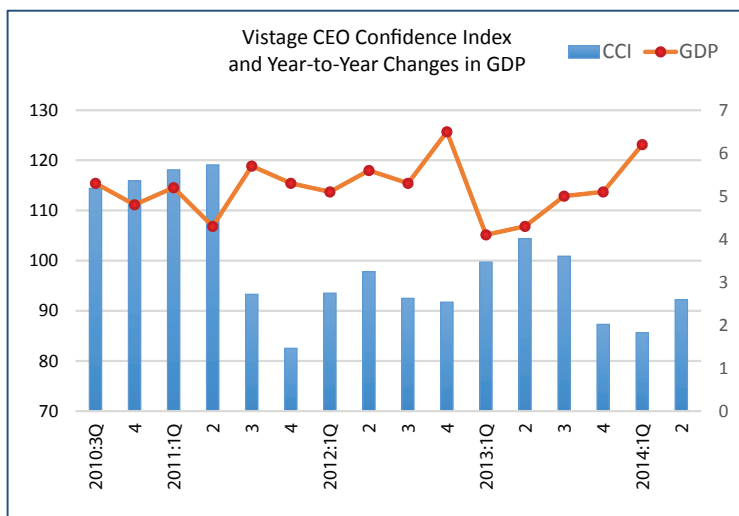


VISTAGE-MIER CEO Confidence Index

Surveying CEOs, Executives of small and mid-sized businesses since 2003

CONFIDENCE RETURNING SLOWLY

CEOs continued to remain concerned about the current state of the Malaysian economy, but they were more optimistic going forward. Still hovering below the 100-point threshold level of confidence, the Vistage-MIER CEO Confidence Index rose to 92.2 in 2Q2014, up from 85.6 a quarter ago but significantly down from 104.4 in the same period last year. 12% of the 388 CEOs were, however, confident that the nation's economy will perform better in the near term, compared to 11% in 1Q2014 and 35% in 2Q2013. Those who believed that the economy will worsen soon fell to 34% from 52% last quarter, but up from 16% a year ago.



More CEOs this quarter than 1Q2014 also expressed confidence that the prospects for their firms will improve soon. While 45% of the respondents will increase their firms' headcount within a year, 44% planned on expanding their capital investment as well. Expectations of higher profitability were also better this time than the prior quarter, with 46% responding positively. At 148, sales revenue was the only component index that scored lower than 1Q2014 (151), with more than half of the CEOs anticipating an increase here in the months ahead.

MALAYSIA FACES A MELT-UP

According to Bank Negara Malaysia, Malaysia's household debt recently rose to its highest in Asia of 86.8%, surpassing Singapore's 77.2%, Thailand 82.3% and South Korea's 86%. Coupled with the stock market, price of hard assets like property and the price of commodities like food going up, a majority of 79% thought that Malaysia is clearly in the loop of a melt-up.

CHINESE BOYCOTT ON MALAYSIAN GOODS AND SERVICES

With calls from various sectors in China for a boycott of Malaysian goods and services, namely tourism and property investment, CEOs were asked if this has affected any of their plans. Seven-in-ten of the CEOs noted that both their personal and business plans were not affected in any way currently. But 23% expected their personal plans to be negatively affected in the near to medium term, with 21% sharing a similar concern over their business plans instead.

VISTAGE-MIER CEO Confidence Index Highlights

46% of all CEOs expected their firm's profitability to improve, up from 45% last quarter, but down from 50% a year ago.

58% of all CEOs anticipated higher sales revenue, down from 61% a quarter ago and 65% last year.

72% of CEOs said calls from various sectors in China for a boycott on Malaysian goods and services have not affected their business plans.

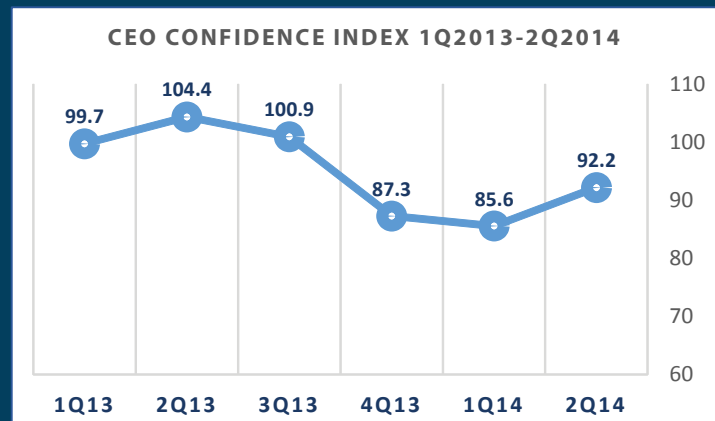
60% of CEOs said that the water rationing exercise in the Klang Valley by Syabas did not affect their firms.

44% of CEOs thought that the higher medical bills allowed by Putrajaya by up to 14.4% was too high.

40% of CEOs sleep seven hours daily on average.

89% of CEOs do not have a policy in terms of retirement gratuity payment to retiring employees.

37% of CEOs planned to invest in equities and local real estate in the next six months.



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MAJOR CHALLENGES OF GST

In preparation for the implementation of the GST next April, there was unanimous consensus amongst CEOs on the following major challenges confronting them: higher costs and pricing, cash flow planning, systems compliance, uncertainty due to lack of information and guidelines on the GST, implementation and administration of the GST (including manpower shortage and increase in documentation), co-ordination between business and government sectors, lack of in-depth training courses by the Customs Department and their staff competency in handling the GST.

WATER RATIONING IN KLANG VALLEY

Despite recent rainfall in the Klang Valley, Syabas indicated that water rationing will continue in some areas. CEOs were asked if they were affected by this development and 60% did not think so, while 33% and 8% were affected moderately and adversely, respectively.

Firms that were adversely affected undertook the following measures to mitigate the impact of the rationing: store water, install additional or bigger water tanks, buy more pails, harvest rainwater, use underground water or dig well, conserve water, use less water, re-schedule production, shift production in affected area to unaffected area, use water more productively or efficiently and recycle water.

ANGEL INVESTMENT

Angel investment is at its infancy stage in Malaysia. Although the Malaysian Budget 2013 has accorded a personal tax deduction of up to RM500,000 for individual angel investment, 44% of the CEOs said they knew nothing about this investment. 36%, however, expressed interest in becoming an approved investor under the Malaysian Business Angel Network (MBAN), while 22% were not interested at all and only 5% have invested in it in some start-ups.

BITCOIN INVESTMENT

Bitcoin, a virtual currency, is gaining popularity globally as a substitute for hard currency but it is, however, not underwritten by any central bank or a sovereign state. Despite its popularity, none of the CEOs is a bitcoin user or investor (except for 1). Most had no plans to invest in it, while 46% had no knowledge about it at all.

DENGUE MENACE

The number of dengue cases as of March this year has tripled by 314% over the same period last year. When asked why this menace has worsened despite efforts by the Government to curb it, six-in-ten of the CEOs pointed to the lackadaisical attitude of some home-owners and the lack of enforcement as the main reasons. Others cited the lack of public education/awareness on dengue, lack of proper drainage, poor management of new development and global environmental change for exacerbating the problem.

41% of the CEOs believed that the Government should step up its efforts to combat this menace. This, according to most of them, can be done by beefing up enforcement, especially in high-risk areas, improving hygiene of communities, conducting more community talks and campaigns to increase awareness, especially in low-cost housing areas, increasing co-ordination with the local councils, municipalities and private sector, increasing the frequency of fumigation efforts, improving and ensuring drainage systems are working effectively, conducting more spot checks on properties, especially commercial, industrial and construction sites, and imposing stiffer penalties on offenders.

HIGHER MEDICAL FEES

With Putrajaya allowing medical and dental practitioners to hike their professional fees by up to 14.4%, Malaysians will now face potentially higher medical bills. This move, according to 44% of the CEOs, was reasonable but the rate should be lower. 24% were of the view that this move should be scrapped altogether, while 16% opined that now was not the right time to implement it but 15% thought that such a move and rate were both reasonable.

AVERAGE HOURS OF SLEEP

In conjunction with World Sleep Day on 14 March 2014, CEOs were asked on the number hours of sleep they get daily. On average, 40% managed with seven hours, 39% with six hours, 13% with less than six hours and 8% with eight hours. Only 1% slept, on average, more than eight hours daily.

POLICY ON RETIREMENT GRATUITY

Nine-in-ten of the CEOs do not have in place a policy on retirement gratuity. For those who do, 2% pay a gratuity of one week per year of service, 2% pay two weeks per year of service and another 2% pay four weeks per year of service. Other forms of gratuity payments provided by 5% of the CEOs include: higher EPF contributions, one month for every ten years of service, a lump sum payment and insurance scheme.

INVESTMENT IN THE NEXT SIX MONTHS

In the next six months, most CEOs will be investing in equities (37%) and local real estate (37%). 34% planned to park their Ringgit in fixed deposits, 20% in unit trusts, 12% in foreign real estate, 9% in bonds and another 9% in gold. A further 4% of the CEOs will be investing in foreign exchange, new businesses, coconuts and camels, solar photovoltaic system, food and beverage, retail or trading.

ABOUT THE CEO CONFIDENCE INDEX

Since its inception in 2003, the CEO Confidence Index, a quarterly survey of Vistage members in Malaysia, has become a leading indicator of what leaders of small and mid-sized companies are thinking about and planning for the future. These insights provide a leading indicator for employment, capital expenditure, sales and revenue trends. Each quarter, Vistage International polls its membership in Malaysia, USA, Canada, UK and Australia.

ABOUT VISTAGE MALAYSIA AND MIER

Vistage Malaysia is a licensee of Vistage International, USA, the world's leading chief executive leadership-development organization, providing unparalleled access to issue-resolution and better performance through monthly peer-advisory groups, one-on-one business coaching, expert-speaker presentations, and extensive online connectivity spread over 1,800 cities in 16 countries with more than 17,000 members worldwide.

Vistage Malaysia has more than 430 members with combined annual revenue of RM30 billion and employing over 60,000 employees. Vistage member companies grow, on average, 2.5 times faster than they did prior to joining Vistage.

In 4Q 2005, Vistage Malaysia entered into a strategic alliance with the Malaysian Institute of Economic Research (MIER) to co-brand the CEO Confidence Index. MIER is an independent, private, non-profit organization, devoted to economic, financial, and business research that would serve as a think-tank for the government and private sector by providing an objective and impartial understanding of socio-economic issues of national, regional and global importance.