Group Organisation Chart

BOARD OF DIRECTORS

- **Company Secretary** – Jeremie Ting Keng Fui
- **Audit Committee**
  - **Risk Management Committee** – Loy Boon Chen
  - **Internal Audit** – Lyndon Alfred Felix
- **Executive Committee**
- **Nomination & Remuneration Committee**
- **Share Committee**
- **ESOS Committee**

CEO & Managing Director – Dato' Krishnan Tan

Deputy CEO & Deputy Managing Director – Dato' Goh Chye Koon

- **Head Office**
  - **Accounts & Finance** – Loy Boon Chen
  - **Corporate Services & Administration** – Jeremie Ting Keng Fui
  - **Legal** – Mani a/l Doraisamy
  - **Business Development** – Devaraj Govindarajoo
  - **Quality System & Safety** – Soo Heng Chin
- **Construction Division** – Dato' Goh Chye Koon
  - **Corporate Services** – Ng Yoke Kian
  - **Human Resource & Administration** – Pang Mok Shyan
  - **Information Systems** – Wong Hong Fay
  - **Quality System** – Siva Kumar s/o Rajappan
  - **Health, Safety & Environment** – Mohammad Albakri bin Tajuddin
- **Properties Division** – Teh Kean Ming
- **Industries Division** – Mah Teck Oon
- **Plantations Division** – Velayuthan Tan
- **International Ventures**
  - **Argentina** – Adam Eleod
  - **Australia** – Tan Joo Kee
  - **China** – Loy Boon Chen
  - **India** – Ng Chin Meng
  - **Middle East & Pakistan** – Mohd Razin Ghazali
  - **Vietnam** – Wee Kee Hong

GROUP SUPPORT SERVICES
left to right: Mohammad Albakri bin Tajuddin, Devaraj Govindarajoo, Lyndon Alfred Felix, Loy Boon Chen, Wong Hong Fay, Soo Heng Chin, Jeremie Ting Keng Fui, Mani a/l Doraisamy, Ng Yoke Kian, Pang Mok Shyan and Siva Kumar s/o Rajappan

Chairman's Statement

"... the Group intensified its 'go international' strategies, scoring notable successes in securing major construction and build-operate-transfer (BOT) contracts in India and Dubai."

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

INTRODUCTION

On behalf of the Board of Directors of IJM Corporation Berhad, I am pleased to present the Annual Report and the Financial Statements of the Group and the Company for the year ended 31 March 2006.

OPERATING ENVIRONMENT

In 2005, global economic expansion was sustained at a strong pace of 4.3%, coming off an exceptional growth rate of 4.8% in 2004. The growth was remarkable given the backdrop of higher energy costs, rising interest rates and disruptions from natural disasters.

During 2005, prices of crude petroleum as well as base metals and other commodities went spiralling relentlessly. Malaysia was not immune to the inflation induced by these hikes. The country's inflation rate more than doubled from 1.4% in 2004 to 3% in 2005. Escalating crude petroleum prices warranted three upward adjustments in fuel prices despite substantial government subsidies. Bank Negara Malaysia, for the first time in seven years, raised its Overnight Policy Rate (OPR) by 30 basis points to 3.0% on 30 November 2005. Two more OPR increments of 25 basis points each were made on 22 February 2006 and 26 April 2006, and further hikes are expected. Though interest rates have risen, monetary conditions still remained supportive of domestic economic activities.

Despite these shocks, the Malaysian economy expanded by 5.3%, albeit down from a high of 7.1% in 2004. The Malaysian growth was mainly private sector driven and was underpinned by supportive macro-economic policies and favourable financial conditions. The construction sector however, contracted for the second consecutive year by 1.6% (2004: 1.5%). There was a substantial reduction in civil engineering activities in 2005 due to the completion of major infrastructure projects and a dearth of new Government projects. First quarter 2006 performance of the sector continued to be sluggish with 1.8% negative growth recorded.

Chairman's Statement (cont'd)

OPERATING RESULTS

Despite the less-than-favourable business environment on the local front, for the financial year ended 31 March 2006 (FY 2006), the Group achieved revenue of RM1,665.86 million (2004/05 annualised: RM1,441.83 million), a pre-tax profit of RM259.77 million (2004/05 annualised: RM227.05 million) and a net profit of RM160.43 million (2004/05 annualised: RM148.39 million) which are all record highs for the Group.

Given the difficult environment for the Group's local businesses, the Group intensified its 'go international' strategies, scoring notable successes in securing major construction and build-operate transfer (BOT) contracts in India and Dubai. The Properties Division too made several strategic land acquisitions and entered into several joint ventures for new projects in India. The Industries Division, while intensifying its export initiatives, also made significant investments abroad, particularly in India and China.

ICP piles are used to support the construction of a port in Bangladesh

Casa Impiana superlink houses, Johor

On the local front, only one major external project was secured by the Construction Division due to limited supply of opportunities. The construction sector continued to be plagued by intense competition and low margins at bid stage while business risk was further heightened by constant increase in prices of fuel and most forms of building materials. Our properties business continued to see good demand contributing to its record performance while the Industrial Concrete Products Berhad Group too improved its performance. The Plantations Division was hit by lower CPO prices, escalating costs of inputs such as diesel and fertiliser and increased state taxes. A 13% increase in FFB production mitigated the adverse impact of these negatives.

Our CEO's Review of Operations (pages 36 to 57) provides further details of our divisional performances.

BUSINESS OUTLOOK AND OPERATIONAL STRATEGIES FOR FY 2007

Going forward, the outlook for 2006 is for global economic expansion to remain positive, albeit coming off the strong pace of 2005. The International Monetary Fund forecast economic growth of 7% in the Asia-Pacific region this year, unchanged from 2005, supported by well-established economic expansion in most countries in the region. However, it also cited certain risks such as high oil prices, tightening global financial condition, global current-account imbalances, natural disasters and a potential outbreak of an avian-flu pandemic as factors that could slow growth. Nevertheless, we can take some comfort that our international exposure is to markets with very high sustainable growth that require continued spending on infrastructure, namely India, China, Pakistan and the Gulf States.


Another major project completed - the cable stayed bridge over Sg. Prai, Penang

In Malaysia, the Bank Negara Malaysia forecasts GDP to grow at a rate of 6%, driven by increasing government expenditure, strengthening exports and resilient domestic demand. The construction industry can look forward to better times as the Ninth Malaysian Plan will put more jobs in the market in the next few years. If the government delivery system can bring jobs into the market place quickly, this could go some way towards the sector meeting the sectorial GDP growth envisaged to be 1% *(source: Bank Negara Malaysia Annual Report 2005)* after the first quarter decline of 1.8%. For FY 2007, however, our focus on securing jobs will be the private sector especially the high-end condominium market where quality and completion factors weigh heavily in the selection of contractors.

The Group currently has a substantial order book. For the first time in the Group's history, order book from our offshore operations constitute more than half of our total order book. Further, with their robust economies and emphasis on infrastructure, India and the Gulf States offer good opportunities for the Group to enhance its order book in FY 2007. With the strong order book, the current year's emphasis will be on cost effective and efficient work execution.

The Properties Division is again expected to do well in FY 2007. A number of projects will be launched both in Malaysia and India. The division will continue to be active in securing new and viable projects mainly through joint ventures while delivery will be the emphasis.

The Industries Division should benefit from rising exports as well as demand from the improving Malaysian construction sector. Results from overseas ventures should also improve.

The Plantations Division should again see increased FFB and crude palm oil production given increasing mature acreages as well as maturing palms. If the CPO prices could be maintained at the current level, the Division should see better performance. Landbank expansion into Indonesia is expected to be finalised in the FY 2007.

Due to its infancy and with many investments still under development, the Infrastructure Division will remain a drag on the bottom line in the short term. These investments will however, produce significant recurrent income in future years.

The status of the Group's significant proposed investments are as follows:-

i) On 30 May 2005, the Company entered into a Share Purchase Agreement (SPA) to acquire 118,373,600 ordinary shares of RM1.00 each in Kumpulan Europlus Berhad (KEB) representing 25% of the equity interest in KEB from certain shareholders of KEB for a total cash consideration of RM33,144,608 or RM0.28 per share. In addition, the Company has been granted a call option to acquire a further 5% equity interest in KEB. The completion of the SPA has been further extended to 30 November 2006 pending the fulfillment of the conditions precedent, which include finalisation of the terms of the proposed concession agreement for the Peninsular Malaysia West Coast Highway Concession by KEB.

ii) On 30 September 2005, the Company entered into a Definitive Agreement with Antah Holdings Berhad (Antah), KASEH Lebuhraya Sdn Bhd (KASEH) and Lebuhraya Kajang-Seremban Sdn Bhd (LEKAS) for the Company to participate in the Concession for the 48km new highway linking Kajang to Seremban for a period of 33 years. The Company will be participating in

Chairman's Statement (cont'd)

the Concession by way of subscribing to RM50 million of new ordinary shares of RM1 each, representing 50% of equity, and RM200 million 7% Redeemable Convertible Unsecured Loan Stocks (RCULS) in LEKAS. The Company will grant Antah a call option to acquire up to 50% of the RCULS. LEKAS is intended to be the special purpose vehicle to undertake the Concession to be novated by KASEH and this has been approved by the shareholders of Antah. The revised terms of the Concession are still pending finalisation with the Government.

Raintree Park- IJM's maiden property development in Hyderabad, India

DIVIDENDS

A first interim dividend of 5% or 5 sen per share less tax at 28% was declared and paid on 10 February 2006 and a second and final interim dividend of 10% or 10 sen per share less tax at 28% has been declared to shareholders on the register on 31 July 2006 and will be paid on 18 August 2006. Due to the increase in the capital base, the quantum of dividend has increased from RM49.48 million to RM52.74 million. This represent a payout ratio of 31.76%. Dividend rate for 2005/06 has been maintained at 15% despite substantial cash flow outlay for long-term investments and increased capital commitments.

CORPORATE PROPOSAL

On 12 October 2004, the Company announced a renounceable rights issue of up to 100,944,400 new warrants at an indicative issue price of RM0.05 per warrant on the basis of one (1) new warrant for every five (5) existing shares held in the Company. In addition, the Company also announced the issuance of up to 10,000,000 new warrants to eligible management staff of the Group at the same indicative issue price. At the close of acceptance and payment, 100% acceptance was achieved. The warrants were issued at an issue price of RM0.05 per warrant. The exercise price was fixed at RM4.80. Each warrant entitles the registered holder to subcribe one (1) new ordinary share at any time from 23 August 2005 to 22 August 2010. The warrants were listed on 2 September 2005. All proceeds from warrants were utilised for working capital purposes.

CORPORATE GOVERNANCE

Our Statement on Corporate Governance can be found on pages 58 to 66.

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies in 2005/06.

RELATED PARTY TRANSACTIONS

Significant related party transactions of the Group for the financial year are disclosed in Note 44 to the financial statements. This note also sets out the recurrent transactions conducted during the period in accordance with the general mandate obtained from shareholders at the Extraordinary General Meeting held on 10 August 2005.

Except for those disclosed in Note 44 to the financial statements, there were no material contracts of the Group involving directors' and major shareholders' interest during the period.

CORPORATE SOCIAL RESPONSIBILITY

The IJM Group is mindful of the impact its operation has on society. The Group's key corporate social responsibility platforms continue to be in the areas of staff welfare, environment, education, sports development, community and nation building. IJM Group will continue to identify activities where our support can make a real difference. By integrating social values within our business decision-making, IJM Group aims to achieve positive and sustainable outcome for its business, environment and the larger community. One example of this is the recent quest to obtain ISO 14001:2000 certification for its environmental management system which was successfully obtained by the Company, IJM Construction Sdn Bhd and Prebore Piling & Engineering Sdn Bhd. More information on other CSR activities are provided in other sections of this report.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to thank the directors, management and all employees of the Group for their strong commitment and contribution towards the continued success of our Group. I would also like to take this opportunity to thank shareholders, associates, clients, bankers, subcontractors and suppliers for their continued support to the Group.

The Board and I also wish to record our sincere appreciation for the services rendered by Encik Abd Hamid bin Othman who resigned from the Board on 13 September 2005. I also welcome to the Board, Dato' (Dr) Megat Abdul Rahman bin Megat Ahmad, who was appointed Non-executive Director on 31 October 2005; and Mr Tan Gim Foo, the Executive Director of IJM Construction Sdn Bhd, and Mr Teh Kean Ming, the Managing Director of IJM Properties Sdn Bhd, who have been appointed alternate directors to Mr Soo Heng Chin and Dato' Goh Chye Keat respectively on 1 September 2005.

Sabang Palm Oil Mill in Sabah - certified by MPOM for achieving the highest palm oil extraction rate in 2005

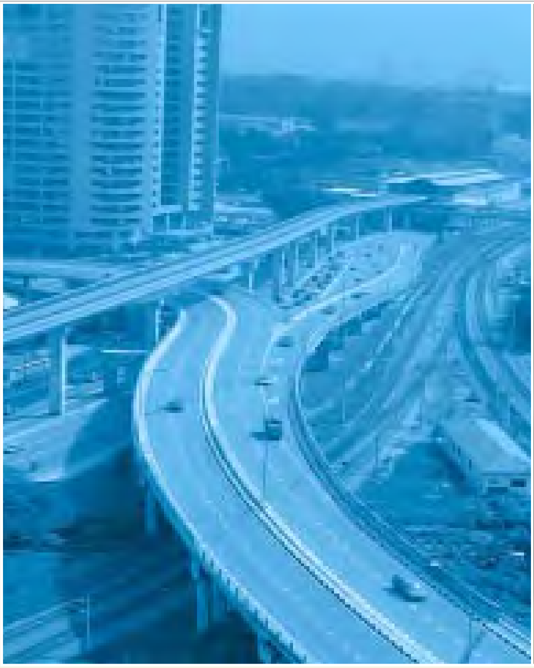
I am confident these gentlemen will add their wealth of experience and wisdom to deliberations at the Board.

Dato' Goh Chye Keat, a founder member of Jurutama Sdn Bhd and the Company, director and past Group Managing Director of IJM has recently given notice not to seek re-election to the Board at the next AGM. Dato' Goh has made enormous contributions to the growth of the IJM Group since inception and more importantly, in establishing the foundation of the Group's professionalism, integrity and corporate governance attributes in the businesses of the Group. On behalf of the Board, I wish to record a very special thanks to Dato' Goh and wish him good health and the very best in his 'second' retirement.

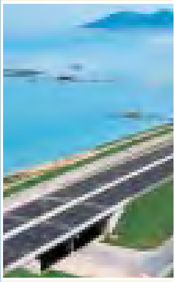
Tan Sri Dato' Ir. (Dr) Wan Abdul Rahman bin Wan Yaacob

Chairman

CEO's Review of Operations



Dato' Tan Boon Seng @ Krishnan
CEO & Managing Director



INTRODUCTION

Starting three years ago, the Group began formulating several strategies in anticipation of a possible slowdown in the domestic construction market taking the cue that the 'fiscal discipline' and 'fiscal consolidation' often quoted by political leaders meant fewer government funded infrastructure and building opportunities ahead. Among those, the following were significant:-

1. Expand selectively and quickly our domestic property business, preferably with minimal long-term capital commitments in landbanking. Projects should also have large construction content so that forthcoming idle capacities within the Group could be fully utilised.
2. Adopt a more aggressive bidding strategy overseas particularly in India where we were already very familiar with the market, while looking at new areas such as the Gulf States.
3. Internationalise our local businesses to widen the market horizon, i.e. either export our products or invest offshore to take advantage of booming overseas markets.
4. For the long-term, focus on building the recurrent income potential of infrastructure investments especially in high growth emerging markets.

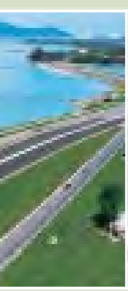
At this juncture, these strategies continue to be well executed by our people. As a result, despite the very challenging business conditions for our core businesses domestically, FY 2006 was a good year for the IJM Group. And, barring external shocks, the Group is poised for improved performances going forward.

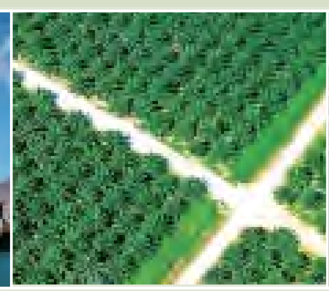
CONSTRUCTION

"... pre-tax profits rose to RM105.96 million (2004/05 annualised: RM88.63 million), an increase of 19.55% due in part to the recognition of construction profits from a concession contract and residual profits from completed projects ..."

PROPERTIES

"... The pre-tax profit of RM95.62 million (2004/05 annualised: RM70.40 million) on a turnover of RM517.22 million (2004/05 annualised: RM383.07 million), representing increases of 35.82% and 35.02% respectively over the previous financial year, is a reflection that our business strategies are working well ..."




INDUSTRIES

"... The business activities of the Division proved resilient as it continued to grow in strength even with the continued contraction in the construction sector. For FY 2006, the Division recorded a turnover of RM538.97 million and pre-tax profit of RM50.29 million ..."

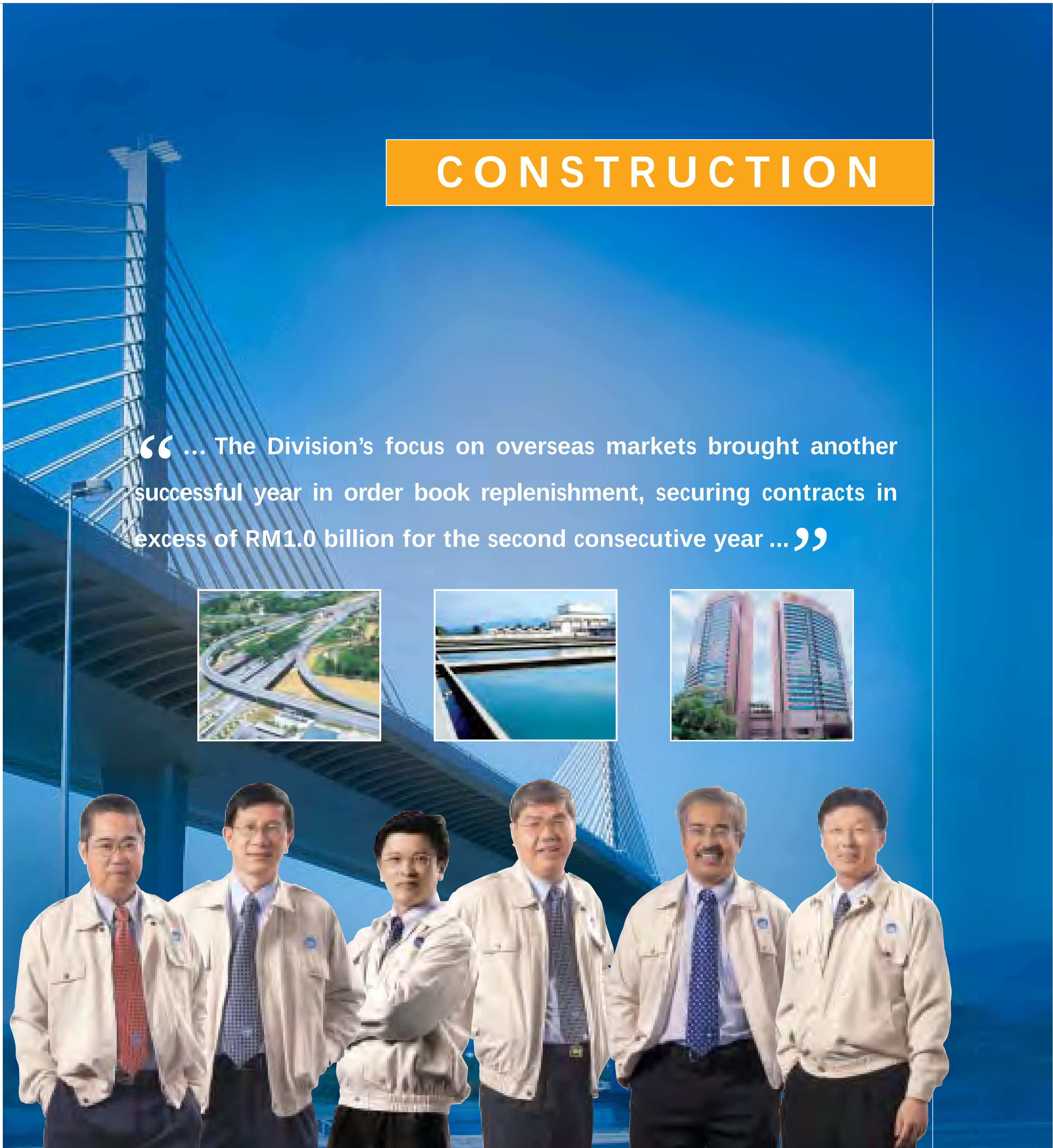
PLANTATIONS

"... The sustained performance in both operating revenue and profitability, despite significantly lower palm product prices, higher State sales tax and escalating fertilisers and fuel oil prices, is attributable to increased crop production ..."

INFRASTRUCTURE

"... On 28 February 2006, another success was achieved when the Company, in a 50:50 joint venture with Shapoorji Pallonji & Co., India received a letter of acceptance from National Highways Authority of India (NHAI) ..."

CEO's Review of Operations (cont'd)



CONSTRUCTION

" ... The Division's focus on overseas markets brought another successful year in order book replenishment, securing contracts in excess of RM1.0 billion for the second consecutive year ... "

CONSTRUCTION MANAGEMENT TEAM
left to right: Chow Kok Kong, Ong Teng Cheng, Liew Hau Seng, Quah Beng Teong, Debojit Chowdhury and Tan Gim Foo

In 2005, the domestic construction sector continued its decline, contracting 1.6% despite GDP growth of 5.3%. This contraction was attributed to the substantial reduction in civil engineering activities due to the completion of major infrastructure projects in the country, and the lack of new opportunities as the Government's fiscal consolidation policy trimmed new projects significantly. Private sector initiatives were inadequate to fill the gap.

Reflecting this sluggish environment, revenue fell relative to the previous year, to RM816.14 million (2004/05 annualised: RM937.73 million). Specifically, the decrease of 12.97% in revenue can be attributed to the suspension of works at some projects in Malaysia, mainly due to payment issues and the nature of certain new major projects especially those requiring piling and deep basements which meant low level of billings relative to time taken and contract value.

Butterworth Outer Ring Road, Package 3 & 4, Penang

The newly refurbished Hotel Impiana, Kuala Lumpur

CONSTRUCTION MANAGEMENT TEAM (cont'd)
left to right: Dato' Goh Chye Koon, Soo Heng Chin, Mohd Razin bin Ghazali, Ng Chin Meng, Szeto Wai Loong and Kok Fook Yu

CEO's Review of Operations (cont'd)

Another milestone for IJMC - its first cable stayed bridge in Penang

A cosy room in Hotel Impiana, Kuala Lumpur

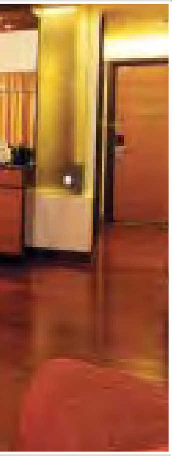
"... with an estimated budget of RM200 billion for development expenditure and a further RM20 billion of projects to be implemented through the Private Funding Initiative (PFI) models, the construction industry should see a brighter future ..."

However, pre-tax profits rose to RM105.96 million (2004/05 annualised: RM88.63 million), an increase of 19.55% due in part to the recognition of construction profits from a concession contract and residual profits from completed projects.

For FY 2006, the Division successfully completed several projects. Some of the notable ones were the cable-stayed bridge over Sg Prai (RM122.37 million) and the Butterworth Outer Ring Road (Package 3 & 4) (RM91.25 million), both in Penang, and the Impiana Hotel (RM74.78 million) situated in the heart of Kuala Lumpur's Golden Triangle. In India, the Ongole Highway project was also completed.

The Division's focus on overseas markets brought another successful year in order book replenishment, securing contracts in excess of RM1.0 billion for the second consecutive year. Our overseas successes include the Municipal Corporation of Delhi Civic Centre, New Delhi

CONSTRUCTION SUPPORT SERVICES
left to right: Lam Choy Loong, Pang Sek Loh, Ng Sin Kooi, Soo Heng Chin, Choo Lai Foong, Toh Teck Soon and Wee Kee Hong



(RM474 million); Tamil Nadu Toll Road (RM228 million); the Jhansi-Lakhnadon road project (RM138 million); civil and building works of the Prestige Shantiniketan Township, Bangalore (RM140 million), all in India; and the Emirates Flight Catering Facility (RM128 million) in Dubai. The only significant external project secured locally was the Park 7 Condominium (RM116 million) in Kuala Lumpur.

For the first time in the Group's history, more than 50% of our current order book is from overseas. Going forward, we are confident that we can make positive inroads into Pakistan and other Gulf Region countries soon. We will also actively participate in projects through government-to-government initiatives led by the Construction Industry Development Board.

The recently announced Ninth Malaysia Plan (9MP) is expected to provide a shot in the arm to the local construction industry. With an estimated budget of RM200 billion for development expenditure and a further RM20 billion of projects to be implemented through the Private Funding Initiative (PFI) models, the construction industry should see a brighter future. The Division will structure its strategies and leverage its strong reputation and credentials to secure more projects locally.

The more immediate focus of the Division is project execution. DELIVERY will not only improve the Division's revenue but also enable the Properties Division to increase its billings. Towards this end, mechanisation and methodologies to improve productivity and efficiency such as the innovative combination of in-situ and industrial building systems elements, amongst others, is being emphasised. Recruitment and training of workforce to enhance our competitive edge continues. Enhancing ICT applications with the implementation of Construction Enterprise Resource Planning (C-ERP) which will provide seamless horizontal and vertical integration of process from tendering stage to construction and completion of projects to improve productivity and efficiency, and at the same time ensure transparency in the Division's operations, is progressing well. More importantly, in an environment of relentless input cost escalation, intensive management will remain the key to our success.

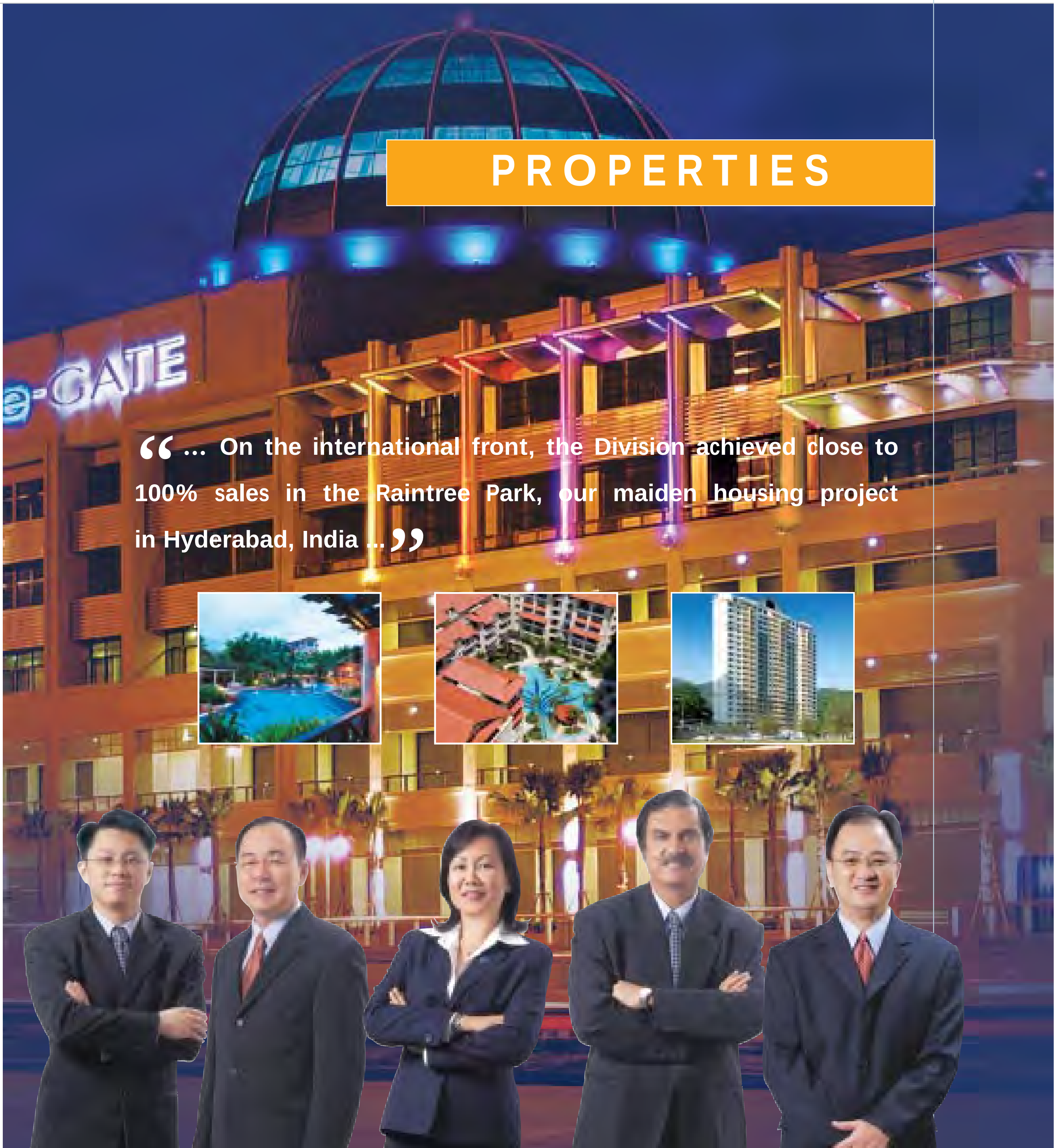
A bird's-eye view of Delhi Metro, India

The Lake Plaza shopping mall in Penang

Cyberjaya Flagship Village, Kuala Lumpur

CEO's Review of Operations (cont'd)

PROPERTIES



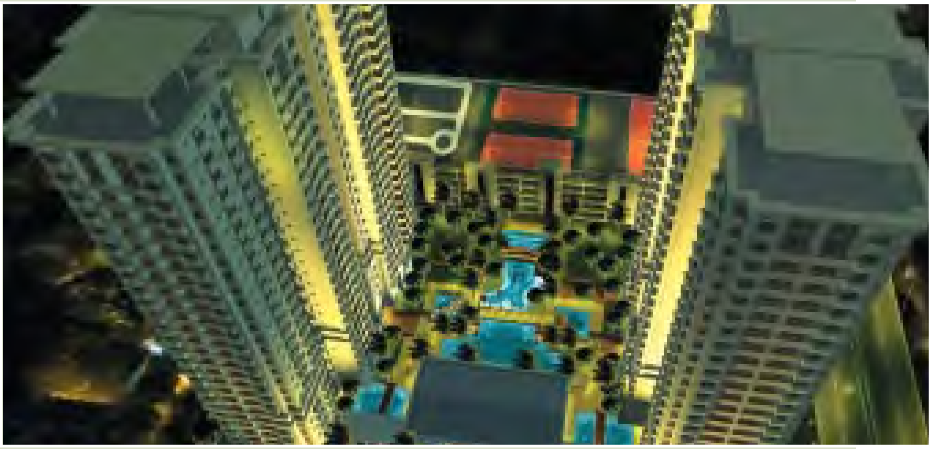
“... On the international front, the Division achieved close to 100% sales in the Raintree Park, our maiden housing project in Hyderabad, India ...”

PROPERTIES MANAGEMENT TEAM
left to right: Toh Chin Leong, Patrick Oye, Patsy Lee, Karam Singh and Teh Kean Ming

For FY 2006, the Division achieved its best set of results. The pre-tax profit of RM95.62 million (2004/05 annualised: RM70.40 million) on a turnover of RM517.22 million (2004/05 annualised: RM383.07 million), representing increases of 35.82% and 35.02% respectively over the previous financial period, is a reflection that our business strategies are working well. The Division also managed to maintain its overall profit margin, thanks to its continuing efforts to keep a tight rein on costs and additional measures implemented to remain competitive in a challenging property market.

The Malaysian operations generated revenue of RM348.51 million (2004/05 annualised: RM308.20 million) and pre-tax profit of RM78.24 million (2004/05 annualised: RM64.12 million). Contributions from all regional centers improved. On the international front, the Division achieved close to 100% sales in the Raintree Park,

Casa Impiana superlink houses, Johor



Bayswater Condominium, Penang - an artist's impression

PROPERTIES MANAGEMENT TEAM (cont'd)
left to right: Ng Kim Huat, Low Eng Bee, Tham Huen Cheong, Khoo Kah Hock, Goh Su Yin and Ch'ng Ewe Ghee

CEO's Review of Operations (cont'd)

Alpine Tower, Penang

Ampersand @ Kia Peng, Kuala Lumpur

A panaromic view from E-Gate, Penang

"... During FY 2006, the Division has made several investments through outright land acquisitions ... In keeping with strategy, the Division entered into several joint ventures with reputable land owners to develop their lands located in strategic locations ..."

our maiden housing project in Hyderabad, India which is a joint venture with Andhra Pradesh Housing Board. This project generated revenue of RM165.30 million (2004/05 annualised: RM44.22 million) and pre-tax profit of RM16.31 million (2004/05 annualised: RM2.53 million).

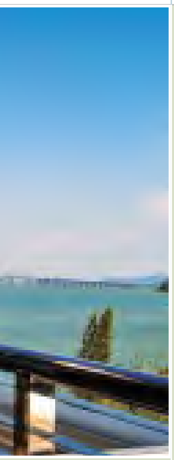
For FY 2007, private investments are expected to be well supported by steady employment and income growth, relatively favourable credit conditions and the positive effects of the favourable external performance. However, in an environment of rising interest rates, demand for properties can get selective and we will continue to be vigilant and niche-oriented in our new launches.

Fortunately, progress billings on committed sales in current projects are expected to contribute significantly to the Division's performance for the FY 2007.

New projects marked for launch in the Klang Valley include the Ampersand @ Kia Peng, a high-end condominium project within the KLCC vicinity; Monte Bayu, a medium-cost condominium in Cheras with an unobstructed view of the KL City skyline; Saujana Puchong, a mixed residential project with bungalows and semi-detached units; Ukay Green, a mixed residential development in Ulu Kelang; and Riana Green East, a condominium project located in Wangsa Maju.

Notable new projects in Penang will include the residential development along the Jelutong Expressway, the Bukit Jambul residential project, the Jalan Udini mixed development and the De'Jawana terrace housing in Butterworth. In Johor, the Division is launching the Suria Heights Condominium, the Suria Place Suites Service Apartments and the Desa Muafakat apartments. In Sandakan, the Division would be launching new

A show unit of Manda'rina, Kuala Lumpur



developments within our Taman Utama scheme while the Giant Hypermarket, the Division's second built-and-lease arrangement, is expected to be completed within the financial year. The latter will generate recurrent income streams, similar to the Tesco lease in Penang.

During FY 2006, the Division has made several investments through outright land acquisitions, the major one is a 43-acre land in Puchong, in the Klang Valley, with an estimated gross sales value (GSV) of RM193 million. In keeping with strategy, the Division entered into several joint ventures (JV) with reputable land owners to develop their lands located in strategic locations. These include the JV with Island Bay Resorts Sdn Bhd to carry out a mixed development on a 31-acre land at Batu Ferringhi, Pulau Pinang with an estimated GSV of RM210 million and a JV with Terang Tanah Sdn Bhd and Star Base Sdn Bhd to jointly develop a 90-acre land in Gombak with an estimated GSV of RM400 million.

Over in India, following the success of our maiden Raintree Park project, the Division has acquired a 35.5-acre land adjacent to its current location for RM109 million. The estimated GSV of the project, intended for development into an integrated township, is approximately RM530 million. The Division has also entered into a JV to develop a 44-acre land about 5km from the HiTec City in Hyderabad, with an estimated GSV of RM560 million. Another JV was formed with Lingamaneni Estates Private Limited, India to jointly develop an Integrated Township on a 119.35-acre land in Vijayawada, Andhra Pradesh, India with an estimated GSV of RM600 million. Meanwhile, Phase II of Raintree Park, ie development of a 600,000 sq ft retail mall, is seeing tremendous leasing interest from retailers, though construction is still at substructure stage.

"Excellence Through Quality" remains the Division's core value driver. With good synergistic support from our in-house construction, we have an edge in the delivery of good quality and innovative products on time. While keeping a balance of aesthetics and functionalism in all its development projects, the Division will continue to offer well-thought-out designs by working with highly competent consultants and architects to give property owners and investors quality assets with potential for long-term capital appreciation.

PJ 8 - a modern lifestyle hub that is set to reinvigorate Petaling Jaya

CEO's Review of Operations (cont'd)

INDUSTRIES

"... During the year, we continued exports to traditional markets like Bangladesh, Singapore and North America. We also made maiden exports to New Zealand and the Maldives ..."

INDUSTRIES MANAGEMENT TEAM
left to right: Low Hong Imm, Tan Kirk Yak, Tan Khuan Beng, Leong Pak Lung, Leong Yew Kuen and Khor Kiem Teoh

The business activities of the Division proved resilient as it continued to grow in strength even with the continued contraction in the construction sector. For FY 2006, the Division recorded a turnover of RM538.97 million and pre-tax profit of RM50.29 million which are 31.18% and 9.35% higher respectively when compared to the annualised results of 2004/05.

The Division's core company is Industrial Concrete Products Berhad (ICP), a 66.3% listed subsidiary of the Company. ICP acquired Malaysian Rock Products Sdn Bhd (MRP) and its group of companies (MRP Group) from IJM in the later part of 2004/05. The enlarged ICP Group registered a pre-tax profit of RM43.59 million (2004/05 annualised: RM41.70 million) on the back of revenue of RM445.58 million (2004/05 annualised: RM345.80 million).

Despite the negative growth in the country's construction sector, our pre-stressed concrete spun

Spun piles factory of ICP Jiangmen Co. Ltd. in China

Chalets of Club Med Kani, Maldives sitting on ICP piles

INDUSTRIES MANAGEMENT TEAM (cont'd)
left to right: Mah Teck Oon, Yeo Poh Meng, Lee Hock Aun, Chan Choy Ping, Pang Chwee Hoon and Nee Chow Yit

CEO's Review of Operations (cont'd)

The 130m span steel arch bridge, Batang Mukah, Sarawak

80 ton Waste Heat Recovery Unit for Shell LNG Plant in Nigeria

"... the performance of the quarrying sector, spearheaded by MRP, remained robust to churn out a turnover of RM57.65 million ..."

pile business saw its deliveries maintained at about the same level as 2004/05. This was mainly due to the group's efforts in promoting exports to counter the slowdown in demand in the domestic market. For FY 2006, piles business recorded a revenue of RM256.79 million and pre-tax profit of RM24.24 million. The results are indeed commendable when considered against the background of rising cost of inputs and transportation. Export sales made up 16% of our total deliveries compared to 7% in the last financial period. During the year, we continued exports to traditional markets like Bangladesh, Singapore and North America. We also made maiden exports to New Zealand and the Maldives. On the domestic front, the weak construction sector had resulted in lower demand for our piles, giving rise to a drop of about 8.7% in delivery tonnage compared to the annualised delivery tonnage of 2004/05.

In tandem with the flat growth in the piles industry, Durabon Sdn Bhd, a wholly-owned subsidiary of ICP, which produces PC bars for the PSC piles industry saw a marginal drop of its revenue to RM58.90 million compared to RM59.25 million in 2004/05. However, through the rationalisation of its production facilities, it was able to improve its profit margin and record an increase of 26.9% in pre-tax profit to RM4.53 million compared to RM3.57 million in 2004/05.

The performance of Expedient Resources Sdn Bhd, another wholly-owned subsidiary of ICP, which produces rubber underlay, improved significantly as its intensified international efforts bore fruit. Sales volume increased by 36.4% compared to 2004/05. As a result, revenue increased by 41.1% to RM32.43 million and pre-tax profit reached RM3.24 million. The company exports about 95% of its products and its major markets are the United Kingdom, New Zealand and the Far East countries. During the year, our new underlay for wood flooring also made inroads into countries within the European Union.

Due to their strategic locations, the performance of the quarrying sector, spearheaded by MRP, remained robust to churn out a turnover of RM57.65 million and a pre-tax profit of RM6.74 million. Our quarries in the Klang Valley, Labu, Johor and Kuantan are strategically located to benefit from the pick-up in activities in those areas under the 9MP.

Strong Mixed Concrete Sdn Bhd performed creditably despite a sluggish demand and spiralling raw material costs. Margins inevitably declined as selling price could not be raised due to stiff competition and committed contracts. A pre-tax profit of RM0.73 million from a turnover of RM50.23 million was achieved.

In anticipation of the difficult local business climate, ICP ventured into India in December 2004. Its first foray there was to provide management services to IJM Concrete Products Pte Ltd (IJMCP), a wholly-owned subsidiary of IJM (India) Infrastructure Limited (IJMII) to set-up and operate a ready-mixed concrete plant in Hyderabad. The plant performed very well when it achieved a maiden pre-tax profit of RM1.23 million on the back of a turnover of RM22.15 million in its first year of operations. On 23 January 2006, ICP acquired 1,000,000 shares of Rs10 each representing 100% equity interest in IJMCP from IJMII. Encouraged by the good performance of the Hyderabad plant, ICP started its second plant in Bangalore in February 2006. Plans are afoot to set up more plants in other metropolitan cities in India.

The scaffolding rental business under Scaffold Master Sdn Bhd was able to chalk up a record pre-tax profit of RM3.57 million (2004/05 annualised: RM2.70 million) despite the sluggish construction activities with a turnover of RM7.50 million (2004/05 annualised: RM5.93 million). With construction activities projected to pick up, this company is poised to achieve better performance.

As domestic projects within Malaysia have been limited, Torsco Sdn Bhd (Torsco) had focused its efforts to increase its export orders by having strategic partnerships with key players in the power generation industry. The strategy bore fruit as the amount of export orders grew substantially to 68% of turnover. This enabled Torsco to achieve a turnover and pre-tax profit of RM44.29 million and RM3.25 million respectively, an increase of 22.3% and 49.0% respectively over 2004/05. Torsco has put in the necessary investments during the year to increase the covered areas for fabrication in both Lumut and Ipoh by another 4,650m² to cater

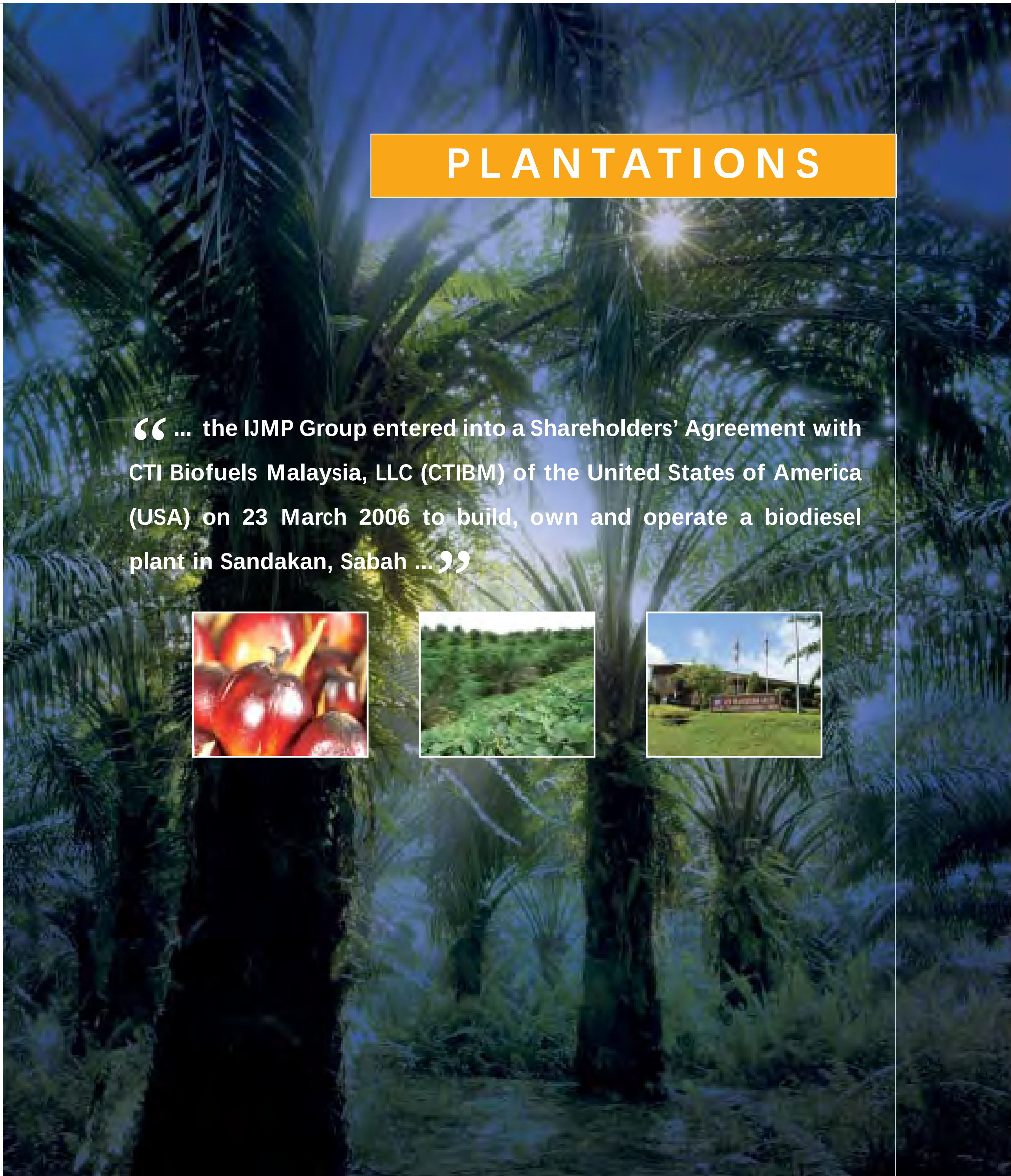
Our second India batching plant, in Bangalore

for an improving order book. The future thrust for Torsco is to establish new alliances with international clients in the oil and gas and marine related industries to ensure that Torsco generates recurring orders from key clients and shelter it from any slowdown in the domestic market. Torsco is expecting a better year ahead as its efforts to establish new alliances are paying dividends, with order book standing at RM44.79 million, of which 66.5% is for the export market.

Spirolite (M) Sdn Bhd, Cofreth Sdn Bhd and Metech Group Berhad, the associates within the Division performed reasonably well and delivered a combined turnover of RM47.48 million and a pre-tax profit of RM3.56 million.

With the construction sector projected to expand with the implementation of the 9MP, coupled with our overseas ventures into China and India coming on-stream, we are optimistic that the Division will maintain its impressive growth in FY 2007.

Scaffold Master's revenue soars to new heights



PLANTATIONS

"... the IJMP Group entered into a Shareholders' Agreement with CTI Biofuels Malaysia, LLC (CTIBM) of the United States of America (USA) on 23 March 2006 to build, own and operate a biodiesel plant in Sandakan, Sabah ..."

IJM Plantations Berhad (IJMP) is a 48% associate. The Plantations Division achieved revenue of RM244.63 million for FY 2006 (2004/05 annualised: RM255.14 million) which represents a slight decline of 4.1%, and registered a pre-tax profit of RM52.38 million for FY 2006 (2004/05 annualised: RM52.11 million) to register a marginal improvement of 0.50%.

The sustained performance in both operating revenue and profitability, despite significantly lower palm product prices, higher State sales tax and escalating fertilisers and fuel oil prices, is attributable to increased crop production. Own fresh fruit bunches (FFB) harvested increased by 23.2% to 451,677 tonnes (2004/05 annualised: 366,504 tonnes). Total tonnage of FFB milled reached 622,600 tonnes (2004/05 annualised: 595,200 tonnes). Purchase of FFB from outside the Group declined in volume due to keen competition. Average crude palm oil (CPO) price

New planting in Berakan Maju in Sugut, Sabah

Sabang jetty, Sabah

PLANTATIONS MANAGEMENT TEAM
left to right: P K Venugopal, Joseph Tek Choon Yee, Velayuthan s/o Tan Kim Song, Ling Ah Hong, Purushothaman s/o Kumaran and Ng Chung Yin

CEO's Review of Operations (cont'd)

Water catchment pond

Cable system for crop transportation

"... Environment-friendly practices in soil and water conservation, mill waste management, integrated pest management, soil conditioning and enrichment, and zero-burning methods are norms and will continue to be so for IJMP Group ..."

achieved for the year declined to RM1,373 per tonne (2005: RM1,541 per tonne).

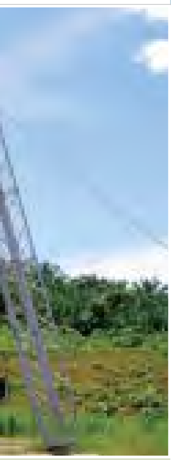
The increased tonnage of FFB harvested was mainly from the increased young areas coming into maturity and of palms reaching prime age in the Sugut region. The mills maintained good palm oil and kernel extraction rates to finish at average of 22.4% and 4.6% respectively (2005: 22.0% and 4.5%).

At the close of the financial year, the Division's total plantation land bank stood at 29,764 hectares (2005: 29,647 hectares). Of this, 10,174 hectares are located at the Sandakan region, and the remaining in the Sugut region in Sabah. Plantations in the Group that achieved maturity status totalled 20,356 hectares (2005: 17,913 hectares). The additional 2,443 hectares (2005: 1,779 hectares) are primarily attributable to plantings in the Sugut region attaining maturity status. The remaining immature area of 4,251 hectares will come to production in the near future.

With its three palm oil mills, namely Desa Talisai Palm Oil Mill (DTPOM), Minat Teguh Palm Oil Mill (MTPOM) and Sabang Palm Oil Mill (SBPOM), the Division has a total processing capacity of 165 tonnes of FFB per hour. During the year, DTPOM processed 246,897 tonnes (2004/05 annualised: 220,800 tonnes), MTPOM processed 128,817 tonnes (2004/05 annualised: 149,600 tonnes), and SBPOM, processed 246,911 tonnes (2004/05 annualised: 224,800 tonnes) of FFB. The volume of own crop processed is expected to increase in the Sugut region in the coming years as more young areas move into maturity.

After the expansion to 270 tonnes per day, the Division's kernel crushing plant crushed some 56,977 tonnes of kernels in its third year of operation. The plant produced 24,438 tonnes of crude palm kernel oil and 29,628 tonnes of palm kernel expellers to give an extraction rate of 42.9% and 52.0% respectively.

As in past years, cost efficiency measures were pursued actively to realise greater benefits to contain the adverse effects of the increased cost of inputs. Improved water conservation and irrigation measures have also been adopted selectively to improve and sustain high FFB yield. One major constraint that continues to pose a challenge to our operations, and industry as a whole, is the adequacy of skilled workers to sustain the high productivity levels. The Division



mitigates this difficulty through continuous training of work force and by ensuring structured and intense supervision.

Sound environmental management practices continue to be observed to ensure long-term sustainable plantation development. Environment-friendly practices in soil and water conservation, mill waste management, integrated pest management, soil conditioning and enrichment, and zero-burning methods are norms and will continue to be so for the Plantations Division.

Composting of its empty fruit bunches (EFB) with effluent in SBPOM continued into its second year of operation. Whilst this is another environmental care project, the produce that is applied to the fields has enhanced soil condition and nutrient uptake. This means that in future years, the Division will be able to rationalise fertiliser application in these fields and achieve cost saving.

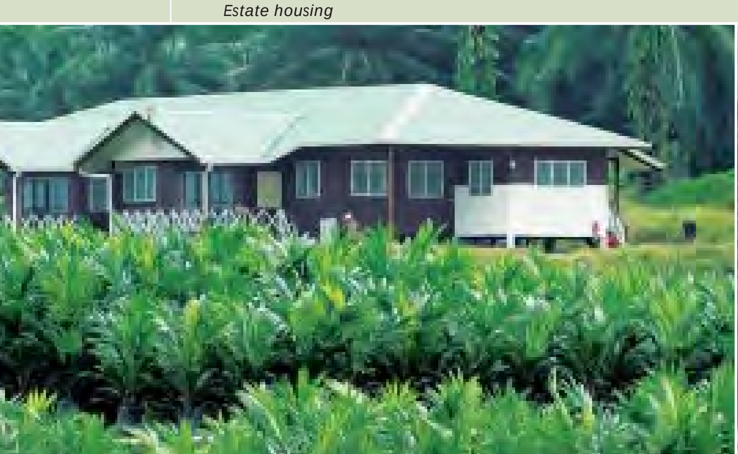
Biofuel is seeing renewed interest as a viable renewal energy source. Recognising this opportunity, the Division entered into a Shareholders' Agreement with CTI Biofuels Malaysia, LLC (CTIBM) of the United States of America (USA) on 23 March 2006 to build, own and operate a biodiesel plant in Sandakan, Sabah on a 60:40 joint venture basis.

The plant will be established in Sandakan and installed on a modular basis to achieve production capacity of up to 90,000 tonnes per annum of bio-diesel, with an estimated project cost of RM74 million. The first of the three modules, for production of 30,000 tonnes per annum, is expected to be operational in 2007.

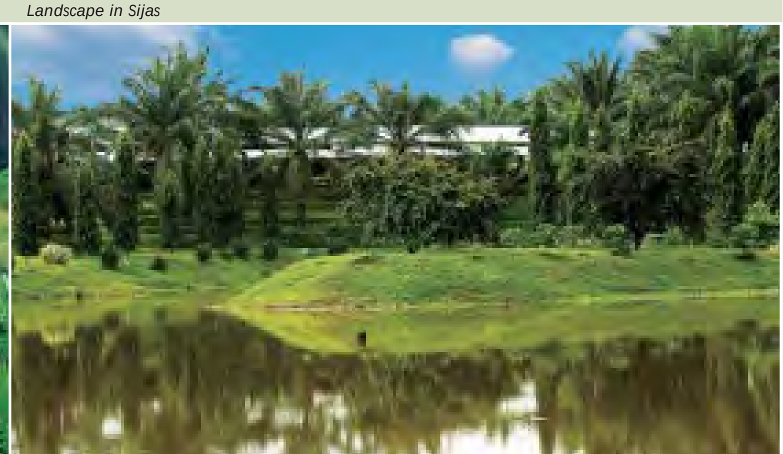
Nursery for IJM DxP seedlings

Despite sustaining three years at fairly high levels, palm product prices for the next financial year are anticipated to remain at the same level as achieved in the financial year. Experts believe there is room for a possible "super-spike", depending on a combination of weather, development in the bio-diesel industry and usual demand-related factors. Fuel oil price increases will no doubt put greater pressure on the cost of production. Barring any unforeseen circumstances, the Division is expecting improved performance for FY 2007, given increased crop production from the increased area of young and prime palms together with its continuous cost-control measures to contain cost increases.

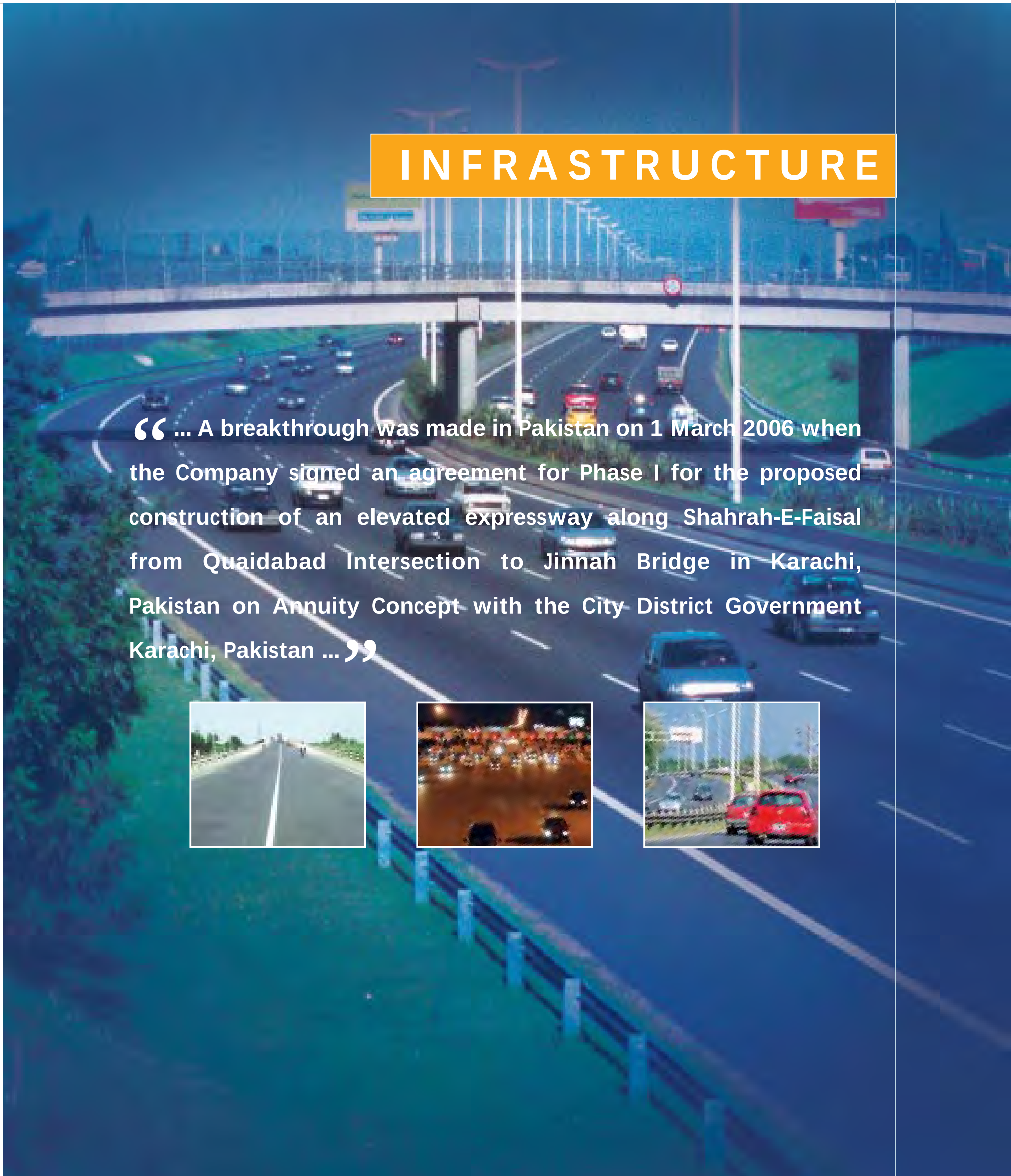
Estate housing



Landscape in Sijas



CEO's Review of Operations (cont'd)



INFRASTRUCTURE

"... A breakthrough was made in Pakistan on 1 March 2006 when the Company signed an agreement for Phase I for the proposed construction of an elevated expressway along Shahrah-E-Faisal from Quaidabad Intersection to Jinnah Bridge in Karachi, Pakistan on Annuity Concept with the City District Government Karachi, Pakistan ..."

For FY 2006, the Division reported a turnover of RM60.88 million (2004/05 annualised: RM48.39 million) and a pre-tax loss of RM12.96 million (2004/05 annualised: loss of RM2.13 million).

The Division's toll concessions in India, operated by the Group's 35%-owned associate Swarna Tollway Pvt Ltd and 100%-owned Rewa Tollway Pvt Ltd reported a combined pre-tax loss of RM10.07 million for the year. This loss was mainly attributable to the low initial traffic volumes, high interest costs and a one-off adjustment made to the amortisation expense in Swarna Tollway Pvt Ltd. These concessions are currently in its second year of operations and with the improving traffic counts, a better performance is expected from these concessions in the coming years.

As part of the Division's aim to streamline its foreign investments, the Group's 50% associate JWS Projects Sdn Bhd has, in February 2006, entered into a conditional agreement to dispose of its equity interest in the toll-bridge concession company in Yangzhong, China which resulted in a provision for loss of RM3.43 million to the Group.

In Argentina, the Group's 20%-owned associate Grupo Concesionario del Oeste S.A. (Grupo) which operates the Western Access Tollway in Buenos Aires achieved traffic volume increase of 12.05% over the previous year. This was the third consecutive year in which it achieved double digit growth in traffic volume and the outlook remains positive with the country's fleet of vehicles increasing in tandem with the country's economic growth. Grupo has also made significant headway in the renegotiation of its concession contract with the Argentine Government and has recently secured a 13.82% increase in toll rates which took effect in April 2006. Grupo is hopeful of obtaining further increases in toll rates and an extension to its concession contract.

The Group's 36%-owned associate Binh An Water Corporation Ltd recorded a marginal reduction in pre-tax profit to RM4.27 million (2004/05 annualised: RM4.54 million) due to a slight increase in energy costs. The investment will contribute stable income streams until 31 July 2019.

Western Access Tollway in Buenos Aires, Argentina

Rewa Tollway, India

CEO's Review of Operations (cont'd)

Traffic volume at the Western Access Tollway achieved growth for the third consecutive year

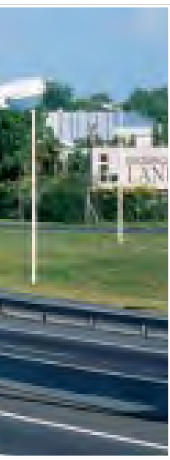
"... The Group is still selectively looking for further opportunities in infrastructure projects locally and abroad ..."

Construction work on the Group's concessions in India, namely 20%-owned Gautami Power, 33%-owned Second Vivekanda Bridge Tollway Co and the wholly owned Jaipur-Mahua Tollway, continued to progress well.

On 28 February 2006, another success was achieved when the Company, in a 50:50 joint venture with Shapoorji Pallonji & Co., India received a letter of acceptance from National Highways Authority of India (NHAI) for the widening into four lanes of the existing 2-lane section from Km 192.25 (near Ulundurpet) to Km 285 (near Padalur) on NH-45 in the State of Tamil Nadu, India on Built-Operate-Transfer basis. The concession period is 20 years (inclusive of construction period of 30 months). The project development cost is estimated at Rs565 Crores (approximately RM455 million) and a concession grant of Rs40 Crores (RM32 million) will be provided by NHAI.

A breakthrough was made in Pakistan on 1 March 2006 when the Company signed an agreement for Phase I for the proposed construction of an elevated expressway along Shahrah-E-Faisal from Quaidabad Intersection to Jinnah Bridge in Karachi, Pakistan on Annuity Concept with the City District Government Karachi, Pakistan. Phase I of the project involves financial feasibility study and engineering design to be completed within six (6) months whereas Phase II will involve construction work. The total project cost for Phase I and Phase II is estimated to be USD225 million (approximately RM830 million). The actual cost of the project will be determined upon the completion of Phase I.

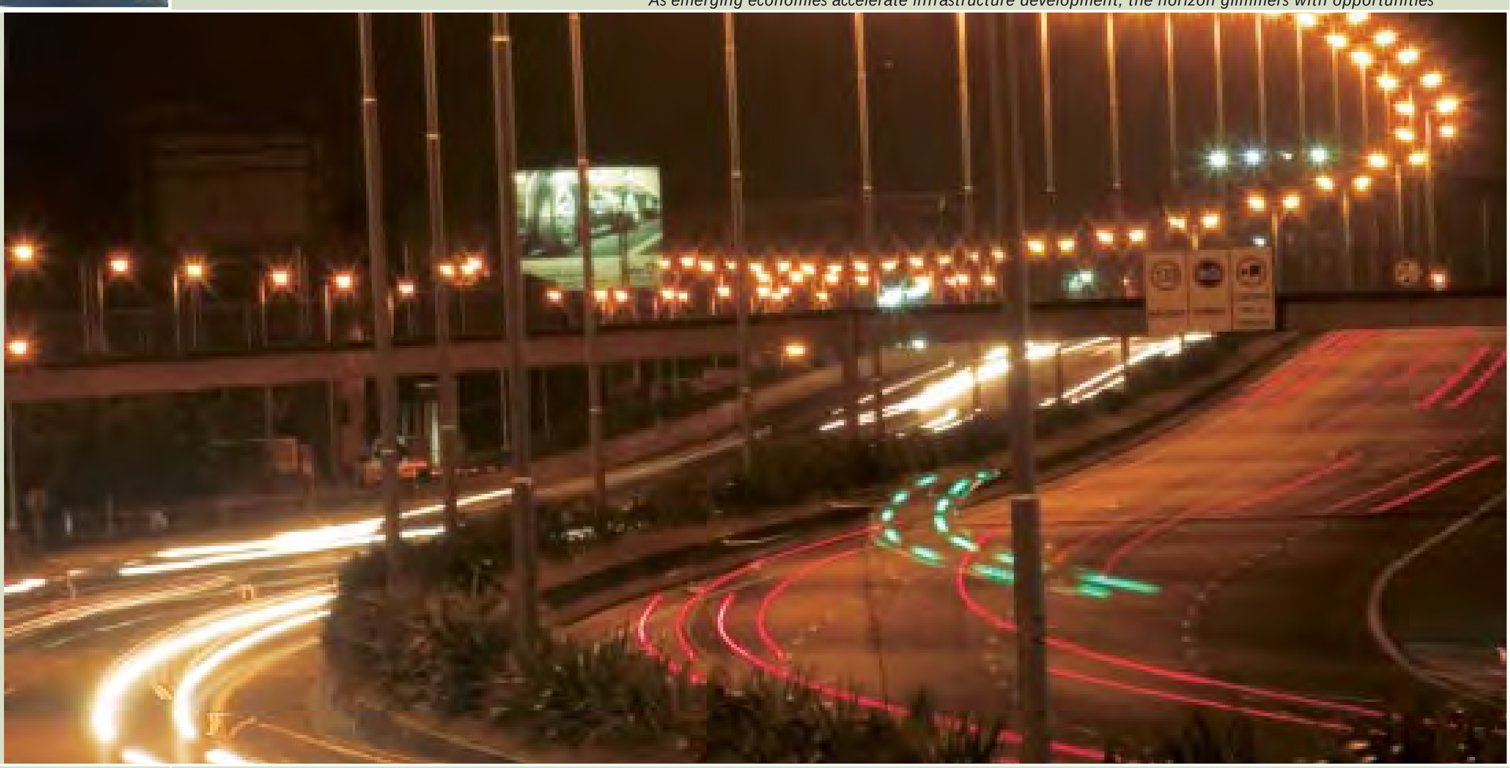
The Company entered into a Definitive Agreement on 30 September 2005 to participate in the concession for the 48km new highway linking Kajang to Seremban for a period of 33 years. The Company will be participating in the concession by way of subscribing to RM50 million of new ordinary shares of RM1 each, representing 50% of equity, and RM200 million 7% Redeemable Convertible Unsecured Loan Stocks (RCULS) in Lebuhraya Kajang-Seremban Sdn Bhd, or LEKAS, which is intended to be the special purpose vehicle



to carry out and undertake the concession. The revised terms of the concession are expected to be finalised in the third quarter of 2006 and physical work will commence soon after. When implemented, this will be the Group's first toll concession in Malaysia.

The Group is still selectively looking for further opportunities in infrastructure projects locally and abroad and is confident of scoring further successes in the coming year.

As emerging economies accelerate infrastructure development, the horizon glimmers with opportunities



CONCLUSION

The robust results achieved for the FY 2006 affirm that we are on the right track towards our vision to be "an internationally competitive Malaysian builder of world class infrastructure and buildings". Our mission is delivery with excellence and passion. With strategies well defined and a workforce fully committed, we hope to continue to produce better returns for our shareholders as well as stakeholders.