STRATEGY

Sabah State Assembly Dissolved

FBM KLCI Target: 1,650
FBM Emas Shariah: 12,500
FBM 70 Target: 18,100

DEVELOPMENT

- The 16th Sabah state assembly was dissolved on Monday, said Chief Minister Datuk Seri Hajiji Noor at a televised press conference in Kota Kinabalu.
- Hajiji said he met Sabah governor Tun Musa Aman on Monday morning, who in turn advised for the dissolution as the current state assembly nears the end of its five-year term, said Hajiji.
- The dissolution will pave the way for the 17th Sabah state election to appoint 73 state assembly members, to be held within 60 days by 5 December 2025.
- Prior to the dissolution, GRS held 35 seats, PH seven, Barisan Nasional 12, STAR six, KDM one, SAPP one, and PAS one, while Warisan has 14 seats and two seats are currently vacant. In Sabah, six of the 79 assemblypersons can be appointed by the governor.

OUR VIEW

- **Implication at Federal level?** After many months of speculation, Sabah state assembly was dissolved yesterday, about one month earlier than automatically dissolvement on 11 November 2025. Many quarters will likely see the outcome of the state election as a gauge of the support for unity government.
- **Localised and state issues more likely to trump others.** Nevertheless, we believe that localised or state issues tend to trump other issues in a state election. Having said that it will be interesting to observe the outcome of the Sabah state election given the fluidity of the situation.
- **Myth of an election rally…albeit at general level.** The conventional wisdom is that our market would get excited with the mere mention of a general election. However, we observed that market performance (i.e. the FBM KLCI) prior to an election has historically been mixed, and action seems to come in after an election. For example, there was a relief rally in 2013 after the concerns that there might be a change of government then but BN eventually won, and poor market performance in 2008 and 2018 due to negative surprises. As such, state elections will likely have even less of an influence on market performance. We postulate that investors are now more concerned about the resultant (political, societal, and economic) stability post-election, and less on pre-election goodies and promises.
- **But not discounting interest in Sabah related stocks.** However, we do not discount that Sabah related stocks may see sentiment driven interest in the next couple of months. It is possible that the Sabah elections may influence stocks in construction & property stocks due to state development pledges and election campaigns emphasizing on infrastructure and job creation, plantation which linked to land policies and infrastructure, and port/logistics. We highlight some Sabah related stocks below:

Stocks	Sector	Recomm.	TP (RM)	Highlight
Azam Jaya Bhd	Construction & Infrastructure	Non-rated (NR)	n.a.	• Key Sabah-based contractor with a strong track record in state infrastructure projects. • Potential accelerated allocations for the Pan Borneo Highway upgrades, rural road connectivity, and flood mitigation works • Azam Jaya may be well-positioned to secure. • Historically, election cycles in Sabah have triggered higher infrastructure spending.

Stocks	Sector	Recomm.	TP (RM)	Highlight
Life Water Bhd	Consumer	BUY	1.11	• Largest beverage manufacturer in Sabah, specializing in bottled drinking water and carbonated drinks • Possible emphasis on tourism growth and infrastructure upgrades will boost demand for bottled water in hotels, restaurants, and retail outlets. • Water infrastructure gaps in rural areas create structural demand for bottled water. Rural development programs will likely increase household consumption.
Gamuda	Construction	BUY	6.35	• Although not a Sabah based company, we expect mega contractors such as **Gamuda (BUY, TP: RM6.35)** to benefit from the longer-term infrastructure upcycle in Sabah, especially in power and water utilities. In Oct-24, a 75% Gamuda-led JV was awarded a RM3.05b contract to build the 187.5MW Ulu Padas Hydroelectric Power Plant in Sabah. The progress as at Jul-25 was 4%, following the completion of soil investigation works. Detailed design and site setup are now advancing as planned, in line with the project's timeline for commercial operation date (COD) by 31st December 2030. • Gamuda also holds a 45% stake in the project's developer Upper Padas Power Sdn Bhd (UPPSB), which will provide Gamuda with long-term recurring income once the hydro plant achieves COD. The plant is expected to generate a revenue exceeding RM400m per annum, with a 40-year power purchase agreement (PPA) with Sabah Electricity Sdn Bhd as the offtaker. • Another major contract linked to the Ulu Padas Hydroelectric Power Plant that may potentially be secured by Gamuda before end CY25 is the Ulu Padas Water Supply Scheme, which is expected to deliver 6b litres of water daily. The project size is estimated to be about RM4b, which will lift Gamuda's order book to another new high from RM35.8b currently.
KTI Landmark Bhd	Property Development	NoN-rated (NR)	n.a.	• Focuses on residential and commercial developments in Sabah, particularly in Kota Kinabalu and surrounding districts. • Pledges for affordable housing schemes and urban renewal projects will likely boost demand for developers with local expertise.
Suria Capital Holdings Bhd	Logistics & Ports	Non-rated (NR)	n.a.	• Operates Sabah's major ports and logistics facilities, making it a strategic player in the state's economic growth. • The government's push for the Blue Economy Industrial Park in Kudat and port modernization aligns with Suria's core business.

Stocks	Sector	Recomm.	TP (RM)	Highlight
Kretam Holdings Bhd	Plantation & Agriculture	Non-rated (NR)	n.a.	• One of Sabah's largest palm oil producers, with estates concentrated in the east coast region. • The state's plan to expand the Palm Oil Industrial Cluster (POIC) Lahad Datu and promote downstream processing will benefit integrated plantation players like Kretam. • Pledges to strengthen agro-industrial supply chains and food security programs will support higher utilization of Kretam's refining capacity.
Innoprise Plantations Bhd	Plantation & Agriculture	Non-rated (NR)	n.a.	• Strategically positioned to benefit from state-driven agricultural expansion. • The expansion of POIC Lahad Datu and related infrastructure will enhance logistics and reduce costs for plantation operators. • Emphasis of rural development and agro-based industries could see increased demand for its crude palm oil and related products.

Source: Bloomberg, Company, Various, MBSBR

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STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.
SECTOR RECOMMENDATIONS	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology