Hartanah Kenyalang Berhad (HKB)

Riding Along Sarawak's Booming Development

- **Hartanah Kenyalang Berhad is a Malaysian-based construction company, with a strong presence in Sarawak, principally involved in the provision of (i) building construction services, with a focus on institutional and other non-residential buildings, and (ii) infrastructure construction services, involving bridges and roads.**
- **We project 3-year earnings CAGR of 14.3%, with core PAT anticipated to reach RM11.1m-RM13.8m over the next three years. This growth is underpinned by (i) a steady expansion in the project pipeline, (ii) the Group's expansion into design and build solutions through BIM, and also (iii) strong ongoing infrastructure development emphasized by the Sarawak state government.**
- **We assign a fair value of RM0.22 per share for HKB, indicating an 37.5% upside from the IPO price of RM0.16. This valuation is based on a PE multiple of 11.5x pegged to mid-FY26f EPS of 1.91 sen.**

Investment highlights

Ongoing expansion in Sarawak with certifications advantage. HKB, with CIDB G7 and SPKK G7 certifications, is actively bidding for Sarawak projects, including substations, government buildings, high-rise, roads, and bridges. Also, being a UPKJ Class A certified contractor (Sarawak state government certification), allows the group to undertake high-value projects of above RM10.0m in Sarawak. Leveraging its track record on projects like the State Archive Project and Sebauh Bridge Project, the group has tendered RM451.0m worth of projects as of end-April 2025, and RM10.5m (54.2% of IPO proceeds) has been earmarked as working capital.

Expanding design-and-build services. HKB is growing its design-and-build services, offering end-to-end solutions to reduce delays and expedite project delivery. This expansion builds on past experience started since 2019, by incorporating design elements in projects such as *Sekolah Daif*. RM0.1m (0.5% of IPO proceeds) will be invested in Building Information Modeling (BIM) technology. Out of the RM451.0m tendered for various building and infrastructure projects, RM311.0m is in respect of design and build projects. The RM311.0m design and build projects consist of one substation, one water works and one bridge works with each project tender value of around RM100m.

***'Multi-Billion Dollar'* infrastructure budget by Sarawak state government.** A total of RM10.9bn has been allocated for development expenditure under Sarawak Budget 2025, focusing on infrastructure development and c.RM1.0bn has been earmarked for the construction of roads and bridges to enhance land connectivity across the state. Under Sarawak's Post COVID-19 Development Strategy (PCDS 2030), Sarawak aims to become a developed state by 2030, with a strong emphasis on infrastructure development to reduce urban-rural disparities and also enhance access to essential services. This may create more building and infrastructure opportunities for HKB.

Well-positioned for schools infrastructure push. With a proven track record in building *Sekolah Daif* and international school projects, HKB is likely to benefit from the federal government 2025 budget of RM1.0bn allocation for infrastructure upgrades on abandoned and unsafe schools in Sarawak and Sabah, alongside the launch of the Free Tertiary Education Scheme in 2026, which are expected to boost demand for education-related infrastructure projects.

Opportunity for market share expansion. In 2024, the total value of non-residential building and civil engineering works completed in Sarawak reached RM2.4bn and

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Non-Rated

Share price	**RM0.16**
Target price	**RM0.22**
Previous TP	**-**
Capital upside	37.5%
Dividend return	3.0%
Total return	40.5%

Company profile

Started since 2010, Hartanah Kenyalang Berhad primarily specializes in building and infrastructure construction services in Sarawak, focusing on institutional buildings, non-residential projects, as well as bridges and roads.

Stock information	
Bursa Code	0359
Bloomberg ticker	HKB MK
Listing market	ACE
Share issued (m)	620.0
Market Cap (m)	99.2
Shariah compliant	YES
MITI allocation	YES

Major shareholders	%
Seah Boon Tiat	20.5
Peter Chai	16.3
Seah Boon Kee	15.1
Tony Cheok	15.1

Earnings snapshot

FYE (Oct)	FY24	FY25f	FY26f
PATMI (m)	9.2	11.1	12.5
EPS (sen)	1.5	1.8	2.0
P/E (x)	10.8	8.9	7.9

Timetable of IPO

Opening of application	30 April
Closing of application	27 May
Balloting of application	29 May
Allotment of the IPO shares	6 June
Listing on the ACE market	9 June

RM11.2bn respectively. With HKB recording RM87.8m in non-residential building construction revenue and RM39.8m in civil engineering works, the group captured an estimated market share of 3.7% and 0.4% respectively, signalling room for further growth as it scales operations and secures larger projects after its listing.

Fig #1 Market share of HKB in Sarawak for FY24

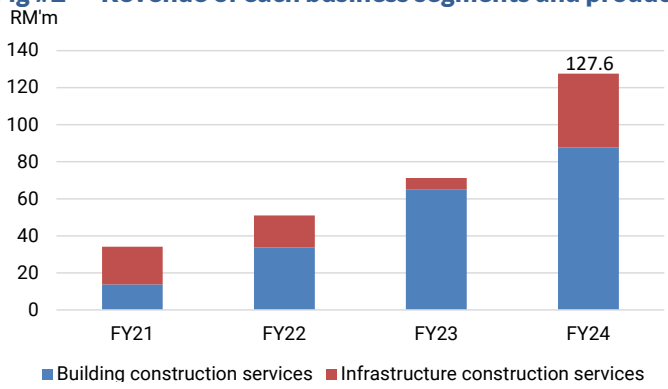
	Value of works done for calender year 2024 (RM Million)	Hartanah Group's revenue (RM Million)	Hartanah Group's market share (%)
Non-residential building construction works in Sarawak	2,370.6	87.8	3.7
Civil engineering works in Sarawak	11,216.3	39.8	0.4

Source: IMR report, Hartanah Kenyalang Berhad

Company background

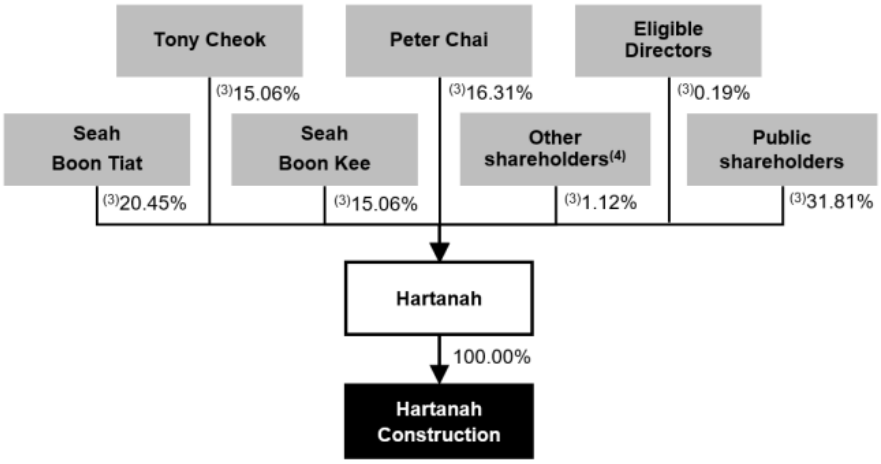
Started since 2010, Hartanah Kenyalang Berhad is a Malaysia-based investment holding company, with its subsidiary, Hartanah Construction, principally involved in the provision of (i) building construction services, with a focus on institutional and other non-residential buildings, and (ii) infrastructure construction services, primarily involving bridges and roads. With an operating history of over 11 years in the construction industry, the group focuses on delivering public sector and high-specification infrastructure projects across Sarawak.

Fig #2 Revenue of each business segments and product categories



Source: Hartanah Kenyalang Berhad, M+ Research

Fig #3 Post-IPO shareholding structure



Source: Hartanah Kenyalang Berhad

Substantial Shareholders & Key Senior Management

1. Seah Boon Tiat – Managing Director
Mr. Seah, aged 45, is a co-founder, Promoter, and substantial shareholder. He holds a Bachelor of Engineering (Civil & Structural) from the University of Leeds and has over 20 years of experience in the construction industry, including roles in Gamuda and Ecosteel before co-founding Hartanah Construction in 2010. He oversees the Group's overall strategy and operations.

2. Seah Boon Kee – Deputy Managing Director
Aged 48, Mr. Seah is also a co-founder, Promoter, and substantial shareholder. With a Bachelor of Engineering (Civil & Coastal) from the University of Plymouth, he brings over two decades of project management and engineering experience from firms such as KTA Sarawak, Inai Kiara, and Naim Group. He manages the Group's construction, machinery, and procurement activities.

3. Tony Cheok – Chief Operating Officer
Mr. Cheok, aged 67, is a Promoter and substantial shareholder. He has over four decades of experience in construction and project management, including stints at Inai Kiara and earlier involvement in semi-prefabricated construction systems. He rejoined Hartanah Construction in 2017 and currently oversees project execution and team coordination.

4. Peter Chai – Non-Executive Director
Mr. Chai, aged 80, is a substantial shareholder and strategic investor since 2022. With an extensive career in sales, operations, and manufacturing, he is the founder and Executive Chairman of DPI Holdings Berhad, listed on Bursa Malaysia, and holds multiple directorships in regional companies. He provides strategic oversight and business advisory to the Group.

Fig #4 Corporate milestones

Year	Milestones
2010	• Incorporation of Hartanah Construction
2011	• Completed its 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	• Registered as a CIDB G4 contractor • Completed its first building construction services project using IBS in less than two months, amounting to RM0.5m for the construction of a site office located at Simunjan as part of Kimlun Sdn Bhd's Pan Borneo Highway project in Sarawak • Secured its first major infrastructure construction project from ML Sepakat Sdn Bhd, a subcontractor of Kimlun Sdn Bhd, as part of the Pan Borneo Highway Project, worth RM104.6m.
2017	• Secured its first high rise building project worth RM2.3m from Sen Meng Kang Sdn Bhd for building construction works of two blocks of 14-storey condominium known as Royal Richmond Gold in Kuching, Sarawak. • Appointed directly as Kimlun Sdn Bhd's subcontractor to complete the remaining works worth RM96.8m following the exit of ML Sepakat Sdn Bhd in respect of the Pan Borneo Highway Project.
2019	• Obtained the ISO 9001:2015 certification and registered as a CIDB G7 contractor. • Secured its first institutional building construction projects in respect

	of the Sekolah Daif: Lawas and Limbang Project, Sekolah Daif: Bintulu and Belaga Project, and Sekolah Daif: Kapit Project using IBS.
2020	• Obtained Class D certification from UPKJ. • Secured its first major infrastructure construction project in Sabah, namely the Sg. Padas Bridge Project.
2021	• Upgraded to Class A certification from UPKJ and secured its largest project by contract value, amounting to RM235.5m, in respect of the State Archive Project.
2023	• Secured the Yayasan International School Sibu Project worth RM48.8m. This was the group's first main contractor project for the public sector. • Secured the Sebauh Bridge Project worth RM74.9m. This was its first rescue contractor project.
2024	• Obtained the ISO 45001:2018 certification.

Source: M+ Research, Hartanah Kenyalang Berhad

Fig #5 Utilisation of proceeds

Use of proceeds	RM'm	%	Estimated time frame
Purchase of machineries and IT related hardware and software	3.0	15.5	Within 24 months
Project working capital	10.5	54.2	Within 18 months
Repayment of borrowings	2.1	10.9	Within 6 months
Defray fees and estimated listing expenses	3.8	19.4	Within 2 months
Total	19.3	100.0	

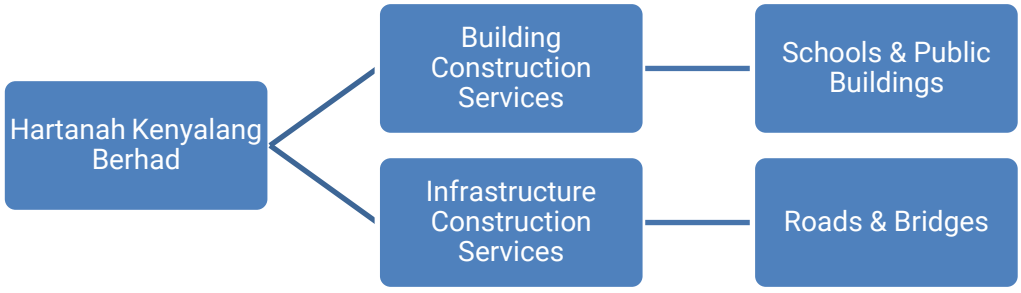
Source: Hartanah Kenyalang Berhad

Business overview

Building construction services (68.8% of FY24 revenue). The group provides building construction services with a primary focus on institutional and other non-residential buildings, such as government schools, public facilities, and purpose-built structures. These projects typically involve both structural and architectural works, with capabilities covering site preparation, foundation work, superstructure, and internal finishes.

Infrastructure construction services (31.2% of FY24 revenue). The group undertakes infrastructure construction works, mainly involving roads and bridges across Sarawak. These projects include earthworks, drainage, pavement construction, and structural bridge works, often delivered under government contracts.

Fig #6 Principal business activities and services provided



Source: Hartanah Kenyalang Berhad, M+ Research

Fig #7 SWOT analysis of HKB

Strength	Weakness
• Proven track record in Sarawak • Certified top-tier contractor • Public sector focus	• Highly concentrated in Sarawak • Depreciated machinery fleet affecting operational efficiency • Adverse weather condition in Sarawak with heavy rain
Opportunity	**Threat**
• Expasion of Sarawak's public infrastructure • Adoption of design and build model • Technology upgrades	• Industry competition • Labour intensive • Project execution risk

Source: M+ Research

Financials

Revenue and income highlights. The group reported a RM56.4m or 79.2% YoY growth in revenue, increasing from RM71.2m in FY23 to RM127.6m in FY24, which was contributed by both of the segments.

(i) The building construction services segment rose by RM22.7m or 34.8%, from RM65.1m in FY23 to RM87.8 million in FY24. This is mainly due to the higher revenue recorded from *Sekolah Daif*, including Tebedu and Tambay projects, State Archive project and also commencement of Yayasan International School Kuching project.

(ii) Meanwhile, revenue from the infrastructure construction services segment also increased by RM33.7m or 555.8%, from RM6.1m in FY23 to RM39.8m in FYE24. This was mainly due to the commencement of the Sebauh Bridge project.

Following the higher revenue, the group also recorded a higher PAT of RM9.2m in FY24, up RM3.5m or 62.6% from RM5.7m in FY23.

Balance sheet. The group held a total assets of RM90.0m in FY24, representing an increase of RM28.3 or 45.8% YoY from RM61.7m in FY23. This was primarily due to the increase in trade receivables and contract assets. Meanwhile, the total liabilities also increased by RM24.1m or 58.8% in FY24, attributed to the increase in trade and other payables. The total equity of the group also grew from RM20.8m in FY23 to RM25.0m in FY24. This group is in a net debt position prior to the listing with net gearing ratio of 0.35 times as at 31st October 2024.

Cash flow. Following a higher PBT, the group recorded higher net cash from operations, increasing from RM2.1m in FY23 to RM3.6m in FY24. Cash flow from investing activities recorded an increase in net outflow from RM1.4m in FY23 to RM3.0m in FY24, attributed to the increase in sinking fund requirement. Lastly, cash flow from financing activities recorded a lower inflow of RM2.2m in FY24 compared to an inflow of RM5.4m in FY23, due to dividend payout and increase in repayment of trade financing.

Earnings forecasts. Moving forward, we project a 3-year earnings CAGR of 14.3%, with core PATMI expected to reach RM11.1m, RM12.5m, and RM13.8m over the next three years, largely supported by (i) a steady expansion in the project pipeline, (ii) the Group's expansion into design and build solutions through BIM, and also (iii) strong ongoing infrastructure development emphasized by the Sarawak state government.

Fig #8 Financial Highlights

FYE Oct (RM m)	FY23	FY24	FY25f	FY26f	FY27f
Revenue	71.2	127.6	144.7	164.3	186.5
EBITDA	9.7	16.5	18.0	19.9	21.6
EBIT	8.1	14.7	15.9	17.7	19.3
PBT	7.6	13.5	14.7	16.5	18.1
PAT	5.6	9.2	11.1	12.5	13.8
PATMI – Core	5.6	9.2	11.1	12.5	13.8
PATMI – Reported	5.7	9.2	11.1	12.5	13.8
% change YoY – Core PATMI	-8%	63%	21%	12%	10%
Core EPS (sen)	0.9	1.5	1.8	2.0	2.2
P/E (x)	17.6	10.8	8.9	7.9	7.2
EV/EBITDA (x)	8.0	4.7	4.3	3.9	3.6
DPS (sen)	-	0.2	0.5	0.6	0.7
Yield (%)	0%	1%	3%	4%	4%
BVPS (RM/share)	0.0	0.0	0.1	0.1	0.1
P/B (x)	4.8	4.0	2.0	1.7	1.5
ROE (%)	31%	40%	30%	23%	22%
Net Gearing (x)	0.5	0.4	CASH	CASH	CASH

M+ Research

Valuations

We assign a fair value of RM0.22 per share for HKB, representing a 37.5% upside from its IPO price of RM0.16. This valuation is based on a P/E ratio of 11.5x, pegged to the mid-FY26F EPS of 1.91 sen. We believe the ascribed P/E is justified, given the average P/E and forward P/E among its peers range between 11.5x and 12.7x. Despite its stronger ROE of 40.0% compared to its peers' average of 7.9%, the P/E ratio is tilted to the lower-end due to its relatively smaller market cap and lower net profit margin.

Fig #9 Peer comparison

Company	Market Group	FYE	Price (RM)	Market Cap (RM'm)	P/E (x)	Forward P/E (x)	ROE (%)	NP Margin (%)
Hartanah Kenyalang Berhad	**ACE**	**Oct**	**0.16**	**99.2**	***10.8**	****7.9**	***40.0**	***7.2**
Advancecon Holdings Bhd	MAIN	Dec	0.23	132.2	N/A	N/A	(13.4)	(5.9)
IBRACO Bhd	MAIN	Dec	1.15	628.0	13.0	11.5	9.8	8.7
Naim Holdings Bhd	MAIN	Dec	0.95	475.7	2.1	N/A	16.1	45.8
Nestcon Sdn Bhd	ACE	Dec	0.38	271.6	34.5	N/A	5.6	0.9
Zecon Bhd	MAIN	Dec	0.49	73.3	1.3	N/A	21.5	85.8
Avg ex-Hartanah Kenyalang Berhad				**316.2**	**12.7**	**11.5**	**7.9**	**27.1**

*Source: M+ Research (*FY24, **FY26f)*

Investment risks

Dependence on government project spending. The group derives a significant portion of its revenue from Sarawak state and Federal government projects. A decline or delay in public infrastructure spending could reduce project awards and negatively affect future performance.

Reliance on order book replenishment. As a project-based contractor, the group's revenue is non-recurring and depends on continuously securing new projects. Failure to replenish its order book may impact future financial results and business sustainability.

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Exposure to project execution risks. Construction projects are subject to potential delays, cancellations, and cost overruns due to factors such as bad weather, material shortages, subcontractor issues, or unforeseen site conditions. These could lead to financial penalties or reduced profitability.

Fixed-price contract exposure. Most construction contracts secured are on a fixed-price basis. Unanticipated increases in the cost or shortage of key materials like steel and cement may lead to cost overruns, affecting project margins and overall financial performance.

Dependence on key senior management. The group relies heavily on the experience and leadership of its Executive Directors and senior managers. Any loss of key personnel without prompt and suitable replacement could disrupt operations and strategic execution.

Environmental, Social & Governance (ESG) Practices

Environmental

- **Eco-friendly construction materials.** The group adopts sustainable materials such as IBS components and Autoclaved Aerated Concrete (AAC) blocks to reduce construction waste, carbon footprint, and promote green building practices.
- **Emissions management.** Environmental consultants are appointed to prepare Environment Monitoring Report (EMR) for applicable projects to monitor and ensure compliance with environmental standards and prevent ecological harm, including the prohibition of waste disposal into waterways.
- **Waste management.** Steel and timber materials are reused or recycled through scrap collectors to minimise construction waste and maximise resource efficiency on project sites.

Social

- **Occupational safety and health administration (OSHA).** The group is ISO 45001:2018 certified and committed to workplace safety, having reported only minor incidents with no major OSHA-related violations up to the LPD.
- **Diversity and inclusion.** The group promotes a fair and inclusive workplace, with a gender-diverse workforce aligned with the physical demands of construction and administrative roles.
- **Discrimination and harassment.** A zero-tolerance policy is enforced to ensure a work environment free from discrimination and harassment, with no reported cases to date.

Governance

- **Malaysian Code on Corporate Governance.** The group embraces board diversity and governance best practices, with majority independent directors and 30% female board representation.
- **Anti-Bribery and Corruption.** A strict zero-tolerance policy on bribery is embedded at all levels of the organisation in line with the Malaysian Anti-Corruption Commission Act 2009.
- **Whistleblowing.** A confidential whistleblowing channel is in place to encourage ethical conduct, with no reported cases of misconduct up to the LPD.
- **Risk management.** Risks are systematically identified, monitored, and updated through a risk register to ensure effective mitigation across operational, financial, and regulatory areas.

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Stock recommendation guide	
BUY	The share price is expected to appreciate more than 10% over the next 12 months
HOLD	The stock price is expected to range between -10% and +10% over the next 12 months
SELL	The share price is expected to fall more than 10% over the next 12 months
TRADING BUY	The share price is projected to rise more than 10% over the next three (3) months due to an ongoing or impending corporate development. The stock price is also expected to be volatile over the next three months
TRADING SELL	The stock price is expected to fall more than 10% over the next three months due to an ongoing or impending corporate developments. The stock price is also expected to be volatile over the next three months
NOT RATED	No recommendation is assigned

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