CEO'S REVIEW OF OPERATIONS

Overview

It has been a challenging year for us at IJM, in a year of tumultuous global turbulence and low crude oil prices which had adversely affected our country's currency strength, the property market sentiments as well as the commodity prices.

In view of the present scenario, it was an opportune time for the Group to make key strategic changes by refining our emphasis this past financial year and prioritising our strategies, investments and talents in areas where we have differentiation and potential for growth. I am pleased to say that all of this is currently in the works towards **Catalysing Growth**, building the foundation and platforms for our businesses to drive growth in the next few years.

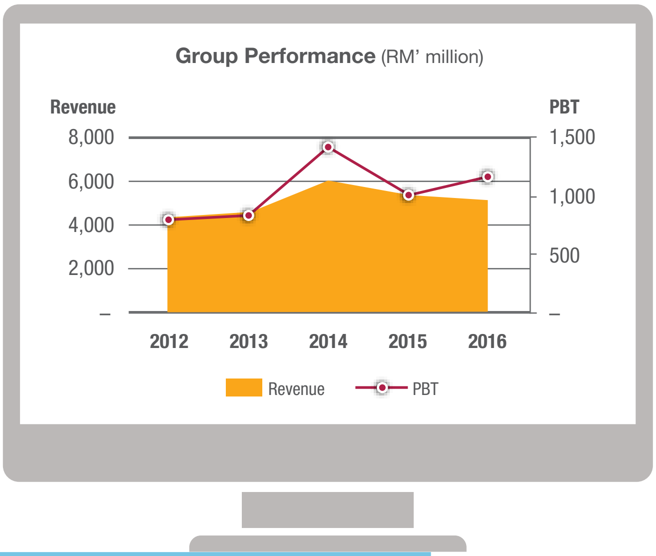
Our Group and our people understand the needs of our customers and have worked hard during the past year to deliver our Mark of Excellence. IJM has, over the years, demonstrated strong financial performance and resilience with sound operational track record and will continue to do so to enhance shareholder value.

I am truly appreciative of our customers, our partners, our talents and our stakeholders and I take this moment to thank each and everyone for their continued support to the IJM Group.

FINANCIAL PERFORMANCE

For the financial year ended 31 March 2016 ("FY2016"), the Group recorded a consolidated revenue of RM5,128.20 million in FY2016 with the Construction, Infrastructure and Property Divisions being the major revenue contributors for the year. However, the consolidated revenue for this year has declined 6% from RM5,448.28 million in FY2015 mainly due to the slowdown in the property market and challenges in our plantation business owing to the subdued CPO prices and the El Nino phenomenon.

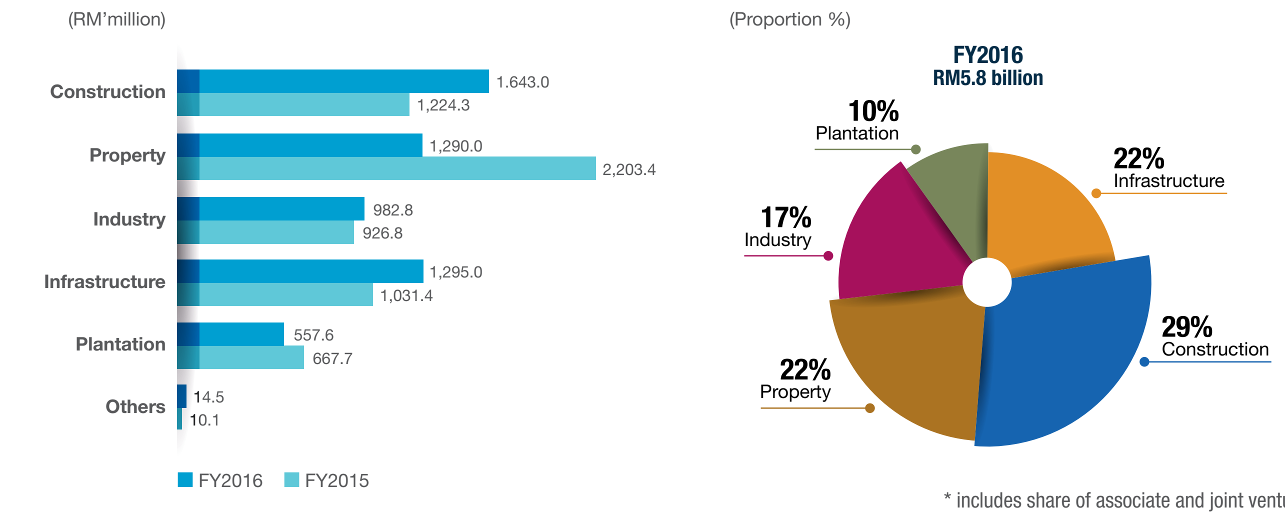
Correspondingly, the Group's reported profit before tax ("PBT") in FY2016 was RM1,155.80 million, an increase of 13% from RM1,019.36 million a year ago mainly due to monetisation gains from our disposal of matured Indian infrastructure assets and fair value gains on remeasurement of the remaining equity interests held in Jaipur-Mahua Tollway and Swarna Tollway totalling RM307.48 million. If the one-off items are excluded, the Group's core PBT would have been RM848.32 million, representing a decrease of 17% from prior year in line with the lower revenue and subdued economic environment.



Dato' Soam Heng Choon
CEO & Managing Director

CEO'S REVIEW OF OPERATIONS (Cont'd)

Group Revenue by Division*



* includes share of associate and joint venture's revenue

Overall, the Group has performed satisfactorily under the current challenging circumstances with the weakened Malaysian Ringgit, low crude oil prices, higher operating costs post Goods and Services Tax ("GST") implementation on 1 April 2015, increasing labour costs and levies as well as adverse fluctuations in the commodity prices. Despite the above challenges, we will continue in our efforts to grow the Group in a sustainable and profitable manner.

BLUE OCEAN STRATEGY

For years, the Group has been operating in a highly competitive and crowded market place – the red ocean. To distinguish ourselves from the confines of the existing industries, we have developed a strategic roadmap, the 'Blue Ocean Strategy' ("BOS") with the aim of creating new market spaces with new growth opportunities to elevate the business growth and sustainability.

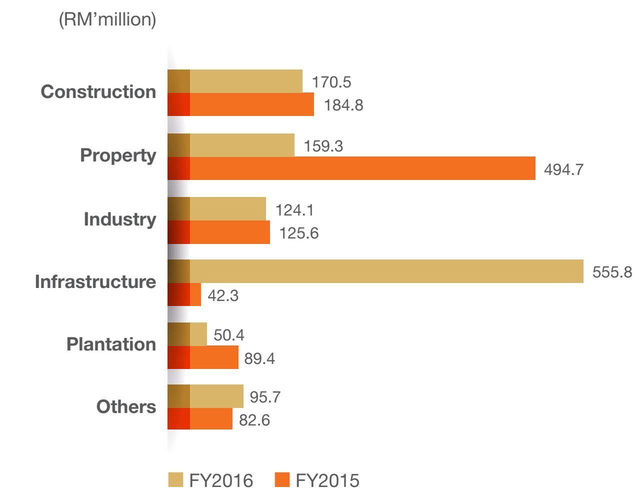
Amongst the BOS priorities are looking at new areas of growth, sustainability, areas of improvement as well as shareholders and staff expectations of the Group. Following that, various initiatives have been identified, some projects are being put in place while other initiatives are at the planning stage. When the catalysts are firmly in position, the Group will move on to the implementation and execution stages.

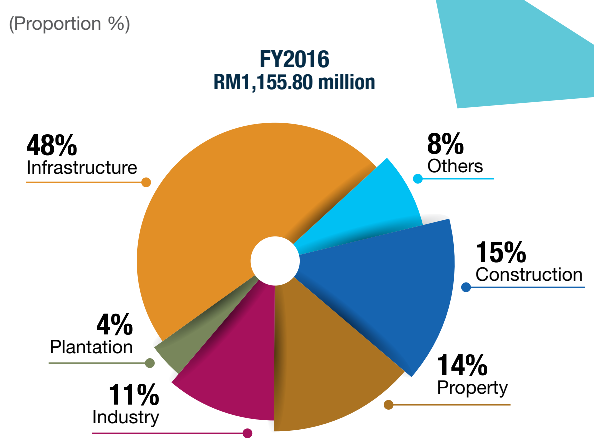
AWARDS

The Group has done well in terms of recognition and awards during the financial year. IJM Corporation Berhad was listed in the Top 50 Public Listed Companies in ASEAN of the ASEAN Corporate Governance Awards 2015 and in the Top 10 Disclosure Merit Recognition Award of the MSWG-ASEAN Corporate Governance Transparency Index, Findings & Recognition 2015. True to our mission of delivering sustainable profits to our stakeholders, IJM was awarded The Edge Billion Ringgit Club Corporate Awards for the Highest Profit Growth Company in the Construction category.

Our Property arm headed by IJM Land Berhad won a series of prestigious awards this past year. They include the FIABCI World Prix D'Excellence Award - World Silver in Master Plan (THE LIGHT Waterfront), The Edge Malaysia Awards - Top Property Developers, the BCI Asia Awards - Top 10 Developers Awards (Malaysia) and three awards at the StarProperty.my - All-Star Award: Top Ranked Developer of the Year; the Family-Friendly Award (Bandar Rimbayu) and the WOW Award (THE LIGHT Waterfront).

Group PBT by Division





Dato' Soam Heng Choon received the Property CEO of the Year from D.Y.M.M. Sultan Ibrahim Ibni Al-marhum Sultan Iskandar, His Royal Highness the Sultan of Johor Darul Takzim at the prestigious FIABCI Malaysia Property Awards Gala Dinner on 6 November 2015 for his contribution to Malaysia's real estate sector and property development.

Our Plantation arm, IJM Plantations Berhad garnered the Asia Money Best Managed Company (Small Cap) in Malaysia 2015. I am honoured and thankful to be awarded the FIABCI Property CEO of the Year at the FIABCI Malaysia Property Awards ceremony. Altogether, these awards are a testament of the dedication and commitment of our people towards the IJM Mark of Excellence and good governance.

FACEBOOK AT WORK

At IJM, we have a big vision to enhance the Company's operating culture to be more effective and collaborative. With this in mind, IJM became the first public listed company in Malaysia to embrace Facebook at Work as a communication tool to improve team collaboration, productivity and efficiency which is in line with our goal of enhancing the *3Cs – Connect, Communicate and Collaborate.*

The enterprise version of the social media service is used by about 4,400 employees across 10 offices spanning Asia, Middle East and Europe to bring the IJM family around the world closer. Employees were able to work more efficiently, get faster feedback and response, and update colleagues on work in a much more engaging way.

CORPORATE RESPONSIBILITY

For the fifth consecutive year, the Group carried out its most ambitious and largest Corporate Responsibility ("CR") project, 'Give Day Out' in December 2015 ("GDO 2015"). The purpose of the GDO 2015: Play Around Playground is to attract children to play with their friends outdoors instead of just playing with their smartphones and gadgets all day long. More than 2,000 employees united to revive about 24 playgrounds and recreational parks which was simultaneously held in several regions across Malaysia, India and China.

Such a project encourages the spirit of giving and promotes humility amongst staff, in tandem with our key CR pillars on marketplace, environment, community and workplace. More details of this wonderful story and other CR initiatives of the Group are elaborated in the CR section of the Annual Report.

CEO'S REVIEW OF OPERATIONS (Cont'd)

University of Reading Malaysia, Johor

CONSTRUCTION

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

Wong Heng Wai, Beh Lai Seng, Ng Eng Aan

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

FY2016

Revenue

RM1,643.00 million

FY2016

PBT

RM170.57 million

CEO'S REVIEW OF OPERATIONS (Cont'd)

Another Successful Year of Record High Order Book...

The Construction Division has successfully maintained another year of record high order book of RM7.55 billion for the second consecutive year. Despite the high order book on hand, the Division has relentlessly continued its efforts of securing more new projects in the markets especially on the domestic front. In the international arena, the Division will continue to tender for jobs in the emerging markets especially in places where IJM has a presence such as India and Vietnam.

During the financial year, the Division successfully replenished more than RM1.0 billion order book by securing a number of jobs. They included the Equatorial Plaza – Commercial Development including Hotel at Jalan Sultan Ismail in Kuala Lumpur (RM455.49 million), Almas – Mixed Use Development at Puteri Harbour in Johor (RM484.20 million), Design & Construction and Completion of Additional Work at Kuchai Link (RM52.83 million) and some Sub-Structure Works at Jalan Tun Razak. Apart from these, the Division has also secured the Construction and Completion of the Breakwater Project at the New Deep Water Terminal Project of Kuantan Port through a joint venture with a China company with our 60% share being RM176.40 million.

The Division has developed a roadmap to penetrate into emerging markets to bring in different sources of income to the Division and to sustain future growth. During the financial year, the Division embarked on the BOS initiative to create market differentiation for its construction business and to build on new business income streams for the Division in the medium to long-term.

Seri Binjai, S2 Seremban

The Malaysian economy grew by 5% supported by continued expansion of the domestic demand whereas the construction sector grew by 8.2% during the year, supported by large scale infrastructure projects rolled out by the Government under the 11th Malaysia Plan.

The Malaysian Government has also embarked on a five-year transformation programme known as the Construction Industry Transformation Programme 2016 - 2020 ("CITP") last year aimed at propelling the industry forward and meeting the market demand. In line with this, the Division has reorganised its resources and efforts to align with some of these initiatives under the CITP programme.

Some of the efforts implemented by the Division included increasing the use of Building Information Modelling ("BIM") in construction projects, adoption of Industrialised Building System ("IBS"), providing training to build up human capability to acquire new construction methods and recruiting the right talents. These initiatives were aimed to improve the competitiveness and productivity of the Division. The Division also promotes self-regulated sustainable practices for Health, Safety, Quality and Environmental aspects in all of its projects.

For the financial year ended 31 March 2016, the Construction Division posted a higher revenue by 34% to RM1,643.00 million from the prior year of RM1,224.31 million. The significant increase was mainly attributed to the commencement of the West Coast Expressway ("WCE") and the New Deep Water Terminal Phase 1, Kuantan Port projects. Besides that, many of the on-going projects were at the peak of the construction stage, thereby contributing higher revenues to the Division. Additionally, the Division has completed more external jobs as compared to in-house jobs during the financial year which substantially improved the Division's top line.

Construction of JKG Tower, Kuala Lumpur

CEO'S REVIEW OF OPERATIONS (Cont'd)

Aerial view of Taman Midah MRT Station

Despite the higher revenue, profit before tax ("PBT") dropped by 8% to RM170.57 million. The PBT margin in FY2016 had reverted to a normalised margin of 10% as compared to previous year's PBT margin of 15%. The higher profit margin recorded previously was mainly due to better margins derived from the completed projects, unrealised foreign exchange gains and the recovery of certain old progress claims from completed projects.

With the commencement of the WCE and New Deep Water Terminal projects, the Division has expedited the execution of these projects in order to realise more revenues and profits in the medium term. In addition, the progress of other on-going projects are also accelerated so that the Division would achieve better financial performance in the coming years.

During the financial year, the Division successfully completed several projects locally. These included the University of Reading in Johor, Light Collection 3: 1 block of 5-storey townhouse, 1 block of 9-storey condominium, 2 blocks of 8 - 11 storey condominiums, a club house and a car park in Gelugor, Penang. The Division has also completed some new phases in IJM's townships in Seremban 2, Puncak Alam and Bandar Rimbayu. In India, the Division has completed the Overlay and Associated Works for the Jaipur-Mahua highway.

IJM Construction has been widely acknowledged as the builder of choice with excellence in Health, Quality, Safety and Environmental standards. In recognition of its achievements, the Division attained several notable awards during the financial year such as the 'Builder of the Year' for Contractor Grade G7 and 'The Best Project Award' for Major Building Project under The Malaysian Construction Industry Excellence Awards 2015.

Construction of the WCE

Its motto '*Excellence Through Quality*' is the Division's key focus and priority that has been embedded into all its work processes. All construction activities and processes are identified, planned, executed, monitored and controlled to ensure the highest standards of health, quality, safety and environment. The Division has implemented a self–regulated system called IJM Quality Standard Assessment System for various aspects of construction works in order to achieve the highest standards of quality and for continuous improvement.

The Division continuously reviews its Quality Management System to address any new requirements. The Division has also implemented numerous initiatives such as the electronic data management system for enhancing documentation control, on-the-job trainings throughout the project life-cycle, promoting the use of IBS in new projects and trainings to upgrade from the existing ISO 9001:2008 version to ISO 9001:2015.

The Division is now in its fourth year of Health, Safety and Environmental ("HSE") Campaign. Since 2012, the level of HSE awareness and commitment by all staff has increased substantially. The Division will continue to strive for greater achievement in HSE excellence in all of its projects.

With the Government's continuous efforts in rolling out the remaining projects under the 11th Malaysia Plan as well as our Division's strong order book position, the Group believes that the outlook for the Construction Division remains positive. Nevertheless, the Division is mindful of the challenges moving forward due to volatility in material prices, shortage of skilled workers, softer demand for domestic properties and intensive competition in the construction industry. The Division will continue to be resilient in the execution of its projects to deliver products of high quality to meet its customers' satisfaction.

Bird's eye view of ongoing reclaimed areas at Kuantan Port

CEO'S REVIEW OF OPERATIONS (Cont'd)

THE LIGHT Collection III - Waterways

PROPERTY

Property Management Team

Edward Chong Sin Kiat, Dato' Toh Chin Leong, Hoo Kim See, Shuy Eng Leong, Chai Kian Soon
Roger Lee Wai Hin, Patrick Oye Kheng Hoon, Bahrin Bin Baharudin, Lee Kok Hoo, Chai King Sing
Kelvin Mathews Jacob, Tan Khee Leng, Lim Hock Seng, Leong Fook Yew, Pee Poh Hun

FY2016
Revenue
RM1,289.97 million

FY2016
PBT
RM159.29 million

CEO'S REVIEW OF OPERATIONS (Cont'd)

According to the National Property Information Centre 2015 Property Market Report, the overall property market recorded a drop in value of transactions by 8% to RM149.9 billion in 2015 from RM162.97 billion in the previous year. The residential sub-sector continued to lead the overall property market, with 65.2% contribution in volume and 49.0% in value. However, the sub-sector still recorded a downturn in value by 10.5% as compared to the previous year. One of the main factors of the decline was that the ratio of loan approvals to applications was 50.2% with 206,031 applications and 103,412 approvals.

The number of new residential launches fell to 70,273 units, down by 19.2% against 2014 (86,997 units) in line with the soft market and dampened consumers' sentiment. Major states such as Johor and Penang saw substantial declines in their new launches, each down by 42.8% (9,428 units) and 47.5% (2,348 units) respectively, while Kuala Lumpur and Selangor recorded moderate declines of 8.3% and 5.1% respectively. Overall sales performance of new launches for the country hovered at 41.4% (29,089 units sold), lower than 45.4% (39,491 units sold) in 2014.

Market conditions have been challenging in the past year, with slower economic growth, weakened Malaysian Ringgit, increased cost of living post GST implementation and low crude oil prices had all played a part in affecting the local market confidence and spending. The residential segment continued to be weighed down by the property cooling measures and banks' stringent lending rules.

One and Only Urban Forest City at Pantai Sentral Park, Kuala Lumpur

Against this backdrop, the Division has achieved a total sales value of RM1.46 billion in FY2016, a decrease of 19% from FY2015. As a result, the Property Division recorded a revenue of RM1,289.97 million in FY2016 representing a 41% decrease from previous year of RM2,203.42 million. PBT for the year was RM159.29 million, a 68% decrease from previous year of RM494.66 million mainly due to lower revenue and the recognition of a one-off gain in previous year on the remeasurement of existing equity interests in Larut Leisure Enterprise (Hong Kong) Limited and Valencia Terrace Sdn Bhd amounting to RM22.7 million.

Saujana Duta, Seremban

The Address, Penang

CEO'S REVIEW OF OPERATIONS (Cont'd)

Periwinkle Residence, Bandar Rimbayu

Malaysian consumers continued to be prudent in their spending habits and have become more selective. Affordable residential properties in strategic locations continued to be in demand. During the financial year, the Division's affordable and mid-range properties such as Kalista 2 Executive Apartments in Seremban 2, Rimbun Vista 2-storey superlink homes in S2 Heights, the first phase of Austin Duta comprising 2-storey terraced houses in Johor Bahru, Sanctuary Residence 2-storey linked semi-detached in Permatang Tinggi, Penang and Penduline 2-storey terraced homes in Bandar Rimbayu continued to see healthy take up rates despite the soft market. To remain relevant to the needs of consumers and mindful of the market forces, the Division has proactively rolled out multiple initiatives and continuously adjusted its products and launches to be in line with market demand and affordability.

Nusa Duta, Johor

In a year which saw much uncertainty and market headwinds, the Division had risen above the challenges and stood out in terms of industry awards. IJM Land was one of the few Malaysian developers to have received industry acclamation and recognition, both locally and internationally for its developments. These include the reputable BCI Asia Top 10 Developer Awards (Malaysia), The Edge Malaysia's Top Property Developers Awards, the Bronze Award in the Property Development Category at the Putra Brand Awards, Social Media Excellence Awards (Property Development), the All-Star Award – Top Ranked Developer of the Year at the StarProperty.my Awards and the Property Insight Malaysia's Prestigious Developer Awards – Top 10 Developers Award.

The Division had also received much recognition by garnering several prestigious awards including the FIABCI World Prix D'Excellence Awards, in which THE LIGHT Waterfront was conferred the World Silver Award in the Master Plan Category, the Malaysia Landscape Architecture Awards in which DeBunga Residensi and The Address were awarded the Honour Awards in the Landscape Design category and the StarProperty.my Awards which accorded Bandar Rimbayu the Winner of the Family-Friendly Award and THE LIGHT Waterfront the Winner of the WOW Award.

1,200-acre Sebana Cove Resort, Johor

The key focus in the new financial year will largely be on affordable and mid-range products to cater for the current market demand. New launches in the pipeline include Riana Dutamas @ North Kiara Serviced Residences in Kuala Lumpur, Riana South Condominium at Bukit Manda'rina in Cheras, Senjayu's maiden phase of terrace homes in Jawi, Penang, Rimbun Irama 2-storey linked homes at S2 Heights, Danau Perintis Apartments in Shah Alam 2 and Blossom Serviced Apartments in Bandar Rimbayu – all are priced to target first time home buyers and young working adults.

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 Division's property project, Raintree Park Dwaraka Krishna Township in Vijayawada which is part of the new capital development, Amaravati in the state of Andhra Pradesh is seeing increasing demand for its properties by the officials and employees of the new state government due to its strategic location. Following this, the Division anticipates increased demand for its upcoming phases due to the improvement in sentiments.

Despite the subdued outlook for the property market in Malaysia for FY2017, the Division will continue to improve its industry competitiveness by being versatile in its strategies and by directing resources to elevate customer experience from good to great through strong execution and resource management.

CEO'S REVIEW OF OPERATIONS (Cont'd)

ICP Piles used at Forest City, Tg Kupang, Johor

INDUSTRY

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 | Lee Chee Heong

FY2016 Revenue

RM982.77 million

FY2016 PBT

RM124.09 million

CEO'S REVIEW OF OPERATIONS (Cont'd)

FY2016 was a mixed year for the Industry Division. Its core activity, the manufacturing and sale of Pretensioned Spun Concrete piles experienced a record year in terms of revenue and tonnage delivered amounting to RM648.0 million and 1.7 million tonnes respectively. However, the Division's quarrying performance declined due to poor demand and erosion in selling price. Overall pre-tax profit of the Division decreased marginally by 1% to RM124.09 million despite achieving a higher turnover by 6% to RM982.77 million from prior year.

In the first half of FY2016, sales volume of piles remained strong with major projects comprised of Seagate Factory at Batu Kawan, Penang; Highpark Residences Project at Kelana Jaya, Selangor; Glass Factory at Jasin, Melaka; Transmission Lines in Sarawak; and Langat Centralised Sewage Treatment Plant, Selangor. Major sales in the second half of FY2016 were contributed by projects in RAPID, Pengerang, Johor; Forest City Development (Infrastructure Works), Johor; WCE project and Northport Wharf 8A Project, Port Klang, Selangor.

Export market for FY2016 recorded a 40% growth compared to FY2015 with major projects comprising Mega Shipyard (Phase 2) Project, Tuas, Singapore; Reclamation at Tuas Finger One, Singapore; MEC Phase 3 & Dry Dock, Yangon, Myanmar; and Temburong Bridge Project, Brunei.

Looking forward, domestically, the Division is eyeing the following projects: Maple Tree Warehouse Project, Shah Alam; Forest City Development (Residential & Commercial), Johor; Affordable Housing Programme under PRIMA and PPA1M; Container Terminal 8 (2nd 300m), Westport, Port Klang, Selangor; and projects in RAPID, Pengerang, Johor. The Division will continue to capitalise on its in-house projects such as New Deep Water Terminal Project, Kuantan Port, Pahang; WCE project and projects under IJM Land.

New Ready Mixed Concrete Plant, Bukit Raja, Klang

In the overseas market, the Division is focusing on the HDB Housing Projects in Singapore and looking to expand its presence in Myanmar. The continuation of the Temburong Bridge Project, Brunei will also provide significant contribution to the Division.

Several cost-cutting initiatives were carried out during the financial year to contain the rise in production costs. These included sourcing cheaper alternative raw materials and negotiating for lower prices of imported steel materials from China to counter the impact of the rising USD. As in previous years, the Division will continue to explore ways to reduce its costs to stay ahead of competition.

The Division recognises the fact that good management in Health, Safety and Environment ("HSE") has positive benefits to the organisation. Management remains committed in developing and maintaining a strong HSE system. In FY2016, its Ipoh factory organised '*Towards Zero Accident of Workplace*' campaign to instill HSE awareness amongst the employees and workers with the aim of achieving zero accident. To motivate the staff, rewards were given for every achievement of 500 accident free days.

ICP Piles used at Swiss Garden Hotel, Melaka

To fulfill its environmental, social and governance obligations, the Division had implemented various initiatives such as the concrete reclaiming system in Ulu Choh factory and installation of solar panels at Kapar and Jawi factories. The concrete reclaimer is a method to reclaim concrete waste generated from production activities. The reclaimer separates unused concrete into sand, aggregates and slurry effluent resulting in cost savings and effective management of waste disposal. Meanwhile, the solar panels on roof tops of factories will help to reduce its carbon footprint and save energy cost.

The Division's R&D Laboratory is accredited by Standards Malaysia in scope of testing and calibration and has been assisting the factories and subsidiaries to meet the standard compliance for product certifications. Moving forward, the lab will embark on new aggregate tests, namely aggregate 10% fine and soundness, to support the Division's Breakwater Project in Kuantan Port and extend its services for the ready mixed concrete plant certification.

CEO'S REVIEW OF OPERATIONS (Cont'd)

ICP Piles used at Upgrading works of North Port CT4, Wharf 8, Port Klang

It was a tough year for ICP Jiangmen which recorded a loss before taxation of RM9.10 million. Revenue contracted by 45% to RM18.0 million due to lower deliveries and selling prices. The marine piles market in Guangdong Province contracted in FY2016 due to delays in several projects. Moving forward, more projects are expected to come on stream and the implementation of secured projects will resume.

Durabon Sdn. Bhd. achieved a revenue of RM99.10 million, an increase of 12% from FY2015 with higher sales volume by 17% as compared to FY2015. Despite the higher turnover, PBT was lower by 35% to RM4.50 million. Profit margin was affected by lower selling prices due to competition from imported Chinese PC Bars.

Turnover in the quarry business decreased by 9% to RM114.01 million on lower sales volume which fell 8% from last year. The drop was mainly attributed to the quarries in Junjung and Kuantan which saw sales dipped 22% and 13% respectively on lower demand. In Labu, sales fell 16% on lower production due to the depletion of rock reserves at current quarry face. Meanwhile, its quarries in Ulu Choh, Kulai and Kuang did relatively well registering better volumes in a slowing market. In tandem with the

ICP Piles with special shoes for the New Deep Water Terminal, Kuantan Port, Pahang

lower turnover and a squeeze in margin from lower selling prices, pre-tax profit contracted 31% to RM21.14 million. Going forward, the division anticipates to achieve better results due to secured contracts to deliver amour rocks to the Breakwater Project at Kuantan Port and column stones and other quarry materials to the WCE project. In addition, the division will commence its sand mining operation in the first quarter of FY2017.

The strong mixed concrete business remained competitive. Revenue grew slightly to RM87.40 million from prior year on higher volumes supplied but was negated by downward pressure in selling prices in the Ulu Choh plant. PBT fell by 35% to RM2.70 million. Going forward, the division expects to do better with additional 3 new plants: Kuantan for the New Deep Water Terminal, Kuantan Port and Breakwater Projects; Gelang Patah, Johor for the Puteri Cove and Almas Projects and Bukit Rajah for WCE project.

In India, the ready-mix performance of IJMCPPL continued to be challenging with a registered loss of RM3.35 million on turnover of RM68.86 million. The quarry business also did not fare well with a pre-tax loss of RM0.81 million from its two new quarries in Jhansi and Magadi. Going forward, the division expects growth in the construction industry in India, as the government's policy of encouraging investments and forging public-private partnership to overhaul India's Infrastructure industry would be the catalyst.

In Islamabad, Pakistan, the ready-mix plant recorded a 66% increase in turnover on improved business and political environment. Consequently, pre-tax profit jumped 60% to RM1.45 million.

Acropode used for the construction of the breakwater at Kuantan Port

Gebeng Quarry, Kuantan, Pahang

The significant increase in in-house rentals has enabled the scaffolding rental business under Scaffold Master Sdn Bhd to deliver a 51% increase in turnover to RM14.38 million. In tandem, pre-tax profit rose 53% to RM5.72 million. During the year, it has diversified to the rental of heavy duty scaffoldings, the CRAB System to spur the company's growth further.

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 decreased by 34% to RM19.93 million on lower sales from ready-mixed concrete, R.C. piles and other R.C products. In tandem with lower turnover and the intense competition from existing and new players, pre-tax profit decreased by 63% to RM1.23 million. Business is expected to be challenging with the softening of the property market but could be negated by the commencement of the Pan Borneo Highway.

The operating environment in the domestic and external markets will remain highly challenging. The Malaysian economy is forecasted to expand at the slowest pace in 7 years due to the collapse in oil prices, faltering exports and private investments while consumers and businesses are faced with the weak ringgit and rising costs. On a brighter note, the order book of the piles division remains healthy. This is due to the commencement of the New Deep Water Terminal project at Kuantan Port and with the sand operations at Bestari Jaya, the Industry Division is cautiously optimistic of a better year ahead.

CEO'S REVIEW OF OPERATIONS (Cont'd)

Aerial View of Meliau Estate

PLANTATION

Plantation Management Team


Joseph Tek Choon Yee


Puru Kumaran


P K Venugopal


Madusoodanan

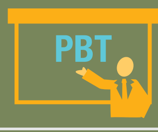

Sandra Segran A/L Kenganathan

FY2016

Revenue

RM557.61 million

FY2016



RM50.41 million

CEO'S REVIEW OF OPERATIONS (Cont'd)

During the reporting year, the Division navigated through a very challenging business landscape confronted with demanding operating environments. The Division's results reflected a year of uncertainty in the global economic situation, a slowdown of economic growth in China and its contagion effects, bearish commodity prices and volatile foreign exchange rates.

In addition, the effects of a full blown El Nino phenomenon, the continued decline in crude oil prices resulted in the virtual wipe out of discretionary biodiesel demand and a softer palm oil demand from major consumers like China constituted as other bearish factors. On the domestic front, the implementation of GST had also dampened domestic growth. As a result, crude palm oil ("CPO") experienced dramatic price declines and escalated costs of production added pressure on the already reduced profit margins.

Our Plantation Division is a mid-size plantation player with total planted area as at FY2016 of 59,595 hectares (FY2015: 58,900 hectares) of which its Indonesian operations comprised of 34,544 hectares (FY2015: 33,693 hectares). 92% of the Malaysian planted areas are mature whereas in Indonesia, the mature area increased to 73% as compared to 52% in the previous year.

Desa Talisai palm oil mill

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

	Malaysian Operations		Indonesian Operations		Total	
	Hectares	%	Hectares	%	Hectares	%
Mature (> 20 years)	1,771	7%	–	–	1,771	3%
Mature - Prime (8 - 20 years)	19,265	77%	1,049	3%	20,314	34%
Mature - Young (4 - 7 years)	2,028	8%	24,059	70%	26,087	44%
Immature (1 - 3 years)	1,987	8%	9,436	27%	11,423	19%
Total	**25,051**	**100%**	**34,544**	**100%**	**59,595**	**100%**

The average CPO price achieved by the Malaysian operations in FY2016 was RM2,142 per metric tonne ("pmt"), a decline of 6% from the previous year's RM2,289 pmt. In the Indonesian operations, the implementation of a new levy by the Indonesian Government in July 2015 had resulted in a fall in the average CPO price of RM1,899 pmt (FY2015: RM2,140 pmt), a decline of 11%.

Lower crop production had affected sales coupled with lower average selling prices resulting in the drop of the Division's revenue by 16% to RM557.61 million (FY2015: RM667.67 million). Correspondingly, the pre-tax profit declined as a result of all the above factors to RM50.41 million (FY2015: RM89.41 million). Pre-tax profit was also impacted by a fair value loss of RM15.3 million arising from its CPO swap transactions.

By geographical segment, the Division's production of fresh fruit bunches ("FFB") from the Malaysian operations dipped to 480,591 metric tonne ("mt") (FY2015: 589,384 mt) for the year due to the severe dry El Nino weather. The effect was more profound as the dryness started early in February 2015 especially in the Sugut region where two thirds of the planted areas are located. As for Indonesian operations, it achieved a commendable FFB increase of 35% to 367,468 mt (FY2015: 273,071 mt) as more areas attained maturity and young palms moved into prime age. With significant contribution from the Indonesian operations, the Division ended the financial year with 848,059 mt (FY2015: 862,455 mt) of FFB production, representing a slight decrease of 2%.

In terms of crop productivity, the prolonged dry weather had adversely affected its yield. The Malaysian operations recorded 18.8% drop in FFB yield to 20.8 mt per hectare in FY2016 (FY2015: 25.6 mt), whilst Indonesian operations recorded FFB yield of 14.6 mt per hectare (FY2015: 15.6 mt). Total FFB milled by the Division, inclusive of outside fruit purchases, declined by 10% to 994,802 mt (FY2015: 1,105,072 mt). Of this, 310,453 mt (FY2015: 278,818 mt) were from the Indonesian operations.

The Division's four (4) palm oil mills located in Sabah with a total processing capacity of 180 mt of FFB per hour produced 144,875 mt of CPO (FY2015: 172,826 mt) during the year, which was 16% lower compared to previous year. Palm kernel ("PK") production decreased to 34,742 mt (FY2015: 40,504 mt). In terms of palm product extractions, CPO extraction rates improved to achieve an average rate of 21.2% (FY2015: 20.9%) while PK extraction rate also showed an improvement to 5.1% (FY2015: 4.9%). Overall, the total palm products improved to 26.3% (FY2015: 25.8%).

CEO'S REVIEW OF OPERATIONS (Cont'd)

Natural water body in Berakan Maju Estate

The Division's first palm oil mill in East Kalimantan, in its fourth year of operation, continues to produce 74,629 mt of CPO (FY2015: 64,822 mt) and 12,740 mt of PK (FY2015: 11,054 mt). Average CPO and PK extraction rates achieved were 24.0% (FY2015: 23.2%) and 4.1% (FY2015: 4.0%) respectively. Overall, total palm products improved to 28.1% (FY2015: 27.2%).

The Division's kernel crushing plant in Sabah crushed 35,311 mt (FY2015: 36,366 mt) of PK, producing 16,272 mt (FY2015: 16,413 mt) of CPKO and 17,455 mt (FY2015: 18,333 mt) of palm kernel expellers ("PKE"). The average extraction rate for CPKO was 46.1% (FY2015: 45.1%) and for PKE was 49.4% (FY2015: 50.4%). Whereas, its first kernel crushing plant in East Kalimantan which entered into its third year of operation crushed 12,740 mt of PK (FY2015: 10,960 mt) to produce 5,311 mt of CPKO and 6,724 mt of PKE.

Total contribution 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 RM25.35 million (FY2015: RM32.41 million). The decrease was mainly due to the decline in commodity prices and sales volume compared to the previous year.

The Division is mindful of the challenging operating environment facing the palm oil industry today and implemented various measures to contain rising production costs such as in-field crop collection mechanisation, innovations and technologies in operations, replanting with high yielding planting materials besides actively implementing other resource conservation initiatives.

Pre-nursery using pot trays

The Division's research centres in Sandakan and Sugut are testimony that a mid-size organisation places importance on research and development. The Division's on-going oil palm breeding, selection and progeny testing programme will enable it to improve the planting materials and yields. The seed production unit, accredited with SIRIM's MS157:2005 certification, is able to produce over 1.5 million DxP seeds per annum derived from Deli Dura and AVROS pedigree. The Division partakes in research collaborations with the International Plant Nutrition Institute (IPNI) on best management practices, and with ACGT Sdn Bhd and Genting Green Tech Sdn Bhd on oil palm biotechnology involving high yielding biomarkers.

The Division has a pragmatic replanting policy to achieve the desired age profile. All replanting programmes are carried out in accordance with environmental friendly ‘zero burning policy’ where old palm stands are felled, chipped and left to decompose on site.

The Division values the importance of human capital development to ensure sustainable growth and higher productivity. As such, the Division carried out various incentive schemes to attract and retain skilled workers. Occupational safety and health, training and retraining covering formal and on-the-job continued to be pursued while initiatives to upgrade living quarters complete with amenities including utilities, medical care, crèche, education centres, recreational and sports facilities are carried out in phases.

Nurturing sustainability with social environmental stewardship remains an integral part of the Division. These include implementing various social initiatives with its surrounding communities such as education for the children of guest workers and improving infrastructure. The Division is involved in collaborations with numerous NGOs and governmental bodies such Borneo Child Aid (education), Sabah Rugby Union and Education Department (sports-rugby), Kinabalu Pink Ribbon (breast health awareness) and many others.

The Division has also set-aside parts of its land bank for conservation, biodiversity enhancement, research and education while actively engaging relevant stakeholders through various platforms and activities. At the same time, the Division continued its best management practices such as soil and water conservation, utilisation of by-products and integrated pest management.

In the Malaysian operations, the Division’s total supply chain involving nurseries, estates, mills and kernel crushing plants were re-certified under the MPOB Code of Practices for quality, food safety and sustainability. Desa Talisai palm oil mill and its supplying internal estates were also re-certified under the International Sustainability & Carbon Certification (“ISCC”) and the Malaysian Sustainable Palm Oil (“MSPO”) certification. Premiums were received in selling ISCC palm oil. All ISCC certification covers both ISCC-EU and ISCC-Plus certificates, for biodiesel and food respectively. In Indonesia, working requirements continued towards the implementation of the mandatory Indonesian ISPO certification and ongoing sustainability initiatives.

As testimony to its commitment to corporate governance, IJM Plantations Berhad was ranked among the top 10 companies by the Minority Shareholder Watchdog Group in December 2015 under the MSWG-ASEAN Corporate Governance Transparency Index-The Malaysian Chapter. In addition, the company was also named Malaysia’s Best Managed Company 2015-Small Cap by Asiamoney in September 2015.

The Division is anticipating higher crop production growth in the coming year from the Indonesian operations as more planted areas attain maturity and additional young palms move into prime age. Barring any unexpected adverse volatility in CPO prices and foreign exchange rates, the Division expects to achieve a satisfactory performance for the coming financial year.

Aerial View of Rakanan Jaya North Estate

CEO'S REVIEW OF OPERATIONS (Cont'd)

Plaza Toll Mines Utara, Besraya

INFRASTRUCTURE

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


Dato' Azahari Bin Muhammad Yusof


Selvarajah Nallapan


Ahmad Kamil Bin Shaharudin


Mazlim Husin

FY2016

Revenue

RM1,295.01 million

FY2016

PBT

RM555.77 million

CEO'S REVIEW OF OPERATIONS (Cont'd)

The Infrastructure Division recorded an improved turnover by 26% to RM1,295.01 million (FY2015: RM1,031.41 million) mainly due to continued traffic growth in the Malaysian toll road concessions as well as higher cargo revenue recorded by the port concession.

Pre-tax profits increased thirteen-fold to RM555.77 million (FY2015: RM42.28 million) boosted by gains derived from the Indian road disposals and fair value gains on the remeasurement of the remaining equity interests held in Swarna Tollway and Jaipur-Mahua Tollway totalling RM307.48 million as well as increased profits from the toll road and port concessions.

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

TOLL ROADS

On the domestic front, our toll concessionaires in Malaysia continued to contribute growing recurring revenue streams and improved profit performance in FY2016. These concessionaires namely the wholly-owned 28.9 Km Besraya Highway ("Besraya"), 19.6 Km New Pantai Highway ("NPE") and 50%-owned 44.3 Km Kajang Seremban Highway ("LEKAS") holding concession periods of 44, 34 and 33 years respectively and have been operating for 17, 12 and 7 years respectively.

Aerial view of LEKAS

During the financial year, Besraya recorded a higher turnover of RM116.72 million which has increased by 12% from prior year boosted by double digit traffic growth at Loke Yew Toll Plaza which commenced operations on 15 April 2014. Correspondingly pre-tax profit doubled to RM21.13 million, mainly driven by sturdy traffic growth. With the new extended alignment, Besraya provides an effective and shorter connection between the eastern and western regions of Kuala Lumpur and the South. The highway also connects Kuala Lumpur City Centre to the densely populated southern regions of Klang Valley and economic development areas in Putrajaya, Cyberjaya, Seri Kembangan, Balakong and Sungai Long, which is expected to spur long-term traffic growth.

In FY2016, NPE posted a higher performance with pre-tax profit increased by 49% to RM100.36 million due to higher turnover, lower finance cost and leaner operating costs. The turnover increased by 17% to RM171.22 million from last year due to the scheduled toll rate hike on 1 January 2015. Rapid developments along NPE's vicinity such as Pantai Sentral Park, Bangsar South, KL Eco City and 9 Seputeh are expected to stimulate steady traffic growth to NPE in the long-term.

LEKAS charted a slight decline of 3% on turnover to RM36.19 million in FY2016, mainly affected by a toll rate hike of 20% in October 2015. As a result, the gap between LEKAS's toll rates and other competing highways have widened due to the disparity between long-haul travelling charges on North South Expressway and LEKAS, hindering price-sensitive commuters from using LEKAS. Hence, LEKAS recorded a lower pre-tax loss of RM28.97 million in FY2016 (FY2015: RM33.46 million) mainly due to weaker traffic performance and escalating operating costs. The newly opened LEKAS-Ecohill Link, the upcoming new interchange (Eco Majestic interchange expected to open in the third quarter of 2016) and the gradual maturing of developments along LEKAS's alignment will improve connectivity to the expressway and traffic growth.

In FY2016, the operating costs for the local highways were inflated marginally after GST implementation on 1 April 2015 as toll fares are classified as 'exempt supply'. The Division is committed to cost effective measures to contain rising operating costs by implementing the Light Emitting Diode ("LED") street-lights to reduce energy consumption and maintenance costs. 1 February 2016 marked the official date of the successful installation of LED street-lighting for the entire stretch of LEKAS, offering comfortable and safe passage to motorists as well as attracting more night travellers.

The replacement from the existing conventional High Pressure Sodium Vapor (HPSV) fittings to LED-based fittings in NPE is completed, whereas the installations are in progress for Besraya and LEKAS which are targeted to be completed by end of 2016. The Division also constantly monitors and initiates traffic management scheme to improve traffic flow along the highways especially during traffic peak hours.

On 15 October 2015, the toll rates for our three Malaysian highways were revised in accordance with the concession agreements. Post the hike, traffic growth along these highways declined but are expected to normalise eventually. The implementation of a fully automated Electronic Toll Collection (ETC) system in the highways are in line with the Government's initiative, where NPE was fully automised on 13 January 2016, LEKAS on 2 March 2016 and Besraya on 1 June 2016. This positive move is expected to improve efficiency in toll plaza management thereby reducing traffic congestions at the toll plazas.

CEO'S REVIEW OF OPERATIONS (Cont'd)

Traffic control tower at NPE

Moving forward, the local toll division will continue to face external challenges in the form of toll-free alternative routes, toll rate disparities between competing highways, improvement in road networks and the public transportation system, which may affect its traffic performance. Despite the above, the Division's outlook remains positive in view of steady traffic growth and profit contributions from its toll roads.

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 during FY2016 comprised of wholly-owned Rewa Tollway (387 Km) and wholly-owned Swarna Tollway (145 Km) that have been operating for twelve 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.


Toll plaza at Swarna Tollway

By end of FY2016, the Division monetised a couple of its Indian tollways for a total gain of RM307.48 million. It disposed a 74% stake in Jaipur-Mahua Tollway for a gain of RM168.67 million in May 2015 and disposed a 70% stake in Swarna Tollway for a gain of RM133.28 million in October 2015. In November 2015, the Division disposed the remaining 13.26% stake held in Trichy Tollway for a small gain of RM5.53 million as it had earlier recognised the fair value gain on remeasurement of the balance stake during the initial disposal of 35.6% stake in Trichy Tollway two years ago. Subsequent to the financial year end, the Division had increased its stake in Chilkaluripet-Vijayawada Tollway from 89.8% to 99.9% equity interest in May 2016 and disposed its balance stake of 26% in Jaipur-Mahua Tollway in June 2016.

During FY2016, the Indian tollways contributed lower revenues by 11% to RM199.88 million (FY2015: RM225.25 million) mainly due to part divestment of Jaipur-Mahua and Swarna Tollways. The Indian tollways pre-tax profit more than doubled to RM37.94 million (FY2015: RM15.17 million) mainly due to improved earnings contributed by Swarna Tollways despite its divestment in October 2015.

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 higher turnover by 22% to RM65.24 million while the Group's share of profit increased by 136% to RM6.35 million in FY2016 mainly due to increased toll rates since January 2015 and financial income earned from deposits in financial institutions. The concession agreement renegotiations are ongoing with the newly elected centre-right government.

PORT

The Division's port concession contributed positively to the Group's bottom-line. During the financial year, Kuantan Port achieved a notable performance with improved pre-tax profit by 78% to RM250.57 million (FY2015: RM140.89 million). The turnover increased by 71% to RM525.98 million (FY2015: RM306.87 million). Cargo throughput recorded was 38.8 million (FY2015: 23.0 million) freight weight tonnes, an increase of 68% from previous year, contributed mainly by the increase in bauxite exports.

The bauxite mining activities are expected to be more regulated since the moratorium period began in January 2016. Therefore, the bauxite export performance is expected to decrease in the forthcoming FY2017. The moratorium period was effective from 15 January 2016 to 14 September 2016 as directed by the Ministry of Natural Resources and Environment.

With the development of the New Deep Water Terminal Project ("NDWT"), Kuantan Port plans to provide a more efficient and cleaner handling method for bulk cargoes such as a conveyor belt system connecting NDWT to the Alliance Steel mill currently under construction in the Malaysia-China Kuantan Industrial Park ("MCKIP"). There will also be a dedicated equipment at the wharf (ship loaders) to handle the bulk cargoes.

Pipes loading onto a barge at Kuantan Port

CEO'S REVIEW OF OPERATIONS (Cont'd)

Western Access Tollway, Argentina

The new steel mill plant in MCKIP is expected to spur more ship traffic and cargo throughput at Kuantan Port. Our partner, Guangxi Beibu will play a pivotal role in linking the shipping network and cargo movements between China and South East Asia which forms the 'One Belt, One Road' part of the New Maritime Silk Route advocated by the Chinese Government.

MCKIP's strategic location within the ECER Special Economic Zone in Kuantan Port City is close to Qinzhou port and other ports in Eastern China and the location of our Kuantan Port is only 5 sailing days from Qinzhou Port. The Division believes this will further enhance business opportunities and foreign direct investments for Chinese investors in MCKIP.

In June 2016, Kuantan Port was designated as a Free Port Zone which is expected to auger well for Kuantan Port and compliment the port's current position as a trade and logistics hub for the region as well as benefiting the NDWT and industrial park projects.

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 higher turnover of RM8.80 million (FY2015: RM1.84 million) mainly from the sale of electricity upon request from the local power authorities to meet the peak summer demand. It recorded a loss of RM27.50 million (FY2015: RM23.40 million) partly due to increased finance costs and exchange translation differences during the financial year. The plant continues to be short of gas supply. 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 RM4.63 million (FY2015: RM3.60 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 stake in Scomi Group Berhad ("Scomi") has contributed improved revenue of RM149.48 million (FY2015: RM136.66 million) and pre-tax profit of RM4.86 million (FY2015: RM1.72 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. In February 2016, the Group's stake in Scomi was increased from 7.66% to 24.59% equity interest due to the conversion of matured bonds held by IJM in Scomi.

CONCLUSION

The outlook of the Construction Division in the coming financial year is expected to be satisfactory supported by its strong order book position underpinned by strong private sector demand and substantial ongoing development activities within the Group as well as the Malaysian Government's continued emphasis on infrastructure spending. Consequently, our Industry Division is poised to benefit from the sizeable construction order book and continued infrastructure spending with the expected increase in demand for building materials next year.

The property market will remain challenging as weak consumer sentiments persist due to weaker economic prospects, volatility of the Malaysian Ringgit, continued stringent loan approval policy and incoming supply of competing completed properties. Nonetheless, with its unbilled sales of about RM1.7 billion, the performance of the Group's Property Division is expected to be satisfactory next year.

Notwithstanding the higher crop production from increasing young mature areas in Indonesia, the effect of the El Nino weather phenomenon has adversely impacted the overall crop production of the Group's Plantation Division. Although commodity prices have moved upward in anticipation of a tight supply, the Indonesian palm oil export levy and tax of USD53 per metric tonne as well as the volatility of the foreign exchange rates, the Plantation Division expects a challenging forthcoming financial year.

The Group's toll, port and water operations concessions are expected to provide recurrent revenue streams thereby further enhancing the bottom line of the Group's Infrastructure Division.

Increasing volatility in the global capital markets and the resultant uncertainties due to foreign exchange fluctuations may continue to impact the Group's results. However, barring any unforeseen circumstances, the Group expects to achieve a satisfactory performance for the coming financial year.

Given the above circumstances and prospects, the Group will continue to remain vigilant and agile in the execution of its projects and business activities. With the BOS firmly in place as the catalyst to drive growth, the Group will move on to the next stage of implementation, with the aim of achieving sustainable performance and value for all of its shareholders and 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.

A. BOARD OF DIRECTORS

1. Composition of the Board

There are nine (9) Board members, seven (7) of whom are Non-Executive Directors, and among the Non-Executive Directors, five (5) 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 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 38 to 46.

2. 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.

3. Roles 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.

In accordance with the Board Charter, the matters reserved for the Board include the approval of corporate plans, annual budgets (including the Key Performance Indicators ("KPI") under the Balanced Scorecard of the Group), 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.

The Board assumes, inter alia, the following responsibilities:-

a) Reviewing and adopting a strategic plan for the Group
   - the Board reviews the capital budgets and regularly monitors their progress throughout the year, using appropriate financial indicators and industry benchmarks;
   - the Board reviews, challenges and approves the Management's proposed strategic plan for the Group; and
   - the Board reviews the strategies on promoting sustainability and focuses on Environmental, Social and Governance (ESG) aspects.

b) Overseeing the conduct of the Group's business
   - the Board devotes sufficient time learning about the Group's businesses and understands them well enough to provide critical stewardship, and guides their performance not just year-to-year but in the long term; and
   - the Board reviews the performance of the Group and it is measured against the KPI in four (4) areas, namely Commercial, Stakeholders, Efficiency and Infrastructure under the Balance Scorecard of the Group.

c) Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks
   - the Board reviews the adequacy and effectiveness of the Group's risk management and internal control system which is embedded in all aspects of the Group's activities;
   - the Board reviews the processes as well as responsibilities and assesses for reasonable assurance that risks have been managed within the Group's risk appetite and tolerable ranges. The details of the key processes are set out in the Statement on Risk Management and Internal Control.

d) Succession planning
   - the Board focuses on management succession in alignment with the Group's strategic challenges and through the Nomination & Remuneration Committee ("NRC") assesses the calibre of the senior management and reviews the changes of key appointments in the Group.

e) Overseeing the development and implementation of a shareholder communications policy for the Company, including an investor relations programme.

f) Reviewing the adequacy and integrity of the Management information and internal controls system of the Company.

   During the financial year, the Board reviewed the development of the 5-year strategic plan of the Group. The main objectives of developing the strategic plan are to produce sustainable and commercially driven action plans and promote strategic vision.

4. Code of Conduct

The Board emphasises professionalism and exemplary corporate conduct at work and adheres to the principles and standards of business ethics and conduct as stipulated in the Code of Ethics and Conduct ("CEC") of the Group. The principles of the CEC include:-

a) avoid conflict of interest;

b) exercise caution and due care to safeguard confidential information;

c) avoid insider trading;

d) ensure accuracy and reliability of records;

e) avoid discrimination or prejudice in the workplace; and

f) avoid acts of misconduct.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

5. Roles and Responsibilities of the Chairman and the Chief Executive Officer & Managing Director

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.

6. Independence

The Independent Non-Executive Directors play a crucial role of bringing objectivity to the decisions made by the Board. They 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.

The Board assesses the independence of an Independent Director through the Assessment of Independence of Independent Directors under the annual Board evaluation process. The assessment of independence is based on the criteria prescribed under the Main Marketing Listing Requirements ("LR") and the Corporate Governance Guide issued by Bursa Malaysia Berhad. During the financial year, none of the Independent Directors disclosed any relationships and/or transactions that could materially interfere with their independent judgements and decisions. The Board was satisfied with the level of independence demonstrated by all Independent Directors.

With the aim of enhancing the overall Board effectiveness, the 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. The Company has adopted a policy to limit the tenure of independent directors to a maximum of 12 years. However, the retention of independent directors after serving a cumulative term of nine (9) years are subject to shareholders' approval in line with the recommendation of the Code. 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 also 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 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.

Having recognised the benefits of the long serving Directors, the Board also acknowledges that "fresh pair of eyes and fresh blood" are critical for bringing new perspectives for the benefit of the Group. In order to strike a balance on the tenure of independent directors, the Board takes a moderate course of limiting the tenure to a maximum of 12 years.

None of the Independent Directors' tenure has exceeded a cumulative term of nine (9) years, except for Tan Sri Abdul Halim bin Ali, the Independent Non-Executive Chairman of the Company, who had completed the 9-year tenure on 25 April 2016. The Board has vide the NRC reviewed and assessed the performance and independence of Tan Sri Abdul Halim and was of the opinion that his length of service on the Board does not in any way interfere with his exercise of impartial and independent judgement. Tan Sri Abdul Halim continues exercising strong independent judgement, in expressing his views and deliberating issues objectively, besides seeking clarification and challenging Management on the conduct of the Group's business and other issues raised at various Board and Board Committee meetings. Moreover, the insight and knowledge of the Group's various core business operations acquired by Tan Sri Abdul Halim during his tenure of office would continue to enable him to discharge the duties and role as an Independent Director effectively. The NRC and the Board appreciate the benefits of the experience and stability brought by Tan Sri Abdul Halim due to his long-service on the Board, and as an active participant in the corporate community, he will be able to serve the interest of the Company and its shareholders. As such, the NRC and the Board would like to recommend and retain Tan Sri Abdul Halim as an Independent Director and Chairman of the Company. The Board will seek the approval of the shareholders at the forthcoming Annual General Meeting ("AGM") for Tan Sri Abdul Halim to continue as an Independent Director and Chairman of the Company.

7. Board Diversity

The Directors have a diverse set of skills, experience and knowledge necessary to govern the Group. The Directors are professionals in the fields of engineering, finance, accounting, property, real estate valuation and 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			
Directors	Public Service	Accounting/Finance	Construction & Engineering	Property Development	Real Estate Valuation	Toll Infrastructure	40 to 49 years	50 to 59 years	60 to 69 years	70 to 79 years	Bumiputera	Chinese	Indian	Others
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			✓			✓				✓				✓*
Goh Tian Sui *(appointed on 20 June 2016)*					✓				✓			✓		

** a British national*

CORPORATE GOVERNANCE STATEMENT (Cont'd)

8. **Board Meetings**

Board meetings (including Board Committees' meetings) 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, four (4) Board meetings were held.

The attendance record of each Director is as follows:

	Number of Meetings Attended	Percentage
Executive Directors		
Dato' Soam Heng Choon	4/4	100%
Lee Chun Fai *(Appointed on 6 April 2015)*	4/4	100%
Independent Non-Executive Directors		
Tan Sri Abdul Halim bin Ali	4/4	100%
Datuk Lee Teck Yuen	4/4	100%
Pushpanathan a/l S A Kanagarayar	4/4	100%
Datuk Ir. Hamzah bin Hasan	4/4	100%
Non-Executive Directors		
Tan Sri Dato' Tan Boon Seng @ Krishnan	4/4	100%
Dato' David Frederick Wilson	4/4	100%

Besides these Board meetings, the Directors also attended 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 attended 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.

9. **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 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. The Company Secretary always ensures proper minutes of all deliberations and decisions of the Board and Board Committees are recorded. Where necessary, the services of other senior management or external consultants will be arranged to brief and help the Directors clear any doubts or concerns.

All Directors have access to the advice and services of an experienced and competent Company Secretary especially relating to procedural and regulatory requirements. The profile of the Company Secretary is provided on page 47. The Company Secretary always supports the Board in 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 that they are able to make independent and informed decisions.

10. 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	**Dato' Soam Heng Choon** - *Chairman* *Chief Executive Officer (CEO) & Managing Director (MD)* **Lee Chun Fai** *Deputy CEO & Deputy MD*
Audit Committee	**Pushpanathan a/l S A Kanagarayar** - *Chairman* *Independent Non-Executive Director* **Tan Sri Abdul Halim bin Ali** *Independent Non-Executive Chairman* **Datuk Ir. Hamzah bin Hasan** *Independent Non-Executive Director*
Nomination & Remuneration Committee	**Datuk Lee Teck Yuen** - *Chairman* *Senior Independent Non-Executive Director* **Tan Sri Abdul Halim bin Ali** *Independent Non-Executive Chairman* **Datuk Ir. Hamzah bin Hasan** *Independent Non-Executive Director*
Securities and Options Committee	**Tan Sri Abdul Halim bin Ali** - *Chairman* *Independent Non-Executive Chairman* **Dato' David Frederick Wilson** *Non-Executive Director* **Dato' Soam Heng Choon** *CEO&MD*

(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 supports the Board in the operations of the Group and 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' Soam Heng Choon	11/11	100%
Lee Chun Fai *(appointed on 6 April 2015)*	11/11	100%

CORPORATE GOVERNANCE STATEMENT (Cont'd)

(b) Audit Committee

The Audit Committee was established on 31 January 1994 comprising entirely of Independent Non-Executive Directors. The authority empowered by the Board to the Audit Committee include authority to investigate any activity within its terms of reference and the Audit Committee has unrestricted access to any information of the Group. The profile of the Audit Committee members are set out in the Profile of Directors and Secretary on pages 38 to 47. The details of meetings and activities of the Audit Committee are set out on pages 132 to 136 of the Audit Committee Report and the terms of reference 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 Nomination & Remuneration Committee ("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) revision of the terms of reference of the NRC;

(ii) review of the IJM Scheme & Conditions of Service;

(iii) review of a key appointment in the Group;

(iv) review of the Balanced Scorecard of the CEO&MD, divisions and Group;

(v) review of the salaries, bonuses & incentives of senior management of the Group;

(vi) review of the service contracts of an advisor and senior management staff;

(vii) review of the proposal for the extension of the Employee Share Option Scheme ("ESOS") for another five (5) years period;

(viii) revision of the terms of reference of the NRC;

(ix) revision of the basis of entitlement for the vesting of shares under the first award of the Employee Share Grant Plan ("ESGP");

(x) revision of the allocation under the ESOS and ESGP to the eligible Group employees following the implementation of the 1:1 Bonus Issue in September 2015;

(xi) assessment and evaluation of the effectiveness of the Board and Directors through the annual Board evaluations (including the CEO&MD and the independence of Independent Non-Executive Directors); and

(xii) 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. Two (2) meetings were held during the financial year and the attendance record of each member of the NRC is as follows:

	Number of Meetings Attended	Percentage
Datuk Lee Teck Yuen	2/2	100%
Tan Sri Abdul Halim bin Ali	2/2	100%
Datuk Ir. Hamzah bin Hasan	2/2	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:

(i) approval of the allotment of shares pursuant to the exercise of options under the ESOS of the Long Term Incentive Plan ("LTIP");

(ii) approval of the allotment of shares for the 1:1 Bonus Issue;

(iii) review and approval of the adjustment to options prices and number of options under the ESOS and number of shares under the ESGP of the LTIP arising from the 1:1 Bonus Issue;

(iv) review and approval of the award and vesting of shares under the ESGP for the eligible Group Employees; and

(v) review and approval of the award and vesting of options to the eligible Group Employees under the ESOS.

11. Board and Board Committee Evaluation

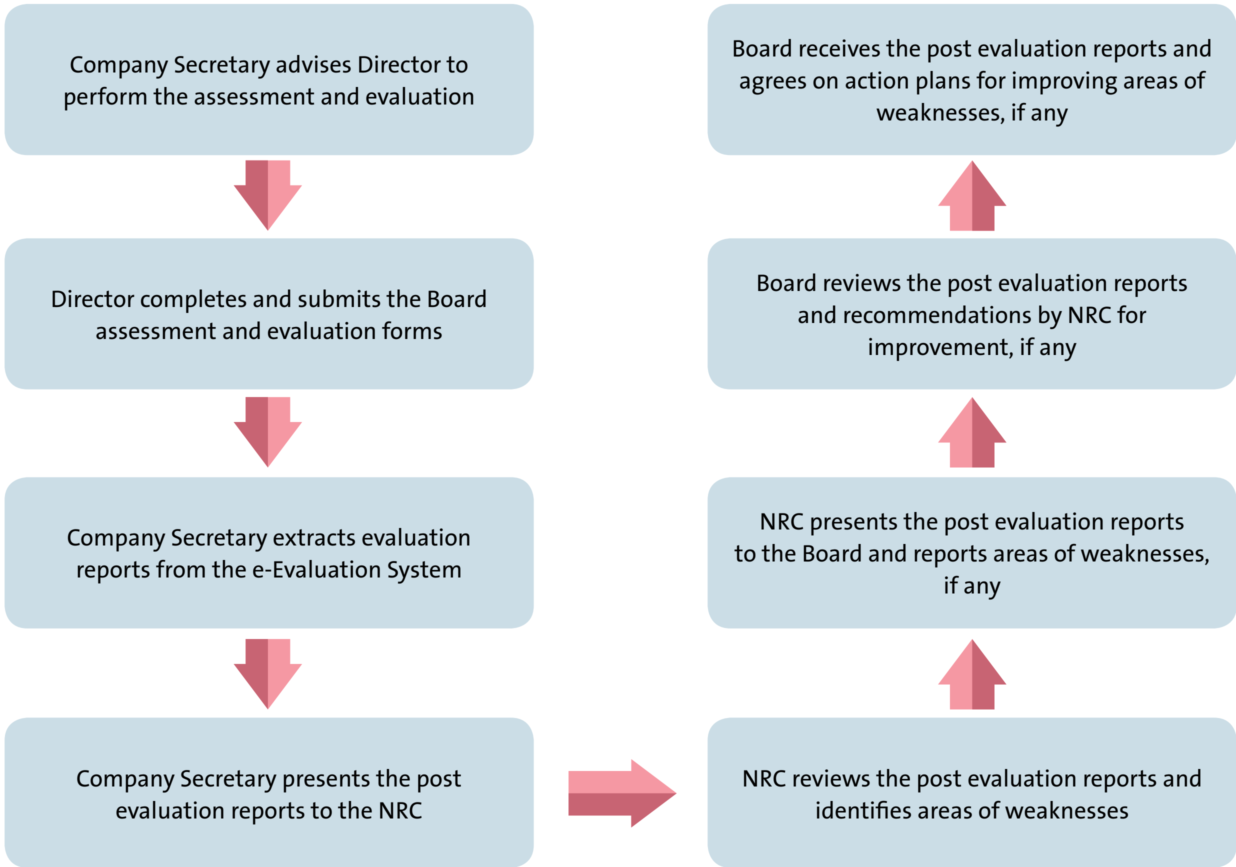
The Board undertook a formal and rigorous annual evaluation for the financial year ended 31 March 2016 via an e-Evaluation System of its own performance, the Board as a whole and that of the Individual Directors. The Board evaluation comprised a Board Assessment by Individual Directors, Self & Peer Assessments and Assessments of Independence of Independent Directors (collectively referred to as "the Assessments"). There were no major concerns from the results of the Assessments. The NRC was satisfied with the performance and effectiveness of the Board.

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 Assessments, the assessment criteria included contributions to interaction, roles 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 transactions with the Group.

The Board also 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 audits, risk management and internal control and financial reporting. The Board was satisfied with the performance and effectiveness of the Audit Committee.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

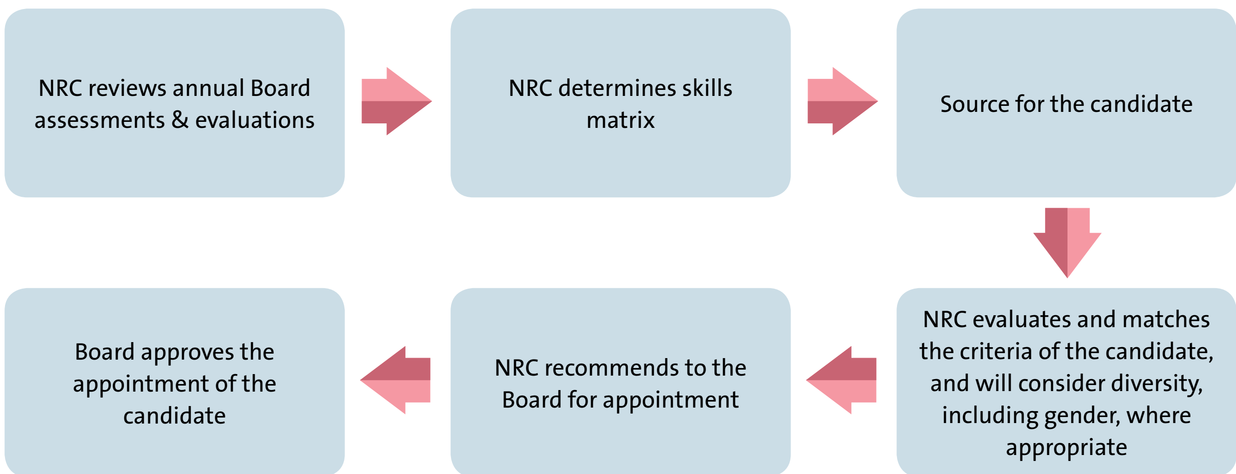
The process of the assessment and evaluation of the Board and Audit Committee is as follows:



12. 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 criteria such as the required mix of skills, experience and knowledge 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, also 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.

13. Re-election and Re-appointment

The Articles of Association provides that every new Director appointed by the Board be subjected to re-election at the immediate AGM. Furthermore, one third (1/3) of the Board shall retire from office by rotation and be eligible for re-election at every AGM, and all the Directors including the CEO&MD should submit themselves for re-election at least once in every three (3) years. Pursuant to Section 129 of the Companies Act, 1965, a Director who is over 70 years of age may be re-appointed as a Director to hold office until the next AGM.

The Directors who are subject to re-election or re-appointment are assessed through the Self & Peer Assessments under the annual Board evaluations. The assessment criteria and process undertaken are disclosed in Section A item 11 of this Statement.

14. 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, sustainability, 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 the 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 trainings attended by the Directors were related to corporate governance, finance, industry knowledge, sustainability and new legislations.

The details of training of each of the Directors of the Company 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 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 quarterly, 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.

B. 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 benchmarking data for 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 2016 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 contributions ranging from 1% to 5% to all its employees based on their length of service.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

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 2016.

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	1,788	–	3,113	677	97	5,675
Non-Executive Directors	600	928	963	–	95	2,586*
Total	2,388	928	4,076	677	192	**8,261**

** Included all 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	–	125	11	–	–	136
Non-Executive Directors	–	255	16	–	–	271
Total	–	380	27	–	–	**407**

B. Aggregate remuneration of each Director:

	Remuneration received from the Company	Remuneration received from Other Related Companies
Executive Directors	**RM'000**	**RM'000**
Dato' Soam Heng Choon	3,735	136 #
Lee Chun Fai *(Appointed on 6 April 2015)*	1,940	–
Non-Executive Directors		
Tan Sri Dato' Tan Boon Seng @ Krishnan	1,621	105 #@
Tan Sri Abdul Halim bin Ali	298	–
Datuk Lee Teck Yuen	132	20 @
Datuk Ir. Hamzah bin Hasan	198	–
Pushpanathan a/l S A Kanagarayar	224	146 #
Dato' David Frederick Wilson	113	–
Total	**8,261**	**407**

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

@ *Fees and allowances received from Kuantan Port Consortium Sdn Bhd in their capacity as Non-Executive Directors.*

IJM Corporation Berhad's board of directors at the Annual General Meeting

C. 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.

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 and appointment of proxies. The details of the shareholder's rights are available for reference at www.ijm.com.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

Senior management sharing information during the Senior Management Forum

Dato' Soam presenting during the Analyst Briefing held at Wisma IJM

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 the shareholders and public for reference at www.ijm.com.

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 78. 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, CEC, Corporate Disclosure Policy, Diversity and Inclusion Policy and External Auditors Policy are made available to the 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).

D. 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.

The Audit Committee assists the Board in overseeing the financial reporting, which includes adherence to the appropriate accounting standards, review of reasonableness of accounting policies, integrity of the processes and controls in place.

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 Board is responsible for establishing and maintaining a sound risk management and internal control system to ensure that the shareholders' investments, stakeholders' interests and assets of the Group are safeguarded. The Board through the Audit Committee evaluates the adequacy and effectiveness of the internal control system by reviewing the actions taken on lapses, recommendations of internal auditors and Management responses.

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 137 to 143.

4. Relationship with the Auditors

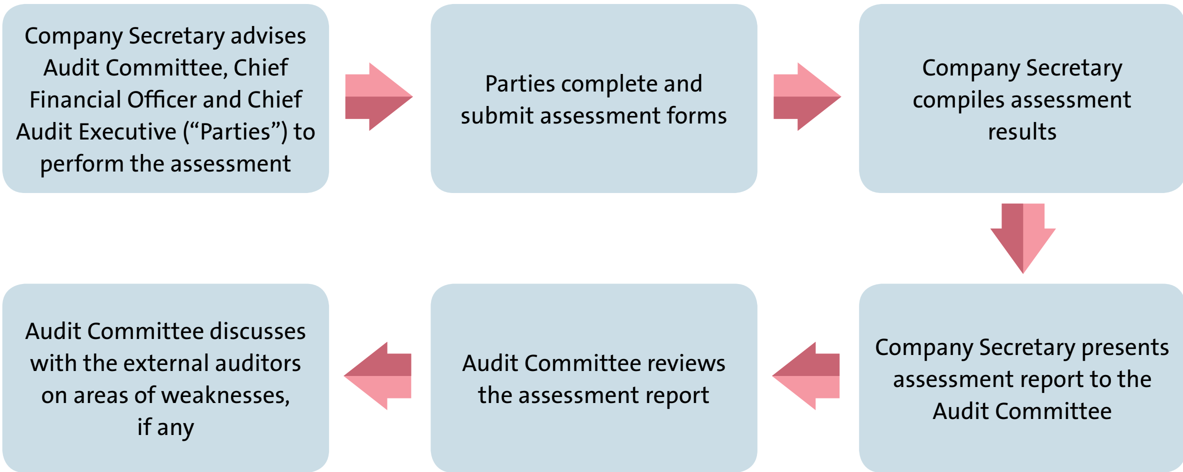
Through the Audit Committee, the Board has a direct relationship with the external auditors. The role of the Audit Committee in relation to the external auditors is set out on pages 132 to 136. The external auditors were invited and had attended all the Audit Committee meetings and general meetings of 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 details of the EAP are available for reference at www.ijm.com.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

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 assessment of the External Auditors. The Board was satisfied with the external auditors' technical competency and audit independence.

The process of the assessment of the external auditors is as follows:-



5. Audit and Non-Audit Fees

The external auditors and their affiliated firms/corporations can be engaged to perform non-audit services that are not, and are not perceived to be, in conflict with their role as the external auditors. The Group adopts the following three (3) basic principles for non-audit services:-

a) external auditors cannot function in the role of Management;

b) external auditors cannot audit their own work; and

c) external auditors cannot serve in an advocacy role of the Company and its subsidiaries.

The details of audit and non-audit fees for the financial year ended 31 March 2016 are set out in the Audit Committee Report.

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.

E. 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 144 to 217. The CR activities of the Group are available for reference at www.ijm.com under the CR section.

F. 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 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.

Shareholders participating during Q&A session at the EGM

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 judgement 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") has been formulated in February 2015 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 13 July 2016.

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 AND MINUTES

Four (4) 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.

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 relevant members of the 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)*	4/4
Tan Sri Abdul Halim bin Ali, *Independent Non-Executive Director*	4/4
Datuk Ir. Hamzah bin Hasan, *Independent Non-Executive Director*	4/4

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 2016. 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.

The Board is satisfied that the Audit Committee and its members have discharged their functions, duties and responsibilities in accordance with the Audit Committee's 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 exercised on 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; and
- Reviewed the report on the verification of allocation of options and shares conducted by the internal auditors in relation to the Employee Share Option Scheme and Employee Share Grant Scheme under the Long Term Incentive Plan ("LTIP") of the Company that it is in compliance with the criteria set out in the By-Laws of the LTIP, that had been disclosed by the Company to the employees of the Group.

AUDIT COMMITTEE REPORT (Cont'd)

3.0 External Audit

- Reviewed and endorsed the external auditors' audit strategy, audit plan and scope of work for the year;
- Exercised oversight over the relationship with the external auditors to ensure that their coverage is focused and that suitable overlap with the work of internal audit is achieved;
- Reviewed the assistance given by the internal auditors to the external auditors;
- The Audit Committee deliberated on the external auditors' presentation of:
  - the terms, areas of responsibility, associated duties and scope of the audit as set out in the external auditors' engagement letter;
  - the overall work plan and fee proposal;
  - the major issues that arose during the course of the audit and their resolution;
  - key accounting and audit judgements;
  - the unadjusted differences identified during the audit; and
  - recommendations made by them in their management letters and the adequacy of management's responses;
- Reviewed and approved the provision of non-audit services by external auditors that were agreed to prior to their commencement of such work and confirmed as permissible for them to undertake, as provided under the By-Laws of the Malaysian Institute of Accountants. The amount of external audit fees and non-audit fees incurred for the financial year ended 31 March 2016 were as follows:

Fee incurred	Audit Fee (RM'000)	Non-Audit Fee (RM'000)
The Company	436	62
The Group	4,098	743

  The non-audit services rendered included tax compliance and advisory services, review of transfer pricing documentation, and accounting software (RAMCO System).

- The Audit Committee met with the external auditors twice during the year, without the presence of management, to review key issues within their sphere of interest and responsibility. During the private session with the external auditors, it was noted that there were no major concerns from the external auditors and they conveyed that they had been receiving full cooperation from the Management and staff;
- Reviewed the external auditors report to the Audit Committee;
- Reviewed, assessed and monitored the performance, suitability and independence of the external auditors pursuant to the External Auditors Policy ("the Policy"). The Audit Committee undertook an annual assessment to assess the performance, suitability and independence of the external auditors based on, amongst others, the quality of service, sufficiency of resources, communication and interaction, as well as independence, objectivity and professional skepticism. The external auditors provide an annual confirmation of their independence in accordance with the terms of all professional and regulatory requirements.

  Pursuant to the Policy, the engagement and concurring partners responsible for the Group audit are rotated at least every five (5) financial years.

  Following the review of the external auditors' effectiveness and independence, the Audit Committee is satisfied with the performance and the audit independence of the external auditors. Accordingly, it was recommended to the Board to re-appoint PricewaterhouseCoopers as auditors of the Company as well as the proposed audit fee for approval. A resolution for their re-appointment will be tabled for approval at the forthcoming Annual General Meeting.

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, 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. The internal auditors have direct access to the Audit Committee and the Chief Executive Officer & Managing Director. The Audit Committee is satisfied that the internal auditors' independence have been maintained as adequate safeguards are in place. All internal auditors had signed the annual declaration that they were and had been independent, objective and in compliance with the Code of Ethics and Conduct of IJM Corporation Berhad and The Institute of Internal Auditors in carrying out their duties for the financial year. The Audit Committee remained satisfied that the Internal Audit function had sufficient resources during the year to undertake its duties.

The Internal Audit function provides to the Board (primarily via the Audit Committee) and to management reasonable assurance on the effectiveness of the Group's systems of internal control and the adequacy of these systems to manage business risks and to safeguard the Group's assets and resources.

The IAD is governed by the Internal Audit Charter and it sets out the purpose, functions, scope and responsibilities of the Internal Audit function and how it maintains independence from the first and second line of defense by management of the Group. The four main functions of Internal Audit are to:

- Assess and report on the effectiveness of the design and operation of the controls framework which enable risks to be assessed and managed;
- Assess and report on the effectiveness of management actions to address deficiencies in the controls framework;
- Investigate and report on cases of suspected employee fraud and malpractice, if any; and
- Undertake designated advisory services for management provided that they do not threaten the function's actual or perceived independence from management.

The Internal Audit Plan for 2015-2016 was reviewed and approved by the Audit Committee in February 2015. Planned reviews reflected the priorities in the Group's 2015-2016 Operational Plan and were prioritised following a risk-based assessment of the business and a review of the Group's risk policies. The reviews carried out covered an extensive sample of controls over all risk types, business units and entities.

The IAD adopts a risk based auditing approach, prioritizing audit assignments based on the group's business activity, risk management and past audit findings. It evaluated the adequacy and effectiveness of key controls in responding to risks within the organisation's governance, operations and information systems, in terms of:

- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations;
- Safeguarding of assets; and
- Compliance with relevant laws, regulations and contractual obligations.

AUDIT COMMITTEE REPORT (Cont'd)

All internal control deficiencies were reported to the appropriate levels of management when identified. The Audit Committee received quarterly reports from the IAD on audit reviews carried out, management's response to the findings and progress in addressing identified issues. The management members were made responsible for ensuring that corrective actions on reported control deficiencies were taken within the required timeframes. IAD conducted follow-up audits on key engagements to ensure that the corrective actions were implemented appropriately. In this respect, IAD has added value by enhancing the governance, risk management and control processes within the Group.

The Audit Committee reviewed and approved the IAD's financial budget and human resource requirements to ensure that the function is adequately resourced.

A range of initiatives are being developed, in particular the proposal for the procurement of audit management and data analytics software, to increase the efficiency and effectiveness of the function's audit management process and data analytics capabilities. This proposal was presented to and approved by the Audit Committee, for implementation in the financial year ending 31 March 2017.

The total cost incurred in managing the IAD for the financial year under review was approximately RM4.8 million (FY2015: RM3.2 million).

A summary of internal audit cost distribution is as follows:

Cost category	% of total cost
Manpower	82%
Training	3%
Travelling (inclusive of accommodation)	10%
Overheads	5%

INTERNAL AUDIT ACTIVITIES FOR THE FINANCIAL YEAR

During the financial year, the IAD had completed and reported eighty-five (85) audit assignments covering the construction, property, industry, infrastructure and plantation divisions, as well as the overseas operations of the Group and functional audits of Group Support Services. The assignments included special audits requested by the Board, Audit Committee or Senior Management, and those which arose from reports pursuant to the Group's Whistle-Blowing Policy.

The IAD, during the financial year, provided internal audit services to IJM Plantations Berhad. 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 twenty-three (23) auditors with approximately 44,000 available man-hours per annum.

IJM is a Corporate Member of The Institute of Internal Auditors Malaysia.

This Audit Committee Report is made in accordance with the resolution of the Board of Directors dated 13 July 2016.

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 articulates, implements and 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. The Board reviews the processes, responsibilities and assesses for reasonable assurance that risks have been managed within the Group's risk appetite and tolerable ranges and to ensure that the system is viable and robust.

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.

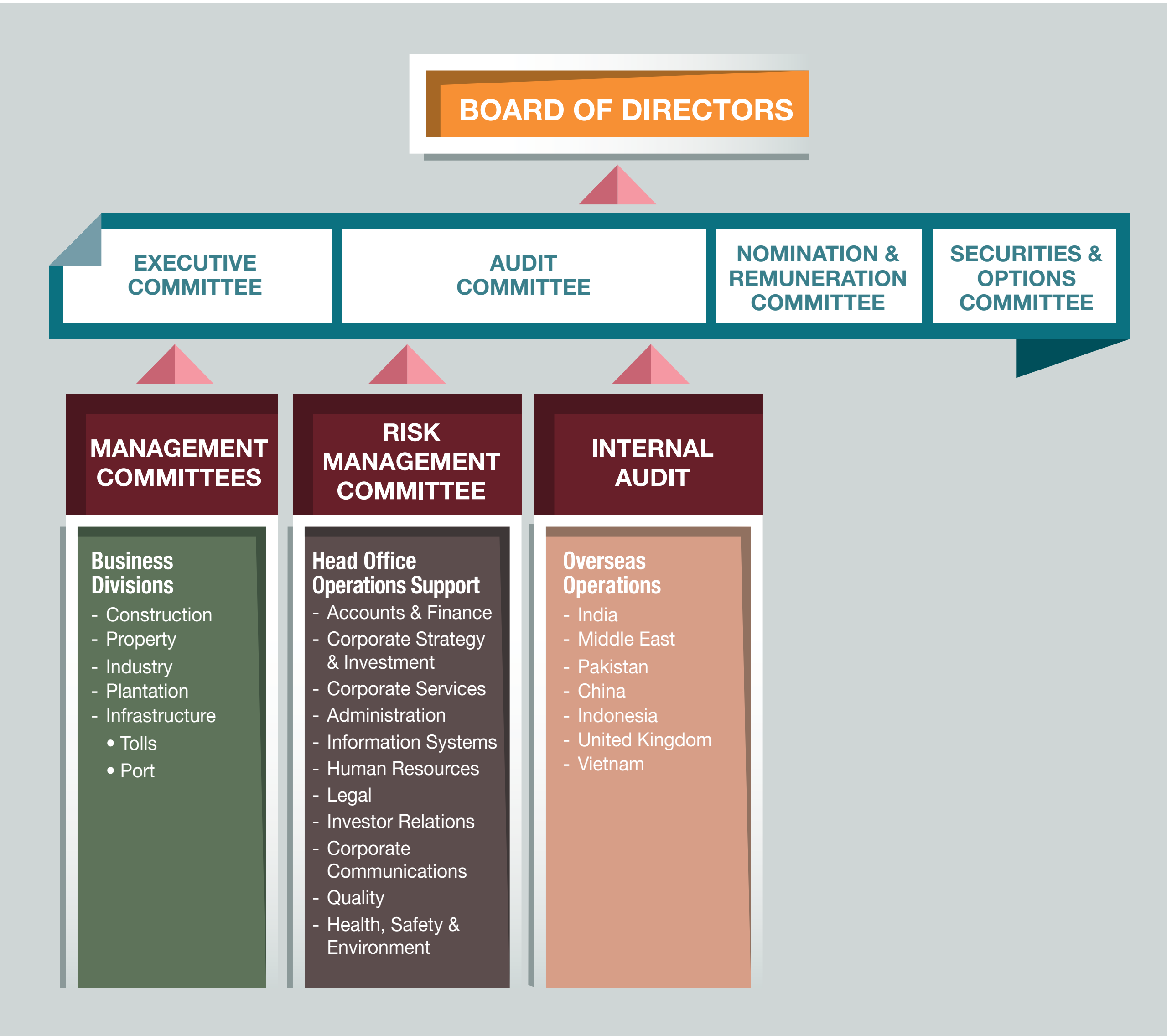
KEY FEATURES OF RISK MANAGEMENT AND INTERNAL CONTROL PROCESSES

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 Company 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, and evaluates the performance of Directors (including Board Committees) on an annual basis.
- The Securities and Options Committee administers options and/or shares under the employee share scheme and regulates 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.

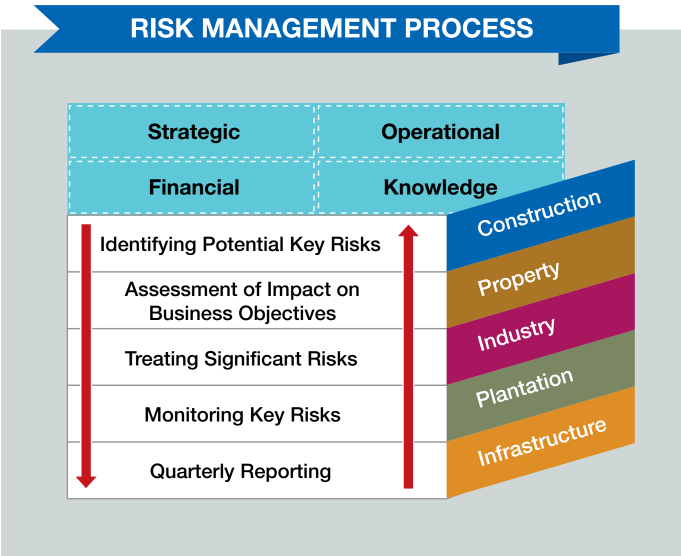


Key Elements of the Risk Management and Internal Controls

- 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's 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 and necessary changes are made to the existing risks.

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 on a quarterly basis.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (Cont'd)

RISK ASSESSMENT REVIEWS

During the financial year, all divisions conducted their risk management and internal control system reviews which were assessed by the RMC and reported to the Audit Committee at each quarter.

The Group identified major risk areas of concern and mitigating actions were undertaken within appropriate timeframes. The management of the Group's significant risks identified for the financial year 2016 is outlined below:

Significant Risks for the financial year 2016	
Risk 1	Market Risk Management
Risk 2	Credit and Liquidity Risk Management
Risk 3	Operational Risk Management

1. 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.

Economic risks

In the current economic climate, the slowdown in the local and global economy may affect the Construction and Industry Division's order book replenishment and result in overcapacity situations in its factories. The Industry Division's quarrying performance declined this year due to poor demand and erosion in selling prices while the Property Division's property sales slowed down due to the subdued market sentiments, saturated market and stiff competition. All of these factors affect the Group's profitability.

To mitigate such economic risks, the Group has various measures in place including the following:

- Securing long term BOT projects;
- Exploring various business and geographical diversifications;
- Regularly reviewing the business plans against performances to address any gaps or shortfalls;
- Maintaining good relationships with vendors and negotiating for more favourable terms;
- Maintaining existing customers and winning new customers;
- Seeking alternative uses of available capacity for its factories;
- Enhancing efficiency and productivity in its operations;
- Cost down initiatives to contain rising production costs such as sourcing cheaper alternative raw materials; and
- Adopting innovative marketing strategies with appropriate product differentiation and flexibility in product offerings to suit the market demand for its properties.

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, employ detailed feasibility assessments whilst continuously seeking out local as well as other international opportunities to replenish orders, diversify its business and grow earnings.

Commodity risks

Commodity risk is prevalent in the Plantation Division as its prices for palm products are subject to market volatility which affects its profitability. The Plantation Division manages such commodity risk with the following measures:

- Constant monitoring of the commodity prices to determine the appropriate timing to transact sales;
- Selling using the Malaysian Palm Oil Board's average price mechanism;
- Hedging through forward sales contracts;
- Entering into crude palm oil pricing swap arrangements with financial institutions as an additional hedge; and
- Close monitoring of the pricing trends of major oils and fats for market intelligence.

The Group is also exposed to foreign currency fluctuations due to its investments in foreign countries such as India and Indonesia which may affect its profitability due to the negative fluctuation in the functional currencies of the foreign subsidiaries. These foreign exchange exposures are managed by the Group with the following measures:

- Entering into forward foreign exchange contracts;
- Cross currency swap contracts; and
- Keeping foreign currency denominated borrowings at an acceptable level.

Regulatory risks

The Group's businesses are governed by relevant laws, regulations, standards, licenses and concession agreements. The Group constantly assesses the impact of new laws and regulations affecting its businesses to ensure that its processes and infrastructure setting are able to operate under the new requirements. New laws and regulations which have an impact to the Group included the following:

- Goods and Services Tax;
- Bursa Malaysia's new listing rules on corporate governance and sustainability; and
- Companies Bill 2015.

The Group manages these regulatory risks with the following measures:

- Be updated with the new requirements by attending seminars, conferences and training programmes organised by specialists such as Bursa Malaysia, PricewaterhouseCoopers, Wong & Partners, etc.;
- Implementing appropriate policies, procedures, guidelines, self-audit process and contracts management; and
- Maintaining regular communication with the authorities, industry, accounting, tax and legal experts to ensure compliance at all times.

In addition, the other policies which affect the Group's Property Division are the loan to value cap requirement and strict mortgage lending policies by banks resulting in lower loan approvals this year. Coupled with the slower project approvals from the authorities, all these factors affect the demand for the Division's properties, slow down the progress of its developments and reduce profitability levels. To mitigate such risks, the Property Division carries out the following measures:

- Liaising closely with government officials and external institutions;
- Maintaining close working relationship with financial institutions to counter the cooling policies;
- Developing innovative marketing strategies and negotiating for attractive interest rates for loans;
- Adopting the industrialised building system to be less dependent on labour, whilst improving the productivity and quality of construction work;
- Switching product focus to landed properties and/or affordable housing where demand is still resilient due to support by the younger generation; and
- Delaying the launch of certain high-end high rise projects where appropriate.

In addition to the above, the Group's legal department provides legal input on compliance with applicable laws and regulations, including on business, contracts and operational matters.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (Cont'd)

Plantation Division faces volatile crude palm oil prices

Scaffolding On-Job-Training

2. CREDIT AND LIQUIDITY RISK MANAGEMENT

These risks arise from the inability to recover debts in a timely manner which may affect the Group's profitability, cash flows and funding. Such risks are more widespread in the Construction and Industry Division's overseas operations.

The Group minimises such exposures with the following measures:

- Assessing the creditworthiness of potential customers before granting credit limits and periods;
- Employs strict debt repayment policies;
- Persistent and close monitoring of collections and overdue debts; and
- Ensuring effective credit utilisation to keep leverage at a comfortable level.

3. OPERATIONAL RISK MANAGEMENT

Inadequate skilled workforce risk

Similar to many other companies in the same line of business, the Group faces a common challenge in the form of inadequate skilled workforce. This risk is more acute in the Plantation Division due to the difficulty in recruiting skilled workers which may slow down its harvesting operations. Various measures carried out by the Plantation Division to attract more skilled labour included the following:

- Working with the industry fraternity to improve the availability of labour;
- Upgrading the living quarters of guest workers complete with amenities including electricity and water, medical care, crèche, education centres, recreational and sports facilities in phases;
- Entering into partnership with NGOs such as the Borneo Child Aid to provide education to the children of guest workers with the intention of retaining the workers; and
- Reviewing the remuneration benefits of workers from time to time to stay competitive.

To mitigate the risk of inadequate skilled workforce elsewhere, the Group implemented various remuneration schemes to attract and retain them to meet existing and future needs. Some of these initiatives are as follows:

- The Long Term Incentive Plan ("LTIP"), which comprises an employee share option scheme and an employee share grant plan for qualified employees. For more details of the LTIP scheme, please refer to the Financial Statements section of the Annual Report;
- Enhancing work-life practices such as staggered hours, family care leave, car park space for expectant mothers and extended maternity leave; and
- Enhancing schedule of benefits for Group hospitalisation and surgical plans.

Adverse weather risk

During the financial year, the Plantation Division's crop productivity was affected by the El Nino weather phenomenon which caused palm biological stress and affected yields and profitability. The Division's fresh fruit bunches ("FFB") production from the Malaysian operations dipped by 18% to 480,591 metric tonne due to the severe dry weather. As a result, the Malaysian operations recorded an 18.8% drop in FFB yield to 20.8 tonnes per hectare in FY2016.

To mitigate the dry weather condition and in anticipation of its recurrence in the future, the Plantation Division had carried out measures which included the following:

- Employing good agronomic and estate practices as per the Division's operating manual;
- Carrying out water conservation and irrigation measures to ensure its oil palms receive adequate water;
- Deepening reservoirs, where possible, to increase water storage capacity with the objective of irrigating the surrounding fields; and
- Ensuring appropriate agricultural training for its cadets and field staff.

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 emergency response and crisis management plans.

INSURANCE

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.

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 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.

CONCLUSION

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.

THE GROUP WILL CONTINUE TO MONITOR ALL MAJOR RISKS AFFECTING THE GROUP AND WILL 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 13 July 2016.