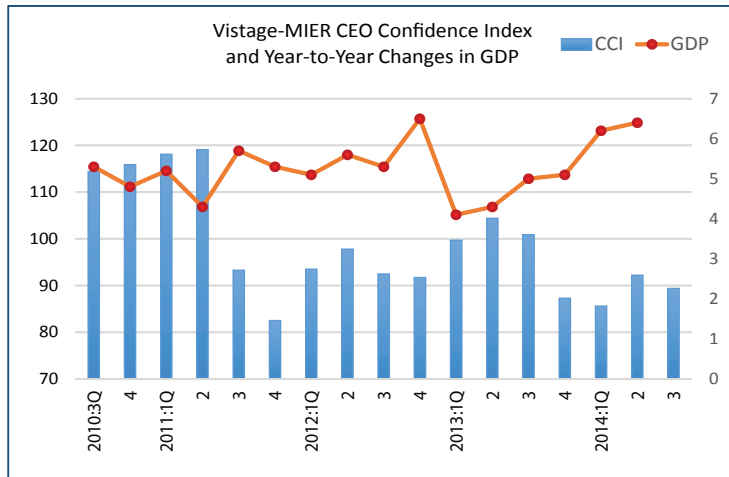


VISTAGE-MIER CEO Confidence Index

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

CONFIDENCE SLIPS AGAIN

CEOs were increasingly more concerned about the economy and the prospects of their firms lately than they did a quarter ago. Reflecting this is the Vistage-MIER CEO Confidence Index which slipped further below the 100-point demarcation level of confidence in 3Q2014.



The perception of CEOs was of a rather flattish to softening economy. 55% of the 397 respondents opined that the overall economic conditions in Malaysia have remained the same over the year, but 8% saw an improvement (down from 10% in 2Q2014), while 37% responded negatively. Going forward, four-in-ten of the CEOs expect a worsening of the economy in the next twelve months, up from 34% a quarter ago. Those who foresee otherwise totaled 15%, up three percentage points from 2Q2014.

CEO pessimism is also reflected in their near-term outlook for their firms. The fixed investment index scored 128 currently, down from 132 in 2Q2014, with 39% of the respondents planning to increase such spending soon, down from 44% last quarter. Profitability and revenue are also expected to slow down in the coming months, with 44% and 54% of the CEOs, respectively, expecting to do better then, down from 46% and 58% in 2Q2014, respectively. Hirings are likely to take a slight breather as well. The expected employment index declined from 137 in 2Q2014 to 135 in 3Q2014, with 42% of the respondents planning to expand their workforce soon, down from 45% in 2Q2014.

TOP WISH-LIST ITEMS FOR BUDGET 2015

In line with Budget 2015 which will be announced in October 2014, CEOs suggested the following wish-list items for the Budget, with most calling for a reduction in corporate and personal income taxes. Other reductions were also proposed for car prices and import duties, interest on business loans, size of the civil service sector, house prices, real property gains tax, base lending rate, medical fees, toll rates, petrol and electricity rates. There were also suggestions to focus on crime prevention, combat and prevent corruption, improve the education system, and remove the Approved Permits (AP) and Goods and Services Tax (GST).

CEOs also thought that there should be more incentives for information technology (IT) businesses, healthcare and education industries, and small and medium enterprises (SMEs); more subsidies for the middle-income group; higher tax allowance for contributions to the Employees' Provident Fund (EPF) and insurance by income; higher tax rebates for housing loan interest and industrial products; and higher duty on cigarettes and liquor.

VISTAGE-MIER CEO Confidence Index Highlights

54% of all CEOs expected an increase in revenue, down from 58% in 2Q2014 and 63% in 3Q2013.

44% of CEOs expected higher profits, down from 46% in 2Q2014 and 55% in 3Q2013.

14% of CEOs have recently registered themselves for Goods & Services Tax (GST).

61% of CEOs suggested that the cutting down of red tape be highlighted at the AEC to be chaired by Malaysia next year.

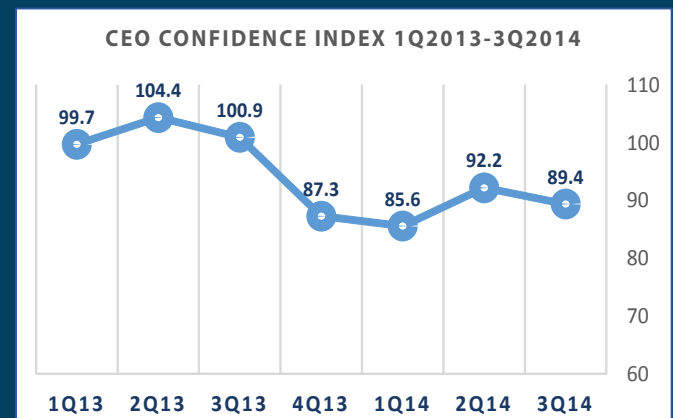
88% of CEOs opined that the CEO/business owner is responsible for the functions of human resource.

78% of CEOs preferred personal referrals for recruitment of managers and other senior personnel.

68% of CEOs believed that the crime rate in Malaysia has increased.

78% of all CEOs were in favour of the Trans-Pacific Partnership Agreement (TPPA).

44% of CEOs read 1-3 book(s) a year.



At 89.4, the Index fell 2.8 and 11.5 points from 2Q2014 and 3Q2013, respectively, with declines noted in all six component indices that comprise the Index, notably expected revenue and expected profit growth.

REGISTRATION FOR GOODS AND SERVICES TAX (GST)

The registration for GST was opened to companies recently, and almost all of the respondents were aware of this as 394 of the total respondents (397) have either registered (14%), are aware of it (43%) or in the process of registering themselves (43%).

READINESS OF GST IMPLEMENTATION

The GST will be implemented next April 2015. With less than eight months away, CEOs are gearing up for its implementation, with most (52%) saying they are currently ensuring that their accounting system is GST-compliant. 40% will be using their own resources in their implementation, while 37% and 35% are training their staff and engaging external consultants for this purpose, respectively. 19% are taking steps to ensure that their suppliers are registered and comply with GST requirements, and cost pressures of this implementation are affecting 14% of the CEOs surveyed.

SMEs AND AEC

Malaysia will chair the ASEAN Summit ahead of the scheduled roll-out of the ASEAN Economic Community (AEC) in 2015. To take advantage of Malaysia's chair at the AEC, respondents suggested several areas to be highlighted at the AEC to assist SMEs. Cutting down on red tape was voted by 61% of the CEOs, while special credit facilities for SMEs trying to penetrate ASEAN markets drew 59% responses, followed by standardization and simplification of procedures for the issuance of Certificate of Origin to encourage SME exports to ASEAN (47%), lowering the cost of doing business (42%) and capacity building (36%).

MELT-UP AND NET PROFIT BEFORE TAX

In the 2Q2014 survey, 79% of the respondents indicated that Malaysia is facing a melt-up. (A melt-up is when the stock market, the price of hard assets like property and the price of commodities like food go up.) Notwithstanding the high inflationary pressure resulting from the melt-up, the profitability of respondents remained generally sturdy as majority of them revealed that their net profit before tax increased in 2012 over 2011, 2013 over 2012 and 2014 forecast over 2013, with 57%, 49% and 41% being polled, respectively.

IMPORTANCE OF HUMAN RESOURCE

On a scale of 1 (least) to 10 (most), 86% of the CEOs rated the importance of an effective and well-established Human Resource function in their company as above average (6-10). Among them, most (27%) rated it at 8, 20% at 9, 15% at 10, 14% at 7 and 10% at 6.

HUMAN RESOURCE RESPONSIBILITIES

CEOs were generally of the view that the functions of human resource rest squarely on the CEO/business owner's shoulders. 88% opined that the CEO/owner is primarily responsible for the succession planning for key employees, while his/her other responsibilities included the identification and development of talent for future expansion (79%), performance management (70%), employees' career planning (69%), and recruitment and selection (58%).

Respondents were, however, impartial on the function of compensation and benefits, with 63% believing that this is the responsibility of the CEO/business owner and the human resource department. External consultants were also engaged by some CEOs, namely, for recruitment and selection, compensation and benefits, as well as identification and development of talent for future expansion.

RECRUITMENT OF SENIOR PERSONNEL

Personal referrals were widely used by CEOs in their recruitment of managers/senior managers and above, with 78% saying so. Engaging headhunters was also popularly used, with 44% being polled, followed by JobStreet/JobsCentral (43%), newspaper advertisements (21%) and the social media (e.g. LinkedIn) (12%).

Other channels preferred by some of the respondents include using their own corporate website, existing clients, online advertisements and internal promotions.

CRIME RATE IN MALAYSIA

Based on their experiences and conversations with their family, friends and business associates, majority (68%) of the CEOs believed that the crime rate in the country has increased, while 29% thought that it has remained unchanged and 4% felt that it has abated.

COMPANY LISTING

When asked if they intend to list their companies within the next three years, 84% did not think so.

TRANS-PACIFIC PARTNERSHIP AGREEMENT (TPPA)

Malaysia is negotiating the controversial TPPA with eleven other countries including the US. The Agreement would bind participants to rules on everything from food safety to medicine to Internet behavior. Despite it being controversial, 78% of the CEOs were for it, with 77% of the view that the TPPA is impacting them positively.

NUMBER OF BOOKS READ

A 2010 survey conducted by the National Library of Malaysia showed that Malaysians read 8-12 books a year. When asked the same question, a majority of 44% revealed that they read 1-3 book(s) a year, 29% 4-6 books, 13% 7-10 books and 14% more than 10 books a year.

INVESTMENT IN THE NEXT SIX MONTHS

Most CEOs continued to set their sights on investing in local real estate and equities in the next six months, as they did a quarter ago, with 42% and 41% planning to do so, respectively. 37% will invest in fixed deposits, 26% in unit trusts, 10% in foreign real estate, 9% in gold and gold futures, and 8% in bonds. 2%, however, planned to invest in other companies, retail business, foreign exchange, wine and oil.

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 18,000 members worldwide.

Vistage Malaysia has more than 450 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.