



National  
Digital Economy  
Initiative



National ICT Initiative

# MSC MALAYSIA 2014

## ANNUAL INDUSTRY REPORT

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## Foreword from CEO of MDEC



Dato' Yasmin Mahmood  
Chief Executive Officer  
Multimedia Development  
Corporation (MDeC)

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In 2014, the MSC Malaysia showed impressive achievement with tremendous growth across all key performance indicators. This national ICT initiative, a primary pillar in transforming Malaysia into a digital economy, generated RM38.52 billion in revenue and demonstrated a growth of 11% from 2013.

Alongside strong revenue growth, MSC Malaysia saw RM20.09 billion in new investments, of which 55% came from direct domestic investments and 45% via foreign direct investments. Of the new investments, RM17.16 billion were from current investors, which reflects their continued trust and confidence in MSC Malaysia, while RM2.93 billion were investments from new investors.

Export sales accounted for a total of RM13.73 billion, representing an 11% increase from 2013, in a year that also saw a 7% rise in employment with 9,497 nett jobs created.

229 new companies were awarded MSC Malaysia status in 2014, bringing the total to 3,632 companies. Overall MSC Malaysia contribution to GDP reached RM13.77 billion, a 14% increase from 2013. MSC Malaysia's revenue now accounts for a substantial 1.3% of GDP.

The Multimedia Development Corporation (MDeC) as the driver of MSC Malaysia is proud to present the 2014 Performance on MSC Malaysia status companies via this Annual Industry Report. As reflected in the ensuing pages, this Report serves as a valuable indicator of the MSC Malaysia status companies' progress, and thus aids in the assessment of their potential impact to the ICT industries and the Malaysian economy.

We would like to take this opportunity to congratulate our MSC Malaysia Status companies who have grown and whose successes have contributed greatly to the stellar performance of MSC Malaysia. Our sincere appreciation and gratitude as well to all our partners and stakeholders for their continued support and contribution towards growing our national ICT industry.

The outstanding results obtained in 2014 coupled with key focus area plans already in place for 2015, we are confident that MDeC will continue to elevate MSC Malaysia to greater heights both regionally and globally as we pave the way for a high-income developed nation status by 2020. With MSC Malaysia celebrating its 20th anniversary in 2016, we are excited to chart the MSC Malaysia journey with greater milestones and achievements.

## MSC Malaysia 2014 Performance - Fast Facts

**229**

NEW COMPANIES AWARDED

**3,632**

TOTAL MSC MALAYSIA STATUS  
COMPANIES AWARDED

**RM20.09**BIL

NEW INVESTMENTS

**RM17.16**BIL

OF NEW INVESTMENTS ARE  
FROM EXISTING COMPANIES

**RM38.52**BIL

REVENUE GENERATED  
11% GROWTH FROM 2013

**RM13.73**BIL

EXPORT SALES  
11% GROWTH FROM 2013

**147,568**

TOTAL JOBS CREATED  
9,497 JOB INCREASED FROM 2013

**87%**

OF TOTAL JOBS ARE  
LOCAL WORKER

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# MSC Malaysia Status Companies Growth



# Propelling Business Forward Through ICT

## Technology Clusters of MSC Malaysia



### INFORMATION TECHNOLOGY (INFOTECH)

Companies undertaking study, design, development, implementation, technical services or support, marketing and management of any computing based information systems.



### CREATIVE MULTIMEDIA CLUSTER (CMC)

Companies specialising in the design of multimedia content that comprises the integrated collection of computer based media including text, graphics, sound, animation, photo images, video and more.



### GLOBAL BUSINESS SERVICES (GBS)

Businesses whereby common services are provided by a single organisation leveraging on economies of scale, or a provision of service that is geographically removed from client.

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### IHLs & INCUBATORS

Institutions of higher education or faculties that provide courses related to multimedia, information technology and communication fields. Incubators that houses tenants involved in ICT & Multimedia (e.g. Software, e-Commerce, telecom), biotechnology and/or bio-informatics.

# Spearheading Digital Transformation

Developing New Sources of Growth

Develop the IoT ecosystem to capture local and global demand and attain niche leadership



Internet of Things

Galvanise eCommerce as a critical segment to accelerate growth for the Malaysian economy



eCommerce

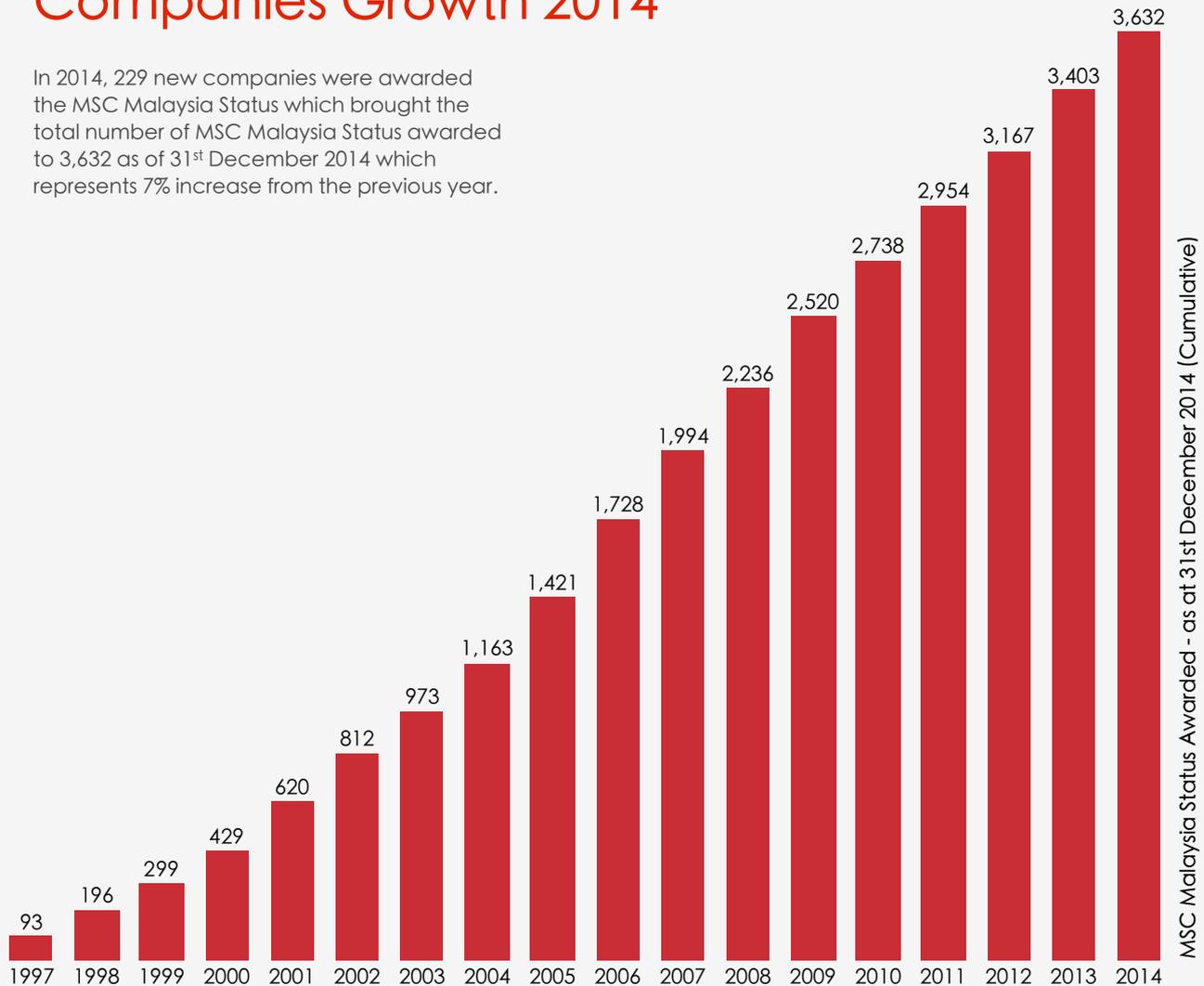


Big Data Analytics

Creation of national BDA ecosystem to enable the proliferation of BDA usage, as a catalyst for further economic growth

# MSC Malaysia Status Companies Growth 2014

In 2014, 229 new companies were awarded the MSC Malaysia Status which brought the total number of MSC Malaysia Status awarded to 3,632 as of 31<sup>st</sup> December 2014 which represents 7% increase from the previous year.



## MSC Malaysia Status companies by Technology Cluster

MSC Malaysia Status companies are grouped into four clusters, representing the four major ICT focus areas which consists of the Information Technology (InfoTech) Cluster, the Creative Multimedia (CMC) Cluster, the Global Business Services (GBS) Cluster, as well as Institutions of Higher Learning and Incubators.

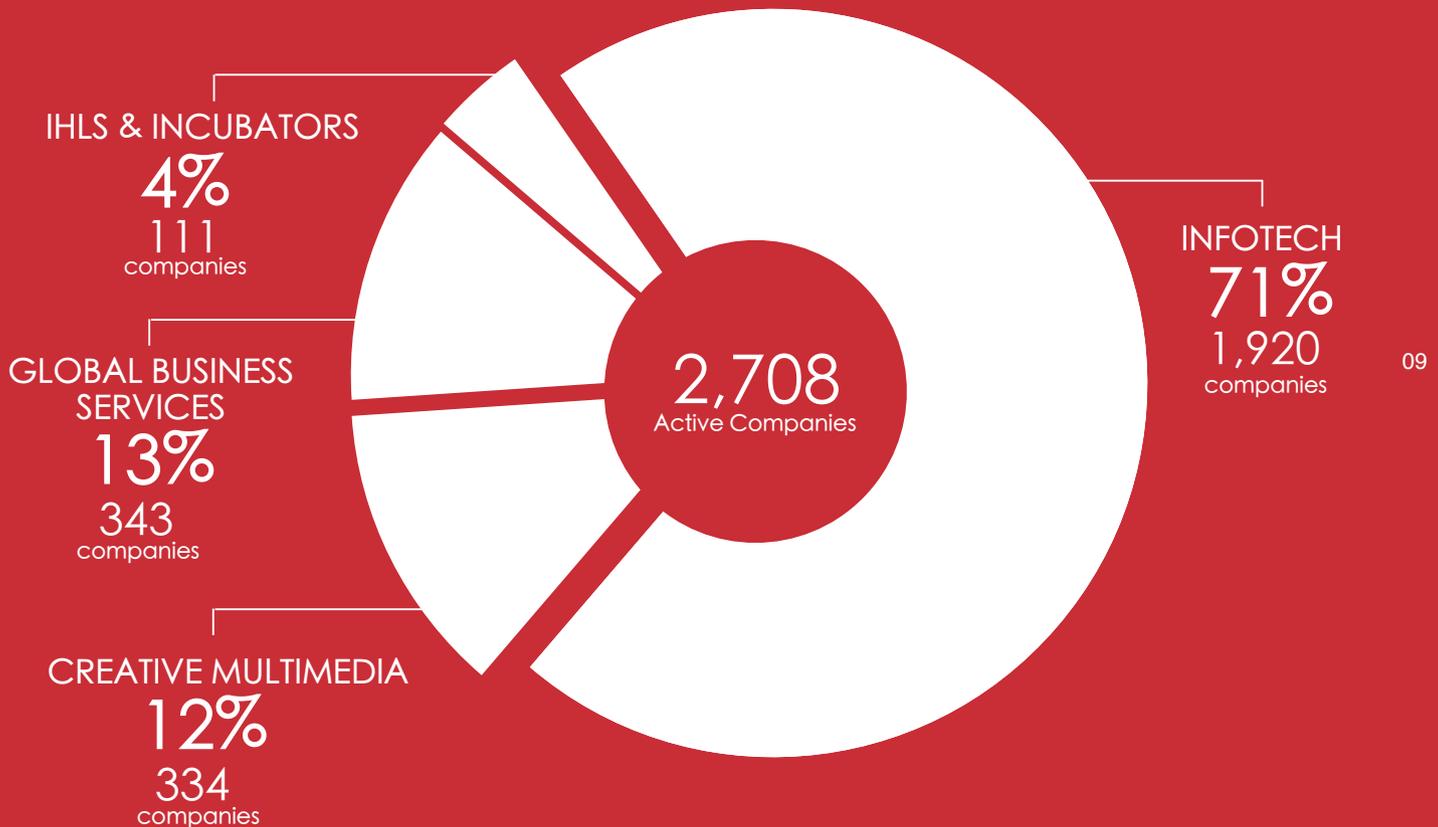
As of 31 December 2014, there were 2,708 active MSC Malaysia Status companies, out of which 71% represented the InfoTech Cluster, followed by 13% made up of the Global Business Services Cluster, while the Creative Multimedia Cluster and Institutions of Higher Learning constituted 12% and 4% respectively.

### MSC Malaysia Status companies Awarded and Active As at 31st December 2013 Breakdown by Technology Cluster

| Cluster                  | No. of Companies Awarded | Active       |
|--------------------------|--------------------------|--------------|
| Creative Multimedia      | 436                      | 334          |
| IHLs & Incubators        | 125                      | 111          |
| InfoTech                 | 2,665                    | 1,920        |
| Global Business Services | 406                      | 343          |
| <b>Total</b>             | <b>3,632</b>             | <b>2,708</b> |

# Active MSC Malaysia Status companies by Technology Cluster

As at 31 December 2014

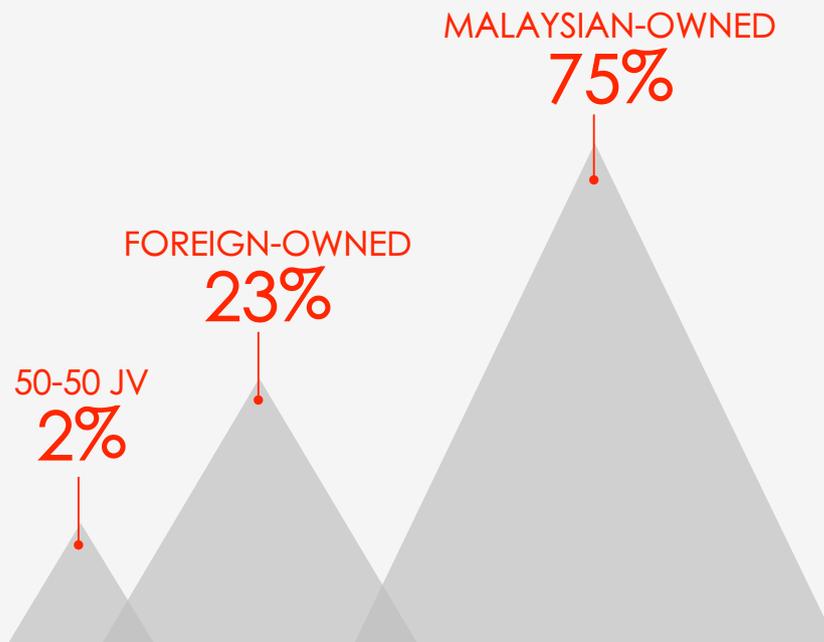


## MSC Malaysia Status companies by Equity Ownership

As of 31 December 2014, 75% or 2,028 of the total active MSC Malaysia Status companies are Malaysian-owned companies.

| Equity Ownership | No. of Companies Awarded | Active       |
|------------------|--------------------------|--------------|
| Malaysian-Owned  | 2,647                    | 2,028        |
| Foreign-Owned    | 897                      | 618          |
| 50-50 JV         | 88                       | 62           |
| <b>Total</b>     | <b>3,632</b>             | <b>2,708</b> |

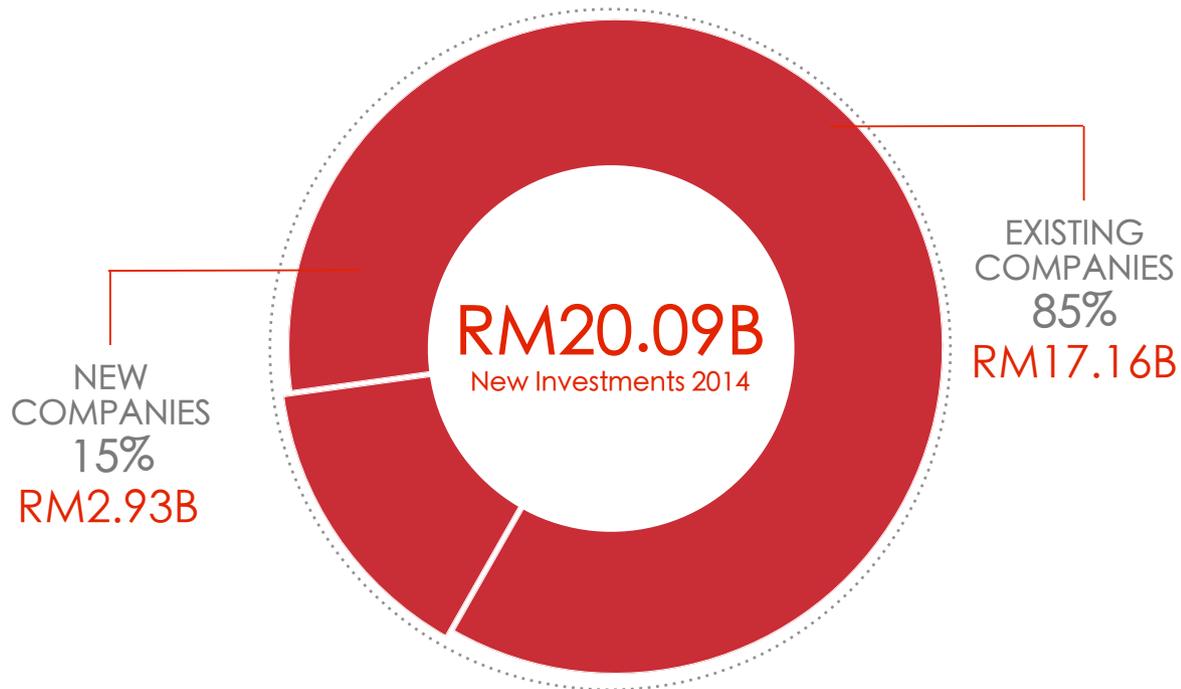
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Active MSC Malaysia Status companies By Equity Ownership as at 31 December 2014

## New Investments 2014

MSC Malaysia new investments 2014 recorded at RM20.09 billion of which 85% are contributed by the existing MSC Malaysia Status companies and the remaining 15% are from the 229 newly awarded companies.



# Survey Methodology

## About the report

The MSC Malaysia Annual Industry Report 2014 was conducted online at [www.mscomalaysia.my/reporting](http://www.mscomalaysia.my/reporting)

Data collection began from 5 January 2015 and ended on 23 January 2015.

The report covered the following sections:

1. Financial Performance
  - Total Sales
  - Local Sales
  - Export Sales
  - R&D Expenditure
2. Employment Performance
  - Total Jobs
  - Local Worker
  - Foreign Worker

## 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 2014 had a response rate of 85.6% from the total active MSC Malaysia Status companies.

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

## Sample Size

A total of 2,680 companies were targeted for the MSC Malaysia Annual Industry Report 2014. From the sample size, 2,294 companies completed the survey with response rate of 85.6%.

### Sample Size By Technology Cluster

| Cluster                  | Sample Size  | Completion Rate |
|--------------------------|--------------|-----------------|
| Creative Multimedia      | 332          | 87.1%           |
| IHLs & Incubators        | 108          | 94.4%           |
| InfoTech                 | 1,905        | 82.8%           |
| Global Business Services | 335          | 97.3%           |
| <b>Total</b>             | <b>2,680</b> | <b>85.6%</b>    |

### Sample Size By Equity Ownership

| Equity Ownership | Sample Size  | Completion Rate |
|------------------|--------------|-----------------|
| Malaysian-Owned  | 2,008        | 85.1%           |
| Foreign-Owned    | 611          | 88.5%           |
| 50-50 JV         | 61           | 72.1%           |
| <b>Total</b>     | <b>2,680</b> | <b>85.6%</b>    |



Financial  
Performance

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# Financial Performance

In 2014, revenue grew to RM 38.5 billion which was an 11.5% jump from 2013. In the area of export sales, MSC Malaysia companies reported a total of RM13.7 billion, representing a 10.6% year-on-year increase.

The InfoTech cluster recorded the highest revenue at RM15.99 billion, representing 42% of the overall MSC Malaysia. This is followed by the Global Business Services (GBS) cluster, which recorded RM13.9 billion, representing 36% of total revenues, while the Creative Multimedia (CMC) cluster and Institutions of Higher Learning and & Incubators accounted for RM7.1 billion (18%) and RM1.5 billion (4%) in revenues respectively.

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By virtue of their business, the GBS cluster naturally led the way in export sales accounting for 67% of total MSC Malaysia exports. This was due to a large increase in SSO companies as well as the increasing confidence among existing MSC Malaysia SSO companies that have resulted in more work being done out of Malaysia.



11%

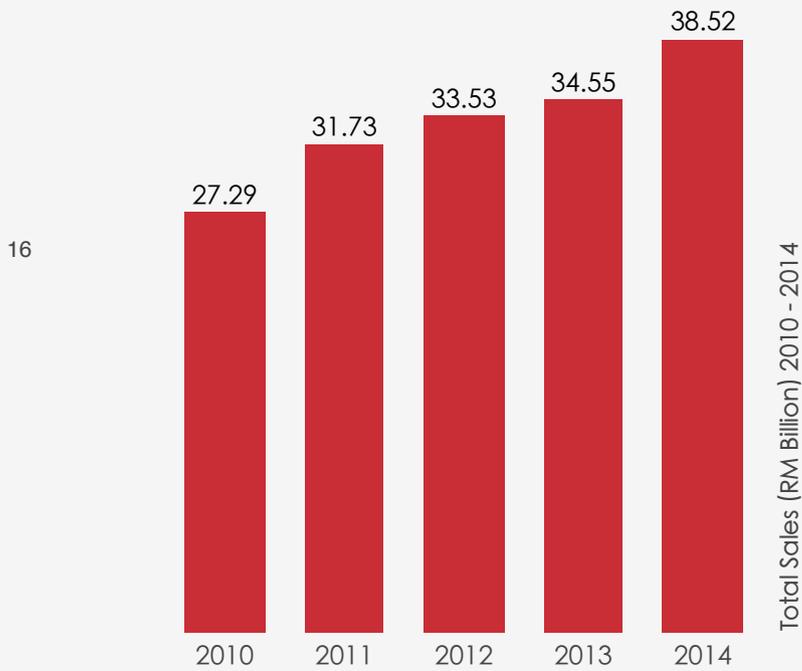
GROWTH 2013-2014

TOTAL  
SALES

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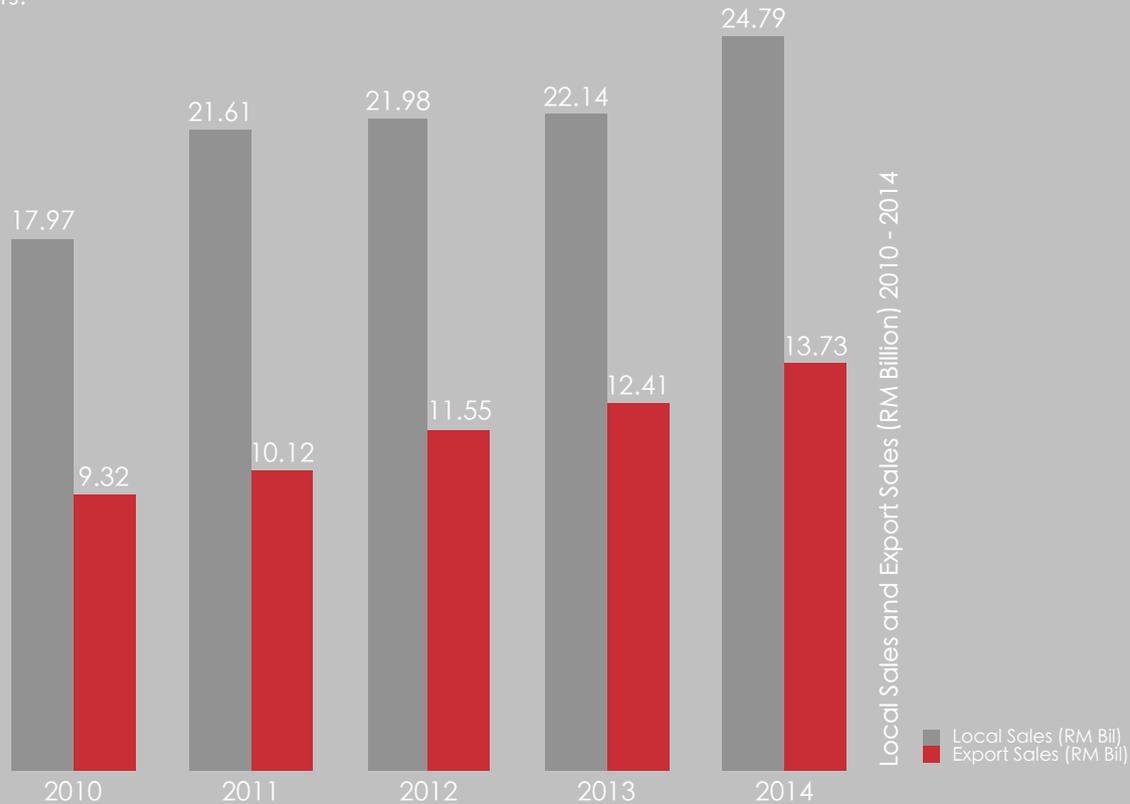
## Total Sales

MSC Malaysia total sales in 2014 rose 11.5% from 2013; a solid growth rate with a CAGR of 9% for a period of 5 years.



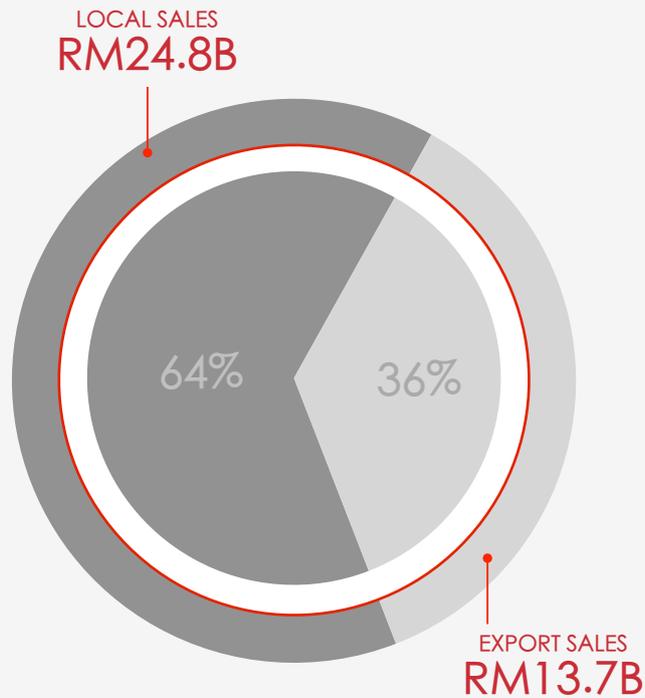
## Local Sales and Export Sales

Total MSC Malaysia export sales in 2014 rose 10.6% from 2013; a healthy growth rate with a CAGR of 10.2% for a period of 5 years.



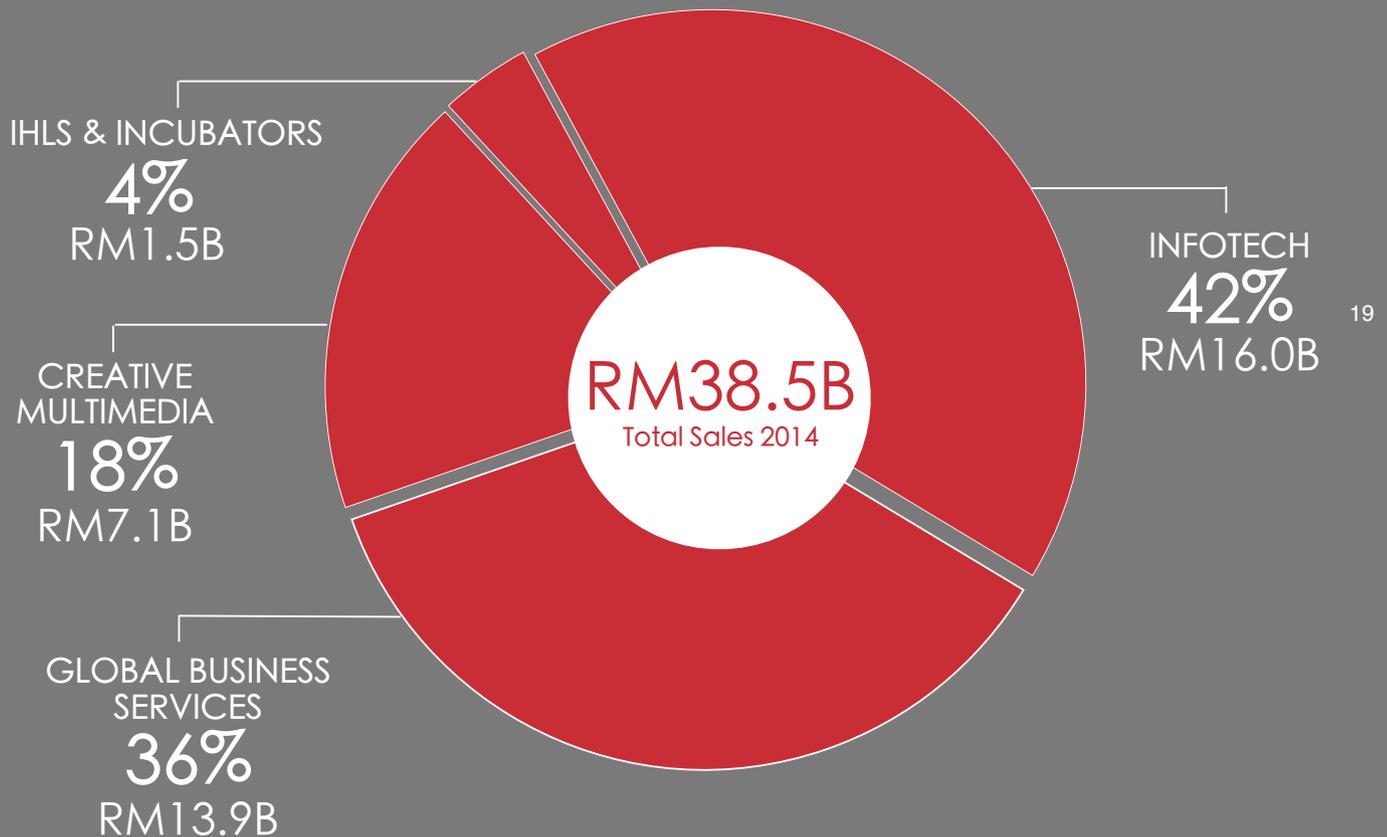
## Local Sales and Export Sales

In 2014, local sales contributed 64% to the total sales valued at RM24.8 billion and total export sales contributed 36% valued at RM13.7 billion.



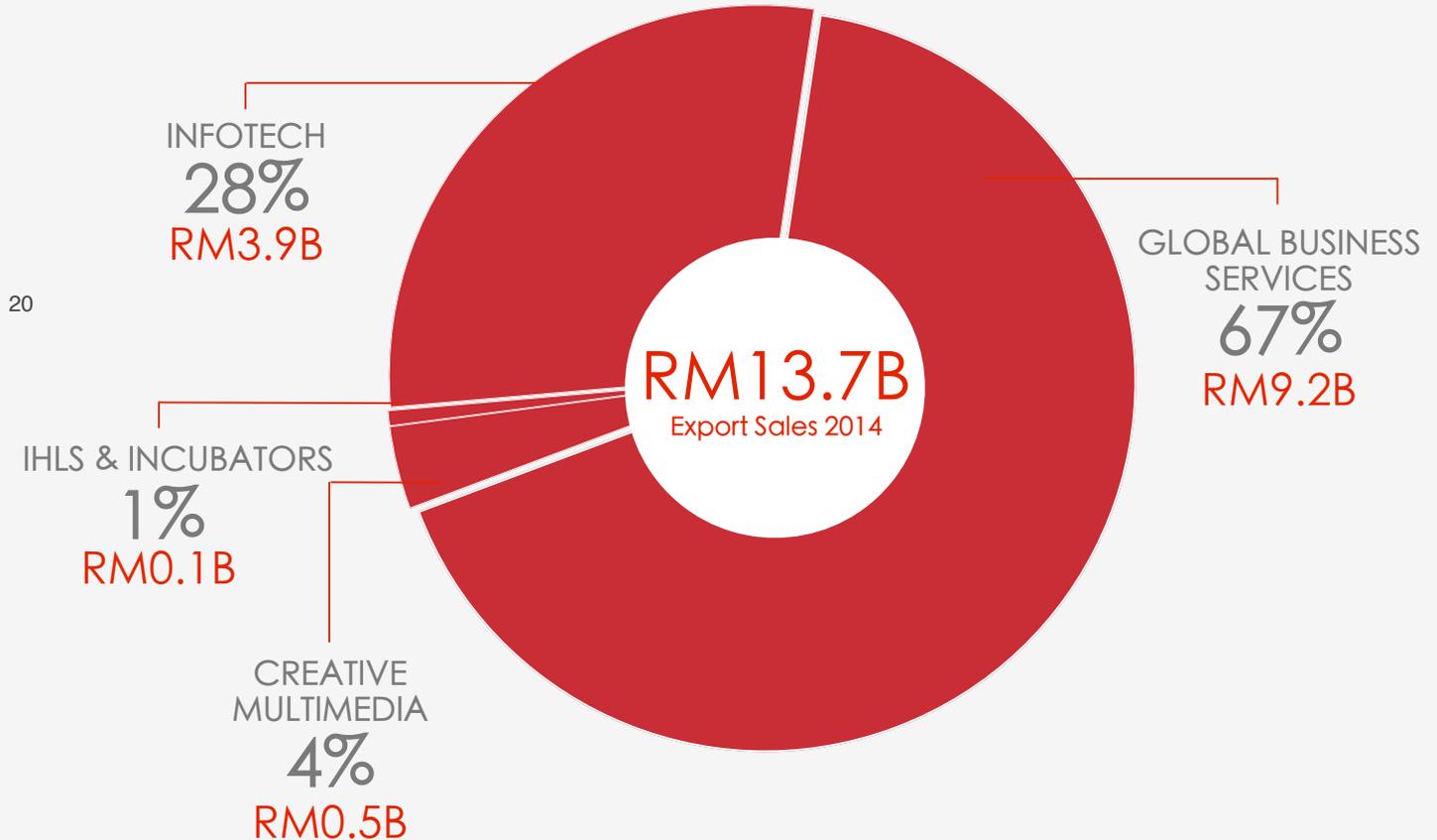
# Total Sales by Technology Cluster

InfoTech Cluster continues to be the top revenue contributor in 2014 which constituted 42% of the total revenue of MSC Malaysia Status companies.

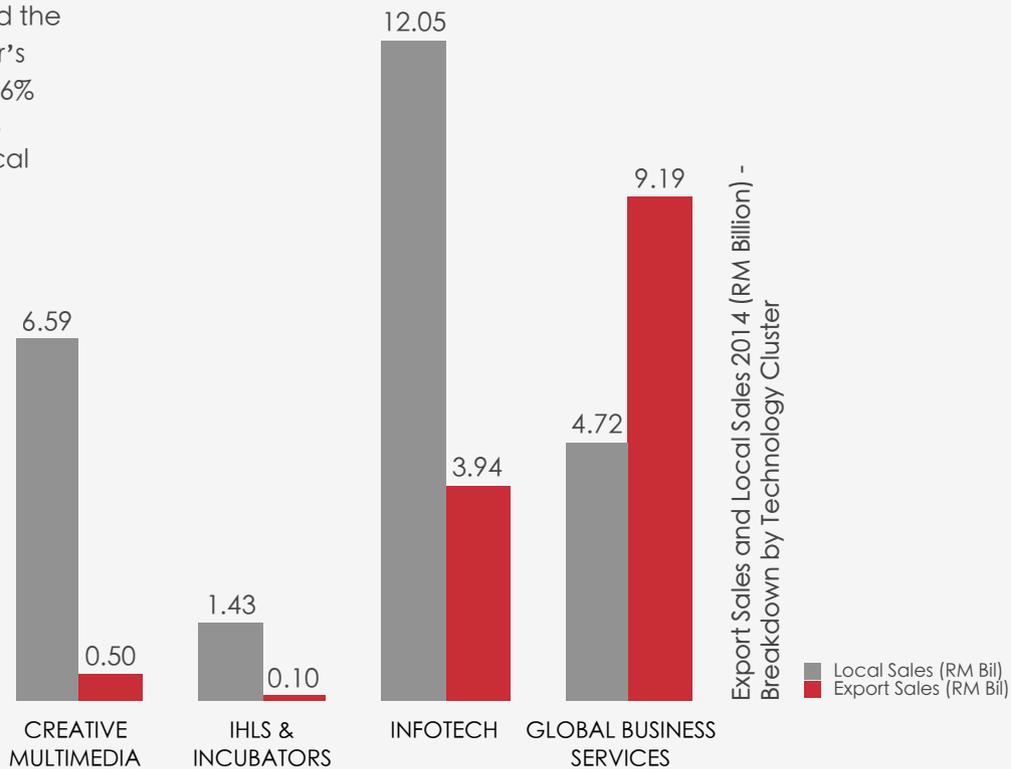


## Export Sales by Technology Cluster

The biggest contributor to the overall export sales for 2014 is the GBS Cluster which constituted 67% of the total export sales of MSC Malaysia Status companies.



While all other clusters displayed larger local sales contribution to total revenue, Global Business Services Cluster export contributed the most to the cluster's total revenue at 66% compared to 34% contribution of local sales.

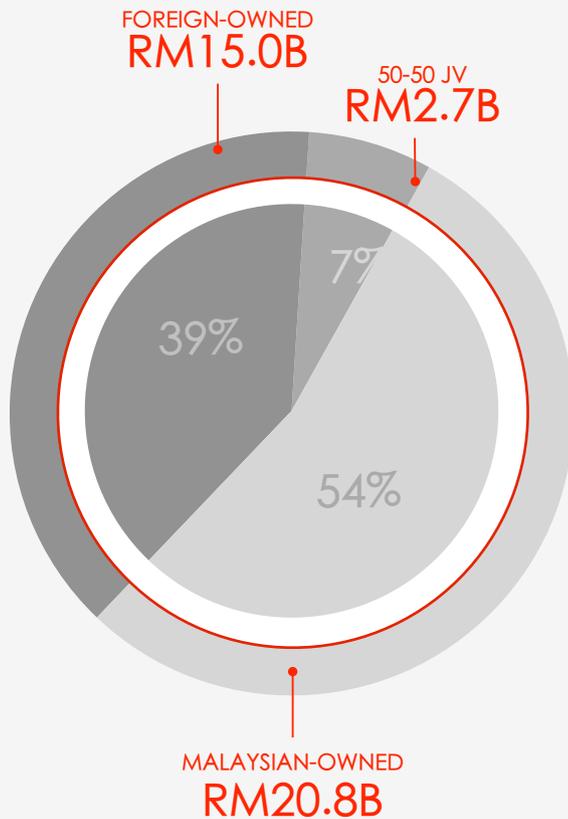


## Total Sales by Equity Ownership

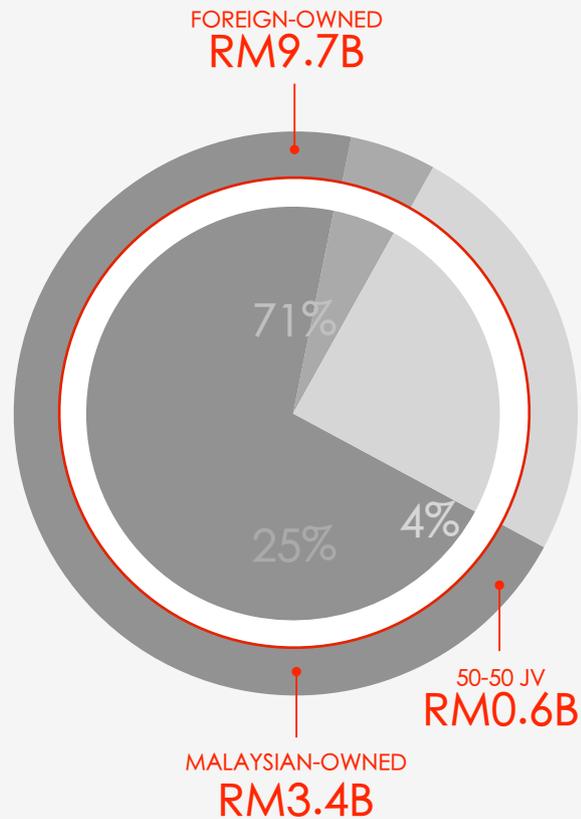
Malaysian-owned companies accounted for the majority of total sales while Foreign-owned companies contributed to the majority of export sales.

Export Sales were anchored by Foreign-owned entity with 71% at RM9.7 billion. Whereas, Malaysian-owned companies reported 25% contribution to export sales at RM3.4 billion.

TOTAL SALES

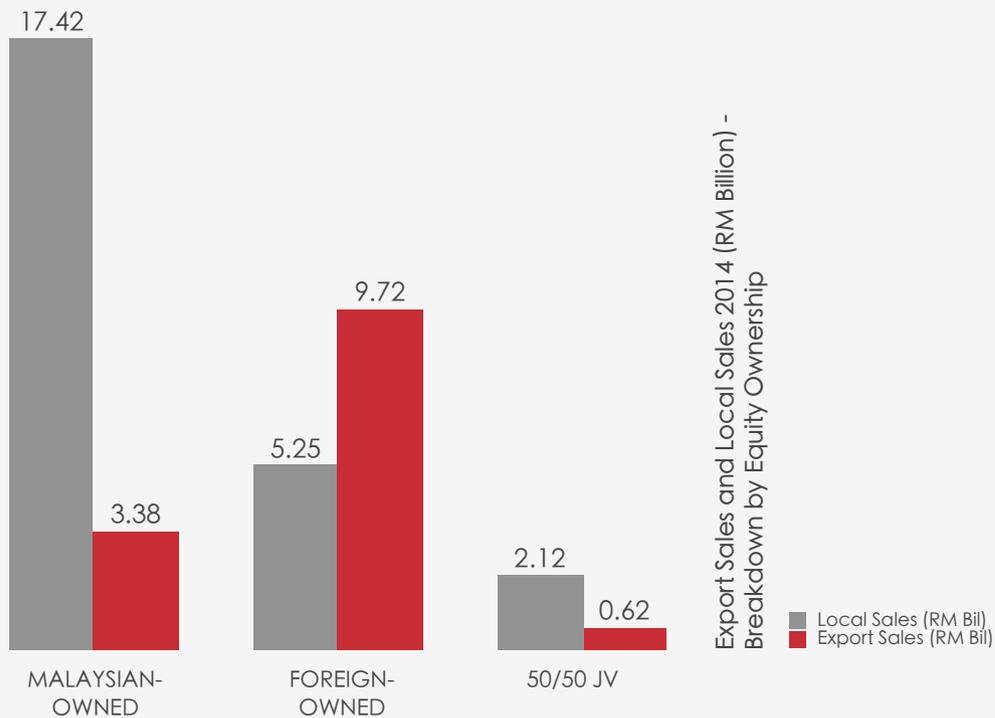


EXPORT SALES



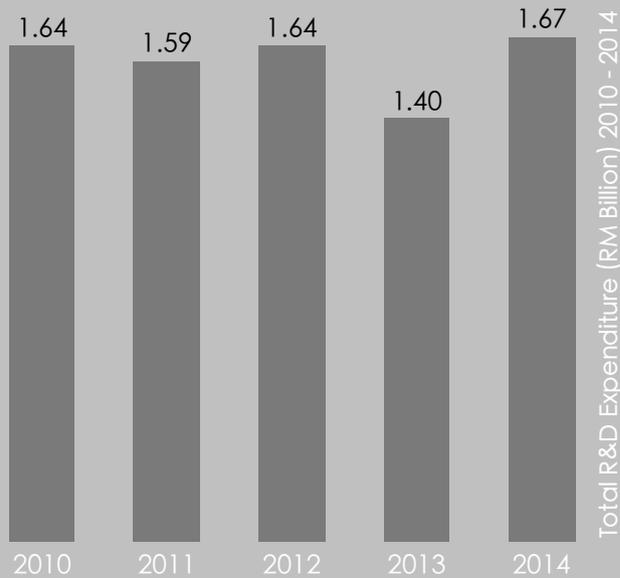
## Local Sales & Export Sales by Equity Ownership

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



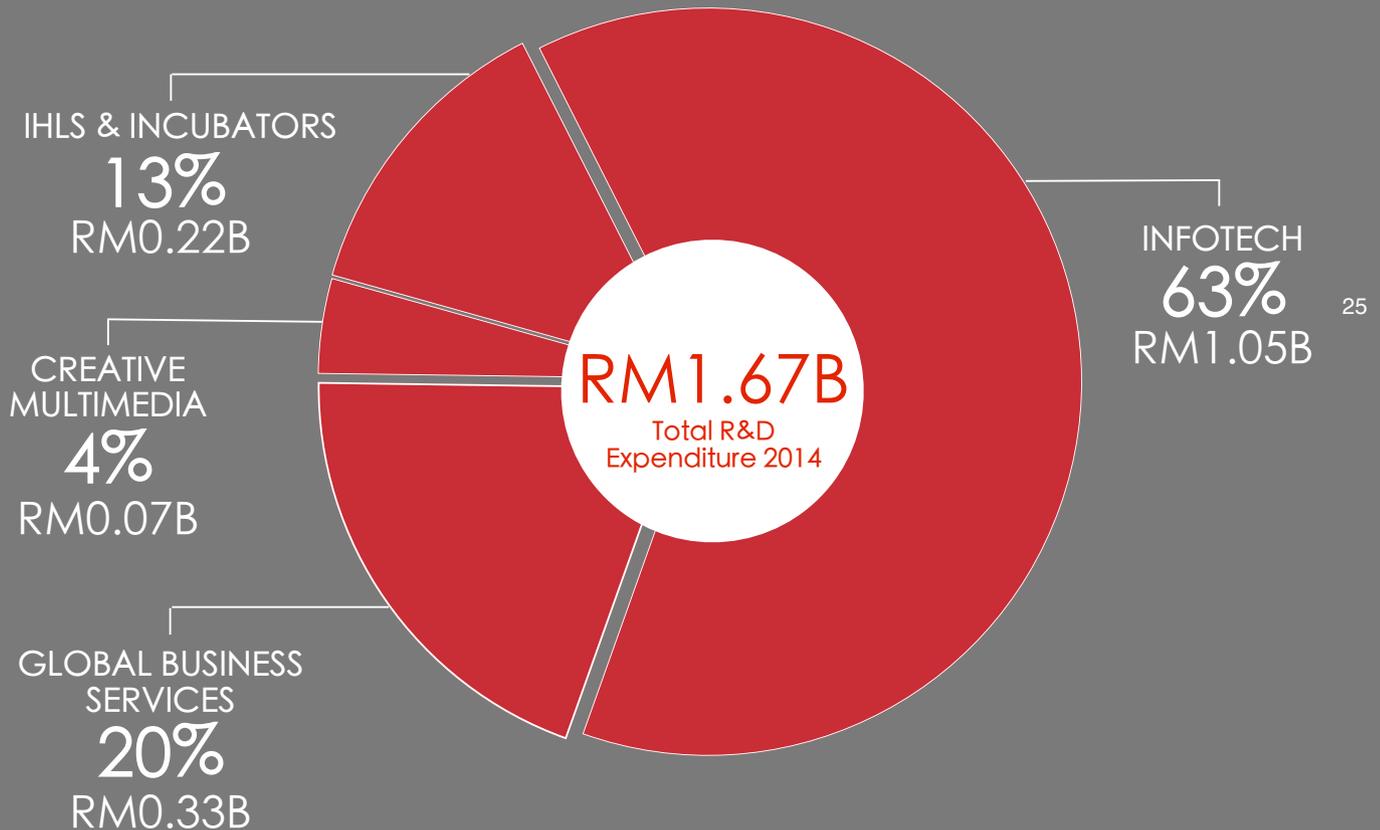
## Research and Development (R&D) Expenditure

Total R&D expenditure saw a significant increase by 19% in 2014 after experiencing a slight dip in 2013.



## Research and Development (R&D) Expenditure by Technology Cluster

The largest R&D expenditure in 2014 came from the InfoTech Cluster with an investment of RM1.05 billion.





7%

GROWTH 2013-2014

TOTAL  
JOBS

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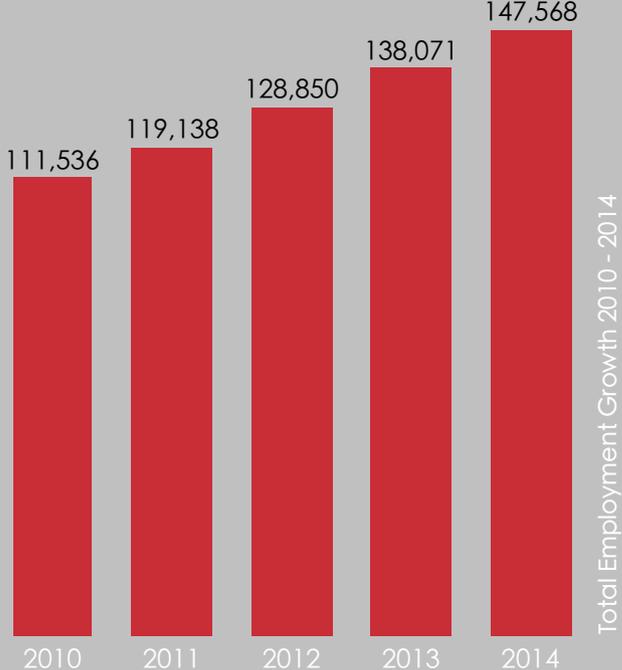
Employment  
Performance



# Employment Performance

The total number of jobs contributed by the MSC Malaysia status companies has been on an upward trend from 2010 to 2014 at CAGR of 7.25%.

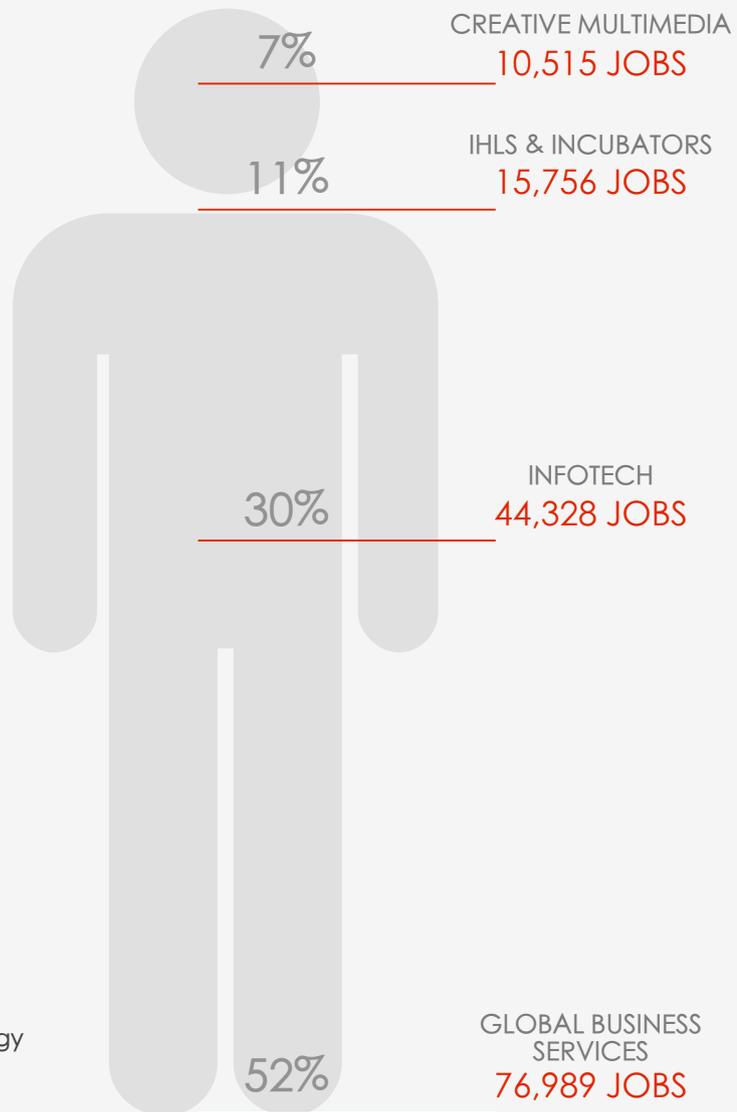
2014 witnessed a 7% increase over 2013 which saw 147,568 jobs with 9,497 new jobs. The steady growth shows that there is a healthy job market in MSC Malaysia especially in high value jobs. This is in line with Malaysia's aim to be a high income economy led by skilled knowledge workers by 2020.



# Employment Performance by Technology Cluster

Global Business Services Cluster contributed to the highest number of jobs in 2014.

The Global Business Services Cluster reported 76,989 jobs, representing 52% of the total employment followed by the InfoTech Cluster which reported 44,328 jobs or 30% of the overall job opportunities while the Creative Multimedia Cluster contributed 7% or 10,515 of the total employment.

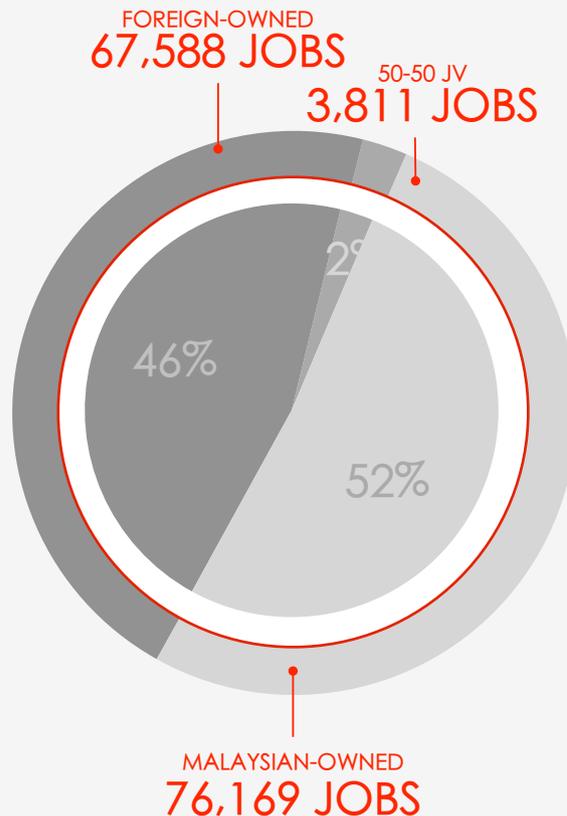


Total Employment 2014 -  
Breakdown by Technology  
Cluster

# Employment Performance by Equity Ownership

In 2014, Foreign-owned companies recorded 11.5% growth in total jobs from 2013.

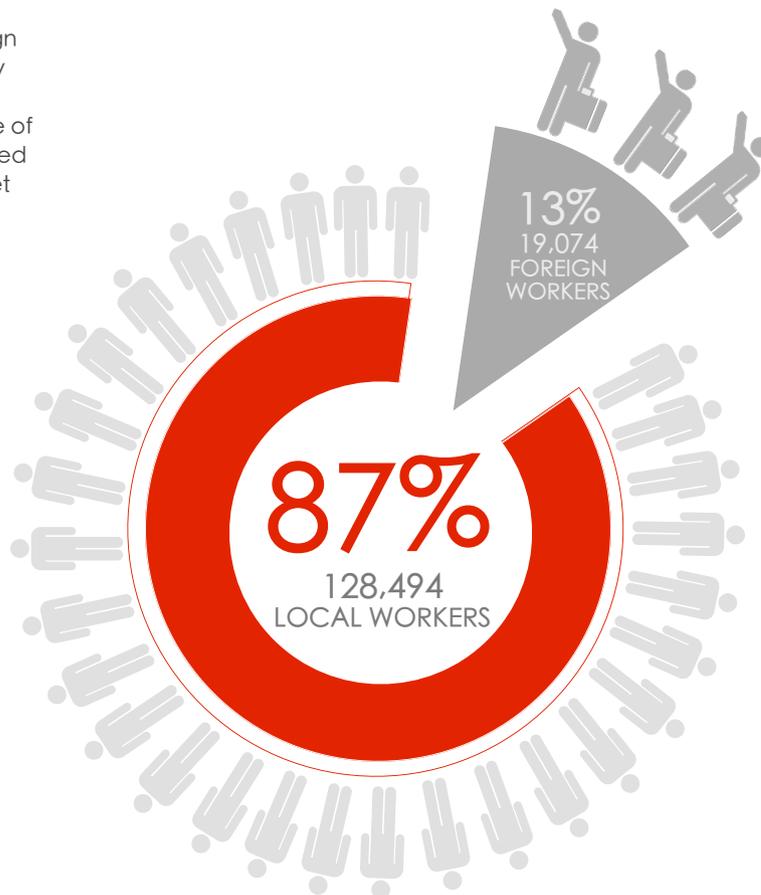
Malaysian-Owned companies contributed the highest number of jobs in 2014 at 52% which translated into 76,169 jobs. On the other hand, Foreign-owned companies made up 46% or 67,588 of total employment. The least contribution came from the 50-50 Joint-Ventures companies with 2% of total employment.



## Employment Performance Local & Foreign Worker

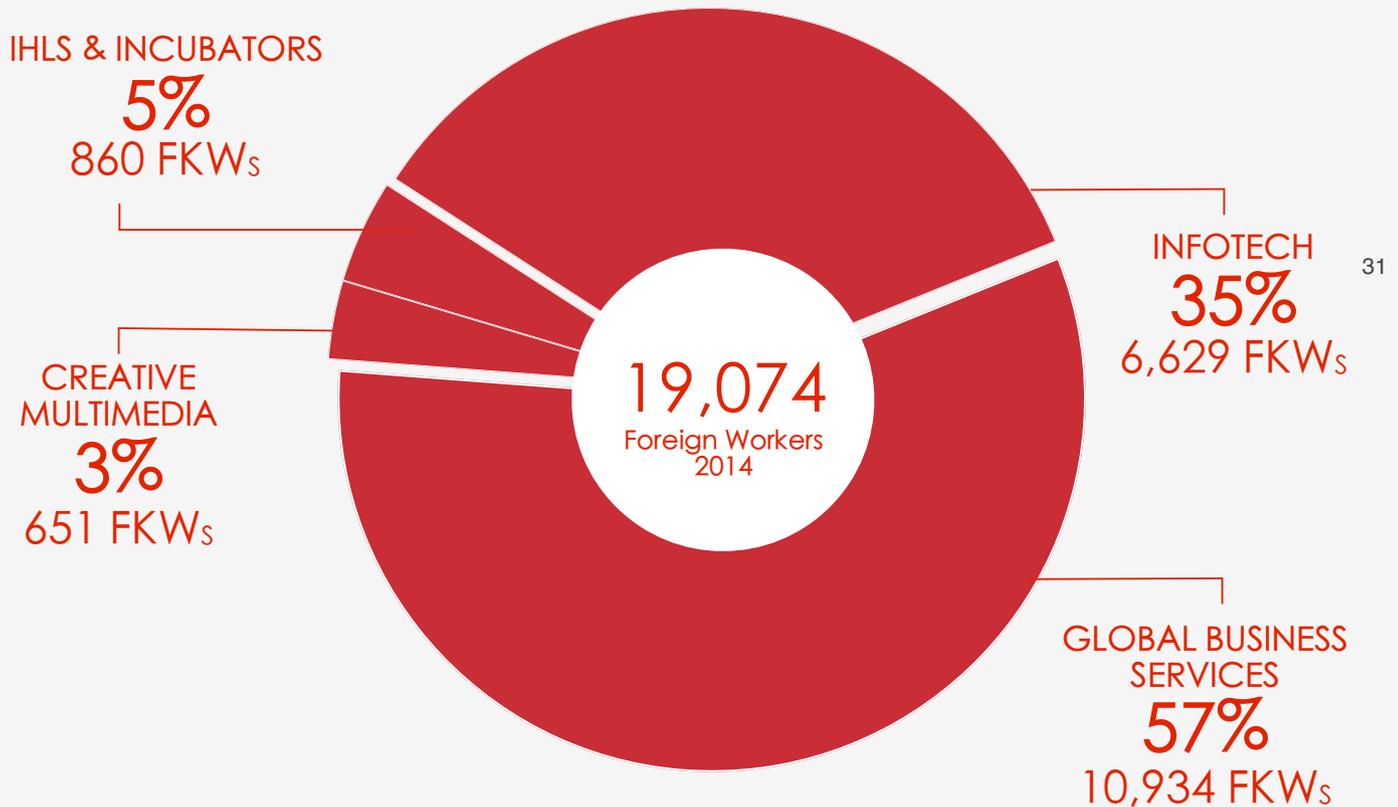
Local workers made up 87% of the total workforce in 2014, while the remaining 13% were made up of foreign workers.

The employment of Foreign Worker have increased by 10% from previous year indicating the importance of developing local high skilled talents in Malaysia to meet the growing demand.



# Foreign Workers by Technology Cluster

In 2014, 10,934 foreign workers are hired by the GBS Cluster companies which accounted for 57% from total of 19,074 foreign workers.



# Conclusion

MSC Malaysia initiative continues to be a powerful instrument of change. Having contributed more than RM275 billion ringgit in revenue, RM88 billion in export sales and more than 147,000 jobs since its inception, we are very confident that MSC Malaysia will continue to play an important role as a catalyst for ICT and the larger digital economy.

We believe that such positive results are a testament to the measurable and sustained benefits of MSC Malaysia's long-term vision and strategy. The MSC Malaysia does not only drive the local ICT industry development but also complement all on-going efforts to elevate Malaysia towards achieving a high-income developed nation status by 2020.

In 2015, MDeC will refocus and realign its efforts to strengthen MSC Malaysia's industry development as well as refocus digital transformation programme. Strengthening industry development will entail deepening existing niches such as bolstering MSC Malaysia companies' global footprint, making Malaysia a regional hub for games as well as a global hub for cloud and content services in order to boost investments into MSC Malaysia. New sources of growth to spur the industry will also be developed – specifically focusing on Big Data Analytics (BDA), e-Commerce and Internet of Things (IoT).

MDeC also established a new Enterprise Development division to drive the 'Global Acceleration and Innovation Network' (GAIN), aimed at fast-tracking the growth of high potential MSC Malaysia companies to become regional and global players by having customized intervention programs. This initiative will go hand-in-hand with the set-up of the MDeC Americas office which will be launched in late 2015. Based in the Silicon Valley, the new office will provide high-growth Malaysian companies with a direct link to the North America innovation ecosystem.

Parallel to this, MDeC, via the national digital economy initiative; Digital Malaysia, aims to deliver sustainable and high impact outcomes to businesses, government and the citizens, via digital government transformation focusing on citizen-centric online service delivery, promoting BITE (Bumiputera ICT Entrepreneurship), improving the quality of life of the B40 community (bottom 40% of the income pyramid) via digital means, and enhancing digital skills of the youth for future employability and income generation.

It will constitute a transformation of Malaysia into the digital nation that is fully developed with a sustainable digital economy built upon a vibrant domestic ICT industry, transformative use of digital solutions by government, businesses and citizens, as well as a robust enabling ecosystem.

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Multimedia Development Corporation Sdn. Bhd. (389346-D)

2360 Persiaran APEC  
63000 Cyberjaya  
Selangor Darul Ehsan, Malaysia

Tel: + 603 8315 3000  
Toll Free No.: 1-800-88-8338  
Fax: + 603 8315 3115

 [cltc@mdec.com.my](mailto:cltc@mdec.com.my)  
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