

Kenneth Leong.....Strategy
(603) 7890 8888 (ext 2093)
kenneth.leong@apexsecurities.com.my

Steven Chong.....Plantation & Telco
(603) 7890 8888 (ext 2093)
stevenchong@apexsecurities.com.my

Samuel Woo.....Banking
(603) 7890 8888 (ext 2121)
samuel.woo@apexsecurities.com.my

Ong Tze Hern.....Oil & Gas & Utilities
(603) 7890 8888 (ext 2113)
tzehern@apexsecurities.com.my

Jayden Tan.....Logistics
(603) 7890 8888 (ext 2069)
kdtan@apexsecurities.com.my

Tan Sue Wen.....RE& Industrial
(603) 7890 8888 (ext 2095)
suewen.tan@apexsecurities.com.my

JS-SEZ Market Strategy

Southern Corridor Next Investment Frontier

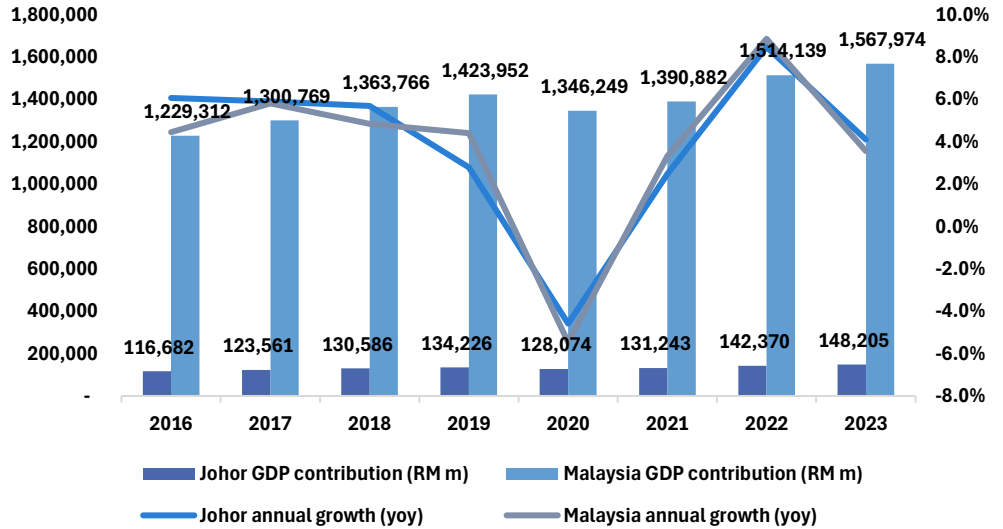
Executive Summary

- **Southern Corridor next investment frontier.** In 2023, Johor’s GDP rose 4.1% yoy to RM148.2bn, marking it the third largest contributor to the country in terms of state, behind Selangor (28.7%) and Kuala Lumpur (17.7%). Located in the Iskandar Malaysia region, we are positive that Johor-Singapore Special Economic Zone (JS-SEZ) initiative will serve as a transformative catalyst to alleviate global competitiveness between both nations and consequently cement Johor’s position as the third biggest contributor to the nation GDP in coming years.
- **Stepping up towards Maju Johor 2030 vision.** The JS-SEZ development aimed at creating a hub for investments and economic activities through the provision of multiple entry visas, special passes with green lanes, special tax incentives, exemptions for business licenses, robust infrastructure, and the availability of a skilled and knowledgeable workforce is regarded as a major milestone in realising Maju Johor 2030 vision. Maju Johor 2030 focus onto six key strategic aspects namely good governance, sustainable economic development, enhancing social safety net, improving facilities and basic amenities, security, cleanliness and the environment, and special focus on the youth.
- **Development to be supported by enhanced cross-border traffic.** In bid to reduce the congestion on Johor-Singapore Causeway, the RTS Link (construction at 95% completion and on track for operational on 1 Jan 2027) will serve as a game changer towards a more seamless connectivity between both countries. This along with the Elevated Automated Rapid Transit (ART) that spans across 50km with 32 stations, should ensure seamless movement within Greater Johor Bahru. Within the nation, key developments such as (i) Gemas-Johor Bahru Electrified Double-Track Rail Project (Gemas-JB EDTP) on track for operational in Q3 2025, (ii) expansion of the Ayer Hitam-Skudai stretch of the PLUS Expressway to six lanes, and (iii) East Coast Expressway Phase 4 (LPT4) from Gambang, Pahang to Johor Bahru are expected to improve connectivity and drive trade activities within the nation.
- **Thriving real estate sector.** With potential 20,000 of high skilled jobs creation under JS-SEZ and together with other key developments such as Forest City's special financial zone (SFZ), we believe demand for rental and housing within the Iskandar Malaysia region will flourish over the foreseeable future. Already, Johor’s property transaction rose 58.2% yoy to 40,561 units in 2023 – highlighting a robust demand, while 1H 2024 property transaction stood at 18,648 units. Consequently, prices of those property projects located in Johor Bahru and close to the RTS Link all saw rental yields and selling prices appreciated by c.15-30% in recent times.
- **JS-SEZ key beneficiaries:** We favour property developers with huge landbank sitting in the Iskandar Malaysia region such as **UEMS, IWCITY, SUNWAY** and **LAGENDA**. For contractors with exposures to infra-related works in Johor, we like **SUNCON** and **IJM**. Other potential beneficiaries riding onto Johor state thematic growth are **PEKAT, SCGBHD, UUE, TENAGA, RANHILL, PCHEM, MAYBANK, CIMB, TM, KLK, SDG, SWIFT, PETGAS** and **DIALOG**.

State of Johor

Johor’s GDP growth trend. Johor’s GDP increased to RM148.2bn in 2023 (2022: RM142.4bn) representing a 4.1% yoy growth amid increased industrial activity, infrastructure improvements, and enhanced trade relations with Singapore. This growth outpaced Malaysia’s national GDP growth rate, which was 3.6% over the same period. In 2023, Johor’s GDP contribution accounted to 9.5% of Malaysia’s total GDP, marking it the third largest contributor in terms of state, behind Selangor (28.7%) and Kuala Lumpur (17.7%).

Johor GDP contribution and annual growth vs Malaysia



Source: DOSM, Apex Securities

Sectoral Performance

Services building onto industry wide recovery. Following the post-pandemic recovery that beefed up growth in logistics, retail, and tourism activities, the services sector expanded from RM75.9bn in 2022 to RM80.0bn in 2023, representing a 5.4% yoy rise. Growth of the middle class, rising per capita income, and better connectivity with Singapore all contribute to rising consumer expenditure and retail trade.

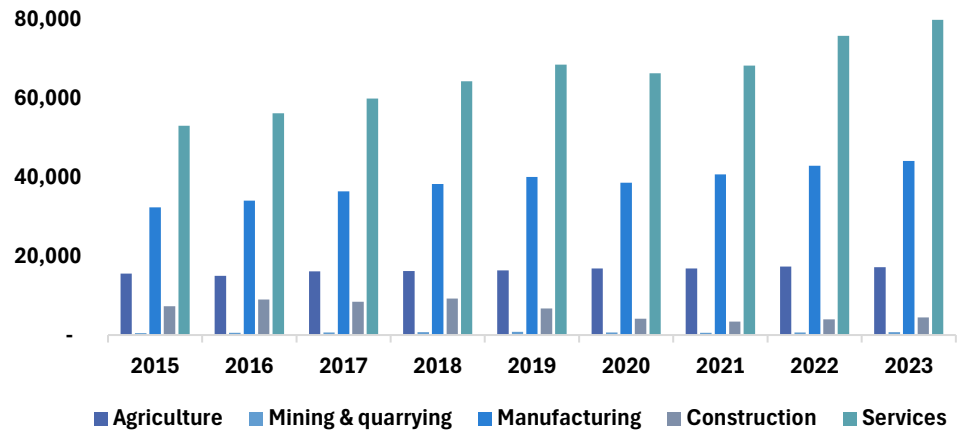
Manufacturing lifted by stronger FDI. In 2023, manufacturing output was RM44.2bn, up from RM42.9bn in 2022, marking an annual growth of 3.0% yoy, lifted by increase in foreign direct investments, strengthening industrials park, and the growth of the electronics and machinery sectors.

Agriculture dampened by adverse weather. Agriculture’s output was RM17.2bn in 2023, a slight decrease from RM17.4bn in 2022 reflecting challenges in commodity prices and adverse weather conditions impacting production.

Construction outperformed on recovery in infrastructure and building related projects. The construction sector showed signs of recovery, growing from RM3.96 bn in 2022 to RM4.49 bn in 2023, an increase of 13.4% yoy attributed to resumed infrastructure projects and increased housing developments.

Mining and Quarrying recorded decent growth. Despite being a smaller sector, mining and quarrying experienced modest growth from RM649m in 2022 to RM691m in 2023, a rise of 6.5% yoy.

Johor economic activities breakdown by sector

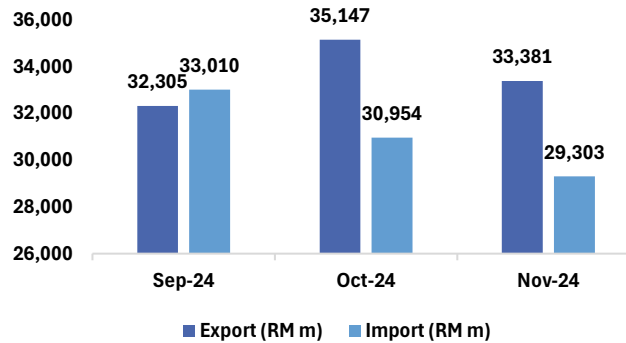


Source: DOSM, Apex Securities

Trade Dynamics

Exports and Imports. From Jan to Nov 2024, Johor’s exports totalled RM382.8bn, while imports reached RM350.7bn. In Oct 2024, exports peaked at RM35.1bn, supported by improved port facilities and strategic logistics investments.

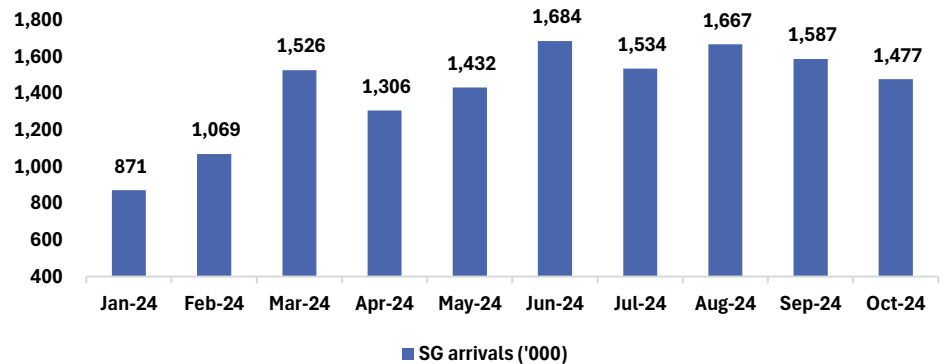
Robust trade activities boosting growth



Source: DOSM, Apex Securities

Cross border arrivals. Johor remains the primary gateway for travellers between Malaysia and Singapore. In 2024, monthly arrivals exceeded 1.5m, with 1.6m entries recorded in Jun 2024. The resumption of unrestricted travel after pandemic-related closures and enhanced border efficiency contributed to increased travel flows.

Cross border traffic (Singapore to Johor)

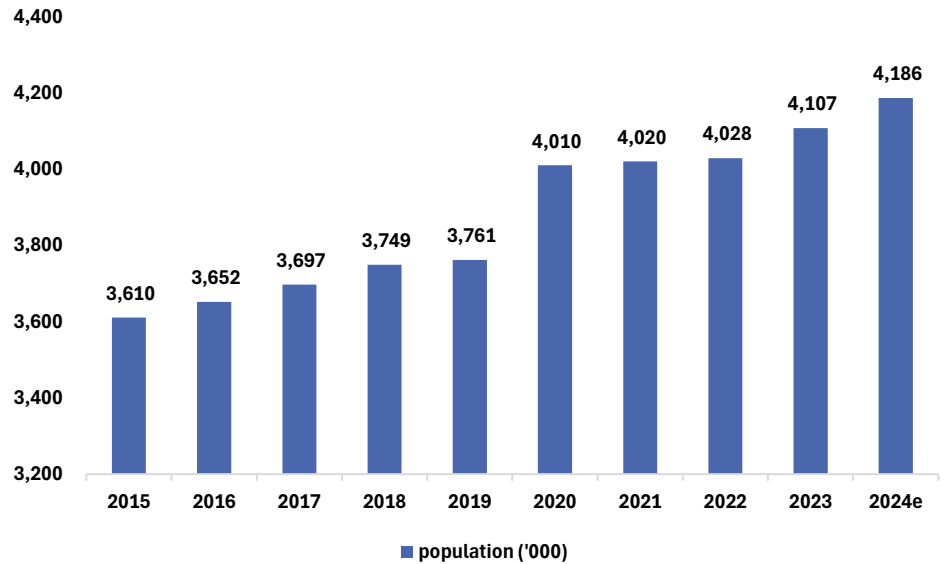


Source: DOSM, Apex Securities

Population and Workforce

Johor’s population grew from 4.0m in 2022 to 4.1m in 2023 and estimated to hit 4.2m, supporting the state’s labor market expansion. The SEZ is designed to capitalise on this growth by enhancing job creation and fostering cross-border economic collaboration.

Historical Johor Population



Source: DOSM, Apex Securities

Johor-Singapore Special Economic Zone (JS-SEZ)

Key Details. The Johor-Singapore Special Economic Zone (JS-SEZ) is located within part of the Iskandar Malaysia region and touted to be a key initiative to serve as a transformative catalyst to alleviate global competitiveness in the between both nations in bid to (i) enhance cross-border connectivity, (ii) facilitate smoother movement and (iii) strengthen business ecosystems to foster a robust business environment. Initially spanning only 2,284.82 sqkm, the updated development encompasses 3,571.28 sqkm, covering nine development nodes designated as Flagship Zones A to I.

JS-SEZ Coverage

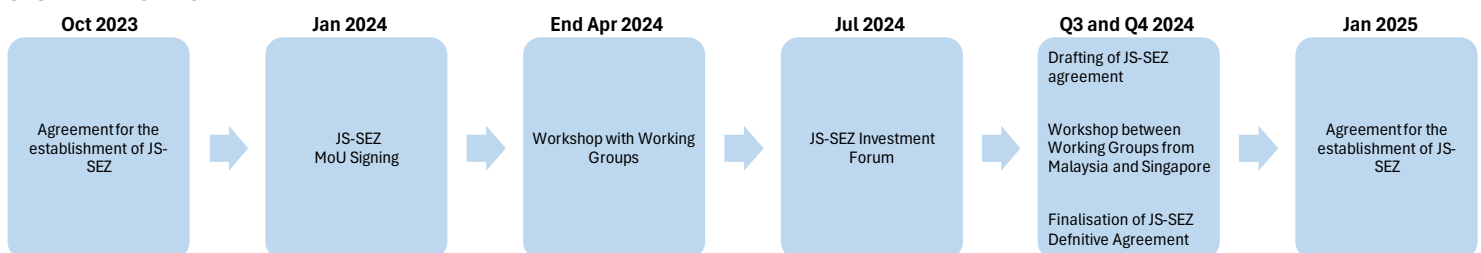


Source: Iskandar Regional Development Authority, CNA, Google Maps

Development. JS-SEZ aims to build onto the development of Iskandar Malaysia under the Iskandar Regional Development Authority Act. The move aims to replicate the success from other special economic zones in the Asia Pacific region such as Shenzhen SEZ in China that act as a hub of rapid industrialisation and technological innovation fuelled by robust capital and skilled workforce.

Progress timeline. After more than a year since the agreement on the establishment of JS-SEZ (Oct 2023), the signing ceremony took place on 7 Jan 2025.

JS-SEZ Timeline



Source: JS-SEZ

Funding. Both Malaysia and Singapore forge a partnership in terms of funding over the development of JS-SEZ. Traditionally, initial stages of greenfield developments in Malaysia revolves around the provision and support of infrastructures before inviting investors to invest in designated area. Such example would be Kulim Hi-Tech Park (KHTP) that is funded by the Government of Malaysia in the provision of basic infrastructures such as land, water, electricity. Upon completion of basic infrastructures (typically takes 2-3 years of completion), the manager – Kulim Technology Park Corp Sdn Bhd (KTPC) will then invite investors, which we deem the move may potentially carry a risk of overcommitment (below take-up rates). In JS-SEZ, investors would require to detailed the requirements before the management of JS-SEZ assess the feasibility, inclusive of funding support for the said development.

Value Proposition. JS-SEZ development revolves around five distinctive value proposition that offers wide range of opportunities namely;

- i) **Strategic location and strong connectivity**
 - Adoption of technology enhanced movement of people and goods for increased clearance capacity, automated immigration lanes and paperless clearance for goods
 - Enhanced passes by enhancing Malaysia’s existing visas into such as DE Rantau Nomad Pass
 - Strategic hub with excellent regional and global connectivity, where goods manufactured in JS-SEZ can be exported through either Singapore or Johor
- ii) **Attractive policies and incentives**
 - Special corporate tax rate to companies that undertake new investments in high growth and high value-added activities within JS-SEZ.
 - Special personal income tax rate to be announced at later date by MOF
 - Strategic hub with excellent regional and global connectivity, where goods manufactured in JS-SEZ can be exported through either Singapore or Johor
- iii) **Designated flagship zones**
 - Encompass Iskandar Development Region and Pengerang, including industrial parks located within the region, especially the designated flagship areas with prioritised sectors
- iv) **Strong government support and commitment**
 - Malaysia Government to establish a fund for purpose of infrastructure support
 - Singapore Government to design funding support to facilitate Singapore companies’ expansion in JS-SEZ and the potential twinning operations of MNCs in Singapore and JS-SEZ
 - Invest Malaysia Facilitation Center-Johor (IMFC-J) to act as one-stop centre in facilitating investments, including expediting approvals and streamlining processes
- v) **Competitive cost of advantage**
 - Affordability in the areas of real estate, labour cost and favourable tax regime

Key focus Industries and Flagship Breakdown

Key focus Industries and Flagship Breakdown							New Flagship Zone Areas		
	Flagship A JB City Center	Flagship B Iskandar Puteri	Flagship C Tg. Pelepas - Tg. Bin	Flagship D Pasir Gudang	Flagship E Senai - Skudai	Flagship F Sedenak	Flagship G Forest City	Flagship H PIPC	Flagship I Desaru
Sectors	<ul style="list-style-type: none"> • Business Services • Digital Economy • Health 	<ul style="list-style-type: none"> • Manufacturing • Business Services • Digital Economy • Education • Health • Tourism 	<ul style="list-style-type: none"> • Manufacturing • Energy • Logistics 	<ul style="list-style-type: none"> • Manufacturing • Energy • Logistics 	<ul style="list-style-type: none"> • Manufacturing • Digital Economy • Education • Logistics • Tourism 	<ul style="list-style-type: none"> • Manufacturing • Business Services • Digital Economy • Education • Energy • Food Security • Health • Logistics • Tourism 	<ul style="list-style-type: none"> • Financial Services <p><i>Note: Special Financial Zone (SFZ)</i></p>	<ul style="list-style-type: none"> • Manufacturing • Energy • Logistics 	<ul style="list-style-type: none"> • Education • Food Security • Health • Tourism

Source: JS-SEZ

New priority sectors. Along with the three new flagship zone areas (Flagship G, Flagship H and Flagship I) in Pengerang that covers 1,286.46 sqkm, both the Malaysia and Singapore government have also identified several new priority sectors such as (i) aerospace, (ii) electrical and electronics, (iii) chemical, (iv) medical devices and (v) pharmaceuticals.

Several key anchor policies and incentives to support and attract JS-SEZ growth development. In bid to promote and facilitate the development of JS-SEZ, business invest into JS-SEZ development will be supported by;

- (i) **Robust Intellectual Property law** that protects all innovation utilising Malaysia Global Service Centre for research and development and various service activities. In 2024, the US Chamber of Commerce ranked Malaysia 2nd in Southeast Asia for IP protection.
- (ii) **Liberal equity policy facilitates foreign setup** given that since June 2023, foreign investors are allowed to own 100% equity stake in new and expanding/diversifying manufacturing projects as well as selected services sectors such as health, social, tourism, transport, business and IT.
- (iii) **Clear national investment aspirations** backed by mission-based approach policy driven industrial development for high-value added products and services, driving sustainability agenda towards net zero and improve supply chain integration.
- (iv) **Attractive incentives for investors** to maintain and/or improve competitiveness through special corporate tax rate for companies that undertakes high growth and high value-added services within the development area, special personal income tax rate, tax incentives for relocation of green technology, Pioneer Status (PS) and Investment Tax Allowance (ITA) and Global Service Hub incentive.

JS-SEZ initiative is favourable towards Johor state development. We believe the development of JS-SEZ is essential, creating a new engine of growth in the Southern region. The move will cement Johor state contribution to the nation as the third largest contributor in terms of GDP in 2023. Under the first phase of JS-SEZ development (next five years), the Government aims to bring in 50 high-value projects, targeting multinational companies' expansion or relocation that are seeking to manage political risk through trade diversion. Over the longer-term basis (next ten years) JS-SEZ development aims to promote & facilitate 100 high-value projects, potentially creating 20,000 skilled jobs. For now, key focus lies will be towards bringing the targeted number of investments to reach critical mass.

Key challenges. Talent adequacy to meet the requirements of development of the project.

JS-SEZ Key Beneficiaries

Company	FYE	Price (RM)	P/E (x)		P/B (x)		Dividend Yield (%)	Target Price (RM)	Potential Capital Gain	ESG Rating
		as at 7Jan25	2024E	2025F	2024E	2025F				
UEM Sunrise Bhd*	Dec	1.10	68.8	57.9	0.8	0.8	0.8	1.00	-9.1%	N/A
Iskandar Waterfront City Bhd*	Dec	0.575		N/A		N/A	0.0	N/A	N/A	N/A
Sunway Bhd*	Dec	4.80	33.8	31.0	1.8	1.8	1.4	4.97	3.5%	N/A
Lagenda Properties Bhd	Dec	1.38	6.1	5.1	0.9	0.8	5.4	1.64	18.8%	★★★
Solarvest Holdings Bhd^	Mar	1.71	45.1	26.2	5.3	4.3	0.0	1.98	15.8%	★★★
Pekati Group Bhd	Dec	1.09	40.7	24.5	5.5	3.9	0.0	1.17	7.3%	★★★
Southern Cable Group Bhd	Dec	1.35	17.7	13.4	3.2	2.6	0.6	1.63	20.7%	★★★
UUE Holdings Bhd^	Feb	0.88	21.8	15.9	8.5	4.7	0.0	1.10	26.1%	★★★
Tenaga Nasional Bhd	Dec	14.32	22.3	19.7	1.4	1.4	3.3	16.04	12.0%	★★★
Ranhill Utilities Bhd*^	Dec	1.54	48.1	35.8	2.5	2.5	1.8	1.04	-32.4%	N/A
Petronas Chemicals Group Bhd*	Dec	4.91	20.5	17.8	0.9	0.9	3.3	4.98	1.4%	N/A
Malayan Banking Bhd	Dec	10.16	12.6	11.7	1.3	1.2	6.3	11.28	11.0%	★★★★
CIMB Group Holdings Bhd	Dec	8.15	11.0	10.4	1.2	1.1	6.2	9.28	13.9%	★★★★
Telekom Malaysia Bhd	Dec	6.55	15.5	15.1	2.6	2.4	3.3	7.20	13.2%	★★★
Kuala Lumpur Kepong Berhad ^	Sep	21.50	18.9	17.4	1.7	1.6	2.8	21.60	3.3%	★★★
Sime Darby Guthrie	Dec	5.05	24.4	21.5	1.8	1.7	2.7	4.50	-8.2%	★★★★
Swift Haulage Bhd	Dec	0.44	11.8	10.5	0.6	0.5	0.0	0.58	31.8%	★★★
Petronas Gas Bhd	Dec	17.76	18.6	18.5	2.5	2.4	4.1	17.80	0.2%	★★★
Dialog Group Bhd*^	Dec	1.87	16.3	15.7	1.6	1.5	2.7	2.70	44.4%	N/A

^ Denotes FY25/FY26F values

*Based on Bloomberg consensus estimates

Source: Apex Securities, Bloomberg

Sector	Investment Highlights	Top Picks
Property	<ul style="list-style-type: none"> With potential 20,000 of high skilled jobs creation under JS-SEZ and together with other key developments such as Forest City's special financial zone (SFZ), we believe demand for rental and housing within the Iskandar Malaysia region will flourish over the foreseeable future. Johor's property transaction rose 58.2% yoy to 40,561 units in 2023 – highlighting a robust demand, while 1H 2024 property transaction stood at 18,648 units. Value of landbanks within Iskandar Malaysia region are expected to appreciate from future development initiatives. 	<ul style="list-style-type: none"> UEMS (NR) for its sizable exposure with total landbank of >4,800-ac of landbank in Iskandar Malaysia region. LAGENDA (BUY; FV: RM1.64) for its sustainable and affordable township development with Johor's exposure makes up to a total 1,637-ac of landbank that carries a potential GDV of RM5.67bn located mainly at Kulai & Kota Tinggi as well as Mersing.
Construction	<ul style="list-style-type: none"> In bid to reduce the congestion on Johor-Singapore Causeway, the RTS Link (construction at 95% completion and on track for operational on 1 Jan 2027) will serve as a game changer towards a more seamless connectivity between both countries. Upon completion, RTS will cut travel time to 15 minutes, while the introduction of passport-free travel using QR-based clearance is under proof-of-concept trials. Gemas-Johor Bahru Electrified Double-Track Rail Project (Gemas-JB EFTP) spanning 192km covering four major districts in Johor is on track for completion by Q3 2025 will improve connectivity between Kuala Lumpur and Johor Bahru. Elevated Automated Rapid Transit (ART) that spans across 50km with 32 stations in planned three lines, should ensure seamless movement within Greater Johor Bahru. Expansion of the Ayer Hitam-Skudai stretch of the PLUS Expressway to six lanes will alleviate congestions, especially during peak festive seasons. East Coast Expressway Phase 4 (LPT4) from Gambang, Pahang to Johor Bahru covering 250km both road mau likely to attract more visitors, leading to a surge in tourism-related and investments activities. 	<ul style="list-style-type: none"> SUNCON (NR) for its strong exposure of infrastructure related projects (several packages for RTS), building projects as well as dc-related projects in Johor. IJM (NR) for its position as one of the key winners of RTS project valued at RM1.10bn (c.20% of total contract value) and TM's data center in Iskandar Puteri.
Renewable Energy (RE)	<ul style="list-style-type: none"> Facilitate closer cooperation on RE, in line with decarbonisation goals of both countries. Malaysia aims for 70% of its electricity generation from RE by 2050, while Singapore targets 30% of its energy mix by 2035. Cross-border electricity trading is anticipated to grow further. Currently, the CBES RE scheme is piloting 100 MW, with 50 MW being exported. With 80% of the export quota still available (20% from LTMS-PIP and 10% from CBES RE), there are ample growth opportunities. Strengthen and support new investments in large-scale RE generation by TNB and other energy players. This is evident in Malaysia's Large Solar Scale (LSS) programme, which restricts foreign ownership to no more than 49%, with special exemptions to these ownership restrictions. This should further benefit the adoption of solar energy at solar farm sites and provide order replenishment opportunities for EPCC players. Further development of data centres will directly increase the demand for clean energy, particularly under the CRESS framework, as MNCs work to offset decarbonisation pressures and meet their ESG obligations. Demand for rooftop solar installations is expected to grow, driven by energy requirements, and the rising green energy mandates of manufacturers. This should benefit solar EPCC contractors, with a particular focus on C&I development for rooftop solar installations in the manufacturing sector. 	<ul style="list-style-type: none"> SLVEST (BUY; FV: RM1.98). Consistently captures an average 20.0% market share of EPCC jobs from LSS1, LSS2, and LSS4. PEKAT (BUY; FV: RM1.17) Focuses on rooftop installations over ground-mounted projects. For C&I alone, Pekat commands an c.10.0-15.0% market share.
Industrial	<ul style="list-style-type: none"> Incentives are expected to further accelerate the proliferation of data centres in Johor, a strategic location favoured due to land constraints in Singapore. To accommodate the anticipated growth in data centre development, there is a need to upgrade the national grid infrastructure to meet the higher electricity demand. This trend is expected to drive increased demand across the value chain, including civil contractors, developers, power cable manufacturers, switchboard suppliers, and system integrators. 	<ul style="list-style-type: none"> SCGBHD (BUY; FV: RM1.63). As cable systems are integral to the early stages of power distribution, SCGBHD is well-positioned to benefit as one of the leading players in the field. UUE (BUY; FV: RM1.10). Stands to benefit as it specialises in HDD solutions, critical components for modern grid connectivity, and holds exclusive subcontractor status with its top two customers, who have been serving TNB for several years. PEKAT (BUY; FV: RM1.17). In power systems, up to 25% is allocated to switchgear. Pekat holds a 60% stake in EPE Switchgear, which commands a 30% market share in the local MV switchgear manufacturing landscape.

Sector	Investment Highlights	Top Picks
Utilities	<ul style="list-style-type: none"> Establishment of the JS-SEZ is expected to attract investments across various industries, subsequently driving the demand for electricity, water, and gas. The JS-SEZ is also expected to drive continued investment in data centres, significantly boosting the demand for electricity and water. According to Johor State's Data Centre Development Coordination Committee, Johor's data centre capacity has surged from 10MW in 2021 to c.1.3GW in 2024, and is projected to reach 2.7GW by 2027. The additional 1.4GW of electricity demand by 2027 represents 10% of Peninsular Malaysia's electricity demand in 2023. With each MW of data centre capacity estimated to consume 25.5 million litres of water/year. The additional 1.4GW capacity would translate into 35.7 billion litres of water per year, or 6.7% of Johor's total water consumption in 2023. 	<ul style="list-style-type: none"> TENAGA (BUY; FV: RM16.04), as the monopoly for electricity transmission and distribution in Peninsular Malaysia, is poised to benefit from the rising electricity demand, which will drive the expansion of its regulated asset base. Additionally, the Group is set to benefit from greater demand for green electricity, such as through the CRESS scheme, as corporates intensify efforts to decarbonise their operations. As Johor's sole water operator, RANHILL (NR) stands to gain from the growing demand for water fuelled by booming industrial activities and the rapid expansion of data centres. PETGAS (HOLD; FV: RM17.80), the owner of Malaysia's primary gas infrastructure, is well-positioned to capitalise on the higher gas demand associated with the growth of industrial activities.
Banking	<ul style="list-style-type: none"> Multiple banks are already using Johor as a corridor for economic growth – this is merely a continuation of previous themes. This is particularly good for loan growth – particularly for business loans. This comes at a time when most banks are building their business loan portfolio due to the attractiveness of their yields. Thus, opportunities for commercial development allow banks to maintain high loan growth (especially on the business loan end) without having to compromise NIMs. Benefits of retail loan growth are less pronounced, but the spillover effects from job creation and improved commercial development and infrastructure should pull in higher-spending Singaporean nationals. 	<ul style="list-style-type: none"> MAYBANK (BUY; FV: RM11.28) and CIMB (BUY; FV: RM9.28) for their sizeable presence in both Singapore and Malaysia. RHB (HOLD; FV: RM6.92), AMMB (HOLD; FV: RM5.57), and HLBANK (BUY; FV: RM24.79) for banks that have been more dependent on business loan book exposure or are currently in the process of rebalancing their loan portfolio to favour business loans.
Logistic	<ul style="list-style-type: none"> Poised to benefit the logistics landscape in Johor and its surrounding regions, the JS-SEZ is set to catalyse trade flows, attract investments, and enhance infrastructure. The logistics sector is expected to be one of the key beneficiaries under this bilateral collaboration. Demand for warehousing, freight, and logistics services is likely to surge in the region as economic activities ramp up. Enhanced connectivity through infrastructure improvements, such as streamlined customs procedures, will significantly improve accessibility between Johor and Singapore. This will facilitate the seamless movement of goods, reduce transportation times and costs, and benefit logistics companies operating in both regions. Johor's competitive operational costs and strategic proximity to Singapore create an ideal setting for companies to establish regional distribution centers. This positioning not only strengthens Johor's role as a key logistics and supply chain hub in Southeast Asia but also drives increased demand for warehousing and logistics services in the region. The two seaports in Johor—Pasir Gudang Port and Port of Tanjung Pelepas (PTP)—collectively account for approximately 15% of Malaysia's total gateway container throughput. With anticipated higher trade activities in the region, both ports are expected to expand their capacities, supporting increased cargo volumes and contributing more significantly to the nation's overall throughput. 	<ul style="list-style-type: none"> TNLOGIS, (NR) notable for its strong presence in Johor, TNLOGIS provides comprehensive logistics and warehousing services that effectively support the operations and activities of Pasir Gudang Port and Port of Tanjung Pelepas (PTP). SWIFT (BUY; FV: RM0.58) is well-positioned to capitalise onto increasing demand for its Tebrau warehouse facilities, which could drive higher rates and improved margins. The Group offers a broad range of logistics services in the region, including haulage and freight forwarding operations for the Port of Tanjung Pelepas (PTP) and Pasir Gudang Port, logistics support for Pengerang Petronas facilities, and Johor-Singapore cross-border land transportation trucking. These services align strategically with the rising demand for warehousing and transportation solutions. Notably, SWIFT recorded a haulage volume of 50k TEUs in 9M24 from both PTP (12k TEUs) and Pasir Gudang Port (38k TEUs), accounting for approximately 12% of its total haulage volume. This highlights the Group's strong presence and operational capabilities within the Johor logistics ecosystem.
Plantation	<ul style="list-style-type: none"> Expected to drive renewed demand for industrial parks, as these zones offer tax benefits, modern infrastructure, and attractive incentives, making them highly appealing to businesses. We favour planters that have landbank exposure within the close proximity of the SEZ as it stands to benefit from land value appreciation. 	<ul style="list-style-type: none"> SDG (HOLD; FV: RM4.50) is in partnership with AME Elite to jointly develop a green industrial park in Kulai, which is situated within the SEZ. KLK (HOLD; FV: RM21.60) currently owns 2,500-ac of land in Kulai, Johor after buying out UEM Sunrise Bhd stake in the JV company. The land is designated for industrial development featuring renewable energy with an estimated GDV of RM15bn.

Sector	Investment Highlights	Top Picks
Telecommunication	<ul style="list-style-type: none"> The JS-SEZ is expected to further boost Johor's data center growth, as we anticipate it will attract more businesses to the region. This is driven by Singapore's challenges, including limited land availability and restrictions on new data center developments due to high power consumption. Surge in investments toward Johor's infrastructure development, combined with access to more affordable power and water resources, will enable Johor to stay competitive and may prompt MNCs to relocate from Singapore. 	<ul style="list-style-type: none"> TM (BUY) for its JV with Nxera, the regional data centre arm of Singtel to develop data center in Iskandar Puteri. The facility has an initial capacity of 64MW, with the flexibility to scale up to 200MW once there is sufficient demand,
Oil & Gas	<ul style="list-style-type: none"> Under the JS-SEZ initiative, the Pengerang Integrated Petroleum Complex (PIPC) has been designated as one of the flagship zone areas. With a special corporate tax rate anticipated for companies investing in high-value-added activities within the JS-SEZ, priority sectors such as the chemicals industry stand to benefit significantly from the tax incentives. Notably, specialty chemicals, a high-value added industry, will likely benefit from the JS-SEZ initiative. 	<ul style="list-style-type: none"> DIALOG (NR), as the pioneer of the Pengerang Deepwater Terminals (PDT) strategically located within the PIPC, is well-positioned to capitalise on increased investments in the chemicals sector within the JS-SEZ, as this will boost the demand for its tank terminal facilities at PDT. PCHEM (NR), with its strategic focus on specialty chemicals, is a potential beneficiary of tax incentives aimed at fostering investments in high-value added industries within the PIPC.

Source: Apex Securities

Recommendation Framework:

BUY: Total returns* are expected to exceed 10% within the next 12 months.

HOLD: Total returns* are expected to be within +10% to -10% within the next 12 months.

SELL: Total returns* are expected to be below -10% within the next 12 months.

TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.

TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.

*Capital gain + dividend yield

Sector Recommendations:

OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.

NEUTRAL: The industry defined by the analyst is expected to be within +10% to -10% within the next 12 months.

UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

ESG Rating Framework:

★★★★★ : Appraised with 3% premium to fundamental fair value

★★★★ : Appraised with 1% premium to fundamental fair value

★★★ : Appraised with 0% premium/discount to fundamental fair value

★★ : Appraised with -1% discount to fundamental fair value

★ : Appraised with -5% discount to fundamental fair value

Disclaimer: The report is for internal and private circulation only and shall not be reproduced either in part or otherwise without the prior written consent of Apex Securities Berhad. The opinions and information contained herein are based on available data believed to be reliable. It is not to be construed as an offer, invitation or solicitation to buy or sell the securities covered by this report.

Opinions, estimates and projections in this report constitute the current judgment of the author. They do not necessarily reflect the opinion of Apex Securities Berhad and are subject to change without notice. Apex Securities Berhad has no obligation to update, modify or amend this report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

Apex Securities Berhad does not warrant the accuracy of anything stated herein in any manner whatsoever and no reliance upon such statement by anyone shall give rise to any claim whatsoever against Apex Securities Berhad. Apex Securities Berhad may from time to time have an interest in the company mentioned by this report. This report may not be reproduced, copied or circulated without the prior written approval of Apex Securities Berhad.

As of Wednesday, 08 Jan, 2025, the analyst(s) whose name(s) appears on any pages, whom prepared this report, has interest in the following securities covered in this report:

(a) nil.