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1. MALAYSIA ECONOMIC OUTLOOK

<table>
<thead>
<tr>
<th>Annual Data</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population:</td>
<td>32.68 million</td>
</tr>
<tr>
<td>Gross Domestic Products (GDP):</td>
<td>€312.12 billion</td>
</tr>
<tr>
<td>Education First (EF) English Proficiency Index Ranking in Asia:</td>
<td>3</td>
</tr>
<tr>
<td>National Language:</td>
<td>Malay</td>
</tr>
</tbody>
</table>

**Major Export Products in 2019 (in billion)**

- Electrical & Electronic products: €76.71; 38%
- Palm Oil & Palm Oil Based Agr. Products: €9.09; 4%
- Manufactures of Metal: €8.53; 4%
- Machinery, Equipment & Parts: €8.15; 4%
- Optical & Scientific Equipment: €8.73; 4%
- Manufactures of Metal: €8.53; 4%
- Other Products: €47.53; 23%
- Crude Petroleum: €5.31; 3%
- Natural Gas: €0.72; 3%

**Total Exports:**

€204.59 billion (2019)

**Major Import Products in 2019 (in billion)**

- Electrical & Electronic products: €50.48; 29%
- Machinery, Equipment & Parts: €14.32; 8%
- Transport Equipment: €8.39; 5%
- Manufactures of Metal: €9.69; 5%
- Optical & Scientific Equipment: €4.98; 8%
- Crude Petroleum: €5.33; 9%
- Processed Food: €4.17; 7%
- Other Products: €38.81; 22%
- Chemicals & Chemicals Products: €11.82; 6%
- Petroleum Products: €14.70; 7%

**Total Imports:**

€174.64 billion (2019)
2. MALAYSIA AS A GATEWAY TO ASEAN AND ASIA

Malaysia Population: **32 million**

Market Population:
- ASEAN: 650 million
- CHINA: 1.435 million
- India: 1.366 million

Total Market Reach from Malaysia in 6h:

**3.8 Billion People**

<table>
<thead>
<tr>
<th>Below 2 Hours from Malaysia</th>
<th>Within 2 Hours from Malaysia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Singapore, Thailand, Cambodia, Myanmar, Indonesia, Vietnam</td>
<td></td>
</tr>
<tr>
<td>Brunei, Laos</td>
<td></td>
</tr>
<tr>
<td>Within 4 Hours from Malaysia</td>
<td></td>
</tr>
<tr>
<td>Philippines, Sri Lanka, Taiwan, Myanmar, Bangladesh, Hong Kong</td>
<td></td>
</tr>
<tr>
<td>Within 6 Hours from Malaysia</td>
<td></td>
</tr>
<tr>
<td>China, Pakistan, Nepal, India, Korea</td>
<td></td>
</tr>
<tr>
<td>6 Hours from Malaysia</td>
<td></td>
</tr>
<tr>
<td>Japan, Afghanistan, Mongolia, Papua New Guinea</td>
<td></td>
</tr>
</tbody>
</table>

**Why Investors Choose Malaysia?**

- **Heart of ASEAN**
  - Strategically situated at the heart of ASEAN, with good interconnectivity, strong relations and trade links regionally, providing easy access to the whole of Asia for business.

- **Educated Workforce**
  - A young, well-trained and well-educated workforce. All ASEAN languages are spoken in Malaysia, with business regularly conducted in English.

- **Developed Infrastructure**
  - One of Asia’s best in infrastructure, with future planned technology, logistics and transport and finance major infrastructure projects to support business.

- **Investor Friendly**
  - Friendly policies for investors to support growth including attractive tax and capex incentives as well as 100% ownership of land and business equity for foreign investors.

- **Advanced Technology**
  - Rated as 5th in Asia for Digital Readiness (UNCTAD), Malaysia is highly focusing on technological advancement with many I4.0 initiatives.

- **Strong Legal Framework**
  - Well established and trusted judicial system providing robust support and protection for business development. 2nd in ASEAN for IP Protection (US Chamber International IP Index)

Sources: IMF, Arcadis Infrastructure Index, MIDA, WB - Doing Business, PwC, US Chamber International IP Index, UN Conference on Trade and Development (UNCTAD)
Malaysia is the only country in the ASEAN region to have a Free Trade Zone with China. It is located in Kuantan Port at the Malaysia-China Kuantan Industrial Park (MCKIP) and serves as a sister port to the China Malaysia Qinzhou Industrial Park (CMQIP). It is a part of the China Belt and Road Initiative.

**Advantages:**
- Enhancing Gateway capabilities to Asia and trade connectivity with adjacent ASEAN countries.
- Tax-Free Business with China Kuantan Free Trade Zone allows foreign companies to export to China tax-free.
- Circumventing the US-China Trade War

**Other Trade Infrastructure in Malaysia**

- **Bilateral Free Trade Agreements:** 7
- **Regional Free Trade Agreements:** 6
- **Free Commercial Zones:** 17
- **Free Industrial Zones:** 18
- **Industrial Parks:** 500+

**Sub-regional Infrastructure Support for Malaysia**

Established in 1993, the IMT-GT is a cooperation between Indonesia, Malaysia and Thailand in 32 member provinces to provide a regional framework for accelerating economic transformation in the region.

<table>
<thead>
<tr>
<th>Initiatives and Development Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Boosting Infrastructure and Connectivity</strong></td>
</tr>
<tr>
<td>- Boosting infrastructure in less-developed areas.</td>
</tr>
<tr>
<td>- Multiple major transport and digital infrastructure projects.</td>
</tr>
<tr>
<td>- Liberalised Transports Agreements.</td>
</tr>
<tr>
<td>- Singapore-KL High Speed Rail project approved by IMT-GT.</td>
</tr>
<tr>
<td><strong>Facilitating Easier Trade and Investment</strong></td>
</tr>
<tr>
<td>- Sub-regional Economic Corridors.</td>
</tr>
<tr>
<td>- Multiple policy development projects to support trade and investment.</td>
</tr>
<tr>
<td>- Utilising country’s complementariness and comparative advantages to mutually grow.</td>
</tr>
<tr>
<td><strong>Human Resources, Education and Culture</strong></td>
</tr>
<tr>
<td>- Improving quality of life through economic development.</td>
</tr>
<tr>
<td>- Encouraging culture and social exchange.</td>
</tr>
</tbody>
</table>

Sources: MIDA, MCKIP, IJM Corporation, Asian Development Bank (ADB), IMT-GT, MITI
7 Bilateral Free Trade Agreements
a) Malaysia-Chile Free Trade Agreement (MCFTA)
b) Malaysia-Australia Free Trade Agreement (MAFTA)
c) Malaysia-Turkey Free Trade Agreement (MTFTA)
d) Malaysia-India Comprehensive Economic Cooperation Agreement (MICECA)
e) Malaysia-Japan Economic Partnership Agreement (MJEPA)
f) Malaysia-New Zealand Free Trade Agreement (MNZFTA)
g) Malaysia-Pakistan Closer Economic Partnership Agreement (MPCEPA)

6 Regional Free Trade Agreements
a) ASEAN-China Free Trade Agreement (ACFTA)
b) ASEAN-Hong Kong, China Free Trade Agreement (AHKFTA)
c) ASEAN-Korea Free Trade Agreement (AKFTA)
d) ASEAN-Australia-New Zealand Free Trade Area (AANZFTA)
e) ASEAN-India Free Trade Agreement (AINDFTA)
f) ASEAN-Japan Comprehensive Economic Partnership (AJCEP)

17 Free Commercial Zones
a) North, South and West Port of Port Klang
b) Port Klang Free Zone
c) Pulau Indah MILS Logistic Hub
d) Butterworth
e) Bayan Leas
f) Klia
g) Rantau Panjang
h) Pengkalan Kabor
i) Stulang Laut
j) Johor Port
k) Port of Tanjung Pelepas

18 Free Industrial Zones
a) Pasir Gudang
b) Tanjung Pelepas
c) Batu Berendam I
d) Batu Berendam II
e) Tanjung Kling
f) Telok Panglima Garang
g) Pulau Indah (PKFZ)
h) Sungai Way I
i) Sungai Way II
j) Ulu Kelang
k) Jelapang II
l) Kinta
m) Bayan Lepas III, IV
n) Seberang Perai
o) Sama Jaya

Halal Parks in Malaysia

*HALMAS status is an accreditation given to the Halal Park Operators who have complied with the requirements under the HDC Designated Halal Park Development Guidelines, which allowed the Operators, Industry Players and Logistics Operators to enjoy incentives provided by HDC in Halal industry.
3. EXECUTIVE SUMMARY

The Malaysia Food and Beverages Industry (F&B) is identified as a fast-growing market and one of the main contributors to the national account. In 2018, the Malaysia F&B Industry was valued at around €22.12 billion, growing annually at a rate of 7.6%. The F&B industry in Malaysia is very diverse with a wide range of processed food for Asian taste and dietary preference as well as many western recipes. This industry is predominantly dominated by small and medium-sized companies (SMEs). Besides SMEs, many foreign and MNCs companies are manufacturing processed food products in the country too. The F&B sector is very diverse including cocoa and chocolate products, fishery products, cereals and cereal products, processed fruits and vegetables, confectionery, food ingredients, herbs and spices, beverages, animal feed, and others. Malaysia is heavily dependent on the importation of many staples such as rice, meat and seafood products for domestic consumption. Many raw materials, such as dairy milk and wheat are imported for further production and export. Identified key F&B sectors are as follows:

The F&B services that are certified Halal by the Department of Islamic Development (JAKIM) are known to have higher market opportunities owing to the vast majority (60%) of the Muslim population. The F&B distribution market is highly fragmented due to a large number of similar products and players in the market. The channel of distribution includes small-scale retailers (e.g. hawker, convenience store, peddler and market stall), large-scale retailers (e.g. department store, supermarket, hypermarket and shopping centre), and e-commerce platform, i.e. online shopping platforms that are growing in popularity tremendously especially during the COVID-19 times.

In 2020, the COVID-19 pandemic has triggered the Malaysian Government to take more drastic action in addressing the food security issue and food supply chain disruptions problems accounting to heavy reliance on imports. The pandemic has also accelerated the growth of E-commerce industry as the number of online shoppers that opt to switch from physical shopping to online purchasing is increasing. This trend has also triggered the Malaysian retailers’ business to transform and embrace digital marketplaces. It is difficult for many SMEs to capitalize on this new trend as many of them struggle to implement efficient production performance which is considered as the primary contributor to inefficient local production and indirectly affect the cost of goods and services.
While the companies are experiencing advancements, the industry itself is going through considerable consumer, food safety, and regulatory challenges. Technical improvements in food science and technology, both in the sector and beyond, are presenting lucrative opportunities. However, a slight change in innovation and ideas is needed for companies to prosper. To foster joint research and development and knowledge transfers, the Malaysian Government encourages foreign direct investment by introducing many investment-friendly policies, such as import duty or tax exemption and pioneer status.

List of Opportunities available for Flemish Companies in Malaysia:

<table>
<thead>
<tr>
<th>No.</th>
<th>Sectors</th>
<th>Key Market Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.</td>
<td>Convenience food products</td>
<td>Frozen food and ready-to-eat meal</td>
</tr>
<tr>
<td>3.</td>
<td>Raw materials for the food processing sector</td>
<td>Dairy milk, wheat, corn, potatoes, sugar beets, fresh/frozen/chilled pork, assorted fruits and vegetables</td>
</tr>
<tr>
<td>4.</td>
<td>Coffee and complement products</td>
<td>Biscuit and cookies</td>
</tr>
<tr>
<td>5.</td>
<td>Restaurant/F&amp;B retail chain establishment opportunities</td>
<td>Vegan and plant-based options, open kitchen, Juice pairings/non-alcoholic beverages, use of local ingredients and pick-and-go establishments.</td>
</tr>
<tr>
<td>6.</td>
<td>Infant formula sector</td>
<td>Demands in raw materials such as wheat and dairy ingredients</td>
</tr>
<tr>
<td>7.</td>
<td>Global Halal opportunities</td>
<td>Flemish companies are encouraged to get their product certified &quot;Halal&quot; for larger market exposure i.e. Muslim and non-Muslim consumers</td>
</tr>
</tbody>
</table>
4. MARKET FEATURES: FOOD & BEVERAGES INDUSTRY

4.1 MARKET OVERVIEW

The Malaysian Food and Beverages (F&B) Industry is a fast-growing market which is known as one of the main contributors to the national account with revenues of around €22.12 billion in 2018, growing annually at a rate of 7.6%. In 2019, the estimated Gross National Income (GNI) had increased from €286 billion (2018) with €9,255.95 estimated GNI per capita at the current price to €302 billion (2019) with €8,836.54 GNI per capita at the current price. This has indicated a rise in the purchasing power of Malaysians to afford higher quality imported products which are relatively more expensive.

In recent years, the changes in Malaysians’ lifestyle led to an increased demand for organic and healthy food. The F&B industry is characterised by a large export market, mainly palm oil-based products, as Malaysia is recognised as one of the two largest exporters of palm oil in the world. Malaysia is also heavily dependent on the importation of many staples such as rice, meat, seafood and dairy products for domestic consumption.

Malaysia F&B Industry is dominated by small and medium enterprises (SMEs). Besides, the local and foreign multinational corporations (MNCs) with manufacturing activities in Malaysia are notable as well. In terms of domestic consumption, there is a high demand for imported F&B products positioning Malaysia as a net food importer. With the Malaysian Government’s continuous effort to provide incentives and liberalise trade, Malaysians now have the accessibility towards a wide range of local-produced and imported F&B products.

4.1.1 Food Processing Sector

The Food Processing sector accounted for about 10% of Malaysia’s manufacturing output, growing at a rate of 3% annually. The sector recorded an export value of €3.98 billion to over 200 countries and an import value of around €4.10 billion in 2018. The main imports of processed foods were edible products and preparations, sugar and sugar confectionery, dairy products (for processing), prepared/preserved vegetables and fruits, cocoa and cocoa preparations.

There are over 8,000 establishments in Malaysia, mostly Small and Medium Enterprises. Majority of the processed food of exports is edible products and preparations, cocoa and cocoa preparations, prepared cereals & flour preparations, margarine and shortening and dairy products (final products). Singapore, USA, Thailand and the Republic of China are recognised as the key trading partner of Malaysia in terms of import and export value.

4.1.2 Food Distribution Sector

Malaysia’s Food Distribution sector refers to the supply and distributes of local-produced and imported products to the end-user through Retail and Services sectors. In 2017, Malaysia’s F&B Distribution market value was estimated at €20.48 billion and is expected to achieve €30.34 billion by 2022. The Food Retail sector is a fast-growing market, comprising small-scale retailers (i.e. local sundry shop) and large-scale retailers (i.e. supermarket and department stores). Most high-end food retailers are saturated in the metropolitan areas, delivering imported premium F&B products to middle-to-high income populations. The online grocery market concept is relatively new in Malaysia and is mainly used by the urban population. However, there are a few large-scale retailers that are offering in-house grocery delivery services, such as Tesco, Jaya Grocer and Aeon Big. Besides, there are several third-party grocery delivery...
services such as Happy Fresh, GrabMart and Honestbee. These services possess a massive boost during the year 2020 due to the movement restrictions imposed by the Government in overcoming the Coronavirus Pandemic.

4.1.3 Food Service Sector

With Malaysia’s diverse and multicultural population, Malaysia’s Food Service sector includes a wide range of local and international cuisines. In recent years, there is a rapid growth in fine dining restaurants, international chains, and cafes. It is estimated that over 31% of Malaysians are spending their disposable income dining out. Over 60% of the Malaysian population are Muslims; this provides a more significant opportunity to F&B services that are certified Halal by the Department of Islamic Development (JAKIM).

4.2 AGRICULTURE & PROCESSED FOOD ECOSYSTEM
4.3 KEY F&B SECTORS

4.3.1 Livestock & Livestock Products Sector
The poultry segment is the main contributor to the Livestock sector. 60% of the meat processing industry is accounted for poultry processing. Malaysia is self-sufficient in Poultry meat and Pork, with recorded Self Sufficiency Ratio (SSR) of 98.1% and 91.9% respectively in 2018. Malaysia is highly dependence in imports of beef and mutton, with recorded SSR of 29.9% for beef and 11.2% for mutton in 2018. Malaysia mainly imports beef and mutton from Australia, New Zealand and India. In Malaysia, all imports of meat products are strictly regulated by the Department of Islamic Development (JAKIM).

Currently, the Malaysian government targets to increase the production of beef and mutton to reduce the dependence on imports.

4.3.2 Dairy Products Sector
Malaysia import dairy raw materials from countries such as New Zealand, Australia, the USA, and Thailand for further processing. Processed dairy products for exports includes milk powder, sweetened condensed milk, pasteurised or sterilised liquid milk, ice cream, yoghurt, and other fermented milk.

4.3.3 Cereal Products/Flour-based Products Sector
Cereal Products/Flour-based Products sector is well developed in Malaysia, comprising the production of biscuits, bakery items, and noodles. Raw materials are imported to Malaysia for further processing, such as wheat and wheat flour (2018: €301 million) from Australia, Canada, Russia and the USA. Products for exports include premixes, bread, pastries, frozen cakes, snack foods, bread, instant noodles and vegetarian food.

4.3.4 Cocoa and Cocoa Products Sector
Malaysia is the 2nd largest cocoa bean processing country in Asia and 8th in the world, accounting for 22% of the market of cocoa-based products in the Asia-Oceania region. In 2019, the estimated value of chocolate exports stood at €233.8 million compared with €211.24 million in 2018, an increase of 10.7%.

4.3.5 Fruit and Vegetables Sector
Fruits and vegetables are imported for domestic consumption and food processing. Fruits are mainly imported for puree/juice, snacks, pickles and jam production, whereas vegetables are mostly imported for saucing and pickles production. Malaysia imports potatoes from the People’s Republic of China, Germany, the USA and the Netherlands for the downstream activities such as manufacturing of snacks.

4.3.6 Palm Oil-based Products Sector
Malaysia is known as the world’s largest producer and second world’s largest exporter of palm oil-based products. Main exporting palm oil-based products are RBD palm oil, RBD palm olein and stearin, and speciality fats such as cocoa butter and margarine. The main export partners include India, Europe, the People’s Republic of China, Pakistan, and the Philippines.

4.3.7 Herbs and Spices Sector
Malaysia is known as the world’s 8th largest producer of pepper. Malaysia is diverse in agricultural products that yield various kinds of spices. Those spices include black and white peppers, dove,
cinnamons, curry powder, capsicum and pimento fruits. Many countries such as Japan, Singapore, Thailand, South Korea, United States, Indonesia, and China are importing Malaysian spices, and the demand increases annually.

4.4 FOREIGN PLAYERS IN THE F&B SECTOR

Malaysia’s F&B Distribution market is highly fragmented due to a large number of similar products and players in the market. For instance, over 100 players in meal, poultry and egg distribution, over 1,800 players in fish and seafood distribution and over 100 players in dairy product distribution. Most of the distributors involved in the distribution of diverse product range from different companies. Brand establishment and marketing strategies efficiency will influence the foreign company’s capability in capturing the market share.

4.5 KEY PLAYERS IN THE F&B INDUSTRY

<table>
<thead>
<tr>
<th>Nestle (Malaysia) Berhad</th>
<th>Fraser &amp; Neave Holdings Berhad</th>
<th>PPB GROUP BERHAD</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Dutch Lady Milk Industries Berhad</th>
<th>MSM Malaysia Holdings Berhad</th>
<th>FFM Berhad</th>
</tr>
</thead>
</table>
5. MARKET POTENTIAL: FOOD & BEVERAGES INDUSTRY

5.1 CURRENT CHALLENGES AND NEEDS

5.1.1 Raising Awareness on Food Security Issue

The rapid urbanisation and consumption growth are expected to pressure the nation’s food security. The COVID-19 pandemic has triggered the Malaysian Government to act to and address food security issues. Malaysia is highly relying on the imports of F&B products, except poultry, eggs, pork and fisheries. Malaysia is also relying on imports of raw materials for food processing, such as the import of wheat for bread production. The Malaysian Government engaged with University Putra Malaysia (UPM) in planning R&D on pre- and post-harvest technologies related to agriculture and food security issues. Furthermore, almost all animal feed for the livestock industry is imported, which makes the sector heavily reliant on imported Animal feed. The Malaysian Government is urging the producers to implement latest technologies and partner with foreign players to facilitate knowledge transfers and to FastTrack the usage of the newest production methods.

5.1.2 Inefficient Food Supply Chain

The COVID-19 pandemic has alarmed the Malaysian Government on the potential food supply chain disruptions due to heavy reliance on imports of raw materials/ingredients and final food products. Border closure and higher scrutiny have inevitably led to food supply chain disruptions - from the sourcing of raw materials to the production of goods and transportation of finished products. The availability of unskilled labour is also considered one of the factors that will disrupt the food supply chain, i.e. production and harvesting of food. The Government is pushing hard with grants and incentives to enable local companies to embrace Industry 4.0 technologies as well as automatization to overcome the shortage of unskilled labour.

5.1.3 Rising Cost of Goods and Services

The rise of food prices is mainly induced by the increase in input prices (i.e. fertilisers, chemicals, land, labour and machinery); market demand exceeds the industrial supplies. It stretches the capabilities of inefficient food production methods in the country. The domestic demand on all food items is increasing in parallel with the rise of living standard and income level. However, the inefficient local production methods, which are mainly due to obsolete pre- and post-harvest technologies, has increased the instability of local production. This has led to an increase in imports to cater to the domestic demand and has empowered importers or foreign exporters to control the food items market price. The Government is trying to counter this problem by introducing many grants for local producers to assist them in upgrading their inefficient production methods.

5.1.4 High Price Sensitivity

Even though the spending power of Malaysians is increasing, Malaysians are practising caution when it comes to purchasing and are more conscious of the increased price. Malaysian supermarkets and hypermarkets ranked as the 2nd most prolific promotion-seekers in Asia-Pacific. Malaysians love good deals. Therefore, it should come as no surprise that monetary factors are the main drivers of the purchasing decision. Brand equity or product origin is definably playing a significant factor in Malaysia. However, product price still is a large factor, which has demanded the retailer/ manufacturer to get the right balance between price and value.
5.1.5 Increase the Presence of E-Commerce and Shift in Consumer Behaviour

Malaysia’s E-Commerce industry has grown rapidly in recent years, driven by rising usage of smartphone and shoppers’ willingness to buy from overseas. Especially in 2020, the COVID-19 outbreak has accelerated the growth of the E-Commerce industry. Approximately 62% of Malaysians are shopping online now, mostly via mobile devices (47%) and it is expected to grow at a rate of 31.4%, reaching an estimated value of €4.8 billion by 2021. The COVID-19 pandemic has triggered the transformation of the Malaysian retailers’ business strategy toward E-Commerce and Internet-Of-Things (IoT).

5.1.6 The incapability of Small and Medium Enterprises (SMEs)

Most of the SMEs are facing issues that undermine their production performance - lack of knowledge and financial resources. To save costs, SMEs tend to overlook the importance of factory design (i.e. food process, technology). This has the potential to cause many manufacturing problems in the future, and the fixing costs are relatively higher than the initial design costs. Even though the Malaysian Government is offering grants and incentives, the lack of knowledge becomes a stumbling block for SMEs to modernise their food process and smoothen their business process (i.e. branding, distribution channels and communications channels).

5.2 POTENTIAL OPPORTUNITIES FOR FLEMISH COMPANIES

5.2.1 Government Initiatives Towards Foreign Direct Investment

The Malaysian Government provides support to the foreign investor in the Malaysian market. Malaysian Government has been introducing tax incentives, both direct and indirect, to encourage foreign direct investments as well as foreign trade, such as Import Duty and Sales Tax Exemption. The direct tax incentives grant partial or total relief from income tax payment for a specified period, while indirect tax incentives are in the form of exemptions from import duty, sales tax and excise duty. For investments in the manufacturing sector, the Malaysian Government has allocated incentives such as Income Tax Exemption, Pioneer Status, Import Duty Exemption and incentives for R&D activities.

For more information, please refer to: Malaysian Investment Development Authority (MIDA)
5.2.2 Promoted Food Manufacturing Products under the Malaysian Government

<table>
<thead>
<tr>
<th>Agriculture Production</th>
<th>Manufacture of Palm Oil Products &amp; Derivatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Floriculture</td>
<td>• Margarine &amp; Other Fat Products</td>
</tr>
<tr>
<td></td>
<td>• Palm-based Food Ingredients, Animal Fat Replacer, Cocoa Butter Substitute</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Processing of Agriculture Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Chocolate &amp; Chocolate Confectionery</td>
</tr>
<tr>
<td>• Vegetables, tubers/roots &amp; fruits</td>
</tr>
<tr>
<td>• Aquatic Products</td>
</tr>
<tr>
<td>• Livestock Products</td>
</tr>
</tbody>
</table>

For more information, please refer to: [Malaysian Investment Development Authority (MIDA)](https://www.mida.gov.my)

5.2.3 Change to Healthy Lifestyle

The rise in food-related disorders has boosted Malaysians health consciousness and triggered the adoption of healthy diets and lifestyles. Malaysians are getting more conscious about their food consumption in terms of nutrition, sustainability and experience. Healthy eating will continually be a significant food consumption trend for the coming years.

The shift of consumer behaviour and increase in income-levels has boosted the demand in organic, functional and healthy foods, such as low calorie, sugar-free, herbal and malnutritional products. In recent years, Malaysia’s Agricultural industry is moving towards organic farming and the adoption of modern farming techniques to increase sustainability. Malaysia has also invested in new product development using traditional herb and resources. Best prospects from Flanders includes nutrition bars, functional cereal, functional drink, protein products and vitamins & supplements.

5.2.4 European Product Quality

Nowadays, Malaysians are becoming more westernised, sophisticated and cosmopolitan. In general, Malaysians are highly pricing sensitive; however, they have become concerned about product quality. The domestic demand for imported food items is expected to increase in parallel with the increases in the Malaysian’s standard of living and income level. In recent years, the rise in GNI per capita has indicated a rise in Malaysian’s purchasing power, thus higher affordability of European products.

Malaysian have the perception that European products have better quality than local products, such products include items such as infant food products, chocolates & confectionery etc. According to the data shown below, 9 out of 10 selected F&B products recorded higher Malaysian preference on Global manufactured F&B products. For example, in 2018, Malaysia imports many chocolate products from the Netherlands (€6.51 million), Germany (€6.36 million), Italy (€11 million) and Switzerland (€8.47 million).
5.2.5 Rising Demand in Convenience Food Products

Its prolonged shelf life mainly drives the demand in convenience food that can be prepared within minutes, such as shelf-stable (i.e. meals which can be stored at room temperature), frozen food and ready-to-eat meals. Malaysian consumers like the large variety of choices and easy storage options. Especially the young generation is adapting to the possibility of quick and convenient meals during working hours. Malaysia is also in an excellent position to produce Asian recipes of convenience food using new technologies to meet the increasing global demand for speciality and ethnic foods. Besides, the potential to offer quick, convenient food in mini markets and gas stations is a viable option. Malaysians are looking for food and beverage solutions that keep pace with their way of living. But currently, the convenience food market in convenient stores is mainly dominated by options such as cub noodles.

5.2.6 Rising Demand in Raw Materials for Food Processing Sector

Malaysia is a net importer of raw materials, e.g. dairy milk and wheat, for the food processing sector to produce final products for both, the domestic and export markets. The growth of the food processing sector increases the industrial demand in raw materials, to achieve optimum production capacity to serve the market demand. For example, the local Infant formula sector is highly reliant on the import of raw materials, especially dairy ingredients which are usually imported from countries such as Australia, New Zealand and the Netherlands. Best prospects from Flanders include dairy ingredients, corn, potatoes, sugar beets, wheat, fresh/frozen/chilled pork, assorted fruits and vegetables.

5.2.7 Booming Café Industry

The coffee drinking culture has been deeply rooted among Malaysians for generations. The Old-style Hainanese coffee shops – ‘Kopitiams’ and Malay Indian restaurants – ‘Mamaks’ reflect a strong Malaysian coffee drinking culture. The coffee culture among the young and professionals in Malaysia - convenient and fashionable products has driven the growth of concept-style coffee outlets and cafes. The increase in coffee consumption has also caused the demand for coffee-complementary products such as biscuit, cookies, chocolates, potteries, etc. On average, most of the Malaysians consume 2.5 cups of coffee with snacks, i.e. biscuit/cookies per day.
Most of the cafes in Malaysia offer a wide range of food menu i.e. dessert, pastries. For instance, a big coffee chain in Malaysia such as Starbucks Coffee, Coffee Bean & Tea Leaf, Dôme and San Francisco offers a wide variety of food and beverages. There is also a growing trend towards 
**artisanal and premium coffee products.** Catering to consumer demand, the coffee industry players continue to expand their premium ranges to differentiate their product offerings.

### 5.2.8 Restaurant Culture

Malaysia is well known as the “Food Capital of Southeast Asia”, melting pot of cultures and exotic cuisines as it is now home to some of the world’s best dishes. Beyond Malay, Malaysian-Chinese and Indian food (northern and southern), decent French, Italian, German, Syrian, Thai, Sri Lankan food and more are also to be found easily around Malaysia. According to the Department of Statistics Malaysia, Malaysia’s estimated average monthly household expenditure increased to €929.88 in 2019 from €827.13 in 2016. In 2019, Restaurants & hotels (estimated at €129.41 or 13.9%) remained as one of the significant expenditure components and contributed 13.9% to the total average monthly household expenditure. Food and restaurant trend in Malaysia for 2020 including **Vegan and plant-based options, open kitchen, Juice pairings/non-alcoholic beverages, use of local ingredients and pick-and-go establishments.**

### 5.2.9 The New Age Consumer

The digital revolution has changed many aspects of our lives beyond imagination, including the consumer’s take on the food and beverage industry. The tremendous growth of smartphone use, has enabled the consumer to communicate and run operations on the go, directly affecting the individual’s demand for food and beverage, which matches their changing lifestyles.

At the same time, we are witnessing a transformation in consumer behaviour and expectations with a rise of holistic health. A holistic health approach is the growing consumer trend that include eating healthy foods that promote mental and physical well-being, support a strong immune system and prevent diseases, being a more purposeful approach that allows consumers to keep a track of their eating and drinking habits.

These two trends indicate that consumers want options that offer something more than high fat, high sugar and empty calories. **This trend offers lucrative opportunities to companies who can harness food sciences and technology to deliver products that meet the consumers’ demands.**
5.3 GLOBAL HALAL F&B MARKET OPPORTUNITIES

5.3.1 What is Halal

Halalan Toyyiban – or Halal – is a combination of Islamic/Shariah law and standard requirements. These requirements are met through the fulfillment of hygienic, sanitation and safety requirements. It also ensures that halal products are of high quality in nutritional value. All these conditions are permissible for Muslim consumption and are acceptable to non-Muslim consumers as well.

5.3.2 Overview of Halal Products & Services

Halal products are products that do not contain any parts or products of animals that are categorized as non-Halal to Muslims or products of animals which are not slaughtered according to Shariah law and Fatwa.

Halal products also do not contain any ingredients that are “Najs” according to Shariah law. Examples of “Niais” includes liquor and other spirituous drinks, dogs, swine, dead animals that were not ritually slaughtered, blood, excrements, and milk of animals whose meat Muslims are not allowed to consume.

Preparation, processing, or manufacturing of Halal products should not be completed using equipment that is contaminated with things that are “Niais” according to Shariah law and Fatwa. Halal certified products should also be safe for use or consumption and not intoxicating or harmful to health. Even during the preparation, processing, packaging, storage or transportation, the food should be physically separated from any other food that does not meet the Halal requirements.

5.3.2.1 Halal Certification

In conjunction with the growing popularity of Muslims in Malaysia, the evolution and innovation of Halal products are an increasingly popular and important topic in this region. More than 60% of the Malaysian population are Muslims. In Malaysia, the Malaysian Department of Islamic Development (JAKIM) is the agency responsible for the Islamic affairs including halal certification in Malaysia. A product does not need to be Halal or Halal certified to be imported to or sold in Malaysia. However, Halal certification is of high importance, in terms of reaching out to the bulk of the Malaysian market as this opens up 100% of the Malaysian market. In addition, neighbouring countries hold the Malaysian halal certification in high regard.

Speech, dress, behaviour, conduct, mannerism, and dietary laws are supervised under Halal as well. Products and services that are considered Halal cover many industries, including pharmaceuticals, clothing, cosmetics, financial services, logistics, as well as food production and consumption. With an estimated value of USD1.8 Trillion, the Global Halal Food market stands one of the rapidly growing industries.
Halal Certification by Halal Food Council of Europe (HFCE)

As of 5th February 2020, there are 84 foreign Halal certification bodies recognised by the Malaysian Department of Islamic Development (JAKIM). Halal Food Council of Europe (HCFE) is JAKIM-recognised Halal certification body in Belgium. All imported food and goods marketed in Malaysia shall not be described as Halal unless the imported food and goods comply with the requirements or certified as Halal by the foreign Halal certification body recognised by JAKIM. The importer or manufacturer of the food and goods which have been certified as Halal by the foreign Halal certification body recognised by JAKIM shall mark on the said food and goods, the name of the said certification body.

For more information, please refer to: The Recognised Foreign Halal Certification Bodies & Authorities (5th February 2020)

5.3.3 Benefits of A Malaysian Halal Certification

All “HALAL” certified products and services by the authorities in Malaysia acquire the advantages as below:

1. Malaysia’s HALAL logo is distinctly respected and vastly recognized by the other Muslim countries. Hence, one will have the ability to probe into the largest market share in the food sector.

2. Malaysia’s HALAL certification will give one’s business, customers, suppliers and stakeholders the confidence as it complies with the Syariah laws.

3. For products to be certified HALAL, technical requirements are entailed by the Malaysian HALAL Certification Standards (MS 1500:2009).

4. Products that have the Malaysian HALAL certification will have a competitive edge when compared with the same product that is not HALAL.

5. As the Malaysian HALAL standard is highly recognized in all Muslim nations, it also opens the door to the worldwide Muslim market to around 1.8 Billion people for certified products.

For more information, please refer to: Department of Islamic Development in Malaysia (JAKIM)
6. MARKET ACCESS

6.1 CHANNEL OF DISTRIBUTION

The selection of distribution channels is detrimental to the success of penetrating a new market or introducing a new product to the market, which is depending on how the company wants to position itself in the new market.

a) Business to Consumer (B2C)

- Producer
- End-user

b) Business to Business (B2B)

1. Producer
2. Retailer
3. End-user

4. Producer
5. Wholesaler/Distributor
6. Retailer
7. End-consumer

Malaysian Government provides incentives to the locally-owned manufacturing company for reinvestment in promoted Food Processing Activities, to encourage them in upgrading their food processing facilities’ efficiency by adopting advanced technology. Flemish companies can market their Food Technology solutions i.e. machinery and IT solutions to the Malaysian companies directly or through a 3rd party local distributor – assist the Flemish companies in promoting, importing and distributing their products and services across Malaysia. Flemish companies are recommended to provide the local distributor with a budget for marketing and advertising their products in Malaysia.

For the distribution of F&B products i.e. raw materials and finished goods, Flemish companies are recommended to partner with a 3rd party local distributor, leverage on their distribution network to promote and distribute their products to local manufacturers and all marketplaces across Malaysia i.e. small-scale retailers (e.g. hawker, convenience store, peddler and market stall), large-scale retailers (e.g. department store, supermarket, hypermarket and shopping centre) and e-commerce platform (e.g. Shoppee and Lazada). Online shopping platforms are growing in popularity tremendously in Malaysia during the COVID-19 times.

Most of the local manufacturers work with 3rd party distributors to source their raw materials for production – allow local manufacturers access to a wide range of raw materials. There is a limited number of companies imports directly individual suppliers overseas due to the complicated import process. Many retailers source foreign goods from a domestic importer or domestic wholesaler. Most of the foodservice sectors i.e. hotels, restaurants and fast-food chains are not capable to handle direct import from a large number of individual suppliers overseas and tend to source imported products through 3rd party distributors or local-manufactured products from the local manufacturers directly.
## 6.2 Market Entry Mode

<table>
<thead>
<tr>
<th>No.</th>
<th>Entry modes</th>
<th>Key Takeaway</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Exports</td>
<td>• Products sold to an intermediary i.e. importers, who later sell the products to the wholesaler or end consumers.</td>
</tr>
<tr>
<td></td>
<td>Indirect Exports</td>
<td>• Products exported directly to end consumers, wholesalers, or retailers i.e. hypermarket and chain store to eliminate the middleman costs.</td>
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<tr>
<td></td>
<td>Direct Exports</td>
<td></td>
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<tr>
<td>2.</td>
<td>Contractual</td>
<td>• The franchisor grants the franchisee some rights and authorities to handle the contractual business activities.</td>
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<td></td>
<td>Manufacturing/Operation</td>
<td>• The potential risk of losing control over company operations.</td>
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<tr>
<td></td>
<td>Franchising</td>
<td>• License a local manufacturer to handle the product manufacturing activities.</td>
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<td></td>
<td>Licensing</td>
<td>• Lower investment costs i.e. land, building costs.</td>
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<tr>
<td></td>
<td></td>
<td>• The potential risk of quality control.</td>
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<tr>
<td>3.</td>
<td>Joint Ventures</td>
<td>• Partner with a local company with resources i.e. skilled labour, local market knowledge, distribution network and brand name.</td>
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<td>4.</td>
<td>Mergers &amp; Acquisitions</td>
<td>• Able to gain local market knowledge and customise the product marketing strategies accordingly.</td>
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<tr>
<td></td>
<td></td>
<td>• Full control over company operations.</td>
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<td></td>
<td></td>
<td>• Availability of local resources i.e. labour resources.</td>
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<tr>
<td>5.</td>
<td>Foreign Direct Investment/</td>
<td>• Set up a new subsidiary or sales office in the target country to execute the company designed product marketing strategies.</td>
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<td></td>
<td>Wholly-owned Subsidiary</td>
<td>• Set up a new own-operate manufacturing plant.</td>
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<td></td>
<td></td>
<td>• Investor-friendly policies and incentives are available.</td>
</tr>
</tbody>
</table>

Exports market entry is suitable for Flemish F&B manufacturers/exporters to gain immediate access and have a better understanding of the Malaysian market. Exports market entry is considered as a low-cost market strategy that allows Flemish manufacturers/exporters to test the acceptance and potential of the products, as well as understand the Malaysian culture. Flemish companies may handle export and distribution activities by themselves or outsource to a 3rd party - local distributor. The local distributor will act as an agent to the company, handling the imports and utilise its distribution network to distribute the products across Malaysia.
6.3 REGULATORY FRAMEWORK

6.3.1 Key Food-Related Policies and Regulations in Malaysia

<table>
<thead>
<tr>
<th>Key Ministries</th>
<th>Key Policies/ Regulations</th>
<th>Relevant Food Sectors</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ministry of Agriculture and Food Industries Malaysia (MAFI)</strong></td>
<td>National Agro-Food Policy, 2011-2020</td>
<td>All</td>
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<td></td>
<td>Malaysian Quarantine and Inspection Services Act 2011</td>
<td>All</td>
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<tr>
<td></td>
<td>Malaysian Quarantine and Inspection Services Regulations 2013</td>
<td>All</td>
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<tr>
<td></td>
<td>Federal Agricultural Marketing Authority (FAMA) Act 1965</td>
<td>Vegetables and Fruits</td>
</tr>
<tr>
<td></td>
<td>Federal Agricultural Marketing Authority (FAMA) Regulations 2008</td>
<td>Vegetables and Fruits</td>
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<tr>
<td></td>
<td>Animals Act 1953</td>
<td>Meat and Milk Products</td>
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<td></td>
<td>Animal Rules 1962</td>
<td>Meat and Milk Products</td>
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<td></td>
<td>Animal Importation Order 1962</td>
<td>Meat and Milk Products</td>
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<tr>
<td></td>
<td>Federal Animals Quarantine Station (Management and Maintenance) By-Law 1984</td>
<td>Meat and Milk Products</td>
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<tr>
<td></td>
<td>Animals (Control of Slaughter) Rules 2009</td>
<td>Meat Products</td>
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<td></td>
<td>Fisheries Act 1983</td>
<td>Fisheries</td>
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<td></td>
<td>Lembaga Kemajuan Ikan Malaysia Act 1971</td>
<td>Fisheries</td>
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<tr>
<td></td>
<td>Fish Marketing Regulations 2010</td>
<td>Fisheries</td>
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<tr>
<td><strong>Ministry of Health Malaysia (MOH)</strong></td>
<td>Food Act 1983</td>
<td>All</td>
</tr>
<tr>
<td></td>
<td>Food Regulation 1984</td>
<td>All</td>
</tr>
<tr>
<td></td>
<td>Malaysia Code of Ethics for the Marketing of Infant Foods and Related Products</td>
<td>Infant Food</td>
</tr>
<tr>
<td><strong>Ministry of Domestic Trade and Consumer Affairs Malaysia (KPDNHEP)</strong></td>
<td>Price Control and Anti-Profiteering Act (PCAPA) 2011 (formerly Price Control Act 1946)</td>
<td>All</td>
</tr>
<tr>
<td></td>
<td>Consumer Protection Act 1999</td>
<td>All</td>
</tr>
<tr>
<td></td>
<td>Trade Descriptions Act 2011</td>
<td>All</td>
</tr>
<tr>
<td></td>
<td>Control of Supplies Act 1961</td>
<td>All</td>
</tr>
<tr>
<td></td>
<td>Control of Supplies Regulations 1974</td>
<td>All</td>
</tr>
</tbody>
</table>

6.3.2 Malaysian Food Standards

Food standards in Malaysia are developed by Industry Standardization Committee (ISC) under the Department of Standards Malaysia (JSM), which is administered by the Ministry of International Trade and Industry (MITI). JSM is the National Standards and Accreditation Body governed by the Standards of Malaysia Act 1996 (Act 549). JSM is responsible for developing the Malaysian Standards (MS) in 24 sectors, including the food and food products sector, for ensuring that products are processed and manufactured in a safe and hygienic condition. A certified mark can be labelled by obtaining an official certification on compliance to standards.

6.3.3 Tariff Information

HS Code applies to trade with all non-ASEAN countries. For reference of HS Codes, please log on to JKDM HS Explorer or contact the Malaysia Royal Customs Department for further assistance. Access2Markets Portal of the European Union also useful in finding tariff information.

Flanders Investment & Trade Malaysia can assist you in finding the related tariff information. Please do not hesitate to contact us via the Flanders Investment & Trade Official Portal or email/ phone.
6.3.4 Import Regulations

The Royal Malaysian Customs Department (RMCD/JKDM) is the Malaysian Government agency responsible for administering the nation's indirect tax policy, border enforcement and narcotics offences. Strict import guidelines and labelling requirements are imposed on meat, meat products and alcoholic food products due to the large Muslim population.

The requirement for Health Certificate, Certificate of Analysis, Import and Export Permit-License is dependent on the types of food products and issued by the designated Government agencies – according to the identity of food products and states. For instance, import and export of animal and animal products, meat and meat products, plant and plant products require Import and Export License issued by the Permit Issuing Agencies (PIAs) under the Customs Act 1967.

The Food Safety Information system of Malaysia (FoSIM) is an on-line web system that interfaces with the Malaysian Customs Information System (CIS) which handles all the notification, declaration and clearance of imported food consignments. The Food Safety & Quality Division (FSQD) under the Ministry of Health does not impose any import permit requirements for the importation of foods. Compliance inspection will be carried out upon the consignment arrival, and the imported food will be released if complied with the Food Act 1983 and its regulation.

6.3.5 Flow Chart of Importation of Foods

Before Importation
- Comply with import requirements under Food Act 1983 and its regulations
- Register as Food Safety Information System of Malaysia (FoSIM) user (importer/forwarding agent) at http://fsis2.moh.gov.my/fosimv2/

During Importation
- Declaration of food importation to Royal Malaysian Customs Department through Customs Information System (CIS)
- Notification of food importations through FoSIM
- Inspection of food by Ministry of Health (MOH) officers at entry point or Other Government Agency (OGA) (if any)
- Import approved?
  - Yes
  - Final approval by Royal Malaysian Customs Department
  - Food consignment released for entry
  - No
    - Product will not be allowed entry
7. LIST OF TRADE EVENTS

Due to the COVID-19 pandemic, all the events are postponed or rescheduled. Flanders Investment & Trade Malaysia can provide up-to-date information on all event schedules and assist in providing a comprehensive list of trade events according to the needs and requirements of your company. For more information, please do not hesitate to contact us via the Flanders Investment & Trade Official Portal or email/phone.

7.1 MALAYSIA INTERNATIONAL HALAL SHOWCASE (MIHAS)

Profile: MIHAS is an annual 4-day trade exhibition held in Kuala Lumpur, hosted by the Ministry of International Trade and Industry (MITI), and organised by Malaysia External Trade Development Corporation (MATRADE). 17th Malaysia International Halal Showcase features a diverse range of products, services, food, non-food, personal care, pharmaceuticals and service in finance.

For more information, please refer to: https://www.facebook.com/mihasmalaysia/

7.2 SELANGOR INTERNATIONAL EXPO

Profile: Selangor International Expo is a food and beverage trade exhibition. Exhibitors from over 20 different countries across the Asia Pacific, who are active in food science, food technology, food services and the Halal industry. Visitors will be offered about 630 booths with more than 300 exhibitors. The event is endorsed by the Malaysia External Trade Development Corporation (MATRADE) and over 50 international business chambers.

For more information, please refer to: https://selangorsummit.com/

7.3 MALAYSIAN INTERNATIONAL FOOD & BEVERAGE TRADE FAIR (MIFB)

Profile: MIFB is the largest and leading Food and Beverage focused trade event in Malaysia which offers food and beverage companies a platform to present their products and services to the world. Players from the food and beverage market will have the opportunity to take advantage of the enormous opportunities in Malaysia and the other ASEAN countries.

For more information, please refer to: https://mifb.com.my/
7.4 MALAYSIA INTERNATIONAL PACKAGING & FOOD PROCESSING EXHIBITION (M’SIA-PACK & FOODPRO)

Profile: The 31st M’SIA-PACK & FOODPRO 2020 is endorsed by Malaysia External Trade Development Corporation (MATRADE) with over 15,000 local and international trade visitors and industry players. It acts as an effective meeting platform between investors and buyers.

For more information, please refer to: https://mimf.com.my/

7.5 MALAYSIA INTERNATIONAL RETAIL AND FRANCHISE EXHIBITION (MIRF)

Profile: MIRF acts as a growth platform for retail and franchise businesses to not only expand in terms of revenue but to also shape and cultivate new business models and innovation strategies. With the participation of over 15 countries, there will be many international brands exhibiting, with quality business matchmaking. It recorded revenue of over MYR 80 million with over 11,000 visitors.

For more information, please refer to: https://www.mirf.my/

7.6 FOOD AND HOTEL MALAYSIA (FHM)

Profile: FHM is Malaysia’s international Exhibition of food, drink, hotel, restaurant and foodservice equipment, supplies, services and related technology. The exhibition also will be included with a quality conference, wine appreciation classes and informative seminars on the food and hospitality industry.

For more information, please refer to: https://www.foodandhotel.com/
8. FLANDERS INVESTMENT & TRADE MALAYSIA: CONTACT

We hope this report has provided you with a good overview of the Malaysian Food & Beverages Industry.

On top of this market information Flanders Investment & Trade also offers more tailored services to assist the Flemish companies in entering the Malaysian market or even utilizing Malaysia as a gateway to tackle the ASEAN market:

- Basic market information on the subsector you are working in (e.g. competitive environment, tariff information, trade regulations ...);
- List of addresses and contact information of potential partners and customers in Malaysia (distributors, importers, manufacturer ...);
- Preparing an individual tailor-made B2B program for your company.

For more information, please do not hesitate to contact us via the Flanders Investment & Trade Portal or email/phone.

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Date of publication: November 20