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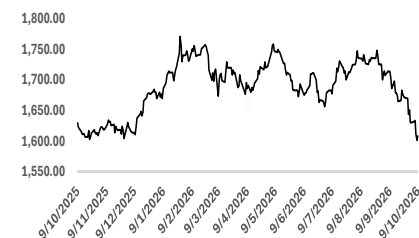
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Research Team

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Stock	Price (RM)*	Target Price (RM)
Tenaga	12.88	16.37
AWC	0.65	1.22
ViTrox^	11.00	11.12
EG	1.78	2.93
QES	0.645	0.75
FRONTKN	5.09	5.86
ISF	0.91	1.03
SSB8	0.67	0.78
MSC	1.62	3.07
Kinergy	0.40	0.67
OHM	0.39	0.64
HSPLANT	2.33	3.31

Source: Apex Securities Berhad

*As of 9 Oct 2026

^Under Review

Economic at a glance

2025 GDP Growth	+5.2%
2026 GDP Growth Forecast:	+5.0%
2027 GDP Growth Forecast:	+4.5%
2025 Unemployment Rate	3.0%
2026 Unemployment Rate Forecast:	3.0%
2027 Unemployment Rate Forecast:	3.0%
2025 Headline Inflation:	+1.4%
2026 Headline Inflation Forecast:	+2.0%
2027 Headline Inflation Forecast:	+2.0%
End-2025 OPR	2.75%
End-2026 OPR Forecast:	2.75%
End-2027 OPR Forecast:	3.00%

Market Strategy: Budget 2027**Wage Reset, Fiscal Path Intact****Budget Highlights**

Fiscal Path Intact. Budget 2027 is the fifth MADANI Budget and the second under the 13th Malaysia Plan (13MP), tabled under the theme “Reaching for the Skies, While Anchored on Our Values”. The headline fiscal numbers were broadly in line with our preview. The government targets a narrower fiscal deficit of 3.3% of GDP in 2027, matching our forecast, from a revised 3.6% in 2026E (original target: 3.5%), keeping it on course for 3.0% by 2028. Federal development expenditure (DE) was set at RM83.0bn (+2.5% vs RM81.0bn in 2026E), marginally above our RM82.4bn forecast.

The Surprise Is on Wages. The minimum wage will rise to RM2,000 from RM1,700 (+17.6%) from June 2027, the top end of our RM1,800–2,000 range, benefiting more than 4m workers. Micro, Small and Medium Enterprises (MSMEs) with annual sales below RM50m are exempted. A new RM2,500 monthly wage floor for semi-skilled workers and graduates was also announced, while GLICs and GLCs will raise their living-wage benchmark to RM3,400 from RM3,100. This is a direct cost headwind for labour-intensive sectors, mainly plantation and construction, from 2H27.

More Handouts, Lower Personal Taxes. The STR/SARA allocation rises to RM16bn (2026: RM15bn), slightly below our RM17bn expectation. SARA is raised to up to RM150 a month for 9m STR recipients, and two RM100 SARA MADANI payments are extended to 13m non-STR adults. More notably, resident individual tax rates are cut by 1ppt to 18% (RM70k–100k) and 24% (RM100k–150k), and individual relief is raised to RM12,000 from RM9,000, its first review since 2010. Together, these add up to RM1,600 of disposable income for c.5m taxpayers, while income above RM1m will be taxed at 30%. One-off payments of RM1,500 to 1.3m civil servants and RM750 to over 1m retirees add a further c.RM2.7bn.

No New Broad-Based Taxes. The speech introduced no new broad-based taxes and no carbon-tax start date. No changes to sin taxes or the SST scope were announced in the speech, although we will check the Finance Bill and annexes for details. For businesses, the MSME income tax rate is cut by 1ppt to 14% on the first RM150k and 16% on RM150k–600k. Manufacturers may now reclaim sales tax on locally purchased machinery and selected raw materials, and Accelerated Capital Allowances on local machinery and ICT are extended to 2030. The Reinvestment Allowance is under review.

Infrastructure: Continuity, With Contractor Relief. The government agreed to implement the Johor Bahru e-ART, and ECRL Phase 1 is set to begin operations in December. Other allocations include RM3.3bn for Sabah and Sarawak roads, RM5.7bn under MARRIS and RM2.5bn for federal road maintenance. Prasarana will invest over RM3.4bn to overhaul its rail services, and 42 new ETS and KTM Komuter train sets will be procured. The Variation of Price (VOP) clause for diesel and bitumen is reintroduced, and procurement reserved for G1–G4 Bumiputera contractors rises to RM7.5bn (2026: RM4.0bn). There was no update on MRT3 or the Penang LRT CMC2 package.

Energy Transition: Grid Yes, Storage Incentive No. TNB will invest RM15bn to strengthen the national grid. UEM Lestra will invest RM1bn, including a storage project at KLIA and a 1GW hybrid energy project in Johor, and a RM1.5bn centralised solar park will be built for government buildings. The Investment Tax Allowance of up to 100% for green technology projects is extended to 2030. However, there was no standalone storage incentive, no mention of SuRIA Home and no detail on the permanent AFA mechanism.

Neutral Market Impact. We view Budget 2027 as **Neutral** for equities. It is fiscally disciplined and supportive of consumption, but the RM2,000 minimum wage is an earnings headwind for labour-intensive sectors that the household measures do not offset at the corporate level. **We maintain our end-2026 FBM KLCI target of 1,770** and our barbell strategy. This pairs structural-growth

themes (AI, semiconductors, data centres and energy infrastructure) with earnings-resilient domestic names, while avoiding labour-intensive companies with limited pricing power.

Sector Highlights. Key beneficiaries are: (i) **consumer**, from higher cash aid, personal tax cuts and one-off payments concentrated around Aidilfitri and National Day; (ii) **property**, as first-home stamp-duty relief is extended to homes up to RM750k; (iii) **technology**, from c.RM3.4bn of Khazanah, KWAP and NIMP-linked capital for semiconductors and other high-value manufacturing; and (iv) **power and renewable energy**, from TNB's RM15bn grid investment, the extended green ITA and the government solar park. Conversely, **plantation** and **construction** face a minimum-wage headwind, partly cushioned by elevated CPO prices and the reintroduced VOP clause respectively.

Economics Highlights

Fiscal discipline balanced with sustainable growth

Budget 2027 keeps Malaysia's fiscal consolidation on track despite persistent geopolitical tensions. MoF estimates the fiscal deficit at **3.6% of GDP in 2026**, slightly above the initial target of 3.5% due to higher fuel and other subsidy costs. The deficit is projected to narrow to **3.3% in 2027**, in line with our forecast. This is supported by revenue (+4.7% YoY) outpacing expenditure (+3.6%). In level terms, the deficit is projected to ease to RM77.5bn (2026E: RM78.5bn).

Total revenue is projected to increase by 4.7% YoY to RM380.8bn in 2027 (2026E: RM363.6bn), driven by higher tax revenue of RM297.1bn (2026E: RM280.8bn). Resilient corporate earnings and the progressive implementation of e-invoicing should support tax collection. Non-tax revenue is expected to rise by 1.1% to RM83.7bn, underpinned by higher **dividends from Petronas (RM32bn; 2026E: RM27bn), BNM (RM7bn; 2026E: RM5bn) and Khazanah (RM3bn; 2026E: RM2bn)**. The government's Brent assumption remains at **USD85/bbl for both 2026 and 2027**, in line with our in-house assumption.

Total expenditure is projected to rise by 3.6% YoY to RM459.8bn in 2027 (2026E: RM444.1bn), comprising RM376.8bn (82.0%) in operating expenditure (OE) and RM83.0bn (18.0%) in development expenditure (DE). On the OE front, subsidies and social assistance are expected to remain elevated at RM72.7bn (2026E: RM74.5bn), including an estimated RM40bn in fuel subsidies. Meanwhile, the STR/SARA allocation increases to RM16bn from RM15bn. We view these targeted assistance measures as necessary to cushion households against elevated living costs. DE is also set to increase to RM83bn from RM81bn in 2026.

We view the government's 3.3% fiscal deficit target as achievable, assuming sustained economic growth. Budget 2027 remains rakyat-centric ahead of GE16, with continued assistance for households and support for businesses amid external headwinds. However, the challenge will be to sustain fiscal consolidation over the longer term without undermining domestic demand. In particular, **subsidy rationalisation and revenue-enhancing measures may prove difficult to implement without affecting public sentiment**.

Furthermore, the government remains reliant on Petronas and GLIC dividends to support its fiscal position amid a heavy subsidy burden. Meanwhile, rigid OE components such as emoluments and debt service charges leave little room for spending cuts. Continued policy reforms to reduce leakages and broaden the revenue base will therefore be essential to achieving the medium-term target of reducing the fiscal deficit to below 3.0% by 2028.

Table 1: Government Fiscal Targets

RM bn	RM bn			% YoY		
	2025	2026E	2027F	2025	2026E	2027F
Revenue	336.1	363.6	380.8	3.5	8.2	4.7
Operating expenditure	330.8	363.1	376.8	2.9	9.8	3.8
Current balance	5.3	0.6	4.0			
Gross development expenditure	81.9	81.0	83.0	-2.5	-1.1	2.5
Less: Loan recovery	1.3	1.9	1.5	-22.9	41.9	-21.1
Net development expenditure	80.6	79.1	81.5	-2.1	-1.8	3.0
Overall Balance	-75.3	-78.5	-77.5			
% Deficit to GDP	-3.7	-3.6	-3.3			

Source: Budget 2027, Apex Securities

Growth and inflation outlook remains intact

According to MOF, Malaysia's GDP is projected to grow by **4.2-5.2% in 2027** (2026e: 4.8-5.3%). The implied point forecasts are +5.2% for 2026 and +4.6% for 2027. Growth will continue to be supported by domestic demand, particularly private consumption and investment, underpinned by stable labour market conditions and robust investment activity amid the technology upcycle. On the supply side, the services and manufacturing sectors should remain key contributors, with tourism-related spending supporting services and continued demand for semiconductors and AI-related applications underpinning the E&E industry.

The increase in the minimum wage from RM1,700 to RM2,000 in June 2027 should support spending on essential goods, given the relatively high propensity to consume among lower-income households. Our preliminary estimate suggests that the direct income injection could amount to around RM1.2bn, equivalent to 0.06% of GDP. However, higher labour costs could weigh on business margins and discourage additional hiring, particularly among labour-intensive sectors. Businesses may initially absorb part of the cost, although some pass-through to consumers is likely if pressures persist. Overall, we expect the measure to support domestic consumption, but its **net economic impact is likely to be modest**.

We broadly concur with the government's view that domestic fundamentals remain resilient, though prolonged geopolitical tensions, volatile global trade policies, the high base effect and elevated business costs could pose downside risks to growth. For now, our projection is for GDP to grow **+5.0% YoY in 2026**, before moderating to **+4.5% in 2027** amid rising headwinds.

On the inflation front, MoF projects inflation to range **between +1.8% and +2.8% YoY in 2027** (2026E: 1.5-2.5%). This outlook is in line with our inflation forecasts of **+2.0% YoY for both 2026 and 2027**. Fuel subsidies and other targeted measures should help cushion the impact of elevated energy prices. Meanwhile, the minimum wage increase in 2027 could add to cost pressures, with producer price inflation having remained elevated this year. Nonetheless, the limited pass-through to consumer prices observed so far suggests that businesses face constraints in transferring higher costs to consumers. We expect this to help keep inflation in check.

Table 2: GDP Growth Projections

	% YoY		
	2025	2026E	2027F
Expenditure			
Private consumption	5.3	5.0	4.8
Private investment	9.4	7.8	7.1
Public consumption	5.3	3.8	3.2
Public investment	10.3	7.7	6.8
Exports	4.9	11.4	3.2
Imports	6.3	11.0	3.3
Sectors			
Services	5.4	5.5	5.2
Manufacturing	4.5	6.2	4.1
Agriculture	2.2	-2.1	0.5
Mining	0.6	2.6	1.2
Construction	12.2	6.4	5.7
Real GDP	5.2	4.8-5.3	4.2-5.2

Source: Budget 2027, Apex Securities

Sectorial Analysis

Construction

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Budget Impact	Key Measures	In-house View
Neutral	- Federal DE of RM83.0bn in 2027, up 2.5% from RM81.0bn in Budget 2026. - The government agreed to implement the Johor Bahru Elevated Autonomous Rapid Transit (e-ART) as the main solution to JB traffic congestion, complementing the RTS Link. - RM3.3bn for Sabah and Sarawak Road projects. The letter of acceptance for the Miri section of the Trans Borneo Highway has been issued, with the Limbang and Lawas sections expected by end-2026. The Sarawak-Sabah Link Road 1 and Pan Borneo Sabah Phase 1B are targeted for completion by end-2027. - Variation of Price (VOP) clause reintroduced to absorb cost increases in diesel and bitumen. - Government procurement reserved for G1-G4 Bumiputera contractors raised to RM7.5bn (2026: RM4.0bn). Direct-award threshold for maintenance and upgrading works raised to RM200k and quotation threshold to RM3m. JKR pre-approved-plan projects of up to RM5m may be tendered by quotation. - RM5.7bn in MARRIS funds for state roads, RM2.5bn for federal road maintenance (incl. c.RM800m for G1-G4 contractors) and RM2.3bn for rural roads (RM3.3bn for basic rural infrastructure in total). - RM2.5bn for the National Non-Revenue Water programme (replacing 1,900km of pipes). School repair allocation doubled to RM2bn, plus RM1.3bn to upgrade 682 dilapidated schools and RM2.3bn for civil-servant quarters. - Prasarana to invest over RM3.4bn in a rail-service overhaul; 42 new ETS and KTM Komuter train sets; RM1.1bn with MAHB for port roads and airport upgrades (Kota Kinabalu, Miri, Tawau, Sandakan, Penang). - New flood-mitigation projects in Kuching, Sungai Golok (Phase 2) and Sungai Kemaman; planning to begin for the Lebir Dam; RM100m for retention ponds in the Klang Valley. - GLICs to mobilise RM25bn in domestic investment under GEAR-uP, including the RM1.25bn New Economy Venture Fund (Sime Darby Property, EPF, LTAT) for data centres and industrial logistics in Elmina. - Minimum wage raised to RM2,000 from June 2027.	- No new mega rail announcement – infrastructure capex continues to rotate toward water/flood mitigation, rural roads and Sabah/Sarawak connectivity rather than new Klang Valley rail mega-projects. - A continuity budget for construction, in line with our preview. DE of RM83.0bn is constructive but does not signal a new stimulus cycle; the remaining 13MP envelope implies a back-loaded c.RM88.7bn a year over 2028-30. - The RM2,000 minimum wage is the key negative. A new minimum monthly wage of RM 2,000 would negatively impact core earnings. - The reintroduced VOP clause is a welcome margin safeguard for road and earthworks contractors on government jobs. It does not cover labour costs. - Confirmation of e-ART is positive for Johor-based contractors. The absence of MRT3 and Penang LRT CMC2 updates reinforces our view that the key catalysts (the CMC2 award targeted for November and MRT3 tenders) sit outside the Budget. - Water-sector players such as RANHILL (NR), TALIWRK (NR), JAKS (NR) and ISF (BUY, TP: RM1.03), stand to benefit from the Government's heightened focus on strengthening water infrastructure, including the RM2.5bn National Non-Revenue Water programme and the Klang Valley flood-mitigation works and dam capacity review. - Data centres remain the structural driver independent of public spending, with 3.8GW under construction implying RM76-95bn of construction value. - Maintain Overweight. Top picks: ISF (BUY, TP: RM1.03), KERJAYA (BUY, TP: RM3.75) and HSS (BUY, TP: RM0.70). ISF and HSS are the least wage-sensitive in our coverage.

Consumer

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Budget Impact	Key Measures	In-house View
Positive	- STR and SARA allocation increased to RM16bn in 2027 (2026: RM15bn). SARA assistance raised to up to RM150 a month (RM1,800 a year) for up to 9m STR recipients. - SARA MADANI of RM100, paid twice (ahead of Aidilfitri and the 70th National Day), extended to up to 13m non-STR Malaysians aged 18 and above, including the M40. - SARA usage extended to fresh produce at 216 FAMA farmers' markets and tamu. Small grocery shops in the SARA network to rise to 10k from 6,800 (out of 15k partners currently). - Jualan Rahmah MADANI and Jualan Agro MADANI allocation raised to RM750m from RM630m, targeting 35k programmes nationwide.	- Household support is larger than the headline STR/SARA figure suggests. STR/SARA of RM16bn was below our RM17bn expectation. However, the personal income tax cuts, which we did not anticipate, and c.RM2.7bn of one-off payments to civil servants and retirees broaden support to the M40. Disbursements are concentrated around Aidilfitri (1Q27) and National Day (3Q27). - The higher SARA rate and the larger small-grocer network give the most direct read-through to mass-market grocery. Beneficiaries: CCK (BUY, TP:

Budget Impact	Key Measures	In-house View
	- Individual tax relief raised to RM12,000 from RM9,000. Tax rates cut by 1ppt to 18% (RM70,001–100,000) and 24% (RM100,001–150,000), adding up to RM1,600 of disposable income for c.5m taxpayers. Income above RM1m to be taxed at 30%. - Minimum wage raised to RM2,000 from RM1,700 effective June 2027 (MSMEs with annual sales below RM50m exempted), plus a RM2,500 monthly wage floor for semi-skilled workers and graduates. - One-off special assistance of RM1,500 for 1.3m civil servants (Grade B and below) and RM750 for over 1m retirees, paid in two tranches. RM1,000 for 38k taxi and 15k school-bus drivers, disbursed next week. - Early Schooling Aid raised to RM200 per pupil (from RM150) for 5.3m pupils, with a RM1bn allocation. - Visit Malaysia Year extended to 2027 with RM935m for tourism and culture. Langkawi and Labuan duty-free limit raised to RM10,000 (minimum 48-hour stay). RM240m to host the 2027 SEA Games and ASEAN Para Games. - RM160m gig-worker package co-funded with Grab. An E-commerce Bill will be tabled to address unregulated foreign platforms.	RM1.17) and 99SMART (NR), MR D.I.Y. (NR) and Eco-Shop (NR). - The minimum wage supports purchasing power from 2H27 but raises costs for labour-intensive retail and F&B. The impact on profitability will depend on labour cost exposure, operating efficiency and the ability to pass on higher costs to consumers. KOPI (HOLD, TP: RM1.04) is more exposed given its outlet-expansion phase. PADINI (HOLD, TP: RM1.29) benefits from stronger discretionary spending but faces higher store wage costs. - VMY 2027 and the SEA Games should support footfall at malls and F&B outlets in tourist areas. - Absence of new sin-tax measures in the speech removes a near-term risk for tobacco and F&B operators, pending the Finance Bill. - Maintain Neutral. Fiscal support should sustain demand, but labour-cost inflation from June 2027 and value-conscious consumers cap margin upside. Top pick: CCK (BUY, TP: RM1.17), HI Mobility (BUY, TP: RM2.38) and OHM (BUY, TP: RM0.64).

Plantation

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Budget Impact	Key Measures	In-house View
Negative	- Minimum wage to be raised to RM2,000 from RM1,700 starting June 2027. - Manufacturers may reclaim sales tax on raw materials used to produce fertilisers and pesticides. Smallholder related: - Allocation for estate road repairs doubled to RM 100m from RM50m. - Hybrid financing amounting to RM 100m to support oil palm replanting for 4,500 smallholders - RM 200m in soft financing will be introduced to cover replanting costs for areas of up to 40 hectares. Repayments will be deferred for four years while the trees mature and begin bearing fruit. Growers will bear interest of only 2 per cent; the Government will cover the remaining interest. - RM 1.26bn allocated to FELDA to assist in safeguarding the welfare of settlers. - As of September, 290,000 smallholders will receive RM400/month in subsidy assistance. Small-scale oil palm farmers are included within this group. - RM 30m provided to control crop diseases and pest infestations, including Ganoderma, bagworms, and mealy bugs in the oil palm sector. Adjacent measures: - GLIC domestic investments into high-value sectors through Gear-upP will involve RM 25bn.	- The most immediate impact in our view is the raising of the minimum wage. According to our budget review, a new minimum monthly wage of RM 2,000 would negatively impact core earnings by c.2-10% for the stocks under our coverage. Also, no CPO windfall profit levy adjustments. (Negative) - The sales-tax reclaim on fertiliser and pesticide inputs could ease estate costs at the margin, depending on manufacturer pass-through. - As expected, much of the measures for securing Agricommodity Security primarily revolves around financial support for smallholders to assist in replanting and estate maintenance. (Neutral) - On adjacent related measures, we see a repeat of the Government's continued investment into high-value sectors. Should different industrial centres (JS-SEZ, etc) continue to be developed, nearby plantation landbanks could benefit from rising valuations over the long-term. (Mildly positive) - Maintain Overweight. Our thesis rests on tighter supply from the lagged El Niño impact and CPO prices of RM4,500/tonne (CY26) and RM4,700/tonne (CY27), which cushion higher wage costs through operating leverage. Top picks: HAPL (BUY, TP: RM3.31) and JPG (BUY, TP: RM2.23). HAPL is the most wage-sensitive in our coverage.

Utilities

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Budget Impact	Key Measures	In-house View
Neutral	- TNB to invest RM15bn to strengthen the national grid. - STATCOM systems to be installed at the Dam Road and Segaliud substations in Sabah (RM204m), with the Southern Link Transmission Line continuing as the long-term fix. Separately, the Federal Government continues to provide RM600m for Sabah's electricity supply. - PETRONAS and TNB to participate in cross-border energy projects under the ASEAN Power Grid. - TNB and telcos to support rural electricity and connectivity by pooling government funds and CSR contributions. TNB is also installing solar street lamps and rooftop solar on welfare homes and houses of worship. - NUR MADANI rebates of up to RM200 for energy-efficient air-conditioners and refrigerators. - RM2.5bn National Non-Revenue Water Reduction Programme to replace 1,900km of ageing pipes, the 40-year Perak-Penang bulk water agreement, Lebir Dam planning, the Machang water treatment plant, and a regional sewage treatment plant and sewerage network in Kuala Terengganu.	- TNB's RM15bn grid investment matches our estimate of c.RM15bn of FY27 regulated capex under RP4, including c.RM8bn of contingent capex. This confirmation secures the order flow for stocks in the grid supply chain such as CHEEDING (BUY, TP: RM0.96), SCGBHD (BUY, TP: RM3.35) and PEKAT (BUY, TP: RM3.42). - The permanent AFA fix remains the key overhang. Due to the budget's silence, we continue to treat TNB's share of the 800kWh relief (RM120–150m) as a one-off. - Silence on the carbon tax also supports our view that it will be deferred, removing a near-term risk for coal-fired generators. - The ASEAN Power Grid reference names no project, amount or timeline. We read it as positioning rather than new work for the grid supply chain. - The Perak–Penang bulk water agreement improves long-term supply security for PBA (NR). - Maintain Overweight. Top pick: TENAGA (BUY, TP: RM16.37), SCGBHD (BUY, higher TP: RM3.35)

Property

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Budget Impact	Key Measures	In-house View
Mildly Positive	- Full stamp-duty exemption on loan agreements and instruments of transfer for first homes up to RM500k. For first homes up to RM750k, the first RM500k is fully exempt and the balance 50% exempt. Applies to SPAs executed from 1 Jan 2027 to 31 Dec 2030. - Full stamp-duty exemption for rescuing contractors or developers and original purchasers of abandoned housing projects (2027–2030), targeting zero abandoned projects by 2030. - SJKP to provide up to RM20bn in financing guarantees for 80k first-time buyers, particularly the self-employed. - Nearly RM1bn for Rumah Mesra Rakyat and Program Residensi Rakyat. Bandar MADANI Bukit Jalil to be developed, and at least 2,500 Rumah MADANI units in Belfield, KL. 50 acres of KL land (valued at RM1bn) endowed to Yayasan Pelaburan Bumiputra for development by PNB. - KWAP to invest RM750m in the Vista Kampus student-residence project across six universities. - Johor: e-ART confirmed; JS-SEZ Master Plan and Blueprint to be launched by end-2026; Nexus Sedenak as a new industrial node (potential RM12bn investment, 45k jobs); Multi-Family Office model for Forest City. - RM1.25bn New Economy Venture Fund (Sime Darby Property, EPF, LTAT) for data centres and industrial logistics in Elmina. - ECRL Phase 1 to begin operations in December 2026, with public housing near the KotaSAS station. - Personal income tax cuts and higher relief for the M40.	- No new tax specifically targets the sector. - A policy-continuity budget, as expected, with one incremental positive: partial stamp-duty relief for first homes priced up to RM750k. On a RM750k first home, transfer stamp duty falls from c.RM16,500 to c.RM3,750, a saving of c.77%. This supports mid-market launches in the Klang Valley, Penang and Johor, where many first-home products are priced above RM500k. - No mandatory Build-Then-Sell timeline was announced, removing a near-term funding risk for developers reliant on progressive billing. - Regional catalysts like Penang's semiconductor positioning and Johor Bahru's e-ART finalisation support township developers with exposure to these corridors. - Minimum-wage impact is limited, with full-year core net profit sensitivities of -1.3% for Paramount, -1.0% for E&O and -0.3% for Kerjaya Prospek Property. - Beneficiaries of the RM750k stamp-duty tier: mid-market developers such as MAHSING (NR), SPSETIA (NR) and IOIPRO (NR). The Elmina fund benefits SIMEPROP (NR).

Budget Impact	Key Measures	In-house View
	The minimum wage will be raised from RM1,700 to RM2,000 (+17.6%), effective June 2027.	Maintain Overweight. Top picks: E&O (BUY, TP: RM0.97) and PARAMOUNT (BUY, TP: RM1.51).

Renewable Energy

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Budget Impact	Key Measures	In-house View
Mildly Negative	- Investment Tax Allowance of up to 100% for green and sustainable technology projects, EV charging stations, and green technology assets for own use is extended to 31 Dec 2030. The tiers have been recut: Solar is dropped from GITA Project and other renewables fall to 60% from 100%, with only green hydrogen and the newly added ocean thermal at 100%. - Under GITA Asset, solar will now only earn 100% when integrated with BESS or ESS, with standalone solar and BESS removed. - UEM Lestra to invest RM1bn, including an energy-storage project at KLIA and a 1GW hybrid energy project in Johor. - RM1.5bn centralised solar park for government buildings, creating opportunities for Bumiputera construction, engineering and maintenance companies. 150MW of LSS6 allocated to Bumiputera companies. - RM1bn KWAP Dana Iklim+ for renewable energy and decarbonisation projects. BPMB to allocate RM7bn across seven strategic sectors, including renewable energy.	- The lapse risk we flagged ahead of the 31 Dec 2026 deadline has materialised for solar. Developers lodging with MIDA after that date lose an allowance worth up to 24% of qualifying capex, which could weigh on LSS6 and CRESS project returns. - GITE for solar leasing is absent from the proposal, hence we view it as closed to new MIDA applications after 31 Dec 2026. It exempts 70% of statutory income for registered PV investors whose leased NEM and SELCO systems add up to more than 3MW, so the loss falls on the rooftop leasing model. - The RM1.5bn solar park opens a new EPCC pool of c.494MW (at c.RM3.04m/MW implied by LSS5+). It sits in the speech's Bumiputera agenda, so non-Bumiputera contractors likely take part through partners or as subcontractors; with no timeline or funding named, we see no awards before 2H27. The wider pipeline of LSS6 (1.25GW storage), CRESS (3,148MW registered) and UEM Lestra's KLIA project is already in place. - We expect a rush of GITA and GITE filings in 4Q26, as applications lodged by 31 Dec 2026 keep current terms. The second-order risk is developers recovering the lost allowance through higher LSS6 tariffs or tighter EPCC pricing. - SuRIA Home was not mentioned. Unless it is extended, residential rooftop demand is at risk once the rebate ends on 31 Dec 2026, and with standalone own-use solar dropping out of GITA Asset, C&I rooftop also loses support at the same time. - Beneficiaries: SLVEST (BUY, TP: RM5.11), SAMAIDEN (BUY, TP: RM3.99), PEKAT (BUY, TP: RM3.42) and KINERGY (BUY, TP: RM0.67). - Maintain Overweight (Renewables). Top pick: SLVEST (BUY, TP: RM5.11), SAMAIDEN (BUY, TP: RM3.99).

Technology

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Budget Impact	Key Measures	In-house View
Mildly Positive	- RM2.1bn from the NIMP fund, KWAP Dana Pamacu and Khazanah's MTC Fund for mid-tier companies in E&E, digital technology, aerospace and medical devices. RM450m for startups via Jelawang Capital and Dana Perintis. - Khazanah and KWAP to invest RM1.2bn to help local semiconductor companies move into higher-value segments, including a	In line with our preview: no single NSS figure, but targeted funding across capital, ecosystem and talent. The c.RM3.4bn of Khazanah, KWAP and NIMP-linked capital (RM1.2bn + RM2.1bn + RM0.1bn), though spread across several high-value sectors, compares with c.RM1.05bn of semiconductor-specific funding in Budget 2026 (RM550m + RM500m).

Budget Impact	Key Measures	In-house View
	Khazanah-Selangor state investment fund for the state's semiconductor industry. • RM100m Strategic Investment Fund by Khazanah and InvestPenang for early-stage semiconductor and advanced-manufacturing companies, positioning Penang as a technology finance centre. • MTDC's SemiconStart to provide follow-on equity for startups in IC design, advanced packaging and semiconductor materials. BPMB to allocate RM7bn across seven strategic sectors, including semiconductors. • RM6bn for R&D and commercialisation across ministries. 100k additional free AI subscriptions, RM30m for MDEC to help 4,000 MSMEs adopt AI, and automate operations, and to train and certify 5,000 AI professionals. The Sovereign AI Cloud is now being planned. • Accelerated Capital Allowances for locally produced machinery and ICT equipment extended to 2030. Manufacturers may reclaim sales tax on machinery, spare parts and equipment bought locally. Low-value asset limit raised to RM3,000. • Reinvestment Allowance under review to make it more targeted. • Global Services Hub incentives enhanced (5% preferential rate). Spouses of Category I Employment Pass holders allowed to work from 1 Jan 2027. • Total TVET allocation of RM8bn, including RM3bn for HRD Corp to offer 3m training places. New RM2,500 monthly wage floor for semi-skilled workers and graduates.	• The Penang fund and SemiconStart's focus on IC design and advanced packaging read through to SKYECHIP (BUY, TP: RM3.76) and QES (BUY, TP: RM0.75). • The extension of the Accelerated Capital Allowance for local plant and machinery to 2030 is expected to sustain demand for locally made equipment, benefiting VITROX (BUY, TP: RM11.12), MI (BUY, TP: RM6.38) and QES (BUY, TP: RM0.75). • TNB's RM15.0bn grid investment and the RM1.25b New Economy Venture Fund for data-centre assets in Elmina reinforce the data-centre build-out, a structural demand driver for data-centre electrical equipment players such as PWRWELL (HOLD, TP: RM1.10), while also benefiting SIMEPROP (NR) as a fund partner. • Conversely, the minimum wage hike to RM2,000 (+17.6%) from Jun 2027, alongside the new RM2,500 monthly wage floor for semi-skilled and graduate roles, is expected to raise operating costs for labour-intensive EMS players such as EG (BUY, TP: RM2.93), ATECH (HOLD, TP: RM0.72) and WENTEL (BUY, TP: RM0.39). • The Reinvestment Allowance review is a watch point. A more targeted RA could raise effective tax rates for manufacturers that rely on it during expansion. • The RM2,500 semi-skilled and graduate floor adds to the entry-level talent costs flagged in our Penang visits. The impact on margins should be modest, as most technical roles are already paid above this level. • Maintain Overweight. Top picks: VITROX (BUY, TP: RM11.12), EG (BUY, TP: RM2.93) and QES (BUY, TP: RM0.75).

Automotive

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Budget Impact	Key Measures	In-house View
Neutral	• Automotive Hi-Tech Valley (AHTV) in Tanjong Malim to be developed as a regional automotive hub. Wholly Malaysian-owned automotive vendors relocating there qualify for a tax deduction of up to RM5m on qualifying relocation expenditure incurred from 1 Jan 2027 to 31 Dec 2030. • Investment Tax Allowance of up to 100% for EV charging stations and green technology projects extended to 31 Dec 2030. Lembaga Lebuhraya Malaysia to provide 50 EV charging facilities at strategic locations. • Telematics systems to be mandated on commercial vehicles to monitor speed, location and high-risk driving, including alcohol-detection devices linked to engine start-up. Implementation is voluntary through 2027. • RM160m gig-worker package co-funded with Grab, including assistance with vehicle maintenance and insurance costs for e-	• Budget 2027 offers limited direct impetus for car sales: no new excise or EV purchase incentives were announced. • The AHTV relocation incentive is positive for localisation around the Proton ecosystem, benefiting DRBHCOM (NR) and Malaysian-owned component vendors such as PECCA (NR) and APM (NR). • Personal tax cuts, one-off civil-servant payments and the higher minimum wage support affordability in the mass-market segment, benefiting national marques. Beneficiaries: MBMR (NR) (via its Perodua stake) and DRBHCOM (NR). • Mandatory telematics for commercial vehicles (from 2028, after a voluntary 2027) creates a new

Budget Impact	Key Measures	In-house View
	hailing and p-hailing drivers. One-off RM1,000 for 38k taxi and rental-car drivers and 15k school-bus drivers. - ADTEC's Advanced Automotive Technology Programme to open highly skilled automotive career pathways for graduates. - Personal income tax cuts and higher relief for the M40; minimum wage raised to RM2,000 from June 2027. - No new revisions to vehicle excise duty structures or EV-specific purchase incentives were announced in the speech.	compliance-driven market for fleet telematics and in-vehicle hardware providers. - Extension of the ITA for EV charging supports continued build-out of charging infrastructure, though EV adoption remains driven by pricing rather than tax policy. - Overall Neutral for the sector. We do not formally cover the sector; stocks mentioned are Not Rated (NR).

Finance

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Budget Impact	Key Measures	In-house View
Mildly Positive	- SJPP and CGC to provide financing guarantees of up to RM32bn in 2027. SJPP coverage extended to mid-tier companies across all sectors with the guarantee limit raised to RM50m, including RM1bn earmarked for M&A by local companies. Total loan facilities and financing guarantees rise to RM57bn from RM50bn. - BNM to add another RM5bn to its financing facility for SMEs affected by the West Asia conflict (on top of the initial RM5bn). BPMB to allocate RM7bn across seven strategic sectors and a further RM1bn to support MSME exporters. - Microfinancing raised to RM6.6bn, including RM3bn under AIM, RM1.3bn under TEKUN and RM1.7bn from BSN. - Banks have begun offering basic credit cards at interest rates capped at 14% p.a. (Alliance Bank, Maybank and CIMB), with more banks encouraged to follow. - SJKP to provide up to RM20bn in housing financing guarantees for 80k first-time buyers. Full stamp-duty exemption extended to loan agreements for first homes up to RM500k, and partially for homes up to RM750k. - Stamp duty of only RM10 on excess-credit utilisation agreements and P2P loan agreements (2027–2030). Full stamp-duty exemption on the opening of savings and current accounts from 1 Jan 2027. - Tokenised retail savings sukuk to be introduced. 40% income tax exemption for Shariah-compliant fund managers (YA2028–2030). Tax deduction on issuance costs for Sukuk Prisma (YA2027–2030). - Global Services Hub companies managing treasury and funds to be exempt from withholding tax on interest and stamp duty on intercompany loans. Multi-Family Office model introduced for Forest City. - SC and the Hong Kong securities regulator have formalised cooperation to facilitate dual listings, with matching grants for listing costs. Income tax exemption for ECF and angel investors extended to 2030. - All Malaysians to be automatically registered as EPF members at 18. Bankruptcy threshold raised to RM150k from RM100k.	- Budget 2027 is mildly positive for banks through loan growth. Larger guarantee schemes (RM57bn in total), the extra RM5bn BNM SME facility and SJKP-backed mortgages support SME and first-home lending while limiting credit risk via government guarantees. Beneficiaries: MAYBANK (NR), PBBANK (NR), CIMB (NR) and RHBBANK (NR). - Islamic finance measures (tokenised retail sukuk, the Shariah fund-management exemption and Sukuk Prisma incentives) favour Islamic banking franchises such as BIMB (NR) and Islamic subsidiaries of the large banks. - The 14% cap on basic credit cards has a limited earnings impact: it applies to entry-level cards only and cards are a small share of system loans. ABMB (NR), MAYBANK and CIMB were named as early adopters. - Dual-listing cooperation with Hong Kong and the extended ECF and angel investor incentives support capital market activity, positive for BURSA (NR). - Overall, Mildly Positive for the sector. We do not formally cover the sector; stocks mentioned are Not Rated (NR).

Oil & Gas

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Budget Impact	Key Measures	In-house View
Neutral	- Fuel subsidies expected to remain high at RM40bn in 2027 following the West Asia conflict. BUDI95 monthly quota of 300 litres and BUDI Diesel quota of 400 litres for eligible jeep and pick-up owners maintained. - PETRONAS to transition to full ownership of the Pengerang Integrated Complex, positioning it as a strategic hub for fuel-supply security and higher-value products. - Pengerang Biorefinery, developed with Enilive, Eni and Euglena, to produce sustainable aviation fuel (SAF), HVO and bio-naphtha. - PETRONAS expanding its investment in Phase 2 of LNG Canada, a petroleum discovery in Suriname, and cooperation on the potential development of the Galkynish field in Turkmenistan. - PETRONAS and TNB involvement in cross-border projects under the ASEAN Power Grid. - GLCs and PETRONAS target RM58bn of procurement from Bumiputera companies; GLC procurement guidelines to be updated from 2027. - Full income tax exemption for Malaysian shipping companies extended to YA2036. Stamp duty on loans to purchase or build Malaysian ships fixed at RM2,000 (loans up to RM100m) or RM5,000 (above RM100m). - No mention of carbon-tax implementation in the speech.	- Budget 2027 has limited direct impact on upstream earnings, which remain driven by oil prices and PETRONAS capex. - Silence on the carbon tax, which Budget 2026 had slated for the iron, steel and energy industries, removes a near-term risk for major Scope 1 emitters such as PCHEM (NR) and LCTITAN (NR), pending details in the Finance Bill. - PETRONAS's full ownership of Pengerang and the new biorefinery support long-dated activity in the Pengerang cluster, benefiting terminal and plant-maintenance players such as DIALOG (NR). - The shipping tax exemption extension to YA2036 and the fixed stamp duty on ship financing are positive for MISC (NR). - RM40bn of fuel subsidies and unchanged BUDI95 quotas imply stable retail fuel volumes for PETDAG (NR), with no further rationalisation flagged in the speech. - Overall Neutral for the sector. We do not formally cover the sector; stocks mentioned are Not Rated (NR).

REITs

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Budget Impact	Key Measures	In-house View
Mildly Positive	- Visit Malaysia Year campaign extended to 2027, with RM935m allocated for tourism and culture, including flight-matching grants for new direct routes from China, India, Central Asia and Europe, expanded to cruise ships, ferries and tour buses. - RM240m to host the 2027 SEA Games and ASEAN Para Games. Rebates for organisers at venues with at least 10k capacity; tax incentives for incentive travel, international conferences and trade exhibitions extended to YA2030. - Langkawi and Labuan duty-free purchase limit for visitors raised to RM10,000 (minimum 48-hour stay). - Entertainment duty waived for events at Stadium Merdeka and Stadium Negara, and for local film and theatre tickets in the Federal Territories from 2027. - STR/SARA raised to RM16bn, personal income tax cuts, and one-off payments of RM1,500 to 1.3m civil servants and RM750 to over 1m retirees. - RM200m to outsource public patients to private hospitals, including use of private operating theatres. MediAsas plan to be launched from January 2027. Service tax on elderly care cut to 6% from 8%. - KWAP to invest RM750m in student residences (Vista Kampus) across six universities.	- Tourism measures, including the VMY 2027 extension, SEA Games and the expanded flight-matching grant, should lift tourist arrivals and support footfall and occupancy at prime retail malls and hotels. Beneficiaries: PAVREIT (NR), IGBREIT (NR), SUNREIT (NR) and KLCC (NR). - Higher cash aid, personal tax cuts and civil-servant payments around Aidilfitri and National Day support mall tenant sales, particularly for suburban and mass-market malls. - Expanded public-to-private patient outsourcing supports private hospital utilisation, a positive read-through for healthcare REIT ALAQAR (NR). - Our forecast of an OPR hike to 3.00% by end-2027 is a headwind for REIT valuations as yield spreads narrow, partly offsetting the stronger operating outlook. - Overall, Mildly Positive for the sector. We do not formally cover the sector; stocks mentioned are Not Rated (NR).

Telecommunication

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Budget Impact	Key Measures	In-house View
Mildly Positive	- JENDELA programme continues with a total investment of RM5bn. Next year's focus is to bring 4G to every Orang Asli village, extend internet access along 7,000km of roads and 1,700km of railway, and roll out the MADANI Submarine Cable (SALAM). - TNB and telecommunications companies to be involved in the provision of rural electricity and internet connectivity by pooling government funds and CSR contributions. - MCMC to invest RM1bn to accelerate the electronic medical record (EMR) system across healthcare facilities nationwide. - Sovereign AI Cloud being planned to keep the rakyat's data and strategic information under Malaysian control. 100k additional free AI subscriptions for young people. - NACSA and MCMC to develop home-grown post-quantum data protection technologies. MyDigital ID has more than 14m registered users. - Pusat Respons Penipuan Kebangsaan to develop an AI application to check suspicious numbers, accounts and links. MCMC has blocked more than 5.7bn scam-related calls and SMS messages. - E-commerce Bill to be tabled in the next Parliament sitting.	- A continuity budget for telcos: JENDELA and SALAM carry on with no new major policy measures. Rural coverage and the road and rail connectivity targets should sustain fibre-backhaul and tower works. Beneficiaries: TM (NR), TIME (NR), OCK (NR) and REDTONE (NR). - Rural connectivity delivery through pooled government funds and telco CSR could add to capex obligations for mobile operators such as CDB (NR) and MAXIS (NR), though it also accelerates rural coverage. - The RM1bn EMR rollout and the Sovereign AI Cloud are opportunities for enterprise and government cloud and data-centre providers, positive for TM (NR) and government-IT players. - Earnings upside remains capped as 5G monetisation lags, with limited ARPU uplift. - Overall Mildly Positive for the sector. We do not formally cover the sector; stocks mentioned are Not Rated (NR).

Transport & Logistics

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Budget Impact	Key Measures	In-house View
Positive	- Government and MAHB to provide RM1.1bn to upgrade port-area roads and airports in Kota Kinabalu, Miri, Tawau, Sandakan and Penang, and the Long Banga and Ba'Kelalan STOLports in Sarawak. - ECRL Phase 1 (Kota Bharu–Gombak) to begin operations in December 2026, with an agreed extension to Rantau Panjang. RM270m to enhance stage-bus services, including links to 15 East Coast stations. - Prasarana to invest over RM3.4bn in a rail-service overhaul. 42 new train sets for ETS and KTM Komuter. My50 continued and MyKomuter50 introduced. - Visit Malaysia Year extended to 2027 (RM935m for tourism and culture). Flight-matching grant for new direct routes from China, India, Central Asia and Europe. - Cross-border trade: Bukit Kayu Hitam–Sadao trade reached RM27bn in 1H26. The Delapan Special Border Economic Zone will be strengthened, with direct access to the Inland Container Depot and the 122-acre NCT InnoSphere logistics hub. Tebedu–Entikong trade route to reopen; Perlis Inland Port to be equipped with scanners. - JS-SEZ Master Plan and Blueprint to be launched by end-2026. Nexus Sedenak, a new industrial node with links to major ports. LuMIC in Lumut to be developed as a maritime hub. - Full income tax exemption for Malaysian shipping companies extended to YA2036. - Telematics mandated on commercial vehicles (voluntary through 2027). SOCSO health-screening vouchers for commercial drivers.	- Airport upgrades in Sabah, Sarawak and Penang, together with the flight-matching grants and VMY 2027, should support capacity growth and route expansion. Beneficiary: AAX (NR), now the consolidated AirAsia airline group. - Cross-border measures in Bukit Kayu Hitam, the JS-SEZ blueprint and Nexus Sedenak should drive freight volumes and demand for inland-port and warehousing services. Beneficiaries: TNLOGIS (NR), TASCO (NR) and SWIFT (NR). - The ECRL start-up in December and continued port-area road investment support port throughput. Beneficiaries: WPRTS (NR), and BIPORT (NR) for East Malaysia port activity. - The shipping tax exemption to YA2036 underpins earnings for Malaysian shipowners such as MISC (NR). - Capital A's logistics (Teleport) and MRO (ADE) units should benefit from higher tourism and air-cargo volumes. Beneficiary: CAPITALA (NR). - Overall Positive for the sector. We do not formally cover the sector; stocks mentioned are Not Rated (NR).

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

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(a) nil.
