

Hartanah Kenyalang Berhad

Sarawak's Homegrown Contractor

IPO Note – Non-Rated
 Ace Market
 Construction Sector
SUBSCRIBE
 IPO Price: RM0.20
 Fair Value: RM0.15

Valuation / Recommendation

We recommend **SUBSCRIBING** to Hartanah Kenyalang Berhad (“Hartanah”), with a FV of RM0.20 based on 10.0x FY26E EPS, translating to a 28% potential upside to the IPO price. Our target P/E indicates a 40% discount to comparable peers’ average, to reflect Hartanah’s smaller operating scale (Sarawak only) and its declining margin trend. We like the stock for its being the beneficiary of Sarawak’s strong growth outlook, has healthy outstanding orderbook backed by annual replenishment rate of RM200m and its expansion plans (execution capacity expansion and new service offering). Key rerating catalyst include higher-than expected orderbook win and better-than-expected margin.

Investment Highlights

Beneficiary of Sarawak’s robust growth outlook. Hartanah has delivered stellar 3-year revenue CAGR of 55.3%, driven by sustained growth in development expenditure (DE) allocation to Sarawak by both the Sarawak state (RM10.9bn) and Federal government (RM5.9bn). This should catalyze a steady roll-out of infrastructure construction projects in the state. As a Sarawak-focused pure-play government contractor, Hartanah is poised to benefit from this trend, supported by its proven execution track record in road (Pan Borneo Highway) and education infrastructure construction projects (Sekolah Daif and Yayasan International School). Given its alignment with Sarawak’ development priorities, we project Hartanah’s revenue to grow at a steady 20-22% annually over FY25-27E, in line with the state’s DE allocation growth rate.

Healthy outstanding orderbook. As of 31 March 2025, Hartanah’s outstanding orderbook stands at RM142.5m, representing 1.1x its FY24 revenue. Management remains proactive in orderbook replenishment efforts, actively bidding for RM451m worth of new contract. Of these tenders, 69% are higher-margin design and build jobs. Backed by a management-guided annual replenishment target of RM200m, active tendering efforts, and accelerating infrastructure project rollouts under both Sarawak and Federal development budgets, we believe Hartanah’s orderbook visibility remains strong, driving sustained future earning visibility.

Expansion plans to support growth. Hartanah plans to offer design and build services, allowing it to manage end-to-end project execution. We think this integrated approach would enhance its project execution efficiency, support margin expansion and boosts its competitiveness in securing public contracts in line with government preference for single-responsibility contractors. To support construction demand, Hartanah is scaling its execution capacity via a RM2.7m investment in new machinery, enhancing its ability to deliver on larger scale contracts. Besides, Sarawak’s policy preference for local contractors and logistics complexities creates high entry barrier, benefiting Sarawak-based players like Hartanah to capitalize on growing public sector project roll-out.

Risk factors for Hartanah include (1) High government dependence; (2) Orderbook replenishment risk; and (3) Construction cost fluctuation

FY Oct	FY23	FY24	FY25F	FY26F	FY27F
Revenue (RM m)	71.2	127.6	155.7	188.0	225.0
EBITDA (RM m)	9.6	16.4	18.2	20.7	24.2
PAT (RM m)	5.7	9.2	11.0	12.7	15.0
PAT Margin (%)	8.0%	7.2%	7.1%	6.7%	6.7%
EPS (sen)	1.1	1.8	1.8	2.0	2.4
EPS Growth (%)	(7.4)	62.6	(3.6)	14.8	18.5
BV Per Share (sen)	4.2	5.0	10.4	12.2	14.3
PE (x)	14.1	8.7	9.0	7.8	6.6
Net Gearing (x)	0.4	0.3	Net Cash	Net Cash	Net Cash
ROE (%)	27.2	36.8	21.2	20.8	21.0

Business Overview

Hartanah specializes in providing building construction services with focus on institutional buildings like schools and other public buildings as well as infrastructure construction services, with a focus on bridges and roads. .

Listing Details

Listing date	9 June 2025
New shares (m)	120.9
Offer for sale (m)	77.5
Fund raised (RM m)	19.3

Post Listing

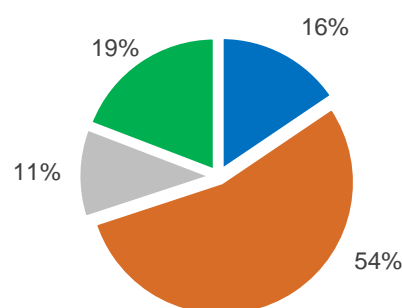
Ordinary shares (m)	620.0
Market cap (RM m)	99.8
Free float (%)	49.3
P/E(x) (FY26E)	7.8

Top 3 Shareholders

	%
Seah Boon Tiat	20.5
Peter Chai	16.3
Tony Cheok	15.1

Utilisation of Proceeds

	RM m
Purchase of machineries and IT related hardware and software	3.0
Project working capital	10.5
Repayments of borrowings	2.1
Estimated listing expenses	3.7

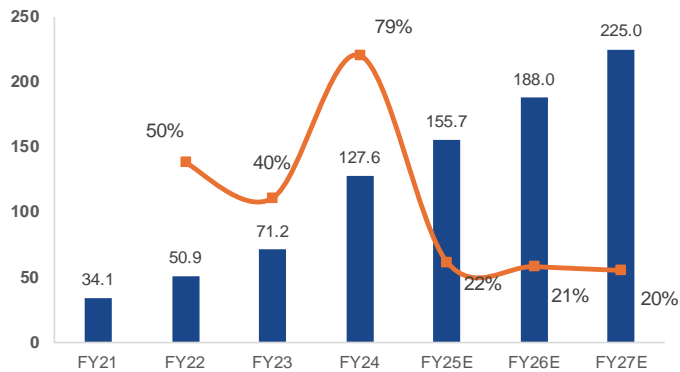


Source: Company, Mercury Securities



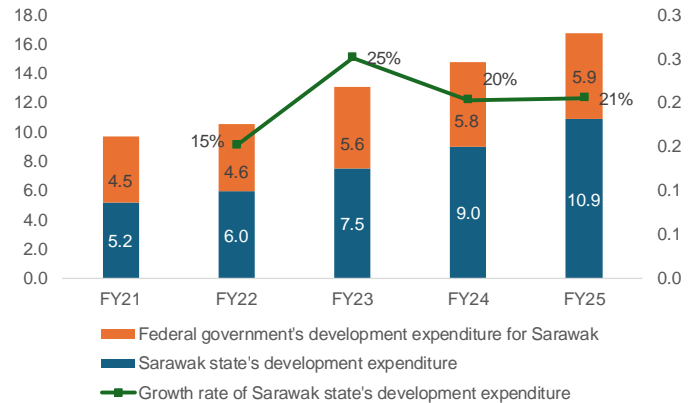
Financial Highlights and Valuation

Chart 1: Revenue trend (RM m)



Source: Company, Mercury Securities

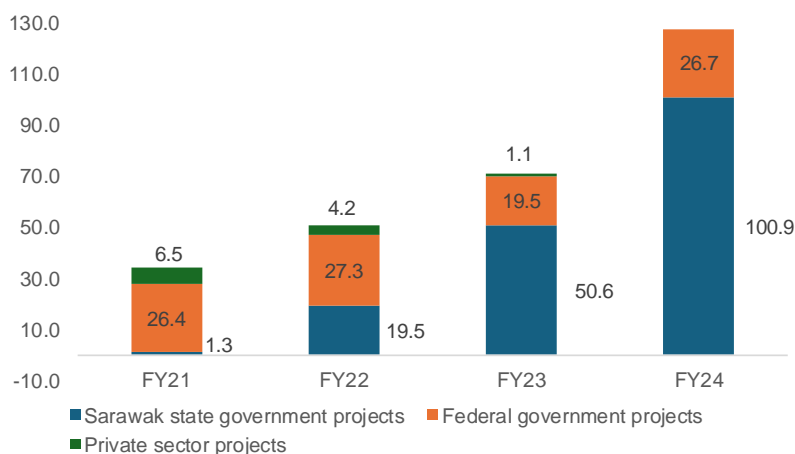
Chart 2: Government development expenditure trend (RM bn)



Source: Kementerian Kewangan, Mercury Securities

Robust revenue growth. Hartanah posted a stellar 3-year revenue CAGR of 55.3%, with topline expanding from RM34.1m in FY21 to RM127.6m in FY24. This strong growth trajectory is in line with the increasing development expenditure (DE) allocations to Sarawak by both the Sarawak state and Federal governments. Specifically, Sarawak state government's DE allocation nearly doubled from RM5.2bn to RM10.9bn (15–25% annual growth), while Federal DE allocation also rose from RM4.5bn to RM5.9bn over the same period. These allocations are largely driven by policy priorities to enhance infrastructure, education, healthcare, and social amenities across the state. Despite of its size (largest state in Malaysia) and resource wealth, Sarawak still lags behind Peninsular Malaysia in terms of infrastructure development, with many rural and semi-urban areas facing inadequate road connectivity and overcrowded public facilities. This structural shortfall has prompted consistent budget prioritisation toward improving basic infrastructure in the state. As a Sarawak-focused pure-play government contractor, Hartanah is poised to benefit from the rollout of state and federally funded projects aimed at closing these development gaps. That said, we forecast Hartanah's revenue to grow in tandem with Sarawak state government's DE allocation growth trends at a projected rate of 20-22% per annum over FY25 to FY27, underpinned by its solid track record (>11 years of operation in Sarawak's construction market) and execution capability in state-centric infrastructure development.

Chart 3: Revenue breakdown by projects awarders (RM bn)



Source: Company, Mercury Securities

Beneficiary of Sarawak's robust growth agenda. Under the Budget 2025 and Sarawak state Budget 2025, the Federal government and Sarawak state government will embark RM5.9bn and RM10.9bn respectively for DE spending in Sarawak, aiming at enhancing the infrastructure, education, healthcare, social amenities offering as well as adoption of renewable energy in the state. These initiatives aim to close the development gap between Sarawak and more advanced states like Selangor and Kuala Lumpur, catalysing a steady pipeline of public sector construction opportunities. With these robust DE allocations, we believe Hartanah is poised to be a key beneficiary of the Sarawak's robust infrastructure-led development agenda.



For education infrastructure, the Federal government has allocated RM1bn under Budget 2025 to upgrade and rebuild 543 underdeveloped schools in rural Sabah and Sarawak through the Sekolah Daif programme. Concurrently, the Sarawak state government is planning to expand its network of Yayasan International Schools as part of its strategy to retain and nurture local talent. These initiatives present opportunities for Hartanah, which has a proven track record in this segment. The company has successfully completed at least five Sekolah Daif projects and is currently undertaking the construction of two Yayasan International Schools in Sibu and Kuching and multiple Sekolah Daif across Sarawak. With three additional Yayasan schools expected to be launched in Bintulu, Miri, and Betong and more project roll-out from the Sekolah Daif programme, we think Hartanah would be benefited with the secure of additional new contracts, supported by its strong execution history and familiarity with state-led education projects.

While for road infrastructure, the Sarawak government has also allocated RM5bn for road and bridge infrastructure, split between large-scale highways (refers figure 1) and smaller-scale rural connectivity projects (refers figure 2). Many of these have seen delays due to funding constraints and technical execution challenges. Hartanah's prior experience in executing the Pan Borneo Highway project positions it as a credible contender for upcoming tenders, especially given its familiarity with local terrain and project requirements. We believe this will support Hartanah's orderbook replenishment and earnings visibility.

Besides, the Sarawak state government's commitment to advancing green technology and positioning the state as a hub for sustainable investment has accelerated the development of renewable energy sources, particularly hydropower and solar energy. This energy transition requires the expansion of supporting infrastructure, most notably the construction of substations, which are critical components of the power transmission system. Substations play a key role in stepping down high-voltage electricity generated from renewable sources for distribution to end users. This shift creates a new opportunity for construction companies with relevant capabilities, and Hartanah is poised to capitalize on this shift. As part of its strategic diversification, Hartanah plans to venture into utilities-related infrastructure construction especially the substation construction. Its Sarawak base, growing track record in public infrastructure works and its senior management with relevant substation construction related experience make it a credible contender for these projects, especially given the state's preference for engaging local contractors with strong execution capabilities. We believe the increasing rollout of substation projects under Sarawak's renewable energy agenda will serve as a new growth driver for Hartanah, supporting orderbook expansion and revenue diversification.

Figure 1: Road and bridge project list in Sarawak (2025)

No	Name of Project
1	Batu Kawa Road linking to Stephen Yong Road in Kuching
2	Ulu Sungai Merah to Jalan Tunku Abdul Rahman in Sibu
3	Pekan Lapok to Gejong Long Teran Batu, Tinjar
4	Nanga Ibau/Ulu Sungai Ibau Road, Kapit, Miri
5	Serian-Gedong-Samarahan Roads
6	Nanga Kesit-Ulu Lemanak-Engkari Road, Lubok Antu, Sri Aman
7	Sungai Limbang Bridge

Source: Jabatan Premier Sarawak, Mercury Securities

Figure 2: List of major infrastructure projects in Sarawak

Projects	Location	Expected completion year	Estimated cost (RM billion)
Highway/Expressway			
Pan Borneo Highway	Tanjung Datu, Sarawak - Tawau, Sabah	2028	29.0
Sarawak-Sabah Link Road	Lawas - Loping, Pa'Benut - Loping	2026 (Phase 1) 2030 (Phase 2)	7.4
Coastal Road Network	Kota Samarahan - Bintulu	2026	5.4
Second Trunk Road	Kuching - Sibu	2025	5.6
Northern Coastal Highway (forming part of the Trans Borneo Highway that will loop around Borneo island)	Miri - Limbang - Lawas	2030	6.1
Urban Transportation			
Kuching Urban Transport System	Samarahan Line and Serian Line	2025/2026	6.0

Source: infobusiness research

Healthy outstanding orderbook. As at 31 March 2025, Hartanah's construction orderbook stands at RM142.5m, representing a healthy 1.1x cover of its FY24 revenue. Out of these construction orderbook, it comprises of infrastructure building construction projects (51%) and building construction projects (49%) (refers figure 3). Despite of a relatively healthy outstanding orderbook, Hartanah remains active in replenishing its orderbook by tendering for new projects. According to the management, the company is actively tendering for contracts with a cumulative value of approximately RM451m. Of these tenders, 69% or RM313m of them consists of design and build contracts which typically carry higher margins. Notably, a significant portion of these tenders aligns with Hartanah's strategic venture into utilities and substation-related construction, reflecting its efforts to diversify its construction orderbook exposure from its typical construction jobs. As for Hartanah's targeted annual orderbook replenishment, management has provided a guidance of at least RM200m per annum. We deem this annual orderbook replenishment target as achievable, underpinned by the Hartanah management's active effort in tendering for new projects and align well with growing number of new infrastructure development projects roll-out anticipated under both Sarawak state and Federal government robust development expenditure plan. This drive orderbook replenishment visibility for Hartanah which should enhance its earning visibility going forward.



Figure 3: Current construction orderbook

Project ⁽¹⁾	Group's role	Name of client	Project owner	Contract value ⁽²⁾ / Outstanding order book	Contract period ⁽³⁾	Stage of completion ⁽⁴⁾
				RM'000		%
Sg. Padas Bridge Project	Subcontractor	Greenchain Capital Sdn Bhd	Federal government	31,459 / 38	June 2020 to February 2025 ⁽⁵⁾	99.9
State Archive Project	Subcontractor	Townbuilder Realty Sdn Bhd	Sarawak state government	172,328 / 51,787	August 2021 to December 2025 ⁽⁵⁾	69.9
Yayasan International School Sibu Project	Main contractor	Borneo Development Corporation (Sarawak) Sdn Bhd	Sarawak state government	47,769 / 5,743	February 2023 to February 2025 ⁽⁵⁾	88.0
Sekolah Daif: Tambay Project	Subcontractor ⁽⁶⁾	SCIB Industrialised Building System Sdn Bhd	Federal government	15,759 / 67	March 2023 to April 2025	99.6
Sekolah Daif: Tebedu Project	Subcontractor	SCIB Industrialised Building System Sdn Bhd	Federal government	20,708 / 2,255	March 2023 to March 2025 ⁽⁵⁾	89.1
Sebauh Bridge Project	Main contractor	Jabatan Kerja Raya Sarawak	Sarawak state government	74,894 / 26,137	December 2023 to January 2026 ⁽⁵⁾	65.1
Yayasan International School Kuching Project	Subcontractor	Greenchain Capital Sdn Bhd	Sarawak state government	18,189 / 10,116	February 2024 to August 2025 ⁽⁵⁾	44.4
Gedong Infrastructure Project	Main contractor	Borneo Development Corporation (Sarawak) Sdn Bhd	Sarawak state government	46,310 / 46,310	February 2025 to October 2026	-

Source: Company, Mercury Securities

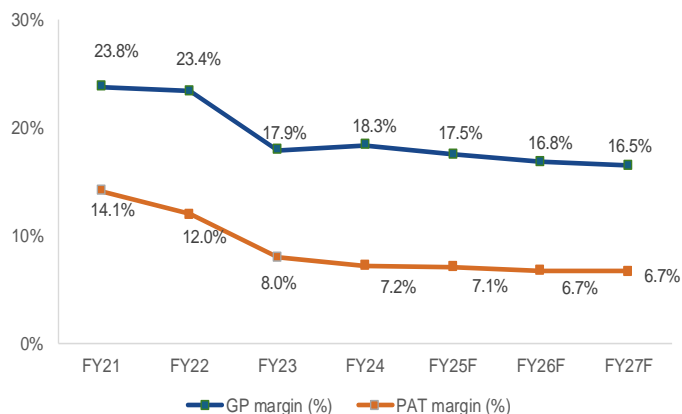
Expansion to include design and build service. As part of its strategy to diversify its construction orderbook, Hartanah plans to expand into providing design and build services across its building and infrastructure projects. This approach enables the company to act as the single point of responsibility, overseeing the full project lifecycle from initial design through to final construction. By integrating design and construction under one roof, Hartanah can improve project coordination, shorten execution timelines, and strengthen cost control, which collectively support margin enhancement. This shift also aligns with the government's increasing preference for contractor with integrated delivery models, further strengthening Hartanah's position to win larger and more complex public sector contracts.

Project execution capacity expansion. To support its growing orderbook that align with the robust Sarawak's growth outlook, Hartanah plans to expand its project execution capacity through the acquisition of six new excavators. The purchase, amounting to RM2.7m or 14% of the total IPO proceeds, will increase the company's fleet size and replace aged, fully depreciated units. We think this strategic investment is not only improving Hartanah's operational efficiency but also strengthen its capacity to undertake larger-scale infrastructure projects. The move also reflects Hartanah's proactive approach to scaling its resources in preparation for an anticipated ramp-up in project rollouts across the Sarawak as the public sector infrastructure spending accelerates.

High entry barriers favours domestic player. The construction landscape in Sarawak presents high barriers to entry for non-local players, which in turn supports a steady flow of project opportunities for Sarawak-based players. From policy standpoint, the Sarawak state government maintains a strong preference for locally registered contractors in public sector tenders, particularly for state funded infrastructure developments. Operationally, Sarawak's complex geographical nature poses logistical challenges, making project execution more difficult for West Malaysia-based or non-local players. That said, Sarawak-based contractors has competitive edge over the other players as they can leverage on their long-standing subcontractor networks, local workforce access, and region-specific know-how, positioning them strongly in project delivery. With continued momentum in development expenditure from both the Sarawak and Federal governments, local contractors particularly Hartanah are poised to benefit from a stronger pipeline of projects roll-out, supporting its long-term earnings visibility and orderbook growth.

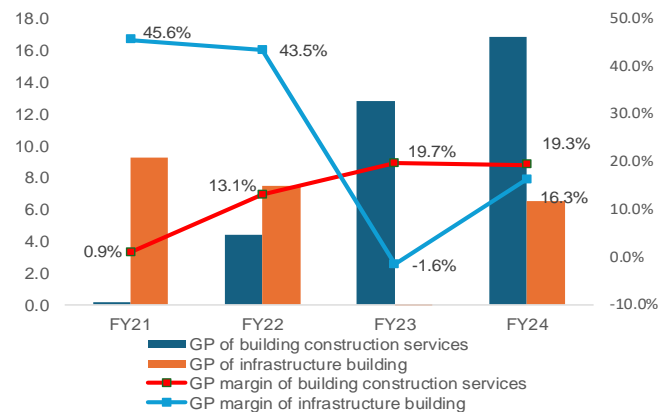


Chart 4: Margin trend (%)



Source: Company, Mercury Securities

Chart 5: GP (in RM m) and GP margin by segment trend



Source: Company, Mercury Securities

Declining margin but to stabilise in FY25-27E. Despite strong revenue growth over FY21 to FY23, Hartanah experienced a declining margin trend during the period. The contraction in GP margins was primarily driven by rising construction material costs and higher subcontractor expenses, as the company outsourced the majority of its infrastructure projects while expanding its construction capacity. Besides, the lower revenue contributions from near-completion infrastructure construction projects, such as the Pan Borneo Highway and Sg Padas Bridge projects also contribute to the declining trend in GP margin. However, Hartanah experienced slight improvement in its GP margin in FY24, driven by a recovery from loss in FY23 for its GP margin under the infrastructure building construction segment. This improvement is attributable to the commencement of revenue contribution from a new Sarawak state government-awarded infrastructure project, the Sebauh Bridge project. Therefore, the PAT margin bucked the similar trend except in FY24 which showed easing as it was impacted by the higher effective tax rate.

Going forward, we expect Hartanah's margin to stabilise between 6.7% to 7.1% in FY25E-27E, supported by easing of construction materials costs, undertaking of more design and build construction projects which carry better margin (typically command margins 5-10% higher than its current projects) and improvement in project execution capacity and efficiency.

Slightly geared balance sheet but to improve post listing. Prior to listing, Hartanah's balance sheet is moderately geared at 0.3x, driven by increasing borrowing drawdown in its latest 2 FYs to support strong expansion in its construction activities. However, the geared position will improve to net cash position after raising additional RM19.3m in new capital, in which RM2.1m would be used to repay bank borrowing post listing. Hartanah has adopted a formal dividend policy of distributing up to 30% of net profit. With the stronger net cash position after listing and good earning prospect, we expect Hartanah to sustain a minimum 30% dividend payout for FY25E-FY27E.

Fair Value of RM0.20 based on 10.0x FY26E EPS. We assign Hartanah's a target P/E of 10x, which is at approximately 40% discount to its comparable peers. We have picked local peers who has market capitalisation of less or equal to RM400m that primarily engages in the provision of construction services to reflect Hartanah's relatively small post listing market capitalisation of RM99.2m. The valuation discount is justified by the Hartanah's smaller operating scales (focus only in Sarawak construction market) and its declining margin trend (due to its subcontractor nature). Applying this multiple to our FY26F EPS forecast of 2.0 sen, we derive a fair value (FV) of RM0.20, representing a 28% potential upside.

Peer Comparison – Trailing 12-month basis (as of 5 May 2025)

Company	Bloomberg Ticker	Share price (LC)	Mkt Cap (in RM)	Earnings Growth (%)	P/E (x)	P/B (x)	ROE (%)	Net yield (%)
MGB	MLG MK	0.63	369.8	25.3	6.1	0.6	10.4	3.7
Kumpulan Kitacon	KITACON MK	0.74	367.7	42.7	10.1	1.2	14.2	4.1
Kimlun Corporation	KICB MK	1.00	351.6	613.2	7.0	0.5	6.8	1.0
Varia	VARIA MK	0.81	350.3	104.3	45.3	0.9	2.2	-
GDB	GDB MK	0.33	309.4	233.0	11.7	1.6	14.7	2.1
Nestcon	NESTCON MK	0.38	268.0	124.9	34.1	1.8	5.6	-
Inta Bina	INTA MK	0.48	265.6	45.5	7.9	1.4	18.4	4.2
Bina Puri	BIN MK	0.26	207.0	-	12.7	1.6	13.6	-
Simple Average				148.6	16.9	1.2	10.8	1.9
Hartanah Kenyalang	HKB MK	0.16	99.2	62.6	8.7	3.2	36.8	3.0

Source: Bloomberg



ESG Initiatives

Environmental Initiatives

Hartanah executed a proactive stance in minimising its environmental footprint through the adoption of sustainable building methodologies and materials. Hartanah utilises the Industrialised Building System (IBS) across its *Sekolah Daif* projects to reduce on-site waste and accelerate construction timelines. Additionally, eco-friendly materials such as Autoclaved Aerated Concrete (AAC) are deployed in projects like the State Archive, aligning with low-carbon objectives.

Emissions tracking is in place, with the Hartanah reporting 52,353.10 tCO₂e under Scope 3 emissions (primarily from business travel), alongside Scope 1 and 2 disclosures. Environmental Monitoring Reports (EMRs) are mandated for select projects, ensuring early detection of any breaches in environmental safeguards. Furthermore, Hartanah enforces strict site-level waste management, including recycling of steel and timber, and prohibits dumping into waterways to protect local biodiversity.

Social Initiatives

On the social front, Hartanah adopted ISO 45001:2018 standards to promote Occupational Safety and Health Administration (OSHA) compliance, reflecting a structured approach to risk reduction at job sites. Notably, incidents remain minimal, emphasizing effective enforcement. Besides, Hartanah also promotes workplace diversity and upholds a zero-tolerance policy on discrimination and harassment. Currently, the company maintains a workforce of 160, with female representation at 25.6 percent, which is a commendable proportion given the labour-intensive nature of its operations.

Governance Initiatives

Hartanah's governance framework reflects strong adherence to the Malaysian Code on Corporate Governance (MCCG), with an emphasis on board independence and gender diversity. Three of eight directors are women, aligning with the 30 percent MCCG recommendation. Hartanah also has instituted anti bribery protocols in compliance with the Malaysian Anti-Corruption Commission Act 2009 and operationalizes whistleblowing mechanisms that ensure confidentiality and protection. It also maintains a comprehensive risk register to assess and manage key operational and compliance risks. Since the incorporation of the company, no corruption or whistleblowing incidents have been reported, underlining a robust ethical culture.

SWOT Analysis

Strength	Weakness
<ul style="list-style-type: none"> - A Sarawak pure-play government that has strong government relationships and 11-years' worth of track record. - Adoption of IBS and sustainable construction methods with the use of the Industrialized Building System (IBS) and green materials such as AAC blocks enhances construction efficiency, compliance with ESG expectations, and appeal for future public contracts. - Healthy outstanding orderbook of RM142.5m, representing a healthy 1.1x cover of its FY24 revenue, providing earnings visibility over the next 24-months. 	<ul style="list-style-type: none"> - Operations are heavily concentrated in Sarawak, which exposes the company to regional political and economic risks. - A significant portion of revenue is derived from public sector projects, creating heavy reliance on government spending and government project roll-out. - As a contractor operating in cost-sensitive public projects, profit margins are tight, with inflation or material price volatility posing a challenge.
Opportunity	Threat
<ul style="list-style-type: none"> - The Sarawak government's ongoing focus on infrastructure development which include rural schools, connectivity facilities and energy facilities, offering a growing orderbook pipeline for Hartanah. - Expansion to offer design and build services, allowing Hartanah to manage end-to-end project execution and support margin expansion. - Project execution capacity expansion with the purchase 6 new excavators, enhancing Hartanah's capacity to take in larger scale projects. 	<ul style="list-style-type: none"> - Volatility in raw material prices and labour costs could pressure margins, especially for government awarded contracts that usually carry fixed-price terms. - Changes in the development expenditure allocation from Federal Government and Sarawak state government could pose risk for Hartanah to replenish new orderbook. - Rising competition among Sarawak-based contractors.

Sources: Company, Mercury Securities



Company Background

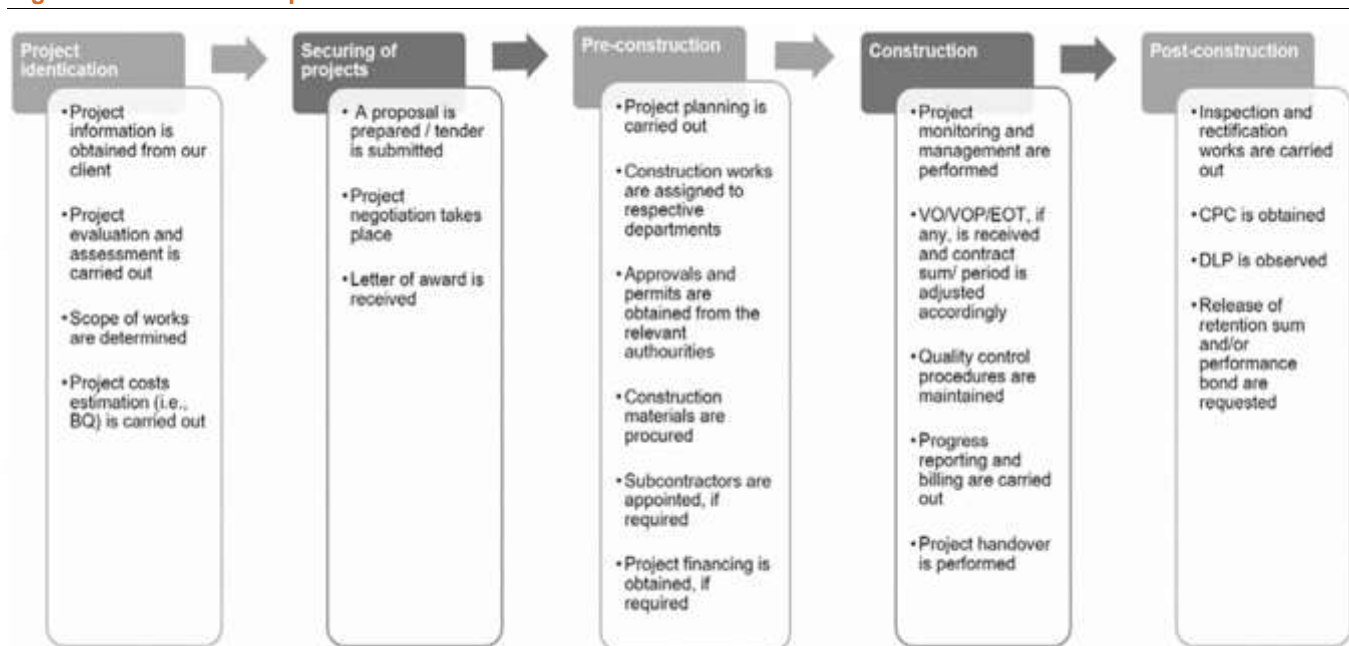
Building and infrastructure contractor. Hartanah via its sole and wholly-owned subsidiary, Hartanah Construction is a CIDB G7 licensed contractor that focuses on building and infrastructure construction services, particularly institutional building and public infrastructures such as bridge, road and schools. With 11 years of operating history (excluding a dormant period between end-2012 and mid-2015), Hartanah has maintained a consistent business model and operates primarily in East Malaysia. For FY24, Hartanah recorded RM127.6m in revenue, with 68.8% derived from building construction and 31.2% from infrastructure projects.

Figure 4: Key events milestones

Year	Key Milestone
2010	Hartanah Construction was incorporated on 19 November 2010.
2011	Completed our maiden building construction project for the construction of a site office at Samajaya, Kuching, Sarawak and other related works such as construction of pipe support and water pipeline.
2016	Hartanah Construction secured and completed multiple construction projects in Sarawak, including a RM1.4m building contract for Sentosa Parade and a RM0.5m IBS-based project for the Pan Borneo Highway. Hartanah Construction was awarded a major RM104.6m infrastructure subcontract under the Pan Borneo Highway project, though the awarding party, ML Sepakat Sdn Bhd, later exited the project.
2017	Hartanah Construction secured its first high-rise building project worth RM2.3m in Kuching and was directly appointed by Kimlun Sdn Bhd to complete RM96.8m worth of remaining works for the Pan Borneo Highway Project.
2019	Hartanah Construction achieved ISO 9001:2015 certification, upgraded to CIDB G7 status, and successfully completed its first institutional projects involving 10 dilapidated schools using IBS, worth RM30.6m, within a year.
2020	Hartanah Construction obtained Class D certification from UPKJ and secured its first major infrastructure project in Sabah, the Sg Padas Bridge Project worth RM29.8m.
2021	Upgraded to Class A certification from UPKJ and secured our largest project by contract value, amounting to RM235.5m, in respect of the State Archive Project.
2023	Hartanah Construction secured the Yayasan International School Sibu Project worth RM48.8m as its first public sector main contractor job, and the Sebauh Bridge Project worth RM74.9m as its first rescue contractor assignment.
2024	Hartanah Construction obtained the ISO 45001:2018 certification.

Source: Company, Mercury Securities

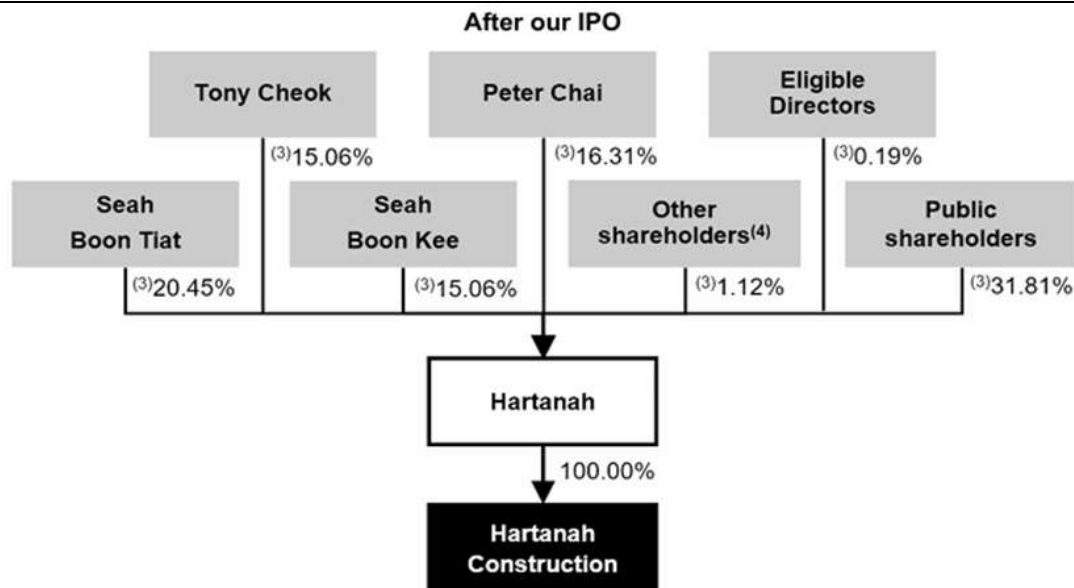
Figure 5: Construction operation workflow



Source: Company, Mercury Securities



Figure 6: Post IPO shareholding structure



Source: Company, Mercury Securities

Figure 7: List of completed projects

Project	Group's role	Name of client	Project owner	Contract value billed	Project completion ⁽¹⁾
				RM'000	
Sekolah Daif: Lawas and Limbang Project	Subcontractor	Sri Esbina (M) Sdn Bhd	Federal government	9,052	July 2020
Sekolah Daif: Bintulu and Belaga Project	Subcontractor	Areach Marketing & Supplies Sdn Bhd	Federal government	9,102	July 2020
Sekolah Daif: Kapit Project	Subcontractor	Hajat Unggul Sdn Bhd	Federal government	10,178	July 2020
Samariang Square Project	Subcontractor	Townbuilder Realty Sdn Bhd	Private sector	16,497	November 2021
Sekolah Daif: Pendam Project	Subcontractor	Delisha Sdn Bhd	Federal government	5,586	March 2022
Pan Borneo Highway Project	Subcontractor	ML Sepakat Sdn Bhd* / Kimlun Sdn Bhd	Federal government	63,277	June 2022
Matang Parade Project	Main contractor	Nationlink Realty Sdn Bhd	Private sector	7,411	February 2023
Sekolah Daif: Kanowit Project	Subcontractor	SCIB Industrialised Building System Sdn Bhd	Federal government	10,911	June 2023

Notes:

* ML Sepakat Sdn Bhd exited the Pan Borneo Highway Project and was replaced by Hartanah Construction as the subcontractor for Kimlun Sdn Bhd.

(1) Based on the receipt of the CPC.

Source: Company, Mercury Securities



Chart 6: Key Management Team

Name and Designation	Age	Profile
Seah Boon Tiat Promoter, Substantial Shareholder, Managing Director	45	<ul style="list-style-type: none"> Co-founded Hartanah Construction with Seah Boon Kee and responsible for Hartanah's overall management and business operations. Holds a Bachelor of Engineering in Civil and Structural Engineering (Honours) from University of Leeds, United Kingdom in 2003.
Seah Boon Kee Promoter, Substantial Shareholder, Deputy Managing Director	48	<ul style="list-style-type: none"> Responsible for Hartanah's construction management, machinery and equipment and procurement functions. Graduated with Bachelor of Engineering in Civil and Coastal Engineering (Honours) from University of Plymouth, United Kingdom in 2000. Also, he is a Graduate Engineer with the Board of Engineers Malaysia since 2001 and a Graduate Member of the Institution of Engineers Malaysia since 2002.
Tony Cheok Promoter, Substantial shareholder and COO	67	<ul style="list-style-type: none"> Responsible for overseeing the Hartanah's overall project management team.
Desmond Foo Jin Sen Head of Finance	52	<ul style="list-style-type: none"> Responsible for overseeing Hartanah's overall accounting, information technology and risk management functions. Graduated with a Bachelor of Commerce in Finance (Honours) from University of Queensland, Australia in 1990. Also, he has been a member since and fellow member of CPA Australia since 2020 as well as a member of the MIA since 2003.
Lee Chee Yoong General Manager, Construction	50	<ul style="list-style-type: none"> Responsible for Hartanah's tenders, project management and implementation, contract management, coordinating subcontractors, overseeing procurement and quality control matters and daily operations at all project sites. Graduated with a Certificate in Civil Engineering from Ungku Omar Polytechnic in Ipoh, Perak, in 1996
Tok Huey Shin Procurement Manager	43	<ul style="list-style-type: none"> Responsible for Hartanah's procurement activities, project tendering and cost management. Earned a Diploma in Quantity Surveying from Tunku Abdul Rahman College (now known as Tunku Abdul Rahman University of Management and Technology) in 2002

Source: Company, Mercury Securities

Future Plans & Business Strategies

- Construction orderbook expansion.** Hartanah aims to strengthen its position in Sarawak's building and infrastructure construction market by capitalising on its 11-year track record and proven execution capabilities. This enables Hartanah to secure recurring contracts from their existing clients as well as serve as a solid reference base for future contract bidding. In this respect, Hartanah plans to bid for building and infrastructure construction projects, particularly projects that involve substations, institutional buildings (such as government schools and other purpose-built buildings), high-rise buildings, bridges and roads. To support its expansion plans and bidding pipeline, Hartanah has earmarked RM10.5m (54.2% of IPO proceeds) for project working capital, ensuring readiness to execute upcoming projects efficiently
- Ramping up capacity and capability.** To support the scaling of operations and enhance execution capabilities, Hartanah plans to allocate RM2.7m (14.0% of IPO proceeds) towards the staged acquisition of six new excavators over 24 months. This initiative is driven by the company's growing project pipeline and outstanding order book, and is aimed at replacing aged, fully depreciated equipment namely 16 out of 24 current excavators as well as expanding machinery capacity to improve efficiency and on-site productivity. In parallel, RM0.3m (1.5% of IPO proceeds) will be allocated to upgrading the Group's IT infrastructure. This includes the purchase of new computers, software subscriptions, and cloud-based solutions to enhance project management, streamline administrative functions, and strengthen integration across accounting, procurement, and data management systems.
- Expansion to include design and build services.** Hartanah plans to expand into the offering of design and build services for both their building construction and infrastructure construction service segment. Part of this strategy, Hartanah intend to utilize part of the IPO proceed to invest in Building Information Modelling (BIM), an important 3-dimension visualization tool that is used in digitalizing various aspect of a construction project. Leveraging BIM system usage, this enable Hartanah to foray into offering design and build services. Out of RM451m of the current tender orderbook, RM311m or 69% of them are comprises of design and build services.



Key Risks

1. **Sarawak state and Federal government dependent.** Hartanah is government centric as it relies heavily on construction projects awarded by Sarawak state government and the Federal government. This is evidenced by the latest FY24's revenue contribution of Hartanah which comprises mainly of Sarawak state government related projects (79%) and Federal government projects (21%). Hartanah's heavy reliance on Sarawak and Federal government contracts exposes it to budget cuts or delays in public project rollouts, which could impact earnings visibility and contract replenishment, highlighting the need for client base diversification. In other words, Hartanah is dependent on the continual infrastructure budget spending by both the Sarawak state and Federal governments. Any potential cut in infrastructure spending by either the Sarawak state government or Federal government for the state of Sarawak could adversely affect number of infrastructure project roll-out and poise risk for Hartanah to secure new contract.
2. **Orderbook replenishment risk.** Due to the nature of construction business being project-based, failure to secure and replenishment new construction orderbook could adversely impact the financial performance of Hartanah. In this regard, Hartanah currently has tendered for various building and infrastructure construction project worth of RM451m. With the Hartanah's current orderbook of 8 projects worth of RM142.5m, this shall provide earnings visibility for Hartanah up to FY26.
3. **Construction cost fluctuation.** Hartanah's reliance on fixed-price construction contracts exposes it to cost overrun risks due to potential shortages or price hikes in key materials like steel, concrete, and other construction inputs. Although the company estimates contract costs based on various factors, unexpected price increases can impact project profitability, especially if contracts lack Variation of Price (VOP) clauses. Most materials are sourced locally in Sarawak, and any disruption in supply or pricing could affect timely project execution. Besides, Hartanah remains reliant on main contractors for Federal government projects, with most appointments made under a subcontracting model (11 Federal vs. 5 Sarawak state projects to date), which may also limit its margin control and contract flexibility.

IPO Details

	Offer for Sales (m)	Public Issue (m)	Total (m)	(%)
<u>Retail Offering</u>				
Eligible Persons	-	18.6	18.6	3.0
Malaysian Public (Non-Bumiputera)	-	15.5	15.5	2.5
Malaysian Public (Bumiputera)	-	15.5	15.5	2.5
<u>Private Placement</u>				
Selected investors (Non-Bumiputera)	-	71.3	71.3	11.5
Selected investors (Bumiputera)	77.5	-	77.5	12.5
<u>Total</u>	77.5	120.9	198.4	32.0



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