

# Malaysia Budget 2024

## Sustaining fiscal consolidation

### A mix bag of the expected and the unexpected

Budget 2024's main highlights and takeaways are: 1) sustaining fiscal consolidation with lower budget deficit to GDP ratio of 4.3% (2022E: 5%; 2020-2022: 6.1%); 2) contain tax and non-tax measures to support fiscal consolidation that are both expected (e.g. Capital Gains Tax, High-Value/Luxury Goods Tax, Global Minimum Tax, targeted subsidy rationalisation, e-invoicing), and unexpected (i.e. hikes in Service and Sugar Taxes); and 3) aligning allocations and incentives with the recently announced policy frameworks, masterplans and roadmaps i.e. 12<sup>th</sup> Malaysia Plan Mid-Term Review (12MP MTR); New Industrial Master Plan (NIMP 2030); MADANI Economy; National Energy Transition Roadmap (NETR), thus benefitting sectors/industries/areas like construction/infra, MSMEs, electronics, chemical/petrochemicals, RE & EVs, startups, tourism, Islamic finance & halal, food security and global services hub.

### Mind the gaps

Information/details are lacking on some of the key Budget 2024 measures, including effective date for the implementation and the list of goods subjected to the High-Value/Luxury Goods Tax, as well as the timing and quantum of the targeted subsidy rationalization involving food, electricity and fuel subsidies, suggesting these Budget 2024 measures are still “work in progress”, hence for example the wide 2024 inflation rate forecast range of 2.1%-3.6%. We are also surprised that Budget 2024 was silent on the much-talked about Progressive Wage System (PWS).

### Equity market & sector implications

We are overall positive on Budget 2024 measures with fiscal consolidation commitment reiterated; yet, Budget 2024 is expansionary and pro-growth. Winner, in our view, is the Construction sector on higher development allocation and new projects like the KVLRT's 5 new stations (MYR4.7b), nationwide flood mitigation programme (MYR11.8b) and Penang LRT (MYR10b). Aviation sector is a key beneficiary of higher allocation to boost tourism, while selected players in the Consumer and Software Tech sectors are potential winners of measures in Budget 2024 (QLG, LHIB, CAB, HEIM, ITMAX, Ramssol, GHL, CTOS). Gaming is a clear loser due to a higher Service Tax rate that the gaming operators absorb, but the earnings impact is small and there are remedial measures.

### Valuation, sector weight, top BUYs

We make no change to the earnings forecasts of our research universe post Budget 2024. We also maintain our 2023 YE KLCI target at 1,520 which implies 13x 12M fwd. PER, and 2024 YE target range of 1,600-1,700 (tentative), based on 13-14x 12M fwd. PER. At 1,444 now, the KLCI is trading at 12.7x 12M fwd. PER, which is -1.6SD of its LT mean (since 2000) - this has been a short-lived market bottom in the past. We also make no change to our sector weight with the exception for Renewables which is now OW. As for our top BUY picks, we have added on Yinson and BArmada.

### Analysts

Suhaimi Ilias (Economics)  
(+603) 2297 8682  
Suhaimi\_iliash@maybank-ib.com

Wong Chew Hann (Equity Strategy)  
(+603) 2297 8686  
wchewh@maybank-ib.com

Malaysia Research & Economics Team  
(please refer to back pages for the full list)

### GDP growth estimate:

2023E	4.0%
2024E	4.4%

### YE KLCI target:

2023E	1,520
2024E	1,600-1,700

(Source: Maybank IBG Research)

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# 1. Macro highlights & takeaways

## 1.1 Budget 2024 in numbers...

**Target of 4.3% budget deficit to GDP ratio.** Budget 2024 aims to make further progress in fiscal consolidation. This follows the estimated deficit spending of 5.0% of GDP in 2023.

**3.5% average budget deficit to GDP ratio for 2024-2026.** The rolling 3-year Medium Term Fiscal Framework (MTFF) shows the average budget deficit to GDP ratio of 3.5% for the period 2024-2026, which implies budget deficit to GDP ratio declining further from 4.3% in 2024 to the average of 3.1% in 2025-2026, en route to achieve budget deficit to GDP ratio of 3.0% in the medium to longer-term, as outlined under the MADANI Economy framework and the recently passed Public Finance and Fiscal Responsibility Bill 2023, also known as Fiscal Responsibility Act (FRA).

**Figure 1: Federal Government's Revenue, Expenditure & Budget Balance**

MYRb	2022	Budget 2023	1H2023	8M2023	2023E	Budget 2024
Revenue	294.4	291.5	148.4	201.4	303.2	307.6
% chg YoY	25.9	(1.0)	19.4	16.2	3.0	1.5
Total Expenditure 1/	395.3	385.4	188.6	248.6	397.1	393.8
% chg YoY	18.5	(2.1)	17.6	10.4	0.5	(0.8)
Operating Expenditure	292.7	289.1	143.8	-	300.1	303.8
% chg YoY	26.4	(1.2)	10.8	-	2.5	1.2
Current Balance 2/	1.7	2.4	4.6	-	3.1	3.8
% of GDP	0.1	0.1	0.5	-	0.2	0.2
Gross Development Expenditure	71.6	97.0	44.8	-	97.0	90.0
% chg YoY	11.4	35.5	46.8	-	35.5	(7.2)
Net Development Expenditure	70.2	96.3	44.0	-	96.3	89.2
% chg YoY	10.2	37.2	46.5	-	37.2	(7.4)
COVID-19 Fund 3/	31.0	-	-	-	-	-
% chg YoY	(17.9)	-	-	-	-	-
Overall Balance 4/	(99.5)	(93.9)	(39.8)	(47.2)	(93.2)	(85.4)
% of GDP	(5.6)	(5.0)	(4.5)	-	(5.0)	(4.3)

1/ Operating Expenditure, Gross Development Expenditure & COVID-Fund

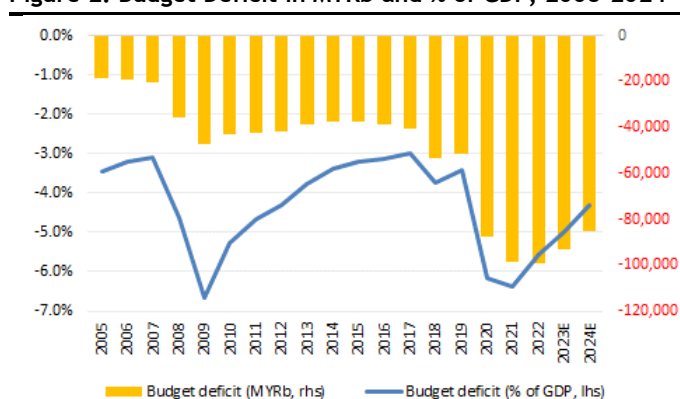
2/ Revenue Minus Operating Expenditure

3/ Established under Temporary Measures for Government Financing (COVID-19) Act 2020 for the period 2020-2022

4/ Revenue Minus Operating Expenditure, Net Development Expenditure & COVID-19 Fund

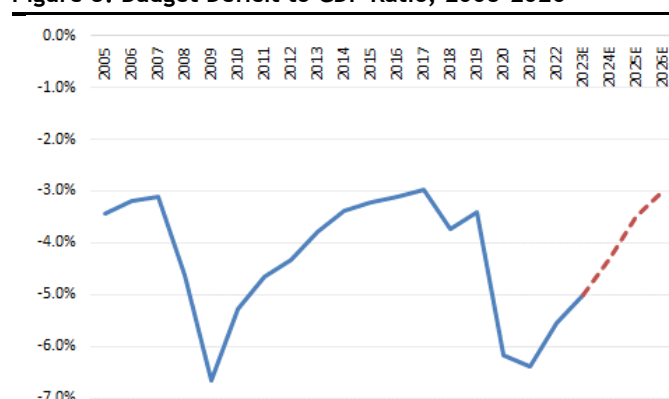
Source: Ministry of Finance (Budget 2023 & 2024), BNM, Maybank IBG Research

**Figure 2: Budget Deficit in MYRb and % of GDP, 2005-2024**



Source: Ministry of Finance (Fiscal Outlook 2024)

**Figure 3: Budget Deficit to GDP Ratio, 2005-2026**



Source: Ministry of Finance (Fiscal Outlook 2024)

Figure 4: Medium Term Fiscal Framework - Key Targets and Assumptions

	2023-2025 (Budget 2023 @ 24 Feb 2023)	2023 Actual to-date	2024-2026 (Budget 2024)
Average Budget Deficit/GDP Ratio	4.1%	1H 2023: 4.5%	3.5%
Real GDP Growth	4.7% p.a.	1H 2023: 4.2%	4.8% p.a.
Nominal GDP Growth	5.9% p.a.	1H 2023: 2.0%	6.7% p.a.
Average Crude Oil Price (Brent, USD/bbl)	80	9M2023: 82.1	80.0
Crude Oil Production	530k bpd	8M2023: 495.6k bpd	530k bpd

Sources: Ministry of Finance (Fiscal Outlook 2023 & 2024), Dept. of Statistics, Bloomberg, CEIC

**Marginal 1.5% rise in total revenue to MYR307.6b**, mainly on the projected +6.4% rise in tax revenue to MYR243.6b (2023E: +9.7% to MYR229.0b) driven by better collection of income taxes; measures announced in the Budget 2023 and continuous administrative efforts to expand the revenue base. This is on the back of -13.8% drop in non-tax revenue to MYR64.0b (2023E: -13.3% to MYR74.2b) due to lower proceeds from investment income, mainly reflecting lower dividend from Petronas (2024E: MYR32b; 2023E: MYR40b).

Figure 5: Federal Government Revenue, 2022-2024

COMPONENT	RM MILLION			CHANGE (%)			SHARE (%)		
	2022	2023 <sup>1</sup>	2024 <sup>2</sup>	2022	2023 <sup>1</sup>	2024 <sup>2</sup>	2022	2023 <sup>1</sup>	2024 <sup>2</sup>
<b>Tax revenue</b>	<b>208,765</b>	<b>229,020</b>	<b>243,620</b>	<b>20.2</b>	<b>9.7</b>	<b>6.4</b>	<b>70.9</b>	<b>75.5</b>	<b>79.2</b>
Direct tax	153,476	173,020	185,000	18.0	12.7	6.9	52.1	57.0	60.1
<i>of which:</i>									
CITA	82,133	98,435	106,420	2.9	19.8	8.1	27.9	32.5	34.6
Individual	33,776	39,725	42,460	24.9	17.6	6.9	11.5	13.1	13.8
PITA	23,421	20,520	21,750	102.4	-12.4	6.0	8.0	6.8	7.1
Indirect tax	55,289	56,000	58,620	26.8	1.3	4.7	18.8	18.5	19.1
<i>of which:</i>									
SST	31,368	34,200	35,800	22.5	9.0	4.7	10.7	11.3	11.6
Excise duties	12,556	13,100	13,600	22.6	4.3	3.8	4.2	4.3	4.4
Import duty	3,192	3,038	3,200	20.7	-4.8	5.3	1.1	1.0	1.0
Export duty	2,622	1,800	1,900	27.5	-31.4	5.6	0.9	0.6	0.6
<b>Non-tax revenue</b>	<b>85,592</b>	<b>74,180</b>	<b>63,980</b>	<b>42.5</b>	<b>-13.3</b>	<b>-13.8</b>	<b>29.1</b>	<b>24.5</b>	<b>20.8</b>
<i>of which:</i>									
Licences and permits	15,626	15,465	14,611	47.7	-1.0	-5.5	5.3	5.1	4.8
Investment income	58,223	47,775	39,710	66.3	-17.9	-16.9	19.8	15.8	12.9
<b>Total revenue</b>	<b>294,357</b>	<b>303,200</b>	<b>307,600</b>	<b>25.9</b>	<b>3.0</b>	<b>1.5</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Share of GDP (%)</b>	<b>16.4</b>	<b>16.4</b>	<b>15.6</b>						

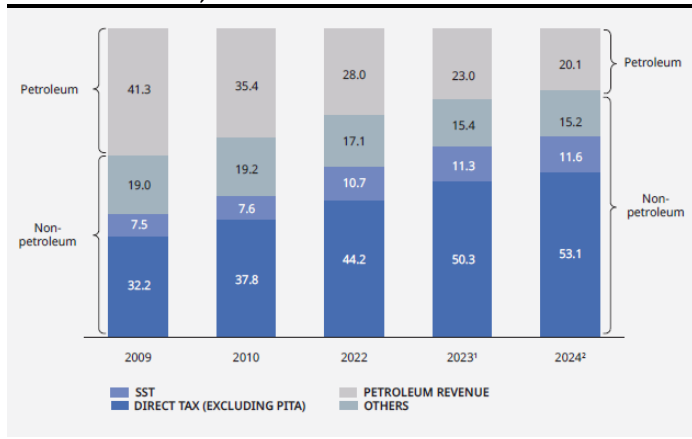
<sup>1</sup> Revised estimate

<sup>2</sup> Budget estimate, excluding 2024 Budget measures

Source: Ministry of Finance (Fiscal Outlook 2024)

Meanwhile, the overall petroleum-related revenue in 2024 is projected to drop by -11.5% to MYR61.8b (mainly due to lower Petronas dividend) and account for 20.1% of total revenue vs. MYR69.8b in 2023 to make up 23.0% of total revenue (note: record high was 41.3% in 2009).

**Figure 6: Petroleum-Related and Non-Petroleum Revenue (% of Total Revenue)**

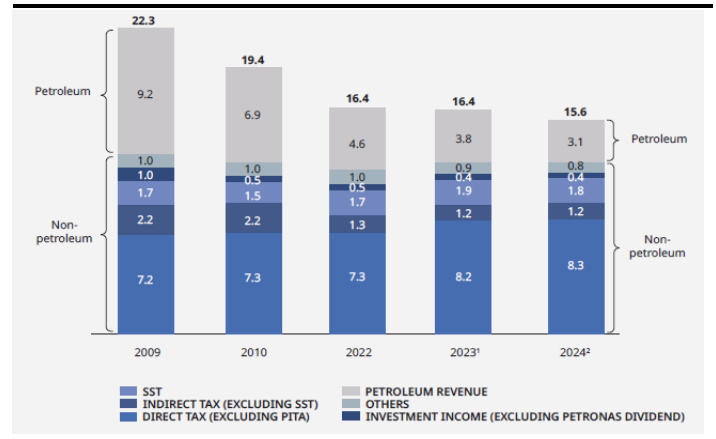


1/ Revised estimate

2/ Budget estimate, excluding Budget 2024 measures

Source: Ministry of Finance (Fiscal Outlook 2024)

**Figure 7: Revenue as percentage of GDP (% of GDP)**



1/ Revised estimate

2/ Budget estimate, excluding Budget 2024 measures

Source: Ministry of Finance (Fiscal Outlook 2024)

**Marginal -0.8% decline in total spending allocation to MYR393.8b, consisting of:**

- **MYR303.8b or +1.2% rise in Operating Expenditure (OE);** mainly on higher allocation for emoluments, debt service charges (DSC), retirement charges as well as supplies and services. The increases are offset by a lower subsidy allocation. Subsidies and social assistance, is projected to decrease by 17.9% to MYR52.8b, primarily due to the gradual implementation of subsidy rationalisation programmes mainly on fuel and electricity. Of the total, about 60% is allocated for subsidies while the remaining are for social assistance and incentives. The social assistance programmes will be further strengthened through the establishment of a new centralised database to address both inclusion and exclusion errors.
- **MYR90.0b or -7.2% drop in Gross Development Expenditure (GDE).** A sum of MYR45.2b (2023E: MYR55.0b) is provided for the economic sector to drive and support economic growth. The amount is lower compared to 2023, which included payment for maturing 1MDB bond (USD3b). The transport subsector receives the largest share with MYR19.1b or 21.3% of DE. New projects in this subsector include the construction of additional lanes for PLUS highway from Yong Peng Utara to Sedenak Phase 2 as well as upgrading of road in Bandar Baru Tunjong, Kota Bharu, Kelantan and Sebeyan to Kudat, Sabah. Allocation is also provided in serving the financial commitments, mainly for strategic infrastructure projects such as Mass Rapid Transit (MRT), Light Railway Transit (LRT), East Coast Rail Link (ECRL), Sabah and Sarawak Pan Borneo highways and Jambatan Kedua Pulau Pinang.
- The expenditure includes an increase in the 12MP ceiling by additional MYR15b, totalling MYR415b for the 5 year period.

Figure 8: Federal Government Operating Expenditure by Components, 2022-2024

COMPONENT	RM MILLION			CHANGE (%)			SHARE (%)		
	2022	2023 <sup>1</sup>	2024 <sup>2</sup>	2022	2023 <sup>1</sup>	2024 <sup>2</sup>	2022	2023 <sup>1</sup>	2024 <sup>2</sup>
Emoluments	87,789	91,273	95,641	2.3	4.0	4.8	30.0	30.4	31.5
Retirement charges	31,397	32,079	32,446	7.9	2.2	1.1	10.7	10.7	10.7
Debt service charges	41,269	46,100	49,800	8.4	11.7	8.0	14.1	15.4	16.4
Grants and transfers to state governments	8,122	8,077	8,747	7.6	-0.6	8.3	2.8	2.7	2.9
Supplies and services	34,692	33,984	38,002	39.2	-2.0	11.8	11.9	11.3	12.5
Subsidies and social assistance	67,358	64,228	52,757	192.3	-4.6	-17.9	23.0	21.4	17.4
Asset acquisition	767	911	1,704	28.8	18.8	87.0	0.3	0.3	0.6
Refunds and write-offs	549	459	534	13.9	-16.4	16.3	0.2	0.2	0.2
Grants to statutory bodies	14,014	15,269	15,645	4.7	9.0	2.5	4.8	5.1	5.1
Others	6,736	7,760	8,524	-20.9	15.2	9.8	2.2	2.5	2.7
<b>Total</b>	<b>292,693</b>	<b>300,140</b>	<b>303,800</b>	<b>26.4</b>	<b>2.5</b>	<b>1.2</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>% of GDP</b>	<b>16.3</b>	<b>16.2</b>	<b>15.4</b>						

<sup>1</sup> Revised estimate<sup>2</sup> Budget estimate, excluding Budget 2024 measures

Source: Ministry of Finance (Fiscal Outlook 2024)

Figure 9: Federal Government Development Expenditure by Sectors, 2022-2024

SECTOR	RM MILLION			CHANGE (%)			SHARE (%)		
	2022	2023 <sup>1</sup>	2024 <sup>2</sup>	2022	2023 <sup>1</sup>	2024 <sup>2</sup>	2022	2023 <sup>1</sup>	2024 <sup>2</sup>
<b>Economic</b>	<b>39,115</b>	<b>55,035</b>	<b>45,231</b>	<b>25.0</b>	<b>40.7</b>	<b>-17.8</b>	<b>54.6</b>	<b>56.7</b>	<b>50.3</b>
<i>of which:</i>									
Transport	16,560	17,565	19,128	27.5	6.1	8.9	23.1	18.1	21.3
Trade and industry	2,308	2,749	3,611	31.4	19.1	31.4	3.2	2.8	4.0
Energy and public utilities	2,359	3,240	3,070	11.6	37.4	-5.2	3.3	3.3	3.4
Agriculture	2,548	3,261	3,116	3.4	28.0	-4.4	3.6	3.4	3.5
Environment	1,736	2,673	3,330	32.5	54.0	24.6	2.4	2.8	3.7
<b>Social</b>	<b>21,132</b>	<b>26,546</b>	<b>28,320</b>	<b>-6.5</b>	<b>25.6</b>	<b>6.7</b>	<b>29.5</b>	<b>27.4</b>	<b>31.5</b>
<i>of which:</i>									
Education and training	10,029	13,557	14,268	21.9	35.2	5.2	14.0	14.0	15.9
Health	4,412	4,916	6,143	-49.4	11.4	25.0	6.2	5.1	6.8
Housing	1,653	2,114	1,998	21.5	27.9	-5.5	2.3	2.2	2.2
<b>Security</b>	<b>8,210</b>	<b>11,518</b>	<b>12,554</b>	<b>9.5</b>	<b>40.3</b>	<b>9.0</b>	<b>11.5</b>	<b>11.9</b>	<b>13.9</b>
<b>General administration</b>	<b>3,117</b>	<b>3,901</b>	<b>3,895</b>	<b>8.5</b>	<b>25.1</b>	<b>-0.2</b>	<b>4.4</b>	<b>4.0</b>	<b>4.3</b>
<b>Total</b>	<b>71,574</b>	<b>97,000</b>	<b>90,000</b>	<b>11.4</b>	<b>35.5</b>	<b>-7.2</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>% of GDP</b>	<b>4.0</b>	<b>5.2</b>	<b>4.6</b>						

<sup>1</sup> Revised estimate<sup>2</sup> Budget estimate, excluding Budget 2024 measures

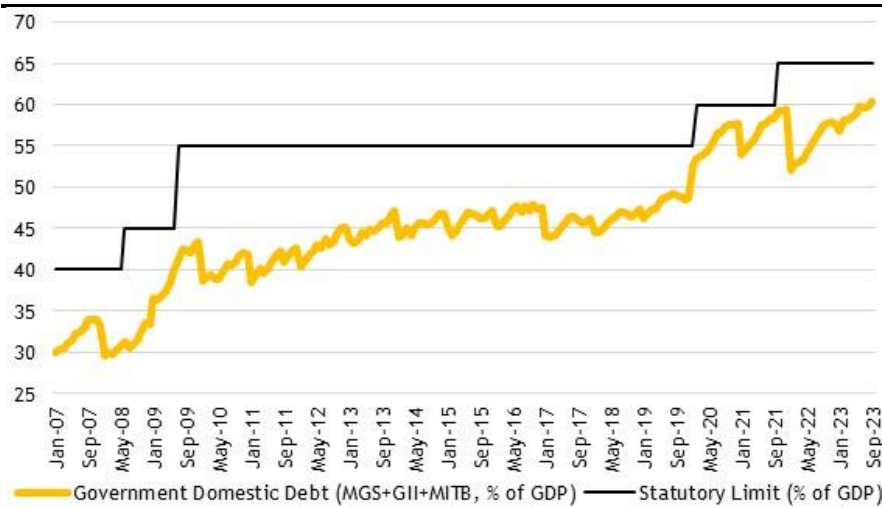
Source: Ministry of Finance (Fiscal Outlook 2024)

As at end-Sep 2023, the Federal Government statutory debt which comprises MGS, MGII and MITB recorded 60.4% of GDP, below the stipulated debt ceiling of 65.0% of GDP.

The Federal Government total debt is projected to be around 64.0% of GDP by end-2024 (end-June 2023: 61.9%), mainly for financing strategic development projects under the Twelfth Plan, among others, flood mitigation programme, Central Spine Road (CSR), Pan Borneo Sabah and Sarawak highways, Rapid Transit System Link (RTS Link) Project between Johor Bahru and Singapore as well as National Fiberisation and Connectivity Plan or currently known as Pelan Jalinan Digital Negara (JENDELA).

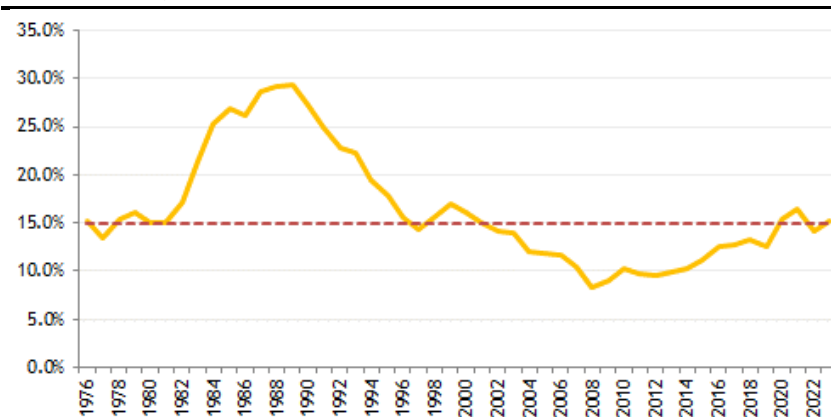
For 2023, the Federal Government allocated MYR46.1b or 15.2% of revenue (2022: MYR41.3b; 14%) for debt service charges (DSC). The DSC-to-revenue ratio stood higher than last year as a result of the elevated debt level. The DSC is primarily for domestic issuance estimated at MYR45.3b, while the remaining MYR0.8b is for offshore borrowings.

**Figure 10: Government Domestic Debt vs Statutory Ceiling (% of GDP)**



Government Domestic Debt is the sum of Malaysian Government Securities (MGS), Malaysian Government investment Issue (MGII) and Malaysian Islamic Treasury Bond (MITB)  
 Source: Bond Pricing Agency Malaysia (BPAM). Bank Negara Malaysia, Department of Statistics, Maybank IBG Research

**Figure 11: Federal Government Debt Service Charge (% of Federal Government Total Revenue)**



Source: Ministry of Finance, Bank Negara Malaysia, Maybank IBG Research

**Budget 2024 forecasts real GDP growth of between +4.0% and +5.0% vs the revised estimate of +4.0% growth for 2023, which is at the lower end of the previous projection of between +4.0% and +5.0%.**

**Underpinned by broad-based sector growth.** By sectors, the forecast of moderate economic growth next year reflects expansions in services sector (2024E: +5.6%; 2023E: +5.5% vs +5.0% previously), construction (2024E: +6.8%; 2023E: +6.3%), manufacturing (2024E: +4.2%; 2023E: +1.4% vs +4.0% previously) and agriculture (2024E: +1.2%; 2023E: +0.6% vs +0.7% previously) with recovery in mining (2024E: +2.7%; 2023E: -0.8% vs +2.0% previously).

**And pickups in both domestic and external demand on resilient private consumption as well as recovery in exports and imports of goods and services.** By demand, next year's growth is on account of firmer growth in both domestic demand (2024E: +5.3%; 2023E: +4.9% vs +5.4% previously) and net external demand growth (2024E: +5.5%; 2023E: +1.1% vs +9.7% previously).

Domestic demand growth is expected to pick up on acceleration in growth of private consumption (2024E: +5.3%; 2023E: +4.9% vs +5.4% previously) amid firmer growth in public consumption (2024E: +2.6%; 2023E: +1.0% vs +1.3% previously) and gross fixed capital formation (2024E: +6.1%; 2023E: +5.1% vs +6.0% previously) on the back of better private investment performance (2024E: +5.4%; 2023E: +4.3% vs +5.8% previously) and steady expansion in public investment (2024E: +8.3%; 2023E: +8.2% vs +7.0% previously).

The projected higher net external demand growth is on account of recovery in both exports (2024E: +4.1%; 2023E: -6.2% vs +2.7% previously) and imports (2024E: +3.9%; 2023E: -6.8% vs +2.1% previously) of goods and services. Concomitantly, growth in gross exports and gross imports are expected to turnaround to expand +5.1% (2023E: -7.8% from +1.5% previously) and +4.9% (2023E: -6.8% from +1.1% previously) respectively.

Inflation rate is expected to be between +2.1% and +3.6% in 2024 vs the estimated range of +2.5% and +3.0% in 2023. Unemployment rate is projected to drift marginally lower to 3.4% next year from 3.5% this year.

**Budget 2024 assumes USD85/bbl and MYR4,000-MYR4,500 per tonne average crude oil and crude palm oil (CPO) prices vs USD80/bbl and MYR3,500-MYR4,000 per tonne estimates for 2023.**



Figure 12: Malaysia - Real GDP (% chg)

	% Share of GDP (2023)	2021	2022	ACTUAL			2023E Revised (13 Oct 2023)	OFFICIAL	
				1Q 2023	2Q 2023	1H 2023		2023E (BNM, 29 Mar 2023)	Budget 2024E
<b>Real GDP</b>		<b>3.3</b>	<b>8.7</b>	<b>5.6</b>	<b>2.9</b>	<b>4.2</b>	<b>4.0</b>	<b>4.0-5.0</b>	<b>4.0-5.0</b>
Services	59.3	2.2	10.9	7.3	4.7	6.0	5.5	5.0	5.6
Manufacturing	23.5	9.5	8.1	3.2	0.1	1.7	1.4	4.0	4.2
Agriculture	6.3	(0.1)	0.1	1.0	(1.1)	(0.1)	0.6	0.7	1.2
Mining	6.1	0.9	2.6	2.4	(2.3)	0.1	(0.8)	2.0	2.7
Construction	3.6	(5.1)	5.0	7.4	6.2	6.8	6.3	6.3	6.8
<b>Domestic Demand</b>	<b>94.0</b>	<b>1.7</b>	<b>9.2</b>	<b>4.6</b>	<b>4.5</b>	<b>4.5</b>	<b>4.9</b>	<b>5.4</b>	<b>5.3</b>
Private Consumption	61.2	1.9	11.2	5.9	4.3	5.1	5.6	6.1	5.7
Public Consumption	12.9	5.3	4.5	(2.2)	3.8	0.8	1.0	1.3	2.6
Gross Fixed Capital Formation	20.0	(0.8)	6.8	4.9	5.5	5.2	5.1	6.0	6.1
Private Investment	15.4	2.6	7.2	4.7	5.1	4.9	4.3	5.8	5.4
Public Investment	4.6	(11.3)	5.3	5.9	7.9	6.7	8.2	7.0	8.3
Net External Demand	5.3	(4.1)	(1.0)	54.4	(3.7)	24.7	1.1	9.7	5.5
Exports of Goods & Services	67.3	15.4	14.5	(3.3)	(9.4)	(6.4)	(6.2)	2.7	4.1
Imports of Goods & Services	62.0	17.7	15.9	(6.5)	(9.7)	(8.1)	(6.8)	2.1	3.9

Sources: Dept. of Statistics, BNM (Economic & Monetary Review 2022, Mar 2023), Ministry of Finance (Budget 2024, Oct 2023)

Figure 13: Malaysia - Other Key Economic Indicators

	2021	ACTUAL		2023 YTD	2023E Revised (13 Oct 2023)	OFFICIAL	
		2022	2023			2023E (BNM, 29 Mar 2023)	Budget 2024E
Gross Exports (% chg)	26.1	24.9	(7.6)	(8M)	(7.8)	1.5	5.1
Gross Imports (% chg)	23.3	31.0	(8.6)	(8M)	(6.8)	1.1	4.9
Trade Balance (MYRb)	253.7	256.2	152.9	(8M)	224.2	265.3	237.3
Current Account Balance (MYRb)	60.2	55.1	13.4	(6M)	62.0	57.2	62.2
Current Account Balance (% of GDP)	3.8	3.1	1.5	(6M)	3.3	2.5-3.5	3.2
Fiscal Balance (% of GDP)	(6.4)	(5.6)	(4.5)	(6M)	(5.0)	(5.0)	(4.3)
Inflation Rate (CPI, %)	2.5	3.3	2.9	(8M)	2.5-3.0	2.8-3.8	2.1-3.6
Overnight Policy Rate (% p.a., end-period)	1.75	2.75	3.00	(9M)	-	-	-
Exchange Rate (MYR/USD, end-period)	4.17	4.40	4.69	(Sep)	-	-	-
Exchange Rate (MYR/USD, average)	4.14	4.40	4.53	(9M)	-	-	-
Unemployment Rate (%)	4.6	3.9	3.5	(8M)	3.5	3.5	3.4
Crude Oil (USD/bbl, Brent average)	70.5	101.2	82.1	(9M)	80.0	80-90	85.0
Crude Palm Oil (MYR/tonne, average)	4,426	5,115	3,876	(9M)	3,500-4,000	3,800-4,200	4,000-4,500

Sources: Bloomberg, CEIC, Dept. of Statistics, BNM (Economic & Monetary Review 2022, Mar 2023), Ministry of Finance (Budget 2024, Oct 2023)

## 1.2 Budget 2024 in measures...

On taxes, there is a mix of unexpected and expected measures.

- **Surprise hikes in Service Tax, “Sugar Tax” and Property Stamp Duty.**

- 1) **Service Tax rate will be hiked to 8% from 6% and the tax base will also be broadened** to include services like logistics, brokerage, underwriting and karaoke. Only the rate on F&B and telecommunication services will remain at 6%. The Government expects to collect extra revenue of MYR3.45b from this move. We see this as a revision to Budget 2022’s proposal to broaden the 6% Service Tax to include good delivery services provided by delivery service providers, including e-commerce platforms (F&B deliveries and logistic services are exempted) that was supposed to be implemented on 1 July 2022, then delayed to 1 Jan 2023, and subsequently postponed indefinitely.

- 2) **Excise duties on sugar-sweetened beverages (“sugar tax”) will be raised to 50 sen/litre from 40 sen/litre.** This is expected to generate MYR1.15b in additional revenue. We also see this as a revision to Budget 2022’s proposed expansion of “sugar tax” to include pre-mixed preparation products in addition to existing listed categories of ready-to-drink products that was supposed to be implemented on 1 Apr 2022, but postponed to 1 Nov 2022 and again to 1 Jan 2023, only to be put on hold.

- 3) **Review of stamp duty on property purchases by non-citizens i.e. a flat rate of 4% to be imposed on the instrument of transfer executed by foreign-owned companies and non-citizen individuals (except Malaysian permanent residents) vs the current *ad valorem* rate on sales price or market value of property (whichever is higher) i.e. 1% on the first MYR100,000; 2% on the next MYR100,001 to MYR500,000; 3% on the next MYR500,001 to MYR1,000,000; and 4% on the next MYR1,000,001 and above.**

- **Announcements of Capital Gains Tax (CGT), High-Value/Luxury Goods Tax and Global Minimum Tax as expected.**

- 1) **CGT will be imposed on gains from the disposal of unlisted local companies’ shares as proposed in the re-tabled Budget 2023 (24 Feb 2023).** For unlisted shares acquired before 1 Mar 2024, taxpayers can opt for 10% tax rate on net gains or 2% tax rate on gross value of sales. For unlisted shares acquired after 1 Mar 2024, the 10% tax rate on net gains will be applied. However, according to the Budget 2024 speech, CGT is proposed to be exempted from the disposal of shares related to initial public offerings (IPO) approved by Bursa Malaysia, restructuring exercise involving companies in the same group, and venture capital companies. Revenue gain appears to be small, as per the projected MYR69m gains from the Budget 2024’s proposed “Other Direct Tax” measures, which we assume to also include the above stamp duty revision.

- 2) **High-Value/Luxury Goods Tax** is another tax measure for next year mentioned in Budget 2024 speech that was also proposed in the re-tabled Budget 2023. The proposed tax rate is between 5% and 10% - the same as Sales Tax rates on goods - and imposed on threshold value of luxury goods like watches and jewelry. To ensure the tourism industry is not adversely affected by the tax, foreign tourists are eligible to claim refunds. In a way, the High-Value or Luxury Goods Tax is a shift from another Budget 2022's tax measure that was announced but not implemented i.e. 10% sales tax on Low-Value Goods (<MYR500 from abroad sold online by sellers and delivered to consumers in Malaysia) that was supposed to be effective on 1 Jan 2023 but delayed to 1 Apr 2023, and then deferred indefinitely.
- 3) **Global Minimum Tax (GMT)** will be implemented in 2025 on companies with a global income of at least EUR750m. No GMT rate was mentioned in the budget speech, but the currently agreed rate globally is 15%.

**Revenue enhancement measures of the “non-tax” kind.** Budget 2024 also contains other measures to enhance revenue aside from adjusting existing taxes and implementing new taxes highlighted above. These include:

- **Electronic invoicing system (“e-invoicing”)** to improve tax system efficiency and transparency, as well as strengthen tax compliance by providing a more reliable tax audit trail and process, plus plugging leakages in the tax system due to “black/underground” economy. “e-invoicing” will begin with business taxpayers with annual income/sales of over MYR100m starting 1 Aug 2024 and will be expanded to include other (lower) income category in phases with a comprehensive implementation target by 1 July 2025.

This is actually a faster implementation timeline than what we understand was the previous plan (i.e. starting with taxpayers with annual income/sales of over MYR100m on 1 June 2024, to be followed by taxpayers with income/sales of MYR51m to MYR100m starting 1 Jan 2025, taxpayers with income/sales of MYR26m to MYR50m starting 1 Jan 2026, before it is applicable to all taxpayers by 1 Jan 2027).

- **Tightening further anti-smuggling measures on cigarettes and liquor products** i.e. transshipment activities for liquor products will be restricted to certain ports only; the Bukit Kayu Hitam Immigration, Customs, Quarantine and Security Complex will be used as the sole exit for the northern region; and cigarettes import activities for the domestic market should be carried out on a full container load.

**Targeted subsidy rationalization coming in 2024, involving food (chicken and eggs), electricity and fuel subsidies.** Budget 2024 Speech mentioned the ending of subsidy for chicken and eggs that was introduced in Feb 2022 and costing MYR3.8b to-date. This is as chicken and eggs supplies have stabilized and prices have dropped to below the ceiling prices. The Government also signals that it will make further adjustment in the targeted electricity subsidy based on electricity consumption implemented this year. Fuel subsidy will also be rationalized in stages, focusing on diesel to address leakages as implied by the data showing that since 2019 to-date, sales of subsidized diesel rose 40% but vs the diesel vehicles rose by less than 3%.

**Enhancements to cash handouts and welfare assistance, plus civil service “goodies”.** In 2024, the allocation for Rahmah Cash Contribution (STR) will be raised by 25% to MYR10b (2023: MYR8b) reflecting enhancements to the cash handout programme such as higher maximum and minimum amount of MYR3,700 (2023: MYR3,100) and MYR500 (2023: MYR350).

In addition, the recipients of another Government financial assistance programme, the Basic Rahmah Contribution (SARA), will be increased to 700,000 next year (2023: 200,000) and the MYR100 per month assistance will be extended for a period of 12 months (2023: 6 months). At the same time, the eligibility criteria Social Welfare Department’s aids are expanded in line with the increase in food Poverty Line Income (PLI) to MYR1,198 per month this year.

Meanwhile, pending the review of the Public Service Remuneration System expected to be completed by end of next year, the Government will give incentives of MYR2,000 to civil servants under the Grade 56 and below, and MYR1,000 to senior civil servants as well as Government pensioners via one-off payments in Feb 2024.

**Sectors, industries and areas/activities that are the key beneficiaries of Budget 2024 allocations and incentives include:**

- **Construction and Infrastructure**, underpinned by the MYR90b allocation for 2024 Gross Development Expenditure (GDE). Although this is a lower (-7.2%) figure vs MYR97b in 2023, this year’s GDE include USD3b redemption of 1MDB bond (MYR14b at USDMYR rate of 4.73 on Friday 13 Oct 2023 close). Excluding this, 2023 GDE would have been MYR83b.

Some of the key items under 2024 GDE allocations include MYR12.4b for Sabah and Sarawak (2023E: MY12.1Rb); MYR11.8b for flood mitigation projects; MYR8b for repair and maintenance works on roads and bridges; MYR4b for rural basic infrastructure; MYR2.5b for low-cost and affordable housing programmes.

Major infrastructure projects mentioned in the Budget 2024 speech include 19 packages of work for Phase 1b of Sabah’s Pan Borneo Highway project spanning 366km (MYR15.7b); Penang LRT (MYR10b); Sarawak-Sabah Link Road (SSLR) Phase 2 project spanning over 320km (MYR7.4b); construct additional five Klang Valley LRT3 stations (MYR4.7b); expansion project of the North-South Expressway (PLUS) from four to six lanes from Sedenak to Simpang Renggam in Johor (MYR931m).

- **Priority, Strategic and High-Value, High-Growth (HVHG) sectors and industries** with incentives and measures such as:
  - 1) **Investment tax allowance of between 60% and 100% on qualified capital expenditure and statutory income based in the outcome of increasing capacity and investment in high-value activities** under the New Industrial Master Plan 2030 (NIMP 2030). Read through of the NIMP 2030 point to high-value sectors/industries like energy transition - namely renewable energy (RE) as well as carbon capture, utilisation and storage (CCUS); green mobility - notably electric vehicles (EVs); advanced electronics; digital economy; specialty chemicals; healthcare (e.g. pharmaceuticals; medical devices); machinery & equipment; aerospace; advanced materials; and agriculture & agro-based.

- 2) **Micro, Small and Medium Enterprises (MSMEs)** i.e. MYR44b in total loans and financing guarantees, including MYR8b in BNM's loan funds for SMEs; MYR2.4b for micro and small traders; MYR1b in Government grant and BNM loan fund for MSMEs' automation and digitalisation; MYR20b loan guarantee fund with up to 80% guarantee by Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP) on SME loans in green economy, technology and halal segments.
- 3) **Chemicals and Petrochemicals** i.e. Pengerang Integrated Petroleum Complex (PIPC) as development hub for the chemical and petrochemical sector with a tax incentive package in the form of a special tax rate or investment tax allowance.
- 4) **Electronics** i.e. open a high-tech industrial area in Kerian, North Perak to expand the E&E cluster in north Peninsular Malaysia (in addition to the Industrial Area in Bayan Lepas, Penang and Kulim Hi-Tech Park, Kedah).
- 5) **Green eco-system - net zero/low-carbon, renewable energy, electric vehicles (EVs)** i.e. MYR200b transition funding by financial institutions; MYR2b National Energy Transition Facilitation Fund (as announced under the National Energy Transition Roadmap (NETR)); improve the Corporate Green Power Programme as one of the implementation methods of the Third Party Access (TPA) model; MYR170m investment by TNB, Petronas' Gentari and Tesla Malaysia to install 180 EV charging stations; extend until 2027 the individual income tax relief of up to MYR2,500 on expenses for EV charging facilities and the tax deduction for EV rental costs; up to MYR2,400 rebates for buyers of electric motorcycles with an annual income of below MYR120,000 under Electric Motorcycle Usage Incentive Scheme; use of EVs as Government's official vehicles and public transport, namely buses; incentives (e.g. extension of Net Energy Metering (NEM) and "Zero Capital Cost" subscription model) and allocations for installations of solar panels at residential and Government buildings;
- 6) **Tourism** in the run up to Visit Malaysia Year 2026 i.e. initiatives under Malaysia Visa Liberalisation Plan, including improving Visa-On-Arrival (VOA) facilities, social visit passes and Multiple Entry Visa offers to encourage the entry of tourists especially from India and China and ease the existing conditions for the application of Malaysia My Second Home (MM2H); lower the entertainment duty rate for the Federal Territory from 25% to fully exempt stage performances by local artists, to 5% for theme parks, family recreation and indoor play centres and simulators, and to 10% for stage performances by international artists, film screenings as well as sports and games events.
- 7) **Startups** i.e. develop MYStartup platform as a single window that brings together startups by simplifying business activities throughout their lifecycle and optimising MYR200m fund under various funding agencies and venture capital under a single platform; MYR1.5b funding from Government-linked Companies (GLCs) and Government-Linked Investment Companies (GLICs) to encourage startups - including Bumiputera SME entrepreneurs to venture into HGHV fields such as the digital economy, space technology and E&E; extend tax incentives for equity crowdfunding (ECF) and angel investors by another 3 years until 31 December 2026.

- 8) **Islamic finance and halal industry** i.e. tax exemption on income derived from Islamic Securities Selling and Buying (ISSB); extension of tax deduction on the issuance of Sustainable and Responsible Investment (SRI) Sukuk and income tax exemption period for Shariah-compliant fund management services companies by 4 years until 2027; income tax exemption for Islamic finance activities under Labuan International Business & Financial Centre (IBFC); financial institutions' special programmes for halal SMEs under the integrated halal platform that provides access to special funds and capacity building programmes; shorten the halal certificate processing period from 51 days to 30 days.
- 9) **Food Security** i.e. over MYR8b in subsidies, incentives, assistances and funding for agro-based/agro-food sector, including farmers and fishermen.
- 10) **Global Services Hub** i.e. tax incentive via a reduced income tax rate of 5% or 10% for a period of up to 10 years, targeting activities like Regional P&L/Business Management Unit, Strategic Business Planning, Corporate Development, and Strategic, Business & Shared Service. The incentive is subject to "outcome-based" conditions including high value full-time employees, local ancillary services, collaboration with higher education institution/TVET, and raining for Malaysian students/citizen.

### 1.3 Budget 2024 in our opinion...

**Medium-to-long-term fiscal consolidation is on track**, with next year's budget deficit to GDP ratio target of 4.3% for 2024 vs 5.0% estimate for 2023 and 2020-2022 average of 6.1%. This is en-route to the Medium-Term Fiscal Framework's target of 3.1% average in 2025-2026, approaching the aims of the Fiscal Responsibility Act (FRA - *see below*) and MADANI Economy i.e. capping budget deficit to no more than 3% of GDP in the longer term.

At the same time, the budget deficit value is also projected to be lower at MYR85.4b in 2024 (2023: MYR93.2b), the first sub-MYR90b budget deficit since 2020 (MYR87.6b) and the lowest since 2019 (MYR51.5b). Thus, the budget deficit to GDP ratio reduction is not just the result of "arithmetic effect" due to GDP growth.

**The approach in fiscal consolidation is broad-based and balanced between tax, spending, administrative and legislative measures** i.e. broadening revenues via adjustments in existing taxes like Services and "Sugar" Taxes and implementing new taxes like Capital Gains, High-Value/Luxury Goods and Global Minimum taxes; rolling out targeted subsidy rationalisation; enhancing tax efficiency and compliance (e.g. "e-invoicing"); as well as strengthening fiscal governance and financial discipline via legislative reforms, namely Fiscal Responsibility Act and Government Procurement Act (*see below*).

**Fiscal Responsibility Act (FRA - note: the official name of the act is Public Finance and Fiscal Responsibility Bill 2023)** is already out of the bag as it was tabled at the Parliament for first reading on 10 Oct 2023 and passed by the Parliament on 11 Oct 2023, ahead of Budget 2024 tabling. Key provisions of FRA include four fiscal targets:

- Budget deficit to GDP ratio of 3% or less next 3-5 years
- Annual development expenditure of at least 3% of GDP
- Government debt to GDP ratio of 60% or less next 3-5 years (*note: our check with MoF is the Government debt here refers to total - not domestic debt (MGS+GII+MITB) currently subjected to the 65% of GDP ceiling*)
- Government guarantees or contingent liability not exceeding 25% of GDP
- Any deviations from the above four targets must be explained by the Government via - Minister/Ministry of Finance - to the Parliament at regular or special sessions. However, the Bill provides for flexibility to suspend the fiscal targets for a “temporary deviation period” in unforeseen circumstances such as health and economic crises. Under such situations, the government need only table a fiscal adjustment plan in Parliament.
- Government to publish a mid-year financial performance report every September, once FRA comes into force (*note: The Government (i.e. Ministry of Finance) has technically started this via mid-year reviews of Budget 2022 on 3 June 2022 and Budget 2023 on 27 Sep 2023*).

**Government Procurement Act (GPA)** is the next key legislative measure to further enhance fiscal governance and strengthen public finance discipline. GPA is expected to be tabled in 2Q 2024. GPA is essentially to improve governance in public spending and contracts, especially via open tender as well as compulsory audit and accountability in large-value procurement/contracts.

**Budget 2024 is also aligned with the recently announced medium-to-long term economic, industry and policy frameworks, masterplans and roadmaps** i.e. 12 Malaysia Plan Mid-Term Review (12MP MTR), New Industrial Master Plan 2030 (NIMP2030), MADANI Economy narrative and framework, and National Energy Transition Roadmap (NETR). This is amply demonstrated by the sectors, industries and areas/activities that are the key beneficiaries of Budget 2024 allocations and incentives, as highlighted in the previous section.

**But there are some “gaps” in information and details on some of the announced - and what we had expected as - key Budget 2024 measures.** These include:

- **Capital Gains Tax (CGT) exempt status of venture capital.** Budget 2024 speech mentioned that the disposal of shares related to initial public offerings (IPO) approved by Bursa Malaysia, restructuring exercise involving companies in the same group, and venture capital (VC) companies are proposed to be exempted from CGT, but the Budget 2024’s list of appendices on tax measures does not mention VC.
- **Implementation of High-Value/Luxury Goods Tax** - While Budget 2024 announced this tax, it is not in the Budget 2024’s list of appendices on tax measures. Furthermore, the only detail available at the moment is the tax rate of between 5% to 10% imposed on certain high value items such as jewellery and watches based on the threshold value of the goods price. There is no date of implementation (unlike CGT) and no list on the categories/types of high-value goods and their threshold values subjected to the tax. This suggests the tax is a “work in progress” and the Government is still engaging the relevant stakeholders.

- **Targeted Subsidy Rationalisation Rollout.**

- 1) It is not clear when the chicken and eggs subsidy will officially end. Budget 2024 speech stated that there will be an announcement by the Ministry of Agriculture and Food Security “in two weeks’ time”.
- 2) Budget 2024 speech indicates that the targeted fuel subsidy rationalization will focus on diesel, without providing any information or details on the mechanism, timing and quantum of the diesel subsidy rationalization, other than saying it will be done in stages. There was no mention of other components of fuel subsidies i.e. petrol and liquefied petroleum gas (LPG - cooking gas). Also, as mentioned above, Budget 2024 speech signals there will be further adjustment in the targeted electricity subsidy based on electricity consumption implemented this year.

The Fiscal Report 2024 shows a sizeable MYR11.5b (-17.9%) drop in next year’s Operating Expenditure allocation for “Subsidies and Social Assistance” to MYR52.8b (2023E: MYR64.2b; -4.6%), attributed to fuel and electricity subsidy rationalisation. This is against the higher official annual average crude oil price assumption of USD85b (2023E: USD80b).

We “guesstimated” that around half of fuel subsidies is for petrol, around one-third is for diesel and the balance is for liquefied petroleum gas (LPG - cooking gas). With diesel subsidies being rationalized rather than completely removed, and as we do not expect anything to happen on LPG, there must also be rationalization in petrol subsidies.

Our take is that the whole process of implementing targeted fuel subsidy rationalization, and enhancing the existing targeted electricity subsidy, is pending the rollout of the Central Database Hub (Pangkalan Data Utama or PADU), which was not mentioned in Budget 2024. PADU was announced in May 2023. It combines 270 databases from ministries, federal government agencies, state governments and statutory bodies through data-sharing agreements to consolidate and centralise the socio-economic information of individuals/households in the country. The latest available update on PADU is that it was 60% complete as of Sep 2023 and will undergo a trial run in Nov 2023 before being accessible to the public in Jan 2024 for personal information verification. Consequently, we expect more - or full - information and details on the targeted subsidy rationalization to come only after Jan 2024.

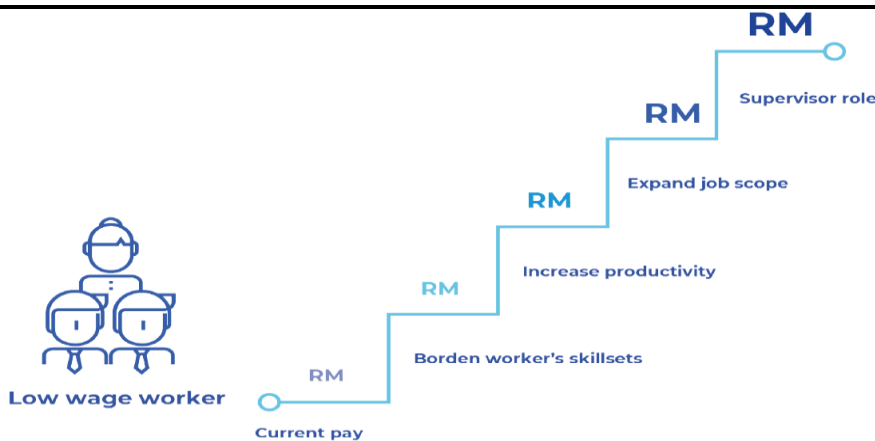
And underscoring the still fluid situation with regards to the system, timing and size of the targeted subsidy rationalization, we noted that the official 2024 inflation rate forecast is a wide range of 2.1% to 3.6% (2023E: 2.5%-3.0%).



- Budget 2024 was silent in Progressive Wage System (PWS).** We had expected this to be one of the major policy announcements in Budget 2024, especially following the Economy Minister’s statements that the PWS is expected to be implemented in 2Q 2024. PWS involves Government providing cash incentives (a form of wage subsidies...?) for employers that voluntarily participate and adopt PWS which complements the mandatory Minimum Wage. Government cash incentives will be given to employers - especially the micro, small and medium enterprises (MSMEs) - subject to proof and documentations that both employers and employees meet the terms and conditions of PWS. These include the quantitative and qualitative requirements of the system/model such as employers raising wages/salaries of lower income workers targeted and/or covered under PWS, as well as employees raising their productivity, improve their skills via Government-recognised training courses and programmes, and expand their job scopes (Figure 14).

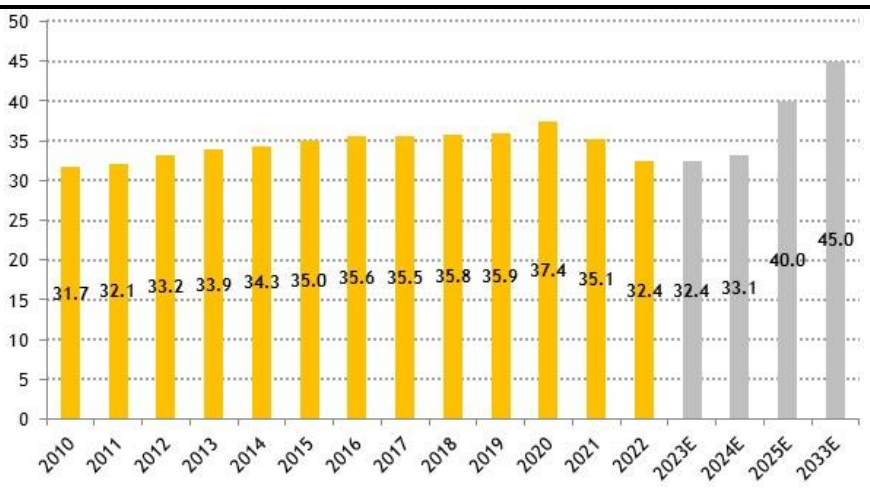
We see PWS as a key policy to achieve 12MP MTR’s and MADANI Economy’s target to raise workers’ share of GDP by Income to 40% by 2025 and 45% by 2033 (2023E; ; 2022: 32.4%; Figure 15) and NIMP 2030’s aim of raising the manufacturing sector median monthly salary to MYR4,510 in 2030 (1Q 2023: MYR2,503; Figure 16).

**Figure 14: Malaysia - Schematic on Progressive Wage System**



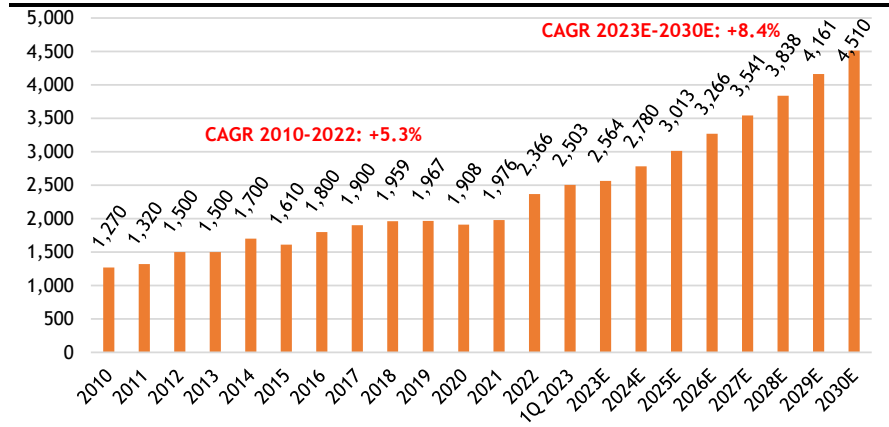
Source: NIMP 2030

**Figure 15: Malaysia - Compensation of Employees (% Share of GDP)**



Source: MADANI Economy

Figure 16: Malaysia - Manufacturing Sector Median Monthly Salary (MYR)



Source: NIMP 2030

## 2. Equity market implications

### 2.1 POSITIVE on fiscal consolidation commitment, yet expansionary and pro-growth

We are positive on Budget 2024 measures.

- **Fiscal consolidation commitment reiterated.** Budget 2024 targets a smaller fiscal deficit of 4.3% (as a % of GDP) in 2024 (2023E: -5%) with a view of lowering the deficit further to at least 3% in 5 years, in-line with the Public Finance and Fiscal Responsibility Bill 2023 which was passed in the House of Representatives on 11 Oct. For 2024, the smaller deficit will be achieved via further blanket subsidies removal (ie. for diesel) and a combination of new (ie. Capital Gains Tax, Luxury Goods Tax) and higher indirect taxes (Service Tax rate goes up to 8% from 6%).
- **Yet, expansionary and pro-growth.** Development allocation will be higher at MYR90b (gross) in 2024 compared to our estimate of MYR83.6b in 2023E after deducting USD3b 1MDB bond redemption in Mar 2023. At MYR90b for 2024, this constitutes 4.5% of GDP, above the 3% minimum threshold under the Public Finance and Fiscal Responsibility Bill 2023.

In addition, Budget 2024 is pro-growth with all sectors in the supply-side economy to grow, led by Construction (+6.8%; 2023E: +6.3%), Services (+5.6%; 2023E: +5.5%) and Manufacturing (+4.2%; 2023E: +1.4%) - while on the demand-side, the private sector is expected to lead growth in terms of consumption (+8.3%; 2023E: +7.8%) and investments (+7.5%; 2023E: +6.3%).

- **And, supportive of intentions under the NETR and NIMP2023.** This include extending the green technology tax incentives period and tax incentives for targeted investments like green hydrogen, integrated waste management, EV charging station, biomass, mini-hydro, solar and wind energy. As for the NIMP2023, it is “walking the talk” with a MYR200m initial fund from the Government in 2024 as part of its commitment to allocate up to 10% of the total NIMP investment value (e.MYR95b) as a catalyst to drive the mission based targets of the NIMP.

**Fig 17: Fiscal targets under Public Finance and Fiscal Responsibility Bill 2023**

Fiscal objectives	Quantified values
Annual development expenditure incurred as a percentage of gross domestic product	>/= 3%
Fiscal balance as a percentage of gross domestic product	</= -3%
Debt level as a percentage of gross domestic product	</= 60%
Financial guarantee as a percentage of gross domestic product	</= 25%

Source: Public Finance and Fiscal Responsibility Bill 2023

## 2.2 The SURPRISES, the expected, the disappointments

**SURPRISE: Higher rate of Service Tax, at 8% (from 6%), except for F&B and telecommunication services.** In addition, the scope of taxable services will also include logistics, brokerage, underwriting and karaoke services. Within our research coverage:

- **Gaming sector will be most negatively affected** by the higher tax rate as service tax is absorbed by the gaming operators themselves on top of their obligations for gaming taxes and duties. We estimate that the higher Service Tax rate will trim our earnings estimates for GENM, MAG and SPTOTO by 4-5% - minimal - and this could be off-set by remedial measures like 1) lower junket commission rates or lower direct VIP rebates rates (by RWG), 2) lower prize payouts (by the NFOs), and 3) more enforcement action against the illegal gaming operators.
- Enlarging the scope of Service Tax to brokerage could **negatively impact trading activities on Bursa** due to higher transaction cost, especially during current low equity ADVs of MYR2b compared to MYR4.3b in 2020 and MYR3.7b in 2021.

**EXPECTED: Capital Gains Tax (CGT).** CGT was proposed in the retabled Budget 2023 (in Feb 2023) as one of the means to bridge the shortfall in the Government's revenue to finance opex and development spending. The rate introduced in Budget 2024 (wef. 1 Mar 2024) is however not excessive, in our view, with a 10% rate on the net gain from the sale of shares from 1 Mar 2024, and an option for a 2% rate on the gross sales value prior to 1 Mar 2024. Apart from reiterating that the CGT will only be imposed on the sale of unlisted shares, it is also now clearer that the tax will not be imposed for the sale of shares for IPO purposes, and in restructuring within the same group of companies. **We view this as Neutral for the equity market.**

**DISAPPOINTMENT: Lack of EV related incentives.** We are disappointed on the absence of new measures for CKD EVs as the measures in Budget 2024 are insufficient to support widespread EV adoption, in our view. For example, individual income tax relief for EV charging facilities might be offset by higher electricity bills, potentially leading to disqualification for electricity subsidies, and hence, higher EV ownership costs. Also, EV models launched by national carmaker PROTON (ie. SMART #1), targets the premium market, making broad-based EV adoption challenging.

**For the construction sector, we are slightly disappointed** that the KVMRT3 project was not mentioned in the Budget Speech nor Fiscal Outlook Report. Nonetheless, we remain optimistic that the project implementation is a matter of timing, although we now think it may only be in 2024 when a final decision will be known. Our disappointment on the KVMRT3 front is however offset by positives like the higher gross development allocation and newly announced projects like the PLUS Expressway (NSE) lane expansion in Johor (MYR931m), USM Teaching Hospital (MYR938m) and KVLRT3's 5 new stations (MYR4.7b). Other major positives are the MYR11.8b nationwide flood mitigation, and the Penang LRT project which should see construction starting in early-2024 after the details are finalised.

## 2.3 Winners and losers

**Construction sector is a beneficiary of higher development allocation** and upcoming new projects like the KVLRT3's 5 new stations, nationwide flood mitigation programme and Penang LRT project. Development allocation has also been raised for the two East Malaysia states in 2024. We remain POSITIVE on the Construction sector. Our BUYs in terms of preference (based on potential upside to our TP) are IJM, GAM and CMS (for a liquid exposure to higher construction activities in Sarawak).

**Aviation sector is a key beneficiary of higher allocation to boost tourism** and promote tourism activities ahead of Visit Malaysia Year in 2026 (deferred from 2025). Within the sector, the biggest beneficiary is MAHB as its PSC rates for international passengers are 5-7x that of domestic ones. AAX is also likely to be another big beneficiary, while CAPITALA is likely to be a minor beneficiary as only 50% of its passengers are bound for international destinations. Another minor beneficiary is GENM. We remain POSITIVE on the Aviation sector, and are BUYers of MAHB, AAX and GENM.

**Selected players in the Consumer sector are winners of measures in Budget 2024.** 1) The removals of poultry subsidies and price control is positive for players like QLG (HOLD) and LHIB (BUY) as it will enable efficient cost-pass through mechanisms to be implemented, and allow market demand and supply forces to dictate ASP fluctuation of live broilers and eggs. 2) The restriction on entry points to specific ports only for liquor will ease enforcement efforts on smuggling operations of liquor, which bodes well for both CAB (BUY) and HEIM (BUY) in terms of volume sales.

**Selected players in the Software Tech sector stand to gain from Budget 2024's targeted measures** to accelerate digital infrastructure development and adoption, with ITMAX (BUY) being a clear beneficiary of the Government's efforts to revamp public infrastructure pertaining to traffic control and streetlighting. Budget 2024's sizeable allocation of MYR1.6b for HRD Corp's training and upskilling programmes could benefit Ramssol's (BUY) EduTech segment in its role as a certified HRDC training programme coordinator. Grants for SME digitalisation and automation will also directly benefit e-payment solution providers like GHL Systems (HOLD), and CTOS Digital (BUY), via its expansive portfolio of credit-related products.

**Mildly net positive for Property.** The Government's commitment to relax the requirements for MM2H applications should benefit the property industry in both the rental market and property demand. The imposition of a flat 4% stamp duty on foreign buyers is however not expected to significantly affect property demand as the 4% rate is still considerably lower than Singapore's stamp duty rate of 60%. We are still NEUTRAL on the Property sector. Our BUY picks for the sector are SPSB and SDPR.

**Gaming is a clear loser under Budget 2024 due to the higher Service Tax rate,** but as highlighted in the preceding paragraph, there are remedial measures to offset the negative earnings impact. Thus, we are not inclined to trim our earnings estimates and TPs just yet. We have BUYs on GENM, GENT and MAG.

## 2.4 Market valuation, sector weight, top BUYs

**No change to YE KLCI target.** We make no change to the earnings forecasts of our research universe post Budget 2024. We also maintain our 2023 YE KLCI target at 1,520 which implies 13x 12M fwd. PER, and 2024 YE target range of 1,600-1,700 (tentative), based on 13-14x 12M fwd. PER. At 1,444 now, the KLCI is trading at 12.7x 12M fwd. PER, which is -1.6SD of its LT mean (since 2000) - this has been a short-lived market bottom in the past. We also make no change to our sector weight with the exception for Renewables which is now OW (previously NT) after our recent rating change on Cypark to BUY from HOLD. As for our top BUY picks, we have added on Yinson and BArmada after our recent review of the sector [\[link\]](#).

**Fig 18: KLCI & research universe core earnings growth & valuations**

		2022A	2023E	2024E
KLCI @ 1,444.4 on 13 Oct 2023	PE (x)	14.3	13.9	12.4
Earnings Growth (%)		(6.0%)	2.8%	12.2%
Maybank IBG's Research Universe	PE (x)	16.5	15.7	13.4
Earnings Growth (%)		(1.3%)	5.1%	16.8%
Maybank IBG's Research Universe (ex-Glove stocks)	PE (x)	16.5	15.4	13.2
Earnings Growth (%)		14.1%	7.0%	16.3%

Source: Maybank IBG Research

**Fig 19 (a): Research universe core earnings, growth, PER, P/B and ROE (13 Oct 2023)**

Sector	Core earnings (MYR m)				Core earnings gwth (% YoY)				CAGR (%)
	CY21A	CY22A	CY23E	CY24E	CY21A	CY22A	CY23E	CY24E	CY22-24E
Banks	29,150	31,444	34,541	36,643	28.6	7.9	9.9	6.1	8.0
Non-bank Financials	1,143	955	1,071	1,120	(4.3)	(16.4)	12.1	4.6	8.3
Consumer	2,358	3,276	3,537	3,961	26.1	39.0	8.0	12.0	10.0
Healthcare	1,654	1,562	1,794	2,022	93.3	(5.5)	14.8	12.7	13.8
Automotive	1,630	2,032	2,239	2,451	3.8	24.6	10.2	9.5	9.8
Construction, Infra	1,306	1,400	1,473	1,620	9.3	7.2	5.2	10.0	7.6
Gaming - NFO	174	293	382	382	(32.3)	68.4	30.5	(0.1)	14.2
Gaming - Casino	(2,108)	323	1,465	2,858	14.1	NA	353.3	95.1	197.4
Gloves	11,392	1,007	(448)	(128)	57.1	(91.2)	NA	(71.5)	NM
Materials	1,009	1,418	1,466	1,691	119.5	40.5	3.3	15.4	9.2
Media	524	304	277	237	(9.3)	(41.9)	(9.0)	(14.4)	(11.8)
Oil & Gas	(1,485)	1,460	2,491	3,157	NA	NA	70.7	26.7	47.1
Petrochemical	8,179	5,699	1,772	3,816	309.6	(30.3)	(68.9)	115.3	(18.2)
Plantation	7,471	7,420	4,647	5,398	105.1	(0.7)	(37.4)	16.2	(14.7)
Property - Developer	1,040	1,482	1,672	2,172	18.1	42.4	12.9	29.9	21.1
Property - REIT	1,496	2,071	2,265	2,448	(7.4)	38.5	9.3	8.1	8.7
Renewable Energy	72	99	70	75	(11.0)	37.3	(29.2)	6.5	(13.1)
Technology	1,567	1,614	1,738	2,109	38.0	3.0	7.7	21.4	14.3
Telco	5,189	5,199	5,236	6,758	8.1	0.2	0.7	29.1	14.0
Transport - Aviation	(4,857)	(3,905)	(4)	1,397	(19.4)	(19.6)	(99.9)	NA	NM
Transport - Shipping	1,889	2,374	2,415	2,410	(12.5)	25.7	1.7	(0.2)	0.7
Transport - Port & Logistic	783	719	819	863	18.7	(8.2)	13.9	5.3	9.5
Utilities	8,192	8,510	9,722	10,743	8.0	3.9	14.2	10.5	12.4
<b>Stocks under coverage</b>	<b>77,766</b>	<b>76,757</b>	<b>80,639</b>	<b>94,200</b>	<b>39.1</b>	<b>(1.3)</b>	<b>5.1</b>	<b>16.8</b>	<b>10.8</b>

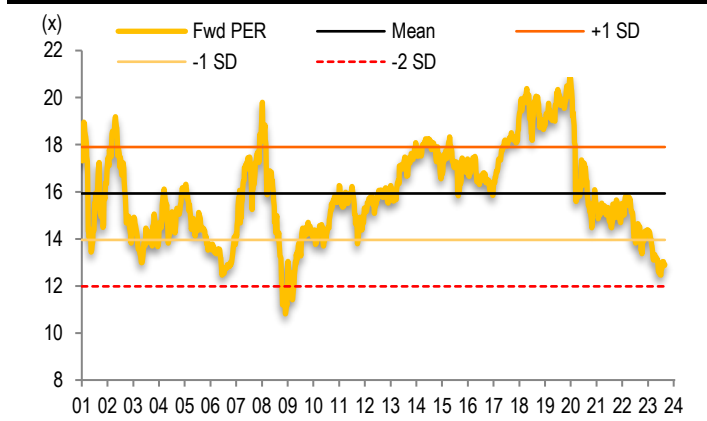
Source: Bloomberg pricing, Maybank IBG Research

Fig 19 (b): Research universe core earnings, growth, PER, P/B and ROE (13 Oct 2023) (cont'd)

Sector	PER (x)			P/B (x)			ROE (%)		
	CY22A	CY23E	CY24E	CY22A	CY23E	CY24E	CY22A	CY23E	CY24E
Banks	11.4	10.4	9.8	1.1	1.1	1.0	9.9	10.3	10.4
Non-bank Financials	11.7	10.4	10.0	1.3	1.2	1.2	11.4	11.9	11.7
Consumer	26.6	24.6	22.0	6.9	6.2	5.6	25.9	25.3	25.6
Healthcare	37.2	32.4	28.7	2.0	2.0	2.0	5.5	6.3	6.8
Automotive	12.9	11.7	10.7	1.0	1.0	0.9	7.7	8.1	8.6
Construction, Infra	16.5	15.7	14.3	0.9	0.9	0.9	5.7	5.8	6.1
Gaming - NFO	12.2	9.3	9.4	1.1	1.0	1.0	8.7	10.8	10.6
Gaming - Casino	93.2	20.6	10.5	0.7	0.7	0.7	0.7	3.3	6.3
Gloves	16.3	NM	NM	1.2	1.3	1.3	7.2	NM	NM
Materials	28.2	27.3	23.7	6.0	5.3	4.7	21.3	19.4	19.7
Media	9.3	10.2	12.0	1.6	1.5	1.4	17.5	14.7	12.1
Oil & Gas	20.4	12.0	9.4	1.5	1.2	1.1	7.4	10.3	11.5
Petrochemical	10.7	34.3	15.9	1.2	1.2	1.2	11.2	3.5	7.2
Plantation	12.2	19.5	16.7	1.6	1.5	1.4	12.9	7.7	8.6
Property - Developer	18.4	16.3	12.5	0.5	0.6	0.5	2.9	3.4	4.3
Property - REIT	17.1	15.6	14.4	1.0	0.9	0.9	5.8	5.9	6.2
Renewable Energy	16.4	23.2	21.7	1.5	1.6	1.4	9.4	6.7	6.6
Technology	28.6	26.6	21.9	4.3	3.9	3.6	15.1	14.8	16.4
Telco	25.8	25.6	19.8	2.3	2.3	2.2	9.0	8.9	11.3
Transport - Aviation	NM	NM	12.5	NM	NM	8.7	NM	NM	69.4
Transport - Shipping	13.5	13.3	13.3	0.9	0.8	0.8	6.3	6.3	6.2
Transport - Port & Logistic	15.7	13.8	13.1	2.9	2.7	2.6	18.3	19.7	19.7
Utilities	14.0	12.3	11.1	1.2	1.2	1.1	8.7	9.4	9.9
<b>Stocks under coverage</b>	<b>16.5</b>	<b>15.7</b>	<b>13.4</b>	<b>1.4</b>	<b>1.3</b>	<b>1.3</b>	<b>8.4</b>	<b>8.5</b>	<b>9.5</b>

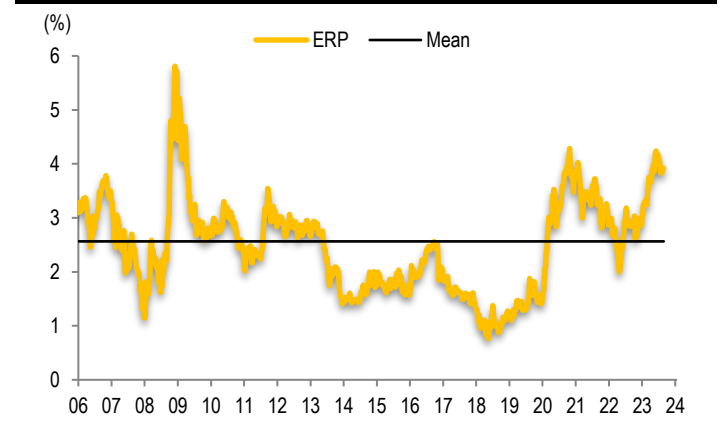
Source: Bloomberg pricing, Maybank IBG Research

Fig 20: KLCI's 12M forward PER at 12.7x @ 13 Oct 2023, or -1.6SD of LT mean (mean = 15.9x, 1SD = 2.0x)



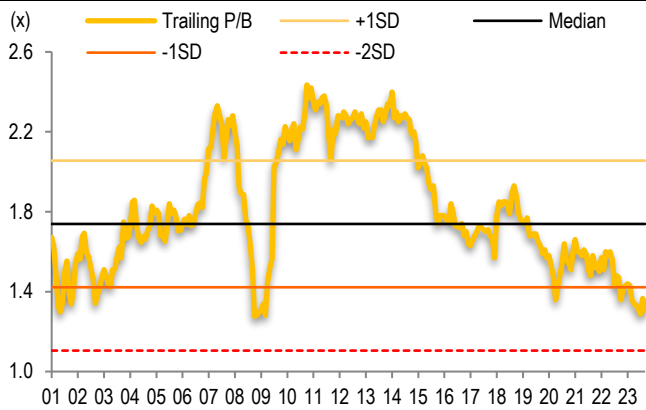
Source: Maybank IBG Research, Bloomberg

Fig 21: KLCI's equity premium (over 10Y MGS yield) at 380bps @ 13 Oct 2023 (mean = 258bps)



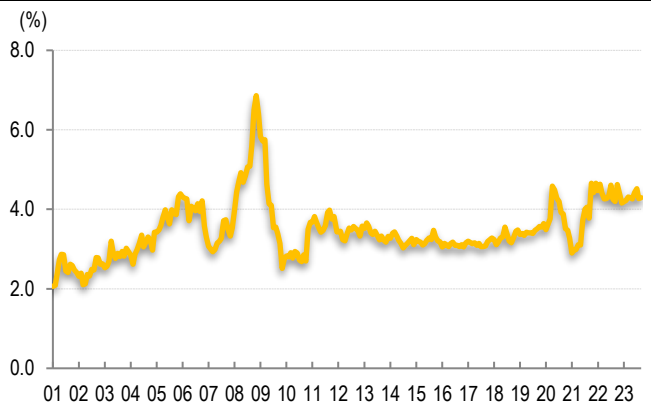
Source: Maybank IBG Research, Bloomberg

**Fig 22: KLCI's trailing P/B at 1.27x @ 13 Oct 2023, or -1.5SD of LT mean (mean = 1.74x, 1SD = 0.32x)**



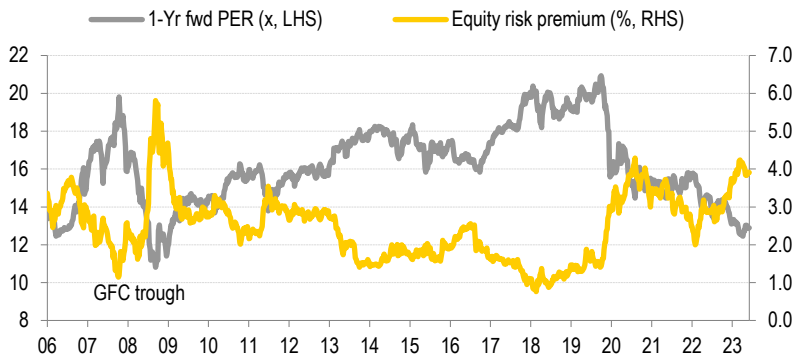
Source: Maybank IBG Research, Bloomberg

**Fig 23: KLCI's trailing dividend yield at 4.7% @ 13 Oct 2023**



Source: Maybank IBG Research, Bloomberg

**Fig 24: KLCI's 12M forward PER vs. equity risk premium**



Source: Maybank IBG Research, Bloomberg

**Fig 25: Recommended sector weighting**

OVERWEIGHT (OW)	NEUTRAL (NT)	UNDERWEIGHT (UW)
Automotive	Consumer (Discretionaries)	Media
Aviation	Gaming (NFOs)	
Banks	Gloves	
Construction	Petrochemicals	
Consumer (Staples)	Plantation	
Gaming (Casinos)	Ports & Shipping	
Mid-cap Financials / Insurers	Property	
Renewables *	REITs	
Technology (EMS)	Technology (Semicon)	
Technology (Software)	Telcos	
	Utilities	

\* previously NT

Source: Maybank IBG Research



Fig 26: Top BUYs

	Price	TP	Rec	Mkt Cap	PER (x)	PER (x)	ROE (%)	Div Yld (%)	P/B (x)	Px chg (%)
	MYR	MYR		MYRm	CY23E	CY24E	CY23E	CY23E	CY23E	YTD
<b>Large caps</b>										
Public Bank	4.18	5.05	Buy	81,137	11.9	11.6	12.6	4.5	1.5	(3.2)
CIMB Group	5.66	6.50	Buy	60,364	9.3	8.6	9.5	5.8	0.9	(2.4)
Hong Leong Bank	19.42	23.00	Buy	42,097	10.5	10.1	11.1	3.2	1.1	(5.5)
Telekom M'sia	4.97	6.50	Buy	19,068	10.6	10.4	19.9	3.8	2.1	(8.0)
MR D.I.Y. Group (M)	1.61	2.40	Buy	15,199	26.4	22.1	33.2	1.8	8.8	(19.5)
Genting Malaysia	2.50	2.77	Buy	14,169	24.5	14.9	4.7	6.0	1.1	(7.1)
Gamuda	4.59	4.80	Buy	12,378	13.8	11.7	7.8	7.4	1.1	22.4
Yinson Hldgs	2.43	5.05	Buy	7,063	8.7	7.7	17.6	0.7	1.6	-
IJM Corp	1.91	2.18	Buy	6,697	20.1	17.4	3.4	3.4	0.7	19.4
My E.G. Services	0.82	1.16	Buy	6,081	14.8	14.1	19.0	2.0	2.8	(5.2)
UMW Hldgs	4.75	6.02	Buy	5,549	11.0	10.7	10.6	3.6	1.2	36.9
<b>Mid-small caps</b>										
SP Setia	1.00	1.20	Buy	4,072	14.6	6.9	2.3	1.5	0.3	65.8
CTOS Digital	1.43	2.00	Buy	3,303	28.6	25.5	20.6	1.8	5.9	0.7
Bumi Armada	0.55	0.70	Buy	3,228	6.1	3.8	9.4	-	0.6	13.5
Mega First Corp	3.39	4.30	Buy	3,196	8.3	7.8	12.6	2.5	1.0	2.1
Allianz Malaysia	15.86	19.20	Buy	2,823	10.2	9.3	11.6	5.4	0.6	12.0
Sarawak Oil Palms	2.55	2.81	Buy	2,270	10.0	9.4	6.6	3.0	0.7	(1.9)
ITMAX System	1.81	2.10	Buy	1,861	28.3	19.7	19.4	0.7	5.5	27.5
AEON Co. (M)	1.10	1.75	Buy	1,544	12.2	11.6	6.7	3.6	0.8	(19.7)
MBM Resources	3.85	4.80	Buy	1,505	6.1	5.9	11.7	12.6	0.7	17.4
AirAsia X	2.45	3.56	Buy	1,095	7.6	4.1	29.2	-	13.7	329.8
Optimax	0.66	0.86	Buy	356	27.5	27.5	26.4	3.6	6.0	(15.9)

Source: Maybank IBG Research

### 3. Sector commentary ...

## AUTOMOTIVE: Disappointed on EV related incentives

Positive (unchanged)

### Budget measures/incentives:

- TNB, Gentari, and Tesla Malaysia have committed to installing 180 EV charging stations.
- Under the Electric Motorcycle Usage Incentive Scheme, individuals with an annual income of below MYR120,000 will enjoy up to MYR2,400 in rebates for buying an electric motorcycle.
- To extend individual income tax relief of up to MYR2,500 on expenses for EV charging facilities for a period of 4 years (until 2027).
- To extend tax deductions for companies that rent non-commercial EVs by up to MYR300k for a period of 2 years (until 2027).
- The Federal Administration has pledged to begin using electric vehicles as official vehicles.
- The Government will continue to improve the targeted electricity subsidy approach based on the level of electricity consumption.

### Impact/benefits:

Some incentives were introduced for the local EV industry, but we are disappointed on the absence of new measures for CKD EVs as the current policies are insufficient to support widespread EV adoption, in our view:

- Individual income tax relief for EV charging facilities might be offset by higher electricity bills, potentially leading to disqualification for electricity subsidies, and hence, higher EV ownership costs.
- EV models launched by national carmaker PROTON (ie. SMART #1), is targeting the premium market (their buyers are under the group at risks of being disqualified from electricity subsidies), making EV adoption more challenging.

In our view, lowering of fuel (petrol) subsidies instead of electricity subsidies could better incentivize the shift away from ICE vehicles and promote EV ownership.

**Lower number of EV charging station installation.** There seems to be a significant reduction in the committed number of EV charging station installations, from 500 in 2023 to 180 in 2024. This may bring the goal of having 10,000 public EV charging stations by 2025 a “stretched target”; as of Aug 2023, there were only 1,246 charging stations in the country.

**Maintain POSITIVE on the sector.** We are BUYers of BAuto, MBM, and UMW.

Analyst: Loh Yan Jin  
[lohyanjin.loh@maybank-ib.com](mailto:lohyanjin.loh@maybank-ib.com)

### Automotive sector - Peer valuation summary

Stock	Rec	Mkt Cap (MYR m)	Shr Px (MYR)	TP (MYR)	PER (x) CY22	PER (x) CY23E	PER (x) CY24E	PBV (x) CY23E	ROE (%) CY23E	DY (%) CY23E	Px chg (%) YTD
Sime Darby	Hold	15,540	2.28	2.26	13.4	13.1	12.3	0.9	7.0	5.4	(0.9)
UMW Hldgs	Buy	5,549	4.75	6.02	13.2	11.0	10.7	1.2	10.6	3.6	36.9
Bermaz Auto	Buy	2,890	2.48	4.14	11.4	8.1	7.2	3.5	42.2	9.6	16.4
MBM Resources	Buy	1,505	3.85	4.80	6.7	6.1	5.9	0.7	11.7	12.6	17.4
Tan Chong Motor	Sell	665	1.02	0.88	n.a.	n.a.	48.6	0.2	(2.0)	2.9	(13.6)
<b>Simple average</b>		<b>26,149</b>			<b>11.2</b>	<b>9.6</b>	<b>16.9</b>	<b>1.3</b>	<b>13.9</b>	<b>6.8</b>	

Source: Maybank IBG Research, share price as of 12 Oct 2023

# AVIATION/TOURISM: Bring on Visit Malaysia Year 2026

Positive (unchanged)

## Budget measures/incentives:

- 2026 will be designated as a Visit Malaysia Year (VMY). 26.1m foreign tourists generating MYR97.6b in tourism expenditure is targeted.
- MYR350m will be set aside in 2024 to boost tourism promotion and activities in Malaysia.
- New initiatives under the Malaysia Visa Liberalisation Plan will facilitate the issuance of visas-on-arrival, social visit passes and multiple-entry visas.
- Conditions for Malaysia My Second Home (MM2H) applications will be relaxed.
- Entertainment duty for federal territories reduced from 25% to a full exemption to 10% range.

## Impact/benefits:

**Later VMY but bigger A&P budget.** During the retabled Budget 2023 (in Feb 2023), 2025 has been designated as a VMY. It appears that VMY has now been deferred by a year to 2026. That said, the budget to promote VMY 2026 of MYR350m in 2024 is MYR100m more than the budget that was meant to promote VMY 2025 in 2023. To be sure, the larger budget for VMY 2026 does not guarantee full success. These days, tourism agencies no longer rush to place advertisements overseas but set up digital profiles on social media platforms instead to promote their countries. The success of VMY 2026 thus depends on Tourism Malaysia being digitally savvy.

**Details on timing lacking though.** The official targets of 26.1m foreign tourists and MYR97.6b tourism receipts are reasonable, in our view, as they approximate the 2019 high of 26.1m visitor arrivals and MYR86.1m tourism receipts respectively. Tourism receipts, of course, ought to be adjusted for inflation. Yet, Budget 2024 is silent on when the new initiatives under the Malaysia Visa Liberation Plan will be implemented and when the conditions for MM2H applications will be relaxed. We hope that they will be implemented way before VMY 2026.

**Aviation sector likely to be a big beneficiary.** In our view, the biggest beneficiary is MAHB. Its PSC rates for international passengers are 5-7x that of domestic ones. AAX is also likely to be another big beneficiary as 100% of its passengers are bound for international destinations. CAPITALA is likely to be a minor beneficiary as only 50% of its passengers are bound for international destinations. Another minor beneficiary is GENM. The 15% shortfall in RWG visitor arrivals in 2023E relative to 2019 will be narrowed with more visitor arrivals from major source markets like China and India.

We are BUYers of MAHB, AAX and GENM.

Analyst: Yin Shao Yang  
[samuel.y@maybank-ib.com](mailto:samuel.y@maybank-ib.com)

## Aviation sector - Peer valuation summary

Stock	Rec	Mkt Cap	Shr Px	TP	PER (x)	PER (x)	PER (x)	PBV (x)	ROE (%)	DY (%)	Px chg (%)
		(MYR m)	(MYR)	(MYR)	CY22	CY23E	CY24E	CY23E	CY23E	CY23E	YTD
M'sia Airports Hldgs	Buy	12,331	7.39	7.96	n.a.	39.9	20.1	1.6	4.7	1.3	12.7
Capital A	Hold	4,024	0.96	1.01	n.a.	n.a.	9.8	(0.7)	7.4	0.0	52.8
AirAsia X	Buy	1,095	2.45	3.56	n.a.	7.6	4.1	13.7	29.2	0.0	329.8
<b>Simple average</b>		<b>17,450</b>			<b>n.a.</b>	<b>23.8</b>	<b>11.4</b>	<b>4.9</b>	<b>13.8</b>	<b>0.4</b>	

Source: Maybank IBG Research, share price as of 12 Oct 2023

## CONSUMER: Food subsidy rollback has begun

Neutral (unchanged)

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### Budget measures/incentives:

- Chicken and egg subsidies, and price controls will be lifted to allow market prices to fluctuate in tandem with demand and supply dynamics.
- Increase in sugar excise duty rate to MYR0.50/litre (from MYR0.40/litre) for non-alcoholic beverages, including soft drinks, milk-based drinks, and fruit and vegetable juices.
- The Government plans to raise the service tax rate to 8% (from 6%) but this will not affect services within the food and beverage sector.
- Enhanced enforcement measures to combat domestic illicit cigarettes and contraband alcohol. Transshipment activities for liquor will be limited to dedicated ports from 1 Jan 2024 onwards.
- Imposing excise duty on chewed tobacco products at a rate of 5% plus MYR27/kg.

### Impact/benefits:

**Removing poultry subsidies and price controls is positive** for the poultry sector as a whole (QLG, LHIB) as it enables efficient cost-pass through mechanisms to be implemented, and allows market demand and supply forces to dictate ASP fluctuation of live broilers and eggs. That said, the removal of retail poultry price controls (currently MYR9.40/kg) could put further pressure on low-income consumers if there are future spikes in feed raw material ASPs from corn and soybean. Note that live broiler ASPs have fallen below its ceiling price of MYR5.60/kg since Jul 2023.

**Sugar tax on non-alcoholic beverages and juices increased to MYR0.50/litre (+10sen/litre).** Since the excise tax on sugary drinks was first levied on 1 Jul 2019 for (i) non-alcoholic beverages containing more than 5g/100ml of added sugar, (ii) milk-based flavoured beverages containing more than 7g/100ml of added sugar, and (iii) fruit and vegetable juices containing more than 12g/100ml of added sugar, most F&B manufacturers i.e. Nestle, F&N, Power Root have undergone significant product reformulations to ensure that the majority of their ready-to-drink (RTD) products have sugar contents below the sugar tax thresholds. Hence, we do not expect any meaningful adverse earnings impact to the F&B manufacturers (NESZ, FFB) under our coverage.

**Restricting entry points of liquor to specific ports only.** Limiting transshipment activities of liquor to specific ports will ease enforcement efforts on smuggling of liquor, which is estimated to make up c.20% of volumes in Peninsular Malaysia and c.80% of volumes in East Malaysia. This will bode well for both CAB and HEIM as clawbacks in contraband volumes are likely to **positively** contribute to additional volume sales for the brewery sector, similar to lower illicit cigarette volumes reported when tighter transshipment regulations were first implemented for cigarettes on 1 Jan 2021.

Analyst: Jade Tam  
[jade.tam@maybank-ib.com](mailto:jade.tam@maybank-ib.com)

**Maintain NEUTRAL on the consumer sector.** Consumer spending should continue to be hindered in the medium term by ongoing food inflationary pressures, gradual removal in food subsidies and slow growth in disposable income. BUY picks within our consumer coverage favour those who operate within the mass market consumer space and are potential beneficiaries of consumer downtrading (MRDIY, PAD, AEON), along with CAB and HEIM who enjoy a certain degree of demand resilience and product stickiness.

#### Sugar content of selected RTD brands

Brands	Company	Total sugar (g)/100ml	
		2018	2023
Coca-cola	The Coca-Cola Company	10.6	4.6
Pepsi cola	Etika	10.6	4.9
7-Up	Etika	7.6	4.7
Sprite	The Coca-Cola Company	5.5	4.6
100-plus	F&N	6.0	4.9
Seasons Ice Lemon Tea	F&N	11.1	4.4
MILO	Nestle	7.1	5.0
Nescafe Original	Nestle	5.7	4.6
Peel Fresh (Orange Juice)	Malaysia Milk S/B	10.9	4.4
Peel Fresh (Apple Juice)	Malaysia Milk S/B	11.0	4.6
100% Fresh milk	Dutch Lady	NA	3.4
Chocolate milk	Dutch Lady	8.2	6.5
Fresh milk	Farm Fresh	NA	4.3
Chocolate milk	Farm Fresh	NA	6.4
Frenche Roast Signature Blend	Power Root	NA	8.7

Source: Maybank IBG Research

#### Consumer sector - Peer valuation summary

Stock	Rec	Mkt Cap	Shr Px	TP	PER (x)	PER (x)	PER (x)	PBV (x)	ROE (%)	DY (%)	Px chg (%)
		(MYR m)	(MYR)	(MYR)	CY22	CY23E	CY24E	CY23E	CY23E	CY23E	YTD
Nestle (Malaysia)	Sell	28,844	123.00	118.80	43.5	41.9	37.2	45.6	108.8	2.4	(12.1)
MR D.I.Y. Group (M)	Buy	15,199	1.61	2.40	31.6	26.4	22.1	8.8	33.2	1.8	(19.5)
QL Resources	Hold	13,361	5.49	5.90	42.4	34.1	31.3	4.6	13.8	0.8	(0.4)
Heineken M'sia	Buy	7,613	25.20	30.80	18.4	17.8	17.4	15.6	85.7	5.6	0.0
Carlsberg Brewery M'sia	Buy	6,127	20.04	24.70	18.8	17.7	17.0	28.5	164.9	4.6	(12.4)
Farm Fresh	Buy	3,116	0.63	0.90	10.3	9.0	7.7	2.2	28.0	5.1	(10.7)
Padini Holdings	Buy	2,599	3.95	5.25	14.0	11.6	11.1	2.3	20.0	2.7	17.9
AEON Co. (M)	Hold	2,284	1.22	1.20	39.0	37.0	23.7	3.4	9.2	0.7	(9.6)
Leong Hup Intl.	Hold	2,218	2.00	2.10	32.3	29.4	26.7	13.6	46.1	2.1	3.6
7 - Eleven M'sia Hldgs	Buy	2,154	0.59	0.78	9.8	11.6	9.8	1.0	8.7	2.5	19.2
Berjaya Food	Buy	1,544	1.10	1.75	11.6	12.2	11.6	0.8	6.7	3.6	(19.7)
InNature	Hold	1,237	0.71	0.65	10.8	12.9	13.7	2.3	18.9	3.9	(32.2)
Mynews Holdings	Hold	413	0.55	0.54	n.a.	n.a.	113.8	1.8	(5.0)	0.0	(12.7)
DXN Holdings	Hold	293	0.42	0.50	13.8	27.7	14.8	1.7	7.6	7.2	(29.1)
<b>Simple average</b>		<b>87,000</b>				<b>22.2</b>	<b>25.6</b>	<b>9.4</b>	<b>39.0</b>	<b>3.1</b>	

Source: Maybank IBG Research, share price as of 12 Oct 2023

## CONSTRUCTION: Higher development allocation

### Overweight (unchanged)

#### Budget measures/incentives:

- **Construction sector output growth (in constant 2015 prices) will be higher at 6.8% in 2024F, vs. 6.3% in 2023E (2022: +5%).** In absolute value, sector real output (in constant 2015 prices) of MYR60.7b in 2024F will still be below pre-pandemic's (2018-19) level of MYR66b p.a. (2023E: MYR56.8b, 2022: MYR53.4b, 2021: MYR50.9b, 2020: MYR53.6b).
- **Supported by higher gross development expenditure (GDE) by +7.7% YoY** (excluding allocation for 1MDB bonds redemption in 2023). The GDE allocation for 2024F is MYR90b (2023E: MYR97b and e.MYR83.6b ex- allocation for USD3b 1MDB bond redemption in Mar 2023; 2022: MYR71.6b, 2021: MYR64.3b, 2020: MYR51.4b). **At MYR90b GDE, this constitutes 4.5% of GDP**, which is above the 3% minimum threshold under the recently passed Public Finance and Fiscal Responsibility Bill 2023 by the House of Representatives.
- **By sector, Economic will receive the highest share of the GDE**, at MYR45.2b or 50.3% of total GDE, followed by Social (MYR28.3b or 31.5%), Security (MYR12.6b or 13.9%) and General Administration (MYR3.9b or 4.3%)
- **By sub-sector, Transport (under Economic sector) will receive the highest allocation** of MYR19.1b (or 21.3% of total GDE), with new projects being the construction of additional lanes for the NSE (PLUS) Expressway from Yong Peng Utara to Sedenak Phase 2 (worth MYR931m) in Johor; and upgrading of roads in Bandar Baru Tunjong (Kota Bahru, Kelantan) and Sebayan to Kudat (Sabah). In addition, MYR5.4b is allocated for the maintenance of state roads, and MYR2.8b for federal roads and bridges. Also, allocation is provided to meet financial commitments for projects like the KVMRT, KVLRT, ECRL, Pan Borneo Sabah and Sarawak, and Penang Second Bridge.

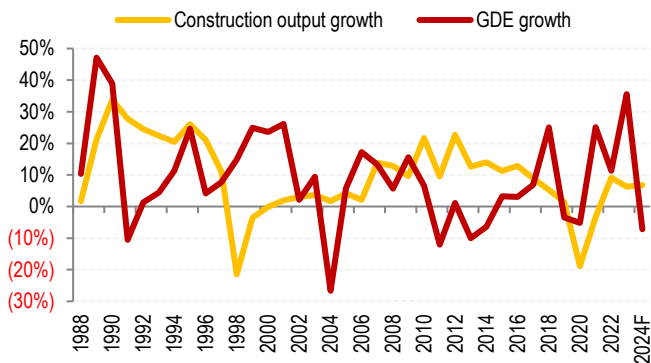
#### Other highlights:

- Environment sub-sector (under Economic sector) will receive MYR3.3b (or 3.3% of total GDE), a substantial 25% increase YoY, with the primary focus on the implementation of a nationwide flood mitigation programme valued at MYR11.8b comprising 33 projects. Letters of Acceptance for 24 projects worth MYR5.1b are expected to be issued from Oct 2023, with the balance in 1Q24.
- Education sub-sector (under Social sector) will receive MYR14.3b (or 15.9% of GDE, +5% YoY) with 26 new schools to be built at a cost of MYR2.5b. In addition, MYR1.9b is allocated to upgrade and maintain schools throughout the country.
- Health sub-sector (under Social sector) will receive MYR6.1b (or 6.8% of GDE), also a sizeable 25% increase YoY, with new projects including the USM Teaching Hospital Phase 1 in Kota Tinggi (Johor) worth MYR938m, a new pathology block at Raja Perempuan Zainab II Hospital (Kelantan) costing MYR175m, and the National Subfertility Centre (Selangor).
- **Committed to constructing the Penang LRT**, valued at MYR10b (the project was mentioned in the Budget Speech). Elsewhere, tender for 19 work packages under the Pan Borneo Sabah Phase 1b (366km) project worth MYR15.7b will complete in Nov 2023. Construction of the Sarawak-Sabah Link Road Phase 2 (320km) worth MYR7.4b will start this year. The Government will also resume the construction of 5 KVLRT3 stations costing MYR4.7b that were cancelled before, i.e. at Tropicana, Raja Muda, Temasya, Bukit Raja and Bandar Botanik.

Wong Chew Hann, CA  
[wchewh@maybank-ib.com](mailto:wchewh@maybank-ib.com)

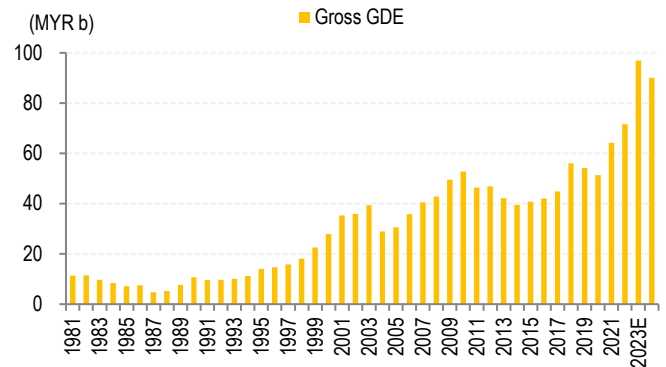
- Higher development allocation for East Malaysia - MYR6.6b for Sabah (2023E: MYR6.5b), and MYR5.8b for Sarawak (2023E: MYR5.6b).

**Construction sector output growth vs. GDE growth**



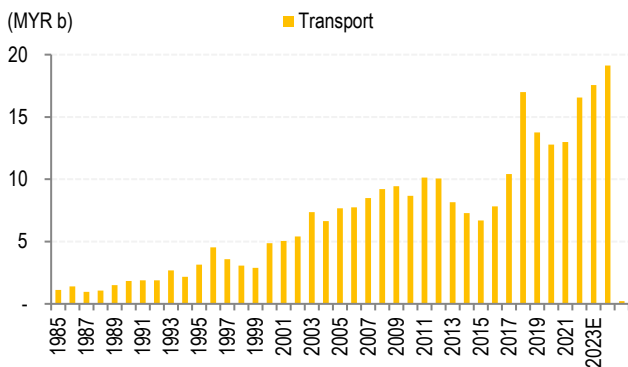
Source: Fiscal Reports (MoF), Maybank IBG Research (chart)

**Gross development expenditure (GDE)**



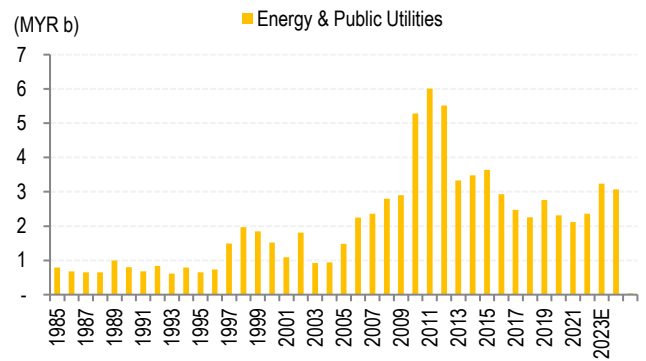
Source: Fiscal Reports (MoF), Maybank IBG Research (chart)

**GDE allocation to Transport sub-sector**



Source: Fiscal Reports (MoF), Maybank IBG Research (chart)

**GDE allocation to Energy & Public Utilities sub-sector**



Source: Fiscal Reports (MoF), Maybank IBG Research (chart)

**Impact/benefits:**

**POSITIVE** on the higher GDE allocation and newly announced projects like the NSE (PLUS) Expressway lane expansion in Johor (MYR931m), USM Teaching Hospital (MYR938m) in Johor and KVLRT3's 5 new stations (MYR4.7b) in the Klang Valley. Other major positives are the MYR11.8b nationwide flood mitigation programme where almost half of the works (43%) could start in 4Q23 after the issuance of Letters of Acceptance from this month. In addition, the Government's commitment for the Penang LRT project should see construction starting in early-2024 (we estimate) after the rail alignment and technical details are finalised.

**But, slightly disappointed that the KVMRT3 project was not mentioned** in the Budget Speech nor Fiscal Outlook Report. The Government had reiterated its commitment for the project in Budget 2023, and the retabled Budget 2023 (in Feb 2023) mentioned on a review of the project cost to further bring it down to below MYR45b, from 2022's est. of MYR50b. Nonetheless, **we remain optimistic that the project implementation is a matter of timing**, although we now think it may only be in 2024 when a final decision on the project cost and funding will be known.

**We remain POSITIVE on the sector**, and make no change to the earnings forecasts, TP and recommendation of our any of our stock coverage. Our BUYs in the sector in terms of preference (based on potential upside to our TP) are IJM, GAM and CMS (for a liquid exposure to higher construction activities in Sarawak).



## Construction sector - Peer valuation summary

Stock	Rec	Mkt Cap	Shr Px	TP	PER (x)	PER (x)	PER (x)	PBV (x)	ROE (%)	DY (%)	Px chg (%)
		(MYR m)	(MYR)	(MYR)	CY22	CY23E	CY24E	CY23E	CY23E	CY23E	YTD
Gamuda	Buy	12,378	4.59	4.80	14.0	13.8	11.7	1.1	7.8	7.4	22.4
IJM Corp	Buy	6,697	1.91	2.18	21.2	20.1	17.4	0.7	3.4	3.4	19.4
Sunway Construction	Hold	2,540	1.97	1.73	18.8	18.8	18.8	3.2	16.9	2.8	26.3
Cahaya Mata Sarawak	Buy	1,246	1.16	1.47	11.7	8.9	7.9	0.4	4.2	2.6	8.4
Pintaras Jaya	Buy	280	1.69	1.70	26.2	n.a.	44.5	0.7	(0.2)	2.1	(18.8)
<b>Simple average</b>		<b>23,142</b>				<b>15.4</b>	<b>20.0</b>	<b>1.2</b>	<b>6.4</b>	<b>3.7</b>	

Source: Maybank IBG Research, share price as of 12 Oct 2023

## Tenders, Pre-Q and RFP by MRT Corporation

Rail Packages	Date of Tender / Pre-Q / RFP	Contractor   contract value   date of award
<b>KVMRT3</b>		
1 <u>Tender</u> for Package CMC301: Design, construction & completion of viaduct guideway, elevation stations, depot and other associated works from Pandan to Jalan Cheras	27 May 2022	-
2 <u>Tender</u> for Package CMC302: Design, construction & completion of viaduct guideway, tunnels, stations, depot, ancillary structures and other associate works from 1) Jalan Cheras to Pantai Dalam, and 2) Jalan Kuching to Pandan	27 May 2022	-
3 <u>Tender</u> for Package CMC303: Design, construction & completion of viaduct guideway, tunnels, stations, ancillary structures and other associated works from Pantai Dalam to Jalan Kuching	27 May 2022	-
4 <u>Pre-Qualification</u> for Package STC301: The appointment of Systems Turnkey Contractor (STC)	23 Sep 2022	-
<b>JB-SG RTS</b>		
1 Ekovest announced that it has been accepted by MRT S/B as the collaborative partner of Adil Permata S/B (APSB), the appointed main contractor for the RTS Link Project. Ekovest has also accepted a letter of award by APSB as the engineering, procurement and construction contractor for the RTS rail works	NA	Ekovest   MYR1,979m   5 Jul 2022
2 SCGB announced that it has signed a Letter of Acceptance by MRT S/B for the construction and completion of Package 1B advance works for station and viaducts, and Package 5 terrestrial viaducts and ancillary structures	NA	SCGB   MYR605m   23 Mar 2023
3 <u>Tender</u> for design, construction & completion of Package 2A Immigration Customs and Quarantine Complex (ICQC) and Package 2B ICQC external works	5 May 2023	IJM   MYR1,100.7m + MYR155m provisional sum   12 Oct 2023
4 <u>Tender</u> for the proposed design, construction, installation & completion of Malaysia agencies fit-out works at Woodlands North Custom, Immigration and Quarantine (CIQ)	17 Jul 2023	-
5 <u>Tender</u> for Package 7: Construction & completion of viaduct aesthetic features (VAF)	17 Aug 2023	-
6 <u>Tender</u> for Package 8: Construction & completion of Bukit Chagar Station's façade	17 Aug 2023	-
<b>Penang LRT</b>		
1 Request for Proposal (RFP) for the appointment of design consultancy services (DC) & connectivity and mobility study consultancy services (CMS)	21 Aug 2023	-

Source: MRT Corp, Company announcements to Bursa

## GAMING: Effectively hit with a 'gaming tax' hike

Positive (unchanged)

### Budget measures/incentives:

- Service tax rate to be raised to 8% from 6% currently.

### Impact/benefits:

**A gaming tax hike in all but name.** One of the taxes that gaming companies pay is the service tax. Recall that gaming operators bear the service tax for gamblers be it Resorts World Genting (RWG) or NFOs. For RWG, the service tax is currently calculated as **(gross gaming revenue - casino tax) X 6/106**. For NFOs, the service tax is currently calculated as **(gross sales - gaming tax - pool betting duty - prize payout) X 6/106**. The increase in service tax rate by 2ppts is effectively a gaming tax hike for RWG and the NFOs.

**Negative impact not very large though.** Employing the formulae above, we estimate that the increase in service tax rate will trim our GENM, MAG and SPTOTO earnings estimates by only 4-5% from CY24E onwards (assuming that it is effective 1 Jan 2024). Our TPs for GENM would also be trimmed to MYR2.70 from MYR2.77 (-3%), MAG to MYR1.20 from MYR1.25 (-4%), SPTOTO to MYR1.46 from MYR1.53 (-5%). Thus, the impact to the gaming sector from the service tax hike is, while noticeable, minimal by our estimation.

**There are remedial measures too.** RWG can cut junket commission rates or direct VIP rebates rates while NFOs can cut prize payouts. We estimate that should NFOs cut the number of 4D Small Consolation Prizes that pays MYR60 per MYR1 bet to 9 from 10, the negative impact of the service tax hike would have been neutralized. Moreover, the Prime Minister's statement that more enforcement actions will be taken against alcoholic drinks smugglers implies to us that more enforcement actions will also be taken against illegal gaming operators as well.

Analyst: Yin Shao Yang  
[samuel.y@maybank-ib.com](mailto:samuel.y@maybank-ib.com)

Thus, we are not inclined to trim our earnings estimates and TPs just yet. We are BUYers of GENM, GENT and MAG.

### Gaming sector (Casino) - Peer valuation summary

Stock	Rec	Mkt Cap (MYR m)	Shr Px (MYR)	TP (MYR)	PER (x) CY22	PER (x) CY23E	PER (x) CY24E	PBV (x) CY23E	ROE (%) CY23E	DY (%) CY23E	Px chg (%) YTD
Genting	Buy	15,941	4.14	5.36	180.00	17.9	8.3	0.5	2.8	3.6	(7.6)
Genting Malaysia	Buy	14,169	2.50	2.77	59.52	24.5	14.9	1.1	4.7	6.0	(7.1)
Simple average		30,111				21.2	11.6	0.8	3.7	4.8	

Source: Maybank IBG Research, share price as of 12 Oct 2023

### Gaming sector (NFO) - Peer valuation summary

Stock	Rec	Mkt Cap (MYR m)	Shr Px (MYR)	TP (MYR)	PER (x) CY22	PER (x) CY23E	PER (x) CY24E	PBV (x) CY23E	ROE (%) CY23E	DY (%) CY23E	Px chg (%) YTD
Sports Toto	Hold	1,973	1.49	1.53	10.4	9.0	9.0	1.8	20.1	7.0	(8.0)
Magnum	Buy	1,595	1.11	1.25	15.9	9.9	10.0	0.7	6.6	8.1	(14.0)
Simple average		1,973			10.4	9.0	9.0	1.8	20.1	7.0	

Source: Maybank IBG Research, share price as of 12 Oct 2023

## OIL & GAS: Lower PETRONAS dividends imply higher capex in 2024?

Positive (unchanged)

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### Budget measures/incentives:

- In support of a high-value activity ecosystem, Pengerang Integrated Petroleum Complex (PIPC) will be designated a chemical and petrochemical development hub with the provision of a special tax rate or investment tax allowance.
- Ministry of Finance, LHDN and PETRONAS are studying and designing tax incentives for carbon capture and storage (CCS) technology and Hydrogen Sulphide Projects. The results of the study is expected to be finalised by the end of 2023.
- PETRONAS to contribute MYR100m to provide professional certification which is recognized by the petrochemical industry to TVET graduates as an incentive for the industry to collaborate with public TVET institutions in 2024.

### Impact/benefits:

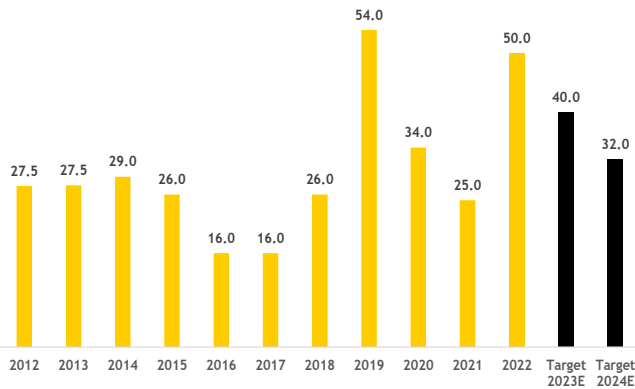
**PETRONAS' lower contribution in dividend in 2024 implies a higher capex spend ahead?** Based on the Fiscal Outlook Report, PETRONAS' dividend commitment to the Government for 2024 will be a lower MYR32b (-20% YoY) from MYR40b in 2023. Based on our annual observation, PETRONAS strives to strike a balance between 3 major decisions: i) capex spending; ii) dividend commitment to the Government; and iii) balance sheet preservation. PETRONAS' lower dividend commitment in 2024 despite a higher average Brent crude oil price forecast of USD85/bbl (2023: USD80/bbl) may imply more robust capex ahead in 2024. If true, this will benefit most (if not all) the upstream OGSE players in the value chain - a strong positive.

**PIPC's special tax rate or investment tax allowance.** Apart from the statement in the Budget Speech, there were no other details. Nonetheless, a special tax rate or investment tax allowance for O&G-related companies operating in the PIPC would help develop the area. Dialog and Petronas Chemical are both operating in the PIPC; we believe that both are already enjoying either a 15+5 year pioneer status or investment tax allowance for their respective Pengerang assets.

**We remain POSITIVE on the Malaysia Oil & Gas sector**, with in-house Brent crude oil ASP assumptions of USD85-80/bbl for 2023/2024E. Our sector top BUYs are Yinson, BArmada and Wasco.

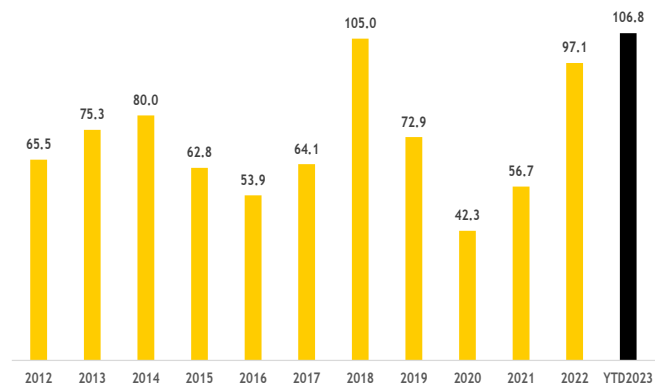
Analyst: *Jeremie Yap*  
[jeremie.yap@maybank-ib.com](mailto:jeremie.yap@maybank-ib.com)

PETRONAS: Dividends (2012-2024E, MYR billion)



Source: PETRONAS, Maybank IBG Research

PETRONAS: Net cash position (2012-1H2023, MYR billion)



Source: PETRONAS, Maybank IBG Research

Oil and gas sector - Peer valuation summary

Stock	Rec	Mkt Cap (MYR m)	Shr Px (MYR)	TP (MYR)	PER (x) CY22	PER (x) CY23E	PER (x) CY24E	PBV (x) CY23E	ROE (%) CY23E	DY (%) CY23E	Px chg (%) YTD
MISC	Hold	32,050	7.18	7.19	13.50	13.3	13.3	0.8	6.3	4.6	(4.3)
Dialog Group	Buy	11,962	2.12	2.43	23.56	22.6	21.1	2.2	9.2	1.6	(13.5)
Yinson Hldgs	Buy	7,063	2.43	5.05	15.02	8.7	7.7	1.6	17.6	0.7	0.0
Bumi Armada	Buy	3,228	0.55	0.70	3.89	6.1	3.8	0.6	9.4	0.0	13.5
Hibiscus Petroleum	Buy	2,234	1.11	1.90	5.71	4.7	4.3	0.8	14.8	1.1	3.7
Velesto Energy	Hold	2,136	0.26	0.24	n.a.	28.9	15.3	0.9	3.0	0.0	73.3
Wah Seong Corp	Buy	759	0.98	1.20	12.25	8.2	6.9	1.1	13.7	0.0	58.1
<b>Simple average</b>		<b>59,432</b>			<b>12.3</b>	<b>13.2</b>	<b>10.3</b>	<b>1.1</b>	<b>10.6</b>	<b>1.2</b>	

Source: Maybank IBG Research, share price as of 12 Oct 2023

## PROPERTY: Net net mildly positive

### Neutral (Maintained)

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#### Budget measures/incentives:

- The Government will relax the existing requirements for the Malaysia My Second Home (MM2H) application to increase the influx of tourists and foreign investors into Malaysia. This is expected to boost investment activities in the financial market and the local property industry.
- To control property prices, the Government proposes to impose a flat 4% stamp duty on instruments of transfer of real estate ownership by non-citizens and foreign-owned companies, except for permanent residents in Malaysia.
- To facilitate the redevelopment of strata schemes, the approval threshold for en-bloc sales will be reduced from 100% to a level consistent with international practices, such as in Singapore. This will encourage urban renewal and the redevelopment of aging buildings in the city.
- The Government will open a new high-tech industrial area in Kerian, Perak North to build a wider ecosystem for the E&E cluster in the northern region.
- The Government has taken over the development of Bandar Malaysia to ensure that the land is optimally utilized for people's projects based on MADANI values. This includes the construction of affordable housing for veterans, considering the interests of Bumiputera in the Federal Territory, as well as providing parks and green spaces that can be enjoyed by all residents in the Klang Valley.
- A total of MYR2.47b is allocated to implement people's housing projects in 2024 including a special guarantee fund amounting to MYR1b to encourage developers to revive identified abandoned projects.
- The Government will increase the Housing Credit Guarantee Scheme (SJKP) up to MYR10b to benefit 40,000 borrowers.
- The Government intends to impose a stamp duty of only MYR10 from 2024 onwards, on land transfer deeds involving beneficiaries relinquishing their rights to eligible beneficiaries according to wills, faraid, or the Distribution Act 1958, as opposed to the previous ad-valorem rate.

#### Impact/benefits:

**Welcome to Malaysia!** The Government's commitment to relax the existing requirements for the MM2H application aligns with our and market expectations. While the less stringent MM2H rules should benefit the domestic property industry in both the rental market and property demand, the imposition of a flat 4% stamp duty on foreign buyers (which could result in a +63% increase in stamp duty fees for a property priced at MYR1.1m/unit) may offset the positive impact of the relaxed regulations. However, the impact is not expected to significantly affect property demand due to the following reasons: 1) foreign buyers account for less than 10% of total property transactions, 2) the depreciation of the ringgit makes properties in Malaysia relatively cheaper compared to neighbouring countries, and 3) the 4% stamp duty rate is considerably lower than Singapore's stamp duty rate of 60%.

Analyst: Wong Wei Sum, CFA  
[weisum@maybank-ib.com](mailto:weisum@maybank-ib.com)

Analyst: Ong Chee Ting  
[ct.ong@maybank-ib.com](mailto:ct.ong@maybank-ib.com)

**The unexpected ones...** i) **Lower approval threshold for en-bloc sales to facilitate the redevelopment of strata schemes.** We anticipate a limited impact from the reduction of the approval threshold for en-bloc sales to a level consistent with international practices, such as Singapore (e.g. 90% for developments less than 10 years old, and 80% for developments of 10 years or older). This is because most local developers may still prefer bare/greenfield land for new projects rather than redeveloping aging properties due to fewer complications (for e.g., less time-consuming negotiation/buying process).

ii) **A new high-tech industrial area in the North.** Additionally, we are intrigued by the emergence of a new high-tech industrial area in Kerian, Perak North, just a 45-min drive from the existing Batu Kawan Industrial Park. There were no other details in the Budget Speech. It is unclear who will spearhead this development initiative and the type of investments that this new area intends to attract.

Based on our quick check, Kerian is a district that borders Penang and Kedah in the northern part of Perak. The nearest North-South Expressway (NSE) toll plaza to Kedah and Penang is Alor Pongsu Toll Plaza which is located approximately 55km away from the Bayan Lepas Industrial Area, and 56km from the Kulim Hi-Tech Park. From Google Map, there appears to be several large tracts of oil palm land that could potentially be benefiting from this development.

One such potential beneficiary may just be **Sime Darby Plantation (SDPL MK, HOLD, CP: MYR4.23, TP: MYR4.44)** which owns oil palm plantation land in Mukim Bagan Serai, Kerian, Perak.

**Maintain NEUTRAL.** No change to our earnings forecasts, sector and stock ratings. We continue to favour developers involved in industrial park projects. Demand and sale of industrial properties have gained momentum since Apr 2022, especially after the reopening of international borders. We anticipate this strong sales momentum to continue into 2024, driven by increased investment diversion from China due to the ongoing US-China trade war. Elsewhere, our investment thesis for property stocks with exposure to Iskandar Malaysia and Penang island remain, ahead of announcements relating to the Johor-Singapore Special Economic Zone in end-Oct/Nov 2023, and the final alignment of the Penang LRT by early-2024. Our BUY picks for the sector are SPSB and SDPR.

#### Existing MM2H requirements

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- Those who are younger than 50 years old must have:
  - Minimum liquid assets of RM1,500,000
  - Minimum offshore monthly income of RM40,000
  - A fixed deposit account in Malaysia which contains at least RM1,000,000
- Individuals who are 50 years or older must have:
  - Minimum liquid assets of RM1,500,000
  - Minimum offshore monthly income of RM40,000
  - A fixed deposit account with a Malaysian bank which contains at least RM1,000,000
  - For retirees, there is a requirement to show proof of receiving pension from government RM10,000 per month
- Other requirements include:
  - One-off personal bond payment which costs approximately RM2,000
  - Social pass will also require an annual payment of RM90
  - Requirement to stay in Malaysia for 90 days
  - Unable to actively run their Malaysia business under the MM2H programme visa. A work visa is required for this.
  - MM2H visa holders are not permitted to work or be employed while in Malaysia

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Source: Paul Hype Page Malaysia, Premia TNC

## Property sector - Peer valuation summary

Stock	Rec	Mkt Cap	Shr Px	TP	PER (x)	PER (x)	PER (x)	PBV (x)	ROE (%)	DY (%)	Px chg (%)
		(MYR m)	(MYR)	(MYR)	CY22	CY23E	CY24E	CY23E	CY23E	CY23E	YTD
Sunway Berhad	Hold	9,860	1.99	1.92	18.60	16.2	15.1	0.9	5.6	2.5	22.8
Sime Darby Property	Buy	4,625	0.68	0.75	14.17	15.1	13.6	0.5	3.1	2.9	51.1
SP Setia	Buy	4,072	1.00	1.20	14.21	14.6	6.9	0.3	2.3	1.5	65.8
UEM Sunrise	Hold	4,274	0.85	0.60	60.36	42.3	32.5	0.6	1.4	0.7	231.4
Eco World Development	Hold	3,150	1.07	1.12	13.10	11.1	10.1	0.6	5.8	5.6	65.9
Eco World International	Hold	888	0.37	0.34	n.a.	n.a.	n.a.	0.6	(5.8)	87.8	(5.1)
Tambun Indah Land	Hold	380	0.87	0.98	6.18	6.5	6.5	0.5	7.5	6.1	13.1
<b>Simple average</b>		<b>27,249</b>			<b>21.1</b>	<b>17.6</b>	<b>14.1</b>	<b>0.6</b>	<b>2.9</b>	<b>15.3</b>	

Source: Maybank IBG Research, share price as of 12 Oct 2023

## RENEWABLE ENERGY: Complementary to the NETR

### Positive (unchanged)

#### Budget measures/incentives:

- The Government will provide funding of MYR2b to facilitate the national energy transition towards renewable energy (RE).
- Financial Institutions will also provide financing funds totaling MYR200b to support the country's transition towards a low-carbon economy.
- The Corporate Green Power Programme (CGPP) will continue as one of the implementation methods of the Third Party Access (TPA) model.
- The Government will extend the Net Energy Metering (NEM) programme offer period until 31 Dec 2024.
- The Government will begin installing solar panels on the roofs of Government buildings in collaboration with TNB and Gentari.

#### Impact/benefits:

**Sizeable Government and financial institutions fundings.** The MYR2b funding by the Government was earlier announced during the launch of the NETR 2<sup>nd</sup> phase in Aug 2023. We understand that it will be a seed fund to finance energy transition projects that are marginally bankable or yielding below-market returns e.g. in the electric vehicle (EV) value chain, hydrogen as well as carbon capture, utilisation and storage (CCUS) technologies. Meanwhile, financing funds of MYR200b from the financial institutions would support the 10 flagship catalyst projects of the National Energy Transition Roadmap (NETR).

**Extension of NEM for another year.** To recap, the Net Energy Metering (NEM) programme allows consumers to export excess electricity produced by their solar PVs to the national power grid. There is a remaining 238MW quota under NEM 3.0 (out of 1,050MW) for residential, government buildings as well commercial & industrial (C&I) buildings, expected to expire by end-2023. The extension of the NEM will provide opportunities for solar power producers to own new solar assets or replenish their solar EPCC order books.

Analyst: Nur Farah Syifaa

[nurfarahsyifaa.mohamadfuad@maybank-ib.com](mailto:nurfarahsyifaa.mohamadfuad@maybank-ib.com)

We are **POSITIVE** on the RE sector. We have BUYs for both Cypark and Solarvest.

#### Renewable energy sector - Peer valuation summary

Stock	Rec	Mkt Cap (MYR m)	Shr Px (MYR)	TP (MYR)	PER (x) CY22	PER (x) CY23E	PER (x) CY24E	PBV (x) CY23E	ROE (%) CY23E	DY (%) CY23E	Px chg (%) YTD
Solarvest Holdings	Buy	896	1.34	1.40	55.3	33.9	22.2	4.1	12.8	0.6	56.7
Cypark Resources	Buy	731	0.92	1.05	7.1	13.5	17.2	0.4	5.2	0.0	94.7
Simple average		1,627			31.2	23.7	19.7	2.3	9.0	0.3	

Source: Maybank IBG Research, share price as of 12 Oct 2023



## SOFTWARE: Something for everyone

### POSITIVE (Maintained)

#### Budget measures/incentives:

- MYR1.6b allocation for Human Resource Development Corporation (HRD Corp) for the training of MYR1.7m workers.
- Development of National Digital Identity (NDI) as a reliable endorsement platform to be expedited; GovTech Nucleus Unit to build internal expertise created to this end.
- MYR100m for 20,000 MSME entrepreneur digitalization grants (MYR5,000 each) covering sales/inventory/digital accounting system upgrades.
- Establishment of MYR100m loan fund under BNM to encourage SME business productivity via digitalization/automation.
- MYR150m allocation to replace legacy streetlighting infrastructure with energy-saving LEDs, with MYR50m allocated towards local governments.
- MYR50m allocation to treat accident-prone areas, including upgrades to smart traffic lights on federal roads to help alleviate traffic congestion.

#### Impact/benefits:

**Broadly positive.** Budget 2024's targeted measures in accelerating digital infrastructure development and adoption is prima facie positive for the sector. Following a string of recent contract wins in Johor, **ITMAX** stands to be the clearest beneficiary of government efforts to revamp public infrastructure pertaining to traffic control and streetlighting. With no comparable domestic peer offering its integrated suite of smart city services (encompassing CCTVs, traffic controllers and smart lighting) and an established track record in revamping DBKL's public space infrastructure, the combined c.MYR200m allocation provides a timely boost for ITMAX as contract bidding momentum in the other states is expected pick up in the months ahead.

Budget 2024's sizeable allocation of MYR1.6b for HRD Corp's training and upskilling programs for 1.6m workers is also effectively more than double Budget 2023's allocation (MYR750m for 800k workers) - this could benefit **Ramssol's** growing EduTech segment via a potential expansion of product offerings in its role as a certified HRDC training programme coordinator. Grants for SME digitalisation and automation will also directly benefit (i) e-payment solution providers like **GHL Systems** via accelerated Transaction Processed Value (TPV) growth; and (ii) **CTOS Digital**, via its expansive portfolio of credit-related products.

**Maintain POSITIVE.** Our forecasts and stock ratings for the sector are maintained. Preferred sector picks are CTOS Digital and ITMAX Systems.

Analyst: Anand Pathmakanthan

[anand.pathmakanthan@maybank-ib.com](mailto:anand.pathmakanthan@maybank-ib.com)

Analyst: Arvind Jayaratnam

[arvind.jayaratnam@maybank.com](mailto:arvind.jayaratnam@maybank.com)

#### Software sector - Peer valuation summary

Stock	Rec	Mkt Cap	Shr Px	TP	PER (x)	PER (x)	PER (x)	PBV (x)	ROE (%)	DY (%)	Px chg (%)
		(MYR m)	(MYR)	(MYR)	CY22	CY23E	CY24E	CY23E	CY23E	CY23E	YTD
My E.G. Services	Buy	6,081	0.82	1.16	17.3	14.8	14.1	2.8	19.0	2.0	(5.2)
CTOS Digital	Buy	3,303	1.43	2.00	44.7	28.6	25.5	5.9	20.6	1.8	0.7
ITMAX System	Buy	1,861	1.81	2.10	42.1	28.3	19.7	5.5	19.4	0.7	27.5
GHL Systems	Hold	913	0.80	0.82	32.0	29.6	25.8	1.7	5.7	0.0	(7.0)
Ramssol	Buy	153	0.50	0.46	27.8	17.2	13.9	1.8	11.5	0.0	13.6
<b>Simple average</b>		<b>12,311</b>			<b>32.8</b>	<b>23.7</b>	<b>19.8</b>	<b>3.5</b>	<b>15.2</b>	<b>0.9</b>	

Source: Maybank IBG Research, share price as of 12 Oct 2023

## 4. Research stock universe ...

Ticker	Company	FYE	Price 12 Oct MYR	Market Cap MYR m	TP MYR	Rec	Core Net Profit			EPS			CAGR 22-24E (%)	PER			ROE CY23E (%)	Div Yld CY23E (%)	PBV CY23E (x)	Px chg YTD (%)	
							CY22	CY23E	CY24E	CY22	CY23E	CY24E		CY22	CY23E	CY24E					
<b>Auto</b>																					
BAUTO MK	Bermaz Auto	*	4	2.48	2,890	4.14	Buy	254.1	358.5	401.3	21.8	30.7	34.4	25.7	11.4	8.1	7.2	42.2	9.6	3.5	16.4
MBM MK	MBM Resources	*	12	3.85	1,505	4.80	Buy	224.2	247.4	253.9	57.3	63.3	65.0	6.5	6.7	6.1	5.9	11.7	12.6	0.7	17.4
TCM MK	Tan Chong Motor		12	1.02	665	0.88	Sell	(28.7)	(57.9)	13.5	(4.5)	(9.0)	2.1	n.a.	n.a.	n.a.	48.6	(2.0)	2.9	0.2	(13.6)
UMWH MK	UMW Holdings	*	12	4.75	5,549	6.02	Buy	421.0	502.8	519.5	36.0	43.0	44.4	11.1	13.2	11.0	10.7	10.6	3.6	1.2	36.9
SIME MK	Sime Darby	*	6	2.28	15,540	2.26	Hold	1,161.0	1,188.2	1,262.6	17.1	17.5	18.6	4.3	13.4	13.1	12.3	7.0	5.4	0.9	(0.9)
<b>Banks</b>																					
AMM MK	AMMB Holdings		3	3.89	12,876	4.20	Hold	1,656.9	1,581.9	1,634.0	49.8	47.5	49.0	(0.8)	7.8	8.2	7.9	8.4	4.2	0.7	(6.0)
BIMB MK	Bank Islam M'sia	*	12	2.27	5,145	2.20	Hold	491.7	503.3	537.8	20.0	22.0	23.0	7.2	11.4	10.3	9.9	6.9	5.7	0.7	(16.8)
ABMB MK	Alliance Bank		3	3.35	5,186	4.10	Buy	651.6	647.3	674.5	42.3	41.8	43.3	1.2	7.9	8.0	7.7	9.1	6.3	0.7	(8.7)
CIMB MK	CIMB Group		12	5.66	60,364	6.50	Buy	5,439.9	6,339.5	6,833.4	52.0	61.0	66.0	12.7	10.9	9.3	8.6	9.5	5.8	0.9	(2.4)
HLBK MK	Hong Leong Bk		6	19.42	42,097	23.00	Buy	3,553.8	3,899.8	4,170.0	173.5	185.0	192.5	5.3	11.2	10.5	10.1	11.1	3.2	1.1	(5.5)
HLFG MK	HL Fin Group		6	17.26	19,767	21.70	Buy	2,621.8	2,791.1	2,894.9	231.0	246.0	255.5	5.2	7.5	7.0	6.8	10.0	3.0	0.7	(7.2)
PBK MK	Public Bank		12	4.18	81,137	5.05	Buy	6,119.5	6,714.5	7,008.2	32.0	35.0	36.0	6.1	13.1	11.9	11.6	12.6	4.5	1.5	(3.2)
RHBBANK MK	RHB Bank		12	5.59	23,961	6.20	Hold	2,707.7	2,625.6	2,789.1	68.0	61.0	64.0	(3.0)	8.2	9.2	8.7	8.7	6.8	0.8	(3.5)
<b>Construction</b>																					
GAM MK	Gamuda	*	7	4.59	12,378	4.80	Buy	828.7	861.3	931.6	32.7	33.2	39.2	9.4	14.0	13.8	11.7	7.8	7.4	1.1	22.4
IJM MK	IJM Corp	*	3	1.91	6,697	2.18	Buy	318.6	336.5	388.4	9.0	9.5	11.0	10.4	21.2	20.1	17.4	3.4	3.4	0.7	19.4
CMS MK	Cahaya Mata Swak	*	12	1.16	1,246	1.47	Buy	106.7	140.0	157.7	9.9	13.0	14.7	21.9	11.7	8.9	7.9	4.2	2.6	0.4	8.4
SCGB MK	Sunway Con	*	12	1.97	2,540	1.73	Hold	135.2	135.4	135.8	10.5	10.5	10.5	-	18.8	18.8	18.8	16.9	2.8	3.2	26.3
PINT MK	Pintaras	*	6	1.69	280	1.70	Buy	10.7	(0.7)	6.3	6.5	(0.4)	3.8	(23.2)	26.2	n.a.	44.5	(0.2)	2.1	0.7	(18.8)
<b>Consumer</b>																					
AEON MK	AEON Co. (M)	*	12	1.10	1,544	1.75	Buy	133.5	126.7	134.0	9.5	9.0	9.5	-	11.6	12.2	11.6	6.7	3.6	0.8	(19.7)
CAB MK	Carlsberg Brew		12	20.04	6,127	24.70	Buy	326.5	346.2	361.1	106.8	113.2	118.1	5.2	18.8	17.7	17.0	164.9	4.6	28.5	(12.4)
HEIM MK	Heineken Msia		12	25.20	7,613	30.80	Buy	412.8	427.7	437.3	136.7	141.6	144.8	2.9	18.4	17.8	17.4	85.7	5.6	15.6	0.0
PAD MK	Padini Holdings	*	6	3.95	2,599	5.25	Buy	185.7	224.8	234.1	28.2	34.2	35.6	12.4	14.0	11.6	11.1	20.0	2.7	2.3	17.9
NESZ MK	Nestle (Malaysia)	*	12	123.00	28,844	118.80	Sell	662.9	688.4	775.0	282.7	293.6	330.5	8.1	43.5	41.9	37.2	108.8	2.4	45.6	(12.1)
QLG MK	QL Resources	*	3	5.49	13,361	5.90	Hold	314.4	391.1	426.3	13.0	16.1	17.5	16.3	42.4	34.1	31.3	13.8	0.8	4.6	(0.4)
SEM MK	7 - Eleven Msia		12	2.00	2,218	2.10	Hold	68.6	75.4	83.7	6.2	6.8	7.5	10.0	32.3	29.4	26.7	46.1	2.1	13.6	3.6
MNHB MK	Mynews Holdings		10	0.55	413	0.54	Hold	(18.5)	(10.6)	3.2	(2.7)	(1.5)	0.5	n.a.	n.a.	n.a.	113.8	(5.0)	0.0	1.8	(12.7)
BFD MK	Berjaya Food	*	6	0.71	1,237	0.65	Hold	118.2	98.6	93.0	6.6	5.5	5.2	(11.3)	10.8	12.9	13.7	18.9	3.9	2.3	(32.2)
LHIB MK	Leong Hup Intl.		12	0.59	2,154	0.78	Buy	218.9	185.5	220.3	6.0	5.1	6.0	-	9.8	11.6	9.8	8.7	2.5	1.0	19.2
MRDIY MK	MR D.I.Y. Group	*	12	1.61	15,199	2.40	Buy	479.6	575.9	685.7	5.1	6.1	7.3	19.6	31.6	26.4	22.1	33.2	1.8	8.8	(19.5)
INNATURE MK	InNature	*	12	0.42	293	0.50	Hold	21.3	10.5	20.0	3.0	1.5	2.8	(3.4)	13.8	27.7	14.8	7.6	7.2	1.7	(29.1)
FFB MK	Farm Fresh	*	3	1.22	2,284	1.20	Hold	58.0	61.7	96.5	3.1	3.3	5.2	28.4	39.0	37.0	23.7	9.2	0.7	3.4	(9.6)
DXN MK	DXN Holdings	*	2	0.63	3,116	0.90	Buy	294.5	335.7	390.9	6.1	7.0	8.1	15.5	10.3	9.0	7.7	28.0	5.1	2.2	(10.7)

\* Shariah compliant, based on Securities Commission's latest Shariah compliant list effective 26 May 2023; Source: Bloomberg pricing, Maybank IBG Research

... continued

Ticker	Company	FYE	Price 12 Oct MYR	Market Cap MYR m	TP MYR	Rec	Core Net Profit			EPS			CAGR 22-24E (%)	PER			ROE CY23E (%)	Div Yld CY23E (%)	PBV CY23E (x)	Px chg YTD (%)	
							CY22	CY23E	CY24E	CY22	CY23E	CY24E		CY23E	CY24E	CY24E					
<b>Gaming</b>																					
SPTOTO MK	Sports Toto	6	1.49	1,973	1.53	Hold	192.0	221.3	222.1	14.3	16.5	16.6	7.6	10.4	9.0	9.0	20.1	7.0	1.8	(8.0)	
MAG MK	Magnum	12	1.11	1,595	1.25	Buy	100.5	160.5	159.4	7.0	11.2	11.1	25.9	15.9	9.9	10.0	6.6	8.1	0.7	(14.0)	
GENT MK	Genting Bhd	12	4.14	15,941	5.36	Buy	87.2	888.6	1,908.1	2.3	23.1	49.6	364.4	180.0	17.9	8.3	2.8	3.6	0.5	(7.6)	
GENM MK	Genting Msia	12	2.50	14,169	2.77	Buy	235.9	576.0	949.4	4.2	10.2	16.8	100.0	59.5	24.5	14.9	4.7	6.0	1.1	(7.1)	
<b>Glove</b>																					
HART MK	Hartalega Hldgs	*	3	2.05	6,999	2.12	Hold	905.4	26.9	68.2	26.3	0.8	2.0	(72.6)	7.8	264.5	103.8	0.6	0.0	1.5	20.6
KRI MK	Kossan Rubber	*	12	1.36	3,470	1.47	Hold	156.6	(57.0)	3.5	6.1	(2.2)	0.1	(87.2)	22.3	n.a.	1360.0	(1.5)	2.2	0.9	23.6
TOPG MK	Top Glove Corp	*	8	0.74	5,926	0.77	Hold	(54.8)	(418.2)	(199.7)	(0.7)	(5.2)	(2.5)	n.a.	n.a.	n.a.	n.a.	(9.1)	0.0	1.3	(18.2)
<b>Healthcare</b>																					
IHH MK	IHH Healthcare	*	12	5.96	52,490	7.13	Buy	1,380.7	1,559.9	1,742.6	15.7	17.7	19.8	12.3	38.0	33.7	30.1	6.0	3.0	2.0	(4.2)
KPJ MK	KPJ Healthcare	*	12	1.20	5,237	1.20	Hold	167.0	217.5	263.0	3.7	4.8	5.8	25.2	32.4	25.0	20.7	9.4	2.4	2.4	18.8
OPTIMAX MK	Optimax	*	12	0.66	356	0.86	Buy	14.7	16.2	16.2	2.2	2.4	2.4	4.4	30.0	27.5	27.5	26.4	3.6	6.0	(15.9)
<b>Materials</b>																					
PMAH MK	Press Metal Ind	*	12	4.86	40,045	5.40	Buy	1,418.0	1,465.5	1,690.6	17.2	17.8	20.5	9.2	28.3	27.3	23.7	19.4	1.4	5.3	(0.4)
<b>Media</b>																					
ASTRO MK	Astro Msia Hldgs	1	0.45	2,349	0.47	Sell	288.9	259.1	202.6	5.5	4.9	3.8	(17.1)	8.1	9.1	11.8	21.7	5.4	2.0	(30.8)	
MPR MK	Media Prima	6	0.44	483	0.41	Hold	15.1	17.5	34.2	1.2	1.6	3.1	64.2	37.8	27.5	14.0	2.6	2.9	0.7	3.6	
<b>Non-Banking Financials</b>																					
BURSA MK	Bursa Malaysia	*	12	6.87	5,560	6.55	Hold	226.6	251.4	229.7	28.0	31.1	28.4	0.7	24.5	22.1	24.2	30.1	3.9	6.8	3.3
ALLZ MK	Allianz Malaysia	12	15.86	2,823	19.20	Buy	472.8	538.0	588.1	136.6	155.5	169.9	11.5	11.6	10.2	9.3	11.6	5.4	0.6	12.0	
RCE MK	RCE Capital	*	3	2.58	1,891	2.38	Buy	137.4	135.8	139.2	18.8	18.3	18.8	-	13.8	14.1	13.8	16.4	7.0	2.3	52.7
MNRB MK	MNRB	3	1.15	901	1.40	Buy	118.5	145.9	163.2	15.1	18.6	20.8	17.3	7.6	6.2	5.5	5.5	3.9	0.3	30.7	
<b>Oil &amp; Gas</b>																					
DLG MK	Dialog Group	*	6	2.12	11,962	2.43	Buy	506.1	528.5	565.5	9.0	9.4	10.1	5.7	23.6	22.6	21.1	9.2	1.6	2.2	(13.5)
WSC MK	Wasco	*	12	0.98	759	1.20	Buy	61.7	92.3	109.7	8.0	11.9	14.2	33.2	12.3	8.2	6.9	13.7	0.0	1.1	58.1
BAB MK	Bumi Armada	12	0.55	3,228	0.70	Buy	827.9	535.0	846.6	14.0	9.0	14.4	1.4	3.9	6.1	3.8	9.4	0.0	0.6	13.5	
YNS MK	Yinson Hldgs	1	2.43	7,063	5.05	Buy	442.8	852.1	966.0	16.2	28.0	31.7	39.9	15.0	8.7	7.7	17.6	0.7	1.6	0.0	
VEB MK	Velesto Energy	*	12	0.26	2,136	0.24	Hold	(71.8)	70.7	141.0	(0.9)	0.9	1.7	n.a.	n.a.	28.9	15.3	3.0	0.0	0.9	73.3
HIBI MK	Hibiscus Petro	*	6	1.11	2,234	1.90	Buy	391.6	474.3	517.8	19.5	23.6	25.8	15.1	5.7	4.7	4.3	14.8	1.1	0.8	3.7

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Ticker	Company	FYE	Price 12 Oct MYR	Market Cap MYR m	TP MYR	Rec	Core Net Profit			EPS			CAGR 22-24E (%)	PER			ROE CY23E (%)	Div Yld CY23E (%)	PBV CY23E (x)	Px chg YTD (%)	
							CY22	CY23E	CY24E	CY22	CY23E	CY24E		CY22	CY23E	CY24E					
<u>Petrochemical</u>																					
PCHEM MK	Petronas Chem	*	12	7.27	58,160	7.00	Hold	6,411.0	2,605.2	3,919.9	80.1	32.6	49.0	(21.8)	9.1	22.3	14.8	6.5	2.2	1.4	(15.5)
TTNP MK	Lotte Chemical	*	12	1.18	2,688	1.01	Sell	(712.1)	(832.8)	(103.6)	(31.3)	(36.6)	(4.6)	n.a.	n.a.	n.a.	n.a.	(7.8)	0.0	0.2	(16.9)
<u>Plantation</u>																					
GENP MK	Genting Plant	*	12	5.33	4,782	6.08	Buy	491.1	287.2	288.1	54.7	32.0	32.1	(23.4)	9.7	16.7	16.6	5.4	3.6	0.9	(16.7)
IOI MK	IOI Corp	*	6	3.92	24,318	3.85	Hold	1,519.1	1,314.4	1,285.2	24.5	21.2	20.7	(8.0)	16.0	18.5	18.9	11.3	3.0	2.1	(3.2)
KLK MK	KL Kepong	*	9	21.50	23,186	23.00	Hold	1,947.5	1,256.6	1,474.7	180.7	116.6	136.8	(13.0)	11.9	18.4	15.7	8.4	3.3	1.7	(3.8)
SDPL MK	Sime Plantation	*	12	4.23	29,253	4.44	Hold	2,180.1	1,192.2	1,727.4	31.5	17.2	25.0	(10.9)	13.4	24.6	16.9	6.9	3.5	1.8	(9.0)
BPLANT MK	Boustead Plant	*	12	1.45	3,248	1.55	Buy	185.3	52.4	51.0	8.3	2.3	2.3	(47.4)	17.5	63.0	63.0	1.8	1.0	1.1	124.8
SOP MK	Swak Oil Palms	*	12	2.55	2,270	2.81	Buy	490.0	227.2	242.0	55.6	25.5	27.2	(30.1)	4.6	10.0	9.4	6.6	3.0	0.7	(1.9)
TSH MK	TSH Resources	*	12	1.03	1,422	0.96	Hold	189.6	120.1	128.4	13.7	8.7	9.3	(17.6)	7.5	11.8	11.1	5.9	4.0	0.7	(3.7)
THP MK	TH Plantations	*	12	0.52	460	0.48	Sell	69.3	13.3	24.6	7.8	1.5	2.8	(40.1)	6.7	34.7	18.6	1.9	0.0	0.6	(1.0)
TAH MK	Ta Ann Hldgs	*	12	3.33	1,467	3.75	Buy	348.3	183.7	176.6	79.1	41.7	40.1	(28.8)	4.2	8.0	8.3	10.1	7.5	0.8	(11.9)
<u>Property Dev</u>																					
SPSB MK	SP Setia	*	12	1.00	4,072	1.20	Buy	286.8	276.7	590.6	7.0	6.8	14.5	43.9	14.2	14.6	6.9	2.3	1.5	0.3	65.8
UEMS MK	UEM Sunrise	*	12	0.85	4,274	0.60	Hold	73.2	99.0	133.6	1.4	2.0	2.6	36.3	60.4	42.3	32.5	1.4	0.7	0.6	231.4
SWB MK	Sunway Berhad	*	12	1.99	9,860	1.92	Hold	637.8	731.4	782.7	10.7	12.3	13.2	11.1	18.6	16.2	15.1	5.6	2.5	0.9	22.8
ECW MK	Eco World Devt	*	10	1.07	3,150	1.12	Hold	239.6	283.7	311.8	8.2	9.6	10.6	14.1	13.1	11.1	10.1	5.8	5.6	0.6	65.9
ECWI MK	Eco World Intl	*	10	0.37	888	0.34	Hold	(145.1)	(82.1)	(44.1)	(6.0)	(3.4)	(1.9)	n.a.	n.a.	n.a.	n.a.	(5.8)	87.8	0.6	(5.1)
TILB MK	Tambun Indah	*	12	0.87	380	0.98	Hold	61.2	58.4	58.5	14.0	13.3	13.3	(2.5)	6.2	6.5	6.5	7.5	6.1	0.5	13.1
SDPR MK	Sime Darby Prop	*	12	0.68	4,625	0.75	Buy	328.0	304.8	338.5	4.8	4.5	5.0	2.1	14.2	15.1	13.6	3.1	2.9	0.5	51.1
<u>REIT</u>																					
AXRB MK	Axis REIT	*	12	1.82	3,169	2.16	Buy	157.9	162.2	205.5	9.6	9.3	11.8	10.9	19.0	19.6	15.4	5.9	4.6	1.2	1.7
SALAM MK	Al-Salam REIT	*	12	0.47	270	0.46	Hold	15.7	12.0	19.1	2.7	2.1	3.3	10.6	17.2	22.1	14.1	1.9	3.7	0.4	25.7
KLCCSS MK	KLCCP Stapled	*	12	6.80	12,276	7.00	Hold	684.9	756.8	769.9	37.9	41.9	42.6	6.0	17.9	16.2	16.0	5.5	5.3	0.8	1.3
SENTRAL MK	Sentral REIT		12	0.83	890	0.91	Buy	76.2	72.3	82.9	7.1	6.0	6.9	(1.4)	11.7	13.8	12.0	5.2	6.3	0.7	(7.3)
CLMT MK	Capitaland MT		12	0.55	1,490	0.53	Hold	86.5	116.6	127.8	4.0	3.7	4.0	-	13.6	14.7	13.6	4.0	6.1	0.5	1.9
SREIT MK	Sunway REIT		12	1.48	5,069	1.54	Hold	328.7	334.9	369.7	9.6	9.8	10.8	6.1	15.4	15.1	13.7	6.4	5.9	1.0	1.4
IGBREIT MK	IGB REIT		12	1.68	6,044	1.70	Hold	336.2	370.1	382.8	9.4	10.3	10.6	6.2	17.9	16.3	15.8	9.5	6.1	1.6	1.8
PREIT	Pavilion REIT		12	1.21	4,419	1.51	Buy	246.4	297.2	341.0	8.1	7.3	8.3	1.2	14.9	16.6	14.6	5.5	5.7	0.9	0.0
YTLREIT MK	YTL REIT		6	1.01	1,721	1.08	Buy	139.0	142.8	149.0	8.2	8.4	8.8	3.6	12.4	12.0	11.5	5.1	7.8	0.6	9.8
<u>Renewable Energy</u>																					
CYP MK	Cypark Res	*	10	0.92	731	1.05	Buy	82.7	43.6	34.0	12.9	6.8	5.3	(35.6)	7.1	13.5	17.2	5.2	0.0	0.4	94.7
SOLAR MK	Solarvest	*	3	1.34	896	1.40	Buy	16.5	26.7	40.9	2.4	4.0	6.0	57.6	55.3	33.9	22.2	12.8	0.6	4.1	56.7

\* Shariah compliant, based on Securities Commission's latest Shariah compliant list effective 26 May 2023; Source: Bloomberg pricing, Maybank IBG Research

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Ticker	Company	FYE	Price 12 Oct MYR	Market Cap MYR m	TP MYR	Rec	Core Net Profit			EPS			CAGR 22-24E (%)	PER			ROE CY23E (%)	Div Yld CY23E (%)	PBV CY23E (x)	Px chg YTD (%)	
							CY22	CY23E	CY24E	CY22	CY23E	CY24E		CY22	CY23E	CY24E					
<u>Technology</u>																					
INARI MK	Inari Amertron	*	6	2.91	10,894	3.00	Hold	364.4	372.8	439.1	9.5	9.7	11.5	9.8	30.6	30.0	25.4	14.1	3.0	4.1	11.5
VITRO MK	ViTrox Corp	*	12	7.15	6,759	8.10	Hold	217.2	175.5	250.0	22.9	18.5	26.4	7.4	31.2	38.6	27.1	17.5	0.7	6.7	(6.5)
GTB MK	Globetronics	*	12	1.45	974	1.13	Sell	47.2	26.0	36.1	7.1	3.9	5.4	(12.8)	20.4	37.2	26.9	8.3	2.7	3.2	25.0
VSI MK	V.S. Industry	*	7	0.98	3,776	1.05	Hold	201.6	210.7	259.8	4.8	5.0	6.1	12.4	20.3	19.5	16.1	8.9	2.2	1.6	11.4
GREATEC	Greatech Tech	*	12	4.24	5,318	5.20	Buy	126.6	150.6	185.8	10.1	12.0	14.8	21.1	42.0	35.3	28.6	20.4	0.0	7.2	(12.4)
FRCB MK	Frontken Corp	*	12	3.18	4,996	3.50	Hold	122.5	136.9	168.5	7.8	8.7	10.7	17.1	40.8	36.6	29.7	25.4	1.4	8.1	3.2
GHL MK	GHL Systems	*	12	0.80	913	0.82	Hold	28.8	31.1	35.5	2.5	2.7	3.1	11.4	32.0	29.6	25.8	5.7	0.0	1.7	(7.0)
MYEG MK	My E.G. Services	*	12	0.82	6,081	1.16	Buy	353.0	412.3	434.9	4.7	5.5	5.8	11.1	17.3	14.8	14.1	19.0	2.0	2.8	(5.2)
REVENUE MK	Revenue Group	*	6	0.23	124	0.27	Hold	(9.7)	(14.2)	5.6	(1.6)	(2.3)	0.9	n.a.	n.a.	n.a.	25.0	(11.3)	0.0	0.8	(66.7)
CTOS MK	CTOS Digital	*	12	1.43	3,303	2.00	Buy	74.0	116.6	129.9	3.2	5.0	5.6	32.3	44.7	28.6	25.5	20.6	1.8	5.9	0.7
ATECH MK	Aurelius Tech	*	1	2.69	1,060	3.13	Buy	39.8	46.8	60.9	10.1	11.9	15.5	23.6	26.5	22.7	17.4	14.4	2.1	3.8	47.0
RAMSSOL MK	Ramssol	*	12	0.50	153	0.46	Buy	4.0	7.2	8.9	1.8	2.9	3.6	41.4	27.8	17.2	13.9	11.5	0.0	1.8	13.6
ITMAX MK	ITMAX System	*	12	1.81	1,861	2.10	Buy	44.5	65.6	94.6	4.3	6.4	9.2	46.3	42.1	28.3	19.7	19.4	0.7	5.5	27.5
<u>Telecommunication</u>																					
CDB MK	CelcomDigi	*	12	4.36	51,149	4.60	Hold	763.5	1,308.7	2,131.2	9.4	11.2	18.2	39.1	46.4	38.9	24.0	8.1	2.6	3.1	9.0
T MK	Telekom Msia	*	12	4.97	19,068	6.50	Buy	1,245.9	1,794.9	1,830.6	32.9	47.0	47.9	20.7	15.1	10.6	10.4	19.9	3.8	2.1	(8.0)
AXIATA MK	Axiata Group	*	12	2.45	22,489	3.40	Buy	1,586.7	342.4	876.6	17.3	3.7	9.6	(25.5)	14.2	66.2	25.5	1.5	4.1	1.0	(20.7)
MAXIS MK	Maxis	*	12	4.04	31,642	4.00	Hold	1,182.0	1,370.5	1,477.0	15.1	17.5	18.9	11.9	26.8	23.1	21.4	21.4	4.2	5.0	5.2
TDC MK	Time dotCom	*	12	5.29	9,770	5.30	Hold	421.1	419.3	442.8	23.0	22.8	24.1	2.4	23.0	23.2	22.0	11.5	14.6	4.6	8.0
<u>Transport</u>																					
CAPITALA MK	Capital A	*	12	0.96	4,024	1.01	Hold	(2,717.1)	(457.7)	519.3	(65.2)	(6.6)	9.7	n.a.	n.a.	n.a.	9.8	7.4	0.0	(0.7)	52.8
AAX MK	AirAsia X	*	12	2.45	1,095	3.56	Buy	(781.2)	144.4	265.5	(188.3)	32.3	59.4	n.a.	n.a.	7.6	4.1	29.2	0.0	13.7	329.8
MAHB MK	Msia Airports	*	12	7.39	12,331	7.96	Buy	(406.2)	308.8	611.8	(24.5)	18.5	36.7	n.a.	n.a.	39.9	20.1	4.7	1.3	1.6	12.7
WPRTS MK	Westports	*	12	3.18	10,844	3.68	Hold	673.5	785.5	823.9	19.8	23.0	24.2	10.6	16.1	13.8	13.1	22.6	5.4	3.1	(16.3)
MISC MK	MISC	*	12	7.18	32,050	7.19	Hold	2,374.3	2,414.9	2,409.8	53.2	54.1	54.0	0.7	13.5	13.3	13.3	6.3	4.6	0.8	(4.3)
SWIFT MK	Swift Haulage	*	12	0.54	471	0.52	Hold	45.6	33.9	38.8	5.1	3.8	4.4	(7.1)	10.5	14.1	12.2	5.0	2.4	0.7	11.5
<u>Utilities</u>																					
TNB MK	Tenaga Nasional	*	12	10.00	57,873	10.00	Hold	4,702.9	5,019.7	5,255.9	81.4	86.9	91.0	5.7	12.3	11.5	11.0	8.3	4.8	0.9	3.8
PTG MK	Petronas Gas	*	12	17.14	33,915	17.00	Hold	1,696.2	1,787.2	1,810.9	85.7	90.3	91.5	3.3	20.0	19.0	18.7	13.2	4.2	2.5	0.1
GMB MK	Gas Msia	*	12	3.14	4,032	3.20	Hold	389.5	383.8	338.4	30.3	29.9	26.4	(6.7)	10.4	10.5	11.9	27.9	7.1	2.9	(3.7)
MLK MK	Malakoff Corp	*	12	0.62	3,030	0.55	Hold	302.2	(173.0)	299.0	6.2	(3.5)	6.1	(0.8)	10.0	n.a.	10.2	(2.8)	3.2	0.5	(4.6)
YTLP MK	YTL Power	*	6	2.02	16,366	2.30	Buy	950.7	2,269.1	2,582.4	11.8	28.0	31.9	64.6	17.2	7.2	6.3	12.7	3.0	1.0	182.5
MFCB MK	Mega First Corp	*	12	3.39	3,196	4.30	Buy	372.0	386.1	412.7	39.4	40.8	43.7	5.3	8.6	8.3	7.8	12.6	2.5	1.0	2.1
RAHH MK	Ranhill Utilities	*	12	0.62	799	0.60	Hold	96.7	49.1	43.8	7.5	3.8	3.4	(32.7)	8.3	16.3	18.2	6.3	4.0	1.0	36.3

\* Shariah compliant, based on Securities Commission's latest Shariah compliant list effective 26 May 2023; Source: Bloomberg pricing, Maybank IBG Research

## 5. Summary of key measures

### Summary of Budget 2024

Measures	Key Measures, Incentives & Allocations
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#### FIRST AGENDA: GOOD GOVERNANCE FOR SERVICE AGILITY

##### Measure 1 Commitment to Fiscal Reform

###### Focus 1 & 2: Fiscal Responsibility & Budget 2024 Estimation

1. Budget 2024 is the largest in history, with an allocation of RM393.8b.
2. Of this, RM303.8b (77% of Budget 2024) will be allocated for operating expenditure and RM90b (23% of Budget 2024) will be allocated for development expenditure, including RM2b in contingency savings.
3. 2024 revenue collection is expected to increase to RM307.6b from RM303.2b in 2023.
4. Fiscal deficit is expected narrow to 4.3% of GDP in 2024.

###### Focus 3: Expansion of Revenue Base

1. Increase in Service Tax rate to 8% from 6% and will expand to logistics, brokerages, underwriting and karaoke services. This increase will not include services such as F&B and telecommunications.
2. Implementation of Capital Gains Tax on net profit derived from the disposal of local companies' unlisted shares based at a rate of 10% beginning 1 March 2024.
3. The Government will also consider the exemption of Capital Gains Tax on the disposal of shares related to certain activities such as approved Initial Public Offering (IPO), internal structuring and venture capital companies subject to set conditions.
4. Tax imposed on certain high value goods (luxury goods) at 5%-10%, such as jewellery and watches, based on threshold value of the goods. This is exempted for foreign tourists.
5. Global minimum tax to be implemented in 2025 on companies with a global income of at least EUR750mn.
6. The Inland Revenue Board (IRB) will implement mandatory e-invoicing on taxpayers with annual income exceeding RM100mn from 1 August 2024. The same will be enforced on other income categories in phases, with full implementation by 1 July 2025.
7. Beginning 1 January 2024, the Government will tighten the smuggling control measures and expand the measures of liquor products such as restricting transshipment activities for liquor products to certain ports only.

###### Focus 4: Targeting of Subsidies

1. Starting 2024, the retargeted subsidy approach will be implemented in phases. A portion of the savings will be channeled to increase the allocation of cash assistance through the Rahmah Cash Contribution from RM8b to RM10b.
2. Temporary price controls will be lifted to enable the local market to function freely in ensuring sufficient supply of chicken and eggs in the market. Details on these measures will be announced by Agriculture and Food Security Ministry in 2 weeks' time.
3. The Government to continue providing rebates on electric bill up to RM40 a month for hardcore poor families with RM55mn allocation and agrees to waive deposit payment of electricity bill in their own names.
4. Diesel subsidies to be rationalized in stages, targeting specific users only such as freight transport.
5. The government will allocate RM10mn to strengthen the capacity and measures of the Malaysia Competition Commission (MyCC) in controlling prices of goods.

##### Measure 2 Institutional Reform Agenda

1. The Special Task Force on Agency Reform (STAR) to expedite maintenance of Government's lifts (RM91mn) and Government quarters (RM170mn). A total of RM2.4b will be allocated to build, maintain and refurbish the quarters of civil servants, teachers, hospital staff, policemen, army and fire department personnel.
2. RM18mn allocated to launch legislative reforms, including preparation of the Implementation of the Alternative Punishment Execution Bill Against Mandatory Death Penalties.
3. RM38mn allocated to increase the productivity of the national judicial institutions, to include improving infrastructure and upgrading ICT facilities.

Source: Budget 2024 Speech

## Summary of Budget 2024 (continued)

Measures	Key Measures, Incentives & Allocations
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**FIRST AGENDA: GOOD GOVERNANCE FOR SERVICE AGILITY (continued)**

4. RM20mn allocated to empower the Academy of Judiciary Malaysia and the Academy of Syariah Judiciary Malaysia.
5. Recommendations on public institutions reform include:
  - Improving the imposition of stamp duty
  - Strengthening tax administration
  - Expanding the coverage of the social protection system
  - Restructuring of Development Financial Institutions (DFIs) through the merging of Bank Pembangunan Malaysia Berhad, SME Bank and Exim Bank
  - Strengthening the venture capital environment through the centralization of venture capital agencies such as Penjana Kapital and MAVCAP under Khazanah Nasional Berhad
6. RM100mn allocation to continue supporting the efforts taken by NGOs and civil society organisations including Yayasan Hasanah.

**Measure 3 Prioritising Services & Rakyat-Oriented Projects****Focus 1: Managing Rakyat's Difficulties**

1. Allocation of RM150mn to maintain and repair public lavatories in 150 local authorities nationwide.
2. Allocation of RM2.8b to maintain federal roads and bridges with RM300mn allocated to G1 to G4 contractors.
3. Continuous enhancement of the role of District Engineers to deal with unexpected minor complaints involving Federal Roads. The Government will increase the allocation to RM200,000 instead of RM100,000 given in 2023 with a total allocation of RM30mn to 115 district engineers.
4. Allocation of RM100mn to maintain streetlights, including replacement to LEDs. RM50mn is also allocated for the same purpose to local governments throughout the country.
5. Allocation of RM50mn to treat accident prone areas, among others to upgrade existing traffic lights to smart traffic lights on Federal Roads to help resolve traffic congestion.
6. Strengthen the function of the Legal Aid Department in defending the plight of the poor in getting justice.
7. Allocation of an additional RM10mn under the Kumpulan Wang Amanah Rakyat Malaysia Luar Negeri to safeguard Malaysians who fall victims to employment fraud syndicates and other welfare cases abroad.
8. Extension of the Second Chance Policy to young individuals aged 40 and below with debts not exceeding RM200,000.
9. Allocation of RM26mn to deliver public services which include:
  - Program Menyemai Kasih Rakyat (MEKAR) which offers services from the National Registration Department (JPN)
  - Mobile clinic services by university training hospitals to provide basic treatment services including early screening for breast cancer
  - Mobile dental clinics by expanding the service to new areas in Penampang and Keningau, Sabah
  - Mobile banks by collaborating with local banks
  - Mobile courts especially to handle civil cases
10. Allocation of up to RM20mn instead of RM10mn to further improve the functionality of the National Scam Response Centre (NSRC) to combat scam related crimes.

**Focus 2: Development of Sabah & Sarawak**

1. Increase in allocation for the development of Sarawak to RM5.8b from RM5.6b.
2. Increase in allocation for the development of Sabah to RM6.6b from RM6.5b.
3. Delegated the authority to implement development projects valued under RM50mn to technical agencies in Sabah and Sarawak.

Source: Budget 2024 Speech



## Summary of Budget 2024 (continued)

Measures	Key Measures, Incentives & Allocations
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### FIRST AGENDA: GOOD GOVERNANCE FOR SERVICE AGILITY (continued)

4. Increased the interim Special Grants rate for Sabah and Sarawak to RM300mn compared to RM16mn for Sarawak and RM125.6mn to Sabah.
5. Transfer of electricity supply regulatory powers to the Sabah State Government which will come into effect on 3 January 2024. The Federal Government will continue to assist the Sabah State Government in strengthening the electricity supply industry by providing subsidies to Sabah Electricity Sdn. Bhd. (SESB) until the SESB Transformation Plan is successfully implemented by 2030.
6. The Federal Government will support the implementation of hybrid solar energy generation as well as construction of a network of electricity transmission lines in Southern Sabah.
7. Ongoing negotiations on the handover of Bintulu Port and the operation of the Rural Air Service (RAS) to the State Governments.

#### Focus 3: Digitalisation of the Public Sector

1. Expedite the National Digital Identity (NDI) development as a reliable endorsement platform.
2. Creation of GovTech Nucleus Unity as to build internal expertise in efforts of digitising public service delivery as well as facilitate the development of National Digital Identity and other user-friendly applications at optimal cost.

### SECOND AGENDA: RESTRUCTURING THE ECONOMY TO BOOST GROWTH

#### Measure 4 Revamping the Economic Structure

1. Allocation of up to 10% from the total New Industrial Master Plan (NIMP) investment as a catalyst to accelerate the NIMP mission with a 2024 startup fund amounting to RM200mn.

#### Focus 1: Priority of the High Growth and High Value (HGHV) Sector

1. The Government plans to provide a tiered reinvestment tax incentive in the form of investment tax allowance of either 70% or 100%.
2. Propose for the Pengerang Integrated Petroleum Complex (PIPC) to be turned into a development hub for the chemical and petrochemical sector with a tax incentive package in the form of a special tax rate or investment tax allowance.

#### Focus 2: Malaysia as an Investment Destination

1. Implementation of new policies and directives to facilitate business which include:
  - The Government will open a high-tech industrial area in Kerian, North Perak
  - Expansion of responsibilities of MITI and MIDA to include facilitation of issues related to investment beginning from the application until the investment is realised. For this, an Investment and Coordination Action Committee (JTPPP) has been established and is responsible for reporting to the National Investment Council chaired by the Prime Minister.

#### Focus 3: Internationalisation of Startups

1. Allocation of RM28mn to develop MYStartup platform as a single window that brings together startups while simplifying business activities throughout their lifecycle. This initiative will optimize RM200mn fund under various funding agencies and venture capital under a single platform.
2. Measure to internationalise local startups and increase their competitiveness to penetrate the regional markets includes:
  - Government-Linked Companies (GLCs) and Government-Linked Investment Companies (GLICs) will provide funds of up to RM1.5b to encourage startups including Bumiputera SME entrepreneurs to venture into HGHV fields such as the digital economy, space technology and electronics and electrical (E&E)
3. Measures to support capital funding for startups include:
  - Allocation of RM100mn to MyCIF for a period of 3 years to complete the cooperation with food security initiatives, environment, the community and the State Islamic Religious Council

Source: Budget 2024 Speech

## Summary of Budget 2024 (continued)

Measures	Key Measures, Incentives & Allocations
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### SECOND AGENDA: RESTRUCTURING THE ECONOMY TO BOOST GROWTH (continued)

- Tax incentives for individual investors investing in startups through the equity crowdfunding platform (ECF) will also be extended to individual investors through the limited liability partnership nominee companies and extended until 31 December 2026.
- Tax incentive for angel investors extended until 31 December 2026 to encourage capital in technology related startups.

#### Focus 4: Leader of the Global Islamic Economy

1. Allocation of RM20mn to stimulate research, creativity and innovation in Islamic economy. This effort will be led by the International Islamic Finance Education Centre (INCEIF) in collaboration with the Malaysian International Islamic Finance Centre (MIIFC) and the industry.
2. The Government proposes to exempt income tax on income derive from Islamic Securities Selling and Buying (ISSB) from the year assessment 2024.
3. The Government proposes to exempt income tax in full for 5 years for Labuan entities that carry out trading activities related to Islamic finance such as Islamic digital banking, Islamic digital bursa, ummah-related company and Islamic digital token issuer from year assessment 2024.
4. Offer of special programmes for halal SMEs under the integrated halal platform that provides access to special funds and capacity building programmes by 9 financial institutions.
5. Shorten the halal certificate processing period from 51 to 30 days.
6. Allocation of up to RM25mn in matching grants with financial institutions to benefit more entrepreneurs.
7. Increase allocation to RM500mn from RM200mn to provide soft loans to increase the redevelopment of waqf lands nationwide.

### Measure 5 Empowering Micro, Small and Medium Entrepreneurs (MSMEs)

#### Focus 1: Business Loan Facility

1. The total value of loans and financing guarantees available for the benefits of MSMEs amounts up to RM44b in 2024.
2. Provision of small loan facilities with funds amounting to RM2.4b under agencies such as BNM, BSN and TEKUN to micro-entrepreneurs which consist of:
  - RM1.4b under the BSN micro loan
  - RM330mn under TEKUN. RM30mn is provide specifically to finance businesses run by the Indian community
  - RM720mn is set aside to encourage women and youth to venture into business
3. RM8b in loan funds under BNM are provided to support SME companies. From this, RM600mn is dedicated to help micro-enterprises and low-income entrepreneurs, small contractors, the application of sustainability practices and food security related sectors.
4. Allocation RM600mn under the Dana Impak Khazanah Nasional for 2024.
5. Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP) will guarantee up to 80% of SME entrepreneurs' loans, especially those involved in the green economy, technology and halal fields with the availability of a guarantee fund of up to RM20b.
6. Allocation of RM100mn in funding to support Amanah Ikhtiar Malaysia (AIM)'s function to eradicate poverty.
7. Provision of RM100mn in financing funds to the cooperative movement through the Revolving Capital Funder under the Malaysian Cooperative Commission.

#### Focus 2: Strengthening the Competitiveness of MSMEs

1. Allocation of RM100mn for digitalisation grants of up to RM5000 for the benefit of more than 20,000 MSME entrepreneurs.
2. Allocation of RM900mn loan fund under BNM to encourage SME companies to increase business productivity through automation and digitisation.

Source: Budget 2024 Speech

## Summary of Budget 2024 (continued)

Measures	Key Measures, Incentives & Allocations
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### SECOND AGENDA: RESTRUCTURING THE ECONOMY TO BOOST GROWTH (continued)

3. Allocation of RM40mn to implement the Shop Malaysia Online Programme to encourage small traders especially in the home-based food and beverage businesses.
4. Allocation of RM25mn to enhance the role of the Digital Economy Centre in each State Constituency to support small entrepreneurs with selling products online.
5. Proposal to reduce the time frame for companies to claim capital allowances on the purchase of ICT equipment and computer software packages to 3 years, instead of 4 years, from assessment year 2024.

#### Focus 3: Local Talent Development

1. Allocation of RM6.8b for TVET education.
2. Allocation of RM100mn to provide industry-recognised professional certification to TVET graduates and as an incentive for the industry to collaborate with public TVET institutions.
3. The Human Resources Development Corporation (HRD Corp) will use RM1.6b to train 1.7mn workers.
4. HRD Corp will reallocate special fund using 15% of the total levy collection to implement the MADANI Training Programme including talent retaining and skill improvement programmes for MSME entrepreneurs and vulnerable groups such as ex-prisoners, the disabled, the elderly and retirees.
5. The Academy in Industry Programme will be implemented to provide on-the-job training for a period of up to 18 months with an allocation of RM70mn.
6. RM30mn incentive for industry (aerospace, medical devices and digital sectors) to train local workforce including to offer their expertise as instructors and to fund new innovations in producing new products.
7. The Skills Development Fund Corporation (PTPK) with TVET Training Fund amounting to RM180mn will provide education loans to 12,000 trainees undergoing the Program Persijilan Kemahiran. RM20mn is reserved to benefit trainees who are undertaking courses in the maritime field, arts at ASWARA, and maintenance, repair and overhaul (MRO) for the aerospace sector.
8. Allocation of RM17mn to implement Tahfiz TVET Programme.
9. Tax relief of up to RM2,000 as payment for skills improvement or self-improvement courses is extended until the assessment year 2026.
10. Expand the scope for lifestyle to include the fees for attending self-improvement courses such as language courses, photography, tailoring classes and others.

#### Focus 4: Rakyat's Economy

1. Allocation of RM110mn to upgrade hawker centres and public market infrastructure as well as 150 local a local government areas.
2. Allocation of RM10mn to beautify and improve the cleanliness of 10,000 stalls.
3. Allocation of RM50mn to build 4,000 units of new streamlined, comfortable and safe trade spaces in every local government area.
4. MARA, Perbadanan Usahawan Nasional Berhad (PUNB), Perbadanan Pembangunan Bandar (UDA) and the Kuala Lumpur City Hall (DBKL) will also upgrade their business facilities.
5. Allocation of RM27mn to intensify efforts on the purchase of local products through the Buy Made in Malaysia Goods Campaign and the Goods and Services from Local R&D (MySTI) programme.
6. Allocation of RM10mn to expand the franchise trade under the Franchise Strengthening Programme to Increase Exports.

### Measure 6 Supporting Primary Sectors

#### Focus 1: Logistics Sector

1. Measures to strengthen the ecosystem and efficiency of ports include:
  - RM50mn is provided as a matching grant with the Port Klang Authority to maintain Jalan Port Klang
  - RM20mn is provided as a matching grant with the Port Authorities to upgrade the Malaysia Single Window (MMSW) system

Source: Budget 2024 Speech

## Summary of Budget 2024 (continued)

## Measures Key Measures, Incentives &amp; Allocations

## SECOND AGENDA: RESTRUCTURING THE ECONOMY TO BOOST GROWTH (continued)

- The proposed development of a Port in Carey Island to be realised through Request for Proposal (RFP)
1. The Government will introduce a Global Service Hub tax incentive with an income tax rate incentive of 5% or 10% determined on a success basis for a period of up to 10 years.
  2. Allocation of RM47mn to improve passenger facilities at Tioman Airport terminals and to extend the existing runway to 1,300 metres.

**Focus 2: Tourism and Creative Sector**

1. Reinstatement of Visit Malaysia Year to year 2026 with a target of 26.1mn foreign tourist arrivals and an estimated domestic expenditure of RM97.6b.
2. Allocation of RM350mn to boost promotion and tourism activities which include:
  - Organising 2026 Visit Malaysia Campaign
  - Cooperation with the industry for promotional activities and to organise both domestic and international tourism events
  - Assistance of more than 200 cultural activists to organize cultural and arts activities
  - Charter flight matching grant to improve accessibility of international flights to Malaysia
  - Funds to the Islamic Tourism Centre (ITC) to develop Muslim-friendly tourism industry in Malaysia
3. Allocation of RM20mn for the benefit of state governments to maintain and conserve tourist attractions such as Tasik Timah Tasoh (Perlis), Kenong Rimba Park (Pahang) and Pantai Teluk Kemang (Negeri Sembilan).
4. Allocation of RM80mn to preserve and conserve heritage buildings and sites that could potentially be recognized by UNESCO such as Gua Niah (Sarawak), Lembah Bujang (Kedah) and Royal Belum (Perak)
5. Allocation of RM20mn to Think City to enhance and conserve the value of Kuala Lumpur as a creative and cultural city.
6. New initiatives under the Malaysian Visa Liberation Plan include:
  - Facilitate Employment Pass approvals for strategic investors in key sectors
  - Introduce Long-Term Social Visit Pass for international students who have graduated to meet industrial skilled personnel needs
  - Improve Visa-On-Arrival facilities, social visit passes and Multiple Entry Visa offers to encourage the entry of tourists and investors from India and China
7. To ease the existing conditions for the application of Malaysia My Second Home (MM2H).
8. RM160mn will be provided to implement various initiatives for the benefit of creative arts which include:
  - RM60mn under the Digital Content Fund to promote local works and support content based on national values
  - RM90mn under the Film in Malaysia Incentive (FIMI) initiative to further encourage international film production
  - RM10mn to provide for the MyCreative Matching Grant Scheme to support artists in the production of creative projects
9. The Government also intends to lower the entertainment duty rate for the Federal Territory from 25% to new rates as follows:
  - Full exemption of entertainment duty for stage performances by local artists
  - Reduction of entertainment duty to 5% for theme parks, family recreation centres, indoor play centres and simulators
  - Reduction to 10% entertainment duty for stage performances by international artists and other entertainment events such as film screenings as well as sports and games events
10. The Government proposes to set a special income tax rate of between 0 to 10% on film production companies, foreign film actors and movie crews who carry out filming in Malaysia.

Source: Budget 2024 Speech

## Summary of Budget 2024 (continued)

### Measures Key Measures, Incentives & Allocations

#### SECOND AGENDA: RESTRUCTURING THE ECONOMY TO BOOST GROWTH (continued)

##### Focus 3: Technology and Innovation

1. A total of RM510mn is allocated as R&D funding under the Ministry of Science, Technology and Innovation as well as the Ministry of Higher Education. From this, RM50mn is exclusively for a matching grant 64 for public universities to collaborate with the private sector in intensifying research and innovation activities that can be commercialised.
2. A total of RM76 million is also allocated to enhance the research, development, commercialisation and innovation (R&D&C&I) ecosystem.
3. Continuation of The INNOVATHON programme to enrich and stimulate innovation among the Rakyat.
4. Allocation of RM10mn involving the E&E technology field under MIMOS, the space sector under MYSA, and drone and robotics technology under MRANTI.

##### Focus 4: Plantations and Commodities Sector

1. The Government will provide RM2.4b to FELDA, FELCRA and RISDA to continue to boost agricommodity activities and improve the socioeconomic status of smallholders.
2. The Government will provide the Palm Replanting Programme Incentive with an allocation of RM100mn. This incentive will be offered through a grant and loan to 7,000 private oil palm smallholders.
3. Allocation of RM70mn to enhance the sustainability level of the palm industry as well as intensify efforts to counter Anti-Palm Oil Campaigns in the international arena.
4. RM10mn is provided for the implementation of a pilot project to use stimulant gas for the benefit of rubber smallholders in a 1,000 hectare-wide plantation.
5. Allocation of RM90mn to RISDA and FELCRA to encourage smallholders to optimise the use of production of crops and livestock such as mushrooms, pineapple, matag coconut, cattle and poultry.
6. The scope of automation tax incentives will be expanded to cover the commodities sector under the Ministry of Plantation and Commodities.
7. Increase in the Rubber Production Incentive (IPG) activation pricing level to RM3 per kg with an allocation of RM400mn.

##### Focus 5: GLIC and GLC Companies

1. Increase the contribution in the implementation of various programmes for the welfare of the Rakyat and the country from RM250mn in 2023 to RM300mn in 2024.

#### Measure 7 Sustainable Agenda and Energy Transition

##### Focus 1: Towards Net Zero Carbon Emission

1. To realise the National Energy Transition Roadmap (NETR) aspiration, the Government will provide the Fund to Facilitate National Energy Transition with an accumulated value totaling RM2b.
2. Financial Institutions will also provide financing funds with a total value of RM200b to encourage the industry to transition towards a low-carbon economy.
3. The Government will continue to explore the Third Party Access (TPA) model and develop appropriate implementation methods to drive investment in renewable energy capacity.
4. The Government welcomes investment of more than RM170mn by leading companies such as TNB, Gentari and Tesla Malaysia to install 180 EV charging stations.
5. The Government will introduce the Electric Motorcycle Usage Incentive Scheme to the Rakyat with an annual income of below RM120,000. This scheme will provide up to RM2,400 rebate to buyers.
6. To support the needs of the LRT3 projects, Prasarana Malaysia Berhad has agreed to acquire 150 electric buses and build 3 bus depots at a cost of RM600mn.
7. The Government suggests extending individual income tax relief of up to RM2,500 on expenses for EV charging facilities for a period of 4 years and to extend tax deduction for EV rental costs for a period of 2 years.

Source: Budget 2024 Speech

## Summary of Budget 2024 (continued)

## Measures Key Measures, Incentives &amp; Allocations

## SECOND AGENDA: RESTRUCTURING THE ECONOMY TO BOOST GROWTH (continued)

8. The Government will extend the Net Energy Metering (NEM) programme offer period until 31 December 2024 to encourage the installation of panels in residential premises.
9. The Government is also developing a roof solar buyback programme with minimal cost implications to the system.
10. The Government is encouraging companies to offer a “Zero Capital Cost” subscription model, as will be offered by Gentari, for the residential housing category.
11. The Government will begin installing solar panels on the roof of Government buildings in collaboration with TNB and Gentari.
12. The Federal Administration will also begin using electric vehicles as official vehicles.
13. The Government will continue to support Sustainable and Responsible Investment (SRI). The Government plans to extend the tax exemption to fund management companies that manage SRI funds as well as tax deductions on the cost of issuing SRI sukuk until the assessment year 2027.
14. To encourage more involvement from companies to join the carbon market voluntarily, the Government is proposing an additional tax deduction up to RM300,000 to be given to companies spending on Measurement, Reporting and Verification (MRV) related to the development of carbon projects. These 72 expenses can be deducted from the income from carbon credit sales traded at the Bursa Carbon Exchange (BCX).

**Focus 2: Preservation of Natural Treasures**

1. Increase in allocation for Ecological Fiscal Transfer for Biodiversity Conservation (EFT) to RM200mn from RM150mn.
2. The Government will increase the number of community rangers to 2,000 people, instead of 1,000 this year to increase the enforcement of permanent forest reserves. RM60mn is allocated with a focus on appointing rangers from among veterans from the Malaysian Armed Forces, the RMP, Orang Asli and local communities.
3. Allocation of RM10mn to help ease the burden of losses incurred by the Rakyat affected by human-wildlife conflicts.
4. The Federal Government will pioneer the issuance of biodiversity sukuk up to RM1 billion involving the replanting of degraded forests that will in turn generate carbon credit.
5. To encourage more involvement from the private sector through charity or community projects, the Government will provide tax deductions to entities that sponsor tree planting activities or environmental preservation and conservation awareness projects certified by the Forest Research Institute Malaysia (FRIM).
6. The Government will extend the tax exemption application period on all social enterprise income until 2025.

**Focus 3: Readiness to Face Disasters**

1. The implementation of a total of 33 High Priority Flood Mitigation Projects will be undertaken at a cost of RM11.8bn. Among the projects involved include Flood Mitigation Plans at:
  - Sungai Pahang Basin, Pahang
  - Sungai Langat Phase 2, Selangor
  - Sungai Jelai, Kuala Pilah, Negeri Sembilan
  - Sungai Likas, Kota Kinabalu, Sabah
  - Kuching Phase 2; Sarawak
  - Baling Phase 2, Kedah
  - Integrated River Basin Development, Sungai Kelantan Phase 2, Kelantan
2. To reduce the risk of stagnant water and flash floods, RM20mn is provided to 150 local authorities to carry out repair works on damaged sewers and drains.
3. The Government has provided RM563mn for slope repairs nationwide including for monitoring, prevention and reporting programmes as well as early warnings involving more than 2,000 high-risk slopes.

Source: Budget 2024 Speech

## Summary of Budget 2024 (continued)

Measures	Key Measures, Incentives & Allocations
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### SECOND AGENDA: RESTRUCTURING THE ECONOMY TO BOOST GROWTH (continued)

- Allocation of RM300mn to the National Disaster Management Agency (NADMA) as the main agency for flood preparations.
- The Government will improve the medical facilities and treatment for K9 dogs of the Fire and Rescue Department as well as increase the number of K9 detection dogs for the Fire and Rescue Department, RMP and Royal Malaysian Customs Department with an allocation of RM5mn.

#### Focus 4: Food Security

- Allocation of RM2.6b for various forms of subsidies and incentives to farmers and fishermen.
- Increase the floor price of paddy to RM1,300 per metric tonne (prev: RM1,200 per metric tonne).
- Increase the allocation of hill paddy or huma paddy subsidies from RM40mn to RM50mn and this, among others, will be able to expand the hill paddy planting area from 43,000 hectares.
- The Government will maintain the diesel subsidy at the lowest price of RM1.65 per litre to selected classes of fishermen, with a quota of 840mn litres per annum.
- Fishermen are also provided a monthly subsistence allowance of up to RM300 per month and the 81 Fishermen Catch Incentive of up to RM1,000 per month. The Government will provide RM10 million for the purpose of building new and refurbishing old fishermen's houses.
- Allocation of RM400mn to implement the Food Security Strengthening Programme which includes:
  - RM150mn to cooperate with state governments in optimising land use to increase crop and livestock production.
  - RM50mn to implement the new method of fertiliser procurement through an open tender basis to provide farmers the option of fertiliser to be used.
  - RM50mn to supply 50,000 farmers with bioorganic fertilisers to increase soil fertility.
- Agrobank provides loan facilities to agrofood entrepreneurs with the availability of funds of up to RM430mn.
- RM50mn is provided under the Agricultural Disaster Fund as compensation of up to 50% of the value of losses due to disasters.

### THIRD AGENDA: RAISING RAKYAT'S STANDARD OF LIVING

#### Measure 8 Protecting The Welfare Of The Rakyat

- RM58.1b will be provided to finance various forms of Government assistance to the Rakyat including subsidies, incentives, and aid.
- RM225mn is allocated to finance the cost of distribution of essential goods such as petrol, LPG, flour, and cooking oil to rural and remote areas under the Community Drumming Programme.

#### Focus 1: Payung Rahmah Programme

- The Government has allocated RM200mn to continue the implementation of the Payung Rahmah Programme.
- The Jualan Rahmah Programme, which offers essential items priced up to 30% lower, will be expanded to more state constituencies across the country.
- Increase in allocation for cash assistance from retargeting subsidies through the Rahmah Cash Contribution (STR). Improvements in STR include:
  - The STR allocation increased by RM2b or 25% from RM8b to RM10b - benefitting 9mn recipients (60% of adult population).
  - The maximum STR increased from RM3,100 to RM3,700.
  - The minimum STR rate for singles is also increased from RM350 to RM500.
  - For STR 2024, the first STR payment is increased to RM500 which will be distributed before Ramadan
  - The Government decided to extend the Basic Rahmah Contribution (SARA) benefit to 700 thousand STR recipients who will receive RM100 per month for a period of 12 months

Source: Budget 2024 Speech

## Summary of Budget 2024 (continued)

Measures	Key Measures, Incentives & Allocations
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### THIRD AGENDA: RAISING RAKYAT'S STANDARD OF LIVING (continued)

- The Government is planning to open new applications starting November 2023 and the applications will be open throughout the year compared to once a year before. The first payment worth up to RM500 will be made in February 2024.

#### Focus 2: Meaningful Income

- Allocation of RM500mn to increase participation in the People's Income Initiative (IPR) programme.
- Make skills improvement programme under the MyFutureJobs platform accessible to all MySTEP appointments.
- Provision of special incentive of RM1,500 per month by SOCSO for the period of six months to support the entry of more than 3,300 job seekers with an allocation of RM30mn.
- Extension of the One Percent Policy on Employment Opportunities for the disabled to former inmates and senior citizens via the MYFutureJobs job-matching and MySTEP programme.
- RM35mn will be provided to fund training fees and income replacement incentives for 9,000 gig workers to attend training programmes.

#### Focus 3: Channeling of Cash Assistance

- Assistance channeled by the Department of Social Welfare is worth more than RM2.4bn in 2024 and expected to benefit more than 450,000 Rakyat.
- A portion of the income generated from the sales of special license plate numbers by the well-to-do will be utilised to ease the burden of the underprivileged through:
  - Driving test fees for the B2 motorcycle licence category, e-hailing, and taxis for the benefit of more than 40,000 youths from underprivileged families will be borne by the Government.
  - A total of 10,000 helmets including for children will be freely distributed to underprivileged families.
  - The FLYsiswa initiative will continue to benefit nearly 60,000 students from underprivileged families.

#### Focus 4: Social Protection

- The Government's contribution under the Self Employment Social Security Scheme (SKSPS) will be increased to 90% with an allocation of RM100mn.
- The Government's matching contribution limit under the EPF's i-Saraan programme will be increased to RM500 per year, limited to RM5,000 for life.
- The Government's matching contribution limit under the EPF's i-Suri programme will be increased to RM300 per year, limited to RM3,000 for life.
- The Housewives' Social Security Scheme will be continued with an allocation of RM50 million involving more than 400,000 female housewives registered under the e-Kasih.
- The EPF's i-Sayang programme will be expanded to allow wives to transfer 2% of their EPF contributions to their husbands.
- The Government will increase the monthly salary ceiling for SOSCO contributions from RM5,000 to RM6,000.
- The EPF's Flexible Account will be introduced as a new account to allow accessibility to members at any time.

### Measure 9 Empowering The Government Focus Group

#### Focus 1: Bumiputera Agenda

- Bumiputera investment institutions will be centralised under Yayasan Pelaburan Bumiputera (YPB).
- Pelaburan Hartanah Berhad (PHB) will be merged under PNB and strengthened through the provision of the Government's strategic land especially in Kuala Lumpur for housing development projects.
- Ekuinas will also be placed under the umbrella of YPB to strengthen Bumiputera business expansion in collaboration with PNB and PUNB.
- Education institutions under MARA including UiTM should focus on training and upskilling new Bumiputera talents in high-growth areas such as Islamic economy, aerospace and creative industries.

Source: Budget 2024 Speech



## Summary of Budget 2024 (continued)

Measures	Key Measures, Incentives & Allocations
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### THIRD AGENDA: RAISING RAKYAT'S STANDARD OF LIVING (continued)

5. RM1.6b worth of loan facilities and guarantees will be provided specifically for Bumiputera MSME entrepreneurs to increase capacity and competitiveness including the provision of venture capital financing to Bumiputera startups.
6. Provision of special funds for the CAKNA 2 Scheme to assist the small G1 - G4 Bumiputera contractors to complete the Government's small-scale projects, amounting to RM2.4b.

#### Focus 2: Women and Children

1. Tax incentives for women returning to work are extended until 31 December 2027.
2. The Government is proposing that the income tax exemption limit on childcare allowances received by employees or paid directly by employers to childcare centres be increased from RM2,400 to RM3,000
3. The Government will expand the Baitul Mahabbah programme under the Immigration Department to 3 more temporary settlement centres, namely Sabah, Sarawak and Peninsular with an allocation of RM10mn.
4. KEMAS will be allocated RM586mn. This includes:
  - A total of 10 new TABIKA and TASKA at a cost of RM31mn will be built
  - A total of RM20mn is also provided to upgrade the KEMAS Early Childhood Education premises.
  - 26 new preschools under the Ministry of Education will be built involving a cost of RM82mn.
  - The Government will implement the Pra-Tahfiz KEMAS Programme with an allocation of RM20mn, targeting to produce 100,000 young hufaz by 2026.

#### Focus 3: Youths

1. The Government will provide a RM500 reward to youths who have successfully volunteered with bodies recognised by the Government.
2. The Government has allocated RM20mn to Rakan Muda to enhance the content of youth programmes.
3. Continuation of Tunas Usahawan Belia Bumiputera Programme (TUBE) with an allocation of RM20mn.
4. Allocation of RM30mn to encourage international e-sports companies that are well-established in Malaysia to invest in the development of their digital products together with local talent.

#### Focus 4: Key Communities

1. The allocation for Orang Asli communities has been increased to RM333mn in 2024 from RM305mn in 2023.
2. RM28mn has been allocated to intensify the development programme of Orang Asli entrepreneurs and the replantation of Orang Asli plantations.
3. RM1.2b is provided to channel various forms of assistance such as caregiving to chronically ill bedridden OKU, disabled workers, and allowances to disabled workers.
4. The allowance rate for disabled trainees who participate in the Community Recovery Programme will be increased to RM300 per month compared to RM150 per month.
5. To benefit micro-disabled entrepreneurs, a special financing facility by BSN is provided worth RM50mn.
6. RM1b is allocated to protect the wellbeing of senior citizens.
7. RM10mn is allocated for the implementation of the PEKA TVET programme to provide competency training accredited by CIDB to offenders.
8. The Government is willing to consider providing controlled access to basic needs including jobs, services, and education for refugees.

### Measure 10 Providing Excellent Basic Facilities

#### Focus 1: Education and Higher Education

1. The Ministry of Education will be allocated RM58.7b compared to RM55.2b in 2023.
2. RM1.9 billion will be allocated next year to upgrade and maintain schools all over the country.
3. The construction of 26 new schools will begin with a total cost of RM2.5b

Source: Budget 2024 Speech

## Summary of Budget 2024 (continued)

## Measures Key Measures, Incentives &amp; Allocations

## THIRD AGENDA: RAISING RAKYAT'S STANDARD OF LIVING (continued)

4. Expand the parents' income criteria in the application of the Federal Small Scholarship (BKP) according to the poverty line income rate (PGK) of RM2,589 compared to the previous RM1,500.
5. Expand the provision of assistance under the Kumpulan Wang Amanah Pelajar Miskin to Form Three students from Form One students previously.
6. To strengthen the STEM field, a Special STEM Committee across ministries will be established.
7. The Government will provide RM100 million to maintain and upgrade school computer labs and acquire new equipment for STEM learning.
8. 18 new blocks of special education will be built with a total cost of RM180mn.
9. A total of RM30mn is also allocated to provide special educational support equipment and disabled friendly facilities.
10. The Ministry of Higher Education is allocated RM16.3b compared to RM15.3b in 2023.
11. Provide RM250mn to replace and extend the coverage of WIFI in all public universities.
12. RM300mn is provided to maintain and repair infrastructures as well as replace dilapidated equipment.
13. RM5mn is provided for the benefit of 5,000 focused communities in 105 community colleges nationwide to participate in the Lifelong Learning Programme.
14. RM1mn to each public university to intensify the implementation of the MADANI Community Empowerment Programme and the Rehabilitation Programme in the OKU Community.
15. The establishment of the country's first artificial intelligence study centre, the Faculty of Artificial Intelligence (AI) at Universiti Teknologi Malaysia with an early allocation of RM20mn.
16. The Government has agreed to provide a discount on PTPTN loan repayment from 14 October 2023 until 31 March 2024:
  - 10% discount on the balance of the debt for full settlement of the loan
  - 10% discount on payment of at least 50% of the remaining debt in a single payment
  - 15% discount on payment by salary deduction or scheduled direct debit
17. Starting from January 2024, the registration fees for admission to public universities will be capped at RM1,500.
18. Existing students who cannot afford to pay their tuition fees will not be blocked from registering for subjects each semester, and payments can be settled after subject registration.

**Focus 2: Health Services**

1. The Ministry of Health Malaysia (KKM) will be allocated RM41.2bn, an increase from RM36.3bn in 2023.
2. New development projects will begin to be implemented which include:
  - Universiti Sains Islam Malaysia Teaching Hospital Complex (USIM) Phase 1 in Kota Tinggi, Johor at a cost of RM938mn
  - Preliminary work for the construction of Hospital Sultanah Aminah 2, Johor Bahru, Johor
  - Additional Pathology Block at Hospital Raja Perempuan Zainab II, Kelantan at a cost of RM175mn
  - Additional building for the Emergency and Trauma Department at Hospital Sultan Abdul Aziz Shah, Universiti Putra Malaysia, Serdang, Selangor
  - 5 new health clinics including Rantau, Negeri Sembilan, Kuala Tahan, Jerantut, Pahang; Kuala Jengal, Dungun, Terengganu and Pulau Mantanani, Kota Belud, Sabah at a cost of RM150mn.
  - The Government also supports Sarawak's intention to develop a Cancer Institute in Sarawak.
3. Enhance cooperation by outsourcing patients to other hospitals including military, university and private hospitals with an allocation of RM200mn.
4. RM300mn is allocated to refurbish 400 rundown clinics that still have wooden structures and dilapidated wiring.

Source: Budget 2024 Speech

## Summary of Budget 2024 (continued)

Measures	Key Measures, Incentives & Allocations
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### THIRD AGENDA: RAISING RAKYAT'S STANDARD OF LIVING (continued)

5. RM766mn is allocated for the procurement of medical equipment at MOH hospitals to replace equipment that has reached Beyond Economic Repair (BER) and to meet the needs of various new service disciplines. This includes RM200mn for procurement to ensure healthcare service readiness in responding to emergency calls.
6. The Government has allocated RM150 million for the maintenance of information and communication technology (ICT) systems under the Ministry of Health, including providing Clinic Management System Subscription (CCMS) to 100 government health clinics.
7. Allocation of RM130mn for Agenda Nasional Malaysia Sihat (ANMS) which includes health screening, early screening for newborns, and vaccines provision to pregnant women.
8. Imposing an excise duty on chewed tobacco products at a rate of 5% plus RM27 per kilogramme, similar to the excise duty levied on snuff tobacco.
9. Excise duty rate for sugary drinks will be increased from 40 cents to 50 cents per litre.
10. The Skim Perubatan MADANI, will be expanded nationwide with an allocation of RM100mn, benefiting 700,000 Rakyat, and the mySalam scheme will be continued for an additional 2 years. RM50mn will be allocated for medical device expenses claims such as heart stents.

#### Focus 3: Rural Development

1. Introduce the Program Komuniti MADANI to boost community-level economic activities, involving five key sectors: agriculture and food, sewing and handicrafts, herbs and health, tourism and hospitality, as well as green and recycling activities.
2. Allocation of RM1b under the MADANI Community Fund (DKM) to provide grants ranging from RM50,000 to RM100,000 to communities to facilitate the Program Komuniti MADANI success.
3. RM1.63b has been allocated for the construction and upgrading of roads in 119 villages and rural areas.
4. RM939mn has been allocated to provide water supply to 5,150 households and electricity supply to 2,200 households.
5. RM134mn is allocated for the installation of 60,000 units of village streetlights and the maintenance of over 500,000 units of village streetlights.
6. RM57mn for the implementation of 115 projects, including 54 new projects for the upgrading of deteriorated bridges and the construction of new bridges.
7. RM100mn is allocated for the upgrading, construction and repair of basic facilities.
8. RM1.1bn has been allocated, to implement solutions for the water supply issues in Kelantan, Sabah and the Federal Territory of Labuan
9. Introduction of Program Kampung Angkat MADANI

#### Focus 4: Digital Connectivity

1. CyberSecurity will develop a 5G Cybersecurity Testing Framework and Local Expertise in 5G Technology to enhance preparedness against cyber threats through an allocation of RM60mn.
2. Boost 5G adoption

#### Focus 5: Road Network & Public Transportation

1. Completion of the Sarawak Pan Borneo Highway in 2024.
2. The tender process for the 19 packages of work for Phase 1b of the Pan Borneo Sabah project, spanning 366 kilometres with a cost of RM15.7b, will be completed by November 2023.
3. The Sarawak-Sabah Link Road (SSLR) Phase 2 project, spanning over 320 kilometres, involving a cost of nearly RM7.4b, will also commence at the end of 2023.
4. Expansion project of the North-South Expressway (PLUS) from four to six lanes is extended from Sedenak to Simpang Renggam with a cost of RM931mn.
5. RM96mn in Stage Bus Support Fund is allocated to help cover the daily operating costs of operators providing bus services on low-passenger routes in rural areas.

Source: Budget 2024 Speech

## Summary of Budget 2024 (continued)

Measures	Key Measures, Incentives & Allocations
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### THIRD AGENDA: RAISING RAKYAT'S STANDARD OF LIVING (continued)

6. RM150mn is allocated to continue the Stage Bus Service Transformation, including expanding its services to benefit three new locations, namely Kota Bharu, Kuantan and Kota Setar
7. The Government will continue to subsidise air transportation with an amount of RM209mn for the benefit of residents in the rural and remote areas of Sabah and Sarawak.
8. Continuation of the monthly My50 pass benefits for PRASARANA's bus and rail services.
9. The Government has agreed to resume the previous proposal to construct five LRT3 stations that were previously cancelled. These stations are Tropicana, Raja Muda, Temasya, Bukit Raja, and Bandar Botanik. The retention of these stations is expected to complement and enhance the public 125 transportation network in the Klang Valley, benefiting around 2 million residents, with a cost of RM4.7bn.
10. The initial estimate for the Penang LRT to Seberang Perai, as planned by the State Government, is RM10bn through a public-private partnership (PPP) approach.

#### Focus 6: Housing

1. RM2.47b is allocated to implement housing projects for the Rakyat in 2024.
2. A special guarantee fund of RM1b has been allocated to encourage reputable developers to revive identified stalled projects.
3. RM546 million is allocated for continuing the implementation of 36 Program Perumahan Rakyat (PPR)
4. 14 Program Rumah Mesra Rakyat continued to be constructed with 3,500 housing units with an allocation of RM358mn.
5. RM460mn to aid approximately 65,000 impoverished rural residents for the construction of new homes or the renovation of their existing dilapidated houses.
6. RM100mn is allocated for the maintenance of low- and medium-cost public and 127 private strata housing projects.
7. The Government will provide guarantees of up to RM10b for Housing Credit Guarantee Scheme to benefit 40,000 borrowers.
8. To facilitate the redevelopment of strata schemes, the residents' approval threshold for en-bloc sales will be reduced from 100% to a level consistent with international practices.
9. Under the Unity Administration, the Government has taken over the development of Bandar Malaysia to ensure that strategically located lands are optimally utilised for Rakyat oriented projects based on MADANI values.
10. The Government will allocate RM100mn to the Chinese New Village.
11. The Government intends to impose a flat rate stamp duty of 4% on the transfer of land ownership documents by non-citizens and foreign owned companies, except for individuals with permanent residency status in Malaysia.
12. The Government also intends to propose that property transfer documents involving beneficiaries relinquishing their rights to eligible beneficiaries as per will, inheritance or the Distribution Act 1958 will only be subject to a stamp duty of RM10, instead of the previous ad-valorem rate.

### Measure 11 Strengthening Unity and Security

#### Focus 1: National Security and Defense

1. The Ministry of Defense is allocated RM19.7b, an increase of RM2b compared to 2023.
2. The Ministry of Home Affairs (KDN) is allocated RM19b, an increase of RM500mn compared to 2023.
3. To strengthen the level of national defense readiness and security, the Government will initiate the procurement process for new assets such as:
  - The acquisition of 12 new helicopters for the Royal Malaysian Air Force
  - The refurbishment of 2 submarine assets, in addition to continuing the acquisition of three Royal Malaysian Navy Littoral Mission Ships (LMS)
  - The acquisition to replace old assets with 7 twin-engine aircraft and 5 light helicopters for RMP.

Source: Budget 2024 Speech

**Summary of Budget 2024 (continued)**
**Measures      Key Measures, Incentives & Allocations**
**THIRD AGENDA: RAISING RAKYAT'S STANDARD OF LIVING (continued)**

4. The Government will increase maritime assets, including the acquisition of 45 units of various types of Army boats and 9 new generation patrol ships and Malaysian Maritime Enforcement Agency (APMM) interceptor boats.
5. Build seven balance posts in Melikin and Pa' Daleh, Sarawak, one security post in Sungai Desa Aji Kuning, Pulau Sebatik, Sabah as well as preliminary work on the construction of two ICQS in Nabawan and Kalabakan, Sabah.
6. The Government will establish a single border agency (SBA) to enhance the management of the country's borders. RM20mn will be allocated for the maintenance, improvement, and procurement of assets at international entry points across the country.
7. RM400mn is allocated for the maintenance and refurbishment of all Armed Forces Family Homes.
8. Upgrading of the army camp sewerage system in phases with an allocation of RM20mn.
9. Continue to intensify the PROTEGERTW initiative.

**Focus 2: Syiar Islam**

1. The Government is allocating RM1.9b for the management and development of Islamic affairs.
2. Construction of 2 Islamic education institutions with a cost of RM220mn.
3. RM150mn is allocated to JAKIM for the maintenance and upgrading the infrastructure in Islamic education institutions, including public religious schools, registered pondok institutions and tahfiz schools.
4. Special contribution of RM700 will be directly channeled to over 70,000 takmir teachers, KAFA teachers, imams, bilal, siak, noja and marbut at the 135-community level, with a total allocation of over RM50mn.
5. Reinstate a grant of RM20,000 to all Sekolah Agama Rakyat registered under JAKIM.

**Focus 3: Sports and Culture as a Means of Unity**

1. Expand sports and recreational programmes
2. The Government proposes to provide a tax exemption for a specific lifestyle related to the purchase of sports equipment and activities, limited to RM1,000. This exemption will also be extended to cover expenses related to sports training fees.
3. Allocate RM72mn to strengthen the podium athlete ecosystem. This includes RM20mn under the Road to Gold initiative as preparation to achieve the first gold medal at the Paris 2024 Olympics.
4. RM12mn is allocated to the National Sports Council for training and preparation programmes for athletes heading to international para-sports events.
5. RM50mn will be allocated for the maintenance and upgrading of youth and sports facilities nationwide.
6. The Government will continue to provide a matching grant fund of RM50mn to encourage the organisation of high-performance sports events by sports association and the private sector.
7. The Government has consented to offer tax incentives of up to 10% of total income to individuals or businesses that make contributions to institutions, organisations, or funds approved under subsection 44(6) of the Income Tax Act 1967, which support educational programmes, including sports education.
8. Allocation of RM50mn to agencies with the potential to showcase the nation's artistic and literary works, enhance heritage theatre performances, and promote the interest in reading great works among the youth.
9. The Government has allocated RM10mn to collaborate with State Governments, including for:
  - Intensifying cultural activities in Sabah and Sarawak.
  - Preserving the languages of minority communities such as the Siam ethnic group.
  - Establishing the Ethnic and Cultural Centre in Perak
  - Rehabilitating the Songket Weaving Centre at the Tuanku Nur Zahirah Complex, Kuala Terengganu, and the Wood Carving Village in Besut, Terengganu.
10. The Government will provide special exemptions for acquisitions of up to RM200,000 for each order to registered handicraft entrepreneurs with the Malaysian Handicraft Development Corporation (Kraftangan Malaysia).

Source: Budget 2024 Speech

## Summary of Budget 2024 (continued)

Measures	Key Measures, Incentives & Allocations
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## THIRD AGENDA: RAISING RAKYAT'S STANDARD OF LIVING (continued)

11. RM20mn is allocated to strengthen the role of Kawasan Rukun Tetangga (KRT) as the social point in disseminating information and providing community services.
12. The Government also provides RM20mn as a Geran Pertubuhan MADANI for the benefit of locals to implement volunteer and unity programmes as well as activities related to crime prevention and disaster preparedness.
13. RM50mn is also allocated as financial assistance to registered non-Islamic places of worship for renovation and maintenance works.

**Measure 12** Welfare Of Civil Servants

1. Expand the Official Ceremony Attire Facility to include Malaysian batik attire for all eligible civil servants.
2. The Government agrees to enhance Ex-Gratia Job Disaster Scheme by raising the salary ceiling from RM4,000 to RM6,000.
3. The Government agrees to provide an Early Incentive Payment of the Public Service 142 Remuneration System Study, amounting to RM2000 to all civil servants grade 56 and below, including contract appointees, and RM1000 to all Jawatan Utama Sektor Awam including police, firemen, soldiers, armed force and all uniform personnel.
4. Incentive of RM1,000 will also be extended to all government retirees, including pensioned veterans and non-pensioned veterans.
5. This payment will be made in a lump sum at the end of February 2024 to ease the burden of preparing for their children's schooling and preparations for the month of Ramadan and Syawal.

Source: Budget 2024 Speech

## Research Offices

### ECONOMICS

**Suhaimi ILIAS**  
Chief Economist  
Malaysia | Philippines | Global  
(603) 2297 8682  
suhaimi\_ilias@maybank-ib.com

**CHUA Hak Bin**  
Regional Thematic Macroeconomist  
(65) 6231 5830  
chuahb@maybank.com

**Dr Zamros DZULKAFLI**  
Malaysia | Philippines  
(603) 2297 8618  
zamros.d@maybank-ib.com

**Erica TAY**  
China | Thailand  
(65) 6231 5844  
erica.tay@maybank.com

**Brian LEE Shun Rong**  
Indonesia | Singapore | Vietnam  
(65) 6231 5846  
brian.lee1@maybank.com

**Fatin Nabila MOHD ZAINI**  
(603) 2297 8685  
fatinnabila.mohdzaini@maybank-ib.com

**Luong Thu Huong**  
(65) 6231 8467  
hana.thuhoang@maybank.com

### FX

**Saktiandi SUPAAT**  
Head of FX Research  
(65) 6320 1379  
saktiandi@maybank.com

**Fiona LIM**  
(65) 6320 1374  
fionallim@maybank.com

**Alan LAU**  
(65) 6320 1378  
alanlau@maybank.com

**Shaun LIM**  
(65) 6320 1371  
shaunlim@maybank.com

### STRATEGY

**Anand PATHMAKANTHAN**  
ASEAN  
(603) 2297 8783  
anand.pathmakanthan@maybank-ib.com

### FIXED INCOME

**Winson PHOON, CFA**  
Head of Fixed Income  
(65) 6340 1079  
winsonphoon@maybank.com

**SE THO Mun Yi, CFA**  
(603) 2074 7606  
munyi.st@maybank-ib.com

### PORTFOLIO STRATEGY

**ONG Seng Yeow**  
(65) 6231 5839  
ongsengyeow@maybank.com

### MIBG SUSTAINABILITY RESEARCH

**Jigar SHAH**  
Head of Sustainability Research  
(91) 22 4223 2632  
jigars@maybank.com

**Neerav DALAL**  
(91) 22 4223 2606  
neerav@maybank.com

### REGIONAL EQUITIES

**Anand PATHMAKANTHAN**  
Head of Regional Equity Research  
(603) 2297 8783  
anand.pathmakanthan@maybank-ib.com

**WONG Chew Hann, CA**  
Head of ASEAN Equity Research  
(603) 2297 8686  
wchewh@maybank-ib.com

### MALAYSIA

**Anand PATHMAKANTHAN** *Head of Research*  
(603) 2297 8783  
anand.pathmakanthan@maybank-ib.com  
• Strategy

**WONG Chew Hann, CA**  
(603) 2297 8686  
wchewh@maybank-ib.com  
• Equity Strategy  
• Non-Bank Financials (stock exchange)  
• Construction & Infrastructure

**Desmond CH'NG, BFP, FCA**  
(603) 2297 8680  
desmond.chng@maybank-ib.com  
• Banking & Finance

**ONG Chee Ting, CA**  
(603) 2297 8678  
ct.ong@maybank-ib.com  
• Plantations - Regional

**YIN Shao Yang, CPA**  
(603) 2297 8916  
samuel.y@maybank-ib.com  
• Gaming - Regional  
• Media • Aviation • Non-Bank Financials

**TAN Chi Wei, CFA**  
(603) 2297 8690  
chiwei.t@maybank-ib.com  
• Power • Telcos

**WONG Wei Sum, CFA**  
(603) 2297 8679  
weisum@maybank-ib.com  
• Property • Glove

**Jade TAM**  
(603) 2297 8687  
jade.tam@maybank-ib.com  
• Consumer Staples & Discretionary

**Nur Farah SYIFAA**  
(603) 2297 8675  
nurfarahsyifaa.mohamadfuad@maybank-ib.com  
• Renewable Energy • REITs

**LOH Yan Jin**  
(603) 2297 8687  
lohyanjin.loh@maybank-ib.com  
• Ports • Automotive • Technology (EMS)

**Arvind JAYARATNAM**  
(603) 2297 8692  
arvind.jayaratnam@maybank.com  
• Technology (Semicon & Software)

**Jeremie YAP**  
(603) 2297 8688  
jeremie.yap@maybank-ib.com  
• Oil & Gas • Petrochemicals

**TEE Sze Chiah** *Head of Retail Research*  
(603) 2082 6858  
szechiah.t@maybank-ib.com  
• Retail Research

**Nik Ihsan RAJA ABDULLAH, MSTA, CFTe**  
(603) 2297 8694  
nikmohdihsan.ra@maybank-ib.com  
• Chartist

**Amirah AZMI**  
(603) 2082 8769  
amirah.azmi@maybank-ib.com  
• Retail Research

### SINGAPORE

**Thilan WICKRAMASINGHE** *Head of Research*  
(65) 6231 5840  
thilanw@maybank.com  
• Banking & Finance - Regional  
• Consumer

**Eric ONG**  
(65) 6231 5849  
ericong@maybank.com  
• Healthcare • Transport • SMIDs

**Kelvin TAN**  
(65) 6231 5837  
kelvin.tan1@maybank.com  
• Telcos • Industrials

**LI Jialin**  
(65) 6231 5845  
jialin.li@maybank.com  
• REITs

**Jarick SEET**  
(65) 6231 5848  
jarick.seet@maybank.com  
• Technology

**Krishna GUHA**  
(65) 6231 5842  
krishna.guha@maybank.com  
• REITs

### PHILIPPINES

**Rachelleen RODRIGUEZ, CFA**  
(63) 2 8849 8843  
rachelleen.rodriguez@maybank.com  
• Banking & Finance • Transport • Telcos  
• Utilities

**Daphne SZE**  
(63) 2 8849 8847  
daphne.sze@maybank.com  
• Consumer

**Alexa Mae CARVAJAL**  
(63) 2 8849 8838  
alexamae.carvajal@maybank.com  
• Consumer • Gaming • Property • REITs

### THAILAND

**Chak REUNGSINPINYA** *Head of Research*  
(66) 2658 5000 ext 1399  
chak.reungsinpinya@maybank.com  
• Strategy • Energy

**Jesada TECHAHUSDIN, CFA**  
(66) 2658 5000 ext 1395  
jesada.t@maybank.com  
• Banking & Finance

**Wasu MATTANAPOTCHANART**  
(66) 2658 5000 ext 1392  
wasu.m@maybank.com  
• Telcos • Technology • REITs  
• Consumer Discretionary

**Surachai PRAMUALCHAROENKIT**  
(66) 2658 5000 ext 1470  
surachai.p@maybank.com  
• Auto • Conmat • Contractor • Steel

**Suttatip PEERASUB**  
(66) 2658 5000 ext 1430  
suttatip.p@maybank.com  
• Food & Beverage • Commerce

**Natchaphon RODJANAROWAN**  
(66) 2658 5000 ext 1393  
natchaphon.rodjanarowan@maybank.com  
• Utilities

### INDONESIA

**Jeffrosenberg CHENLIM** *Head of Research*  
(62) 21 8066 8680  
jeffrosenberg.lim@maybank.com  
• Strategy • Banking & Finance • Property

**Willy GOUTAMA**  
(62) 21 8066 8500  
willy.goutama@maybank.com  
• Consumer

**Etta Rusdiana PUTRA**  
(62) 21 8066 8683  
etta.putra@maybank.com  
• Telcos • Internet • Construction

**William Jefferson W**  
(62) 21 8066 8563  
william.jefferson@maybank.com  
• Property

**Adi WICAKSONO**  
(62) 21 8066 8686  
adi.wicaksono@maybank.com  
• Plantations

**Satriawan HARYONO, CEWA, CTA**  
(62) 21 8066 8682  
satriawan@maybank.com  
• Chartist

### VIETNAM

**Quan Trong Thanh** *Head of Research*  
(84 28) 44 555 888 ext 8184  
thanh.quan@maybank.com  
• Strategy • Banks

**Hoang Huy, CFA**  
(84 28) 44 555 888 ext 8181  
hoanghuy@maybank.com  
• Strategy • Technology

**Le Nguyen Nhat Chuyen**  
(84 28) 44 555 888 ext 8082  
chuyen.le@maybank.com  
• Oil & Gas • Logistics

**Nguyen Thi Sony Tra Mi**  
(84 28) 44 555 888 ext 8084  
trami.nguyen@maybank.com  
• Consumer Discretionary

**Tran Thi Thanh Nhan**  
(84 28) 44 555 888 ext 8088  
nhan.tran@maybank.com  
• Consumer Staples

**Nguyen Le Tuan Loi**  
(84 28) 44 555 888 ext 8182  
loi.nguyen@maybank.com  
• Property

**Nguyen Thanh Hai**  
(84 28) 44 555 888 ext 8081  
thanhhai.nguyen@maybank.com  
• Industrials

**Nguyen Thanh Lam**  
(84 28) 44 555 888 ext 8086  
thanhlam.nguyen@maybank.com  
• Retail Research

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### Malaysia

Maybank Investment Bank Berhad  
(A Participating Organisation of  
Bursa Malaysia Securities Berhad)  
33rd Floor, Menara Maybank,  
100 Jalan Tun Perak,  
50050 Kuala Lumpur  
Tel: (603) 2059 1888;  
Fax: (603) 2078 4194

Stockbroking Business:  
Level 8, Tower C, Dataran Maybank,  
No.1, Jalan Maarof  
59000 Kuala Lumpur  
Tel: (603) 2297 8888  
Fax: (603) 2282 5136

### Singapore

Maybank Securities Pte Ltd  
Maybank Research Pte Ltd  
50 North Canal Road  
Singapore 059304

Tel: (65) 6336 9090

### Indonesia

PT Maybank Sekuritas Indonesia  
Sentral Senayan III, 22<sup>nd</sup> Floor  
Jl. Asia Afrika No. 8  
Gelora Bung Karno, Senayan  
Jakarta 10270, Indonesia

Tel: (62) 21 2557 1188  
Fax: (62) 21 2557 1189

### Thailand

Maybank Securities (Thailand) PCL  
999/9 The Offices at Central World,  
20<sup>th</sup> - 21<sup>st</sup> Floor,  
Rama 1 Road Pathumwan,  
Bangkok 10330, Thailand

Tel: (66) 2 658 6817 (sales)  
Tel: (66) 2 658 6801 (research)

### London

Maybank Securities (London) Ltd  
PNB House  
77 Queen Victoria Street  
London EC4V 4AY, UK

Tel: (44) 20 7332 0221  
Fax: (44) 20 7332 0302

### India

MIB Securities India Pte Ltd  
1101, 11<sup>th</sup> floor, A Wing, Kanakia  
Wall Street, Chakala, Andheri -  
Kurla Road, Andheri East,  
Mumbai City - 400 093, India

Tel: (91) 22 6623 2600  
Fax: (91) 22 6623 2604

### Vietnam

Maybank Securities Limited  
Floor 10, Pearl 5 Tower,  
5 Le Quy Don Street,  
Vo Thi Sau Ward, District 3  
Ho Chi Minh City, Vietnam

Tel : (84) 28 44 555 888  
Fax : (84) 28 38 271 030

### Hong Kong

MIB Securities (Hong Kong)  
Limited  
28/F, Lee Garden Three,  
1 Sunning Road, Causeway Bay,  
Hong Kong

Tel: (852) 2268 0800  
Fax: (852) 2877 0104

### Philippines

Maybank Securities Inc  
17/F, Tower One & Exchange  
Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Philippines 1200

Tel: (63) 2 8849 8888  
Fax: (63) 2 8848 5738

### Sales Trading

#### Indonesia

Helen Widjaja  
helen.widjaja@maybank.com  
(62) 21 2557 1188

#### Philippines

Keith Roy  
keith\_roy@maybank.com  
Tel: (63) 2 848-5288

#### London

Greg Smith  
gsmith@maybank.com  
Tel: (44) 207-332-0221

#### India

Sanjay Makhija  
sanjaymakhija@maybank.com  
Tel: (91)-22-6623-2629

[www.maybank.com/investment-banking](http://www.maybank.com/investment-banking)  
[www.maybank-keresearch.com](http://www.maybank-keresearch.com)