

MEDIA STATEMENT
Kuala Lumpur - 22 March 2007

ISKANDAR DEVELOPMENT REGION: INITIAL INCENTIVE AND SUPPORT PACKAGE

This statement is released by Iskandar Regional Development Authority (“IRDA”) following YAB Prime Minister, Dato’ Seri Abdullah Haji Ahmad Badawi’s announcement on the initial incentive and support package (“ISP”) for Iskandar Development Region (“IDR”) in his keynote address at Invest Malaysia 2007 on 22 March 2007.

Objective and scope of the Incentive and Support Package (“ISP”)

The development of IDR requires a substantial amount of investment given the bulk of the development is targeted to be undertaken over the next 15 years. Developing a comprehensive ISP to attract private investors to invest these monies over the short-to-medium term is critical to kick start the development of IDR. The ISP is structured to encourage early investment.

To spearhead the development of concentrated hubs within IDR, certain zones within the flagship zones in IDR which require investments of several billion ringgit in gross development value will be granted special incentives. The location of these zones and other details will be announced by IRDA in the third quarter of 2007. Two zones have been initially identified for such development by Khazanah Nasional Berhad (“Khazanah”). Khazanah, and subsequently the South Johor Investment Corporation Berhad (“SJIC”), is currently in the midst of finalising the investment of approximately RM4 billion for the first zone. Details are expected to be announced in the third quarter of 2007.

Development initiatives targeted in IDR

IDR will pay a special focus on the services sector, in line with the Government’s policy to increase focus on value-added and knowledge intensive activities in the country. Commercial development initiatives identified for the development of IDR would include activities approved by IRDA within six targeted sectors in IRDA-approved zones, referred to as qualifying activities. These six targeted sectors are amongst the six services-based pillars listed in the Comprehensive Development Plan (“CDP”), and are as follows:-

- (i) Creative industries
- (ii) Educational services
- (iii) Financial advisory and consulting services
- (iv) Healthcare services
- (v) Logistics services
- (vi) Tourism related activities

In order to be eligible for the ISP, companies must be approved by IRDA and carry out the qualifying activities in designated zones, for customers within the zone and outside Malaysia. These companies will be known as IRDA-status companies.

IRDA will release the detailed list of examples of qualifying activities in the third quarter of 2007, after further consultation with potential investors and relevant ministries.

Incentives available

IRDA-status companies will enjoy:-

- (i) Exemption from the Foreign Investment Committee rules;
- (ii) Freedom to source capital globally;
- (iii) The ability to employ foreign employees freely within the approved zones, depending on the amount of space occupied in these zones;
- (iv) Exemption from corporate income tax for a period of 10 years from commencement of operations for activities within the zone and outside Malaysia, provided these operations commence before the end of 2015; and
- (v) Exemption from withholding tax on royalty and technical fee payments to non-residents for a period of 10 years from commencement of operations.

Foreign knowledge workers in IDR will be able to import or purchase a duty free car for their personal use. This incentive is similar to that offered under the Malaysia My Second Home programme.

All incentives will be given subject to the applicant fulfilling certain criteria, which will be determined by IRDA. IRDA will be the authority which assesses the background of the applicant and endorses the application for submission to the relevant authorities. Detailed guidelines will be released by IRDA in due course.

In lieu of exemption from the Foreign Investment Committee rules, IRDA-status companies will be required to make a contribution to the Social Projects Fund. As outlined in the CDP, the fund will be administered by IRDA for social welfare development in IDR, including Bumiputra development. The nature of this contribution will be assessed and communicated by IRDA at the same time that the ISP entitlement is granted.

Whilst companies will be free to employ foreign employees in these zones, IRDA expects Malaysians to make up the large majority of the workforce. The CDP projects that 817,500 additional jobs will be created in the region in the period up to 2025. IRDA is confident that with this initial ISP, these projections are well within reach.

Companies undertaking activities in sectors other than the targeted sectors will continue to be eligible for the current incentives that exist in the country.

In view of the dynamic nature of the business environment, the Malaysian Government and IRDA will constantly be reviewing the incentives offered to ensure needs of investors and businesses are met, and that the package is globally competitive.

Issued by Iskandar Regional Development Authority (“IRDA”). For further clarification, please contact Wan Zalizan bin Wan Jusoh at +60193119762, e-mail at wanzalizan@irda.com.my, or Dr. Badrul Hisham Kassim at +0192637359, email at badrul.hisham@khazanah.com.my.

Background on IDR

IDR covers 2,217 square kilometres of land area, between Senai Airport and the Ports of Tanjung Pelepas and Pasir Gudang.

IDR is one of the key engines of growth identified under Ninth Malaysia Plan (“9MP”) for the development of the Malaysian economy. After a 12-month comprehensive study, IDR was officially launched on 4 November 2006. IRDA was established on 17 February 2007 under the IRDA Act 2007 (Act 664), to establish policies, direction and strategies, and acting as a one-stop centre to co-ordinate and facilitate the development of IDR. IRDA is committed in providing applicants an efficient response time and will look to set new benchmarks in this area.

Following the release of the CDP in November 2006, the plan was formally adopted by IRDA at its inaugural meeting in February 2007. The special purpose catalyst investment agency of the region, SJIC, is in advanced stages to commence operations in the middle of this year. In the meantime Khazanah is spearheading the evaluation and coordination of investments in catalyst projects in the region.

To demonstrate its long term commitment to develop the IDR, more than RM4 billion has been allocated by the Government under 9MP to build the hard infrastructure for the region such as new highways, sewerage systems and river cleaning, as well as soft infrastructure such as in the RM330 million allocation to enhance security.

Development will be initially focused in concentric circles in the waterfront areas around Johor Bahru and Nusajaya, and the logistics centres of Port of Tanjung Pelepas, Pasir Gudang and Senai Airport (please refer to map below). IDR’s unique ecological beauty and location of being near the southern tip of the Asian continent with easy access to logistics facilities makes it suitable for a global rim city to be developed within. IDR will have a special focus on services, such as the creative industries, education, financial advisory and consulting, healthcare, logistics and tourism. The development of IDR will be led by the private sector and foreign direct investments.



- A - JB City Centre**
- B - Nusajaya**
- C - Western Gate Development**
- D - East Gate Development**
- E - Senai / Skudai**