

Doing Business & Investing in Malaysia

CHOONG Yin Pheng
Global Markets, Kuala Lumpur
27th September 2018

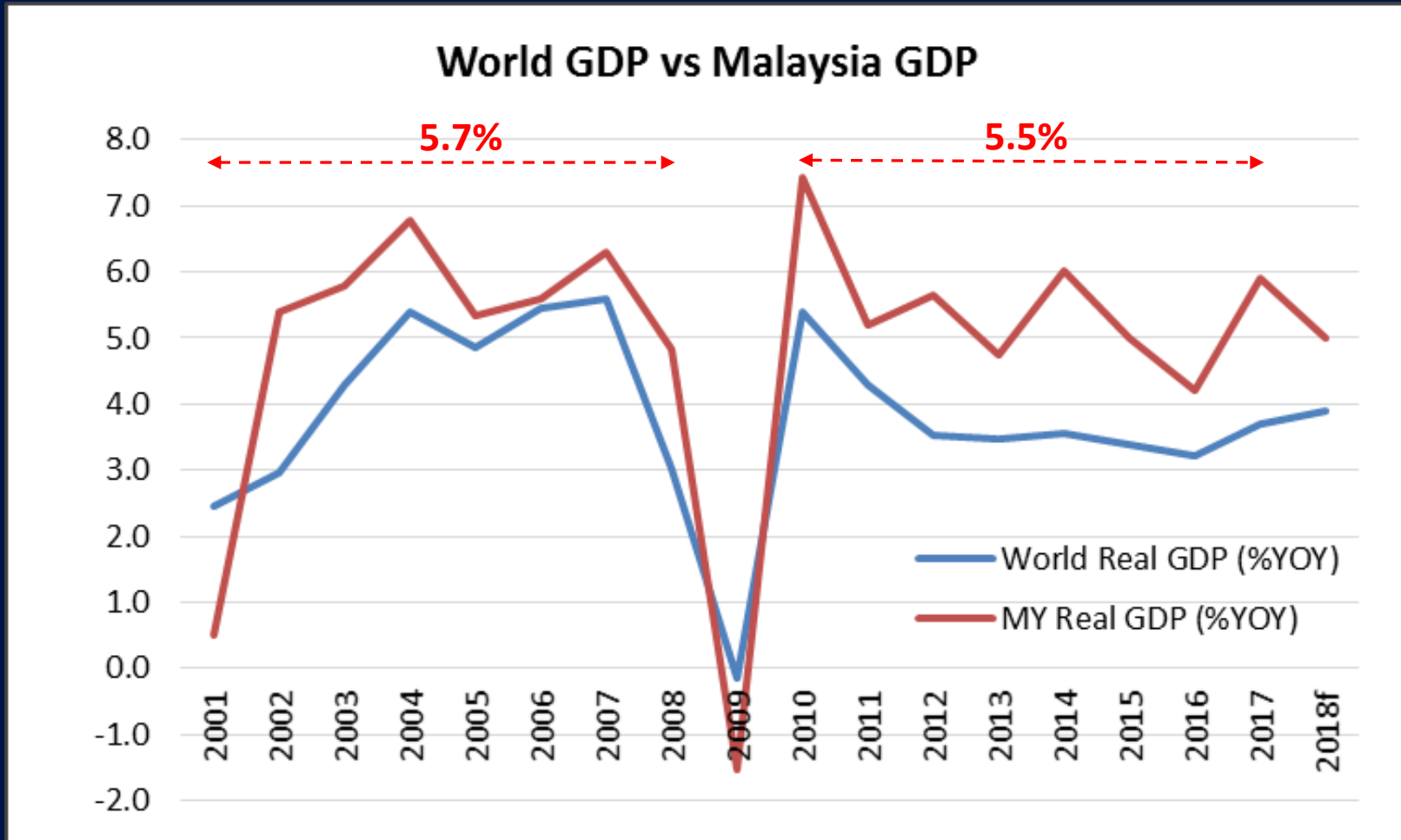
Malaysia – your country of choice/ business destination

- Why?
- Where/ Which?
- How?
- Who?

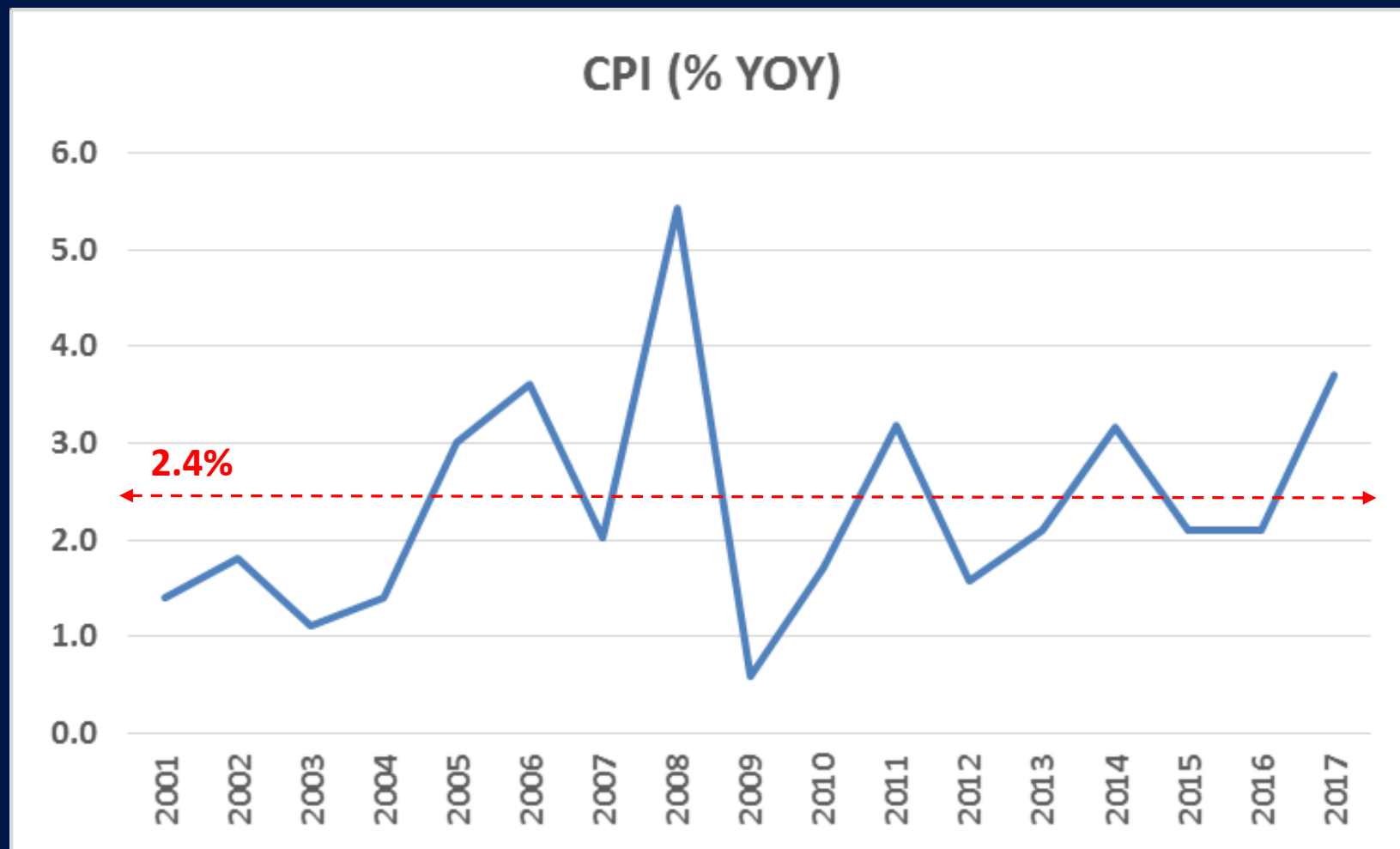
Hong Leong Bank Berhad Strategically located



Commendable & steady economic growth; above EM average



Well-contained inflation; below world and EM averages

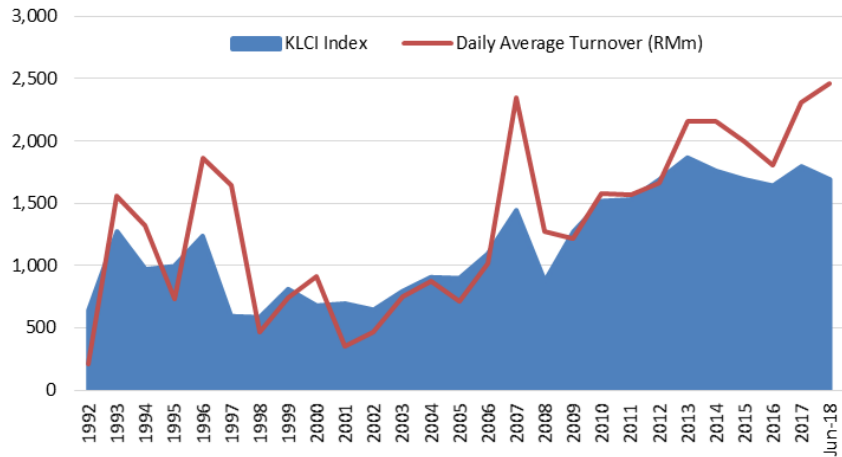


Healthy Labour market - Ample Workers

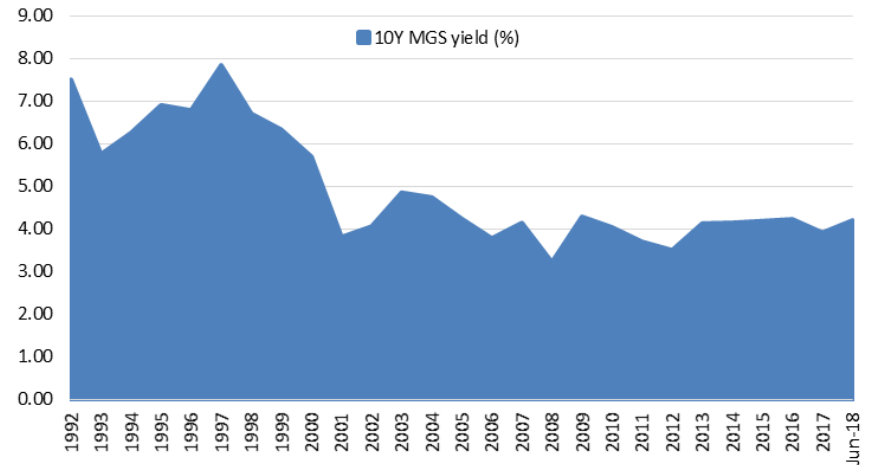


Relatively resilient financial markets

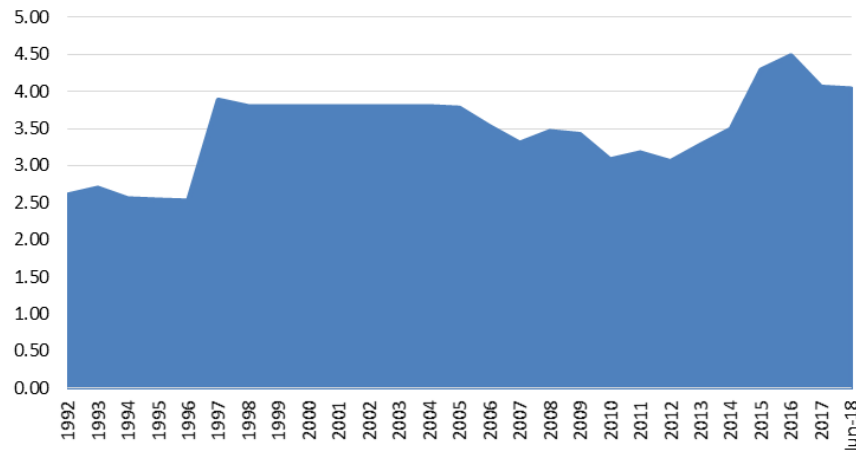
Equity Market Indicators



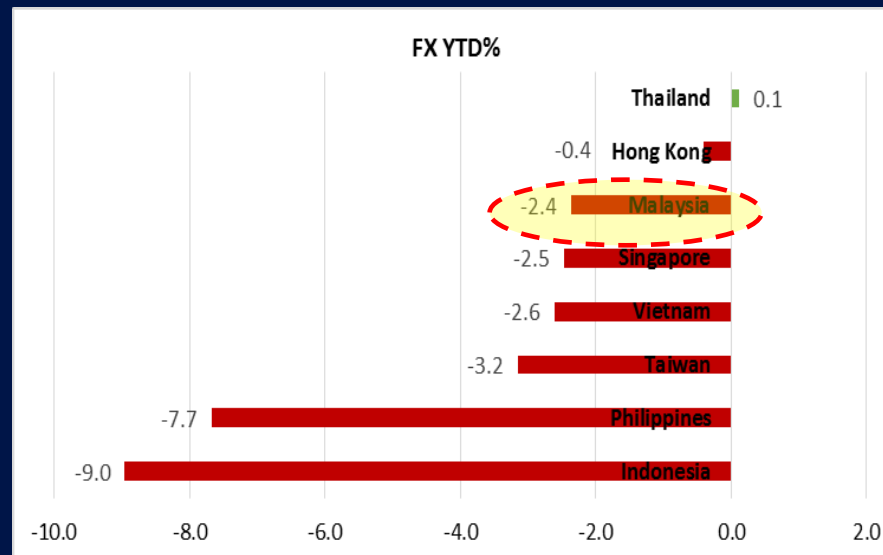
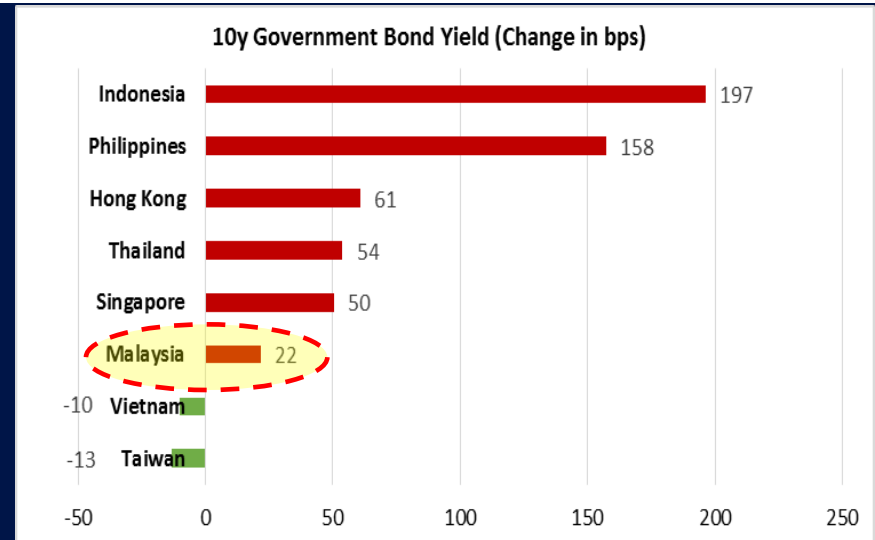
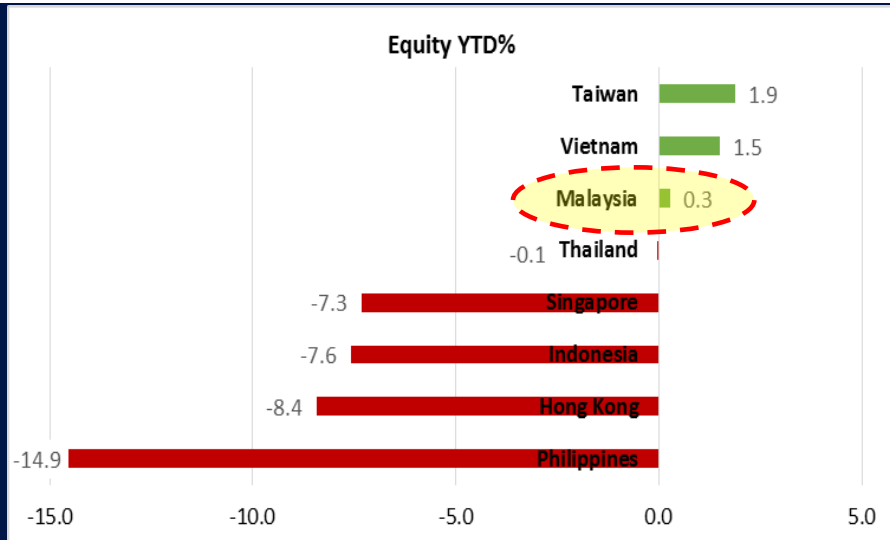
Bond Market - 10Y MGS yield (%)



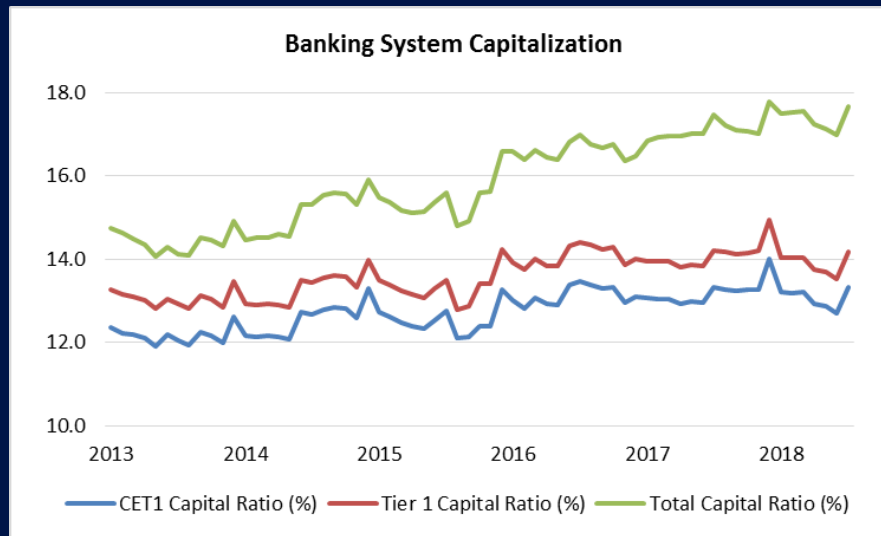
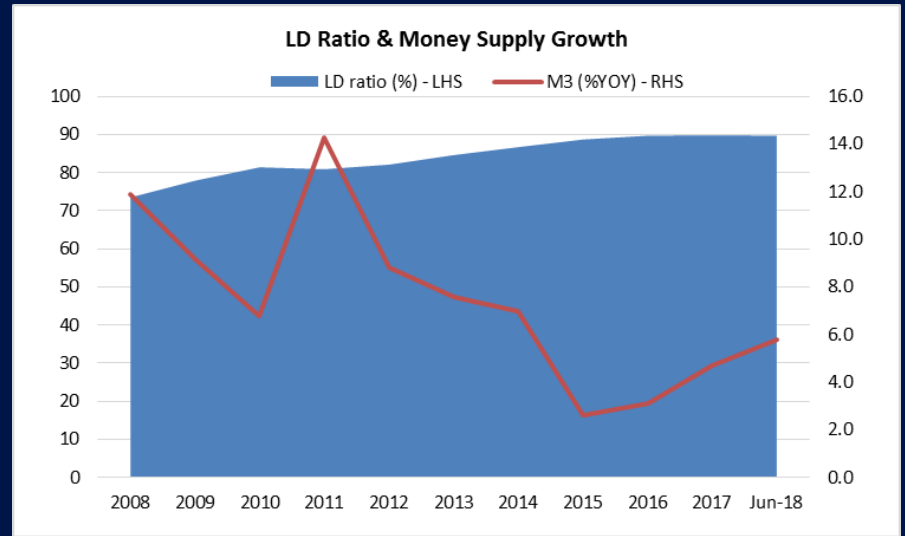
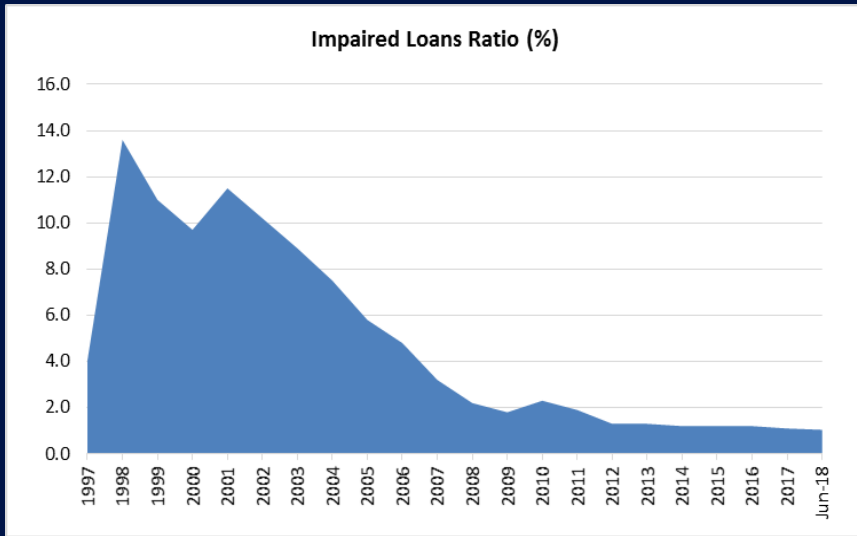
USDMYR



Financial markets – how does Malaysia fair?

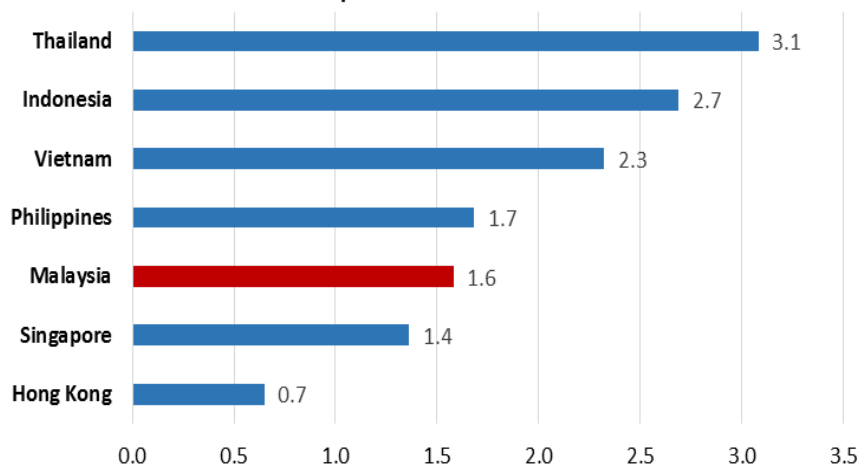


Sound and well-capitalized banking system

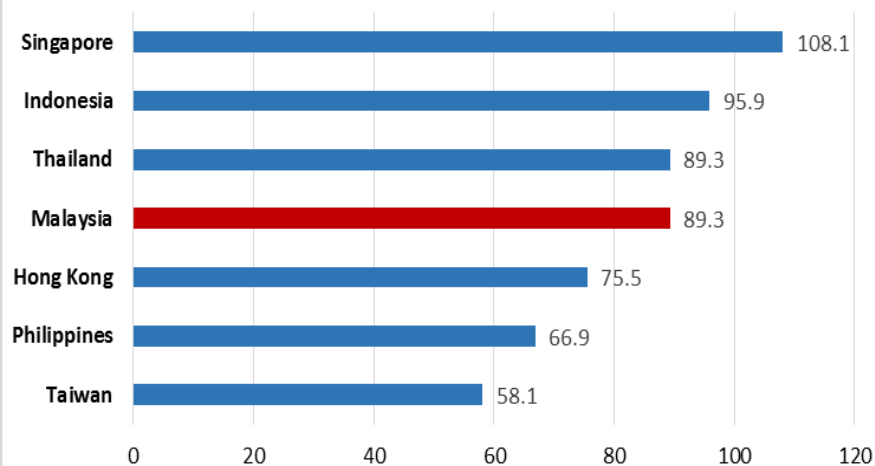


Banking system – regional comparison

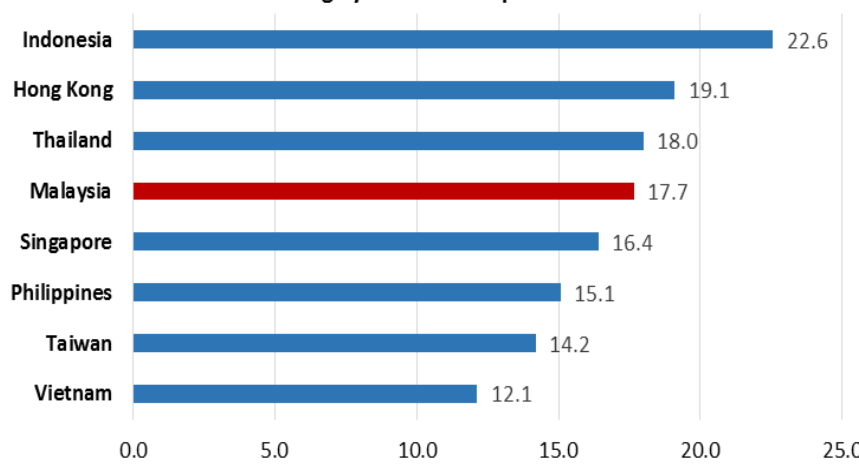
Impaired Loans Ratio %



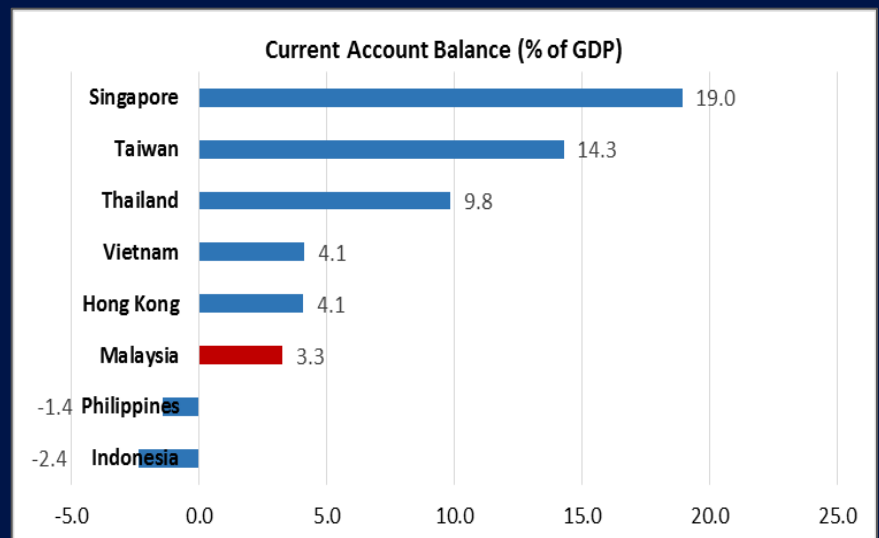
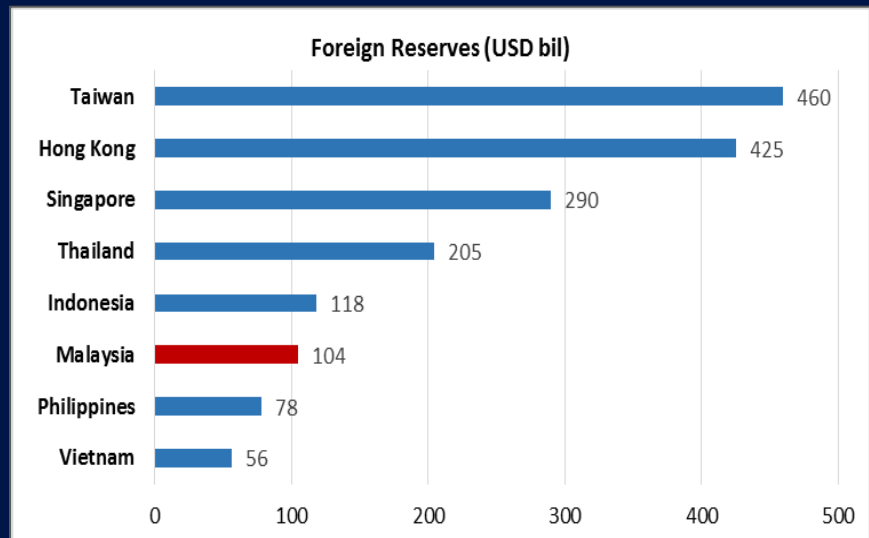
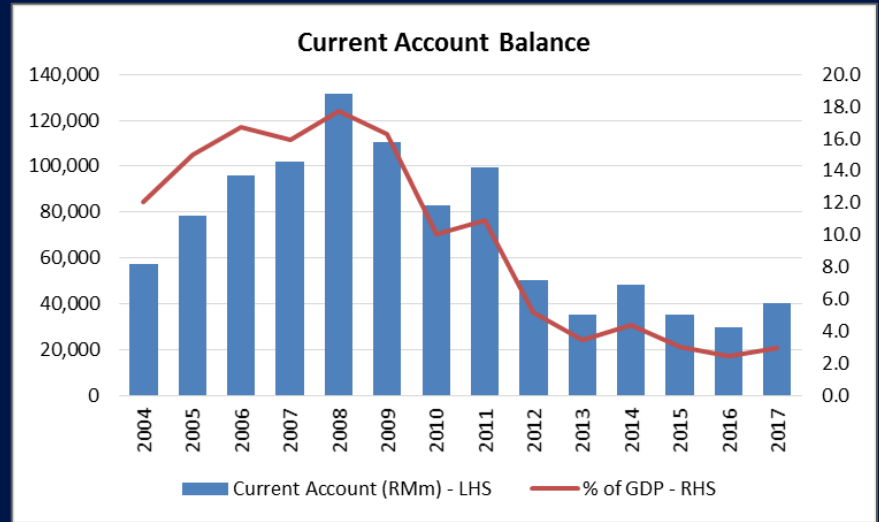
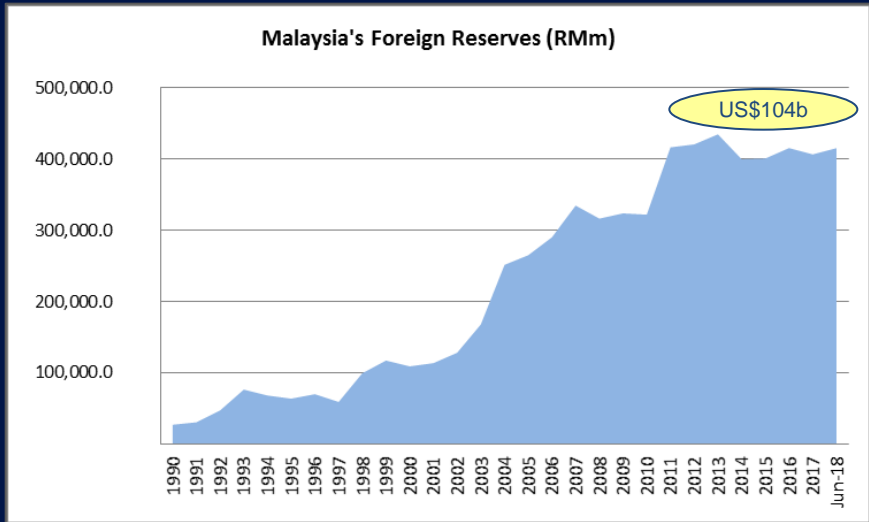
LD Ratio %



Banking System Total Capital Ratio %



Ample foreign reserves and current account surpluses



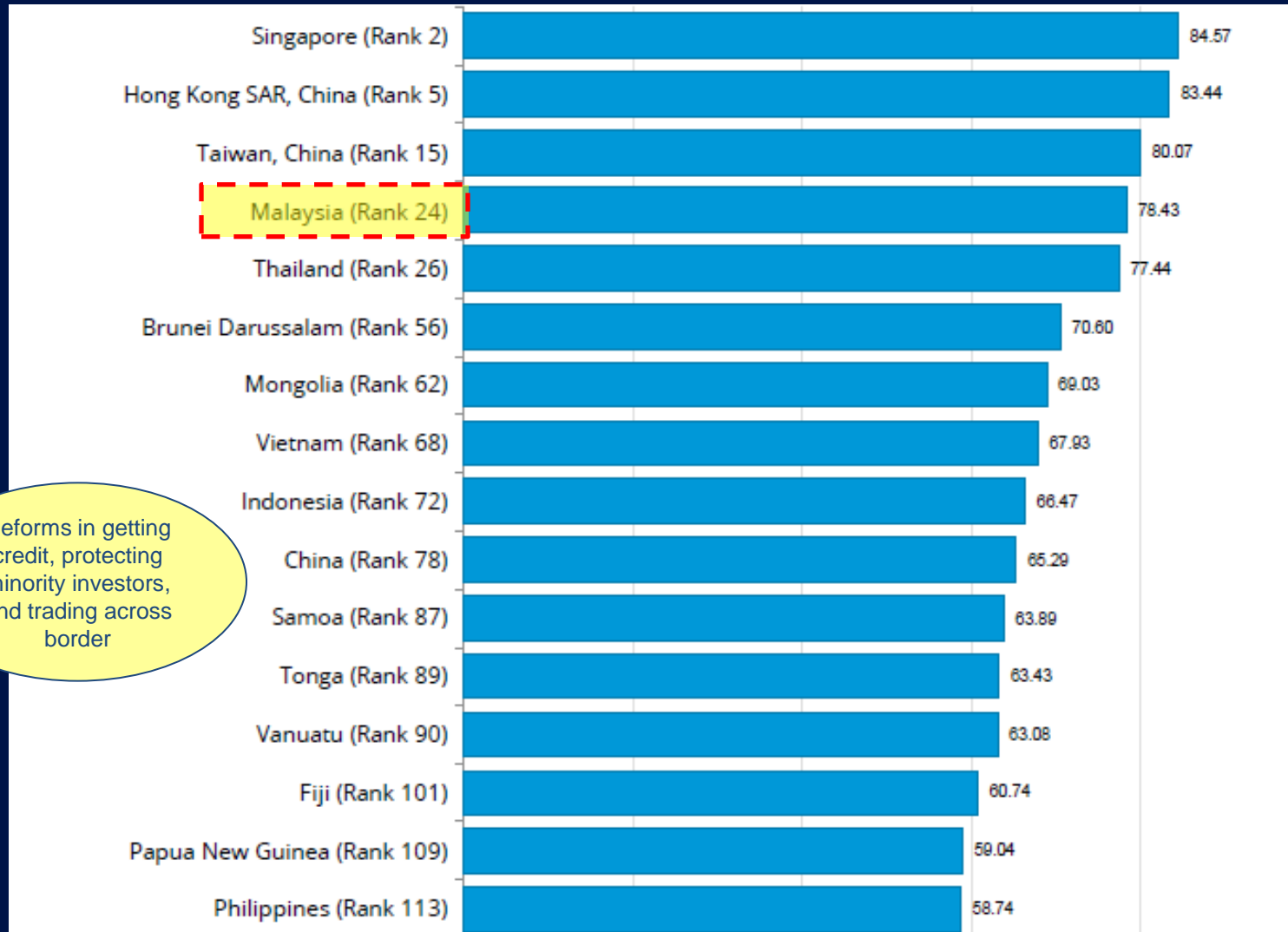
Competitiveness ranking - 2nd highest among ASEAN member countries; 22nd worldwide

2018	Country	2017	Change
1	USA	4	+3 ↑
2	Hong Kong SAR	1	-1 ↓
3	Singapore	3	-
4	Netherlands	5	+1 ↑
5	Switzerland	2	-3 ↓
6	Denmark	7	+1 ↑
7	UAE	10	+3 ↑
8	Norway	11	+3 ↑
9	Sweden	9	-
10	Canada	12	+2 ↑
11	Luxembourg	8	-3 ↓
12	Ireland	6	-6 ↓
13	China Mainland	18	+5 ↑
14	Qatar	17	+3 ↑
15	Germany	13	-2 ↓
16	Finland	15	-1 ↓
17	Taiwan	14	-3 ↓
18	Austria	25	+7 ↑
19	Australia	21	+2 ↑
20	United Kingdom	19	-1 ↓
21	Israel	22	+1 ↑
22	Malaysia	24	+2 ↑
23	New Zealand	16	-7 ↓
24	Iceland	20	-4 ↓
25	Japan	26	+1 ↑
26	Belgium	23	-3 ↓
27	Korea Rep.	29	+2 ↑
28	France	31	+3 ↑
29	Czech Republic	28	-4 ↓
30	Thailand	27	-3 ↓
31	Estonia	30	-1 ↓
32	Lithuania	33	+1 ↑

2018	Country	2017	Change
33	Portugal	39	+6 ↑
34	Poland	38	+4 ↑
35	Chile	35	-
36	Spain	34	-2 ↓
37	Slovenia	43	+6 ↑
38	Kazakhstan	32	-6 ↓
39	Saudi Arabia	36	-3 ↓
40	Latvia	40	-
41	Cyprus	37	-4 ↓
42	Italy	44	+2 ↑
43	Indonesia	42	-1 ↓
44	India	45	+1 ↑
45	Russia	46	+1 ↑
46	Turkey	47	+1 ↑
47	Hungary	52	+5 ↑
48	Bulgaria	49	+1 ↑
49	Romania	50	+1 ↑
50	Philippines	41	-9 ↓
51	Mexico	48	-3 ↓
52	Jordan	56	+4 ↑
53	South Africa	53	-
54	Peru	55	+1 ↑
55	Slovak Republic	51	-4 ↓
56	Argentina	58	+2 ↑
57	Greece	57	-
58	Colombia	54	-4 ↓
59	Ukraine	60	+1 ↑
60	Brazil	61	+1 ↑
61	Croatia	59	-2 ↓
62	Mongolia	62	-
63	Venezuela	63	-

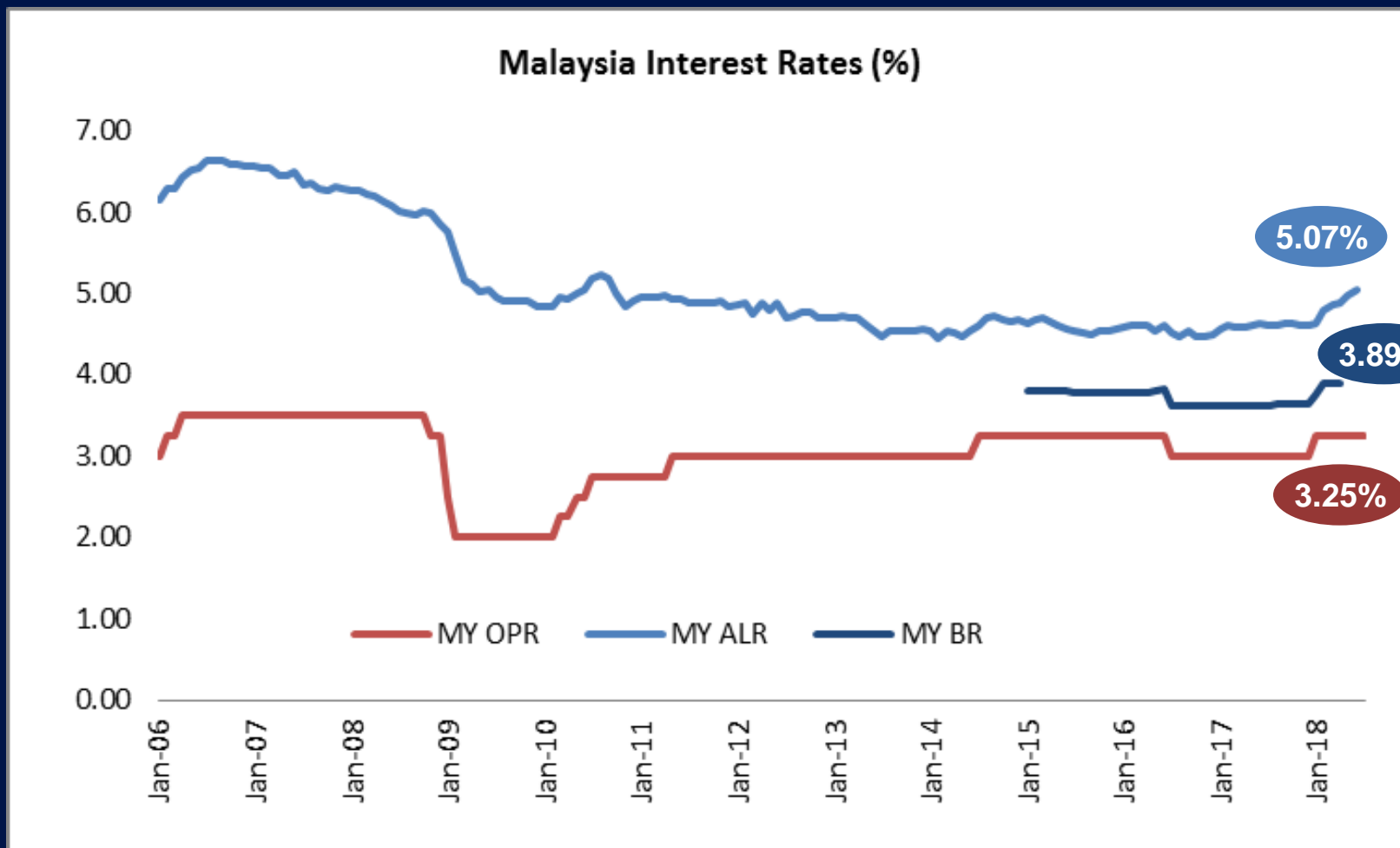
Source: IMD World Competitiveness Center

Ease of Doing Business – 2nd among ASEAN; 24th worldwide

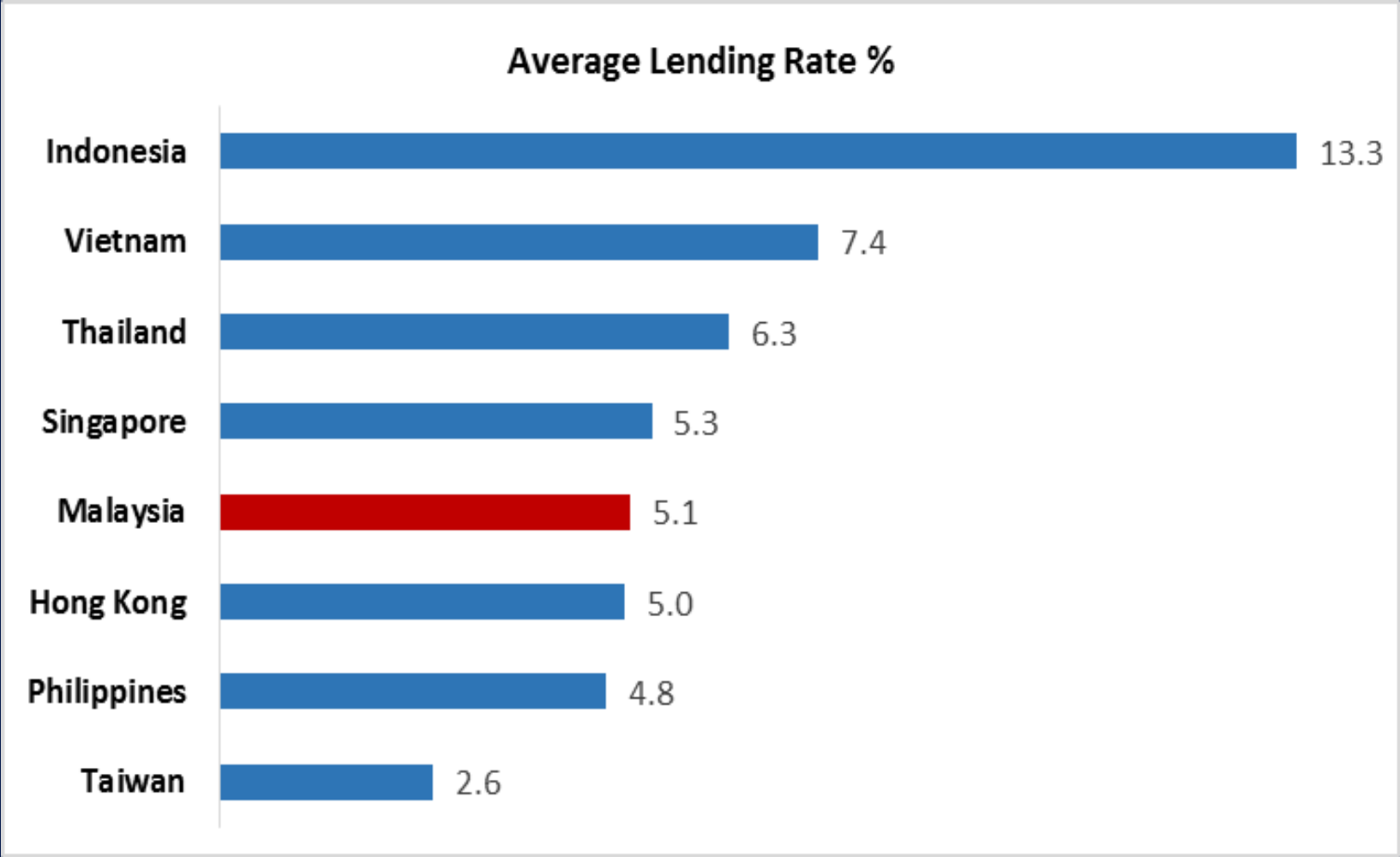


Reforms in getting credit, protecting minority investors, and trading across border

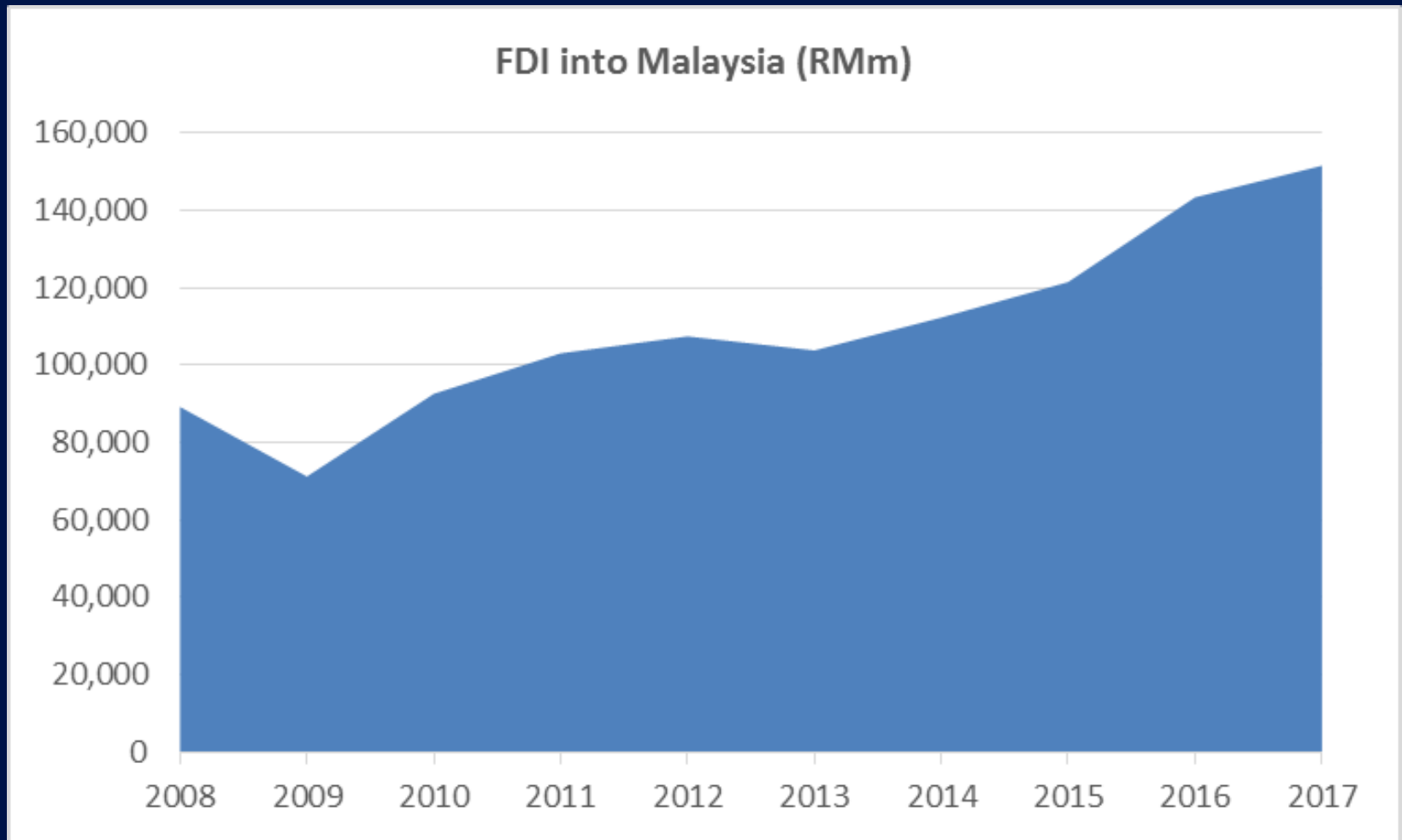
Cost of Doing Business - Relatively Low



Cost of Doing Business - Regional Comparison



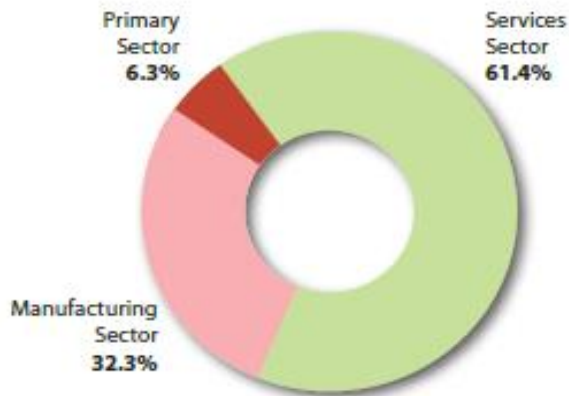
FDI – on an upward trajectory



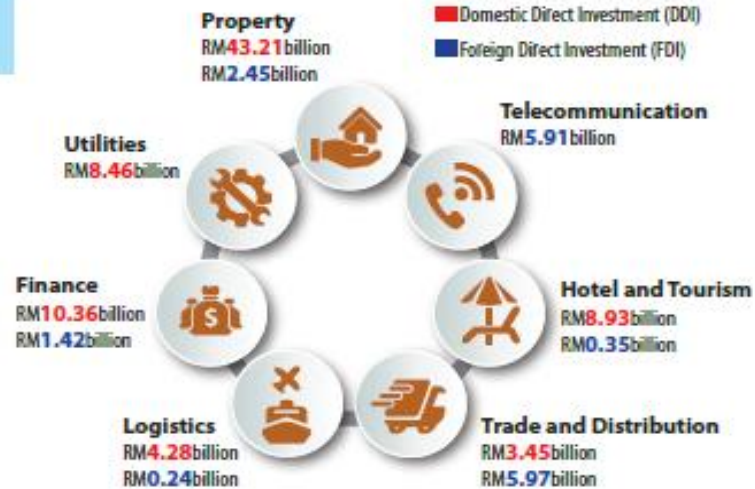
Total approved investment – dominated by services sector

INVESTMENTS

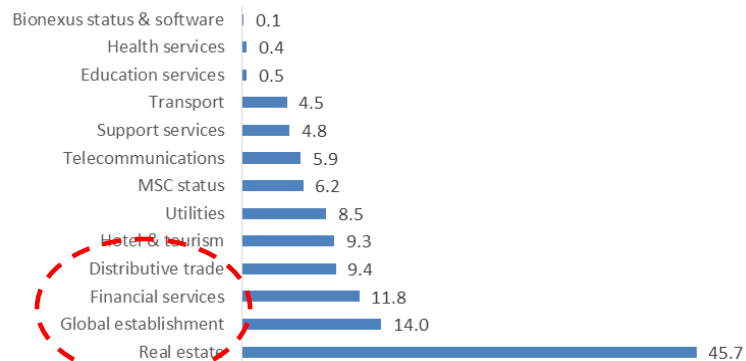
SERVICES CONTINUED TO DOMINATE APPROVED INVESTMENTS IN 2017



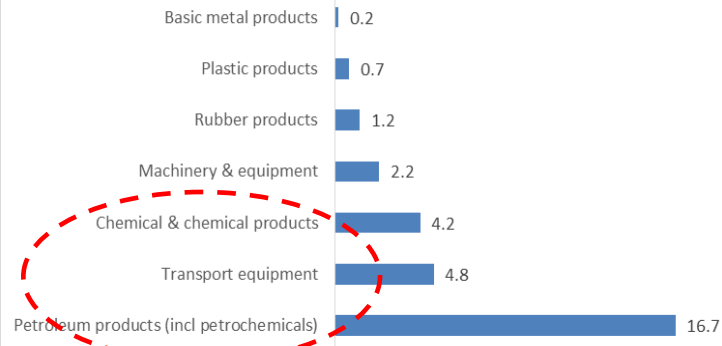
APPROVED INVESTMENTS IN SERVICES SECTOR IN 2017



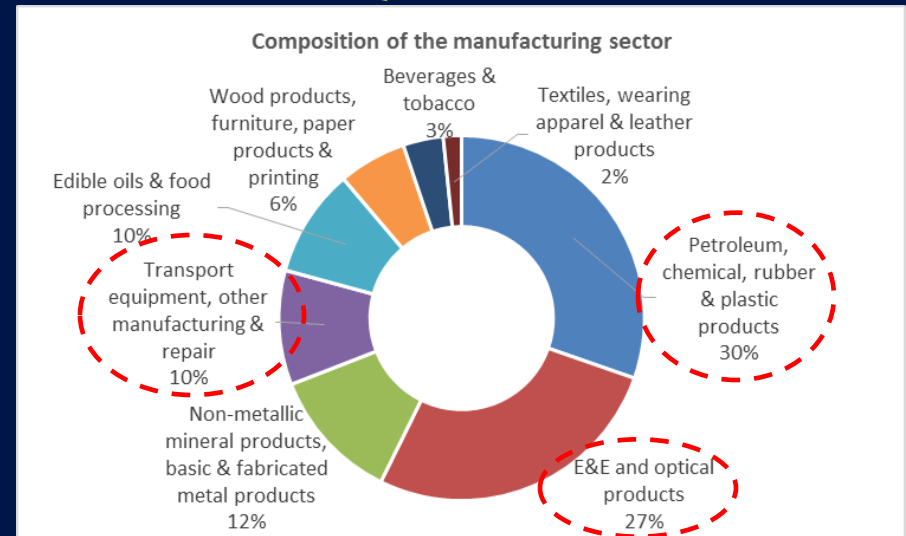
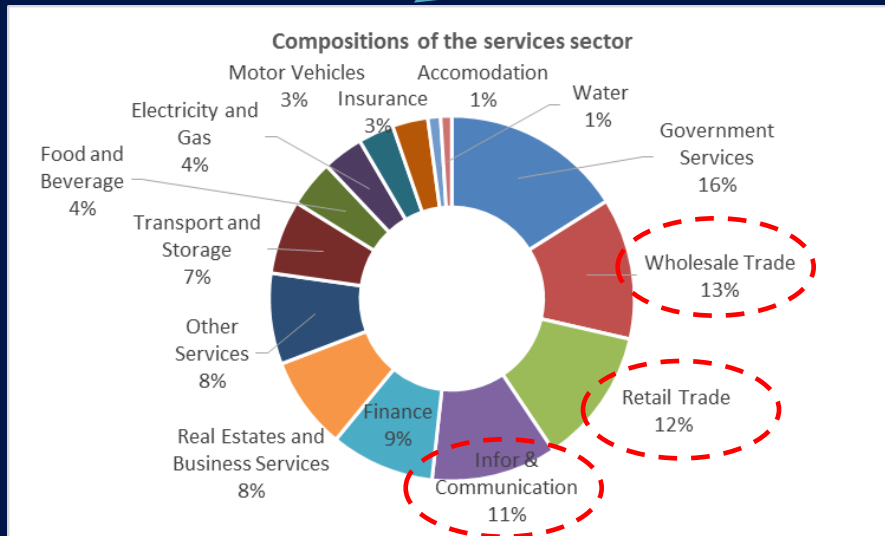
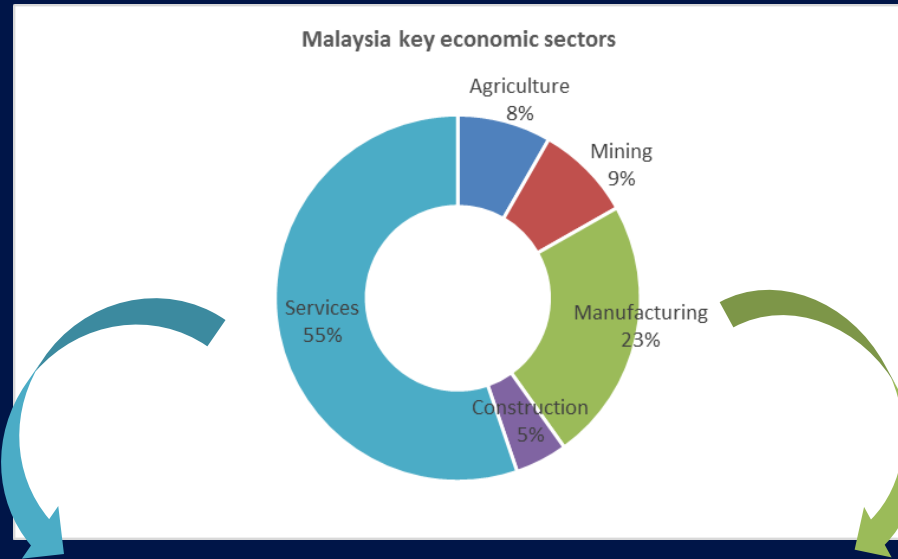
Services - Approved Investment (RMb), 2017



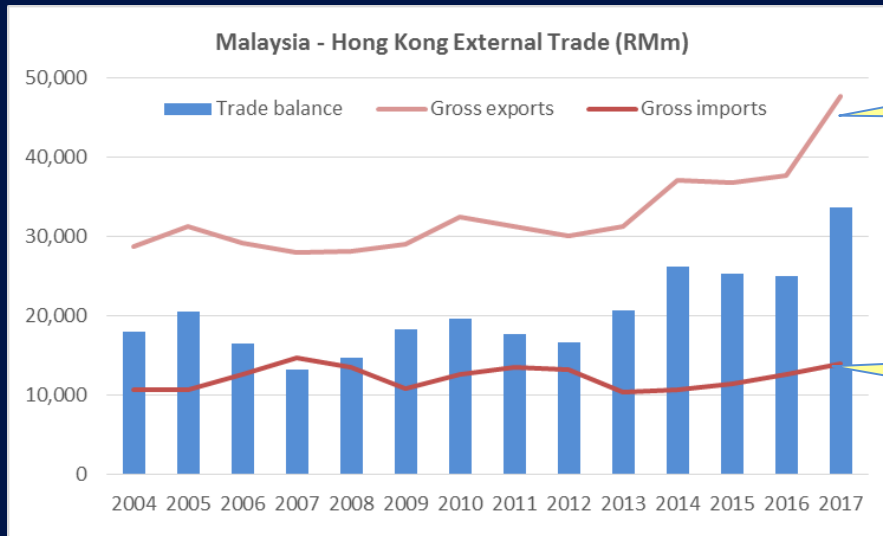
Manufacturing - Approved Investment (RMb)



Key contributing sectors of the Malaysian economy

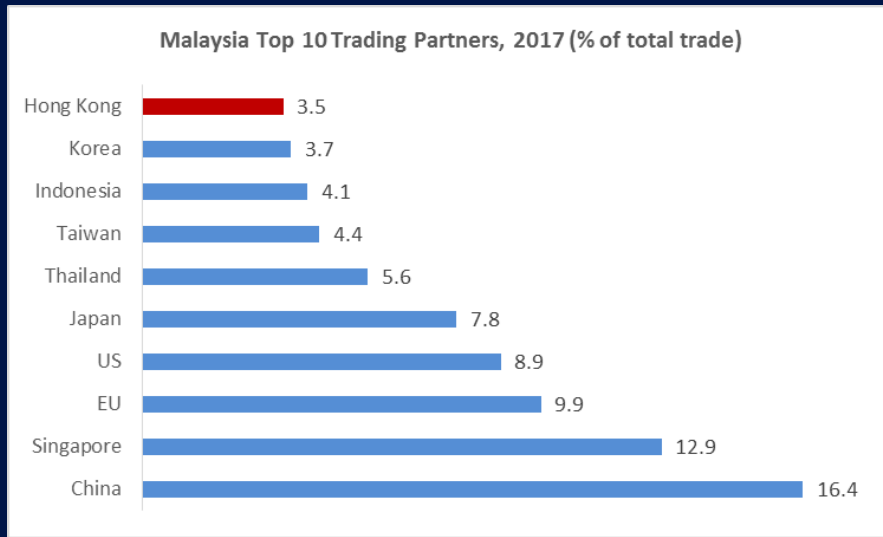


Hong Kong - Malaysia Trade Ties



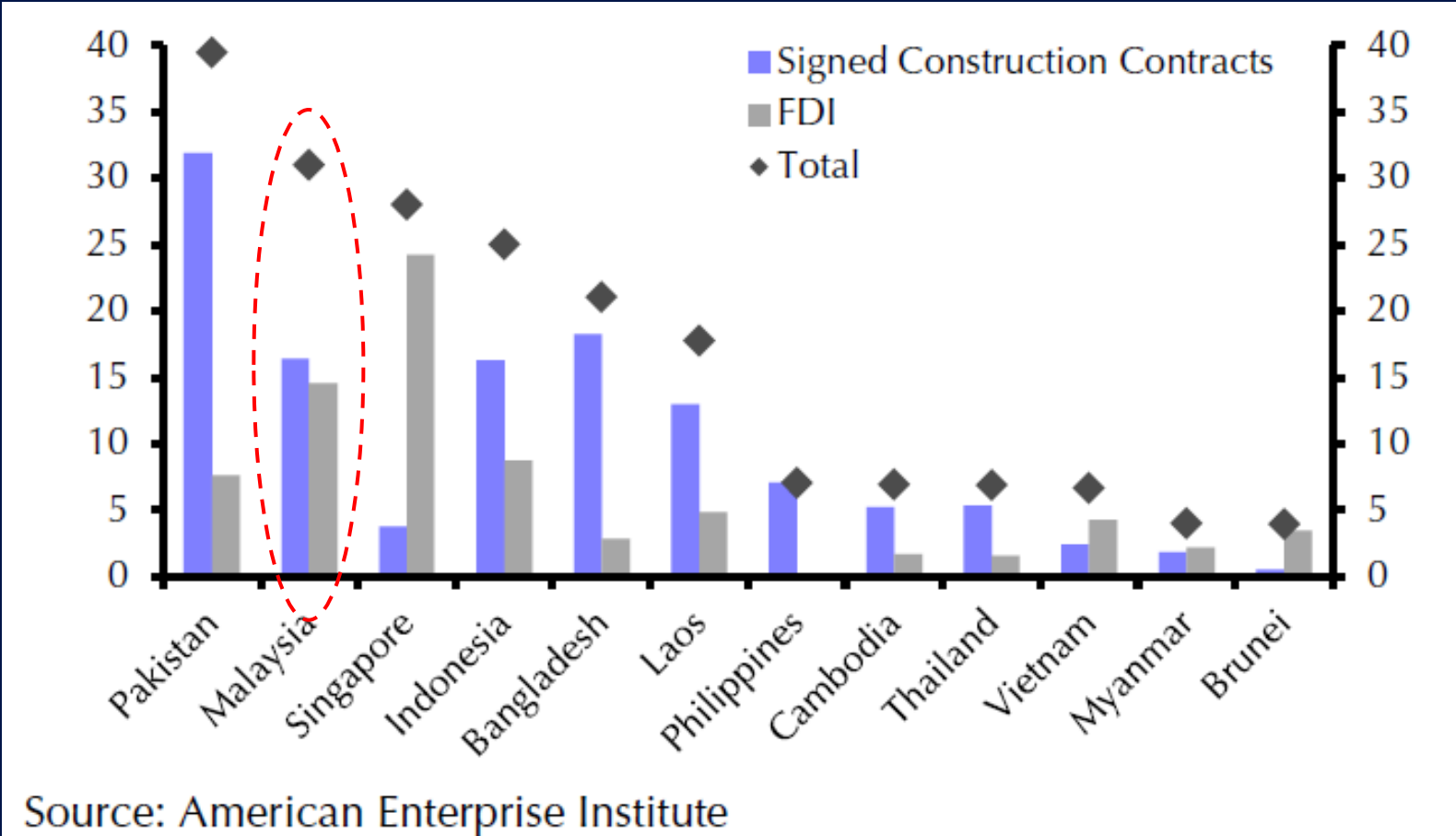
ICs (65%)
Semicond devices (9%)
Computers (4%)
Office machine parts (3%)
Phones (3%)

ICs (19%)
Broadcasting equipment (9%)
Telephones (6%)
PCBs (5%)
Computers (4%)



Malaysia ranks high in Chinese Belt & Road investment

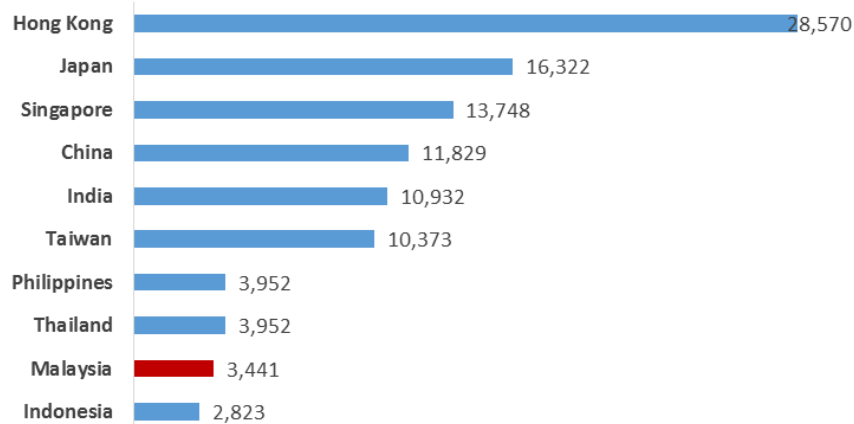
(US\$bn)



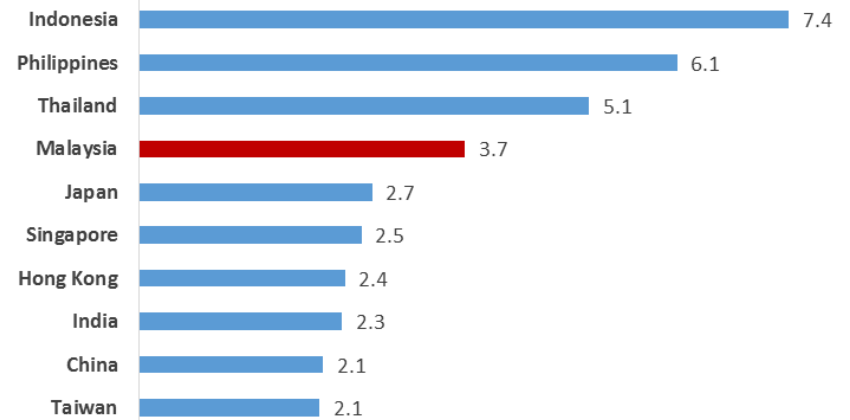
Source: American Enterprise Institute

Property Investment – Always a favorite for HK ?

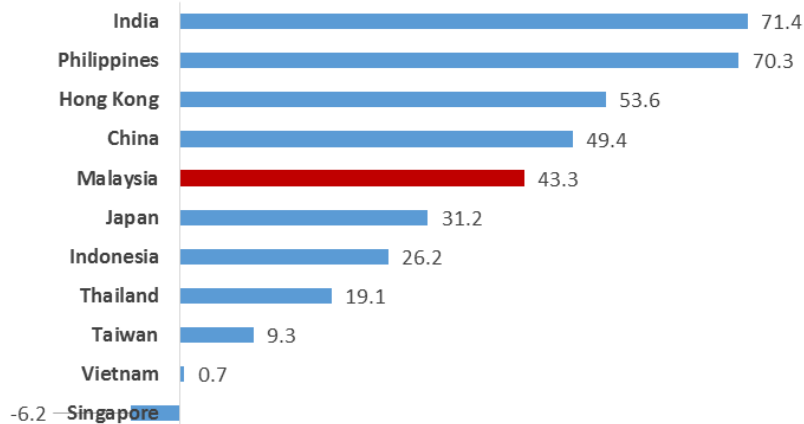
Price (US\$/sqm)



Gross rental yields (%)



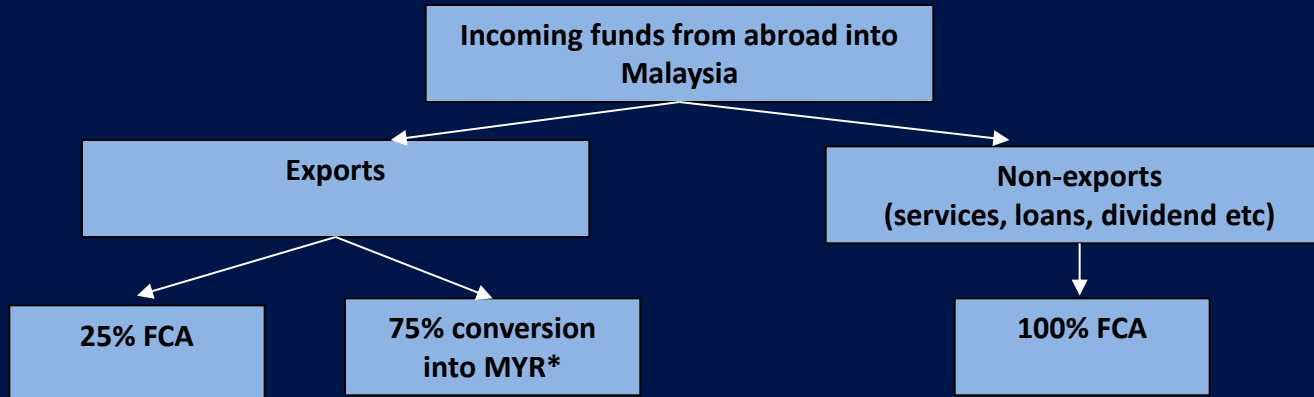
5Y Capital Gains (%)



Disposal of property	Malaysia citizen & PR	Non-Citizens & Non-PR	Companies
Disposal within 3 years from the date of property purchase	30%	30%	30%
Disposal in 4 th year	20%	30%	20%
Disposal in 5 th year	15%	30%	15%
Disposal in 6 th year and subsequent year	0%	5%	5%

Source: Global Property Guide

Foreign Exchange Administration Rulings (FEAR) : In and Out Both Possible



* If client can provide documents (invoice) showing FC obligation, can keep the funds in FC up to the amount stated in the documents

Example: US\$100k incoming,

- | | | |
|-----------------------------|---|-------------------------------------------------------|
| (a) No import invoice | > | Client keeps 25% in FCA, 75% convert into MYR |
| (b) Import Invoice US\$60k | > | Client keeps US\$60k in FCA, US\$40k convert into MYR |
| (c) Import Invoice US\$100k | > | Client keeps all US\$100k in FCA |

~~Instruction Letter from authorized signatories~~

Hedging

(a) Client is allowed to hedge import/ loan repayment (Bank sell USD) up to 6 months; beyond 6 months > need BNM prior approval

(b) Client (exporter) is allowed to hedge (Bank buy USD) up to 6 months from shipment date; beyond 6 months > need BNM prior approval

HK customers can pay/ receive in MYR terms

Appointed Overseas Office (AOO) – HLB Hong Kong

Opportunities from ASEAN + HK FTA?

Scope of the FTA:

- ✓ Trade in goods
- ✓ Trade in services
- ✓ Investment
- ✓ Economic & technical cooperation
- ✓ Intellectual property
- ✓ Dispute settlement

Potential benefits:

- ✓ Lower custom duties imposed by ASEAN and fewer restrictions will help improve overall competitiveness of Hong Kong in the international market
- ✓ Better and fairer investment protection
- ✓ Provide a platform for HK and ASEAN to extend its market reach
- ✓ Business opportunities offered by Belt & Road Initiative (BRI)



Malaysia-specific agreement:

1. Malaysia will eliminate custom duties on ~85% of tariff lines within 10 years; from as much as 35% currently

2. Products included:

- ✓ Apparel & clothing accessories
- ✓ Jewellery
- ✓ Machinery & electronics
- ✓ Watches & clocks
- ✓ Toys, games & sport requisites

3. Malaysia will allow an aggregate foreign interest of up to 30% or RM10m (US\$2.5bn) in value on M&A and takeovers, double WTO commitment of RM5m

4. Malaysia will open urban planning and landscape architectural services, and maritime freight forwarding services

Disclaimer

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad (“HLBB”) to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group (“HLB Group”). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in ‘market making’ of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.

Thank you!!

 HongLeong Bank