

CEO'S review of operations

Overview

Over the years, the IJM Group has grown by leaps and bounds from a market capitalisation of RM66 million in 1986 to a market capitalisation in excess of RM10 billion as at 31 March 2015, demonstrating strong financial performance, sound operational execution and our commitment to enhancing shareholder value.

Being newly appointed as the fifth CEO in IJM's history, I am honoured to be entrusted with the task of steering the Group into its next phase of growth. Since my appointment on 6 April 2015, the Group has undergone some changes in terms of operational consolidation with an emphasis on execution with precision. I am delighted to be given this opportunity to lead the talented and dedicated people of IJM in this endeavour.

Financial Performance

I am pleased to present the review of IJM's progress for the financial year ended 31 March 2015 ("FY2015"). The Group reported a consolidated revenue of RM5,448.28 million in FY2015 with the Property, Construction and Infrastructure Divisions being the major revenue contributors for the year. However, the consolidated revenue for this year has declined by 9% from RM6,006.48 million in FY2014 mainly owing to the completion of certain construction projects in the previous financial year.

The Group has performed well during the financial year that saw a moderation in economic growth against a backdrop of volatile global capital markets and adverse fluctuations in CPO prices and foreign exchange rates.

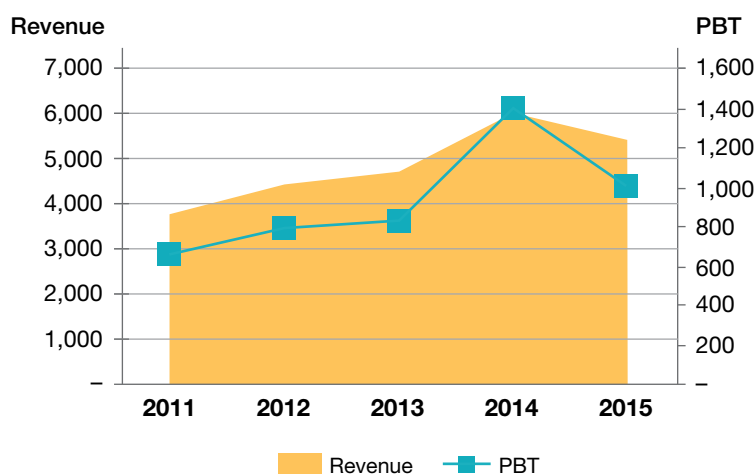


Dato' Soam Heng Choon
CEO & Managing Director

Correspondingly, the Group recorded a profit before tax ("PBT") of RM1,019.36 million, a decrease of 28% from RM1,416.31 million a year ago which had included various one-off items amounting to RM330.5 million arising from the Group's asset monetisation activities and fair value gains and losses. If not for the one-off items and ignoring unrealized foreign exchange movements, the Group's core PBT decreased marginally by 5.5% to RM1,026.96 million, thus marking a second consecutive year of core PBT above RM1 billion.

Details of the performances of the Group's divisions are further elaborated in the following pages.

Group Performance (RM'million)



ceo's review of operations (cont'd)



CONSTRUCTION: *The Address, Penang*



PROPERTY: *Marina Clubhouse at Seban Cove Resort, Johor*



PLANTATION: *Aerial View of Excellent Challenger-2 Estate*



INDUSTRY: *ICP Piles at Jawi Factory*



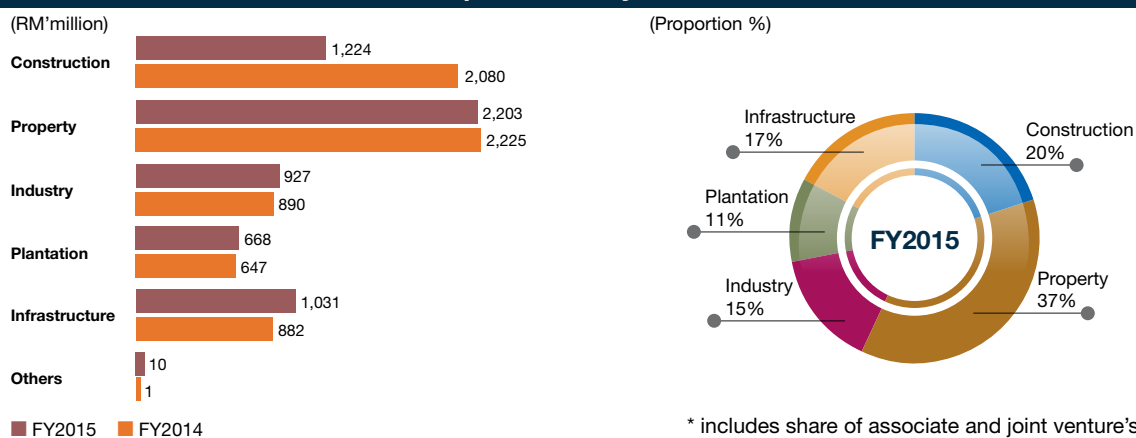
INFRASTRUCTURE: *Kuantan Port, Pahang*

Awards

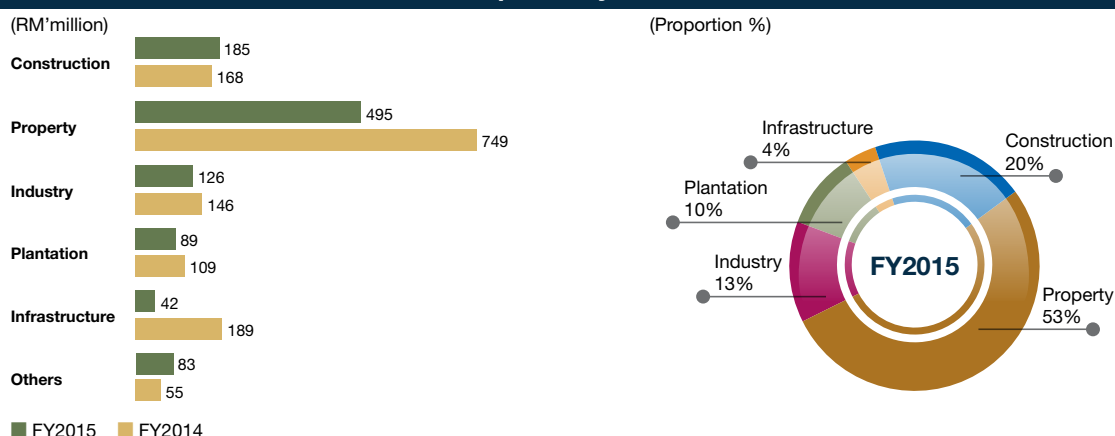
As a testament of the Group's accomplishments during the financial year, the Group had received several awards, notably IJM Corporation Berhad being named the "Best Managed Company" in Malaysia for the mid-cap category by Asiamoney Magazine. IJM Corporation Berhad and IJM Land Berhad also received the Industry Excellence 2014 for Industrial/Trading and Property categories respectively from the Minority Shareholder Watchdog Group (MSWG). Whilst IJM Plantations Berhad was awarded the Top Mid-Cap CG Recognition 2014 Award by the MSWG, IJM Corporation Berhad was conferred the National Annual Corporate Report Awards (NACRA) 2014 - Industry Excellence Awards for Construction & Infrastructure Project Companies for the second consecutive year and the eighth time to date. Our esteemed Chairman, Tan Sri Abdul Halim Ali was awarded the Chairman of the Year 2014 Award by the MSWG.

IJM Land Berhad won the FIABCI Malaysia Property Award 2014 in the Master Plan category for The Light Waterfront Penang Project and 4 awards at the Asia Pacific Property Awards 2014 for its developments led

Group Revenue by Division*



Group PBT by Division



by its highly coveted Urban Forest City, Pantai Sentral Park which received the Five-Star Award for Best Development Marketing Malaysia and Best Developer Website Asia Pacific. Furthermore, our Construction Division received the Best SHE Performance Award for 4th Quarter 2014 for the MRT Project V5 and the National Health and Safety Award 2014 under the Construction category for its Light Collection IV Project in Penang during the year.

We are encouraged by the recognition accorded to us during the year. Fundamental trademarks of professionalism, performance and good governance will continue to define the Group.

Corporate Responsibility

The Group's biggest annual Corporate Responsibility ("CR") project, 'Give Day Out' was rolled out for the fourth consecutive year in December 2014 across our operations in Malaysia, India and China. The main objectives of the project were to help the underprivileged, improve the environment where the Group operates in and encourage the spirit of giving among staff, in tandem with the key pillars of CR,

i.e. marketplace, environment, community and workplace. Over 3,000 employees carried out various CR initiatives, details of which are covered in the CR section of the Annual Report.

Appreciation

Finally, I would like to convey our heartfelt gratitude and appreciation to Dato' Teh Kean Ming who retired as the CEO and Managing Director of the Group on 5 April 2015. Dato' Teh was a long serving employee for over 25 years and played a significant role in the growth and success of the Group. During his tenure as CEO and Managing Director, Dato' Teh had advocated a culture of professionalism, teamwork and results-driven mindset across all levels as well as the 'Shared Destiny' culture unique to the IJM family. The high performance initiatives and frameworks that have been developed as part of these cultures continue to drive performance and enhance the business results of the Group. On behalf of the Board, management and staff, we thank him for his invaluable services and contributions to the Group and wish him the very best in his next endeavours.

Construction Management Team:



Liew Hau Seng



Soo Sik Sang



Tong Wai Yong



Pook Fong Fee



Ong Teng Cheng



Yong Juen Wah



Thomas Foo Jong Jian



Tan Kiam Choon



Chan Kai Leong



Lee Foh Ching



Wan Chee Leong



Wong Heng Wai



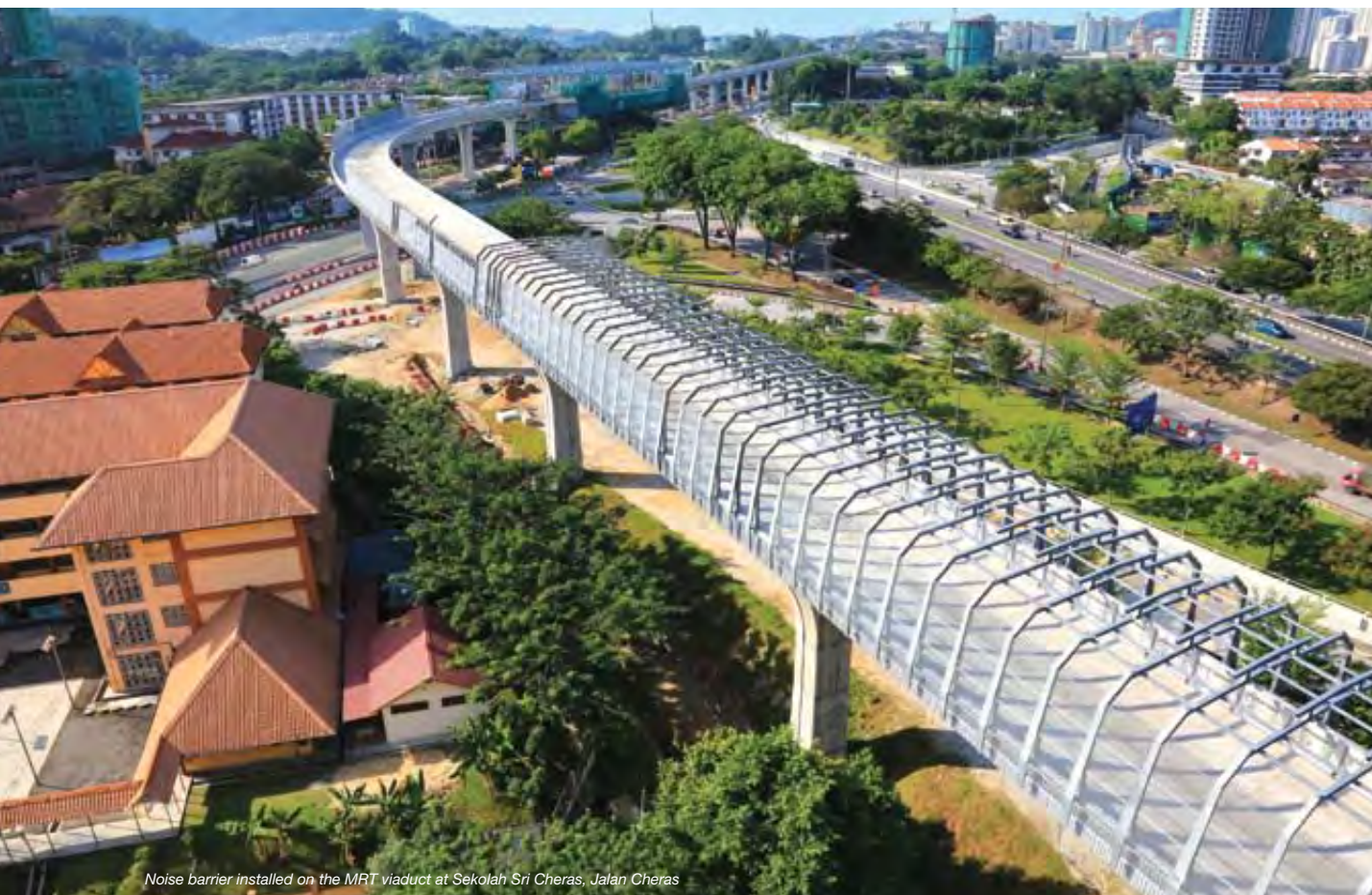
Beh Lai Seng



Ng Eng Aan

CONSTRUCTION

The Construction Division has successfully achieved a record high outstanding order book of around RM7.0 billion in FY2015 by securing new projects domestically. Among the major projects secured during the financial year included the West Coast Expressway (RM2,828.00 million), New Deep Water Terminal at Kuantan Port – Phase 1 (RM1,188.03 million), Radia - Mixed Development project in Bukit Jelutong (RM435.34 million), Potpourri – Commercial Development project in Ara Damansara (RM355.68 million), Commercial Development project in Damansara Utama (RM396.00 million) and Puteri Cove Residences – Mixed Development project in Johor Bahru (RM538.50 million).



Noise barrier installed on the MRT viaduct at Sekolah Sri Cheras, Jalan Cheras

FY2015



RM184.84
million

FY2015



Revenue

RM1,224.31
million

Notwithstanding its success in securing new sizeable jobs, the Division is cognisant of the current challenges posed by limited construction jobs in the domestic market and shrinking profit margins in the industry due to intense competition among the local as well as foreign contractors. The Division will continue its efforts to tender for new jobs in the local and overseas markets to ensure order book replenishment.

The construction sector grew by 11.6% during the year, owing to stronger growth in both the residential and non-residential sub-sectors, with further support from the infrastructure projects under the civil-engineering sub-sector.

For the financial year ended 31 March 2015, the Construction Division recorded a revenue of RM1,224.31 million (FY2014: RM2,080.08 million) and a pre-tax profit of RM184.84 million (FY2014: RM168.17 million). This represents a decrease of 41% in terms of revenue and 10% increase in terms of pre-tax profit compared to previous year.

The higher profit contribution during the financial year was largely due to better profit margins derived from several completed or near-completed projects such as PERKESO Rehabilitation Centre, Platinum Park Phase 3, EMU Depot, Jelutong Expressway – Stage 3 and Pahang Selangor Raw Water Transfer. In addition, the Division had successfully recovered some progress claims from past projects and recorded favourable unrealised foreign exchange gains of RM15.1 million as compared to unrealised foreign exchange loss of RM14.2 million in the prior year, which improved the profits for the financial year.

During the financial year, some of the key external projects were completed at the beginning of the year while most of the new construction projects were secured towards the end of the financial year. Consequently, the revenue registered for the financial year declined noticeably compared to the previous financial year. Meanwhile, the Division has also put in additional resources to carry out the increased number of in-house construction projects due to more property launches by the Property Division during the year. The Division has completed a larger proportion of in-house construction projects relative to the overall construction projects during the financial year.



Platinum Park Phase 3, Kuala Lumpur

In Penang, the Division successfully completed the Jelutong Expressway Project – Stage 3, Permatang Sanctuary Phase 1 - Residential Houses, The Vertiq – Two Block of Mixed Development including Commercial and Residential Building and The Light Collection IV – Two Blocks of Condominium & 3-Storey Water Villas.

In the Central region, the Division completed the Platinum Park Phase 3 – Two Blocks of Commercial Development in KLCC area, Bukit Manda'rina Phase 7, Altitude 236 – One Block of Prestigious Condominium Project in Cheras, PERKESO Rehabilitation Centre in Ayer Keroh, Melaka and EMU Depot in Seremban. In addition, the Division completed a few phases of new houses in the Group's townships in Seremban 2, Puncak Alam and Bandar Rimbayu.



Jelutong Expressway Stage 3, Penang

In the Southern region, the Division also completed the Nusa Duta township development in Taman Perling, Johor and Substructure Works for Sheraton Desaru Resort and Sheraton Desaru Convention Centre in Johor.

In line with its commitment to uphold Health, Safety, Quality and Environmental sustainability, the Division has put in place substantial efforts to promote best HSE practices across all construction sites for effective risk management and to ensure a high level of competency and awareness on HSE requirements for all IJM staff.

The Division continuously focuses on quality improvement as a platform to maintain quality excellence in its projects and success in the market. It has also implemented guidelines and process control systems for effective project execution and monitoring of all construction projects.

To develop its human capital, the Division had implemented a structured training programme named Young Talent Programme since 2013 to groom the young graduates with necessary technical skills and job knowledge as well as developing soft skills in preparation for future management roles.

The Division has a 45.5% stake in a reputable construction associate in Singapore, Hexacon Construction Pte Ltd. Some of its on-going projects are the Tampines Town Hub in Tampines, The Seawind Development consisting of condominium units, SOHO residences and townhouses and The Skyline Residences consisting of a 24-storey condominium in Telok Blangah. During FY2015, the associate had contributed a revenue and PBT of RM240.69 million (FY2014: RM115.13 million) and RM4.14 million (FY2014: RM11.20 million) respectively.

Construction Support Services:



James Ponniah Joseph



Gabriel Chia Kee Loy



Soh Wan Heng



Jim Mah Foong Kong



Cho Foong Khuan



Pang Sek Loh



Harjeet Singh



Casslyn Chong Siew Chen



Cheong Kong Wah



EMU Depot, Seremban



Socso Rehabilitation Centre, Malacca

The Construction Division is optimistic of performing well in the forthcoming financial year with a strong order book in hand for execution in the next few years coupled with the substantial on-going development activities from the Property Division particularly from Bandar Rimbayu township, Pantai Sentral Park mixed development, Seremban 2 township and The Light Waterfront Phase 2 Project in Penang.

The Division is constantly mindful of the challenging market conditions and remains vigilant in view of the softening market demand for properties and stringent housing loan policy by the Bank Negara. Additionally, the implementation of GST has adversely affected the demand for commercial properties in the near future and the risks associated with foreign exchange rate fluctuation will still remain a concern for the business.

Property Management Team:



Edward Chong Sin Kiat



Toh Chin Leong



Hoo Kim See



Shuy Eng Leong



Chai Kian Soon



Roger Lee Wai Hin



Tham Huen Cheong



Patrick Oye Kheng Hoon



Bahrin Bin Baharudin



Lee Kok Hoo



Chai King Sing



Kelvin Mathews Jacob



Tan Khee Leng



Lim Hock Seng

PROPERTY

The value of property transactions recorded in 2014 of RM162.97 billion for a total of 384,060 transactions was higher by 7% in value and 0.8% in volume as compared to the prior year. According to the National Property Information Centre, the national property market was mainly driven by the residential sub-sector with the states of Selangor, Johor and Perak recording the highest transactions. However, despite the encouraging residential sub-sector, the unsold residential units under construction and yet to be constructed had increased by 6.0% and 8.5% respectively. The overall take-up rates of newly launched landed properties and high-rise properties were only 34.4% and 11.1% respectively.



Show Unit - Saujana Duta Bungalow at S2 Heights, Seremban

FY2015



RM494.66
million

FY2015



Revenue

RM2,203.42
million

Consumer sentiment has grown more cautious particularly towards the end of the financial year due to the impending implementation of GST on 1 April 2015 coupled with the measures introduced to promote a sustainable property market. Due to the more challenging business environment, the Division managed to achieve property sales of RM1.8 billion in FY2015, which was lower than FY2014's sales of RM2.9 billion that included RM0.7 billion from its maiden project in London.

The Property Division posted a revenue of RM2,203.42 million in FY2015, a marginal decrease compared to RM2,224.96 million in FY2014. PBT for the financial year was RM494.66 million, a decrease of 34% from prior year of RM748.66 million. After excluding the one-off items in the prior year such as the remeasurement gain of its investment in Radiant Pillar Sdn Bhd ("RPSB") of RM222.7 million when RPSB became a 60% subsidiary, the gain on disposal of land in Kemaman of RM80.5 million and an impairment of RM58.6 million for its development in Vietnam, the Division's PBT would have decreased by 2% to RM494.66 million.

Consumers have become more selective where choice products in strategic locations continued to receive encouraging responses. The Division's mid-range of properties such as Periwinkle and Scarlet, Linked Semi-D Homes and Linked Homes in its green township, Bandar Rimbayu; Sophia, Samira 2, Summerset 2 and Bayu Suria, Semi-D Homes in Shah Alam 2 and Linked Homes in Seremban 2, continued to garner encouraging responses. Niche market products such as The Fairway, resort-styled bungalows at Seban Cove Resort in Pengerang, Johor was well received. Resonating the success of Phase 1, the responses to the launch of Phase 2 of Saujana Duta consisting of 76 units of bungalows in Seremban 2, were equally promising.



Pantai Sentral Park

In August 2014, Phase 1 of the Pantai Sentral Park comprising 211 units of residential condominiums known as Inwood Residences was launched. The project received overwhelming responses whereby its sales were conducted on a ballot basis. Touted as Kuala Lumpur's One and Only Urban Forest City, the development is one of the few prime property development areas left in the Klang Valley, and coupled with its eco-innovation proposition of modern day conveniences with nature inspired living, has piqued keen interests from home buyers and investors alike. Key features included the extensive Enchanted Forest landscaping, sky gardens and a linear forest walk which allow residents direct access to the nearby forest.

Following the privatisation exercise via a Scheme of Arrangement that was announced by the Group on 9 June 2014, IJM Land Bhd, which was previously a 64%-owned subsidiary of IJM, became a wholly-owned subsidiary of IJM on 31 March 2015. The privatisation exercise was completed on 3 April 2015 upon the issuance and allotment of new IJM shares to the Scheme shareholders and cash consideration paid.

In April 2015, the Division via its wholly owned subsidiary entered into a 50:50 joint venture with Perennial Penang Pte Ltd to develop a parcel of land measuring 32.76 acres, which will form part of Phase 2 of The Light Waterfront, Penang. The joint venture project will house a shopping mall and thematic shops, residential and office towers, hotels and a convention centre. Certain components will be held by the joint venture for recurring income, thereby marking the Division's foray into the property investment business.



Nusa Duta, Johor

For the coming financial year, the Division will continue to capitalise on its projects in Penang, Klang Valley and Johor, with focus on launching affordable product ranges. Future projects in the pipeline include Bandar Rimbayu's Phase 6 and Phase 7, comprising service apartments, shop offices and double storey linked homes in the Klang Valley. In Penang, there is the Waterside Residence, the first residential tower within Phase 2 of The Light Waterfront as well as linked homes at its new project called Senjaya in Jawi, Penang. The Seban Cove Resort in Pengerang, Johor as well as the new development known as Austin Duta along the Tebrau Corridor in Johor Bahru, alongside with the Division's focus on affordable products, the upcoming phases to be launched are linked homes.



Serene night view of pedestrian bridge at Bandar Rimbayu



Entrance View at Nusa Duta, Johor



The Light Waterfront Penang - Phase 1

On the international front, the Division will continue to focus on the construction and completion of its on-going project, Phase 1 of Royal Mint Gardens in London, United Kingdom while planning for the launch of its second phase. The Division is also planning for the launch of Hui Hai International, an 8-storey retail and commercial complex in Xi'An Avenue, located within the People Square – Chongqing Road Commercial Area, which is the core business and retail district of the Changchun city, China.

In India, the bifurcation of the states has improved the investment sentiments in both states. Subsequently, the state of Andhra Pradesh has decided to develop Vijayawada, Guntur, Tenali and Managalogiri cities as the capital called 'Amaravati'. The construction of the new capital commenced on 6 June 2015 with the laying of foundation stones. The Division's property project, Raintree Park Dwaraka Krishna Township in Vijayawada is part of the new capital development. Following this, the Division anticipates increased demand for its upcoming phases due to the improvement in sentiments.

The property market in Malaysia is expected to remain challenging in FY2016 due to the weak consumer sentiments post GST and stringent mortgage approval processes. The Division will remain vigilant during the current challenging times by adjusting its strategies to focus on launching affordable products and directing efforts to improve operational efficiencies and better cost management.

Industry Management Team:



Dato' Khor Kiem Teoh



Leong Yew Kuen



Tan Boon Leng



Pang Chwee Hoon



Leong Siew Wah



Tan Khuan Beng



Faizal Amir B
Mohd Zain



Choy Teik San



Chan Kok Keong



Low Hong Imm



Lee Hong Chai



K. Kunabalan

INDUSTRY

FY2015 was a challenging year for the Industry Division. Its core activity, the manufacturing and sale of Pretensioned Spun Concrete ("PSC") piles experienced stiff competition especially in the small diameter piles market. Although, the Division hit a new high in terms of tonnage delivered, its profit was affected by margin compression. Elsewhere, the quarrying division's performance was affected by a permit renewal issue which caused a drop of 22% in revenue for its Kuang quarry in Sungai Buloh. Consequently, the Division's pre-tax profit decreased by 14% to RM125.60 million despite achieving a slightly higher turnover by 4% to RM926.77 million.



FY2015



RM125.60
million

FY2015



Revenue

RM926.77
million

The PSC piles business achieved revenue of RM570.0 million, a slight increase of 2% from FY2014. In terms of tonnage, delivery hit a record high of 1.5 million tonnes. PBT however dropped by 17% to RM76.22 million (FY2014: RM91.4 million) due to competition from other piling systems.

Among the new projects which contributed to domestic sales were the Water Treatment Plant at Ganchong, Pahang; Sandisk Factory at Batu Kawan, Penang; Wharf & Associated Works at Samalaju Port, Sarawak; Mixed Development at Jalan Perdana 3/10, Ampang, Selangor; Container Terminal 8 at Westport, Selangor; 40-Storey Serviced Apartment at Melaka Tengah; and Affordable Housing Programme at Kota Bahru, Kelantan. Export sales to its main export market, Singapore slowed down in the second half of year 2014.

Sales are expected to recover in the first half of FY2016 with significant contribution from the Seagate Factory at Batu Kawan, Penang (supply of 123,000 tonnes) which contributed to the record high tonnage delivered in March 2015 of 170,000 tonnes.

A steady growth of export sales are expected from Mega Shipyard (Phase 2) Project, Singapore; Reclamation at Tuas Finger One Project, Singapore; MEC Building at Ahlone Wharf, Myanmar; Mudon Port at Mon State, Myanmar; Pulp & Paper Mill at Palembang, Indonesia; Oil & Gas Hub at Pulau Muara Besar, Brunei; and LNG Facilities and Federal Express Warehouse in Florida, USA. The oncoming Temburong Bridge Project in Brunei offers an opportunity to market the Division's big size piles.

The Division also aims to capitalise from IJM projects such as West Coast Expressway; The Light Waterfront (Commercial District), Penang; The Expansion of Kuantan Port, Pahang; Pantai Sentral Park Project, Kuala Lumpur; and Bandar Rimbayu, Selangor.

Several cost reduction initiatives were carried out during the year such as the closure of Klang Line 1 and merging of Line 1 and 3 in Lumut to achieve better manpower allocation. The Division also secured lower prices for imported steel materials from China to counter the impact of rising USD.

ceo's review of operations (cont'd)



Ready Mixed Concrete Plant Penang

The Division continues to emphasise on safety, health and environment (“HSE”) to create a better and safer workplace. In FY2015, it promoted HSE awareness through various trainings, campaigns and improvement activities with the involvement of Department of Occupational Safety & Health (DOSH) and the Department of Environment (DOE).

Numerous R&D programmes on product quality improvement, cost and production efficiency were successfully carried out in FY2015. Amongst the achievements by the Division’s Laboratory were steel corrosion protection concrete mix using corrosion inhibitor admixture for long term life span of marine structures; new grade 80 pump concrete mix using pulverized fuel ash cement and new grade 80 concrete using 35% slag added with silica fume for special concrete durability specification.

The Laboratory was accredited by Standards Malaysia in scope of calibration and testing. In FY2015, new scopes were included such as pH test for sand, core test and tensile splitting test for hardened concrete. The Laboratory will soon embark in new scopes for cement mortar strength, setting time and fineness.

The Division’s China subsidiary, ICP Jiangmen recorded a lower loss before tax of RM1.04 million (FY2014: RM1.88 million). The main deliveries were



ICP Piles with Conical Shoes

to CNOOC Deep Sea Equipment Manufacturing Plant and CCCC Navigation – Dock Project, both in Zhuhai. Going forward, some of the secured major projects are expected to take off such as CNPC Refinery Jetty in Hui Lai; International Container Terminal Phase 2 in Zhuhai and Zhuhai Yacht Club.

Durabon Sdn. Bhd. (“DSB”) achieved revenue of RM88.48 million, a decrease of 10% from FY2014. PBT decreased by 34% to RM6.8 million while sales volume decreased by 5%. Profit margin was affected by lower selling prices due to competition from imported Chinese PC Bars. Both local and exports sales will remain challenging with the continuous influx of cheap finished products from China. DSB will continue its cost-cutting initiatives to enhance its competitiveness.

Turnover in the quarry sector decrease by 11% to RM124.87 million on lower sales volume which fell 9% from last year. The drop was mainly due to the Kuang quarry where sales deteriorated by 22% following difficulties in the renewal of permit which was resolved in December 2014. Elsewhere, the quarries in Labu, Junjung, Kuantan, Ulu Choh and Kulai performed well with strong market demand. In tandem with lower turnover, pre-tax profit contracted 9% to RM30.51 million. The Division will soon start the Kuantan Port quarry to support the Kuantan Port expansion project and secure a quarry in Perak to complement the West Coast Expressway project and for export sales.

The Malaysian ready mixed business under Strong Mixed Concrete Sdn Bhd did relatively well due to strong performances from its Ulu Choh plant and the MRT projects supplied by its Chan Sow Lin and Kwasa Damansara plants. Sales volume was at the same level as previous year but turnover increased by 2% to RM86.8 million on higher average selling prices in tandem with the hike in aggregate and sand prices due to market shortages. However, pre-tax profit fell by 13% to RM4.2 million due to completion of certain jobs towards the 4th Quarter.



Concrete feeding process of ICP Piles using concrete pumping technology



Quarry at Ulu Choh, Johor

In India, the performance of IJMCPPPL was affected by the run-up to the Indian General Election and Telangana issue. As a result, IJMCPPPL registered an 85% reduction in pre-tax profit to RM393,000. The quarry division performed better with an increase in pre-tax profit to RM826,000 (FY2014: RM242,000). Overall turnover reduced by 2% to RM109.65 million. With a new business friendly government and the Telangana issue concluded, the construction industry is expected to grow and provide opportunities to IJMCPPPL.

The Division's ready-mix plant in Islamabad, Pakistan recorded a 12% drop in turnover despite better market conditions, attributed to heavy rainfall in the last few months hindering site progress. Meanwhile, pre-tax profit fell by 26% to RM0.91 million due to unrealised foreign exchange losses. In view of the improving business environment, the Division is planning for another batching plant in either Lahore or Karachi.

The increase in building projects and the Division's continued focus on Tier A contractors have pushed the scaffolding rental business under Scaffold Master Sdn Bhd to deliver an 7% increase in pre-tax profit to RM3.62 million on the back of a 26% rise in turnover to RM9.52 million. The Division will continue its strategy into the coming year and exploring other rental opportunities to improve performance.

Kemena Industries Sdn Bhd, a 55% subsidiary in Bintulu, Sarawak is engaged in the production and sales of ready-mixed concrete and precast reinforced concrete products. Its turnover increased by 22% to RM30.17 million on better revenues from ready mixed concrete and trading of ICP piles. The pre-tax profit increased by 53% to RM3.37 million mainly from extraordinary gains. Business is expected to be challenging with the property market slowdown and stiff competition from existing and new players.

The Division is operating in a very challenging business environment. Furthermore, the recent implementation of GST is likely to dampen consumer spending. Against this backdrop, the Division remains vigilant to counter any headwinds that may arise. On a brighter note, the strong momentum experienced at the end of FY2015 by the piles division flowed into the beginning of FY2016. Coupled with the commencement of West Coast Expressway construction and other infrastructure spending in Malaysia, the Division is cautiously optimistic of a better year ahead.

Plantation Management Team:



Joseph Tek Choon Yee



Puru Kumaran



Velayuthan A/L
Tan Kim Song



P K Venugopal



Ng Chung Yin



Madusoodanan



Sandra Segrán A/L
Kenganathan

PLANTATION

The financial year under review was faced with high volatility in the commodity markets. The year started well with the Malaysian average crude palm oil (“CPO”) prices for the month of April 2014 at over RM2,600 per metric tonne (“pmt”). However, upon dissipation of the El Nino effect by the second quarter, CPO prices slumped to below RM2,000 pmt in September 2014 before recovering to above RM2,200 pmt in December 2014. Unfortunately, the recovery was stunted by the crash in crude oil prices, thus putting a damper on biodiesel demand. Demand for CPO was also adversely impacted by the soya bean bumper crop production which resulted in lower soya bean oil prices.



Aerial View of Berakan Maju Estate

FY2015



RM89.41
million

FY2015



Revenue

RM667.67
million

The Division's average CPO price for the financial year was RM2,289 pmt, a decline of 4% from prior year's RM2,385 pmt. However, reported revenue was higher by 3% to RM667.67 million (FY2014: RM646.98 million) mainly due to higher sales volume. The Division registered a pre-tax profit of RM89.41 million, a decline of 18% compared to RM109.08 million in prior year largely due to net unrealised foreign exchange losses of RM51.36 million arising from the USD denominated borrowings used to fund its investment in Indonesia.

As at 31 March 2015, the Division's total planted area stood at 58,900 hectares (FY2014: 55,389 hectares) of which the Indonesian operations comprised of 33,693 hectares (FY2014: 30,046 hectares). 91% of the Malaysian planted areas are mature whereas for Indonesian operations, the mature area increased to 52% as compared to 36% in the previous year.

The details of the Division's oil palm age profile are as follows:

	Malaysian Operations		Indonesian Operations		Total	
	Ha	%	Ha	%	Ha	%
Mature (> 20 years)	2,640	10%	–	0.0%	2,640	4%
Mature - Prime (8 - 20 years)	19,296	77%	1,049	3%	20,345	35%
Mature - Young (4 - 7 years)	1,094	4%	16,451	49%	17,545	30%
Immature (1 - 3 years)	2,177	9%	16,193	48%	18,370	31%
Total	25,207	100%	33,693	100%	58,900	100%

ceo's review of operations (cont'd)



IPS palm oil mill

Notwithstanding the above, production of total fresh fruit bunches (“FFB”) increased by 18% to 862,455 tonnes (FY2014: 729,800 tonnes). FFB production from the Malaysian operations in FY2015 was 589,384 tonnes (FY2014: 585,526 tonnes), an increase of 1% following a pragmatic replanting programme in the Sandakan region. FFB from the Indonesian operations almost doubled by the financial year end to 273,071 tonnes (FY2014: 144,275 tonnes) as more areas came into maturity.

In terms of crop productivity, the Malaysian operations recorded a respectable average FFB yield of 25.59 tonnes per hectare (FY2014: 25.02 tonnes), whilst the Indonesian operations recorded a FFB yield of 15.60 tonnes per hectare (FY2014: 13.48 tonnes) amidst a start-up yield. Total FFB milled by the Division, inclusive of outside fruit purchases, rose by 4% to 1,105,072 tonnes (FY2014: 1,062,069 tonnes). Of this, 278,818 tonnes (FY2014: 221,178 tonnes) were from the Indonesian operations.

The Division’s four (4) palm oil mills in Sabah with a total processing capacity of 195 tonnes of FFB per hour produced 172,826 tonnes of CPO (FY2014: 174,552 tonnes). Palm kernel (“PK”) production increased to 40,504 tonnes (FY2014: 40,194 tonnes). In terms of palm product extraction, CPO extraction rate improved slightly to achieve an average rate of 20.9% (FY2014: 20.8%) while PK extraction rate also improved to 4.9% (FY2014: 4.8%).



Replanting project in Sandakan region

The Division’s first palm oil mill in East Kalimantan entered into its third year of operation and produced higher quantities of palm products which comprised of 64,822 tonnes of CPO (FY2014: 51,313 tonnes) and 11,054 tonnes of PK (FY2014: 7,836 tonnes). Average CPO and PK extraction rates achieved were 23.2% (FY2014: 23.2%) and 4.0% (FY2014: 3.5%) respectively.

The Sabah kernel crushing plant crushed 36,366 tonnes (FY2014: 37,431 tonnes) of PK, producing 16,413 tonnes (FY2014: 16,850 tonnes) of CPKO and 18,333 tonnes (FY2014: 17,879 tonnes) of palm kernel expellers (“PKE”). The average extraction rate for CPKO was 45.1% (FY2014: 45.0%) and for PKE was 50.4% (FY2014: 47.8%). Its first kernel crushing plant in East Kalimantan, having entered into its second year of operation, managed to crush 10,960 tonnes (FY2014: 5,650 tonnes) of PK to produce 4,761 tonnes of CPKO and 6,170 tonnes of PKE.



Sg. Sabang Jetty Bulking Facility



Estate in Indonesia operation

Contributions to the Sabah state sales tax, windfall profit levy to the Federal Government and statutory payment of cess to the Malaysian Palm Oil Board (“MPOB”) amounted to RM32.41 million (FY2014: RM36.42 million) during the financial year. The decrease was mainly due to the decline in the commodity prices compared to the previous year.

The Division is constantly mindful of the challenging operating environment and employs various measures to contain rising production costs such as fertiliser, fuel and labour via mechanisation, innovations in operations and replanting with advanced planting materials. The Division will continue to explore pragmatic initiatives toward cushioning the rising production costs.

The Division recognises the importance of human capital development to ensure sustainable growth, higher productivity and efficiency. As the availability of skilled workers remained a key challenge, the Division continued its various incentive schemes to attract and retain skilled workers. Comprehensive training and retraining programmes including cadet schemes continued to be carried out in the Malaysian and Indonesian operations.

Nurturing sustainability is an integral part of the Division’s business. To underscore the commitment, the Division has set-aside parts of its land bank in the Malaysian operations for conservation, research and education while implementing sustainable best management practices such as soil and water conservation, utilisation of waste by-products, integrated pest management as well as zero-burning replanting practices.

Despite the economic uncertainties and volatility in palm product prices, the Division is committed towards its Indonesian expansion project to create long term shareholder value. While its second palm oil mill is under construction, the Division has commenced the initial works to establish its third palm oil mill in Indonesia.

Looking ahead, FFB production is expected to be sustained as higher crop production is expected from the young plantings as larger areas come into maturity from the Indonesian operations. The Division expects the profitability level for the forthcoming financial year to be satisfactory despite growing pressure on production costs as the Indonesian operations incur full fixed plantation costs set against start-up crop yields. Volatility in foreign exchange rates will also continue to affect its results.

Toll Management Team:



Wan Salwani Binti
Wan Yusoff



Tan Kiam Choon



Yap Pak How



Ong See Chang



Md Zohir Harun



Chua Lay Hoon



Hwa Tee Hai



Ungku Zaki
Ungku Hamzah

Port Management Team:



Dato' Haji Khasbullah
Bin A Kadir



Azahari Bin
Muhammad Yusof



Selvarajah Nallapan



Ahmad Kamil Bin
Shahrudin

INFRASTRUCTURE

The Infrastructure Division recorded an improved turnover by 17% to RM1,031.41 million (FY2014: RM881.57 million) mainly due to higher contributions from increased port cargo throughput, continued traffic growth at highway operations and consolidation of Swarna Tollway since November 2013.

Pre-tax profits however decreased by 78% to RM42.28 million (FY2014: RM189.12 million) mainly due to numerous one-off gains in the previous financial year, higher financing and amortisation costs of RM48.90 million following the opening of Besraya Eastern Extension and unrealized foreign exchange losses of RM94.56 million (FY2014: RM47.32 million) arising mainly from USD denominated borrowings used to finance the Group's investments in India.

The Division's infrastructure assets comprised of ten toll road concessions (with four in Malaysia, five in India and one in Argentina), a port in Pahang, a power plant in India and a water treatment plant in Vietnam.



New Pantai Expressway

FY2015



RM **42.28**
million

FY2015



Revenue

RM **1,031.41**
million

Toll Roads

The toll concessionaires in Malaysia continue to perform strongly in FY2015. These concessionaires namely the wholly-owned 28.9 Km Besraya Highway (“Besraya”) (including newly completed Besraya Eastern Extension (“BEE”)), 19.6 Km New Pantai Highway (“NPE”) and 50%-owned 44.3 Km Kajang Seremban Highway (“LEKAS”) hold concession periods of 44, 34 and 33 years respectively and have been operating for 16, 11 and 6 years respectively.

For the financial year, Besraya contributed a higher turnover by 38% to RM103.90 million from the prior year. The significant increase was attributed to the toll collections from the newly opened Loke Yew Toll Plaza on 15 April 2014. Pre-tax profit dropped by 79% to RM10.05 million due to additional amortisation and finance costs upon completion of the new alignment. Besraya’s traffic performance is expected to grow as the new alignment provides better connectivity between Jalan Istana in Middle Ring Road 1 and Salak South to Middle Ring Road 2 (MRR2) and Pandan Indah which traverses numerous mature and densely populated areas.

In FY2015, NPE posted improved pre-tax profit by 29% to RM67.51 million as a result of higher turnover by 10% to RM145.76 million and lean operating costs.

With the scheduled toll hike in 2015 and rapid development projects along the highway vicinity such as Eco City, Bangsar South, Nine Seputeh and Pantai Sentral Park, NPE’s toll revenue is envisaged to grow further in the years to come.

LEKAS contributed an increased turnover by 23% to RM37.21 million compared to the prior year and a lower pre-tax loss of RM33.46 million (FY2014: RM81.00 million). Several upgrades, enhancement works and new interchange proposals by developers are progressing well and upon completion, will enhance the connectivity to the highway. Traffic performance is expected to improve in the future with the maturing developments along the highway corridor such as Setia Eco Hill, Eco Majestic and Temiang Resort City.

The scheduled toll hikes for the three highways mentioned above continue to be deferred by the Government and the concessionaires have been compensated in accordance with the provisions of the concession agreements. Under the new GST regime implemented on 1 April 2015, the toll fares have been classified under the ‘exempt supply’ category whereby the impending input taxes will increase the operating costs of the highways. The Division expects that such incremental costs will not be significant.



Western Access Tollway, Buenos Aires, Argentina



Vijawada Tollway, India

The Toll Division continues to face increasing challenges and competition in the local toll industry from toll-free alternative routes, toll rate disparities between competing highways, improvements along road networks and the improvement of public transportation system, which may affect its traffic performance. However, the Division is confident of maintaining traffic growth and continues to strive for higher productivity and efficiency to improve profitability.

IJM via its investments in Kumpulan Europlus Berhad and West Coast Expressway Sdn Bhd ("WCESB") has a 40% effective interest in the 233 Km West Coast Expressway project connecting Banting to Taiping. The project was awarded to WCESB with a 50-year concession and is currently under construction.

In India, the Division's operating toll roads in FY2015 comprised of wholly-owned Rewa Tollway (387 Km) and 98.5%-owned Swarna Tollway (145 Km) that have been operating for eleven years with improved traffic counts. The newer tollways are the 89.8%-owned Chilkaluripet-Vijayawada Tollway (79 Km), fully-owned Jaipur-Mahua Tollway (108 Km) and 13.26%-owned Trichy Tollway (93 Km). The Indian tollways hold concession periods ranging from 16 to 31 years. Post the financial year end, in May 2015, the Division disposed of a 74% stake in Jaipur-Mahua Tollway, netting a gain of RM170 million.

During FY2015, the Indian tollways contributed improved revenues by 22% to RM225.25 million (FY2014: RM185.11 million) mainly due to improved traffic counts and consolidation of Swarna Tollway since November 2013. The Indian tollways recorded an improved performance with pre-tax profit of RM15.17 million as compared to losses of RM84.21 million in the prior year mainly due to impairment recognised on the tollway assets.

In Argentina, the Group's 20%-owned Grupo Concesionario del Oeste S.A. ("GCO") which operates a 21-year concession of the 56 Km Western Access Tollway in Buenos Aires, contributed a lower turnover

by 8% to RM53.54 million while the Group's share of profit reduced by 60% to RM2.69 million in FY2015 due to increasing operating and maintenance expenses. In addition, the concession agreement renegotiations are still ongoing with the government.

Ports

The Division's port concession contributed positively to the Group's bottom-line. During the financial year, Kuantan Port achieved a noteworthy performance with improved pre-tax profit by 21% to RM140.89 million (FY2014: RM116.70 million) on the back of higher turnover of RM306.87 million (FY2014: RM264.50 million). Cargo throughput recorded was 23.0 million (FY2014: 20.2 million) freight weight tonnes, an increase of 14% from the previous year contributed mainly by increase in bauxite exports, steel pipes and container traffic.

Towards the end of FY2015, Kuantan Port re-structured its charging method on handling using floating crane, mobile conveyor and ship grab which had a positive impact to cargo revenue. Ship-to-ship cargo transfer activity at anchorage was introduced as a new innovation to cater for bigger bulk vessels to ease the congestion at main berths.

Further to the Group's disposal of a 38% stake in Kuantan Port in FY2014, the Group has disposed the remaining 2% stake in Kuantan Port in March 2015.

On 16 June 2015, a new Privatisation Agreement was executed for the development, operation and management of Kuantan Port covering the existing port and a new deep water terminal for a concession period of 30 years plus 30 years extension upon fulfillment of certain development conditions. Kuantan Port has commenced the construction of the first phase of the new deep water terminal with a 16-metres draught to cater for larger vessels. In the long term, the port's capacity is expected to double from the current 26 million tonnes per year.



Kuantan Port, Pahang

Power Plant

The Group's sole power plant concession in Andhra Pradesh, India, is its 20%-owned Gautami Power, a 469 MW natural gas based Combined Cycle Power Plant. The power plant contributed a lower turnover of RM1.84 million (FY2014: RM9.35 million) and loss of RM23.40 million (FY2014: RM21.09 million) during the financial year due to short supply of gas. Once the gas supply is stabilised, the investment is expected to contribute regular income streams to the Group until the year 2023.

Water Treatment Plant

The Group's 36%-owned associate, Binh An Water Corporation Ltd in Vietnam contributed a consistent net profit of RM3.60 million (FY2014: RM3.56 million) to the Group during the financial year. The investment is expected to contribute stable income streams until the year 2019.

Others

The Group's 7.66% stake in Scomi Group Berhad ("Scomi") has contributed revenue of RM136.66 million (FY2014: RM94.40 million) and pre-tax profit of RM1.72 million (FY2014: RM0.70 million) during the financial year. Scomi is a global service provider mainly in the oil and gas industry specialising in high-performance drilling fluids solutions. It also provides transport solutions focused on the manufacturing and design of monorail systems, buses, special purpose vehicles, rail wagons and defence vehicles.

CONCLUSION

The Construction Division's outlook is promising on account of its record high order book and substantial in-house property jobs coupled with the Malaysian Government's continued emphasis on infrastructure spending through the Economic Transformation Programme and the 11th Malaysia Plan. Our Industry Division is poised to benefit from the increased infrastructure spending with the expected increase in demand for building materials next year.

The Property Division's performance is expected to be satisfactory in the coming financial year on the back of unbilled sales and wide array of strategically located projects despite the cautious sentiment of consumers post GST implementation and cooling off measures by Bank Negara Malaysia to promote a sustainable property market.

The Plantation Division is expected to deliver satisfactory performance for the coming financial year on the back of higher crop production from increasing young mature areas in Indonesia, with FFB yields being sustained in the Malaysian operations. The Group's toll, port, power and water operations are expected to provide growing recurrent revenue streams thereby further enhancing the bottom line of the Group's Infrastructure Division.

Going forward, the Group will continue to strengthen its core competencies and focus its resources to meet the order book and customers' requirements. Its continued emphasis on domestic growth with selective participation in overseas projects is expected to be positive for revenues and earnings growth for the forthcoming financial year.

Based on the above factors, reinforced by constant vigilance and proactive management, the Group aims to achieve a high level of sustainable Performance through its focus on execution with Precision and thereby tapping its Potential for high growth and value enhancement for its stakeholders.

Dato' Soam Heng Choon
CEO & Managing Director

corporate governance statement

The Board of Directors (“the Board”) has always been proactive to promote good corporate governance and ensures that the principles and best practices of good governance are practiced throughout IJM Corporation Berhad (“IJM” or “the Company”) and its subsidiaries (collectively referred to as “the Group”). The Board believes that a strong corporate governance is essential in enhancing shareholders’ value and for long-term sustainability and growth.

The Board is pleased to present this statement which describes on how the Company has applied the principles as set out in the Malaysian Code on Corporate Governance 2012 (“the Code”) and the extent of its compliance with the principles. The reason for not applying specific principles in the Code is explained in this statement.

I. BOARD OF DIRECTORS

1. Composition of the Board

There are eight (8) Board members, six (6) of whom are Non-Executive Directors, and among the Non-Executive Directors, four (4) are Independent Non-Executive Directors. The Chairman is one (1) of the Independent Non-Executive Directors.

Datuk Lee Teck Yuen is the Senior Independent Non-Executive Director to whom queries or concerns relating to the Group may be conveyed by shareholders by way of writing to the Company’s registered address or electronic mail to csa@ijm.com or contact via Tel: +603-79858131.

The balance between Independent Non-Executive, Non-Executive and Executive Directors, together with the support from Management, is to ensure that there is an effective and fair representation for the shareholders, including minority shareholders. It further ensures that issues of strategy, performance and resources are fully addressed and investigated to take into account the long-term interests of shareholders, relevant stakeholders and the community in which the Group conducts its business.

The Independent Non-Executive Directors are able to provide independent judgment, experience and objectivity without being subordinated to operational considerations. They help to ensure that the interests of all

stakeholders are taken into account and that the relevant issues are subjected to objective and impartial consideration by the Board.

With the aim of enhancing the overall Board effectiveness, the Nomination & Remuneration Committee (“NRC”) and the Board have always considered the length of service of a Director as a key element in their review of any renewal of a Board position. In line with the recommendation of the Code, the tenure of an Independent Director of the Company shall not exceed a cumulative term of nine (9) years. At the same time, the Board appreciates that a Director’s independence cannot be determined solely on tenure. While remaining committed to the progressive renewal of Board membership and the recommendation of the Code on the tenure of Independent Directors, the Board is mindful that the limitation of term of service may result in a significant loss to the Company by the exit of Board members who are making critical contributions. The Board further recognises that the benefits of experience and stability brought by the longer serving Directors are often in the best interest of the Company and its shareholders. Taking into consideration of the above, the NRC and the Board may, in such circumstances, exercise their discretion to recommend and retain an Independent Non-Executive Director in the same capacity after serving a cumulative term of nine (9) years. In such a situation, the Board would provide the relevant justifications and seek the shareholders’ approval accordingly, as recommended under the Code.

The role of the Independent Non-Executive Chairman and the Chief Executive Officer & Managing Director (“CEO&MD”) are distinct and separate to ensure that there is a balance of power and authority. The Independent Non-Executive Chairman is responsible for the leadership, effectiveness, conduct and governance of the Board. The Independent Non-Executive Chairman did not previously hold the position of CEO&MD in the Group.

The CEO&MD has overall responsibility for the day-to-day management of the business and implementation of the Board’s policies and decisions. The CEO&MD is responsible to ensure due execution of strategic goals, effective operations within the Group, and to explain, clarify and inform the Board on key matters pertaining to the Group.

The composition and size of the Board is reviewed from time to time to ensure its appropriateness and effectiveness. The profile of each Director is presented on pages 24 to 29.

2. Duties and Responsibilities of the Board

The Board is primarily responsible for the Group’s overall strategic plans for business performance, overseeing the proper conduct of business, succession planning of key management, risk management, shareholders’ communication, internal control, management information systems and statutory matters; whilst Management is accountable for the execution of the expressed policies and attainment of the Group’s corporate objectives. The demarcation complements and reinforces the supervisory role of the Board. Nevertheless, the Board is always guided by the Board Charter which outlines the duties and responsibilities and matters reserved for the Board in discharging its duties.

3. Board Charter

All Board members are expected to show good stewardship and act in a professional manner, as well as uphold the core values of integrity and enterprise with due regard to their fiduciary duties and responsibilities. The Board Charter sets out the role, functions, composition, operation and processes of the Board and is to ensure that all Board members acting on behalf of the Company are aware of their duties and responsibilities as Board members. The Board Charter also acts as a source of reference and primary induction literature in providing insights to Board members and senior management.

The details of the Board Charter are available for reference at www.ijm.com.

4. Board Diversity

The Directors have a diverse set of skills, experience and knowledge necessary to govern the Group. The Directors are professionals in the field of engineering, finance, accounting, property, toll infrastructure and experienced senior public administrators. Together, they bring a wide range of competencies, capabilities, technical skills and relevant business experience to ensure that the Group continues to be a competitive leader within its diverse industry segments with a strong reputation for technical and professional competence.

In evaluating candidates for appointment to the Board, the NRC and the Board will always evaluate and match the criteria of the candidate based on experience, skill, competency, knowledge, potential contribution and boardroom diversity (including gender, ethnicity and age). The Board is mindful of the Recommendation 2.2 of the Code and women candidates were sought as part of the recruitment exercise of new Directors for the Company. A woman Director will be appointed to the Board as soon as a suitable candidate is identified.

The current board composition in terms of each of the Director's industry and/or background experience, age and ethnic composition is as follows:

	Industry / Background Experience					Age Composition				Ethnic Composition			
	Public Service	Accounting/Finance	Construction & Engineering	Property Development	Toll Infrastructure	40 to 49 years	50 to 59 years	60 to 69 years	70 to 79 years	Bumiputera	Chinese	Indian	Others
Directors													
Tan Sri Abdul Halim bin Ali	✓								✓	✓			
Tan Sri Dato' Tan Boon Seng @ Krishnan		✓						✓			✓		
Dato' Soam Heng Choon			✓	✓			✓				✓		
Lee Chun Fai		✓			✓	✓					✓		
Datuk Lee Teck Yuen				✓			✓				✓		
Datuk Ir. Hamzah bin Hasan			✓					✓		✓			
Pushpanathan a/l S A Kanagarayar		✓						✓					✓
Dato' David Frederick Wilson			✓		✓				✓				✓*

* a British national

5. Board Meetings

Board meetings (including Board Committees' meetings and Annual General Meeting ("AGM")) are scheduled in advance prior to the new calendar year, to enable the Directors to plan ahead and coordinate their respective schedules and/or events. The Board conducts at least four (4) scheduled meetings annually, with additional meetings convened as and when necessary. Directors are also invited to attend Board Committees' meetings, where deemed necessary. During the financial year, five (5) Board meetings were held.

The attendance record of each Director is as follows:

	Number of Meetings Attended	Percentage
Executive Directors		
Dato' Soam Heng Choon	5/5	100%
Dato' Teh Kean Ming (Resigned on 5 April 2015)	5/5	100%
Independent Non-Executive Directors		
Tan Sri Abdul Halim bin Ali	5/5	100%
Datuk Lee Teck Yuen	5/5	100%
Pushpanathan a/l S A Kanagarayar	5/5	100%
Datuk Ir. Hamzah bin Hasan	5/5	100%
Non-Executive Directors		
Tan Sri Dato' Tan Boon Seng @ Krishnan	5/5	100%
Dato' David Frederick Wilson	5/5	100%

Besides these Board meetings, the Directors also attend tender adjudication meetings and investment briefings, where Directors deliberate on the Group's participation in major project bids in excess of RM500 million (or RM250 million for overseas contracts) or investments. Informal meetings and consultations are frequently and freely held to share expertise and experiences. Directors also attend the annual Senior Management Forum where operational strategies, performance progress and other issues are presented, discussed and communicated to the managers of the Group. In addition, Directors also attended the functions and/or activities organised by the Group, such as the IJM Games, annual dinners and festive celebrations. Details of their attendance are available at www.ijm.com.

In fostering the commitment of the Board that the Directors devote sufficient time to carry out their responsibilities, the Directors are required to notify the Chairman before accepting any new directorships and such notifications shall include an indication of time that will be spent on the new appointments. The Chairman shall also notify the Board if he has any new directorship or significant commitments outside the Company. All Directors hold not more than five (5) directorships each in public listed companies.

6. Access to Information

All Directors are provided with the performance and progress reports on a timely basis prior to the scheduled Board meetings. The Company had moved towards electronic Board and Board Committee papers since August 2011. All Board papers, including those on complicated issues or specific matters and minutes of all Board Committee meetings, are distributed at least seven (7) days in advance electronically to ensure Directors are well informed and have the opportunity to

seek additional information, and are able to obtain further clarification from the Company Secretary, should such a need arise. Where necessary, the services of other senior management or external consultants will be arranged to brief and help the Directors clear any doubt or concern.

The schedule of matters reserved specifically for the Board's deliberation include the approval of corporate plans, annual budgets (including the Key Performance Indicators ("KPI") under the Corporate Balanced Scorecard), new ventures, acquisitions and disposals of undertakings and properties of a substantial value, and changes to the management and control structure within the Group, including key policies, delegated authority limits, and participation in the adjudication of tenders for construction projects in excess of established limits. Proper minutes of all deliberations of the Board are recorded, including the issues discussed and the conclusions of decisions.

All Directors have access to the advice and services of an experienced Company Secretary especially relating to procedural and regulatory requirements. The profile of the Company Secretary is provided on page 35 of the Profile of Senior Management. The Company Secretary always supports the Board by ensuring adherence to Board policies and procedures. The Directors may seek independent advice, where necessary, at the expense of the Company, so as to ensure they that are able to make independent and informed decisions.

7. Committees Established by the Board

The Board has delegated certain functions to the Committees it established to assist in the execution of its responsibilities. The Committees operate under clearly defined terms of reference. The Committees are authorised by the Board to deal with and to deliberate on matters delegated to them within their terms of reference. The Chairmen of the respective Committees report to the Board the outcome of the Committee meetings and such reports are included in the Board papers.

The Board Committees of the Company and their composition are as follows:

Executive Committee	<p>Dato' Soam Heng Choon - <i>Chairman (appointed on 6 April 2015)</i> <i>Chief Executive Officer (CEO) & Managing Director (MD)</i></p> <p>Lee Chun Fai <i>(appointed on 6 April 2015)</i> <i>Deputy CEO & Deputy MD</i></p> <p>Dato' Teh Kean Ming <i>(ceased to be a member after retirement as CEO&MD on 5 April 2015)</i></p>
Audit Committee	<p>Pushpanathan a/l S A Kanagarayar - <i>Chairman</i> <i>Independent Non-Executive Director</i></p> <p>Tan Sri Abdul Halim bin Ali <i>Independent Non-Executive Chairman</i></p> <p>Datuk Ir. Hamzah bin Hasan <i>Independent Non-Executive Director</i></p>
Nomination & Remuneration Committee	<p>Datuk Lee Teck Yuen - <i>Chairman</i> <i>Senior Independent Non-Executive Director</i></p> <p>Tan Sri Abdul Halim bin Ali <i>Independent Non-Executive Chairman</i></p> <p>Datuk Ir. Hamzah bin Hasan <i>Independent Non-Executive Director</i></p>
Securities and Options Committee	<p>Tan Sri Abdul Halim bin Ali - <i>Chairman</i> <i>Independent Non-Executive Chairman</i></p> <p>Dato' David Frederick Wilson <i>Non-Executive Director</i></p> <p>Dato' Soam Heng Choon <i>CEO&MD</i> <i>(appointed as member on 6 April 2015)</i></p> <p>Dato' Teh Kean Ming <i>(ceased as member on 5 April 2015)</i></p>

A. Executive Committee

The Executive Committee was established on 31 March 1995 and its membership consists of the Executive Directors of the Board. The Executive Committee meets monthly to review the operations of the Group's operating divisions. In attendance are the Heads of Division, Chief Financial Officer, Company Secretary and relevant departmental heads. The terms of reference of the Executive Committee are available for reference at www.ijm.com.

The attendance record of each member of the Executive Committee during the financial year is as follows:

Executive Committee	Number of Meetings Attended	Percentage
Dato' Teh Kean Ming (<i>retired on 5 April 2015</i>)	10/10	100%
Dato' Soam Heng Choon	10/10	100%

B. Audit Committee

The Audit Committee was established on 31 January 1994 comprising entirely of Independent Non-Executive Directors and their profile are set out in the Profile of Directors on pages 24 to 29. The details of meetings and activities of the Audit Committee are set out on pages 100 and 101 of the Audit Committee Report. The terms of reference of the Audit Committee are available for reference at www.ijm.com.

C. Nomination & Remuneration Committee

The Remuneration Committee was established on 2 December 1998 and was renamed as the NRC on 16 May 2001. The NRC comprises wholly of Independent Non-Executive Directors. The duties and responsibilities of the NRC are to assist the Board in reviewing and recommending the appropriate remuneration policies applicable to Directors, the CEO&MD and senior management, and the appointment and evaluation of the performance of the Directors (including Board Committees).

The terms of reference of the NRC are available for reference at www.ijm.com.

The activities of the NRC for the financial year included the following:

- (i) review of the IJM Scheme & Conditions of Service;
- (ii) propose the retirement gratuity to the former CEO&MD;

- (iii) propose the changes to key appointments in the Group;
- (iv) revision of the allocation of the Employee Share Option Scheme ("ESOS") to the eligible Group employees following the revision of the job grading structure of the Group;
- (v) review of the evaluation criteria of the new Audit Committee Assessment form;
- (vi) review of the Balanced Scorecard of the Group;
- (vii) review of the salaries, bonuses & incentives of senior management of the Group;
- (viii) review of the service contracts of senior management staff;
- (ix) assessment and evaluation of the effectiveness of Directors through the annual Board evaluation (including the CEO&MD and the independence of Independent Non-Executive Directors); and
- (x) assessment and evaluation of the effectiveness of the Audit Committee through the annual Audit Committee evaluation.

All recommendations of the NRC are subject to endorsement of the Board.

The NRC meets as required. Three (3) meetings were held during the financial year and the attendance record of each member of the NRC is as follows:

NRC	Number of Meetings Attended	Percentage
Datuk Lee Teck Yuen	3/3	100%
Tan Sri Abdul Halim bin Ali	3/3	100%
Datuk Ir. Hamzah bin Hasan	3/3	100%

D. Securities and Options Committee

The Securities and Options Committee was established on 27 August 2007 combining the roles and responsibilities of the Share Committee and Employee Share Option Scheme Committee which were previously established on 3 September 1986 and 30 October 2003 respectively. The function of the Securities and Options Committee is mainly to administer the options and/or shares under the employee share scheme and to regulate the securities transactions of the Company.

The terms of reference of the Securities and Options Committee are available for reference at www.ijm.com.

The activities of the Securities and Options Committee for the financial year included the following:

- approval of the allotment of shares pursuant to the exercise of warrants and/or options under the ESOS of the Long Term Incentive Plan ("LTIP");
- review and approval of the award of the Employee Share Grant Plan ("ESGP") for the middle to senior management and Executive Directors of the Group; and
- review and approval of the award and vesting of options to the eligible Group Employees under the ESOS.

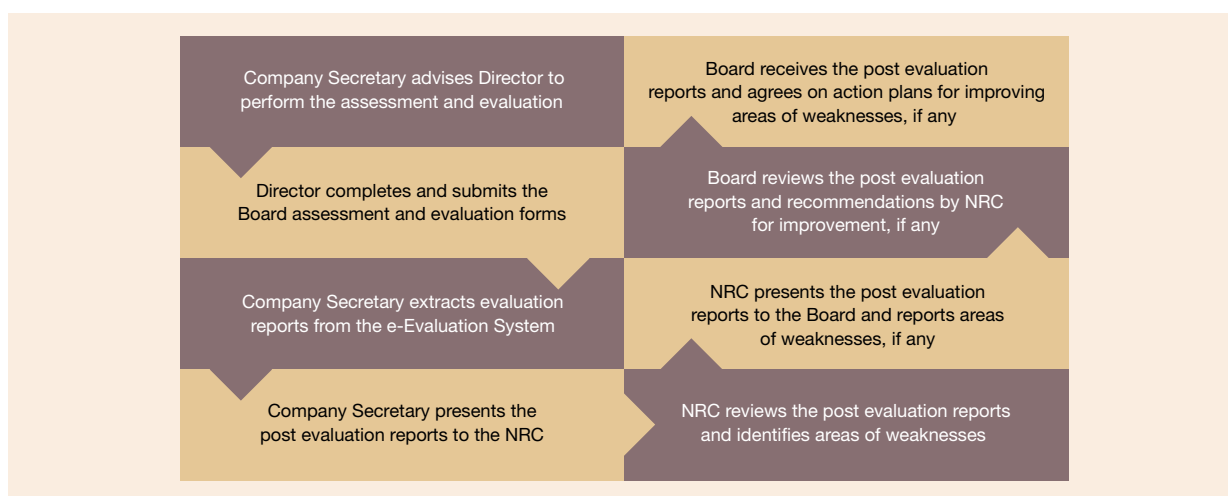
8. Board Evaluation

The NRC was generally satisfied with the performance and effectiveness of the Board and Board Committees. The Board undertook a formal and rigorous annual evaluation via an e-Evaluation System of its own performance, the Board as a whole and that of the Individual Directors. The Board evaluation comprised a Board Assessment by Individual Directors, Self & Peer Assessment and Assessment of Independence of Independent Directors (collectively referred to as "the Assessments"). There were no major concerns from the results of the Assessments.

The assessment of the Board by an individual director is based on specific criteria, covering areas such as the Board composition and structure, principal responsibilities of the Board, the Board process, the CEO&MD's performance, succession planning and Board governance. For Self & Peer Assessment, the assessment criteria include contributions to interaction, role and duties, knowledge and integrity, governance and independence and risk management. The criteria for assessing the independence of an Independent Director include the relationship between the Independent Director and the Group and his involvement in any significant transaction with the Group.

During the financial year, the Board undertook an evaluation on the Audit Committee via the e-Evaluation System to review its performance and determine whether the Audit Committee had carried out its duties in accordance with its terms of reference. The assessment criteria include effectiveness and quality, internal and external audit, risk management and internal control and financial reporting. The Board was satisfied with the performance and effectiveness of the Audit Committee.

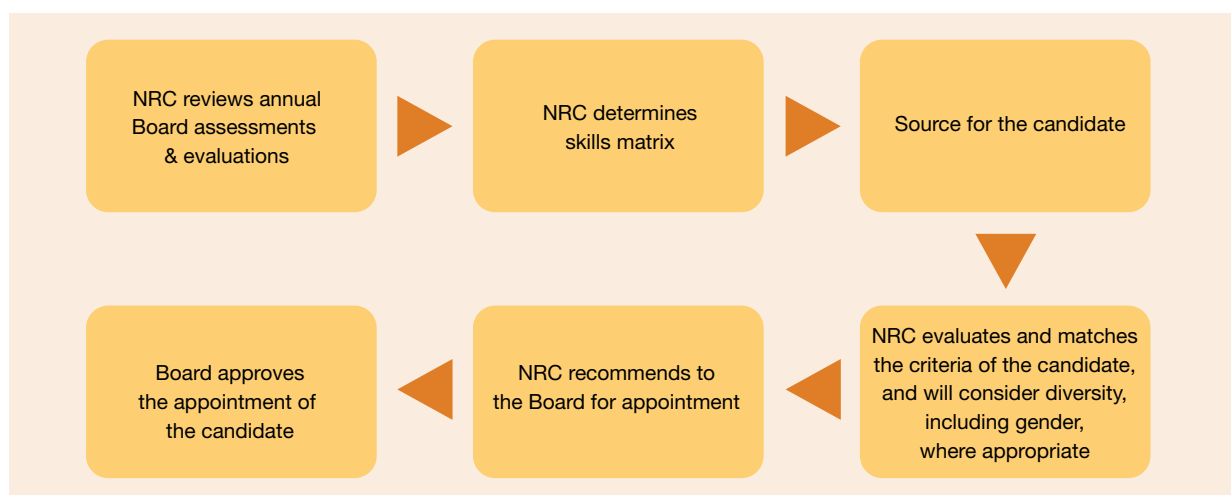
The process of the assessment and evaluation of the Board and Audit Committee is as follows:



9. Appointment to the Board

The NRC is responsible for making recommendations for the appointment of Directors to the Board, including those of subsidiaries and associated companies. In making these recommendations, the NRC considers the required mix of skills and experience, which the Directors bring to the Board.

The process for the appointment of Non-Executive Directors (both the Independent and non-Independent Directors) to the Board is as follows:



The Company, from time to time, uses the services of retired Executive Directors for specific roles in the Company's operations for specific periods. These Directors are paid remuneration for their services accordingly.

10. Re-election

The Articles of Association provides that every new appointed Director be subjected to re-election at the immediate AGM. Furthermore, one third (1/3) of the Board shall retire from office and be eligible for re-election at every AGM, and all the Directors should submit themselves for re-election every three (3) years.

11. Directors' Training

All Directors have attended the Directors' Mandatory Accreditation Programme organised by Bursa Malaysia Securities Berhad ("Bursa Securities"). Our Directors have attended conferences, seminars and training programmes from time to time covering areas such as finance, risk management, regulatory laws, rules and guidelines. An induction briefing is also provided by our Company Secretary and senior executives to newly appointed Directors.

The Company is aware of the importance of continuous training for Directors to enable them to effectively discharge their duties, and will on a continuous basis, evaluate and determine the training needs of its Directors. The Board has undertaken an assessment of the training needs of each Director through the Self & Peer Assessment during the financial year.

During the financial year, all the Directors have attended various in-house and external training programmes, workshops, seminars, briefings and/or conferences. The training attended by the Directors were related to corporate governance, finance, industry knowledge, sustainability and new legislations.

The details of training of each of the Director of the Group are available for reference at www.ijm.com.

Updates on companies and securities legislation, and other relevant rules and regulations, such as amendments to the Main Market Listing Requirements of Bursa Securities ("LR") together with the summary of enforcement related press releases of the Companies Commission of Malaysia, Bursa Securities and Securities Commission, were provided to the Board, together with the Board papers, in order to acquaint them with the latest developments in these areas.

Where possible and when the opportunity arises, Board meetings will be held at locations within the Group's operating businesses to enable the Directors to obtain a better perspective of the business and enhance their understanding of the Group's operations.

II. REMUNERATION

The remuneration policy of the Company is based on the philosophy of giving higher weightage on performance-related bonuses. These are entrenched in the remuneration policy for Executive Directors and senior management, which are reviewed annually by the NRC. The Group also participates in industry specific surveys by independent professional firms to obtain current data in benchmarking the Group.

The performance of Directors is measured by the Directors' contribution and commitment to both the Board and the Group. The Executive Directors' and senior management's remuneration depend on the performance of the Group, achievement of the goals and/or quantified organisational targets as well as KPI set at the beginning of each year. The strategic initiatives or KPI set for the CEO&MD for the financial year ending 31 March 2015 encompass the four (4) main areas of consideration, namely, Commercial, Stakeholders, Efficiency and Infrastructure.

In the case of Non-Executive Directors, the level of remuneration reflects the contribution and level of responsibilities undertaken by the particular Non-Executive Director.

In addition to the basic salary and bonus & incentives for all its employees, including the Executive Directors, the Group provides benefits-in-kind such as private medical care (including "portable" critical illness insurance) and cars in accordance with the IJM Scheme and Conditions of Service. On top of the Employees Provident Fund statutory contribution rate of 12%, the Group provides additional contribution ranging from 1% to 5% to all its employees based on their length of service.

The Group also rewards its employees and the Executive Directors with options under the ESOS and shares under the ESGP of the LTIP. The Non-Executive Directors are not entitled to participate in the ESOS and ESGP. The details of the awards and/or vesting of options under the ESOS and awards of shares under the ESGP are set out in Note 14 of the Audited Financial Statements for the financial year ended 31 March 2015.

Directors' Remuneration

The details of the remuneration of Directors during the financial year are as follows:

A. Aggregate remuneration of Directors categorised into appropriate components:

The Company

	Salaries RM'000	Fees RM'000	Bonus, Incentives & Others RM'000	EPF RM'000	Benefits -in-kind RM'000	Total RM'000
Executive Directors	1,560	–	11,087	608	42	13,297
Non-Executive Directors	600	928	604	–	92	2,224*
Total	2,160	928	11,691	608	134	15,521

* Included an allowance of RM1,000 paid to the Non-Executive Directors for each of the Board and Board Committee meetings attended.

Other Related Companies

	Salaries RM'000	Fees RM'000	Bonus, Incentives & Others RM'000	EPF RM'000	Benefits -in-kind RM'000	Total RM'000
Executive Directors	888	205	1,395	346	76	2,910
Non-Executive Directors	–	490	28	–	–	518
Total	888	695	1,423	346	76	3,428

B. Aggregate remuneration of each Director:

	Remuneration received from the Company	Remuneration received from Other Related Companies
Executive Directors	RM'000	RM'000
Dato' Teh Kean Ming (Resigned on 5 April 2015)	13,297 ^	221 * #
Dato' Soam Heng Choon	–	2,689
Non-Executive Directors		
Tan Sri Dato' Tan Boon Seng @ Krishnan	1,257	250 * #
Tan Sri Abdul Halim bin Ali	315	–
Datuk Lee Teck Yuen	133	122 * @
Datuk Ir. Hamzah bin Hasan	196	–
Pushpanathan a/l S A Kanagarayar	214	146 #
Dato' David Frederick Wilson	109	–
Total	15,521	3,428

* Fees and allowances received from IJM Land Berhad in their capacity as Non-Executive Directors.

Fees and allowances received from IJM Plantations Berhad in their capacity as Non-Executive Directors.

@ Fee and allowance received from Kuantan Port Consortium Sdn Bhd in his capacity as a Non-Executive Director.

^ Includes the retirement gratuity of RM7.5 million.

III. INVESTOR RELATIONS AND SHAREHOLDER COMMUNICATION

1. Dialogue between the Company and Investors

The Company places great importance in ensuring the highest standards of transparency and accountability in its communication with investors, analysts and the public.

This is achieved through timely announcements and disclosures made to Bursa Securities, which include quarterly financial results, as well as relevant particulars of sizeable contract awards, changes in the composition of the Group and any other material information that may affect investors' decision making. The Company's full year audited financial results are released within two (2) months after the financial year end. A comprehensive annual report is released within four (4) months after the financial year end.

The Group also conducts regular dialogues with financial analysts. At least two (2) scheduled Company Briefings are held each year, usually coinciding with the release of the Group's second and final quarterly results, to explain the results achieved as well as immediate and long term strategies, along with their implications.

A press conference is normally held after each AGM and/or Extraordinary General Meeting ("EGM") of the Company to provide the media an opportunity to receive an update from the Board on the proceedings at the meetings and to address any queries or areas of interest.

The Company also participates in several institutional investor forums both locally and outside Malaysia. The summary of the Group's investor relations activities during the financial year and additional corporate information and/or disclosures of the Group are available for reference at www.ijm.com.

Any information that may be regarded as material would not be given to any single shareholder or shareholder group on a selective basis except to the extent of their representation on the Board. During the financial year, no substantial shareholder of the Company was represented on the Board.



Dato' Teh, preceding CEO&MD, presenting during IJM's 30th Annual General Meeting

2. General Meetings

The AGM is the principal forum for dialogue with shareholders. The notices of meeting and the annual reports are sent out to shareholders at least 21 days before the date of the meeting in accordance with the Company's Articles of Association.

All Directors had attended the AGM and EGM held during the financial year. At the AGM, a presentation was given by the CEO&MD to explain the Group's strategy, performance and major developments to shareholders, including the responses to questions raised by the Minority Shareholder Watchdog Group ("MSWG") in relation to the strategy and financial performance of the Group and corporate governance issues, which were submitted by MSWG prior to the AGM. The Board encourages shareholders to participate in the question and answer session at all general meetings.

Shareholders are encouraged to be aware of their rights with regards to the convening of general meetings, appointment of proxies, demand for poll voting and access to information. The details of the shareholder's rights are available for reference at www.ijm.com.

The Board had put all the resolutions to vote by poll at the general meetings held during the financial year. All shareholders were briefed on the voting procedures by the independent scrutineer prior to the poll voting at the general meetings.

The extract of minutes of general meetings (including the list of attendance of Directors, questions raised by shareholders and the respective responses, and outcome of the voting results) are made available to shareholders and public for reference at www.ijm.com.



Analyst briefing held in Wisma IJM



Directors and Senior Management participated in the Senior Management Forum 2014

3. Dividend Policy

The Company is committed to the payment of annual dividends. The quantum of dividends is determined after taking into account, inter alia, the level of available funds, the amount of retained earnings, capital expenditure commitments and other investment planning requirements.

The dividends for the current and preceding financial years are set out in the Chairman's Statement on page 60. The details of the dividends (including unclaimed dividends) and other distributions are available for reference at www.ijm.com.

4. Investor Relations Function

The Group, recognising the importance of investor relations, has an established Investor Relations Department to continuously develop and maintain its investor relations programme and to consistently inform shareholders and the investing community of the Group's developments in an effective, clear and timely manner. An Investor Relations report is presented to the Board at every scheduled quarterly Board meeting.

5. Openness and Transparency

The Group has established a comprehensive website at www.ijm.com, which includes a dedicated section on Investor Relations, to support its communication with the investment community. In the Investor Relations section, the information available includes the financial information, announcements and securities holdings of the Directors, principal officers and substantial shareholders.

The Group has also included a Corporate Governance section on the website where information such as the Board Charter, Code of Ethics and Conduct, Corporate Disclosure Policy, Diversity and Inclusion Policy and External Auditors Policy are made available to shareholders and the public.

To better serve stakeholders of the Group, a feedback page on the website provides an avenue for stakeholders to suggest improvements to the Group via email: ijmir@ijm.com. In addition, stakeholders who wish to reach the respective divisions of the Group can do so through the 'Contact Us' or 'Feedback' page.

Investor queries pertaining to financial performance or company developments may be directed to the Senior Manager (Investor Relations) of IJM Corporation Berhad, Mr. Shane Guha Thakurta (Tel: +603-79858041, Fax: +603-79529388, E-mail: shanethakurta@ijm.com), whereas shareholder and company related queries may be referred to the Company Secretary, Ms. Ng Yoke Kian (Tel: +603-79858131, Fax: +603-79521200, E-mail: csa@ijm.com).

IV. ACCOUNTABILITY AND AUDIT

1. Financial Reporting

In presenting the annual financial statements and quarterly announcements to the shareholders, the Board aims to present a balanced and understandable assessment of the Group's position and prospects. This also applies to other price sensitive public reports and reports to regulators.

2. Directors' Responsibility Statement

The Directors are required by the Companies Act, 1965 ("the Act") to cause Management to prepare the financial statements for each financial year in accordance with the provisions of the Act and applicable approved accounting standards to give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and of the results and cash flows of the Group and the Company for the financial year. Where there are new accounting standards or policies that become effective during the year, the impact of these new treatments would be stated in the notes to the financial statements, accordingly.

In the preparation of the financial statements, the Directors ensure that Management have:

- i) adopted appropriate accounting policies which were consistently applied;
- ii) made judgments and estimates that are reasonable and prudent;
- iii) ensured that all applicable approved accounting standards have been followed; and
- iv) prepared financial statements on the going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Group and the Company have adequate resources to continue in operational existence in the foreseeable future.

The Directors are responsible for ensuring that the Company keeps accounting records which disclose, with reasonable accuracy, the financial position of the Group and the Company, and which enable them to ensure that the financial statements comply with the provisions of the Act.

The Directors have also taken such steps as are reasonably available to safeguard the assets of the Group and the Company, and to prevent fraud and other irregularities.

3. Risk Management and Internal Control

The Group's Statement on Risk Management and Internal Control which provides an overview of the risk management framework and state of internal control within the Group, is set out on pages 103 to 107.

4. Relationship with the Auditors

Through the Audit Committee, the Board has a direct relationship with the external auditors. The role of the Audit Committee in relation to the external auditors is set out on pages 100 to 102. The external auditors were invited and had attended all the Audit Committee meetings and general meetings of the Company during the financial year.

The Audit Committee (together with the Chief Financial Officer and Chief Audit Executive) had undertaken an assessment on the suitability of the external auditors for the financial year pursuant to the External Auditors Policy ("the EAP"), which has outlined the guidelines and procedures for the assessment and monitoring of external auditors. The criteria for the External Auditors Assessment include quality of services, sufficiency of resources, communication and interaction, independence, objectivity and professional skepticism. There were no major concerns from the results of the External Auditors Assessment. The Audit Committee was satisfied with the external auditors' technical competency and audit independence.

The details of the EAP are available for reference at www.ijm.com.

5. Non-Audit Fee

The amount of non-audit fee incurred for the tax and other non-audit services provided by the external auditors and their affiliated companies to the Group for the financial year ended 31 March 2015 amounted to RM1.202 million.

6. Related Party Transactions

Significant related party transactions of the Group for the financial year are disclosed in Note 53 to the Financial Statements.

The Audit Committee had reviewed the related party transactions that arose within the Group to ensure that the transactions were fair and reasonable, not detrimental to the minority shareholders and were in the best interest of the Company.

V. CORPORATE RESPONSIBILITY AND SUSTAINABILITY

The Board places great importance on Corporate Responsibility ("CR") and business sustainability and embraces CR as an integral part of the Group's business philosophy and corporate culture.

The Quality Report, Health, Safety and Environment Report and CR Statement, which provide an overview of the CR framework and sustainability practices and activities, are set out on pages 108 to 152. The CR activities of the Group are available for reference at www.ijm.com under the CR section.

VI. CODES AND POLICIES

1. Code of Ethics and Conduct

The Board has made a commitment to create a corporate culture within the Group to operate the businesses in an ethical manner and to uphold the highest standards of professionalism and exemplary corporate conduct. The Code of Ethics and Conduct ("the CEC") of the Group which sets out the principles and standards of business ethics and conduct of the Group is applicable to all employees (including full time, probationary, contract and temporary staff) and Directors of the Group.

The CEC states that no Directors or employees shall use price sensitive non-public information, which can affect the prices of the securities of the Company when it becomes publicly known for personal benefit. All the Directors and principal officers are advised on a quarterly basis their obligations to comply with the LR in relation to dealings in the securities of the Company prior to the release of the quarterly financial results.

The CEC also provides that Directors and employees should avoid involving themselves in situations where there are real or apparent conflict of interest between them as individuals and the interest of the Group. In addition, the Directors or employees shall avoid any situation in which they have interest in any entity or matter that may influence their judgment in the discharge of their responsibilities. In the event the Directors are interested or deemed interested in any proposal, they will abstain from Board deliberation and also abstain from voting in respect of the resolution relating to the proposal.

The details of the CEC are available for reference at www.ijm.com.

2. Whistle-Blowing Policy

The Board encourages employees and associates to report suspected and/or known misconduct, wrongdoings, corruption and instances of fraud, waste, and/or abuse involving the resources of the Company. The Whistle-Blowing Policy adopted by the Company provides and facilitates a mechanism for any employee and associate to report concerns about any suspected and/or known misconduct, wrongdoings, corruption, fraud, waste and/or abuse.

The Whistle-Blowing Policy is posted on the Company's website at www.ijm.com for ease of access for reporting by employees and associates of the Group.

3. Corporate Disclosure Policy

The Board places importance in ensuring disclosures made to shareholders and investors are comprehensive, accurate and on a timely and even basis as they are critical towards building and maintaining corporate credibility and investor confidence. The Corporate Disclosure Policy ("the CDP") of the Group has set out the policies and procedures for disclosure of material information of the Group. The CDP is applicable to all employees (including full time, probationary, contract and temporary staff) and Directors of the Group.

The details of the CDP are available for reference at www.ijm.com.

4. Diversity and Inclusion Policy

The Board believes that a diverse and inclusive workforce is a source of strength and a market differentiator, and embraces a philosophy of openness in acknowledging differences of opinions, cultures and contributions, and treating everyone with respect. As enshrined in IJM's core values, *Respect for Diversity*, the Diversity and Inclusion Policy ("the DIP") was formulated during the financial year and is applicable to all the employees and Directors of the Group.

The details of the DIP are available for reference at www.ijm.com.

This Corporate Governance Statement is made in accordance with a resolution of the Board of Directors dated 14 July 2015.

audit committee report

During the financial year, the Audit Committee carried out its duties and responsibilities in accordance with its terms of reference and held discussions with the internal auditors, external auditors and relevant members of Management. The Audit Committee is of the view that no material misstatements or losses, contingencies or uncertainties have arisen, based on the reviews made and discussions held.

MEMBERSHIP AND TERMS OF REFERENCE OF THE AUDIT COMMITTEE

MEMBERSHIP

The Audit Committee is appointed by the Board of Directors from amongst the Non-Executive Directors and consists of three (3) members, all of whom are Independent Non-Executive Directors.

The Chairman of the Audit Committee, Mr. Pushpanathan a/l S A Kanagarayar is a member of the Institute of Chartered Accountants of Scotland, the Malaysian Institute of Certified Public Accountants ("MICPA") and the Malaysian Institute of Accountants ("MIA"). The other members of the Audit Committee are Tan Sri Abdul Halim bin Ali and Datuk Ir. Hamzah bin Hasan.



Members of the Audit Committee (left to right)

- Pushpanathan a/l S A Kanagarayar • Tan Sri Abdul Halim bin Ali
- Datuk Ir. Hamzah bin Hasan

MEETINGS

Five (5) meetings were held during the financial year with the attendance of the Chief Financial Officer, Head of Internal Audit, senior representatives of the external auditors and the Company Secretary. The Audit Committee had also met with the external auditors twice without the presence of Management during the financial year.

A quorum consists of two (2) members present and both of whom must be Independent Directors. Other Board members and Senior Management may attend meetings upon the invitation of the Audit Committee. Both the internal and external auditors, too, may request a meeting if they consider that one is necessary.

During the financial year, the Chairman of the Audit Committee had engaged on a continuous basis with Senior Management, Head of Internal Audit and the external auditors, in order to keep abreast of matters and issues affecting the Group.

The Company Secretary acts as the secretary to the Audit Committee. Minutes of each meeting are distributed electronically to each Board member, and the Chairman of the Audit Committee reports on key issues discussed at each meeting to the Board.

Details of the Audit Committee members' attendance are tabled below:

	No. of meetings attended
Pushpanathan a/l S A Kanagarayar, Independent Non-Executive Director (Chairman)	5/5
Tan Sri Abdul Halim bin Ali, Independent Non-Executive Director	4*/5
Datuk Ir. Hamzah bin Hasan, Independent Non-Executive Director	5/5

* Tan Sri Abdul Halim bin Ali had abstained himself from attending a Special Audit Committee Meeting in relation to the privatisation of IJM Land Berhad ("IJML") undertaken by the Company as he was deemed interested in the transaction by virtue of his position as the Independent Non-Executive Chairman of the Company and a shareholder of IJML.

AUTHORITY AND DUTIES

The details of the terms of reference of the Audit Committee are available for reference at www.ijm.com.

REVIEW OF THE AUDIT COMMITTEE

An annual assessment and evaluation on the performance and effectiveness of the Audit Committee was undertaken by the Board of Directors for the financial year ended 31 March 2015. The Audit Committee was assessed based on four (4) key areas, namely effectiveness and quality, internal and external audit, risk management and internal control, and financial reporting, to determine whether the Audit Committee had carried out its duties in accordance with its terms of reference.

SUMMARY OF ACTIVITIES FOR THE FINANCIAL YEAR

During the year, the Audit Committee carried out the following activities:

1.0 Financial Reporting

- Reviewed the quarterly financial results and announcements as well as the year end financial statements of the Group, and recommended them for approval by the Board;
- In the review of the quarterly financial results and annual audited financial statements, the Audit Committee discussed with Management and the external auditors, amongst others, the accounting principles and standards that were applied and their judgement of the items that may affect the financial results and statements; and
- Confirmed with Management and the external auditors that the Company's and Group's annual audited financial statements have been prepared in compliance with applicable Financial Reporting Standards.

2.0 Internal Audit

- Reviewed and approved the annual audit plan proposed by the internal auditors to ensure the adequacy of the scope and coverage of work;
- Reviewed the effectiveness of the audit process, organisation structure, resource requirements (adequacy and suitability) for the year and assessed the performance of the overall Internal Audit function;

- Reviewed the audit reports presented by the internal auditors on their findings and recommendations with respect to system and control weaknesses. The Audit Committee then considered those recommendations including the Management's responses, before proposing that those control weaknesses be rectified and recommendations for improvements be implemented;
- Reviewed significant whistle blowing cases;
- Reviewed and approved revisions to the IJM Internal Audit Charter; and
- Reviewed the reports on the verification of allocation of options conducted by the Internal Auditors in relation to the Employee Share Option Scheme ("ESOS") and Employee Share Grant Scheme ("ESGP") under the Long Term Incentive Plan ("LTIP") of the Company to ensure compliance with the criteria set out in the By-Laws of the LTIP.

3.0 External Audit

- Reviewed and endorsed the external auditors' audit strategy, audit plan and scope of work for the year;
- Reviewed the findings of the external auditors' reports, particularly the issues raised in their management letter and ensured where appropriate, that the necessary corrective actions had been taken by Management;
- Undertook an annual assessment on the suitability and independence of the external auditors based on quality of service, sufficiency of resources, communication and interaction, independence, objectivity and professional scepticism, pursuant to the Company's and Group's External Auditors Policy;
- Reviewed and approved the non-audit services provided by external auditors while ensuring independence and objectivity;
- Obtained written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements; and
- Recommend the proposed audit fee and the external auditors' reappointment for Board's approval.

4.0 Risk Management Committee

- Reviewed the Risk Management Committee's reports, assessed the adequacy and effectiveness of the risk management framework and the appropriateness of Management's responses to key risk areas and proposed recommendations for improvements to be implemented.

5.0 Related Party Transactions

- Reviewed the related party transactions that arose within the Group to ensure that the transactions are fair and reasonable to, and are not to the detriment of, the minority shareholders.

TRAINING

During the year, all the Audit Committee members attended various seminars, training programmes and conferences. Details of these are available at www.ijm.com.

INTERNAL AUDIT FUNCTION

The Group's internal audit function is carried out by the Internal Audit Department ("IAD") that reports directly to the Audit Committee on its activities based on the approved annual Internal Audit Plan. The approved annual Internal Audit Plan is designed to cover projects and entities across all levels of operations within the Group.

The IAD is governed by the IJM Internal Audit Charter and takes into account global best practices and industry standards. The Head of Internal Audit reports directly to the Audit Committee and has direct access to the Chairman of the Audit Committee on all the internal control and audit issues.

The main role of the IAD is to provide the Audit Committee with independent and objective reports on the effectiveness of the system of internal controls within the Group, which are performed with impartiality, proficiency and due professional care. The Audit Committee receives quarterly reports from the Head of Internal Audit on the results of the internal audit activities performed. The Audit Committee discusses the internal audit reports to ensure recommendations from the reports are duly acted upon by Management. IAD continuously monitors the implementation of the audit recommendations through periodic follow up.

The IAD adopts a risk based auditing approach, prioritising audit assignments based on the Group's business activity, risk management and past audit findings.

INTERNAL AUDIT ACTIVITIES FOR THE FINANCIAL YEAR

During the financial year, the IAD had completed and reported 71 audit assignments covering the construction, property, industry, infrastructure and plantation divisions, as well as the overseas operations of the Group. This included special audits conducted on the basis of special requests from the Board, Audit Committee, Senior Management or those arising from the Group's Whistle Blower Programme.

The IAD, during the financial year, provided internal audit services to IJM Land Berhad and IJM Plantations Berhad, and in an effort to provide value added services, it also plays an active advisory role in the review and improvement of existing internal controls within the Group.

Currently, the IAD comprises 23 auditors with approximately 44,000 available man-hours per annum.

IJM is a Corporate Member of The Institute of Internal Auditors Malaysia. The total cost incurred for the internal audit function of the Group for the financial year ended 31 March 2015 was approximately RM3.2 million (FY2014 : RM2.7 million).

This Audit Committee Report is made in accordance with a resolution of the Board of Directors dated 14 July 2015.

statement on risk management and internal control

The Board is committed to nurture and preserve throughout the Group a sound system of risk management and internal controls and good corporate governance practices as set out in the Board's Statement on Risk Management and Internal Control made in compliance with Paragraph 15.26(b) of the Listing Requirements of Bursa Securities and guided by the Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers.

BOARD'S RESPONSIBILITY

The Board acknowledges its responsibility for maintaining a sound risk management framework and internal control system to safeguard the shareholders' investments and the Group's assets, as well as to discharge its stewardship responsibility in identifying principal risks and ensuring the implementation of an appropriate risk management and internal control system to manage those risks in accordance with Principle 6 of the Malaysian Code on Corporate Governance.

The Board continually reviews the adequacy and effectiveness of the Group's risk management and internal control system which has been embedded in all aspects of the Group's activities and reviews the processes, responsibilities and assesses for reasonable assurance that risks have been managed within the Group's risk appetite and tolerable ranges.

Notwithstanding, the Group's system by its nature can only reduce rather than eliminate the risk of failure to achieve the business objectives. Accordingly, such systems can only provide a reasonable but not absolute assurance against material misstatement, loss or fraud.

The Board has received assurance from the Chief Executive Officer & Managing Director and the Chief Financial Officer that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control framework of the Group.

KEY RISK MANAGEMENT AND INTERNAL CONTROL PROCESSES

The Group has a well-defined organisational structure with clearly delineated lines of accountability, authority and responsibility to the Board, its committees and operating units. Key processes have been established in reviewing the adequacy and effectiveness of the risk management and internal control system including the following:

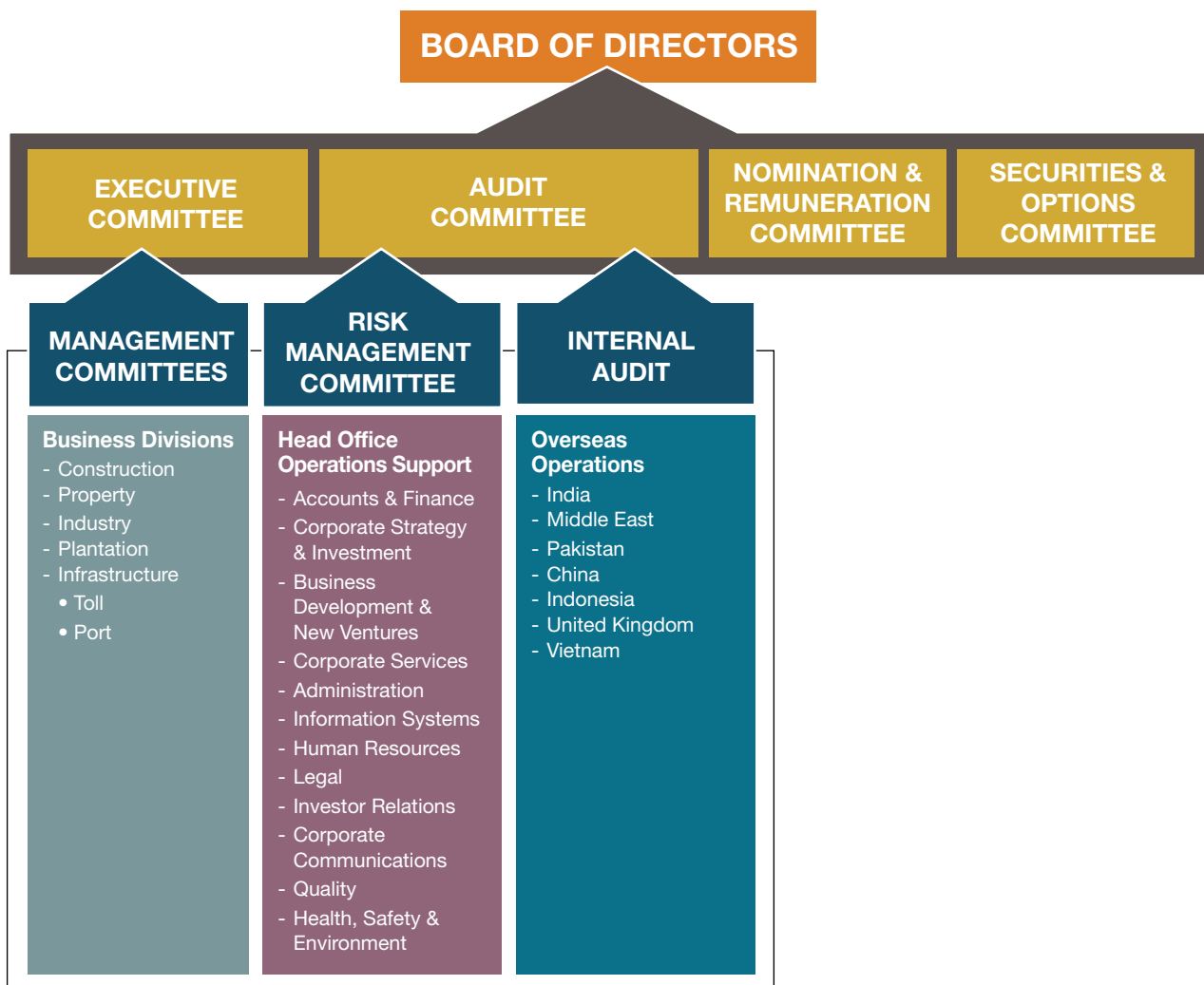
- The Executive Committee of the Board was established to manage the Group's operating divisions in accordance with corporate objectives, strategies, policies, key performance indicators and annual budgets as approved by the Board. Further details on the Executive Committee are set out in the Corporate Governance Statement.
- The Audit Committee of the Group, with the assistance of the Risk Management Committee, performs regular risk management assessments and through the Internal Audit Department, reviews the internal control processes, and evaluates the adequacy and effectiveness of the risk management and internal control system. The committee also seeks the observations of the independent external auditors of the Group. Further details are set out in the Audit Committee Report.
- The Risk Management Committee ("RMC") was established to oversee and perform regular reviews on the Group's risk management processes. The RMC is chaired by the Group's Chief Financial Officer and includes representatives from all business divisions, both local and overseas, as well as from the relevant Head Office operations support departments. Each business division's risk management function is led by the respective head of the division. The RMC reports to the Audit Committee on a quarterly basis where key risks and mitigating actions are deliberated and implemented.

statement on risk management and internal control (cont'd)

- The Internal Audit Department performs internal audits on various operating units within the Group on a risk-based approach based on the annual audit plan approved by the Audit Committee. The department checks for compliance with policies and procedures and the effectiveness of the internal control system and highlights significant findings of non-compliance in the quarterly Audit Committee meetings of the Group and major subsidiaries.
- The Nomination & Remuneration Committee ("NRC") assists the Board to review and recommend appropriate remuneration policies for Directors and senior management to ensure that their remuneration commensurates with their performance.

The NRC also reviews and recommends candidates to the Board of the Company. The Securities and Options Committee administers options, regulates and approves the securities transactions in accordance with established regulations and by-laws. Further details are set out in the Corporate Governance Statement.

- Management committees are established by the respective Boards of major subsidiaries of the Group to assume the functions, of the Executive Committee as stated above, in those subsidiaries.



Key Elements of the Risk Management and Internal Controls

- Clearly documented standard operating policies and procedures to ensure compliance with internal controls, laws and regulations, which are subjected to regular reviews and improvement, have been communicated to all levels.
- Established guidelines for recruitment, human capital development and performance appraisal to enhance staff competency levels have been disseminated to all employees.
- Clearly defined levels of authority for day-to-day business aspects of the Group covering procurement, payments, investments, acquisition and disposal of assets have been disseminated to all employees.
- Top down communication is made to all levels, of the company values such as the IJM charter, including statements of vision, mission and core values, code of ethics and conduct, corporate disclosure policy as well as avenues for whistle blowing.
- Regular comprehensive information are conveyed to the Board, its committees and management committees of the Group and major subsidiaries covering finance, operations, key performance indicators and other business indicators such as economic and market conditions at their monthly or periodic meetings.
- Annual budgets are prepared to monitor actual versus budgeted and prior period's performance with major variances being reviewed and management actions taken as necessary;
- Half-yearly company briefings with analysts are conducted on the day of release of the financial results to apprise the shareholders, stakeholders and general public of the Group's performance whilst promoting transparency and open discussion.

RISK MANAGEMENT FRAMEWORK

The RMC principally develops, executes and maintains the risk management system to ensure that the Group's corporate objectives and strategies are achieved within the acceptable risk appetite of the Group. Its reviews cover responses to significant risks identified including non-compliance with applicable laws, rules, regulations and guidelines, changes to internal controls and management information systems, and output from monitoring processes.



A risk map addressing the risks to the achievement of strategic, financial, operational and other business objectives, using quantitative and qualitative aspects to assess their likelihood and impact, and the controls for assuring the Board that processes put in place continue to operate adequately and effectively, is prepared annually by each business unit. As the business risk profile changes, new areas are introduced for risk assessment.

statement on risk management and internal control (cont'd)

The Group's Head Office considers the risks associated with the Group's strategic objectives and overall risk appetite which are not addressed by the respective business units. The consolidated risks and the mitigating actions are reported to the RMC before being presented to the Audit Committee.

As a global conglomerate with a diverse business portfolio, the Group faces exposure to numerous risks. Hence, the Group has in place adequate and regularly reviewed insurance coverage where it is available on economically acceptable terms to minimise the related financial impacts.

Market Risk Management

Market risks refer to the risks resulting from economic and regulatory conditions and the inherent cyclical nature of the Group's businesses.

In the current economic climate, order book replenishments and overcapacity situations remain key areas of concern. Therefore, the Group constantly explores various potential businesses and geographical diversifications and seeks alternative uses on the excess capacity. The properties sector remains challenged amidst stiff competition among property players causing our property arm to adopt more aggressive marketing strategies with appropriate product differentiation and flexibility in product offerings to suit the market demand.

The Group has invested in emerging markets over the years such as in India, the Middle East, Indonesia and China. Whilst the Group is able to tap into these markets, foreign engagements entail added risks given their different operating, economic and regulatory environments as well as intensive local and international competition. Nevertheless, the Group continues to monitor the identified market risks whilst continuously seeking out local as well as international opportunities to replenish orders and preserve earnings.

Commodity risk arises from the volatility of commodity prices including currency fluctuations. The Plantation Division manages such risk by constantly monitoring the commodity prices, hedging through forward sales or crude palm oil pricing swap arrangements and close monitoring of pricing trends of major substitutes such as oils and fats. The Group manages foreign exchange exposures by entering into forward foreign exchange contracts, cross currency swap contracts and the foreign currency denominated borrowings are kept to an acceptable level.



The Port Division regularly conducts fire drills to familiarise with the emergency response and crisis management situations

The Group's businesses are governed by relevant laws, regulations, standards, licenses and concession agreements. The Group manages the regulatory risks by implementing appropriate policies, procedures, guidelines, self-audit process and contracts management, as well as maintaining regular communication with the authorities to ensure compliance at all times. In addition, the Group's legal department provides legal input on compliance with applicable laws and regulations, including on business, contracts and operational matters.

Credit and Liquidity Risk Management

These risks arise from the inability to recover debts in a timely manner which may adversely affect the Group's profitability, cash flows and funding. The Group minimises such exposures by assessing the creditworthiness of potential customers, close monitoring of collections and overdue debts, and effective credit utilisation to keep leverage at a comfortable level.

Operational Risk Management

Operational risks arise from the execution of a company's business including risks of systems and equipment failure, overcapacity situations, inadequate skilled workforce and adverse climatic conditions. The Group strictly adheres to policies, procedures, quality controls and best practices to ensure that all systems and equipment are functional. To manage overcapacity issues, the Group constantly reviews its business plans and seeks alternative uses for excess capacity.

The Group implemented attractive remuneration schemes to attract and retain its skilled workforce to meet existing and future needs. To cope with the adverse climatic conditions affecting the oil palms, the Plantation Division strictly follows the requirements of the planting manual, employs good agricultural practices, water conservation and irrigation measures to sustain high production yields.



The Industry Division manages overcapacity situations by exploring alternative uses on excess capacity

Disaster Recovery Planning

With threats of Management Information System (“MIS”) failure and other potential hazards such as fires, floods, earthquakes and major equipment failures, amongst others, the continuity of business operations is of a major concern to the Group. In line with that, the Group has a crisis management plan to deal with major incidences and crisis situations affecting our businesses and of public concern.

Additionally, the Group has a production site for ERP systems at an external hosting centre in Cyberjaya, Selangor which was designed to be near disaster free while the IJM Data Recovery Centre maintained at Menara IJM Land, Penang acts as a warm site for systems recovery in the event of a MIS failure. The non-ERP applications are safely maintained in Cyberjaya or by cloud hosts.

Regular incident management drills at our properties ranging from basic fire safety to mass evacuation drills are conducted to ensure that our employees are familiar with the planned emergency response and crisis management plans.

ANNUAL AND QUARTERLY RISK ASSESSMENT REVIEWS

During the financial year, all divisions conducted their annual comprehensive risk management and internal control system reviews and accordingly, proposed changes to their risk management and internal control processes, which were assessed by the RMC and reported to the Audit Committee.

The Group identified major risk areas of concern which included the volatile global capital markets, slow collections, the competitive property environment, fluctuating commodity prices and foreign exchange rates, and mitigating actions were undertaken within appropriate timeframes. In addition, the Group performed the quarterly risk assessment updates and reported to the Audit Committee in a timely manner.

For the financial year under review and up to the date of issuance of this statement, the Board is pleased to state that the Group’s system of risk management and internal control was rated overall as satisfactory, adequate and effective for the Group’s purpose. There have been no material losses, contingencies or uncertainties arising from the reviews.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review which was performed in accordance with Recommended Practice Guide (“RPG”) 5 (Revised) issued by the Malaysian Institute of Accountants. RPG 5 (Revised) does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

THE GROUP WILL CONTINUE TO MONITOR ALL MAJOR RISKS AFFECTING THE GROUP AND TAKE THE NECESSARY MEASURES TO MITIGATE THEM AND ENHANCE THE ADEQUACY AND EFFECTIVENESS OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM OF THE GROUP.

This Statement on Risk Management and Internal Control is made in accordance with a resolution of the Board of Directors dated 14 July 2015.

quality report

In IJM, we relate Quality with Customer Satisfaction and Continuous Improvements. We believe that focusing on Customer Satisfaction and adherence to Continuous Improvements and Quality Standards are important aspects in order to remain competitive in today's market. One of the Group's major objectives is to focus our activities on current and future requirements of our customers.

The Group's motto of "Excellence Through Quality" aptly describes its uncompromising adherence to quality standards and pursuit for Continuous Improvements. IJM's Quality System is defined by its organisational objectives, policies, processes and the infrastructure setting towards a total quality management approach in tandem with its vision, mission and core values.

One of the key elements of the IJM Group internal control system is that all departments and/or operating units within IJM Group must have a clearly documented standard policies and procedures which are subject to regular reviews and improvements.

Quality is a continuous process of building and sustaining relationships by assessing, anticipating and fulfilling stated and implied needs. It forms the platform for efficient management and operation across different departments, units, divisions and invigorates improvements needed in parallel to advancement in technology and processes.

QUALITY POLICY STATEMENT

In line with IJM's quality philosophy, the Group believes Process Excellence is the foundation to our Operational Pillars. Quality is our hallmark thus we shall work together to:

- Ensure projects implemented and services provided meet customers' satisfaction;
- Continuously enhance our skills, processes and quality management system;
- Be trusted by our stakeholders for our dedication, professional conduct and integrity;
- Ensure adherence to applicable legal requirements; and
- Strive to be the industry reference.



Inspection and assessment of Air Conditioning Mechanical Ventilation Equipment

COMMITMENT & CULTURE

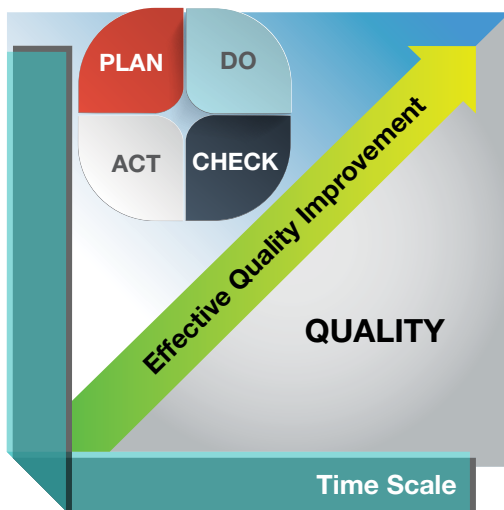
The Group's commitment towards quality is mirrored by the involvement of senior management in quality management committees and management review meetings.

The Group places emphasis on developing a quality conscious culture in regards to the processes and systems at every level of operations to increase the employees' awareness of their responsibilities and commitment towards quality excellence.

We seek for zero defects and conformance to quality requirements. This is the focal point of continuous improvement.



Standing supervision by supervisor is adhered to ensure proper protection and care while fabricating reinforcement at the Cheras Sentral Section, MRT V5 Project

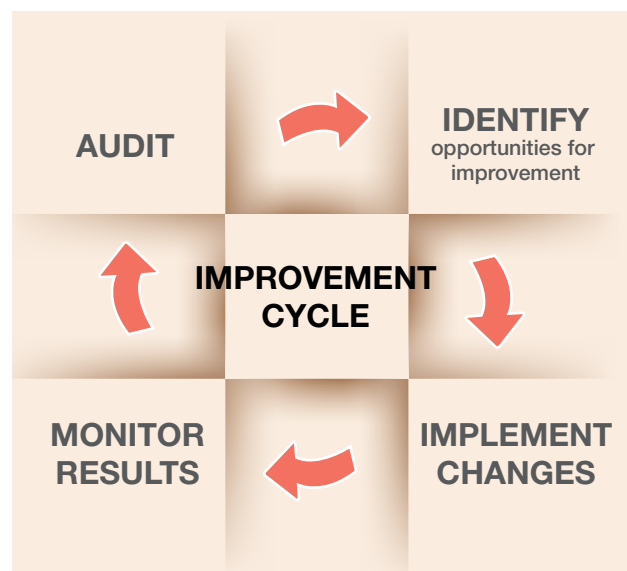


CONTROL & MONITORING

Quality control is a process or practise that is used to gauge quality attainment in a product or service. It is our culture that thorough examination and testing are performed on the quality of the product where it meets specific requirements and characteristics.

The Group is committed towards meeting customers' needs and delivering quality products and services, and therefore has developed and effectively implemented a system comprising:

- Well-structured quality management system at all relevant levels of operations;
- Routine assurance and control visits to verify effectiveness of its implementation;
- Corrective and preventive action measures;
- Scheduled internal and external audits;
- Effective data analysis including customer satisfaction surveys;
- Knowledge based feedback system;
- Key performance indices as part of quality objectives; and
- Effective use of electronic based system for centralised monitoring and control.





Structural IQSAS assessment on reinforcement as pre-concreting works is in progress at Phase 2R, Seremban 2 Development Project



Process improvement for concrete pumping system to prevent the pipe from wobbling and touching the mould, thus preventing errors of inaccurate concrete weight



Rakanan Jaya North Estate was awarded the 'Best Estate' by MPOB for estate size more than 2,000 hectares in 2014

CUSTOMER SATISFACTION & CONTINUOUS IMPROVEMENT

Customer satisfaction is the yardstick for measuring our success. We define quality as an extent to which we satisfy our customers. Therefore, our integrated management system comprises all our efforts to optimise our customer-focused activities.

All activities and processes in the above elements are identified, planned, implemented, monitored and controlled. Activities and processes which have quality implications are verified at each stage of production and the results documented as objective evidence. Similarly all incoming materials which have quality implications need to be accepted on a predetermined basis (i.e. inspection, test, manufacturer's mill certificates, size, grade, etc.). Subcontracted work off-sites shall be accepted on established procedures.

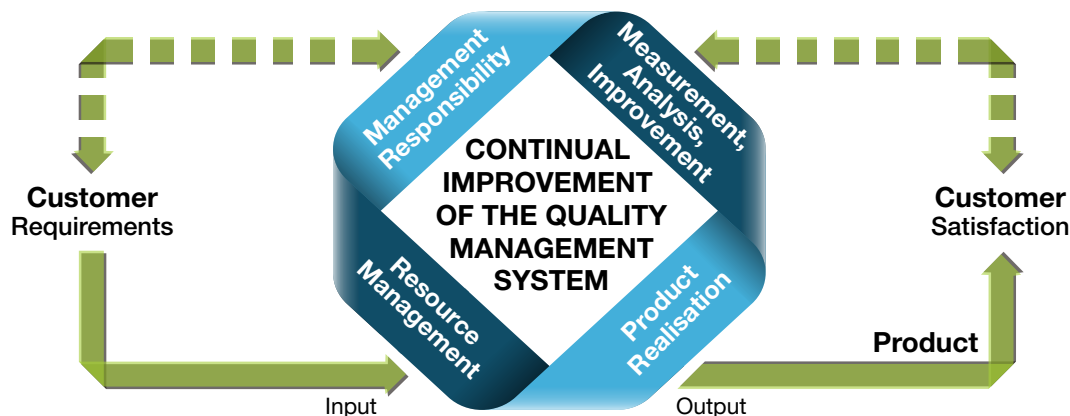
The Group has in place an internally developed self-regulated system called IJM Quality Standard Assessment System ("IQSAS") for various aspects of its building construction and civil works. This serves as a benchmark amongst its projects and subsequently as a catalyst for continuous quality improvement.

Our high end property developments are assessed based on Construction Quality Assessment System ("CONQUAS"). The Group's manufactured products are also quality certified to comply with the applicable regulatory standards and some of the plants are certified to the Singapore Accreditation Council.

As an important part of our quality management system, our processes are designed to add value for our customers. Continual improvement is one of the core quality management principles. Continuous improvement is also an integral part of IJM's philosophy to create and sustain better quality performance and is carried out through the following approaches:

- Progressive review and update of the Quality Management System manual and procedures to address the requirements of customers and businesses, and technological advancement;
- Knowledge and skills development of its people to keep them abreast with advancement in products and services needs;
- On-the-job training throughout its operations;
- Emphasis on process excellence;
- Investments on latest hardware and software;
- Inculcate innovation as part of operation strategy;
- Introduction of high performance materials in its manufactured products and moving towards more automation; and
- Implementation of guidelines and process control systems for effective execution and monitoring.

We shall continue to monitor our processes to enable us to continuously improve our performance. Ultimately, our goal is to be recognized as a Quality leader by our customers, competitors and the industry at large.



RECOGNITION & CERTIFICATION

In order to promote healthy competition amongst its people to deliver quality work, the Group accords annually the Quality Awards to projects that excel amongst its peers. The awards are presented for two categories comprising building and civil works.

The Group's QMS was certified by the internationally recognized ISO 9001 standard since 1996. Since then, the Group aspires to continuously achieve compliance with ISO 9001:2008 in its core business operations. The following are companies that have achieved the renowned certification:

1. IJM Corporation Berhad
2. IJM Land Berhad
3. IJM Construction Sdn Bhd
4. Road Builder (M) Sdn Bhd
5. Industrial Concrete Products Sdn Bhd
6. Prebore Piling & Engineering Sdn Bhd
7. IJM Building Systems Sdn Bhd
8. Jurutama Sdn Bhd
9. IJM (India) Infrastructure Ltd
10. Kuang Rock Products Sdn Bhd
11. Expedient Resources Sdn Bhd
12. Strong Mixed Concrete Sdn Bhd
13. Durabon Sdn Bhd
14. Besraya (M) Sdn Bhd
15. New Pantai Expressway Sdn Bhd
16. Lebuhraya Kajang-Seremban Sdn Bhd
17. IJM Highway Services Sdn Bhd
18. Kuantan Port Consortium Sdn Bhd (Handling of liquid bulk cargo)

The Industry Division has achieved quality recognition for the following:

1. Product Certificate of Conformity from IKRAM QA Certification.
2. Certification of Accreditation for ICP Material Test Laboratory from Laboratory Accreditation Scheme of Malaysia (Skim Akreditasi Makmal Malaysia).

3. Singapore Accreditation Council under BCA Singapore Ready-Mixed Concrete Product Certification Scheme in compliance with SS EN 206-1:2009; SS 544:Part 1&2:2009; and SAC CT 06:2011 for ICP factories at Klang, Nilai, Lumut & Senai.

In the Plantation Division's Malaysian operations, its 11 estates, 4 palm oil mills, a nursery and the kernel crushing plant were certified under the Malaysian Palm Oil Board ("MPOB") Code of Practices for quality, food safety and sustainability. Across in the Indonesian operations, working requirements were geared towards obtaining the Indonesian ISPO certification. In recognition of the division's well managed estate, Rakanan Jaya North Estate was awarded the 'Best Estate' by MPOB for estate size more than 2,000 hectares in 2014.

LATEST INNOVATIVE ACHIEVEMENTS

The Group aspires to achieve greater heights in Quality Management and continuous improvement. It has embarked on a few initiatives in this regard:

a) SIRIM 5-S systems

This system guides our construction projects and sub-contractors to improve safety, hygiene, quality, productivity and image. The Group improvised by adding the relevant SIRIM 5-S system elements into its quality management system.

b) Cloud Computing

The Group has implemented an Electronic Document Management System ("eDMS") using a cloud based solution. This system allows standardisation, centralisation and consolidation of documents into a single depository; whilst providing easy retrieval and maintenance of documents electronically. eDMS also enables mobile organisation control and effective operation mechanism.

Notwithstanding the above, the IJM Quality System will continue to inculcate continuous improvements and innovative approaches in its processes and overall system.

health, safety and environment report

The Group is committed to deliver sustainable value to its stakeholders by ensuring the health, safety and wellbeing of its employees and the protection of the environment.

Our beliefs, principles and policies on Health, Safety and Environment (“HSE”) are embedded in our HSE Management System (“HSEMS”) which is in line with our good governance practices.

The HSEMS embodies the concept of continual improvement and complies with the requirements of OHSAS 18001:2007, ISO 14001:2004 and MS 1722: 2011. The main objectives of the HSEMS are to ‘Prevent Accident’, ‘Prevent Occupational Illness’ and ‘Prevent Environmental Pollution’.

HEALTH, SAFETY AND ENVIRONMENT (“HSE”) POLICY STATEMENT

In order to achieve the HSE objectives, the Group has set up HSE policies, procedures and a comprehensive framework to ensure:

- Compliance with all applicable HSE legislations and other requirements;
- Familiarisation of HSE training, information and available facilities by all employees and stakeholders;
- Increased HSE awareness and accountability at all levels of the organisation; and
- Monitoring and regular reviews of its set HSE objectives.

HSE ORGANISATION

The HSEMS has been implemented at all levels of the Company and HSE Organisations have been established to manage and monitor its implementation effectively:

- a) Health, Safety and Environment Management Committee (“HSEMC”)

The CEO & Managing Director chairs the regular Committee’s meetings to review the HSE operations and performances.
- b) Health, Safety and Environment Committee (“HSEC”)

At the corporate level, senior management personnel leads the HSEC which is established at all workplaces as part of compliance with the Occupational Safety and Health Act 1994 (“OSHA”).
- c) Corporate HSE Department

The HSE Department assists the Company in establishing, implementing and maintaining the HSEMS.

HSE MANAGEMENT PROGRAMMES

A variety of HSE management programmes were rolled out during the financial year in an effort to drive the Company’s HSE management to a higher level which included:

- HSE Self-Assessment System

A scoring system involving 16 elements was designed to assist Project Teams to identify their compliance levels with HSEMS.
- Behavioural Based Safety

Effectiveness of the HSEMS is improved by carrying out surveys to gauge the level of ‘safety’ culture in IJM.
- World Environment Day Campaign

An initiative to increase the level of awareness amongst employees on green issues and support the worldwide campaign.
- HSE Campaign

Launched by the CEO & Managing Director, the campaign aimed at boosting the HSE performance and awareness to a higher level.
- HSE Automation System

Established to simplify the HSE processes and effectively identify potential hazards at the workplace.
- HSE Trainings

Specific trainings are conducted to enhance the employees’ skills and knowledge on HSE.

MONITORING AND MEASUREMENT OF HSE PERFORMANCES

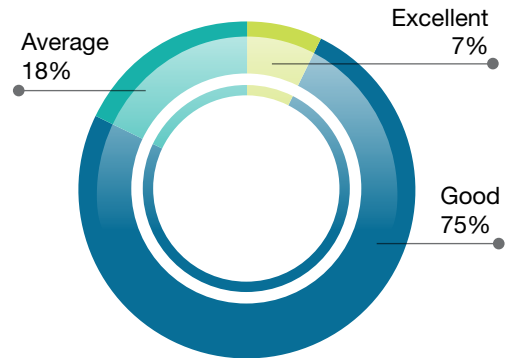
i) Internal HSE Audits

A systematic internal audit programme was designed to review and measure the conformance with HSEMS periodically as well as to ensure compliance with applicable regulatory requirements. During the financial year, a total of 16 audits were conducted.

ii) HSE Surprise Inspections

A total of 56 HSE surprise inspections were carried out during the financial year to verify the workplace compliance with established HSE requirements and standards. The Construction Division had set a specific rating of 78% and above as the key performance indicator for all of its projects.

HSE Surprise Inspections



PREVENTION OF HAZARDS

IJM has adopted the best safety practices and implemented new technologies to prevent and reduce construction hazards in all of its projects.

Fall Protection

To safeguard our workers from falling hazards, the Construction Division installed the screen system, fencing system, edge protection and safety nets as barricades to prevent such accidents.

Machinery & Equipment Safety

The use of heavy duty industrial plugs and sockets has been standardised to prevent short circuits. Machinery safety notices are displayed at all sites which contain pertinent information on the equipment such as safe working instructions, persons-in-charge and inspection dates.



Screen system is installed at construction site



Installation of fencing to prevent falling hazard



Machinery Safety Notice on a generator set used at site



Safe access for the public with overhead protection



Thumb print system implemented to ensure that only authorised personnel can enter the construction sites

Access and Egress

The 'overhead protection' and 'separate access' for construction workers and vehicles are amongst the safety practices to protect the wellbeing of people working at project sites.

Thumb Print System

A biometric identification system is used as a mechanism to monitor and control the entry of site personnel into the construction sites.

Chemical Management

Chemicals used at sites are stored in accordance with the Safety Data Sheet at designated areas with appropriate safety signages and firefighting equipment.

Grand Tool Box Meetings

Mass HSE briefings are conducted on a regular basis at project sites to promote and emphasise on safety practices.



On site diesel storage equipped with safety signage, fire extinguisher and concrete bund

OTHER SAFETY AND HEALTH PRACTICES

The Construction Division implemented the "HSE Walk the Talk" Programme where regular HSE Committee Inspections led by the Project Managers are carried out at workplaces. In addition, the "You See You Act" Programme is aimed at improving the safety standards at the workplaces.



Project Manager's inspection at construction site as part of 'Walk the Talk' Programme

A HSE gallery was established at IJM Central Workshop at Bukit Beruntung. The gallery provided mock-up HSE physical provisions, displayed necessary HSE information and provided guidance to all workplaces in complying with the legal requirements and IJM HSE procedures.

Our Industry Division has also implemented the HSEMS - an integrated system of OHSAS 18001:2007 and ISO 14001:2004 standards. Its Head Office, Nilai, Senai and Lumut factories have been accredited by the SIRIM QAS International and the United Kingdom Accreditation Service. The HSEMS is gradually implemented in the other factories as well.

The Plantation Division has established Safety & Health Committees in each operating unit with regular meetings held in compliance with the Occupational Safety and Health Act (OSHA). Its employees are trained in health and safety including crisis management, machinery accident, preventive maintenance and confined space management.

The Port Division's safety policy conforms to the DOSH requirements which are applicable to all port users and employees. Safety briefings and tool box meetings are conducted daily, as well as weekly audits and monthly joint-audits performed with the local regulator, Kuantan Port Authority. Its Emergency Response Team conducts regular drills to ensure immediate response in the event of emergencies.

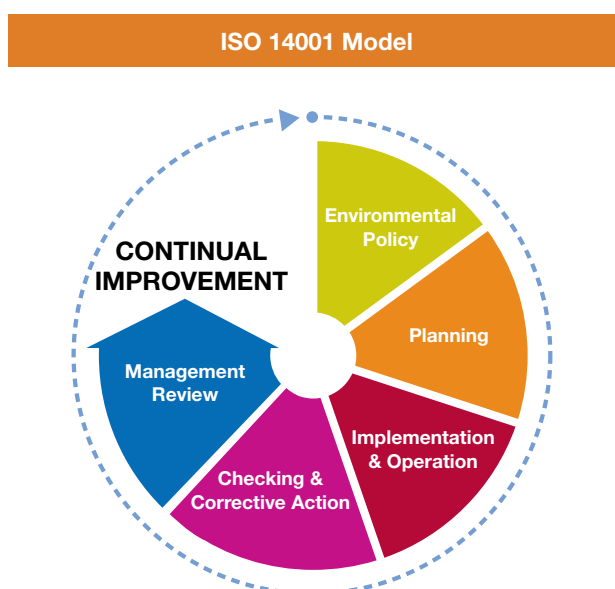


Ambulance with emergency response equipment on standby at the project sites

ENVIRONMENT

As part of the Group's corporate environmental policy, key targets have been set to emphasise on pollution prevention, natural resources management, reinstatement of landscape at project sites, minimisation of social and environmental nuisances and respect for the communities.

The Company, in compliance with ISO 14001, took an organised approach to initiate, implement and monitor environmental plans by establishing an Environmental Management System ("EMS"). The performance indicators established are based on environmental impact assessments, environmental objectives and statutory requirements.



ENVIRONMENTAL MONITORING

In order to assess the quality of the surrounding environment affected by our business operations, the Environment Quality Monitoring Programme ("EQMP") was established as an environmental monitoring framework. It is also a monitoring programme for projects that are not subjected to the Environmental Impact Assessment ("EIA") Approval Conditions. The programme focuses on the quality of air, noise and river water to minimise damage and harm towards the eco-system.

ENVIRONMENTAL PRESERVATION AND CONSERVATION

The Group is committed to preserve and conserve the environment through best practices in its day-to-day operations. The following are measures adopted by various divisions which reflect a complete picture of the Group's environmental initiatives.

CONSTRUCTION

The Construction Division adopted various best practices to control and prevent environmental pollution which included:

Water Pollution Control

The Erosion and Sedimentation Control Plan was implemented to control water pollution as well as the following:

- Erosion prevention by using temporary groundcover, turfing, vegetation and hydro-seeding to stabilise the slopes;
- Control of surface water run-off by constructing temporary drainage system to prevent flooding;
- Construction of silt pond, sedimentation pond or silt fences at appropriate spot/area prior to commencement of construction works;
- Regular monitoring of water quality;
- Proper storage of building materials like cement and sand to prevent from being washed away; and
- Sand bunds are used for land reclamation works along the seaside to prevent sea pollution.

Air and Noise Pollution Control

In line with the HSEMS plans to reduce air and noise pollution, many controls are put in place such as:

- Open burnings are prohibited to prevent emission of smokes, particles and toxic gasses;

- Dust containment by dampening sites and access routes with water;
- Trucks loaded with construction materials must be covered or dampened down;
- Prevention of noise pollution by using suitable piling methods during foundation works;
- Noise curtains are used to reduce the noise level ;
- Construction vehicles and machineries are regularly maintained and serviced to prevent emission of dark smokes; and
- Hoardings are erected at sites to contain the dust and noise pollution.

In addition, air and noise qualities are regularly monitored to comply with the Environmental Quality Act 1974.

Waste Management

In compliance with the Environmental Quality (Scheduled Waste) Regulations 2005, Local Government Act 1976 and other requirements outlined by the local Municipal Councils, a Waste Management System was implemented to define the roles, responsibilities and ensure that proper waste handling methods are applied.

Green Technology & Industrial Building System (“IBS”)

The division has ventured into green technology and IBS to enhance its construction productivity and efficiency, savings on labour and resources in producing metal form works of consistent quality for housing and commercial projects.



Silt fencing along the drain and river as an erosion and sedimentation control measure



Wheel washing facility at site entrance to contain dust pollution

INDUSTRY

The Industry Division's standard operating procedures include safeguarding the air quality and minimising noise pollution in the communities where it operates.

Air and Noise Pollution Control

All staff is required to wear noise protective equipment as a precautionary step to comply with OSHA regulations. By installing sprinkler systems in crushes, conveyers and along access routes, dust is dampened down at the quarries to reduce air pollution.

Dust Monitoring

The factories and quarries perform dust monitoring activities. Our factories also comply with the regulation for prevention and control of health hazards due to mineral dust as stipulated by the Factories and Machinery Act 1967.



Covered conveyor - Dust control measure at MRP Kulai

Landslide Prevention

Prevention of landslides and other adverse effects to the environment are done by turfing the hillsides at our quarries.

Landscaping and Housekeeping

Trees and plants are planted at our factories as well as gardens and fish ponds are built to create a greener working environment.

Waste Management

Waste management practices have been implemented to comply with Standard A effluent discharge such as scheduled waste storage and the waste water treatment system. During the year, the division promoted the 'Reduce, Reuse & Recycle' (3R) activities at its work places to reduce wastages such as recycling the concrete wastes and recycling the wastes at factory sites by having recycling bins.



Tree planting in ICP Lumut



Landscaping at SMC Chan Sow Lin



Recycling waste drums into Recycle bins in KTF

PROPERTY

Green Building

IJM Land was the first developer in Penang to obtain the GBI certification for high-rise property development for its Light Linear and Light Point condominium projects. This was a testament to its continuous efforts to create sustainable designs in minimising a building's negative impact to the environment.

Our properties are designed to create optimal living conditions by incorporating principles of harmonising and embracing the environment. Units are encouraged to be constructed to face 'north' and 'south' to reduce heat, ample natural lighting to minimise electricity usage, installation of inverter air-conditioning ready piping and incorporating lush green landscapes within its developments.

In recognition of the sustainability initiatives in its developments, IJM Land was accorded Malaysia's BCI Asia Top 10 Developers Award in 2014. Additionally, IJM Land also received the GBI certification for its project, The Light Collection IV in Penang and its Bandar Rimbayu project clinched the environment-related awards by MIID Nippon Paint REKA Awards 2014 and The Edge-PAM Green Excellence Award 2014.

PLANTATION

In its pursuit of green initiatives, our Plantation Division adopted the best practices to minimise the impact of agricultural activities on the environment including biodiversity conservation and enhancement.

Land Conservation

About 8.5% or 6,147 acres of plantation land bank is set aside for conservation, education, recreation and training purposes. Eco-conservation initiatives, natural science education and training efforts are showcased in the division's crowning glory, "Hundred-Acre Wood" which covers over a 100 acre plot of land.

The site hosts an arboretum of valuable tropical rainforest tree species including Laran (*Neolamarckia cadamba*) and Sesenduk (*Endospermum spp.*), a water catchment, fruit orchard and a garden with over 150 medicinal plant species.

The project prevented erosion on steep-slopes, reduced soil degradation and re-established a network of natural habitat.



The Edge-PAM
Green Excellence
Award 2014



BCI Asia Top 10 Developers Award in 2014



100 Acre Wood - Arboretum, Sabah

Forest Planting Project

Forest planting of tree species that are resistant to prolonged flooding such as Bongkul (*Neonauclea subdita*) and Sepat (*Mitragyna speciosa*) are implemented in areas that are unsuitable for oil palm cultivation. In addition, the division focuses on the avian biodiversity of the birds of Borneo in its Hundred-Acre Wood.

Carbon Sequestration

In the reporting year, total carbon sequestered increased by 3% to 821,891 metric tonnes or 33 metric tonnes per planted hectare as at 31 March 2015. The carbon sequestration was calculated based on the methodology developed by the Malaysian Palm Oil Board.



Tree Planting Project in Rakanan Jaya South Estate

Carbon sequestered by the Plantation Division's oil palm trees in FY2015

	Age Group (years)	Standing Biomass (tonnes/ha)	Carbon (tonnes/ha)	Planted Area (hectare)	Total Carbon (metric tonnes)
Immature	(1-3 years)	14.5	5.8	2,177	12,627
Mature	(4-8 years)	40.3	16.12	1,315	21,198
	(9-13 years)	70.8	28.32	6,393	181,050
	(14-18 years)	93.4	37.36	10,955	409,279
	(19-24 years)	113.2	45.28	4,367	197,738
Total				25,207	821,891

Zero Burning

Zero burning policy is applied to both new planting and replanting of oil palm trees as part of its efforts to minimise global warming and to reduce air pollution as well as complying with environmental legislations. By using IJM planting materials and employing best replanting practices led to early and sustainable high yields in the second generation oil palm trees.

Water and Soil Conservation

Oil palm biomass are chipped and spread in the field to decompose which help contribute to the fertility and conditioning of the soil in the replanting areas of Desa Talisai Estate. This practice mitigates the incidences of *Ganoderma* disease.

The Plantation Division strives to reduce water wastage and water is recycled where possible. In the nurseries, drip irrigation technology is used to reduce water wastages from soil surface evaporation. Sizeable water reservoirs with proper vegetation are also created so that the daily water requirements and consumption can be met as well as the rainfall parameters are monitored on a daily basis.



Drip Irrigation System in Desa Talisai South Estate

Agrochemical Utilisation

The fertiliser programme employed is based on leaf nutrient and yield performance profile of the oil palm trees. Anti pest-resistance strategy is adopted by carefully selecting treatment chemicals to avoid over reliance on any one type of chemical and the quantity used is closely monitored.

Integrated Pest Management

Various pest management techniques are employed to maintain a high level of biodiversity within the ecosystem. By planting beneficial plants like *Turnera subulata*, *Antigonon leptopus* and *Cassia cobanensis*, the population of oil palm insect pests are kept in balance with nature resulting in the reduced use of insecticides for bagworms and nettle caterpillars.

Other natural techniques employed are predatory insects which are bred in insectariums in the research centre for biological control of leaf-eating pests and owl boxes are used for biological control of rats in the estates.

Similarly, pheromone sachets are used to trap the *Oryctes rhinoceros* beetles, instead of chemical control. With the minimal use of pesticides, a variety of flora and fauna are able to flourish in the plantations.

Waste By-Product Utilisation

Palm oil mill effluents ("POME") which are rich in nutrients are properly treated before being discharged to the field for irrigation. Empty fruit bunches ("EFB") are also channelled for mulching in the estates. Both EFB and POME are mixed to produce biocompost in Sabang in an effort to reduce dependence on inorganic fertilisers and improve marginal soils. Zero waste discharge policy is adopted in the mills.



EFB Mulching as part of waste by-product utilisation

TOLL

Smart Card System

The 'Smart Card' system installed at our tolled roads mitigates the possible discrepancies in toll collection, facilitates easy retrieval of data and substitutes the printed tickets to save on paper. The division has also introduced more 'Touch n Go' reload lanes at the toll plazas to encourage more users to use the prepaid system. It is also introduced at all cash lanes, converting them into Mixed Modes lanes for smoother traffic flow.

EIA Conformance

The LEKAS, NPE and Besraya Highways were constructed based on the latest technology in design and Environment Impact Assessment ("EIA") Approval Conditions resulting in minimal impact to the environment. This helps to monitor environmental parameters such as ambient air quality, noise level measurement and ground vibration monitoring in the vicinity of the site.

Slope Condition Inspection

This inspection identifies and records the condition of the slopes including the drainage system such as interceptor drain and berm drain. The data is maintained in a database which is used for slope monitoring and maintenance purposes.

LED Street Lightings and Highmasts

LED street lightings and highmasts are used to conserve energy and reduce electricity costs at our toll roads.

Effluent Test on Sewerage Treatment Plant (STP)

An effluent sampling test of the Sewerage Treatment Plant (STP) is carried out every six months to ensure that the waste released to the environment complies with the established standards.

Greening the Environment – Revitalised Landscape

During the financial year, a total of 7,000 trees were planted along the NPE & Besraya highways to enhance the surrounding environments. Among the species of trees planted were Tecoma, Merawan Siput Jantan, Penaga Lilin, Variegated Bucida and Kelat Paya.



LED streetlights installed at NPE for energy conservation

PORT

Sea Pollution Control

Our Port Division abides fully to local and international regulations, e.g. Marine Oil Pollution Convention (MARPOL 73/78 Convention) and the International Safety Guide for Oil Tankers and Terminals (ISGOTT).

In compliance with safety and pollution controls, all oil tankers calling at Kuantan Port have to adhere to the ship-shore safety checklist.

Apart from that, the division's Oil Spill Emergency Response Team is always on standby to handle the emergencies. In addition, the division participated in a state level joint oil spill drill exercise at the port basin.



Sea pollution monitoring and testing at Kuantan Port

Dust Pollution Control

To mitigate the dust pollution effectively, the Port Division issued a mandate to ensure that all lorries, before leaving the port, are covered when carrying bulk cargoes like palm kernel expellers, fertilisers, wood chips and other bulk goods. In addition, the regular use of power sweepers and water jets keep the roads and operational areas clean and dust-free.

The use of conveyor system for loading and discharging cargoes is encouraged to minimise dust pollution arising from bulk cargoes and to protect the health of port employees and users in the long run. The use of dust masks is also encouraged.

HSE TRAINING AND AWARENESS PROGRAMMES

The Company's I-Portal serves as an important medium to disseminate HSE information on the latest manuals, incidents alerts and recommended corrective actions to all staff levels. Regular training and campaigns are conducted to promote awareness on Occupational Safety and Health.



First Aid Training



Dato' Teh, preceding CEO & Managing Director during the launch of the HSE Campaign



ICP KTF HSE Awareness Competition

health, safety and environment report (cont'd)



HSE Campaign in ICP Lumut



World Environment Day Poster Contest Winners



Fire Hose Reel Training in ICP Lumut

The Industry Division's HSE Awareness Campaign to promote safety and environmental practices included the 'Together We Save Our Environment & Earth' with the Department of Environment and 'Towards Zero Accident at Workplace' with the Department of Occupational Safety & Health in Perak.

Competitions are held regularly to assess for legal compliance, safety & health practices and proper housekeeping. The rewards serve as an encouragement to improve the Occupational Safety and Health ("OSH") status of workplaces.

The OSH Awareness is continuously promoted in our factories through various programmes, trainings and campaigns such as fire-fighting, first aid, gotong-royong, 5S activities and regular assemblies and briefings on safety and health matters.

In addition, rewards are presented for every achievement of 500 Accident Free Days.

The Plantation Division conducted the Improving Productivity with Smart Alternatives (IPSA) programme in an effort to focus on the safe handling of agrochemicals. All agrochemical users are registered and approved under the Pesticides Act 1974 (Act 149) and Regulations, and Food Safety Act 1983 (Act 281). Regular safety and rescue trainings are conducted in collaboration with the Civil Defence Emergency Response Team (CDERT) and local departments.

In Kuantan Port, fire drill exercises are held annually so that the port's safety personnel are familiar with the port surroundings and are prepared in case of emergencies.



Kuantan Port staff participating in a fire drill session on a ship

HSE AWARDS

As an encouragement to promote the best practices in HSE, awards are presented annually to projects, sites and factories which have performed well amongst its peers based on a set criteria encompassing compliance with legal requirements and HSEMS. This promotes best practices in HSE and also improves the performances in HSEMS.



National Health & Safety Award 2014 for THE LIGHT Collection IV Project, Penang



HSE Awareness Competition Award 2014/15