors in ASEAN. To this end, over the course of the year, Bursa Malaysia continued its institutional investor promotional activities and engagement programmes, conducting outreach programmes with participating brokers in KL, Tokyo, Hong Kong, London and New York under the Invest Malaysia series.

Going forward in 2015, Bursa Malaysia will continue to leverage on its *Shariah* leadership and build a sustainable marketplace by tapping on ASEAN potentials while maintaining domestic focus and initiatives to engage with the retail investors.

Following the introduction of a conceptual framework for Malaysia's first online platform for unlisted securities and alternative investment products (MyULM) in 2013, the SC has developed a regulatory framework for equity crowdfunding (ECF) to improve market access and widen the range of investments and capital-raising products to cater to the needs of a broader spectrum of issuers and investors.

While ECF offers the potential to bridge capital gap for start-ups and small enterprises, it also carries certain financial risk for investors, as with any other investment products. It is hence important to provide a regulatory framework to enable the effective functioning of this market space, as well as to provide a safe harbour for both issuers and investors during the capital formation process.

In 2014, the SC developed a draft conceptual regulatory framework for the ECF Platform, conducted continuous engagement with prospective operators and issued a public consultation paper on 21 August 2014, seeking feedback on the proposed framework. The SC has since received comments and feedback from, amongst others, potential crowdfunding operators, entrepreneurs, venture capital firms, financial institutions and the general public. Having reviewed the comments and feedback received, revisions to the proposed framework have been published by way of a public response paper on 25 September 2014.

Following this, the necessary legislative amendments to the Capital Markets & Services Act 2007 (CMSA) to allow for ECF is planned for tabling at the next Parliamentary session.

KEY TAKEAWAYS

The establishment of the ASEAN Economic Community planned for the end of 2015 will heighten competition in the equity markets as regional exchanges race to attract investors and listings. In order to remain a preferred investment destination, Malaysia must continue increasing the number of investment products offered while enhancing accessibility to the market.

Efforts must also continue in attracting the new generation of investors and opening up the market for retail investing.

EPP
2

DEEPENING AND BROADENING BOND MARKETS

The bond market rose to RM1.09 trillion as at 30 September 2014, 5.83 per cent higher than in 2013. RM89.3 billion worth of corporate bonds were issued in the first three quarters of the year. The country also remained the world's leading *Sukuk* issuer in 2014 with RM203.6 billion worth of Islamic papers offered accounting for around 65.8 per cent of global sales.

Malaysia remained the world's largest market for *Sukuk* in 2014, with corporate *Sukuk* offerings rising 37.8 per cent to RM53.4 billion in the first three quarters of the year.

In the Budget 2015 announcement in October, the Prime Minister proposed the listing and trading of Malaysian Government Securities and Government Investment Issues in Exchange Traded Bond and *Sukuk* (ETBS) as well as an extension on the deduction for expenses incurred in the issuance of *Sukuk* based on *Ijarah* and *Wakalah* principles until the 2018 assessment year. These measures are aimed at developing the *Sukuk* and bond market by increasing issuances and encouraging trading.

KEY TAKEAWAYS

While Malaysia's bond market has emerged as among the most well developed and liquid in Asia and remains a leader in the global *Sukuk* market, measures to attract retail investment in bonds must continue to increase the breadth and depth of the market.

EPP
3

TRANSFORMING DEVELOPMENT FINANCIAL INSTITUTIONS (DFIs)

The DFIs play an important role in ensuring continued support to the key strategic economic sectors. In order to provide a comprehensive regulatory and supervisory framework to ensure safe and sound management of the DFIs, the Development Financial Institutions Act 2002 (DFIA) was enacted.

One of the main aspects of the DFIA is to ensure that the roles, objectives and activities of the DFIs are consistent with the Government's national objectives and that these mandated roles are effectively and efficiently implemented.

Given the changing financial and operating environment, the DFIA is currently being amended to further strengthen the capacity and capability of the DFIs. This is to ensure that DFIs continue to provide financing support to strategic sectors mandated by the Government, especially small and medium-sized enterprises (SMEs) and micro businesses.

The proposed amendments include:

- Focusing on strengthening the corporate governance, including enhancing the role of board and senior management to assume greater responsibility and accountability. The board will also play a greater oversight role in providing strategic direction to the DFIs.
- Further strengthening the risk management practices of the DFIs.
- Increasing consumer protection and transparency while ensuring the DFIs practise fair, responsible and professional business market conduct.
- Inclusion of *Shariah* requirements to guide DFIs which are involved in Islamic financial business activities.

Towards the end of 2014, BNM had sought public feedback on the draft bill to amend the DFIA. During the consultation period, respondents representing the DFIs, stakeholder Ministries, business chambers, trade associations and interested Government agencies had submitted online feedback where in general, the respondents are supportive of the proposed amendments.

KEY TAKEAWAYS

The role of DFIs in serving specialised sectors is important to support Malaysia's socio-economic objectives, while complementing the broad financial market. The DFIs must however remain abreast with market needs, especially in supporting new growth areas by facilitating the reach of financing to these sectors, which include agriculture.

EPP 4

CREATING AN INTEGRATED PAYMENT ECOSYSTEM

Recognising the potential cost savings and enhancement in economic efficiency that would enhance the country's competitiveness, BNM has embarked on an e-payment strategy by leveraging on the Interbank GIRO (IBG) to replace cheques and debit cards to replace the usage of cash.

In 2014, BNM has introduced a number of measures to promote the adoption of IBG.

A tiered pricing structure was implemented to provide further incentives for customers to use more cost-effective payment channels, whereby fees are imposed on online channels, transactions made at Automated Teller Machines (ATMs) and transactions done over-the counter (OTC). The IBG fee imposed on online channels is the lowest (capped at 10 sen), followed by transactions made at ATMs (capped at 30 sen), and lastly, transactions done over-the-counter (capped at RM2).

In line with the imposition of 50 sen cheque processing fee, BNM has also established the e-Payment Incentive Fund (ePIF) framework. Under this framework, banks will channel the 50 sen cheque processing fee into developing incentives for their customers to adopt e-payments such as waiver of security token fees and monthly maintenance fees for internet banking services.

In order to promote greater usage and acceptance of cost-effective payment cards, BNM had issued the Payment Card Reform Framework which will, among others, ensure fair and reasonable cost of accepting payment cards. In addition, a series of other measures has also been developed to address other distortions in the payment card market. These measures would improve the price signals and empower merchants to accept cost-effective payment cards.

KEY TAKEAWAYS

Over the past years, the financial industry has made various improvements on e-payment services to accelerate the country's migration to e-payment. These improvements seek to encourage customers to adopt more cost efficient payment methods to bring about cost savings and efficiency.

EPP
5

INSURING MOST, IF NOT ALL, OF OUR POPULATION

Following the issuance of a concept paper on the Life Insurance and Family *Takaful* Framework, BNM had received feedback from various stakeholders. This includes insurance and *takaful* associations, intermediaries, industry players, banks, consumer representatives and members of the public. Throughout 2014, extensive engagements with key stakeholders were held to ensure effective implementation of the proposed initiatives under the framework and to ensure that the interests of various stakeholders are aligned and safeguarded. The framework is expected to be finalised in 2015.

From the series of engagements, the industry has, in general, agreed to implement the direct channel initiative as one of the short-term measures to be pursued by the industry to diversify the distribution channels to widen outreach. The timeline for the implementation by individual players will be dependent on the respective players' state of readiness.

Further to that, with regards to addressing the protection needs of the low-income and underserved segments, BNM, in collaboration with insurance companies and *takaful* operators, have rolled out two microinsurance and micro*takaful* pilot projects. The first product provides basic financial protection in the event of an accident, illness or death, while the other is a basic material damage cover for rural area dwellers. Experience from the pilot projects will form the basis for the concept paper on microinsurance and micro*takaful* products.

KEY TAKEAWAYS

Given the backdrop of rising incomes and varying consumer needs, the insurance and *takaful* sector will continue to evolve and provide a strong value proposition to meet the needs of the consumers.

As the insurance and family *takaful* penetration is reported at 54 per cent, there remain untapped potential and opportunities to be reaped within Malaysia's domestic market.

EPP 6

ACCELERATING THE GROWTH

OF THE PRIVATE PENSION INDUSTRY

The introduction of the voluntary pension pillar in the Malaysian pension landscape during the final quarter of 2012 was timely, relevant and critical. The function of the PRS is one of utmost importance at a time where the adequacy of retirement savings is neither sufficient nor sustainable in an environment where rising living standards and age expectancies as well as declining fertility rates continue to prevail. The voluntary third pension pillar serves as an additional platform for all Malaysians to supplement their retirement savings in order to ensure a level of sustainability and security for their future.

Breakdown of Conventional and Islamic PRS Funds
(RM million)

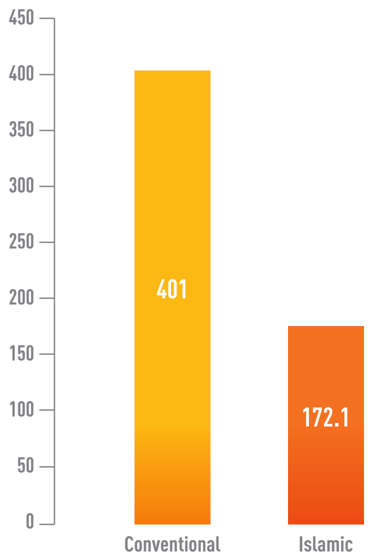


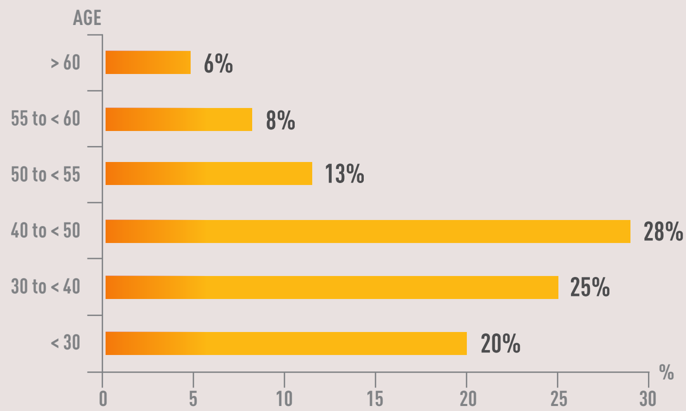
Exhibit 3.2: Breakdown of Conventional and Islamic PRS Funds as at 31 October 2014

PRS Youth Incentive 50C

To cultivate retirement savings culture amongst the younger demographic, in the 2014 Budget, the Government announced a one-off PRS contribution of RM500 to contributors aged between 20 to 30 who participate in the PRS scheme with a minimum cumulative investment of RM1,000 within a year.

This incentive is valid from 1 January 2014 for a period of five years.

Since its announcement, the incentive has been effective in attracting youths to invest in PRS. As at October 2014, there are 21,086 youths or 20 per cent of total PRS contributors as compared to a mere 3,218 youths or eight per cent of total PRS contributors as at October 2013. Also as at June 2014, there are 10,220 from the youth demographic eligible for this incentive.



Source: Private Pension Administrator

Exhibit 3.3: Age group of PRS contributors as at 31 October 2014

As an alternative venue for investment, PRS allows a wider cross section of the public to access the capital market for their retirement needs. It is designed to be accessible, affordable and sustainable. In embodying inclusiveness, individuals are now provided sufficient opportunities to share in wealth creation and preservation of value. As a voluntary scheme, it empowers individuals to take ownership in planning for their retirement savings according to their affordability, goals and risk appetite.

A total of 11 Schemes with 44 retirement funds have been launched by eight PRS Providers since the roll-out of PRS at the end of 2012. Within 23 months, the number of account holders amounted to 105,431 with a total net asset value (NAV) of RM573.1 million, of which 30 per cent are *Shariah*-compliant funds. In this respect, the introduction of the PRS also contributes to the widening of the *Shariah*-compliant asset classes available in the Malaysian capital market.

The PRS industry has also recorded a positive trajectory year-to-year in assets under management (AUM) and number of members since its inception. The AUM for PRS grew by 91 per cent from the end of last year to October 2014, while the number of new members rose 138 per cent when compared to the same period in 2013.

Recognising its nature as a long-term value creation private retirement plan, the SC is cognisant of the need to ensure safeguards are in place for a robust and sustainable PRS industry. The SC and the Private Pension Administrator proactively embarked on a series of marketing, communications and educational initiatives on retirement planning and the PRS involving various mediums, including organising a public PRS exhibition and participating in roadshows nationwide.

KEY TAKEAWAYS

Notwithstanding the encouraging take-up of PRS since its launch, it is still important for all concerned stakeholders to widen the reach of PRS to ensure the rakyat secures a comfortable retirement and to lighten the Government's burden of financially supporting retirees.

EPP 7

SPURRING THE GROWTH

OF THE NASCENT WEALTH INDUSTRY

The number of high net worth individuals (HNWI) in Malaysia rose 6.6 per cent to 65,800 in 2013, with their total wealth expanding nine per cent to RM1.4 trillion[1].

Still at a nascent stage, the Malaysian wealth management industry has potential to grow as a global wealth centre similar to neighbouring Singapore which has emerged as the world's fastest growing hub for wealth management. However, distribution channels in Malaysia remain fragmented while a broader range of wealth management products and services is also needed.

KEY TAKEAWAYS

In order to further attract the funds of Malaysia's HNWIs as well as to better serve the needs of HNWIs, wealth management providers are increasingly focusing on upgrading their advisory services. Education and training of wealth managers are therefore vital to support this.

[1] *Asia-Pacific Wealth Report 2014 by Capgemini and RBC Wealth Management, October 2014*

EPP 8

ACCELERATING AND SUSTAINING A SIGNIFICANT ASSET MANAGEMENT INDUSTRY

EPF injected RM3.4 billion to external fund managers of which US$350 million (RM1.106 billion) were channelled into global equity mandates and US$300 million into global *Sukuk* mandates.

To date, EPF exposures managed by external fund managers stood at 12.77 per cent across equities and fixed income instruments for both domestic and global mandates.

In August 2014, financial authorities in Malaysia, Singapore and Thailand announced the launch of Collective Investment Schemes (CIS), an effort that allows their fund managers to distribute retail investment products throughout the three countries. The CIS will provide investors a broader range of products while fund managers will benefit from a wider market to offer their products.

KEY TAKEAWAYS

Growing regional inter-linkages will require asset managers to seek more innovative ways to confront stiffer competition and margin compression. In addition to enhancing the skills of asset managers, efforts in investor education must also continue to support the growth of asset management in Malaysia.

EPP 9

DEVELOPING REGIONAL BANKING CHAMPIONS

The ASEAN Banking Integration Framework which has been approved by all ASEAN Central Bank Governors, will pave the way towards greater regional banking expansion and integration, including for Malaysian banks. The Framework also aims to achieve the following objectives:

- Ensure more efficient and effective intermediation of regional funds to re-channel surplus savings to productive investments at lower costs with improved risk diversification and enhancing access to financing;
- Facilitate greater collaborative efforts on safeguarding financial stability to better manage and respond to risks; and
- Achieve greater shared prosperity that is mutually reinforcing so as to unlock growth potential of the region.

Malaysian banks also undertook several measures in foreign expansion in 2014, including the establishment of a strategic partnership between RHB Investment Bank and Portugal's Espirito Santo Investment Bank in January, paving the way for RHB's entry into Europe. RHB Capital Berhad had also established its first subsidiary in Lao People's Democratic Republic in June. CIMB Group Berhad also opened its first branch in Laos in August, while Malayan Banking Group was granted a foreign banking license in Myanmar in October.

KEY TAKEAWAYS

While the Malaysian Government continues to support an environment that is conducive for the foreign expansion of Malaysian banks, it recognises that these activities will be market-led and depend on the business needs of the respective banks as well as the regulatory environment of host countries.

EPP
10

BECOMING THE INDISPUTABLE GLOBAL HUB FOR ISLAMIC FINANCE

Malaysia continues to be a leading marketplace in Islamic finance[2]. As a well-developed global Islamic finance marketplace, by end-2013, Malaysia's Islamic finance asset comprises of 25 per cent (US$423 billion) of the total global Islamic finance asset. Within Malaysia itself, as at 3Q 2014, the Islamic banking sector has achieved a market share of 25 per cent of the total assets of the overall banking system. The foreign currency assets in the sector have also continued to increase, thus highlighting the growth in cross-border Islamic finance business.

In 2014, Malaysia's achievements in the global Islamic Finance industry include:

- Malaysia's *sukuk* marketplace accounted for 56.9 per cent of the global *sukuk* outstanding; and 64.9 per cent of global *sukuk* new issuances with a total of US$61.4 billion. Malaysian Islamic financial institutions have also been active lead managers for several sovereign and corporate issuances from other parts of the world.
- The Islamic asset under management (AUM) in Malaysia was reported at RM109 billion. In 2013 alone, 52 per cent of the new Islamic funds launched globally were from Malaysia, while the growth of foreign investors' participation in the industry almost doubled within the period of 2009 – 2013.

More than 40 per cent of the new students enrolled with the International Centre for Education in Islamic Finance (INCEIF) are foreign students from 80 countries. INCEIF is a global corporate university focusing on Islamic finance, which offers professional Islamic finance programmes, post-graduate and PhD programmes. In addition, Malaysia has also been actively providing Islamic finance technical assistance to other countries including United Kingdom, Luxembourg, Hong Kong, Japan, among others.

KEY TAKEAWAYS

With Malaysia's growing international dimensions, Islamic finance plays an important role in facilitating regional and cross-border international trade and investment flows. Increased collaboration amongst various stakeholders to internationalise Islamic finance is paramount.

[2] *The Islamic Finance Development Indicator 2013 by the Islamic Corporation for the Development of the Private Sector, and Thomson Reuters.*

BUSINESS OPPORTUNITIES

1

Investment Banking Key Growth Drivers include:

- **Increasing the number of IPOs:** Since 2011, there have been 74 new listings on Bursa Malaysia's Main and ACE Markets. In 2014 alone, the exchange saw 12 new listings as of 11 Dec 2014, raising RM5.87 billion with initial market capitalisation of RM20.02 billion
- **Active merger and acquisition activities:** From 2011 to 2013, approximately 2000+ M&A transaction happened in Malaysia worth over US$70 billion, although the three-year historical data shows decreasing trend

2

Other Segments including DFIs

Under the 10th Malaysia Plan, the following areas have fuelled further growth:

- Private equity and venture capital for innovation and green financing, especially in renewable energy areas such as biofuels: the introduction of Green Technology Financing Scheme (GTFS) in 2010, which to date has financed up to RM2 billion with participation from all commercial, Islamic and development financial institutions. The introduction of Sustainable and Responsible Investment (SRI) framework in August 2014 by the SC will also facilitate financing of sustainable and responsible investment initiatives
- Moving private equity and venture capital firms higher up the value chain
- Shifting from informal to formal money lending and remittance businesses
- Shifting to more productive and higher value-added activities by financial institutions through back office centralisation

3

Commercial Banking

A forecasted annual growth rate of 7 per cent until 2020 for the commercial banking sector will be driven by:

- Innovating delivery channels through new business models which explore underserved segments and the adoption of new branch formats such as branchless banking. Introduction of agent banking in 2012 has successfully increased outreach of financial services to the underserved with 92.5 per cent mukims served (as at end-2013) compared to 46.4 per cent mukims served (as at end-2011)
- Increased financial inclusion through the national financial literacy programme
- Serving growing Malaysian SMEs, which are mostly being served by SME Bank, Malaysian Industrial Development Finance Bhd and Malaysian Green Technology Corporation
- Growth in the personal finance segment, which recorded above 20 per cent growth in 2010-2012 period. The growth in 2013-2014 is, however, exhibiting a downtrend as a result of the introduction of macro-prudential measures by BNM

4

Insurance and *Takaful*

The insurance and *takaful* markets are expected to benefit from a number of business opportunities which include:

- Positive upward trajectory on insurance penetration, with latest data showing 60 per cent of Malaysian population insured
- Expected consolidation and rationalisation of the industry where between 2010 and June 2014 Malaysian insurance industry saw the conclusion of 17 M&A deals valued at about RM15 billion

  Industry's consolidation and the entry of global insurance players into the market by way of mergers and acquisition. This would not only assist further consolidation, which is aimed in further strengthening the insurance industry, but also encourage the development of greater product innovation, pricing and risk-management expertise as well as multi-delivery channels, including digital distribution.

5

Growing Viability of Micro-insurance Asset and Wealth Management

Increasing regional capital market integration: ASEAN Capital Markets Forum (ACMF) announced the operation of ASEAN Framework for cross-border offering of collective investment schemes (CIS) in Malaysia, Singapore and Thailand. This Framework allows fund managers operating in a member jurisdiction to offer CIS, such as unit trust funds, constituted and authorised in that jurisdiction to retail investors in other member jurisdictions under a streamlined authorisation process. This announcement follows the signing of the Memorandum of Understanding for the ASEAN CIS Framework by the SC, the Monetary Authority of Singapore (MAS) and the Securities and Exchange Commission, Thailand (SEC Thailand) in October 2013.

The following business opportunities are expected to contribute to the continued growth of the asset and wealth management industries:

- A RM500 million fund for start-ups which was announced in 2015 budget
- The *Mudharabah* Innovation Fund introduced under the 10th Malaysian Plan
- Outsourcing opportunities arising from the RM20 billion public-private partnership fund established to support the 10th Malaysian Plan
- Greater demand for asset and wealth management services in tandem with growing Malaysian wealth in line with strategies under EPP 7 and 8
- Higher demand for unit trusts, mutual funds and wealth management services from foreign workers and Malaysians returning from abroad
- Increasing awareness and critical mass for retail aggregators such as FundSupermart, which can negotiate lower fees for unit trusts

6

Islamic Banking

The country's Islamic banking industry continues enjoying notable growth with significant recorded achievements:

- Malaysia remains the leading issuer of *sukuk*, making up close to two-thirds of the global Islamic debt market
- Malaysian Islamic banks hold US$120 billion in assets (2012) and are expected to grow to more than US$390 billion by 2018 at six-year CAGR of 21 per cent
- Collaboration between CIMB Islamic Bank and INCEIF in establishing a research centre for Islamic banking studies
- Maybank Islamic Bhd has generated close to RM1 billion deposit growth in six months for its Premier *Mudharabah* Account

Summary of Financial Services NKEA

	2020 Target
Incremental GNI Impact	**RM121.5 billion**
Additional Jobs	**275,400**

Critical targets for 2015

- Widening financing avenues - Launch of Islamic equity crowdfunding platform
- Increase in value of new listings
- New products and offerings for Malaysia's equity markets
- Amendments to the Financial Institutions Act 2002 in transforming the development of DFI
- Conversion of Composite Insurance and Takaful Licences Under the Financial Services Act 2013 (FSA) and Islamic Financial Services Act 2013 (IFSA)

WHOLESALE AND RETAIL

The NKEA will continue focusing on putting in place a supportive environment for private sector participation, encouraging the private sector to improve and increase their offerings

Dato' Sri Hasan Malek
Ministry of Domestic Trade, Co-operatives and Consumerism

Q&A

HOW WOULD YOU ASSESS THE PROGRESS OF THE WHOLESALE AND RETAIL NKEA SINCE THE START OF THE ETP?

The Wholesale and Retail sector has continued to grow and contribute significantly to the Malaysian economy. Aside from serving domestic demand, the NKEA has also grown in importance in contributing to tourist spend, with the country recognised as a top shopping destination globally.

I therefore believe that the NKEA has achieved commendable progress since the implementation of the ETP in 2010 and is well-placed to account for a larger share of GDP going forward.

HOW WILL THE WHOLESALE AND RETAIL NKEA CONTRIBUTE TO SPURRING DOMESTIC CONSUMPTION GOING FORWARD, ESPECIALLY AS THE ECONOMIC ENVIRONMENT REMAINS UNCERTAIN DUE TO EXTERNAL FACTORS?

The NKEA will continue focusing on putting in place a supportive environment for private sector participation, encouraging the private sector to improve and increase their offerings.

We will also explore new avenues for growth to complement existing, traditional offerings, such as through the establishment of wellness resorts and Makan Bazaars, which provide a wealth of offerings to consumers under one roof.

WHAT IMPACT DO YOU EXPECT ON THE WHOLESALE AND RETAIL NKEA FROM THE IMPLEMENTATION OF THE GST IN 2015?

While a short-term slowdown in consumption may emerge as consumers adjust to the new tax regime, we do not expect domestic consumption to remain suppressed over the longer term. This is especially as the rate of the GST does not exceed the existing Sales and Service Tax. It is however important for consumers to keep abreast with developments in the implementation of the GST, and the Government will therefore maintain an open line of communication to help increase consumer awareness on the new tax.

On the supply side, although many companies will have to adjust their processes in line with the new system, we believe the Government has provided sufficient support and training to the private sector to implement the GST. We therefore do not foresee any disruption to wholesale and retail businesses.

WHOLESALE AND RETAIL

The wholesale and retail industry continues to account for a significant share of Malaysia's economy, contributing 12.7 per cent to the country's GDP. As at 2Q 2014, the industry registered a year-on-year growth of 8.88 per cent.

Since the start of ETP, the volume index of wholesale trade has risen from 99.8 points at the end of 2009 to 132.2 points at the end of 2013, while retail trade grew from 103.6 points to 132.3 points over the same period. In 2013, the sales value of wholesale and retail grew 43 per cent to RM13.3 billion from RM9.3 billion in 2009[1].

AT Kearney ranked Malaysia ninth in its 2014 Global Retail Development Index, up four places from 2013 and its highest ranking since 2007, before the start of the ETP. The Malaysian market was also described as strong and stable due to its high income per capita and young population, despite its overall population being relatively small. The country's ranking puts it among the 10 most attractive countries for retailers and makes it the only other Asian country, apart from China, in the top 10.

As noted by the World Economic Forum's Global Competitiveness Index 2014-2015, Malaysia's major competitive challenge is to increase its technological readiness. In terms of the wholesale and retail industry, this limitation may become apparent in implementing systems to prepare for the Goods and Service Tax (GST) which comes into effect in April 2015.

Nonetheless, the industry derives strength from robust private sector participation in the Wholesale and Retail EPPs, and is expected to continue charting significant growth of GNI and jobs leading towards its 2020 targets.

2014 KPI Analysis

The Wholesale and Retail NKEA met all its KPIs for 2014 with strong collaboration from stakeholders, including the Ministry of Domestic Trade, Cooperatives and Consumerism, Ministry of Tourism and Culture, Malaysian Investment Development Authority (MIDA), private sector EPP partners and existing retailers.

[1] *Department of Statistics: Quarterly Distributive Trade Statistics 2Q 2014*

2015 Outlook

Wholesale and retail trade is expected to grow by 7.1 per cent in 2015, supported by strong domestic consumption and higher tourist arrivals[2].

Domestic consumption, may however, be tempered with the introduction of the GST. Any increase of the Overnight Policy Rate (OPR) will also increase pressure on households to deleverage household debt, thus reducing domestic consumption.

The areas of collaboration include strategic discussion and continuous engagement, as well as in linking players with incentives from MIDA and facilitation funds for last-mile connectivity from UKAS (*Unit Kerjasama Awam Swasta* – Public Private Partnership Unit).

The achievement of KPIs was despite a challenging landscape for domestic consumption due to an increase in the petrol price and a 25 basis point hike in the interest rate to contain inflationary pressures. The tragedies of MH370 and MH17 also caused a detrimental impact on tourism receipts, thus affecting consumer spending during the year.

In 3Q 2014, Malaysia Airports Holdings Bhd (MAHB) handled 19.9 million passenger movements at its airports, registering a decline of 2.1 per cent over the same corresponding period last year. International and domestic movements recorded a decline of 0.8 per cent and 3.4 per cent, respectively. In 3Q 2014, passenger numbers were also lower than the previous quarter by 3.7 per cent.

Cooperation between Government and private sector players is key to ensure the continued success of this NKEA. The NKEA team will work with existing industry stakeholders and the Delivery Management Office (DMO) to refresh the EPPs to remain relevant to industry needs.

With the ETP now at its mid-way point, some EPPs may require fine-tuning to ensure sustainability by focusing on the quality of EPP partners, where emphasis was initially placed on building scale of EPP partners. The implementation of certain processes, such as training for Small Retailer Transformation Programme (TUKAR) and Automotive Transformation Programme (ATOM) participants, will also be improved.

[2] *Ministry of Finance Economic Report 2014-2015*

2014 Key Performance Indicators

WHOLESALE AND RETAIL NKEA		KPI (Quantitative)							
				Achievement					
No.	KPI	Target (FY)	Actual (YTD)	Method 1		Method 2		Method 3	
				%		%			
EPP #1	Number of new hypermarkets	5	5	100		100		1.0	
	Number of new superstores	6	6	100		100		1.0	
EPP #2	Number of establishments modernised under the TUKAR programme	300	305	102		100		1.0	
EPP #4	Number of workshops modernised under the ATOM programme	200	208	104		100		1.0	
EPP #5	Utilisation of Retail Space in Oasis Square Makan Bazaar	70%	89%	100		100		1.0	
EPP #9	Value increase of Cost, Insurance and Freight (CIF) for 328 selected imported finished products (RM bil)	7.037	6.972	99		99		0.5	
EPP #10	Mines Waterfront Business Suites (MWBS): Percentage of completion of building structure level	20%	27%	135		100		1.0	
EPP #11	Number of sub-sectors involved in 1Malaysia Unified Sale together with Tourism Malaysia	60	60	100		100		1.0	
EPP #12	Utilisation of retail space of Gateway Mall at KLIA2	70%	76%	100		100		1.0	
	Utilisation of retail space of KLIA2	70%	98%	100		100		1.0	
				104%		**100%**		**95%**	

Exhibit 4.1

Method 1 Scoring is calculated by a simple comparison against set 2014 targets. The overall NKEA composite scoring is the average of all scores

Method 2 Scoring is calculated by dividing actual results against set 2014 targets with an added rule:
- If the scoring is less than 100%, score #2 is taken as the actual percentage
- If the scoring is equal or more than 100%, score #2 is taken as 100%. The overall NKEA composite scoring is the average of all scores

Method 3 Scoring is calculated by dividing actual results against set 2014 targets with an added rule:
- If the scoring is equal and less than 50%, score #3 is indicated as 0
- If the scoring is more than 50% and less than 100%, score #3 is indicated as 0.5
- If the scoring is equal or more than 100%, score #3 is indicated as 1

ENTRY POINT PROJECTS

EPP
1

INCREASING THE NUMBER OF LARGE FORMAT STORES

Five new hypermarkets and six superstores were set up throughout Malaysia by foreign and local players under this EPP in 2014.

Hypermarkets and Superstores Launched in 2014

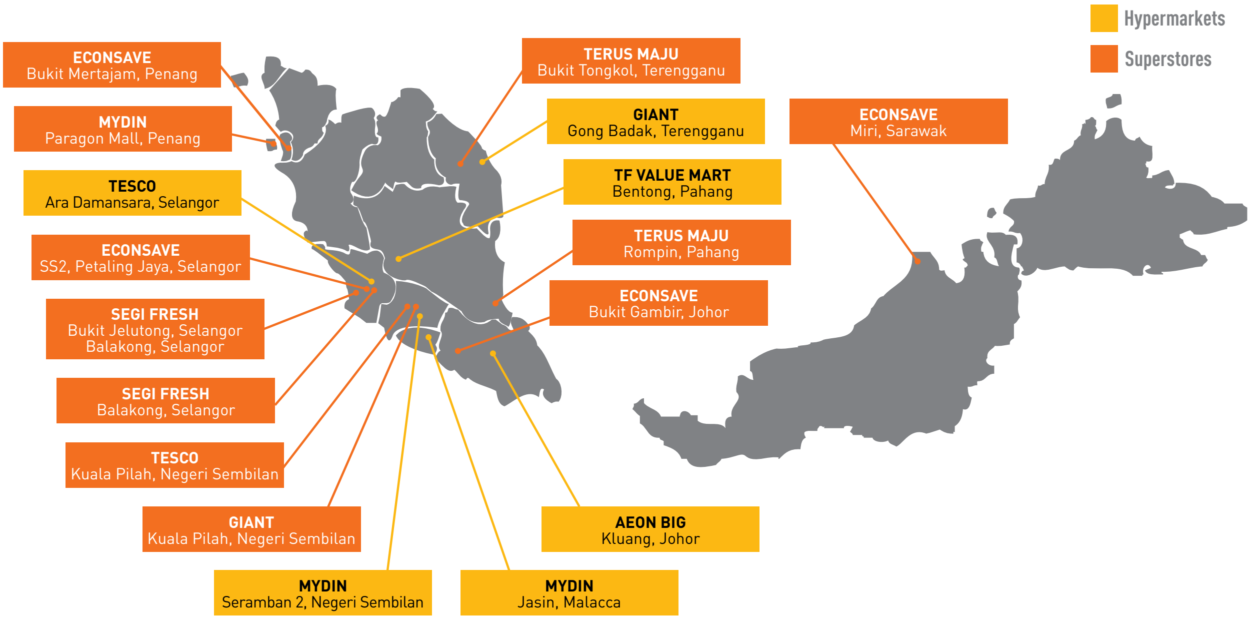


Exhibit 4.2: Hypermarkets and superstores launched in 2014

HYPERMARKETS

No.	Operator	Site Location
1	The Store	Taiping, Perak
2	Mydin	Bertam, Penang
3	Mydin	Tmn Rintang, Johor
4	Mydin	Parit Buntar, Perak
5	Tesco	IOI City Mall, Putrajaya

SUPERSTORES

No.	Operator	Site Location
1	Mydin	Semenyih, Selangor
2	Econsave	PSK, Klang Utama, Selangor
3	Econsave	Segamat, Johor
4	Econsave	Klebang, Perak
5	Giant (Cold Storage)	Section 14, Selangor
6	Tesco	Jitra, Kedah

While the large format stores provide consumers with a wider choice of products at competitive prices, the establishment of the stores by retailers is dependent on market needs. The growth of large format stores may also be limited as these are heavy infrastructure projects which take time to build and require sizeable funding.

With the GST set for implementation in April 2015, hypermarket operators are still assessing the new tax structure's implications on their business. As a result, the operators will exercise caution in expanding further until the tax is implemented.

KEY TAKEAWAYS

There is continuous development of Large Format Growth stores in both urban and semi-urban areas. Additionally, continued collaboration with private sector players and the relevant Ministries will be required to facilitate the growth of large format stores throughout the country.

EPP 2

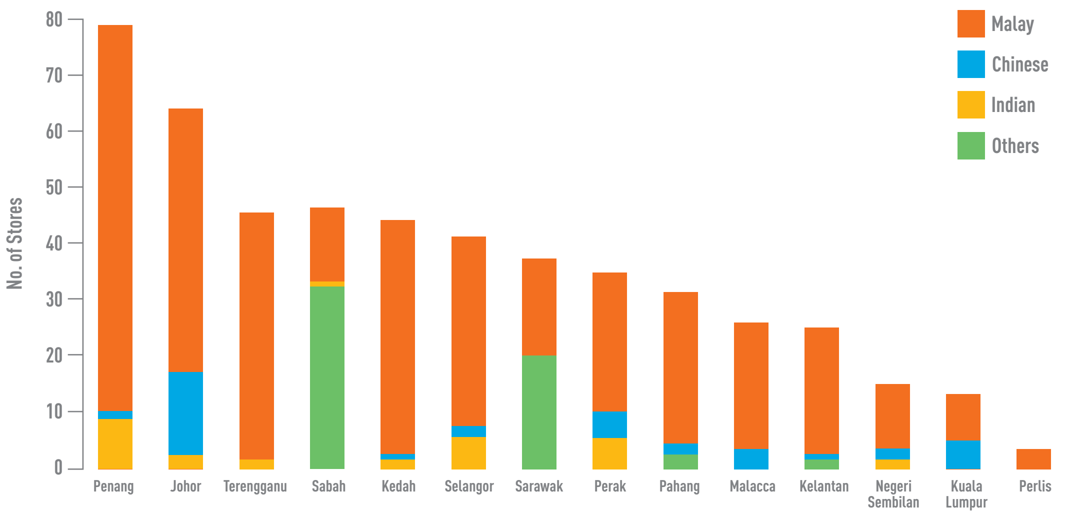
MODERNISING VIA THE SMALL RETAILER TRANSFORMATION PROGRAMME (TUKAR)

Strong support by all stakeholders including the DMO, financiers and consultants continues to be the catalyst of transformation of small format stores.

As of 31 December 2014, 305 sundry shops were transformed all over Malaysia. This brings the total number of stores transformed by the TUKAR programme to 1,914 since it was launched in 2011.

For the year 2014, greater focus was given on training the TUKAR participants in order to prepare the store owners for GST implementation. A total of 20 training sessions over two phases were conducted throughout Malaysia by the Ministry of Domestic Trade, Co-operatives & Consumerism. Over 1,500 people attended these sessions.

2014 TUKAR stores by State and Ethnic Group



Malay	69	47	63	13	42	34	17	24	27	23	23	12	9	3
Chinese	1	15	0	0	1	2	0	5	2	3	1	2	4	0
Indian	9	2	1	1	1	5	0	5	0	0	0	1	0	0
Others	0	0	0	32	0	0	20	0	2	0	1	0	0	0

Exhibit 4.3: A snapshot of TUKAR participants in Malaysia

The year 2014 also saw the Steering Committee agreeing to allow further financing for successful TUKAR participants to either expand their existing store or open a new branch. The Committee also called for greater youth participation by reducing the one year in operation condition for youths.

However, as the ETP reaches its halfway point, the programme foresees that the participation rate of new sundry stores in the programme will slow due to market saturation. Given the introduction of GST in 2015, greater emphasis will be placed on ensuring the sustainability of current TUKAR participants by providing training focused on the GST and business refresher courses.

KEY TAKEAWAYS

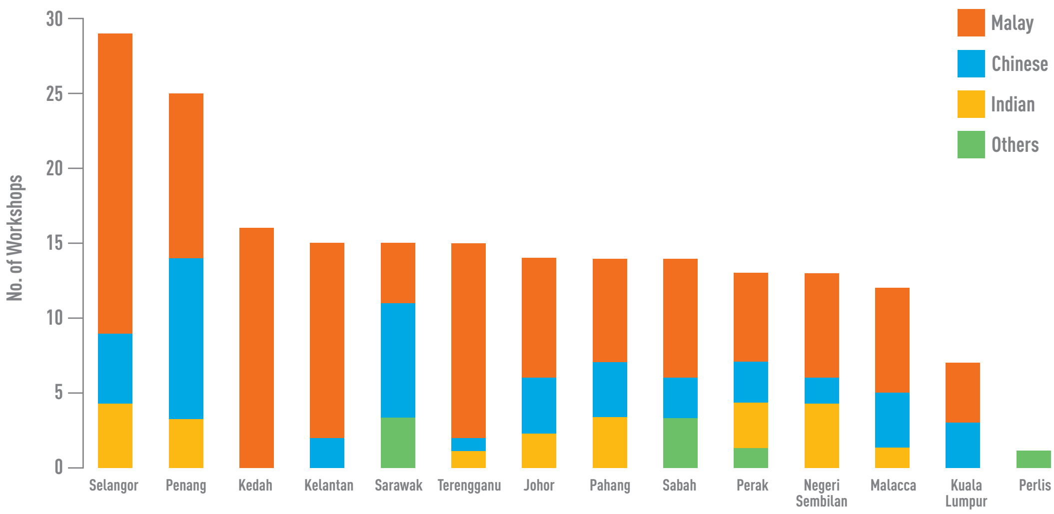
The TUKAR programme at heart remains an entrepreneurship programme that requires participants themselves to take an active role in ensuring the viability and success of their own business. Innovation plays a key role in ensuring the sustainability of TUKAR participants. It is therefore vital that shopkeepers remain savvy and responsive to consumer needs to achieve business growth.

With only one TUKAR consultant in Sabah and Sarawak currently, there remain limitations on the programme's ability to make headway in the two states. It has also been found that shops in Sabah and Sarawak operate under varied structures, requiring a more tailored approach. The Government is therefore engaging with relevant stakeholders to find ways to refresh the TUKAR programme to cater to these scenarios.

EPP
4

TRANSFORMING AUTOMOTIVE WORKSHOPS (ATOM)

2014 ATOM workshops by State and Ethnic Group



Malay	20	11	16	13	4	13	8	7	8	6	7	7	4	0
Chinese	5	11	0	2	8	1	4	4	3	3	2	4	3	0
Indian	4	3	0	0	0	1	2	3	0	3	4	1	0	0
Others	0	0	0	0	3	0	0	0	3	1	0	0	0	1

Exhibit 4.4: A snapshot of ATOM participants in Malaysia

Demand for the ATOM programme remains strong due to active support from all stakeholders including Ministry of Domestic Trade, Co-operatives and Consumerism State Offices, consultants and co-operatives.

As of 31 December 2014, 208 automotive workshops were transformed all over Malaysia, exceeding the revised target of 200 for the whole year. This brings the total number of stores transformed by the ATOM programme to 577 since it was launched in 2011.

KEY TAKEAWAYS

The main driving factor of the success in the ATOM programme has been its ability to provide funding for workshop owners for tools and equipment that will allow the workshop to perform a greater range of repair and maintenance services for its customers.

A review of the programme's conditions and requirements are currently underway to better enhance the programme and meet the needs of workshop owners.

EPP 5

DEVELOPING MAKAN BAZAARS

The implementation of this EPP went well in 2014 and progressed as expected. The second Makan Bazaar after Mall of Medini, Nusajaya has been developed by Brunsfield International. The Oasis Square Makan Bazaar in Ara Damansara, Selangor, has dedicated 97,996 sq ft to retail F&B space from the development's total nett leasable area of 141,567 sq ft.

The Makan Bazaar has established itself as a truly unique and vibrant one-stop destination for the local and international culinary experience. Diners can choose from a wide variety of cuisines that suit both their palate and their budget. At the epicentre of this culinary destination sits the Oasis Piazza, home to fifteen stand-alone food and beverage establishments surrounding subtle lighting and open water features, ample grounds with organised events, and entertainment all year round. To the immediate north of the Piazza sits Oasis Village, a small lifestyle centre home to several other F&B outlets, fitness centre, childcare centre and convenience store. Flanking the Piazza to the east and west are more than a dozen additional dining options that have grown naturally following the success of the Makan Bazaar.

The Oasis Square Makan Bazaar in Ara Damansara

All of these were made possible with stringent selection of appropriate F&B operators and occupiers through Brunsfield International's professional property management strategy guided by a long-term goal of selection and control towards providing delectable cuisines and services of the highest quality and hygiene. As such, Oasis Square Makan Bazaar has experienced tremendous organic growth over the past year and currently comprises more than 300,000 sq ft of F&B space (on top of the dedicated space of 97,996 sq ft) ranging from the famous local cuisine to international cuisine.

Currently, the estimated working population is at the 12,000 mark and is expected to continue growing with vacant space for office and retail being taken up rapidly, and new developments to be completed in the vicinity in the near future.

KEY TAKEAWAYS

The sustainability of the Makan Bazaar projects is highly dependent on having the right basket of offerings in one location.

EPP 6

1MALAYSIA MALLS

This EPP remains one of the more challenging projects under the Wholesale & Retail NKEA given that such projects are to take place overseas, limiting facilitation efforts and Government intervention.

External factors such as the current weak economic climate in the region and the weakening ringgit have made companies less inclined to venture overseas to establish such projects.

KEY TAKEAWAYS

PEMANDU and the Ministry of Domestic Trade, Co-operatives and Consumerism are currently in the process of reviewing this EPP in response to market needs and present day conditions.

EPP 7

VIRTUAL MALLS

The online shopping market is expected to grow to RM5 billion in 2014 with the majority of purchases made on local websites, supported by the growing popularity of mobile devices, ongoing rollout of high speed broadband and a population that is more comfortable shopping online.

Despite this, the EPP notes that the internet shopping trend in Malaysia remains steadfast to shopping websites with limited focus product categories, for example, Zalora focusing on retail fashion and Lazada on electronic goods.

Expansions to include multiple product categories is a commercial decision by the players weighing in the risks involved, their business knowledge of the products as well as consumer demand for those new items. Such efforts are also hampered by the strict requirements of commercial and Government loans for the development of these businesses as such expansions mostly require funds for marketing, promotions and back-end logistical support and not only website development.

KEY TAKEAWAYS

PEMANDU and the Ministry of Domestic Trade, Co-operatives and Consumerism are currently in the process of reviewing this EPP to suit market trends of single/few focus product categories as well as to consider potential Government initiatives required to encourage private sector involvement in the online retail market.

EPP 8

FACILITATING LOCAL BUSINESSES

TO ACQUIRE STAKES IN FOREIGN RETAIL BUSINESSES

Progress in this EPP has been slow as matchmaking and finding suitable acquisition targets for Malaysian retailers remains driven by the business strategies of the respective retailers.

KEY TAKEAWAYS

Local companies have been less inclined to acquire ownership within foreign businesses in favour of licensing agreements which have less risk and lower cost to the business.

PEMANDU and the Ministry of Domestic Trade, Co-operatives and Consumerism are currently in the process of reviewing this EPP to create a more conducive environment for such acquisitions and gauge whether a premium local brand development element can be included into the EPP.

EPP 9

MAKING MALAYSIA DUTY-FREE

The CIF value of the 328 goods that have been made duty-free since January 2011 amounted to RM6.972 billion as of December 2014. This was driven by a continued increase in the strength of domestic consumption.

With the introduction of GST in 2015, the EPP expects a slight decrease in the flow of goods into the country before normalising to pre-GST figures.

KEY TAKEAWAYS

The duty-free policy has increased the volume of duty-free goods coming into the country. Moving forward, further cooperation with the Ministry of Tourism and Culture will be undertaken to enhance this EPP.

The CIF Value of the 328 goods declared duty-free has been increasing year on year since the policy change was introduced in 2010

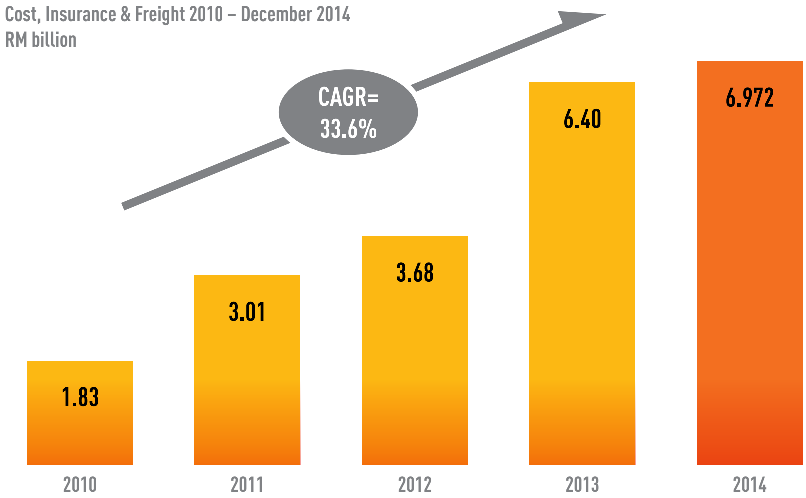


Exhibit 4.5: CIF 2010 – 2014

EPP 10

SETTING UP WELLNESS RESORTS

MINES Wellness City (MWC), developed by Country Heights, is showing good progress. The development is to be positioned as Malaysia's first Integrated Health and Wellness Hub and South East Asia's premier health tourism destination.

Dusk view of the Mines Wellness Hotel within Mines Wellness City

As a major socio-economic catalyst for Southern Kuala Lumpur, MWC is strategically located between Kuala Lumpur and Putrajaya. It is the region's first development that focuses on the increasingly important healthcare and wellness industry.

MWC's development area, which spans across 120 acres, is poised for 36 million sq ft of new development that will cater to hospitals, specialist clinics, aged-care facilities, health screening centre, residential units, office spaces and retail shops, among others, and has an estimated GDV of RM11 billion with FDI opportunities of over RM3.1 billion.

MWC is a green lung amid Kuala Lumpur, and is supported by matured communities, convenient traffic systems and complete infrastructure frameworks. The 20-minute radius around MWC houses a population of 2.1 million people. The development has also been gazetted as a Special Wellness Zone by the Government where developers, operators, managers and promoters that provide healthcare and wellness related facilities or services are entitled to available tax incentives.

Project launches in MWC from 2014-2016 include: MINES Waterfront Suites comprising medical and business suites; Aqualis - a lakefront mixed development; Palace Residence Suites comprising 5-star hotel living suites; and Trousdale - a professional and modern golden age care home for the retiring population. Other EPP players include Senja Aman Integrated Wellness Resort in Penang and the Chateau in Bukit Tinggi, Pahang.

KEY TAKEAWAYS

As this EPP is cross-cutting, involving tourism, hospitality and health components, continuous cooperation with Tourism Malaysia and the Ministry of Health is required to better facilitate existing and future EPP partners.

EPP 11

ORGANISING UNIFIED MALAYSIA SALES

Coordination efforts by the DMO saw 60 subsectors collectively organise the 1Malaysia Unified Sale in 2014, increasing the number from 55 in 2013. Organised in collaboration with Tourism Malaysia, the sale was held in conjunction with the mid-year Malaysia Mega Sale in line with plans to coordinate the timing of both sale periods. The sale period was from 28 June 2014 to 1 September 2014. Some 942 companies and 8,702 outlets participated in the sale.

Figures provided by Bank Negara Malaysia's Electronic Payments Report showed expenditure of RM18.6 billion and RM2.5 billion in credit card and debit card transactions respectively during the sale period. This was an increase of nine per cent and 25 per cent respectively from the corresponding period in 2013.

KEY TAKEAWAYS

Tourism Malaysia is reviewing the impact of the three Malaysia Mega Sales held throughout the year in order to increase the effectiveness of the Sales. Depending on the outcome, the timing of the 1Malaysia Unified Sale will be adjusted accordingly.

EPP 12

TRANSFORMING KLIA

INTO A RETAIL HUB

The KLIA2 Retail Hub

Following the commencement of operations of KLIA2 in May 2014, the utilisation rate of the KLIA2 and Gateway@KLIA2 retail spaces reached 98 per cent and 76 per cent respectively.

This EPP also benefited from a strong push by Malaysia Airports to complete the airport and attract retail tenants to utilise the new vacant retail space in a short period of time.

This EPP is poised to benefit from the footfalls of passengers at KLIA and KLIA2, which have a total capacity of 70 million passengers per annum. As at the end of September 2014, despite the overall decline of passenger movements in MAHB operated airports (as of Q3, 2014), KLIA itself recorded passenger growth of five per cent, while utilisation of KLIA2 at its launch amounted to 25 million passengers.

KEY TAKEAWAYS

Further development of the 45-acre area around KLIA owned by MAHB will depend on the demand and market needs.

EPP 13

BIG BOX BOULEVARDS

The development of the Big Box Boulevard developed by Sime Darby - Brunsfield in Ara Damansara progressed well in 2014, with components such as the Makan Bazaar and the Tesco hypermarket already operational. Construction of the Auto City remained on track, while the LRT extension that will service the area also underway. The Company is planning to build linkages from the LRT to the various components of the development and the surrounding area with covered walkways and walking bridges for greater accessibility.

Additionally, efforts have been made to link players with MATTA Fair and tour operators to help drive more traffic to the area, while Brunsfield continues to engage with retailers to establish their operations at the Big Box Boulevard. Other EPP players include Nilai 3 Wholesale City by Hatia Group and the Nilai Integrated Wholesale & Retail Big Box Boulevard by KLLC Park Sdn. Bhd.

KEY TAKEAWAYS

While the NKEA team works closely with players to develop this EPP, it remains a private sector-led initiative which hinges on market needs and EPP partners' business strategies.

Artist Rendering of Oasis Corporate Park (Meritus)

BUSINESS OPPORTUNITIES

Together with baseline growth, the Wholesale and Retail NKEA are expected to contribute RM45.2 billion to GNI, and create 226,000 additional jobs by 2020. This growth will be driven by three economic drivers requiring RM187.6 billion in private sector funding and investments to capitalise on these business opportunities.

The economic drivers comprise:

- Higher retail expenditure per capita due to increased GNI per household by 2020.
- Urbanisation from rural-to-urban migration, which is expected to create higher demand for goods and services, including higher value-added products.
- Malaysian population growth which is projected to result in higher demand for goods and services.

Summary of Wholesale and Retail NKEA

	2020 Target
Incremental GNI Impact	**RM55.4 billion**
Additional Jobs	**454,190**

Critical targets for 2015

- **EPP1:** Six new hypermarkets and five new superstores
- **EPP2:** 300 TUKAR stores
- **EPP4:** 180 ATOM workshops
- **EPP5:** One new Makan Bazaar site
- **EPP9:** 5% increase of CIF value from 2014
- **EPP11:** 60 subsectors participating in 1Malaysia Unified Sale
- **EPP13:** 20% progress development of Oasis Autocity

PALM OIL AND RUBBER

The Palm Oil and Rubber sector is encouraged to venture into downstream food and oleo chemical value added products

Dato' Sri Amar Douglas Uggah Embas
Minister of Plantation Industries and Commodities

Q&A

AS ONE OF THE WORLD'S BIGGEST PRODUCERS OF PALM OIL, HOW IS THE GOVERNMENT HELPING TO CUSHION PRICE VOLATILITY AND SUPPORT SMALLHOLDER FARMS?

Currently, 88 per cent of domestic palm oil production is exported. In 2014, Malaysia contributed to 42 per cent of the global palm oil trade. Being an export oriented commodity, it is subjected to global supply and demand scenario. Since the third quarter of 2014, due to global economic slowdown, especially in major importing countries such as China and European Union, and the increase in the production of other competing vegetables oil, the average price of CPO for the period January to February 2015 was RM2,276 per tonne, compared to an average price RM2,383 per tonne in 2014.

To strengthen CPO prices, the measures undertaken include implementation of a higher biodiesel blend from B5 (blending of five per cent of methyl ester with 95 per cent fossil diesel) to B7 (blending of seven per cent of methyl ester with 93 per cent fossil diesel) beginning November 2014. This will contribute towards an annual consumption of 575,000 tonnes of CPO annually.

In addition, the Ministry is in consultation with the relevant stakeholders on the possible implementation on the B10 programme. This will contribute to an annual consumption of 1.2 million tonnes domestically.

In addition to the above, under the National Key Economic Area, the industry is encouraged to venture into downstream food and oleo chemical value added products. For this propose, the Government provides grants to the industry where an allocation of RM543 million has been made available for the period 2011-2015. Notwithstanding these, the Ministry in consultation with the industry will continue to explore new measures, including strengthening exports to existing markets and exploring new markets for export of palm oil products.

THE GOVERNMENT EMBARKED ON THE ECONOMIC TRANSFORMATION PROGRAMME IN 2010 TO TRANSFORM MALAYSIA INTO A HIGH-INCOME NATION BY 2020. WE ARE NOW AT THE MIDWAY POINT. ARE YOU SATISFIED WITH THE PROGRESS OF THIS NKEA SO FAR?

The Palm Oil and Rubber NKEA involves a number of Entry Point Projects (EPPs), which includes replanting and new planting programmes for the smallholders, develop new and high value phytonutrients, and improve upstream productivity. Both these sectors are targeted to contribute a combined Gross National Income (GNI) of RM230.9 billion by 2020.

In 2014, both these sectors have contributed a GNI RM60.5 billion. We will continue to explore new measures to strengthen the implementation of the Palm Oil and Rubber NKEA towards achieving the target by 2020. In pursuit of this, we have recently concluded a Lab on the review and new measures proposed at the Lab will be implemented to ensure achieving the 2020 target.

HOW IS THE GOVERNMENT HELPING TO IMPROVE NATURAL RUBBER PRODUCTIVITY?

The Government will continue to provide grants for the replanting of old and unproductive trees by smallholders. For the period to 2012-2014, a total allocation of RM529.66 million has been provided to replant 113,675 hectares of rubber planted area by the smallholders. For a new planting, the total allocation is RM271 million to plant 38,575 hectares.

In addition, the Ministry through the Malaysian Rubber Board will continue to implement measures aimed at improving productivity from the current level of 1,400 tonnes per hectare per year to 2,000 tonnes per hectare per year by 2020. These include imparting knowledge on good agricultural practices and the use of high yielding planting materials.

PALM OIL

Global dependence on palm oil will continue to rise in the coming years, owing to insufficient production of other grains and oilseeds[1]. Therefore, higher investments in major palm oil-producing countries such as Malaysia will be necessary to boost yields to meet future palm oil demand.

In addition, continued growth of the middle and upper-middle classes in developing and developed markets will mean an uptick in domestic consumption, and will likely also create demand for health foods and environmentally-friendly products derived from palm oil.

In the Malaysian context, this NKEA has formulated key strategies, particularly in the downstream expansion of high-value oleo derivatives that will ensure the country remains at the forefront of global palm oil production and exports. The push to increase downstream capacity and move into the high-value products segment is crucial to Malaysia's transformation into a high-income nation.

While some progress has been made in achieving the goals of this NKEA, more needs to be done. For palm oil, plantation companies must continue to take steps to expand further downstream in the value chain towards the production of high-value oleo derivatives. Capacity building in this sector will insulate it against a volatile commodity market, while reducing its dependence on the upstream segment.

2014 KPI Analysis

2014 was a year of upheaval for the palm oil sector with volatility in the commodity's price. Crude palm oil registered its highest monthly average at RM2,855 a tonne, before it slumped to RM2,095 a tonne, the lowest level since December 2012. Nonetheless, the fluctuation in prices did not dent interest in the commodity.

Overall, the NKEA has met its 2014 KPIs despite volatility in palm oil prices during the year, which rose to an 18-month high in March on expectations that an El-Nino weather pattern could develop and dent production. However, prices spiralled to a five-year low in September owing to the lack of dry weather and prospects for a bumper soy crop, which rivals palm oil for similar export markets. Under the Government-led replanting schemes, the area of replanting and new planting by small farmers and independent smallholders has reached 79,737 hectares from January 2011 to date, mainly due to active monitoring in replanting and new planting projects related to independent smallholders.

[1] *Thomas Mielke, Executive Director of ISTA Mielke, Oil World, Global Market Research on Oilseeds, Oils and Meals*

2015 Outlook

The worst may be over for palm oil prices. Severe droughts registered in the first half of 2014 in the world's major palm oil producing areas of Peninsular Malaysia and Indonesia's Sumatra islands are expected to lower palm oil production in 2015. This will lead to a mismatch between palm oil's availability and rising consumption of palm oil in the year ahead. As palm oil supply dips, demand is expected to rise, underpinned by an uptick in vegetable oil demand from China as well as Malaysia's move to lift biodiesel blends from five per cent to seven per cent at the end of last year to boost consumption and shore up prices.

At the same time, Malaysia, which sets export taxes on a monthly basis for crude palm oil shipments, allowed duty-free exports of crude palm oil towards to end of the year. This helped to reduce stockpiles of palm oil, which Indonesia followed shortly after.

The year 2015 will also see the move by the 10 ASEAN countries towards an integrated economic community with the aim of encouraging cross-border trade and investment flows in a region of around 600 million people.

While many ASEAN member nations have cultivated strong trade links in key food products with other nations, trade within ASEAN nations however, remains underdeveloped. The integrated economic community could boost economic growth to seven per cent, according to the Asian Development Bank, potentially leading to an increase in demand and the trade of key products such as palm oil and rubber.

With Southeast Asian nations moving towards an integrated economic community, it also will be key for Malaysia and Indonesia to form a closer alliance and discuss potential cooperation between the world's two largest palm oil-producing nations.

For the year, the NKEA undertook a holistic process to improve oil palm yields, involving monthly monitoring of fresh fruit bunches (FFB) via smallholder cooperatives and the provision of credit and advisory services when required. This is part of a broader effort to take the sector a step closer to the national FFB yield target of 26.2 metric tonnes per hectare by 2020.

The downstream segment saw an uptick in private sector investments during the year, particularly in Sabah. As of December 2014, total investments committed by industry players for high value palm-based oleochemicals, food and health segments for the year amounted to RM934.61 million including a sizeable investment of RM489.78 million by Genting Plantation Bhd in Sabah and a RM100 million investment in Pulau Indah by Kuala Lumpur Kepong Bhd.

While certain targets, namely the adoption of motorised cutter CANTAS™ faced hurdles in gaining market acceptance, this prompted the introduction of the International Competition on Oil Palm Mechanisation to source for new, bold ideas in loose fruit collection, harvesting, crop care and evacuation of FFB.

Lastly, as the ETP approaches its crucial halfway point, it is critical for each EPP to remain on schedule and meet targets that will transform Malaysia into a high-income nation. To that end, this NKEA is sharpening its approach towards each EPP to achieve the RM178 billion in annual GNI by the year 2020. In January 2015, PEMANDU will conduct a lab involving the Plantations Industries and Commodities Ministry, Malaysian Palm Oil Board (MPOB) and Malaysian Rubber Board (MRB) to identify solutions to strengthen the implementation of EPPs and capitalise on new opportunities which have emerged since 2010.

2014 Key Performance Indicators

PALM OIL AND RUBBER NKEA		KPI (Quantitative)							
				Achievement					
No.	KPI	Target (FY)	Actual (YTD)	Method 1		Method 2		Method 3	
				%		%			
EPP #1	i. Area of approved new planting and replanting by smallholders; ii. Area of implemented new planting and replanting by smallholders	100%	105.4%	105		100		1.0	
EPP #2	Total FFB sold to mills by all cooperatives	6,000 MT	14,215.11 MT	237		100		1.0	
	New area of plantations/ smallholders complying with MPOB CoGAP/ NSGAP/ RSPO/ MSPO (ha)	220,000	239,689.43	109		100		1.0	
	National Average Yield (mt/ha/yr)	19.971	18.63	93		93		0.5	
	National FFB Production (MT)	98 mil	96.07 mil	98		98		0.5	
EPP #3	Number of CANTAS taken up by plantations and smallholders	600	390	65		65		0.5	
EPP #4	Number of Palm Oil Mills certified by MPOB Code of Practice and other international certification	25	25	100		100		1.0	
	Increase of National Oil Extraction Rate (OER)	21.05%	20.62%	98		98		0.5	
EPP #5	Progress of construction of eight biogas plants	100%	112.25%	112		100		1.0	
	Progress of construction of two biogas plants to be connected to the grid or external users	100%	150%	150		100		1.0	
EPP #6	Take-up rate for the oleo derivatives and bio-based acquisition funds	100%	83.03%	83		83		0.5	
EPP #8	Take up rate of funds for food and health-based products	100%	100%	100		100		1.0	

more on next page

continued from previous page

PALM OIL AND RUBBER NKEA		KPI (Quantitative)							
				Achievement					
No.	KPI	Target (FY)	Actual (YTD)	Method 1		Method 2		Method 3	
				%		%			
EPP #9.1	Area of replanting and new planting by rubber smallholders (ha)	50,000	52,151	104		100		1.0	
	Malaysian Export of Natural Rubber and Compound Rubber (mil mt)	1.4	1.22	87		87		0.5	
EPP #9.2	Malaysian Export Revenue from Latex Products (RM bil)	13.5	12.03	89		89		0.5	
EPP #9.3	Production of Ekoprena and Pureprena (mt)	1,000	717	72		72		0.5	
				106%		**93%**		**75%**	

Exhibit 5.1

Method 1 Scoring is calculated by a simple comparison against set 2014 targets. The overall NKEA composite scoring is the average of all scores

Method 2 Scoring is calculated by dividing actual results against set 2014 targets with an added rule:
- If the scoring is less than 100%, score #2 is taken as the actual percentage
- If the scoring is equal or more than 100%, score #2 is taken as 100%. The overall NKEA composite scoring is the average of all scores

Method 3 Scoring is calculated by dividing actual results against set 2014 targets with an added rule:
- If the scoring is equal and less than 50%, score #3 is indicated as 0
- If the scoring is more than 50% and less than 100%, score #3 is indicated as 0.5
- If the scoring is equal or more than 100%, score #3 is indicated as 1

ENTRY POINT PROJECTS

EPP 1

ACCELERATING THE REPLANTING AND NEW PLANTING OF OIL PALM

Sime Darby Plantation. Photo courtesy of Sime Darby

During the year, the Government set an ambitious target of 35,000 approved hectares and 20,000 implemented hectares for replanting and new oil palm planting by independent smallholders to replace ageing and unproductive trees with higher-yielding seedlings.

Against the target, 36,482 hectares were approved and 21,313 hectares implemented. This was achieved through the introduction of new processes that spurred agencies to improve implementation in Sarawak. This represents a big step forward for the EPP as the development of this EPP in 2013 was hindered mainly by land ownership and suitability issues in Sarawak.

KEY TAKEAWAYS

To effect change, a more proactive approach was adopted to ensure replanting and new planting initiatives remained on track and contributed towards a sustainable supply of the commodity to downstream palm oil operators within and outside the region.

EPP 2

IMPROVING FRESH FRUIT BUNCH YIELD

To date, the 30 cooperatives that have been established since the start of the ETP have allowed smallholders to enjoy a bulk discount in procuring agricultural inputs and receive better pricing for their produce sold to palm oil mills. For the year, a 6,000 tonne target was set for total FFBs sold to palm oil mills by 10 of these cooperatives. 14,215 tonnes were eventually sold by them.

The Ministry of Plantation Industries and Commodities (MPIC) has successfully negotiated for Agro Bank Bhd to extend overdraft facilities to these 10 cooperatives to fund the working capital.

This EPP has also witnessed efforts that led to the certification of good agricultural practices, ranging from MPOB's code of practice, good agricultural practice and the Roundtable on Sustainable Palm Oil on Malaysia's plantation lands. Of the 5.2 million hectares of palm oil plantation land in Malaysia, about 1.4 million hectares of plantation land owned by smallholder farms and plantation companies have been certified. In 2014 alone, 239,689 hectares were certified against the target of 220,000 hectares. Moving forward, it is envisaged that all smallholders and firms will move towards MPOB's Malaysia Sustainable Palm Oil certification, which requires companies to comply with sustainable agricultural practices as well as environment and employee protection.

KEY TAKEAWAYS

Given the growing importance of cooperatives as a platform to raise awareness on better farming methods and harvesting technologies to raise national average yields, EPP stakeholders will identify initiatives for existing cooperatives to remain relevant and assist in boosting business performances.

Fresh Fruit Bunch (FFB) received by Mill (tonnage)

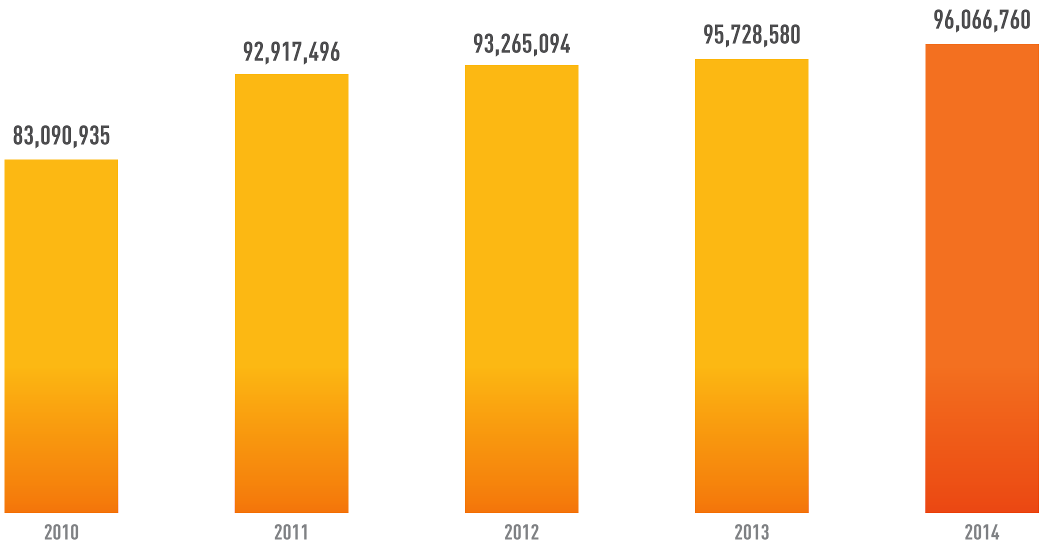


Exhibit 5.2

EPP 3

IMPROVING WORKER PRODUCTIVITY

To address the low take-up rate of MPOB's mechanised sickle Cantas™, the industry regulator MPOB hosted the International Competition on Oil Palm Mechanisation for nine months over three stages from March to November 2014. Entries were received from both domestic and international educational institutions, individuals and companies. Out of 69 entries, 60 were local and nine international. This is in line with the EPP's aim to discover and introduce new harvesting techniques to smallholders and plantation companies and reduce the upstream segment's dependence on manual labour.

KEY TAKEAWAYS

As agricultural land becomes increasingly scarce in Malaysia, there is a greater push to increase productivity and yields on existing plantation land. Therefore, there is a need to foster deeper collaboration between public agencies and private institutions in order to develop innovative products to increase upstream productivity and bring down labour costs.

International Competition on Oil Palm Mechanisation

Launched in March 2014, the International Competition on Oil Palm Mechanisation is aimed at promoting the development of technologies such as robotics that will raise the level of mechanisation in the upstream sector. The competition, which received 69 submissions from local and foreign inventors, was divided into four categories—harvesting technology, loose fruit collection, FFB evacuation and crop care. Inventors were then assessed based on design, from 3D presentation to working prototypes.

In the harvesting technology category, inventors were required to develop a harvesting tool capable of cutting FFBs from various tree heights while in the loose fruit segment, the winning device had to demonstrate it could effectively collect scattered oil palm fruits in various ground conditions, with trash content of less than 10 per cent.

Meanwhile, in the FFB evacuation technology category, contestants had to build a machine capable of manoeuvring in difficult soil conditions to collect and transport oil palm FFB. Inventors for the crop care technology category were to develop machines for crop and field maintenance, such as manoeuvring, weeding, pest control and road maintenance.

One of the entries for the International Competition on oil palm mechanisation (ICOPM)

EPP
4

INCREASING THE OIL EXTRACTION RATE (OER)

National OER Rate

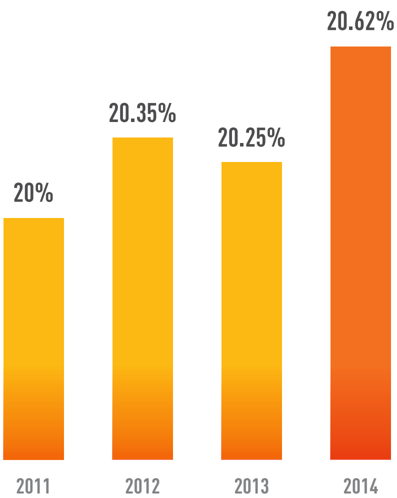


Exhibit 5.3

The national OER rate improved during the year, with statistics showing an improvement by percentage point 0.37 to 20.62 per cent in 2014 from 20.25 per cent in 2013.

This is attributed to the strict enforcement on crop quality, which allowed only high-quality and ripe fresh fruit bunches to be accepted and processed at all palm oil mills in Malaysia.

As of end-2014, a total of 205 mills were certified under MPOB's code of practice and other international certifications.

At the same time, MPOB also hired an additional 32 enforcement officers during the year at targeted mills to monitor and evaluate OER performance. This brings the overall MPOB mill enforcement to 326 personnel, including 46 roving enforcement officers.

KEY TAKEAWAYS

Improvements to the national OER require sustained awareness programmes and engagement activities with players along the value chain — millers, smallholders and plantation companies — in order to increase OER to 23 per cent by 2020.

EPP
5

DEVELOPING BIOGAS FACILITIES

AT PALM OIL MILLS

The palm oil sector constantly seeks ways to further enhance its sustainability efforts and reduce carbon emissions created by palm oil processing. The move by the Sustainable Energy Development Authority (SEDA) to treat palm oil mill effluent (POME) as a form of agricultural waste is a promising development which will help the sector limit greenhouse gas emissions. Under the new tariff structure, palm oil mills that want to connect to the power grid as well as mills that intend to construct biogas facilities to generate electricity at palm oil estates will be entitled to tap into the bonus tariff of eight sen.

Biogas plant in Bintulu. Photo courtesy of conbio.info

Biogas applications generated from palm oil mills are currently limited to certain applications such as connection to grid, supplying electricity to rural area, flaring, internal usage, etc. All these existing applications depend on location of mills and vicinity to grid or commercial and residential area. During Palm Oil & Rubber Lab 2.0 it was proposed that mills within vicinity to commercial area can take advantage of Bio-CNG technology to supply compressed natural gas as a substitute to petroleum natural gas to commercial entities. A pilot plant in Sungai Tengi, Selangor will be commissioned in 2015.

KEY TAKEAWAYS

Beginning 2014, the Government mandated new palm oil mills as well as palm oil mills that are expanding their capacity to install methane avoidance facilities in a bid to move to reduce greenhouse gas emissions and boost the sector's sustainability efforts. However, this will require concerted efforts on the part of the mill owners. To that end, extensive consultation needs to be carried out to meet the greenhouse gas reduction targets.

EPP 6

DEVELOPING HIGH-VALUE OLEODERIVATIVES

AND BIO-BASED CHEMICALS

Oleochemical plant in Teluk Panglima Garang. Photo courtesy of DPW Consultancy

Efforts under this EPP have been successful in spurring high-value downstream activities through investments by major plantation companies United Plantation Bhd, Kuala Lumpur Kepong Bhd, Genting Plantation Bhd, Felda Global Ventures Holdings Bhd, IOI Corporation Bhd and Emery Oleochemicals (M) Sdn Bhd.

While the high-value oleo derivatives investments were predominantly focused in Peninsular Malaysia, concerted efforts by the Government to promote inclusive growth nationwide saw investors gradually turning their focus to Sabah and Sarawak as an investment destination for high-value oleo derivatives plants.

For the year, this EPP secured an investment of RM489.78 million in Sabah where plants and facilities will be producing high-value downstream products. The project is a partnership between Genting and US-based specialty chemicals company Elevance Renewable Sciences Inc to build a 240,000-tonne metathesis bio-refinery for olefins and other specialty chemicals in Sabah.

Plans are also underway between Sime Darby Plantation and a US-based company, Verdezyne Inc, to establish what will be the world's first processing plant in Nusajaya, Johor for renewable feedstock derived-dodecanedioic acid (DDDA). The production of this green chemical, found in high-performance nylon, lubricants and moulding resins, will compete with the petrochemical industry and potentially serve a sizeable portion of the global DDDA market.

KEY TAKEAWAYS

Despite its potential returns and growth prospects, downstream high-value oleochemicals is not an easy segment to expand presence in. Downstream ventures are often capital-intensive but production of high-value products provide a more lucrative revenue stream per unit at about 41 per cent higher than the output from the upstream segment.

While large companies such as Sime Darby, IOI, KLK and United Plantation have become more vertically integrated, it remains a challenge for smaller players to come on board.

Therefore, there is a need to provide funding assistance and encourage partnerships between smaller players and established foreign partners to drive Malaysia as the top high-value oleochemical producer in the region.

EPP 7

COMMERCIALISING SECOND GENERATION BIOFUELS

For the year, this EPP saw the launch of Lahad Datu Biomass JV Cluster Bhd and the addition of downstream companies to the biomass joint venture cluster. These developments came on the heels of the formation of the abovementioned cluster in 2013, which comprised a group of eight plantation companies—including Teck Guan Group, Bell Group, Genting Plantations Bhd, Kelas Wira Sdn Bhd and Golden Elate Sdn Bhd—which collectively own over 20 mills in Lahad Datu with production capacity of more than 400,000 tonnes of biomass.

Building on the momentum from 2013 where Malaysian biomass pellet manufacturers signed deals with companies from China and South Korea for the supply of biomass pellets, 2014 saw the South Korean Parliament passing legislation on the import of oil palm biomass including those from Malaysia. This represented a major drive factor for the industry to increase production capacity.

Energy pellets made of palm empty fruit bunches.
Photo courtesy of Source Biomass System Resources

Another breakthrough for the biomass initiative facilitated by the National Innovation Agency (AIM) is the realisation of an investment by Brooke Renewables — a consortium of local and leading global companies — to create Southeast Asia's first Biomass Processing Hub in Sarawak that could help the state generate RM20 billion in additional revenue. This investment will also help create 10,000 new jobs and more than RM20 billion in biomass-based investments by 2023, cementing Malaysia's position as the premier biomass processing hub in the region.

The Biomass Processing Hub will comprise a commercial second-generation (2G) Bioethanol Plant utilising technology and enzyme solutions from Brook Renewables' consortium partners Beta Renewables, owner and technology provider for the world's first 2G Bioethanol Plant in Crescentino, Italy and the world's largest enzymes producer Novozymes.

KEY TAKEAWAYS

Ensuring Malaysian companies' commitment to green the sector's supply chain requires concerted efforts on the part of AIM and other Government agencies and Ministries to provide incentives and act as facilitators to companies seeking to turn biomass into fuels or chemicals. This EPP also showed that the creation of different mobilisation platforms and models is crucial to ensure globally competitive costs and ease of participation by biomass owners and downstream companies.

EPP 8

EXPEDITING GROWTH IN FOOD

AND HEALTH-BASED SEGMENTS

The development of tocotrienol production is at the crux of this EPP. Efforts that were put in place to promote the production of the palm-based phytonutrient — which is part of the Vitamin E family — have been strengthened following preliminary findings based on clinical trials in Malaysia, foreign medical universities and hospitals.

The findings showed that the nutrient can play a key role in preventing strokes, fighting fatty liver diseases, and providing cardiovascular support. During the year, findings from a pilot study conducted by a group of researchers, including Pramod Khosla from Wayne State University, showed that tocotrienols could potentially join other nutrients as tools to improve the lipid profiles in patients undergoing haemodialysis. To support clinical trials in this area, the MPOB awarded an RM8.06 million grant to Wayne State, which is the largest single-campus medical school in the US, to explore the benefits of tocotrienols in patients with end-stage renal diseases.

Studies on the effect of tocotrienols consumption are also being conducted by Ohio State University in a RM3.4 million funding commitment by MPOB. Preliminary findings showed that tocotrienols could slow the progression of end-stage liver disease, or enable a patient to cut back on therapies.

This EPP was also tasked with commercialising palm-based phytonutrients and in 2014, saw a RM430.51 million investment by FGV Lipid Venture Sdn Bhd to produce high-value phytonutrients and build a red palm olein plant in Sabah. The FGV plant is expected to be completed by end-2016. Meanwhile, Sarawak Oil Palm Bhd has committed RM80 million to build a phytonutrients plant in Bintulu, Sarawak.

KEY TAKEAWAYS

This EPP is a move in the right direction in promoting and commercialising tocotrienols in a variety of pharmaceutical and healthcare applications. Yet, there is a continual need for refinement to expedite growth in this segment. Therefore, the next step for this EPP includes identifying research and investment opportunities for palm-based phytonutrients in nutraceuticals and cosmeceutical products — cosmetic products with biologically active ingredients — as new focus areas.

RUBBER

Natural rubber prices have moved in tandem with global commodity markets, drifting steadily lower due to persistent worries about a slowing economy in major rubber consumer China. Despite the weak rubber market, interest in upstream rubber cultivation is growing, particularly in remote areas of Sarawak.

Against the scenario of weak rubber prices, the Government, through implementing agencies such as Rubber Industry Smallholders Development Authority (RISDA), Lembaga Industri Getah Sabah (LIGS), Department of Agriculture Sarawak (DoA), Federal Land Development Authority (FELDA) and Federal Land Consolidation and Rehabilitation Authority (FELCRA), encouraged replanting and new planting efforts among small farmers by offering grants ranging from RM9,000 to RM14,000 per hectare to ensure the future of the rubber industry and of small farmers in the country.

2015 Outlook

Demand for rubber is expected to be steady in 2015 and will help to underpin natural prices over the coming year[2]. From a supply perspective, the replanting efforts undertaken by Governments in Malaysia and other rubber-producing nations in the region will mean limited availability of supply and cushion prices.

In 2015 EPP 1 is allocated new budget of RM96.71 million for replanting and RM110.08 for new planting nationwide. The budget is sufficient for target of about 24,000 ha of replanting and new planting. Implementation agencies involved are RISDA, LIGS, and Jabatan Pertanian Sarawak (JPS). In Peninsular, RISDA will be responsible for replanting and new planting. LIGS will be responsible for both replanting and new planting in Sabah. While in Sarawak, JPS will be involved in new planting while RISDA in replanting.

More replanting exercises can also be expected following the Government's RM100 million rubber productivity incentive to aid rubber smallholders suffering from weak commodity prices. Starting 1 January 2015, smallholders will be eligible for assistance should prices fall below RM4.60 a kilogramme from Standard Malaysian Rubber 20 (SMR20) Free On Board (FOB). On top of that, about RM206.8 million is allocated for replanting and new planting activities nationwide in 2015.

[2] *World Rubber Industry Outlook, International Rubber Study Group*

EPP 9.1

ENSURING SUSTAINABILITY
OF THE UPSTREAM RUBBER INDUSTRY

Rubber replanting. Photo courtesy of Rabani HMA

In 2014, approximately 51,629 hectares of rubber replanting and new planting were implemented nationwide, a 6.4 per cent increase from the previous year's figure of 48,546 hectares.

Replanting and new planting activities are carried out by three main implementing agencies nationwide, namely RISDA, LIGS and DoA. RISDA, which focuses mainly on the replanting of rubber nationwide, planted a total of 39,864 hectares during the year. New plantings reached 11,765 hectares in the eastern states of Sabah and Sarawak.

Rubber Replanting under NKEA (ha)

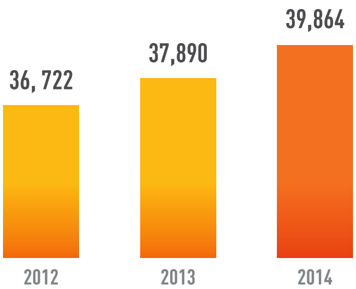


Exhibit 5.4

Rubber New Planting NKEA (ha)

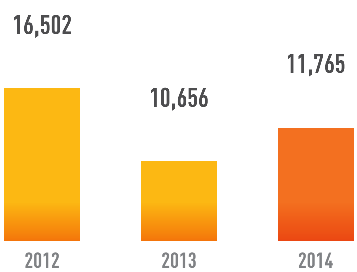


Exhibit 5.5

KEY TAKEAWAYS

This EPP is moving on track and has consistently over-achieved targets since its launch in 2012, with the first batch of planted rubber trees expected to begin yielding in 2017 at the earliest. Moving forward, this EPP will be maintained given its impact on smallholders in rural areas and future upstream productivity. In a related aspect, natural rubber price is on a downward trend as supply overtakes demand. There have been ongoing discussions on the impact of this EPP on future prices, which will determine the future direction of this EPP.

EPP 9.2

INCREASE WORLD MARKET SHARE OF LATEX GLOVES

TO 65 PER CENT BY 2020

Malaysia is home to the world's leading rubber glove producers who collectively are a key employer and revenue generator in the country. However, these glove-makers face labour shortages and tight rubber supply. To this end, the industry has embarked on automation to cut down its reliance on manual labour while investing in ensuring a steady supply of raw materials.

Malaysian rubber gloves are of world-class quality. Photo courtesy of MREPC

For the year, total export revenue of Malaysian latex products, of which latex gloves is a major contributor, was recorded at RM12.03 billion in 2014.

KEY TAKEAWAYS

In 2014 PEMANDU worked together with Hartalega in the development of Integrated Glove Manufacturing Complex (NGC) in Sepang. Multiple issues involving utilities and regulations have been resolved and commercial production began in January 2015.

EPP 9.3

COMMERCIALISING EKOPRENA AND PUREPRENA

The MRB has driven the domestic natural rubber industry to stay one step ahead of regional competition by capitalising on growing environmental awareness that has created consumer preference for natural and renewable materials over synthetic products. This spurred Malaysia to produce specialty rubber such as the epoxidised natural rubber (Ekoprena) and deproteinised natural rubber (Pureprena) that can be used in green tyres and high-performance engineering products.

To boost the take-up rate for Ekoprena, MRB is initiating a trial project on Prasarana Bhd's Rapid Buses in the Klang Valley using Ekoprena tyres. The road trial is slated to commence in 1Q 2015 and the success of the green tyres will be based on parameters including fuel consumption, tyre abrasion and number of passengers.

KEY TAKEAWAYS

Ekoprena is facing challenges in its production and marketing. This year the NKEA Steering Committee approved a developmental grant for the Ekoprena Plant in FELDA Palong 8 to improve production efficiency. In addressing marketing challenges, it is expected the trial project with Prasarana Bhd Rapid Buses will boost the market image of Ekoprena.

BUSINESS OPPORTUNITIES

1

Expansion of Plantation Land Bank

Limited availability of agricultural land for oil palm cultivation in Southeast Asia's major palm oil producing areas has pushed major plantation firms to set their sights further afield to Sabah and Sarawak, Myanmar, the Philippines, as well as Papua New Guinea and West African nations.

2

Development of Existing Downstream Activities

Malaysia is counting on growing preference for green chemicals and palm-based phytonutrients to move even further downstream towards finished products as part of a plan to boost the industry's overall growth.

3

Development of National Biodiesel Activities

Besides helping to reduce greenhouse gas emissions, the higher blend of biodiesel—from five per cent to seven per cent palm biodiesel with 95 per cent petroleum diesel by the end of this year—will enhance palm oil utilisation, reduce palm oil stocks and boost prices.

The B5 biodiesel programme was implemented in stages since June 2011 across Malaysia. By July 2012, the Cabinet had mandated the implementation of the programme across the nation. As of November 2013, 35 depots nationwide with in-line blending facilities had been set up by the Government and participating petroleum companies. As of May 2014, 21 biodiesel plants have been commissioned since 2006 with total production capacity of 2.96 million tonnes per year.

Beginning November 2014, the Government has implemented the biodiesel B7 (blend of seven per cent palm biodiesel with 93 per cent petroleum diesel) in Peninsular Malaysia. B7 will be supplied to Peninsular Malaysia in stages involving 2,952 retail stations, fisheries, fleet users and skid tanks for transport starting December 2014. Implementation of the B7 programme in Peninsular Malaysia will utilise 439,000 tonne of biodiesel per year which will contribute to savings of 508 million litres of diesel a year. The plan was implemented in Sabah and Sarawak in December 2014 in stages. This followed the Cabinet approval for the implementation of the programme for the transportation and fisheries sector in stages on 17 October 2014. Depending on the readiness of the 15 petroleum depots equipped with biodiesel blending facilities in East Malaysia, it is anticipated that the whole of Malaysia will be using B7 by March 2015. The B7 programme in East Malaysia will contribute to an increase 137,000 tonnes of biodiesel per year with savings of 159 million litres of diesel a year. As a whole, the B7 biodiesel programme for Malaysia will see the consumption of 576,000 tonnes of biodiesel and contribute to savings of 6.7 billion litres of diesel a year for the transportation and fisheries sector.

The development of National Biodiesel Activities through the blending of palm biodiesel in the national diesel supply is an integral part of the policy. Besides helping to reduce greenhouse gas emissions, the higher blend of biodiesel—from five per cent to seven per cent palm biodiesel with 95 per cent petroleum diesel by the end of this year—will enhance palm oil utilisation, reduce palm oil stocks and boost prices.

Summary of Palm Oil and Rubber NKEA

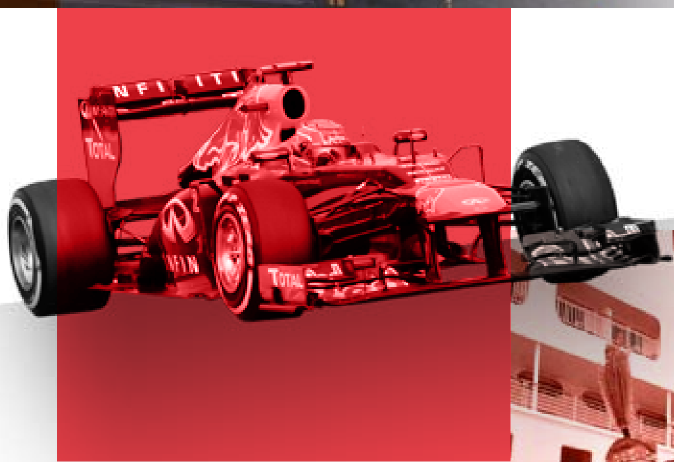
	2020 Target
Incremental GNI Impact	**RM230.9 billion**
Additional Jobs	**41,600**

Critical targets for 2015

Palm Oil
- Approved and implemented area of replanting and new planting by independent smallholders to 8,550 hectares and 20,000 hectares respectively
- Ensure that 10 cooperatives are able to sell a cumulative minimum of 12,000 metric tonnes of fresh fruit bunches
- Potential Managed Smallholding Programme which provides an alternative solution for independent smallholders who are not operationalising their own plantations
- Potential CPO cess collection based on oil extraction rate of mill
- Encourage uptake of connection to the Feed-in Tariff system by biogas plants
- Potential commercialisation of Bio-CNG plants
- Developing 11th Malaysia Plan fiscal incentives and MIDA's Domestic Investment Strategic Fund for downstream palm oil activities

Rubber
- Area of replanting and new planting of rubber by independent smallholders to 24,000 hectares
- Improving the export of natural rubber and compound rubber to 1.4 million metric tonnes
- Improvements in implementation and enforcement of dry rubber standards and regulations

TOURISM



> Through the NKEA platform, the Ministry will be open to various private-public partnership opportunities in an effort to grow in this dynamic and fast-moving sector

Dato' Seri Mohamed Nazri Abdul Aziz
Minister of Tourism and Culture

Q&A

AS ONE OF THE COUNTRY'S KEY GROWTH DRIVERS, WHAT EFFORTS WILL BE TAKEN TO BUILD ON THE MOMENTUM OF MALAYSIA'S TOURISM INDUSTRY?

We have planned the Malaysia Year of Festivals 2015 (MyFEST 2015) to continue the success and momentum of Visit Malaysia Year 2014. MyFEST 2015 will indeed be an opportunity to highlight the rich diversity of our local culture, heritage and traditions through the various festive celebrations throughout the year. As such, in highlighting Malaysia's multiculturalism as a tourist attraction, the initiatives under the NKEA will also be a key towards unlocking the full potential of the tourism industry, and efforts to facilitate these initiatives will continue. Several progressive approaches and ideas have been initiated to develop new innovative products and also to re-brand and value-add traditional products. Apart from that, the current policies and strategies are heavily focused, inter-alia on improving tourists offerings, infrastructures and services, visa facilitation as well as enhancing connectivity to key priority markets in the tourism sector to attract future higher yield segment. I hope that Malaysia's Chairmanship of Asean 2015 and the favorable exchange rate will help boost tourist arrivals in the country.

WHAT ARE THE KEY CHALLENGES FACED BY MALAYSIA'S TOURISM INDUSTRY?

The recovery of tourist arrivals from China is a matter of prime importance and an area in which we have placed immediate attention. As a burgeoning market for Malaysia to attract, it is vital that we enhance our efforts to draw Chinese tourists in the coming year. Concurrently, we will also need to encourage the industry to develop new tourism products and improve the quality of various existing tourism offerings. It will be through these undertakings that we can look towards further expansion in tourist expenditure, which will directly help the country's economic growth and development.

WHAT ARE THE CRITICAL SUCCESS FACTORS FOR THE TOURISM INDUSTRY?

The Ministry will continue to put in place a supportive environment for tourism and efforts must also be driven by the private sector. Collaboration between tourism industry stakeholders is therefore crucial in ensuring the industry continues to thrive. Strategic public-private partnership will enable us to showcase the best of what we have in moving towards achieving our aspired targets. Through the NKEA platform, the Ministry will be open to various private-public partnership opportunities in an effort to grow in this dynamic and fast-moving sector. We have to diversify the present tourism products and packages to offer a wide variety of tourism offerings. Thus the tourism sector needs to continuously re-engineer and adapt its business model to suit customers' needs and demands. This can be done by ensuring that tourism policies, product developments, products offerings, connectivity and marketing strategies are in tandem with the global trends that are influencing and changing the behaviour of tourists.

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WHAT CAN TOURISTS LOOK FORWARD TO IN 2015?

Exciting Festivals! Themed "Endless Celebrations", a total of 50 cultural events and festivities have been identified as key cultural attractions in Malaysia. Tourists can look forward to various cultural festivals throughout Malaysia such as Mah Meri Ancestral Day Festival, Nasi Ambeng Festival, Colours of Malaysia, National Open Houses, and themed events such as Malaysia International Shoe Festival, Penang World Music Festival, Rainforest Music Festival and Kelantan International Wau Festival to name a few. MyFEST 2015 will also showcase new events such as the Skyride Festival Park (throughout the year) in Putrajaya, International Aborigines Festival, International Mask Festival and Iftar@KL. Besides that, leveraging on YAB PM's call to increase the frequency of nationwide mega sales and extend shopping hours, the Ministry is collaborating with the Ministry of Domestic Trade, Co-operatives and Consumerism (*Kementerian Perdagangan Dalam Negeri, Koperasi dan Kepenggunaan* – KPDNKK) and private sectors to intensify duty-free shopping. Opening of the second premium outlet in Malaysia this year will support Malaysia's tourism aspiration as a top shopping destination which will complement the current multiple retail offerings the country already has. The many tourism landscapes, unique blend of culture and heritage, abundance of biodiversity, cuisines, arts, crafts and architecture have always put Malaysia on the map as a must-visit global destination.

TOURISM

Tourism was the sixth highest contributor to the Malaysian economy in 2014. The country continues to see new records set, with tourism arrivals growing by 6.7 per cent to 27.4 million and receipts at RM72 billion compared to RM65.4 billion in 2013.

This achievement can be directly attributed to the Ministry of Tourism & Culture (MoTAC), and Tourism Malaysia's aggressive promotional efforts and commitment in line with the celebration of Visit Malaysia Year 2014 (VMY 2014). The year has seen a series of year-long special events and activities, along with strong collaborations with the industry stakeholders.

The results highlight the resilience of the tourism industry despite the aviation tragedies that afflicted the nation in the first half of 2014. The Ministry took steps to adapt to the needs of this dynamic industry, intensifying promotions to other markets to counter the shortfall from the Chinese market. Malaysia actively participated in various key international travel exhibitions throughout the year including the ITB Berlin and World Travel Market.

Strong tactical campaigns in selected target markets were also very effective. For instance, involvement in the Vietnam Travel Mart 2014 resulted in a 21.2 per cent increase of tourist arrivals from Vietnam alone. As a result of these efforts overall, ASEAN countries delivered an increase of 6.8 per cent, while the target medium-haul countries of Korea and India also contributed significant growth of 40.5 per cent and 18.3 per cent, respectively.

Given the dynamic nature of tourism, steps must be taken to address the changing demands of the sector. In line with this, the Ministry continues to hold regular engagements with industry stakeholders, discussing measures to boost the industry.

This year, the Ministry also continued to drive positive momentum on its key EPPs while proactively improving holistic packaging and the quality of offerings. Malaysia's goal of targeting more discerning travellers is aligned with a key industry megatrend that will continue to spur growth for this key sector.

The World Tourism Organisation (UNWTO) has projected an average industry growth of 3.3 per cent year-on-year globally until 2030. The Asia Pacific region is expected to lead this trend, seeing 4.9 per cent annual growth. If Malaysia intends to be a key beneficiary of this growth, this will require continued collaboration among all relevant stakeholders, with an emphasis on private sector-led initiatives; to drive towards the ambitious goals of achieving 36 million arrivals by 2020.

2015 Outlook

Globally, tourism will continue to experience development and diversification, remaining a top growth sector in the world economy. However, the increasingly dynamic landscape of the sector will require industry players to step out of their traditional roles, to meet evolving demand for products aligned with the modern traveller's lifestyle needs. Malaysia will aim to intensify marketing and promotional efforts to create greater product differentiation with experiential offerings that deliver unique cultural identity and greater perceived value.

Tourism Malaysia will be aiming to intensify promotional and tactical campaigns to cater to developing tourism megatrends observed, particularly in the digital space; working on more targeted promotion for specific interest groups. It has already launched plans to aggressively target China's digital sphere as part of its recovery plans for this source market.

Moving forward, niche products such as cruise and golf tourism offer powerful strategic synergy with Malaysia's existing offerings of nature sites, business tourism and shopping attractions. Malaysia will aim to tap the existing growth of the regional cruise market, which has seen an average growth of 14 per cent over the past 10 years. In addition, 2015 presents an ideal opportunity for Malaysian golf tourism to leverage the accolade of being crowned Asia's best golf destination by the inaugural World Golf Awards 2014.

To build on its positive momentum to date, Tourism Malaysia has designated 2015 as Malaysia Year of Festivals (MyFest 2015). This seeks to showcase and celebrate Malaysia's diverse cultures and festivities, continuing to boost the tourism sector to ensure the Malaysian tourism industry remains robust after the end of the Visit Malaysia Year 2014 (VMY 2014) campaign.

2014 KPI Analysis

The Tourism NKEA overall achieved 132 per cent of the KPIs of its EPPs. The targets were achieved as a result of the close collaboration and the continued efforts of MoTAC, Ministry of Transport (MoT), Ministry of Natural Resources and Environment (NRE), other Government agencies, and the private sector.

Highlights include the achievements of the Malaysia Convention & Exhibition Bureau (MyCEB) for EPP 7 and EPP 10, whose KPI outcomes can be directly attributed to the strong efforts of both the Malaysia Major Events (MME) unit and the Business Events (BE) unit. These agencies continued to actively engage a diverse range of industry associations and event organisers in order to develop the industry with an attractive, world-class line-up of events held or won throughout 2014, totalling 47 international events and 152 business events.

In 2014, Malaysian carriers were hindered from achieving their ambitious weekly seats KPI targets due to unfortunate aviation tragedies which received global media attention. However, despite this setback, there was a marked increase in medium-haul connectivity in 2014 of 19,223 weekly seats to 129,015 weekly seats, surpassing the achievements of 2013 of 17,921 incremental weekly seats.

Nevertheless, tourist spend on shopping in EPP 1 was directly affected by the related drop in Chinese tourists. China as a source market is globally recognised as a leading force driving tourism receipts, and Malaysia's goal for 2015 is to recover from this temporary setback.

Given the nature of the tourism sector, continued growth momentum will depend not only on MoTAC and Tourism Malaysia, but also on continued assistance and involvement by regulatory bodies, enforcement agencies, local councils and private sector industry stakeholders.

2014 Key Performance Indicators

TOURISM NKEA		KPI (Quantitative)				
				Achievement		
No.	KPI	Target (FY)	Actual (YTD)	Method 1 %	Method 2 %	Method 3
EPP #1	Total tourist shopping spend per arrival (RM per tourist)	924	787	85	85	0.5
EPP #2	Retail revenue per sq ft (RM/sq ft)	1,600	1,597	100	100	1.0
EPP #3	Establishment of second Outlet Centre in Malaysia: Percentage of construction completed (Construction completed in 2013: 20%)	80%	80%	100	100	1.0
EPP #4	Number of visitors to Malaysia Mega Biodiversity Hub (MMBH) sites	700,000	875,694	125	100	1.0
	RDC conceptual design and implementation plan to be submitted by private sector	100%	100%	100	100	1.0
EPP #6	Number of international cruise calls at six terminals (Port Klang, Penang, Langkawi, Malacca, Kota Kinabalu, Kuching)	340	356	105	100	1.0
EPP #7	Number of international tourists at International Events supported by MyCEB	63,400	110,899	175	100	1.0
EPP #8	Number of approved designated entertainment & lifestyle premise	1	3	300	100	1.0
EPP #9a	Number of spa therapists trained/ undergoing training	250	250	100	100	1.0
EPP #9b	Revenue generated from golf tourism (RM mil)	310	312	101	100	1.0

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TOURISM NKEA		KPI (Quantitative)							
				Achievement					
No.	KPI	Target (FY)	Actual (YTD)	Method 1		Method 2		Method 3	
				%		%			
EPP #10	Number of delegate days for events secured (international delegates only)	230,000	362,280	158	●	100	●	1.0	●
EPP #11	Increment of weekly seats to identified priority countries: China, Japan, Taiwan, India, Australia and South Korea	22,500	19,223	85	●	85	●	0.5	●
EPP #12	Number of new 4-star & 5-star hotel rooms	4,000	4,039	101	●	100	●	1.0	●
				126%		**98%**		**92%**	

Exhibit 6.1

Method 1 Scoring is calculated by a simple comparison against set 2014 targets. The overall NKEA composite scoring is the average of all scores

Method 2 Scoring is calculated by dividing actual results against set 2014 targets with an added rule:
- If the scoring is less than 100%, score #2 is taken as the actual percentage
- If the scoring is equal or more than 100%, score #2 is taken as 100%. The overall NKEA composite scoring is the average of all scores

Method 3 Scoring is calculated by dividing actual results against set 2014 targets with an added rule:
- If the scoring is equal and less than 50%, score #3 is indicated as 0
- If the scoring is more than 50% and less than 100%, score #3 is indicated as 0.5
- If the scoring is equal or more than 100%, score #3 is indicated as 1

ENTRY POINT PROJECTS

EPP 1

POSITIONING MALAYSIA AS A DUTY-FREE SHOPPING DESTINATION

FOR TOURIST GOODS

The Shopping Secretariat Malaysia (SSM) ramped up promotions of Malaysia as a duty-free destination as part of the overall VMY 2014 campaign. SSM worked closely with the industry including the Bukit Bintang-Kuala Lumpur City Centre (BBKLCC) Tourism Association, Malaysian Retailers Association (MRA), Malaysian Retailer-Chains Association (MRCA) and the Batu Road Retailers Association (BRRA) to collaborate these efforts.

Launching of 1Malaysia Grand Prix Sale 2014 in Sunway Pyramid

Shopping outlets and malls prominently displayed the 1Malaysia Mega Sale Carnival (1MMSC) and 1Malaysia Year End Sale (1MYES) promotions and campaign material this year. In collaboration with the Malaysia Shopping Malls Association (*Persatuan Pengurusan Kompleks Malaysia* -PPKM), SSM also launched a coffee table book to support outbound promotional campaigns.

Generating media visibility for Kuala Lumpur as a premier shopping destination, SSM used the innovative platform of a reality TV show, "Fit for Fashion", which featured shopping locations in and around the city. This complemented efforts to leverage on various fashion events held in Malaysia such as KL Fashion Week and Fashion TV.

Despite the efforts by SSM, the sharp reduction in tourist arrivals from the Chinese market resulted in lower tourist spend on shopping. SSM's efforts in other key source markets such as ASEAN and the Middle East were able to make up for some of this shortfall, with the final achievement of RM787 per tourist a direct result of these initiatives.

KEY TAKEAWAYS

SSM will continue its innovative marketing campaigns to promote Malaysia as an attractive shopping destination. Cross-cutting efforts by Tourism Malaysia also aim to restore the original trajectory of shopping spend and revitalise the China source market in 2015.

EPP 2

DESIGNATING BUKIT BINTANG -KUALA LUMPUR CITY CENTRE

AS A VIBRANT SHOPPING PRECINCT

The BBKLCC precinct garnered additional recognition as a world-class shopping destination in 2014. A leading online travel information website, TripAdvisor, ranked Kuala Lumpur among the world's top 12 value-for-money tourist cities. This accolade builds on momentum from 2012, when Kuala Lumpur was named the Second Best Shopping Destination in the Asia Pacific Globe Shopper Index; and the listing of Malaysia as the World's Best Shopping destination for two consecutive years by CNN for 2012 and 2013.

The BBKLCC Tourism Association continued efforts to boost the vibrancy of the shopping precinct, carrying out a number of activities including the launch of the Malaysia Grand Prix Sale and the 1Malaysia Year End Sale. With a myriad of retail offerings across the market spectrum, the precinct continues to be a top-tier shopping attraction, for both foreign and local tourists.

To help enhance the overall attractiveness of the BBKLCC shopping precinct as a tourist-friendly destination, two BBKLCC Clean-Up campaigns were conducted in April and October 2014. These multi-agency operations were primarily geared at strengthening traffic offence enforcement in the area, creating a conducive, secure and welcoming environment for tourists.

Participating enforcement agencies included the Royal Malaysian Police (*Polis Diraja Malaysia* – PDRM), *Dewan Bandaraya Kuala Lumpur* (DBKL), *Jabatan Pengangkutan Jalan* (JPJ), *Agensi Anti Dadah Kebangsaan* (AADK), Land Public Transport Commission (SPAD), *Jabatan Kastam Diraja Malaysia* (JKDM), United Nations High Commissioner for Refugees (UNHCR) and *Jabatan Pertahanan Awam Malaysia* (JPAM).

Christmas gantry lighting decoration in Jalan Bukit Bintang

KEY TAKEAWAYS

Moving forward, the BBKLCC Tourism Association will continue to refine and refocus its organisational priorities around strengthening the key elements of the shopping experience which make the BBKLCC area a landmark shopping destination for tourists.

EPP 3

ESTABLISHING PREMIUM OUTLETS

IN MALAYSIA

The country's second luxury outlet centre for premium items, Mitsui Outlet Park (MOP), commenced construction in January 2014. Located near KLIA, the MOP development will be the largest outlet mall in Southeast Asia, and is a joint venture between Mitsui Fudosan & Malaysia Airports Holdings Bhd. Completion is projected for early 2015, and the official opening is expected in the middle of the year.

2014 also marked the third year anniversary of operations for Johor Premium Outlets® - a joint venture between Genting Plantations Bhd and Simon Property Group. Spanning 290,000 sq ft, Johor Premium Outlets® features a total of 130 brand name outlet stores and serves consistently high volumes of international and domestic shoppers. This project has created over 3,000 job opportunities, helping Johor build up and preserve a pool of human capital, developing local talent and creating economic value.

KEY TAKEAWAYS

The Government will continue its facilitative role to support the timely completion of MOP. MoTAC will also step up its marketing and promotion activities to ensure that Malaysia's outlet centres are well-publicised to international tourists.

Ground breaking ceremony for Mitsui Outlet Park on 29 April 2014

EPP
4

ESTABLISHING MALAYSIA MEGA BIODIVERSITY HUB (MMBH)

To raise Malaysia's profile as a biodiversity hub, the NRE has developed a comprehensive system of monitoring, feedback, and supervisory oversight.

A set of guidelines for rating and certification of Malaysia's eco-sites, the Criteria & Indicators programme (C&I) was developed to facilitate both environmental preservation and continuous site upgrading, to help lift Malaysia's sites up to global standards of nature-based tourism. Having been piloted at three sites, the C&I is in the process of being merged with MoTAC's Tourism Quality Assurance standard (MyTQA) for streamlined administration and wider implementation to prepare for expansion across nature-based tourism sites nationwide.

Meanwhile, MMBH visitor statistics continue to be tracked and visitor figures are on a positive controlled trend, with overall visitor numbers amounting to 875,694 in 2014. This continued monitoring will also help to measure the appeal of Malaysia's offerings and identify growth trends.

The EPP also aims to create Rainforest Discovery Centres (RDC), intended to serve as easily accessible visitor hubs for education and promotion of Malaysia's biodiversity network. While finding a suitable site meeting all required criteria had initially posed a challenge, the rollout of the first RDC is now underway at the Sepang Kecil mangrove forest reserve by Sepang GoldCoast Sdn Bhd. When fully operational, the centre will also contribute towards conservation efforts at the site.

Artist's Impression of RDC Visitor's Jetty

KEY TAKEAWAYS

The synergy of the C&I and MyTQA is projected to improve the adoption and practice of responsible marketing and park management. The NRE aims to continually refine the visitor tracking reportage to assist Tourism Malaysia to package and market MMBH attractions to target audiences.

The next steps for this EPP include developing closer synchronisation between the marketing and promotion efforts of Tourism Malaysia, the monitoring of MMBH sites by the NRE, and the management of sites via the MMBH Interim Board. Efforts will also continue to identify suitable RDC hubs in East Malaysia.

EPP
5

DEVELOPING INTEGRATED RESORTS

MoTAC has been facilitating two new integrated developments in Malaysia, namely the Melaka Gateway project and The Two in Rawang.

The Melaka Gateway project by KAJ Sdn Bhd aims to create a tourism island, together with its Malaysia Eye attraction targeted for launch in 2015. The project has confirmed joint ventures with Prometheus Marine Pte Ltd for the development of the Melaka Marina; and with Royal Carribean International (RCCL) for the construction and operation of an international cruise terminal, their pioneer investment into this region. These components will form the first phase of the Melaka Gateway project with future phases planned to include high-end hotel developments, supporting retail and other lifestyle attractions.

Artist's impression of Project TWO in Rawang

Following its official launch by the YAB Prime Minister and the Chief Minister of Melaka in February 2014, land reclamation for the project has made significant progress, with completion of land reclamation for the first island.

The Two in Rawang by DA Land Sdn Bhd is a new development which includes a planned high-capacity concert arena, targeted to cater for Klang Valley's growing need for venues capable of hosting large-scale international events.

Prominently visible and easily accessible from the North South Expressway, it will also house an outdoor and indoor theme park development supported by retail offerings and hotels. This development will be completed in phases from 2017 to 2019 and is expected to continue to spur the growth and vibrancy in the north of Greater Kuala Lumpur.

KEY TAKEAWAYS

The Government will continue to evaluate new integrated developments in Malaysia, and facilitate relevant developments with the ability to refresh tourism offerings, draw visitors and make the country a top-of-mind destination.

Meanwhile, the Sabah State Government actively continues to facilitate the developments planned by Karambunai Corp Bhd (KCB), which is laying the groundwork for the necessary joint venture private investors. As this is an ongoing process where the implementation of the project continues to undergo fine-tuning, the Sabah State Government will continue in its consultative and facilitative role as the respective commitments are finalised.

EPP 6

DEVELOPING CRUISE TOURISM

International cruise tourism has grown at an average of 14 per cent annually* over the past decade. To capture this burgeoning market, EPP 6 supports the ongoing development of a vibrant cruise network utilising the strategic nautical corridor along the richly historic Straits of Melaka and the exotic island of Borneo.

Among the early movers to undertake development of large cruise ship infrastructure in the Southeast Asian region, Malaysia has seen consistent cruise deployments over the last few years and is investing in continual upgrades to maintain and attract a share of a projected US$2 billion industry in the Southeast Asian region (2013).

This year, the East Coast received new focus due to its growing strategic importance for international cruise lines developing their East Asia sectors. In line with this, Kuantan port has joined the line-up of six primary ports originally identified in 2011: Penang, Port Klang, Kota Kinabalu, Langkawi, Melaka, and Kuching.

Kuantan's emergence as a core port supports a projected traffic increase of cruises to the countries along the eastern coast of Southeast Asia, Hong Kong and Taiwan. In 2014, Star Cruises deployed its Superstar Gemini via this port to East Asia and Vietnam, averaging two calls a month.

** Asia Cruise Association White Paper on the Cruise Industry in Asia 2013*

In addition to improving visitor attractions, facilities and berth capacity at its six primary ports, Malaysia is also adding top-tier port capacity with an upcoming privately-developed cruise terminal in Melaka. An MoU has been signed between Royal Caribbean International and Melaka Gateway, and the terminal is on track for operational launch in early 2017. Plans include berthing capacity for up to three cruise ships along a 900 metre jetty.

Artist's impression of Melaka Gateway

Malaysia continues to see consistent deployment figures, reflecting the industry trend of bigger ships making fewer calls. Some notable highlights include Royal Caribbean's plans to deploy Quantum of the Seas to ASEAN in June 2015, voyaging through Dubai, Muscat, Cochin, Penang; Singapore and Port Klang; Shanghai and Ho Chi Minh; and Hong Kong and Xiamen.

This is in addition to a planned year-long deployment of its Legend of the Seas and Mariner of the Seas to Singapore/Malaysia from 2015. Azamara Cruises also deployed its Azamara Journey to the region at the end of 2014.

KEY TAKEAWAYS

The Government recognises that concerted long-term planning is required for this EPP as the industry typically plans its deployments up to two years in advance. Challenges include heavy commitments to upcoming infrastructure upgrades to cater for expanding berth capacity as larger industry players shift towards mega cruise ships.

Chaired jointly by the Secretaries-General of the MoT and MoTAC, the Malaysia Cruise Council (MCC) continues to monitor and promote the upgrading of cruise terminal infrastructure to satisfy a projected doubling of cruise passenger arrivals towards 2020.

Cruise tourism remains firmly on MoTAC's radar in line with strategies to attract and serve the premium travel market. Task-force working groups continue with efforts to improve hassle-free cruise tourism experience at Malaysia's ports, and the Government will continue to facilitate private sector players serving this fast-growing sector.

Engagement with cruise lines continues with active participation at key industry events such as Cruise Shipping Asia-Pacific 2014. Other continuing initiatives include working with local agencies to promote cruise packages between Singapore, Malaysia and Phuket, familiarisation trips for cruise lines, media and agents; and the production of the "Malaysia Cruise Brochure 2014", a comprehensive reference of port facilities and nearby attractions.

EPP 7

TARGETING MORE INTERNATIONAL EVENTS

2014 was a busy and challenging year for MME, a unit under the MyCEB which facilitates the development of the international events industry in Malaysia. Via MME's efforts, the number of supported events increased from 32 in 2013 to 47 in 2014. Malaysian tourism benefitted significantly, with international attendees increasing by 14.1 per cent from 97,211 (2013) to 110,899 (2014).

In 2014, Malaysia hosted the Ironman challenge, touted as the world's most arduous single-day endurance test, and widely regarded as the pinnacle of the sport. A total of 1,374 competitors from 56 countries took part in

Ironman Malaysia 2014, Langkawi. The top 40 qualifiers from that event secured places in the Ironman World Championship 2015.

Separately, a unique 70.3 mile Ironman was also held in Putrajaya. This introductory event was the first of its kind, and included the innovative introduction of a floating pontoon on the scenic Putrajaya lake.

Key highlights for 2014 also included the IFMA Muaythai World Championships 2014, the A.R. Rahman Infinite Love Malaysia concert, and Temptation Reloaded – Shah Rukh Khan Live in Malaysia 2014. Meanwhile, a home-grown success story, the Viper Challenge Malaysia 2014 enjoyed a successful second year, and is expected to scale up further in 2015.

MME this year consolidated its role of nurturing and catalysing the Malaysian event industry, hosting an International Events Symposium which delivered impactful knowledge-sharing sessions by experienced industry professionals from more developed markets. The symposium provided local event organisers useful insights into the historical development issues, trends, and best practices of the international events industry.

The clustering of events around the Grand Prix F1 and MotoGP continues to boost spectatorship, and despite it being a somewhat subdued year due to the airline tragedies, the Sepang Grand Prix still drew a strong crowd of 92,550. Visitorship for the MotoGP meanwhile recorded its highest number of spectators at 85,000 pax, with foreign attendance contributing 35 per cent.

KEY TAKEAWAYS

Bringing the Malaysian events industry up to world-class standards remains a challenging task, with ambitious goals set for MME in 2015. Efforts will be focused on identifying high-potential landmark events to complement MyFest 2015, and heightened engagement with the private sector to help bid for more international events. Together with MoTAC, MME will also sustain efforts to enhance intra-stakeholder communication amongst the industry players, agencies and Ministries.

Sweden's Patrick Nilsson crossed the finishing line to be the winner of the Ironman Malaysia 2014, Langkawi

EPP
8

ESTABLISHING DEDICATED ENTERTAINMENT ZONES (DEZ)

One of the identified DEZ Sites: The Three Sixty⁰ Revolving Restaurant and Sky Bar in Penang

Three new outlets in Penang were designated as DEZs in 2014. These were the QEII On-The-Sea restaurant which offers lifestyle waterfront dining, the Three Sixty^{0} panoramic revolving restaurant with Malaysia's largest al fresco rooftop bar, and the iconic Hard Rock Hotel in Batu Feringghi.

EPP 8 is also facilitating the transition of its first DEZ, Zouk KL, to a new site. To be known as TREC KL, it will be relocated to Jalan Tun Razak, where its refreshed offerings will provide a world-class experience, meeting international visitor expectations.

KEY TAKEAWAYS

MoTAC will continue monitoring identified sites, tracking visitor numbers to obtain more reflective market data for targeted promotions by Tourism Malaysia. The EPP will continue to facilitate additions and improvements to the quality of offerings, with the aim of enhancing the reputation of Malaysia's evening entertainment scene.

EPP 9a

DEVELOPING LOCAL EXPERTISE

AND BETTER REGULATING THE SPA INDUSTRY

Rating and accreditation of spas in Malaysia is a national initiative aimed at uplifting and regulating the burgeoning spa industry. The number of rated spas has increased from 196 in 2013 to 226 in 2014. Of these, 88 are 4- and 5-star rated.

As part of the Ministry's strategy to boost the quality of service in officially-rated spas, five approved Centres of Excellence (CoEs) have been tasked with producing qualified therapists to help meet the burgeoning spa industry's human resource needs.

MOTAC's Spa Therapist Training Programme not only serves to create job opportunities with long-term career development prospects for the lower income group, but also to uplift the profession, creating opportunities for upskilling and self-advancement within this industry. A comprehensively designed programme, its requirements include work placement of enrolled spa therapists with reputable, accredited spa establishments in Malaysia, providing invaluable on-the-job experience.

In 2014, the five CoEs (Energy Academy, Stella-In Beauty Academy, Langkawi International Spa Academy, Jari Jari Academy and Beaubelle Academy) recruited a total of 250 local spa therapists for Malaysia.

Following careful deliberations, two additional CoEs have been approved by the Government in 2014: YTL International College of Hotel Management and Karisma Merdu. These COEs will commence recruitment in 2015.

The spa and wellness industry is an important complementary component of tourism strategy to attract high-revenue tourists. MoTAC has stepped up efforts to promote the industry in collaboration with Tourism Malaysia; working closely with the media and relevant agencies to boost positive awareness of the industry and dispel negative preconceptions towards industry professionals.

Visibility for the positive economic benefits and developments has been generated quite extensively via newspapers, magazines, and radio interviews; and supplemented by constant engagement with industry stakeholders.

Training at the Jari Jari Spa Training Academy

In related efforts, the development of a Signature Malaysian Massage is underway. This uniquely differentiated product will strengthen branding and promotion of the Malaysian spa industry. The end product is a therapy which will blend and unify the best elements of heritage Malay massage, traditional Chinese medicine approaches, Indian techniques, and East Malaysian methods; creating a uniquely recognisable Malaysian offering.

KEY TAKEAWAYS

To meet the projected demand of the industry beyond 2016, the EPP will continue to boost the numbers of locally trained spa therapists. Future collaborations are being planned with several agencies that conduct similar or related training programmes, to further optimise the existing Spa Therapist Programme.

The ongoing development and implementation of a signature Malaysian massage will create a flagship identity for Malaysia's spa industry that can be gradually syndicated for wider adoption with the goal of developing a profitable product with maximum uptake by industry stakeholders.

EPP 9b

GOLF TOURISM

Golf revenue rose 2.6 per cent to RM312 million in 2014, led by efforts by Tourism Malaysia and the Malaysian Golf Tourism Association (MGTA). Tourism Malaysia and MGTA's efforts also resulted in significant landmark achievements for Malaysia, which was awarded Best Golf Destination in Asia by the World Golf Awards inaugural edition in 2014, overcoming strong competition from Thailand and Indonesia.

The World Golf Awards 2014 is a newly launched, specialised subset of the prestigious World Tourism Awards. An additional award for the new Els Club in Teluk Datai Langkawi, as the Best New Golf Course in the world, further reinforces the recognition of Malaysia's offerings.

The accolade can be attributed to the continuous efforts of MGTA in collaboration with the International Association of Golf Tour Operators (IAGTO) to put Malaysian golf courses and golf clubs on the map internationally. MGTA's presence at various key golf events such as the Asia Golf Tourism Convention (AGTC) and International Golf Travel Mart (IGTM) contributed to the visibility for Malaysia.

MGTA also aggressively undertook a "Play Malaysia Golf" campaign, promoting the various golf destinations in Malaysia as well as the diversity of packages offered by Malaysian golf tour operators. Furthermore, Malaysia hosted the CIMB Classic and the Sime Darby LPGA, which both help boost international visibility to the wider international golfing audience.

KEY TAKEAWAYS

Moving forward, Malaysia's challenge will not just be in maintaining its competitiveness as a golf destination, but also in raising the bar to improve its standing further. MGTA in collaboration with Tourism Malaysia will continue to push strategies that leverage Malaysia's latest international recognition to take Malaysian golf tourism to the next level.

Malaysia wins at the 1st Annual World Golf Awards

EPP
10

ESTABLISHING MALAYSIA AS A LEADING BUSINESS TOURISM DESTINATION

The International Federation of Surveyors (FIG) Congress 2014 held in Kuala Lumpur from 16 to 21 June 2014

MyCEB was established to expand the Business Events segment (travel relating to meetings, incentives, conventions and exhibitions), and to position Malaysia as a leading destination in this lucrative and growing sector.

In 2014, the efforts of MyCEB and industry partners generated a total of 362,280 delegate days, surpassing their target KPI of 230,000 delegate days. This was achieved by securing several large conventions, incentive groups and exhibitions which totaled 152 events secured or supported throughout the year.

Some of 2014's highlighted events supported by MyCEB include the 25th International Federation of Surveyors (FIG) Congress 2014 which was attended by 2,500 delegates from 99 countries and officiated by YAB Prime Minister of Malaysia; the Perfect China Annual Conference which was well-attended by 3,500 delegates from China even post-MH370; and the Toastmaster World Convention 2014 — held for the first time outside North America — which saw an attendance of over 2,700 delegates from more than 100 countries.

Meanwhile, major bids won in 2014 include the World Federation of Hemophilia (WFH) World Congress for 2020, with an expected 3,400 delegates; the 9th World Urban Forum 2018 (WUF9) with an expected 10,000 delegates; and Cityscape Malaysia 2015, which will be the largest international real estate event held in Malaysia, with a projected foreign delegate count of 5,000.

Aside from these supported and secured events, MyCEB has put tremendous effort into industry engagements, particularly focused on nurturing and developing local associations, a necessary precondition to improve Malaysia's readiness to attract and host international conferences and conventions.

These efforts included the launch of the inaugural Malaysia Business Events Week in August 2014, an industry forum at which 12 international speakers and 21 local industry speakers shared insight and expertise with 300 delegates from different sectors in Malaysia, to help stimulate the development of the local BE industry.

KEY TAKEAWAYS

As the business events sector is becoming even more competitive globally, MyCEB must continue intensifying efforts to retain Malaysia's position as a leading destination. Upcoming plans include the creation of a Business Events Professional Development programme, as well as active measures to equip national associations with the skillsets to raise their profiles globally, in order to bid for and successfully host international business events.

EPP 11

ENHANCING CONNECTIVITY

TO PRIORITY MEDIUM-HAUL MARKETS

The growth trajectory of the airline sector is on the uptrend in 2014, particularly for the six targeted medium-haul countries of Australia, China, India, Korea, Japan and Taiwan. The total connectivity capacity to these countries provided by Malaysian carriers (Air Asia, Air Asia X, Malindo and Malaysia Airlines) saw an increment of 19,223 available weekly seats, to a total of 129,015 seats for 2014. The largest contribution came from significant growth for Australia, India, Korea and Japan.

Overall growth trends remain promising, with a cumulative increase of 52,791 seats to targeted countries since 2011. This figure has in fact surpassed original projections forecasting a cumulative increase of just 48,960 seats for the period. The Ministry of Transport's ongoing facilitation of Malaysian carriers' expansion plans has played a major supporting role, in the face of the challenges faced due to the drop in connectivity to China in the year.

Tourism Malaysia's efforts in 2014 include facilitating charter flights to China, South Korea, Japan, Taiwan, Kazakhstan and Finland. Joint promotions were also conducted with various tour agents in China, the Middle East, India, Australia and several European countries.

These efforts have borne fruit; for instance, 2014 promotions in UK saw a conversion of over 10,000 package sales. Tourism Malaysia's various tactical campaigns to the targeted countries also resulted in a 40 per cent increase in charter flights from 2013; and over 240,000 packages sold around the world, particularly in the target medium-haul countries, the Middle East and Europe.

KEY TAKEAWAYS

The outlook for connectivity in 2015 remains cautiously optimistic with Malaysian carriers currently assessing their optimal response to the market's prospects for recovery. Meanwhile MoT will continue to facilitate requests for expansion into target countries.

Tourism Malaysia will continue to adapt to a fast-changing global tourist industry with campaigns targeting the recovery of the China market as well as the exploration and development of new markets. Plans for 2015 include a digital initiative aimed at refreshing Tourism Malaysia's existing platforms, adapting to the rapidly evolving expectations of an increasingly discerning market of travellers and tourists.

EPP
12

IMPROVING RATES, MIX AND QUALITY OF HOTELS

Among strategies of the Tourism NKEA to attract high-yield tourists is encouraging the development of an optimal mix and quality of hotels, with a high level of service delivery.

4,039 new 4- and 5-star hotels were completed in 2014 with a good distribution throughout the country in the key cities of Alor Setar, Ulu Kinta, Kuching, Johor Bahru, Penang, Pulau Carey, Melaka and Miri. Notable project completions include the 335-room 5-star Double Tree by Hilton Hotels in Johor Bahru, the 497-room 5-star Best Western Premier in Ulu Kinta, Perak, and the 325-room 4-star Boulevard Imperial Hotel in Kuching.

11,277 4- and 5-star rooms were completed between 2011-2013, and the current incremental total is 15,316 4- and 5-star rooms for 2014. Spurred by the Government's efforts to extend the existing Investment Tax Allowance to the end of 2016, the growth trajectory remains on track to achieve the target of 37,000 new 4- and 5-star hotel rooms by 2020.

KEY TAKEAWAYS

MoTAC will continue to facilitate and encourage development of hotels in line with projected needs in Malaysia.

Ministry of Tourism & Culture's Secretary-General Datuk Dr Ong Hong Peng at the official launch of Vivatel Kuala Lumpur

BUSINESS OPPORTUNITIES

1

Food and Beverage Outlets

Opportunities in the food and beverage market are available in most of the Tourism EPPs. Contributions to GNI are also expected to grow with the increase in tourist arrivals and shift towards high-yield tourists.

2

Local Transportation

The Land Public Transport Commission (SPAD) will continue to address issues and provide opportunities to facilitate improvements to the taxi industry in Malaysia.

3

Tour Operator Segment

In 2014, the Ministry of Tourism and Culture recorded a 10.2 per cent increase in the number of tour guides (both City and Nature Guides) to 12,144. The number of City Guides increased from 8,455 to 9,228 while Nature Guides increased from 2,563 to 2,916. The number of tour operators in the country has also increased. Based on the business licences approved for Tour Operating Business and Travel Agency, a total of 4,984 licences were issued in 2014 compared to 4,563 licences in 2013.

Tour operators will need to attend and complete the Travel & Tour Management Course (TTMC) for new licences and Travel & Tour Enhancement Course (TTEC) prior to renewal of their operating licences. The Ministry of Tourism and Culture will propose for these courses to be held more frequently to facilitate the growing number of tour operators.

Summary of Tourism NKEA

	2020 Target
Incremental GNI Impact	**RM66.7 billion**
Additional Jobs	**497,000**

Critical targets for 2015

- Completion of second Outlet Centre, Mitsui Outlet Park KLIA
- Commencement of Rainforest Discovery Centre construction
- Completion of Malaysia Eye; first phase of Melaka Gateway
- Nationwide facilitation of international cruise calls to Malaysia
- Increased throughput of trained therapists from Centres of Excellence
- Concerted promotional campaigns to targeted medium-haul countries
- Development of more 4-star and 5-star hotels

CHANGING LIVES

Ng Eu Shen
President, MGTA

Hole-In-One for Malaysia's Golf Industry

"Malaysia has long been considered as a golfing paradise in Asia, and we at the Malaysia Golf Tourism Association (MGTA) are proud to play a part in further developing the golf industry here and promoting the country as a leading golf destination, contributing to efforts under the Tourism NKEA.

Under the ETP, the MGTA has been tasked with coordinating efforts made by relevant stakeholders–golf course owners, golf resorts and golf media, among others–to promote and position Malaysia as an all-round golfing destination to international golf tourists.

We realised at the outset that a concerted effort is needed to promote Malaysia as a golfing destination and at the same time, generate buzz on the golfing experience in the country. And to be realistic, no golf club can singlehandedly embark on such an extensive marketing campaign.

Besides promoting and marketing golf tourism to global tourists, MGTA's responsibilities also include auditing member golf clubs and courses to determine if they are export-ready, or deemed as having sufficient facilities and access for international golf tourists.

It is heartening that our efforts have received recognition by the World Golf Awards 2014, which named Malaysia as Asia's Best Golf Destination. This award spells further opportunities ahead for golf tourism in Malaysia. We are confident that this segment has the potential to be a key revenue generator for the tourism industry.

In 2014, tourism receipts from direct golf activities reached RM310 million, up from around RM300 million in 2013. The figures from Tourism Malaysia are encouraging as the share of golf tourism has risen in the last four years. If we take into consideration the ancillary services, I believe the golf sector's role as a key revenue generator for Malaysian tourism is very real.

The accolade from the World Golf Awards also comes at a time of an improving outlook for golf in the Asian region with the addition of three tournaments scheduled for 2015 in Asia–Malaysia, Thailand and India–by the European Tour. Malaysia, with its more than 200 golf courses ranging from plantation golf courses to fairways in the heart of rainforests and championship-sized golf courses, will only stand to benefit further from this. We have already established ourselves as an exceptional host through the major golf events that are held annually in the country–the Maybank Malaysia Open, CIMB Classic, Sime Darby LPGA Open and Iskandar Johor Open.

We wouldn't have been able to be where we are today without the guidance from Tourism Malaysia and the support from the local industry. Going forward, we will continue to work closely with Tourism Malaysia to cluster golf tour packages around major golf and festival events for the year ahead."

ELECTRICAL AND ELECTRONICS

"The E&E industry continues to be a key driver of the Malaysian economy, with significant contribution to the country's manufacturing output, employment, investments and exports

Dato' Sri Mustapa Mohamed
Minister of International
Trade and Industry

Q&A

HOW WOULD YOU APPRAISE THE PROGRESS OF THE ELECTRICAL AND ELECTRONICS (E&E) NKEA SINCE THE LAUNCH OF THE ETP?

The E&E industry continues to be a key driver of the Malaysian economy, with significant contribution to the country's manufacturing output, employment, investments and exports. The presence of top manufacturing services created opportunities for local companies to form partnerships, thus allowing the local SMEs to develop full-scale design-to-manufacturing capabilities.

This does not mean there aren't important hurdles and challenges to be addressed. The emergence of new economic powerhouses brought on by liberalisation and globalisation has created a highly competitive market. In order for Malaysia to compete in this environment, the Government, through this NKEA, actively supports the transition of domestic players to large home-grown entities that are engaged in high-value activities. It is heartening to note that foreign investors continue to find Malaysia an ideal location for high value-added activities. Such investments are in line with the Government's efforts to transform Malaysia into a high-income nation.

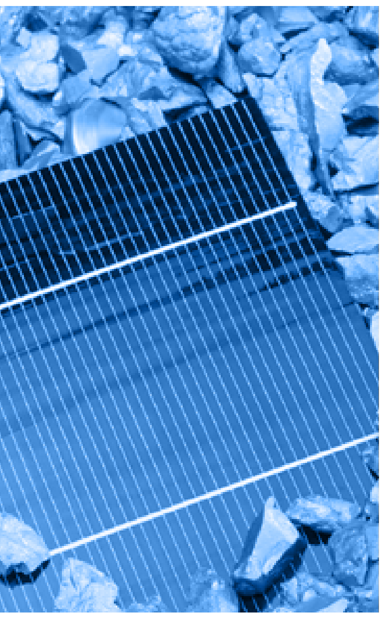
HOW DID THE E&E INDUSTRY FARE DURING THE YEAR?

Strong expansion in downstream industries by existing players during the year allowed the sector to stay the course to achieve its GNI target for 2020. The value of E&E's GNI stood at RM44.1 billion in 2014 as compared to RM38.7 billion in 2013. This trend is reflective of a concerted, industry-wide effort in the shift from low value-added activities to high-value operations to remain competitive in a globalised economy. The increased high-value activities and investment inflows saw the E&E sector account for a significant portion of the country's national GNI growth of 14 per cent last year.

The sector also achieved another milestone during the year, with Malaysia emerging as a test and measurement hub in this region following the setup of new test and measurement facilities by leading MNCs. This is set to boost a number of supporting industries such as logistics, contract manufacturing and industrial design.

MOVING FORWARD, WHAT OPPORTUNITIES DO YOU SEE FOR THE E&E SECTOR?

For the E&E sector, keeping pace with fast evolving technologies is crucial to the industry's overall competitiveness vis-à-vis other regional markets. Increasingly, global demand for E&E through its Internet of Things and nanotechnology morphs the industry into the game-changer foreseen, catalysing growth in other sectors. Massive opportunities loom for other sectors to adopt cutting-edge technologies as a result of E&E technological enhancement inherently increasing productivity. These global trends are set to create new growth opportunities in the upstream and downstream segments of the industry. This must be the way forward for Malaysian players to remain competitive globally.



Datuk Dr Ewon Ebin
Minister of Science,
Technology and Innovation

WHAT IS THE PROGRESS OF THE ELECTRICAL &ELECTRONICS (E&E) NKEA SINCE THE LAUNCH OF THE ETP?

The E&E NKEA has entered the second phase of implementation with increased vitality, with gross exports of manufactured electronics indicating Malaysia's increasingly stronger position in the regional and global markets. Currently, the export value of the E&E and semiconductor industry is in excess of RM250 billion. In 2014, the GNI of the E&E sector amounted to RM44.1 billion. This development reflects the ETP's positive results as it reaches its maturity.

MOSTI's lead agency in E&E, MIMOS Bhd, has continued to energise the ecosystem with its technological expertise, while the establishment of its Advanced Shared Facilities as well as those set up by SIRIM Bhd and National Instruments have been a game-changer in facilitating higher value-add activities by E&E SMEs. Not only do these facilities serve the industry's needs in areas such as research and development and commercialisation, but also work to upskill the current E&E workforce and help to create new talent through skills-based learning for university students and new graduates

WHAT HAVE BEEN THE MAJOR LESSONS LEARNT IN THE IMPLEMENTATION OF THE E&E NKEA?

Good synergy between agencies under MOSTI, MITI, EPU and PEMANDU in working towards delivering and achieving project results has helped speed up documentation processes after project approval from the Steering Committee. I would also attribute our success to the efforts by the NKEA team, who followed up closely and managed each project milestone to ensure all activities were on track. In the case of projects undertaken by MIMOS, we received strong support from MITI and PEMANDU during EPU presentation and justifications.

We have also improved the operating model for the Advanced Shared Facilities in response to the needs of SMEs, while we have seen unexpected interest from institutes of higher learning to use the facilities for the students, lecturers and researchers, who may become the future talent pool for the E&E industry. Finally, we are also cognisant of the need to continuously identify and implement enabler programmes based on the ever-changing global situations. At the same time, we must be bold enough to predict the needs of future enabler programmes to support long-term economic developments.

WHAT AREAS OF THE E&E NKEA WILL MOSTI FOCUS ON GOING FORWARD AS THE ETP ENTERS ITS LAST MILE TOWARDS 2020?

MOSTI will continue to drive the efforts to transform the E&E sector. The establishment of Advanced Shared Facilities will continue to provide a cost-effective and comprehensive resource to the industry and academia, adding and innovating value to the industry hence creating a vibrant and resilient E&E ecosystem in the country. Through its various enabler and catalyst programmes, MOSTI with its agencies will continue to play vital roles in the advancement of E&E industries in Malaysia and to support the attainment of the GNI target of RM90 billion by the year 2020.

ELECTRICAL AND ELECTRONICS

Malaysia remains one of the key Electrical and Electronics (E&E) manufacturing countries in ASEAN, where production is led by multinational corporations (MNCs). Foreign investors continue to find Malaysia an ideal location for high value-added activities due to its strong and diversified base across multiple industries.

Malaysia's continued competitiveness in E&E saw it record strong and sustained inflows of foreign investments in 2014. This continued investment from foreign companies even amid global economic uncertainties is noteworthy and encouraging.

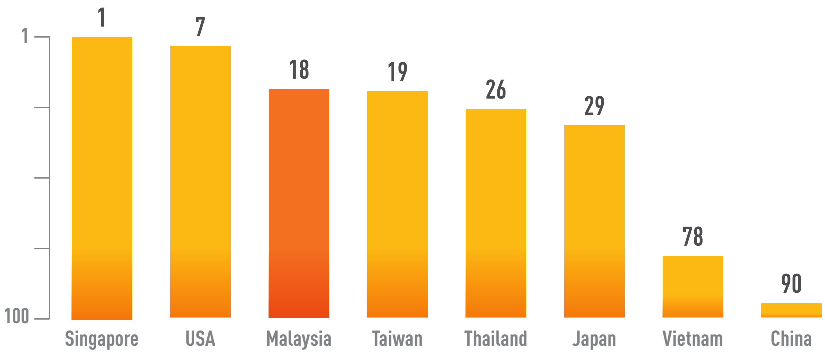
In 2014, Malaysia made its way into the top 20 out of 144 countries on the World Economic Forum's Global Competitive Index (GCI) for the first time since the current methodology was introduced in 2006. Overall, Malaysia is ahead of China, Korea Republic and developing Asian economies, but behind Singapore and Taiwan. The report also ranked Malaysia fourth in financial market development, making it relatively easy for E&E companies to access capital. Malaysia is also ranked 10th in incentives for investment and 10th in the number of procedures and formalities to start a business for E&E companies.

No.	Competitivenesss Factors Driving E&E Industry	World Ranking				
		Singapore	Taiwan	Malaysia	Korea Republic	China
1	Infrastructure	2nd	11th	25th	14th	46th
2	Labour market efficiency	2nd	32nd	19th	86th	37th
3	Incentives to invest	4th	33rd	10th	106th	44th
4	Low tax rates	27th	58th	65th	30th	13th
5	No. of procedures to start business	10th	10th	10th	32nd	13th
6	Financial market development	2nd	18th	4th	80th	54th
	Overall	**2nd**	**14th**	**20th**	**26th**	**28th**

Source: The Global Competitiveness Report 2014-2015, World Economic Forum

Furthermore, the World Bank's Ease of Doing Business Index 2014 ranked Malaysia 18th, with the country's regulatory environment more conducive to E&E business operations than in China and Taiwan.

Country Ranking Based on Ease of Doing Business, 2014



Source: Doing Business 2015, 12th Edition, World Bank Group

Exhibit 7.1

The country however faces competition from regional neighbours Singapore and Thailand, which along with Malaysia have been competitive investment destinations for over 30 years. Inbound investment is particularly important to regional competitiveness in this industry as a limited number of large MNC firms account for most of the production of many types of components.

Industry trends show that MNCs continue to expand their operations horizontally as well as extend the vertical integration of their operations by incorporating higher-end activities, particularly in advanced research, design and development. This creates opportunities for Malaysian talent in the development of new products and leading edge technologies such as the design and manufacturing of advanced semiconductor devices. Besides the positive economic benefits to Malaysia in the form of high-income employment opportunities, this push into high-end activities also increases usage of local infrastructure, financial services, information technology and utilities and logistics services.

To further drive the growth of the Malaysian E&E industry, especially to encourage private sector participation and the development of smaller players, EPPs 1-4 of the E&E NKEA have been placed under a semiconductor cluster, with MIDA and MIMOS Bhd working together to develop a programme focused on further developing the semiconductor industry, ensuring end-to-end solutions are available in Malaysia.

Continued growth of the E&E industry in Malaysia will hinge on greater participation from the private sector in driving upstream activities. This will be crucial in increasing the value-add of the Malaysian industry in tandem with the country's transformation into a high-income economy.

Other key initiatives required are MNC-local vendor development partnerships as well as encouraging the growth of IC design firms.

2015 Outlook

The industry is expected to continue growing in 2015 driven by activities in smart manufacturing and continued investments in the E&E NKEA's EPPs. Furthermore, investors are expected to realign their products and services in tandem with global trends.

These trends include the emergence of IoT (Internet of Things) and nanotechnology, which will create new opportunities for growth for the industry in the upstream segment in areas such as research and development, as well as in the downstream segment in the areas of marketing, distribution and sales. Malaysian industry players must therefore keep abreast of the latest technology to continue being competitive in the global market.

In terms of nanotechnology, Nano Malaysia Bhd, the lead agency for EPP 20, will continue facilitating nanotechnology projects by helping private companies come up with prototypes for proof of concept. This is in anticipation of moving into the next phase of nanotechnology development in Malaysia, which is focused on commercialising the technology and encouraging mass production.

Under this NKEA, efforts in IoT are undertaken through EPPs 12, 13 and 17. This year is expected to see EPP companies furthering their activities in IoT, such as by making devices more connected with each other in line with the objective of this technology.

However, the solar panel industry may be challenged due to the possibility of the US conducting a circumvention investigation on Malaysian solar products if it determines that components of these solar products originate from China and Taiwan. This follows the US Department of Commerce's final determination on anti-dumping duties imposed on China and Taiwan in December 2014. This could adversely impact growth of the Malaysian solar panel industry if similar duties are imposed.

2014 KPI Analysis

This year saw strong expansion in downstream industries helping keep the E&E industry on track to achieve its GNI target for 2020. The value of E&E's GNI stood at RM44.1 billion in 2014 as compared to RM38.7 billion in 2013, and has expanded at a rapid pace of 14 per cent.

This is an encouraging performance as the GNI of the 12 NKEAs as a whole expanded at 7.8 per cent while the country's GNI expanded at 8.4 per cent. Also encouraging was the growth in high-value E&E jobs which came in at 17 per cent during the period from January-July 2014 as compared with the same period in 2013. The growth in high value E&E jobs from 2012 to 2013 meanwhile was 19 per cent.

The total approved investments of RM8.9 billion this year have already far exceeded the target of RM5.1 billion, while the RM38.26 billion in cumulative investments approved from 2012-2014 are expected to start yielding results beginning 2015. New facilities recently made available such as industrial design, test and measurement, and semiconductor testing will also lower barriers to entry and support new investments.

18 new high-impact projects were identified for implementation during the year, of which 11 were approved.

The enforcement of MEPS (Minimum Energy Performance Standards) in June 2014 is expected to boost demand for LEDs as it encourages the gradual phasing out of the production and import of incandescent lights and sub-par LEDs in the country. This is expected to spur further growth in the E&E industry.

Against this backdrop, this NKEA exceeded its KPI targets by 104 per cent. The 2020 target for EPP 11 to establish Malaysia as a test and measurement hub was also achieved this year, six years ahead of its targeted completion date. This was largely due to the wide availability of a range of new industry-enabling test and measurement facilities.

Support from Government-linked agencies was also crucial in achieving this NKEA's KPI targets for the year. This includes the Malaysian Automotive Institute (MAI), Multimedia Development Corp (MDeC), NanoMalaysia Bhd (NMB), the Land Public Transport Commission (SPAD) and Malaysian Green Tech Corp (MGTC). Their downstream activities helped to stimulate demand upstream. The Malaysian Investment Development Authority (MIDA) also contributed by attracting high value R&D investments which catalysed growth.

Year-on-year GNI Growth

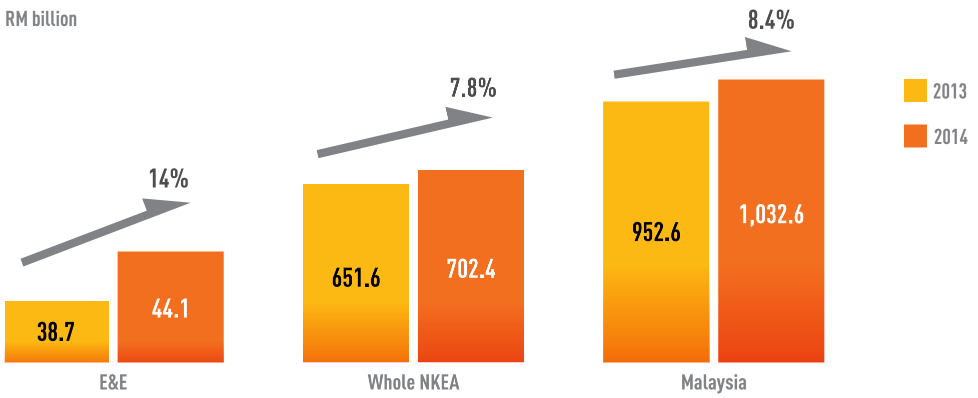


Exhibit 7.2

2014 Key Performance Indicators

ELECTRICAL AND ELECTRONICS NKEA		KPI (Quantitative)							
				Achievement					
				Method 1		Method 2		Method 3	
No.	KPI	Target (FY)	Actual (YTD)	%		%			
EPP #1	Number of E&E companies using Wafer Testing Lab	5	9	180		100		1.0	
	Utilisation of Wafer Testing Lab	60	66	110		100		1.0	
	Set up of Failure Analysis Level 3 lab	100%	100%	100		100		1.0	
	Completion of Waste Treatment Plant	100%	90%	90		90		0.5	
EPP #3	Completion of engineering samples for Green Motion Controller	100%	100%	100		100		1.0	
EPP #10	Solid state lighting (SSL) companies penetrating global market: (i) Total annual sales from Green/SSL Programme of local LED companies (RM mil) (ii) Number of new LED products by the Green/SSL Programme to be internationally certified	100% (i) 80 (ii) 20	118% (i) 84.2 (ii) 26	118		100		1.0	
EPP #11	Enhancing T&M local ecosystem: New product introduction	20	20	100		100		1.0	
	Implementation of Agilent Life Science programme with one local design partner	100%	100%	100		100		1.0	
EPP #13	Number of new automation projects by SMEs in system design, prototyping, proof-of-concept and system customisation at NI-AIN	25	20	80		80		0.5	
	Completion of AMD project with appointment of three local M&E automation companies	100%	99%	99		99		0.5	
EPP #17	Number of new embedded systems projects approved under Digital Malaysia roadmap	4	4	100		100		1.0	
	Number of new embedded systems technology partners identified and accepted under Digital Malaysia Roadmap	2	2	100		100		1.0	
EPP #18	Number of companies approved to manufacture batteries for electric vehicle (i) Percentage of construction for Li-ion battery factory (MAI) (ii) Licence approval for EV bus manufacturer (MAI)	100% (i) 50% (ii) 1	150% (i) 100% (ii) 1	150		100		1.0	

more on next page

continued from previous page

ELECTRICAL AND ELECTRONICS NKEA		KPI (Quantitative)							
				Achievement					
No.	KPI	Target (FY)	Actual (YTD)	Method 1		Method 2		Method 3	
				%		%			
EPP #20	Development and roll out of thermal management technology for LED application	100%	75%	75		75		0.5	
EPP #1 – 20	Utilisation of Eco-Industrial Design Centre (EIDC): Rapid prototyping services provided	100	121	121		100		1.0	
	Producing Eco-Industrial products: (i) Eco-industrial design projects utilising EIDC (ii) Joint programmes with universities	100% (i) 3 (ii) 2	100% (i) 3 (ii) 2	100		100		1.0	
	Realisation of approved investments since 2011	60%	60%	100		100		1.0	
	Total approved investment for E&E (RM bil)	5.1	8.9	175		100		1.0	
	Approved high quality NKEA E&E projects	18	11	61		61		0.5	
	QAV Penang utilisation: Quadrupling the number of models to be tested as per international standards	48	48	100		100		1.0	
	Set up and test lab accreditation of QAV LED & Automotive Testing Facility in Subang, Selangor	100%	33%	33		33		0	
				104%		**92%**		**83%**	

Exhibit 7.3

Method 1 Scoring is calculated by a simple comparison against set 2014 targets. The overall NKEA composite scoring is the average of all scores

Method 2 Scoring is calculated by dividing actual results against set 2014 targets with an added rule:
- If the scoring is less than 100%, score #2 is taken as the actual percentage
- If the scoring is equal or more than 100%, score #2 is taken as 100%. The overall NKEA composite scoring is the average of all scores

Method 3 Scoring is calculated by dividing actual results against set 2014 targets with an added rule:
- If the scoring is equal and less than 50%, score #3 is indicated as 0
- If the scoring is more than 50% and less than 100%, score #3 is indicated as 0.5
- If the scoring is equal or more than 100%, score #3 is indicated as 1

ENTRY POINT PROJECTS

EPP 1

EXECUTING A SMART FOLLOWER STRATEGY

FOR MATURE TECHNOLOGY FABRICATION

The utilisation of wafer testing labs hit 66 per cent in 2014, exceeding the targeted industry average of 60 per cent. MIMOS also opened a new Level 3 Failure Analysis (FA) Lab in 2014 to enable material level analysis which means a full range of FA services are now available.

Five out of six projects assigned to MIMOS are now complete - the Wafer Fab-2 Power Quality Upgrade and the set-up of four advanced labs within MIMOS. The facilities at MIMOS are aimed at serving as enablers to the semiconductor industry. In 2014, nine companies utilised the wafer testing facilities in MIMOS.

The Northern Corridor Implementation Authority (NCIA) is also facilitating the construction of a waste treatment processing facility in Kulim Hi Tech Park which is now 90 per cent complete with an expected completion date of 2Q 2015.

After years of talks of divestments to foreign parties, the new direction for SilTerra is now to operate as a majority Malaysian owned enterprise. This allows the management to embark on strategic long term partnerships with industry players to strengthen SilTerra's hold in the More than Moore space in wafer fabrication.

KEY TAKEAWAYS

These labs provide a cost-effective and comprehensive shared facility to the industry and academia and have been used for advancing skills and knowledge of the E&E community through MIMOS' hands-on skill development programmes for university students and new graduates.

Since 2012, MIMOS has trained 186 engineers and graduating engineers, and 145 companies have benefitted from these facilities.

EPP 2

DEVELOPING ASSEMBLY AND TESTING

USING ADVANCED PACKAGING TECHNOLOGY

This year saw one new significant investment for advanced packaging following SanDisk Corporation's decision to set up a manufacturing and R&D facility in Malaysia. The new SanDisk operation will consolidate Malaysia's standing as one of the world's leading centres for high-tech semiconductor manufacturing.

Another company, Carsem Malaysia Sdn Bhd, also expanded its facilities in 2014. SanDisk's project and Carsem Malaysia's expansion under this EPP in 2014 counted towards the target of 18 new high-quality E&E projects for 2014.

SANDISK CORPORATION

SanDisk Corporation, a leading California-based flash memory storage manufacturer and Fortune 500 company, aims to strengthen its position in Asia by setting up a new plant in Batu Kawan, Penang. The new plant, which is targeted to commence operations in 1Q 2015, will produce flash memory solutions using imported wafers from Japan. The NAND memory integrated circuit system-in-package (SiP) are one of the main drivers for the development of process technology for semiconductor production. SanDisk will also establish an R&D centre for the development of advanced packaging and testing of NAND Flash memory ICs and solid-state drives (SSD).

CARSEM MALAYSIA

Carsem Malaysia is a Malaysian company and a leading provider of turnkey packaging and test services to the semiconductor industry. Carsem is ranked 10th in the world for outsourced semiconductor assembly and testing (OSAT) and has three high-tech factories.

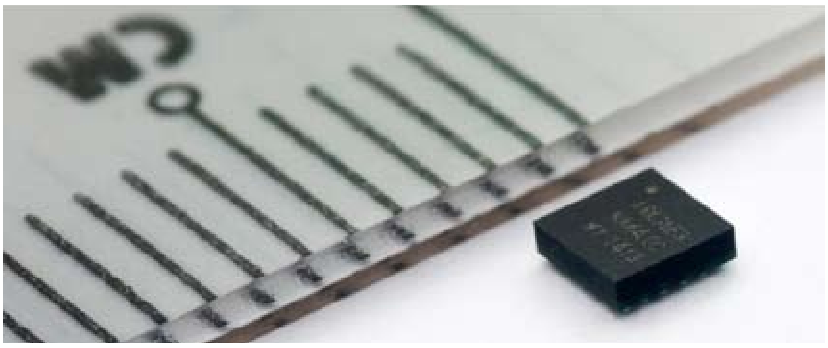
In tandem with the changing role of OSATs, Carsem has moved up the value chain from manufacturing to providing solutions, recently introducing an ultra-small X3 MLP (Micro LeadFrame Package), which is the smallest MLP production package. Its expansion into this area follows the upgrading of its technology and R&D activities in advanced semiconductor packaging and testing. The company's SiP solution incorporates multiple die or passive components assembled in a leadframe-based format, while its advanced process solutions include flip-chip on leadframe (FCOL), chip on lead (COL) and copper clip/strap technologies.

KEY TAKEAWAYS

MIDA has played an important role in driving investments in this sector through its various initiatives. Additionally, more companies have shown interest in participating in this EPP as Malaysia has established a developed semiconductor ecosystem, contributed in part by the ETP's efforts to drive the NKEAs' journey higher up the value chain.

EPP
3

DEVELOPING INTEGRATED CIRCUIT (IC) DESIGN FIRMS



Efinix's ultra low power programmable logic device in a very small form factor package consumes half the power at the same logic density as its closest competitor

Engineering samples of the Green Motion Controller (GMC) chip completed by MIMOS are now available for companies to adopt commercially. The GMC will enable more energy efficient applications such as hybrid electric vehicles and home appliances. MIMOS is also working on designing a GMC demo.

One new Integrated Circuit (IC) design company, Efinix Technology (M) Sdn Bhd (ETSB), started operation in 2014. ETSB is a fully-owned subsidiary of Efinix Inc, a programmable logic company offering a variety of Field-Programmable Gate Array (FPGA) solutions to semiconductor companies and Original Equipment Manufacturers (OEMs) using Efinix Inc's core technology, EFabric.

EFabric is a newly patented disruptive Field Programmable Gate Array (FPGA) architecture that optimises circuitry. It is a technology improvement for FPGA in terms of power, performance, gate density, metal stack and time closure. This technology will be packaged into advanced packaging ICs such as 3D TSV IC and 2.5D TSV IC packaging, a first in Malaysia.

An emerging trend among fabless and fablite semiconductor companies is the establishment of R&D facilities alongside their manufacturing operations to enable them to leverage on onsite IC design capabilities. The presence of such IC design firms strengthens the semiconductor ecosystem and allows the industry to capitalise on Malaysia's burgeoning LED markets. Nonetheless, more IC design firms and fabless companies are needed to create a wider set-up of new technology and products.

The increasing investments of fabless companies in Singapore provide opportunities for Malaysian-based foundries and OSAT companies to commence and expand projects in Malaysia, with the rapid growth of the global semiconductor industry presenting many opportunities for Malaysian MNCs and SMEs. As Singapore and Malaysia face increasing competition from China and Taiwan, the two countries should leverage their existing ecosystem and find ways to compete by filling in gaps in the ecosystem and supply chain.

The Efinix team

KEY TAKEAWAYS

There exist opportunities for Singapore and Malaysia to collaborate to grow a strong semiconductor ecosystem. Potential areas to focus on include addressing existing gaps in the semiconductor ecosystem such as wafer bumping, IC and testing and packaging services. Malaysia will also look to facilitate and explore possible collaborations with Singapore universities on skills training for the E&E industry.

EPP 4

SUPPORTING THE GROWTH OF SUBSTRATE MANUFACTURERS AND RELATED INDUSTRIES

Two new high-quality projects to support growth in the substrate manufacturing sector were seen in 2014: QDos Interconnect's move into Molded Interconnect Substrate (MIS) technology and Ibiden Electronics' effort to manufacture high-technology Printed Wiring Boards for the telecommunications industry. These two projects were counted towards the target of 18 new high-quality E&E projects for 2014.

QDOS INTERCONNECT

QDos is the pioneer manufacturer of Flexible Printed Circuits (FPC) in Malaysia and specialises in FPC design, prototype fabrication, mass production and Surface Mount Technology (SMT) solutions. With a strong background in FPC, QDos ventured into a new technology, Molded Interconnect Substrate through QDos Interconnect Sdn Bhd.

The MIS technology is licensed and patented by Advanpack Solutions Pte Ltd (APS), a Singapore-based R&D company. With technology transfer from APS and synergistic integration with FPC technology, QDos will be consolidating its position as a leading semiconductor substrate manufacturer.

MIS is a new technology with potential to replace Lead Frame and Ball Grid Array (BGA) substrates. The use of build-up technology and a breakthrough from the conventional polymer core enables MIS technology to produce super-fine circuitry and enable high-performance applications, particularly those with 4G, low noise and high frequency requirements.

IBIDEN ELECTRONICS MALAYSIA

Ibiden Electronics Malaysia Sdn Bhd, a leading Japanese electronics and ceramics producer, expanded its existing facility in Malaysia in 2014 to include a second building at Penang Science Park. The High Volume Manufacturing for the new facility is focused on high-performance and advanced technology printed wiring boards (PWB) and free via stacked up structure (FVSS) to meet worldwide demand for smartphones and other electronics products due to the increasing rollouts of 4G networks. This new technology will bring in multilayer next generation models.

The product will be exported worldwide and the investment will create new employment opportunities as well as opportunities for career advancement.

KEY TAKEAWAYS

The ETP Roadmap identified the need to develop an additional four substrate manufacturers through this EPP. Following this, it is crucial to monitor the progress of companies which have been approved by MIDA to ensure they are able to deliver on their targets and ensure the industry continues to thrive. As these companies supply their products to other companies in the ecosystem, it is also vital that substrate manufacturers undertake continuous R&D to develop new applications which can benefit the rest of the industry.

EPP 5

INCREASING THE NUMBER OF SILICON PRODUCERS

Tokuyama Corp's RM3.72 billion polycrystalline silicon plant in Samalaju Industrial Park, Bintulu was commissioned in 2014 and operational in January 2015. The plant is the company's second in Malaysia, with the total annual production capacity for both its plants totalling 20,000 tonnes.

Other companies that were developed through this EPP include Elpion Silicon Sdn Bhd and Cosmos Petroleum & Mining Sdn Bhd, which are developing metallurgical silicon manufacturing in Banting and polysilicon manufacturing in Bintulu, respectively. Elpion's maximum capacity is 100,000 metric tonnes whilst Cosmos' capacity is 12,000 metric tonnes to be progressively installed by 2020.

Samalaju, as a new industrial park, is however facing infrastructure constraints such as inadequate residential development. To resolve this, SCORE (Sarawak Corridor of Renewable Energy) will look into residential development within the Samalaju Industrial Park.

Higher electricity tariffs in Peninsular Malaysia are also posing a challenge to some players as this has led to higher production costs. Discussions are ongoing between MIDA and Tenaga Nasional Bhd to resolve the issue.

KEY TAKEAWAYS

To achieve the 2020 target of 170,000 tonnes in annual silicon production, MIDA will continue to promote silicon producers and provide incentive packages which include tax incentives to make Malaysia more attractive to pioneer silicon producers.

EPP 6

GROWING WAFER AND CELL PRODUCERS

Malaysia is one of the largest photovoltaic (PV) producers in the world with a combined production capacity of 4,800 MW (megawatt) for wafers and cells in 2014, double the country's capacity in 2013.

The six wafer and cell manufacturers in the country - AUO Crystal, SunEdison, Panasonic, AUO SunPower, Hanwha

Crystal pullers in the Comtec Solar facility

QCells and TS Solartech – have been joined by a seventh, Comtec Solar International (M) Sdn Bhd. A new wafer cell company with a 1,000 MW capacity, Comtec Solar commenced its trial production of about 10 MW in Kuching, Sarawak in 2014.

KEY TAKEAWAYS

To achieve the 2020 target of becoming the second-largest producer of solar cells globally with a 23 GW (gigawatt) capacity, MIDA will focus on attracting more high-quality local and international solar companies for wafer and cell manufacturing. Existing players are also expected to expand their capacity in 2015, subject to MIDA approval.

Ingot and wafers

EPP 7

INCREASING SOLAR MODULE PRODUCERS

Malaysia's solar module production capacity reached 2,540 MW in 2014, a significant 41 per cent jump from last year. A majority of the total production capacity of solar modules in 2014 was derived from foreign direct investment. Currently, seven solar module manufacturers are in operation in Malaysia - First Solar, Flextronics, MSR, SolarTif, PV HiTech, Panasonic Energy and EXT.

There is however, a possibility of the US conducting a circumvention investigation on Malaysian solar products if it determines that components of these solar products originate from China and Taiwan. This follows anti-dumping duties imposed on China and Taiwan in December 2014.

Circumvention activities take various forms and exploit different aspects of the anti-dumping and countervailing system. Circumvention activities include:

- assembly of parts in Malaysia;
- assembly of parts in a third country;
- export of goods through one or more third countries;
- arrangements between exporters; and
- avoidance of the intended effect of duties.

Under the possible circumvention investigation, Malaysian producers will be requested to prove that they are genuine producers and not involved in any circumvention. MITI and MIDA are looking into how to mitigate this issue from the industry and manufacturing policy perspective.

KEY TAKEAWAYS

To achieve the target of producing 12.9 GW by 2020, MIDA is targeting to bring in more high-quality solar module makers. Existing players will also undertake expansion in 2015, subject to MIDA approval. To further grow the solar value chain, however, Malaysia must explore the creation of a local accreditation and certification body for solar products.

EPP 8

DEVELOPING LED FRONT-END OPERATIONS

Philips Lumileds Lighting Company Sdn Bhd in Penang is undertaking an expansion project involving R&D activity for front-end process flow of epitaxial testing for LED wafer/die, and thin film flip chip tests. This will involve technology transfer from the Philips Lumileds group in Singapore and the US.

The new R&D activities will create opportunities for Malaysians to undertake challenging and complex activities, while complementing the LED ecosystem in Malaysia for LED front-end manufacturing.

KEY TAKEAWAYS

MIDA will continue to strengthen this segment by engaging companies in developing front-end operations. The agency aims to bring in high-quality projects in LED front-end operations such as material substrate suppliers or epitaxy manufacturing. MIDA also expects an expansion project from the pool of existing players in 2015.

EPP 9

EXPANDING LED PACKAGING AND EQUIPMENT

Philips Lumileds is also undertaking an expansion and technology upgrading project of its LED chips and devices and LED-based lighting processes using fabricated white dies. It will also conduct new R&D activities including epitaxy and thin film flip chip testing and prototype build process flow.

KEY TAKEAWAYS

This expansion will further develop local capabilities and enhance the availability of local key core components.

EPP 10

CREATING LOCAL SOLID STATE LIGHTING CHAMPIONS

SME Corp's capacity building programme, which helps the 10 companies in the Malaysian LED Consortium (MLC) in the six areas of certification and regulation support, developing a technology roadmap, supply chain management, marketing strategy implementation, branding and partner search, moved into the second phase in 2014, supporting the MLC in achieving sales of RM84.2 million in 2014.

The year also saw 26 new LED products from MLC members penetrating international markets including Africa, the Middle East and the US, underscoring the success of targeted marketing missions led by SME Corp. LED companies also benefited from SMECorp's Business Development Programmes and Grant Facilitation Programmes for equipment and certification.

Despite breakthroughs into new markets and achievements in product certification, Malaysian companies still face challenges in terms of foreign market penetration, especially into Europe, and also face a long waiting period for certification. On average, it still takes about nine months per certification.

During the year, one new high impact project was approved which counted towards the target of 18 new high-quality E&E projects for 2014. The project comprises Penang-based NationGate Solution (M) Sdn Bhd's investment to upgrade its three production facilities in the Prai Industrial Estate, Penang this year. The home-grown contract manufacturer has diversified into the production of LED products and expects the sales of its own brand of LED tubes to double, driven by the production of 1,800 lumens and 2,600 lumens LED tubes. The new LED tubes are equipped with special digital drivers, designed in-house, which have a lifespan of 50,000 hours, compared to existing LED tubes which have analogue drivers with a lifespan of just 8,000 hours. The drivers function to channel current to power the LED modules. The LED tubes are used mostly in commercial, industrial, corridor and outdoor lighting.

Currently, half of Nationgate's LED products are exported to Singapore, Thailand and Vietnam, with the remainder marketed locally. With the expected increase in production following the company's investment this year, Nationgate is targeting to expand its exports to new markets including Australia and New Zealand.

Besides the LED products, the company also makes transceivers for US-based IT companies, digital multimedia systems for passenger cars for a European automotive company, electronic components for a US telecommunication company and instrumentation and medical devices including water meters and blood sugar analysers for its customers in Europe and Japan.

Nationgate, which has a staff strength of 2,000, has to date invested some RM100 million in its three production plants in Penang.

KEY TAKEAWAYS

Malaysian companies must continue to go beyond the Malaysian market in order to grow the SSL industry. This requires targeted marketing missions that can create new opportunities for Malaysian companies. To this end, SME Corp will embark on the internationalisation phase of the Business Development and Capacity Building Programme for SSL companies, as well as continue grant facilitation for equipment and certification.

EPP 11

BUILDING A TEST AND MEASUREMENT HUB

FDM 400MC: Components produced are for form & fit, product illustration and master pattern

SLS P110: The machine is capable of producing functional prototypes. Suitable for tough and high temperature resistant components

Two companies - CEEDTec and Myreka - now have full scale design-to-manufacturing capabilities for equipment to support testing and measurement. They have also collectively created 33 pieces of intellectual property (IPs) - 18 by CEEDTec and 15 by Myreka. The two firms also released more than 20 new products, including in foreign markets, through the Keysight brand, a spinoff from Agilent Technologies.

CEEDTec has greatly expanded operations with a threefold jump in its high-value headcount from 79 to 229 employees. It has also tripled its revenue since 2012 and by the end of

2014, is expected to reach RM50 million in revenue that is projected to grow to RM350 million by 2024.

Myreka has more than doubled its headcount from 19 to 47 employees and is expected to generate RM7 million from its services to Keysight in 2014. Myreka revenues are expected to reach RM30 million by 2024.

The growth of CEEDTec and Myreka has also spawned second-tier local vendors who provide technology to support areas such as PCBA, precision metal works and tooling as well as high density transformers.

To date, CEEDTec and Myreka are working with seven local SMEs, creating more than 200 high-value jobs.

There are now also several major design, development and certification facilities in the country, notably comprising EIDC, NI-AIN and QAV.

QAV

Following the success of QAV's Testing & Certification facility in the Northern Corridor Economic Region, it has established another testing facility in Subang. QAV also helped increase LED exports and at the end of 2013, obtained accreditation from the American National Standards Institute (ANSI) with capabilities for military and aviation testing.

EIDC (ECO-INDUSTRIAL DESIGN CENTRE)

The RM6.5 million Eco-Industrial Design Centre (EIDC) was established by SIRIM as an initiative under this NKEA. The EIDC is located at SIRIM Bukit Jalil and offers assistance to local industries in the production of environmentally-friendly products through eco-innovation. The centre will create a pool of industrial designers through talent development programmes in collaboration with local training institutes.

SLA 7000: Components produced by this machine are normally for die and mold inserts, jigs & fixtures. They are suitable for high temperature environments

Connex 350: The machine is capable of producing functional prototypes. Common application areas are die and mold inserts and over-mold prototypes

EIDC also conducts training for Life Cycle Assessment (LCA) and offers product life cycle consulting services and greenhouse gases accounting, also known as carbon footprint calculation.

To date, the centre has provided 100 Rapid Prototyping Services to at least five sectors besides the electrical and electronic sector. It was also utilised by Straits Design Sdn Bhd for the design of a LED downlight/luminaire for three eco industrial design projects, by Starlite Electrical Industries Sdn Bhd for the manufacturing of a switchboard with improved environmental performance and by Basis Bay to establish the criteria for a green data centre.

A total of 14 SMEs have benefited from the EcoInnovation Consulting Services. Furthermore, 33 EcoInnovation workshops have been organised for SMEs, Government agencies and the academia, while six EIDC services on product sustainability evaluation based on LCA have been utilised.

The centre has also collaborated with local universities and institutes such as Universiti Tun Hussein Onn, Segi University and Ensearch Malaysia.

KEY TAKEAWAYS

SIRIM is collaborating with National Instruments to provide more comprehensive industrial design services to SMEs. They will also be working with SME Corp to raise awareness of their facilities among SMEs to ensure they facilitate projects from design, prototyping, proof-of-concept to system customisation.

NCIA has been working with 12 companies to introduce locally made automation products into AMD's workstream in 2014. These 12 companies exceeded the year's

3. Advenxus Solution
4. P&P Tech
5. GoAutomate
6. Avialite
7. Infineon Technologies
8. Creative Precision Engineering

However, the number of projects undertaken during the year fell slightly short of the target of 25 new automation projects. National Instruments will be collaborating with SME Corp to create a greater awareness among SMEs about their facilities.

Moving forward, 2015 is expected to see growth in local M&E automation companies collaborating with MNCs in process automation, while AMD's automation project will see a completion of 22 projects with 12 local M&E companies.

KEY TAKEAWAYS

To grow the automation sector, local companies must be encouraged to collaborate with other MNCs. National Instruments is also working with SIRIM to complement their industrial design services, ensuring that the EIDC and NI-AIN provide comprehensive services for SMEs to utilise.

EPP 14

BUILDING TRANSMISSION AND DISTRIBUTION COMPANIES

Toshiba Transmission & Distribution Systems Asia Sdn Bhd (TTDA) has grown its business operation in transmission and distribution equipment manufacturing as well as turnkey engineering services, employing 340 workers currently from 150 workers three years ago. The company has also registered a twofold increase in revenue from the manufacture of medium voltage switchgears, control panels and distribution boards which have penetrated international markets such as the Middle East, Australia, Thailand, Cambodia, Singapore and Indonesia.

Separately, a local company is pursuing collaboration with an international accredited short circuit testing liaison (STL) company to establish a centre for testing and accreditation of high-power voltage equipment. The centre, which is still pending approval, will be a key enabler to grow transmission and distribution companies, contributing to high value-add technology transfer to Malaysian companies.

With transmission and distribution products such as switching apparatus, distribution boards, control panels, transformers, cables and conductors requiring certification by accredited STL labs for international market acceptance, the centre will also create opportunities for Malaysia to attract companies seeking testing and certification at a lower cost compared to significantly high testing and certification costs in Europe and Japan.

KEY TAKEAWAYS

In line with the objectives of this EPP, TTDA aims to become the leading transmission and distribution systems company in Southeast Asia, focusing on the core business of:

- Manufacturing of medium voltage Transmission & Distribution (T&D) equipment
- Engineering, Procurement & Construction Contractor (EPCC) for T&D Projects
- Power network control and automation systems
- Total energy solution systems (i.e. renewable energy, grid energy storage)

A Smart Grid lab focusing on an advanced meter infrastructure pilot project, its policy as well as industry development led by the Energy Commission was conducted in April 2014. Some of the outcomes from the lab include the establishment of a Smart Grid industry association and the development of an appropriate governance structure, led by the Government and representatives from the industry association, to look into Smart Grids. These will act as enablers to Smart Grid component manufacturing and system integration services, especially in manufacturing and deployment of smart meters.

EPP 15

BUILDING AN ELECTRICAL HOME APPLIANCE MANUFACTURING HUB

AND INTERNATIONAL DISTRIBUTION NETWORK

Over the course of this year, Pensonic collaborated with several technology partners to develop a new range of mobile devices targeted for distribution to 50 countries. Additionally, construction of Pensonic's new R&D building in Penang reached 93 per cent completion, with the company expected to move in by early 2015. The facility will serve as its new operational headquarters housing its R&D department and all other operational departments.

KEY TAKEAWAYS

In 2015, this EPP's key focus will be on strengthening Pensonic's brands and ensuring that Pensonic's International Distribution Network creates opportunities for the entry of its appliances into more markets. This will also open doors for other local brands to market their products internationally. For the 2015 financial year, Pensonic targets to record RM380 million in sales, an increase of 1.7 per cent from their 2014 financial year.

EPP 16

DEVELOPMENT OF BALANCE OF SYSTEMS

FOR SOLAR PHOTOVOLTAICS (PV)

MIDA approved a manufacturing licence for one solar PV balance of systems company this year. This was classified as one of MIDA's high-quality projects.

MATRADE is also working closely with the Malaysian Photovoltaic Industry Association (MPIA) and local system integrators on total PV solutions to be exported through trade missions to Myanmar, Cambodia and Qatar.

Balance of Systems (BoS) involves all components of a PV system other than the PV panels. This includes inverters, battery storage for off-grid systems, power management systems, cables, controllers and mounting structures.

Solar farm at Tok Bali, Kelantan

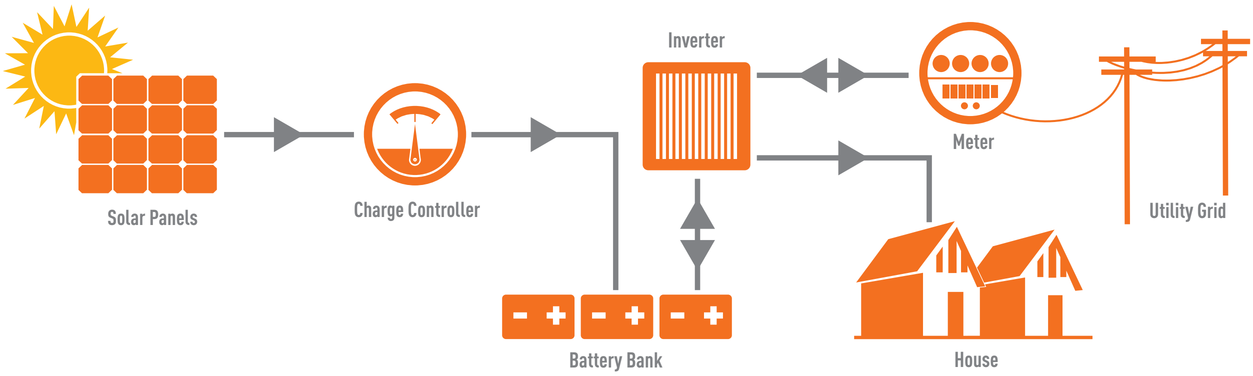


Exhibit 7.4: Inverters, controllers, smart meters and battery storage are some of the PV BOS components that have market opportunity within the solar industry

KEY TAKEAWAYS

This EPP will continue engagements with identified companies and further develop the midstream and downstream segments of the solar industry. Relevant agencies such as the Sustainable Energy Development Authority of Malaysia (SEDA Malaysia), Malaysian Green Technology Corporation (MGTC), MIDA and SME Corp will also collaborate to identify additional opportunities to leverage established energy efficiency and energy access programmes for the downstream ecosystem.

These will focus on inter alia off-grid solutions as part of improving rural basic infrastructure. SEDA will work on a framework for a 20,000 residential solar rooftop programme, while MPIA will explore and propose net metering best practices for KeTTHA's further consideration.

EPP 17

GROW THE EMBEDDED SYSTEMS INDUSTRY

Embedded systems are a key building block for IoT that will provide creative transformation for industry development. Modern devices need to be increasingly "intelligent" and this intelligence resides in embedded systems – tightly integrated hardware and software designed to perform dedicated functions.

This EPP will be the catalyst to this emerging opportunity and develop the embedded systems industry as a new source of growth alongside the growing global embedded systems market. This will be achieved by capitalising on Malaysia's established electronics ecosystems and skilled local embedded systems enterprises.

A total of 14 embedded systems projects have been approved to date since 2012, including three new projects in 2014: automotive, vessel & asset monitoring, and educational robotic kits.

The initiatives identified under this EPP include:

- To develop embedded systems projects that produce locally developed embedded systems products to compete in the world market or fulfill certain niche markets
- To grow the embedded systems industry ecosystem via industry collaborations with embedded systems technology leaders and other embedded systems-related ecosystem parties to develop the local capabilities of the industry.

This EPP is private and public sector-driven, and is helmed by MDeC with support from leading technology partners, namely Intel, National Instruments, Altera, CISCO and Wind River, together with other key ecosystem parties including MIDA, MATRADE, NCIA, MIMOS, Penang Skills Development Centre, SIRIM, SME Corp, CREST and TalentCorp.

Motorola, a leading provider of mission-critical communication solutions and services for enterprise and Government customers opened its new centre in Penang, known as the "Innoplex." Equipped with state-of the-art laboratories and product design and development capabilities, the centre will focus on developing the next generation of mission-critical Land Mobile Radio (LMR), broadband-LTE devices and system solutions for the company's customers throughout the world.

Innoplex is currently the company's largest R&D facility outside the US and will assist in integrating the company's operations in Penang into a single site.

Moreover, the new one-stop design centre will employ 1,200 engineers and support associates onsite and also accommodate teams from various disciplines including industrial design, software, electrical and electronics engineering, mechanical engineering and programme management.

The laboratories are fitted with advanced test equipment to conduct rigorous compliance testing of radio communications products, along with development of new products. The Innoplex will also help the company consolidate all its R&D functions, creating an ideal environment for improved productivity and operational efficiency.

KEY TAKEAWAYS

The key challenges faced by this sector are a small domestic market, low awareness on embedded systems products and services and a preference for foreign products. To address these challenges, programmes and platforms are required to create business matching opportunities between embedded systems players and end-buyers.

To further grow this segment, national impact projects must be created by adopting embedded systems technologies in industries with huge global market potential such as healthcare, agriculture and green energy. Government support and policy are also required to drive the adoption of embedded systems in vertical sectors to serve as a reference point to target export markets.

EPP 18

ENABLING ELECTRIC VEHICLE COMPONENT MANUFACTURING

During the year, GO Automobile Sdn Bhd, a local company, received the first Electric Vehicle (EV) manufacturing licence. This move is aligned with the target to develop a local EV industry under the National Automotive Policy.

Home-grown electric scooter maker Eclimo Sdn Bhd, meanwhile, is expanding its production due to growing demand for electric scooters, especially in delivery services and the tourism industry. Eclimo's technology ensures almost zero energy loss and uses the latest lithium-ion batteries.

BYD electric bus deployed as public transport in the city of Melaka

The Malaysia Automotive Institute (MAI), ARCA Corporation Sdn Bhd, AutoCRC Ltd and Swinburne University signed an MoU in 2014 to develop and manufacture electric buses, lithium-ion batteries and a commercial vehicle tracking system. Swinburne's Electric Vehicle Research Group is one of the world's leading groups in electric vehicle R&D, policy and education. This includes battery technology and management, drivetrain and electric motor technologies, light weighting and vehicle design. To support this new industry in Malaysia, best practices and foreign technologies are to be shared by MAI, MGTC and EV industry players.

This Li-ion battery factory for EV will only be operational after the completion of its prototyping in 2015. The plan is now to form a consortium that will undertake an integrated design and manufacture approach. MAI is facilitating the process with GO Automobile Sdn Bhd and ARCA Corporation Sdn Bhd as the potential private investors to establish the plant by 2016.

29-seater BYD-K9 electric buses will be assembled locally by AMDAC (M) Sdn Bhd. The buses operate at a range of around 250-300 km on a single charge. Lithium ion phosphate batteries have a lifespan of around 6,000 charges, which translates to about 16 years of operating service.

Moving forward, Prasarana Malaysia Bhd will introduce 15 electric buses in its Sunway Line Bus Rapid Transit (BRT) in 2Q 2015 while Panaroma Melaka Sdn Bhd will introduce 40 electric buses in 2015 for its transport fleet and for tourism-related activities for the state.

KEY TAKEAWAYS

The introduction of electric buses will serve as a catalyst for the EV industry in Malaysia, especially in the design and manufacture of electric vehicles and their electronic components. By 2020, 2,000 electric buses are targeted to be on the road.

EPP
19

SUPPORTING REGIONAL RAIL MRO SERVICES

VIA ELECTRICALAND ELECTRONICS COMPONENT MANUFACTURING

During the year, the Land Public Transport Commission (SPAD) appointed a consultant to carry out a National Rail MRO (Maintenance, Repair and Overhaul) feasibility study focusing on the macroeconomics of the rail industry and its financial and economic impact. The continuation of this initiative will be undertaken by the Ministry of International Trade and Industry to foresee the industrial development of this EPP.

This will lay the foundation for the growth of the E&E component industry for rail MRO. It will also pave the way for vendors and system integrators to provide repair services and product development for related electrical and electronic components and systems.

KEY TAKEAWAYS

National Instruments will explore the possibility of providing shared services for vendors and system integrators to develop and test E&E design, systems integration and customisation, and IP creation for rail MRO services. This will enhance the ecosystem and its value chain in electric train electronic component manufacturing and related services.

EPP 20

ENABLING INDUSTRIES THROUGH NANOTECHNOLOGY

The development and rollout of thermal management technology for LED applications is 75 per cent completed as at December 2014 and is anticipated to hit 100 per cent by Q1 2015. The development and use of the technology were delayed due to fund disbursement and negotiation issues which have been resolved.

Nano Malaysia has identified the LED sector as the first entry point for copper-carbon nanotube (Cu-CNT) heat sink technology. Nano Malaysia signed a Technology Licence Agreement with Universiti Teknologi PETRONAS (UTP) in March 2014, and a collaboration agreement with Hans System Design Sdn Bhd, a local LED/SSL designer and manufacturer, to develop and roll out the thermal management technology in LED applications. As of October 2014, UTP has provided the Cu-CNT nanocomposite mixture for low volumes of moulding production. The integration with LED design and testing on thermal conductivity and safety have been completed in December 2014.

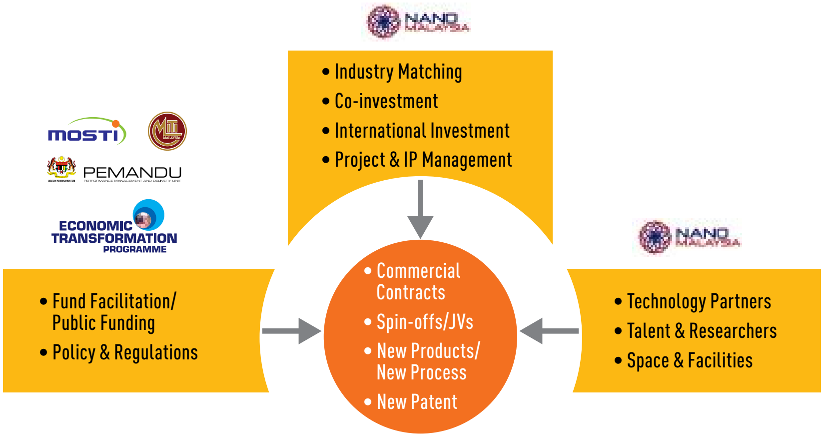


Exhibit 7.5: iNovation Framework for Collaboration

Agensi Inovasi Malaysia (AIM) completed a study on graphene in May 2014 which includes its applications in the E&E industry. There are two focus areas in adoption of graphene: The enhancement of Li-ion batteries and the establishment of a manufacturing platform for conductive inks technology.

KEY TAKEAWAYS

Nano Malaysia's new collaborative framework, the iNanovation Platform introduced in early 2014, will help foster effective collaboration between research institutes, institutes of higher learning, Government and industry to ensure successful commercialisation.

Cu-CNT mounting substrate incorporated into LED modules in collaboration with Hans Systems Design Sdn Bhd to manage the immense heat generated by the LED light source making it more efficient and long lasting

Summary of Electrical and Electronics NKEA

	2020 Target
Incremental GNI Impact	**RM53.4 billion**
Additional Jobs	**157,000**

Critical targets for 2015

- RM6.5 billion approved investments for E&E sector
- 65% realisation of E&E sector investments approved since 2011
- 18 quality projects to be approved
- 20 Eco Design applications undertaken by companies/organisations utilising Eco Industrial Design Centre (EIDC) shared facilities
- Completion of pre-commercialisation of Cu-CNT nanocomposite for thermal management in LED industry
- Two companies undertaking commercial prototypes (Lithium Battery & Conductive Inks) under National Graphene Action Plan 2020 (NGAP2020)
- RM110 million total annual sales of local LED companies under SMECorp capacity building program
- 30 new LED products internationally certified
- Two companies involved in Green Motion Controller (GMC) chip in pre-commercialisation validation and qualification
- 30 Advance Analytical Services provided by local consultants to the industry
- 50 trained engineers and students in Failure Analysis (FA) and Material Analysis
- 50 trained engineers and students in Wafer Testing
- Five wafer testing services provided to local E&E companies
- 30 projects utilising Metrology Lab

BUSINESS SERVICES

The NKEA continues its role as a key contributor to the Malaysian economy in 2014, making it one of the fastest growth areas under the ETP

Dato' Sri Richard Riot Anak Jaem
Minister of Human Resources

Q&A

WHAT ARE SOME OF THE KEY HIGHLIGHTS OF THE BUSINESS SERVICES NKEA THIS YEAR?

The NKEA continues its role as a key contributor to the Malaysian economy in 2014, making it one of the fastest growth areas under the ETP. Among the highlights of 2014 was the launch of the Green Technology Master Plan (GTMP) to capitalise on the rapid growth of the green technology sector, which saw investments reaching RM2 billion in 2014.

Malaysia has also gained further recognition as a hub for business services, as evidenced by a Memorandum of Understanding signed between the Malaysian Data Centre Alliance (MDCA) and the Japan Data Centre Council to exchange best practices and to cooperate in promotional events.

Furthermore, six Malaysian data centres had received internationally-recognised certifications in areas of energy management, data security and service management while the Goldbury Global IT Automotive Outsourcing Hub was launched with a target to generate RM113 million in GNI.

HOW HAVE THE MALAYSIA AIRLINES TRAGEDIES AND CHALLENGES AFFECTED THE MRO INDUSTRY AND WHAT INITIATIVES ARE BEING DEVELOPED TO STRENGTHEN THE AEROSPACE INDUSTRY?

We are deeply saddened by the tragedies faced by Malaysia Airlines this past year and continue to offer our national carrier our full support. We are confident that the airline will remain a driving force in our aviation industry and contribute to the growth of our aerospace industry where Malaysia is already ranked second in ASEAN in terms of market share.

To this end, the Government has put in place key initiatives to lead the country towards becoming a regional leader in the field of aerospace by 2030. These include the development of the National Aerospace Blueprint 2015-2030 by the Malaysian Industry-Government Group for High Technology, to be launched in March next year.

We have also developed a new EPP, Making Malaysia the Hub for Aerospace OEMs in Southeast Asia. The new EPP is targeted to contribute RM1.1 billion to GNI and generate RM1.9 billion in investments and creating 3,368 highly-skilled jobs by 2020.

WHAT ARE THE CHALLENGES FACED BY MALAYSIA IN THE AREA OF BUSINESS SERVICES? HOW CAN MALAYSIAN COMPANIES STAY COMPETITIVE IN THE FACE OF THESE CHALLENGES?

By and large, increasing competition from our regional neighbours form the greatest hurdle we face. This will be brought to the forefront with the crystallisation of the ASEAN Economic Community in 2015. In order for us to overcome this hurdle, Malaysian companies must continue to emphasise on moving up the value chain to offer unparalleled and innovative products and services.

BUSINESS SERVICES

The Business Services sector continued its rapid growth trajectory in 2014 due to robust expansion of key players in the industry and grew 9.9 per cent in the past year, making it one of the fastest growing NKEAs. The Business Services NKEA contributed RM39.9 billion in GNI for the year and makes up 3.9 per cent of the country's GNI.

The Business Services sector has been the second fastest growing sector in Malaysia over the past decade, with selected sectors such as green technology and data centres recording double digit growth. This NKEA is on track to achieve the 2020 target of RM78.7 billion in GNI assuming a CAGR of 12 per cent. It is noted however that more attention needs to be given towards targeted industry development initiatives in order to establish Malaysia's position in the region, particularly in high-value niches.

In shared services and outsourcing (SSO), the 2014 AT Kearney Global Location Services Index ranked Malaysia in third, a position the country has maintained for the past 10 years, further establishing its position as one of the world's best SSO destinations. In aerospace, Malaysia currently ranks second in the ASEAN region in terms of market share, and key initiatives have been launched which will see a greater push towards making the country the regional leader in aerospace by 2030.

Despite an overall strong performance, several sectors within Business Services experienced a challenging year. The industry as a whole was significantly impacted by external factors. These include the Malaysia Airlines tragedies, rising regional competition from across ASEAN and the Asia-Pacific particularly in low-cost offerings, and challenges in human capital development.

New strategic plans were developed to enhance the country's competitiveness in business services. These include the National Aerospace Blueprint 2015-2030 developed by the Malaysian Industry-Government Group for High Technology (MIGHT), which aims to make Malaysia the number one aerospace nation in Southeast Asia over the next 15 years. The GTMP was also introduced by the Malaysian Green Technology Corporation (MGTC), which contains strategies needed to reduce the carbon emission intensity by 40 per cent compared with 2005 levels while targeting to grow the green technology industry's contribution to Malaysia's GDP to RM70 billion by 2030.

2015 Outlook

The Business Services sector is expected to grow strongly largely due to new developments as well as the industry's expansion into new markets. It is critical however that Malaysia moves up the value chain as the sector will face stiff competition from the region, particularly as trade barriers fall and ASEAN moves closer to becoming a single market in 2015.

The presence of low-cost centres regionally like the Philippines, Vietnam and Thailand could result in a migration of lower-value activities towards those countries, particularly in aerospace, outsourcing and IT services. This puts added pressure on Malaysian companies to be more agile and move up the value chain. As Business Services is also fairly dependent on international demand, the rate of growth will also be partially based on regional and global demand amid the challenging global economic environment.

Technological advances could also impact the MRO industry via the use of composite materials, which are more durable, and the introduction of newer planes with longer maintenance cycles. Malaysia's aerospace small and medium-sized enterprises (SMEs) will need requisite industry certification, OEM recognition and work packages in order to participate in the global supply chain, while the engineering and design component will look to grow further through partnerships with global OEMs.

In the business process outsourcing sector, the industry looks set to grow in niche, high-value verticals such as finance and accounting, procurement, healthcare and legal services. Meanwhile, in the data centre sector, focus will continue on growing high-value services such as cloud computing and driving improvements in operational and energy efficiency. There is also a need to export services beyond Malaysian shores, while significant efforts are still being made to attract international cloud giants to the country. However, the cost of doing business for data centres will continue to be challenged by costs of broadband and power, which could limit the industry's ability to compete regionally.

The green technology sector is expected to grow a further 10-15 per cent through implementation of the initiatives captured in the Green Tech Master Plan, while the pure-play engineering services industry is expected to grow via expanded capacity and broadening of services to other sectors such as healthcare and oil & gas.

In shipbuilding and ship repair, the industry is expected to continue to grow through improved regulatory framework, added focus from the Government and continued emphasis on developing in-country capabilities for Offshore Support Vessels (OSVs). However, the decline in global oil prices could reduce demand for new OSVs, which would significantly impact the development of this sector.

2014 KPI Analysis

Job creation and revenue targets were largely met for the year due to strong revenue growth and business expansion. However, potentially over-optimistic forecasts may have led to some KPIs falling short of targets despite growth recorded during the year. Other factors that caused KPI shortfalls were Government budget constraints as well as external factors such as the Malaysia Airlines tragedies which affected the aviation sector as a whole.

Shared services and outsourcing continues to be a strong sector. Overseas export revenues for 2014 reached RM2.02 billion, exceeding the target of RM1.83 billion, as many companies continued to demonstrate value-added services to their customers across key verticals. Meanwhile, job creation for the same period reached 13,953 new jobs against a target of 13,839. This represents a 16 per cent increase on the previous year's achievement of 12,034 jobs. Job growth is expected to slow down as the industry continues the shift towards higher value jobs with higher incomes for prospective employees.

The MRO sector, however, recorded lower revenues of RM5.27 billion against a target of RM5.5 billion for 2014. Industry growth year-on-year has been relatively flat at three to five per cent per year. Although selected individual MRO players are growing steadily, the leading MRO player in Malaysia, MAS Aerospace Engineering (MAE) which currently contributes about 40 per cent of all MRO revenues, faced various business struggles, and is currently undergoing major restructuring in an effort to revive its business.

2014 Key Performance Indicators

BUSINESS SERVICES NKEA		KPI (Quantitative)							
				Achievement					
				Method 1		Method 2		Method 3	
No.	KPI	Target (FY)	Actual (YTD)	%		%			
EPP #1	Revenue from MRO services (RM mil)	5,500	5,270	96		96		0.5	
EPP #2	Government Unified Communication (1GovUC) - Number of users	150,000	130,661	87		87		0.5	
	Public Sector Data Centre (PSDC) outsourced - Number of agencies	49	49	100		100		1.0	
	Number of new jobs created	13,839	13,953	101		100		1.0	
	Overseas sales revenue (RM mil)	1,831	2,015.5	110		100		1.0	
EPP #3	Total DC services revenue (RM mil)	785	795.5	101		100		1.0	
EPP #4	Revenue generated from main sources of segmentation in 2014 e.g. RE/EE/SWM/GTFS (RM mil)	2,271	1,443.2	64		64		0.5	
	New investment realised (RM mil)	2,000	2,591	130		100		1.0	
	Number of green projects approved by banks	35	45	129		100		1.0	
	New loan value approved by financial institutions for GTFS (RM mil)	400	438.4	110		100		1.0	

more on next page

continued from previous page

BUSINESS SERVICES NKEA		KPI (Quantitative)							
No.	KPI	Target (FY)	Actual (YTD)	Achievement					
				Method 1		Method 2		Method 3	
				%		%			
EPP #5	Number of newly appointed engineers	224	159	71		71		0.5	
	Revenue from pure-play engineering services companies (RM mil): (i) SAM (ii) DESB (iii) Others	60	54.25	90		90		0.5	
	Investment from pure-play engineering services companies (RM mil): (i) SAM (ii) DESB (iii) Others	25	10.39	42		42		0	
EPP #6	Number of jobs created	240	262	109		100		1.0	
				96%		**89%**		**75%**	

Exhibit 8.1

Method 1 Scoring is calculated by a simple comparison against set 2014 targets. The overall NKEA composite scoring is the average of all scores

Method 2 Scoring is calculated by dividing actual results against set 2014 targets with an added rule:
- If the scoring is less than 100%, score #2 is taken as the actual percentage
- If the scoring is equal or more than 100%, score #2 is taken as 100%. The overall NKEA composite scoring is the average of all scores

Method 3 Scoring is calculated by dividing actual results against set 2014 targets with an added rule:
- If the scoring is equal and less than 50%, score #3 is indicated as 0
- If the scoring is more than 50% and less than 100%, score #3 is indicated as 0.5
- If the scoring is equal or more than 100%, score #3 is indicated as 1

ENTRY POINT PROJECTS

EPP 1

GROWING AVIATION MAINTENANCE, REPAIR & OVERHAUL SERVICES

Revenue growth did not reach expectations largely due to difficulties faced by the biggest aviation industry player – Malaysia Airlines. This impacted its unit, MAS Aerospace Engineering (MAE), which underwent major restructuring in 2014 and affected the overall industry growth. As a result, the industry achieved RM5.27 billion in revenues, or 96 per cent of the 2014 target of RM5.5 billion. In general, the industry's year-on-year growth has been a relatively modest three to five per cent per year.

However, MRO aviation services in Malaysia received a boost in terms of worldwide visibility and credibility with the commencement of operations of two major players. Firstly, global aircraft giant Airbus began its customer services operations in February 2014. The facility will serve as an entry point to all Airbus customers in the region and aims to offer repair engineering and aircraft embodiment activities.

In addition, Swiss-based MRO SR Technics began operations of its aircraft servicing facility in Shah Alam. The facility supports about 1,200 component parts and also serves as a base for the company's regional customer service and distribution centres for its Asia Pacific-based integrated component services (ICS) customers, managing all their component supply needs.

There was also significant M&A activity as home-grown high-precision component manufacturer UPECA Technologies Sdn Bhd was acquired by British aircraft parts and auto components manufacturer Senior Plc for RM415 million in March. The acquisition can be seen as a mark of confidence in the quality of Malaysian engineering services.

In a move that will bolster the MRO talent pipeline, Malaysian aviation training school Asia Pacific Flight Training (APFT) Bhd partnered with Lufthansa Technical Training (LTT), Germany's leading aviation training provider, to operate an aircraft maintenance training school in Malaysia. The school, which is scheduled to launch in January 2015, aims to train at least 400 students over the next five years and will significantly contribute towards the industry's growing human capital needs.

Looking ahead, the National Aerospace Blueprint 2015-2030 has been developed to make Malaysia the top aerospace nation in Southeast Asia over the next 15 years. The development of the Blueprint involved over 100 industry stakeholders and sets in place the targets, strategies and high-level initiatives required to reach that goal. It will be launched at the 2015 Langkawi International Maritime and Aerospace Exhibition in March.

The Department of Civil Aviation (DCA) also completed its review of aviation regulations and legislation and is

The National Aerospace Blueprint 2015-2030 Workshop held at The Everly Hotel Putrajaya

Artist's impression of Asia Aerospace City

planning key amendments to the legislation that will enhance Malaysia's regulatory framework to internationally recognised standards.

As a spin-off from EPP 1, a new EPP was developed – EPP 7: Making Malaysia the Hub for Aerospace OEMs in Southeast Asia. The initiative is led by the Ministry of International Trade and Industry (MITI) together with the Malaysian Investment Development Authority (MIDA), the Malaysia External Development Corporation (MATRADE), SMECORP and MIGHT, and is targeted to contribute RM1.1 billion to GNI and create RM1.9 billion in investments and 3,368 highly skilled jobs by 2020. It is anchored on the Asia Aerospace City. Owned by M-Aerotech Sdn Bhd, a subsidiary of MARA, the Asia Aerospace City will have its centre of excellence in Subang Nexus and offer world-class facilities and infrastructure including R&D incubation facilities, an academic campus and a professional development centre.

KEY TAKEAWAYS

The MRO industry is expected to receive a significant boost from the establishment of EPP 7 and the implementation of the strategies in the new National Aerospace Blueprint. Nevertheless, there is a need to address human capital development issues through improved alignment between regulators, industries and institutions of higher learning. This is to ensure that industry demand for the supply of skilled manpower is met, allowing the industry to grow. New strategies are also needed to strengthen the manufacturing subsector, accelerate the development of local SMEs and build up the global OEM presence in Malaysia to expand the country's MRO capabilities and capacity.

EPP 2

BUILDING GLOBALLY COMPETITIVE SHARED SERVICES
AND OUTSOURCERS

Export revenue of outsourcing companies achieved EPP targets as the industry explored more high value-added services such as knowledge process outsourcing (KPO). Revenue for 2014 was RM2.02 billion which surpassed the target of RM1.83 billion. The higher export revenue can be attributed to ongoing activities by Malaysian outsourcing companies to provide value-added services to customers, as well as the completion of a major M&A with a key international outsourcing player.

Office of Goldbury Communications Sdn Bhd located at Medini, Iskandar

Meanwhile, the job creation KPI was also achieved, with 13,953 new jobs created against a target of 13,836. Nevertheless, job creation is expected to slow down as companies move up the value chain and reskill their current employees to deliver high-value services as well as migrating more activities to robotics and process automation. The outsourcing initiative is led by Multimedia Development Corporation (MDeC) and Outsourcing Malaysia (OM).

The KPI targets for Government outsourcing were achieved as 49 Government agencies migrated to outsourced data centre services. However, the number of users that migrated into Government Unified Communciations (1GovUC) in 2014 fell short of the target of 150,000 users with only 130,661 new users migrated. This is a result of insufficient budget to expand such services. Nevertheless, to date 254,330 users have been migrated into 1GovUC, exceeding the original KPI's target of migrating 200,000 users by 2014. Government outsourcing initiatives are led by MAMPU.

Malaysia continues to be highly regarded globally as a destination of choice for Shared Services & Outsourcing (SSO). In 2014, AT Kearney's Global Location Services Index ranked Malaysia as the third best location in the world for SSO, a position Malaysia has maintained for the past 10 years. Additionally, leading Malaysian business process outsourcing company VADS was named the global and Asia Pacific enterprise solution provider of the year at the 2014 VMware Partner Network Awards.

These accolades only add to the achievements of 2013, among which include enterprise software company Silverlake Axis Ltd receiving the "Best Of The Best" Award 2013 from Forbes Asia and internet solutions company MyBiz being included in Gartner's Magic Quadrant, the first time any Asian vendor has appeared in the prestigious ranking for Strategic Sourcing Application Suites.

Nevertheless, in an effort to maintain and strengthen the industry's competitive edge, a review of the EPP was conducted and led by MDeC and OM in 3Q 2014. The workshops involved over 50 companies and were focused on reviewing the EPP's current strategies and developing new, game-changing initiatives.

The review resulted in enhanced initiatives that will focus on transformational programmes aimed at increasing scale, improving business value, enhancing SSO ecosystems and strengthening market access for targeted sectors.

The EPP also saw some M&A activity with Symphony House Bhd, one of the biggest business process outsourcing (BPO) companies in Malaysia, being acquired by Aegis, one of the world's biggest business services providers, for an estimated US$6.6 million. This was the largest BPO M&A deal ever reported in Malaysia. M&A activities are however industry-driven and hinge on market needs.

As part of ongoing efforts to spur industry excellence, the Outsourcing Malaysia Excellence Awards 2014 was organised for the fourth time in conjunction with the Smart Sourcing Summit 2014 and attracted approximately 160 delegates. In addition, MDeC organised a Procurement BPO Conference in June to provide a planning and educational platform for the nation's policy and decision makers. The conference was targeted at Government officers to raise awareness about the potential US$2 billion BPO market and local BPO players.

In November, the Goldbury Global IT Automotive Outsourcing Hub was launched as a project within this EPP and aims to generate RM113 million in GNI, create 450 highly skilled jobs and contribute RM4.2 million in investments by 2020. It will support automotive companies using SAP's automotive solutions and is expected to service 100,000 SAP users globally. The hub is located in Medini Iskandar, Nusajaya, and paves the way for Goldbury to become a prominent player in global automotive services.

KEY TAKEAWAYS

Moving forward, the Malaysian outsourcing sector must address key challenges in order to remain globally competitive. The majority of local companies continue to offer commodity-type services, which are becoming less comprehensive and appealing to clients. Coupled with the increasing use of automation for lower-value services, this means Malaysia must offer higher-value services, for example moving from basic call centre functions to analytics. Companies are also reluctant to participate in global trade missions, as many companies do not see themselves ready for international markets.

While Malaysia is involved in a number of areas in the outsourcing business, the country must now adopt a more specialised approach and identify strong niches and subsectors. Employers must also be convinced to engage in enhancing Human Capital Development (HCD) in order to make SSO a career of choice for local graduates. HCD is currently not prioritised as it is viewed as costly, and employers need to be educated about its long-term benefits.

EPP 3

POSITIONING MALAYSIA AS A WORLD-CLASS DATA CENTRE HUB

The Data Centre (DC) space continued to record strong revenue growth in 2014, and achieved revenues of RM795 million against the target of RM785 million. This represented an achievement of 101 per cent against the KPI target, and the Malaysian DC industry has continued to experience 40 per cent growth for the past three years, ahead of the Asia Pacific growth rate of 16 per cent.

2014 saw the continued development of local DCs, particularly through MDCA, which facilitates B-to-B engagements and industry development workshops. In March, Malaysia hosted the South East Asia Data Centre and Cloud Congress in Iskandar, Johor, and in November, MDCA held its inaugural Data Centre Conference. Both events were essential for providing industry insight, networking opportunities and platforms for greater national and regional exposure.

The industry also made continued steps in improving service delivery standards. In April, MDCA signed a Memorandum of Understanding with the Japan Data Centre Council to exchange best practices and conduct joint marketing promotion events. In addition, under MDeC's Data Centre Organisational Certification (DCOC) programme, six data centres received internationally-recognised certifications in energy management, data security and service management, further enhancing the credibility of local DCs. Since 2012, 21 certifications have been issued.

NTT's fourth Data Centre launched in May 2014 at Cyberjaya

The year also saw progress in network infrastructure development. This includes the launch of the Inter Data Centre Network expected to be in service in 2015, an initiative led by MDeC to lease dark fibre to participating DCs in Cyberjaya which will improve connectivity and resilience. The international submarine cable systems network will also expand, with an anticipated design capacity of 141 terabytes per second by 2016, which will cater to Malaysia's rapidly increasing bandwidth demands.

Notable M&A activities during the year included the acquisition of Freenet Business Solutions and Powerware Systems by Hitachi Sunway, a Malaysia-Japan joint venture. The acquisition gives Hitachi Sunway two ISO-certified, Tier III compliant data centres within the country located at Cyberjaya and Kuala Lumpur with a total of 18,500 sq ft of floor space.

M&As are beneficial for building capacity and increasing scale, which makes local players more internationally competitive. It should be noted that the success in attracting Japanese firms to Malaysia is partly due to special attention being paid to the Japanese market via the Senior International Representative (SIR) programme under MDeC.

In May 2014, NTT Communications launched its fourth data centre, CBJ4. The 42,000 sq ft data centre is aimed at meeting the growing needs of the expanding Southeast Asia market and will provide new business solutions for disaster recovery, managed services and professional training.

KEY TAKEAWAYS

Malaysia faces growing competition in the DC space. In order to maintain regional competitiveness, the industry must be supported in managing costs of doing business, particularly with regards to broadband and power. Prices for Malaysia's dedicated server hosting bandwidth can be as much as 57 times more expensive than Singapore, while the threat of rising powers tariffs and current charges being offered at commercial rates, which are higher than industrial rates given to manufacturing companies, continue to pose challenges.

Inter-agency collaboration is also critical, particularly in large-scale investments where potential investors require a wide range of inputs and expertise from multiple owners and stakeholders as part of their site selection process, failing which could lead to loss of investments. Inter-agency collaboration in the data centre industry has, however, been increased with the formation of the Data Centre Task Force comprising MIDA, MDeC and PEMANDU.

This will increase the attention given to attract global cloud players into Malaysia to fill the gap in the country's digital content and services ecosystem. By hosting more Internet and cloud content in the country, Malaysia will increase its attractiveness for regional traffic and achieve economies of scale for international connectivity.

EPP 4

JUMPSTARTING A VIBRANT GREEN TECHNOLOGY INDUSTRY

In 2014, aggressive Government incentives boosted investments in green technology. Such incentive schemes include the Green Tech Financing Scheme (GTFS), Green Building Index Certification Incentives and the Feed-in-Tariff Programme. This led to the investments KPI target of RM2 billion being achieved, as investments for the year hit RM2.59 billion. However, revenues for the year fell significantly short of the target of RM2.27 billion, achieving just RM1.44 billion. This is due to challenges in data collection and the continued slow adoption by the wider public towards green technology solutions.

The industry continues to demonstrate good growth potential, as more opportunities emerge for companies to use green technology in a cost effective way for the production of their goods and services, in addition to producing green products. There is also a gradually growing confidence of financial institutions in funding larger green tech products as compared to previous years. The GTFS is one such mechanism. Introduced in 2010 to develop the supply and utilisation of green technology, the scheme allows eligible companies to obtain a two per cent Government subsidy on the loan interest and a 60 per cent guarantee of the risk of the loan via the Credit Guarantee Corporation.

In 2014, 45 projects worth RM438 million were approved for the year, bringing the total value of project approvals to date to RM2.02 billion since 2010. The breakdown of projects approved and their financing value by year is as follows:

- 2010: 13 projects approved valued at RM164.3 million.
- 2011: 22 projects approved valued at RM394.6 million.
- 2012: 45 projects approved valued at RM508.8 million.
- 2013: 43 projects approved valued at RM513.3 million.

The year saw some key steps taken in improving Malaysia's waste management issues via the utilisation of green technology. The implementation of the Solid Waste Treatment Plant in Kepong entered its request for proposal phase, with four proposals currently being reviewed in tandem with an ongoing detailed environment impact assessment.

This plant is projected to be completed by 2017 and will be able to process up to 1,000 tonnes of waste a day, thus addressing Klang Valley's critical waste management issues, extending the lifespan of Malaysia's landfills, reducing the reliance on environmentally damaging waste management solutions and increasing the country's waste-to-energy facilities.

Regarding key EPP projects, 1Progres Consortium signed an MoU with the Kedah State Government to implement an innovative waste alternative recovery system (WARAS) in five towns through the creation of a community-led recycling ecosystem based on Thailand's Wongpanit methodology. This project aims to contribute RM471 million in GNI and 16,077 jobs by 2020, with a goal of processing 2.6 million metric tonnes of recyclable waste annually.

Deputy Prime Minister, Tan Sri Datuk Hj Muhyiddin Hj Mohd Yassin at the launch of the Fifth International GreenTech & Eco Products Exhibition & Conference (IGEM)

The Green Technology Master Plan (GTMP) was introduced in 2014, and is due for release early in 2015. The GTMP, developed by the MGTC, translates the National Green Technology Policy into implementable initiatives across five sectors, namely energy, water, waste, building and transport. It sets in place the strategies needed to reduce the carbon emission intensity by 40 per cent compared with 2005 levels, while growing the green technology industry with a target contribution of RM70 billion to Malaysia's GDP by 2030.

KEY TAKEAWAYS

As an emerging sector, further growth hinges on continued Government support as well as availability of financing. Existing incentive programmes must be reviewed to ensure it extends beyond current facilities, particularly as the GTFS will expire on 31 December 2015. The ongoing education of financial institutions to enable freer flow of capital to green technology companies needs to continue as it has proven effective in making funds available to this non-traditional business.

Of particular importance is an improvement of inter-agency alignment and holistic management, as green technology cuts across multiple sectors and industries. Current inter-agency alignment levels are not yet optimal — as an example, waste management is handled by up to six different Ministries depending on the type of waste — leading to a misalignment of initiatives.

Efforts must also be taken to promote "waste separation at source" education and enforcement, and the ongoing shift from landfill-based solutions to integrated waste management solutions and the transformation of waste to wealth. Separation at source will improve waste categorisation, reduce costs required to separate at collection centres and allow for greater adoption of recycling technology.

EPP 5

NURTURING PURE-PLAY ENGINEERING SERVICES

In pure-play engineering services, growth was driven by developments in the aerospace sector with key players recording revenue growth and undertaking business expansion. KPIs for revenue, jobs and investments fell short of the expected targets. This was attributed to adjustments in data collection methodologies as well as the introduction of a new apprenticeship recruitment model by one company, Strand, which introduced more stringent and industry-tailored training requirements on new hires. Regarding investments, many planned investments were brought forward to 2015 due to companies focusing more on marketing and developing new products. Investments are therefore expected to grow significantly in the coming year.

Dato' Sri Richard Riot trying on the ZET 3 wheeler during his visit to DreamEDGE Sdn Bhd on 14 August 2014

Revenue growth remained strong due to the performance of the industry's two main players – DreamEDGE and Strand. For DreamEDGE, there was strong demand for the company's innovative products and services. This saw the company securing a defence engineering drawing project for a UK-based company as well as a turnkey project for the design and delivery of exterior body parts for a special edition of a highly popular Japanese hot-hatchback.

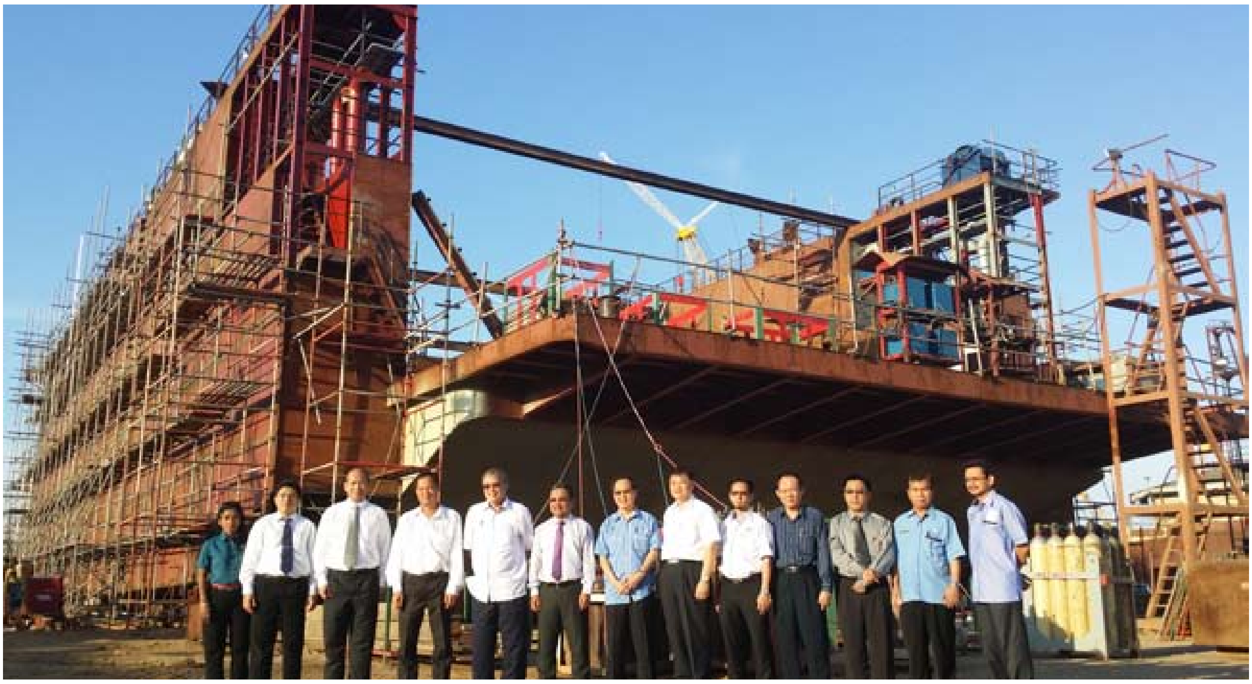
Strand's position as the leading engineering design capability provider for aerospace in Malaysia was solidified, and it will function as the anchor company for Asia Aerospace City and contribute to the local ecosystem which is critical to attract international aerospace companies into Malaysia.

KEY TAKEAWAYS

While the aerospace and automotive engineering sectors have been growing significantly, there is a need to look beyond these verticals to expand pure-play engineering services to other areas such as rail, urban planning and manufacturing. Action plans and initiatives that were established in 2010 will also need to be reviewed and, where necessary, enhanced to ensure their continued relevance.

EPP
6

DEVELOPING MALAYSIA AS A SHIPBUILDING & SHIP REPAIR HUB



Dato' Sri Richard Riot with the shipbuilding and ship repair industry players during his visit to Miri

Job growth was strong in 2014 as workforces expanded to cater to local demand, contributing to this EPP's achievement of KPIs for job creation. The industry created 262 new jobs in 2014, against a target of 240.

Two major industry players – Boustead Heavy Industries Corporation (BHIC) and Shin Yang Shipping Corporation (Shin Yang) – ramped up their headcount to tap growth in the international market. Meanwhile, MIGHT-METEOR's bridging programs, the Technology Specialist in Specific Domain Expertise (TeSSDE) and X-Pert Marine Program, helped fill the demand for white and blue-collar workers respectively. The programmes allow students to undergo a structured bridging programme with the industry players and subsequently many were absorbed into these companies.

In terms of EPP highlights, BHIC reached the final stages of designing Malaysia's first local Offshore Support

Dato' Sri Richard Riot leading a discussion with industry players

Vessel (OSV) in collaboration with Marine Technology Centre, University Technology Malaysia (MTC-UTM). BHIC anticipates securing orders for the OSV design by early 2015 although the detailed design is expected to be completed in April 2015. MIGHT is working closely with BHIC to ensure the success of the project.

The EPP went through a number of policy developments this year, facilitated by MIGHT. One key effort involves the resolution of a siltation problem at the mouth of the Baram River, as part of the Kuala Baram Channel Dredging project. The project is seen as a catalyst for the further development of Miri and the surrounding business communities as part of the Kuala Baram River Development Plan, and cumulative revenue from this and other initiatives is projected to reach RM554 million by 2020.

However, this outstanding siltation issue has hampered the growth of the shipbuilding and ship repair industry in Miri as the river mouth can be as shallow as one metre during low tide, thus severely affecting the operation of the Miri Port and shipyards along the river. Currently, the plan is slightly off track due to technical issues that need to be resolved.

Nevertheless, the proposal on deepening the river and subsequent development of the ship-building and ship repair industry is expected to be tabled by the Ministry of Infrastructure Development and Communication Sarawak (MIDCOM) to the State Cabinet in 2015 for approval.

MIGHT is working with the Ministry of Transportation on a proposal for the issuance of the Domestic Shipping Licences (DSL) to assist with the stimulation and growth of local shipbuilding and ship repair companies. MIGHT is syndicating with the industry to ensure that their voices are heard.

MIGHT is also looking to return shipbuilding and ship repair to the mainstream national agenda as the industry is no longer a promoted sector that can benefit from investment incentives.

The incentive packages are needed to promote investments in marine equipment manufacturing, training and shipbuilding and ship repair/MRO activities. It is also expected to stimulate the growth in high-value marine design and engineering businesses, foster expansion of shipyard facilities and promote adoption of the latest automation technologies through domestic direct investments and foreign direct investments.

KEY TAKEAWAYS

While Government incentives have proven instrumental in spurring the growth of the industry, more efforts are needed to attract investments and take the industry to greater heights towards attaining the 2020 target. Shipping trades slumped in the 2008 global economic crisis, showing that the industry is highly affected by global economic conditions. The declining oil prices could prove to be another dampener on industry growth, particularly in reducing the demands of oil and gas companies for additional OSVs.

Therefore, shipbuilding and ship repair industry players need to embark on providing more value-added products to remain competitive in the global market. Local players must strive to aggressively market their products and secure new build contracts without going through third parties, and must take the opportunity to penetrate the regional and global markets as a result of Malaysia's Free Trade Agreements.

In addition, MIGHT will continue to work hand-in-hand with state Governments, particularly in improving communication and alignment of federal and state initiatives to make project implementation and future industry planning easier. Government support through various related Ministries and agencies is vital for the creation of a healthy industry landscape that will contribute to the growth of the shipbuilding and ship repair industry.

Summary of Business Services NKEA

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

Critical targets for 2015

- Securing one major FDI of a Data Centre
- 15% revenue growth in overseas sales for Shared Services & Outsourcing
- RM44 million worth of investments into Pure-play Engineering Services
- RM2.5 billion in investments realised for Green Technology initiatives
- Development and implementation of action plans under the new EPP, i.e. EPP 7, to create additional 350 jobs and RM550 million in revenue

COMMUNICATIONS CONTENT AND INFRASTRUCTURE

Communications, content and infrastructure is no longer just an enabler to other industries but a new growth area for the country and globally

Dato' Sri Ahmad Shabery Cheek
Minister of Communications & Multimedia Malaysia

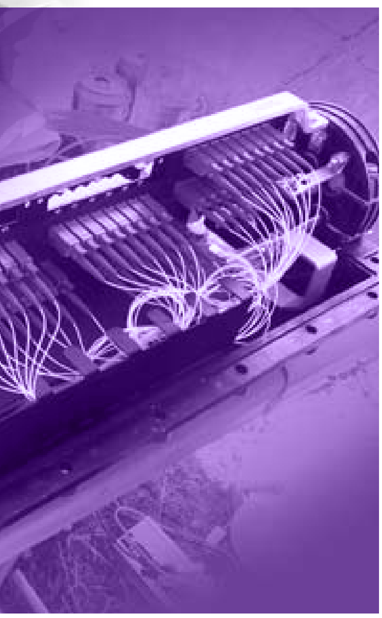
Q&A

WHAT IS THE IMPORTANCE OF THE COMMUNICATIONS CONTENT AND INFRASTRUCTURE (CCI) INDUSTRY AND HOW CAN THIS SECTOR CONTRIBUTE TO MALAYSIA'S PATH TOWARDS A HIGH-INCOME AND GLOBALISED ECONOMY?

As Malaysia's transformation strategy approaches a crucial mid-point towards 2020, the growth of the CCI industry is key to other National Key Economic Areas (NKEAs) such as Electrical and Electronics (E&E), Financial Services, Tourism, Healthcare and Education, which rely on communication infrastructure to further boost economic potential. In the global business environment, adopting these new communication infrastructures will allow industries to seize opportunities for expansion, either into new product lines or to reach out to a wider global market.

In this hyperconnected world, the CCI industry is quickly converging, with communications and content being almost synonymous in the near future. As a result, CCI is no longer just an enabler to other industries but a new growth area for the country and globally. With a global market size for filmed entertainment and video games of approximately US$158.9 billion (based on PwC's Global Entertainment and Media Outlook 2014-2018 Report) and key CCI initiatives emphasising on Malaysia as a filming destination, it will certainly increase velocity in pushing Malaysia towards a high-income and globalised economy.

FROM THE BUSINESS ASPECT, THIS NKEA PLAYS AN IMPORTANT ROLE AS AN ENABLER FOR GROWTH IN OTHER NKEAS SUCH AS FINANCIAL SERVICES AND HEALTHCARE, AMONG OTHERS. WHAT DOES THIS MEAN TO THE RAKYAT? HOW DOES THIS CONTRIBUTE TO OUR HIGH-INCOME ASPIRATIONS?



As an enabler for greater economic activity of other industries, this NKEA has both direct and indirect impact on Malaysian citizens. With a technologically advanced communication infrastructure, industries can turn their focus on the inherent strategic possibilities in riding the wave of growth in emerging markets, which in turn, spurs innovation and cements the case for increased human capital expansion to facilitate growth.

New growth areas explored by this NKEA have translated into large-scale investments and job creation. An example of this is the Film in Malaysia Incentive. As more foreign productions turn to Malaysia as the preferred location for both production and post-production, this enables Malaysians to be involved in large-scale international and high-quality domestic productions, leading to invaluable knowledge transfer and thus improving their capabilities. This will subsequently have significant positive impact on income levels. With all eyes on Malaysia as a filming destination, international production services or infrastructure providers will be attracted to doing business in Malaysia, not forgetting the expansion of the other non-creative related industries such as logistics, hospitality and site construction, thus creating jobs for the rakyat.

more on next page

continued from previous page

WITH THE ETP REACHING ITS MID-POINT, HOW WILL GROWTH BE SUSTAINED FOR THIS NKEA GOING FORWARD?

Broadband access will continue to remain the crux of this NKEA's aim as access to the Internet is deemed vital to socio-economic progress. As such, I'd expect Long-Term Evolution (LTE), High-Speed Broadband (HSBB) and Suburban Broadband (SUBB) segments to drive investments in the coming years while international Internet bandwidth is expected to see further improvements with the rollout of international submarine cables in 2015. Improving the national broadband connectivity between Peninsular Malaysia and Sabah and Sarawak, which comes under Sistem Kabel Rakyat 1Malaysia (SKR1M), will be emphasised as well.

While the infrastructure aspect remains important, the creative industry is expected to continue to grow, seeing as the country has positioned itself in the global production industry as an attractive production location. This is expected to be translated into positive spillovers for the hospitality, tourism and logistics segment. Additionally, the industry's focus on exporting creative content and services, continuous upskilling via Creative Industry Lifelong Learning Programme (CILLP) with validation of industry players, coupled with availability of good infrastructure in the industry will surely spur the industry towards a sustainable future.

Content being a new growth driver, will need a strategic transformation in its ecosystem. Content Malaysia, a concept that puts all development roles for content under a single purview and drive, will help harness resources and optimise opportunities both locally and internationally. With a single focal entity for content, this will help rebrand Malaysian content and its services, reducing duplication and improving transparency and accountability.

Lastly, I also expect the implementation of Digital Terrestrial Television Broadcasting in 2016 to drive investment among industry players in equipment and technical skills as productions in Malaysia increase.

YOU'VE OUTLINED IMPORTANT DEVELOPMENTS FOR 2015. COULD YOU ALSO ELABORATE ON THE SPILLOVER EFFECTS FROM THESE DEVELOPMENTS TO THE RAKYAT?

The Internet, in its entirety, holds immense potential for Malaysians. The infrastructure plans under this NKEA will ensure faster and more reliable access to the Internet, benefitting not just major businesses but also individual consumers and small, upstart entrepreneurs in Malaysia. At the same time, citizens will also benefit from the increased availability of e-Government services of which more than 70 per cent of services are available online across various devices and at multiple locations. This NKEA also strives to improve e-healthcare which will see more health facilities implement e-healthcare applications and e-learning which will continue to transform the way education is provided.

The Government is very much committed to the growth of the communications, creative content and multimedia sector. As industries and technologies evolve, we need to ensure that the talent pool in Malaysia is equipped with the ability to meet changing requirements. The Government is already tackling this with the continuous upskilling of industry players through programmes such as the CILLP, the Creative Content Industry Guild (CCIG) and Integrated Content Development Programme (ICON). This will ensure that our thriving creative sector has access to skilled home-grown talent.

COMMUNICATIONS CONTENT AND INFRASTRUCTURE

In a global arena where information is shared and connections are forged with the click of a button, it is vital that a nation's communications infrastructure be robust, fast and easily accessible to everyone.

More than that, a stable and widely available communications infrastructure is the backbone on which a nation progresses in a networked world of business, education, healthcare, and entertainment.

The past year has seen Malaysia continue to push the availability of broadband access to the rakyat, with household penetration now at 67.3 per cent. This is now relatively better than most ASEAN countries. Beyond broadband, LTE penetration is now at an encouraging 25 per cent, and is expected to reach 50 per cent by 2017.

CREATIVE CONTENT CONVERGENCE

The convergence of creative content and communications providers is a clear trend today, with leading communications players around the world such as Verizon and ComCast working to provide not only fast connection speeds, but also content via Internet Protocol television (IPTV).

Netbook distribution to schools, particularly in rural areas can help students to access information for broader learning

Malaysia is no different: traditional communications providers and content creators are now working together through IPTV services such as HyppTV, Astro On-The-Go and Tonton.TV to deliver music, video, movies and more at the tap of a button.

Since the ETP, Malaysia's connection to the global network has become faster with an international bandwidth capacity of 3.2Tbps while this year saw the Konsortium Rangkaian Serantau managing to reduce international Internet wholesale bandwidth cost by 34 per cent.

The Government is also priming Malaysia to capture a portion of the lucrative creative content industry, which has a global market size of US$158.9 billion based on PwC's Global Entertainment and Media Outlook 2014-2018 Report.

Animation production services are among the biggest contributors to export revenues in the industry. This can be seen from the increasing revenue of exports from creative content, which has more than doubled to RM608.7 million as at end 2014 from approximately RM200 million before the ETP. This year, events such as KL Converge, the launch of MyCC4dWorld and the Intellectual Property Financing scheme under Malaysian Debt Ventures sought to further boost the quality and marketability of Malaysia's creative content.

The continuation of Film in Malaysia Incentive (FIMI) in 2014 has maintained the momentum of estimated production spend in the country from approximately RM149 million in 2013 to approximately RM335 million in 2014. The launch of Pinewoods Iskandar Studios Malaysia also signalled Malaysia's ambition and capacity to attract international quality productions, such as the blockbuster Marco Polo.

BUILDING FOR THE FUTURE AND BEYOND

In encouraging the future development of home-grown talent, the Multimedia Development Corporation (MDeC)-led CILLP was offered to professionals eager to upskill or re-skill their talents in the creative field. Students also benefited from the ETP with 90 per cent of targeted schools having been connected with high-speed broadband (2-10Mbps).

Areas of healthcare, governance and business also benefited from improved communications infrastructure. To date, 95 per cent of targeted healthcare facilities are connected with high-speed broadband, a marked contrast to the approximately 580 facilities with minimal Internet speeds prior to the ETP.

Just as developed nations have done, Malaysia's Government services are moving steadily towards digitisation. This year, over 70 per cent of Government services are online and two more agencies have adopted Digital Document Management Systems (DDMS).

The coming years will see a greater focus on harnessing Big Data, which is now a key component in succeeding in this age of ubiquitous information. Effective use of it, can, among other things, improve crime-prevention measures, create successful disease prevention models and improve understanding of consumer behaviour.

2015 Outlook

The upcoming year sees a tremendous potential for growth in the creative content industry, especially with FIMI continuing its role to increase the momentum of the Government's effort to improve the development of agencies.

Demand for the consumption of creative content is also expected to increase with better connectivity (HSBB2, SUBB, LTE, SKR1M), as well as the encouragement to move towards digital terrestrial television broadcasting. The year will also see the MyCC4dWorld undertaking efforts to sell its content, turning the site into a new avenue of sale both to local and international markets.

It is important, however, to focus efforts in creative content to explore markets beyond Malaysia, as growth may be limited if producers are creating content solely for the local market. The Government will also embark on improving the creative industry's development agencies with the

In view of this, the enforcement of the Personal Data Protection Act 2010 will be equally vital in ensuring that Malaysians are protected from having their personal information abused by corporations or individuals.

This NKEA's performance will continue to be driven significantly not only by the telecommunications industry but also by the increasing contribution of content.

introduction of a centralised organisation. This includes a centralised agency to manage pitching for Government funds.

An encouraging year for the increasing rollout in applications among Government health facilities is expected with the recent budget approvals, with 200 health facilities with e-health applications targeted to be implemented.

Internal Government processes are also expected to be more efficient in the coming year, with 10 more agencies coming on board the Digital Document Management System (DDMS).

Utilisation of online Government services will be one of the key drivers next year, with an aim to increase utilisation of Government services by 10 per cent at Ministries and selected agencies.

To ensure the smooth implementation of projects within the NKEA, each project will continue to be monitored through monthly Operations and Steering Committee Meetings.

2014 KPI Analysis

The CCI NKEA achieved most of its KPIs in 2014. Among the highlights in creative content production was FIMI's success in attracting 21 productions since its launch in 2013, including 16 foreign productions, bolstering Malaysia's reputation as a destination where its infrastructure and talent can support international-quality productions.

However, Government processes require continuous improvements to cater to the influx of medium to large-scale productions.

Other key initiatives that helped promote the development and marketing of creative content home and abroad included KL Converge, which included initiatives such as Content Malaysia. During this event, communications providers, content producers, and investors gained insights from each other in a series of talks, workshops and seminars.

The successful implementation of DDMS and initiation of HSBB2 was a result of better engagement with relevant Government agencies to identify solutions to roadblocks, and was an encouraging step towards smoother execution in the coming years.

The Creative Content Association Malaysia (CCAM) and CCIG will continue to increase revenue from exports of creative content and attracting production investment into Malaysia by connecting the various stakeholders in the industry.

Finally, efforts will be focused on ensuring that the national blueprint for international cable will be successfully implemented to help grow the international capacity catering for new demand.

2014 Key Performance Indicators

COMMUNICATIONS CONTENT AND INFRASTRUCTURE NKEA		KPI (Quantitative)							
				Achievement					
				Method 1		Method 2		Method 3	
No.	KPI	Target (FY)	Actual (YTD)	%		%			
EPP #1	Revenue of export from Creative Content (RM mil)	600	608.71	101	●	100	●	1.0	●
	Total estimated production spending under the "Film in Malaysia Incentive" (RM mil)	200	335.03	168	●	100	●	1.0	●
EPP #4	Percentage of schools with high-speed Internet connection achieving a minimum of 4Mbps and adheres to the Service Level Agreement terms	100%	99.9%	100	●	100	●	1.0	●
EPP #6	Agencies adopting Digital Document Management System (unit)	1	2	200	●	100	●	1.0	●
	Utilisation of MyGovernment Portal - Number of Logins (units)	300,000	352,709	118	●	100	●	1.0	●
EPP #7	Percentage completion of Year 1 implementation of high-speed broadband project expansion	25%	0%	0	●	0	●	0	●
	Access to LTE wireless broadband – supply (% population coverage)	25%	25%	100	●	100	●	1.0	●
EPP #8	Number of new programme sites commission	1,250	1,225	98	●	98	●	0.5	●
EPP #10	Percentage of implementation of submarine cables (linking Sabah, Sarawak and Peninsular Malaysia) rollout	100%	15%	60	●	60	●	0.5	●
	Percentage of bandwidth wholesale price reduction	20%	34%	170	●	100	●	1.0	●
	Development of a national blueprint for international cable	100%	90%	90	●	90	●	0.5	●
				110%		**86%**		**77%**	

Exhibit 9.1

Method 1 Scoring is calculated by a simple comparison against set 2014 targets. The overall NKEA composite scoring is the average of all scores

Method 2 Scoring is calculated by dividing actual results against set 2014 targets with an added rule:
- If the scoring is less than 100%, score #2 is taken as the actual percentage
- If the scoring is equal or more than 100%, score #2 is taken as 100%. The overall NKEA composite scoring is the average of all scores

Method 3 Scoring is calculated by dividing actual results against set 2014 targets with an added rule:
- If the scoring is equal and less than 50%, score #3 is indicated as 0
- If the scoring is more than 50% and less than 100%, score #3 is indicated as 0.5
- If the scoring is equal or more than 100%, score #3 is indicated as 1

ENTRY POINT PROJECTS

EPP 1

NURTURING MALAYSIA'S CREATIVE CONTENT

With an estimated worth of RM18.7 billion, the Malaysian creative multimedia industry is not only a lucrative one, but has the potential to grow as digital connectivity becomes faster and more fluid around the world.

The EPP's efforts was epitomised in the inaugural three-day KL Converge event, which brought together investors, entrepreneurs and content creators to network. The event also positioned the country as an attractive hub for local and international filming, production and post-production, offering an immersive experience to differentiate it from other such events internationally.

During the three-day event, keynote speakers such as the Executive Vice President and Head of the Telenor Asia operations Sigve Brekke; Dean of Carnegie Mellon Ramayya Krishnan; and Chairman of Malaysian Communications and Multimedia Commission Shahril Tamizi shared insights into how various stakeholders can work towards a future where the development of creative content and communications infrastructure are intertwined.

September 2014 also saw the launch of MyCC4dWorld, another effort that offers producers an avenue to sell their creative works directly to consumers via its website. Currently, the site is open to the public, offering free viewing of content from Government agencies, namely FINAS, Bernama, RTM, as well as Arkib Negara. The site's goal is to be a one-stop location in which creators – from news agencies to the man-on-the-street – can sell their photographs, films, documentaries, and stock footage to students, advertisers, researchers, and broadcasters.

Vice President of Creative Multimedia Department (MDeC) Dato' Kamil Othman, speaking to the recipients of CILLP

On the heels of last year's achievements such as War of the Worlds: Goliath, this year saw the production of Ribbit, a 3D computer-animated comedy film; the result of an international partnership by KRU International. The movie was screened in over 80 countries since July, and won the award for Best Family Film at its world premiere at the Niagara Integrated Film Festival 2014.

FIMI attracted 11 productions that are potentially worth up to RM335 million, with a majority of the spending from foreign productions, realising an increased investment into Malaysia. As of December 2014, the revenue from the exports of creative content amounted to RM608.7 million, which has exceeded the performance of the previous years.

ICON, which was launched in 2009 to spur the creation of smartphone applications by providing training and mentoring to developers, had 1,193 recipients as of December 2014, producing RM1.67 million sales revenue until then. Among the standout achievements via this programme this year was Gain Secure, which gained prominence when it launched the AirAsia Windows Phone mobile application in 2013. With ICON's guidance, the company went on to launch its first consumer-based Edutainment mobile game, Mathgician, in June 2014. Such successes increase the value of the company which is key apart from sales revenue.

The response for the Creative Industry Lifelong Learning Programme (CILLP) has been very encouraging, with more than 672 people benefiting from its implementation as at December 2014. New participants have included professional services such as lawyers and accountants, which were lacking in the industry.

The CCIG database continues to grow. As of December 2014, it had over 5,863 members and 228 validated practitioners, which include practitioners from clusters such as media producing, creative writing, VFX and animation, make-up and sound engineering.

In the coming year, CCIG will focus on increasing the number of validated practitioners to 600 in various clusters to support the creative industry ecosystem. Other projects within the EPP that are now operational include the Digital Live Transit TV by Asia Media and Hospitality IPTV by Select-TV.

KEY TAKEAWAYS

In line with an overarching theme of convergence, a holistic approach will continue be taken in developing the creative content industry. This includes an effort to introduce a centralised agency to manage pitching for Government funds. In this model, this agency would be a single point of contact between the Government and producers to allow for a smoother pitching process.

As seen with the success of FIMI, the industry needs to continue exploring international markets for funding and increasing revenues, while the development of a validated talent directory remains crucial to its continued success. Among the main challenges experienced by FIMI were budget constraints that led to a few projects not receiving the incentives. Nonetheless, budget matters have been resolved and FIMI approvals will continue. Process improvements and Ministry-level coordination – particularly in various areas such as FINAS-FIMI, PUSPAL – are also required to ensure seamless processing of production applications.

The CCIG database is another key touchpoint for various industry players, whose relevance can be bolstered through the implementation of MoUs with JPK-MoHR and other relevant international accreditation bodies.

EPP 3

CONNECTING 1MALAYSIA

The key development for 2014 was the Telematics Project, a joint collaboration between Telekom Malaysia Bhd and Milan Utama. The Telematics Service Platform (TSP) provides a common platform and market place for content and solution providers to connect with vehicle drivers/owners.

Among the highlights of the Telematics Project is the Automatic Vehicle Location System that was launched with more than 800 subscribers and the completion of the Anti-Theft System. The TSP stage 1 backend, which is essentially a "backend service delivery platform" was also completed in 2014.

In 2015, this project will focus on a front-end application on car rental systems which includes the development and localisation of an onboard unit with display and online system for the purpose of reporting and viewing items such as the booking status, vehicle health & GPS location tracking to support Malaysia's first Electric Vehicle Car Sharing programme. The application will be linked to the TSP backend and includes the ability to perform remote firmware updates.

Digital Malaysia Projects that were implemented by MDeC include the improvement of e-payment and e-fulfilment for SMEs. Now under the purview of the CCI NKEA for monitoring and reporting, the two projects are aimed at improving the e-commerce market, of which only 28 per cent of SMEs are tapping into.

The performance of both projects has fallen short of the intended targets, with RM48.4 million in revenue targeted from the e-commerce fulfilment hub. To date, this project has secured RM26.4 million and attracted well-known brands such as Robinsons, Swarovski, Anakku and Eu Yan Sang. However, the target was not achieved due to the withdrawal of one major contract holder and the delays in obtaining land to begin the e-fulfilment services rollout.

For e-payment, 123,282 solutions were targeted to be deployed to SMEs by 2014, with transaction value worth of RM1.07 million by the end of 2014. Most recent data shows that 135,000 solutions have been deployed and RM1.83 million transacted.

KEY TAKEAWAYS

The lack of promotional activity during the initial stages of the e-commerce programme resulted in lower-than-expected participation from SMEs. Over time, however, roadshows and campaigns held by MDeC ensured that the take-up improved, and more SMEs are expected to join the programme in the coming year.

The challenge for e-payment to reach a transaction value of more than RM1 million by the year's end was the need to ensure that the solution terminals were deployed around Malaysia in large numbers. In order to encourage e-payment among SMEs and micro-enterprises, the Government is providing subsidies for purchasing solution terminals.

EPP 4

ESTABLISHING E-LEARNING

FOR STUDENTS AND WORKERS

Students using ICT for learning at schools

For 2014, the target was to ensure that every school connected with high-speed Internet connection of at least 4Mbps was consistently provided with that speed. With a sample size of more than 4,000 schools each time a survey was conducted, it was found that at least 99.9 per cent of schools met this criterion.

Previous years have seen this EPP aimed at connecting primary and secondary schools with high-speed Internet access through its 1BestariNet programme, which provides schools with 4G connectivity and access to Frog's Virtual Learning Environment (VLE). More than 8,000 schools have been connected with high-speed Internet of 2Mbps – 10Mbps over the past 2.5 years as compared to five years taken in the previous initiative to connect schools with the Internet.

The utilisation rate of the VLE platform has shown encouraging signs. Over the course of the year, the average percentage of students logging into the VLE for more than 30 minutes was 51 per cent out of an average sample size of 94,000 students. This exceeds the initial target of at least 30 per cent of the students logging in and spending at least 30 minutes in the VLE. This achievement indicates actual usage of VLE, which enables the Ministry of Education to gauge the use of VLE by students, and enhance its programmes accordingly to encourage the use of VLE amongst students, teachers and parents.

In 2014, 10,000 lesson sites were targeted to be created and uploaded into the VLE. To date, there are more than 11,500 lesson sites on the VLE platform.

KEY TAKEAWAYS

Having ensured that schools are connected with a high-speed Internet connection of at least 4Mbps, 2015 will see a greater focus on increasing the use of VLE by students, teachers and parents through various programmes. Ultimately, the aim is to have one million students accessing VLE for more than 30 minutes.

Additionally, this EPP will continue to increase connection speeds to schools to enhance user experience, and potentially increase the utilisation of e-learning facilities.

EPP 5

LAUNCHING E-HEALTHCARE

This EPP targets to connect selected health facilities via the Internet as part of the 1Gov*Net project managed by MAMPU and Government Integrated Telecommunications Network (GiTN).

As of December 2014, close to 3,000 healthcare facilities were upgraded with Internet connectivity, with connectivity speeds that ranged from 2-10Mbps. The focus for 2014 was to monitor and optimise the utilisation of these facilities. Health facilities which did not use the bandwidth services had theirs reduced, while those that showed encouraging use of the online applications enjoyed an increase in bandwidth supply.

Budget 2015 has also provided for an increase in e-health applications, and a growing number of Pharmacy Hospital Information Systems (PHIS) are expected to be rolled out at health facilities with upgrades to existing health facilities with TelePrimary Care (TPC) and Health Information Systems (HIS).

KEY TAKEAWAYS

Despite the strides taken to improve the e-healthcare system, there remain several speedbumps that hinder the adoption of new technology. Among them are the integration issues of stand-alone systems that differ from one healthcare facility to another, the lack of available infrastructure and the varied processes and policies among individual facilities that make it difficult to replicate and improvise ICT systems.

Another issue faced was the lack of subject matter experts to manage and utilise healthcare-related ICT systems. This, combined with the incomplete ICT infrastructure at health facilities, also slowed the adoption rate.

All of the above are to be addressed via MoH's ICT transformation plan, which is in the midst of being finalised for implementation by mid-2015. While the initial focus is on public facilities, it is intended to inter-connect with private facilities at a later date.

EPP 6

DEEPENING E-GOVERNMENT

This year, the Ministry of Transport and Ministry of Youth and Sports adopted DDMS, bringing the total number of agencies adopting DDMS to five. These Ministries have largely completed re-classifying documents digitally and disposing of their documents in accordance with the National Archive Department's requirements, which was one of the major hurdles towards its adoption.

The implementation of the myGovernment Portal was followed by more than 352,000 logins, double the target set for 2014. This indicates a relatively healthy utilisation of the portal as a single destination for Government services, and awareness activities remain crucial in educating the public sector on the services and convenience offered online.

Approximately 77 per cent of Government services are online and 65 Federal Government premises in Putrajaya are connected with Putrawifi,

"NKEA Day" Negeri Sembilan organised by MAMPU to promote government's online services and other initiatives provided to the rakyat

which provides Internet access to both the public and Government employees.

The National Phytosanitary Certification System (NPCS) and eCert are due to be completed by the end of 2014. With the completion of this project, a phytosanitary certification system at all certificate issuance offices for exporting agricultural plant products and a system for submission of phytosanitary data for imports will be in place.

Other projects in the pipeline for e-Government include the 1GovAppStore, which will house all Government-related mobile applications under one trusted directory, and further encourage the development of future mobile applications related to e-Government services.

KEY TAKEAWAYS

There remains low public awareness of the capabilities offered by the Government through online services like the myGovernment Portal. Recognising this issue, a communications plan is being developed to increase public understanding, and will include monitoring of utilisation of online services at the administrative level.

The year was an encouraging one for DDMS. Having cleared the issues that bogged down its adoption, 10 more agencies are targeted to be on-board DDMS in 2015. Barring any budget constraints during the process, a smooth acceptance of the system is expected in the coming year.

EPP 7

ENSURING BROADBAND FOR ALL

In this age where access to information marches in tandem with socio-economic progress, it is vital that broadband access be readily available to all Malaysians. As of 1Q 2014, household broadband penetration stood at 67.3 per cent.

HSBB 2, the second phase of the high-speed broadband rollout that aims to expand coverage in urban and suburban areas, encountered several inter-Ministry process issues that required escalation to a Problem-Solving Meeting chaired by the Prime Minister. Once the issues are resolved, the groundwork for HSBB 2 is expected to commence in 2015 and deliver a targeted number of ports by end 2015.


A type of telecomunication site for wireless services such as 3G and LTE

The coverage of LTE wireless broadband is now at 25 per cent of the population, and is expected to increase to 30 per cent in 2015 with service providers bound to the rollout requirements of the regulator to achieve this target.

In order to make Internet access more universal to the public, efforts were continued to push for the gazetting of the amended Uniform Building By-laws (UBBL) 1984 Act, which requires all developers to provide communication infrastructure such as internal and external ducting for all new housing and commercial developments.

In 2014, Pahang was the latest state to have gazetted the amended UBBL, bringing the total to eight states. Kedah, Penang, Negeri Sembilan and the Federal Territories remain ungazetted, while Sabah and Sarawak are still deliberating this recommendation, as the laws in those states are different.

KEY TAKEAWAYS

Having achieved a 67.3 per cent broadband penetration, growth in this area is expected to plateau in the coming years as it approaches the saturation point. Coverage for mobile broadband services, including 3G and LTE, will continue to make access to the Internet highly available at home, at work and on-the-go.

The delay in the HSBB 2 project affected the targeted timeline, but is expected to roll out smoothly following the escalation of the issues to the Problem-Solving Meeting chaired by the Prime Minister. Moving forward, very close monitoring of the HSBB 2 project will be required in order to ensure progress in accordance to agreed timelines.

EPP
8

EXTENDING REACH

In an effort to extend broadband subscription to non-urban areas, 89 Pusat Internet 1Malaysia (PI1M) centres, 973 Kampung Tanpa Wayar 1Malaysia (KTW1M), and 163 rural telecommunication towers were established in 2014. Since the EPP's implementation, over 4,000 KTW1M, 400 PI1M and 1,100 telecommunication towers have been built in rural areas.

This year also saw the focus of the EPP shift from quantity to quality. The lower than expected number of sites this year was due to the more stringent commissioning criteria: it was decided that KTW1M sites would be commissioned only if there is a well-established PI1M to ensure the quality of service.

KEY TAKEAWAYS

The main challenge faced by the EPP's implementation was internal decision-making delays. However, having resolved these issues, further delays are not expected, and 2015 will see the commissioning of 950 sites (500 of which are KTW1M sites). It should be noted however that the monsoon season may affect construction.

Children enjoying the benefits of PI1M

The Government also recognises the demand for faster connectivity from 385Kbps in 2011 to 4Mbps in 2014. This will require the development of new implementation models to cater to the demand.

As the nation progresses, these initiatives will start to play a less important role as a more robust and advanced network is rolled out in these areas, thus improving quality of connectivity through wired and wireless broadband that is available at affordably priced packages.

EPP 9

OFFERING SMART NETWORK

This EPP has achieved its objectives of ensuring availability of differentiated broadband packages that cater to a wide range of customers, and did not see any new projects in 2014.

Key Takeaways

Moving forward, the EPP will continue to monitor the broadband revenues generated, number of packages and prices available in the market. The information on its progress will be shared via the consumer forum made available on http://www.consumerinfo.my/.

EPP 10

EXTENDING THE REGIONAL NETWORK

This year saw Konsortium Rangkaian Serantau (KRS) obtaining a 20Gbps demand from its shareholders for international Internet wholesale bandwidth. As a result, KRS was able to reduce the international Internet bandwidth wholesale price by 34 per cent.

Another initiative to expand the regional network was the Sistem Kabel Rakyat 1Malaysia (SKR1M), which aims to improve national broadband connectivity within Peninsular Malaysia and Sabah and Sarawak at affordable rates.

As of December 2014, 15 per cent of the rollout of the submarine cable was completed, which was slightly delayed due to internal decision-making processes that have since been resolved. The initiative has completed the tender process and 2015 may see the execution of this project according to timelines. It is expected to be completed by mid-2017.

This year also saw the development of the national blueprint for Internet cables, which will provide clear direction and strategies for ensuring availability of international Internet bandwidth at potentially competitive prices.

KEY TAKEAWAYS

As the KRS has been proven effective, the Government's prime focus in 2015 will be to monitor its progress in seeking further price reductions on international Internet wholesale bandwidth, which may translate into lower costs for the rakyat.

Other key areas to monitor in 2015 include the progress of SKR1M and implementation of the national blueprint by ensuring completion of 50 per cent of an international submarine cable by next year.

A special vessel used to lay the submarine cable

EPP 11

TRACK AND TRACE

RFID container tagging process

Both projects that fall under this EPP – the security clearance process jointly led by SMTrack Berhad (SMTrack), the Royal Malaysian Customs Department and the MCMC; and the Swiftlet Nest tracking and traceability system led by the MCMC and the Department of Veterinary Services – are operational but are not mandatory practices in their respective industries.

KEY TAKEAWAYS

The use of RFID has not been actively pursued this year. Since 2012, more than 32,000 RFID tags have been deployed for security and trade, and no longer require facilitation. From this point, its future implementation and progress will depend on the decisions made by the Royal Malaysian Customs Department.

Similarly, the RFID tracking of swiftlet nests is not a compulsory practice. The implementation of the system hinges on demand from traders and whether they view it as beneficial to their trade.

BUSINESS OPPORTUNITIES

1

Fixed Services

The projected growth of sophisticated, data-heavy Internet applications and content will create a corresponding increase in demand for high-speed broadband which is largely delivered over fixed-line services.

It is projected that fixed broadband subscribers will increase at a compound annual growth rate (CAGR) of 10.5 per cent with services such as IPTV, online gaming and music driving much of this increased uptake. Fixed data lines meanwhile are projected to grow by 2.6 per cent CAGR as more companies require their own internal networks.

2

Mobile Services

As smartphones become the primary tool for accessing the Internet, mobile services are expected to boom with mobile broadband subscription projected to record up to 10.5 per cent CAGR.

Voice line subscribers are also expected to grow, although at a slower pace of 2.7 per cent CAGR.

The biggest opportunity for mobile service providers lies in deployment of LTE which would allow them to offer new services that can result in an increased average revenue per user (ARPU). This trend will have a spillover effect for tower-related work, integration work and application development.

The new trend of mobile providers aggregating tower operations provides a new opportunity for network players. This opportunity lies in the economies of scale gained from aggregated tower operations.

3

Courier, Post and Broadcast

The growing acceptance of e-commerce in the country is expected to spur growth in the post and courier sector which provides logistical support to the increasing number of online merchants. These services include transaction fulfilment, warehousing, inventory management, demand planning for manufacturers and assembly services.

IPTV or television over the Internet is also a new frontier with incumbents as well as new entrants rushing to stake a claim. Broadcasting will see new technology being adopted by providers and broadcasters with the incoming implementation of Digital Terrestrial Television Broadcasting (DTTB).

This will intensify competition in an industry which has seen incumbents upgrading their broadcasting facilities from analogue to digital as well as offering High-Definition (HD) channels. Together, contributions from courier, post and broadcast are expected to grow by 5.2 per cent annually over the next 10 years.

4

Regional Operations

Malaysia is strategically located in the world's fastest growing region and Malaysian telecommunications companies continue to seek opportunities to grow their business in regional markets.

The liberalisation of the Malaysian telecommunication sector has removed what was formerly a major stumbling block for regional expansion and companies can now negotiate on equal terms with their counterparts in other countries.

The footprint created by the likes of Axiata opens up opportunities for the industry to tap into regional markets. For example, mobile applications can be deployed over the Axiata network to serve different customers in different geographies.

ENABLERS

As a knowledge and skills intensive industry, a key enabler for the Communications Content and Infrastructure NKEA is human capital, with the industry requiring a workforce of 43,162 by 2020.

Of these, 25,899 employees will be required to support the EPPs while existing Business Opportunities require an additional 17,263 employees. Most of these new jobs will be considered to be in the high-income bracket, with 67 per cent located in the over RM4,000 per month salary bracket requiring high-level qualifications.

Initiatives have therefore been put in place to ensure a supply of talent for the continued growth of the industry. For the telecommunications sector, a consolidated approach between PEMANDU, TalentCorp and the Ministry of Education was initiated to ensure that the number of graduates in relevant telecommunications and engineering fields will be met by 2020.

To support the creative content and multimedia sector, the Ministry of Communications and Multimedia via its agency, MDeC and in collaboration with the Public Services Department undertook the implementation of CILLP from the Ministry of Science, Technology and Innovation (MOSTI).

The programme assists students to pursue tertiary studies in creative content at local or foreign universities or educational centres. It also provides financial assistance for professionals in the creative content sector to pursue master classes taught by the industry's best.

The CCIG will introduce accreditation of creative talents to foster a higher standard of professionalism within the industry. The efforts are aimed at shifting jobs in the sector into a higher income bracket level and encouraging more Malaysians to consider a career in creative content.

Summary of Communications Content and Infrastructure NKEA

	2020 Target
Incremental GNI Impact	**RM35.7 billion**
Additional Jobs	**43,163**

Critical targets for 2015

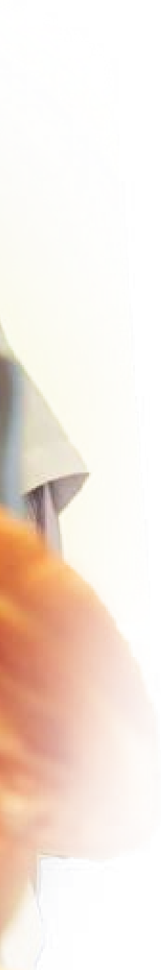
- To record RM600 million of revenue from the export of creative content
- To attract RM400 million total estimated production spent under Film in Malaysia Incentive
- To ensure 7,000 schools are connected with high-speed broadband in the range of 4Mbps – 10Mbps
- To ensure 200 health facilities are rolled out with e-health applications.
- To ensure 10 new agencies onboard the Digital Document Management System
- To ensure at least 10% increase in number of online transactions at Ministries and selected agencies
- To provide access to high-speed broadband with speeds up to 50Mbps in capital cities and major towns by setting up 40,000 new HSBB ports
- To provide access to high-speed broadband with speeds up to 100Mbps in sub urban areas by setting up 25,000 new SUBB ports
- To ensure 30% population coverage for LTE wireless broadband service
- To commission 950 new programme sites i.e. Kampung Tanpa Wayar, Pusat Internet 1Malaysia and Time3 Towers
- To ensure 45% of project implementation of submarine cables (linking Sabah, Sarawak and Peninsular Malaysia) (SKR1M)
- To ensure 50% completion of the international submarine cable

EDUCATION

"A strong TVET workforce with high-value and specialised skills will improve innovation and productivity of industries which will be integral to Malaysia's transformation into a high-income nation by 2020

Tan Sri Dato' Hj. Muhyiddin Mohd Yassin
Minister of Education

Dato' Seri Idris Jusoh
Minister of Education II



Q&A

WHAT KEY GROWTH AREAS AND INDUSTRY TRENDS DO YOU SEE UNDER THE EDUCATION NKEA?

There remains a wealth of opportunity across all the Education NKEA EPPs. Among these are in attracting international students to our shores by offering high-quality, world-class education. At the same time, local education institutions continue to play an important role for our students and should continuously strive towards providing higher standards.

Going forward, we see greater private sector participation in the Education NKEA, not just in providing education offerings, but also in partnering with educational institutions to help develop students with the right skills base to encourage graduate employability. The private sector will also play an important role in promoting collaborative research initiatives with educational institutions as well as enhancing the relevancy of Technical Vocational Education and Training (TVET)programmes.

HOW IMPORTANT IS THE TVET SECTOR IN FURTHERING THE EDUCATION NKEA?

TVET provides a valuable means for upskilling our students who are less inclined towards traditional education options. To this end, we have placed much emphasis on supporting the growth of TVET institutions and streamlining the sector to achieve focused growth. This is especially as organisations have demonstrated strong interest in hiring workers adequately equipped with professional skills. A strong TVET workforce with high-value and specialised skills will improve innovation and productivity of industries which will be integral to Malaysia's transformation into a high-income nation by 2020.

WHAT CAN THE RAKYAT AND INDUSTRY LOOK FORWARD TO FROM THE EDUCATION NKEA AS WE ENTER THE FINAL PHASE OF THE ETP?

The Government will continue to elevate the Education NKEA to ensure our education offerings meet the needs of a high-income and globally competitive economy. It is also crucial for private sector players to continue supporting our goals towards 2020 and help to drive our transformation process. Having world-class education in Malaysia will also enable local students to pursue quality education at lower cost compared to going abroad. Our Education NKEA will continue driving the growth of our education industry and also act as an enabler by feeding in talent into the rest of the NKEAs to ensure that we have sufficient human capital in place to sustain the growth and development of our Malaysian economy.

EDUCATION

As this NKEA continued to prime Malaysia to be one of the world's best education hubs, from early childcare to tertiary education and beyond, the country has achieved marked progress in developing its education sector, benefiting local students while attracting a growing number of foreign students.

Enhancing Malaysia's international reputation as an education hub was a key focus and achievement in the past year. Education Malaysia Global Services (EMGS) was a major contributor to this success, marketing and branding Malaysia to the world and ensuring that foreign students have a smooth transition moving and studying in Malaysia.

Currently there are over 135,502 international students, and that number is expected to grow this year in line with the NKEA's target to reach 200,000 students by 2020.

The establishment of over 100 international schools – which has already exceeded the initial targets of 87 schools – is a healthy indicator of the demand from the expatriate community, as well as Malaysians returning from abroad. Demand from Malaysian parents desiring their children to study using an international curriculum has also fuelled this growth.

The continuing growth of partnerships with international universities, as well as educational hubs such as EduCity@Iskandar are key to bolstering Malaysia's global reputation. This year, foreign universities such as Heriot-Watt University and the University of Southampton extended their offerings, while EduCity saw improvements to its student lifestyle facilities as it continues to take in more students.

Malaysia's TVET standards continued to reach new heights, as was proven through the country's strong showing at the ASEAN Skills Competition – in which Malaysia placed second behind Vietnam – and the country's involvement in developing Vietnam's National Occupation Skill Standards (NOSS).

These developments bear testament that Malaysia is emerging as a model of education development for the region, strengthening its foundation as a global education hub.

2015 Outlook

Efforts in the coming year will continue focusing on improving Malaysia's reputation as a quality education hub, expanding partnerships and moving into new growth areas, especially the games development cluster, healthcare, hospitality and tourism.

The Malaysian Qualifications Agency (MQA) and EMGS will play key roles in maintaining the high quality of education institutions, its programme offerings and its students. Having achieved much in 2014, EMGS will undertake an expanded role in reaching out to more quality international students, as well as improving the lifestyle facilities and courses offered in institutions in Malaysia. The MQA has also set stricter guidelines to elevate the standards of Malaysian education for international students to enter Malaysian Higher Education Institutions (HEIs).

The coming year will also see stronger and targeted marketing initiatives, with more support for discipline clusters that have a strong potential such as TVET, games development, hospitality and tourism.

TVET is now seen as a key area of growth, having the potential to generate huge income for Malaysia's economy when it reaches maturity. Returns generated from Private TVET Skills Training Institutions are estimated to be RM100,000 per student, with 2,700 international students currently enrolled in TVET.

Instituted since 2013, the two-year moratorium on new private tertiary institutions will be reviewed in February 2015 to encourage more private investment while maintaining their high standards. The moratorium thus far has aided the consolidation of the tertiary education sector, but moving forward, a review is necessary to encourage the growth of the tertiary education sector through the issuance of new Private HEI (PHEI) licences to highly selected and quality institutions only.

Public-private partnerships are vital to the success of the NKEA, as indicated by measures announced under Budget 2015 to encourage the development of smart partnerships. However, these partnerships must be strengthened by increasing the engagement between the MoE and private sector, particularly in areas of policy development and industry collaborations.

2014 KPI Analysis

Overall, the Education NKEA accomplished a good number of goals against the bold KPI targets set in 2014. This was achieved through collaborative efforts with stakeholders and increased efforts to promote Malaysia's educational offerings. Midway through the year, several targets were reviewed to reflect changing trends, optimistic industry growth outlooks and to ensure stronger participation of the private sector to build quality graduates for Malaysia's human capital needs.

Among the highlights of the year were the achievements to scale up early child care and education centres under EPP 1, in which 87 per cent and 100 per cent of KPI targets were achieved respectively. The enrolment in private pre-schools (children aged 4+ to 5+) contributed to 50.6 per cent of the overall preschool enrolment in 2014, short of the 55 per cent target set for the year. Meanwhile, the overall national childcare enrolment (children aged 0 to 4) stands at 10 per cent, out of which, 72.7 per cent are enrolled in private childcare. The NKEA remains on track to contribute largely to the ultimate target of national pre-school enrolment of 97 per cent and childcare enrolment of 25 per cent by 2020.

Discipline clusters did well this year, with results led by the Islamic finance and business education discipline cluster (EPP 7), which overachieved having scored 128 per cent of its KPIs. This was done through increased efforts to promote the Islamic Finance and Business programmes – which saw 13,607 students enrolled at various HEIs – as well as the International Council of Islamic Finance Educators (ICIFE), which enrolled 91 members. This is in tandem with Malaysia's aspiration to become a leading centre for Islamic finance and business education through the development of a globally-recognised professional certification.

The accounting, and hospitality and tourism discipline clusters were also strengthened this year, with 100 per cent and 126 per cent of KPI targets achieved, respectively.

Strong student enrolment at PHEIs in the hospitality and tourism programmes exceeded the initial target of 16,000. In the past year, private sector enrolment in hospitality and tourism programmes has increased by approximately 99 per cent (FY2013: 12,063), indicating that private sector involvement is vital to ensure that Malaysia achieves its annual output of hospitality personnel to 50,000 per annum by year 2020. Strong enrolment numbers of students under this EPP also ensures that the Tourism NKEA is enabled to grow the tourism industry threefold by year 2020.

Despite ambitious targets set, the games development cluster (EPP 14) achieved 104 per cent of its KPI for the year, which translates to 499 students enrolled in PHEIs that are involved in the cluster. The progress of this EPP was supported by collaboration between industry representatives, private and public education institutions. The future outlook of this EPP and the games development industry remains promising.

EduCity@Iskandar (EPP 11) had an exceptional year, having achieved 113 per cent of 2014's target by increasing student enrolment by 63 per cent compared to the year before. EduCity will also be continuously improving its infrastructure and collaborative marketing efforts with the institutions within EduCity and Education Malaysia to continue driving Malaysia as a premier education hub.

With a total of 135,502 international students enrolled in 2014, EMGS has made excellent progress in building and branding Malaysia as a regional education hub. Beyond the numbers, EMGS has also established itself as a one-stop centre for international students to drive student enrolments, undertaken promotional activities around the world to promote Malaysia as an education destination of choice and thorough academic screening to ensure that international students coming into Malaysia have a genuine intent in pursuing their studies.

As the ETP approaches a crucial midway point, it is imperative that the Education NKEA continues to deliver on its targets and contributes to the overall objective of the ETP. Challenges met were raised and resolved through problem solving meetings and platforms such as the NKEA Education Steering Committee Meeting that is held regularly and chaired by the Minister of Education II.

The Ministry of Education (MoE) is committed to continue developing these EPPs by addressing issues together with project owners to ensure strong economic growth and development within Malaysia's Education sector.

2014 Key Performance Indicators

EDUCATION NKEA		KPI (Quantitative)							
No.	KPI	Target (FY)	Actual (YTD)	Achievement					
				Method 1		Method 2		Method 3	
				%		%			
EPP #1	Private pre-school enrolment (including NGO) (4+ & 5+ years only)	485,232	421,863	87		87		0.5	
	Private childcare enrolment (0-4 years)	145,785	145,265	100		100		1.0	
EPP #2	Number of in-service pre-school teachers enrolled in diploma qualified courses	700	209	30		30		0	
EPP #5	Number of SKM qualified students from private accredited centres	33,000	42,526	129		100		1.0	
	Percentage of skills programmes accredited in compliance to Code of Practice for Skills Programme Accreditation (COPSPA)	100%	100%	100		100		1.0	
	Number of new foreign TVET students studying in Malaysia	500	1,355	271		100		1.0	
	Number of graduates with competencies of Level 3, 4, 5 SKM	30%	30.1%	100		100		1.0	

more on next page

continued from previous page

EDUCATION NKEA		**KPI (Quantitative)**							
				Achievement					
No.	**KPI**	**Target (FY)**	**Actual (YTD)**	**Method 1**		**Method 2**		**Method 3**	
				%		**%**			
EPP #7	Islamic Finance and Business Discipline Cluster: (i) Number of students enrolled at HEIs in the Islamic Finance and Business programme (ii) Number of members registered under the International Society of Islamic Finance Educators (ISIFE)	(i) 8,200 (ii) 100	(i) 13,607 (ii) 91	128	●	100	●	1.0	●
EPP #10	Hospitality and Tourism Discipline Cluster: (i) Number of students enrolled in HEIs in the cluster contact in the hospitality and tourism programme (ii) Number of student enrolled at private HEIs in the hospitality and tourism programme	(i) 2,500 (ii) 20,000	(i) 3,314 (ii) 23,972	126	●	100	●	1.0	●
EPP #11	Number of students enrolled in EduCity Iskandar Malaysia	2,500	2,822	113	●	100	●	1.0	●
EPP #12	International Student Enrolment: (i) Number of international student enrolled (ii) Number of post graduate international students enrolled in HEIs	(i) 110,000 (ii) 30,000	(i) 135,502 (ii) 27,812	108	●	100	●	1.0	●
EPP #13	Number of students enrolled under the buying places from established schools/operators	1,000	1,300	130	●	100	●	1.0	●
EPP #14	Building a Games Development Discipline Cluster: Number of students enrolled in PHEIs with cluster contact	480	499	104	●	100	●	1.0	●
EPP #17	Building an Accounting Discipline Cluster: Number of students enrolled in Sunway TES collaboration with IPTAs programme	261	262	100	●	100	●	1.0	●
				116%		**94%**		**89%**	

Exhibit 10.1

Method 1 Scoring is calculated by a simple comparison against set 2014 targets. The overall NKEA composite scoring is the average of all scores

Method 2 Scoring is calculated by dividing actual results against set 2014 targets with an added rule:
- If the scoring is less than 100%, score #2 is taken as the actual percentage
- If the scoring is equal or more than 100%, score #2 is taken as 100%. The overall NKEA composite scoring is the average of all scores

Method 3 Scoring is calculated by dividing actual results against set 2014 targets with an added rule:
- If the scoring is equal and less than 50%, score #3 is indicated as 0
- If the scoring is more than 50% and less than 100%, score #3 is indicated as 0.5
- If the scoring is equal or more than 100%, score #3 is indicated as 1

ENTRY POINT PROJECTS

EPP 1

RAMPING UP EARLY CHILDHOOD CARE AND EDUCATION

Children, parents and early childhood educators participating in the ECCE Walk-cum-Hunt as part of the National ECCE Week 2014, aimed to honour early childhood educators, raise awareness of the importance of ECCE and promote networking amongst early childhood educators, families, the community and the Government.

This year saw the establishment of 411 new private pre-schools and 586 new private childcare centres.

The rising number of schools, however, must not come at the cost of education quality. To better assess and subsequently increase the quality of pre-schools in Malaysia, the National Pre-School Quality Standard has been made more robust this year by tailoring its scoring system to be relevant and balanced for both public and private pre-schools. This enhanced version of the online self-assessment system will be rolled out to public and private pre-schools in 2015.

Recognising the increased demand from parents, both MoE and the Welfare and Community Department (under the Ministry of Women, Family and Community Development) approved licence applications for Early Child Care and Education (ECCE) centres that offer both childcare (children aged 0-4 years) and pre-school (4+ and 5+ years) services in the same premise that satisfy set requirements.

This will address a major issue, in which many private ECCE operators that adopted the "integrated" model of both childcare and pre-school services did not have clear guidelines to comply with in order to obtain operating licences.

The private sector is an important contributor to one of the Education NKEA's targets to increase pre-school enrolment in the country to near universal achievement. In 2014, 421,863 students aged 4+ and 5+ were enrolled in private pre-schools, which contributes to 50.6 per cent of total pre-school enrolment in the country.

In the same year, 145,265 students aged 0-4 were enrolled in private childcare centres, which contributed to 72.7 per cent of total childcare enrolment in the country as of 5 December 2014.

The Government continued to provide fee assistance to children from low-income households to attend private pre-schools and childcare centres in 2014. 41,109 children in private pre-schools benefited from fee assistance totalling RM36.78 million, while 1,103 children in private childcare centres received fee assistance totalling RM3,145,868.

Launching grants were also given to pre-school operators to further encourage the establishment of more private pre-schools that provide quality education. 251 operators benefited from this initiative, totalling RM4.23 million.

KEY TAKEAWAYS

Much of the work this year was focused on improving the quality of pre-schools, especially through the development of a more robust self-assessment tool, and increasing the participation of pre-schools in the self-assessment programme. It is hoped that this improved tool will enable the MoE and the ECCE Council to better assess private pre-schools, allowing for the provision of training and guidance for lower-performing schools to meet the necessary standards.

The fee assistance programme offered by the Government will continue to provide children from low- to mid-income families access to quality private pre-schools while encouraging unregistered pre-schools to register with the MoE and contribute to the growth of the sector.

Moving forward, the MoE will step up its efforts to identify unregistered pre-schools and help them in obtaining operating licences. To achieve this, the MoE organised an awareness campaign *("Program Jom Daftar")* to encourage the registration of these pre-schools, bringing together various agencies whose approvals are required, i.e. local council, Fire Department and the Health Ministry to answer any queries operators might have.

EPP 2

IMPROVING EARLY CHILDHOOD CARE

AND EDUCATION TRAINING

This EPP targeted the enrolment of 700 in-service pre-school teachers in Diploma qualified courses in 2014. To provide support to these teachers, the MoE continued to provide subsidised living allowance of RM1,000 per year to in-service teachers who pursue a minimum of Diploma qualification.

However, the take-up rate was low, with only 361 applications received and 209 teachers who qualified for the subsidy. The poor response was due to several factors, chief of which include the lack of incentive for private institutions to send teachers for courses, and the financial unfeasibility of teachers to take the time off to obtain a diploma.

The SEGi University Group's integrated ECCE hub project under a public-private partnership (PPP) is well under way with the technical requirements from MoE being concluded, and is now at the stage of price finalisation with the Public Private Partnership Unit (UKAS). SEGi has also proposed the necessary financing to complete the RM398 million project, with financing terms to be finalised in an agreement between SEGi and the Government. When completed, the integrated ECCE hub in Kota Kemuning, Selangor will house all the necessary facilities to provide education and produce ECCE professionals.

KEY TAKEAWAYS

A lack of accredited teachers in private ECCE institutions remains a concern. Recognising the absence of a requirement for formal qualifications as one of the major deterrents for educators to pursue the required Diploma courses, the MoE is currently looking into policy measures to boost the number of pre-school teachers with formal qualifications.

Furthermore, the construction of the ECCE Hub in Kota Kemuning is expected to increase the capacity for teacher training courses, and thus, improve the standards of educators at this level.

EPP 3

SCALING UP OF INTERNATIONAL SCHOOLS

There are now 106 international schools in Malaysia, already surpassing the Government's initial target of 87 schools by 2020. Part of the reason for this success is the continued increase of local students enrolling in international schools. Of the 45,050 students enrolled in international schools in Malaysia, 25,014 are local students and 20,036 are international students.

With the numbers of international schools established exceeding the intended targets, the focus of this EPP going forward is to increase the enrolment of international students. In 2014, National Association of Private Educational Institutions (NAPEI) together with the Private Education Division in MoE held marketing and promotional activities in key targeted countries, including Vietnam and Indonesia, to attract more international students to Malaysia.

KEY TAKEAWAYS

International schools in Malaysia continue to thrive due to continued demand from both local and international students. The challenge, now, however, is to maintain the momentum of growth of student enrolment, while maintaining a high quality of education standards.

EPP 4

EXPANDING PRIVATE TEACHER TRAINING

This year saw intensive efforts in training new teachers and upskilling existing teachers, particularly in subjects such as English where there are shortages in quantity and quality teachers. For 2014, the achievements of the 200 pre-service English teachers who had completed Semester 4 of Bachelor of Education following their four-year training in private institutions were monitored. The teachers sat for their IELTS examinations at the end of 2014, with their results to be known in April 2015.

Among the challenges faced by this EPP was a revocation of the licence of one of the private institutions conducting the Bachelor of Education course. As a result, the MoE transferred 126 pre-service teachers to several MoE teacher training institutions (IPG). Following comprehensive audits and inspections on these institutions by the MoE, a further recurrence of this issue is not expected.

KEY TAKEAWAYS

Moving forward, efforts under this EPP will focus on HEIs training teachers for the private/ international school market. This follows increased demand by international schools for local teachers who are familiar with international school curriculums.

EPP 5

SCALING UP PRIVATE SKILLS TRAINING PROVISION

The past year has seen active growth in TVET not only in numbers, with 1355 new international students enrolled in TVET programmes, but also in the maturation of the programmes being developed. Currently there are 2,700 international students enrolled in TVET programmes. For 2015, enrolment is targeted to grow by 800 students in line with the target of 16,000 students by 2020.

The Government has allocated more than RM832 million from 2011 and 2014 to the [Perbadanan Tabung Pembangunan Kemahiran (PTPK)]. These funds were channelled into skills training accredited centres, which underwent a ratings exercise by the Department of Skills Development (DSD). The disbursement of PTPK loan is tied closely to the star rating exercise conducted by DSD; which is an example of a performance-based funding. The loan is targeted at critical focus areas such as the NKEA sectors that are required by the economy and higher level of qualifications between SKM Level 3 to 5. The performance-based funding mechanism increases the quality of accredited skills training institutions. Currently, there are 370 private accredited centres that have achieved a rating of three stars and above in Peninsular Malaysia, Sabah and Sarawak.

SKILLS MALAYSIA INVITE

Vocational training has previously been considered an option of last resort for students in the past, but is now being seen as an opportunity for those keen on entrepreneurship and in the high-growth sectors where skilled workers are in high demand. To increase participation from foreign students, DSD is coordinating the implementation of the Skills Malaysia INVITE (SMI) programme, which aims at attracting international students to study TVET in Malaysia, where they can develop and gain comprehensive skills and knowledge in technical and vocational disciplines.

Deputy Minister of Human Resources, Datuk Haji Ismail Abdul Muttalib with the Malaysian delegation during the award ceremony for Asian Skills Competition in Hanoi, Vietnam. Malaysia was placed second overall behind the host nation, Vietnam, winning nine gold, five silver and four bronze medals. This was the best achievement since the first competition held in 1995.

The SMI was developed with certain standards and advantages in order to attract students from potential markets such as Sri Lanka, Myanmar, India and Indonesia. These include:

- A capable training programme carried out at the DSD Accredited Centre, which is equipped with modern facilities and helmed by highly skilled and experienced trainers.
- Qualification standards that are determined by Malaysian and international Certification Bodies.
- A training curriculum designed based on NOSS.
- A structural and systematic industrial attachment at recognised Malaysian companies for trainees to hone their skills in a real-world environment.
- Programmes that have links and relationships with industry partners.
- A modular course developed by DSD that can be done inside or outside Malaysia in accordance with the demands and suitability of their country.

Aside from carrying out promotional activities in Myanmar, Sudan, Vietnam and Indonesia, DSD also participated in clinics to improve the International Accreditation Council (IAC) to enhance their standards and increase the participation of international students in TVET, particularly in the ASEAN market.

ASEAN SKILLS COMPETITION

The country also made a positive impact at the 10th ASEAN Skills Competition (ASC) 2014, which was held in Hanoi, Vietnam from 19-29 October 2014. This event is held every two years and alternately hosted by ASEAN countries. The ASC provides the opportunities for countries to improve their competitiveness in human resource development and experiences in developing vocational training, applying modern training models, advanced skills, new materials, and technologies.

In this year's contest, Malaysia placed second overall behind the host nation, Vietnam, by winning nine gold, five silver and four bronze medals. This is the best achievement since the first competition held in 1995.

Year	Host	No of Countries	Malaysia's Achievement				Total Medals
			Gold	Silver	Bronze	Medal for Excellence	
2008	Malaysia	10	6	7	5	7	25
2010	Thailand	10	1	2	5	7	15
2012	Indonesia	9	3	4	4	14	25
2014	Vietnam	10	9	4	4	17	34

Malaysia's performance at the ASEAN Skills Competition (2008 - 2014)

KEY TAKEAWAYS

Although still in its early stages, TVET will be a key growth area in the coming years, especially with the start of the ASEAN Economic Community (AEC) 2015, which would increase mobility of skilled workers from neighbouring countries, and in turn spur the growth of TVET institutions.

Following the strong potential shown in 2014, 2015 will see further exploration and expansion of TVET programmes being offered to international students, particularly in working with IACs, private institutions, and the upgrading of Industry Lead Bodies (ILBs) into a stronger consultative role.

To further improve the standards and processes in TVET, DSD will also expedite the appointment of ILBs, which are tasked with three roles:

- To act as the link between DSD, industry partners, and the accredited centres
- To ensure the standards developed by DSD are in line with industry needs
- To conduct research related to their industry and promote skills training among members

To increase the standards and quality of private TVET institutions, DSD will conduct the third star rating exercise next year on all accredited institutions. This exercise is held biennially and focuses on raising the quality of graduates from private skills accreditation centres.

EPP 7

BUILDING AN ISLAMIC FINANCE AND BUSINESS EDUCATION CENTRE

In 2014, the focus of this EPP was on the establishment of the International Council for Islamic Finance Education (ICIFE), a globally-recognised professional association for Islamic finance educators that aims to standardise the quality of Islamic finance education worldwide. ICIFE was launched on 22 August 2014 with a total of 118 pioneer members and is supported by Bank Negara Malaysia, the MoE and all local higher education institutions.

Prior to the launch, a Global Round Table Discussion was held, bringing together global Islamic finance experts to review and enhance existing curricula available worldwide and to establish professional standards in teaching and learning Islamic Finance.

One of the key challenges to its execution was finding the scope of support and recognition for ICIFE and the curriculum standards developed. A key developmental concern in 2015 onwards is to ensure targeted and systematic promotion and collaboration in obtaining global acceptance.

This will be undertaken by accrediting programmes offered, beginning with local institutions, before moving on to the Asian region and subsequently international courses. In the same vein, this EPP will be looking at attracting more foreign students into Malaysia pursuing Islamic finance and banking education, as well as exporting expertise abroad to widen the pool of talent globally, thereby putting Malaysia on the map as an international centre of excellence in the field.

KEY TAKEAWAYS

In terms of structural support, EPP 7 will be focus on collecting more accurate data to track both supply and demand data to ensure that the outcomes from this EPP are data-driven and industry-relevant.

EPP 8

BUILDING A HEALTH SCIENCE EDUCATION

DISCIPLINE CLUSTER

This EPP was previously shelved due to reviews in developmental plans, but was reactivated in September 2014 with commencement of construction of a 1,000-bed UCSI University Hospital. The first phase of the hospital will have the capacity for 130 beds catering for surgery, obstetrics and gynaecology, paediatrics and cardiology/cardiothoracic surgery.

The hospital will be built to become the leading regional healthcare centre, containing facilities for cardiology/cardiothoracic surgery, neurology/neurosurgery, cancer medicine/oncologic surgery, minimally invasive surgery, robotic surgery, aged care, regenerative medicine and precision medicine operating.

The teaching hospital will be able to accommodate 1,000 undergraduate medical students, 2,000 postgraduate medical students, as well as dentistry, radiography, nursing, paramedic and hospital management students, and postgraduate research students.

The hospital will also actively seek partnerships with neighbouring hospitals to address niche healthcare markets and meet market demands in health tourism, as well as epidemiological and demographic trends.

The hospital is complemented by satellite facilities comprising:

- Research laboratories equipped to carry out research to advance the understanding of fundamental science, translational research, epidemiology, and implementation science;
- Convention and exhibition centre that would feature the latest technologies shaping the future of medicine;
- Hotel for recuperative care and for families of patients;
- Home care for the surrounding area; and
- Retirement facility with close medical links for acute and long-term care.

KEY TAKEAWAYS

Following delays caused by reviews on development plans which is crucial to the success of this EPP, construction of the hospital has begun and operations are expected to commence in 2016. This project will be monitored closely to ensure that the timeline is adhered to.

EPP 9

BUILDING AN ADVANCED ENGINEERING, SCIENCE AND INNOVATION

DISCIPLINE CLUSTER

This EPP aims to develop a collaborative, commercialisation-focused and industry-linked hub to boost the advanced engineering, science and innovation sector. However, since Agensi Inovasi Malaysia (AIM), which was formed in 2010, shares the same objectives and end goal as this EPP, the KPIs for this will no longer be tracked under Education NKEA and will be under AIM's purview.

EPP 10

BUILDING A HOSPITALITY AND TOURISM CLUSTER

P. Kamalanathan, Deputy Education Minister II (left) officiating the launch of Politeknik Merlimau as MyCenTHE's fifth cluster leader while Datuk Peter Ng, founder of UCSI University and champion of EPP 10 (right) and YB Datuk Wira Hj. Yunos bin Husin, State Exco for Education, Higher Education, Science and Technology, Green Technology and Innovation (middle) look on

The Malaysia Centre for Tourism and Hospitality Education (MyCenTHE) continued to drive this EPP forward in 2014, working in partnership with the Malaysian Association of Hotels (MAH) to address the gaps in Malaysia's hospitality and tourism sector and provide necessary advice and support to increase graduate employability by reducing skills mismatch. Currently there are 11 education institutions (both private and public) collaborating together under the MyCenTHE banner with several others identified to be launched in 2015.

With the support from MAH, MyCenTHE will be able to forge stronger ties between institutions and hotels to drive development of quality human capital as MAH has pledged support to assist MyCenTHE in providing work-based training opportunities for students as well as address the on-going issues of low wages or no allowances paid to students, and low interest by the industry to upskill existing workforce.

Through this shared platform between MyCenTHE and MAH, we foresee increased collaboration among members and cluster leaders, as well as marketing activities to create stronger awareness for education in hospitality and tourism as well as better access and placements for both institutions and graduates.

MyCenTHE has placed focus on expanding beyond traditional hospitality and tourism programmes by introducing work-based learning (WBL) which includes industry placements and real-time industry learning experience, with support and inputs from the Malaysian Qualifications Agency (MQA). The essence of work-based learning is a synergistic relationship between industry and academic institutions to provide relevant industry practicum to ensure that graduates have an introduction to the right skills and training that is sought after within the industry.

The four WBL programmes that have been introduced are:

- Diploma in Hotel Management
- Diploma in Leisure Management
- Diploma in Culinary Arts
- Bachelor in Hospitality & Administration

To further incentivise the industry to offer internships or student placements, TalentCorp's structured internship programme (SIP) has now been extended to students pursuing diploma courses under Budget 2015. This move will qualify hotels for double tax deductions, encouraging employers to offer a minimum allowance to interns, and in effect, encourage industry participation in the development of quality human capital for Malaysia's hospitality and tourism industries.

Together with the new extension of the SIP and MAH's support, MyCenTHE has much to do to ensure that it continues to drive both quantity and quality talent development.

KEY TAKEAWAYS

This EPP has had its challenges in the past in working with the industry to develop practical WBL programmes. It is hoped that the SIP's incentive, along with other initiatives, will improve the effectiveness of these programmes.

Moving forward, education providers will be taking a more collaborative approach in the hospitality and tourism industry, and look beyond Malaysian shores for students rather than competing for a limited pool of Malaysian students.

To improve the efficiency of MyCenTHE in their role as champions of the EPP, working committees have been formed to spearhead local and regional hospitality and tourism initiatives. Furthermore, an independent management team led by Datuk Peter Ng, founder and chairman of UCSI Group and owner of EPP 10, will oversee the development of MyCenTHE and internally set KPIs on cluster leaders to drive growth through increasing memberships.

EPP 11

EDUCITY@ISKANDAR

EduCity is the first fully contained, education-centric hub in Malaysia in an effort to transform Malaysia into a world-class education hub. It is located in Iskandar, Johor, which has been seeing aggressive development over the years as it is set to become Southern Peninsular Malaysia's most developed region.

EduCity will be supporting Malaysia's agenda to drive international student enrolments in Malaysia to achieve the 200,000 target by year 2020. It has seen a 63 per cent increase from 1,733 students in 2013 to 2,822 students in 2014. In 2014, MMU commenced its Cinematic Arts Programme in collaboration with University of Southern California (USC), which counts luminaries such as Jeffrey Katzenberg, George Lucas and Steven Spielberg among USC's board of councillors. 75 students have enrolled for the course.

The University of Southampton's campus in EduCity@Iskandar entered its third year of teaching with 75 students enrolled. This number is expected to grow with the approval of a MEng Aeronautics Programme, which is scheduled to start in September 2015, as well as a New Foundation Programme that is due to commence in April 2015.

To accommodate the anticipated growth of student numbers for the University of Southampton, the university has also started discussing future plans with Iskandar Investment Berhad (IIB)on the possibility of setting up its own building.

The International Students Village has also been upgraded and retrofitted with an improved Wi-Fi system and a new common kitchen in the student

This state-of-the-art stadium with modern athletic track and 6,000 seating capacity, together with an Aquatic Centre with Olympic size pool and an Indoor Arena, make up the EduCity Sports Complex accommodation area to better accommodate students within EduCity. Nevertheless, there is still much to be improved within EduCity to increase student vibrancy and liveability.

A taskforce is currently being formed between EduCity and the institutions within EduCity with the MoE as a mediator to ensure that future shortcomings and challenges that arise within EduCity are addressed as a collective. This will build stronger partnership between shareholders to drive and fully maximise EduCity's growth potential as an international education hub. This taskforce is expected to convene for the first time within 1Q 2015.

KEY TAKEAWAYS

Moving forward, EduCity is gearing for a higher intake of students through stronger partnership with institutions in addressing issues such as student lifestyle and increasing programme offerings.

In order to make EduCity more liveable, the administration has called on entrepreneurs to establish small businesses such as F&B outlets, leisure avenues, and retail outlets such as mobile phone sales and services and stationery supplies.

EPP 12

CHAMPIONING MALAYSIA'S EDUCATION BRAND

Education Malaysia Global Services (EMGS) was formed to support Malaysia's aspiration to be an international education hub and its key objectives includes managing the applications, processing and renewals of international student visas to Private Higher Education Institutions (PHEIs) to enhance the management of international student welfare and engagement.

EMGS has received a total of 84,018 new applications from international students interested to study in PHEIs in Malaysia. In 2014, 54,728 applications from 147 countries were submitted through EGMS' online Student Application and Registration System (STARS) to study at 238 PHEIs in Malaysia. This represents an 87 per cent growth in applications from 2013. From the total new applications received in 2014, 47,564 Visa Approval Letters (VAL) were issued, exceeding the 2014 target of 36,000 letters.

EMGS also implemented significant operational and service enhancements in meeting its objectives during the year, including:

Online Tracking of Applications: By entering their passport number and nationality, a student can directly track the progress of his or her application from the date of submission to completion.

Online Medical Report Submission: Implemented to achieve operational efficiency and enhance security, students' medical screening reports are submitted online by EMGS panel clinics. This has reduced turnaround time for submission of medical reports from eight days to three days.

Malaysia Immigration Deparment begins operations at EMGS operations office to enhance the efficiency of the one-stop-centre: Significantly reduced the overall turnaround time of Student Pass endorsement from 18 working days to eight working days.

Issuance of iKad for international students: Launched by the Deputy Prime Minister in July 2014 to improve students' welfare and security, the iKad, or international student identity card, is issued by the Immigration Department through the EMGS One-Stop Centre. It is recognised by all law enforcement agencies in Malaysia and with this, students no longer need to carry their passports with them, reducing the risk of passport loss or theft. The iKad is to be renewed annually, along with the Student Pass.

Expanding Access to Medical Facilities: EMGS expanded the network of panel clinics from 30 in 2013 to 95 in 2014, broadening access to the mandatory medical screening for students. Students in need of other medical attention can visit the network of over 2,000 hospitals and clinics under the insurance coverage facilitated by EMGS.

International Accreditation Centers (IACs): In June 2014, EMGS expanded its services to cover student applications to IACs, being skill centres under the Ministry of Human Resources (MoHR). As of 31 December 2014, 1,913 new applications have been made through the STARS portal.

Analytics dashboard for Business Intelligence: In October 2014, EMGS launched an analytics dashboard, which provides PHEIs access to relevent statistics and analysis of data gathered through the STARS portal in order to improve their marketing activities.

KEY TAKEAWAYS

The success of EMGS is reflected not only in the number of student applications, but also in the various technological and process-related improvements that were implemented this year.

The following enhancements are planned for 2015:

- Expansion of EMGS services to cover Language Centres and Public Higher Education Institutions – Effective 1 March 2015 and 1 April 2015 respectively.
- Enhance the mobile application launched in Q4 2014 that enables students to check their application status, track their student pass and iKad expiry date, receive notifications and submit enquiries to EMGS from the convenience of their mobile phones.
- Establish Student Arrival Centres in KLIA and KLIA2, the two largest entry points for international students, by Q2 2015. These centres allow EMGS to provide value-added services such as receiving students, student briefing sessions and other relevant assistance.
- Establish two new processing centres in the northern and southern region of Peninsular Malaysia in Q2 and Q3 2015. These centres will serve applications from HEIs in respective regions, and is anticipated to further improve overall processing time.

EPP 13

INTRODUCING PUBLIC-PRIVATE PARTNERSHIPS IN EDUCATION

Teach for Malaysia (TFM) is a not-for profit organisation with a mission to end education inequality in the country. It focuses on recruiting Malaysia's most promising young leaders to build a national movement through a two-year fellowship programme designed to raise the standards of high-need or underperforming schools. Currently, TFM is being funded by both the Goverment and the private sector.

To further strengthen the Public-Private Partnership of TFM, it was approved as an initiative under this EPP in December 2014.

In 2015, this initiative will ramp up efforts to obtain a greater portion of private contribution to TFM and work to increase the number of Alumni that remain in Education and make teaching a career of choice.

Another initiative under EPP 13, is the buying-of-seats programme for students with Special Education Needs, which continued in 2014, with 18 seats purchased with Berjaya University College of Hospitality (UCH) in Penang and 53 seats with Berjaya UCH in Kuala Lumpur. Meanwhile in Sabah, a total of 42 seats were purchased from Asian Tourism International (ATI) College, in collaboration with Sabah Cheshire Home.

MoE also continued the programme through its SEN Department *(Bahagian Pendidikan Khas or BPKhas)* where a total of 400 seats were purchased in 2014.

In addition, the MoE purchased a total of 1,300 seats on various vocational courses in private institutions nationwide. This is a cost-effective measure to increase course offerings to students pursuing technical and vocational education as it will be costly to the Government to offer all or niche courses under one single institution or procure the equipment and expertise required for certain programmes without achieving economies of scale.

KEY TAKEAWAYS

PPP is integral as both the Government and private sector are natural partners in human capital development.

PPP will be able to improve learning outcomes by leveraging on the expertise of private sector education providers to inject experience, methodology as well as resources into Malaysia's public school system to increase access to quality education for students nationwide.

Proactive steps must be taken by the Government to improve private sector outreach to drive private sector participation. The MoE is preparing a PPP framework in place that will be rolled out in 2015. It is aimed to guide private sector players to establish and expedite PPP establishments with the Government.

EPP 14

BUILDING A GAMES DEVELOPMENT CLUSTER

Animex International Festival for Computer Games and Animation 2015 (SEA) speakers with P. Kamalanathan, Deputy Education Minister II and Prof. Khong Yoon Loong, KDU University Vice-Chancellor during the festival launch

The year was a busy one for MyGameDev, which was tasked with nurturing talent for the growing field of games development among public secondary schools, tertiary education institutions and post-graduates.

This year, MyGameDev extended its school outreach activities beyond the Klang Valley for the the first time through events such as the Tabletop2014 Melaka Edition, which was held in conjunction with TableTop2014 held at KDU University College in order to promote board game design among students aged 15 to 17 years.

Universiti Teknikal Melaka (UTeM), a MyGameDev cluster partner, was a key collaborator in launching Tabletop2014 Melaka, and also helped in organising the School Counsellors Awareness Programme for Melaka secondary schools. A total of 21 secondary schools from Melaka took part in this programme, which saw the counsellors familiarising themselves with the games industry in order to advise students who have the talent and ambition to succeed in this field.

This year also saw the launch of an early version of MyGameDev's Game Development Online portal, which fills an important role in establishing Malaysia as a regional provider of game development talent to international studios and creates much-needed visibility for its future initiatives. The site contains pertinent information sought out by investors, students, and anyone interested in the Malaysian game development scene, such as game studios, related universities and Government agencies.

Another key event was the Animex International Festival for Animation and Computer Games (Southeast Asia) 2014, which was held outside England for the first time at KDU University College. Its purpose was to increase awareness of Malaysia's presence in Southeast Asia's game development arena; and to give a platform for local tertiary students and independent game developers to showcase their work.

The two-day event was attended by 414 participants comprising industry players, secondary schools, and public and private higher education institutions. The event also saw international speakers such as animation guru Ed Hooks, veteran games designer Alex Trowers, animation producer Yoshiya Ayugai and Fable producer Jennifer Clixby imparting their wisdom on succeeding in this industry.

Other activities for 2014 included the Malaysian (KL/Selangor) Game Jam, a collaborative effort by KDU with International Game Developers Association (IGDA) Malaysia and MyGameDev. This was held in conjunction with Global Game Jam, an IGDA-led annual event on 23-25 January that gathered game developers from around the world to create games based on a common theme within 48 hours.

Running on the same day was Gamedev Bootcamp 2014, an event jointly organised by KDU and the Multimedia Development Corporation (MDeC) for secondary school students interested in going through the basics of game development. The event gave the opportunity to the 100 students who attended to learn about digital sculpting, pixel art and game design.

KEY TAKEAWAYS

The main challenge of this EPP is to improve the perception of the local game development industry, which is seen not so much as a career path as it is a hobby. This is especially so among secondary school counsellors who are seen to be wary of such outreach programmes as well as parents.

To that end, MyGameDev will continue its efforts in organising such outreach events across the country, and further develop its online portal to bring the gaming community closer together and attract investments in the field.

3D Character Modeling by Year 2 Student
Andrejo Chong Carreon

MyGameDev Table Top Board Game Competition 2014. Students from various secondary schools in Melaka posing with industry judges and teachers. This event was hosted at Universiti Teknikal Melaka (UTeM) in collaboration with MyGameDev and KDU.

EPP 15

ESTABLISHMENT OF BRANCH CAMPUSES

In September 2014, Heriot-Watt University (HWU) Malaysia moved into their new campus in Putrajaya with 454 students, of which 18 per cent are international students. The Edinburgh-based university, which was ranked by QS University Rankings as the top university in Scotland and third-best in the UK and 47th in the world under its Top 50 under 50 2014 category (a ranking of the world's top 50 universities established within the last 50 years). It currently operates 21 programmes compared to just six in 2013 with a number of additional programmes submitted for approval in 2015.

To encourage the enrolment of students with outstanding academic results, HWU Malaysia introduced a merit scholarship scheme, which awarded 46 per cent of foundation students who received a minimum of 7As at SPM with merit scholarships, while 40 per cent of undergraduate students with AAB and equivalent at A-Levels qualified for merit scholarships.

The University also received its first research grant amounting to RM111,867 from the Malaysian Communications and Multimedia Commission. The grant, provided under its Networked Media Research Collaboration Programme (NMCRP), was awarded to Dr. Ke Guek Nee, Associate Professor in the School of Life Sciences, to undertake research in Internet addiction.

KEY TAKEAWAYS

HWU has had a fruitful year in 2014 and with new courses in the pipeline that will commence in 2015 and some pending approval, HWU is poised for growth in student enrolments in the following year.

This EPP, as a whole however, is faced with the challenge of producing quality graduates. MoE receives a number of inquiries from foreign universities even with the existing moratorium for the issuance of new licences for PHEIs, which limits the possible entrants of new branch campuses. However, with the moratorium under review in 2015, this may present a new opportunity for more education institutes that meet the MoE's standards to establish new branch campuses.

VIP party at Heriot-Watt University Malaysia Campus launch. From left to right: Professor Robert Craik, Y Bhg Datuk Seri Ir Dr. Zaini Ujang, Frances Cairncross, Y Bhg Tan Sri Datuk Seri Aseh Haji Che Mat, Professor Steve Chapman, YB Datuk Seri Idris Jusoh, HE Vicki Treadell, Y Bhg Tan Sri Datuk Seri Yeoh Tiong Lay, Y Bhg Datuk Azlan Abdul Karim, Y Bhg Tan Sri Abdul Rahman Arshad, Y Bhg Datuk Ishak Imam Abas and Y Bhg Datuk Dr Hamzah Kassim.

EPP 16

ESTABLISHMENT OF NOT-FOR-PROFIT EDUCATION INSTITUTIONS

In 2014, the Asian Women Leadership University (AWLU) Project continued engagement with MoE to explore further options towards successfully receiving a University Status licence to set up the AWLU in Malaysia, following receipt of a rejection letter from MoE in April 2014.

The AWLU Project initially considered a fresh application submission for licence which was to be submitted following the expiry of moratorium on the establishment of new PHEIs in February 2015. The AWLU team was also advised by MoE to explore the acquisition of an existing University College licence. The AWLU team commenced negotiations with an existing licence holder as well as MoE in late 2014.

During this period, the AWLU Project continued to evaluate alternative campus locations, as well as pursuing additional financial support from domestic corporations.

KEY TAKEAWAYS

Due to the moratorium in effect, a new licence application for a University to be set up in Pagoh or EduCity, Iskandar where the moratorium does not apply, is unlikely to be considered. Therefore, a viable option is for AWLU is to acquire an existing university college licence.

Even so, the acquisition of an existing licence is also fraught with challenges given the existence of students, faculty and curriculum which are incompatible with the AWLU concept. MOE's approval for the acquisition of the existing licence is a key enabler towards the establishment of AWLU. This project is currently put on hold as discussions are taking place amongst relevant stakeholders to determine the next steps of the AWLU project.

EPP 17

TRANSFORMING MALAYSIA INTO A LEADING ACCOUNTANCY HUB

This EPP seeks to transform Malaysia into an accountancy hub with Sunway TES Sdn Bhd taking the lead in this initiative. In 2014, 262 graduates with professional accounting qualifications were produced by EPP 17 champion, Sunway TES. This is targeted to increase to 700 students in 2015. By 2020, this EPP, comprised of several professional accounting providers, is expected to produce 7,000 new professional accountants in Malaysia.

Collaborations were made with International Islamic University Malaysia (IIUM), Universiti Sains Malaysia (USM) and University of Malaya (UM) to enable accounting students to pursue professional accounting qualifications such as ACCA and ICAEW while still completing their degrees. Through partnerships with the top five largest accounting firms in Malaysia, students following the programme will be guaranteed placement, where they can immediately contribute their expertise.

Besides collaborations with public universities, Sunway was also instrumental in the joint partnership with *Yayasan Peneraju Pendidikan Bumiputera* (YPPB) in nurturing 173 Bumiputera students with high potential to pursue accounting qualifications.

KEY TAKEAWAYS

One of the key issues faced in developing this EPP was convincing public universities to collaborate with Sunway TES. Many universities wished to pursue accountancy training programmes on their own, and did not see the benefits of forming a partnership. As such, a key developmental area in 2015 and beyond is to promote Sunway's position as a Platinum provider for the ACCA/ ICAEW, and create mutually beneficial proposals where students benefit from the various roles that Sunway and the institutions can play.

Next year will see this EPP taking a more holistic view to accounting education in advancing Malaysia's aspirations of becoming a leading accounting education hub in the region. As such, elements of entrepreneurial thinking, creativity and leadership will be introduced into the programmes, so that graduating accountants are prepared to be leaders and entrepreneurs.

BUSINESS OPPORTUNITIES

1

Discipline Clusters to Support NKEAs

The Education NKEA is developed around discipline clusters which shape the ETP's human capital needs in accordance with global industry requirements and trends. These include Islamic finance, health sciences, advanced engineering, hospitality and tourism, game technology and accounting. There also remain opportunities to provide education services in areas such as oil and gas and entrepreneurship to support industry demand in these critical sectors.

2

Centre for Excellence in Language Learning

There exists a gap in developing quality language centres specialising in the English language, in which there is potential to serve the fast-growing economies of China and India. Malaysia can also leverage its position as a multicultural, multilingual nation in Southeast Asia to bridge this gap.

ENABLERS

RAISE QUALITY THROUGH REGULATORY REFORMS

The aim is to amend policy frameworks that will encourage all private sector colleges and institutions to enhance their programmes. A key initiative involves implementing the Malaysia Quality Evaluation System for Private Colleges (known as MyQuest), which is an instrument to evaluate the current performance of private colleges in Malaysia. The evaluation of private colleges is aimed at driving improvements towards quality education through developmental approaches, ratings and self-assessments.

The MoE also uses the Rating System for Higher Education Institutions in Malaysia (D-SETARA). D-SETARA measures the quality of teaching and learning at level six of the the Malaysian Qualifications Framework (undergraduate level) in academic disciplines in universities and university colleges in Malaysia It classifies its rating into six Tiers ranging from 1 as weak to 6 for outstanding. Among the results are Taylor's University ranked at Tier 6; Universiti Teknologi MARA at Tier 5 for Hospitality and Tourism; and Universiti Malaya achieving Tier 5 (the highest) for medicine, dentistry and pharmacy. Further details on the ratings can be obtained from MQA's website at www.mqa.gov.my.

SHIFT TO DEMAND-SIDE AND PERFORMANCE-BASED FINANCING

This enabler encourages demand-driven and performance-based financing of educational institutions, which include a fee assistance scheme for pre-schools and childcare centres and additional funding for TVET institutions based on the Star Rating Exercise.

REMOVE BARRIERS TO ENTRY FOR INTERNATIONAL STUDENTS

This enabler assists Malaysia in increasing its intake of international students in the private higher education sector. It will also help identify high-performing post-graduate students for jobs in strategic industries in the country and streamline visa passes for foreign students. The Malaysian Government introduced the Employment Pass II in October 2011. This initiative enables high-performing foreign graduates who had completed tertiary education in Malaysia and young professionals to pursue employment in the country. Foreign graduates are required to fulfil the following stringent criteria in order to be eligible for this initiative:

- Successful in the graduate selection process of a reputable firm

- Pursuing degree/postgraduate in SETARA Tier 5 Institutions
- Top scorers with at least second upper (or equivalent)

Moreover, eligible companies are also required to comply with certain criteria:

- Credible multinational companies, Government-linked corporations and strong Malaysian-based companies
- Higher value-added job descriptions
- Employment contract of two years and below with a minimum gross salary of RM2,500 monthly
- All applications must be submitted by companies to the Immigration Department

Further details on the Employment Pass Category II could be obtained from TalentCorp's website at www.talentcorp.com.my.

IMPROVE EASE OF DOING BUSINESS

The focus of this enabler is to liberalise the way private sector educational institutions set up businesses in Malaysia. The education services sub-sector has been liberalised, where international schools, private skills training centres and private higher education institutions are able to operate with 100 per cent foreign ownership. Foreign entities are now allowed to operate businesses in Malaysia without requiring a minimum percentage of local ownership.

Summary of Education NKEA

	2020 Target
Incremental GNI Impact	**RM33.6 billion**
Additional Jobs	**535,000**

Critical targets for 2015

- Continue to focus on increasing the percentage of students enrolled in early childcare and pre-schools
- Facilitate improved international student and teacher experience through collaboration with EMGS, the Immigration Department and other relevant agencies
- Improve international marketing of universities and course availability in Malaysia as a global education destination with the support of EMGS and relevant Government agencies
- Drive the growth of TVET by reaching out to parents and students on career opportunities as well as rebrand TVET as an attractive alternative career pathway
- Enhance the partnership and collaboration between the industry and other private skills training centres and institutions to ensure graduates are highly employable

ON THE GROUND
WITH CIVIL SERVICE

Boosting Employability with Skills Development

Datuk Dr. Pang Chau Leong

Director General of Department of Skills Development (DSD)

As the project owner for the Education NKEA's EPP 5: Scaling Up Private Skills Training Provision, the Department of Skills Development (DSD) has much to be proud of. According to its Director General, Datuk Dr. Pang Chau Leong, the Department has consistently surpassed its annual targets for the number of Malaysian Skills Certificate (*Sijil Kemahiran Malaysia* - SKM) holders every year since the implementation of the EPP in 2011.

"Overall we can be satisfied that we have overachieved most of our KPIs, especially in skills training/delivery. We can see that the private skills training sector has continued to play a very important supplementary role to the public sector," says Datuk Dr. Pang.

40,005 SKM-holders graduated from private skills training providers in 2014, exceeding the Department's target of 33,000 for the year. This followed 42,483 certificate-holders recorded in 2013, against a target of 31,700, and 38,602 in 2012 (2012 target: 26,900). In its first year, the EPP recorded 33,722 certificate-holders, surpassing the target of 21,100.

"It's not just the quantitative aspects that are significant. What we have managed to achieve over the years is to push for quality and performance [in the provision of private skills training]. This is something very important for skills development because in the not so distant past, there had been a perception that private vocational training did not provide high quality training. Therefore, society at large did not have high confidence in the country's skills training system," observes Datuk Dr. Pang.

In an effort to address this, the DSD made it compulsory for training programmes to fully comply with its Code of Practice for Skills Programme Accreditation, which it developed together with the Malaysian Qualifications Agency (MQA). Once again, the response was overwhelming. Against a target for 300 programmes to comply with the Code in 2011, 904 programmes complied. As at the end of 2014, the number of programmes in compliance continued to exceed the Department's annual targets.

"This means that now we are very confident that DSD-accredited programmes meet very high standards in terms of delivery. We also introduced a Star rating for all accredited centres. To ensure that we mean business with quality, programmes which are not rated at least 3 Stars will not be eligible to tap into the Skills Development Fund. Low performers are also required to attend improvement/developmental clinics where we help to improve the quality of their delivery," he explains.

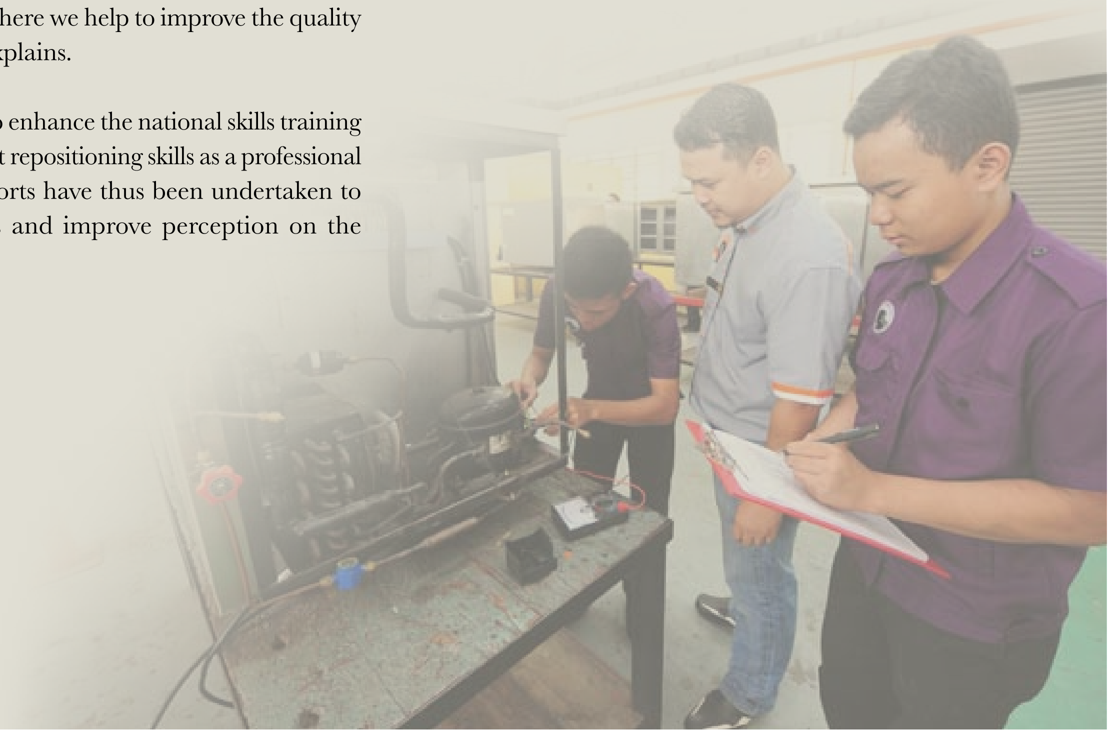
He adds that the drive to enhance the national skills training system has been aimed at repositioning skills as a professional vocation of choice. Efforts have thus been undertaken to raise public awareness and improve perception on the significance of skills training through the Department's SkillsMalaysia initiative, while industry players have also been invited to participate in training.

"The key outcome for skills training is employability; allowing graduates to receive better employment options, higher compensation and improve their career mobility," Datuk Dr. Pang notes.

Collectively, these efforts bode well for Malaysia's development into a high-income nation, which sees the country targeting for skilled workers to make up half of its workforce by 2020.

"It is almost a foregone conclusion that increasingly, new jobs that are being created require a higher level of competencies and skills, especially in the various high value-added, high-tech sectors where there's a utilisation of a higher level of technology, operations and work processes.

"This will be very favourable to a technically and vocationally qualified workforce. That's why we need to advocate for skills training and skills-based careers to be accepted by society as the career of choice which promises brighter prospects," says Datuk Dr. Pang.



AGRICULTURE

The integration of the value chain via the anchor company model has improved the cost of doing business, thus resulting in cheaper prices for the end user and higher income for smallholders

Dato' Sri Ismail Sabri Yaakob
Minister of Agriculture and Agro-Based Industry

Q&A

HOW HAS THE AGRICULTURE NKEA CONTRIBUTED TO OUR HIGH-INCOME ASPIRATIONS?

The NKEA has been instrumental in enabling large players while empowering small players to drive private sector participation in the industry, helping to support overall economic activity.

In terms of anchor companies, the NKEA has helped to facilitate the companies' expansion in the regional and global markets, increasing their market share. Smaller players, meanwhile, benefit from guaranteed buyback from the anchor companies and in areas such as technology transfer. This provides smallholders with the required skills and expertise to expand their operations and move up the value chain, while allowing them to command better prices for the products and thus earn higher income.

HOW WOULD YOU GAUGE THE PROGRESS OF THE AGRICULTURE NKEA SINCE THE START OF THE ETP?

To date, the NKEA has recorded a RM 9.68 billion in committed GNI, 30,839 additional jobs and RM7.81 billion in committed investment.

The NKEA has also played an important role in achieving the National Agro Food Policy to achieve the target such as food security, high value agricultural development, and private investment as a catalyst for the transformation of modern agriculture and so on.

I am therefore confident that the NKEA has built significant momentum to reach our goals by 2020.

WHAT ROLE DOES THE NKEA PLAY IN CONTRIBUTING TO THE BETTERMENT OF THE RAKYAT?

The integration of the value chain via the anchor company model has improved the cost of doing business, thus resulting in cheaper prices for the end user and higher income for smallholders.

In addition, the implementation of standards in agriculture activity, such as MyGAP, has improved the quality of food products and provided consumers with a better choice of products.

Perhaps most importantly, the NKEA has improved our self-sufficiency level, enhancing national food security to enable us to reduce our dependence on agriculture imports.

WHAT ARE YOUR ASPIRATIONS FOR THE NKEA AS MALAYSIA TRANSFORM INTO A HIGH-INCOME NATION?

I hope to see even greater private sector participation in agriculture, with more anchor companies coming on board to capitalise on opportunities from the NKEA. I also expect more smallholders to benefit from the programme, with the overall effect of increasing incomes for agriculture businesses.

AGRICULTURE

Since the implementation of the ETP, this NKEA has succeeded in institutionalising the herbal industry with the establishment of the Herbal Development Division within the Ministry of Agriculture and Agro-Based Industry (MoA).

To date, this has seen the first herbal product in Malaysia obtain a botanical drug claim set to complete its clinical trial in December 2014. Clinical trials were sanctioned by the Ministry of Health (MoH). Further driving the growth of this market, the first large-scale herbal cultivation park was launched in Pasar Raja, Terengganu in June 2014.

Efforts have also been taken to strengthen the sector's fundamentals, as heavy dependence of major aquaculture and fruit industry players on upstream production, recurring high losses of post-harvest paddy and a scarcity of suitable and/or contiguous large-scale land for planting remain its top concerns.

Overcoming these weaknesses hinges on increasing agricultural productivity with available land, developing more downstream products, shifting the focus of industry players towards high value-added ex-farm processing and improving food source traceability and the adherence to global standards.

Large anchor companies also play a crucial role in contributing to the agriculture value chain. This has been exemplified by the experience of home-grown dairy company Allied Dairy Sdn Bhd, which now commands a 35 per cent share of the local market, allowing it to dictate market prices. This, in turn, enables the company to pay its suppliers, made up of smaller players, better prices. Prawn production in Setiu has shown similar success in catalysing the growth of local players, illustrating how small players gain from the success of larger companies.

In tandem with addressing these challenges, industry players have offset the limitations faced by developing other areas of the sector. Overall, EPP participants have committed GNI RM9.68 billion to date, against a targeted GNI of RM28.9 billion in 2020 from the Agriculture NKEA. Committed jobs have reached 30,839 compared with expected job creation of 109,335 in 2020, while total committed investment amounted to RM7.813 billion to date versus RM16.984 billion targeted in 2020.

2015 Outlook

Agricultural production under the NKEA is expected to increase in 2015 as most anchor companies enter their production stage. However, new projects and the entrance of new companies will taper due to the lack of other big players readily available to join and the scarcity of land.

Demand for agriculture products are however expected to continue at a steady pace in 2015. In 2013, the contribution of agriculture food subsectors (fisheries, other agriculture and livestock) to national GDP rose to 3.22 per cent from 3.17 per cent in 2012. The total contribution of the agriculture industry (including palm oil) to GDP was 7.1 per cent in 2013, a slight decrease from 7.3 per cent in 2012. The breakdown of contribution to GDP from agriculture food subsectors is as follows:

- Fisheries: 1.05 per cent in 2012 to 1.02 per cent in 2013
- Crops: 1.26 per cent in 2012 to 1.3 per cent in 2013
- Livestock: 0.85 per cent in 2012 to 0.88 per cent in 2013

On the global front, agricultural production, including non-NKEA commodities and palm oil, is projected to grow at an average rate of 1.5 per cent annually until 2022, slower than the 2.1 per cent average annual growth recorded in the previous decade. This lower growth will be exhibited by all crop sectors and livestock production due to rising cost, limited expansion of agricultural land, growing resource constraints and increasing environmental pressures which are anticipated to inhibit supply.

Nonetheless, higher growth in production is expected from emerging economies which have invested in their agricultural sector and where existing technologies offer good potential for closing the yield gap with the advanced economies, according to the OECD-FAO Agricultural Outlook 2013-2022.

Emerging economies' share of agriculture output is also expected to increase over the medium-to-long-term (5-10 years), while consumption of agriculture products is expected to increase largely in developing countries, with demand driven by growing populations, higher incomes, increase in urbanisation and also changing diets. Per capita consumption is projected to expand most rapidly in Eastern Europe and Central Asia.

Scarcity of land will require the agriculture sector to increase productivity with little-to-no increase of new areas, while other factors such as the lack of big players, apart from existing EPP partners, to drive growth and weather uncertainties may threaten growth prospects in 2015. However, the use of new technology, mechanisation, better quality seeds and improved agriculture management will provide an impetus for the sector to expand in 2015, while increasing value-added products via downstream processing will also drive growth.

2014 KPI Analysis

In general, this NKEA's KPIs were met in 2014 with continuous monitoring and prompt resolution of issues. The NKEA also succeeded in surpassing its 2020 GNI target of RM47.28 billion, recording a GNI contribution of RM57.8 billion in 2014. Since 2010, GNI contributions from agriculture have grown 9.6 per cent annually.

Details	2005	2010	2013
	SSL (%)		
Rice	80.58	71.39	72.25
Fruits	74.06	65.75	68.45
Cattle	21.15	28.65	29.77
Vegetables	46.23	41.17	48.61
Milk	4.59	4.88	5.23

Self-Sufficiency Level of industries relevant to Agriculture NKEA

The year saw encouraging progress in EPP 1: High-Value Herbal Products, EPP 6: Replication of IZAQs, EPP 7: Premium Fruits and Vegetables, EPP 8: Food Park, EPP 10: Paddy Farming in MADA and EPP 13: Dairy Clusters.

The Self-Sufficiency Level (SSL) of industries relevant to NKEA has also increased since the introduction of this NKEA in 2010, although the SSL of rice and fruits remains below 2005 levels.

Notwithstanding the satisfactory performance of this NKEA in 2014, several factors contributed to a shortfall in some targets. These include external issues beyond control such as weather and disease, buy-in from China, the inability to obtain approval for use of land and security threats to companies operating around the Eastern Sabah Security Command (ESSCOM) Area.

During the year, it was observed that departments involved in this NKEA have internalised the Standard Operating Procedure (SOP) developed by PEMANDU, yielding tangible outcomes evidenced by the achievement of KPIs. Reiteration and monitoring is key to ensure the SOP is maintained.

It is also crucial that the implementation of the NKEA is institutionalised within the MoA to ensure outcomes are achieved in a timely manner. In this regard, it is notable that most EPP owners are establishing complete and permanent teams to see projects through to completion.

As the ETP reaches the halfway mark, efforts will be taken to continue instilling discipline of action to track developments and troubleshoot issues on a monthly basis. The indicators of each EPP on the MoA's Executive Dashboard will be highlighted to top management to ensure accountability and timely action.

2014 Key Performance Indicators

AGRICULTURE NKEA		KPI (Quantitative)							
				Achievement					
No.	KPI	Target (FY)	Actual (YTD)	Method 1		Method 2		Method 3	
				%		%			
EPP #1	Number of pre-clinical and clinical trials to be conducted for nutraceutical and cosmeceuticals	6	6	100		100		1.0	
	Mobilisation of CoE to conduct research for product development	7	4	57		57		0.5	
EPP #2	Total export of Edible Bird's Nest product (mt)	170	145	85		85		0.5	
	Total number of newly registered EBN premises	3,000	2,551	85		85		0.5	
EPP #3	Percentage increase in productivity per hectare per year	30%	10.4%	35		35		0	
	Percentage of farmers who adopted GAqP under the seaweed cluster programme	20%	28.2%	141		100		1.0	
EPP #4	Total production of farmed fish by anchor companies (mt)	6,500	9,335.91	144		100		1.0	
EPP #5	Percentage increase of calving rate for anchor companies	15.8%	12.9	82		82		0.5	
EPP #6	Total production of shrimps by anchor companies (mt)	29,000	30,081.04	104		100		1.0	
EPP #7	Total production from Taman Kekal Pengeluaran Makanan and anchor companies (mt)	40,000	45,404	114		100		1.0	
EPP #8	Percentage increase of sales of SME products under anchor company	10%	47.45%	475		100		1.0	

more on next page

continued from previous page

AGRICULTURE NKEA		KPI (Quantitative)							
				Achievement					
No.	KPI	Target (FY)	Actual (YTD)	Method 1		Method 2		Method 3	
				%		%			
EPP #9	Total tonnage of fragrant rice produced (mt)	2,500	2,026.52	81		81		0.5	
	Total area planted (ha)	1,000	1,051.22	105		100		1.0	
EPP #10	Percentage increase in income for the farmers under the MADA amalgamation project	5%	7.3%	146		100		1.0	
	Total land area amalgamated (ha)	5,000	5,137.49	103		100		1.0	
	Detail Design and preparation of contract document of Tertiary System (Blocks)	21	30	143		100		1.0	
EPP #11	Total production from amalgamated land (mt)	32,000	36,911.77	115		100		1.0	
	Total land area amalgamated (ha)	6,200	6,347.43	102		100		1.0	
EPP #13	Total production of fresh milk (mil litre)	17	16.6	98		98		0.5	
EPP #14	Total number of collaborations signed between CMDV and industry	5	5	100		100		1.0	
	Total number of outgrowers developed	50	50	100		100		1.0	
EPP #17	Total PAKAR sites operational	1	0	0		0		0	
				120%		**92%**		**81%**	

Exhibit 11.1

Method 1 Scoring is calculated by a simple comparison against set 2014 targets. The overall NKEA composite scoring is the average of all scores

Method 2 Scoring is calculated by dividing actual results against set 2014 targets with an added rule:
- If the scoring is less than 100%, score #2 is taken as the actual percentage
- If the scoring is equal or more than 100%, score #2 is taken as 100%. The overall NKEA composite scoring is the average of all scores

Method 3 Scoring is calculated by dividing actual results against set 2014 targets with an added rule:
- If the scoring is equal and less than 50%, score #3 is indicated as 0
- If the scoring is more than 50% and less than 100%, score #3 is indicated as 0.5
- If the scoring is equal or more than 100%, score #3 is indicated as 1

ENTRY POINT PROJECTS

EPP 1

HIGH-VALUE HERBAL PRODUCTS

Herbal Processing GMP facility at Biotropics Malaysia Bhd

Several new initiatives have been introduced this year, which include the Priority Research Focus Area (PRFA) with the aim to fill the gap in R&D of herbs to meet the requirement of commercialisation to enhance the value of herbal products. The R&D under PRFA will be carried out by relevant universities and research institutions under supervision of the Herbal Development Division. The findings from the PRFA programme will be commercialised through joint ventures between the industry and IPTs/RIs.

Additionally, the EPP has been refined to incorporate R&D partnerships between research universities and private companies to expand the number of herbal products with claims and reduce the time-to-market for the products.

Research into the commercial uses of plants that lead to pre-clinical and clinical trials is crucial in increasing the value of these products. According to industry data, while fresh *Tongkat Ali* can sell for RM2/kg, standardised extracts of the herb can fetch RM2,800/kg. It's value may also increase on the product continuum from RM30 per box for functional foods to RM500 per bottle for botanical drugs.

The Pasir Raja Herbal Cultivation Park in Terengganu commenced operations in June following the delay in its operationalisation last year, with the first harvest from the park expected in 2015. The park is the first large-scale herbal cultivation park in the world.

Five new companies, Tenaga Jati Bumi, Platinum Herbs Sdn Bhd, Nutratix Biotech, Proliv Sciences Sdn Bhd and Orchidlife Sdn Bhd, were appointed as anchor companies in 2014.

Eight products underwent pre-clinical trials in 2014 under EPP 1, while another six products registered their first patients to undergo clinical trials in Egypt, Hungary and United States.

Spotlight on Clinical Research Centre Malaysia

Clinical Research Centre (CRC) assists medical professionals to establish patient registries in their therapeutic areas, which are owned and operated by each clinical group. CRC possesses sophisticated facilities, equipment and technology, as well as a pool of skilled talent project managers, epidemiologists, statisticians, information technology professionals and other technical supporting staff skilled in clinical databases and registry operations.

These resources are consolidated into CRC's clinical epidemiology, healthcare statistic, biostatistics, bibliography and ICT teams.

CRC has been tasked with the following roles:

1. Funding through a Special Registry Grant set aside under the office of the Deputy Director General (Research & Technical Support), Ministry of Health
2. Technical resources for the registers; in particular the requisite expertise in registry sciences such as clinical epidemiology, clinical economics, biostatistics and medical informatics
3. Oversight to ensure that all registries produce the promised results and operationally comply with applicable ethical guidelines and best practices in operational transparency, information to security and access to data for research.

Additionally, four Centres of Excellence (CoE) were appointed to conduct research for product development. With 14 products in pre- or first stage clinical trials to date, the outlook to launch and complete clinical trials for 10 products by 2020 is positive.

However, this EPP faces challenges in coordinating approvals as well as ensuring an efficient allocation of resources as it involves agencies under several Ministries. The Herbal Development Division therefore developed strategies and programmes to enhance intra-agencies cooperation through the following initiatives:

a) Creating a window facility in MoH

b) Establishing cooperation with Malaysian Biotechnology Corporation

c) Establishment of Herbal Industry Working Committee.

KEY TAKEAWAYS

In order to ensure continued progress of this EPP, all efforts must be carried out on an integrated basis, linking the supply chain from the upstream, midstream and downstream components.

It is also vital for companies to extract the commercial uses of herbal plants in order to derive greater value from the plants, while the involvement of established companies will help to shorten the time-to-market between research and commercialisation.

Anchor Company Success Story

After 17 years of trying to develop quality herbal products, N.L. Phang of Novalab saw his product become the first Malaysian product completing clinical trials under this EPP towards its development as a botanical drug in December 2014.

EPP 2

EDIBLE BIRD'S NEST

SWIFTLET FARMING

145 tonnes of edible bird's nest (EBN) products were exported in 2014 and 2,551 premises registered, bringing the total premises registered to date to 7,046. However, the registration of premises remains a challenge as a lack of incentives offered for registration limits the interest of owners to register their premises.

15 plants processing EBN for export to China are still pending approval from Chinese authorities, a factor that remains beyond the control of Malaysian authorities. Nonetheless, the Department of Veterinary Services (DVS) will undertake continuous efforts to gain approval from China to allow for exports to increase in 2015.

Swiftlet premises registration activity

KEY TAKEAWAYS

The progress of this EPP hinges on the procedures of importing markets, as well as the readiness of farms to meet the regulatory requirements of importing markets. In the meantime, the EPP is starting to focus on downstream products to obtain access to more markets with activities planned in 2015 in Milan, Japan and Hong Kong under the MoA' s Food and Agriculture Council For Export (FACE) programme.

EPP 3

MINI ESTATE FARMING

FOR SEAWEED

The ownership of this EPP, which was developed based on the opportunity to commercialise ideas at Universiti Malaysia Sabah, has been transferred from the university to the Sabah Department of Fisheries. This was executed with an aim to expedite processes and overcome land matters faced by this EPP.

With mini estate companies continuing to face land issues, stunting the progress of this EPP, requirements for land titles and leasing periods have been reduced to enable companies to join this EPP. Companies which possess three-year Temporary Operating Licenses from the State Government are now allowed to join this EPP.

A cluster programme was also introduced to offset the lower production from mini estate companies as well as support existing smallholders in the industry. Average productivity of the mini estate and cluster programme has increased from five tonnes per hectare per year in 2013 to 5.52 tonnes per hectare per year in 2014.

Workers installing ropes with seedlings at the cultivation block at Merotai Cluster, Sabah

Meanwhile, the cluster programme recorded 553 tonnes in seaweed production in 2014, in addition to 101 tonnes of seaweed production by mini estates.

Mini estate farming activities, most of which are situated in Semporna, were also impacted by the need to adhere to ESSCOM's maritime security guidelines.

KEY TAKEAWAYS

The resolution of land matters is a critical factor in ensuring the growth of the seaweed industry. Department of Fisheries Sabah (DoF Sabah) will therefore continue to take proactive measures to ensure this obstacle is overcome. These measures include reducing requirements for land leasing periods from 10 to three years, gazetting an Aquaculture Industry Zone that will henceforth be administered by the DoF Sabah and developing more clusters in existing seaweed areas.

"Casino Table" tying of seedlings - an innovation to reduce time spent at sea. It is fast, easy and reduces the risk of damage to seedlings

EPP 4

INTEGRATED CAGE FARMING

In 2014, 9,336 tonnes of fish were produced, exceeding its KPI of 6,500 tonnes. Existing players are expected to reach maximum capacity in 2016, with this trajectory projected to continue until 2020.

In an effort to improve the implementation of this EPP, a cluster programme for small players will be created, while the scope of funding will also be reviewed.

KEY TAKEAWAYS

The DoF will address the needs of the industry to determine the support they require to further develop this EPP. This may include an assessment of funding for companies and reviewing the model to allow for more participation.

Integrated cage farming by Prima Bumisetia Sdn Bhd

EPP 5

CATTLE INTEGRATION
IN OIL PALM ESTATES

5,676 cattle have been provided to 21 companies between 2012 and 2013, and the companies have managed to increase their calving rate by 12.9 per cent in 2014. As of October 2014, the total cattle population has risen to 6,077 cattle.

Following the integration of EPP 12 and EPP 16 into EPP 5 Full Value Chain programme, another 2,380 head of cattle was provided to Felcra Bhd, Espek Livestock Sdn Bhd and Ihsan Permata in 2013, bringing the total cattle population under the Full Value Chain programme to 2,984.

Collectively, cattle population that has been integrated in oil palm estates amounted to 9,061 as at end 2014.

This EPP has been impacted by the low fertility rate of some breeds of cattle. For example, the average calving rate for the Brahman cattle breed is 26 per cent, below the national average of 45 per cent, while the 54.9 per cent calving rate for the Kedah-Kelantan cattle breed is below the national average of 65 per cent. This is compounded by challenges faced by Sarawak-based companies in procuring sufficient numbers of bulls to breed, diseases that cause cattle to miscarry, and inefficient farm management.

Cattle at Sawit Kinabalu Farm

Nonetheless, three companies, Aqil Berjaya Enterprise, Laka Temin Silaj Sdn Bhd and Felda Sahabat 35 (Felda Farm Products), have achieved a calving rate of 93 per cent, 48 per cent and 49 per cent respectively for the Brahman breed, surpassing the national average of 45 per cent.

One new company, Evergreen Livestock Sdn Bhd, was appointed to conduct artificial insemination services in western Sabah.

KEY TAKEAWAYS

The implementation of this EPP has shown that cattle-rearing in Malaysia is not an economical endeavour. A review of the supply strategy is therefore required.

EPP 6

REPLICATING INTEGRATED ZONE FOR AQUACULTURE MODEL (IZAQS)
TO TAP MARKET FOR PREMIUM SHRIMP

Oasis Aquaculture Sdn Bhd and SBH Perak Agro Aquaculture Sdn Bhd were appointed as anchor companies in 2014. In 2014, existing anchor companies produced 30,081 tonnes of shrimp, increasing productivity through the use of technology.

This is despite the security threat in ESSCOM and early mortality syndrome which affected the produce of companies in Peninsular Malaysia in the first six months of the year. Nonetheless, companies were able to harvest shrimp earlier and command a better price.

Blue Archipelago Bhd's Intergrated Shrimp Aquaculture Park (iSHARP) in Setiu, Terengganu

During the year, it was also noted that the greatest demand for premium shrimp was from Malaysia, with the price per kg of shrimp higher in Malaysia than in export markets.

KEY TAKEAWAYS

The big companies involved in this EPP have been exemplary in acting as an anchor to the project while emerging as buyers for the products of smaller companies in adverse times. This demonstrates the importance of participation of big players to drive growth.

Anchor Company Success Story

Since 2011, 14 anchor companies under EPP 6 have developed 5,713 hectares of land developed for shrimp farming, committing RM2.6 billion in investment and generating 8,040 job opportunities by 2020.

One of the anchor companies, Blue Archipelago Berhad, has created 350 jobs at its Phase 1 of the Integrated Shrimp Aquaculture Park (iSHARP) in Setiu, Terengganu. 93 per cent of iSHARP's employees are from Terengganu. When fully completed, iSHARP (Phases 1 & 2) will be able to create around 700 employment opportunities ranging from management, skilled and semi-skilled workers.

EPP 7

PREMIUM FRUITS AND VEGETABLES

Rompin Integrated Pineapple Industries Sdn Bhd achieved the first planting of the MD2 pineapple in a project that involves the participation of local Orang Asli as contract farmers.

The year also saw the first harvest of produce under the 21st Century Village project, a collaboration between the MoA and the Ministry of Rural and Regional Development, with 224 tonnes of papaya harvested in May. As of October 2014, 85 acres of land have been planted at the project site in Chemomoi, Pahang by anchor company Exotic Star Sdn Bhd.

21st Century Village project site at Chemomoi under Exotic Star Sdn Bhd

21st Century Village project site at Chemomoi under Exotic Star Sdn Bhd

To date, 6,105 hectares of land have been established as Permanent Food Production Zones (TKPM), involving 453 farmers, of which 171 have increased their income to above RM3,000/month.

The total production of premium fresh fruits and vegetables from TKPM and anchor companies for 2014 is as follows:

- TKPM: 33,517 tonnes
- Exotic Star: 3,015 tonnes
- Far East: 4,688 tonnes
- Kia Shing: 1,861 tonnes
- KC Kwang: 1,464 tonnes
- Fresh Momentum: 682 tonnes
- Ergobumi: 177 tonnes.

The construction of new TKPM sites was however delayed due to a protracted process for tendering contracts and interruption in planting due to the long drought season.

KEY TAKEAWAYS

The adoption of farm technology and improved agriculture management ensures the harvest of premium products. Emphasis must also be placed on planting the right species of fruit and vegetable to ensure a quality harvest.

Moving forward, efforts will be focused on the downstream segment and gaining market access for premium fruits and vegetables.

EPP 8

FOOD PARK

This EPP saw the appointment of four new anchor companies in 2014, DMS Resources Sdn Bhd, The Holstein Milk Co Sdn Bhd, Top Fruits Sdn Bhd and Ramly Food Processing Sdn Bhd.

In 2014, RM230 million in sales was registered which has surpassed the target of RM171 million, with SME sales contributing around RM34.316 million from the 64 SMEs developed under the programme thus far, translating to an average monthly sales of RM44,600 per SME.

The MoA's Agro-Based Industry Division has endeavoured to conduct more business matching between SMEs and anchor companies to drive activities in this EPP.

Retail outlet of Ramly Food Processing Sdn Bhd

Production facility at Zinon Food Industries Sdn Bhd

KEY TAKEAWAYS

In order to take this EPP to greater heights, more emphasis must be placed on the downstream segment to extend the shelf life of food products and extract higher value from this market.

EPP 9

INTRODUCING FRAGRANT RICE VARIETIES

FOR NON-IRRIGATED AREAS

Three new companies, National Farmers Organisation (NAFAS), Bio One Tech Sdn Bhd and Ceria Alliance Sdn Bhd, were appointed as anchor companies.

To date, 2,118 hectares of land has been amalgamated, against a target of 18,800 ha by 2020, while 2,026.5 mt of fragrant rice was produced in 2014.

Production during the year was achieved despite a long drought season and inability to obtain land as well as major floods at the end of 2014. However, industrial development is limited as the industry is still at its infancy and thus the production of rice by anchor companies is still unstable and needs guidance and strong support from the Government. Additionally, the industry is fragmented with small players which have not established a dedicated mill for fragrant rice.

A site visit by the Deputy Secretary General of MoA, YBhg Datuk Haji Raihan Sharif and the Penang agricultural EXCO, accompanied by the EPP 9 project leader

KEY TAKEAWAYS

The challenges faced by this EPP have created a need to review the project with an eye to improve its implementation.

EPP 10

STRENGTHENING PRODUCTIVITY

OF PADDY FARMING IN MADA

View of a paddy field at a NKEA project site at Padang Besar Selatan during harvesting period

Under the estate management programme, 20,186 hectares of paddy land, roughly five times the size of Putrajaya, was amalgamated in an exercise that involved 8,817 farmers. Estate management has contributed significantly to increasing farmers' yield, with some farmers seeing yields more than double and average incomes rise 19 per cent since joining the programme.

An additional 5,000 hectares of land was amalgamated in 2014, bringing total land area amalgamated to date to 20,186 hectares against a target of 50,000 hectares by 2020. Meanwhile, land amalgamated in the Muda area spanning Kedah and Perlis has produced 243,200 tonnes of paddy in 2014.

However, future production from farmers who have been in the programme for five seasons could slow as farmers will no longer receive incentives after the fifth season. They may opt out of the programme and return to the traditional practice.

Building of irrigation infrastructure has been delayed as negotiations with farmers to buy over their land remain ongoing. Although the introduction of the Public Service Delivery Transformation programme has reduced the land acquisition process from 24 months to nine months, MADA, the EPP owner, must still ensure farmers' willingness to sell their land at a reasonable price. This year, MoA and MADA completed the design for 30 blocks of irrigation infrastructure according to schedule, which will undergo land acquisition next year.

KEY TAKEAWAYS

The programme has successfully organised farmers to achieve economies of scale and production. However, efforts must be taken to encourage farmers to view this initiative as a business venture and reduce their reliance on Government support.

EPP 11

SCALING UP AND STRENGTHENING OF PADDY FARMING

IN OTHER IRRIGATED AREAS

15 new companies were appointed as SPVs (Special Purpose Vehicle) in 2014 under EPP 11. To date, 13,361 ha of land has been amalgamated and produced 36,911 mt of paddy, versus the 2020 target of 77,323 ha and 433,936 mt respectively.

Irrigation and drainage infrastructures development for new Integrated Agriculture Development Authorities (IADAs) (Batang Lupar, Kota Belud, Pekan dan Rompin) is planned to be executed in 2015. The Government has announced an allocation of RM100 million for the implementation of the related development works during the 2015 budget speech. The Cabinet approved the establishment of the four new IADAs on 10 December, 2014.

Nonetheless, average productivity has increased through this EPP with the average of 4.3-4.5 mt per hectare per year in 2013 against the average of 3.5-3.8 mt per hectare per year achieved in 2012.

KEY TAKEAWAYS

The programme has been instrumental in organising farmers towards achieving economies of scale and raising production. Moving forward, however, famers must be encouraged to enter into the programme as a commercial endeavour. Rice production in the existing granaries area will be more intensive if adequate irrigation and drainage infrastructure is provided especially in identified areas to be developed. The SSL for rice is expected to increase by year 2020 with the implementation of this initiative.

Handover of incentives for farmers under the EPP 11 initiative in May 2014

EPP 13

DAIRY CLUSTERS

Golden Difference has ceased as an anchor company under this EPP following its takeover by a foreign firm. The remaining anchor companies have produced 18.12 million litres of milk in 2014.

Currently, there are 281 farmers under EPP 13, with 198 farmers considered as smallholders (less than 30 cattle). The following is the average income of farmers as of October 2014:

Average Monthly Income	Number of Farmers
< RM1,000	50 (18%)
RM1,000 – RM2,999	39 (14%)
RM3,000 – RM4,000	18 (6%)
> RM4,000	174 (62%)

*Income was derived with an assumption of price of milk per litre @ RM2.00

A main challenge seen by this EPP is competition of local fresh milk with imported milk due to foreign milk imports which are offered at lower prices. Therefore, there is a need to manage retail pricing and import policies to create a level playing field.

Anchor Company Success Story

Allied Dairy, the company behind Farm Fresh, has attained 35 per cent of the local fresh milk market share since joining EPP 13, unseating other well-known brands such as Dutch Lady and Marigold.

The company has also helped to develop 35 farmers, who have seen an increase in average income of 32 per cent. These include Chelliah & Son, which has more than doubled its milk production since joining the programme and increased its monthly income from RM2,657/month to RM10,864/month.

KEY TAKEAWAYS

This EPP has emerged as a successful model for anchor companies, smallholder synergy and Government facilitation which has supported the market by managing import policies and providing logistics assistance to develop global players.

Milking facility at Evergreen Livestock Sdn Bhd

EPP 14

SEED INDUSTRY DEVELOPMENT

Outgrowers at Green World Genetics site in Bukit Tangga

This EPP signed on its first anchor company, Green World Genetics, in 2014. Since joining in July, the company has trained 50 outgrowers, with another 100 outgrowers expected to be trained in 2015. Faced with the challenge of getting sufficient land to train the outgrowers, the company is working with DoA and the National Agricultural Training Centre (NATC) to use land under their agency for the training.

Also during the year, five collaboration agreements were signed by MARDI's Centre for Marker Discovery and Validation (CMDV) with industry players/ Government agencies to develop and identify markers on products such as *ikan haruan*, coconut and fresh water prawns.

KEY TAKEAWAYS

Although the industry remains in its infancy, there is high potential for the industry to expand further by leveraging Malaysia's rich biodiversity.

EPP 17

PASAR KOMUNITI

(PAKAR)

Eight PAKAR sites are now operational and are located in Manjung, Medan Niaga Satok, Jengka, Bera, Paroi, Kota Belud, Mersing and Pekan.

However, this EPP did not meet its KPI for the year to complete and operationalise a PAKAR in Kuala Kedah. This is due to a delay in its construction as a result of unfavourable weather conditions, as well as impediments to accessing the site due to existing Pasar Tani participants trading near the entrance of the site. Nonetheless, the site is expected to be operationalised in 1Q 2015.

An outcome study conducted by FAMA at PAKAR sites in Manjung, Bera, Jengka and Mersing found that on average, participants increased their income by 32.7 per cent, from RM3,041 to RM4,035 after joining PAKAR. However, some existing Pasar Tani and Pasar Malam traders have shown limited interest to trade at PAKAR as they are unwilling to relocate and pay the minimal fee of RM7 per session required to maintain the PAKAR site.

KEY TAKEAWAYS

In building new PAKAR sites, feasibility studies must be conducted to ensure the sites will benefit from market access, strategic location as well as cooperation from local authorities.

PAKAR Success Story

Suhaimi Mohd Zain, an operator at PAKAR Paroi joined the programme in January 2014. Since then, he has increased his revenue from RM1,200/month to up to RM17,420/month by operating full-time at a permanent platform at the PAKAR selling prawn noodles.

Customers shopping for fresh produce at PAKAR Mersing, which opens every Friday

BUSINESS OPPORTUNITIES

This NKEA currently oversees the following Business Opportunities, following the integration of three other Business Opportunities into EPPs previously:

3
Ornamental Fish Farming
Establishing Malaysian branding and marketing channels for ornamental fish exports to reduce reliance on other countries

4
Aquaculture Feed Mill
Setting up aquaculture feed mill

5
Aquaculture Export Centre
Developing aquaculture export centres

6
Snacks Industry
Increasing domestic production of fruits and dried fruit snacks

7
Free-range Chicken Farming
Tapping into the potential of high value free-range chicken market

8
Button Mushroom Farming
Expanding the production of button mushrooms for local and export markets

10
Foreign Direct Investment in Herbal Products
Attracting foreign companies to conduct research on Malaysian herbs and set up manufacturing facilities in Malaysia

11
Snack Food Industry/ Country Food Facilities
Relocating the facilities for frozen food and convenience meals processing from Singapore to Malaysia

ENABLERS

The following enablers have been identified to support this NKEA's EPPs and Business Opportunities:

- Incentives for anchor companies, implemented through the introduction of the Agriculture NKEA's procedure in 2011.
- Strengthen the adoption of GAP and GMP to enhance market access. All anchor companies are encouraged to do so as part of their agreements, enforced in 2012.
- Upgrade regulations and policies, such as developing the Seed Act under EPP 14.
- Strengthen logistics infrastructure, which will be the focus of this NKEA's next phase.
- Ensure sufficient pipeline of human capital, which has commenced with programmes to raise awareness on opportunities in Agribusiness and the establishment of the Young Entrepreneurs Unit in the MoA.

Summary of Agriculture NKEA

	2020 Target
Incremental GNI Impact	**RM 28.9 billion**
Additional Jobs	**109,335**

Critical targets for 2015

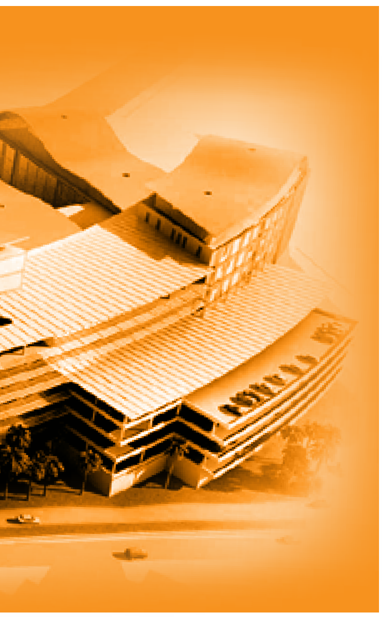
- 10 clinical trials to be conducted for nutraceutical and cosmeceuticals
- RM3.5 million of herbal products revenue under EPP 1
- 200 tonnes total export of EBN product
- 11,500 tonnes total production of farmed fish by anchor companies under EPP 4
- 35,000 tonnes total production of shrimps by anchor companies under EPP 6
- 55,000 tonnes total production from TKPM and anchor companies under EPP 7
- RM200 million total sales of companies and SMEs under EPP 8
- 21 new SMEs developed by anchor companies under EPP 8
- 254,600 tonnes total production from amalgamated land under EPP 10
- 83,570 tonnes total production from amalgamated land under EPP 11
- 23 mil litre of total fresh milk produced under EPP 13

HEALTHCARE

> "We are creating a conducive environment to grow our healthcare sector. We are also focussed on upgrading the quality of healthcare facilities and services for the benefit of the people

**Dato' Seri Dr.
S Subramaniam**
Minister of Health

Q&A



WHAT ARE SOME OF THE KEY CONTRIBUTIONS OF THE HEALTHCARE NKEA IN THE DEVELOPMENT OF MALAYSIA'S HEALTHCARE INDUSTRY?

In the pharmaceutical sector, we have seen more investments from private companies since the start of the ETP compared to before the programme. We have also seen local companies wanting to produce more new products in cooperation with multinational companies (MNCs), and last year, for the first time, we saw MNCs considering to localise the production of their pharmaceuticals and making Malaysia their export base.

These developments contributed to a spike in pharmaceutical exports last year, continuing the growth trend since the launch of the ETP. The increase in exports has been further strengthened by the close coordination between the Ministry of Health (MoH), Ministry of International Trade and Investment (MITI) and the Malaysia Investment Development Authority (MIDA) in promoting our products for export.

We have, also for the first time, collected complete national data on the market size of the country's pharmaceutical industry, making us one of the few countries to have such data. This will be useful for those who want to invest or sell their products in Malaysia.

WHICH NEW GROWTH AREAS IS THE HEALTHCARE NKEA SEEKING TO DEVELOP?

The Healthcare NKEA has catalysed a number of new growth areas in the industry through the implementation of the EPPs. For example, our efforts in nurturing the pharmaceutical sector has created opportunities for the development of clinical research in Malaysia, where we are trying to make Malaysia the preferred destination for industry-sponsored clinical trials. By attracting more pharmaceutical companies to produce in Malaysia, they will also be encouraged to perform their clinical trials here.

This will result in tremendous multiplier effects, with our doctors being given the opportunity to act as investigators for the trials, allowing them to receive recognition and compensation for their work. Additionally, patients can benefit by receiving access to the latest medicines and technology.

In 2020, we are targeting to have 1,000 clinical trials performed in Malaysia. As of 2014, the cumulative total of new and ongoing trials performed here amounted to 400, suggesting good potential for the growth of this market.

DESCRIBE SOME OF THE HEALTHCARE NKEA'S MOST SIGNIFICANT ACHIEVEMENTS TO DATE.

We introduced two important pieces of legislation in 2014. The Private Aged Healthcare Services and Facilities Act marks the Government's first specific effort to regulate the aged care sector and maintain, or even enhance, the quality of care delivered to nursing homes. This is crucial as in tandem with the projected growth of our aging population, we must ensure that families and the elderly are able to cope with their changing needs. We can thus help by putting in place the appropriate regulatory framework to ensure aged care services and facilities are up to mark.

I must stress, however, that we are not encouraging families to abandon their duties in caring for their elderly. We are merely ensuring that those who opt for such facilities will be given the care they need and deserve.

We have also brought forward the implementation of the Medical Devices Act in a further effort to control quality and safety in the industry. By July 2015, all new placement of medical devices must be registered in accordance with this global standard, which was called on by the members of the industry themselves.

AS THE ETP REACHES THE LAST MILE OF ITS IMPLEMENTATION, WHAT WOULD YOU LIKE TO SEE FROM THE HEALTHCARE NKEA'S STAKEHOLDERS?

I would like to see more coordination between the agencies involved, namely MoH, MITI, MIDA and PEMANDU. By leveraging one another and working synergistically, I believe we can all contribute to further growth of healthcare in Malaysia.

HEALTHCARE

2014 was a significant year for healthcare in Malaysia with the rise of pharmaceutical exports, the completion of major initiatives to develop the aged care industry, five new projects awarded EPP status and more pharmaceutical MNCs planning to localise manufacturing of some of their products with the local manufacturers.

Pharmaceutical exports recorded a nine per cent growth, surpassing the targeted five per cent growth for 2014. The total value of Malaysian pharmaceutical exports amounted to RM611 million against RM561 million for the year 2013.

This growth was punctuated by additional efforts from the Government and the Malaysian Organisation of Pharmaceutical Industries (MOPI) to help home-grown pharmaceutical manufacturers penetrate overseas markets. Over the year, the Government collaborated with MOPI to conduct a major study on trade and non-trade barriers. Among the five most important and new markets identified were Thailand, Vietnam, Turkey, Kazakhstan and Australia markets.

The Government has finalised the procedures on Off Take Agreements (OTA) for both Pharmaceutical and Medical Device products that will encourage production and consumption of Made-in-Malaysia health products. The OTA purchase agreements are expected to encourage MNCs and other manufacturers to base their manufacturing here as they will be given three-year agreements (plus another two years if they meet export criteria) as opposed to a two-year contract to supply the Government with their products.

On the legislation front, the final draft of the Private Aged Healthcare Facilities and Services Act has been completed and will be submitted to the Cabinet soon. While the Ministry of Health (MoH) is currently drafting regulations and holding discussions with other stakeholders, private aged healthcare operators, comprising licensed nursing homes and old folks homes, are generally positive about the regulations and the standards prescribed by the new law.

Measures have also been taken to enhance the skills of caregivers with the development of a syllabus on Elderly Care Centre Operation, Elder Care Centre Administration and Elderly Care Centre Management. The syllabus was developed by the Department of Skills Development (DSD) and is part of the National Occupational Skill Standard (NOSS), which outlines the dexterity required of an employee working in Malaysia to achieve specific skills at a certain level of employment. At the same time, the Ministry of Finance is reviewing a special incentive package for new developers and operators of these facilities and services developed together with MIDA.

At the outset, the NKEA aimed at generating RM35.5 billion in GNI and 181,000 new jobs by 2020. There are currently 41 projects providing 25,633 jobs with total investments expected to reach RM4.96 billion by 2020. Healthcare has also attained 28.8 per cent of the RM17.2 billion investment targeted according to the 2020 roadmap.

2015 Outlook

The implementation of OTA is expected to result in more localisation of products with MNCs partnering with local manufacturers to manufacture their export products in Malaysia. This is will raise the standard of local pharmaceutical and medical device products in line with internationally accepted standards as well as introduce new technology to local manufacturers, thus enhancing their capability.

Pharmaceutical & medical device exports are expected to increase in 2015 with the inclusion of two pharmaceutical & medical device manufacturers – Biocon and Fresenius – setting up new manufacturing facilities in Johor and Bandar Enstek respectively. They are expected to create 889 jobs and will commence operations on 2015.

With the regulatory framework already in place for the licensing and registration of medical devices, efforts during the year will focus on product registration with the Medical Device Authority (MDA) by July 2015. Following this, products not registered with MDA will not be allowed in the market.

Efforts will also be taken to shed the perception that local products are substandard, with emphasis placed on branding. The Government will also actively encourage procurement from local manufacturers as opposed to imported products and greater coordination with various agencies in its effort to facilitate local manufacturers in their export activities.

2014 KPI Analysis

This NKEA largely met its KPIs for 2014 despite the delay of some projects due to approval issues. Pharmaceutical exports rose nine per cent in 2014, as compared to only two per cent in 2013, while more MNCs are planning or have moved their operations to Malaysia.

A higher number of clinical trials were also conducted in MoH facilities during the year, from 79 in 2011 to 125 in 2014, and positive feedback from stakeholders on private aged healthcare was received.

This year, five more projects were accorded EPP status. These new projects are expected to create 528 jobs, generate an income of RM52.8 million and attract RM201.2 million worth of investment. The five new EPPs are Eden-on-the-Park, Kuching, Econ @ Cheras, Toshiba Medical System Malaysia, Steripack Asia Sdn Bhd and Olipro Biotechnology.

Among the challenges faced in expanding this sector are the slower-than-anticipated growth of health tourism, teething issues faced by the MDA, the slower growth of clinical trials and delays in securing development approval from State and Local authorities faced by University Malaya Health Metropolis. Additionally, issues on management, system and the financial model to be used have stalled the Diagnostic Services Nexus project.

The health tourism sector recorded a decline in visitors from Indonesia due to the introduction of a health insurance scheme in the country and the election year. Indonesia makes up Malaysia's largest health tourism market. In 2014, the number of visits from the country shrank from 437,157 in 2013 to 377,815 in 2014.

The newly established MDA continues to face issues with licensing and registration due to the sudden influx of medical device/product registration by companies and unclear policies and limited number of Conformity Assessment Bodies (CAB).

Health Minister Datuk Seri Dr. S. Subramaniam (fourth from left) after announcing that the four projects will contribute a Gross National Income (GNI) impact of RM45.9 million by 2020 while creating an additional 490 jobs

2014 Key Performance Indicators

HEALTHCARE NKEA		KPI (Quantitative)							
No.	KPI	Target (FY)	Actual (YTD)	Achievement					
				Method 1		Method 2		Method 3	
				%		%			
EPP #1	Percentage of foreign workers with health insurance (excluding domestic maids and plantation workers)	100%	100%	100		100		1.0	
EPP #2	Number of new clinical trials conducted	224	202	90		90		0.5	
	Cumulative number of research initiated (started, ongoing and new)	695	673	97		97		0.5	
	Number of new clinical trials in MoH facilities	79	125	158		100		1.0	

more on next page

continued from previous page

HEALTHCARE NKEA		**KPI (Quantitative)**							
				Achievement					
No.	**KPI**	**Target (FY)**	**Actual (YTD)**	**Method 1**		**Method 2**		**Method 3**	
				%		**%**			
EPP #3	Percentage of Off Take Proposal processed within 100 working days as stipulated in SOP approved by MOF (by processed means after Lembaga Perolehan A has made its decision and application forwarded to Treasury)	100%	N/A	N/A		N/A		N/A	
	Export growth of pharmaceutical products (RM mil)	594.68	610.71	103		100		1.0	
EPP #4	Revenue generated from healthcare travel (RM mil)	724	685.58	95		95		0.5	
EPP #6	To get Development Order approval from MBPJ to start the construction of UMHM	100%	N/A	N/A		N/A		N/A	
EPP #15 – 17.1	To obtain Cabinet decision on Aged Healthcare Act	100%	90%	90		90		0.5	
				105%		**96%**		**71%**	

Exhibit 12.1

Method 1 Scoring is calculated by a simple comparison against set 2014 targets. The overall NKEA composite scoring is the average of all scores

Method 2 Scoring is calculated by dividing actual results against set 2014 targets with an added rule:
- If the scoring is less than 100%, score #2 is taken as the actual percentage
- If the scoring is equal or more than 100%, score #2 is taken as 100%. The overall NKEA composite scoring is the average of all scores

Method 3 Scoring is calculated by dividing actual results against set 2014 targets with an added rule:
- If the scoring is equal and less than 50%, score #3 is indicated as 0
- If the scoring is more than 50% and less than 100%, score #3 is indicated as 0.5
- If the scoring is equal or more than 100%, score #3 is indicated as 1

ENTRY POINT PROJECTS

EPP 1

MANDATING PRIVATE HEALTH INSURANCE FOR FOREIGN WORKERS

This EPP has a two-pronged approach to ensure adequate medical care is given to foreign workers as majority of them cannot afford in-patient medical services and to reduce unpaid bills by foreign workers when using MoH facilities, thus reducing the cost of healthcare.

Since 2011, the Government has made it compulsory for foreign workers to enrol in the Foreign Worker's Health Insurance Protection Scheme (SPIKPA) with an annual premium of RM120.

Since its launch, over 1.7 million foreign workers have been insured under SPIKPA. The highest number of enrolment was recorded in Selangor, Johor, Federal Territory Kuala Lumpur and Penang, amounting to 1.3 million foreign workers.

Most of these foreign workers are from four major industries – manufacturing (943,000), construction (346,000), service (303,000) and agriculture (116,000). These workers are insured by 24 insurance companies which are registered participants of the scheme.

In order to ensure the smooth implementation of SPIKPA, the Cabinet agreed that registration of Third Party Claims Administrators (TPCA) will be placed under the purview of Bank Negara Malaysia (BNM) in accordance with the Insurance Act 1996 and the Insurance Regulations 1996.

KEY TAKEAWAYS

This insurance scheme has been beneficial as it helps to relieve the strain on Malaysia's healthcare system while giving foreign workers access to better healthcare.

EPP 2

CREATING A SUPPORTIVE ECOSYSTEM

TO GROW CLINICAL RESEARCH

Clinical Research Malaysia (CRM) has extended their service to the private industry by signing a Memorandum of Understanding (MoU) with UCSI University. It is also in discussions with Prince Court Medical Centre, Institute Jantung Negara (IJN), Nilai Cancer Institute, UPM, and UITM Sungai Buloh to build a potential investigators database to assist the industry.

In 2014, an MoU was signed to develop a network between Quintiles and Clinical Research Centre, representing MoH and CRM, to raise the skill sets of study coordinators and investigators. Nine Good Clinical Practice (GCP) courses and 1 GCP refresher workshop were conducted this year.

A Mentor-Mentee programme was also extended to East Coast for Northern and Central regions. To date, there are 17 mentors and 64 mentees in three regions up from the 14 mentors and 41 mentees in 2013.

Despite strong encouragement to expand the field of clinical research, this sector is not growing as expected due to the limited number of specialists interested in research work and the CRM's limited database of patients willing to undergo clinical trials.

However, a major milestone was achieved during the year with Lucenxia's commencement of the first medical device clinical trial for automatic peritoneal dialysis devices in Malaysia. Working with eight hospitals, Lucenxia has enrolled 73 patients for clinical trials with 29 clinical trials already completed.

KEY TAKEAWAYS

In order to revitalise this sector, the number of MoH facilities available to run clinical trials will be increased, while promotion programmes will be enhanced to attract more clinical trials.

EPP 3

MALAYSIAN PHARMACEUTICALS

Income generated from pharmaceutical exports recorded nine per cent growth during the year, surpassing the five per cent growth target.

The year also saw positive developments in the transfer of MNCs' manufacturing operations to Malaysia. This was achieved by partnering foreign companies with local players. To date, 11 projects have been accorded EPP status under EPP 3. These include Hovid Bhd, Bicon Ltd, CCM, Kotra Pharma, AJ Biologics, Impian Eksekutif Sdn Bhd, Servier, Ranbaxy, AFT Pharmaceuticals and Biocare.

Additionally, AFT Pharmaceuticals, a privately owned company with operations in Australia and New Zealand, has agreed to partner a local manufacturer to produce orphan drugs here. This will boost the image of local pharmaceutical manufacturers.

Packaging area of Biocon's first overseas manufacturing facility for biopharmaceuticals at Bio-XCell

In a bid to expand its export markets, the Malaysian Government and MOPI commissioned a Trade Barrier Study in five target countries: Thailand, Vietnam, Turkey, Australia and Kazakhstan.

The objective of the study was to evaluate and prioritise the five most attractive countries for local pharmaceutical companies to export their products to, and enable MOPI to build an extensive pharmaceutical market and achieve regulatory insight into the targeted countries. The study also provides entry strategies with all the critical elements for the local companies for geographic expansion, providing Malaysian companies with the information to grow their capacities and meet the entry requirements.

KEY TAKEAWAYS

Among the lessons learnt in boosting pharmaceutical sales and manufacturing is how the time taken to register a product has helped this sector. With improved coordination efforts, the registration period was cut from 18 months to 60 working days for all EPP companies. This has encouraged more manufacturers to introduce new products and boost local manufacturing activities.

This shows that the industry is growing as envisioned, though more needs to be done to ensure development of new molecules and penetration to new markets. Strong support from the various Government agencies is one of the keys for the success of this EPP.

EPP 4

REINVIGORATING HEALTHCARE TRAVEL

The Healthcare Travel sector has grown steadily at an average of 25 per cent annually since 2010 and continues to record double-digit growth in terms of revenue generation and number of health travellers.

The number of hospitals registered with the Malaysia Healthcare Travel Council (MHTC) has grown to 74 from the initial 34. This demonstrates strong interest from industry players to expand their services and tap into new markets. The additional hospitals include six KPJ hospitals (Bandar Datuk Onn Specialist Hospital, Pahang Specialist Hospital, Sabah Medical Hospital, Klang Specialist Hospital, Pasir Gudang Hospital, Perlis Specialist Hospital), two Ramsay Sime Darby Health care hospitals (Parkcity and Ara Damansara Medical Centre) and Amanjaya Specialist Centre.

In order to sustain growth in this sector, MHTC has also set up three offices in Jakarta, Dhaka and Hong Kong, as it focuses its promotional activities in Asia.

Apart from overseas promotional activities, MHTC also carries out Familiarisation Programmes (FAM) to increase awareness on treatments and facilities available in Malaysia. Participants for FAM programmes include doctors, Government officials, health facilitators, insurance companies and also media personnel. 80 per cent of visitors were from Asia (2012-2013).

MHTC Concierge and Lounge has opened two outlets at KLIA and Penang International Airport to facilitate the arrival of health tourists

MHTC also supports the development of the Healthcare Travel industry by organising packaging workshops, healthcare travel facilitator workshops, the PHTE Programme, Social Media Week, stakeholder networking events and participation in APHM Conference.

During the year, healthcare travel received RM685 million of the target RM724 million in revenue. The growth target for the year was reduced from an initial target of RM793.5 million due to the drastic reduction of visitors from Indonesia.

This signals the need to formulate new strategies to broaden and diversify the foreign market. In line with this, MHTC is undergoing a restructuring and revamping its strategies to ensure that the target by 2020 can be achieved.

EPP 5

CREATING A DIAGNOSTIC SERVICES NEXUS

Due to the shortage of qualified radiologists and the lack of long-term commitments from its clients, Dignostics Services Nexus Sdn Bhd was unable to move forward in this field. The private consortium which is made up of operations partners including General Electric Healthcare is currently reviewing its project plans.

EPP 6

DEVELOPING A HEALTH METROPOLIS:

A WORLD-CLASS CAMPUS FOR HEALTHCARE AND BIOSCIENCE

As a result of delays in obtaining the appropriate planning approvals due to planning and technical issues and concerns expressed by local residents especially on traffic impact due to the project, the Health Metropolis is unable to commence as planned. UM Holdings has complied with the Selangor State Government's (SSG) additional requirements to submit an expanded Traffic Impact Assessment Report, which is now under review at the Petaling Jaya City Council (MBPJ).

Additionally, SSG has requested UM Holdings to carry out a social impact assessment. Changes to the SSG leadership in 2014 has also delayed the approvals as the new state leaders have asked for additional time to appraise the viability of the project.

UMHM will continue to engage with the State and MBPJ to resume the project.

EPP 7

UPSCALE MALAYSIA'S IVD INDUSTRY

– MEDIVEN & OLIPRO

Established in 2006, Olipro Biotechnology is a Bionexus status company that manufactures World Health Organisation (WHO) standard test kits in Malaysia. The two test kits are the Olipro HIV ½ Rapid Test Kit which screens and detects HIV 1 & 2 and the Olipro BloodChek LF Kit that detects transfusion transmissible infection (TTI) during blood donation or screening.

The project is expected to contribute RM6.83 million in GNI and RM900,000 in investment with 38 new jobs created by 2020. Olipro is currently constructing a new manufacturing facility. During the year, six new products were launched and added to their product portfolio. It has also expanded its market to Indonesia and Brunei.

However, another EPP company, Mediven, which develops tools to facilitate early and fast detection of pathogens, genetic disorders and other diseases, has not been able to progress as expected due to a lack of professionals in the in-vitro diagnostic industry.

Mediven needs to continue working with the respective authorities (e.g. MDA, MoH) to ensure that the medical devices it manufactures comply with the necessary standards for the local and export markets.

Olipro Blood Chek LF Kit detects transfusion transmitted infection (TTI) during blood screenings

Mediven sharing product information at their booth during the World AIDS Day 2014

EPP
8

BUILD MALAYSIAN SHOWCASE ON NEXT GENERATION

OF CORE SINGLE USE DEVICE (SUD) PRODUCTS

Vigilenz, a surgical products manufacturer, has extended its current product line to include the entire line of sutures, hernia mesh (PP/PTFE composite), wound care management products, biomaterial/ electrospinning, hemostats and anti-adhesive dressings. Due to the expanded product line, Vigilenz is now constructing a new infrastructure covering 70,000 square feet that is four times larger than its current offering and will be ready by 2Q 2015.


The full range of suture by Vigilenz to cater for different market needs

Another surgical devices manufacturer, Karl Mueller Scientific has already registered its products in Indonesia and is expected to register them in the Philippines and Thailand in 2015. Last year, Karl Mueller was awarded with ISO 13485, GDP and GMP certification from QS Zurich AG.

Nevertheless, being a new player in the industry, it is currently working on gaining local acceptance of its products and will need more support from the relevant authorities. It is now working closely with other local manufacturers to boost product acceptance for locally-made items.

EPP
9

BECOME THE HUB FOR HIGH-VALUE MEDICAL DEVICES CONTRACT MANUFACTURING


Gluing process for a de-airing device used in cardiothoracic surgery by Steripack

Malaysia will be the sole manufacturer for Smith & Nephew's severe burns wound dressing when Steripack Asia begins operations here in 2015. A new EPP, Steripack aims to penetrate a new segment of hybrid manufacturing of medical devices and pharmaceutical products in Malaysia.

The company will move its contract manufacturing base from US to Malaysia to take advantage of its unique hybrid manufacturing facility which caters for both medical devices

SteriPack

and pharmaceuticals. The construction of Steripack's facility to produce specialised severe burns wound dressing in Malaysia is underway.

This project is expected to generate RM2.8 million GNI by 2020 with RM2 million investment and 133 new jobs created.

Medical Device Corporation (MDC), which announced its plans to establish a contract manufacturing hub for medical devices and pharmaceuticals, signed a three-year supply agreement with Lucenxia on peritoneal dialysis products worth RM30 million.

MDC also signed an NDA with SG Meditech to develop a new patented cord blood collection device through contract manufacturing. The NDA will enable MDC to manufacture blood collection and storage devices and contribute towards the development of the extrusion of PVC film and tubing operation.

EPP 10

MALAYSIAN CLINICAL DEVICE CHAMPIONS

- SIMA MEDICAL

There has been a major change on the business model of this project which is expected to generate GNI of RM131.81 million by 2020 with RM7.7 million of investment. The company is in the midst of finalising its new business model including changing its business partner and moving from relying on complete contract manufacturing to manufacturing its own brand.

EPP 11

MEDICAL EQUIPMENT SUPPLY CHAIN ORCHESTRATION

- UWC GROUP OF COMPANIES

UWC (**U**nique, **W**isdom, **C**ompetent)- Talent is the energy of work

UWC has expanded its product portfolio and transferred its advanced diagnostic equipment (cancer diagnostic) from the US to Malaysia. It also transferred a diffusion pump from US and Canada to Malaysia. However, the lack of a skilled workforce in medical equipment in Malaysia has hampered efforts to penetrate new market segments. This will require continuous and concerted efforts to increase its capability by upskilling its current workforce.

More dialogue opportunities by the relevant authority with universities in terms of training, R&D, testing and new product development will ensure Malaysia workforce gains the required capabilities for such high technology medical devices.

EPP 12

HIGH-VALUE MEDICAL DEVICES MANUFACTURING

Toshiba's facility in Penang

Toshiba Medical System Malaysia has established its manufacturing operations for ultrasound systems, transducers and PWB of other medical devices in Malaysia which will be exported. Toshiba's new facility in Pulau Pinang, with a total of 7,800 m^2 floor space, commenced production in December 2014. The project will generate RM51 million in GNI, RM56 million in new investments and create 200 new jobs.

This represents a major achievement as Toshiba will become the first company to make its ultrasound diagnosis systems in Malaysia, with the company aiming to make Malaysia its main export hub in Asia due to the country's proximity to the ASEAN, Middle Eastern and European markets.

EPP 13

BUILD MEDICAL HARDWARE

AND FURNITURE CLUSTER - LKL

LKL has secured projects and sizeable orders to equip hospitals and medical facilities in Malaysia and abroad with high-quality medical furniture. Apart from ongoing projects, LKL also secured a number of projects for next year, such as Gleneagles Sabah and Johor, UITM Puncak Alam, and Thomson Medical Centre Pte Ltd.

LKL's new facility to cater the growing demand of medical furniture

EPP 14

RENAL PRODUCTS

– FRESENIUS, LUCENXIA, PROLIGEN

Fresenius Medical Care, a global supplier of renal solutions and a major player in both hemodialysis (HD) and PD products, has increased the production output of HD concentrates in its manufacturing facility in Bandar Enstek, Nilai, Negeri Sembilan. The company also created more job opportunities with the implementation of a second shift in production.

Fresenius has also just completed the production setup for its new product line, Citrosteril. Production will commence once the company has met regulatory requirements.

To ensure good quality of water supply, Proligen has commenced the construction of its manufacturing plant in Tanjung Malim, Perak rather than in Gambang, Pahang. The production of dialysers will begin at the end of 2015, with export targeted to begin in 2016.

Due to the export pipeline, the company is expected to raise investments to more than RM120 million. It is also exploring the possibility of manufacturing dialysis machines with the MoH.

Lucenxia, a home-grown company that manufactures INTELLIS designed for chronic kidney patients, achieved a realised investment of RM17.07 million in 2014. Lucenxia is now conducting clinical trials in Malaysia. Although the company encountered various challenges due to the limited number of available patients for clinical trials, it has created 16 new jobs, accounting for 64 per cent of its target set for 2014.

"Dialysis at Home" van for Lucenxia that delivers service to the doorstep of patients, allowing them to receive dialysis from the comfort of their own homes

EPP 15

MOBILE HEALTHCARE SERVICES

As it is a new service, mobile healthcare remains relatively unknown to the market. Additionally, the NKEA team is still in discussion to include mobile or home healthcare services for pensioners and to expand the services beyond the Klang Valley.

MoH is also in the midst of amending the current Private Healthcare and Facilities Act to include mobile service, which remains unregulated.

This measure is therefore necessary to ensure that mobile service is both regulated and recognised as another way medical services can be provided.

EPP
16

INSTITUTIONAL AGED CARE

ECON Medicare Centre and Nursing Home Sdn Bhd is a subsidiary of Econ Healthcare Group which was founded in 1987. The group was awarded with the Recognition for Eldercare Services Innovation at the Asia Pacific Eldercare Innovations Award 2013 the Special Recognition for Assisted Living Facility for its medicare centre in Taman Perling.

Under this EPP, ECON @ Cheras aims to provide a unique retirement village-cum-nursing home facility. The facility will provide its residents with daily conveniences, medical services, nursing care and recreational activities. The project owner has acquired a piece of land with a vacant building with current built-up area of 5,598.00 m^2 in Cheras. Construction of the facility is expected to commence in mid-2015. ECON @ Cheras will create approximately 434 job opportunities when it is fully functional in 2017.

This project represents a first in the elderly care industry in Malaysia. Such facilities already exist in developed countries like Australia and the US, the introduction of an all-round senior citizens' care unit in Malaysia will enhance quality and raise standards for senior citizen homes. The introduction of ECON @ Cheras will also give consumers more choices and help shed the negative stigma normally associated with old folks' homes.

Econ's newest Medicare Centre and Nursing Home in Taman Perling was awarded the Winner for Special Recognition Awards for "Assisted Living Facility" during the Asia Pacific Eldercare Innovation Awards 2013

EPP
17

RETIREMENT VILLAGES

Eden-on-the-Park Sdn Bhd aims to build a care residence in Kuching to make senior living and aged care facilities the preferred choice in Malaysia and establish international standards for aged care in Malaysia.

This represents another pioneer company in the retirement home industry. Once completed, the project is expected to offer senior citizens more choices for their retirement and help spark the construction of other retirement village projects in Malaysia.

The project will generate RM18.5 million in GNI income, RM120.1 million in new investment and 112 jobs. An integrated senior active living lifestyle and care residence community to promote "active ageing" and "ageing in place", the project will be the first of its kind in Malaysia.

The project will comprise two blocks (104 units) of independent active lifestyle apartments, 14 units of single-storey villas and one block of care residence with 72 rooms/studios to house 144 beds.

The care residence will be operated by its joint venture partner, a Melbourne-based aged care company. Construction began in 2013 and to date some 20 per cent of total construction work has been completed in 2014. Zoning for the construction of the care residence on the site is also underway.

The project has also been approved to receive financing from the UKAS Facilitation Fund following an agreement that was signed on 27 October 2014 between the Government, Bank Pembangunan Malaysia Bhd and Eden-on-the-Park Sdn Bhd.

Construction of the care residence by Eden-on-the-Park is underway

Summary of Healthcare NKEA

	2020 Target
Incremental GNI Impact	**RM35 billion**
Additional Jobs	**181,000**

Critical targets for 2015

- The Aged Private Healthcare Facilities and Services Act to be passed in Parliament and the regulations to be ready by 2015
- Eden-on-the-Park – nursing component to be ready to provide services by April 2015
- Pharmaceutical export to increase by 10% from 2014 achievement
- At least 40% of the clinical trials are carried out in Government facilities
- Health tourists to grow by 15% based on 2014's achievement

ON THE GROUND
CIVIL SERVICE

Spearheading Growth in Medical Devices Manufacturing

Zamane Abdul Rahman

Chief Executive of Medical Device Authority, Ministry of Health

Rising affluence and population growth has fuelled healthcare spending in Malaysia in recent years, beckoning the influx of medical devices, ranging from simple instruments such as thermometers to the more complex devices such as defibrillators, pacemakers and arterioscopes, without having to meet industry-specific regulation.

But that has changed. In 2013, to ensure the quality of Malaysia's healthcare services and the manufacture of medical devices in the country, lawmakers passed the Medical Devices Act 2012 (Act 737) to regulate the sector—by requiring companies that imports, exports or place in the market medical devices to register with Medical Device Authority—a move industry players say will raise the standards of Made in Malaysia medical products and encourage investments by foreign medical devices firms.

Medical device manufacturing is earmarked as one of the key areas of focus in Malaysia and is moving up the value chain in the production of medical devices. With increased regulation and investments, Malaysia is a step closer towards becoming a regional medical devices manufacturing hub in the coming years, as envisioned under the Healthcare NKEA.

"With the Act 737, there is now a level-playing field in the industry. Companies now need to be licensed to import, export or place in the market [medical devices]. Doing this allows us to distinguish between the bona fide players against non-bona fide parties," says Zamane Abdul Rahman, chief executive of Medical Device Authority, a statutory body within the Ministry of Health in charge of regulating medical devices and its industry players in Malaysia.

On the progress of company application to market and distribute medical devices, Zamane reveals the Medical Device Authority has received over 1,700 applications from companies for mandatory establishment licenses through its online application system MeDC@ST since licensing for medical device companies started in July 2013. The Authority has processed over 1,400 applications and successfully issued licenses within appropriate time frames.

However, Zamane says there are some technical challenges in the registration of medical devices in the market. "There are currently 70,000 Class A to Class D products in the market and this figure is expected to hit 100,000 products in the coming years. To cope, what we have done is to exempt certain products that fall under the low-risk category A, such as gauze. Only Class A products that are active, sterile and with measuring function, Classes B through D require product registration."

Meanwhile, much headway has also been made in Malaysia's harmonisation of regulation and standards for medical device with national and international benchmarks. According to Zamane, the Medical Device Authority recognises testing methods and approvals from the five major medical device producing countries such as the US, EU, Japan, Australia and Canada to facilitate manufacturers and importers to register their products for local market. In terms of regional harmonisation efforts, Malaysia participated in drafting of the ASEAN Medical Device Directive (AMDD), and along with other ASEAN member economies, signed the directive in August. The 10-member ASEAN economies are working towards the implementation of a harmonised medical device directive that will simplify device registration for industry players and lead to an increase in investments and flow of medical goods within the region.

This is a crucial development and could potentially aid Malaysian medical device manufacturers gain market share in the ASEAN region, which is one of the fastest growing consumer markets in the world. Against the backdrop of improved regulation on the medical device industry, increased confidence will spell better days for Malaysian device manufacturers in the coming years, says Zamane.

STRATEGIC REFORM INITIATIVES

BOOSTING THE NATION'S COMPETITIVENESS

On 5 July 2011, the Malaysian Government announced six Strategic Reform Initiatives (SRIs), the second critical component of the Economic Transformation Programme (ETP) in addition to the 12 National Key Economic Areas (NKEAs), to boost Malaysia's global competitiveness. The ETP was conceptualised with two key thrusts, to boost GNI, jobs and investment through the 12 NKEAs and strengthen Malaysia's competitiveness, to be delivered by the SRIs.

The six SRIs comprise Public Finance Reform; Reducing Government's Role in Business; Human Capital Development; Public Service Delivery; Competition, Standards and Liberalisation; and Narrowing Disparity.

These six SRIs are based on 37 policy measures recommended by the National Economic Advisory Council (NEAC) from a total of 51 policy suggestions. The remaining measures are now part of the NKEAs and National Key Result Areas (NKRAs) under the Government Transformation Programme.

The SRIs are the result of six weeks of consultation held within six labs in 2011 that involved 500 public and private sectors representatives.

COMPETITION, STANDARDS AND LIBERALISATION

PUBLIC FINANCE REFORM

NARROWING DISPARITY

REDUCING GOVERNMENT'S ROLE IN BUSINESS

HUMAN CAPITAL DEVELOPMENT

COMPETITION, STANDARDS AND LIBERALISATION

There is no doubt that liberalisation of the services sectors has been an overall boon to the economy

Dato' Sri Hasan Malek
Ministry of Domestic Trade, Co-operatives and Consumerism

Since the implementation of the Competition Act 2010, which came into force on 1 January 2012, the Malaysia Competition Commission or MyCC has been kept busy with investigation of cases.

The two-pronged approach adopted by the MyCC to enforce the law - advocacy and investigation - has shown good results. An average of about 30 advocacy programmes have been conducted every year by MyCC since its establishment, both to the private as well as the public sector.

An increase in complaints received by the MyCC from eight complaints in 2012 to 72 complaints received in 2014 is testimony to the increase in awareness of the law and its implications. From 2011 to 2014, MyCC issued 27 instances of policy advice to Government agencies.

Investigation, on the other hand, is a long-drawn process. As an adjudicating body, MyCC is duty-bound to exercise care in its due process, and must be thorough in its analysis and evidence gathering. This is to be absolutely sure that the facts of the case strongly indicate an infringement.

Therefore, even an easy case may take up to a year while a more complicated one may take years. Nevertheless, even in its infancy, the conclusion of eight cases is indeed impressive as compared to some new jurisdictions which took almost four years to conclude a case.

I am extremely satisfied with the work undertaken by MyCC and we should together support the Commission. The long-term objective of introducing the law is to bring about a competitive environment, encourage innovation, and increase productivity. All sectors, both public and private, should strive towards this objective.

Datuk Dr. Ewon Ebin
Minister of Science, Technology and Innovation

The key message is for quality through compliance with standards to be the primary factor when considering any product and services.

I would like standards compliance to be the determining factor to triumph over price for consumer preference.

Nevertheless, I would like companies to emphasise that the main contributing factor of the success of their products and services is standards compliance. This will also spearhead the commercialisation of R&D products as standards compliance will increase their marketability as well as increase consumer confidence for such products.

The successful launching of National Standards Compliance Programme (NSCP) by the YAB Prime Minister on 4 June 2014 was the key milestone and a big leap in year 2014. The NSCP was inspired to create quality-conscious industries which will embed standards as enablers to deliver quality products and services. This is envisaged to result in better acceptance of local products and services in domestic and foreign markets and increase national competitiveness to create wealth that will contribute to moving up the economic value chain to a high-income economy.

Dato' Sri Mustapa Mohamed
Minister of International Trade and Industry

Efforts to streamline regulations and reduce bureaucratic impediments has further facilitated and promoted a business-friendly environment in Malaysia. Supportive measures that have been implemented include reducing the costs of starting a business and the establishment of One-Stop Centres to facilitate processing of documents and to simplify administrative procedures.

Malaysia's unceasing efforts to make itself an attractive place for doing business have been given due recognition and the country saw its ranking improve from 20 th to 18th position in World Bank's Doing Business 2015 report published in October 2014. This notably puts Malaysia ahead of advanced nations like Taiwan, Switzerland and Japan. Malaysia also ranked first among emerging East Asian economies.

There is no doubt that liberalisation of the services sectors has been an overall boom to the economy. However, there are still some domestic service suppliers who are uneasy in the face of increased foreign competition and resistant to liberalisation. Nevertheless, we will not waiver in our liberalisation efforts and we are confident that our service providers will respond to the challenge and in due time become sufficiently competitive to even expand abroad themselves.

COMPETITION, STANDARDS AND LIBERALISATION

2014 Key Performance Indicators

COMPETITION, STANDARDS AND LIBERALISATION SRI		KPI (Quantitative)							
				Achievement					
				Method 1		Method 2		Method 3	
No.	**KPI**	**Target (FY)**	**Actual (YTD)**	**%**		**%**			
1	Number of new fruit and vegetable farms certified under Malaysian Good Agriculture Practices(MyGAP) - Department of Agriculture (DOA)	500	533	107		100		1.0	
	Number of new aquaculture farms certified under MyGAP - Department of Fisheries (DOF)	65	67	103		100		1.0	
	Number of new livestock farms/premise certified under MyGAP - Department of Veterinary Services (DVS)	160	198	124		100		1.0	
2	Number of products under MyHIJAU Progamme	250	353	141		100		1.0	
	Number of new applicants that received green recognition	60	60	100		100		1.0	
3	Food Production Establishments Certified for "*Makanan Selamat Tanggungjawab Industri*" (MeSTI)	500	530	106		100		1.0	
4	Number of qualified companies signed up under the National Standards Compliance Progamme (NSCP)	30	77	257		100		1.0	
	Number of new organisations certified by accredited CBs to horizontal standards (MS ISO 9001, MS ISO 14001, MS ISO 22000, MS ISO/ IEC 27001, MS 1480, MS 1722)	800	841	105		100		1.0	

more on next page

continued from previous page

COMPETITION, STANDARDS AND LIBERALISATION SRI		KPI (Quantitative)							
				Achievement					
No.	**KPI**	**Target (FY)**	**Actual (YTD)**	**Method 1**		**Method 2**		**Method 3**	
				%		**%**			
5	Approval of guidelines for standardisation of public consultation procedures for new/amendments of legislation (for domestic regulations)	100%	100%	100		100		1.0	
				127%		**100%**		**100%**	

Exhibit 13.1

Method 1 Scoring is calculated by a simple comparison against set 2014 targets. The overall SRI composite scoring is the average of all scores

Method 2 Scoring is calculated by dividing actual results against set 2014 targets with an added rule:
- If the scoring is less than 100%, score #2 is taken as the actual percentage
- If the scoring is equal or more than 100%, score #2 is taken as 100%. The overall SRI composite scoring is the average of all scores

Method 3 Scoring is calculated by dividing actual results against set 2014 targets with an added rule:
- If the scoring is equal and less than 50%, score #3 is indicated as 0
- If the scoring is more than 50% and less than 100%, score #3 is indicated as 0.5
- If the scoring is equal or more than 100%, score #3 is indicated as 1

COMPETITION

The World Economic Forum's (WEF) Global Competitiveness Report 2014-2015 ranked Malaysia the 20th most competitive economy out of 144 countries. This is an improvement over its 24th placing out of 148 countries the previous year. Malaysia is also the highest-ranked developing Asian economy and was ranked second-most competitive among the 24 countries categorised by WEF as being in transition from efficiency-driven to innovation-driven.

Malaysia's membership in ASEAN provides an important platform for cooperation in the area of competition law and policy. The ASEAN Economic Community (AEC) will become a reality in 2015 and is an important milestone towards economic integration in the region. The AEC will among other things result in a free flow of goods and services and freer flow of capital. The business community in Malaysia will need to brace itself for not only the increased opportunities but also challenges ensuing from this regional economic integration.

Businesses need to understand the implications of the Competition Act. Towards this end, MyCC foresees the need for greater awareness of the Competition Act 2010 among enterprises both large and small, as well as business associations. Detecting and investigating cases requires considerable economic and legal expertise and MyCC continues to face demands on its limited resources. These challenges must be addressed by MyCC through impactful and sustainable capacity building.

2015 Outlook

In line with this SRI to develop an efficient and competitive business environment and culture that supports Malaysia's goal of becoming a high-income nation by 2020, far reaching programmes of economic reforms were undertaken during the 10th Malaysia Plan. These

reforms aim to create a privat ect e ce H

INITIATIVES

MyCC continued to focus on advocacy and to engage with stakeholders from both the public and private sector on the importance of the Competition Act 2010. In 2014, MyCC conducted 31 advocacy programmes throughout Malaysia.

MyCC published two new handbooks entitled "*Garis Panduan Menentang Tipuan Bida dalam Perolehan Awam* (Guidelines for Fighting Bid Rigging in Government Procurement)" and "Help Us Detect Bid Rigging". The latter guideline was originally a publication by the Organisation of Economic Co-operation and Development (OECD) and was translated by MyCC into Bahasa Malaysia. These handbooks aim to assist public procurement officers to not only identify and eliminate bid rigging but also assist MyCC to investigate this type of behaviour.

The Federation of Malaysian Manufacturers (FMM) took the initiative to work with MyCC to draw up the "FMM Competition Checklist" for its members. This checklist, which was launched on 25 November 2014, summarises MyCC's Compliance Guidelines and provides a "To Do" checklist with recommended reviews and actions to be taken. It is hoped that more companies will be encouraged to build a strong culture of compliance with the Competition Act 2010.

A Regulatory Impact Assessment (RIA) on the construction sector was conducted in 2014 by the Malaysia Productivity Corporation (MPC) in collaboration with MyCC. The aim of the RIA project was to continue the market review on professional bodies conducted by MyCC in 2013 by thoroughly exploring issues to identify and understand key policies and address regulatory price fixing, specifically in the Malaysian construction sector. The draft final report and policy advice to Government agencies has been completed and will be forwarded to the respective central agencies for further assessment and consideration.

Handbooks on Bid Rigging

KEY TAKEAWAYS

A competition law regime ensures a landscape in which businesses can compete freely on their own merits and on a level playing field. With the initiatives that have been planned to support this SRI, it is hoped that a more robustly competitive business landscape will emerge in the country. It is crucial that Malaysian companies are able to thrive in a competitive environment given both the challenges and opportunities ensuing from the various trade initiatives including the AEC.

STANDARDS

To ensure the competitiveness of Malaysian products and services, measures have been put in place to improve the ecosystem of standards development and utilisation. Steps have already been taken to streamline and reduce the time for the development and adoption of standards.

Towards this end, a number of standards development agencies have been appointed by Standards Malaysia. Besides, in ensuring Malaysian Standards are on par with International Standards, 3,667 standards from a total of 6,199 Malaysian Standards are based on International Standards.

Standards Malaysia launched the NSCP in June 2014 with the aim to increase standards compliance and to bridge initiatives offered by the various Government agencies. In line with this, steps were taken to increase awareness on standards compliance through the establishment of the NSCP One Stop Centre at the One Referral Centre in SME Corporation Malaysia (SME Corp) and the setup of a NSCP Portal on the website of Standards Malaysia (http://www.jsm.gov.my/national-standards-compliance-programme).

Standards Malaysia collaborated with a number of agencies including SME Corp, CyberSecurity Malaysia, Majlis Amanah Rakyat (MARA), Malaysian Green Tech Corporation (MGTC), the Ministry of Agriculture and Agro-based Industry (MoA) and the Ministry of Health (MoH) to carry out several capacity building programmes for industries as well awareness programmes on the importance of standards among consumers to increase demand for products with standards.

Signing of Collaboration MoU under the NSCP between SME Corp and Standards Malaysia at SMIDEX 2014

INITIATIVES

MoA has consolidated a number of certification schemes for agriculture under MyGAP (with the tagline, "Producing More, Improving Lives") which represents comprehensive certification scheme for the agricultural, aquaculture and livestock sectors. MyGAP is benchmarked with international GAP certification schemes such as ASEAN GAP and is now in the process of being harmonised with Global GAP. MyGAP certified products will thus benefit from the branding by gaining market recognition and acceptance.

2015 Outlook

Malaysian businesses need to embrace standards as part of a quality culture to support the goal of becoming a high-income nation by 2020. Standards Malaysia will continue collaborative efforts with Government agencies to encourage standards compliance.

Many SMEs still perceive standards compliance and certification as a cost rather than an investment that can generate future returns. This has been a long-standing issue as standards adoption is mainly voluntary and there remains a lack of understanding on the need and importance of standards. SMEs need to be convinced of the value of adopting standards as this will not only improve the quality of their products and services but will also improve market access.

Given the large number of SMEs involved in the food industry, steps will

In 2014, a total of 780 farms were certified under MyGAP resulting in a cumulative total of approximately 3,200 certified farms compared to approximately 2,500 certified farms in 2013. This increase in the number of certified farms is largely attributed to the outreach and capacity building programmes by the implementing agencies namely Department of Agriculture (DoA), Department of Fisheries (DoF) and the Department of Veterinary Services (DVS). A total of 41 capacity building programmes were carried out involving approximately 1,740 farmers during which information on the requirements of MyGAP is disseminated including consultation on the certification process.

be taken to push for more SMEs to obtain relevant certifications such as Malaysian Good Agriculture Practices (MyGAP), Makanan Selamat Tanggungjawab Industri (MeSTI), Good Manufacturing Practice (GMP), Hazard Analysis and Critical Control Points (HACCP) and Halal.

Apart from capacity building programmes, a new programme, Technology Audit, will be introduced by Standards Malaysia. This programme will review implementation gaps as a means to help industries embrace standards and improve productivity and quality. This programme aims to help to create self-regulated industries as drivers for national competitiveness.

In 2015, Standards Malaysia will conduct a study on selected companies on the economic impact of standards compliance from marketability of their products and services; and improvement in efficiency and productivity. The objective of this study is to showcase the success of these businesses in standards compliance that will help encourage standards usage.

In line with initiatives to increase standards utilisation, Standards Malaysia will appoint more Conformity Assessment Bodies (CABs) to accelerate the certification process. To obtain certification, products will need to undergo conformity assessment procedures which include laboratory testing.

Towards this end, existing test facilities may need to be upgraded to improve the testing infrastructure for products in Malaysia. This will not only help the manufacturing industry become more competitive, but also promote the country's services industry and help make Malaysia a testing hub.

This SRI surpassed its KPIs for the year, achieving 127 per cent of its overall targets. Standards have increasingly been given priority by Ministries and agencies due to its prominence within the ETP. Efforts have been stepped up to consolidate and streamline initiatives to ensure achievement of targets set.

Standards utilisation can be further stepped up if resource constraints can be addressed, including additional testing facilities and campaigns to raise awareness of the incentives available for compliance and certification. Measures to increase domestic demand for better quality goods and services may also need to be considered. This could include ensuring more mandatory standards especially pertaining to health and safety.

Awareness programmes were also carried out by MoA to publicise MyGAP certification to consumers by collaborating with hypermarkets to carry out promotion campaigns to showcase MyGAP certified products.

Recipients at "MyGAP and Organic Scheme Malaysia Certification Convention" held in December 2014

Under the Ministry of Energy, Green Technology and Water (KeTTHA), 353 products obtained certification under the MyHIJAU Programme. The programme is an initiative by KeTTHA's agency, MGTC, which aims to encourage the adoption of more environmentally-friendly practices in the country to support the Government's commitment to reduce carbon emissions. The MyHIJAU Programme, which includes the MyHIJAU Mark and MyHIJAU Directory initiatives, aims to promote the sourcing and purchasing of goods and services that are environmentally friendly. Products with the MyHIJAU Mark provide consumers with the certainty that internationally recognised environmental and ecological standards have been met in the manufacture of these certified products.

Signing of Collaboration MoU under the NSCP between MGTC and Standards Malaysia at IGEM 2014

Additionally, 60 new companies received green recognition in 2014 from MGTC. The objective of this green recognition is to encourage the production of local green products and services, in order to achieve the nation's target of reducing carbon intensity by 40 per cent by year 2020 (compared to 2005). This recognition will also provide the foundation to these companies to work towards the MyHIJAU Mark.

MoH continued with the certification of food processing establishments to ensure compliance to the Food and Hygiene Regulations 2009 under the MeSTI programme. The objective of MeSTI is to put in place a system for the maintenance of food hygiene and process control which includes food safety assurance and food traceability. MeSTI compliance will serve as a building block for micro and SMEs in Malaysia to be a major producer and exporter of food products by facilitating food safety and quality compliance. This programme also acts as a stepping stone for companies to obtain certification under GMP and HACCP.

In 2014, a total of 530 establishments complied with MeSTI, an increase of 21.5 per cent from 436 premises in 2013. The increase was due to the awareness programmes on the importance of complying with MeSTI and capacity building programmes for manufacturers. MoH held meetings with relevant Government departments to incorporate adherence to MeSTI into their existing programmes (e.g. Halal certification, participation as suppliers in KR1M).

The NSCP was rolled out in June 2014 to promote targeted capacity building programmes. In line with this, Standards Malaysia collaborated with four implementing agencies namely SME Corp, MARA, MGTC and CyberSecurity through outreach programmes to create awareness among SMEs and to attract them to sign up for the NSCP.

Standards Malaysia also organised a series of pocket talks on the NSCP at its participation in major events such as the SME Annual Showcase (SMIDEX), International Greentech & Eco Products Exhibition & Conference Malaysia (IGEM), Malaysia Agriculture, Horticulture & Agrotourism Show (MAHA), Halal Fiesta Malaysia (HALFEST) and National Innovation Conference and Exhibition (NICE).

Official launch of Direktori MeSTI 2013 by Datuk Nizar Bin Mohamad, Exco Perak with Pn. Noraini Datuk Mohd Othman from MOH at "*Karnival Keselamatan Makanan*" at RTC Perak

A food standards workshop and business matching session in Johor Bahru organised by Standards Malaysia

As a result of these initiatives, 77 companies qualified to sign up for financial and technical assistance for certification under the NSCP in 2014.

Under the NSCP, Capacity Building for Industry (CBI) programmes were conducted to encourage industries to adopt standards in their businesses. The CBIs were conducted nationwide for horizontal standards such as MS ISO 9001, MS ISO 14001, MS ISO 22000, MS ISO/IEC 27001, MS 1480 and MS 1722.

The number of new organisations certified by accredited firms to horizontal standards saw a 20.6 per cent increase to 841 certifications compared with 697 certifications in 2013.

CyberSecurity Malaysia continued to focus on increasing the number of products under ISO 15408 Common Criteria for Evaluation Assurance Level 2 (EAL2). In 2014, three ICT products were certified resulting in a total of 44 ICT products with Common Criteria Standards.

The Common Criteria Standards have been made mandatory in several developed nations especially for their Critical National Information Infrastructure organisations. Based on the Global Cyber Security Index (GCI) study conducted by ABI Research and the International Telecommunication Union (ITU) in December 2014, Malaysia is ranked third among 193 countries. The GCI measures the countries' level of commitment to cyber security and focuses on five work areas: legal measures, technical measures, organizational measures, capacity building and cooperation. The basis for consideration for technical measures includes standards and certification.

While awareness on the benefits of standards compliance has grown following more coordinated efforts between the various Ministries and agencies to promote standards, the main challenge to standards adoption remains that it is a voluntary practice. In the absence of mandatory requirements and nascent demand from the market, many companies view standards and certification as having no perceived value.

92 leading companies in Malaysia earned prestigious information security certificates such as Common Criteria from CyberSecurity Malaysia

KEY TAKEAWAYS

Over the years, standards initiatives have evolved from standards development towards industry compliance. While the utilisation and compliance to standards have increased, the overall level remains relatively low.

Therefore, there is a need to emphasise on creating demand for standards-compliant products and services. Ministries and agencies may need to align and make certification and standards compliance a pre-requisite for their respective programmes.

Domestic demand should support greater levels of standards compliance. This can be achieved via awareness programmes. To assist companies in the certification process, the number of testing facilities and capacity of certifying bodies should be increased along with a review of incentives.

The ultimate target is for Malaysia to become competitive through standards utilisation. There is a need to partner with Ministries and agencies to encourage the adoption of standards. Continuous promotions and collaboration with strategic partners should also be strengthened to ensure the message reaches the right audience.

LIBERALISATION

Malaysia improved its standing from 20th to 18th in the World Bank's Doing Business 2015 report published in October 2014, due in part to efforts to liberalise the economy and ease bureaucratic burdens on businesses. While benefits for the services sector have manifested in the form of higher levels of value-added activities, initiatives to leverage the opportunities arising from liberalisation are still fragmented and need to be consolidated.

Launching of the Guideline on Public Consultation Procedures by Tan Sri Dr. Ali Hamsa, Chief Secretary to the Government of Malaysia

In 2013, the services sector remained the largest contributor to GDP with a share of 55.2 per cent compared to 54.2 per cent in 2011 and 54.6 per cent in 2012. In 2014, the services sector contributed 55.3 per cent to GDP. Total investments for the services sectors have also increased 1.3 per cent from RM147.7 billion in 2013 to RM149.6 billion in 2014.

Given the significant and increasing linkage between services and the production of goods, the impact of service sector development is diffused across the entire economy. A vibrant services sector will complement the high value-added activities in other sectors.

SMEs involved in the liberalised sub-sectors have also seen their share in terms of value-added activities increasing at a significantly higher pace. However, many SMEs still indicate a low level of readiness to export as well as a high level of dependence on larger firms for support in going global.

2015 Outlook

Greater linkages between manufacturing and services sectors will be fostered within ecosystems and value chains of selected industries. Business Enabling Frameworks (BEF) will also be used to review and streamline procedures and processes to facilitate investors and improve the business environment.

For transparency, these BEFs, which document policy instruments such as permits, licenses, registrations, approvals and assessments required to be complied by businesses, both local and foreign, have been uploaded on http://myservices.miti.gov.my.

The logistics sector is a vital component to the economic performance of the nation and provides the backbone to facilitate international trade. To ensure a more efficient logistics sector, a Logistics and Trade Facilitation Master Plan is being drawn up by the Government to provide the strategic direction for the development of logistics infrastructure and supply chain as well as to review regulations and laws.

2014 KPI Analysis

The guideline on Public Consultation Procedures was finalised, resulting in 100 per cent achievement of the KPI target. The success is largely due to the backing from the Malaysia Services Development Council (MSDC) who oversees the liberalisation process and efforts by MPC. Multiple stakeholder engagements were organised by MPC to obtain feedback on the guidelines. This guideline aims to put forward guiding principles for implementing effective public consultation. These principles will contribute towards improving transparency, responsiveness, accountability and accessibility of consultation which will reduce unnecessary regulatory burdens in the country.

INITIATIVES

During the year, the MSDC worked to address operational inefficiencies in service delivery and reviewed regulations. This was undertaken with an eye on guiding the development of good quality regulation while reducing or eliminating cumbersome and costly bureaucratic procedures. A number of initiatives were carried out to enhance transparency, predictability and coherence to lower regulatory cost and increase regulatory efficiency. This is an ongoing initiative for continued improvements to facilitate investors.

Additionally, the MPC headed the Working Group on Institutional and Legislative Framework to map out the Government formalities and to review and remove unnecessary regulation of the services sectors which included the architectural, construction, healthcare and education services.

Malaysia has autonomously liberalised 45 sub-services sectors. Of these, 27 sub-sectors were announced in 2009 while another 18 sub-sectors were announced 2012. The amendment to the Acts for the remaining three sub-sectors, architectural services (Architect Act 1967), engineering services (Engineering Act 1967) and quantity surveying services (Quantity Surveyor Act 1967) from the 2012 package was approved by Parliament in December 2014.

The initiatives under MSDC also include capacity and human capital development with a focus on the utilisation of electronic commerce (e-commerce) for distributive trade in Malaysia. E-business units will be established in the Multimedia Development Corporation (MDeC) and SME Corp to provide advisory services on e-business and e-commerce to help accelerate the growth of distributive trade via e-commerce as well as promote the Digital Malaysia's 354 Roadmap (DM 354 Roadmap).

KEY TAKEAWAYS

Given the increasing linkages between the manufacturing and services sectors, relevant ecosystems and industry value chains will be identified. Malaysian service providers will also need to avail themselves to the opportunities available to them as a result of liberalisation of the services sector, not only domestically but also in the region under the AEC and the various Free Trade Agreements that Malaysia has signed.

PUBLIC FINANCE REFORM

In the last four years, stronger growth in activities of the private sector has given the Government more room in trimming deficit including amongst others, reducing spending through measures such as subsidy rationalisation

Dato' Seri Ahmad Husni Mohamad Hanadzlah
Minister of Finance II

After the Asian Financial Crisis in 1998, the Government, weighed down by the slower spending pattern of the private sector and dipping investments, had to act quickly to prop up the Malaysian economy. In 1999 to 2009, the Government continued to play a greater role in generating economic growth amid a lower expansion in activities of the private sector.

Since the launch of the New Economic Model in 2009 which aims to take Malaysia towards high-income status by 2020 in a sustainable and inclusive manner, followed by the implementation of the National Transformation Programme in 2010, the contribution of private sector investment to the Malaysia's economic growth registered an increase.

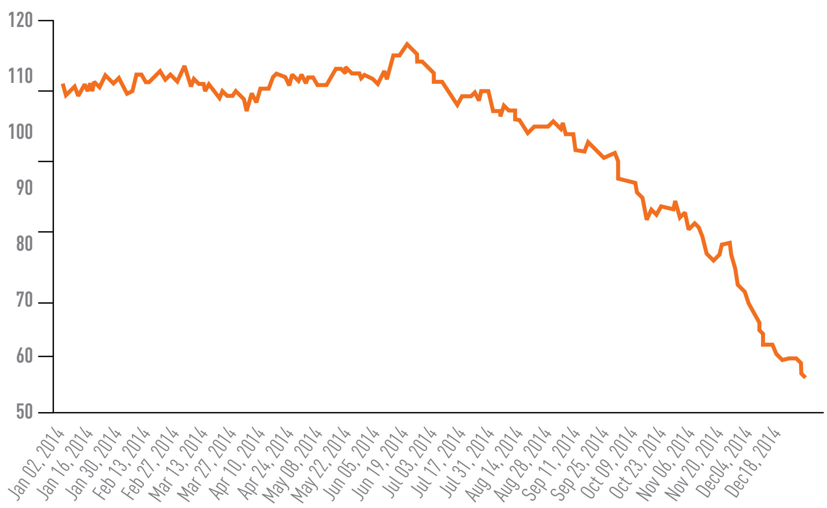
In the last four years, stronger growth in activities of the private sector has given the Government more room in trimming deficit including amongst others, reducing spending through measures such as subsidy rationalisation. The federal budget deficit was reduced to 3.5 per cent of GDP in 2014, as compared to 3.9 per cent in 2013.

PUBLIC FINANCE REFORM

With GDP for 2014 growing at six per cent compared to the five to six per cent forecast and the removal of fuel subsidies through managed float mechanism, the fiscal deficit target registered 3.5 per cent deficit of GDP for 2014. In 2014, the fuel subsidy bill (including cash assistance) amounted to RM23.6 billion , or 2.2 per cent, of GDP.

Malaysia is also reducing its reliance on oil-based revenue. From a high of 41 per cent in 2009, oil and gas contribution now stands at 30 per cent of total Government revenue, or RM66 billion. The RM66 billion comprises PETRONAS dividends amounting to RM29 billion while the balance was mainly oil based tax and royalties. However, in spite of lower expenditure, the drop in Brent crude oil prices beginning from July 2014, followed by a more rapid decline in Sept 2014 to reach below US$60 per barrel at end December 2014 has impacted the Government's total revenue for the year.

2014 Daily Spot Price - Brent Crude Oil (US$ per barrel)



Source: U.S. Energy Information Administration

Exhibit 14.1

The Government's largest fiscal reconciliation target was achieved on 21 Nov 2014, when the Government announced the managed float pricing mechanism for RON 95 and diesel. The new mechanism also allowed the Government to unwind fuel subsidies at the pump that had been in existence for almost 16 years. The only subsidy that remains is the super subsidy for public transport and selected industries including fisheries and river boats (for rural areas). This move is expected to save the Government about RM10.7 billion in 2015.

2015 Outlook

With the rapid declining trend of crude oil prices which barely stabilised to around US$50 in December 2014, coupled with the impact of the floods at the end of the year, the Government revised its 2015 Budget to strengthen economic resilience and provide assistance to the people and businesses. The projection of GDP growth for 2015 has been revised to between 4.5 per cent and 5.5 per cent.

Come April 2015, the Government will also implement the Goods and Services Tax (GST) at six per cent, which will increase Government revenue in the long-term. The GST will replace the sales tax and service tax (SST) currently applied at 10 per cent and six per cent, respectively.

While the consumer-based GST will broaden and improve Government income in the long-term, the net effect in 2015 and its impact on the budget deficit target for the year will be minimal.

The implementation of GST will see the abolishment of the SST, resulting in Government revenue forgone of RM13.8 billion. With the expected revenue forgone for exempted and zero rated goods and services which totals to RM3.8 billion, the gross additional collection of GST only totals to RM5.6 billion after deducting the potential collection of SST and from the exempted and zero rated list.

Of the RM5.6 billion, a total of RM4.9 billion will be channeled back to the rakyat through assistance programmes such as *Bantuan Rakyat 1Malaysia*. The net additional revenue from GST is RM690 million.

In addition, the Government has also decided to reduce the rate of personal and corporate income tax as announced during Budget 2015 to minimise the inflationary impact which will be caused by the GST. Among the tax relief for individuals and households is the lowering of the tax rate by one to three per cent, excluding some 300,000 taxpayers from paying income tax. Taxpayers with family and income of RM4,000 per month will be exempted in 2015. The corporate tax rate will also be reduced by one per cent, in addition to secretarial and tax filing fees being allowed for deductions.

Meanwhile, the target date for accrual accounting, which was first mooted by the Government in 2010, has been pushed from January 2015 to January 2016 due to the inability of the system development vendor to meet the deadline. The Government is, however, serious in promoting greater transparency in public sector financial reporting and will ensure that the new deadline are met.

2014 Key Performance Indicators

PUBLIC FINANCE REFORM SRI		KPI (Quantitative)							
				Achievement					
No.	KPI	Target (FY)	Actual (YTD)	Method 1		Method 2		Method 3	
				%		%			
1	Enhancement of tax administration and compliance - Direct Tax (RM mil)	1,795	1,990	111	●	100	●	1.0	●
2	Enhancement of tax administration and compliance - Indirect Tax (Royal Malaysian Customs Department) (RM mil)	110	159.64	145	●	100	●	1.0	●
3	Implementation of Accrual Accounting Activities in 2014	100%	81.3%	81	●	81	●	0.5	●

more on next page

continued from previous page

PUBLIC FINANCE REFORM SRI		KPI (Quantitative)							
				Achievement					
No.	KPI	Target (FY)	Actual (YTD)	Method 1		Method 2		Method 3	
				%		%			
5	Eliminate Incompetent Suppliers/Service Providers (depends on complaints received)	100%	100%	100	●	100	●	1.0	●
6	Implementation of GST activities for year 2014	100%	100%	100	●	100	●	1.0	●
				107%		**96%**		**90%**	

Exhibit 14.2

Method 1 Scoring is calculated by a simple comparison against set 2014 targets. The overall SRI composite scoring is the average of all scores

Method 2 Scoring is calculated by dividing actual results against set 2014 targets with an added rule:
- If the scoring is less than 100%, score #2 is taken as the actual percentage
- If the scoring is equal or more than 100%, score #2 is taken as 100%. The overall SRI composite scoring is the average of all scores

Method 3 Scoring is calculated by dividing actual results against set 2014 targets with an added rule:
- If the scoring is equal and less than 50%, score #3 is indicated as 0
- If the scoring is more than 50% and less than 100%, score #3 is indicated as 0.5
- If the scoring is equal or more than 100%, score #3 is indicated as 1

2014 KPI Analysis

The SRI surpassed its KPI targets for 2014 except for accrual accounting, driven by initiatives such as GST planning activities and revenue collection. The achievement of targets was broadly due to the implementation of more efficient processes put in place by the Government.

Notably, the Government collected additional revenue through indirect tax of RM159.64 million during the year, surpassing a target of RM110 million. Direct tax revenue collection amounted to RM1.99 billion as compared with the target of RM1.80 billion. A key shortfall in the SRI's 2014 KPI targets arose in the area of accrual accounting, as external factors resulted in a delay in its implementation.

INITIATIVES

ENHANCEMENT OF TAX ADMINISTRATION AND COMPLIANCE (DIRECT TAX)

The Government collected RM1.99 billion in additional revenue through direct tax collection in 2014 following the widening of field audit and investigation coverage as well as a widening of the tax base, and improvement in efficiency in tax submission and collection.

These initiatives were carried out through the redeployment of audit officers to specific targeted industries/individuals and improvements in the Inland Revenue Board of Malaysia's (IRBM) information technology system.

ENHANCEMENT OF TAX ADMINISTRATION AND COMPLIANCE (INDIRECT TAX)

The collection of indirect tax saw the Government gaining additional revenue of RM159.64 million in 2014, significantly exceeding a target of RM110 million. This was achieved by undertaking additional specific audits on certain industries through the enhancement of Custom Department's audit and enforcement. An additional temporary team of auditors also helped to generate the desired result.

ACCRUAL ACCOUNTING

The target to achieve 100 per cent of planned initiatives was not met due to the inability of the system development vendor to meet the timeline. A delay in the implementation is therefore imminent, although the Government is committed to introducing the full accrual accounting system by the end of 2015, enabling it to meet its target of launching the system in 2015. To date, 81 per cent of planned activities for the implementation of accrual accounting has been completed. Despite the postponement of implementation date, the Accountant General's Department is confident of launching the system for the implementation of accrual accounting starting January 2016, making it a shorter implementation timeline as compared with other countries which took more than five years in preparing for the implementation of accrual accounting.

ELIMINATE INCOMPETENT SUPPLIERS/ SERVICE PROVIDERS

The Ministry of Finance (MoF) considered all the complaints of incompetent companies received from Ministries and agencies on MoF-registered suppliers for Government procurement. The complaints were due to their unsatisfactory performance in delivering the supplies/services. The companies were given warning letters or temporarily or permanently banned from entering into any Government procurement process.

IMPLEMENTATION OF GST ACTIVITIES FOR 2014

Following the announcement of GST in 2013, the MoF completed all of its planned activities for 2014 successfully, which included tabling and passing the GST Bill in Parliament, communication as well as training programmes.

In 2014, MoF trained more than 250 skilled GST speakers and conducted more than 1,400 programmes, talks and visits on GST covering the public, industries and Government. A total more than 76,000 members of public and 150,000 participants from business participated in these programmes.

The MoF also reviewed the exemption and zero rated list of goods and services, identifying a larger number of items which are to be exempted/zero rated from GST. These include fruits, white bread and wholemeal bread, coffee and cocoa powder, tea dust, yellow mee, kuey teow, meehoon, some 2,900 medicine brands to treat diseases such as heart failure, diabetes, hypertension, cancer and fertility treatment, reading materials for students and newspapers. Electricity usage of less than 300 units (which is estimated to benefit 70 per cent of households) and sale of RON95, diesel and LPG will also be relieved from GST payment.

Key Takeaways

The Government remains cognisant that the success of public finance reform requires support from the rakyat and to achieve this, the Government will continue to educate and engage the public as it remains committed to fiscal prudence.

Moving forward, the main challenge is to ensure that the Goverment's target of achieving a balanced budget in 2020 is met. As part of the initiative, the Government will reduce other subsidies that distort the market, specifically in the areas of used car imports, the shipping industry and SME corporate income tax incentives.

It should also be noted that the goal of public finance reform is to utilise Government funds more efficiently in areas such as social safety nets for the deserving, healthcare, education and other critical infrastructure for the rakyat.

NARROWING DISPARITY

> In 2014, RM47.07 billion worth of business and financing opportunities have been created for the Bumiputera business community since TERAJU's inception

Dato' Sri Abdul Wahid Omar
Minister in the
Prime Minister's Department

The Malaysian Government is clear in its aspiration to achieve the high-income status through inclusive and sustainable growth. Thus, the Narrowing Disparity SRI is aimed at addressing inequality between the Bumiputera share of the economy in relation to its population and other groups.

Initiatives under this SRI are designed to help Bumiputera companies develop and enhance capacity, improve competitiveness and reduce reliance on Government contracts. Other targets include improving Bumiputera representation in market equity, high value-added occupations and management positions.

TERAJU, the agency tasked with spearheading this SRI, collaborates with other Ministries, agencies and stakeholders in meeting the goals of the Bumiputera Economic Transformation Programme to further the agenda of this SRI.

Developing competitive Bumiputera SMEs

The SME community which forms the backbone of any economy is one of the priority areas. SMEs contributed 33.7 per cent to the national GDP in 2013 with an average growth rate of 5.7 per cent. Of this, Bumiputera SMEs contributed 13 per cent[1]. SMEs have to grow at 8.5 per cent annually in order to contribute some 41 per cent to Malaysia's gross domestic produt by 2020. Recognising their important role in the economy, the Government is committed towards creating the foundation to support and nuture the development of SMEs into becoming the main engine of growth for the country. In order for us to achieve such a goal, SMEs had to grow unexceptionally different and growing on the premise of innovation, creativity and productivity[2].

Creating opportunities for Bumiputera businesses

In 2014, RM47.07 billion worth of business and financing opportunities have been created for the Bumiputera business community since TERAJU's inception. To ensure national coverage of this SRI, the TERAJU@ Koridor programmes were jointly developed with the various Economic Corridor authorities.

The Carve Out and Compete initiative achieved a new milestone this year, reaching RM23.5 billion in the total value of contracts that were carved out of mega projects and reserved for Bumiputera companies. The contracts are awarded based on merit and support the entry of Bumiputera into large projects like the MRT.

The year also saw a continuance of programmes that improved Bumiputera access to financing and markets, such as the TeraS Fund, Facilitation Fund, Halal Fund, *Skim Jejak Jaya Bumiputera* (SJJB) and export programmes. The financing programmes were created in collaboration with both financial and non-financial institutions. The export programmes meanwhile are coordinated together with Ministry of International Trade and Industry (MITI) and Malaysia External Trade Development Corporation (MATRADE).

Driving up Bumiputera corporate equity

While the SRI initiatives have shown good results, more still needs to be done. Bumiputera corporate equity stood at 23.5 per cent at the end of 2012 as compared with 21.9 per cent in 2008. The target for Bumiputera corporate equity however is 30 per cent by 2020[3]. Two key initiatives to ensure the target is achieved are the TeraS and SJJB programmes to fast-track selected sizeable Bumiputera companies for listing on Bursa Malaysia. The *Pemerkasaan Ekonomi Bumiputera* (PEB) or Bumiputera Economic Empowerment programme which started its implementation phase this year will also contribute to the achievement of the corporate equity target.

[1] *Economic Transformation Progamme (ETP) Annual Report 2011.*
[2] *The Borneo Post quoted Chief Executive Officer of SME Corporation, Datuk Hafsah Hashim on December 2011 and Bernama Malaysia e-Biz (publication) quoted Datuk Seri Mustapa Mohamed, Minister of International Trade and Industry on June 2014.*
[3] *Economic Planning Unit (EPU) Report 2013*

NARROWING DISPARITY

This year marked the start of the implementation of the Bumiputera Economic Empowerment Programme (*Pemerkasaan Ekonomi Bumiputera* - PEB) initiative, a national agenda meant to empower the Bumiputera economy.

PEB will impact Bumiputera in five focus areas – Human Capital, Equity Ownership in the Corporate Sector, Ownership of Non-Financial Assets, Entrepreneurship and Commerce and the Service Delivery Ecosystem. All the initiatives under PEB were implemented with an eye on developing sustainability and competitiveness in Bumiputera companies.

While progress has been made, Bumiputera companies must push hard in the areas of productivity and research and development (R&D) and use technology to transform themselves and become more competitive. They must adopt international standards in quality, health, safety and security to gain wider market acceptance. They must also scale up their operations, adopt new technologies and skills and collaborate with other players.

A study by PricewaterhouseCoopers (PwC) commissioned by TERAJU on the potential impact of the Trans-Pacific Partnership Agreement (TPPA) found that large Bumiputera businesses are not export-oriented as they mainly serve domestic demand. Additionally, the majority of them rely heavily on Government contracts. One of the key findings of the report was a lack of alignment of Bumiputera policies across Ministries and the study suggested that TERAJU and, Economic Planning Unit streamline and consolidate Bumiputera policies across all Ministries.

2015 Outlook

The impending removal of trade barriers starting 2015 under the ASEAN Economic Community could affect Bumiputera companies which tend to be domestically driven by Government policy and assistance programmes. The tougher competition especially with free trade agreements such as the ASEAN Free Trade Area, ASEAN Economic Community and TPPA could hamper the growth of Bumiputera companies which need more time to develop their export capabilities.

To fortify the competitiveness of Bumiputera companies in the face of an increasingly liberalised economic environment, TERAJU will intensify efforts to increase private sector participation of Bumiputera companies. TERAJU will also work on gaining greater support from the private sector for Bumiputera companies and the PEB.

2014 KPI Analysis

The initiatives under the SRI gathered momentum in 2014 and TERAJU surpassed most of its KPI targets due to improved execution and inter-agency collaboration. Access to funding continued to grow as partnerships with key financial and non-financial institutions created new and improved opportunities for Bumiputera companies to receive the financing they require to expand operations.

A particular highlight of 2014 was the creation of new opportunities for Bumiputeras via the successful Carve Out and Compete initiative and the improved ease of financing access via various funding schemes and programmes such as *Skim Usahawan Permulaan Bumiputera* (SUPERB) and the Bumiputera Expansion Fund.

As in previous years, there were challenges in finding and attracting suitable Bumiputera companies to the TeraS programme. TERAJU will continue to encourage sizeable and successful Bumiputera companies to take part in TeraS.

Among alternative measures undertaken by TERAJU to overcome this and subsequently, to create more TeraS companies, included identifying eligible companies by analysing company information from the Companies Commission of Malaysia.

A significant reduction in funding applications for big ticket projects however negatively impacted the utilisation of the Facilitation Fund. This could be due to the smaller number of big ticket projects that are in the pipeline around the country.

2014 Key Performance Indicators

NARROWING DISPARITY SRI		KPI (Quantitative)							
				Achievement					
No.	KPI	Target (FY)	Actual (YTD)	Method 1		Method 2		Method 3	
				%		%			
1	Number of new companies in the High Performing Bumiputera SMEs (HPBS)	300	417	139		100		1.0	
	Number of new TeraS companies venturing overseas	50	76	152		100		1.0	
2	Number of new potential Bumiputera Corporate Champions (BCC) implementing Vendor Program	20	25	125		100		1.0	
3	Amount of additional funds being raised from banks and non-banks (RM mil)	500	1,050	210		100		1.0	
	Amount of funds approved by participating banks and non-banks (RM mil)	500	552.42	110		100		1.0	
	Number of companies receiving financial assistance from participating banks and non-banks	150	224	149		100		1.0	
	Amount of facilitation funds approved (RM mil)	500	369.4	74		74		0.5	

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NARROWING DISPARITY SRI		KPI (Quantitative)							
				Achievement					
No.	**KPI**	**Target (FY)**	**Actual (YTD)**	**Method 1**		**Method 2**		**Method 3**	
				%		**%**			
4	Number of projects funded and facilitated through Economic Corridors and Central Region	80	131	164		100		1.0	
5	Number of Mega Projects carved-out for bumiputera	6	6	100		100		1.0	
				136%		**97%**		**94%**	

Exhibit 16.1

Method 1 Scoring is calculated by a simple comparison against set 2014 targets. The overall SRI composite scoring is the average of all scores

Method 2 Scoring is calculated by dividing actual results against set 2014 targets with an added rule:
- If the scoring is less than 100%, score #2 is taken as the actual percentage
- If the scoring is equal or more than 100%, score #2 is taken as 100%. The overall SRI composite scoring is the average of all scores

Method 3 Scoring is calculated by dividing actual results against set 2014 targets with an added rule:
- If the scoring is equal and less than 50%, score #3 is indicated as 0
- If the scoring is more than 50% and less than 100%, score #3 is indicated as 0.5
- If the scoring is equal or more than 100%, score #3 is indicated as 1

INITIATIVES

TERAS PROGRAMME

TERAJU has identified 413 new TeraS companies across sectors in 2014, while 76 companies venturing overseas were identified, exceeding the target by 26 companies. The companies have expanded abroad by exporting their products and/or services, establishing operations abroad and/or entering into collaborations abroad.

Going forward, efforts will be undertaken to overcome challenges including the need to grow the number of TeraS companies as well as the number of companies prepared to venture into foreign markets.

BUMIPUTERA CORPORATE CHAMPION

A framework for the Vendor Development Programme (VDP) was endorsed at the *Majlis Ekonomi Bumiputera* (MEB), which saw the start of a new collaboration initiated with MITI in 2014 for Bumiputera Corporate Champions (BCCs) to leverage MITI's VDP. In this initiative, TERAJU will identify large Bumiputera companies, especially those in the TeraS programme, to participate in the BCC programme and carry out activities to nurture smaller Bumiputera companies. Some 25 BCCs were identified in 2014 under this new initiative. Strategic partners and preferred Government-linked Company (GLC) vendors can also be nominated as BCCs.

TERAJU - FUNDING PROGRAMME

Bumiputera entrepreneurs now have better accessibility to financing via TERAJU's collaboration with financial institutions such as commercial banks and development banks. These programmes were developed through extensive collaboration with strategic partners, namely SME Bank, RHB Islamic, MIDF, Agro Bank and Maybank Islamic. To date, RM2.24 billion has been raised under the Teras Fund and RM897.65 million has been approved to Bumiputera companies.

A new RM475 million Bumiputera Expansion Fund (BEF) was created in 2014 to assist the expansion of Bumiputera technology companies, with two applications worth RM16.49 million approved during the year. The fund will be jointly managed with Malaysia Technology Development Corporation (MTDC). Sectors eligible to receive financing under BEF are biotechnology, green technology, oil and gas, electrical and electronics, information and communications technology, nanotechnology and food technology.

A new RM580 million Halal Fund was also offered in 2014 and will be disbursed by AgroBank and SME Bank. The fund is aimed at building Bumiputera capacity in the *halal* sector and helping companies to expand, especially in foreign markets.

A collaboration with Maybank will also see RM600 million in funds raised for the TeraS fund. Significant developments during the year include a review of the TeraS programme conducted in 1Q 2014, which resulted in the endorsement of a new approach for the programme in June. The new approach sees a review of selection criteria for TeraS companies and remote indentification of companies by data mining company information from the Companies Commission of Malaysia.

During the year, Facilitation Fund applications for big ticket projects (projects exceeding RM200 million) significantly declined compared to the previous year, likely due to a marked reduction in the pipeline of big ticket projects at the Corridors level (projects between RM30 million - RM50 million).

Nonetheless, the Public-Private Partnership Unit (UKAS) received funding applications amounting to RM285.7 million during the year 2013 -2014 for projects costing between RM50 million-RM200 million. In total, as at 30 November 2014, RM287.5 million in financing has been approved under the Facilitation Fund. The reduction in the eligible minimum cost qualifier to RM2.5 million resulted in more applications for lower-cost projects, compared to previous years.

TERAJU – ECONOMIC CORRIDORS PROGRAMME

This programme has seen strong collaboration with Corridor Authorities in identifying and facilitating eligible Bumiputera projects. As at 30 November 2014, 124 projects have been funded and facilitated, exceeding the target of 80 projects.

CARVE-OUT FOR BUMIPUTERA PROGRAMME

Following the Prime Minister's announcement of the Bumiputera Empowerment Programme and the Bumiputera agenda as a national agenda in September 2013, mega project owners have agreed to collaborate with TERAJU on the Carve-Out for Bumiputera Programme.

The Centre of Excellence for Mega Projects programme, which was introduced in collaboration with the Construction Industry Development Board to train selected engineering graduates and professionals in specialised and advanced engineering fields such as tunnelling, column-less building and superstructures, has enrolled 120 students.

Six new mega projects worth RM10.2 billion were identified for the Carve Out and Compete initiative in 2014. The projects comprise:

1. EMKAY Group Bhd
2. MRB's Centre of Excellence Five Facilities in Sg Buloh
3. Asia Aerospace City
4. West Coast Expressway
5. Projek Lintasan Damansara – Shah Alam (DASH)
6. Projek Sungai Besi – Ulu Kelang (SUKE).

The six new projects bring the total number of mega projects since the start of the Carve Out initiative to 11 with a combined value of RM23.5 billion. Some 47 per cent or RM9.1 billion worth of contracts was carved out of the MRT project and distributed to 350 Bumiputera contractors which allowed greater participation of Bumiputera contractors ranging from Class A to Class F.

BUMIPUTERA ENTREPENEUR START-UP SCHEME (SUPERB)

The new *Skim Usahawan Permulaan Bumiputera* (SUPERB) was successfully rolled out in collaboration with 11 Government agencies in 2014. SUPERB disburses grants of up to RM500,000 to deserving Bumiputera entrepreneurs. RM30 million was allocated for the SUPERB scheme in 2014.

SUPERB promotes innovative and creative business ideas as well as fosters competitiveness among aspiring young Bumiputera entrepreneurs below the age of 40. It is run every quarter and to date has completed its fourth series. Grants approved to the 54 winners totalled RM27 million in 2014. Supporting agencies include *Kumpulan Modal Perdana*, Malaysian Technology Development Corporation (MTDC), Multimedia Development Corporation (MDeC), Malaysian Biotechnology Corporation, CRADLE, My Creative Ventures, MAVCAP, Malaysia Debt Ventures Berhad, SME Bank, *Perbadanan Usahawan Nasional Berhad* (PUNB) and Malaysian Global Innovation and Creativity Centre (MaGIC).

Chief Executive Officer of TERAJU, Datuk Husni Salleh handing over a mock cheque of RM1,035,388.00 to a facilitation fund company Amalgamated Plant Engineering Sdn Bhd, witnessed by the Chief Minister of Sarawak YAB Datuk Patinggi Tan Sri (Dr) Haji Adenan Satem

UNIT PEMERKASAAN EKONOMI BUMIPUTERA & KPI OF GLC HEADS

The *Unit Pemerkasaan Ekonomi Bumiputera* (UPEB) programme was also started this year resulting in some 24 UPEBs being created in 24 Ministries including the Prime Minister's Office. The aim of UPEB is to create more merit-based opportunities for capable Bumiputera companies. The UPEBs report directly to the Bumiputera Economic Council or *Majlis Ekonomi Bumiputera* (MEB).

Under the UPEB programme, 132 KPIs have been assigned to the 24 Ministries. A related initiative under the PEB is for every Chief Executive Officer of Government-linked Investment Companies (GLICs) and GLCs to incorporate the Bumiputera agenda into their KPIs. To date, 27 heads of GLICs and GLCs have committed to this.

SKIM JEJAK JAYA BUMIPUTERA (SJJB)

Starting from 2014, TERAJU worked closely with Ekuinas to expedite new Bumiputera listings on Bursa Malaysia as part of the SJJB programme. Ekuinas focused on the selection of potential companies for listing while TERAJU monitored the progress of the companies. As of December 2014, the market capitalisation of the total of ten SJJB companies reached RM4.14 billion. Another company, EA Technique Bhd is expected to be listed in December 2014.

This initiative will continue to increase the capitalisation of Bumiputera companies through listings in order to achieve expansion of Bumpiputera-owned equity.

INSTITUT KEUSAHAWAN NEGARA (INSKEN)

Institut Keusahawanan Negara (INSKEN) was rebranded after it was reassigned to TERAJU from its previous lead agency MITI. INSKEN is a strategic unit that will lead, coordinate and facilitate all current entrepreneur development programmes and identify new programmes to achieve national entrepreneurship development aspirations. This is part of efforts to reduce the economic gap between Bumiputera and other races.

Table of 2014 Achievements

No	Programme	Opportunities Created For Bumiputera	Detailed Breakdown
1	Dana Mudahcara	**RM2.0 billion** **RM7.85 billion**	• Funds allocated: **RM2 billion** • No. of investments (GDC): **RM7.85 billion** • No. of projects: **234** • No. of TeraS companies benefitted: **59** • No. of Bumiputera companies benefitted: **211** • No. of Dana Mudahcara approved: **RM929.8 million**

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continued from previous page

No	Programme	Opportunities Created For Bumiputera	Detailed Breakdown
2	Carve Out & Compete	**RM23.52 billion**	1. MRT Corp. Line 1 - **RM9.1 billion** 2. Menara Warisan Merdeka – **RM2 billion** 3. Bukit Bintang City Centre (BBCC) – **RM1.5 billion** 4. Development of RRI Land in Sg. Buloh – **RM0.5 billion** 5. Malaysia International Trade and Exhibition Centre – **RM0.2 billion** 6. Emkay Group – **RM2 billion** 7. Pusat Kecemerlangan Lembaga Getah Malaysia – **RM390 million** 8. Lebuhraya Persisiran Pantai Barat – **RM1.5 billion** 9. MARA Asia Aerospace City – **RM630 million** 10. Damansara – Shah Alam Elevated Expressway (DASH) – **RM2.5 billion** 11. Sugai Besi – Ulu Kelang Elevated Expressway (SUKE) – **RM3.2 billion**
3	Teras Fund	**RM2.24 billion**	Total amount approved: **RM893.96 million** • SME Bank: RM691.55 million (114 approvals) • RHB Islamic Bank: RM139.78 million (119 approvals) • MIDF: RM62.63 million (29 approvals) No. of approvals: **262**
4	Halal Development Fund	**RM580 million**	Total amount approved: **RM9.45 million** • Agro Bank: RM9.45 million (1 approval) No. of approvals: **1**
5	Bumiputera Business Expansion Fund	**RM475 million**	Total amount approved by MTDC: **RM16.49 million** No. of approvals: **2**
6	Equity Financing	**RM75 million**	Total amount approved: **RM75 million (19 approvals)** • Year 2013: RM50 million (12 approvals) • Year 2014: RM25 million (7 approvals)
7	Vendor Development Programme (VDP)	**RM8.5 billion**	**RM8.5 billion** worth of contracts awarded to Bumiputera vendors
8	Skim Jejak Jaya Bumiputera (SJJB)	**RM2.18 billion**	**RM4.14 billion** market capitilisation of 10 companies under SJJB less the market capitilisation (upon listing) **RM1.96 billion**
9	Yayasan Peneraju Pendidikan Bumiputera (YPPB)	**RM185 million**	**4,001 scholarships** were awarded from 2012 to 2014 • Peneraju Tunas: 1,401 students • Peneraju Skil: 2,249 students • Peneraju Profesional: 351 students
10	Prosper Teras & Early Child Care Education (ECCE)	**RM68.5 million**	**Prosper Teras:** 577 companies from the automotive, hardware and business services industry including the ECCE programme as highlighted below: **ECCE:** **36** entrepreneurs obtained funding of **RM16.85 million** to establish early child care centres. **TOTAL: 577 entrepreneurs**

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<table>
<tr><th>No</th><th>Programme</th><th>Opportunities Created For Bumiputera</th><th>Detailed Breakdown</th></tr>
<tr><td>11</td><td>Satellite Cattle Scheme</td><td>RM7.78 million</td><td>10 entrepreneurs obtained funds allocated for this programme in collaboration with JCORP</td></tr>
<tr><td>12</td><td>SUPERB</td><td>RM100 million</td><td>Series 1 of 2014
• RM6.5 million to 13 winners
Series 2 of 2014
• RM7.5 million to 15 winners
Series 3 of 2014
• RM9.5 million to 19 winners
Series 4 of 2014
• RM3.5 million to 7 winners
Overall Total: RM27 million approved to 54 winners</td></tr>
<tr><td>13</td><td>Center Of Excellence (COE)</td><td>RM5 million</td><td>147 students enrolled in the programme in collaboration with CIDB</td></tr>
<tr><td>14</td><td>GLIC & GLC Asset Disposal</td><td>RM164.4 million</td><td>Khazanah:
<table>
<tr><th>No</th><th>Company</th><th>Divested To</th><th>Amount (RM million)</th></tr>
<tr><td>1</td><td>STLR S/B</td><td>Beringin Terrace Ventrues S/B</td><td>66</td></tr>
<tr><td>2</td><td>TM Resorts</td><td>i. Koperasi Tunas Muda Sungai Ara Bhd – PD Resort
ii. LX Mode Services S/B – Langkai Resort</td><td>12.6
13.988</td></tr>
<tr><td>3</td><td>Celcom Childcare S/B</td><td>Early Impression S/B</td><td>0.2</td></tr>
<tr><td>4</td><td>Time Engineering Bhd</td><td>Censof Holdings Bhd</td><td>69.8</td></tr>
<tr><td colspan="3">TOTAL</td><td>162.6</td></tr>
</table>
PNB:
<table>
<tr><th>No</th><th>Company</th><th>Divested To</th><th>Amount (RM million)</th></tr>
<tr><td>1</td><td>U-Insurance S/B</td><td>Kudrat Maritime (M) S/B</td><td>1.8</td></tr>
<tr><td colspan="3">TOTAL</td><td>1.8</td></tr>
</table>
Overall total: 5 companies - RM164.4 million</td></tr>
<tr><td></td><td>TOTAL</td><td>RM47.95 billion</td><td></td></tr>
</table>

KEY TAKEAWAYS

The SRI is ongoing and achieved impressive results in 2014. However, much remains to be done to ensure that the Bumiputera agenda is accepted as a national agenda. Current and new initiatives have thus been planned and are being implemented.

Due to the tougher business environment that is anticipated from the ASEAN free trade agreements and the potential enforcement of the TPPA, the TPPA study recommended several steps to help Bumiputera companies prepare for a more open market situation.

One of the key recommendations was for TERAJU to help prepare Bumiputera companies for a more competitive liberalised trade environment by pushing for trade adjustment assistance. The study also called for an increased engagement of Bumiputera SMEs in global supply chains through the assistance of GLCs, large companies as well as MNCs. This would facilitate the scaling up of Bumiputera SMEs which would then be in a better position to compete in open markets.

CHANGING LIVES

Rewi Bugo

Managing Director,
Petra Jaya Properties Sdn Bhd

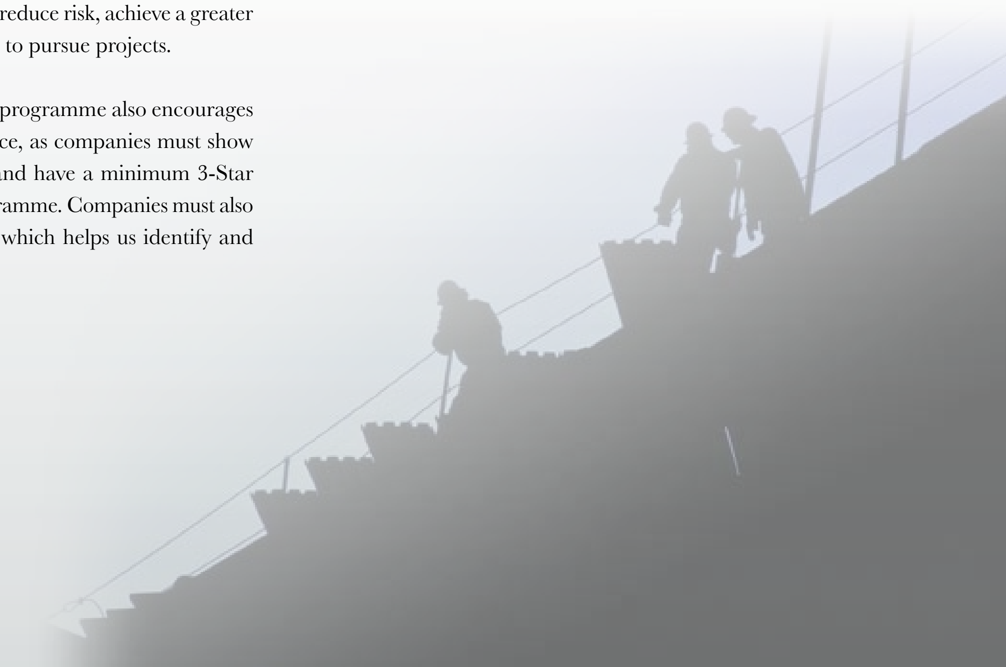
TERAJU Nurtures High-Performing Companies

"As a property company, TERAJU's Facilitation Fund has allowed us to go beyond our goal of just selling houses -- The lower cost of financing offered through the fund has enabled us to sell houses at more affordable prices, opening the door for more Bumiputera in Sarawak to own their first homes.

We became a TeraS company about three years ago, and with TERAJU's support, we have since sold 130 houses from projects partly financed by the Facilitation Fund with a further 200 under construction. Being a TeraS company, we are eligible to apply for financing with much lower security requirements and with TERAJU as guarantor for the facilities. This helps us reduce risk, achieve a greater success factor and build our confidence to pursue projects.

I would say that applying for the TeraS programme also encourages companies to improve their performance, as companies must show a profit record of at least three years and have a minimum 3-Star rating under SME Corp's SCORE programme. Companies must also undergo a certain number of courses, which helps us identify and address any weaknesses. The stringent application process ensures that only companies with a performance track record are rewarded with assistance.

I believe TERAJU has been instrumental in identifying and facilitating companies that have potential, guiding Bumiputera companies to a higher platform of growth. TERAJU's focus on SMEs also ensures companies such as ours, which drive commercial activity in Malaysia, continue to contribute to the broader economy." Rewi Bugo, Managing Director, Petra Jaya Properties Sdn Bhd



ON THE GROUND
WITH CIVIL SERVICE

Greater Value Creation with Leverage and Multiply Approach

Dato' Husni Salleh

Chief Executive Officer of Unit Peneraju Agenda Bumiputera (TERAJU)

From its inception in January 2011, the Unit Peneraju Agenda Bumiputera (TERAJU) was mandated with a clear objective – to lead, coordinate and drive Bumiputera economic participation through new and existing initiatives and to propose institutional reform to increase effectiveness. Dato' Husni Salleh, who was appointed the Chief Executive of TERAJU, clearly recalls the official announcement by the Prime Minister on 8 February 2011 – the need to undertake various transformational measures to help raise the income and quality of life of the Bumiputera.

Dato' Husni highlights that as a start, TERAJU worked closely with PEMANDU to organise a series of labs to discuss specific issues and put together a long term plan to strengthen Bumiputera economic participation.

One of the main labs focused on finding and nurturing high-performance Bumiputera companies. The aim was to create enablers to minimise the challenges that they face, to help them grow in a much more conducive environment and create a "level playing field" for them to compete in the market.

"The key result of that lab has now become the TeraS programme which currently comprises 916 Bumiputera SMEs from various industries. The target was, by the year 2020 SMEs would contribute to 41 per cent of the economic growth, with half of that to be driven by Bumiputera SMEs. That was the big target," says Dato' Husni.

Since 2011, TERAJU has continued to create opportunities and enhance value for Bumiputera companies through the introduction of various programmes and initiatives from start-up stage of companies up to potential listing. In November 2011, the Bumiputera Economic Transformation Roadmap was launched, identifying five areas to create a game-change in the development of the Bumiputera economy – education, employment, income levels, wealth creation and performance of Bumiputera companies as a whole.

"In developing the Roadmap, focus was given to the need for *quick-results* and to *low-hanging fruits*. In education, for example, we had launched Yayasan Peneraju Pendidikan Bumiputera (YPPB) with its core objective being to drive the Bumiputera Education Agenda – to develop abilities, skill-sets and expertise of the Bumiputera, enhancing their competitiveness, at both local and global levels. After engaging with various companies, it was reaffirmed that the majority of Bumiputera workforce faced employability difficulties as many do not possess the required technical competence and certifications that would make them marketable to employers.

"YPPB sought to identify the skill sets required by industry players and took steps to certify Bumiputera with qualifications of international standards, through its programmes. To help raise funds for such programmes, TERAJU had approached the corporate sector, with some organisations giving their commitment to employ YPPB students upon completion of their training. Presently, 4,000 YPPB students have undergone training, with a placement ratio of almost 90 per cent", explains Dato' Husni.

Recognising the importance of SME contribution to the nation's economy, TERAJU also works closely with Bumiputera SMEs to ensure that they will be significant contributors to the economy, come 2020. On average, Bumiputera companies represent only 20 per cent of companies registered with the Companies Commission of Malaysia. Of these, 80 per cent are micro-businesses.

"If you see all our programmes, it is about raising the competitiveness of SMEs. Although funds are available, funding quantum and other prerequisites such as collateral requirements by financial institutions tend to impede SMEs' access to funds. The TeraS Fund addresses this – where Government funding is placed in banks where the income from the deposit is kept by the banks to be passed on to borrowers. To date, there are already four banks working with TERAJU, with a total of RM2.24 billion raised and RM899.84 million in loans approved for 212 companies.

These and other efforts undertaken by TERAJU and other Government agencies have clearly paid off. More Bumiputera companies have become more competitive and innovative. As Malaysia sets its sights on becoming a high-income nation, efforts have also been focused on stimulating innovation and technology adoption by SMEs to achieve a quantum leap in growth and income.

However, the majority of companies remain concentrated in traditional sectors such as oil and gas and construction. This exposes the companies to external factors such as oil price and currency fluctuations. TERAJU will therefore continue to work with these companies and other agencies to ensure that the companies are proactively expanding and diversifying to be able to weather global fluctuations.

Nonetheless, as much as the Government continues to help Bumiputera at every level, Bumiputera themselves have to continuously work to upgrade their business viability and improve participation in the national economy. In an era of globalisation and competitiveness, Bumiputera must be resilient and resourceful in operating their businesses, at the same time moving away from being over-dependent on Government assistance.

Dato' Husni summarises, "Moving forward, TERAJU will continue to work with its partners, to create initiatives that will boost and facilitate Bumiputera SMEs in facing globalisation and its ever-changing trends. These initiatives will definitely involve the leveraging and multiplying value concept through collaboration with Government agencies and also the private sector. To date, such partnering has successfully created a value of RM47.96 billion from RM1 billion in funds allocated by the Government. TERAJU's approach in using this leverage and multiplying concept has enabled the initial fund allocation to significantly multiply in value, for the overall benefit of the Bumiputera community".

REDUCING GOVERNMENT'S ROLE IN BUSINESS

> Since the commencement of this SRI, the rationalisation of the Government's stakes in large entities have created the environment to allow for the private sector to extend its natural role as the key driver of the economy

Dato' Sri Mohd Najib Tun Hj. Abdul Razak
Prime Minister of Malaysia

Since the commencement of this Strategic Reform Initiative (SRI), the rationalisation of the Government's stakes in large entities has created an environment for the private sector to extend its natural role as a key driver of the economy.

In particular, the Government recognises that Malaysia is a market economy. In a market economy, it is necessary for the private sector to lead as the main engine of growth, of employment and not least of innovation and entrepreneurship. Over the longer term, the Government's Role in Business (GRiB) should be structured in such a way as to enable and encourage the private sector to take this leading role, with the Government providing regulation, ensuring a level playing field and broad equality of opportunity.

The Government has made strides in rationalising its role in business. The rate of rationalisation has been affected by various factors, including the need for an expansionary economic policy in the aftermath of the Global Financial Crisis of 2007-2008, the existing regulatory and institutional environment, and not least the regional trends towards greater regulatory and fiscal arbitrage.

The combination of these factors has led the execution of the Reducing Government's Role in Business (GRiB) SRI to be undertaken with prudence to temper its bold intent.

With this in mind, the Government, through this SRI, continues to move towards creating an environment which encourages the private sector to take lead as the engine of growth and build Malaysia as a strong competitor on the global stage.

REDUCING GOVERNMENT'S ROLE IN BUSINESS

To transform Malaysia into a high-income nation, its economy needs to be driven by private sector growth across a broad range of industries.

As of December 2014, the Government has successfully divested 32 companies out of the 33 firms targeted.

This SRI has developed a clear divestment plan where the Government rationalises its role in business, which is crucial to improve the country's economic performance and increase liquidity in the capital markets.

2015 Outlook

The Government, through this SRI, has clearly outlined efforts to facilitate a competitive environment and stoke investments. The divestment strategy to date has led to notable IPOs of several enterprises: Felda Global Ventures Holdings Bhd, Integrated Healthcare Holdings Bhd (IHH) and Icon Offshore Bhd, among others. The Felda listing raised RM9 billion in capital, IHH's IPO generated RM6.3 billion and Icon's debut in June raised RM945 million.

These success stories demonstrate the effectiveness of this SRI, by establishing clear proof of concept that privatisation improves profitability and efficiency. Increased recognition of the benefits that privatisation and divestment can bring to the government has encouraged GRiB stakeholders to incorporate divestment strategies in their operating models.

GLC companies, as with any companies in Malaysia, have standards of Corporate Governance which need to be followed. The execution of GRiB at the granular level, while important, needs to respect Corporate Governance in order for it to be undertaken in an orderly, appropriate and market-friendly way. In particular, effective Corporate Governance is necessary in order to ensure that principal-agent functions continue to operate smoothly before, during and after a transition in Government ownership and control.

As such, GRiB initiatives, particularly divestment strategies, in order to be successful while meeting Corporate Governance needs, are best driven by the respective GRiB stakeholders.

2014 KPI Analysis

Overall, the GRiB SRI achieved positive results in its KPIs for 2014. Among the highlights, 32 companies were successfully divested as of December 2014.

In October 2013, Ekuiti Nasional Bhd (Ekuinas) divested its entire equity stake of 61.6 per cent in Konsortium Logistik Bhd (KLB) to KL Airport Services Sdn Bhd (KLAS), a wholly owned subsidiary of DRB-HICOM Berhad (DRB-HICOM) after DRB-HICOM group

2014 Key Performance Indicators

REDUCING GOVERNMENT'S ROLE IN BUSINESS SRI		KPI (Quantitative)							
				Achievement					
No.	KPI	Target (FY)	Actual (YTD)	Method 1		Method 2		Method 3	
				%		%			
1	Number of Ministry companies divested (Ministry of Works)	2	2	100	●	100	●	1.0	●
2	Number of companies under GLC/ GLICs to be divested	5	5	100	●	100	●	1.0	●
				100%		**100%**		**100%**	

Exhibit 17.1

Method 1 Scoring is calculated by a simple comparison against set 2014 targets. The overall SRI composite scoring is the average of all scores

Method 2 Scoring is calculated by dividing actual results against set 2014 targets with an added rule:
- If the scoring is less than 100%, score #2 is taken as the actual percentage
- If the scoring is equal or more than 100%, score #2 is taken as 100%. The overall SRI composite scoring is the average of all scores

Method 3 Scoring is calculated by dividing actual results against set 2014 targets with an added rule:
- If the scoring is equal and less than 50%, score #3 is indicated as 0
- If the scoring is more than 50% and less than 100%, score #3 is indicated as 0.5
- If the scoring is equal or more than 100%, score #3 is indicated as 1

submitted a compelling proposal in terms of price, strategic fit and social objectives sustainability, in an exhaustive sale process initiated to select the best controlling shareholder for KLB.

In June 2014, Ekuinas unlocked value from offshore supply vessel operator Icon Offshore Bhd through a successful initial public offering on the main market of Bursa Malaysia with revenue of over RM300 million and adjusted net profit of RM90 million. ICON's final IPO price values the oil & gas firm's market capitalisation at RM2.1 billion.

The ICON IPO was undertaken after Ekuinas merged its two portfolio companies, Tanjung Kapal Services Sdn Bhd (TKS) and OMNI PetroMaritime Sdn Bhd. Post-IPO, Ekuinas maintains a 42.3 per cent equity stake in ICON which offers further significant gain to be realised.

In November 2014, Ekuinas also moved to sell all its holdings in fast food chain Burger King franchise-holder for Malaysia and Singapore, Rancak Selera Sdn Bhd, to a Bumiputera consortium led by Brahim Holdings Bhd in a deal worth RM95 million. The consortium submitted the best and most competitive offer in terms of pricing, financial resources, operational capability and sustainability of social objectives, including Bumiputera ownership and was selected based on merit after a rigorous and exhaustive sale process.

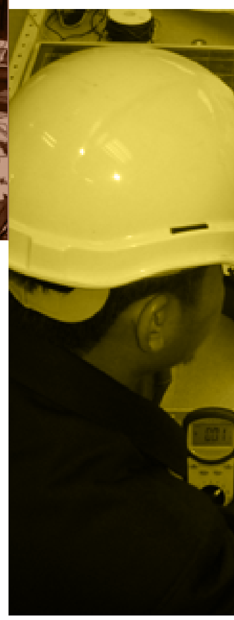
At the Ministry level, Ministry of Finance Inc's divestment included three companies under its portfolio, namely Jaring Communications Sdn Bhd, aviation component manufacturing firm Composites Technology Research Malaysia Sdn Bhd, and Penang Port Sdn Bhd.

In addition, the Ministry of Works liquidated Steel Frame & Truss Technology Sdn Bhd and CIDB Events Management Sdn Bhd during the year.

KEY TAKEAWAYS

Government and state-owned companies have moved to institutionalise the process of divesting non-strategic assets in their operating models. Moving forward, any divestment programme will be driven solely by their respective governance processes.

HUMAN CAPITAL DEVELOPMENT



"The country has chalked up key milestones in the last three years in the area of Workforce and Employment, with Malaysia's labour force participation rate now at 68 per cent and unemployment rate at 2.8 per cent

Dato' Sri Richard Riot Anak Jaem
Minister of Human Resources

The Human Capital Development – Strategic Reform Initiatives (HCD–SRI) achieved significant headway in its objective of enhancing the Malaysian talent pool in 2014, as evidenced by the World Economic Forum's (WEF) Human Capital Index 2013, which ranked Malaysia 22nd out of 122 countries and 5th in the Asia Pacific region. The index, which is a new tool by the WEF launched during the year, assesses four pillars: Education, Health and Wellness, Workforce and Employment, and Enabling Environment. Malaysia was ranked 34th, 39th, 18th and 22nd in the respective four pillars.

The country has also chalked up key milestones in the last three years in the area of Workforce and Employment, with Malaysia's labour force participation rate now at 68 per cent and unemployment rate at 2.8 per cent.

As the Government strives to increase the number of skilled employees to 50 per cent of our workforce by 2020, the upskilling of medium and low-skilled workers remains a key thrust. This will be undertaken through various upskilling initiatives such as technical vocational education and training (TVET), Recognition of Prior Experiential Learning (RPEL), National Dual Training System and the National Talent Enhancement Programme.

Further demonstrating the Government's commitment to building human capital, the YAB Prime Minister outlined key initiatives to upskill the workforce as a priority area under Budget 2015. It should be noted, however, that public-private partnerships, or smart partnerships, form an important driver of our efforts in upskilling.

The efforts taken by HCD–SRI thus far since the start of the ETP have resulted in various enhancements of Malaysia's business landscape. These include improvements to labour laws following strategic reviews of the legislation, an increase in upskilling initiatives and a better understanding of labour market demand and supply in Malaysia.

In order for Malaysia and the rest of Asia to move up the value chain and increase its competitiveness, we must continue to focus on policies and programmes that will accelerate the quality of skills development among the workforce. Malaysia's current administration and management of the TVET system is fragmented amongst many Ministries. Although there are a number of public and private skills training institutes, the quality has not been up to par with the needs of industry players.

It is therefore important that Malaysia focuses on increasing quality by encouraging industry participation in apprenticeship programmes to ensure the relevancy of curriculum, training methodology and facilities.

HUMAN CAPITAL DEVELOPMENT

On 26 November 2014, amendments to the Industrial Relations Act were tabled to Parliament. The amendments address a lack of enforcement on conciliation and Court awards and aim to strike a balance between business needs and employee rights.

The other key thrust of the HCD–SRI is the development of a skilled workforce by ensuring graduates and the existing workforce have the right skill sets in TVET to meet industry requirements. In April this year, the Economic Planning Unit (EPU) led an initiative to coordinate across various Ministries to ensure private and public TVET institutions produce quality graduates to meet industry demand. In tandem with this, the World Bank Group was invited to conduct a workshop on creating a governance model to improve quality, articulation and coordination of the management and performance of TVET institutions in Malaysia.

This SRI is also collaborating with the Institute Labour Market Information and Analysis (ILMIA) in developing a labour supply and demand database. The collaboration requires strong commitment and cooperation between education institutions and industry players to establish a more informed view of key skills that are required by the industries.

Efforts in HCD, however, continue to face challenges in reaching a consensus by employers and employees when reviewing the labour laws. Additionally, coordination among Ministries must be enhanced to achieve standardisation in policy views and definitions.

The Government has also taken measures to increase women in the workforce, targeting to increase the rate to 55 per cent by the end of 2015. While the Government creates the enabling conditions to achieve this, the achievement of the target hinges on the efforts of private sector companies to ensure more women are retained and rise up the ranks. To do so, companies must adopt more women-friendly policies such as providing childcare or flexible work-life arrangements.

With the enhancement of the Malaysian talent pool, the country was ranked 22nd out of 122 countries, 5th in the Asia-Pacific region and 2nd in ASEAN in the WEF's Human Capital Index 2013. The Human Capital Index is a new tool by the WEF and was released in October 2014. It assesses four pillars, namely education, health and wellness, workforce and employment, and enabling environment. Malaysia was ranked 34th, 39th, 18th and 22nd, respectively.

2015 Outlook

Efforts to develop a skilled workforce in 2015 will focus on TVET to increase graduate employability and upskill the existing workforce. In this regard, several measures were announced in Budget 2015, an allocation of RM1.2 billion for the Ministry of Education for the Vocational and Technical Transformation Plan and a RM100 million allocation for 10,000 TVET placements under the buying of seats initiative.

Additionally, the Ministry of Human Resources (MoHR) will receive RM30 million to channel to Indian youth in TVET and RM570 million for five years of double shift training in the Institute of Industrial Training (*Institut Latihan Perindustrian* – ILP). Budget 2015 also announced allocations for TalentCorp's initiative, allowing double-deductions for scholarships at the certificate level, expenses incurred to implement the Structured Internship Programme and training expenses incurred for certificate qualifications from accredited vocational and professional bodies. TalentCorp was also allocated RM30 million for the Industry Academia Collaboration Programme.

The Government will ensure its human capital development policies are directed at the right path by building smart partnerships with stakeholders such as education institutions and industry players.

The implementation of the ASEAN Economic Community at the end of 2015 will increase competition in the workforce due to the greater mobility of skilled workers from other ASEAN countries. This could create more pressure to ensure the Malaysian workforce is upskilled to be able to compete better in Malaysia and regionally.

2014 KPI Analysis

Overall, the HCD-SRI recorded positive results in its KPIs for 2014. The KPIs cut across many Ministries due to the wide scope of human capital development.

On Labour Market Analysis, two studies for Labour Market Analysis were conducted during the year, namely on the East Coast Economic Region (ECER) Manpower Requirement and the Role of the Informal Sector in the Labour Market. Both studies were completed at the end of December and presented to various stakeholders for inputs.

However, the development of the ILMIA Labour Dashboard was delayed due to the stringent selection process in identifying the developer for the data warehouse system. To ensure ILMIA plays its role as an institute of labour market analysis, emphasis will be placed on ensuring the quality of the data warehouse system used. This KPI also includes the progress of updating the key indicators for the Labour Market. The ILMIA team has been uploading various analyses in the portal, which is a time-consuming process and impacts the progress of this initiative.

The amendments to the Industrial Relations Act achieved its target towards the end of 2014 with its tabling in Parliament. This was despite an initial delay faced by MoHR's Policy Division team due to disagreements by employer and employee groups on several areas. Due to the postponement, the tabling of amendments to Parliament was delayed from 3Q 2014 to 4Q 2014. The Policy Division will be ramping up their initiatives in this area by conducting workshops with employer and employee groups in 2015.

The initiative on 55 per cent female labour force participation and 30 per cent women in decision-making made good progress, with the percentage of women in the workforce reaching 53.4 per cent in 1Q 2014. The percentage of women of listed companies improved from 7.9 per cent in 2012 to 10.2 per cent by end 2014. This is a true testament to the advocacy, workshops and events conducted by the Ministry of Women, Family and Community Development, TalentCorp , PEMANDU and other agencies.

Broader measures have also been taken to build a skilled and innovative and ICT talent base, with steady progress recorded in applications under the MyProCert programme and Industry Academia Collaboration (IAC). Since the introduction of MyProcert in 2012, approximately 10,350 applicants have been upskilled to fulfil requirements of our ICT industry. For IAC, approximately 13,604 students and academia have been trained. This is a notable effort in line with the vision to achieve 50 per cent skilled workforce by 2020.

In order to enhance the implementation of this SRI, workforce requirements for NKEAs will be addressed through closer linkages with industry sectors and supply institutions. Additionally, efforts will be taken to streamline and capitalise on synergies between the NKEAs and SRIs as well as the Government Transformation Programme's National Key Result Areas (NKRAs).

2014 Key Performance Indicators

HUMAN CAPITAL DEVELOPMENT SRI		KPI (Quantitative)							
				Achievement					
No.	KPI	Target (FY)	Actual (YTD)	Method 1		Method 2		Method 3	
				%		%			
1	Percentage of women on board level (Public Listed Companies only)	10%	10.2%	102		100		1.0	
	Research and publication by internal ILMIA resources: (i) ECER (Manpower Requirement), (ii) Informal Sector (Role of Informal Sector in Labour Market)	100%	98.5%	99		99		0.5	
	Percentage progress on ILMIA Labour Dashboard enhancement	100%	98.2%	98		98		0.5	
2	Strengthening HRM in SME: (i) Number of employers registered with National Human Resource Centre (NHRC) Portal (ii) HR Capability Building Programmes (iii) Tracer study	100%	112.65%	113		100		1.0	
3	Amendments to the Industrial Relations Act 1967 - Table to Parliament (Q4 2014)	100%	100%	100		100		1.0	
4	Minimum Wages Statutory Inspection	21,360	24,167	113		100		1.0	
	Notice of compliance served on all non-complying employers identified through the inspection exercise on minimum wages	100%	100%	100		100		1.0	
5	Number of employees with Recognition of Prior Learning certification	15,000	17,470	116		100		1.0	
	Number of jobs advertised with Flexible Work Arrangement on www.flexworklife.my	500	684	137		100		1.0	

more on next page

continued from previous page

HUMAN CAPITAL DEVELOPMENT SRI		**KPI (Quantitative)**							
				Achievement					
No.	**KPI**	**Target (FY)**	**Actual (YTD)**	**Method 1**		**Method 2**		**Method 3**	
				%		**%**			
6	Number of new childcare centres set up/registered that meets the conditions and quality set under Child Care Centre Act 1984	800	586	73	Yellow	73	Yellow	0.5	Yellow
	Number of corporate women trained	250	253	101	Green	100	Green	1.0	Green
	Number of childcare providers trained	3,500	3,296	94	Green	94	Green	0.5	Yellow
	SMPK System completed and extended to childcare centres for registration	100%	50%	50	Red	50	Red	0	Red
7	MyProCert Programme	2,410	3,967	132	Green	100	Green	1.0	Green
	Industry Academia Collaboration	4,500	9,964	221	Green	100	Green	1.0	Green
				110%		**94%**		**83%**	

Exhibit 18.1

Method 1 Scoring is calculated by a simple comparison against set 2014 targets. The overall SRI composite scoring is the average of all scores

Method 2 Scoring is calculated by dividing actual results against set 2014 targets with an added rule:
- If the scoring is less than 100%, score #2 is taken as the actual percentage
- If the scoring is equal or more than 100%, score #2 is taken as 100%. The overall SRI composite scoring is the average of all scores

Method 3 Scoring is calculated by dividing actual results against set 2014 targets with an added rule:
- If the scoring is equal and less than 50%, score #3 is indicated as 0
- If the scoring is more than 50% and less than 100%, score #3 is indicated as 0.5
- If the scoring is equal or more than 100%, score #3 is indicated as 1

INITIATIVES

MODERNISE LABOUR LAWS AND LABOUR SAFETY NET

Industrial Relations Act

In response to concerns raised by employer and employee groups on the length of the dispute process outlined in the Industrial Relations Act, the legislation has been reviewed with amendments tabled in Parliament on 26 November 2014.

The amendments seek to strengthen the governance and service delivery at all levels of the Department of Industrial Relations. Further, the amendment to the qualifications of appointment of the President and Chairman of the Industrial Court is made in order to strengthen the system of appointment as well as to truly reflect the 1Malaysia concept. Via this amendment, legal practitioners in Sabah and Sarawak are given equal opportunities to be appointed as President or Chairman of the Industrial Court.

Amendment of section 56(4) of the Act also aims to accelerate the enforcement of the award of the Industrial Court. It should be noted that although some amendments were tabled in 2014, there potentially remain outstanding issues related to this law. Therefore, 2015 will see ongoing discussions between employer groups and employee groups.

Members of ASEAN representatives during a seminar on the Implementation of Minimum Wages: Lessons Learnt from the ASEAN Member States and Dialogue Partners, 13-14 October 2014 at Hotel Istana, Kuala Lumpur

Minimum Wages

Enforcement of the Minimum Wages Order 2012

The Minimum Wages Order 2012 under the National Wages Consultative Council Act 2011 came into effect on 1 January 2013 for employers who employ six employees and above. For employers who employ five employees and less, the Order came into force on 1 July 2013. The Order among others, states the minimum wages rates for Peninsular Malaysia (RM900 monthly/ RM4.33 hourly) and Sarawak & Sabah as well as Labuan (RM800 monthly/ RM3.85 hourly).

The Minimum Wages Order 2012 was fully enforced by the Department of Labour Peninsular Malaysia, Department of Labour Sabah and Department of Labour Sarawak in January 2014. The statistics of labour inspection and labour cases, as of end-December 2014, are as follows:

a. The Department of Labour, Peninsular Malaysia had conducted 30,163 inspections relating to minimum wages compliance and out of this number, 29,835 or 98.9 per cent employers have successfully implemented minimum wages. Likewise, 995 labour cases on non-payment of minimum wages were filed by the employees in which 148 investigating investigation papers have been opened for prosecution purposes.

b. The Department of Labour, Sarawak conducted 4,094 inspections on minimum wages compliance throughout the region with 4,040, or 98.7 per cent employers complying with the law. 51 labour cases on minimum wages were filed by the employees and heard by the Labour Department.

c. The Department of Labour, Sabah handled 5,934 inspections pertaining minimum wages, wherein 5,765, or 97.2 per cent employers successfully paid the minimum wages. 65 labour cases on minimum wages were filed by the employees while three investigating papers have been opened for prosecution.

Seminars and Workshops

In an effort to improve the implementation of minimum wages in line with Malaysia's aspiration to be a high-income nation by 2020, MoHR organised three seminars and workshops in 2014:

a. Seminar with the World Bank and ILO on the Review of the Minimum Wages Order 2012, 25-26 March 2014 at Putrajaya Marriot Hotel, IOI Resort City. The objectives of the seminar were to enable members of the

National Wages Consultative Council (NWCC) and the National Wages Technical Committee (NWTC) to gain a better understanding on the necessary parameters that have to be taken into consideration in reviewing the Minimum Wages Order 2012. Among others the seminar was attended by approximately 80 participants, including 20 members of the NWCC, 10 members of the NWTC and about 20 representatives from other Government agencies.

Briefly, the World Bank and ILO emphasised the following aspects in the review of the Minimum Wages Order 2012:

i. The needs and harmonious relationship of both parties (employer and employee) must be taken into consideration;

ii. The collection of data must be from neutral/credible sources;

iii. Any amendment to the Minimum Wages Order 2012 shall comply with the International Conventions and national law;

iv. Any impact of the Minimum Wages Order 2012 on the economy such as rising labour costs, improvements towards automation and mechanisation, outsourcing and others should be taken into consideration; and

v. No class of employees shall be discriminated against in respect of minimum wages.

b. Seminar on the Implementation of Minimum Wages: Lessons Learnt from the ASEAN Member States and Dialogue Partners, 13-14 October 2014 at Hotel Istana, Kuala Lumpur.

The objectives of the seminar were to learn and share experiences among ASEAN countries as well as Japan and South Korea in implementing minimum wages policy. The seminar was attended by over 100 participants from ASEAN countries (Malaysia, Cambodia, Indonesia, Philippines, Vietnam, and Myanmar), ILO Bangkok, Qatar Foundation, who acted as observers, representatives of the Ministries and the Departments concerned and members of NWCC and NWTC.

Some useful information gained from the seminar are as follows:

i. Implementation of the minimum wages by sector or region as practised in Japan and Indonesia would complicate compliance with the law;

ii. The implementation of minimum wages according to the task (piece-rated, tonnage, trip and commissions) will require a thorough study due to the uniqueness of this system. For example, in Cambodia, the elements of the formula for the calculation of minimum wages for workers paid in piece-rated system involves norms of work of an employee in a maximum of eight hours of working time. Until now, Cambodia and the Philippines are still searching for an appropriate method and formulae to determine the minimum wages for workers paid based on task and output;

Participants of the "Implementation of Minimum Wages" Seminar

iii. The minimum wages policy will not be effective without strong enforcement; and

iv. Instruments and components for the formulation of the minimum wages should be studied carefully in fixing a minimum wages policy in ASEAN countries. This is to ensure that the basic objective of the implementation of the minimum wages, which is to help vulnerable group of workers, can be achieved and at the same time does not affect the operation of the industry nor burden the national economy as a whole.

c. Workshop on Implementation of Minimum Wages (Minimum Wages Clinic) from December 2013 – February 2014.

The objectives of the workshop is to inform and advice as industry players on the available incentives, financial aids, grants and business consultations provided by the various agencies to ease the impact of implementing minimum wages policy. It is also used as a platform for employers to share methods that can be applied in their industries to ensure compliance with the minimum wages policy.

This initiative was jointly led by NWCC and PEMANDU together with 13 other agencies such as Ministry of Finance (MOF), Small Medium Enterprises Corporation, Malaysia Investment Development Fund (MIDF), Malaysia Productivity Corporation (MPC), Credit Guarantee Corporation (CGC), *Majlis Amanah Rakyat* (MARA), *Pembangunan Sumber Manusia Berhad* (PSMB), SME BANK, *Perbadanan Usahawan Nasional Berhad* (PUNB), *Jabatan Tenaga Manusia* (JTM), *Jabatan Pembangunan Kemahiran* (JPK), German Malaysia Institute (GMI) and Japan Malaysia Training Institute (JMTI). A few companies were invited to share their experience as employer, in implementing minimum wages. Eight workshops were held throughout the country covering Kuala Lumpur (3 December 2013), Penang (10 December 2013), Johor Bahru (17 December 2013), Kuantan (28 January 2014), Kuching (24 February 2014), Kota Kinabalu (3 March 2014), Miri (22 April 2014) and Sandakan (23 April 2014).

Among the lessons learnt from the workshop include:

i. Government agencies and private companies that have service contracts with any private companies are to review their contract value if the basic wages stated in the contract is less than the minimum wages rates;

ii. Increase the number of engagements and consultations with stakeholders from various sectors to ensure better implementation of minimum wages policy;

iii. Amendment to the Minimum Wages Order 2012 such as minimum wages rates is to be done gradually;

iv. Study the impact of minimum wages on productivity;

v. Provide training grants for employers to train/upskill their employees;

vi. Encourage automation to reduce labour intensive industries; and

vii. Resolve confusion relating to implementation of minimum wages on foreign and local employees.

Minimum Wages Clinic in Kota Kinabalu Sabah, 3 March 2014, officiated by Dato' Sri Richard Riot, Minister of Human Resources

Review of Minimum Wages Order 2012

According to the National Wages Consultative Council Act 2011, NWCC must review the Minimum Wages Order at least once in every two years. Thus, the NWCC is presently in the final stage of the review process and a full recommendation of a new Minimum Wages Order is expected to be submitted to the Cabinet in due course.

The main challenge facing the Department of Labour is to ensure the employers fully comply and adhere to the Minimum Wages Order 2012. This is in view of the large number of employers compared with the significantly smaller number of enforcement officers in the Department.

In a landmark case between Crystal Crown Hotel & Resort Sdn Bhd and the National Hotel, Bar and Restaurant Employees Union, the Industrial Court ruled that service charge should not be counted as part of an employee's minimum wages. The ruling is now a precedent for the hospitality industry.

Employment Insurance

One of the highlights under the New Economic Model (NEM) is the enhancement of the workers' safety net through the introduction of Employment Insurance (EI) along with integrated employment services. In light of increasing economic volatility, the Employment Insurance Act will be proposed to facilitate and address retrenched workers. During the recent Budget Speech, the YAB Prime Minister announced that the Government will introduce an Employment Insurance System. The main objectives of the EI system are:

- **Income security:** To protect displaced workers and their families against loss of income (immediate response against poverty)
- **Assist placement:** To facilitate return to employment as soon as possible
- **Enhanced employability:** To facilitate training, retraining or reskilling

In an effort to socialise the implementation of the proposed Act, MoHR will conduct stakeholder engagement, assess the readiness of the public and private sectors in its implementation and develop action plans for the implementation. The MoHR, with its clear policy direction, will assess feedback from employer and employee groups and reach consensus to ensure the scheme is acceptable for all parties.

Key Takeaways

As Malaysia becomes a high-income nation, its labour laws must also suit the needs of a developed country. The Government seeks to achieve this by putting in place the enablers and appropriate legislation. However, labour market reforms require extensive engagement with employers and employees to achieve a consensus that balances the interests of both parties. Emphasis must also be placed on ensuring worker protection and creating a conducive environment for the workforce.

STRENGTHEN HR MANAGEMENT IN SMES

During the year, a tracer study was conducted to increase the efficiency of the National Human Resource Centre (NHRC). It has been identified that the Centre faces low awareness of its services, while users are confronted with difficulties in navigating the NHRC portal, outdated information, slow response from the portal's live chat; inadequate technical know-how issues; and credibility of consultants addressing issues faced by small and medium-sized enterprises (SMEs).

As a result of the tracer study, the following recommendations were proposed:

- Focus on Service Enhancement:
  - Provide credentials of HR consultants engaged by NHRC to support the HR advisory work
  - Increase the numbers of qualified call centre agents
  - Provide material familiarisation training for new registered members
  - Increase participation in HR training and capability-building programmes with relevant information and links on the portal
- Revamp of portal to Improve Visibility and Attract More Visitors:
  - Improve navigation and aesthetics
  - Update information on portal regularly
- Reinforce Promotion of NHRC Services to Increase Awareness and Reach:
  - Showcase services and coverage on traditional media
  - Increase traffic through search engine optimisation

- Highlighting testimonials and case studies on the portal
- Engage stakeholder industry associations to promote NHRC
- Develop a social media promotion strategy

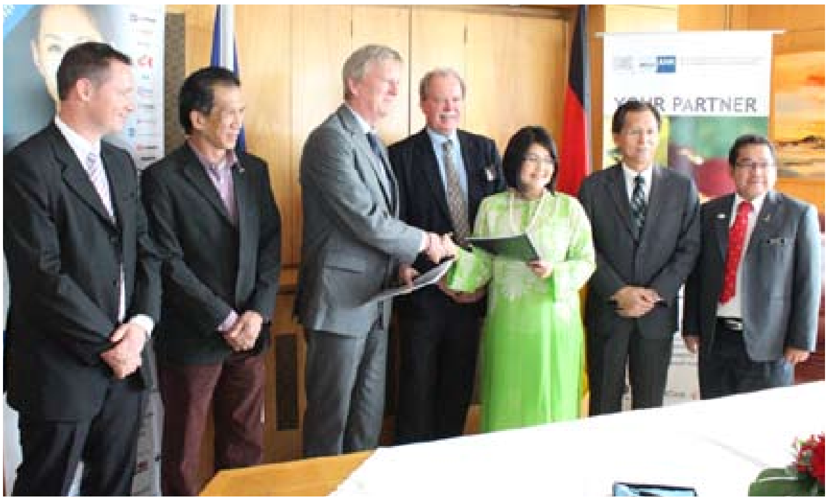
Key Takeaways

As the backbone of the Malaysian economy, SMEs play a key role in driving the country towards high-income status. The sustainability of SMEs, as with any organisation, however hinges on a rich pool of talent, an area in which SMEs require assistance.

The NHRC thus aims to facilitate human resources management for SMEs, as the Government recognises the need to ensure domestic markets are moving towards upskilling of their workforce. In Budget 2015, the YAB Prime Minister announced that high labour-intensive industries such as rubber products, plastics, wood, furniture and textiles will receive an automation capital allowance of 200 per cent on the first RM4 million in expenditure incurred within the 2015-2017 period. Additionally, an automation capital allowance of 200 per cent will be provided on the first RM2 million in expenditure incurred, for all other industries within the 2015-2020 period. The NHRC portal is an important aspect of SME Corp's master plan and will benefit those that are unable to set up their own Human Resources Department.

UPSKILLING AND RESKILLING

During the year, the EPU was tasked by the Cabinet to lead a Public Skills Institution Audit Exercise across seven Ministries in a bold move towards performance-based funding. The audit was implemented by the Department of Skills Development (DSD) under the MoHR and Malaysian Qualification Agency (MQA) under the MoE, with results to be reported in 2015.



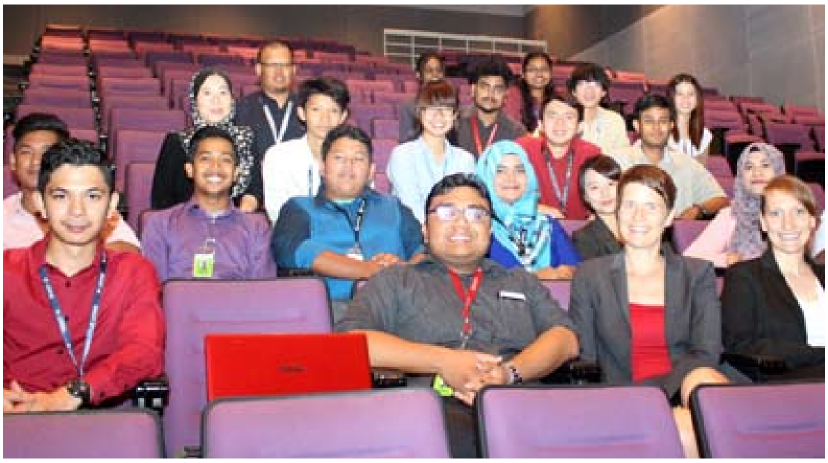
Signing of Memorandum of Agreement (MOA) between PEMANDU and MGCC

The audit also saw 525 public TEVT skills institutions undertaking self-assessment, while 131 institutions (25 per cent sampling) underwent a physical audit by DSD and MQA from June until July 2014.

MGCC-GMI PEMANDU

In line with the target to fill 40 per cent of the 3.3 million jobs to be created under the ETP with TVET candidates and to produce a skilled workforce, there has been a strong push by the Government for TVET with emphasis on NKEA and high growth programmes. One focus in this area is the establishment of dual training schemes between TVET providers and industry. To this end, PEMANDU facilitated the establishment of a partnership between the DSD, German-Malaysian Institute (GMI) and Malaysian German Chamber of Commerce and Industry.

The effort commenced in June 2014 with 22 trainees undergoing training in industrial management (11 trainees) and logistics management (11 trainees). The scheme involves 17 companies which are mainly German based (e.g. Infineon, Schenker, a.hartrodt, Bosch, SGL, TÜV Rheinland and Panalpina).



First batch of trainees from MGCC-GMI Dual Vocational Training Programme. MGCC is the first National Dual Training System in Malaysia to offer an Advanced Diploma of the Malaysian Skills Certificate. The apprentices will also receive a German Chamber (AHK) Certificate upon completion of the programme

The apprentices will receive dual certification : Malsysia Skills Advanced Diploma (Level 5) and German Chamber (AHK) Certificate upon completion of the programme.

Among feedback regularly received by MGCC from training companies is that the administration effort for the programme is quite high. In order to receive the AHK Chamber certificate, companies must fulfil MGCC requirements while companies seeking NOSS Level 5 must meet DSD's requirements. This has caused hesitation by industries and companies to participate in this programme.

NTEP participants in Shorubber Malaysia Sdn Bhd

To provide quality assurance of training at GMI and the participating companies, coaches and teachers are evaluated, while workshops with support from both Governments have also been provided.

Further measures undertaken to ensure the success of the programme include regular coordination meetings between GMI, DSD and MGCC, and feedback to Government authorities to create awareness and support.

National Talent Enhancement Programme (NTEP)

This programme, which commenced in 2012, aims to accelerate the development of a skilled workforce through partnerships with industry players, with priority on NKEA and the economic sectors under the Cities and Corridors development programmes. With the funds provided to corridors in 2012, some of have been rolled over to continue increasing the employability and competencies of graduates.

For example, the Northern Corridor Investment Authority was given a one-off grant of RM1,665,000 to train 100 graduates in 2012. Before the end of 2013, the total amount paid was RM885,854.02, where 141 graduates were employed, exceeding the target of 100 graduates. Graduates received a maximum of RM1,250 per month for 13 months (including one month of training). However, the salary scale differed from company to company and the NICA was able to utilise less than the total amount allocated while benefiting more graduates and undertaking engagement with more companies, including SMEs.

One of the participants benefiting from the grant given to Might Meteor, Syahril Azeem Ong, was selected to join the Proton project (P4-90B). Under the project, he was tasked with designing a Rear Side Structure according to the DFMEA (Design failure modes and effects analysis) and structure strength requirements. His job scope required the designing in 3D modelling either through new development or reverse engineering. He was also responsible for analysing the design for parts and assembly. This illustrates how NTEP has increased the employability and competencies of Malaysian graduates.

NTEP Status Updates as of December 2014:

Agency	Target No. of Trainees	Trained
SHRDC	100	100
ATHM	100	84
ECER	50	164
IRDA	100	126
SEDIA	50	115
NCIA	100	272
Sarawak	50	20
MIGHT – METEOR	100	100
CIDB	32	32
TOTAL	**682**	**1013**

MDeC MyProCert and Industry Academia Collaboration (IAC)

The MyProCert programme was introduced in collaboration with Multimedia Development Corp (MDeC) to produce more ICT professionals. The programme offers 94 certifications from 21 knowledge areas which include, among others, Big Data, Networking, Security, Enterprise Architecture, Cloud Computing, and Project Management.

MDeC also collaborated with the Construction Industry Development Board (CIDB) and participated in CIDB's nationwide roadshow to promote Building Information Modelling (BIM) to their members. This resulted in an increase in the demand for the BIM Autodesk Revit certification from 50 applications in 2013 to 250 applications in 2014.

More civil servants have applied for the Project Management Professionals (PMP) certifications. Other certifications undertaken by employees include TRIZ certifications (problem solving, analysis and forecasting), which saw wide participation across various sectors, namely ICT, Manufacturing, Oil & Gas and Hospitality and Services.

An example of a beneficiary of TRIZ certification is B. Braun Medical Industries, which was set up in Penang in 1972. TRIZ is used as a tool responsible for delivering new and existing products, managing manufacturing cost and ensuring product quality. B. Braun Medical has moved to embed TRIZ into its employee training, making it a key tool in its process of continuous improvement and systematic innovation.

Through the IAC programme, the organisation has trained 45 engineers and achieved several breakthroughs in its manufacturing process improvement and new product development. As the champion of TRIZ at B. Braun, management support is critical and the organisation has embedded the subject into the data driven DMAIC (Define, Measure, Analyze, Improve, Control) improvement process.

Another beneficiary of the IAC programme, Zulhasni Abdul Rahim; an Assistant Manager in the Transformation Division at PROTON, leveraged TRIZ to generate real impact on his organisation's bottom line as part of his PhD programme. Since learning the methodology, he has successfully applied the tools and achieved several breakthroughs, allowing his organisation to work on more than 10 projects that focus on improving products value and cost innovation.

Zulhasni's work led him not only to the completion of his PhD, but also to winning MyTRIZ Competition for two consecutive years, achieving the excellent paper award at the 5th Global TRIZ Conference 2014 in Korea and becoming an innovation catalyst within his organisation. He has also taken a new role, moving from the engineering division to the transformation division and his organisation has since embarked on training close to 60 engineers.

Recognition of Prior Learning

Recognition of Prior Learning, an initiative by the Human Resources Development Fund (HRDF), is an assessment to recognise workers on their skills and competencies according to the level determined by the DSD. In addition to the DSD, the assessment is offered by the Human Resource Development Fund, which provides Great Britain Colleges Consortium (GBCC) certification.

The assessment allows upskilled employees to demand for a higher salary accordant to his/her expertise. As of December 2014, 17,470 employees have participated in the programme.

Top winners of the Innovate Malaysia Design Competition 2014 from each Industry Track: Intel, Altera, Keysight Technologies, Silterra, National Instruments, Microsoft and Mathworks, with Deputy Secretary General II of Ministry of Communication and Multimedia Malaysia, YBhg Datuk Che Azemi Haron

Workshop for Studies on Human Resources Manpower Requirement, Skills Competencies and Studies on Cities and Corridors was held at the Everly Hotel, November 2014

Key Takeaways

The HCD-SRI will take measures to play a more facilitative role with other Ministries to streamline the curriculum and data to ensure more tie-ups with quality institutions and develop industry linkages. To further enhance TVET, further efforts can be seen in the private sector space under EPP 5 – Scaling of Private Skills Training Institutions under the Education NKEA.

The uptake of the MyProCert programme has shown that individual participation is higher than company participation with a ratio of 60:40. Findings also point to limited reach of the programme, with a majority of the participants from the Klang Valley. In view of this, Programme Outreach activities will be improved to attract participants from outside the Klang Valley.

It has been found that some companies, especially SMEs, are reluctant to send their employees for certification. There have also been instances of employees being sent for training without taking the certification exam due to concerns that the employees would leave the company after being certified or demand for better wages. A change of employers' mindset is therefore required to instil the importance and benefits of certification to their companies.

It has also emerged that companies utilise funding for upskilling from different sources, some of which provide higher reimbursement amounts, such as the HRDF. There is therefore a need to streamline upskilling efforts under this SRI with the HRDF.

LABOUR MARKET ANALYSIS

In undertaking labour market analysis, ILMIA has followed international standards as developed by the ILO and undertaken research and studies on selected manpower topics. The Institute is now able to provide labour market information to employees, employers, labour supply providers and foreign investors for them to better position themselves within the labour market, to have a view on how they each want to interact with the economic activities of the country.

Following the launch of the ILMIA Portal in 2013, ILMIA is now strenghtening the portal and dashboard with additional labour indicators from the Department of Statistics and research studies for certain identified sectors and economic corridors. The portal and dashboard recorded positive responses on the availability of the labour market information. Most institutions have requested to collaborate with ILMIA in Talent Study and labour market research.

ILMIA also commenced Phase Two of the portal, which has seen it complete the procurement of a Labour Market Integrated Data Warehouse (LMIDW). ILMIA will continue to engage relevant Ministries and key industry players to understand the existing demand data. The second phase enhancement will enable labour market data storage and detailed forecasting according to user requirements and structure. This involves the development of modules that will enable the work of integrating LMIDW database with the ILMIA portal to display statistical reports for public display.

Moreover, ILMIA will be embarking on a collaboration with TalentCorp to produce a report on the identification of critical skills in key sectors.

Key Takeaways

ILMIA's main goal is to build a centralised and interactive database to help with national manpower planning and measure workforce supply and demand in each industry sub-sector. This will enable the institute to identify the critical skills needed by industries and drive graduate employability.

LEVERAGE WOMEN'S TALENT

Graduation ceremony for the third batch of Women Directors Training Programme, with Datuk Sri Rohani Karim, Minister of Women, Family and Community Development, held in KL Convention Centre

Encouraging Women to Work: Childcare Initiatives

Women make up 70 per cent of public university intake, with most entering into the job market upon graduation. However, quite a number of them leave the workforce as they rise up in their career, mainly due to family commitments. Efforts from this initiative, which aims to increase women participation in the labour market to 55 per cent and increase women participation in decision-making positions for corporate sectors to 30 per cent by 2016, have seen the participation of Malaysian women in the workforce rise to 53.4 per cent to date from 49.2 per cent in 2012.

To further encourage women in the workforce, more funding in the form of fee assistance for childcare, launching grants for the set up of new childcare centres, tax exemptions for childcare centres and double tax deductions for employers who provide employees with childcare facilities is required.

A main focus of this initiative continues to be on increasing the number of quality childcare centres. In 2014, JKM ran an operation to register unregistered childcare centres and meet the conditions and quality set under the Childcare Centre Act 1984. As a result of this operation, an additional 515 childcare centres were registered with JKM, bringing the total childcare centres set up or registered that meet the conditions and quality set under the Childcare Centre Act 1984 for the full year to 586.

The Government also continued to subsidise the training of childcare minders in 2014. A total of 3,296 childcare minders have either commenced or completed their training in the *Kursus Asuhan* PERMATA programme during the year.

More targeted efforts will be carried out in 2015 to increase the number of quality childcare centres across the four categories – institutional childcare centres, workplace childcare centres, community childcare centres and home-based childcare centres. Additionally, the process of childcare minders training will be re-assessed and planned early in the year. A structured assessment of the training will also be conducted to ensure quality training is provided by the trainers appointed by JKM.

Currently, workplace childcare centres are only allowed to be located up to the second floor in commercial buildings. On 16 April 2014, the Cabinet came to a decision to review the possibility of locating workplace childcare centres on levels above the second floor in commercial buildings, following feedback from companies that they are constrained by existing building usage.

Key Takeaways

The HCD–SRI is looking at developing clear guidelines and criteria to allow interested companies to set up childcare centres above the second floor. This will encourage more companies to set up more centres at the workplace and enable more women to return to work. Until then, the present guidelines will remain, although requests for centres above the second floor will be reviewed on a case-by-case basis. Several other initiatives to encourage women to return to the labour force, such as flexible working arrangements, are also being implemented by the Ministry of Women, Ministry of Human Resources as well as TalentCorp in tandem with the workplace childcare centre initiatives.

30 Per Cent Women in Key Decision-Making Positions

Research has shown a steep drop of women in the workforce, particularly from the mid-to-senior levels of management. From more than 50 per cent of women at entry level positions, this percentage drops to approximately 24 per cent at top management and eight per cent at the board level (Source: Diversity at the Workplace Survey, Talentcorp-PwC, 2013 and Women on Boards baseline study, Pemandu-PwC, 2013).

The target is to achieve 30 per cent women in decision-making positions for all public companies, whether listed or unlisted, where data will be tracked at both top management and at board levels to ensure that a sufficient pipeline is groomed for board leadership positions. Since the baseline study, there has been an increase in women on boards, from approximately eight per cent in 2012 to just over 10 per cent as at end of 2014. This was partly due to the increased awareness on the issue and initiatives implemented in 2014.

Initiatives in 2014 centred on building a talent pool of board-ready women via the Women's Directors Programme (WDP), jointly conducted by NIEW, MINDA and LeadWomen. As of 2014, 932 women have been trained under this programme. Of these, 17 have been appointed to boards.

Other advocacy work centred on raising awareness of the key challenges and objectives of promoting gender diversity at decision-making levels. In September, the 12th Women's Summit was held by Ministry of Women, with specific emphasis on creating the case for gender diversity in selecting top management, where YAB Deputy Prime Minister announced that PEMANDU would be studying the feasibility of setting up the 30% Club, a global network of business advocates who champion diversity on boards, most notably in the UK and the US, where the majority of advocates are top leaders and investors. The HCD–SRI team has since connected with 30% Club chapters in the UK, US and HK and is well underway in planning to launch the 30% Club in Malaysia in 2015.

In December 2014, the Women's Directors Convention jointly organised by NIEW, MINDA, LeadWomen and PEMANDU was held, which marked the successful training of 250 potential women directors in 2014. The forum, themed 2020 Boards: Leveraging Diversity for Performance, saw the participation of over 300 chairpersons, board directors, board recruiters, diversity champions and women leaders from all sectors engaged in a first ever event where focused discourse on the case and action plans needed to increase gender diversity particularly on boards was discussed.

The main challenge faced is obtaining buy-in and shifting mindsets on the case for placing more women in decision-making positions, especially on boards. There is not yet a burning need for change and much of the work in 2015 will be centred on educating business leaders on the growing global significance of this agenda. Other challenges include operational feasibility in creating the vacancies needed to place more women on boards, such as finding mechanisms to refresh board composition and enabling matching of competencies and experience needed.

Key Takeaways

Key developments for 2015 will be to facilitate a business-led momentum towards achievement of targets, supported by the Government in terms of enabling policies and initiatives. These will be anchored on the following key objectives:

- To focus on the placement of high potential and board-ready women on boards via cross-company sponsorship programmes.
- To launch the 30% Club to build a core group of advocates, consisting of influential business leaders via targeted advocacy and media promotion activities. This is to pave the way for a strong business-case and the critical mass needed to increase women participation in decision-making positions.
- To create more dialogues and networking sessions, such as breakfast talks with board directors, and between board members and high potential women to directly address and allay concerns and issues relating to placing women in leadership positions, as well as to build opportunities for visibility of women leaders.

'Board-ready' women directors in discussion with facillitators on action items to increase the number of women on boards in Malaysia

MINISTER'S SCORECARD

The Minister's Scorecard has improved over the years in tandem with the development of GTP, ETP and SRI

	NKRAs	MKRAs	NKEAs	SRIs
2009 & 2010	Areas identified as priorities for the country – National Key Results Areas (NKRA) Lead: 6 Ministers	Areas identified as key responsibilities of the Ministries – Ministerial Key Results Areas (MKRA) 23 Ministers		
2011 onwards	Lead: 7 Ministers Support: 3 Ministers	All Ministers have MKRA KPIs regardless whether they are NKRA or NKEA lead Ministers 30 Ministers	Areas identified as priorities for the country's economy – National Key Economic Areas (NKEA) Lead: 13 Ministers Support: 5 Ministers	Areas identified as priorities for structural enablers – Strategic Reform Initiatives (SRI) Covered by 15 Ministers

The Government believes that the scale of transformation that Malaysia is trying to achieve requires a thoroughgoing framework of accountability that begins from the very top, down to the grassroots.

Cabinet Ministers, as the executive heads of Government, are therefore similarly held accountable for the ability of their respective Ministries to deliver transformational initiatives.

Under the country's National Transformation Programme (NTP), comprising the Government Transformation Programme (GTP), the Economic Transformation Programme (ETP) and Strategic Reform Initiatives (SRI), Cabinet Ministers have been assigned Key Performance Indicators (KPIs). Under the GTP, the KPIs established for the seven (7) National Key Results Areas (NKRAs) are based on the roadmap. Similarly with the KPIs established with the National Key Economic Areas (NKEAs) under the ETP and SRI.

Additionally, Ministerial Key Results Areas (MKRA), which are Ministries' yearly focus areas, have KPIs established, also known as Ministerial Key Performance Indicators (MKPIs). These KPIs are developed in line with the vision and mission of the Ministry.

Before the introduction of NKEAs in 2011, only non-NKRA Ministers carried MKPIs in their scorecards. NKRA lead ministers only carried NKRA KPIs. However since 2011 all Ministers carry MKPIs apart from their NKRA, NKEA and SRI KPIs where relevant. To date, there are seven (7) Lead Ministers and four (4) Supporting Ministers assigned to oversee the NKRAs. Thirteen (13) Lead Ministers and five Supporting Ministers were assigned to oversee the NKEAs, and fifteen (15) Ministers for the SRIs.

KPI Setting Framework and Process

The framework used to develop and manage KPIs for the Ministries comprises five discrete steps:

- Establishing KPIs
- Executing according to implementation plan
- KPI performance monitoring
- PM-Minister Performance Review
- Rewards, consequences and actions.

Under the framework, KPIs under NKRAs and NKEAs are established based on the GTP and ETP roadmap whilst MKPIs are driven by the vision and mission of each respective Ministry but in line with the National Transformation Plan. This framework thus creates a quantifiable measure of Ministerial performance, which can be used to gauge the Minister's performance in the final stage of the framework in determining rewards, consequences and actions.

A structured framework is used to develop and manage the KPIs for the Ministry

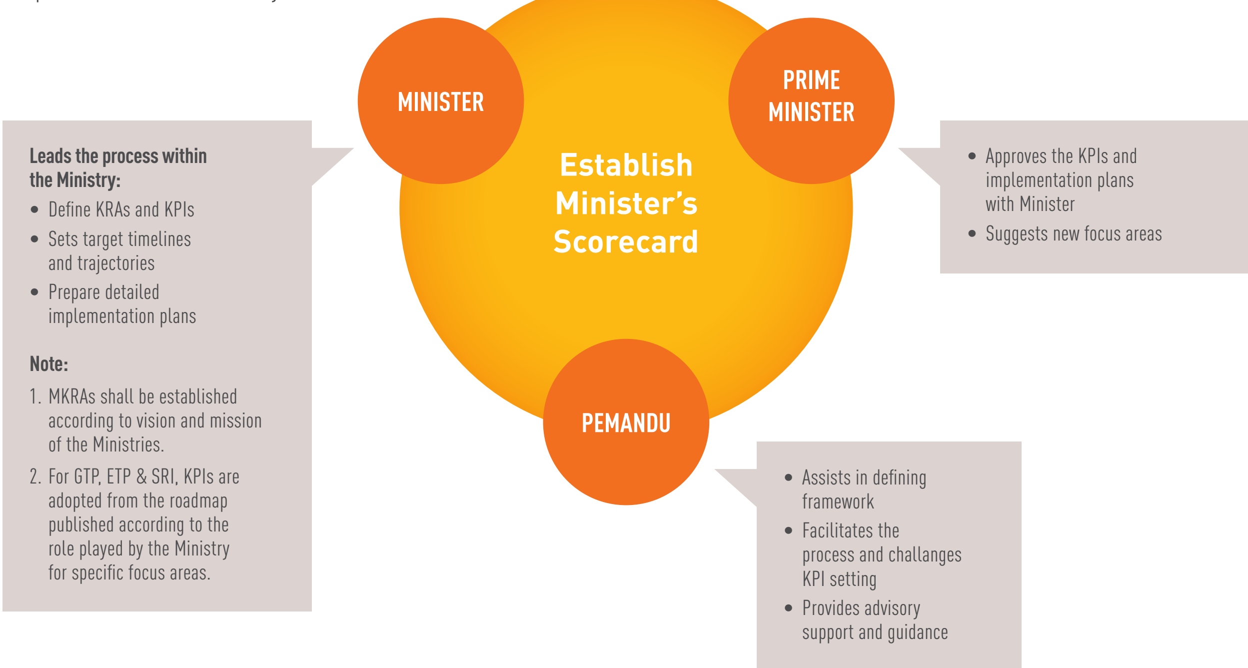
The Prime Minister meets with Ministers twice a year to review their performance. This is one such session with Minister of Youth and Sports Khairy Jamaluddin Abu Bakar (left) and the CEO of PEMANDU Dato' Sri Idris Jala (right) as facilitator

The Minister's Scorecard is also used to track the progress of each Ministry as all the KPIs will be reported monthly in addition to the weekly reporting done under the NKRA & NKEA programmes. The constant oversight ensures that any obstacles or roadblocks will be immediately identified and rectified.

The Prime Minster meets with the Ministers twice a year— once during the Mid-Year Review and the other during the Year-End Review—to review the performance of the Ministers.

These one-on-one sessions between the Prime Minister and Ministers allows for greater discussion and escalation of any issues requiring the Prime Minister's intervention. In addition, the Prime Minister may give further instructions for the Minister's action. At the Year-End Review session, the Prime Minister will issue the final assessment and feedback to each Minister.

Establishing the Minister's Scorecard
The process starts with a three-way communication

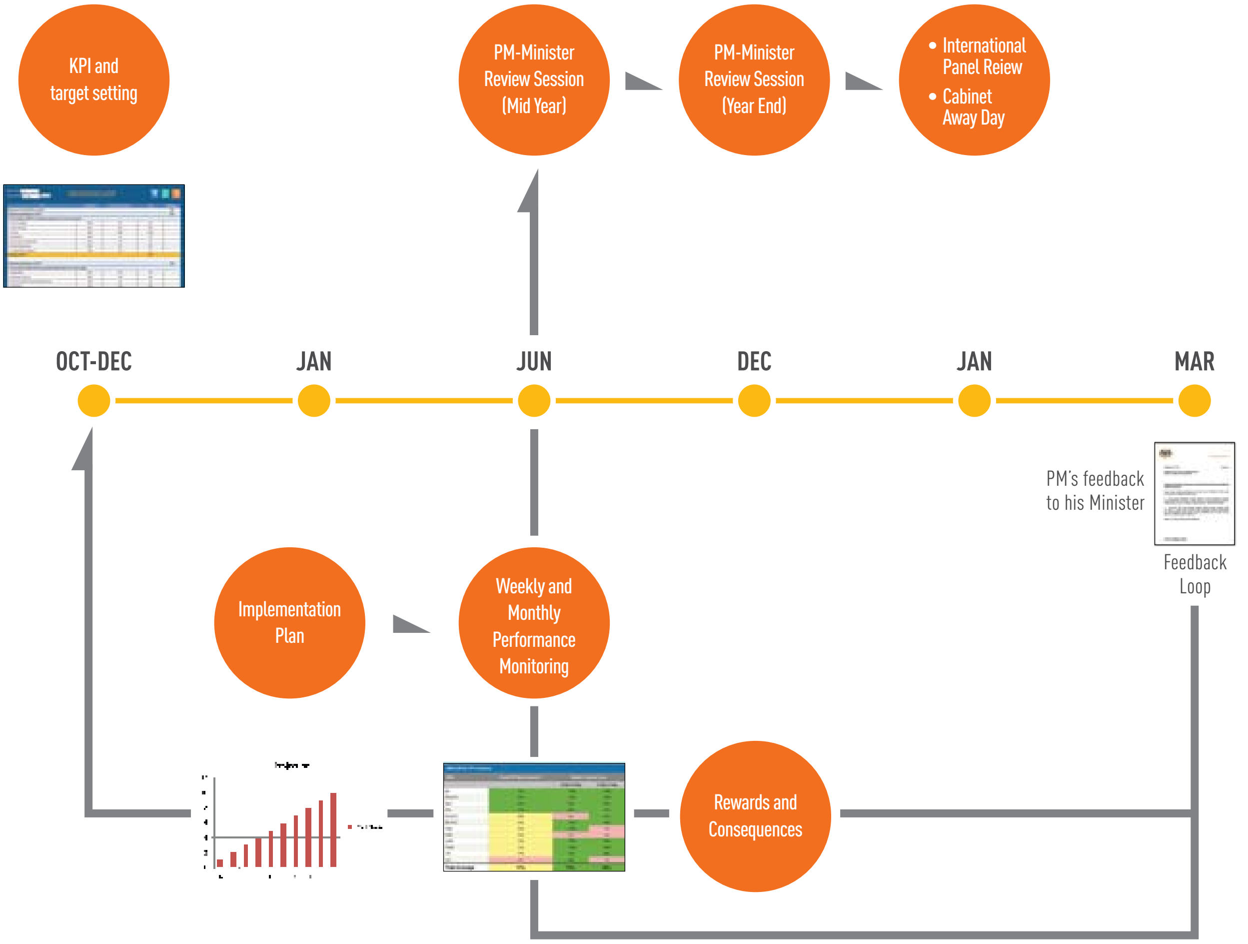


KPI Setting Exercise: Clinic Session

The KPI setting exercise is crucial in ensuring that all initiatives are delivered and all objectives are met. Consistent with PEMANDU's Big Fast Results (BFR) Methodology, the yearly KPI setting exercise takes place from October to December to set the right objectives and expectations for activities in the following year.

This exercise allows the Ministries to plan ahead for the delivery and measurement of the following year's activities. It also serves to drive performance behaviour and functions as a yearly checkpoint for the Ministry to determine if all initiatives are progressing down the right track or whether they need to be changed. This rigorous process involves all 23 Ministries and lead agencies within the Ministers' portfolios.

The timeline for developing and managing Ministers' KPIs is below:



Each submitted KPI proposal is discussed individually and critically challenged to ensure KPIs are accurately established to drive delivery and performance. The following principles guide the establishment of the KPIs:

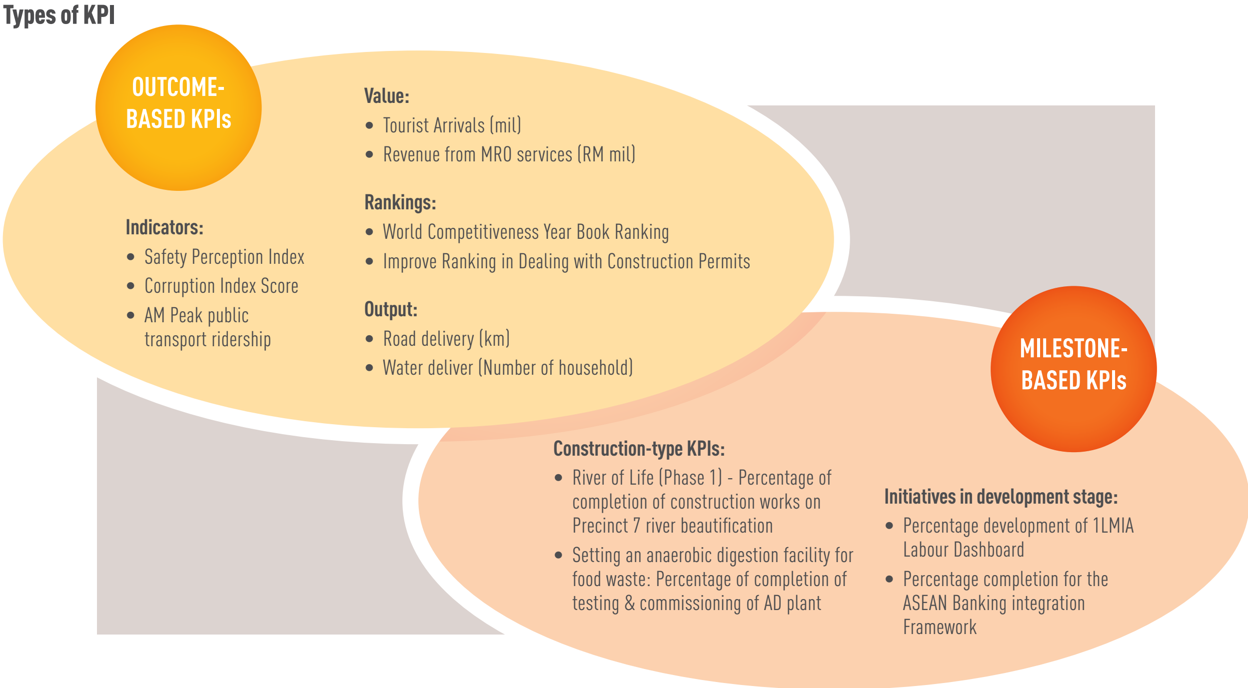
KPI DESCRIPTIONS

- KPI descriptions must be clear and specific in describing what the KPI is supposed to achieve.
- KPI descriptions should be consistent with how the achievements will be measured, e.g. if they are measured by number of units, KPIs should be set based on those measurements.

TARGET SETTING

- Targets set should be ambitious to encourage more effort to strive to achieve goals.
- Targets should be set according to an established detailed roadmap with an end goal, not on an ad hoc basis. However, for long-term targets the KPI is set on current year activities.
- Historical data is used to assess the current base as well as to assess the achievement trend to ensure the following year's target pushes all parties to move forward.

Types of KPI



SUPPORTING DOCUMENTS

- Each KPI achievement should be supported by valid documentation for data verification purposes to ensure the credibility of the data being reported.

MEASUREMENT OF ACHIEVEMENTS

- The achievements of KPIs should be readily available for frequent and regular reporting, e.g. weekly, monthly, quarterly, or yearly.
- Each KPI should be set in such a way so that its achievements can be measured frequently.

Types of KPI measurement/computation adopted

	Nature of KPI	Example of KPI	Computation Adopted
1	Increase of outcome or output or milestone developments	KPI: Number of tourists, new investments, jobs created	ACHIEVEMENT / TARGET
2	The objective is to achieve lower than the target	KPI: Percentage of Band 6 & 7 schools out of total schools Target: 1.4% (the lower the better)	TARGET / ACHIEVEMENT
3	Where target states "at least xx" / "not more than xx"	KPI: number of technologies developed Target: At least 15	SCORE IS CAPPED AT 100%
4	The objective is to measure current year achievements only	KPI: percentage of completion of construction works	(ACTUAL - PREVIOUS YEAR'S ACHIEVEMENT) / (TARGET - PREVIOUS YEAR'S ACHIEVEMENT)
5	Pro-rated KPIs with monthly targets	KPI: Overall SAIDI for Sabah (minutes/customer/year)	(TARGET / 12 MONTHS X MONTHS OF REPORTING) / (MONTHLY ACHIEVEMENT) X 100%
6	Composited KPIs where a few sub-KPIs contribute to the score of one KPI	KPI: Investor education and awareness programme on Private Retirement Scheme (PRS) i. Asset under management of PRS ii. Total no. of members	FINAL SCORE: (SCORE KPI 1 + SCORE KPI 2) / NUMBER OF KPIs i. KPI 1 ACHIEVEMENT / TARGET = SCORE ii. KPI 2 ACHIEVEMENT / TARGET = SCORE

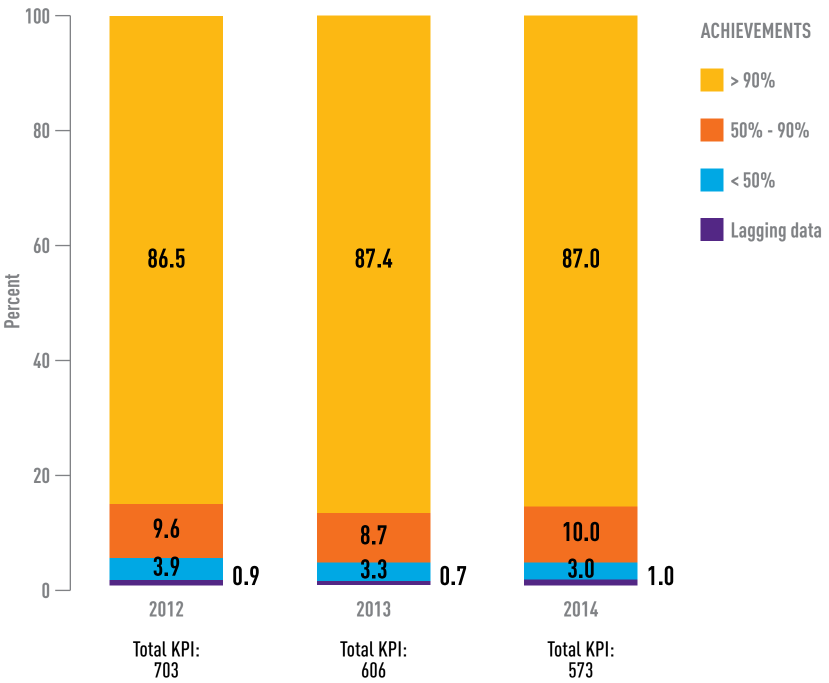
- For KPIs that measure the progress of long-term projects, i.e. projects that will take more than a year to accomplish, only activities undertaken in the current year will be measured towards the KPI.
- Examples of KPI measurement/ computation are as the figure above.

Each year, approximately 700 specific KPIs are established. These KPIs are monitored throughout the year by their respective teams and Ministries with the objective of ensuring the discipline of action.

Ministers' Scorecard Achievements

Ministers' performance on their scorecards have generally improved steadily since the implementation of the GTP in 2009. After five years of implementation, the Ministers and their respective teams have become more open to the performance-driven nature of the KPIs and become more accustomed to the KPI setting process. As a result, Ministers and their teams have started taking greater ownership in implementing change and a more active role in identifying projects designed to improve their service delivery.

Minister's Scorecard - Overall Achievement



87% out of 573 KPIs achieved / overachieved targets in 2014,

compared to 87.4% out of 606 KPIs in 2013 and 86.5% out of 703 KPIs in 2012. The number of KPIs established yearly has gradually decreased as the KPI setting process focuses on KPIs that have the most impact.

Challenges

The rigour and thoroughness of the KPI setting process intends to push and drive higher targets from previous years and better results in hopes of achieving the objectives of the NTP. However, it is normal to have challenges as this requires a significant change in mindset and behaviour in all parties within the Ministry. For example, there are still some Ministries who will set lower targets with the justification that they are unable to control external and environmental factors rather than pushing boundaries and exploring new ways to achieve the ultimate objective. With that, there has been some push back and reluctance to change.

However, this has not stopped the Government from setting ambitious targets, which is beginning to see greater buy-in from the Ministries. The ultimate objective is to further inculcate this paradigm shift in the civil service to make it a permanent part of the civil service culture.

AGREED-UPON PROCEDURE REPORT BY PWC

2014 ETP RESULTS

Verification by Independent Third Party

EXTENSIVE RIGOUR HAS BEEN PUT INTO CONFIRMING THE COLLECTION OF DATA, TABULATIONS OF STATISTICS, AND THAT RESULTS ARE ACCURATE

A core tenet of the ETP has been transparency and accountability and this is reflected in the Annual Report. The ETP Roadmap was published in October 2010 detailing the measures in the transformation programme. In this report, the 2014 key performance indicators for each National Key Economic Area (NKEA) and Strategic Reform Initiative (SRI) are published in full, with achievements versus targets listed*.

PEMANDU endeavours to ensure the scoring system is transparent and stringent. Extensive rigour has been put into confirming the collection of data, tabulations of statistics and that results are accurate.

To this end, PEMANDU engaged PricewaterhouseCoopers Malaysia (PwC), an independent professional services firm, to conduct a series of Agreed-Upon-Procedures – specific tests and procedures to review reported results for the KPIs and projects announced. These Agreed-Upon-Procedures were applied to a sample taken from the key performance indicators of each NKEA, SRI as well as projects announced during the Progress Updates. The respective calculations were also checked against guidelines and formulae originally developed in the NKEA labs, and prescribed by PEMANDU.

Over the course of this exercise, PwC's findings highlighted a number of exceptions in the samples selected, which were subsequently addressed and reflected in this Annual Report. PwC has confirmed that the results reported for the selected samples in the Annual Report have been validated according to the Agreed-Upon-Procedures. PwC also identified opportunities to improve processes and the quality of information. PEMANDU, together with the relevant Ministries and private sector stakeholders, will be taking positive prescriptive actions to realise these improvements over the next 12 months.

** Exceptions were made where targets featured market-sensitive data. In such instances, this information was kept confidential at the request of involved parties.*

ETP SCORECARD

MEASUREMENT METHODOLOGY

KEY PERFORMANCE INDICATOR

The ETP Scorecard assesses the extent to which the planned Key Performance Indicator (KPI) for each Entry Point Project achieved the desired outcome for the past year. The actual year-to-date results are presented in three scoring methodologies.

All three methods have been formulated to provide a pragmatic representation of the actual KPI numbers in percentages.

Method 1 Scoring is calculated by a simple comparison against set 2014 targets. The overall NKEA/SRI composite scoring is the average of all scores.

Method 2 Scoring is calculated by dividing actual results against set 2014 targets with an added rule:

- If the scoring is less than 100%, score #2 is taken as the actual percentage
- If the scoring is equal or more than 100%, score #2 is taken as 100%. The overall NKRA composite scoring is the average of all scores.

Method 3 Scoring is calculated by dividing actual results against set 2014 targets with an added rule:

- If the scoring is equal and less than 50%, score #3 is indicated as 0
- If the scoring is more than 50% and less than 100%, score #3 is indicated as 0.5
- If the scoring is equal or more than 100%, score #3 is indicated as 1.

Where decimal points are concerned, the scorecard employs a rounding mechanism. In cases where the KPI results have a decimal point of 0.1 to 0.4 per cent, the final percentage value is rounded downwards. Where the results have a decimal point of 0.5 to 0.9 per cent, the final percentage value is rounded upwards.

Methods 1 and 2

Achievement	Traffic Lights
90% and above	● (green)
51% – 89%	● (yellow)
50% and less	● (red)

Method 3

Achievement	Scoring	Traffic Lights
100% and above	1	● (green)
51% – 99%	0.5	● (yellow)
50% and less	0	● (red)

The traffic light approach is outlined below

- EXCEEDED TARGETS (green)
- ACHIEVED 50 PER CENT OR MORE (yellow)
- UNDER-PERFORMED (red)

LIST OF ENTRY POINT PROJECTS

No	Entry Point Projects
	Greater Kuala Lumpur/Klang Valley
1	Attracting 100 of the World's Most Dynamic Firms within Priority Sector
2	Attracting Internal and External Talent
3	Connecting KL to Singapore via a High Speed Rail System
4	Building an Integrated Urban Mass Rapid Transit System
5	Revitalising the Klang River and Gombak Rivers into a Heritage and Commercial Centre
6	Greening Greater Kuala Lumpur to Ensure Residents Enjoy Sufficient Green Space
7	Creating Iconic Places and Attractions
8	Creating a Comprehensive Pedestrian Network
9	Developing an Efficient Solid Waste Management System
	Oil, Gas and Energy
1	Rejuvenating Existing Fields through Enhanced Oil Recovery (EOR)
2	Developing Marginal Fields through Innovative Solutions
3	Intensifying Exploration Activities
4	Building a Regional Storage and Trading Hub
5	Unlocking Premium Gas Demand in Peninsular Malaysia
6	Encouraging Investments in the Oil & Gas Services and Equipment (OGSE) Industry
7	Taking Local Oil and Gas Services & Equipment Companies to the Global Stage
8	Attracting MNCs to set up Operations in Malaysia and Partner with Local Firms
9	Improving Energy Efficiency
10	Building Up Renewable Energy and Solar Power Capacity
11	Deploying Nuclear Energy for Power Generation
12	Tapping Malaysia's Hydroelectricity Potential
13	Increase Petrochemical Outputs
	Financial Services
1	Revitalising Malaysia's Equity Markets
2	Deepening and Broadening Bond Markets
3	Transforming Development Financial Institutions (DFIs)
4	Creating an Integrated Payment Ecosystem
5	Insuring Most, If Not All, of Our Population
6	Accelerating the Growth of the Private Pension Industry
7	Spurring the Growth of the Nascent Wealth Industry

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No	Entry Point Projects
8	Accelerating and Sustaining a Significant Asset Management Industry
9	Developing Regional Banking Champions
10	Becoming the Indisputable Global Hub for Islamic Finance
	Wholesale and Retail
1	Increasing the Number of Large Format Stores
2	Modernising via the Small Retailer Transformation Programme (TUKAR)
4	Transforming Automotive Workshops (ATOM)
5	Developing Makan Bazaars
6	1Malaysia Malls
7	Virtual Malls
8	Facilitating Local Businesses to Acquire Stakes in Foreign Retail Businesses
9	Making Malaysia Duty-Free
10	Setting Up Wellness Resorts
11	Organising Unified Malaysia Sales
12	Transforming KLIA into a Retail Hub
13	Big Box Boulevards
	Palm Oil and Rubber
1	Accelerating the Replanting and New Planting of Oil Palm
2	Improving Fresh Fruit Bunch Yield
3	Improving Worker Productivity
4	Increasing the Oil Extraction Rate (OER)
5	Developing Biogas Facilities at Palm Oil Mills
6	Developing High-Value Oleo Derivatives and Bio-based Chemicals
7	Commercialising Second Generation Biofuels
8	Expediting Growth in Food and Health-based Segments
9.1	Ensuring Sustainability of the Upstream Rubber Industry
9.2	Increase World Market Share of Latex Gloves to 65 per cent by 2020
9.3	Commercialising Ekoprena and Pureprena
	Tourism
1	Positioning Malaysia as a Duty-Free Shopping Destination for Tourist Goods
2	Designating Bukit Bintang-Kuala Lumpur City Centre as a Vibrant Shopping Precinct
3	Establishing Premium Outlets in Malaysia
4	Establishing Malaysia Mega Biodiversity Hub (MMBH)
5	Developing Integrated Resorts
6	Developing Cruise Tourism
7	Targeting more International Events

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No	Entry Point Projects
8	Establishing Dedicated Entertainment Zones (DEZ)
9a	Developing Local Expertise and Better Regulating the Spa Industry
9b	Golf Tourism
10	Establishing Malaysia as a Leading Business Tourism Destination
11	Enhancing Connectivity to Priority Medium-Haul Markets
12	Improving Rates, Mix and Quality of Hotels
	Electrical and Electronics
1	Executing a Smart Follower Strategy for Mature Technology Fabrication
2	Developing Assembly and Testing Using Advanced Packaging Technology
3	Developing Integrated Circuit Design Firms
4	Supporting the Growth of Substrate Manufacturers and Related Industries
5	Increasing the Number of Silicon Producers
6	Growing Wafer and Cell Producers
7	Increasing Solar Module Producers
8	Developing LED Front-end Operations
9	Expanding LED Packaging and Equipment
10	Creating Local Solid State Lighting Champions
11	Building a Test and Measurement Hub
12	Expanding Wireless Communications and Radio Frequency Identification (RFID)
13	Growing Automation Equipment Manufacturing
14	Building Transmission and Distribution Companies
15	Building an Electrical Home Appliance Manufacturing Hub and International Distribution Network
16	Development of Balance of Systems for Solar Photovoltaics (PV)
17	Grow the Embedded Systems Industry
18	Enabling Electric Vehicle Component Manufacturing
19	Supporting Regional Rail MRO Services via Electrical and Electronics Component Manufacturing
20	Enabling Industries through Nanotechnology
	Business Services
1	Growing Aviation MRO Services
2	Building Globally Competitive Shared Services and Outsourcers
3	Positioning Malaysia as a World-Class Data Centre Hub
4	Jump starting a Vibrant Green Technology Industry
5	Nurturing Pure-Play Engineering Services
6	Developing Malaysia as a Shipbuilding & Ship Repair Hub

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No	Entry Point Projects
	Communications Content and Infrastructure
1	Nurturing Malaysia's Creative Content
3	Connecting 1Malaysia
4	Establishing E-Learning for Students and Workers
5	Launching E-Healthcare
6	Deepening E-Government
7	Ensuring Broadband for All
8	Extending Reach
9	Offering Smart Network
10	Extending the Regional Network
11	Track and Trace
	Education
1	Ramping Up Early Childhood Care and Education
2	Improving Early Childcare and Education Training
3	Scaling Up of International Schools
4	Expanding Private Teacher Training
5	Scaling Up Private Skills Training Provision
7	Building an Islamic Finance and Business Education Centre
8	Building a Health Science Education Discipline Cluster
9	Building an Advanced Engineering, Science and Innovation Discipline Cluster
10	Building a Hospitality and Tourism Cluster
11	EduCity@Iskandar
12	Championing Malaysia's Education Brand
13	Introducing Public-Private Partnerships in Education
14	Building a Games Development Cluster
15	Establishment of Branch Campuses
16	Establishment of Not-For-Profit Education Institutions
17	Transforming Malaysia into a Leading Accountancy Hub
	Agriculture
1	High-Value Herbal Products
2	Edible Bird's Nest Swiftlet Farming
3	Mini Estate Farming for Seaweed
4	Integrated Cage Farming
5	Cattle Integration in Oil Palm Estates
6	Replicating Integrated Zone for Aquaculture Model (IZAQs) to Tap Market for Premium Shrimp
7	Premium Fruits and Vegetables

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No	Entry Point Projects
8	Food Park
9	Introducing Fragrant Rice Varieties for Non-Irrigated Areas
10	Strengthening Productivity of Paddy Farming in MADA
11	Scaling up and Strengthening of Paddy Farming in Other Irrigated Areas
13	Dairy Clusters
14	Seed Industry Development
17	Pasar Komuniti (PAKAR)
	Healthcare
1	Mandating Private Health Insurance for Foreign Workers
2	Creating Supportive Ecosystem to Grow Clinical Research
3	Malaysian Pharmaceuticals
4	Reinvigorating Healthcare Travel
5	Creating a Diagnostic Services Nexus
6	Developing a Health Metropolis: A World-Class Campus for Healthcare and Bioscience
7	Upscale Malaysia's IVD Industry - Mediven & Olipro
8	Build Malaysian Showcase on Next Generation of Core Single Use Device (SUD) Products
9	Become the Hub for High-Value Medical Devices Contract Manufacturing
10	Malaysian Clinical Device Champions - Sima Medical
11	Medical Equipment Supply Chain Orchestration - UWC Group of Companies
12	High-Value Medical Devices Manufacturing
13	Build Medical Hardware and Furniture Cluster - LKL
14	Renal Products - Fresenius, Lucenxia, Proligen
15	Mobile Healthcare Services
16	Institutional Aged Care
17	Retirement Villages

LIST OF BUSINESS OPPORTUNITIES

No	Business Opportunities
	Greater Kuala Lumpur/Klang Valley
1	Vitalising Putrajaya
3	Sewerage Non River
	Oil, Gas and Energy
1	Process Improvements
2	Economic Growth
	Financial Services
1	Investment Banking
2	Other Segments Including DFIs
3	Commercial Banking
4	Insurance and Takaful
5	Asset and Wealth Management
6	Islamic Banking
	Wholesale and Retail
1	Organic Growth
	Palm Oil and Rubber
1	Expansion of Plantation Land Bank
2	Development of Existing Downstream Activities
3	Development of National Biodiesel Activities
	Tourism
1	Food and Beverage Outlets
2	Local Transportation
3	Tour Operator Segment

more on next page

continued from previous page

No	Business Opportunities
	Communications Content and Infrastructure
1	Fixed Services
2	Mobile Services
3	Courier, Post and Broadcast
4	Regional Operations
	Education
1	Discipline Clusters to Support NKEAs
2	Centre for Excellence in Language Learning
	Agriculture
3	Ornamental Fish Farming
4	Aquaculture Feed Mill
5	Aquaculture Export Centre
6	Snacks Industry
7	Free-Range Chicken Farming
8	Button Mushroom Farming
10	Foreign Direct Investment in Herbal Products
11	Snack Food Industry/Country Food Facilities

GLOSSARY OF TERMS

AAIM	Automotive After-sales Industry Malaysia
AAM	Automobile Association of Malaysia
AIM	Agensi Inovasi Malaysia – National Innovation Agency
ACD	Asia Cooperation Dialogue
AeU	Asian e-Learning University
ASB	Amanah Saham Bumiputera
ATOM	Automotive Workshop Modernisation
AWLU	Asian Women's Leadership University
BB	Bukit Bintang
BBB	Big Box Boulevards
BCC	Bumiputera Corporate Champions
BLESS	Business Licensing Electronic Support System
BNM	Bank Negara Malaysia - Central Bank of Malaysia
BMI	Business Monitor International
BOs	Business Opportunities
BPO	Business Process Outsourcing
BPR	Business Process Reengineering
CAGR	Compounded Annual Growth Rate
CCI	Communications Content and Infrastructure
CCAM	Creative Content Association of Malaysia
CCIG	Creative Content Industry Guild
CCM	Companies Commission of Malaysia
CGI	Computer-Generated Imagery
CIF	Cost, Insurance and Freight
CMDV	Centre for Market Discovery & Validation
CME	Chicago Mercantile Exchange
CMSA	Capital Markets and Services Act 2007
CNIIs	Critical National Information Infrastructures
COE	Centre of Excellence
CRC	Clinical Research Centre
CRM	Clinical Research Malaysia
CSL	Competition, Standards and Liberalisation
DBKL	Dewan Bandaraya Kuala Lumpur - Kuala Lumpur City Hall
DC	Data Centre
DCA	Department of Civil Aviation
DESB	DreamEdge Sdn Bhd
DEZ	Dedicated Entertainment Zones
DMO	Delivery Management Office
DoA	Department of Agriculture
DoF	Department of Fisheries
DSN	Diagnostic Services Nexus
DVS	Department of Veterinary Services
E&E	Electrical and Electronics
E&P	Exploration and Production
EASA	European Aviation Safety Authority
EBN	Edible Bird's Nest
ECCE	Early Child Care and Education
ECERDC	East Coast Economic Regional Development Council
EMGS	Education Malaysia Global Services
EOR	Enhanced Oil Recovery
EPF	Employees Provident Fund
EPMS	Energy Performance Management System
EPPs	Entry Point Projects
EPU	Economic Planning Unit
ETF	Exchange Traded Funds
ETP	Economic Transformation Programme
EXIM	Export and Import Bank of Malaysia Bhd
F&B	Food and Beverage
F1	Formula 1
FAMA	Federal Agriculture Marketing Authority
FCPO	Crude Palm Oil Futures
FDI	Foreign Direct Investment
Felda	Federal Land Development Authority
FFBs	Fresh Fruit Bunches
FINAS	National Film Development Corporation Malaysia
FiT	Feed-in Tariff
FRIM	Forest Research Institute of Malaysia
FRISB	Felda Rubber Industries Sdn Bhd
FTZ	Free Trade Zones
GAP	Good Agriculture Practices
GASAC	Government Accounting Standards Advisory Board
GBI	Green Building Index
GDP	Gross Domestic Product
GE	General Electric
GFMAS	Government Financial Management and Accounting System
GHIAL	GMR Hyderabad International Airport Limited
GIFT	Global Incentives For Trading
GLC	Government-linked Company
GLICs	Government-linked Investment Companies
GMP	Good Manufacturing Practices
GNI	Gross National Income
Greater KL/KV	Greater Kuala Lumpur/Klang Valley
GreenTech Malaysia	Green Technology Corporation
GST	Goods and Service Tax
GTFS	Green Technology Funding Scheme
GTP	Government Transformation Programme
HCD	Human Capital Development
HDC	Halal Industry Development Corporation
HDO	Herbal Development Office
HR	Human Resources
IAGTO	International Association of Golf Tour Operators
IAOP	International Association of Outsourcing Professionals
IBFIM	Islamic Banking and Finance Institute Malaysia
ICs	Integrated Circuits
ICIFE	International Council of Islamic Financial Educators
ICON	Integrated Content Development Programme
ICT	Information Communications Technology
ICU	Implementation Coordination Unit
IILM	International Islamic Liquidity Management Corporation

IIUM	International Islamic University Malaysia
ILMIA	Institute of Labour Market Information and Analysis
INTAN	National Institute of Public Administration
INTI	INTI International University
IP	Intellectual Property
IPO	Initial Public Offering
IRB	Inland Revenue Board
IRDA	Iskandar Regional Development Authority
IT	Information Technology
IVDs	Intravenous Devices
IWG	Industry Working Group
IZAQs	Integrated Zone for Aquaculture Models
JANM	Jabatan Akauntan Negara Malaysia - Accountant-General's Department of Malaysia
JCorp	Johor Corporation
JKR	Department of Works
JPA	Public Service Department
JV	Joint Venture
KeTTHA	Ministry of Energy, Green Technology and Water
KLCC	Kuala Lumpur City Centre
KLIUC	Kuala Lumpur Infrastructure University College
KLK	KL Kepong
KLRCA	Kuala Lumpur Regional Centre of Arbitration
KPI	Key Performance Index/Indicator
KPJ	Kumpulan Perubatan Johor
KPO	Knowledge Process Outsourcing
KRS	Konsortium Rangkaian Serantau Sdn Bhd
KVMRT	Klang Valley Mass Rapid Transit
kWh	Kilowatt-hour
KWSP	Kumpulan Wang Simpanan Pekerja
LED	Light Emitting Diode
LPG	Liquified Petroleum Gas
LTE	Long-Term Evolution
MADA	Muda Agricultural Development Authority
MAE	MAS Aerospace Engineering
MAHB	Malaysia Airport Holdings Bhd
MAMPU	Malaysian Administrative Modernisation and Management Planning Unit
MARA	Majlis Amanah Rakyat
MARDI	Malaysian Agricultural Research and Development Institute
MAS	Malaysia Airlines
MATRADE	Malaysia External Trade Development Corporation
Mbps	Megabits-per-second
MCMC	Malaysian Communications and Multimedia Commission
MDCA	Malaysian Data Centre Alliance
MDeC	Multimedia Development Corporation
MDTCC	Ministry of Domestic Trade, Cooperatives and Consumerism
MEF	Malaysian Employers Federation
MEPS	Malaysian Electronic Payment System Sdn Bhd
MGTA	Malaysian Golf Tourism Association
MGTC	Malaysian Green Tech Corporation
MHTC	Malaysian Healthcare Travel Council
MIA	Malaysian Institute of Accountants
MICE	Meetings, Incentives, Conventions and Exhibitions
MIDA	Malaysian Investment Development Authority
MiGHT	Malaysian Industry-Government Group for High Technology
MITI	Ministry of International Trade and Industry
MMBH	Malaysia Mega Biodiversity Hub
MMHE	Malaysia Marine and Heavy Engineering Holdings Berhad
mmscfd	Million Standard Cubic Feet Per Day
mmstb	Million Barrels
MMU	Multimedia University
MNC	Multinational Company
MNPC	Malaysia Nuclear Power Corporation
MoA	Ministry of Agriculture and Agro-based Industry
MoE	Ministry of Education
MoF	Ministry of Finance
MoH	Ministry of Health
MoHR	Ministry of Human Resources
MOSTI	Ministry of Science, Technology and Innovation
MoU	Memorandum of Understanding
MoWFCD	Ministry of Women, Family and Community Development
MPAJ	Majlis Perbandaran Ampang Jaya
MPC	Malaysia Productivity Corporation
MPOB	Malaysian Palm Oil Board
MPRC	Malaysia Petroleum Resources Corporation
MPS	Majlis Perbandaran Selayang
MPSAS	Malaysia Public Sector Accounting Standards
MRB	Malaysian Rubber Board
MRO	Maintenance, Repair and Overhaul
MRT Corp	MRT Corporation Sdn Bhd
MRT	Mass Rapid Transit
MS	Malaysian Standard
MTAB	Majlis Tindakan Agenda Bumiputera - Bumiputera Agenda Action Council
MTAC	Malaysia Truly Asia Centre
mtpa	Million Tonnes Per Annum
mtpd	Metric Tonnes Per Day
MyCC	Malaysia Competition Commission
MyCEB	Malaysia Convention and Exhibition Bureau
MyCenTHE	Malaysia Centre of Tourism and Hospitality Education
MyClear	Malaysian Electronic Clearing Corporation Sdn Bhd
MyQuest	Malaysia Quality Evaluation System
NAPEI	National Association of Private Educational Institutions
NAV	Net Asset Value
NCIA	Northern Corridor Implementation Authority
NEAC	National Economic Advisory Council
NEM	New Economic Model
NGO	Non-Government Organisations
NHRC	National Human Resource Centre

NI-AIN	National Instruments Academy and Innovation Nucleus
NKEA	National Key Economic Area
NKRA	National Key Results Area
NMIT	Netherlands Maritime Institute of Technology
NOSS	National Occupational Skills Standard
NTDC	NCIA Technology Design Centre
NTEP	National Talent Enhancement Programme
NUMed	Newcastle University Medicine Malaysia
NWCC	National Wage Consultative Council
OEM	Original Equipment Manufacturer
OER	Oil Extraction Rate
OFSE	Oil Field Services and Equipment
OGE	Oil, Gas and Energy
OUM	Open University Malaysia
PAKAR	Pasar Komuniti
PCG	Petronas Chemical Group Berhad
PDS	Private Debt Securities
PEMUDAH	Special Taskforce to Facilitate Business
PIPC	Pengerang Integrated Petroleum Complex
PNB	Permodalan Nasional Berhad
POIC	Palm Oil Industrial Cluster
POS	Point of Sale
PPP	Public-Private Partnership
PSC	Production-sharing Contract
PTPTN	National Higher Education Fund
PV	Photovoltaics
RAPID	Refinery and Petrochemical Integrated Development
REP	Returning Expert Programme
RGT	Regasification Terminal
ROL	River of Life
RP-T	Residence Pass - Talent
SAM	Strand Aerospace Malaysia
SAMUR	Sabah Ammonia Urea
SC	Securities Commission
SEDA	Sustainable Energy Development Authority
SOCSO	Social Security Organisation
SPIKPA	Hospitalisation and Surgical Scheme for Foreign Workers
SRI	Strategic Reform Initiative
SSL	Solid State Lighting
TEVT	Technical Education and Vocational Training
TUKAR	Small Retailer Transformation Programme
TtT	Train-the-Trainer


GOVERNMENT OF MALAYSIA
MMC-GAMUDA
MRT
MASS RAPID TRANSIT
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