
8. IMR REPORT

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SMITH ZANDER

Date: 3 October 2023

The Board of Directors

OB Holdings Berhad

No. 37, Jalan PS 3,
Taman Industri Prima Selayang,
68100 Batu Caves,
Selangor Darul Ehsan

Dear Sirs/Madams,

Independent Market Research Report on the Fortified Food and Beverages (“F&B”) and Dietary Supplements Industry in Malaysia (“IMR Report”)

This IMR Report has been prepared by SMITH ZANDER INTERNATIONAL SDN BHD (“SMITH ZANDER”) for inclusion in the draft Prospectus in conjunction with the proposed initial public offering and listing of OB Holdings Berhad on the ACE Market of Bursa Malaysia Securities Berhad.

The objective of this IMR Report is to provide an independent view of the industry and market(s) in which OB Holdings Berhad and its subsidiaries (“OB Group” or “the Group”) operate and to offer a clear understanding of the industry and market dynamics. Hence, the scope of work for this IMR Report will thus address the fortified F&B and dietary supplements industry in Malaysia.

The research process for this study has been undertaken through secondary or desktop research, as well as detailed primary research when required, which involves discussing the status of the industry with leading industry participants and industry experts. Quantitative market information could be sourced from interviews by way of primary research and therefore, the information is subject to fluctuations due to possible changes in business, industry and economic conditions.

SMITH ZANDER has prepared this IMR Report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the report. We believe that this IMR Report presents a balanced view of the industry within the limitations of, among others, secondary statistics and primary research, and does not purport to be exhaustive. Our research has been conducted with an “overall industry” perspective and may not necessarily reflect the performance of individual companies in this IMR Report. SMITH ZANDER shall not be held responsible for the decisions and/or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies as mentioned in this report.

For and on behalf of SMITH ZANDER:



DENNIS TAN
MANAGING PARTNER

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The research for this IMR Report was completed on 20 September 2023.

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About SMITH ZANDER INTERNATIONAL SDN BHD

SMITH ZANDER is a professional independent market research company based in Kuala Lumpur, Malaysia, offering market research, industry intelligence and strategy consulting solutions. SMITH ZANDER is involved in the preparation of independent market research reports for capital market exercises, including initial public offerings, reverse takeovers, mergers and acquisitions, and other fund-raising and corporate exercises.

Profile of the signing partner, Dennis Tan Tze Wen

Dennis Tan is the Managing Partner of SMITH ZANDER. Dennis Tan has over 25 years of experience in market research and strategy consulting, including over 20 years in independent market research and due diligence studies for capital markets throughout the Asia Pacific region. Dennis Tan has a Bachelor of Science (major in Computer Science and minor in Business Administration) from Memorial University of Newfoundland, Canada.

8. IMR REPORT (CONT'D)

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1 THE FORTIFIED F&B AND DIETARY SUPPLEMENTS INDUSTRY IN MALAYSIA

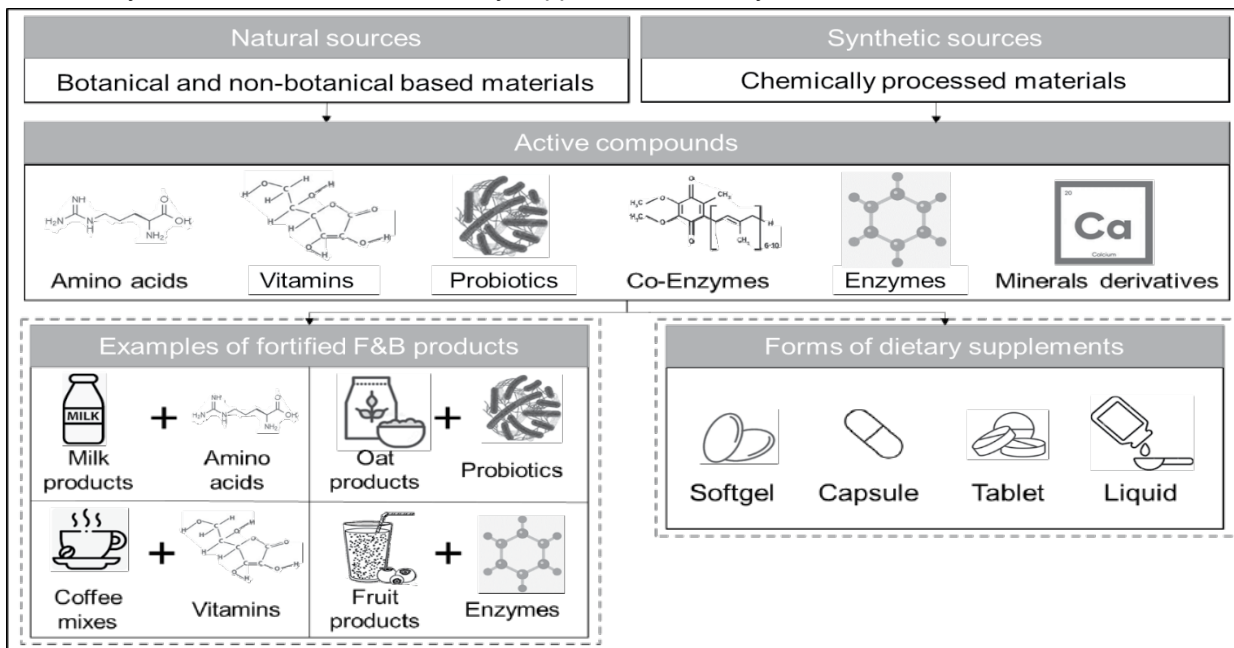
DEFINITION AND INDUSTRY OVERVIEW

Fortified F&B and dietary supplements are products intended to supplement daily nutritional intake. Dietary supplements contain active ingredients that are derived from natural sources and/or synthetic sources. Natural sources refer to naturally occurring substances of botanical based materials (e.g. plants and herbs) and non-botanical based materials (e.g. animals and minerals), of parts thereof, in the unextracted or crude extract form, and homeopathic medicine, and it shall not include any sterile preparation, vaccine, any substance derived from human parts, any isolated and characterised chemical substances; whereas synthetic sources refer to chemically processed materials. Further, some fortified F&B may also contain active ingredients that are derived from natural sources and/or synthetic sources. Active ingredients are ingredients that will generate reactions in the human body which may promote better health. Some examples of active ingredients include amino acids, vitamins, probiotics, co-enzymes, enzymes and mineral derivatives.

Fortified F&B refers to F&B products (e.g. coffee mixes, milk products, oat products and fruit products) that have been fortified with active ingredients, hence enriching the product beyond its original nutritional value (e.g. carbohydrates, proteins and fats). Moreover, fortified F&B products are intended to be consumed as part of normal diet. Some examples of fortified F&B are coffee mixes, milk products, oat products and fruit products that have been fortified with additional active ingredients such as amino acids, vitamins, probiotics and enzymes extracted from ginseng, lingzhi, bacterial cultures and bird's nest.

Dietary supplements are products formulated with active ingredients that are able to improve or boost an individual's nutritional intake, offer the potential of improved health and/or reduced risk of diseases. Dietary supplements generally contain one or more active ingredients derived from botanical-based and/or non-botanical based materials. Botanical-based dietary supplements contain active ingredients that are found in botanical materials such as polyphenols and beta-carotene in fruits and vegetables, as well as isoflavones in legumes. Meanwhile, non-botanical based dietary supplements contain active ingredients that are found in non-botanical based materials such as taurine in meat, fish and dairy products. Dietary supplements are available in the form of softgels, capsules, tablets and liquid dosage forms.

A summary of the fortified F&B and dietary supplements industry is as shown below:



Notes:

- This list is not exhaustive.
-  denotes the type of products manufactured by OB Group.

8. IMR REPORT (CONT'D)

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Source: SMITH ZANDER

REGULATIONS GOVERNING THE FORTIFIED F&B AND DIETARY SUPPLEMENTS INDUSTRY IN MALAYSIA

In Malaysia, fortified F&B manufacturers are considered food product manufacturers and are thus guided by the Food Safety and Quality Division Ministry (“FSQD”) in accordance to the Food Act 1983, Food Regulations 1985 and Food Hygiene Regulations 2009. These acts and regulations set out the guidelines on hygiene and sanitary requirements for food premises’ conditions, as well as the offences for sale and marketing of food products such as labelling and selling food products in a manner that is false and misleading in terms of quality and safety.

In contrast to the manufacturing of fortified F&B, the pharmaceutical industry in Malaysia, which includes the dietary supplements industry, is highly regulated by the National Pharmaceutical Regulatory Agency (“NPRA”), an executive body established under the Control of Drugs and Cosmetics Regulations 1984 (“CDCR 1984”). According to the CDCR 1984, it states that no person shall manufacture, sell, supply, import, possess or administrate any pharmaceutical product, which includes dietary supplements, unless the product is a registered product and the person holds the appropriate licences issued under this regulation.

In Malaysia, the application and renewal of the dietary supplements manufacturing licence as well as the registration of dietary supplements falls under the purview of the NPRA, whereby the NPRA is tasked with ensuring the quality and safety of pharmaceutical products, which includes dietary supplements. Once the product is registered, a MAL certificate, bearing an individual registration number, will be issued for the product as an indication of assurance by the NPRA on the product’s quality and safety. Manufacturers will also be required to indicate the registration number on the product labelling. In addition, product registration and labelling guidelines are also enforced by the NPRA to monitor the use of health claims, which can be categorised as general health or nutritional claims (e.g. supports healthy growth and development), functional or medium claims (e.g. vitamin A helps to maintain growth, vision and tissue development) or disease risk reduction claims (e.g. helps reduce the risk of osteoporosis by strengthening the bone).

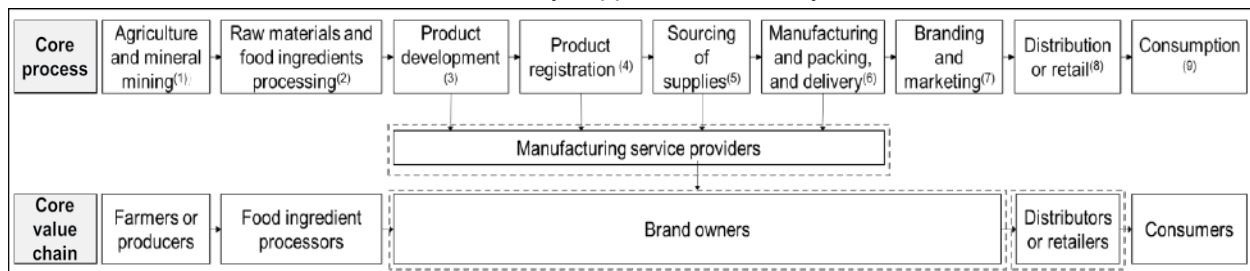
However, prior to product registration, a dietary supplements manufacturer must be Good Manufacturing Practice (“GMP”)-compliant as it is a pre-requisite to apply for product registration under the NPRA as well as a pre-requisite to renew its manufacturing licence from the NPRA. Furthermore, by being GMP-compliant, consumers are provided assurance that the manufacturing premises and processes are in accordance to manufacturing best practices. As such, manufacturers of dietary supplements must strictly adhere and comply to both the CDCR 1984 and GMP.

The FSQD and NPRA are governed under the Ministry of Health Malaysia (“MOH”) and were established to protect the public against health hazards and provide consumers assurance on the quality and safety of the products, thereby enabling consumers to make informed choices and not be misled and defrauded by false claims and statements.

VALUE CHAIN OF THE FORTIFIED F&B AND DIETARY SUPPLEMENTS INDUSTRY

The fortified F&B and dietary supplements industry comprises companies involved in agriculture and mineral mining, raw materials and food ingredients processing, product development, product registration, sourcing of supplies, manufacturing and packing, and delivery, branding and marketing, and ultimately distribution or retail to consumers for consumption.

The value chain of the fortified F&B and dietary supplements industry is as shown below:



8. IMR REPORT (CONT'D)

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Notes:

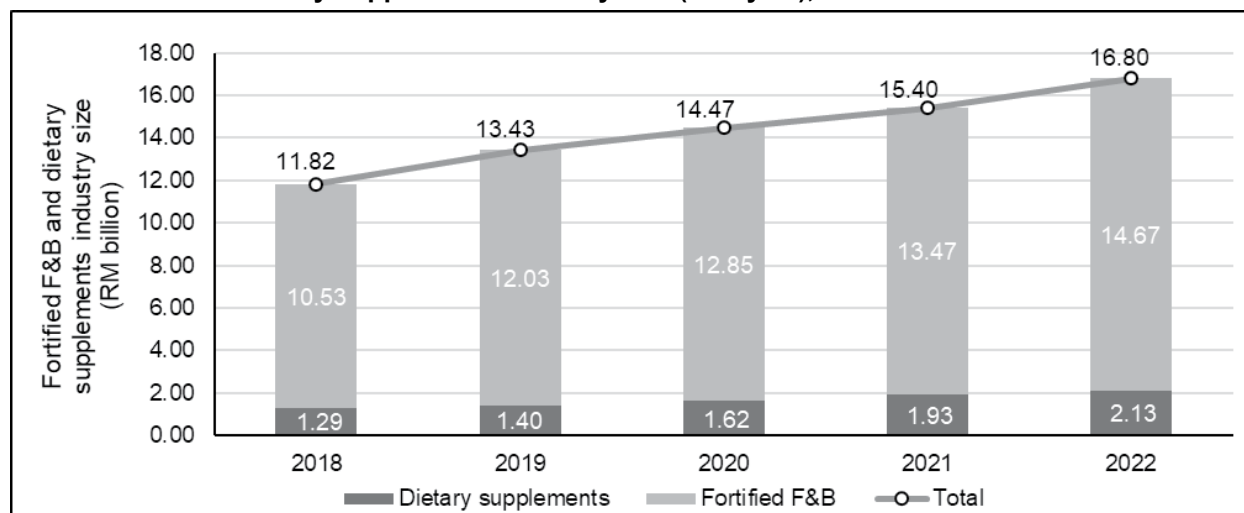
- This list is not exhaustive.
- [] denotes the segments of involvement of OB Group.
- (1) Raw materials are produced or mined by farmers or producers to be processed.
- (2) Raw materials and food ingredients are processed into extracts and concentrates, amongst others.
- (3) Product development activities involve the development and improvement of product formulations by brand owners or manufacturing service providers.
- (4) Product registration involve brand owners or manufacturing service providers applying for and obtaining the necessary licences and certificates to manufacture and sell fortified F&B and dietary supplements.
- (5) Raw material supplies are sourced from both domestic and international suppliers as well as local producers.
- (6) Fortified F&B and dietary supplements are manufactured based on product formulations which are either developed by brand owners or by manufacturing service providers. Subsequently, the fortified F&B and dietary supplements are packed and delivered to customers.
- (7) Branding and marketing activities such as online advertisement and promotions are conducted by brand owners to build and strengthen their brand names, as well as to market their products.
- (8) Fortified F&B and dietary supplements are purchased by distributors from manufacturers and sold to retailers, or purchased directly by retailers from manufacturers for onwards sale to consumers. Some examples of retailers include pharmacies and specialty health stores which can be physical stores and/or online platforms.
- (9) Consumption of fortified F&B and dietary supplements by consumers.

Source: SMITH ZANDER

2 INDUSTRY PERFORMANCE, SIZE AND GROWTH

The fortified F&B industry in Malaysia grew from RM10.53 billion in 2018 to RM14.67 billion in 2022, at a compound annual growth rate (“CAGR”) of 8.64%; and the dietary supplements industry in Malaysia grew from RM1.29 billion in 2018 to RM2.13 billion in 2022, at a CAGR of 13.36%. As such, cumulatively, the fortified F&B and dietary supplements industry in Malaysia grew from RM11.82 billion in 2018 to RM16.80 billion in 2022, registering a CAGR of 9.19%.

Fortified F&B and dietary supplements industry size (Malaysia), 2018 – 2022



Note:

- The fortified F&B industry are sub-categories under the general F&B industry, and the data for fortified F&B products are captured under the general F&B products. As the data for the fortified F&B industry in particular is not publicly available, the data for general F&B products comprising categories of fruit-based, milk-based, vegetable-based, coffee-based and tea-based products, is used to represent the fortified F&B industry size given that these are the fortified F&B products offered by OB Group.

Sources: Department of Statistics Malaysia (“DOSM”), SMITH ZANDER

The growth of the fortified F&B and dietary supplements industry in Malaysia from 2018 to 2022 is largely driven by the increase in health awareness arising from increasing rates of chronic diseases, increasing disposable income of the population, urbanisation and growing ageing population, prevalence of social media marketing as well as growing popularity and usage of e-commerce platforms, as set out in **Chapter**

3 – Key Demand Drivers, Risk and Challenges of this report. Additionally, the growth from 2020 to 2022 was also influenced by the outbreak of the COVID-19 pandemic, which led to an increased demand by consumers for fortified F&B to supplement daily nutritional intake and dietary supplements to maintain and improve general health conditions. However, notwithstanding the exceptional circumstances of the COVID-19 pandemic, moving forward the aforementioned factors are expected to continue driving the growth of the fortified F&B and dietary supplements industry.

3 KEY DEMAND DRIVERS, RISKS AND CHALLENGES

Key demand drivers

► **Increasing rates of non-communicable diseases (“NCDs”) and infections drives health awareness and thus, the demand for fortified F&B and dietary supplements**

The number of Malaysians living with NCDs, also known as chronic diseases, have been increasing over the years. NCDs can be categorised into four broad categories which are cardiovascular diseases, cancers, chronic respiratory diseases and diabetes. The increasing number of NCD cases among Malaysians are mainly attributable to stressful and unhealthy lifestyle habits such as the consumption of processed F&B which generally have higher saturated fat content or sugar levels and lower nutritional values, alcohol consumption, tobacco use, as well as living a more sedentary lifestyle.

According to the National Health and Morbidity Survey (“NHMS”)¹ 2019 conducted by the MOH, many Malaysians lacked physical activity, consumed high levels of sugar and consumed insufficient amounts of fruits and vegetables. As a consequence, between the first NHMS conducted in 2011 and the latest survey in 2019, the rates of obese, abdominally obese and overweight Malaysian adults had increased. Between 2011 and 2019, the rates of obese Malaysian adults had increased from 15.10% to 19.70%, the rates of abdominally obese Malaysian adults had increased from 29.40% to 30.40%, while the rates of overweight Malaysian adults had increased from 45.40% to 52.60%. This is thus becoming a cause for concern as an increasing number of obese, abdominally obese and overweight individuals acts as an indicator of future increases in incidences of NCDs.

The increase in obese, abdominally obese and overweight individuals has subsequently contributed to the increase in the morbidity of NCDs. Based on the NHMS conducted in 2019, the MOH had reported that the prevalence of diabetes was 18.30% of the adult population, and the prevalence of cardiovascular diseases such as hypertension and hypercholesterolemia was at 30.00% and 38.10% respectively.

The MOH and DOSM had reported that the mortality cases caused by cardiovascular diseases had increased from 18,170 cases in 2017 to 37,826 cases in 2021 at a CAGR of 20.12%, chronic respiratory diseases increased from 15,620 cases in 2017 to 24,511 cases in 2021 at a CAGR of 11.92%, and diabetes had increased from 2,243 cases in 2017 to 4,918 cases in 2021 at a CAGR of 21.69%. Further, there has been an overall increasing trend in the number of deaths due to NCDs between 2017 and 2021, from 44,275 deaths to 74,907 deaths, at a CAGR of 14.05%.

As a result of the growing trend of NCDs and increased intention to adopt healthier lifestyles, Malaysians may be more likely to resort to increasing their intake of dietary supplements and fortified F&B to supplement their nutritional intake. In turn, this could potentially lead to the growth of the fortified F&B and dietary supplements industry.

► **Economic growth and increasing disposable income of the population signifies growth potential for fortified F&B and dietary supplements**

Economic growth has the potential to contribute to increased disposable income, arising from higher employment and increased earnings for businesses and consumers. Increasing disposable income in turn translates to improving standards of living as well as an increase in the number of affluent individuals with greater purchasing power. As a result, consumer purchases are expected to diversify from staple food products to more expensive and quality purchases, including fortified F&B and dietary supplements, which supplements an individual's nutritional intake.

The economic wealth of the country, measured in terms of gross national income (“GNI”) per capita, increased from RM43,316 in 2018 to a preliminary figure of RM52,968 in 2022, at a CAGR of 5.16%.

¹Note: The NHMS is published at a 4-year interval with the latest publicly available data being 2019.

8. IMR REPORT (CONT'D)**SMITH ZANDER**

Although there was an overall growth in GNI during the period, in 2020, the Malaysian economy registered a decline arising from the outbreak of the COVID-19 pandemic which had adversely impacted economic activities and employment rate. GNI per capita decreased from RM45,298 in 2019 to RM42,838 in 2020 by 5.43%. As the economy recovered in 2021, the GNI per capita increased to an estimated figure of RM46,253 with a YOY growth of 7.97%, and subsequently to a preliminary figure of RM52,968 in 2022 with a YOY growth of 14.52%.²

According to Bank Negara Malaysia (“BNM”), the improvement in the GNI was due to the influence of increased domestic demand, improvements in the labour market, and the reopening of international borders. In 2023, the economy is expected to experience continued growth by 4.00% to 5.00% YOY according to the Ministry of Finance.

To further enhance economic growth in Malaysia, the Malaysian Government had introduced and commenced the implementation of the 12th Malaysia Plan (2021 – 2025) with the intention to provide improved standards of living to all Malaysians, in accordance with the Vision 2030 Agenda. In order to achieve and meet the plans set out for the economy by 2025, the Malaysian Government has aimed to:

- Improve the positioning of Malaysia in the global supply chain by assisting micro, small and medium enterprises by improving their entrepreneurial capabilities, including digitalising their business processes, assisting to improve their products and services according to international standards;
- Increase the use of technology across industries, particularly electrical and electronics, global services, aerospace, creative, tourism, halal, smart farming and biomass;
- Develop more rural states in Malaysia by increasing industrialisation and diversifying economic activities through smart and cluster farming;
- Develop future talents to increase the availability of skilled and technical workers by providing accredited, recognised and certified training; and
- Increase national productivity through uplifting research, development, commercialisation and innovation in new technology and improving access to financing in supporting innovation and skills development.

With the abovementioned initiatives, the Malaysian economy is expected to grow, driving higher employment rates and increasing GNI to a target of RM57,882 per capita by 2025, which would then provide greater accessibility for Malaysians to improve their standards of living.

► **Urbanisation and ageing population to drive the continued demand for fortified F&B and dietary supplements**

Based on the latest available data as of 2022, Malaysia’s urban population stood at 78.21% of the total population and is projected to increase to 81.79% of the total population by 2030³. Following urbanisation, Malaysians will have access to better education, healthcare services and employment opportunities. However, urbanisation has consequently led to changes in the lifestyles of Malaysians such as longer working hours and hectic schedules. As such, convenience has become essential, leading to an increase in the intake of processed and fast foods. This growing change in lifestyle is a concern in all developing countries as the population finds it increasingly difficult to maintain a balance between their health and the demands of their work, commitments and responsibilities. In addressing such concerns, fortified F&B and dietary supplements provides an alternative for individuals to supplement their nutritional requirements which they lack due to their lifestyles.

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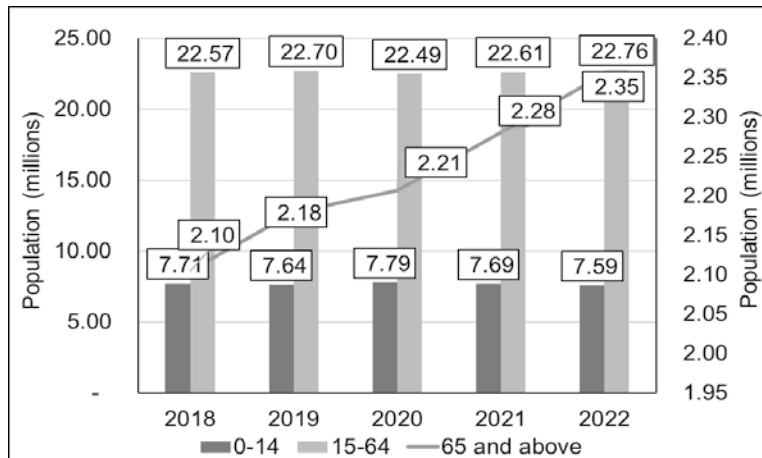
² Sources: DOSM.

³ Source: World Bank.

8. IMR REPORT (CONT'D)

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Population by age group, 2018 - 2022



Sources: DOSM, SMITH ZANDER

In Malaysia, the working population (i.e. 15 years old to 65 years old) contribute the largest proportion of the country's population. This group of the population represents the majority of Malaysians who have become increasingly aware of the benefits of fortified F&B and dietary supplements to supplement their daily nutritional requirements due to their exposure to the internet. As such, the working population is expected to be more receptive to fortified F&B and dietary supplements as part of their health maintenance routine. This will, in turn, drive the demand for fortified F&B and dietary supplements.

Moreover, Malaysia is an ageing population as those above 65 years of age have been increasing from 2.10 million persons to 2.35 million persons, at a CAGR of 2.85% between 2018 and 2022, compared to those under 14 years of age at a negative CAGR of 0.39%, and those between 15 years old and 64 years old increasing at a CAGR of 0.21% over the same period. With the increasing ageing population, it can be expected that they will experience greater health concerns. With greater health concerns within the ageing population, it would also drive the demand for fortified F&B and dietary supplements as fortified F&B and dietary supplements have been widely promoted to potentially provide health benefits such as increasing immunity through the consumption of vitamin C, increasing bone densities to battle osteoporosis through the consumption of calcium supplements, and increasing intake for collagen to battle joint pains. This is expected to drive the demand for fortified F&B and dietary supplements as the older generation are generally more health conscious due to their greater awareness of their mortality.

► Prevalence of social media marketing to drive awareness on the benefits of fortified F&B and dietary supplements

The wide adoption of the internet has led to increased accessibility to social media. According to the Communications and Multimedia Ministry, as of January 2021, Malaysia has approximately 28 million social media users, which translates to 85.63% of Malaysia's 2022 total population. With this, social media has become a media outlet as well as a marketing channel amongst Malaysians, and has created a platform for fortified F&B and dietary supplements industry players to advertise and educate consumers on health awareness as well as the benefits of consuming fortified F&B and dietary supplements. According to the Malaysian Digital Association, digital advertising expenditure on social media increased from 39% in the third quarter of 2021 to 42% in the first quarter of 2023, the highest amongst other digital advertising platforms such as video (e.g. YouTube) and display platforms (e.g. advertisement networks). Consequently, social media marketing is expected to drive the growing awareness for fortified F&B and dietary supplements.

Key industry risks and challenges

► Vulnerability to product liability claims and recalls which could affect consumer confidence

Industry players are subject to guidelines and regulations, and must ensure that consistency in product quality is not compromised by factors such as product contamination. For example, raw materials used in the manufacturing of fortified F&B and dietary supplements have to be handled and stored according to specified conditions (e.g. individually packaged in dry conditions). If these materials are not properly handled, stored and packed, they may be susceptible to contamination, such as the growth of mould or cross-contamination with common allergens (e.g. peanuts, tree nuts and milk). Any contamination in the products may render them unsafe for consumption, thus creating adverse impact on the industry player's reputation.

8. IMR REPORT (CONT'D)**SMITH ZANDER**

In the event that such circumstances arise, manufacturers would face product liability claims and may need to conduct product recalls. Both product liability claims as well as product recalls may negatively affect the financial performance, credibility and reputation of the industry player. Increased frequency of product liability claims and product recalls may further worsen public perception of industry players as well as the industry as a whole. Subsequently, manufacturers in the industry could face significant financial losses as consumers may resort to alternative products due to consumer confidence being affected and consumers becoming more wary on the safety of products. As a result, demand for fortified F&B and dietary supplements could fall and negatively affect the industry.

► **Failure to meet changing consumer preferences could compromise industry competitiveness**

The fortified F&B and dietary supplements industry is dependent on consumer preferences such that industry players would need to continuously innovate and develop new products that align with these changing preferences. For instance, when veganism increased in popularity, the fortified F&B and dietary supplements industry responded by researching and developing more vegan-based products to meet consumers' increased demand for vegan products. Hence, to remain competitive and relevant in the industry, industry players must stay abreast with consumer trends and invest in research and development ("R&D") activities in order to develop new product formulations that meet these changing consumer preferences. In the event that industry players are unable to meet changing consumer demand due to constraints such as limited financial resources, skilled personnel and R&D facilities/capabilities, they may fall behind in the industry and lose their competitiveness, which in turn, would compromise their business and financial performance.

► **Changes in regulations governing dietary supplements could lead to non-compliance**

For the manufacturing of dietary supplements, the NPRA has implemented strict regulations, licensing requirements and standards for dietary supplements manufacturers to adhere to, in order to ensure the safety of consumers. For instance, the GMP is implemented to ensure that manufacturing plants are suitable for the manufacturing of dietary supplements. Further, product registration as well as labelling guidelines are also enforced by the NPRA to monitor the use of health claims made by manufacturers. In the event that the NPRA finds products that failed to meet their safety requirements, these products will be reported on the NPRA website.

Over time, regulations governing the manufacturing of dietary supplements could change and become more stringent to further ensure the safety of consumers. In the event of non-compliance, the business performance of industry players could be negatively affected as consumers lose trust in these products and the reputation of the brand, or product. Thus, industry players must constantly be kept up-to-date to changes in regulations and ensure that they are in compliance with the regulations and licensing requirements set out by the governing bodies in order to retain their manufacturing licences.

4 COMPETITIVE OVERVIEW

Competitive landscape

The fortified F&B and dietary supplements industry is competitive, with a large number of industry players that compete in the manufacturing and sale of fortified F&B and dietary supplements. These fortified F&B and dietary supplement industry players include public listed companies, large private companies (i.e. companies with revenue exceeding RM50.00 million), as well as small to medium enterprises (i.e. companies with revenue not exceeding RM50.00 million).

Notwithstanding the above, industry players involved in the manufacturing of dietary supplements must be registered as a dietary supplements manufacturer with the NPRA. As of September 2023, there were approximately 180 registered dietary supplements manufacturers in Malaysia.

For industry players involved in the manufacturing of fortified F&B and dietary supplements, several barriers to entry are present. The primary barrier is high capital expenditure, whereby substantial upfront capital is required for the setup of a manufacturing plant that is compliant with the relevant requirements set out by FSQD and NPRA; as well as the purchase of the necessary machinery and equipment. Furthermore, ongoing funds will also be required for R&D activities, as industry players continuously innovate and develop new products to keep abreast with changing consumers preference and to remain competitive

8. IMR REPORT (CONT'D)**SMITH ZANDER**

within the industry. For dietary supplements manufacturers, there is an additional barrier to entry, whereby dietary supplements in Malaysia must be registered with the NPRA before being manufactured, sold, supplied, imported, possessed or administrated.

Key industry players

Industry players in the fortified F&B and dietary supplements industry generally comprise brand owners and manufacturing service providers. Brand owners are industry players that have their own house brand products. These industry players may have their own in-house manufacturing plants or they may outsource their manufacturing activities to manufacturing service providers. Most of these manufacturing service providers provide manufacturing services for third party brand owners, but some of these companies, such as OB Group, may also manufacture fortified F&B and dietary supplements under their own house brands as an additional source of revenue.

The basis for selection of the key industry players in the fortified F&B and dietary supplements industry in Malaysia is as follows:

- Companies who are registered with the NPRA for the manufacturing of dietary supplements;
- Companies that are principally involved in the provision of manufacturing services of fortified F&B and dietary supplements to third party brand owners, and some of these companies may also produce house brands; and
- Companies which recorded at least RM10.00 million revenue in their latest available financial years.

The key industry players, premised on the basis of selection above, are as follows:

Company name	Examples of manufacturing services of products provided to third-party brand owners and/or house brand products	Location of manufacturing plant	Latest available financial year	Total revenue ⁽¹⁾ (RM million)	Gross profit/(loss) margin (%)	PAT/(LAT) margin (%)
OB Holdings Berhad ⁽²⁾	Fortified F&B and dietary supplements	Selangor	31 May 2023	46.45	40.84	19.95 ⁽³⁾
Nova Wellness Group Berhad ⁽⁴⁾	Fortified F&B, dietary supplements, medical nutrition, personal hygiene products, disinfectant products, and essential oils	Selangor	30 June 2023	45.53	70.40	32.93
Bioalpha Holdings Berhad ⁽⁴⁾	Fortified F&B and dietary supplements	Selangor	31 December 2022	35.80	(16.71)	(136.31)
Moh Pharmaceutical Technologies Sdn Bhd ⁽⁵⁾	Fortified F&B, dietary supplements, traditional medicine	Selangor	31 December 2022	28.73	22.96	10.06
Intan Biotech Industries Sdn Bhd ⁽⁵⁾	Fortified F&B and dietary supplements, cosmetics and personal hygiene products	Kelantan	31 December 2021	27.58	8.21	1.09
The Origin Foods Sdn Bhd ⁽⁵⁾	Fortified F&B and dietary supplements	Selangor	30 June 2022	27.23	34.81	6.56

8. IMR REPORT (CONT'D)**SMITH ZANDER**

Company name	Examples of manufacturing services of products provided to third-party brand owners and/or house brand products	Location of manufacturing plant	Latest available financial year	Total revenue ⁽¹⁾ (RM million)	Gross profit/(loss) margin (%)	PAT/(LAT) margin (%)
Moreth Sdn Bhd ⁽⁵⁾	Fortified F&B, dietary supplements, traditional medicine	Selangor	31 December 2022	26.87	17.40	6.89
Herbal Science Sdn Bhd ⁽⁵⁾	Fortified F&B, dietary supplements, traditional medicine and cosmetics	Selangor	31 December 2022	22.61	51.02	(2.05)
Exclusive Mark (M) Sdn Bhd ⁽⁵⁾	Fortified F&B and dietary supplements	Selangor	31 December 2022	21.36	15.75	(7.43)
Biofact Life Sdn Bhd ⁽⁵⁾	Fortified F&B and dietary supplements	Johor	31 March 2022	20.98	30.04	3.72
Yi Wang Honey Garden (M) Sdn Bhd ⁽⁵⁾	Fortified F&B and dietary supplements	Selangor	31 December 2022	17.05	19.50	12.09
Alpha Active Industries Sdn Bhd ⁽⁵⁾	Fortified F&B, dietary supplements and traditional medicine	Selangor	31 December 2022	16.69	Not available	8.20
Ori Bionature (M) Sdn Bhd ⁽⁵⁾	Fortified F&B, dietary supplements and cosmetics	Selangor	30 June 2022	16.07	56.76	6.05
High Valley Contract Manufacturing (GMP) Sdn Bhd ⁽⁵⁾	Fortified F&B and dietary supplements	Selangor	31 January 2023	15.77	38.01	18.96
First Grade Resources Sdn Bhd ⁽⁵⁾	Fortified F&B, dietary supplements and cosmetics	Kedah	31 December 2021	15.36	17.78	1.73
Excel Herbal Industries Sdn Bhd ⁽⁵⁾	Fortified F&B, dietary supplements and traditional medicine	Selangor	31 December 2022	15.28	38.11	16.53
Len Fa Medical Supplies (M) Sdn Bhd ⁽⁵⁾	Fortified F&B, dietary supplements and traditional medicine	Selangor	31 December 2022	14.53	36.85	9.99
White Heron Pharmaceutical Sdn Bhd ⁽⁵⁾	Fortified F&B, dietary supplements, cosmetics and personal hygiene products	Kuala Lumpur	30 April 2022	12.17	26.34	8.51

Notes:

- Latest available information as at the date of research completion.
- Not available – information is not available as gross profit is not reported in the latest annual report.

8. IMR REPORT (CONT'D)**SMITH ZANDER**

- *The identified key industry players include all industry players that were identified by SMITH ZANDER based on sources available, such as the internet, published documents and industry directories. However, there may be companies that have no online and/or published media presence, or are operating with minimal public advertisement, and hence SMITH ZANDER is unable to state conclusively that the list of industry players is exhaustive.*
- *Several players which are also deemed competitors to OB Group are not included in the table as these companies are exempt private companies in their respective latest financial years. These companies include Dong Foong Manufacturing Sdn Bhd, Yanling Natural Hygiene Sdn Bhd and Edmark Industries Sdn Bhd, whereby their latest available audited financial statements from Companies Commission of Malaysia are for the financial years ended 31 March 2020, 30 April 2020 and 31 December 2019 respectively.*

(1) Revenue may be derived from other products and/or businesses as segmental revenue is not publicly available.

(2) OB Group is deemed as a small to medium enterprise prior to its listing on Bursa Malaysia Securities Berhad.

(3) The PAT margin for OB Group is the adjusted PAT margin.

(4) Denotes entities which are public listed companies.

(5) Denotes entities which are small to medium enterprises.

Sources: OB Group, various company websites, Companies Commission of Malaysia, SMITH ZANDER

From the table above, the collective revenue from the key industry players listed amounts to RM436.84 million. Compared to the fortified F&B and dietary supplements industry in Malaysia, which is recorded at RM16.80 billion, the collective revenue from these key industry players accounts for 2.60% of the total industry size. The relatively small revenue contribution of key industry players in contrast to the total industry size is due to the difference between the computation of the industry size and the basis for selection of the key industry players. In particular, the fortified F&B industry size recorded in this IMR Report includes companies that are involved in general F&B manufacturing within the categories of fruit-based, milk-based, vegetable-based, coffee-based and tea-based products, whereby these companies do not fall under the basis for selection of the key industry players in this IMR Report. Further, as the selection of key industry players comprises manufacturing service providers of fortified F&B and dietary supplements, it excludes companies which are primarily brand owners.

Market share

In 2022, the size of the fortified F&B and dietary supplements industry in Malaysia was recorded at RM16.80 billion. For the financial year ended 31 May 2023, the revenue from fortified F&B and dietary supplements manufacturing services and house brands for OB Group was recorded at RM46.45 million, and thereby OB Group captured a market share of 0.28% in Malaysia.

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