

4 June 2024

Construction

Malaysia DC Construction To Strengthen Job Flows

- **Maintain OVERWEIGHT.** In the past few weeks, Malaysia has witnessed a slew of developments in terms of new data centres (DC) – particularly ones with capacities of >40MW – being planned for development in various areas. We view such news flows to be a testament to Malaysia's vibrant market for DCs, which – in turn – benefits the construction sector in terms of providing job replenishment opportunities. Contractors with certain niches, eg industrialised building systems (IBS) capabilities (namely Gamuda), are set to benefit from the DC growth prospects in the longer run.
- **DC construction in Malaysia.** The domestic DC market is forecasted to grow at a 6-year CAGR (2023-2029) of 13.9% from USD1.8bn in 2023 to USD4bn by 2029. In 2023, Malaysia's DC construction costs stood in the range of USD6.7-10m/MW, making it more affordable when compared to Singapore and Indonesia (specifically Jakarta). With as much as 1,400MW reportedly planned to be built up here over the next 5-10 years, the expected costs to construct (or job value from a contractors' perspective) may easily reach between MYR40bn and MYR60bn in total. On further scrutiny, electrical systems make up most of a DC's cost structure at 40-45%.
- **Navigating potential heightened competition in DC construction.** With more contractors venturing into the DC construction market – players should develop their own respective niche in the DC supply chain, eg Gamuda is positioning itself as an efficient DC builder via its industrialised building systems (IBS) expertise. It completed its first DC job for AIMS Data Centre (8MW) in just eight months vs the anticipated 13 months.
- **Potential DC hotspots aside from Cyberjaya and Johor.** Johor and Cyberjaya are considered as "established" according to Cushman & Wakefield's Asia-Pacific DC Maturity Index. Therefore, alternative sites – namely Sarawak (amidst Singapore's DC investments in return for the state's electricity sales) and Kedah (Delapan Special Business Economic Zone) – can serve as alternative DC hotspots in the event Johor and Cyberjaya are fully occupied.
- **ESG highlights.** We take comfort from the reliance on IBS to produce precast components for DC construction, as such systems limit wastage and emit lesser carbon emissions than conventional methods. Applications for cooling systems for DCs may prompt involvement of contractors with a niche in such systems, eg Sunway Construction and KJTS Group (KJTS MK, NR)
- **Top picks** for the DC construction play include Gamuda and Sunway Construction, which have secured a total of at least MYR2bn worth of DC contracts. A notable mention would be IJM Corp, which has been involved in providing industrial piles for DCs and has a DC contract under its tenderbook.
- **Key risks:** Unforeseen labour shortages and intense competition, which may lead to margins compression.

Company Name	Rating	Target (MYR)	% Upside (Downside)	P/E (x) Dec-24F	P/B (x) Dec-24F	ROAE (%) Dec-24F	Yield (%) Dec-24F
Econpile Holdings	Buy	0.69	49.3	na	1.8	(1.3)	-
Gabungan AQRS	Buy	0.50	47.5	6.2	0.3	4.8	2.5
Gamuda	Buy	7.08	16.6	17.0	1.4	8.5	2.0
IJM Corp	Buy	3.15	14.4	18.7	0.9	5.3	2.9
Kerjaya Prospek	Buy	2.15	16.9	14.3	2.0	14.1	5.4
KKB Engineering	Buy	2.11	15.7	17.8	1.2	7.1	2.8
Malaysian Resources Corp	Buy	0.80	21.5	72.2	0.6	0.9	1.5
MGB	Buy	1.16	32.4	9.4	0.9	9.6	2.1
Pintaras Jaya	Buy	2.09	19.3	30.1	0.7	2.4	1.7
Sunway Construction	Buy	3.81	20.9	23.1	4.6	20.5	2.6

Source: Company data, RHB

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Overweight (Maintained)

Stocks Covered 10
Rating (Buy/Neutral/Sell): 10 / 0 / 0
Last 12m Earnings Revision Trend: Negative

Top Picks

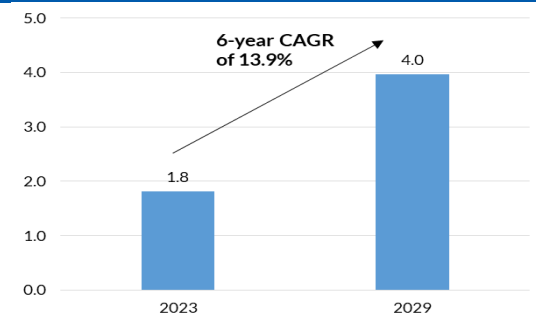
	Target Price
Gamuda (GAM MK) – BUY	MYR7.08
Sunway Construction (SCGB MK) – BUY	MYR3.81
IJM Corp (IJM MK) – BUY	MYR3.15

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Malaysia DC market size growth (USDbn)



Source: Research and Markets

Table of Contents	Page
Featured Stock Ideas	3
Malaysia's DC Market Overview	4
How Much Cost Does It Take To Build a DC?	6
Who's Who In The DC Construction Space	7
Upcoming Potential DC Hotspots In Malaysia	9
ESG Elements In DC Construction	11
Key Risks	11

Featured Stock Ideas

Gamuda – moving up the dc chain

Gamuda now has secured three DC jobs under its belt amounting to c.MYR2.2bn – the latest one is related to the hyperscale DC (c.80MW capacity) at Elmina Business Park. In general, the company positions itself as an efficient DC builder via its IBS expertise – completing its first DC jobs for AIMS Data Centre in Cyberjaya in only eight months vs 13 months. Margins and contract value very much depend on how urgent the client needs the DC to be up-and-running. With DC demand picking up in Malaysia, we see Gamuda as a key beneficiary from such developments.

Sunway Construction – standing strong with a sizeable portfolio of DC jobs

Sunway Construction has secured c. MYR2.8bn worth of DC-related contracts with more than half located in Johor. DC jobs make up around 39% of the group's MYR6.3bn orderbook. In the medium to long term – we view Sunway Construction to be in the sweet spot to leverage on DC developments once the Johor-Singapore Special Economic Zone takes off. We also take note that peer Gamuda's DC focus would be in the Selangor and Klang Valley areas and not Johor due to the location of the latter's IBS factories in Sepang and Banting. Henceforth, Sunway Construction's competition in Johor would be skewed towards foreign-based contractors, which may not exert full dominance as they have DC jobs in other countries.

IJM Corp – set to grow with DCs indirectly or directly

IJM has been indirectly involved in DC construction via the provision of industrial piles for such facilities with 25% of orders coming from industrial buildings, which also includes DCs. We do not discount the possibility of IJM securing a DC job in light of its IBS factory, which may be upscaled if needed to cater for DC construction. The group has also been securing a number of industrial jobs – eg warehouses and factories – and, therefore, an expansion into the DC space ties in well with its aim to enlarge its industrial buildings portfolio, which accounted for c.10% of its outstanding orderbook of MYR6bn as at end Mar 2024.

Malaysia's DC Market Overview

Poised for growth. According to [Arizton's](#) latest findings, the Malaysia DC market is forecasted to grow at a 6-year CAGR (2023-2029) of 13.9% from USD1.8bn in 2023 to USD4bn by 2029. Just last month, there were four announcements related to the development of sizeable DCs in Malaysia:

- Sime Darby Property (SDPR MK, BUY, TP: MYR1.54) will build and lease a hyperscale DC with a potential capacity of around 80MW on a 49-acre site at Elmina Business Park to Prime Computing Malaysia;
- Mah Sing (MSGB MK, BUY, TP: MYR2) will co-invest with Bridge DC Malaysia V with a capacity of up to 100MW on a 17.55-acre land in Southville City;
- UEM Sunrise (UEMS MK, BUY, TP: MYR1.60) is collaborating with LOGOS to develop a DC campus with a capacity of up to 360MW on a 74-acre land in Gerbang Nusajaya (details of partnership have yet to be announced);
- Jakel Group is partnering with PiDC Holdings via a 40% investment in Pi Data Centre, which has a development value of MYR1.2bn and is to be located on a prime 7.3acre site in Cyberjaya.

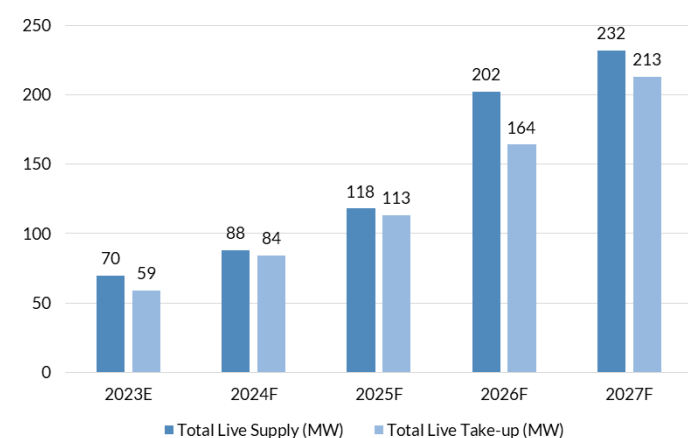
Malaysia is the fastest growing market in the Asia-Pacific region, with ongoing interest and growth in both Kuala Lumpur and Johor. With 1.2GW of development pipelines underway, the country, which currently has between 180MW and 200MW of operational capacity, will see a 600% growth in the next five years based on [Cushman & Wakefield's APAC Centre Update 2H23](#). Factors mainly contributing to such growth include land availability and affordability, electricity costs, and water supply (used for cooling systems of DCs).

Kuala Lumpur and Johor as DC hotspots. Whilst Johor has been a focus for hyperscalers as an alternative location to Singapore, Kuala Lumpur (Cyberjaya in particular) has been attracting co-location operators focused on servicing enterprise customers at retail level. Hence, the DCs in this market are much smaller in scale. Co-location DCs (standalone DC facilities operated by a third-party provider for multiple carriers) make up 78% of Cyberjaya's DC market.

The Cyberjaya DC market – based on Keppel DC REIT's (KDCREIT SP, NR) 2023 annual report – recorded utilisation rates of 85% in 2023 with demand expanding by 11MW in the same year, which translates into a historical 5-year CAGR (2018-2023 estimate) of 26.5%. Future demand is projected to reach an estimated 4-year CAGR (2023 estimate-2027) of 37.6% and reach 213MW. Supply-wise, supply was estimated to have expanded by 2MW to reach 70MW in 2023, clocking a 5-year CAGR (2018-2023) of 20.3%. Future supply is projected to reach an estimated 4-year CAGR (2023-2027) of 35% to reach 232 MW in 2027.

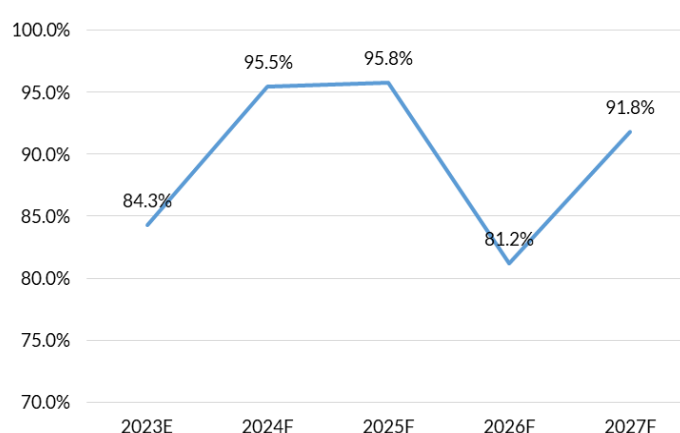
A slight dip in utilisation is expected in 2026 due to the influx of supply, but the market will recalibrate as the new supply is absorbed.

Figure 1: Cyberjaya DC supply and demand (MW)



Source: Keppel DC REIT 2023 Annual Report

Figure 2: Cyberjaya DC utilization rate (%)



Source: Keppel DC REIT 2023 Annual Report

4 June 2024

Construction & Engineering | Construction

As for Johor, the state has four tech parks (Figure 3) and is now the ninth-largest DC market in Asia-Pacific – as ranked by [Baxtel](#) – boasting 13 operational DCs spread across more than 1.65m sq ft, with four more facilities undergoing construction. State-owned Johor Corp is developing the 7,290-acre Ibrahim Technopolis (IBTEC) (estimated development period of 25 years) – an integrated industrial smart township project that includes the 700-acre Sedenak Technology Park (STeP) Phase 1. We gather that the take-up rate for STeP Phase 1 has hit 95% and while 676 acres has been earmarked for the STeP Phase 2.

STeP Phase 1 has c.270 acres that are being covered with operational and planned DC capacity (Figures 4 and 5). It has over six DCs with a total investment and capacity of c.MYR25bn and c.885MW. Therefore, there is still about c.300 acres that have yet to see the onset of DC construction (assuming that there are no other DCs planned at the moment) – translating into a remaining c.MYR20bn worth of DC investments that have yet to kick off in STeP Phase 1 itself. This has yet to take into consideration STeP Phase 2, which spans over 676 acres of land, potentially yielding more than MYR20bn of DC investments, in our view.

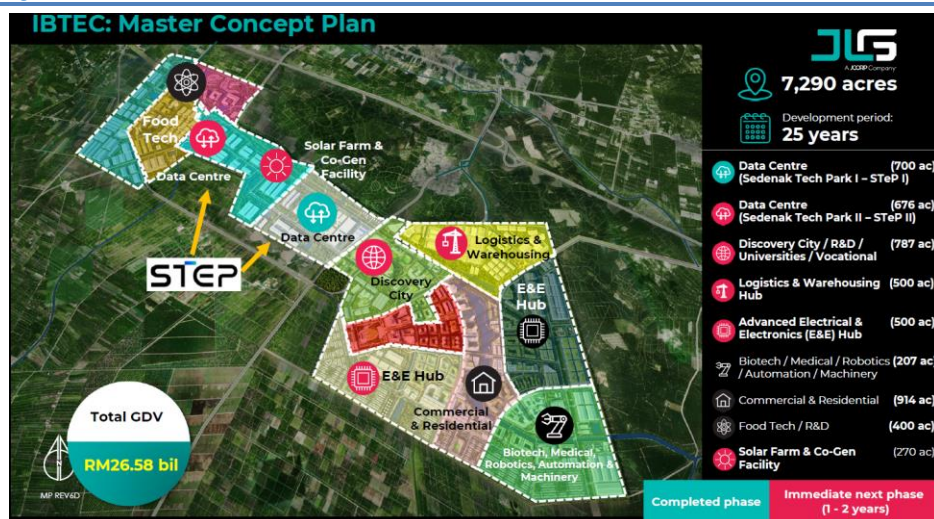
More importantly, Johor's appeal as a fledgling DC hub received a major shot in the arm after the Singapore Government issued a moratorium on new DC construction in 2019 over sustainability concerns. While the moratorium was lifted in early 2022, more stringent conditions were laid out for the construction of DCs, including a cap on capacity (refer to our 13 Apr 2023 thematic [Telecommunications: The Rise Of Data Centres In ASEAN](#) for more details).

Figure 3: DC clusters in Johor



Source: Channelnewsasia.com, Google Maps, Data Centre Maps (Infographic: Rafa Estrada)

Figure 4: IBTEC Master Plan



Source: Johor Corp

4 June 2024

Construction & Engineering | Construction

Figure 5: DC investors in STeP Phase 1



Source: Johor Corp

Additionally Elmina Business Park could be another DC-focused area, as the Ministry of Investment, Trade, and Industry said it had secured a commitment by Google to invest USD2bn (MYR9.4 bn) to house the first Google DC and Google Cloud region in Malaysia at SDPR's Elmina Business Park. The park has c.700 acres of remaining land – almost equivalent to the land size of STeP Phase 2. When operational, Malaysia will join the 11 countries where Google has built and currently operates DCs to serve users around the world

Figure 6: Site for Google's first DC and Google Cloud region in Malaysia at Elmina Business Park



Source: Googlecloudpresscorner.com

Figure 7: Artist impression of Google's first DC and Google Cloud region in Malaysia at Elmina Business Park



Source: Googlecloudpresscorner.com

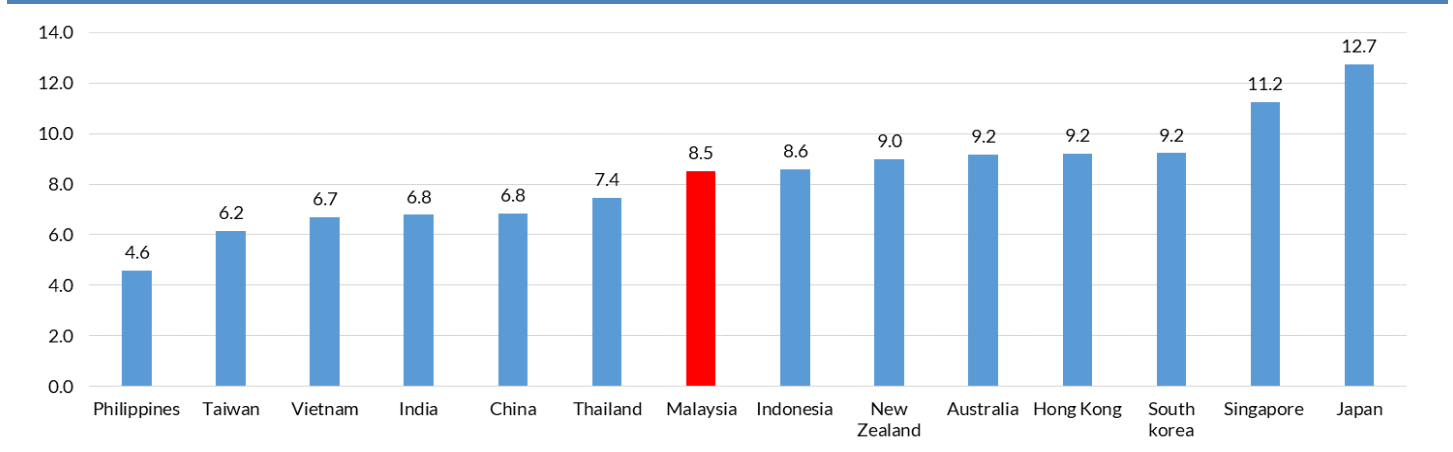
Tenaga Nasional (TNB MK, BUY, TP: MYR16.10) is also playing its role in attracting DCs. The Green Lane Pathway policy introduced by TNB expedites electricity supply to DCs by reducing the implementation period through a direct tie-up with the company itself. Prior to this, the electricity supply process was within the permitted period based on the Electricity Supply Application Handbook, which is between 36 and 48 months. The Green Lane Pathway has reduced the electricity supply process to 12 months and works alongside a 1-stop centre with dedicated services for DC investors.

Separately, the Johor State Government is building the country's largest substation in Sedenak, which could house 1GW of power to mainly power DCs.

How Much Cost Does It Take To Build a DC in Malaysia?

In 2023, Malaysia’s DC construction cost stood in range of between [USD6.7m and USD10m per MW](#), according to Arizton and Cushman and Wakefield’s Data Centre Construction Cost Guide, with the mid-range costing c.USD8.5m. This makes Malaysia more affordable when compared to Singapore and Indonesia (mainly Jakarta), but costlier than Thailand and the Philippines (Figure 8). With as much as [1,400MW reportedly planned to be built up in Malaysia over the next five to 10 years](#), the expected cost to construct (or job value from a contractor’s perspective) may easily reach between MYR40bn and MYR60bn in total.

Figure 8: Regional cost per MW (USDm) (mid-range)



Source: Cushman and Wakefield Data Centre Construction Cost Guide

Even looking at Sedenak Tech Park mentioned earlier, which has 676 acres earmarked for STeP Phase 2, we estimate the total cost or investment may easily reach at least MYR30bn – this is based on our projections of total investments worth c.MYR25bn (for c.885MW) spanning approximately 270acres out of the 700acres of STeP Phase 1.

As for Cyberjaya, an additional DC demand of 154MW (to 214MW in 2027 from 59MW in 2023) translates into an approximate job value of at least MYR4bn in this area. Therefore, we believe the DC market will keep contractors occupied in the long run.

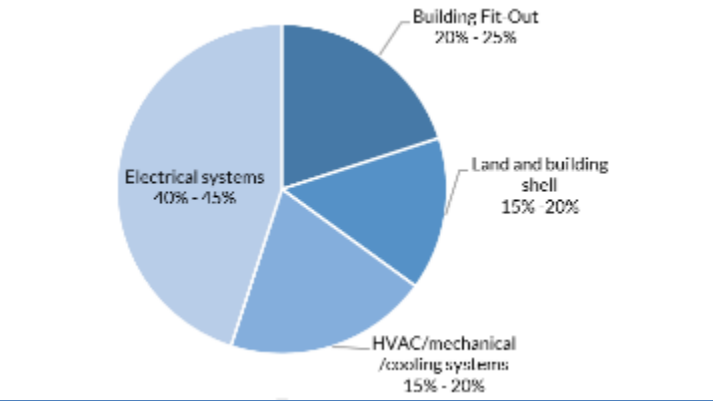
In DC construction, costs can be broken down into four main categories: i) Land and building shell; ii) electrical systems; iii) heating, ventilation, and air conditioning (HVAC)/mechanical/cooling systems; and iv) building fit-out. Electrical systems make up the most of a cost to build a DC at 40-45%.

Figure 9: Cost components of a DC

Cost Component	Remarks
Land and Building Shell	building shell, raised floor
Electrical Systems	electrical backup generator, batteries, power distribution unit (PDU), uninterruptible power supply (UPS), switchgear / transformers
Heating, Ventilation and Air Conditioning (HVAC), mechanical, cooling systems	computer room air conditioner (CRAC), computer room air handler (CRAH), air cooled chillers, chilled water storage and pipes
Building Fit-Out	lobby / entrance, meet-me room (MMR), shipping & receiving area

Source: Dgtl Infra

Figure 10: Construction cost breakdown of a DC



Source: Dgtl Infra

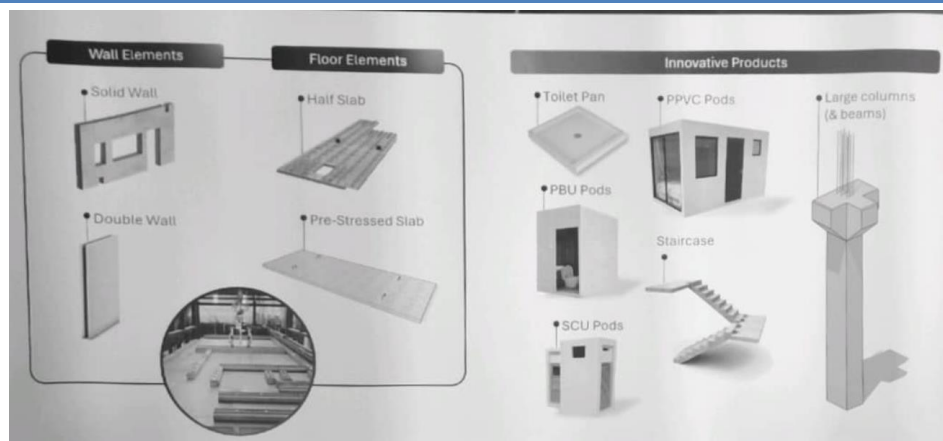
Who's Who In The DC Construction Space

The number of public listed contractors venturing into the DC construction space has been increasing as of late – indicating a possibility of margins compression amid intense competition as contractors compete to get a piece of the DC pie. Nevertheless, we believe the smaller-sized DCs tend to have low barriers to entry, with contractors clinching DC contracts of less than MYR200m and vice versa for DCs that have contract values of MYR700m and above.

A differentiating factor that sets one contractor from another is the capability to execute the project in a short period of time depending on the client's urgency to get the DC up-and-running. This is where the function of IBS comes into place.

For instance, Gamuda managed to complete AIMS Cyberjaya Block 2 DC (8 MW capacity for a project value of c.MYR200m) within eight months utilising its Next-Gen Digital IBS solution rather than the anticipated 13 months that had been proposed by other contractors. The group has also recommenced operations at its second IBS factory in Sepang to accommodate the latest DC job at Elmina Business Park. Capacity wise, both of Gamuda's IBS factories have combined c.10k residential units per year, which we view is roughly more than enough to cover its newly secured DC jobs.

Figure 11: IBS products produced by Gamuda's IBS factory



Source: Gamuda

As for Sunway Construction, which is involved in the JHB1X0 DC (MYR1.7bn job value) at Johor's STeP project, the contract was awarded in late Dec 2022, and the land and core shell were pretty much completed as of Feb 2024 (Figures 12 and 13). Although it uses subcontractors for its IBS-related works – such progress amplifies the importance of IBS in DC construction – without the core and shell, the other components of the DC, such as the electrical systems and HVAC, could not proceed.

Figure 12: JHB1X0 DC progress in STeP 1 in Aug 2023



Source: Sunway Construction

Figure 13: JHB1X0 DC progress in STeP 1 in Feb 2024



Source: Sunway Construction

4 June 2024

Construction & Engineering | Construction

IJM Corp may stand out as another contractor. At the moment it has been indirectly involved in providing industrial piles for some DC projects. In fact, 25% of its industrial concrete piles orders come from industrial building projects that include DCs. Moreover, we do not discount the possibility of IJM upscaling its existing IBS factory at Bestari Jaya to accommodate DC orders should they materialise in future.

Figure 14: IBS factory details of Gamuda and IJM

Contractor	Location	Capex (MYRm)	Annual Capacity
Gamuda	Sepang and Banting	MYR500m	3m sqm (equivalent to 10k residential units)
IJM	Bestari Jaya	MYR165m	500k sqm (equivalent to 3k residential units)

Source: Various media

Another name to look out for includes Kerjaya Prospek via its partnership with Samsung C&T, which has around two DC jobs in its tenderbook of MYR1.5-2bn. Moreover, Samsung C&T has experience in constructing a DC – completed four DC jobs as of end 2023, including the Hanam DC ordered by IGIS Asset Management, as well as DCs for Samsung Electronics and Samsung SDS. Kimlun Corp (KICB MK, NR) and Econpile Holdings (ECON MK, BUY, TP: MYR0.69) are other contractors to bear in mind with regards to DC construction, as both have DC jobs in their tenderbooks.

We also acknowledge the competition arising from foreign-based contractors that are involved in DC construction in Malaysia. These foreign-based contractors include Nakano Construction, CIMC Modular Building Systems, Leighton Asia and China State Construction Engineering Corporation. Nevertheless, it sets a platform for healthy competition – encouraging contractors to consistently improvise methods to construct DCs which rely on IBS or modular buildings systems. Therefore, we view that local public listed contractors

Figure 15: Public listed contractors involved in DCs

Contractor	Remarks	Contract value (MYRm)
Sunway Construction	Awarded by Yellowwood Properties to be the general contractor for Project JHB1X0 in STeP (Dec 2022)	1,700
Sunway Construction	Awarded by K2 Strategic Infrastructure Malaysia (Oct 2023)	193
HSS Engineers (HSS MK, NR)	Awarded by Yellowwood Properties to provide project management services for a DC campus and its electrical substation at STeP, Johor (Jan 2023)	8.8
HSS	Awarded by China State Construction Engineering (M) for the provision of professional engineering design and consultation services in respect of the proposed DC at Cyberjaya for Infinaxis Data Centre (Jun 2023)	8.9
MN Holdings (MNH MK, NR)	Awarded by Rentak Segar for the installation, testing and commissioning of 33KV aluminium cross-linked polyethylene and 132 KV copper XLPE single core underground cables and accessories from transmission main intake in Gelang Patah to AirTrunk Data Centre, Johor (Jul 2023)	11.2
Gadang (GADG MK, NR)	Secured a contract for the design and development of the Klang Valley Data Centre Block 2 in Cyberjaya, Selangor (April 2024)	280
Binastra Corp (BNAstra MK, NR)	Awarded a construction and infrastructure works project by Exsim Jalil Link S/B for the proposed development of a DC (Aug 2023)	161
Pasukhas Group (PSK MK, NR)	Bagged a project to construct a DC in Selangor for a leading US-based multinational technology corporation.	57
Gamuda	Mechanical, electrical and plumbing fit-out package associated with a hyperscale DC in Elmina Business Park 1A for Pearl Computing Malaysia (May 2024)	929
Gamuda	Construction, completion, testing and commissioning of a hyperscale DC in Elmina Business Park by SDPR (May 2024)	815
Gamuda	Construction of AIMS Data Centre in Cyberjaya (Blocks 2 and 3)	500

Source: Various media

Figure 16: Foreign based contractors involved in DCs in Malaysia

Contractor	Track record
Nakano Construction	NTT Data Centre, AIMS Data Centre, Telekom Malaysia Data Centre
Leighton Asia	Involved in DC construction in Cyberjaya and Johor (could likely be for Vantage Data Centres and AirTrunk)
CIMC Modular Building	Involved in K2 Data Centre project in STeP
China State Construction Engineering	Awarded job for Chindata Group DC, Infinaxis Data Centre in Cyberjaya, and the first phase of the Data Centre Dynamics (GDS) Nusajaya Tech Park (NTP)

Source: Various media

Upcoming Potential DC Hotspots In Malaysia

Singapore to channel DC investments in Sarawak. In relation to the export of electricity to Singapore from Sarawak, Singapore plans to invest in DC projects within the state. Such plans are of no surprise, as Sarawak has abundant supply of hydro energy. Under this deal, the completion of a 720km proposed undersea cable connecting Kuching and Changi by 2032 will enable Sarawak to export renewable energy of up to 1GW.

Such a deal is timely amidst Sarawak’s aspirations to have five Tier IV DCs by 2030. Tier IV DCs mean that data will always be safe and accessible and will never be offline, making it a highly reliable source for internet content, More importantly, the growth in DCs may enable higher internet connectivity and penetration rates in the state, with 94% of households in Sarawak having a subscription to the internet at home in 2022 vs 90% in 2019.

Currently, Kuching has one DC (capacity of 1.2MW) in Santubong developed by Kuching-based telecommunications company irix, which was launched in Sep 2022 and utilising Sarawak’s high level of hydroelectric power. irix’s DC in Santubong is the first Tier IV DC in Malaysia certified by Uptime Institute and is carrier neutral. Irix’s DC also offers direct international connectivity to Indonesia, Singapore, China, the Philippines, and beyond via the Batam-Sarawak Internet Cable System or BaSiCS and the future South-East Asia Hainan-Hong Kong Express Cable System or SEA-H2X.

Another upcoming DC in Sarawak is a carbon-neutral 200MW green DC at Kota Samarahan that will be co-developed via a Singapore-Sarawak consortium called FutureData. This DC is slated to be developed on a built-to-suit model and will be integrated into the FutureGreen District, a new township that emphasises mixed developments powered by sustainable infrastructure. Under the township, 135 acres have been earmarked for a 200MW green DC with construction expected to commence in 2024.

Figure 17: irix’s DC in Santubong

Figure 18: FutureGreen district master plan



Source: irix



Source: TSG Group S/B

Kedah could also be a good alternative to Johor and Cyberjaya, whereby a study for a [MYR15bn hyperscale data centre in the state](#) was completed by AREA Real Estate Advisory (AREA) in Oct 2023 known as AREA DC Campus (ADCC). The ADCC is located in the Delapan East Zone 1 within the 4,400acre Delapan Special Border Economic Zone (Delapan SBEZ) in Kedah. Delapan SBEZ features a free commercial and industrial zone and is located near the Malaysia-Thailand border.

AREA had signed a heads of agreement in January with Northern Gateway, the master developer of the Delapan SBEZ, paving the way for the company to acquire and develop the freehold industrial site involving 156 acres in the Delapan SBEZ exclusively for DCs. The ADCC is considered ideal for the building of a hyperscale DC hub in view of its safe distance

4 June 2024

Construction & Engineering | Construction

away from the nearest airport and railway stations but still very well connected to air, road, and rail transportation hubs via existing multiple road networks.

The site is currently powered by a power substation located 3km away, while TNB is constructing a 132KV Transmission Main Intake (PMU) for the entire Delapan SBEZ site, with a 275KV PMU planned to follow. The Delapan SBEZ also has access to both the Satun-Songkhla cable landing stations (CLS) in southern Thailand and the northern CLS in Penang. The ADCC's fibre and network connectivity have a competitive advantage as a regional interconnect point from the west (India, the Middle East, and Europe), the east (Hong Kong, Japan, and Taiwan), and north (South-East Asia and China) to south (Singapore, Indonesia, and Australia).

Figure 19: Open DC to be developed Northern Gateway in Delapan SBEZ I



Source: Kun Lim Architects

Figure 20: Open DC to be developed Northern Gateway in Delapan SBEZ II



Source: Kun Lim Architects

ESG Elements In DC Construction

The usage of IBS precast elements in DC construction (for the core and shell of the building) limits wastage of building materials consumed when constructing the DC and also lowers carbon emissions. Results from a case study mentioned under the [Journal of Advanced Research in Fluid Mechanics and Thermal Sciences](#) show that, generally, total emissions from IBS projects were lower than those of conventional system projects – but one may argue that this is due to a lower gross floor area. Looking into further details, IBS projects have a lower carbon emission intensity of 25.36 CO₂e per sq m when compared to conventional system projects, which have 39.58 CO₂e per sq m.

Additionally, states such as Johor have also drafted guidelines for DC companies to employ technologies to save recycled water or implement liquid cooling systems to reduce water usage. This indirectly promotes contractors with cooling system exposure such as Sunway Construction to step their game up in such fields.

Sunway Construction commenced the construction of the MYR40m District Cooling System (DCS) at the mixed development project at South Quay Square, Sunway City, in collaboration with ENGIE Southeast Asia in Jul 2022. The project is on track for completion in FY24 and marks its maiden foray in jointly operating a DCS system. The project will provide an energy efficient cooling solution and is aligned with Sunway Construction's parent's continued focus on reducing its carbon footprint and developing more sustainable townships.

Key Risks In DC Construction

Key risks associated with DC construction are:

- i. The possibility of a shortage of skilled labour, which could result in project delays for those with tight schedules;
- ii. Intense competition as a result of new entrants into the DC construction space that may crimp margins. However, contractors with the ability to provide shorter turnaround times from clients using IBS-related technologies may be able to command high margins;
- iii. Inability for client to secure end users in a timely manner, which may also drag the project schedule as the contractor;
- iv. Sudden change in regulations and policies that could deter DC investment. For example in the US, localities such as [Prince William County in northern Virginia increased its tax rated on equipment inside DCs by 72%](#), a response in part to complaints about too many of the football field-sized facilities being built there.

RHB Guide to Investment Ratings

Buy:	Share price may exceed 10% over the next 12 months
Trading Buy:	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
Neutral:	Share price may fall within the range of +/- 10% over the next 12 months
Take Profit:	Target price has been attained. Look to accumulate at lower levels
Sell:	Share price may fall by more than 10% over the next 12 months
Not Rated:	Stock is not within regular research coverage

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