



IJM CORPORATION BERHAD

(104131-A)

ANNUAL REPORT 2003

20 Years of Accomplishment



CONTENTS

• Corporate Vision, Mission & Culture Statement	2
• Corporate Profile	3
• 20 years of Accomplishment	4
• Our Business Policy and Commitments	6
• Group Organisation Chart	7
• Group Structure	8
• Group Financial Highlights	10
• Group Quarterly Performance	11
• Information for Investors	12
• Board of Directors and Secretary	14
• Profile of Directors, Secretary and Senior Management Team	15
• Statement of Value Added & Distribution	21
• Analysis of Shareholdings	22
• Analysis of Warranholdings	23
• Corporate Diary	24
• Chairman's Statement	26
• CEO's Review of Operations	30
• Corporate Governance Statement	42
• Audit Committee Report	52
• Internal Control Statement	56
• Statement on Quality	58
• Statement on Safety and Health	60
• Statement on Environment	62
• Research & Development, and Innovation	64
• Our People	66
• Employees & Productivity	68
• Community Service	69
• Financial Statements	70
• List of Properties	153
• Notice of Annual General Meeting	162
• Form of Proxy	163
• Corporate Information	165

This Annual Report is also printed in Bahasa Malaysia and is available upon request from the Company Secretary (refer page 13).



Commemorating IJM's 20 years
of consistent performance
has been made more meaningful this year
with the following awards:

**The Malaysian Construction Industry
Excellence Award 2003
(Major Building)**

**The National Annual Corporate
Report Award 2003**

**The Export Excellence
Award 2003.**

These awards clearly demonstrate
the commitment and passion of
IJM and its people to its corporate mission.





Our Corporate... Vision

To be an internationally competitive Malaysian builder of world class infrastructure and buildings.

Mission

To uphold the highest standards of performance in all our ventures with the Mark of Excellence.

Culture

We strive to:

- uphold the highest standards of professionalism and exemplary corporate governance to maximise the benefits for all stakeholders;
- respect the different cultures, gender, religion, human rights and dignity of our stakeholders;
- ensure the quality of our products and services exceeds our customers' expectations;
- create a conducive environment for team spirit among our employees to work towards a unified workforce;
- be a responsible and respected corporate citizen with concerns for social, safety, health and environmental issues.



CORPORATE PROFILE

IJM can trace its beginnings to three well-run construction companies – IGB Construction Sdn Bhd, Jurutama Sdn Bhd and Mudajaya Sdn Bhd. These three enterprising construction companies merged in 1984 in a bid to compete more effectively against bigger foreign rivals who were making their presence strongly felt in the Malaysian market in the late 1970's and early 1980's.

Jurutama and Mudajaya, founded by the country's first generation of engineers to become contractors, brought with them professionalism and management systems into the newly formed RM31 million construction group. Well capitalised and possessing an impressive track record, IJM then gained immediate market acceptance and considerable financial capacity to compete effectively.

Today, IJM is recognised as one of the few independent professionally-run companies in Malaysia with an excellent track record for performance in both local and international markets. This fact is duly acknowledged by the many awards conferred on the Company. The Construction Industry Development Board conferred on the Company the Malaysian International Contractor of the Year Award in 2000, the Malaysian Builder of the Year Award in 2001 and the Project Award (Major Building Category) in 2003. To add feather to its cap, the Company was awarded the inaugural Malaysian Business Corporate Governance Award in 2002, and the KLSE Corporate Merit Award (Construction Sector) in 2002 and 2003. The Group's increasing success in exporting its construction services abroad has not gone unnoticed. The Malaysian International Trade and Industry Ministry recently honoured the Company with its Excellence Award 2003 for the Export of Services.

IJM was able to grow by leaps and bounds over the past two decades by building on its core competencies, diversification being predominantly confined to related businesses and expanding into new markets.

The Company took its first step into property development out of necessity during the recession in the mid-1980's. There were fewer construction opportunities then but the Government provided land for companies to build mass low and medium cost

houses under privatisation programmes. Leveraging on its construction skills, several such projects were successfully undertaken by the group, setting the foundation for the properties division. Today, property development is a major part of the group's activities and increasingly an international one.

Similarly, IJM took the opportunity to transform its internal building material operations, such as quarrying and ready-mixed concrete into core activities as demand grew significantly outside the Group, setting the foundation for the Group's present Industries Division.

In its first truly diversification move, the Group ventured into plantations in 1985 in a bid to reduce the impact to the Group of the cyclical nature of earnings from the Construction Division. The investment in plantations has paid off handsomely. The Plantations Division has contributed significantly to Group earnings over the years and also helped cushion the Group's earnings during the difficult times, such as the 1997/98 Asian financial crisis. This Division is now listed on the Malaysia Securities Exchange Berhad (MSEB) Mainboard.

IJM has been very successful in the overseas infrastructure privatisation (Build-Operate-Transfer) schemes, investing in major infrastructure projects such as Guangdong Provincial Expressway in China, Western Access Tollway project in Argentina, Swarna and Rewa tolled highway projects in India, BAWC water treatment plant in Vietnam and others. The Infrastructure Division has over the years contributed substantially to the Group's earnings and will remain a major part of the Group's forward strategy.

IJM went public in 1986 with a market capitalisation of RM66 million, total assets of RM172 million and a local business. Today, the Company has the distinction of being one of a few companies listed on the MSEB that has shown steady growth, uninterrupted profitability and a very international business. By 31 December 2003, the Group's market capitalisation and total assets stood at RM1.78 billion and RM2.56 billion respectively. Over time it has evolved a very institutional ownership profile, and an independent management team with an excellent reputation for professionalism, performance and good governance.





20 Years of Accomplishment

“In the last 20 years,
we have witnessed IJM’s growth
from strength to strength
with new milestones and awards
achieved year after year.

This is testimony to the unwavering
commitment to excellence
of the IJM people.”

Tan Sri Dato’ Ir. (Dr) Wan Abdul Rahman bin Wan Yaacob
Chairman



**EXPORT EXCELLENCE
AWARD 2003 (SERVICES)**
Ministry of International Trade
and Industry

**NATIONAL ANNUAL CORPORATE
REPORT AWARD 2003**

Industry Excellence Awards,
Main Board Companies:
Construction & Infrastructure
Project Companies



**THE MALAYSIAN
CONSTRUCTION INDUSTRY
EXCELLENCE AWARD 2003**
Project Award-Major Building Category:
The Putrajaya Convention Centre



**MALAYSIAN BUSINESS
CORPORATE GOVERNANCE
AWARD 2002**
Joint Winner

**THE MALAYSIAN
CONSTRUCTION
INDUSTRY
AWARD 2001**
Builder Of The Year



**THE MALAYSIAN
CONSTRUCTION
INDUSTRY AWARD 2000**
Malaysian International Contractor
Of The Year



**MS ISO 9001: 2000
QUALITY MANAGEMENT
SYSTEMS**
Certified since 1996



**THE OHSAS 18001
CERTIFICATION**
The first Malaysian
construction company
to be certified



1984



IJM was formed on 16 July 1983 under the name Solidstate Sdn Bhd. In 1984, Solidstate issued shares to acquire IGB Construction Sdn Bhd, Jurutama Sdn Bhd and Mudajaya Construction Sdn Bhd. Changed name to IJM Engineering



& Construction Sdn Bhd with paid-up capital of RM30.90 million. Appointment of Tan Sri Dato' (Dr) Haji Ahmad Azizuddin as Chairman and Koh Boon Chor and Lim Choong Kong as MD and Deputy MD. Expanded into quarrying by buying Damansara Rock Products Sdn Bhd (DRP). Bought Chen Yu Land Sdn Bhd to venture into property development in Perak. First investment into Singapore construction market through Hexacon Construction Pte Ltd. Secured the first major property privatisation project in Ulu Kelang, Kuala Lumpur. Paid a maiden dividend of 10% gross.

1985

Secured first project management contract in Sydney, Australia. Formed JMD Development Inc, USA to build residential units in Orlando, Florida. Completed 32 schools in Kedah using prefab system for Ministry



of Education. Ventured into plantation through investment in Desa Talisai Sdn Bhd (DTSB) for cultivation of oil palm in Sandakan, Sabah. Bought Sharidal Complex (now Wisma IJM), Petaling Jaya for use as Head Office.



1986

Listed on the Main Board of KLSE (now MSEP) on September 29 with an issued share capital of RM50 million. Completed several major civil and building projects like Kelab Darul Ehsan, Pan Pacific Pangkor



Resort, KL-Seremban Toll Expressway and interchanges and the Singapore Vocational & Industrial Training Institute. Twelve management staff were awarded MBA degrees by Golden Gate University, San Francisco.

1987

Established IJM International Limited in Hong Kong as vehicle for overseas investments. Assigned the task of completing the Santubong Bridge, Kuching. Completed the 548 bed turnkey hospital in Teluk Intan. In response to lack of



employment opportunities for new graduates following the recession and the call by the Government, IJM launched the Graduates Training Programme with recruitment of 21 graduates.



1988



Appointment of Dato' Goh Chye Keat as new MD and Chay Kwok Thong as Deputy. Secured first road construction project in Bangladesh. Completed Hong Villa Apartments, Hong Kong. Awarded the project for redevelopment of Gleneagles Hospital, Singapore and the first package for the construction of the North South Expressway project. Bought a significant stake in Spirolite (M) Sdn Bhd for RM2 cash. Pre-tax profit dipped to a lowest level ever of RM3.5 million, the effect of a severe downturn in the construction industry for three consecutive years amidst the recession in the country.



1989



Company renamed IJM Corporation Berhad with new logo to reflect the Group's diverse activities. Bought Torsco Sdn Bhd by an exchange of shares. Awarded the construction of several PGU II metering stations and the Sarawak Shell Head Office Complex, Lutong. Completed the 1,100 units privatised housing scheme at Batu Lanchang, Penang.



1990

Completed a 1:3 rights issue, thereby raising the share capital to RM70.476 million. New contracts secured reached a new high of RM503 million. Awarded turnkey construction of National Heart Institute and construction of a resort hotel in Mauritius. Completed North Klang Valley Expressway (Subang to Bukit Raja) and St George Building Society Headquarters building, Sydney. Won 5 prizes out of 29 in the First National Skills Competition by the Ministry of Works.



1991



Further expansion into quarrying by purchase of Malaysian Rock Products Sdn Bhd. Divested 30% equity in Mudajaya Construction Sdn Bhd. Order book reached a new high of RM1.374 billion as new projects secured reached another high of RM540 million. Received two Safety Awards from Sarawak Shell Berhad for completing 1 million man-hours and 2 years without time lost through injury.



1992

Share capital raised to RM86.476 million through special issue to Bumiputeras and issued RM63.064 million nominal amount of loan stocks to finance acquisitions. Turnover reached a historic high of RM809 million and pre-tax profits increased 63% to a high of RM51 million. Ground-breaking ceremony for Kolej Antarabangsa by the Prime Minister. Bought Sijas Plantations Sdn Bhd and invested in Desa Talisai Palm Oil Mill Sdn Bhd (DTPOM). Acquired interest in Suria Bistari Development Sdn Bhd which was awarded a mixed development privatisation project in Johor. Implemented the first Employee Share Option Scheme (ESOS).



1993

Share price hit a high of RM11.80 and market capitalisation exceeded RM1 billion. Dividends reached 15 sen per share as pre-tax profits increased further to RM65 million. Ventured into Vietnam to develop a new water treatment plant in Ho Chi Minh City.



Completed construction of Kolej Antarabangsa, ready for first student intake. Successfully completed 3 major highway packages of the North South Expressway valued at over RM405 million. Appointed two deputy MDs, Dato' Krishnan Tan and Tan Sin Leong, following retirement of Chay Kwok Thong. Participated in the search for survivors in the Highland Towers tragedy.



1994

The Group undertook selective expansion in its core business sectors and made the following strategic acquisitions: (1) 50% equity interest in OSW Properties Pty Limited, Australia which had the development rights for a hotel and apartment project in downtown Sydney; (2) 37.5% equity interest in Wuxi Nenda Co-Generation Company Limited in China which would build, operate and maintain a co-generation plant in Wuxi, Jiangsu Province, P.R. China; (3) all the issued shares of Strong Mixed Concrete Sdn Bhd (SMC) – a ready-mixed concrete manufacturer; (4) 21.8% equity interest in Sin Kean Boon



Group Berhad – a MSEB-listed company which produces metal fabricated products; (5) 60% equity interest in Xylocorp (M) Sdn Bhd which owned a 187 acres development land in Penang; and (6) additional 10% stake in DTSB, making it a 60% subsidiary. A 70% subsidiary, Nilai Cipta Sdn Bhd, was awarded a 16-year concession to undertake the first privatisation of a government building complex in Malaysia. Major projects secured include the Renaissance and New World Hotel. In Penang, the Kolej Antarabangsa commenced its maiden intake of students for the matriculation as well as undergraduate programs.



1995

Rewarded shareholders with a one for one bonus issue. Coupled with the conversion of ICULS and issuance of new shares pursuant to ESOS, the paid up capital exceeded RM300 million for the first time. Total assets of the IJM Group breached the RM1 billion mark for the first time. IJM Plantations Berhad bought a piece of agricultural land near Sandakan, increasing its land bank to more than 24,000 acres. IJM adopted "Excellence Through Quality" as its corporate motto. DTPOM was conferred the PORLA Merit Award for Optimum Oil Extraction Rate.



1996

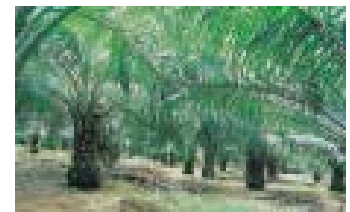
The Group coasted to record-breaking performances with both its revenue and pre-tax profits breaking the RM1 billion and RM100 million marks respectively. Through its wholly-owned subsidiary IJM Overseas Ventures Sdn Bhd, it acquired a 20% equity stake in Guangdong Provincial Expressway Development Co. Ltd (GPED) in China, which was subsequently listed on the Shenzhen Stock Exchange. Its presence in China was further expanded with a 25.5% equity interest in Yangzhong Changjiang Great Bridge, a toll concessionaire in Jiangsu. In Argentina, the Group acquired a 24.83% equity investment in Grupo Concesionario del Oeste S.A. (GCO), which has been granted a 22.67 years build-operate-transfer concession over the Western Access Tollway in Buenos Aires. The Group also secured several new projects including the Mid Valley Megamall, KLIA Runway 2 and the MAS Advanced Cargo Centre. Its flagship property development project in Petaling Jaya, Riana Green Phase II was launched following a successful Phase I take-up. A 20% associate, Industrial Concrete Products Berhad (ICP), was listed on the Main Board of the MSEB. IJM Corporation Berhad was awarded the internationally-accepted ISO 9002 certification. Present Chairman Tan Sri Dato' Ir. (Dr) Wan Abdul Rahman joined the Board of Directors.



1997



Dato' Krishnan Tan succeeded Dato' Goh Chye Keat as GMD. Goh Chye Koon and Choo Choon Yeow were appointed as Deputy GMDs. The Group posted its highest level of revenue yet with a turnover of RM1.47 billion. However, pre-tax profits declined 29%, in tandem with the regional financial crisis. It secured the RM282 million turnkey Putrajaya Hospital and Health Clinic projects, amongst others. It also acquired a 50% equity in Prebore Piling & Engineering Sdn Bhd (PPE) – a company that specialises in bored piling, micropiling and pre-auger cast-in-situ piling – to supplement the existing activities of its piling unit.



Jelutong Development Sdn Bhd awarded the contract to build the 4.76 km Jelutong Expressway and in return was granted the rights to reclaim and develop 324.9 acres of land. The Plantations Division momentarily became the main profit generator as CPO prices soared to new heights. The Group set its foot in India by acquiring an equity interest in Gautami Power Private Limited, which held a concession to operate a naphtha-based power plant of 330 MW capacity in the state of Andhra Pradesh. In the Education Division, the pioneer batch of 15 students received their bachelor's degree from the University of Sydney.

1998



Despite difficult trading conditions due to the Asian financial crisis, the Group managed to complete several construction projects on time – notably the National Theatre and Talam Medical Centre in KL, and the MAS Advanced Cargo in KLIA. Its Property Division also continued to deliver on its promises when it handed over 635 residential units to purchasers of Sri Pangkor Condominiums, Lakeside Towers and Jambul Apartments. The Group's success stories in its international ventures continued to make waves: its 24.5% equity interest concessionaire of the Western Toll Access Tollway in Argentina, GCO, commenced full tolling; it successfully completed the 455-room Avilion Hotel in Sydney, Australia and the 155-unit service apartment building of Micasa Hotel in Yangon, Myanmar; and it secured two projects in India - the 13-km Mumbai-Pune concrete pavement Expressway in the state of Maharashtra and the RM40 million Chennai By-pass.



1999



For the first time in IJM's history, the shareholders' funds and total assets topped the RM1 billion and RM2 billion marks respectively. Major projects completed during the year include the Mid Valley Megamall and the PJ-Bangsar Linkages in KL, the Binh An Water Treatment plant in Vietnam



and the 278-unit Horden Towers apartments in Australia. IJM Construction Sdn Bhd became the latest to join the IJM stable of ISO-certified companies. A second palm oil mill commenced its operations and the construction of a third was commissioned to further increase the fresh fruit bunches processing capacity of the Plantations Division.



2000

IJM became the first construction company in Malaysia to be awarded the internationally recognised OHSAS 18001 certification for Occupational Health and Safety Standards. IJM's impressive track record in overseas market was recognised when Construction Industry Development Board (CIDB) conferred upon it the first Malaysian International Contractor of the Year award. Offshore earnings contributed 46% of the Group's pre-tax profits. PPE attained the ISO 9002 certification. IJM Quality and Safety Assessment System (IQSAS) was officially launched by the Minister of Housing and Local Government Datuk Seri Ong Ka Ting – further proof of IJM's steadfast commitment to quality. The Group



divested a significant interest in its education division to INTI Universal Group, allowing it to refocus on its core operations. The Group took further steps to convert short-term borrowings into long-term debts at fixed rate with the issuance of RM150 million nominal value of 5% Redeemable Unsecured Bonds with 80.18 million of warrants. The detached warrants were offered to shareholders on a 1:5 basis.

2001

The Group chalked up its highest ever pre-tax profit of RM210.41 million, aided by a partial disposal of its investment in GPED which gave rise to exceptional gain of RM122.26 million. Unfortunately, the devaluation of the Argentinian peso necessitated a RM47 million write down of its investment in GCO. IJM's share price rose by a whopping 60.15% during the year – the second best performer on the



MSEB. The Construction Division secured RM1.77 billion worth of contracts – its highest ever in a single year – including the prestigious Putrajaya Convention Centre (PCC) and the RM470 million Putrajaya Primary Distributor Road. The PCC, at RM603 million, is the largest single contract ever secured by the Group. Hot on the heels of the CIDB's International Contractor of the Year 2000, more recognition came IJM's way with the Malaysian Builder of the Year award.

2002

IJM won the inaugural Malaysian Business Corporate Governance Award (joint winner) and the KLSE Corporate Merit Award (Construction Sector). Operating revenue and profit before tax of the Construction Division topped the RM1 billion and RM100 million marks respectively for the first time. IJM again made its presence felt in India – becoming the first Malaysian group to venture into the housing market there by signing a Memorandum of Understanding with the Andhra Pradesh Housing Board to jointly develop an Integrated Township project in Hyderabad, while another subsidiary, IJM (India) Infrastructure Ltd was awarded the ISO 9000 certification. IJM Building Systems Sdn Bhd was accredited by the Malaysian Book of Records for the production of the first lightweight oil palm fibre reinforced cement composite panels.



2003

Tan Sri Dato' Ir. (Dr) Wan Abdul Rahman took over as Chairman following the resignation of Tan Sri Dato' (Dr) Haji Ahmad Azizuddin. Further accolades came IJM's way with the CIDB Project Award (Major Building Category), the Ministry of International Trade and Industry (MITI) Excellence Award (Export Services), the KLSE Corporate Merit Award (Construction Sector) and the National Annual Corporate Report Award (Construction and Infrastructure sector). IJM's non-executive Director and former MD, Dato' Goh Chye Keat was awarded The Prominent Player Award by CIDB. IJM Plantations Berhad was listed on the MSEB Mainboard. A capital distribution of IJMP shares valued at RM137.49 million was made on a 2:5 basis to IJM shareholders. The state-of-the-art Putrajaya Convention Centre was successfully completed and handed over to the client well in time to host the Organisation of Islamic Countries (OIC) Conference. The 3.16 km Stage 1 of the Jelutong Expressway



was completed and handed over to the Penang State Government. In India, IJM completed its section of the Tada-Nellore Toll Expressway three months ahead of schedule. Rock reserve for the Group's quarry operations is further increased by the acquisition of a 100% equity in Warga Sepakat Sdn Bhd.

