



SAMPLE & GUIDE BUSINESS PLAN MULTIMEDIA SUPER CORRIDOR



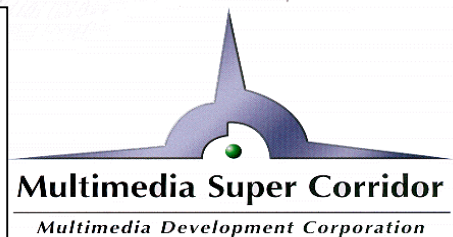
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Note :

This is meant **ONLY** as a guide towards developing the needful in your MSC business plan.

The examples given does **NOT** reflect any company in particular.



Multimedia Super Corridor

Multimedia Development Corporation

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Section 1.0 EXECUTIVE SUMMARY

The executive summary is an independent element of the business plan. It should contain the brief overview of the most important aspects of the business plan. In particular, it should highlight the product or service, the value to the customer, the relevant markets, management expertise, financing requirements, and possible return on investment.

Usually, this is LAST. The reader should be able to read and comprehend the summary in ten minutes..

Section 2.0 INTRODUCTION TO THE COMPANY

2.1 Company Background

Should the company applying is an existing operation, please describe the history of its activities, or if the applying company is a JV Co. describe as well the nature of the partnership and its shareholding interest.

2.2 Business Intent & Clear indication of intended MSC business activities.

Please describe clearly what are the intended business activities that your company would like to apply in for MSC Status. A point-by-point description of the activity is highly encouraged. Details of the activities would be enumerated in **Section 4. 1 Product or Service development.**

An acceptable business intent write-up should consist of the following four elements (1) Product or services offered (2) market need (3) degree of innovation (4) feasibility and profitability.

2.3 Growth Strategies

State what are the strategies that your company plans to deploy or achieve in growing the company

Eg.

1.3.1 Financial Strategies

- The project is to be funded by Venture Capital Financing
- To maximize the project value and image by Initial Public Offering (IPO) and listing the company in any technology based exchanges such as MESDAQ.

1.3.2 Technology and Product Development Strategies

- To have flawless mobilization
- To rapidly deploy the system integration by initially
- To understudy closely with the
- To invest consistently in potential experts.
- To develop smart partnership with
- To exploit the ready infrastructure
- To extend into developing
- To exploit the database for

1.3.3 Marketing Strategies to increase market or mind share.

- To have flawless mobilization

2.4 Target Markets

State the target audience of your product or services.

2.5 Revenue Model

Describe how the MSC activities would earn revenue either from products, services, JV-collaborations, etc

2.6 Operational Setup

Describe the extent of operational setup that your company would be undertaking.

2.7 Long Term Goals

What is the aspiration of the company in the next 3 years at least? Where does management see the company heading?

of company

2.8 Market & Competitors Information

Describe the market segment or target market you are in. Also, indicate which main factors are now influencing or may influence the given industry segment. Show what factors will affect developments (technology, legislative initiatives, etc.) and what relevance these factors have for your business.

Define the strengths and weaknesses of your competitors. Evaluate your major potential competitors using the same criteria, eg. sales volume and revenues (pricing), growth, market share, cost positioning, product lines, customer support, target groups, and distribution channels.

Evaluate your own company according to these same criteria, and make a comparison as to how sustainable your competitive advantage will be.

2.9 Strength & Weaknesses or SWOT (if possible)

Broadly, list the competitors in your market segment, and briefly describe the strength and weaknesses against your product or services.

Section 3.0 EMPLOYMENT OF KNOWLEDGE WORKERS

3.1 Management Team

The management section is often the essential part of the plan that MDC turns to after reading the executive summary. MDC wants to know whether the management team is capable of running a promising business.

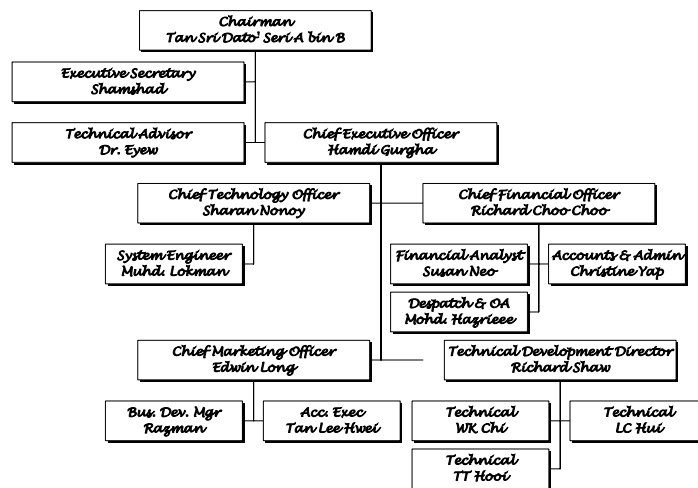
Elements that we look for are :

- Education background
- Experience or involvement in the industry
- Designation and Role in the applying company

It would be good if you could provide a brief resume of the key management staff.

3.2 Organizational Chart

Sample of an organizational structure can be shown as follows:



3.3 Human Resource Plan

Describe the type of people, expertise and training that your company has planned for the staff.

Please fill in 3 year projected human resource plan, segregated by knowledge and non-knowledge (support) staff. Example in table below :

Position/Role	Y1	Y2	Y3
<u>Chairman/CEO</u>			
Chairman	1	1	1
CEO	1	1	1
Technical Advisor	1	1	1
Executive Secretary	1	1	1
Position/Role	Y1	Y2	Y3
<u>Technical Division.</u>			
CTO			
Technical Development Director			
Technical Consultant			
System Engineer			
Technical Engineer			
<u>Bus. Dev. Division</u>			
CMO			
Business Development Manager			
Account Executive			
<u>Finance and Admin.</u>			
CFO			
Financial Analyst			
Accounts & Admin. Assistant			
Dispatch & Office Assistant			
Total No. Of Worker			
Total Knowledge Workers			
Total Foreign Knowledge Workers			
% of Knowledge workers			

** Knowledge Workers Job Description

Please refer to [Website www.mdc.com.my/](http://www.mdc.com.my/) for the detail job description.

Section 4.0 PRODUCT OR SERVICE DEVELOPMENT

4.1 Product / Service / Technology Overview

This section should explain the nature, extent of design, development or establishment of your products and services over both the short and long term.

Essentially, the following are good elements to include:

1. Core technologies
2. Current development or R&D status
3. Product strategy for current or future products
4. Intellectual property

This is a KEY section, where you describe the technologies, services and solutions that your company is best at, and central to the success of your business.

4.2 Research and Development (R&D)

Forecast Development as part of solution improvement or technology Change

Also if possible describe **R&D Strategies and Milestones**

4.3 Benefits & Customer Value

Your innovative product or services should have its benefits to the end customer. It is important to indicate how your product differs from others that are now or will be on the market.

Discuss the function of your product or services and the value in which the customer will gain from it.

If comparable products, technology or services are already available from your competitors you must convincingly substantiate the added value your customers will receive. If you are offering a range of innovative products or services, categorize them and describe how the integrated products will benefit consumers.

Section 5.0 MARKETING PROGRAMS

5.1 Marketing Overview

This section should describe how the sales projections you are making in your financials will be attained in terms of positioning, marketing activities and promotional campaigns.

This section is actually a representation of the overall content of your more detailed company Marketing plan, only in a much more condensed fashion.

5.2 Marketing Programs

It should include:

1. Your overall marketing strategies, incl. Events, materials and primary tactics
2. Your pricing strategy (this could also be covered in Revenue Model segment)
3. Your marketing and sales messages
4. Your promotional strategy

Section 6.0 FINANCIAL PROJECTIONS

6.1 Financial Overview

This section represents the conservative, achievable and management projections of revenue, cost, expenses and cash flow.

For convenience, you are suggested to use the **sample financial template** given to you by the MSC Assessor.

These includes

1. P&L projections for 3 years (in RM)
2. Cash flow projections for 3 years (in RM)
3. Performa Balance Sheet for 3 years (in RM)
4. Major capital requirements or expenditure
5. Breakdown of sales (in detail)
6. Breakdown of R&D expenditure in detail
7. Last 3 Years Revenue and Profit after tax (should your company already been in operation the last 3 years)

6.2 Financial Qs to consider

Key questions that can be observed:

- How will your revenues and expenses develop?
- What assumptions underlie your financial planning?
- What sources of capital are available to you to sustain operations?
- How will you realize profits?
- What can an investor expect should they invest in your company?

By adopting the above program it is expected that the usage of XYZ SB products and services will exhilarate. It is foreseen that the provision of the gateway and the services by XYZ SB will accelerate the development of mobile commerce and E-business in various economic and business environment in Malaysia that will contribute to the development of multimedia and IT business.

Section 7.0 CONCLUSION or APPENDICES

Everything else that you wish to include.

PARTICIPATION IN MALAYSIA'S MULTIMEDIA SUPER CORRIDOR



The establishment of the MSC offers innovative multimedia developers and users a unique opportunity to help shape tomorrow's world through intelligent use of multimedia technology. This chapter describes Malaysia's vision and goals for the MSC, its Bill of Guarantees to companies with MSC status, and the role of the Multimedia Development Corporation.

COMMITMENT TO THE FUTURE

In broad terms, the MSC is a gift from the Malaysian Government to technology developers and users seeking to expand their Asian presence/to Malaysians wanting their country to prosper, and to neighbouring countries aspiring to partner with a technology hub. In fact, the MSC is a 15-by-50 kilometre (9-by-30 mile) zone extending south from Malaysia's present national capital and business hub, Kuala Lumpur. The nation is devoting this massive corridor to creating the perfect environment for companies wanting to create, distribute, and employ multimedia products and services.

The MSC will bring together four key elements (see Exhibit 1):

- **Best possible physical infrastructure**, including Kuala Lumpur City Centre, a new world-class airport and integrated logistics hub, rapid rail links to Kuala Lumpur, a smart highway, and two new intelligent garden cities.
- **New laws, policies, and practices** designed to enable and encourage electronic commerce, facilitate the development of multimedia applications, and position Malaysia as the regional leader in intellectual property protection.
- **High-capacity global telecommunications and logistics infrastructure** built on the MSC's 2.5-gigabit-to-10-gigabit digital optical fibre backbone and using the latest ATM switches to provide fibre to the building. This network will have a 5-gigabit international gateway with direct links to the US, Europe, and Japan, as well as the other nations in Southeast Asia.
- **High-powered one-stop shop - the Multimedia Development Corporation** - created to manage and market the MSC. The MSC's mission is to create the best environment in the world for private-sector companies to pioneer the development and use of multimedia.

To speed the MSC's evolution, the Malaysian Government targeted seven multimedia applications for development by 2000. These Flagship Applications are electronic government, telemedicine, smart schools, a multipurpose card, R&D clusters, world-wide manufacturing webs, and borderless marketing centres. The government has already launched these applications. Leading local and international companies are involved in the development and implementation of these applications in the MSC and Malaysia.

In providing a world-best environment for multimedia developers and users, Malaysia seeks to catalyse a virtuous circle of development among local, regional, and international businesses. The success of one will foster the success of others, creating value for the companies and generating significant improvements in productivity and competitiveness for Malaysia.

BILL OF GUARANTEES

Companies wanting to enter the MSC can submit their applications to the MDC for 'MSC status'. Companies with MSC status are entitled to enjoy the incentives and benefits backed by the Malaysian Government's Bill of Guarantees.

The Malaysian Government commits the following under the Bill of Guarantees to these companies:

1. Provide a world-class physical and information infrastructure
2. Allow unrestricted employment of local and foreign knowledge workers
3. Ensure freedom of ownership by exempting companies with MSC status from local ownership requirements
4. Give the freedom to source capital globally for MSC infrastructure and the right to borrow funds globally
5. Provide competitive financial incentives, include Pioneer Status (100% Tax Exemption) for up to ten years or an Investment Tax Allowance for up to five years, and no duties on the importation of multimedia equipment
6. Become a regional leader in intellectual property protection and cyberlaws
7. Ensure no censorship of the Internet

8. Provide globally competitive telecommunication tariffs
9. Tender key MSC infrastructure contracts to leading companies willing to use the MSC as their regional hub
10. Provide a high-powered agency to act as an effective one-stop super shop.

MULTIMEDIA DEVELOPMENT CORPORATION

To ensure that the MSC achieves its objectives, Malaysia has constituted the Multimedia Development Corporation as the agency responsible for the implementing of the MSC and for working with companies setting up operations there.

In ensuring the overall success of the MSC, the MDC will market the MSC globally; help shape MSC-specific laws, policies, and practices by advising the Malaysian Government; and set standards for the MSC's information infrastructure and urban developments.

In working with companies setting up operations in the MSC, the MDC will serve as promoter and facilitator. The MDC's mission is to ensure that companies interested in entering the MSC get what they need to succeed. As a unique, performance-oriented, client-focused agency, it will provide information and advice on the MSC, assist in expediting permit and licence approvals/and introduce companies to potential local partners and financiers. The MDC guarantees a 30-day turnaround for applications, and will coach companies through the application process.

See [Application Process Workflow](#) on MDC's website

INCENTIVES FOR MSC-STATUS COMPANIES

Malaysia is seeking partners for this exciting endeavour of building the world's best environment for multimedia development and use-It is pleased to offer MSC status to companies prepared to set up operations in the MSC or otherwise contribute significantly to the MSC's development. Because Malaysia believes the successful development of multimedia activities and businesses in the MSC is of strategic national importance, it is pleased to offer a package of financial and non-financial incentives to companies that qualify for MSC status.

The remainder of this chapter describes these incentives in more detail.

FINANCIAL INCENTIVES

MSC-status companies may enjoy the following financial incentives:

- Five-year exemption from Malaysian income tax (Pioneer Status), renewable to 10 years, or a 100-percent Investment Tax Allowance (ITA) for up to five years on new investments made in MSC cybercities. These incentives are provided for under the Promotion of Investment (Amendment) Act 1997.
- Duty-free importation of multimedia equipment.
- R&D grants for local small and medium-size enterprises (SMEs).

Tax exemption or Investment Tax Allowance

In general, companies setting up new businesses in Malaysia's MSC-designated cybercities will receive a five-year exemption from tax on their statutory income, renewable to 10 years. Alternatively, those new companies

engaging in highly capital-intensive activities, such as infrastructure projects, or those companies whose multimedia activities are treated as cost centres and not as revenue-generating businesses, will receive a 100-percent Investment Tax Allowance on investments made in MSC cybercities.

Tax exemption. A company receiving the income tax will enjoy full exemption from Malaysian federal income tax for five years, commencing from the date when the company incurs their first sale after granted MSC status. A company may apply to renew the exemption for a second five-year term. Renewal of the exemption will depend on the company's performance in transferring technology or knowledge to Malaysia.

Investment Tax Allowance. A company granted an ITA will be allowed to deduct 100 percent of qualifying capital expenditures from its statutory income for five years, commencing from the date on which the first qualifying capital expenditure is incurred.

For companies already operating in Malaysia, MSC tax incentives will apply to the 'value added', defined as the company's additional statutory income above its average income for the past three years, or as the value of new investments made in the MSC.

These companies may continue to avail themselves of current Malaysian investment incentives for their remaining period. In addition, they will enjoy the unique package of other MSC financial and non-financial incentives, such as no import duties for multimedia equipment and unrestricted employment of foreign knowledge workers.

Duty-free importation of multimedia equipment

MSC-status companies are allowed to import multimedia equipment duty-free, provided that the equipment is used by that company in the operation of its business. The exemption applies to equipment used directly in facilitating the operational processes of MSC-status companies, but excludes imports for the purpose of direct sales and trading or for use as components in manufactured items. The application can be made directly to the MDC. MSC-status companies engaged in value-added reselling activities, such as system integrators/who wish to be exempted from import duties of multimedia equipment and components will need to apply separately through the MDC. The company should describe their business activities, estimated costs and volume of imports, and sources of supplies.

MSC-status companies exporting multimedia products manufactured in Malaysia using dutiable components will be eligible for a refund of the duty paid on the re-exported components. The MDC can advise companies on their eligibility for such refunds under the existing scheme for 'Drawbacks of Import Duty' and help with the application process.

R&D grants for local SMEs

Under the 7th Malaysia Plan, the Malaysian Government has allocated 20 percent of the

Plan's R&D budget to the MDC for distribution as seed capital for SMEs in the MSC that are at least 51 percent Malaysian owned. Companies will need to apply to the MDC, if they want to avail themselves of these R&D grants. There is a separate application process for these grants.

NON-FINANCIAL INCENTIVES

In addition to the financial incentives outlined above, MSC-status companies will enjoy the following non-financial incentives:

- Unrestricted employment of foreign knowledge workers
- Freedom of ownership
- Freedom to source capital globally for MSC infrastructure and the right to borrow funds globally
- Other MSC benefits

Employment of foreign knowledge workers

MSC-status companies may employ any number of foreign knowledge workers, defined in this context as an individual possessing any one of the following qualifications:

- Five or more years' professional experience in multimedia/information technology businesses or in a field that is a heavy user of multimedia
- A university degree (any discipline) or a graduate diploma (in multimedia/IT) from a technical college, plus two or more years' professional experience in multimedia/IT businesses or in a field that will be a heavy user of multimedia

- A master's degree or above in any discipline

Companies will be able to apply through the MDC for working visas, which permit multiple entries, for their qualifying foreign employees. Malaysia will grant working visas for these foreign knowledge workers for initial periods of up to five years.

Freedom of ownership

MSC-status companies can be wholly owned by foreign legal entities. These companies will need to be incorporated in Malaysia, or in the case of a foreign company seeking to establish a branch in Malaysia, the company will need to register with the Registrar of Companies (ROC), in accordance with the Companies Act of 1965. The MDC will be able to assist with incorporating a company in Malaysia or registering it with the ROC.

Freedom to source capital for MSC infrastructure globally and the right to borrow funds globally

Companies that are engaged in developing infrastructure for the MSC are free to source funds globally for their investments.

All MSC-status companies will be given exemption by the Controller of Foreign Exchange from exchange control requirements through the MDC.¹ With these foreign currency exemptions, companies will be free to

- Execute transactions in any currency in Malaysia or elsewhere in the world
- Borrow any amount from financial institutions, associate companies, or non-residents

- Hedge their foreign-exchange exposure

- Remit globally for any purpose
- Open foreign currency accounts in Malaysia or abroad with no limits on the balances, including accounts for the retention of export proceeds.

All companies will need to periodically supply Malaysia's central bank, Bank Negara Malaysia, with certain statistics on their active foreign fund flows. The MDC will be able to assist in familiarising companies with these modest reporting requirements.

Other MSC benefits

MSC companies will also enjoy the following benefits:

- Intellectual property protection and a world-first comprehensive framework of cyberlaws
- World-class physical and IT infrastructure
- Globally competitive telecommunication tariffs and service guarantees
- No censorship of the Internet
- High-quality, planned urban developments
- Excellent educational facilities, including the region's first Multimedia University
- Green environment protected by strict zoning

¹ These exemptions from exchange control requirements do not extend to dealings with Malaysia's list of specified persons, comprising the residents or institutions of Serbia, Montenegro, or Israel, or the currencies of these countries.

GUIDELINES FOR ACHIEVING MSC STATUS

MSC status will be awarded to companies that are developers or heavy users of multimedia/information technology products and services. To be given MSC status and to avail themselves of the MSC's incentives, companies will need to meet the qualifying criteria and will be expected to observe the conditions for offering, which are described in more detail below.

CRITERIA FOR RECEIVING MSC STATUS

A company seeking MSC status and eligibility for MSC incentives will need to meet three criteria:

- Be a provider or a heavy user of multimedia products and services
- Employ a substantial number of knowledge workers
- Specify how it will transfer technology and/or knowledge to Malaysia, or otherwise contribute to the development of the MSC and the Malaysian economy

Multimedia provider or user

The first criterion for MSC status is that a company's business activities participate directly in or contribute directly to some segment of the multimedia value chain or the supporting products and services chain (Exhibit 2). Thus, MSC-status companies may be contributors to or providers of multimedia products and services, or they may be heavy users of those products and services.

Provider of multimedia services or products.

Provider companies may offer multimedia services or products anywhere on the multimedia value chain - content, distribution, or user environment - or they may offer a supporting service or product - technological building blocks, architecture, or user interface.

Companies engaged in any of the following activities as developers or providers of core multimedia products or services could expect to qualify for MSC status:

• Developing content:

- Directly creating multimedia content that will provide users with richer interactive, IT-based experiences in knowing, learning, entertaining, working, socialising, and living.
- Developing and providing value-added multimedia content by developing bundles of on- or off-line materials; or deploying multimedia technologies for authorised re-use of or for adding value to other multimedia content, such as intelligent searching agents or electronic database management.

• Enabling distribution:

- Providing multimedia distribution channels that allow multimedia content to be distributed to planned customer premises or devices, including content hosting, providing backbone networks, or accessing pipelines, such as narrowband, semi-broadband, or broadband networks.

- Providing multimedia distribution gateways linking users to otherwise unconnected or incompatible networks through technical solutions, or customer services enabled by telecommunications and IT.

• **Providing for user environments:**

- Providing multimedia on-premise distribution linking the user's multimedia device to the planned communication infrastructure by distribution services, or telecommunication, IT, or multimedia products for on-premise distribution.
- Providing multimedia user devices and systems that include software or hardware.

Exhibit 3 provides more detailed examples of relevant activities in each of these segments and subsegments of the multimedia value chain.

Provider of multimedia support services or products. Companies engaged in any of the following activities as developers of core multimedia support products or providers of core multimedia services could expect to qualify for MSC status:

• **Providing technological building blocks:**

- Developing semiconductors and/or components that perform specific functions critical to the operation of a larger system or subsystem:
semiconductors; key multimedia, computer, or IT components; or other niche components.
- Developing physical IT subsystems, including user devices/and storage, server, distribution, or other subsystems.

• **Developing architectures:**

- Designing and developing central and distribution networks, particularly distributed systems and other related technologies.
- Developing network platforms that connect disparate technologies -including legacy systems - into a coherent network by creating a software operating system, or open or proprietary hardware; or providing technical networking services.

• **Supporting end-user interfaces:**

- Developing software to provide an operating platform or a specific standard or customised application.
- Providing professional services to support multimedia users, including installation, training, security, facilitation of on-line billing and transactional services.

Exhibit 4 provides more detailed examples of relevant activities in each of these segments and subsegments of the supporting products and services value chain.

In general, manufacturers of multimedia products or components that wish to qualify for MSC status will need to engage in a significant amount of value-adding activity, such as R&D or design, and employ a substantial number of knowledge workers. And they will need to locate their manufacturing, IT hub, R&D laboratory, design centre, or operational headquarters within an MSC-designated cybercity and establish a separate legal entity for it.

Heavy users of multimedia products or services.

User companies can also qualify for MSC status, provided that multimedia products or services are a key or innovative input for increasing productivity in their business and the volume of their bandwidth usage is substantial. A company might use multimedia heavily at any of several stages in their business. Example of productivity-enhancing multimedia usage might include the following:

- **Design.** Designing and implementing mass customisation, prototype testing, or developing specific modules for world markets.
- **Procurement.** Maintaining and managing databases of material specifications, product requirements/and supplier information; qualifying suppliers and sourcing products for world-wide operations; or facilitating communication among suppliers, plants, and customers.
- **Production control.** Remotely controlling manufacturing systems to carry out flexible manufacturing, diagnosing computer problems in different plants, or developing common applications for different plants to

support manufacturing; recovering plant failures with an expert engineering team or implementing engineering projects across a network of plants.

- **Administration.** Operating a major back-office processing centre for internal or external transactions²; maintaining and managing regional administrative and personnel databases for daily resource management.
- **Logistics.** Handling products from different plants to serve various markets; tracking scheduling, invoicing, and inventory levels; or maintaining and managing spare inventory and machine service databases.
- **Marketing and sales.** Managing an on-line sales centre or operating a customer-service call centre.
- **Distribution.** Distributing digital products on-line, such as software, movies, or music.

Exhibit 5 provides specific examples of relevant applications in each of these segments. Companies that are heavy users of multimedia that want to avail themselves of MSC benefits will have to establish a separate IT service centre within an MSC-designated cybercity.

The examples shown in Exhibit 3,4 and 5 are illustrative and not comprehensive. **The MDC is responsible for assessing the merit of**

² Financial institutions doing retail or wholesale business shall not be eligible for MSC status. However, should they set up a separate legal entity to perform R&D in information technology or do back-room processing, such entities may be eligible for MSC status, subject to agreement by MDC and Bank Negara Malaysia.

applications for MSC status, and making recommendations on their qualification³ evaluating applications, the value of product or services to the MSC and Malaysia that a company intends to offer, the value of its business activities, and the company's fit with the MSC's overall goals will be of particular relevance. |

Companies applying for MSC status may need other operational licenses depending on their activities, in accordance with Malaysian law. The MDC will assist companies in co-ordinating with the appropriate government agencies.

Employment of knowledge workers

Companies with MSC status will be expected to maintain a work force utilising a substantial percentage of knowledge workers, because the presence of knowledge workers is consistent with Malaysia's long-term goal of enabling and sustaining productivity-driven growth. These workers should be engaged productively in roles commensurate with their expertise and experience. Although the appropriate ratio of knowledge workers to total staff (excluding support staff) varies from industry to industry, 15 percent will serve as a reasonable minimum ratio. MDC client service representatives are available to consult with interested companies on this issue.

Transfer of technology and/or knowledge

Companies applying for MSC status will need to provide a compelling explanation of how they will transfer technology and/or knowledge to Malaysia or otherwise contribute to the development of the MSC. They should state their overall objectives/then present specific plans for how they will effect the transfer or contribution, demonstrating that

their programmes are practical and will promote the development of the MSC and Malaysia.

These programmes should accomplish one of the following goals:

- Transfer leading-edge technology or innovative technology-enabled activities in the form of products or processes.
- Develop the skills of Malaysian employees, for example, building the expertise of a Malaysian high-end IT management team or raising the general knowledge and skills of a wide number of employees.
- Create substantial value or business opportunities for Malaysian companies.

A company might employ one or more of the representative programmes listed below, or they might propose an alternative method:

- **Web-shaper role.** MSC-status companies invited to serve as web-shapers will provide a technology component that helps define a common architecture or set of standards enabling companies to deliver independent elements of an overall multimedia value proposition. The form of web-shaper-adapter relationships does not necessarily fall under formal alliance structures or contractual relationships, but relies on informal methods of co-operation built upon on the key platform technology.

³ Low-value-added activities are not eligible for MSC status. This would include, for example, pure assembly of multimedia products, low-value contracting, pure sales and distribution, rental of multimedia equipment.

Companies proposing to serve as web-shapers will need to demonstrate that they have an unambiguous track record for creating world-class standards, have the potential to create value for other companies, and are committed to using Malaysia as a regional hub or headquarters.

- **Technical/operational succession programme.** MSC companies will provide structured technical/operational training to key Malaysian employees consisting of at least 10 days per person per year or allocate training budgets for them of at least 4 percent of their total salaries, in order to prepare these employees to assume key technical or operational leadership positions within three to five years. Alternatively, companies will initially employ a substantial percentage of Malaysian knowledge workers in their work force, and increase that percentage over time.
- **Staff exchange programme.** MSC companies will develop the international leadership capabilities of its Malaysian recruits and second at least one of its Malaysian employees to a foreign multimedia company or a foreign branch of the same company for an exchange period of at least one year. Companies opting for this programme will need to specify the terms and conditions of such offers and the possible internal promotions available to employees upon return .
- **Joint venture/technology transfer agreement.** MSC companies may qualify for this plan by engaging in and actively pursuing technology transfer agreements for multimedia technologies with local Malaysian companies. This may entail a joint venture agreement with at least one

Malaysian company, or agreements for technical assistance and know-how, licensing, patent and trademark, turnkey operations, or management with multiple Malaysian companies, sufficient to make a significant contribution to the overall success of the MSC.

- **Other technology/knowledge transfer plans.** MSC companies may layout their specific programme for transferring technology and/or knowledge to Malaysia and discuss it with the MDC. Malaysian companies will need to state precisely how their proposed business activities will contribute to the MSC over the short and long term.

The company's performance at the end of the company's fifth year of operation will be audited. Companies will need to demonstrate that they have successfully implemented their specified programmes and met the overall objectives of transferring technology and/or knowledge to Malaysia.

CONDITIONS FOR OFFERING

Having qualified for MSC status, MSC companies will be expected to operate according to the following conditions to maintain this preferential designation:

- Establish a separate legal business entity for MSC-qualifying multimedia businesses and activities
- Locate selected operations within MSC-designated cybercities
- Comply with the MSC environmental guidelines

Separate legal entity for multimedia businesses/activities

MSC status and incentives are only awarded to multimedia/information technology businesses and activities as outlined above. Companies with business activities other than those specified (for example, a textile company that utilises world-wide manufacturing web services, or a household goods manufacturer/ hotel operator that utilises borderless marketing) will need to establish a separate legal business entity for IT services in an MSC-designated cybercity to avail themselves of the MSC benefits.

As a rule, MSC status and incentives pertain to that company⁴, subsidiary, or branch whose businesses and direct activities qualify for MSC status (see pages 12-19).

Companies that wish to set up their development facilities outside the cybercities will also need to establish a separate legal business entity for the IT hub, R&D laboratory, design centre, or operational headquarters, which they will need to locate within an MSC-designated cybercity.

To take advantage of MSC benefits, foreign and domestic companies awarded MSC status will need **to establish their legal business entity within one month of being approved for MSC status**

Other existing or new non-MSC-qualifying activities may still be eligible for other Malaysian Government investment incentive programmes, but those companies will need to apply separately to the relevant ministries.

Operations within MSC-designated cybercities

MSC-status companies will need to establish their principal operations within MSC-designated cybercities which include Cyberjaya, Technology Park (Phase 1A), UPM_MTDC Technology Incubation Centre 1, Petronas Twin Towers and the E-Village.

⁴ Malaysia's current legal code on take-overs and mergers will still apply for all MSC companies. As a rule, all business activities of the newly created entity after the merger or acquisition should qualify for MSC status (see pages 12-19) if the newly created entity (either as a merged entity or as an acquired subsidiary of a larger group) wishes to retain its MSC status.

Work outside of the MSC. A company may enjoy the benefits of MSC status if its headquarters and principal place of business are located in an MSC-designated cybercity, even though the company needs to locate some operations or frequently conduct business elsewhere. Those activities will be classified as activities 'originated out of the MSC'.

For example, IT consulting and project work and outsourced activities may regularly be conducted outside the MSC without compromising a company's MSC status. Distribution centres, sales offices, or service centres for some specific multimedia businesses or activities, such as electronic commerce or internet service provision, may need to be housed elsewhere to provide better access to domestic and international customers.

The MDC has responsibility for assessing the necessity of locating these operations and activities outside the MSC and will make recommendations on their ability to qualify for full MSC benefits.

Compliance with MSC environment guidelines

Companies will need to comply with the environmental guidelines being developed for the MSC, which will be a special Environmental Protection Zone. The MDC is committed to ensuring that the MSC is developed in an environmentally friendly manner, yielding a setting where people will enjoy living and working in the near and more distant future.

At a minimum, these environmental guidelines will include the following:

- Urban design guidelines that include preservation of a high proportion of open green spaces and accessibility for the physically handicapped
- Public and private-sector participation in recycling programmes
- World-class vehicle emissions standards, noise control, and waste management

APPLICATION AND APPROVAL PROCEDURES

The MDC will serve as promoter and facilitator for companies setting up operations in the MSC. The MDC's mission is to ensure that companies interested in entering the MSC get what they need to succeed. As a performance-oriented, client-focused agency, it is the MDC's job to provide information and advice on the MSC, assist in expediting permit and licence approvals, and introduce companies to potential local partners and financiers. The MDC guarantees a 30-day turnaround for applications, and will coach companies through the application process.

REQUEST FOR APPLICATION FORMS

MDC's Client Services website, which contains MSC application guidelines, application forms and this investment brochure, may be requested on-line or by phone, fax, mail. The MSC application guidelines contain useful information to help companies understand the application process and the information requirements.

Contact:

Helpdesk at +603 8311 2257

Or Email: info@mdc.com.my

EVALUATION OF APPLICATION AND PROCESS FOR APPROVAL

Companies will automatically receive MSC status if their application is not rejected **within 30 days of formal submission**, (see *MDC website for Application Process Flow*) **as calculated from the date on which full and satisfactory information on the company is received**. When satisfactory information has been obtained, the MDC will issue a letter stating that the application is C complete and acceptable, starting the 30-day assessment clock in motion

If a company's application is rejected, the company will be informed in writing why the application was not approved. The company can re-apply **after six months**.

The MDC welcomes your interest, and hopes to see you participate in co-developing the MSC. We look forward to your application. You can be assured that it will be handled courteously and efficiently.

