

Invest Malaysia 2023 Series 1: Strengthening Resilience & Sustaining Growth

15 March 2023



Invest Malaysia 2023 Series 1: Strengthening Resilience & Sustaining Growth was held on March 8, 2023, officiated by Prime Minister Dato' Seri Anwar Ibrahim. Co-hosted by Bursa Malaysia and Maybank, this event is the flagship event of the Malaysia capital market. The event featured five moderated sessions with four cabinet ministers and the Treasury Secretary General, packed with discussions on government policies across critical topic areas, covering the economy, federal government fiscal policies, the recently re-tabled 2023 Budget, trade, and the status of key infrastructure projects, particularly in the transportation and telecommunication sectors.

The following are the key highlights of the event:

Keynote address by The Honourable Prime Minister Dato' Seri Anwar Ibrahim

The government is fully committed in upholding ethical standards and has a strict zero-tolerance policy on corruption. The government is committed to support high value-added local startups from an early stage up until the listing on Bursa Malaysia. The Bursa Carbon Exchange is seen as vital for achieving a net-zero future, and the government is providing seed funding to jump-start its development. The government is committed to enhancing the Islamic finance ecosystem. To this end the Securities Commission Malaysia will extend the Waqf-Featured Fund Framework to include Islamic REITs and ETFs. The government is studying the possibility of a Capital Gains Tax on unlisted shares, but it will only be finalized after extensive stakeholder engagement. It will not be introduced on listed shares or unlisted shares disposed of for an approved IPO. Bursa Malaysia and the Securities Commission Malaysia will introduce the LEAP Market Transfer Framework to help companies migrate from the LEAP Market to the ACE Market. In addition, a new Recognised Approved Adviser Framework will expand the pool of advisers for the ACE Market. Bursa Malaysia will also be rolling out a Centralised Sustainability Reporting platform in collaboration with the London Stock Exchange Group to help companies calculate their carbon emissions impact and disclose standardised ESG data in line with global standards.

Session 1: "Strengthening Economic Resilience & Sustaining Development" by The Honourable Mr Mohd Rafizi Ramli, Minister of Economy

There is a sense of urgency to address the key structural issues in the economy, which, if not dealt with, will affect Malaysia's attractiveness as an investment destination. These issues require different approaches to handle. The government's immediate-term policy focus has been on supporting the most vulnerable segment of society, and at the same time, long-term economic frameworks to tackle structural issues are being worked out. The mid-term review of the 12th Malaysia Plan will give the government an opportunity to align the plan with its strategic focus. YB Rafizi believes that enough blueprints and frameworks are in place to tackle issues such as energy transition and digitalization of the economy, and the priority is to materialize them. Acknowledging fiscal constraints, the government will focus on reallocating resources in the most catalytic manner to strike a balance between growing the economy and doing it inclusively as possible. YB Rafizi believes that the government is on track to deliver a total of RM400bn development expenditure up to 2025 under the 12th Malaysia Plan. He emphasizes the importance of ensuring that the amount earmarked for development expenditure truly makes its way to development projects. Improving project delivery is one of the low-hanging fruits to achieve this.

Session 2: "Enhancing Malaysia's Competitiveness" by The Honourable Senator Tengku Datuk Seri Utama Zafrul Tengku Abdul Aziz, Minister of International Trade and Industry (MITI)

Malaysia recorded one of its highest investments (FDI/DDI) in 2022, although lower than in 2021, which was skewed by one or two sizable projects. The majority of the investments came from the service and manufacturing sectors, which created 140k jobs for Malaysians. The ICT sector saw an approved investment of RM85bn. The country is targeting a 20% growth in FDI/DDI for 2023. To sustain this growth, the government needs to focus on the right sectors and industries to create high-quality

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jobs and income. The competition is fierce, and effective economic policies and a whole-nation approach are necessary. The government is reviewing the industry master plan, which will be announced in the third quarter. Trade and investment contributed 38% to Malaysia's GDP in 2011 but declined to 27% in 2021, and the economy is increasingly reliant on consumption and government spending. To make economic growth more sustainable, it's crucial to focus on trade and investment, with execution being a key factor in achieving this goal. One of the reasons Tesla is coming to Malaysia is the established E&E sector, which supplies goods worth RM240m to the company. It should be noted that Malaysia is also the seventh-largest player in the semiconductor industry. On export markets, companies need to meet more stringent ESG export conditions, so MITI is launching an ESG framework for the manufacturing sector by early 2024.

Session 3: "Infrastructure Development for Sustainable Growth" by The Honourable Mr Anthony Loke, Minister of Transport (MOT)

Policies and regulations under MOT will be amended based on those that have been proven to work while allowing the market to determine the commercial value based on supply and demand.

For the aviation sector, the discussion surrounded (i) the 2023 Operating Agreement (OA) with Malaysia Airports Holdings Bhd (MAHB), (ii) the Subang Airport Regeneration Plan and (iii) airfares.

- (i) The OA will be restructured to allow more flexibility for the development of smaller airports and should be financially viable for MAHB.
- (ii) MAHB will have up to end-March to submit its business proposal on the regeneration plan of Subang Airport. Being mindful that the city airport is located in a mature development, the upgrade will be from 1.5 million passengers per annum (mppa) to 8 mppa on single runway. It will be positioned as a "green airport" that allows narrow body new generation aircraft with less noise pollution.
- (iii) While the Government take note for affordable airfare particularly for flights between East Malaysia and Peninsular Malaysia, prices will be set based on market forces. That said, MOT will ensure that flight capacity will be increased during festive seasons to ensure that airfare prices are within reach.

On maritime, the discussions were on:

- (i) Westport 2 expansion, which will increase capacity from 14 million TEUs to 27 million TEUs over the next 10 years.
- (ii) Development of the third port, which is the Pulau Carey deep sea port, will take 30 years once it is approved and will be carried out in four phases: Phase 1A (earliest by 2025), Phase 1B (in 2036), Phase 2 (in 2043) and Phase 3 (in 2052).
- (iii) Improving the competitiveness of Port of Tanjung Pelepas through enhanced efficiency such as faster turnaround times and competitive port tariffs.
- (iv) Bintulu Port's concession which expired in December 2022, is on interim concession that will last through June 2023. The federal government is in talks with the state government of Sarawak on its status particularly on the legislation as well as taking into consideration views from major stakeholders such as Petronas.
- (v) MOT is also reviewing the cabotage policy to implement exemptions again to reduce bottlenecks.

On land transport, major rail projects have been touched on:

- (i) Cost of Mass Rapid Transit 3 (MRT3) is expected to be trimmed to RM45 billion from RM50b billion through partnerships with the private sector and transit-oriented developments.
- (ii) The Johor Bahru-Singapore Rapid Transit System (RTS) Link Project is expected to be operational by 1 January 2027.
- (iii) The Bayan Lepas Light Rail Transit is being discussed between MOT and Penang state officials.
- (iv) The KL-Singapore High Speed Rail project will be under consideration for medium term implementation, which is expected to be funded by the private sector.

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Session 4: “Budget 2023 Highlights & Strengthening Fiscal Reform” by Datuk Johan Mahmood Merican, Secretary General of Treasury, Minister of Finance (MOF)

Tax measures will be done in a holistic manner. The ministry will focus on the measures that have been announced. One of which is the Capital Gains Tax on shares of unlisted companies but will be exempted for the disposal of shares through the method of initial public offering. Meanwhile, the Government will engage with the retail and tourism industry on the implementation of luxury goods tax on the definition and value. It will likely be in the form of additional Sales Tax. Other than broadening tax revenue, the Government will focus on more targeted subsidies. Among others, there will be rationalisation of electricity bill subsidies which is easier to implement compared to a targeted petrol subsidy, which will take more time to realise.

Session 5: “Developing a Thriving Digital Ecosystem” by YB Tuan Ahmad Fahmi Mohamed Fadzil, Minister of Communications & Digital

The review on Digital Nasional Berhad (DNB) is expected to be completed by end-March 2023. The government intends to achieve a comprehensive 5G coverage (50% population coverage as of end-2022 vs target of 80% by end-2023) and at an affordable price for the citizens. Several programs (JENDELA, USP fund) along with cooperations among all telco providers and Malaysian Communications and Multimedia Commission (MCMC) are expected to support longer-term innovation and efficiency gains as well as to resolve the pressing issues in the near term. Different strategies were explored to accelerate infrastructure deployment, in particularly the rural communities such as satellite technologies or in the form of cross subsidy structure, among others. Underpinned by the importance of data security, the government is also potentially looking at the restructuring of the national cybersecurity agencies to form what the government hope to be as the “National Cybersecurity Commission” to start enforcing better cybersecurity protocols and improved efficiency. Spectrum is a national asset and is a source of government revenue. The narrowing of infrastructure gap, safety and security to ensure a more robust personal data protection, stronger cybersecurity defenses and policies are some of the key focus areas as the government leads the nation towards a “golden digital decade”.

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