



Flanders
State of the Art



PLASTIC PRODUCTS INDUSTRY

IN MALAYSIA

FLANDERS INVESTMENT & TRADE MARKET SURVEY



PLASTIC PRODUCTS
INDUSTRY IN MALAYSIA

December 2023



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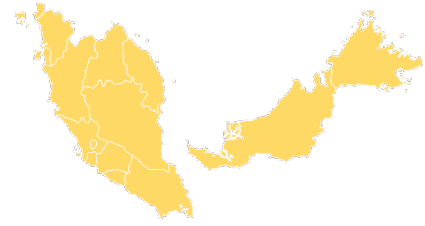
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1. MALAYSIA ECONOMIC OUTLOOK

Malaysia is strategically located in the **heart of Southeast Asia**, between the Indian Ocean and the South China Sea, serviced by all primary air and shipping lines. Malaysia is an **attractive, cost-competitive investment location and a preferred ASEAN and APAC regional hub**, supported by the country's highly diversified economic, business-ready environment, well-capitalised financial sector, future-forward focus and dynamic, skilled workforce.



330,000 km²
(127,000 m²)
13 states and
3 federal
territories



Population
(2023):
33.2 million



Currency:
Ringgit Malaysia
(RM)



Parliamentary
democracy,
constitutional
monarchy



National
Language:
Bahasa Melayu



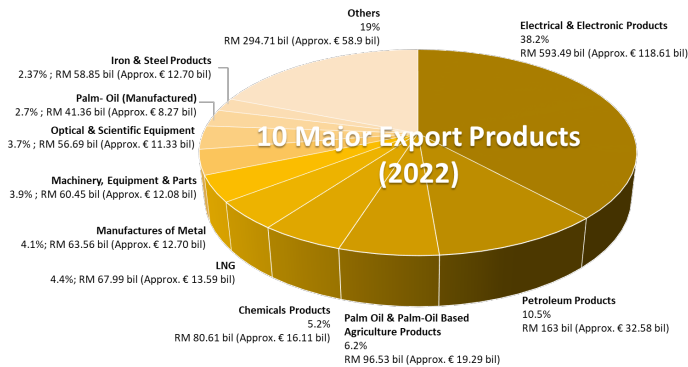
Gross Domestic Products At Current Prices
(2022):
RM 1,791.4 billion
(approx. € 356.80 billion)



Gross National Income Per Capita At Current
Prices (2022):
RM 53,043 (approx. € 10,565)
Upper-Middle Income Country

TRADE STATISTICS

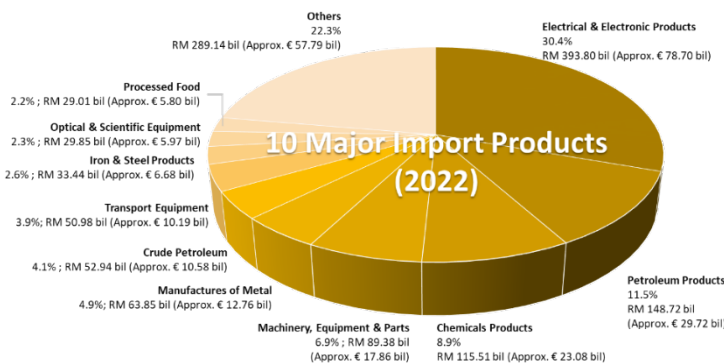
Total Exports: RM 1.552 trillion (Approx. € 309.12 billion)



Top 5 Export Countries:

1. Singapore
2. China
3. USA
4. Japan
5. Hong Kong

Total Imports: RM 1.297 trillion (Approx. € 259.21 billion)

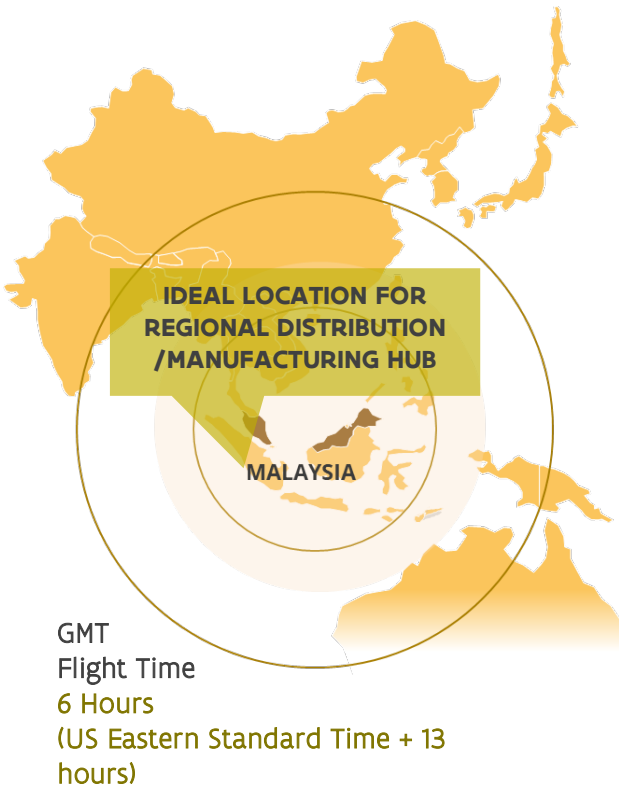


Top 5 Import Countries:

1. China
2. Singapore
3. USA
4. Japan
5. Indonesia

Sources: Malaysia External Trade Development Corporation (MATRADE), 2023

2. MALAYSIA: GATEWAY TO ASIA



ASEAN Market Access:

Over 660 million population with a combined GDP of US\$ 3.66 trillion

Sources: Statista, 2022

Malaysia Is Market-Oriented Economy:

Potential 4 billion market population with 16 Free Trade Agreements

Sources: MITI 2022

From Malaysia:

Below 2 Hours	Singapore, Thailand, Cambodia, Myanmar, Indonesia, Vietnam
Within 2 Hours	Brunei, Laos
Within 4 Hours	Philippines, Sri Lanka, Taiwan, Myanmar, Bangladesh, Hong Kong
Within 6 Hours	China, Pakistan, Nepal, India, Korea
6 Hours	Japan, Afghanistan, Mongolia, Papua New Guinea

WHY MALAYSIA?



Heart of Southeast Asia

Strategic location with good interconnectivity, strong relations, and trade links regionally, providing easy access to the Asia Pacific region.



Well-Connected to Major Ports in Asia

Next to one of the world's busiest shipping lanes - Straits of Malacca. Providing access to the global supply chain via two key Malaysian ports, Port Klang and Port of Tanjung Pelepas.



Developed Infrastructure

One of Asia's best infrastructures, with future planned technology, logistics, transport, and finance major infrastructure projects to support business.



Lower Cost of Doing Business

Malaysia ranked 4th among 17 economies in terms of competitiveness as a manufacturing hub regarding the cost of doing business.

(KPMG, 2020)



Business Communication

Business English is widely used. The multilingual population is fluent in Malay, English, Mandarin, and Tamil. Most ASEAN languages are spoken in Malaysia.



Multicultural, Educated and Young Workforce

Malaysia is Asia's cultural melting pot and is among Asia's most diverse countries. A young, well-trained, and well-educated workforce.





Extensive Trade Links

Malaysia has signed 16 FTAs and implemented 14 FTAs. Up to 98% of total products have 0% import duties under Malaysia's FTAs with ASEAN and ASEAN Partners.



Investor-Friendly Policies

There is a large presence of over 5,000 foreign companies in Malaysia from over 40 countries. Attractive tax incentives and up to 100% business/land ownership for foreign investors.



Established Legal System

The Malaysian Constitution sets out the legal framework of the country. Accordingly, Malaysian law follows the legal system of the United Kingdom.

MALAYSIA'S GLOBAL STANDING

2nd Trade and Connectivity in Southeast Asia <small>(DHL Global Connectedness Index 2022)</small>	2nd Ease of Doing Business within ASEAN <small>(World Bank Doing Business Report 2020)</small> Protecting Investors <small>(World Bank Doing Business Report 2020)</small>	12th Ease of Doing Business in the World <small>(World Bank Doing Business 2020 Report)</small>
2nd Ease of Protecting Minority Investors <small>(Global Innovation Index 2020, World Intellectual Property Organisation, WIPO)</small>	4th Most Competitive Emerging Market <small>(Agility Emerging Markets Logistics Index 2022)</small>	3rd High Proficiency Education First English Proficiency Index (EF EPI) in Asia <small>(Signum International AG, 2022)</small>
1st Top Country in Emerging Southeast Asia for Foreign Investment <small>(Global Opportunity Index, Bloomberg 2022)</small>	2nd Most Competitive Country in ASEAN <small>(Competitiveness Yearbook 2021, IMD)</small>	4th Most Competitive as a Manufacturing Hub <small>(Cost of Manufacturing Operations, KPMG and The Manufacturing Institute, 2020)</small>

WELL-DEVELOPED TRADE INFRASTRUCTURES



Bilateral Free Trade Agreements*



Regional Free Trade Agreements



Free Commercial Zones
(Aug 2023)



Free Industrial Zones
(Aug 2023)



Industrial Parks

Source: MITI, MIDA, RMCD, 2023

LIST OF FREE TRADE AGREEMENTS

Bilateral Free Trade Agreements

1. Malaysia-Japan Economic Partnership Agreement (MJEPA)
2. Malaysia-Pakistan Closer Economic Partnership Agreement (MPCEPA)
3. Malaysia-New Zealand Free Trade Agreement (MNZFTA)
4. Malaysia-India Comprehensive Economic Cooperation Agreement (MICECA)
5. Malaysia-Chile Free Trade Agreement (MCFTA)
6. Malaysia-Australia Free Trade Agreement (MAFTA)
7. Malaysia-Turkey Free Trade Agreement (MTFTA)

Regional Free Trade Agreements

1. ASEAN Free Trade Area (AFTA)
2. ASEAN-China Free Trade Agreement (ACFT)
3. ASEAN-Korea Free Trade Agreement (AKFTA)
4. ASEAN-Japan Comprehensive Economic Partnership (AJCEP)
5. ASEAN-Australia-New Zealand Free Trade Area (AANZFTA)
6. ASEAN-India Free Trade Agreement (AIFTA)
7. ASEAN-Hong Kong, China Free Trade Agreement (AHKFTA)
8. Regional Comprehensive Economic Partnership (RCEP)
9. Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)

FTAs Currently Negotiated

- Malaysia-European Free Trade Association Economic Partnership Agreement (MEEPA)

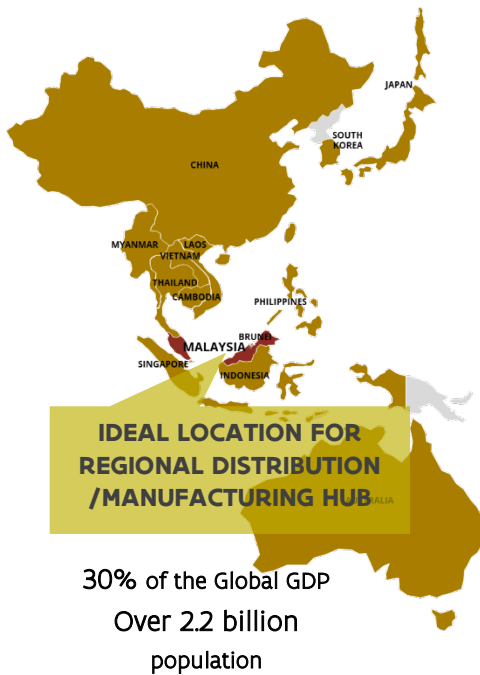
LIST OF FREE TRADE ZONES

- | | |
|---|---|
| 1. Stulang Laut, Johor | 13. North Butterworth Container Terminal (NBCT) |
| 2. Pelabuhan Pasir Gudang, Johor | 14. Bukit Kayu Hitam, Kedah |
| 3. Pelabuhan Tanjung Pelepas, Johor (Fasa I) | 15. Pekan Bukit Kayu Hitam, Kedah |
| 4. Terminal 2, Pelabuhan Johor, Pasir Gudang, Johor | 16. Pelabuhan Utara, Selangor |
| 5. Tanjung Langsat, Johor Bahru, Johor | 17. Pelabuhan Barat, Selangor |
| 6. Senai Airport City, Mukim Tebrau, Johor | 18. Pelabuhan Selatan, Selangor |
| 7. Lapangan Terbang Antarabangsa Sultan Ismail, Johor | 19. Port Klang Free Zone (PKFZ), Selangor |
| 8. Rantau Panjang, Kelantan | 20. MILS Logistik Hub, Selangor |
| 9. Pengkalan Kubor, Kelantan | 21. Lapangan Terbang Antarabangsa Kuala Lumpur |
| 10. Dermaga Air Dalam, Pulau Pinang | 22. Tasik Kenyir, Terengganu |
| 11. Kargo MAS, Pulau Pinang | 23. Pulau Layang-Layang |
| 12. Kompleks Kargo Udara Kedua (KKUK), Pulau Pinang | 24. Pelabuhan Kuantan, Pahang |

LIST OF FREE INDUSTRIAL ZONES

- | | |
|---|--|
| 1. Pelabuhan Pasir Gudang, Johor | 12. Tanjung Kling, Melaka |
| 2. Pelabuhan Tanjung Pelepas, Johor (Fasa I) | 13. Seberang Perai, Pulau Pinang |
| 3. Pelabuhan Tanjung Pelepas, Johor (Fasa II) | 14. Bayan Lepas, Pulau Pinang (Fasa I) |
| 4. Pelabuhan Tanjung Pelepas, Johor (Fasa II) | 15. Sama Jaya, Kuching, Sarawak |
| 5. Tanjung Bin, Johor | 16. Jelapang, Perak |
| 6. Lapangan Terbang Antarabangsa Sultan Ismail, Johor | 17. Kinta, Perak |
| 7. Senai Airport City Fasa Satu, Mukim Senai, Johor | 18. Sungai Way, WPKL |
| 8. Senai Airport City Fasa Satu, Mukim Tebrau, Johor | 19. Ulu Klang |
| 9. Batu Berendam, Melaka (Fasa I) | 20. Port Klang Free Zone (PKFZ) |
| 10. Batu Berendam, Melaka (Fasa II) | 21. Telok Panglima Garang |
| 11. Batu Berendam, Melaka (Fasa III) | |

REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP (RCEP):



- Known as World’s largest free trade pact.
- FTA between 10 ASEAN member countries and 5 ASEAN FTA Partner countries, namely Australia, China, Japan, New Zealand, South Korea.
- Aims to create a highly integrated global/regional value chain, making the RCEP region a significant FDI destination.

Benefits of RCEP:

- Elimination or reduction of import duties.
- Promotion, facilitation, protection and investment liberalisation.
- Protection of intellectual property rights, facilitation in e-commerce.
- Economic and technical cooperation.



MALAYSIA: GATEWAY TO CHINA



LICENSED MANUFACTURING WAREHOUSE (LMW)

- A manufacturing unit (factory) granted to any person for warehousing and manufacturing approved products on the same premise.
- It is primarily intended to cater for export-oriented industries.
- **Customs duty exemption** is given to all raw materials and components used directly in the manufacturing process of approved produce from the initial stage of manufacturing until the finished product is finally packed and ready for export.

Estimated Shipping Time from Kuantan Port to:

- Qinzhou Port: 3 - 4 days
- Other Chinese Ports: 4 - 8 days

Source: MITI, Kuantan Port, 2023

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.

Initiatives and Development Projects:

Boosting Infrastructure and Connectivity	Facilitating Easier Trade and Investment	Human Resources, Education and Culture
<ul style="list-style-type: none"> • Boosting Infrastructure in less-developed areas • Multiple major transport and digital infrastructure projects • Liberalised Transports Agreements 	<ul style="list-style-type: none"> • Sub-regional Economic Corridors • Multiple policy development projects to support trade and investment • Utilising country's complementariness and comparative advantages to mutually grow 	<ul style="list-style-type: none"> • Improving quality of life through economic development • Encouraging culture and social exchange • Enhancement of Human Resource Development through IMT-GT University Network (UNINET)

Sources: MIDA, MCKIP, IJM Corporation, Asian Development Bank (ADB), IMT-GT, MITI



3. EXECUTIVE SUMMARY

Plastic products range from everyday household items and packaging materials to high-end products. The well-established plastic products industry supports the growth of many manufacturing industries by supplying plastic parts and components, plastic packaging materials, as well as various high-performance plastics. Malaysia’s plastic products industry demonstrated sustained growth throughout 2022, and the growth aligns with the global outlook for the industry, which is anticipated to expand at a Compound Annual Growth Rate (CAGR) of 3.7% from 2022 to 2030.

According to the Department of Statistics Malaysia, the plastic industry recorded a sales turnover increase of 5.5% to RM61.80 billion in 2022 (2021: RM58.62 billion). The total trade reached RM32.8 billion (approx. € 6.40 billion), an increase of 11.6% compared with 2021’s RM29.4 billion -the total trade does not account for the indirect export of plastics as parts and components of E&E products, automotive components, building materials, textiles, and other products. The major export markets for Malaysian-made plastics products are the EU, ASEAN and Japan, and the industry players are exploring opportunities in Canada, Mexico and Peru.

There are over 1,300 plastic product manufacturers in Malaysia, with an annual industry production value of approximately RM33 billion (approx. € 6.44 billion). The growth in domestic downstream plastic processing activities in Malaysia can be attributed to a well-developed petrochemical sector, which ensures a consistent supply of materials for the plastic industry, supported by world-scale resin production facilities.

AREAS/ SECTORS	KEY FACTS AND FIGURES
PLASTIC RESINS	The world-scale resin production facilities in Malaysia manufacture polyethylene (PE), polypropylene (PP), polystyrene (PS), acrylonitrile butadiene styrene (ABS), polyacetal (PA), polyester copolymers, styrene-acrylonitrile (SAN), and polybutylene terephthalate (PBT). The domestic market consumes at least 60% of the locally produced plastic resins and polymers, and the packaging industry consumes the most. Many plastic product manufacturers import raw materials, such as polymers and plastic resins.
PLASTIC PACKAGING	Packaging makes up 48% of the total resins consumed by revenue, while non-packaging applications comprise 52% of total plastics consumption. Flexible packaging accounts for the highest share, followed by rigid plastics. In response to the growing demand for high-performance but recyclable packaging solutions, local players are turning sustainability by moving aggressively into producing sustainable packaging materials.
PLASTIC COMPOSITES	Fibreglass largely dominated (85%) composites in terms of volume in Malaysia. The matrix material for carbon fibre composites is primarily epoxy (72%). Fibre-reinforced plastics (FRP) are widely used in the building and construction industries: repair and rehabilitation, construction, and architecture.
PLASTIC RECYCLING & WASTE MANAGEMENT	In 2019, Malaysia recycled approximately 24% of the key plastic resins. 1.07 million tonnes of plastics are disposed of yearly, with 81% of their material value lost. According to the MPMA and MPRA, the plastics



	recycling industry contributed RM4.5 billion (approx. € 880 million) to the economy in 2019, and it could potentially grow to an estimated RM20 billion (approx. € 3.90 billion).
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Potential Opportunities for Flemish Companies in Malaysia:

1. Plastic waste management and recycling technologies:
2. Recycling facilities and food-grade applications:
3. Advanced and high-tech manufacturing and machinery solutions: smart manufacturing and digitalisation
4. Green packaging solutions and packaging and manufacturing machinery/equipment
5. Opportunities under the Roadmap Towards Zero Single-Use Plastics 2018-2030: Eco-friendly products or solutions
6. Personal protective equipment (PPE) and its raw materials
7. Imports of plastics and plastic products such as polymers, pipes, sheets, housewares, etc.
8. High-end and specialised plastics and plastic products
9. Collaborative activities with universities, research institutions, and suppliers
10. Bio-plastics products
11. Training and Talent Development - Industry-academia collaboration
12. Promoted activities/opportunities related to plastics and plastic products



4. MARKET FEATURES: PLASTIC PRODUCTS

Plastic products range from everyday household items and packaging materials to high-end products. The well-established plastic products industry supports the growth of many manufacturing industries by supplying plastic parts and components, plastic packaging materials, as well as various high-performance plastics. Malaysia's plastic products industry demonstrated sustained growth throughout 2022, maintaining its growth trajectory from previous years. The growth aligns with the global outlook for the industry, which is anticipated to expand at a Compound Annual Growth Rate (CAGR) of 3.7% from 2022 to 2030.

According to the Department of Statistics Malaysia, the plastic industry recorded a sales turnover increase of 5.5% to RM61.80 billion in 2022 (2021: RM58.62 billion). In addition, exports of plastic products reached RM17.3 billion (approx. € 3.38 billion) in 2022 (2021: RM15.9 billion). Meanwhile, total trade reached RM32.8 billion (approx. € 6.40 billion), an increase of 11.6% compared with 2021's RM29.4 billion. The total trade does not account for the indirect export of plastics as parts and components of E&E products, automotive components, building materials, textiles, and other products. The major export markets for Malaysian-made plastics products are the EU, ASEAN and Japan, and the industry players are exploring opportunities in Canada, Mexico and Peru.

There are over 1,300 plastic product manufacturers in Malaysia, with an annual industry production value of approximately RM33 billion (approx. € 6.44 billion). The growth in domestic downstream plastic processing activities in Malaysia can be attributed to the presence of a well-developed petrochemical sector, ensures a consistent supply of materials for the plastic industry, supported by world-scale resin production facilities that manufacture polyethylene (PE), polypropylene (PP), polystyrene (PS), acrylonitrile butadiene styrene (ABS), polyacetal (PA), polyester copolymers, styrene-acrylonitrile (SAN), and polybutylene terephthalate (PBT). This enables Malaysia to produce high-quality and environmentally friendly plastic packaging products at competitive prices. In 2019, Malaysia's highest share of the revenue from plastics was in the packaging sector, with 48%.

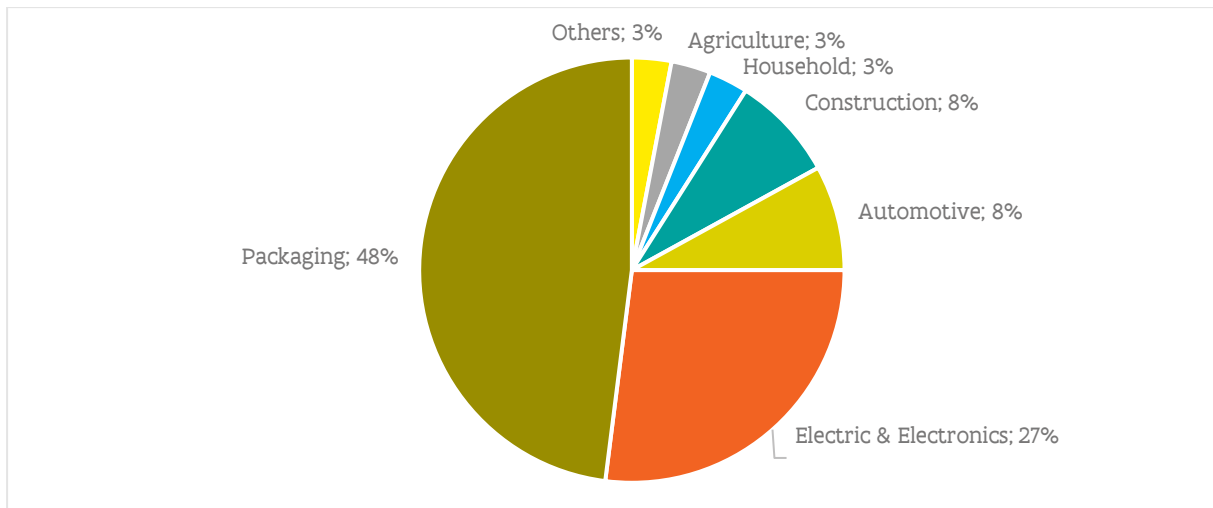


Figure 1: Share of Plastics Revenue In Malaysia By End-Use Industries, 2019

Source: Malaysian Plastics Manufacturers Association (MPMA), 2019

Malaysian Plastics Manufacturers Association (MPMA) was established in 1967 as a progressive trade association that serves as the official voice of the Malaysian plastics industry, representing its members and the industry in Government interaction, spearheading the plastics industry's growth by providing the platforms to assist members in being globally competitive. MPMA currently has around 750 members, including ordinary members, representing about 60% of the country's plastics manufacturers and accounting for 80% of the country's total production of plastic products.



**MALAYSIAN
PLASTICS
MANUFACTURERS
ASSOCIATION**

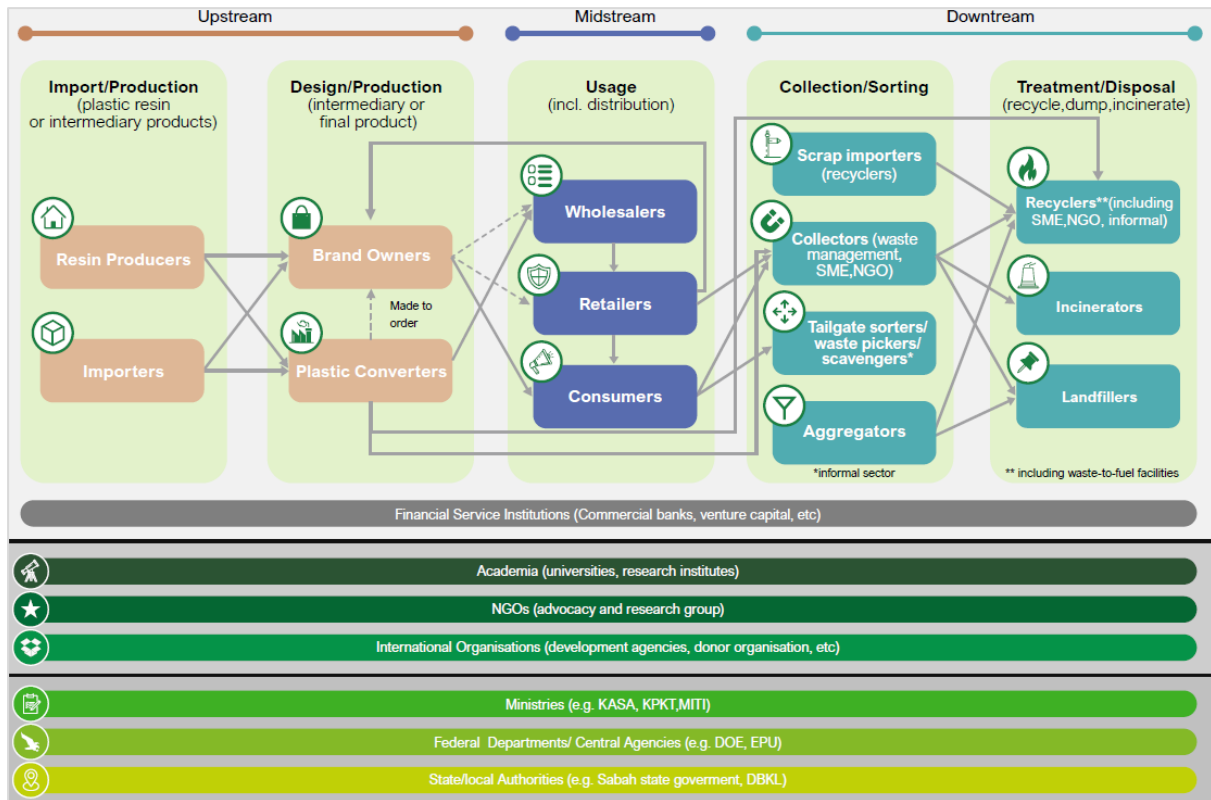


Figure 2: Overview of Key Stakeholders Across Malaysia's Plastic Value Chain

Source: Malaysia Plastics Sustainability Roadmap

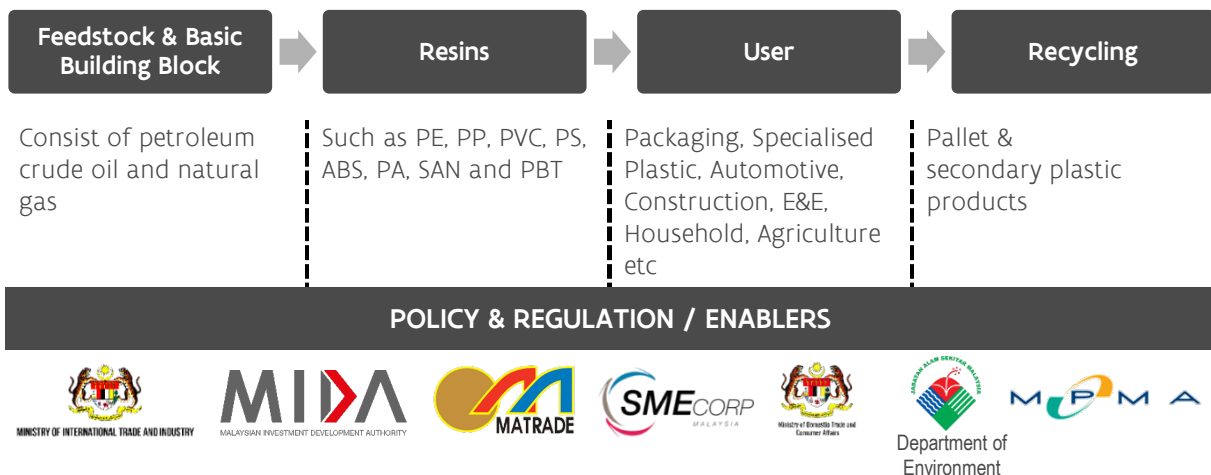


Figure 3: Plastic Products Industry Ecosystem in Malaysia

Source: Malaysian Plastics Manufacturers Association (MPMA), 2019



4.1 PLASTIC RESINS

The sophisticated petrochemical sector supports the growth of domestic downstream plastic processing activities by ensuring a steady supply of materials supported by world-scale resin production facilities.

MAJOR TYPES OF PLASTIC RESINS AVAILABLE IN MALAYSIA	
<ul style="list-style-type: none"> Acrylonitrile Butadiene Styrene (ABS) High-Density Polyethylene (HDPE) Low-Density Polyethylene (LDPE) Polyacetal (PA) Polybutylene Terephthalate (PBT) Polyvinyl Chloride (PVC) Styrene Acrylonitrile (SAN) Polycarbonate (PC) 	<ul style="list-style-type: none"> Polyester Copolymers Polyethene (PE) Polyethylene Terephthalate (PET, PETE) Polymethyl Methacrylate (PMMA) Polypropylene (PP) Polystyrene (PS) Others (acrylic, nylon, and epoxy resins)

Table 1: Major Types Of Plastic Resins In Malaysia

Source: MPMA, 2019

- PVC is widely used in building and construction, making siding, window frames, flooring, roofing, insulation for electrical cables, and water and sewage pipes.
- HDPE, LDPE, PP, and PET are primarily used for single-use packaging.
- PS products with single-use applications, such as styrofoam food boxes, are already slated to replace food containers.

There are only a few plastic resin manufacturers in the country. The domestic market consumes at least 60% of the locally produced plastic resins and polymers, and the packaging industry consumes the most. As shown in Figure 1, packaging makes up 48% of the total resins consumed by revenue, while non-packaging applications comprise 52% of total plastics consumption. In addition, many plastic product manufacturers import raw materials, such as polymers and plastic resins, from other countries, including China, Japan, and Southeast Asia. As of 2016, Malaysia's exports amounted to RM30 billion, which saw 2.26 million metric tonnes of resin utilised to produce plastics.

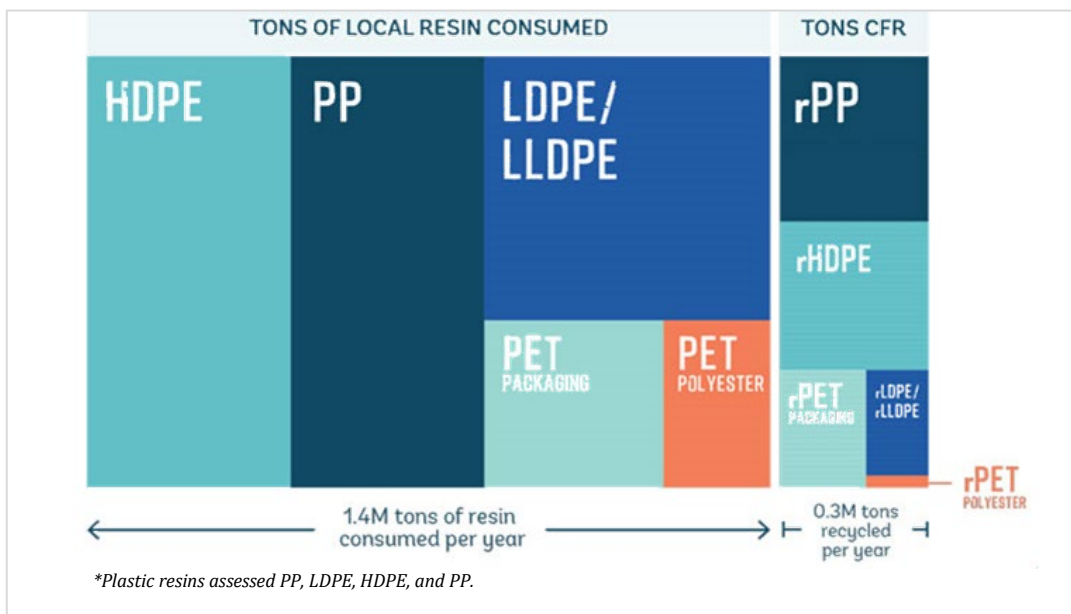


Figure 4: Plastic Resins Consumed in Malaysia

Source: The World Bank, 2021



4.2 PLASTIC PACKAGING

Packaging is the largest application segment in Malaysia's plastics market. Better wear and chemical resistance, ease of moulding, recyclability, puncture resistance, and high mechanical strength are the primary reasons for the growing use of plastics in the packaging segment. As shown in Figure 1, packaging made up 48% of the total resins consumed by revenue in 2019. In addition, Malaysia's annual per capita plastic packaging consumption is high among Southeast Asian countries, at 16.78 kg/person. Total household plastic packaging consumption reached over 523,000 metric tonnes in 2020.

According to a recent report by MarketResearch.com, Malaysia's packaging industry is optimistically projected to grow from 17.6 billion units in 2020 to 20.2 billion units by 2025, at a CAGR of 2.9%. Flexible packaging (for pouches, bags, wraps, roll stocks, blister, strip packs, etc) accounts for the highest share, followed by rigid plastics (for bottles, containers, etc). Rigid plastic packaging is expected to post the fastest growth during 2020-2025 due to the high demand for e-commerce and food delivery services and its ability to meet specific requirements such as being lightweight, durable and economical.







TYPES OF PLASTICS AND ITS PRIMARY APPLICATIONS					
HDPE High Density Polyethylene	LDPE Low Density Polyethylene	PET Polyethylene Terephthalate	PP Polypropylene	PS Polystyrene	PVC Polyvinyl Chloride
					
Bottles, especially for food products, detergent and cosmetics, containers, toys, houseware, fuel tanks, industrial wrapping and film, sheets, gas and waste pipes.	Cling film, shrink film, agriculture film, bags, bin liners, toys, coatings, flexible containers, irrigation pipes and general film.	Bottles, food packaging, carpets, cords for vehicle tyres.	Packaging such as yoghurt and margarine pots, sweet and snack wrappers, vehicle battery cases, cereal packet linings, microwave-proof containers, medical packaging, milk and beer crates. Automotive parts, carpets and fibres as well as electrical components.	Packaging, dairy product containers, electrical appliances, thermal insulation, tape cassettes, cups and plates.	Window frames, ridged pipes, flooring, wallpaper, bottles, packaging film, guttering, cable insulation, credit cards, medical products including plasma bags.

Figure 6: Types Of Plastics And Its Primary Applications in the Packaging Industry

Source: MPMA, 2021

Plastic packaging sector																	
Company	Rating	Last price (RM)	Target price (RM)	Upside (%)	Mkt cap (RM mil)	Shariah-compliant	Current FYE	Core EPS (sen)		Core EPS growth (%)		PER (x) - core earnings		PB/V (x)	ROE (%)	Net div (sen)	Net div yld (%)
								1-yr fwd	2-yr fwd	1-yr fwd	2-yr fwd	1-yr fwd	2-yr fwd				
BP Plastics Holdings Bhd	MP	1.23	1.23	0.0	346.2	Y	12/2023	11.8	13.7	7.1	16.3	10.4	9.0	1.4	13.6	5.5	4.5
Scientex Bhd	UP	3.70	3.23	-12.7	5,738.9	Y	07/2024	35.2	36.5	18.3	3.6	10.5	10.1	1.5	16.0	10.6	2.9
SLP Resources Bhd	MP	0.850	0.900	5.9	269.4	Y	12/2023	4.8	5.9	-6.8	23.8	17.8	14.4	1.4	7.9	5.5	6.5
Thong Guan Industries Bhd	OP	1.91	3.05	59.7	753.8	Y	12/2023	23.0	27.7	-17.9	20.3	8.3	6.9	0.8	10.2	4.8	2.5
Sector aggregate					7,108.4						10.6	6.8	10.4	9.7	13.3		4.1

MP: Market perform UP: Underperform OP: Outperform Source: Kenanga Research

Figure 7: Plastic Packaging Sector Performance By Key Players in Malaysia Source: The Edge Malaysia, 2023

Total exports of plastic films and sheets increased by 5.5%, recording RM6.77 billion (approx. € 1.32 billion) in 2022 (2021: RM6.42 billion). The softening cost of input resin, alleviation of labour shortages, and the industry’s shift toward higher-margin products are expected to mitigate the impact of a global economic slowdown on sales volume in the plastic packaging sector. Kenanga Research anticipates a pickup in orders in the upcoming quarters as customers replenish their depleted inventories and stock up in anticipation of potential price hikes due to the recent uptrend in the price of input resin (1H2023). Moreover, in response to the growing demand for high-performance but recyclable packaging solutions, local players are turning sustainability by moving aggressively into producing sustainable packaging materials.

Food packaging continues to be the most significant contributor to the growth of the packaging industry, accounting for roughly 60.3% of total volume in 2020. Malaysian plastic packaging manufacturers are globally competitive and capable of meeting the demands of the global food industry. Flexible packaging is Malaysia’s most common type of food packaging. Although paper packaging is becoming more popular due to its environmental friendliness, plastic packaging, particularly biodegradable plastics, is still regarded as the best way to prevent food leakage and keep food warm.

Plastic Packaging Manufacturers		
 Scientex Berhad www.scientex.com.my	 Thong Guan Industries Berhad www.thongguan.com	 SCGM Berhad www.scgmbhd.com
 BP Plastics Holding Berhad www.bpplas.com	 Combi-Pack Sdn. Bhd. www.combi-pack.com.my	 Tomypak Holdings Berhad www.tomypak.com.my

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4.3 PLASTIC COMPOSITE

Composites are becoming more appealing as a result of technological advancements, as well as manufacturing and product developments. According to the Malaysian Industry-Government Group for High Technology (MIGHT), fibreglass has largely dominated composites (85%) in volume despite significantly increasing carbon and natural fibre usage. The matrix material for carbon fibre composites is primarily epoxy (72%). The Malaysia composite industry turnover was estimated to be RM3.5 billion (approx. € 0.68 billion) from 70 fabricators. As illustrated in Figure 8, the largest application was construction (43%), followed by aerospace (14%) and Marine (14%) sectors.

Because of their superior mechanical performance and durability, fibre-reinforced plastics (FRP) are widely used in the building and construction industries. Three major application areas are repair and rehabilitation, construction, and architecture. FRP applications include cable trays, walkways, handrails, ladders, doorframes, secondary structures, gratings, and water storage tanks. In addition, demand for composites in offshore applications in the automotive and aerospace industries is also growing.

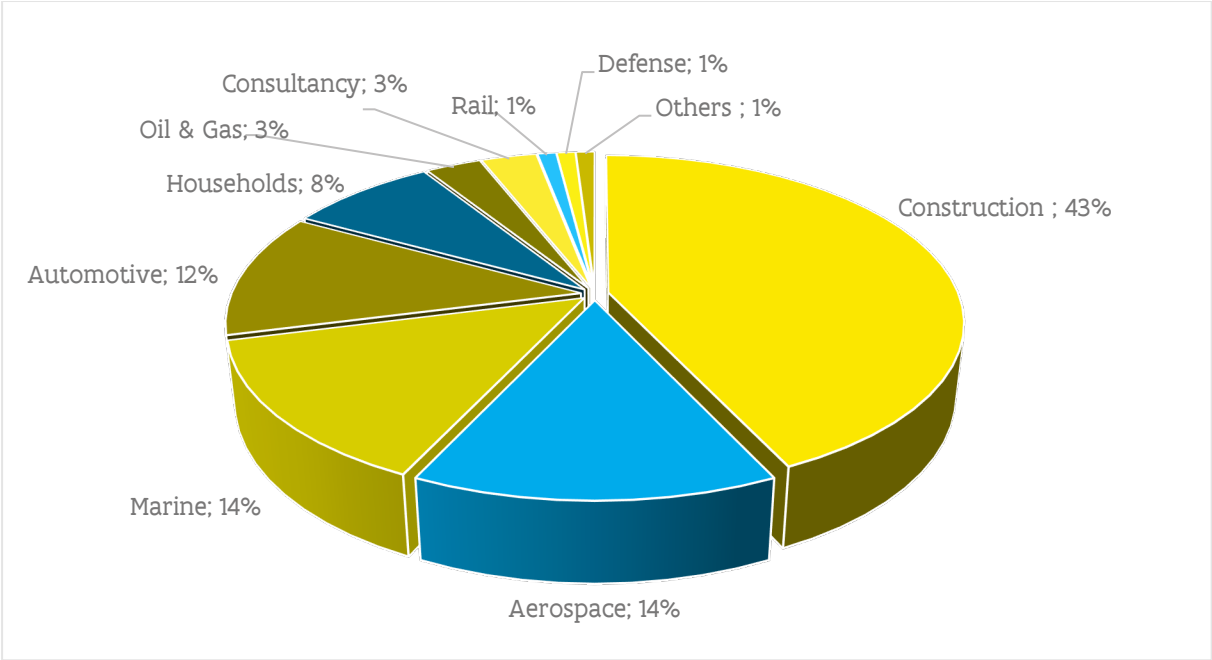


Figure 8: Composites Application by Sectors
Source: Mega Science 3.0, Academy of Sciences Malaysia

4.4 PLASTIC RECYCLING & WASTE MANAGEMENT

The Malaysian government encourages the recycling of local plastic waste and is gradually developing national waste collection criteria and standards in order to create a functioning market for recycled and sustainable plastics. In 2019, Malaysia recycled approximately 24% of the key plastic resins. 1.07 million tonnes of plastics are disposed of yearly, with 81% of their material value lost. According to the MPMA and Malaysian Plastics Recyclers Association (MPRA), the plastics recycling industry contributed RM4.5 billion (approx. € 880 million) to the economy in 2019, and it could potentially grow to an estimated RM20 billion (approx. € 3.90 billion). From 2018 to 2019, there were 67 approved plastic recycling projects with total investments of RM1.53 billion (approx. € 300 million).

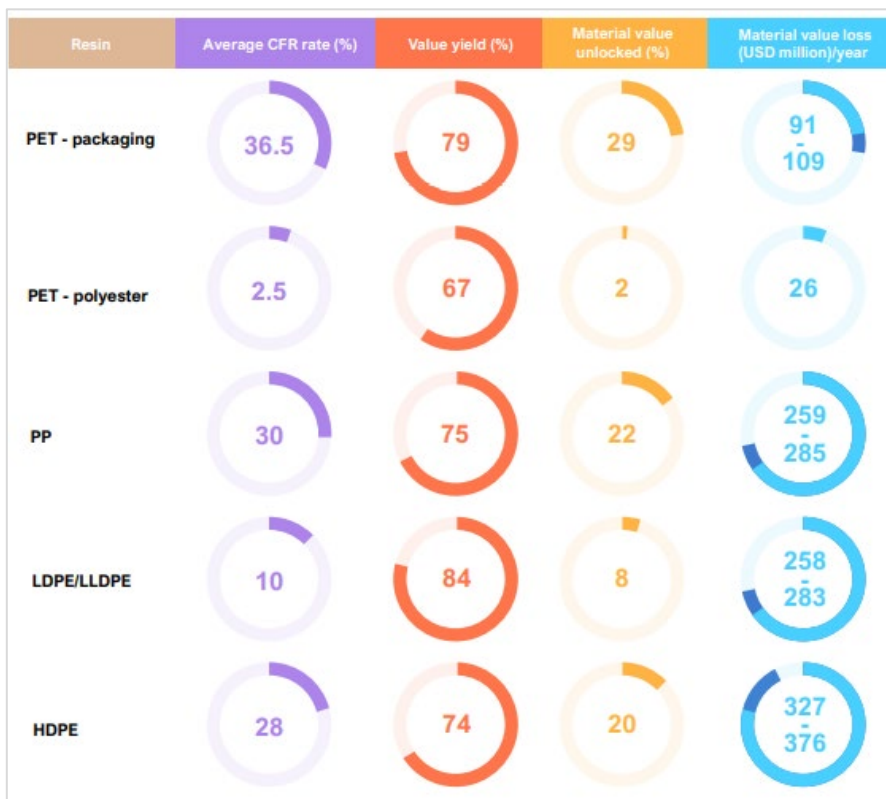


Figure 9: Potential Value Loss for Key Resins, 2019

Source: Malaysia Plastics Sustainability Roadmap

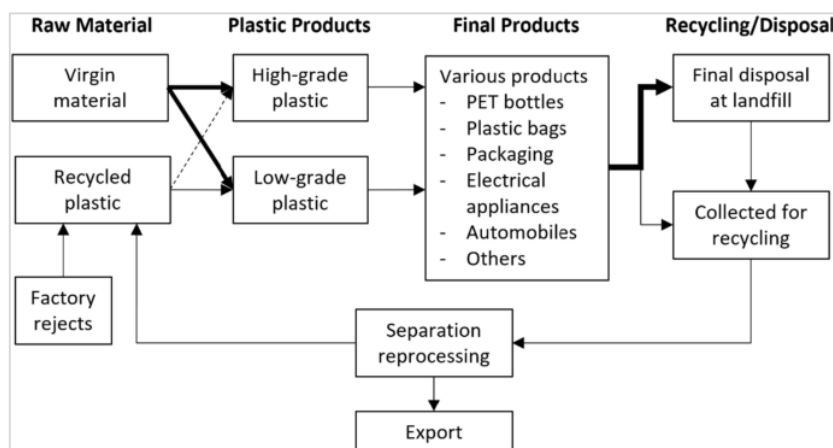


Figure 10: Flow Chart of Plastic Recycling in Malaysia

Source: National Solid Waste Management Department (NSWMD), 2015

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5. MARKET CHALLENGES & OPPORTUNITIES

5.1 CHALLENGES

■ Mismanaged Plastic Recycling/Waste Activities

In 2018, Malaysia was ranked eighth in the world for poor plastic waste management. The government is very concerned about this issue and has launched several initiatives to improve efficiency, such as the Roadmap Towards Zero Single-Use Plastic 2018-2030. In Malaysia, there are approximately 95 licensed plastic recycling companies. However, due to massive imports of plastic waste from developed nations such as the United States and the United Kingdom, Malaysia is experiencing a processing capacity shortage. Unsurprisingly, a flood of factories opened up in the country to deal with the increase in plastic waste. However, some were reported operating without a licence and using low-tech, environmentally hazardous methods.

■ Low Plastic Recycling Rate

The figures below show Malaysia recycled only 24% of key plastic resins in 2019, falling behind the national recycling target of 40% by 2025. The lack of recovery activities/processes results in low-quality waste and uneven facility distribution across geographies. When 1.07 million tonnes of key plastic resins are discarded rather than recycled into valuable materials, approximately 81% of the material value – around US\$ 1.1 billion- is lost annually. The current recycling industry prioritises easily collected and valuable materials, such as transparent PET bottles. Due to a lack of technology or business viability, waste materials such as food packaging, polystyrene products, and straws are rarely recycled.

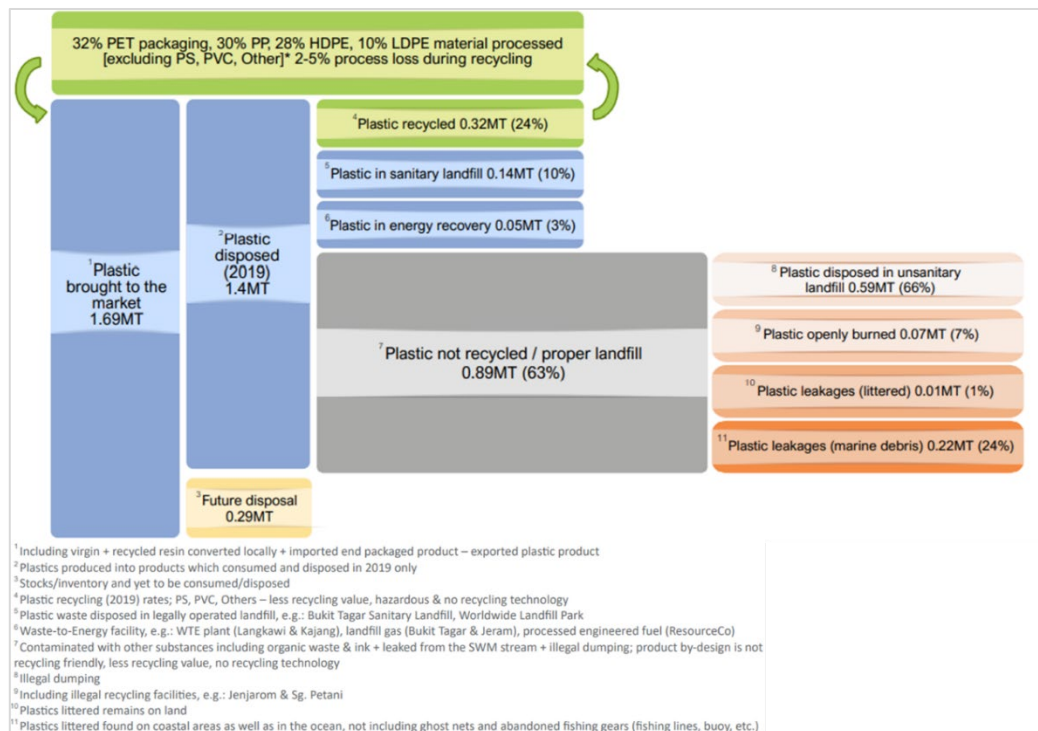


Figure 11: Material Flow Analysis on Four Main Resins, 2019

Source: The World Bank, 2019



- Low Economies of Scale

In Malaysia, the most significant barrier to incorporating recycled resins into plastic products is the cost of recycled plastic resins, which will affect the total cost of goods, and there are a limited number of local recyclers capable of producing high-quality recycled plastic resins. Moreover, the high costs of producing biodegradable alternatives discourage businesses from adopting them, as they require advanced manufacturing technologies.

5.2 OPPORTUNITIES

- Plastic Waste Management and Recycling Technologies

In 2019, 1.69 million tonnes of PET, PP, LDPE/LLDPE, and HDPE were imported into Malaysia, with an estimated 1.4 million tonnes disposed of (managed or unmanaged). If recycled, the total material value disposed of had a potential value of US\$1.3 billion (approx. € 1.25 billion).



Figure 12: Circular Economy Plastic Roadmap Malaysia
Source: MDDB, APEC, 2020

The government intends to establish a market for recycled and sustainable plastics. Relevant government authorities are working on developing a robust, effective regulatory framework for the plastic recycling industry and its circular economy. The government is also working with stakeholders in the plastics economy to close knowledge

gaps on the long-term effects of plastics, as well as focusing on operational efficiency and the adaptation of cutting-edge technology for plastic reprocessing.

- Recycling Facilities and Food-Grade Applications

Large brands demand high-quality food-grade and non-food-grade recycled content. Below are some of the related opportunities:

- PET bottle-to-bottle recycling facilities for food-grade applications: Either new facilities or upgrades to existing PET recyclers, specifically applicable for PET used in non-Halal certified applications locally and food-grade recycled PET made for export purposes.
- Food-grade recycling facilities for HDPE, LDPE and PP: However, the policies and standards for food-grade HDPE, LDPE and PP are not well established yet and will take longer due to many existing non-food grade applications.

- Advanced and High-Tech Manufacturing and Machinery Solutions

Smart manufacturing, flexible packaging, moulding updates, materials technology, circular economy, climate change, and recycling trends and technologies are identified as current industry focus topics by MPMA. The government also introduced incentives and grants to encourage industry transition to smart manufacturing and digitalisation, including funds,



incentives, and capital allowances. Large-scale technical growth is demanded to boost production and work efficiency, which has presented opportunities for high-technology service providers, such as smart manufacturing, sustainability, automation, circularity solutions, etc.

▪ Green Packaging Solutions

Although paper packaging is becoming more popular due to its environmental friendliness, plastic packaging, particularly biodegradable plastics, is still regarded as the best way to prevent food leakage and keep food warm. In response to the growing demand for high-performance but recyclable packaging solutions, local players are turning sustainability by moving aggressively into producing sustainable packaging materials. This presents opportunities to green packaging solutions providers and packaging and manufacturing machinery/equipment (injection moulding machines, filling machines, cartoning machines, etc) solutions providers.

▪ Personal Protective Equipment (PPE) Components and Its Raw Materials

In recent years, many companies have expanded and diversified their investments in the PPE industry value chain - manufacturing and distribution. From 2017 to April 2021, Malaysia’s total import of PPE (excluding gloves) was RM2.26 billion (approx. € 0.49 billion), which was higher than the total export of RM0.5 billion (approx. € 0.11 billion).

MALAYSIA: PPE COMPONENTS AND ITS RAW MATERIALS	
Isolation Gown/ Gears/ Disposable Protective Clothing/ Apron, Isolation Head Cover	<ul style="list-style-type: none"> • Non-woven Polypropylene (PP) • Chlorinated Polyethylene (CPE) • Polyvinyl chloride (PVVC)
Disposable Shoe Cover	<ul style="list-style-type: none"> • Non-woven Polypropylene/ Polyester/ Polyethylene • Breathable membrane laminated
Face Mask	<ul style="list-style-type: none"> • Fabrics (External, Inner – Meltblown, Outer) • Nose wire: Elastic Strips • Tie tape: Polypropylene • Ear band: Elastic band
Natural and Synthetic Examination Gloves, Surgical Gloves	<ul style="list-style-type: none"> • Latex: Latex Concentrate, Compound Latex, Double Centrifuge Latex, Pre-vulcanised Latex etc • Nitrile: Synthetic Nitrile Latex, NBR, Acrylate • Chemicals: Polymers Coating, Former Cleaners, Wetting Agents, Bactericide, Coagulant Additives, Calcium Nitrate, Nitric Acids, Liquid Chlorine, Accelerator, Antifoam, Antioxidants, Zinc Oxide, Speciality Chemicals etc
Face Shield, Visor, Goggles	<ul style="list-style-type: none"> • Visor: Polycarbonate, Propionate, Acetate, Polyvinyl Chloride, And Polyethene Terephthalate Glycol (PETG) • Frame: Lightweight Plastics (Polyethylene) • Suspension System: Sponge

Table 2: Malaysia PPE Components and Its Raw Materials

Source: MIDA, 2020



- Imports of Plastics and Plastic Products

In 2020, Malaysia imported plastics and plastic products worth US\$7.93 billion (approx. € 1.25 billion) (HS Code: 39 - Plastics and articles thereof).

HS Code	Description	IMPORTS VALUE (US\$), 2020	
39 - Plastics and articles thereof	3901	Ethylene Polymers	1.68 billion
	3902	Propylene Polymers	732 million
	3903	Styrene Polymers	357 million
	3904	Vinyl Chloride Polymers	217 million
	3905	Other Vinyl Polymers	50 million
	3906	Acrylic Polymers	211 million
	3907	Polyacetals	726 million
	3908	Polyamides	139 million
	3909	Amino-resins	185 million
	3910	Silicone	119 million
	3911	Petroleum Resins	112 million
	3912	Cellulose	56 million
	3913	Natural Polymers	24 million
	3914	Polymer Ion-Exchangers	23 million
	3915	Scrap Plastic	261 million
	3916	Monofilament	19 million
	3917	Plastic Pipes	147 million
	3918	Plastic Floor Coverings	100 million
	3919	Self-adhesive Plastics	287 million
	3920	Raw Plastic Sheetings	745 million
3921	Other Plastic Sheetings	315 million	
3922	Plastic Wash Basins	23 million	
3923	Plastic Lids	576 million	
3924	Plastic Housewares	303 million	
3925	Plastic Building Materials	44 million	
3926	Other Plastic Products	970 million	

Table 3: Import Value of Plastics and Plastic Products in 2020

Source: OEC World, 2022

- Opportunities Under Roadmap Towards Zero Single-Use Plastics 2018-2030

The Roadmap Towards Zero Single-Use Plastics 2018-2030 will be implemented over 3 phases to address the single-use plastics issue and encourage the plastic industry to transition to eco-friendly products. Malaysia is now in Phase 2 (2022-2025):

KEY ACTION PLAN		
PHASE 1 (2018-2021)	PHASE 2 (2022-2025)	PHASE 3 (2026-2030)
<ul style="list-style-type: none"> Increase public awareness Draft/Revise legal framework Formulate technical guidelines Regional cooperation (marine debris) Pollution charge on single-use plastic bags Straw only on request 	<ul style="list-style-type: none"> R&D on eco-friendly products Expansion scope of biodegradable and compostable products: Food packaging; Plastic film; Cutleries; Cotton buds; Polybags and plant pots; and Slow-release fertilisers. 	<ul style="list-style-type: none"> Increase local production of biodegradable and compostable products R&D on eco-friendly products Expansion scope of biodegradable and compostable products: Single-use medical devices (e.g. catheter); Diapers & feminine hygiene products; and other single-use plastics that cannot enter the circular economy.

Table 4: Key Action Plan Under Roadmap Towards Zero Single-Use Plastics 2018-2030, Malaysia

Source: Roadmap Towards Zero Single-Use Plastics 2018-2030



- High-End and Specialised Plastic Products

The government encourages local companies to diversify into high-end plastic products, engineering plastics, and bio-plastics for packaging, especially specialised plastic products for niche markets such as automotive, E&E, medical devices, and aerospace, which are now mainly filled by imports. In addition, incentives and policies have been implemented to encourage local companies to develop their capabilities across the entire value chain, from R&D to product distribution, and participate in collaborative activities with universities, research institutions, and suppliers.

- Bio-Plastics Products

The government is committed to sustainable waste management, developing the bioplastic industry, and investing in bio-based products/projects/investments. Bioplastics, such as trays, yoghurt cups, and cutlery, are primarily used in the packaging and food industries. Bioplastics are also gaining popularity in the medical, agricultural, consumer electronics, sports, and automotive industries.

- Training and Talent Development - Industry-academia collaboration

The plastics industry requires human capital with top-notch skills to utilise the latest technologies to optimise operational performance and ensure consistent product quality. Several public-private initiatives, such as the Industrial Skills Framework, have been launched to assist individuals, employers, and training providers in recognising knowledge, experiences, and skill mastery and promoting lifelong learning in the plastics injection moulding field. Furthermore, the government looks forward to industry-academia collaboration in training and R&D activities.

- Promoted Activities/Opportunities Related to Plastics and Plastic Products

Business activities listed under the Promotion of Investments Act 1986 are the government’s industry promotion focus (DDI & FDI – manufacturing/import/export). Incentives and grants were introduced to encourage local companies and foreign investors’ ventures. It also highlights potential export opportunities for Flemish companies:

PROMOTED ACTIVITIES UNDER THE PROMOTION OF INVESTMENTS ACT 1986	
1.	Plastic Products: Specialised plastic films or sheets, geosystem products, engineering plastic products, products moulded under cleanroom conditions, biopolymers or products thereof.
2.	Biodegradable Solutions: Disposable packaging products and household wares.
3.	Small Scale Plastic Products: Decorative panels & ornaments and epoxy encapsulation moulding compound.
4.	High-Technology/Advanced Materials: Polymers or biopolymers; nanoparticles and their formulations.
5.	Environmental Management: Recycling waste such as toxic & non-toxic waste/chemicals.

Table 5: Promoted Activities Under The Promotion Of Investments Act 1986

Source: MIDA, 2020



- Research and Development Activities

The government encourages local companies and foreign investors to venture into R&D activities for innovation and development of plastic circularity solutions.

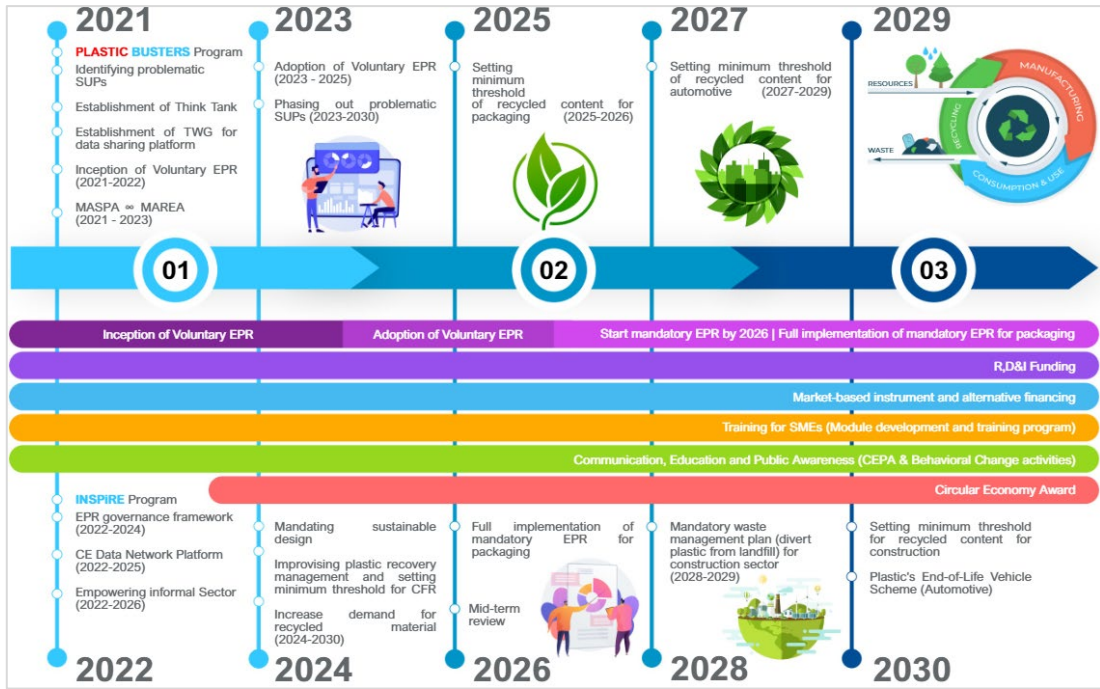


Figure 13: Malaysia Plastics Sustainability Roadmap 2021 – 2030

Source: Ministry of Environment and Water, Malaysia



6. MARKET ACCESS

6.1 CHANNEL OF DISTRIBUTION

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

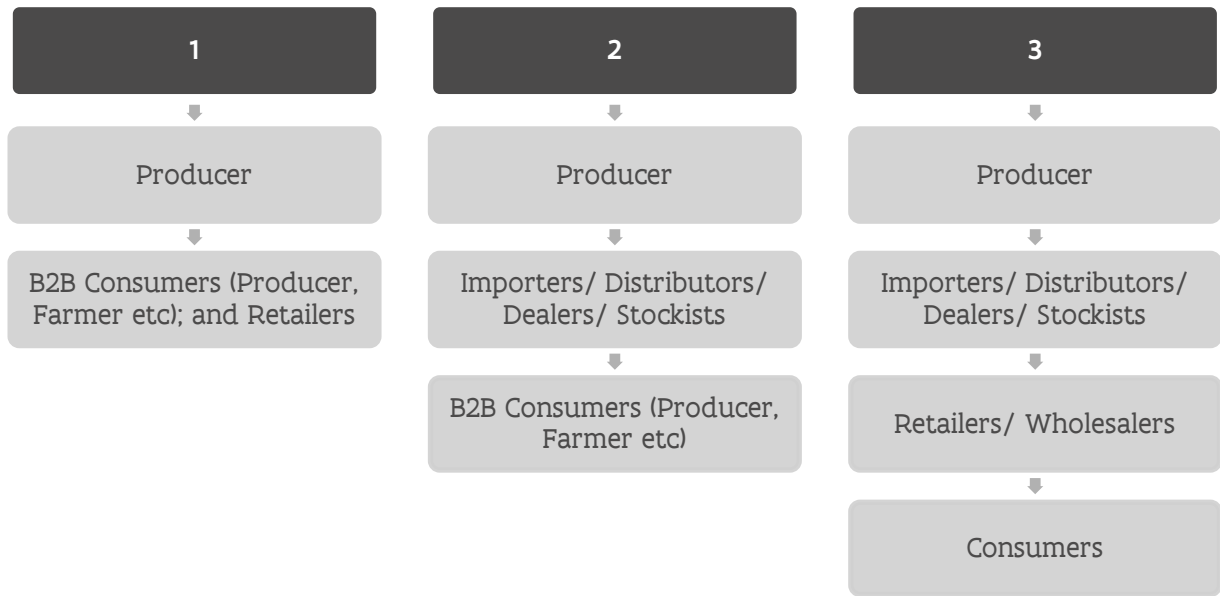


Figure 14: General Overview of Distribution Channels



6.2 MARKET ENTRY MODE

RECOMMENDATIONS: INITIAL MARKET ENTRY MODE		
NO.	ENTRY MODE	KEY TAKEAWAY
1.	Direct Export	<ul style="list-style-type: none"> • Direct export to end consumers, wholesalers, and retailers. • Enables Flemish companies to access and comprehend the Malaysian market, bypassing intermediaries and reducing costs. • Companies must independently manage export and distribution activities.
2.	Indirect Export	<ul style="list-style-type: none"> • Flemish companies may appoint a local distributor to act as an agent for the company and handle local business activities. • Leverage on local partner assets, such as distribution networks and relationships networks.
3.	Joint Venture	<ul style="list-style-type: none"> • Flemish companies are advised to choose local partners that understand the local market, culture and consumer preferences. • Leverage on local partner assets, such as distribution networks and relationships networks.
4.	Set Up A Local Office	<ul style="list-style-type: none"> • Set up a Representative/Regional Office to research, identify, and analyse local market potential. • Set up a Regional Distribution Center (RDC) as a central hub for collecting and consolidating finished goods, components, and spare parts, facilitating domestic and international distribution. This involves activities such as bulk breaking, repackaging, and labelling. • Principal Hub Incentive 3.0 is tailored for companies utilising Malaysia as a regional or global operations hub, encompassing risk management, decision-making, strategic business activities, finance, management and human resources.

Table 6: General Recommendations on Market Entry Modes

Flemish companies are strongly encouraged to work with a local partner. Working with a local partner offers numerous advantages, including an in-depth understanding of the local business landscape, culture, and consumer preferences. By partnering with reliable local partners, Flemish companies can gain valuable insights into the market dynamics, regulatory requirements, and potential challenges they may encounter during their expansion efforts.

Moreover, FIT can facilitate valuable connections between Flemish businesses and potential local partners and assist in establishing fruitful collaborations. By leveraging the expertise and support offered by FIT Malaysia, Flemish companies can navigate the complexities of the Malaysian market, enhancing their prospects for sustainable growth and success in the region.



6.2.1 Malaysia: Regional Export Gateway

Over the last decade, ASEAN has transformed itself into an economic superpower. According to Statista, in 2022, the estimated total GDP of all ASEAN states amounted to approximately US\$3.66 trillion (approx. € 3.42 trillion). Malaysia, Thailand, and Indonesia are the three most appealing ASEAN nations to foreign exporters. They account for more than half of the ASEAN bloc's population and more than 60% of its GDP, providing excellent prospects for exporters targeting the mid-market segment.

Malaysia is a forward-thinking, visionary country. It provides exporters with strategic access to over 650 million people in the ASEAN region, supported by its strategic location, business-friendly environment and solid infrastructure. As a result, many foreign companies have established their export hubs in Malaysia to serve the regional markets.

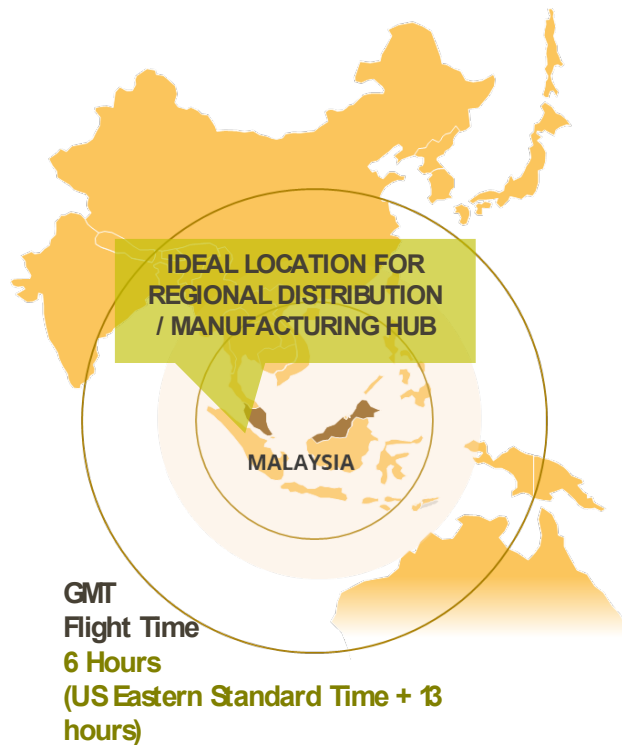


Figure 15: Malaysia As the Regional Export Gateway



6.3 REGULATORY FRAMEWORK

KEY AGENCIES/MINISTRIES	KEY POLICIES/REGULATIONS	AREAS
Department of Environment (DOE) under Ministry of Environment and Water (KASA)	Environmental Quality Act 1974 <ul style="list-style-type: none"> - Environment and Health Risk Assessments and Environment Hazardous Substances 	Risk assessment of hazardous substances: Identification, control, and management.
Department of Occupational Safety and Health (DOSH) under Ministry of Human Resources (MOHR)	Occupational Safety and Health Act 1994 <ul style="list-style-type: none"> - Classification, Labelling and Safety Data Sheet of Hazardous Chemicals Regulation 2013 (CLASS 2013) - Control of Industrial Major Accident Hazards Regulations 1996 (CIMAH Regulation) - Prohibition of Use of Substance (Order 1999) - Use and Standards of Exposure of Chemical Hazardous to Health Regulation 2000 (USECHH Regulation) 	Health and safety measures: Classification, prohibition, and utilisation of hazardous chemical
Ministry of Domestic Trade and Consumer Affairs (MDTCA)	Consumer Protection Act 1999 <ul style="list-style-type: none"> - Regarding safety issues, not chemical content Petroleum Development Act (PDA) 1974 <ul style="list-style-type: none"> - Marketing or distribution of petroleum or petrochemical products 	Safety concerns, marketing and distribution of petroleum or petrochemical products.
Ministry of Housing and Local Government (KPKT)	Local Government Act 1976 Solid Waste and Public Cleansing Corporation Act 2007	Waste disposal, cleanliness, and related services
Royal Malaysian Customs Department	Customs Duties Order 2022	Imports and exports

Table 7: Key Policies and Regulations Related to Malaysia’s Chemical and Chemical Products Industry



6.3.1 Regulators Along the Plastics Industry Value Chain

PLASTICS VALUE CHAIN			AGENCIES/ GOVERNMENT BODIES	REGULATORY AREAS
TAKE	Raw Material Supply Chain	Crude Oil/ Natural Gas	Petroleum Nasional Berhad (PETRONAS)	- Extraction
			Malaysian International Trade & Industry (MITI)	- Industrial Policy - Investment Approvals
			Department of Environment (DOE)	- Environmental Quality Assessment - Pollution Control
MAKE	Design and Manufacturing	Chemicals + Resins Plastic Products	Petroleum Nasional Berhad (PETRONAS)	- Production
			Malaysian International Trade & Industry (MITI)	- Industrial Policy - Investment Approvals
			Local Councils (State/ Ministry of Housing and Local Government (KPKT))	- Business License - Premises License
			Department of Environment (DOE)	- Environmental Quality Assessment - Pollution Control
USE	Distribution and Use	Plastic Products + Components	Ministry of Domestic Trade and Consumer Affairs (MDTCA)	- Distributive Trade - Consumer Protection
			Local Councils (State/ Ministry of Housing and Local Government (KPKT))	- Business License - Premises License
			Department of Environment (DOE)	- Environmental Quality Assessment - Pollution Control
THROW	End of Life	Plastics Waste	Malaysian International Trade & Industry (MITI)	- Industrial Policy - Investment Approvals
			Local Councils (State/KPKT)	- Business License - Premises License - Waste Collection
			National Solid Waste Management Department (JPSPN) under KPKT	- National Solid Waste Management - Approved Permits
			Solid Waste Corporation under KPKT	- Solid Waste Management Enforcement
			Department of Environment (DOE)	- Environmental Quality Assessment - Pollution Control

Table 8: Regulators Along the Plastics Industry Value Chain

Source: MPMA, MPRA



6.4 TARIFF INFORMATION

The Royal Malaysian Customs Department (RMCD) is the government agency responsible for administrating its indirect tax policy, border enforcement and narcotics offences.

The Harmonised Commodity Description & Coding System (HS Codes) was created and used by the Royal Malaysian Customs Department to classify commodities when they are being declared at the customs frontiers of exporters and importers for trade with non-ASEAN countries. Moreover, the requirement for a Health Certificate, Certificate of Analysis, Import and Export Permit/License, labelling other relevant licenses/ permits/ regulations, and import processes vary based on product types. In addition, designated government agencies are responsible for issuing licenses/permits for different industries.

For trade information reference, kindly log on to [JKDM HS Explorer](#). Malaysia does not have an FTA with Belgium; thus, tariff information should refer to the Customs Duties Order 2022 (PDK 2022).

Figure 16: Guideline on How to Use JKDM HS Explorer

[Access2Markets Portal](#) is also helpful for importers/exporters in finding trade information. FIT Malaysia can also assist you in finding trade information. Please do not hesitate to contact us via the [FIT Official Portal](#) or by [email/phone](#).

6.5 IMPORT REGULATIONS

▪ Import License

Import licensing is an administrative procedure requiring the importer to submit an application or other documentation (other than those required for customs purposes) to the relevant administrative body as a prior condition for importing goods.

Import licenses are classified into 2 categories:

- Automatic Import Licensing: Import licensing procedures where the approval of the application is granted in all cases. The objective is to collect statistical and other factual information on imports.
- Non-Automatic Import Licensing: Non-automatic import licensing procedures are used, among others, to administer Quantitative Restrictions and Tariff Rate Quotas justified within the WTO Agreement.

▪ Crucial Documents for the Clearance of Imports

- Declaration of Goods Imported (Customs No.1)
- Bill of Lading or Air Waybill
- Invoice
- Packing List
- Import License (if applicable)
- Certificates of Origin (if applicable)
- Other relevant documents such as catalogue, product ingredients, etc

- Overview of Typical Import By Sea Process Flow

The flow chart below shows the general guidelines for import by sea in Malaysia:

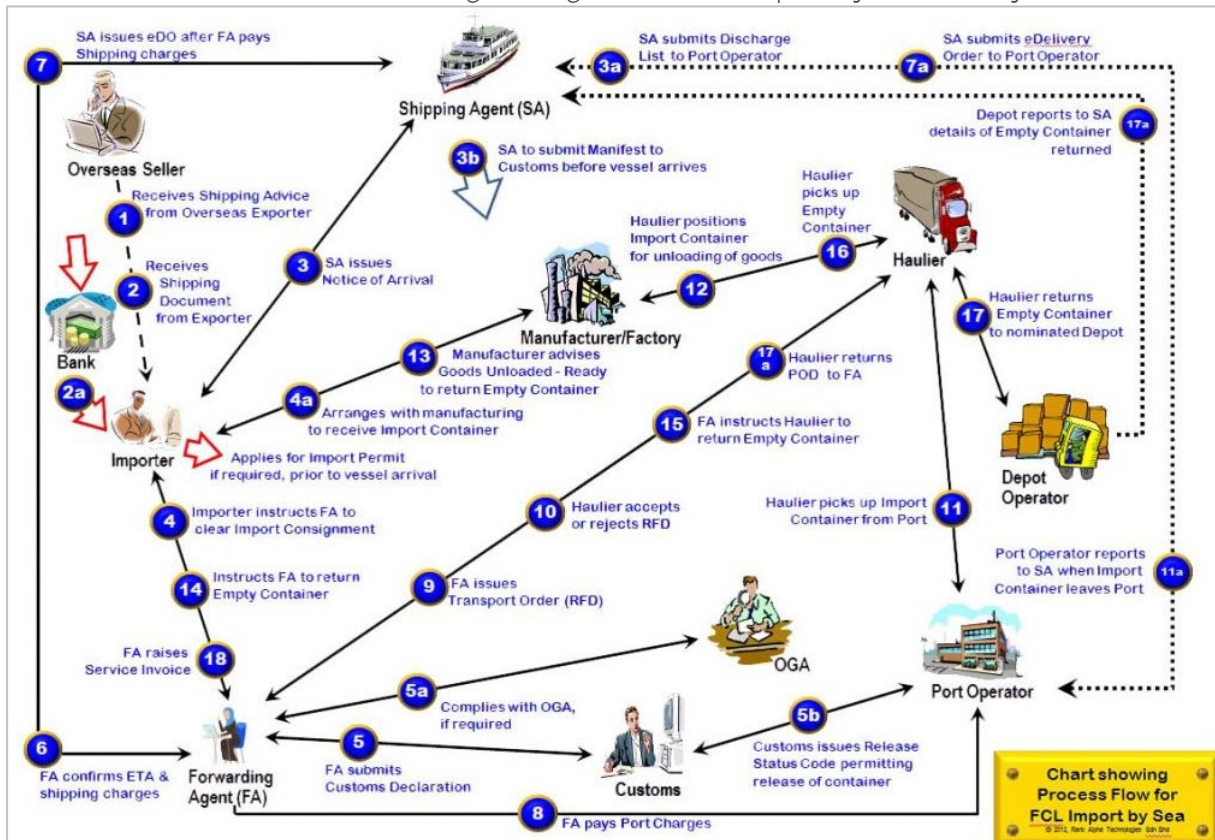


Figure 17: Overview of A Typical Import By Sea Process Flow

Source: SMEInfo Portal

