

Bursa Malaysia x Shenzhen Stock Exchange
CHINA-MALAYSIA ELECTRONICS INDUSTRY COOPERATION SEMINAR

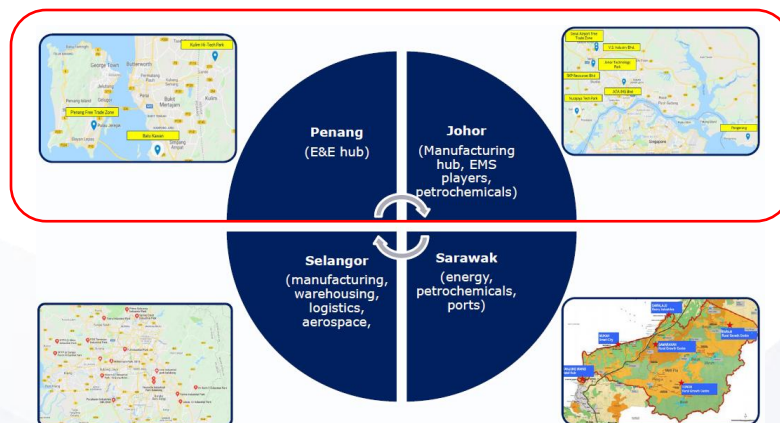
BURSA INSTI SECTORIAL SERIES

MALAYSIA'S ELECTRONICS INDUSTRY

The recent MOU signed between Bursa Malaysia, and the Shenzhen Stock Exchange aims to broaden opportunities in investment and facilitate cross-border collaboration between the two countries. In light of this, a joint virtual seminar titled “China-Malaysia Electronic Industry Cooperation” was recently held on 24 April 2020. The webinar was well-attended by leading electronic companies, industry experts from both countries, as well as investors. Here are the key takeaways by CLSA on Malaysia’s Electronics Industry and one of the panel session.

- Malaysia has stamped its Electricals and Electronics (E&E) footprint on the map since 1972 and Penang represents 80% of the nation’s contribution to global backend semiconductor output. Meanwhile, Johor is an EMS hub for some of the world’s largest EMS companies.

Figure 1: Malaysia Investment Hubs



- Malaysia’s E&E sector has become a major export component, representing 34% of GDP. Malaysia’s E&E export is on a growing uptrend as per Figure 2.
- Malaysia’s FDI is skewed to the manufacturing sector, where 49% of the FDIs are from manufacturing. China tops the investment in Malaysia’s manufacturing investments in 2019. The China Special Channel was set up during Budget 2020 to attract Chinese companies to use Malaysia as its new regional hub outside China; also as part of trade diversion due to supply chain disruption faced during the trade war.

Figure 2: Malaysia E&E export growth trends

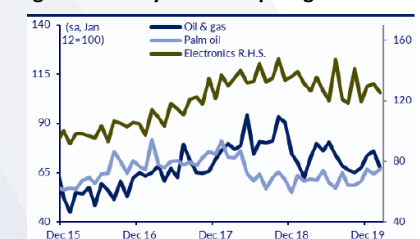


Figure 3: Malaysia E&E a major export component

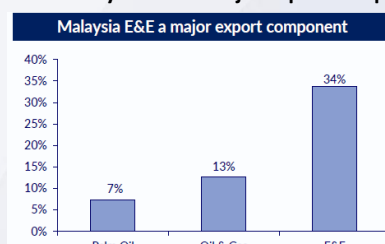


Figure 4: Malaysia FDI by sector

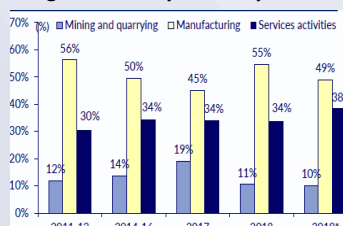
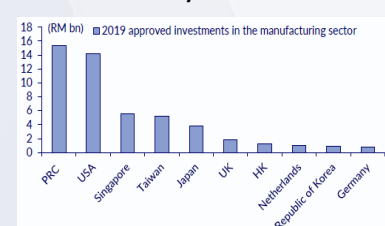


Figure 5: Malaysia manufacturing investments by countries

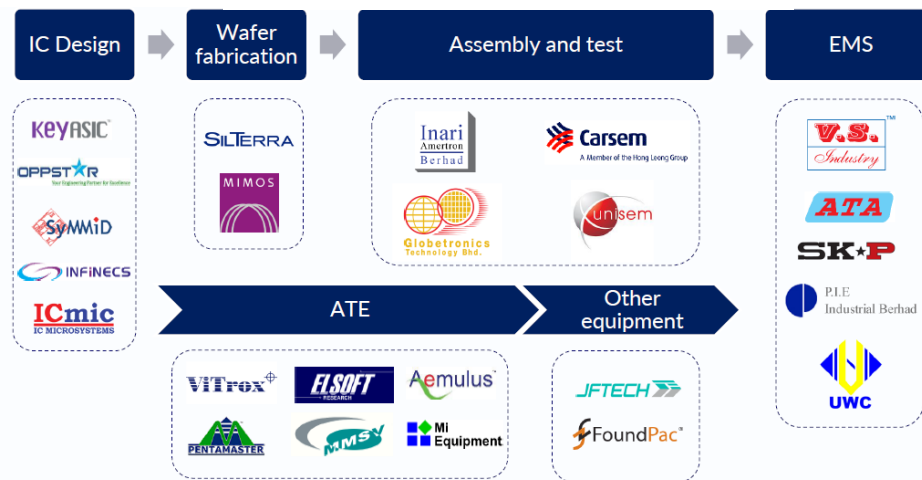


- To encourage FDIs into Malaysia, Malaysia offers income tax exemption between 70-100% of statutory income for 5-10 years for Pioneer status. Additionally, investment tax allowances of between 60-100% on qualifying capital expenditure incurred within a period of 5-10 years.

Malaysia Semiconductor Industry

- The semiconductor ecosystem in Malaysia involves IC design, wafer fabrication, assembly and test, EMS, ATE and other equipment.

Figure 6: Malaysia's Semiconductor Ecosystem



The top 10 largest tech companies on Bursa Malaysia are Inari Amertion Berhad (“Inari”), MY E.G. Services Berhad (“MYEG”), Vitrox Corporation Berhad (“Vitrox”), Frontken Corporation Berhad (“Frontken”), Malaysian Pacific Industries Berhad (“MPI”), Pentamaster Corporation Berhad (“Pentmaster”), Datasonic Group Berhad (“Datasonic”), VS Industry Berhad (“VSI”), Unisem (M) Berhad (“Unisem”) and Globetronics Technology Berhad (“Globetronics”).

- Inari:** It is the largest listed tech company in Malaysia with a market capitalisation of RM5.4b (USD1.2b). The company is an Outsourced Assembly and Test (“OSAT”) provider for Radio Frequency (RF) products. Its capabilities include wafer sort, assembly and RF testing. In 2013, Amertron was acquired for USD32m to expand into optoelectronics and fibre-optics assembly. It currently has 9 manufacturing plants located in Malaysia, China (Kunshan) and the Philippines.
- Globetronics:** The company has grown to a market capitalisation of RM1.6b (USD356m). It is an OSAT player with a focus on sensors. Its other products include quartz crystal timing devices, LED components, integrated circuits and small outline components/ICs. It grew from 2 employees in 1990, to 1,600 employees with factories located in Penang and Kuala Lumpur.
- Vitrox:** It is the largest equipment maker in Malaysia and the world’s leading machine vision solutions provider with a market capitalisation of RM3.7b (USD850m). Its customers are leading EMS and OSAT companies. The company operates 4 R&D sites and sales and support sites in 33 countries. 25% of 2019 sales are from China, their second-largest market.
- Pentamaster:** It is listed in both Malaysia and Hong Kong with a market capitalisation of RM2.2b (USD491m). The company provides solutions such as Automated Test Equipment and Factory Automation Solutions. Its end market includes smart sensors, automotive, power modules and RF devices. Pentamaster has more 6,000 projects deployed, supported by over 400 engineering R&D staff.
- VS Industry:** It is the 23rd largest EMS company in the world with a market capitalisation of RM1.7b (USD386m). VSI is vertically integrated from tooling, plastic injection, PCB and battery pack assembly. Its existing products include home cleaning, coffee brewers and robotic pool cleaners. With over 30 years of experience, the company serves customers from the USA, Europe and Japan. It has operations in Malaysia, China (Zhuhai) and Indonesia with a combined total of >3m sqft of built-up space.