

MSC Malaysia

Annual Industry Report

2010-2011

www.msomalaysia.my



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Foreword from CEO of MDeC



It is with pleasure that we present the MSC Malaysia Annual Industry Report 2011. Having made significant strides in increasing the economic impact and footprint of the ICT sector for our nation over the last 15 years, 2011 proved to be a watershed year for MSC Malaysia.

Our biggest highlight was that we crossed the RM 30 billion mark in terms of revenue. This made 2011 our best year ever as well as the highest growth since the financial crisis of 2008. Exports also grew by 9% to RM10.12 billion.

What was of particular significance was our contribution to Gross Domestic Product (GDP) which was RM 9.6 billion growing by 25% from 2010. We also grew in terms of Investments with RM2.5 billion being drawn into MSC Malaysia. This represents a 69.2 % increase over 2010.

In the area of job creation, 7,602 jobs were created against a target of 5,464 which represented a 7% growth. This brings the total number of jobs created in MSC Malaysia since 2007 to 119,138. In short 2011 was a very good year for us.

The MSC Malaysia Annual Industry Report 2011 is designed to interpret and articulate MSC Malaysia Status companies accomplishments and their impact on the Malaysian economy. This report will provide you with a detailed account of key numbers like growth by clusters, number of IPs developed; R&D spend as well as a breakdown of sales, exports and revenue.

The achievements recorded in 2011 are a testament to the innovation, resilience and spirit of the businesses in MSC Malaysia and the people behind them. As a result of

the bold initiatives and steps we took as a nation, Malaysia today can lay claim to a strong ICT sector that will continue to grow.

We would like to take this opportunity to express our appreciation and gratitude to all our partners and stakeholders, with a special emphasis on our MSC Malaysia Status companies for their valuable contribution in furthering our nation's ICT industry.



Datuk Badlisham Ghazali
Chief Executive Officer
Multimedia Development Corporation
(MDeC)



MSC Malaysia Status
Companies

MSC Malaysia Status Companies

Growth 2010 - 2011

218 companies were awarded the MSC Malaysia Status in 2010, while 216 companies came into the MSC Malaysia fold in 2011. This brought the total number of MSC Malaysia status companies awarded to 2,954 as of 31st December 2011.

MSC Malaysia status companies are grouped into four clusters, representing the four major ICT focus areas which consist of the Information Technology (InfoTech) Cluster, the Creative Multimedia (CMC) Cluster, the Global Sourcing (GSC) Cluster, as well as Institutions of Higher Learning and Incubators.

The MSC Malaysia Industry Report encompasses respondents from all four clusters and represents a fair sampling of the cluster demographics.

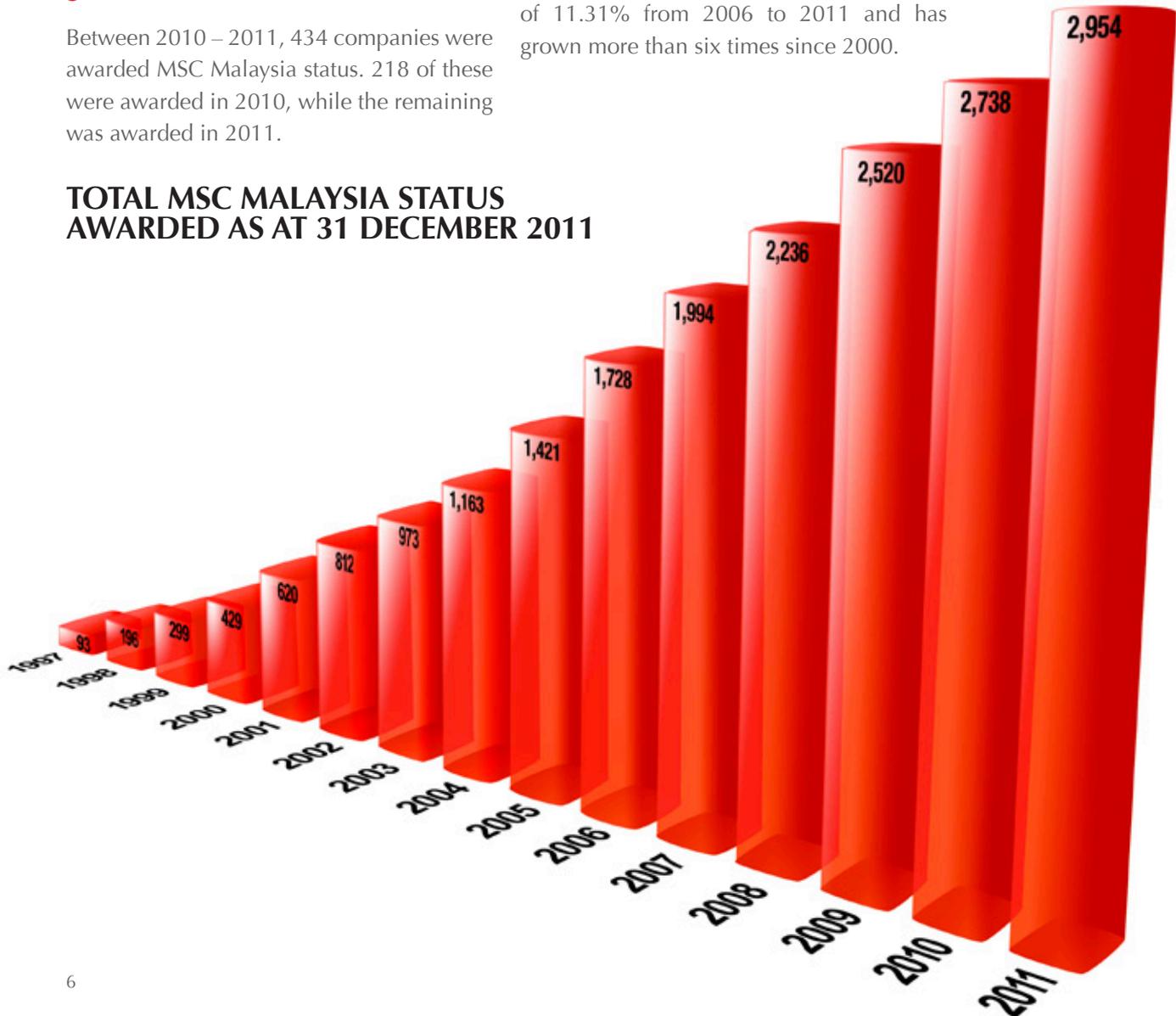
MSC Malaysia Status Companies 1997 - 2011

MSC Malaysia status companies' CAGR is at 11.31% and has grown six times since 2000.

Between 2010 – 2011, 434 companies were awarded MSC Malaysia status. 218 of these were awarded in 2010, while the remaining was awarded in 2011.

The number of companies awarded the MSC Malaysia status has increased at a Compounded Annual Growth Rate (CAGR) of 11.31% from 2006 to 2011 and has grown more than six times since 2000.

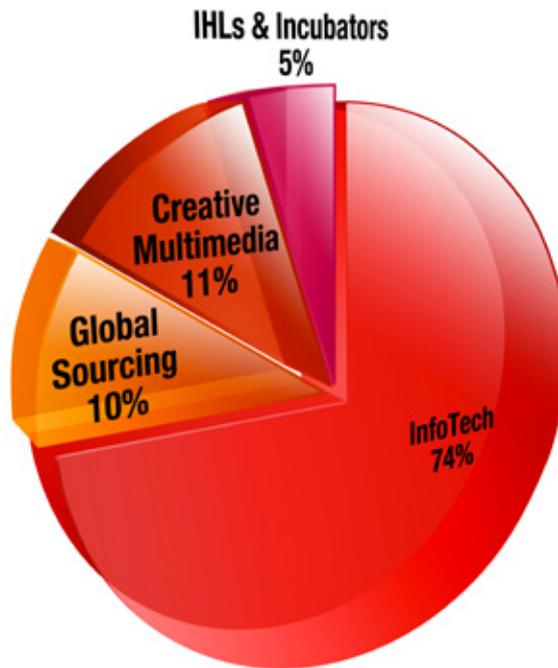
TOTAL MSC MALAYSIA STATUS AWARDED AS AT 31 DECEMBER 2011



MSC Malaysia Status Companies by Technology Cluster

As of 31st December 2011, there were 2,247 active MSC Malaysia status companies, out of which 74% represented the InfoTech Cluster, followed by 11% made up of the Creative Multimedia Cluster, while the Global Sourcing Cluster and Institutions of Higher Learning constituted 10% and 5% respectively.

ACTIVE AS AT 31 DECEMBER 2011 (CUMULATIVE)

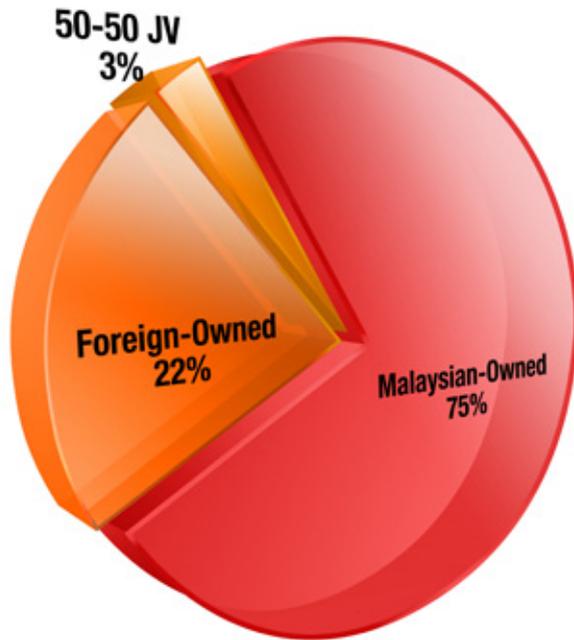


Cluster	Awarded	Active
Creative Multimedia	342	257
IHLs & Incubators	114	107
Infotech	2,245	1,667
Global Sourcing	253	216
Total	2,954	2,247

MSC Malaysia Status Companies by Equity Ownership

As of 31st December 2011, 75% of the active MSC Malaysia status companies were Malaysian-owned, while the remaining 25% or 515 were made up of Foreign-owned and 50-50 Joint Venture companies.

ACTIVE AS AT 31 DECEMBER 2011 (CUMULATIVE)



Equity Ownership	Awarded	Active
Malaysian-Owned	2,220	1,733
Foreign-Owned	651	456
50-50 JV	83	58
Total	2,954	2,247





Survey Methodology

Survey Methodology

About the report

The MSC Malaysia Annual Industry Report 2010 and 2011 was conducted online at <http://industryreporting.msc.com.my>

The Report covered three sections, namely:

- Financial Performance
- Employment Performance
- Competitive Indicator and Capability Requirements assessment

Highlighted below is the methodology utilised for the MSC Malaysia Annual Industry Report 2010 and 2011.

The Methodology

Upon receiving questionnaires in the designated database, each questionnaire set was again filtered by the system and underwent a manual check by the team to ensure data accuracy and consistency.

The survey conducted in 2010 and 2011 had a response rate of 87% and 85% from the total active MSC Malaysia status companies.

The results reflected in this report is derived based on a four tier weighted extrapolation (by cluster). This method was deployed to provide a more accurate picture of the cluster's economic performance.

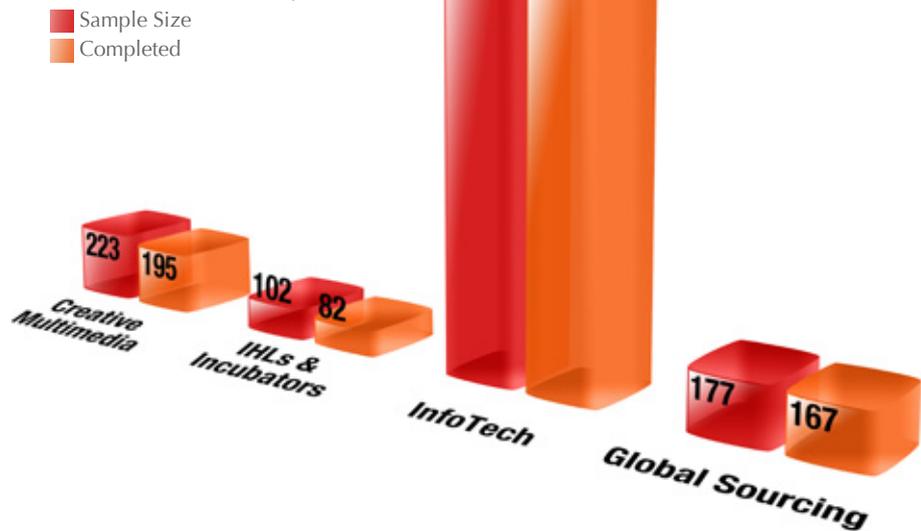
Data Collection Period

Reporting Period	Start Date	End Date
2010 Annual Report	1 Jan 2011	11 Feb 2011
2011 Annual Report	30 Jan 2012	15 Feb 2012

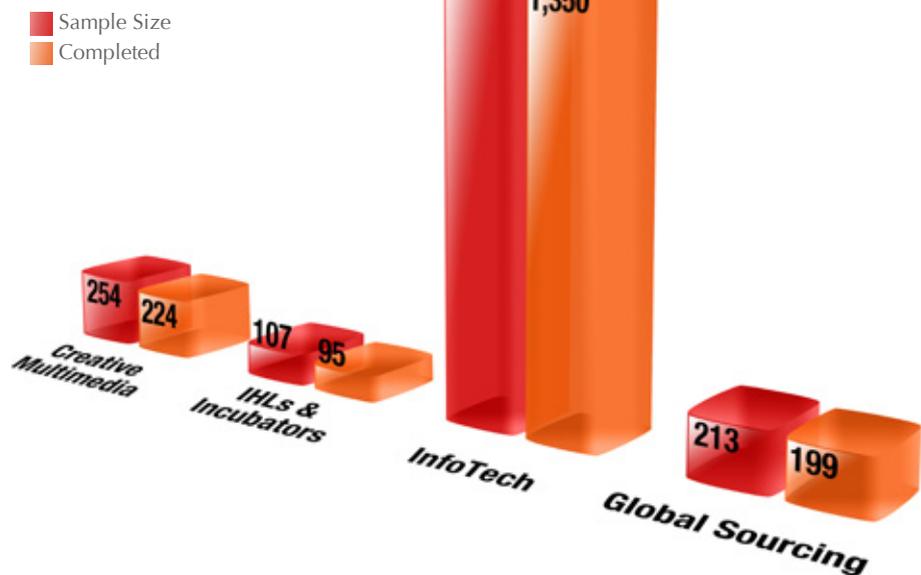
2010 – 2011: Sample Size By Cluster

The survey conducted in 2010 and 2011 generated a response rate of 87% and 85% from the total active MSC Malaysia status companies that were targeted.

Total Sample size by Cluster 2010: 1,980



Total Sample size by Cluster 2011: 2,193

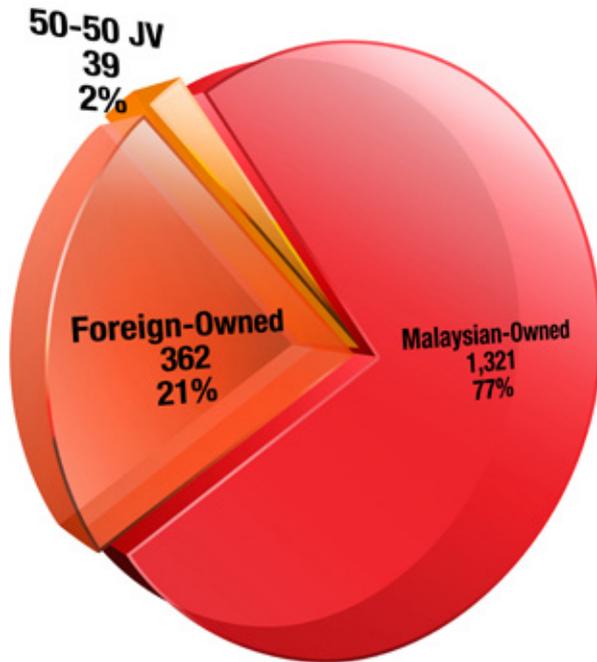


2010 - 2011: Sample Size by Ownership

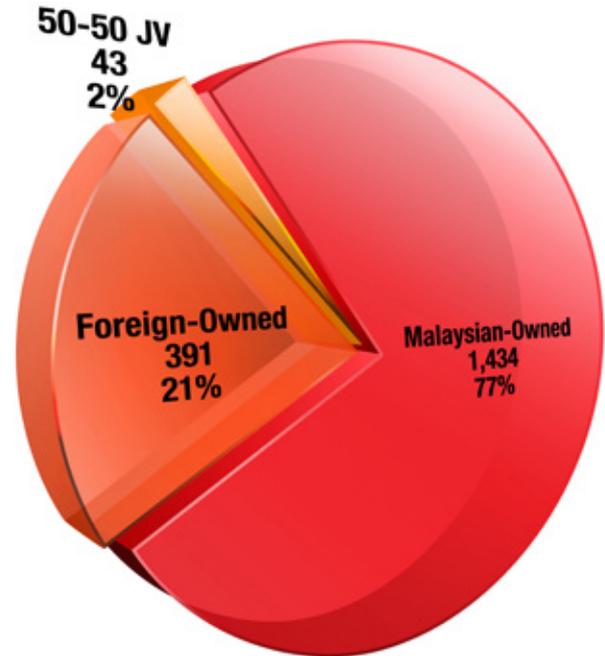
The data sampled in 2010 and 2011 were based on Malaysian companies who made up 77% of the respondents, whereas Foreign-

owned companies and Joint-Ventures contributed 21% and 2% respectively.

Completed by Ownership 2010



Completed by Ownership 2011





Financial Performance

Financial Performance

Revenue

In 2011, local and export growth of the MSC Malaysia companies increased by 16.3% from 2010 causing the total revenue to rise to RM31.73 billion.

The biggest contributor to the overall revenue for 2011 was the InfoTech Cluster which constituted 48% of the total revenue of MSC Malaysia status companies.

Research and Development Expenditure

Total R&D expenditure saw a light reduction of 3.3% in 2011 compared to the same period in 2010 and stood at RM1.64 billion. The largest R&D spend in 2011 came from the InfoTech Cluster with an investment of RM998.09 million.

The biggest year-on-year R&D expenditure drop was registered by the Creative Multimedia Cluster with a decrease of 46.7% from the previous year spend to RM61.43 million in 2011

Total Sales

Year-on-Year growth was reported for Total Sales.

Total MSC Malaysia exports in 2011 rose 8.5% from 2010 against a backdrop of a 16.3% increase in total revenue within the same period.

Total Sales (RM Million)

- Local Sales
- Export Sales
- Total Sales



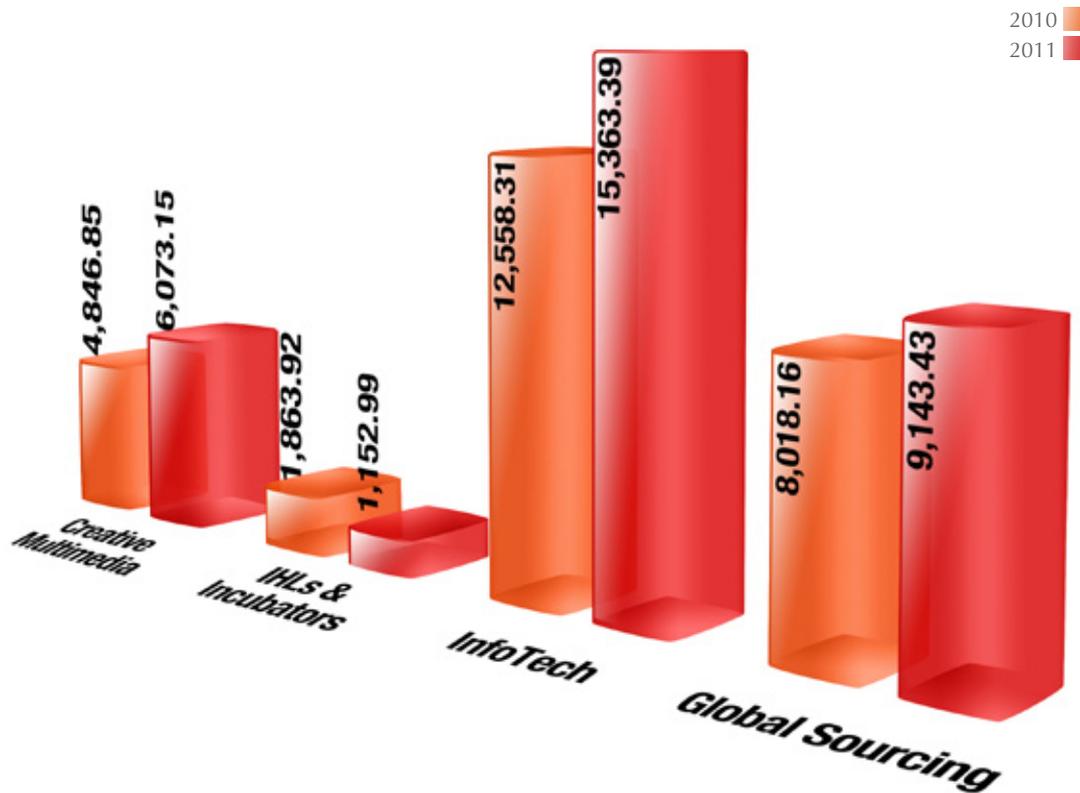
Total Sales By Cluster 2010-2011

Information Technology Cluster emerged as the top revenue contributor.

The period between 2010 – 2011 saw the InfoTech Cluster contributing a big chunk of

the revenue amounting to RM15.36 billion. On the other hand, the Creative Multimedia Cluster grew by 25% which showcased the highest growth out of overall revenue for the period 2010 – 2011.

Total Sales by Cluster 2010-2011 (RM Million)



Total Export Sales By Cluster 2010-2011

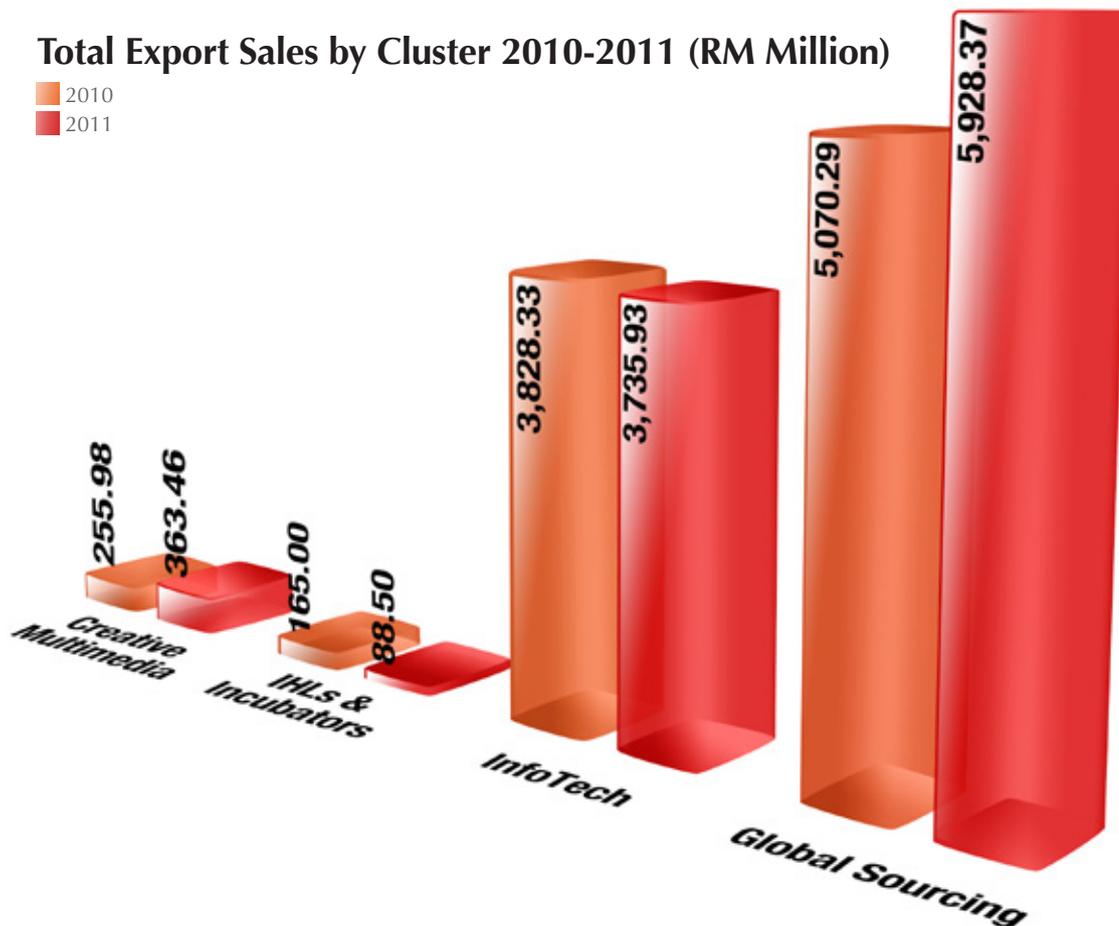
Global Sourcing companies continue to emerge as the top export contributor.

The period between 2010 – 2011 witnessed the Global Sourcing Cluster generating

exports totaling RM5.93 billion, an overall percentage contribution of 54% and 59% respectively. While the InfoTech Cluster's export in 2011 indicated a marginal decline of 2% from 2010 and stood at RM3.736 billion.

Total Export Sales by Cluster 2010-2011 (RM Million)

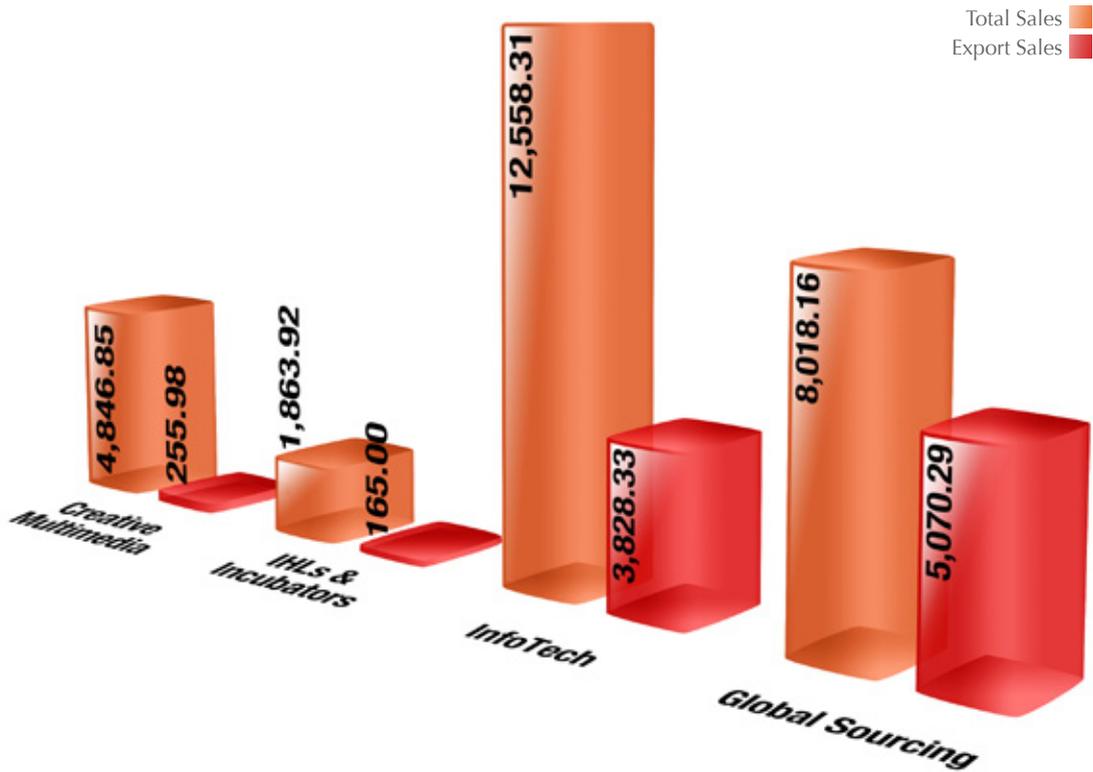
2010
2011



Total Sales and Export Sales by Cluster 2010

In the year 2010, the largest contribution to revenue came from the InfoTech Cluster at RM 12.58 billion, whereas the highest exports came from the Global Sourcing Cluster at RM5.07 billion.

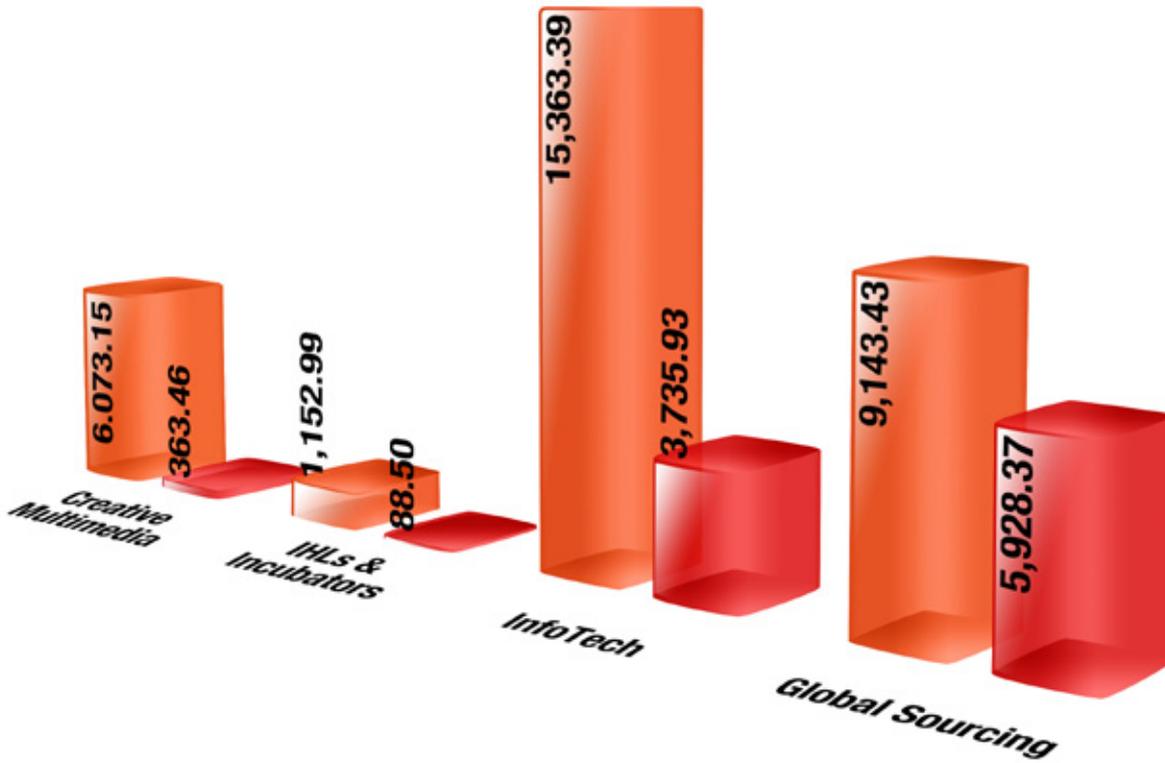
2010 Total Sales and Export Sales By Cluster (RM Million)



Total Sales and Export Sales by Cluster 2011

2011 Total Sales and Export Sales By Cluster (RM Million)

■ Total Sales
■ Export Sales



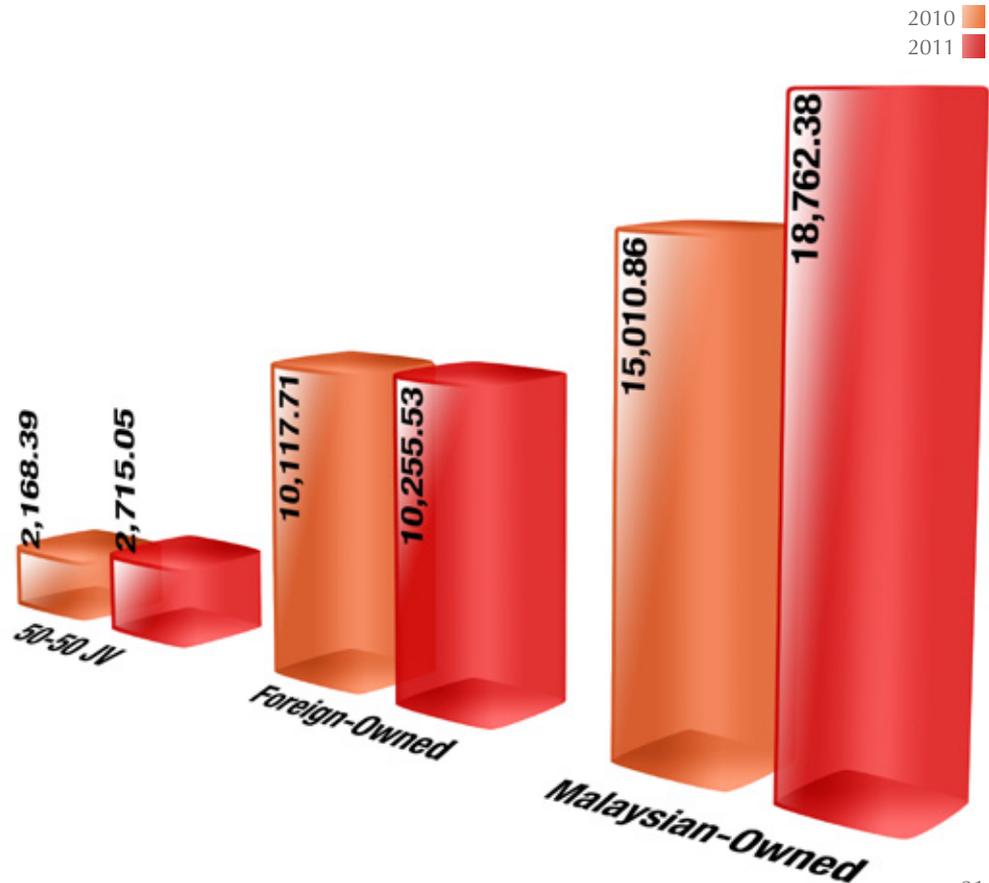
Total Sales By Ownership 2010-2011

Malaysian-owned companies accounted for the majority of total sales while Foreign-owned companies accounted for the majority of export sales.

From 2010 – 2011, the largest contributors to revenue were Malaysian-owned companies

totaling RM18.76 billion, representing 59% of the overall revenue generated by MSC Malaysia. Foreign-owned companies on the other hand, reported a minimal contribution of 1%, which is partly attributable to a 5% decline in export sales experienced by this segment.

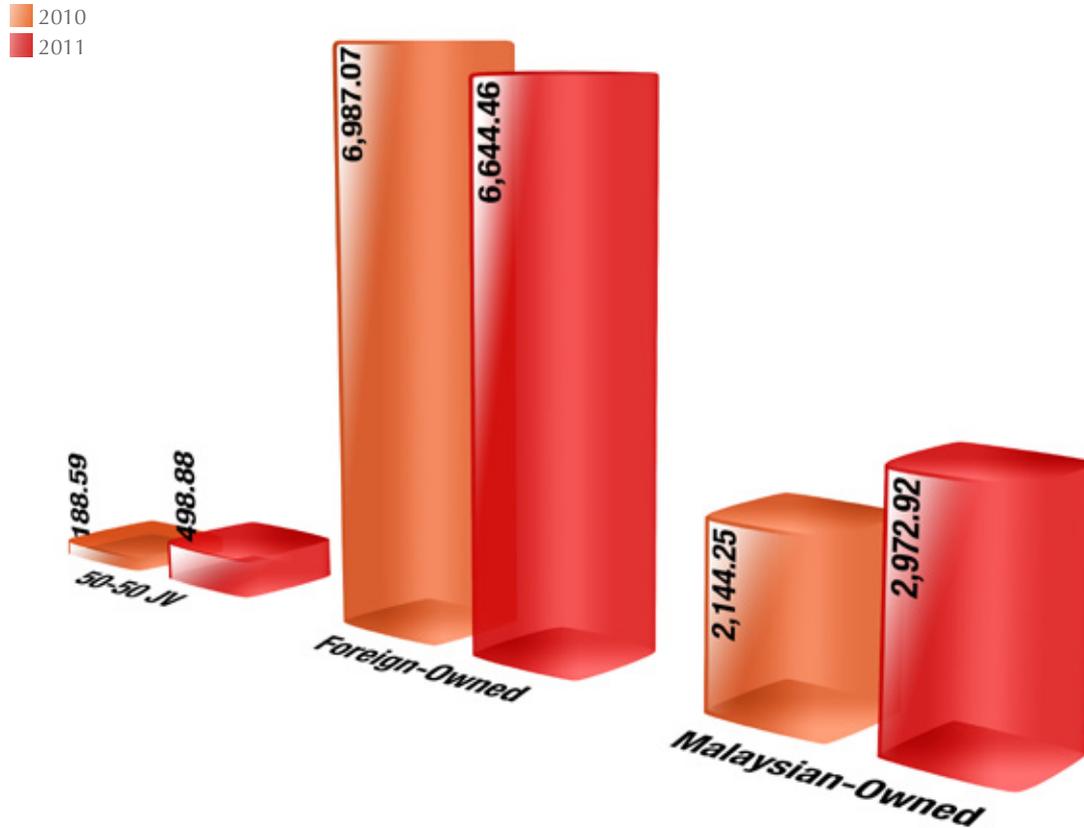
2010-2011 Total Sales By Ownership (RM Million)



Total Export Sales by Ownership 2010-2011

The greatest area of growth is marked by exports from Joint-ventures which showed an astounding 265% rise in exports, recording a solid growth over a period of 12 months.

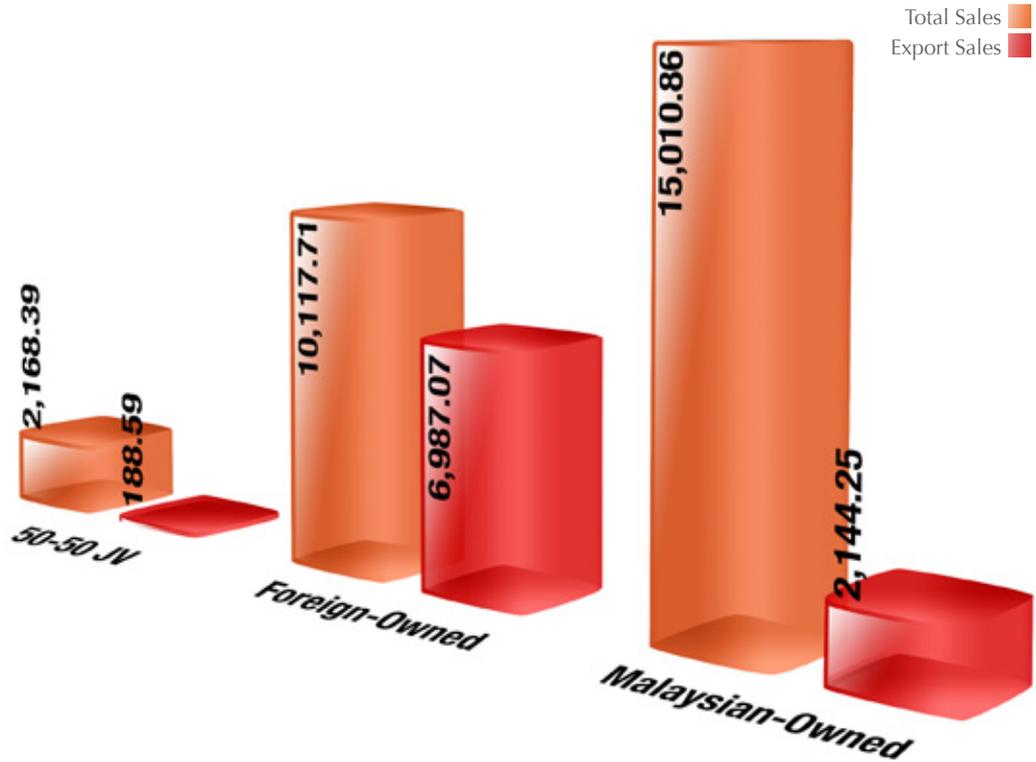
2010-2011 Export Sales By Ownership (RM Million)



Total Sales and Export Sales by Ownership 2010

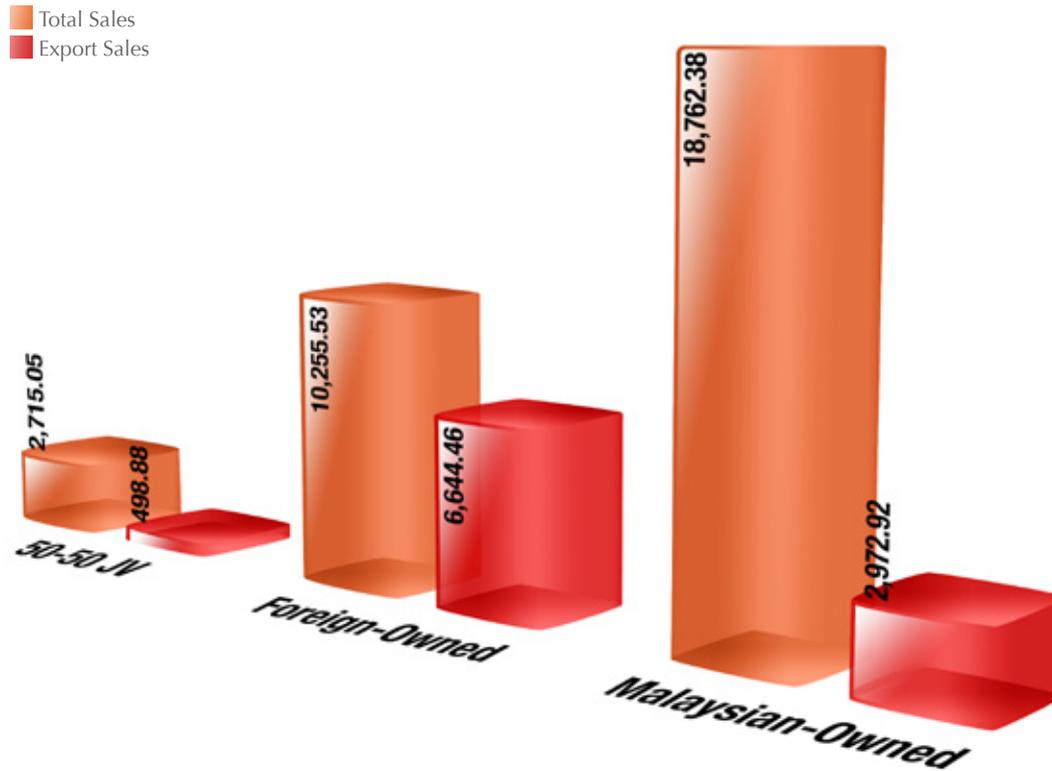
In the year 2010, the largest contributors towards revenue were Malaysian-owned companies at RM15.01 billion, whereas exports were anchored by Foreign-owned entities at RM6.98 billion.

Total Sales and Export Sales by Ownership 2010 (RM Million)



Total Sales and Export Sales by Ownership 2011

Total Sales and Export Sales by Ownership 2011 (RM Million)

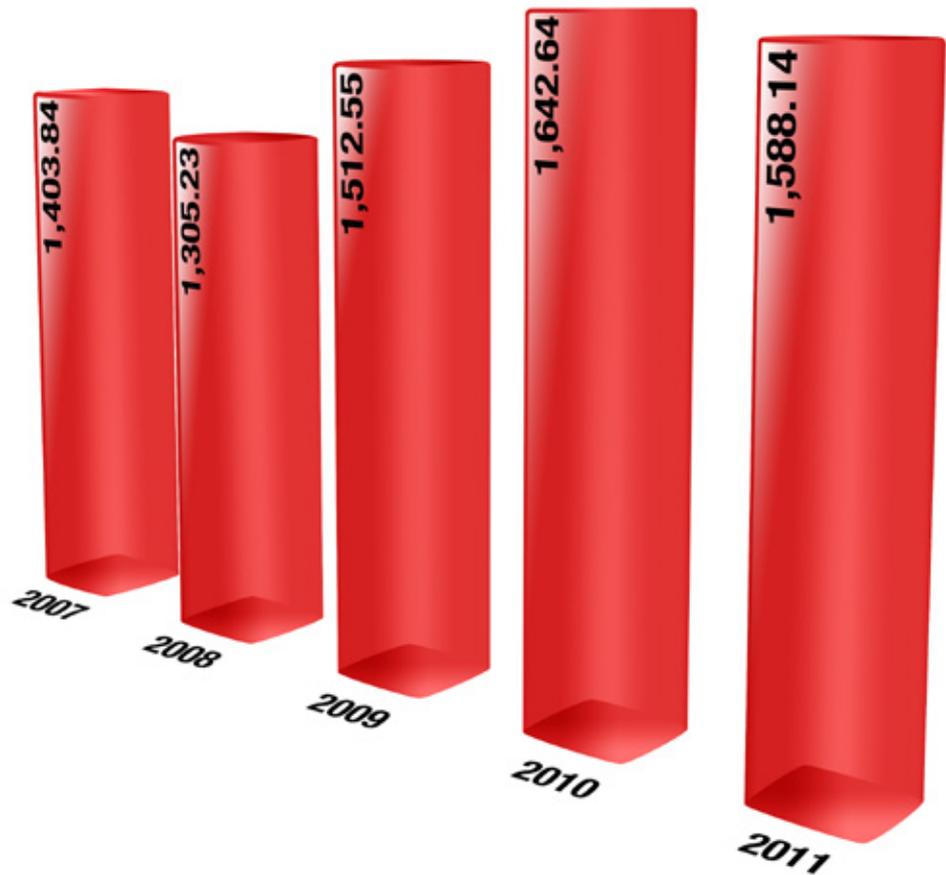


R&D Expenditure

In 2011, total R&D expenditure dropped from RM 1.642 billion to RM1.588 billion, which translated into a reduction of RM54 million or 3.3%. This indicates that MSC Malaysia status companies have completed

the R&D cycle, and are focusing on sales and distribution as noted by the surplus in the overall revenue and exports recorded in 2011.

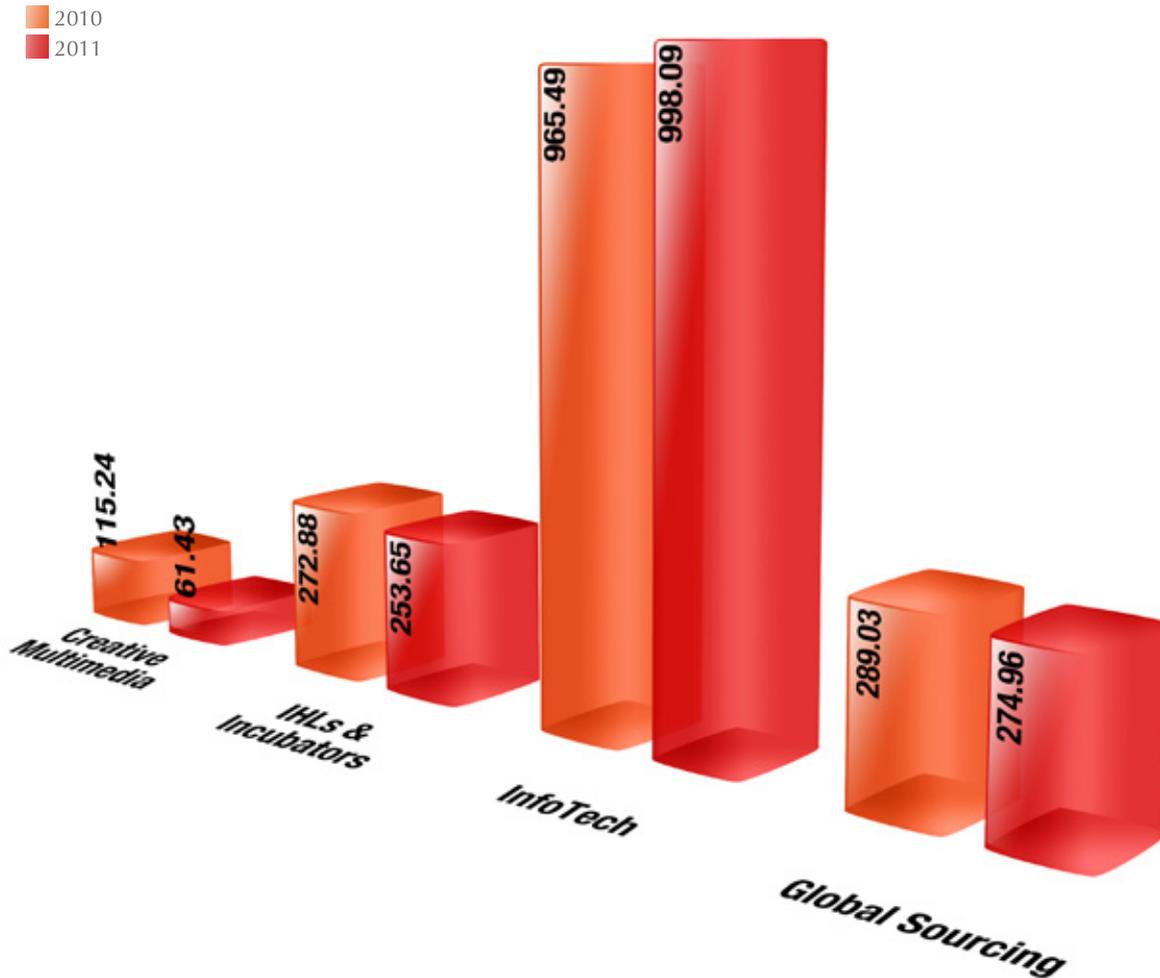
R&D Expenditure (RM Million)

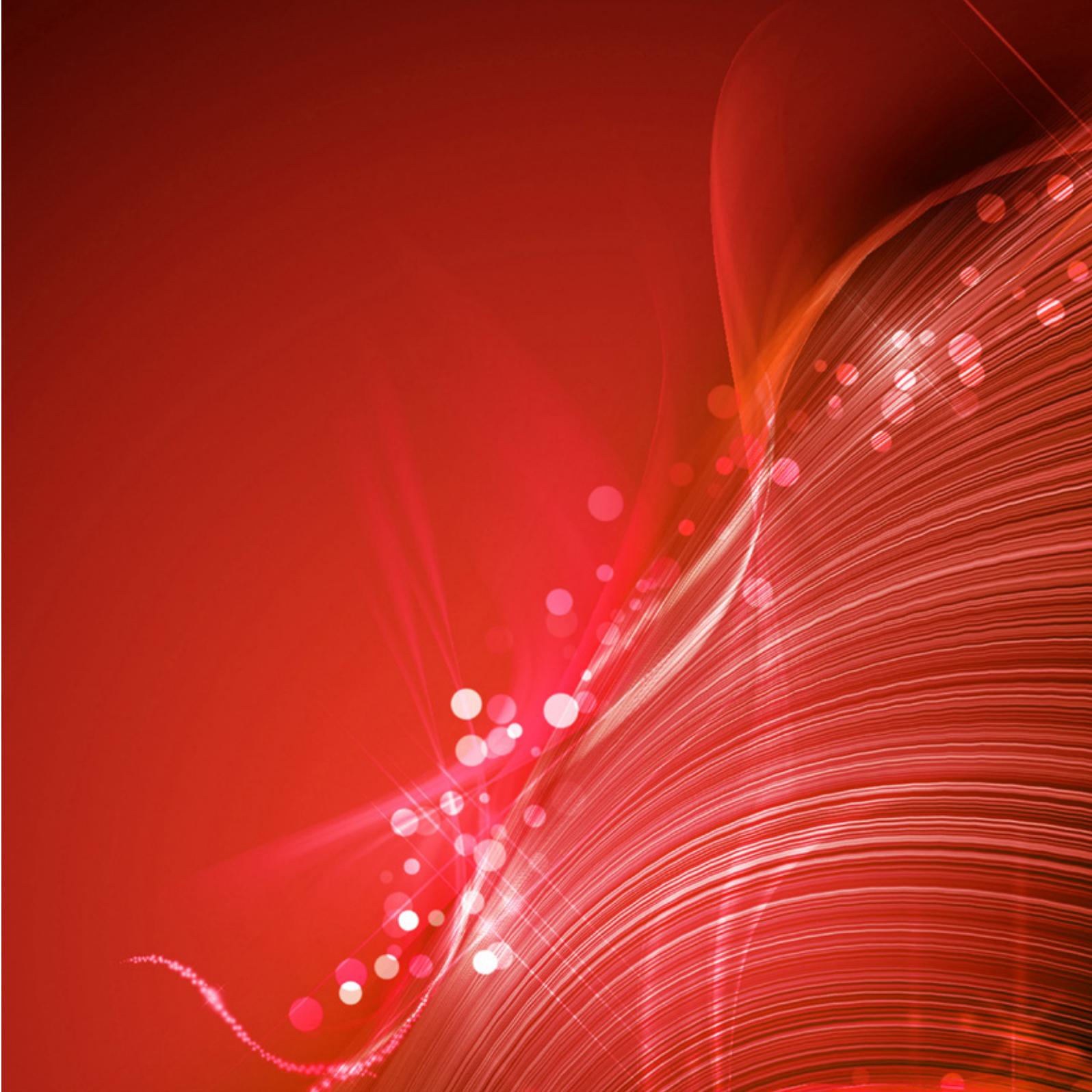


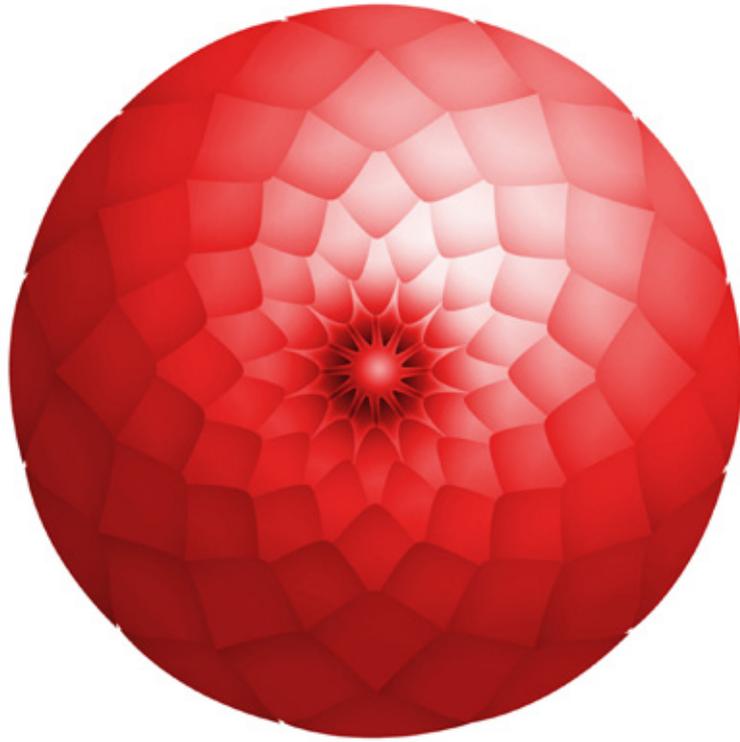
R&D Expenditure by Cluster

From 2010 – 2011, the InfoTech Cluster on the other hand, experienced the most invested heavily in R&D with RM998.09 million, witnessing a modest growth of 46.7%. The Creative Multimedia Cluster

R&D Expenditure by Cluster (RM Million)







Employment Performance

Employment Performance

The total number of jobs contributed by the MSC Malaysia status companies has been on an upward trend from 2007 to 2011 at CAGR of 10.81%.

In 2010, 111,536 jobs were created while 2011 saw a 7% growth that resulted in 119,138 jobs. The Global Sourcing Cluster created 58,448 jobs, representing 49% of the total employment in 2011. This was followed by the InfoTech cluster which created 37,824 jobs or 32% of the overall job opportunities.

In the same period, Malaysian-owned companies contributed the most to employment at 58% which translated into 69,512 jobs, followed by Foreign-owned companies which made up 41.65% or 49,626 of total employment. The least contribution came from Joint-Ventures, contributing a nominal sum of 0.35% of total employment.

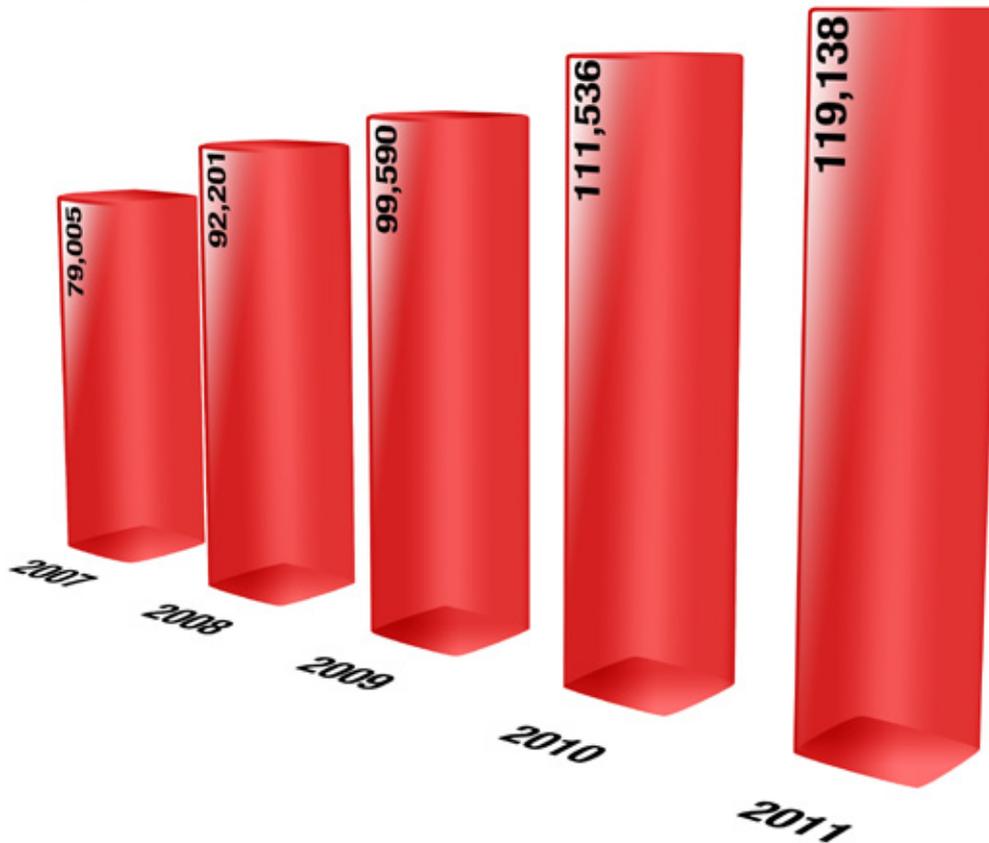
Employment Performance

There has been a general increase in jobs created by MSC Malaysia status companies since 2007.

The total number of jobs contributed by the

MSC Malaysia status companies has been on an upward trend from 2007 to 2011 at CAGR of 10.81%. 2011 witnessed a 7% increase over 2010 which saw the creation of 119,138 jobs.

Employment Performance (No. of Jobs)



Employment Performance by Cluster 2010 and 2011

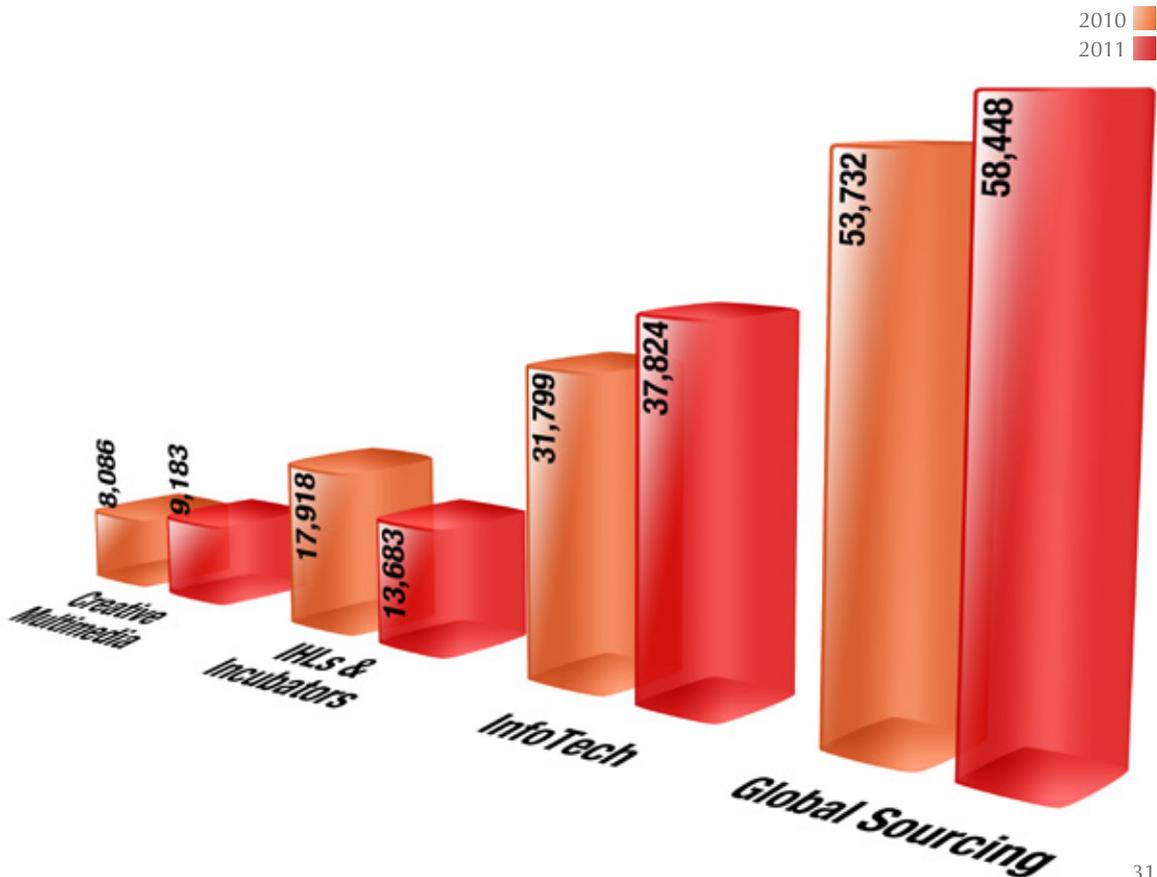
Global Sourcing Cluster contributed to the highest number of jobs.

The Global Sourcing Cluster was the key contributor to MSC Malaysia status companies' employment, with 48% in 2010 and 49% in 2011. This was followed by the InfoTech Cluster at 32%, whereas

Institutions of Higher Learning and Creative Multimedia Cluster contributed 11% and 8% respectively.

The InfoTech Cluster witnessed a 19% job growth from 2010 to 2011 while the Creative Multimedia Cluster experienced a 14% growth over the same period.

Employment Performance by Cluster 2010 and 2011 (No. of Jobs)



Employment Performance by Cluster 2010

Local workers constituted 91% of the total employment of the MSC Malaysia status companies.

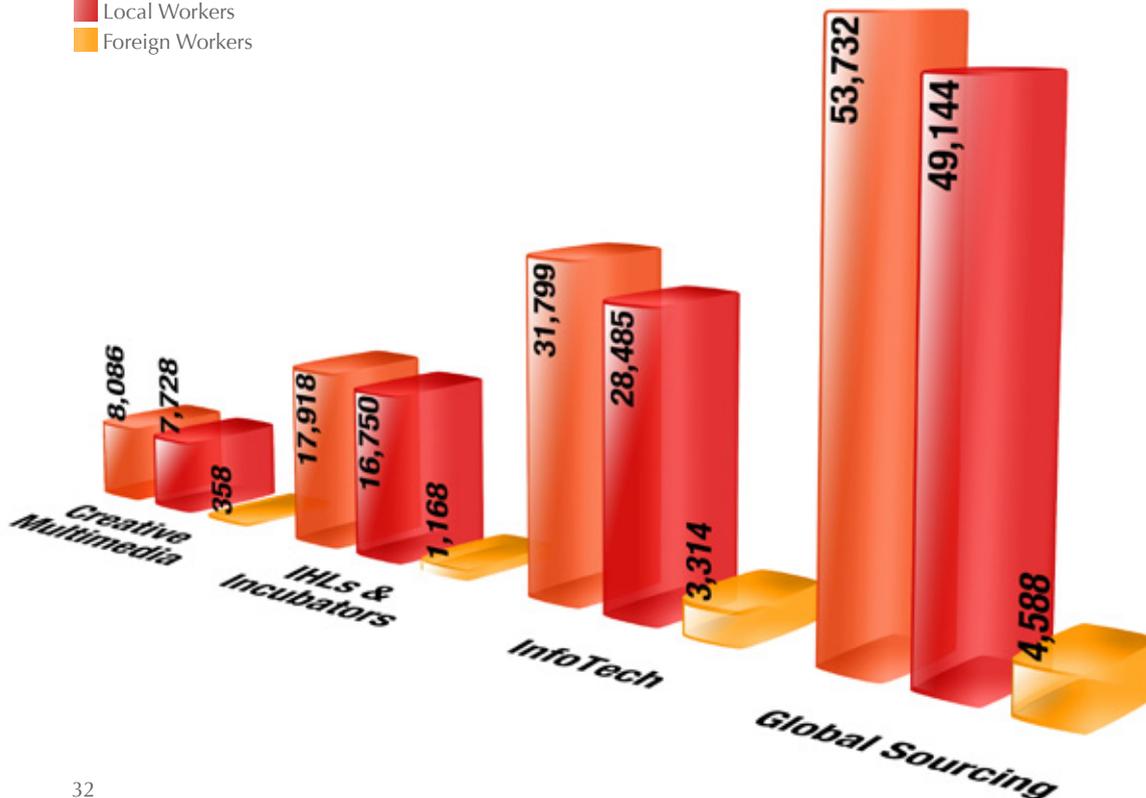
In 2010, the Global Sourcing Cluster was the largest contributor to jobs with 53,732 jobs representing 48% out of the overall job opportunities.

This was followed by the InfoTech Cluster at 28.5%, whilst Institutions of Higher Learning and Creative Multimedia stood at 16.1% and 8.4% respectively.

Overall local workers constituted 91% of the total jobs in MSC Malaysia status companies while the remaining 8% were made up of foreign workers, of which 49% or 4,588 were from the Global Sourcing Cluster.

Employment Performance by Cluster 2010 (No. of Jobs)

- Total Jobs
- Local Workers
- Foreign Workers

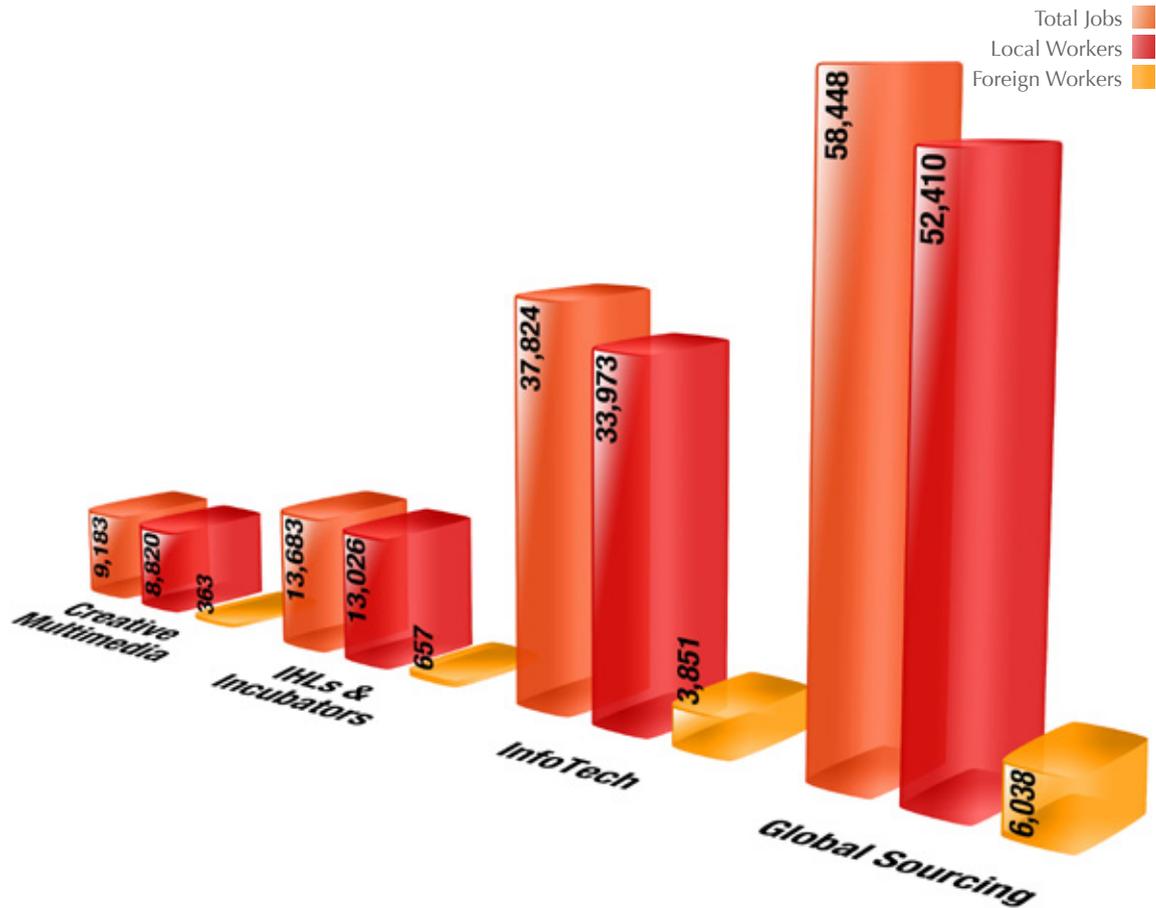


Employment Performance by Cluster 2011

In 2011, the largest contributor towards job creation was the Global Sourcing Cluster, with 58,448 jobs representing 49% out of overall job opportunities.

Overall local workers accounted for 91% of the total jobs in MSC Malaysia status companies with 108,229 jobs, followed by foreign knowledge-workers which made up the remaining 9%.

Employment Performance by Cluster 2011 (No. of Jobs)



Employment Performance by Ownership

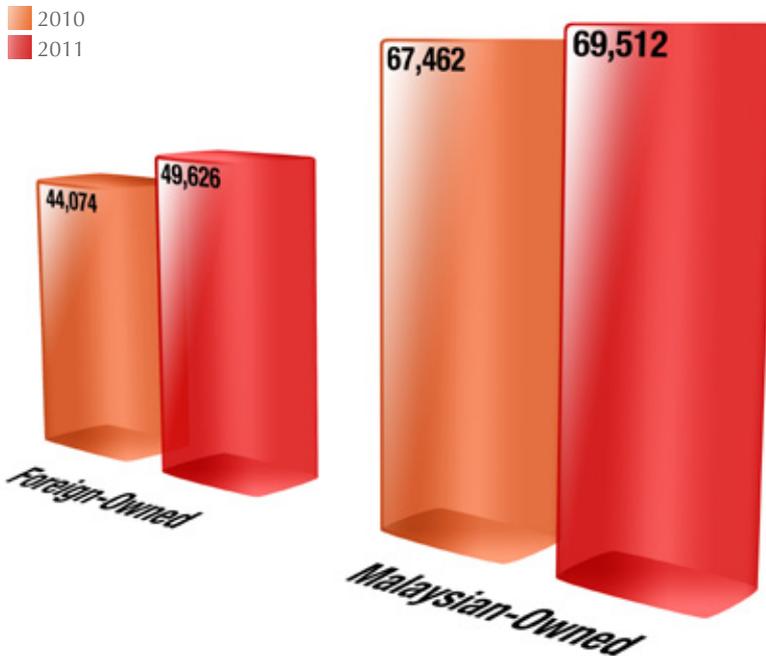
Jobs created by MSC Malaysia status companies were largely contributed by Malaysian-owned companies.

From 2010 – 2011, the largest contributor towards job creation came from Malaysian-

owned companies, at 69,512 jobs which add up to 58% out of overall job opportunities.

In the same period, Foreign-owned companies recorded the largest growth in terms of job creation at 13% against a marginal increase of 3% recorded by Malaysian-owned companies.

Employment Performance by Ownership 2010-2011 (No. of Jobs)







Competitiveness Indicator and
Capability Requirements

Competitiveness Indicator and Capability Requirements

In 2011, MSC Malaysia status companies market penetration outlook covered not only local but global markets. The Global Sourcing and Creative Multimedia Clusters were looking to potentially market their products and services in countries such as Indonesia, United States, China and Singapore. On the other hand, the InfoTech Cluster companies targets were largely the Asia-Pacific market.

In the niche market and industry verticals, Technology, Banking, Financial Services and Insurance, and Telecommunication were among the top verticals for the InfoTech and Global Sourcing Clusters. On the other hand, Entertainment, Media and Education were three key verticals for the Creative Multimedia Cluster.

Increasing the Sales and Marketing skills were ranked high priority in terms of capability requirements which was largely contributed by the expanding market outreach. This was followed by Research & Development and Strategy Management.

Top 5 Countries of Market Penetration

Developing markets such as Indonesia came as the most preferred destination for the MSC Malaysia Status companies.

In terms of market presence, Indonesia came as the most preferred destination for the MSC Malaysia status companies primarily for the InfoTech and Creative Multimedia Clusters.

Other countries with significant market potential included Singapore, USA, China and Thailand. The InfoTech Cluster companies focused on the Asia-Pacific region, while the Global Sourcing Cluster and Creative Multimedia Cluster companies were largely focused on the USA market.

	Creative Multimedia	Global Sourcing	InfoTech
1st Country	 Indonesia	 Malaysia	 Indonesia
2nd Country	 United States	 Singapore	 Malaysia
3rd Country	 Malaysia	 Indonesia	 Singapore
4th Country	 China	 United States	 Thailand
5th Country	 Singapore	 China	 China

Top 5 Niche Market and Verticals

Technology and Banking, Financial Services and Insurance emerged as the most popular niche market and verticals.

The key niche market and verticals across the clusters are Technology and Banking, Financial Services and Insurance followed

by Telecommunication and Entertainment and Media.

The 2011 survey results also indicated that Government, Education, Manufacturing, Oil and Gas as well as Automotive and Transport sectors were emerging as top niche markets and verticals for MSC Malaysia status companies.

	Creative Multimedia	Global Sourcing	InfoTech
1st Vertical	Entertainment and Media	Technology	Technology
2nd Vertical	Education	Banking, Financial Services and Insurance	Banking, Financial Services and Insurance
3rd Vertical	Technology	Telecommunication	Telecommunication
4th Vertical	Telecommunication	Oil and Gas	Government
5th Vertical	Banking, Financial Services and Insurance	Automotive and Transport	Manufacturing

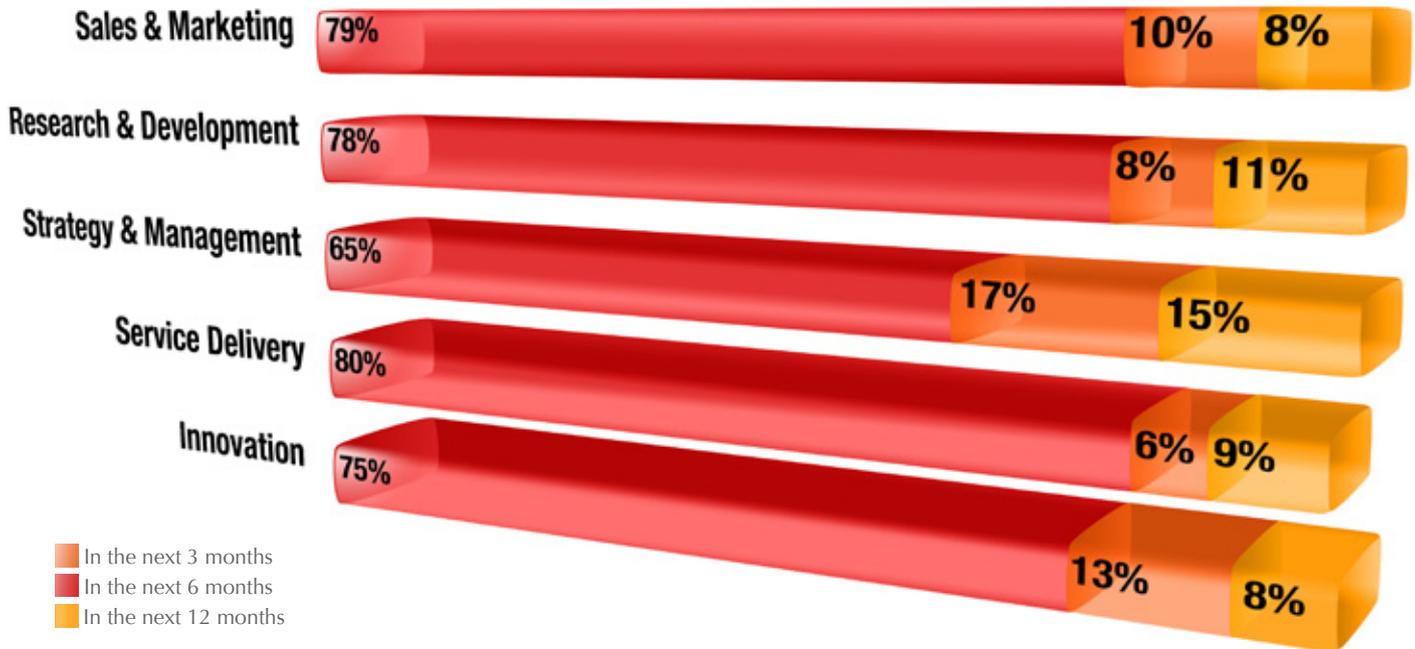
Capability Requirements

Sales and Marketing were ranked as high priority followed by Research & Development as well as Strategy and Management.

Sales and Marketing skills were highly sought after in terms of capability. This was

followed by Research & Development and Strategy Management.

Service Delivery and Innovation was also ranked high, indicating that the MSC Malaysia status companies were moving towards global competitiveness.





Conclusion

MSC Malaysia status companies performed very well during the year under review compared to previous years. In 2011, MSC Malaysia revenue came in at RM31.7 billion which was an increase of 16% from 2010, while exports grew to RM10.12 billion which reflected a 9% rise from the previous years. MSC Malaysia also saw a GDP contribution of RM9.6 billion against a projected target of RM7.8 billion. This was an increase of 25% over 2010.

In the area of job creation, a total of 119,138 jobs have been created since the inception of MSC Malaysia.

Moving forward, MDeC is confident of continued growth and believes that there will be even more opportunities for MSC Malaysia status companies as the various components of Economic Transformation Programme (ETP) roll out.