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HIGHLIGHTS

TAX EFFICIENT WAY TO INVEST IN RESEARCH & DEVELOPMENT (R&D)

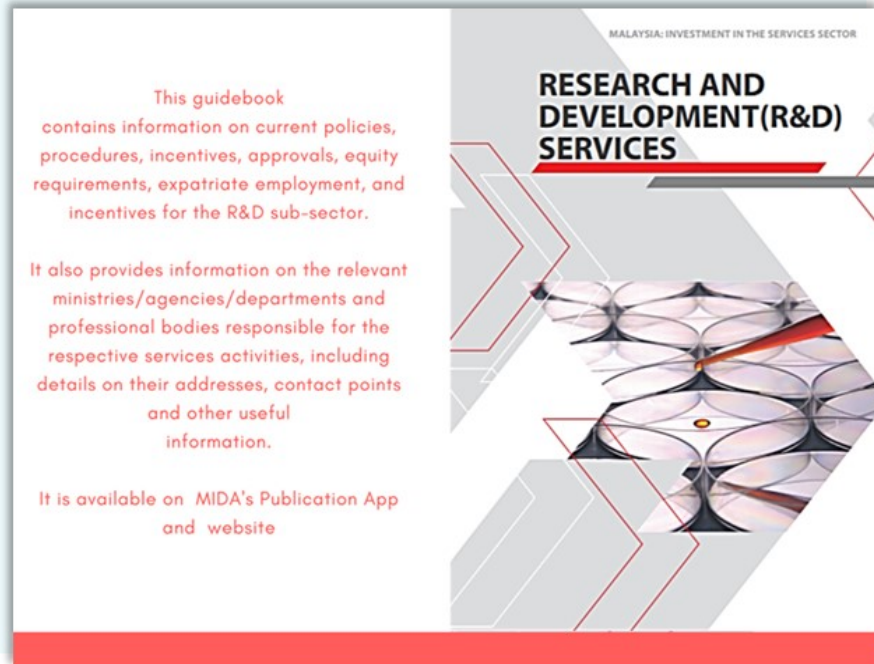
R&D is important to Malaysia's well-being and future sustainability. It creates value and enables the nation to exploit new industries and economic opportunities. The National Science Technology Policy 2013-2020 aims for Malaysia to achieve R&D intensity (GERD) of at least 2.0% by the year 2020. According to Malaysian Science and Technology Information Centre (MASTIC), Malaysia has made it into the top half of the fifty most innovative economies in the world, coming in at rank 25 in the Bloomberg Innovation Index 2016-2017, ahead of Italy (26), Spain (27), Hong Kong (37) or even our regional competitor Thailand (47). Nevertheless there is much more to be done as the country is still far behind Asian countries such as South Korea (1st) and Japan (4th).

The industrial landscape has changed tremendously throughout the years. Companies now need to reassess and realign their business strategies to adapt to the current challenges of doing business. Undertaking as well as intensifying R&D activities is without a doubt, one of the key components that will enable companies to remain competitive and sustainable. Evidence has shown that there is a strong correlation between R&D spending and market share control. Companies such as Apple, Samsung, Intel, Microsoft and Volkswagen which spend heavily on R&D are now world market leaders in their respective industries. R&D and Industrial Design also have significant impact on product and brand imaging.

The PricewaterhouseCoopers (PwC), in its 2017 Global Innovation 1000 Study indicated that disrupting R&D activities for new products and services will generate jobs, growth, and wealth of the future. Amazon, Alphabet, Intel, Samsung Electronics and Volkswagen are the top five largest R&D spenders from the years 2011-2017 worldwide. Amazon, for example moved from no.3 in 2016 to become the largest R&D spender in 2017. This shows that the company's greatest competitive advantage is not its e-commerce network; but is due to its continuous innovative efforts.



The Malaysian Investment Development Authority (MIDA), as the Government's principal agency to spearhead the national investment agenda of the country, has been aggressively promoting and developing the R&D sector across all industries.



MIDA's aim is to advance technological improvements with commercial potential that will help push Malaysia's industries ahead of its competitors. To encourage these efforts, MIDA offers tax incentives for R&D that can be enjoyed by manufacturers with in-house R&D facility or research service providers.

As at June 2017, MIDA has approved a total of 179 projects for incentives to undertake research and development activities, with a total of RM2.84 billion of investments that have generated more than 6,300 employment opportunities for the industry. Of the total, 6 R&D projects worth RM295 million of investments were approved in the first six months of 2017.

These projects were mainly in electrical & electronics, chemical and palm oil industries.

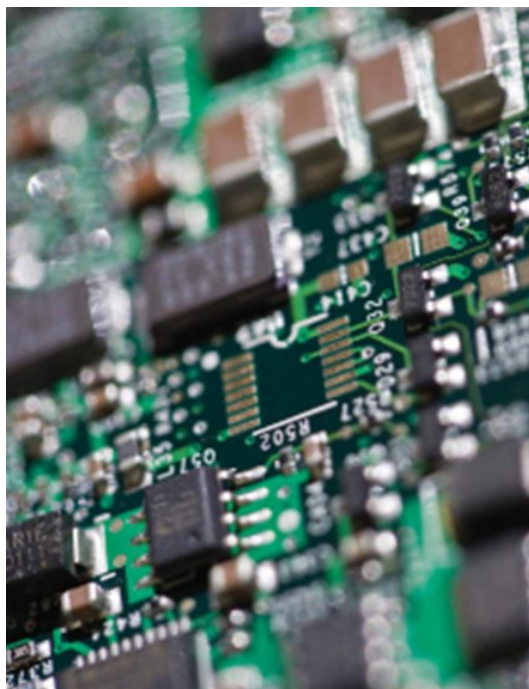
The Government's institutional structure supports the country's thrust for innovation and R&D at the highest levels. The emphasis on R&D as reflected in the 11th Malaysia Plan 2016-2020 (11th MP) focusses on translating innovation to wealth through strengthening relational capital to foster stronger linkages, collaboration and trust among stakeholders. Stronger relational capital will improve coordination and enable the sharing and testing of ideas across multiple stakeholders and disciplines which will improve the national innovation ecosystem. This enables Malaysia to bring creative outputs to the market and share available resources.

As such, MIDA is stepping up its efforts to drive stronger R&D linkages between the industry and tertiary & research institutions. The agency's focus is not just about the absolute value of investments, but the expansion of the ecosystem as well. By strengthening the innovation ecosystem, the country is developing a conducive environment to foster trust among all stakeholders. This in turn will contribute to higher value R&D activities and increase R&D spending.

Nottingham MyResearch and Monash Malaysia R&D (MMR&D) are among the 5 Private Higher Education Institutions of Malaysia that has been granted the R&D Status by MIDA. These approvals enable their clients to enjoy double-deduction on R&D expenditure. It is a tax efficient way to invest in R&D whereby industry partners can access these universities' expertise while enabling the academia to produce more research with higher commercial potential.

MIDA has a dedicated division as the focal point in driving the development of R&D and innovation in Malaysia, known as the Advanced Technology and R&D division. For more information on how to leverage on the R&D facilities provided by MIDA, please contact the Advanced Technology and Research & Development Division of MIDA ([Link](#)).

THE MALAYSIAN SEMICONDUCTOR ECOSYSTEM: POSITIVE OUTLOOK



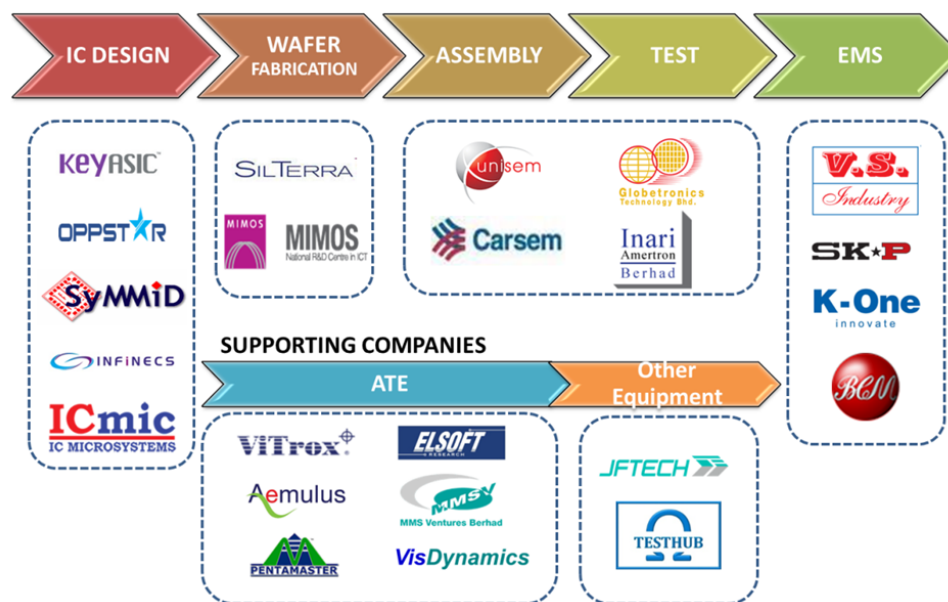
Globally, 2017 has been a great year for the semiconductor industry. The Semiconductor Industry Association (SIA), announced on 4 Dec 2017 that worldwide sales of semiconductors reached USD37.1 billion for October 2017, an increase of 21.9% from the same period last year of USD30.4 billion. This also marked the global semiconductor industry's largest-ever monthly sales total. This is a result of the exponential growth of new applications for the industrial, automotive, medical, and consumer markets, fueling unprecedented surge in demand for semiconductors. The strong demand, coupled with improved device pricing especially for memory, is set to propel the semiconductor market past the USD400 billion mark for the first time in 2017, setting the record for achieving the industry's highest-ever annual sales.

The positive growth of the industry globally has largely benefitted the Malaysian semiconductor companies, which have a strong presence in the whole semiconductor value chain and have been serving foreign semiconductor manufacturers, brand owners, integrated circuit (IC) developers and fabricators.

The semiconductor ecosystem in Malaysia can be divided into five groups:

1. Companies that undertake Wafer Fabrication activities such as MIMOS and SiTerra Malaysia which offers Complementary Metal–Oxide–Semiconductor (CMOS) design and a broad range of fabrication processes for Integrated Chips (IC) in advanced logic, mixed signal & radio frequency and high voltage applications.
2. Companies involved in Outsourced Semiconductor Assembly and Test (OSAT) activities such as Unisem, Globetronics Technology, Inari Amertron and Malaysian Pacific Industries (MPI). Such companies provide outsourcing services including assembly, packaging, fabrication and testing.
3. Supporting companies which are Automated Test Equipment (ATE) manufacturers like ViTrox, Elsoft Research, Aemulus Holdings, MMS Ventures (MMSV), VisDynamics and Pentamaster. They serve OSAT companies and other multinational semiconductor manufacturers. Supporting companies also include JF Technology and Testhub which design and manufacture high-performance test sockets and other materials for OSAT companies and semiconductor firms.
4. Companies that are generally categorised as Electronics Manufacturing Service providers (EMS). These include V.S. Industry, SKP Resources, BCM Electronics and K-One Technology whose businesses are similar to that of Taiwanese contract manufacturing giant Hon Hai Precision Industry, better known as Foxconn Technology Group.
5. Apart from manufacturing companies, local companies are also capable in the IC Design activities which produce higher value added products and consist of a pool of highly talented engineers. Among them are Key ASIC, Oppstar Technology, IC Microsystems, SyMMID and Infinecs Systems.

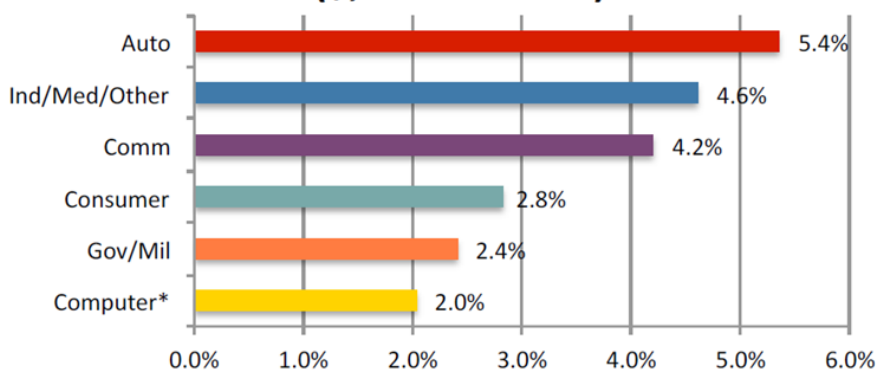
HOME GROWN SEMICONDUCTOR COMPANIES



FUTURE DEMAND

The *IC Market Drivers 2018 Report* by *IC Insights*, a leading semiconductor market research company, forecasted that the demand for electronic systems will continue to grow with an expanding number of end-use applications and increasing digital content providing the stimulus for IC market growth. Internet-capable converging technologies and mobile electronic systems such as The Internet of Things, Virtual and Augmented Reality, Automotive Electronics Wearable Electronics, and Personal Computing will keep demand for ICs strong through 2021.

Worldwide Electronic System CAGRs (\$, 2016-2021F)



Source IC Insights

*Includes tablets

The Report also forecasted that automotive electronic system sales are to rise by a compound annual growth rate (CAGR) of 5.4% from 2016 through 2021, which is the highest among six major end-use system categories.

It is with little surprise that automotive has emerged as one of the fastest-growing markets for semiconductor devices as the world is becoming increasingly digitised whereby the attention is on the consumption of electronic components for fuel efficiency, better navigation,

infotainment and safety. This is giving rise to focus on self-driving (autonomous) vehicles, vehicle-to-vehicle (V2V) and vehicle-to-infrastructure (V2I) communications, as well as on-board safety, convenience, and environmental features. The growth is also in tandem with the availability of technology in mid-range and entry-level cars and as consumers purchase technology-based aftermarket products.

Industry players in Malaysia are encouraged to strike while the iron is hot and scale greater heights in building a resilient and growing electronics manufacturing ecosystem for the country and the region.

HARNESSING THE POTENTIAL OF TVET TO MEET INDUSTRY NEEDS

Human capital development has been acknowledged as one of the key enablers for Malaysia to be a developed nation by 2020. Having a large pool of skilled manpower is important in maintaining a conducive environment for businesses to grow. As such technical and vocational education and training, or TVET, has been recognised as a quick win strategy for Malaysia to increase the competitiveness and calibre of the workforce to meet industry demands, especially in the face of rapidly changing of technology. Recognising the importance, the Government is targeting to increase the proportion of highly skilled workers to 35% by 2020.



During the launching of the TVET Transformation Programme in September 2017, the Prime Minister announced an allocation of RM50 million for strategic TVET programmes and RM75 million for supporting Industrial Revolution 4.0 through collaboration between education institutions and associations for employer. In complementing this effort, a sum of RM4.9 billion to implement the TVET Malaysia Master-Plan was announced under Budget 2018.

TVET was also acknowledged in the 11th Malaysia Plan (11MP) under 'Accelerating Human Capital Development for an Advanced Nation'

thrust. This aims to address the shortage of skilled workers in the labour market and aspires that 60% of new jobs created within the 5-year plan will be filled up by skilled manpower. As a result, enrolment into TVET institutions has gradually increased from 164,000 students in 2013 to 194,500 students in 2016. By 2020, the plan targets for 225,000 students to register with TVET.

In transforming the TVET institution, 11MP has outlined three strategies to enable an industry-led approach that would migrate economic sectors towards knowledge intensive activities. These are:-

Strategy1	Strategy2	Strategy3
Strengthening the governance of TVET for better management, through the streamlining of the national qualification framework, and harmonising of various rating systems across both private and public institutions.	Enhancing the quality and delivery of TVET programme to improve graduates employability by enabling industries to lead curriculum development, eliminating the duplication of programmes and resource, enhancing cost efficiency and expanding funding for TVET to increase enrolment.	Enhancing TVET branding to increase its attractiveness. This will be achieved through promotional activities highlighting TVET as an attractive career choice.

SERVICES

In 2012, the Government has announced a liberalisation measure whereby any foreign companies may invest and own the equity in TVET of up to 100 per cent. Following this, Malaysian Investment Development Authority (MIDA) has been actively encouraging foreign and local companies to invest in TVET institutions. MIDA continues to assist and facilitate potential investors venturing into this field. Among the efforts include a provision of an investment tax allowance of 100% for the qualifying capital expenditure incurred for a period of ten (10) years. The incentive is for new or existing companies that upgrade / expand their training facilities.

For the past three years, there has been an increasing number of TVET institutions. As of September 2017, the Department of Skills Development (DSD) has accredited 1,254 public and private TVET institutions in the country compared to only 1,000 in 2014.

Moving forward, it is critical to continue making systematic efforts to improve the quality and status of TVET in Malaysia with more industry-focused syllabus, strong on-the-job training and lifelong learning components. The role of TVET in bridging the talent requirements of industries is important in sustaining and increasing the competitiveness of the economy as well as to address globalisation, technology advances and labour mobility challenges.

EVENTS

MIDA Engages More Than 200 Industry Players In Sabah; Companies to Leverage on Facilities Provided, Particularly in Industry 4.0 Ventures



This seminar is part of MIDA's continuous efforts to update the industry players especially in East Malaysia on the latest policies and facilities that are available. The event highlighted on the government's aggressive efforts to assist industry players in embracing Industry 4.0 through the adoption of automation and smart manufacturing.

As the champion for Industry 4.0 and smart manufacturing, MITI and MIDA are heavily involved in formulating strategies and conducting related research such as the "Future of Manufacturing" Study on the

3+2 catalytic and high growth potential sectors identified under the 11th Malaysia Plan and the National Plan for Industry 4.0.

More than 200 industry players attended the one-day programme. It featured two plenary sessions moderated by the Federation of Malaysian Manufacturers (FMM) and Persatuan Usahawan Maju Malaysia (PUMM) and key speakers from MIDA, Malaysia External Trade Development Corporation (MATRADE), SME Corporation Malaysia (SME Corp), Halal Industry Development Corporation (HDC), Small Medium Enterprise Development Bank Malaysia (SME Bank), Malaysian Industrial Development Finance (MIDF), and Credit Guarantee Corporation (CGC). The event also featured business clinic sessions that enabled participants to engage and obtain direct consultations with various agencies at both federal and state levels.



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Monash University Malaysia Launches MIDA-Approved R&D Status Company



Monash University Malaysia has launched its subsidiary, Monash Malaysia R&D Sdn. Bhd (MMR&D) in an event titled 'University Industry Collaboration: A Catalyst in Powering an Innovation Economy'. As an approved R&D status company by Malaysian Investment Development Authority (MIDA), MMR&D strives to influence and impact organisations in Malaysia to invest in research and development that will enable Malaysia to be an innovation-driven economy. Additionally, it aims to develop and provide leading-edge research and development expertise to industries and organisations, to discover innovative solutions that enhance their global competitiveness.

The launch of MMR&D is timely as the 2018 Budget announcement indicated that the allocation for research, development and commercialisation is almost doubled to RM400 million from RM235 million in 2017. "MMR&D is one of the 5 Private Higher Education Institutions of Malaysia that has been granted R&D Status by MIDA. Companies that appoint MMR&D will receive a double deduction on non-capital expenditure for research and development. This includes cash contributions, donations and payments for research. There will also be creation of IPs, patents, trademarks and other commercialisation opportunities. Apart from these, MMR&D will also offer workshops and training for industry and organisations in technical and on-technical areas.

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Approved Investments Totalled Rm113.5 Billion In Jan-Sept 2017; Local Companies Continue to Spearhead Investment Activities in Malaysia

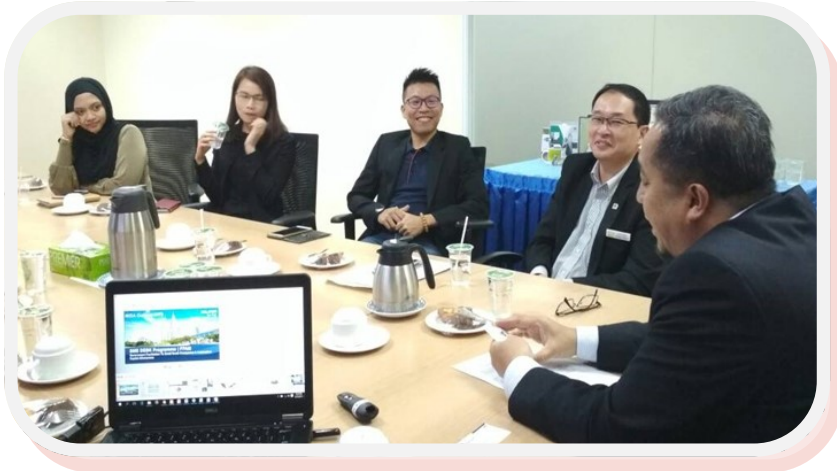
MIDA announced the performance of investments approved for January to September 2017 on 14 December via a media release as well as a media statement from YB Dato' Sri Mustapa Mohamed, Minister of International Trade and Industry.

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Highlights of December 2017



A fruitful discussion on creating a new chapter on productivity under the framework of the Electrical & Electronics Strategic Council (EESC) on 5 December.



There was an information sharing session between the Director of MIDA Johor and Financial Planning Association of Malaysia (FPAM) Johor. Companies have been further encouraged to take advantage of the government facilities available.

The Medical Devices Investment Advisory Panel Meeting was held on 11 December at MIDA.



EVENTS

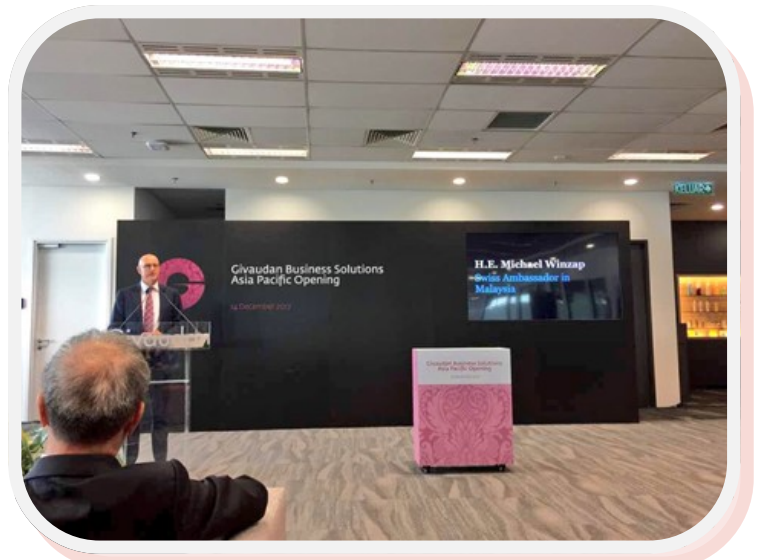


MIDA Penang received visits from 2 organisations namely representatives from the University Tunku Abdul Rahman (UTAR) & 11 delegations from the various organisations under the Guangxi Bureau of Quality and Technical Supervision, China on 12 December.



MIDA team led by the Executive Director of Investment Promotion, Mr. Arham Abdul Rahman met with PT Tasblock Industry Indonesia, an IBS and composite material manufacturer in Jakarta, 13 December.

Givaudan Business Solution Asia Pacific, a global leader in the fragrance and flavour industry, opened its shared services office on 13 December in Malaysia to serve the Asia Pacific market.





On 18 December, YAB Prime Minister Dato' Sri Haji Mohammad Najib bin Tun Haji Abdul Razak led a Trade and Investment Mission to Sri Lanka. The Malaysian delegation included YB Minister Dato' Sri Mustapa Mohamed, Minister of MITI and Datuk N. Rajendran, Deputy CEO of MIDA. It was a fruitful mission to encourage more strategic partnerships between industry players of both countries.

A briefing session to SMEs by Mr. Zabidi Mahbar, Executive Director of Strategic Planning (Manufacturing), MIDA was held in Muar, Johor on 18 December. The event attracted more than 53 companies comprising of second tier furniture manufacturers.



MIDA Penang organised its 5th SME Desk Programme at Bukit Mertajam on 21 December. It was a collaboration with the Penang Foundry Engineering Industries Association (PENFEIA). The event was well-attended by 60 participants, which included the President of PERAK FEIA and the President of KEDAH FEIA.

MIDA IN THE NEWS

Government assists industry players to embrace Industry 4.0

ECONOMY NEWS

Japan investments to hit RM1b in 2017

Malaysia's Q3 GDP results show a resilient economy

E&E will lead Malaysia's export in 2018: Mustapa

Malaysia to continue to attract investors

ADB bullish on Malaysia's outlook

World Bank lifts Malaysia 2017 GDP growth forecast

UBS sees 6pc growth this year

RM113.5bil in investments approved over nine months

Becoming high income nation as early as 2020

Malaysian M&As and IPOs expected to peak in 2019

Citi: Belt and Road initiative key to ASEAN growth

Global economy back to 'normal' after 2017's upside surprises

Commendable 5.5pc growth next year, says MIDF

INDUSTRY NEWS

Cypark to build solar PV plant in Negeri Sembilan

Fibertex opens RM257m Sendayan Techvalley plant

Pharmaniaga investing RM100m to produce halal vaccines

Ajinomoto eyes 50% sales growth in two years

Third line in the works for Thong Guan

EEV penetration rate to hit 80pc by 2022

SEMI forecasts US\$55.9 billion sales in semiconductor equipment in 2017

SCGM on track for expansion

Datasonic launches factory to manufacture new e-passports

GBH to buy factories and land for RM143mil

Trio in bid to groom local SMEs

Ortus to leverage Malaysia's leading role in wellness industry

Karyon buys factory in Johor for RM6.7m

SERVICES NEWS

Toshiba completes delivery of first generator to Jimah East facility

Xin Hwa expands warehouse, ventures into e-commerce

YTL Hotels ties up with Marriott again to roll out four new hotels

Astro to invest RM100m in JV

Malaysia's fintech industry poised for growth

Fintech Center Korea inks MoUs to strengthen fintech ties in Malaysia

Malaysia moving towards cashless society

MIDA CEO: 179 R&D projects approved, 6,300 jobs created

Ministry coordinating working groups for Industry 4.0 framework

Malaysia Airports: Ethiopian Airlines to promote KLIA as preferred hub

More SMEs embracing data analytics

Sunway Labs to help startups go regional

Booming digital economy to raise Malaysia's profile

Domestic demand to remain key growth driver next year

Healthcare key driver of economic growth

Next step in self-service banking

Government serious about revamping public transport

Electricity tariff schedule to be maintained

Accommodative operating environment for airline industry in 2017

Acoustech to develop luxury hotel, affordable apartments in Melaka with GDV of RM80.5m

Huge growth opportunities for aviation industry



ABOUT MIDA

The Malaysian Investment Development Authority (MIDA) is the Government's principal promotion agency under the Ministry of International Trade and Industry (MITI) to oversee and drive investments into the manufacturing and services sectors in Malaysia. Starting operations in 1967, MIDA is the first point of contact for investors that want to take advantage of Malaysia's vibrant economy, world-class infrastructure and business-friendly environment to set up their profit centre in Asia. For more information, visit www.mida.gov.my or e-mail us at investmalaysia@mida.gov.my.

MIDA, your first point of contact for investments in Malaysia.



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