CHAIRMAN'S STATEMENT

We remain optimistic that we can weather the difficult construction environment and produce creditable earnings performance in 2004.

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 December 2003.

OPERATING ENVIRONMENT

In the year 2003, the Malaysian economy expanded at a better-than-expected rate of 5.2% compared with 4.2% in 2002.

At the beginning of the year, consumer and business sentiments were severely affected by the war in Iraq and the outbreak of the Severe Acute Respiratory Syndrome (SARS). To address the sluggish economy, the Government proactively put into place a package of broad-based pro-growth measures in May 2003. These confidence boosting measures coupled with the abatement of global geopolitical adversity in the second half of 2003 provided the impetus for a recovery in the Malaysian economy. Towards the end of the year, consumer confidence, hence spending, continued its upward momentum aided by favourable export earnings from the manufacturing sector, high commodity prices and the positive wealth effect from an improved stock market.

The environment for our core business was indeed challenging. Since the Asian financial crisis, Malaysia had adopted an expansionary fiscal policy and an accommodative monetary policy to stimulate the domestic economy in order to sustain the growth momentum. Recognising that high budget deficits would debilitate the economy in the long run, the Government has started to implement fiscal consolidation measures aimed at a balanced budget in the near term. The Government is becoming increasingly cautious in awarding public infrastructure projects with the implementation of several big-ticket projects reviewed.

The Parcel E buildings in Putrajaya

Jelutong Expressway, Penang

Nevertheless, the Government put in additional measures to increase the role of the private sector as the provider of opportunities. Through its Package of New Strategies in May 2003, the Government introduced several new measures and incentives including those for first home owners under the Home Ownership for the People (HOPE) project to stimulate the property and construction sectors as well as to provide affordable housing to the lower income group.

Though the construction sector grew by 2.5% (2002: 2.3%), the overall level of new construction opportunities were scarce and this is reflected in the low level of order book enhancement among most construction companies. The good performance of most construction companies, including IJM, can be attributed to works secured in prior years.

OPERATING RESULTS

Our Group closed 2003 with better all-round pre-tax performance, achieving record revenue and operating profits, before exceptional items. For the current financial year, the Group achieved a revenue of RM1,363.89 million and a pre-tax profit of RM206.80 million. The 5.3% increase in revenue over the preceding year was mainly attributable to higher revenues achieved by the Construction, Properties and Industries divisions and the Plantations associate. The 7.8% increase in pre-tax profit over the preceding year was mainly attributable to better contributions from the Properties and Industries divisions, and the Plantations associate. Stripping out the exceptional elements in the 2002 profits, the 2003 pre-tax performance actually rose 17.05%. The Group's net profit increased by 18.9% due to a lower effective tax rate and lesser share of profits attributable to minority interests.

Despite new levels of investments in infrastructure projects, at the end of 2003, the Group achieved an all-time low net debt to equity level of 12.41% (2002: 13.72%). Vigilant credit control, efficient debt collection and better utilisation of capacity all contributed to this result.

BUSINESS OUTLOOK FOR 2004 AND OPERATIONAL STRATEGIES

All indications to date point towards a better world economy in 2004. Growth at a higher rate of 4% is expected. Major economies such as US, Europe, China, India and Japan are expected to register respectable gains, despite some downside risks coming from threats of terrorist attacks and uncertainties in the currency markets.

For Malaysia, Bank Negara has forecast a growth rate of 6 – 6.5% which appears achievable given the robust economic and trade statistics of the last few months. The emphatic victory of the ruling coalition party in the recent national election will prolong the 'feel good' effect spurring consumption spending, while the renewed confidence will bring in more foreign direct investments and foreign funds to the stock market, providing additional boost to the Malaysian economy.

Nevertheless, the government's future economic thrust appears premised on fiscal consolidation aimed at a balanced budget in the near term while providing an accommodative monetary environment conducive for a more dynamic and vibrant private sector role in the economy. This is clearly evident in the 2004 Budget which, among others, has seen a 21% reduction in allocation for public development expenditure. The call by the government to local contractors to enhance the export of such services is a further indication of the emerging fortunes for the sector.

Expecting this emerging reality, the Group had several years ago taken measures to expand its operations abroad while repositioning itself to take on the more competitive local private sector contracts. Our strategies in this regard are bearing fruits.

Meanwhile, we see further challenges on the cost front. Rising prices of materials and supply shortages brought on by fuel price increase, the weakening Dollar and the rapid growth of China will continue to impact on costs.

While prospects for the Construction Division appear very challenging, the Property Division is expected to see better prospects. In expectation of positive responses to the government stimulus package, stronger economic growth as well as low interest rates in an environment of ample liquidity, the Properties Division would be launching more innovative products in the Klang Valley and Penang, besides continuing with new phases of its other existing projects. Overseas, the overwhelming response to our maiden Kukatpally housing project in Hyderabad, India, the first privatised housing project there by a Malaysian company, gives added confidence for greater involvement in the Indian market.

Tada-Nellore Toll, India

Other divisions such as Industries and Plantations are expected to perform well. Higher sales of aggregates and ready-mixed concrete are expected from the Industries Division while rising fresh fruit bunches (FFB) production and better crude palm oil (CPO) prices can bring higher contributions to the Group despite a reduction in the Group's equity interest from 100% to 49%.

The Infrastructure Division which saw lower contributions in 2003 will see new beginnings in India. Following the recent completion of the Group's Build-Operate-Transfer (BOT) Tada-Nellore Toll Expressway (35%-owned) and the expected completion of two wholly-owned BOT highways at Rewa and Satna, new recurrent earnings streams have been established. Though initial contributions are small, they will contribute positively in future years.

Overall, business conditions are expected to be challenging and competitive, especially with the upswing in building material prices and a dearth of new government contracts. However, we have a good existing order book and a good track record in international contracting. We anticipate better property sales. Palm products prices are expected to remain firm in 2004. Thus, we remain optimistic that we can weather the difficult construction enviroment and produce creditable earnings performance in 2004. The outlook for the Group's business divisions is further discussed in our Chief Executive Officer and Managing Director's Review of Operations.

DIVIDENDS

In the light of better operational performance and cashflows, total dividend payout for 2003 has been increased to 15%. A first interim dividend of 5% or 5 sen per share less tax at 28% was declared and paid on 14 November 2003. A second interim dividend of 10% or 10 sen per share less tax at 28% has been declared. Entitled members on the register on 30 April 2004 would be paid on 21 May 2004. No final dividend is proposed for financial year 2003.

In addition to the cash dividends, during the year, the Company made a capital distribution of RM137.49 million worth of IJM Plantations Berhad (IJMP) shares of 50 sen each in a ratio of 2 IJMP shares for every 5 IJM shares held. This is equivalent to a further 37 sen per share distribution. This distribution is further testimony to our efforts to enhance returns to shareholders.

CORPORATE PROPOSAL

On 29 April 2002, the Company announced the signing of a Transfer of Listing Agreement between the Special Administrators of Rahman Hydraulic Tin Berhad (RHTB), IJM Corporation Berhad (IJM) and IJM Plantations Sdn Bhd (IJMP), a wholly owned subsidiary of IJM, for the proposed acquisition of the listing status of RHTB to enable the listing of IJMP. Details of the scheme was announced on 28 June 2002. The listing of IJMP on the Main Board of the MSEB was completed on 2 July 2003 and IJMP became a 49% associate of the Group.

CORPORATE GOVERNANCE

Our statement on corporate governance can be found on pages 42 to 51.

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies in 2003.

RELATED PARTY TRANSACTIONS

Significant related party transactions of the Group for 2003 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 21 May 2003.

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.

ACKNOWLEDGEMENT

In the last 20 years, we have witnessed IJM's growth from strength to strength with new milestones and awards achieved year after year. This is testimony to the unwavering commitment to excellence of the IJM people.

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. The year 2004 will be a very challenging one but I am confident the Group would take on these challenges as in the past and continue to strive for new heights. I would also like to take this opportunity to thank shareholders, associates, clients, bankers, sub-contractors and suppliers for their continuing support to the Group.

The Board and I also wish to record our sincere appreciation to Mr Lai Meng who resigned from the Board on 30 September 2003. I also welcome Dato' Ismail Bin Shahudin and En Abd Hamid bin Othman, who were appointed as non-executive Directors on 30 October 2003 and 25 March 2004 respectively. I am confident they will add wealth of experience to deliberations at the Board. I also take this opportunity to congratulate our CEO, Dato' Krishnan Tan on being awarded Dato'ship by the Yang DiPertua Negeri Pulau Pinang on 17 July 2003.

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

CEO'S REVIEW OF OPERATIONS


Construction


Properties


Industries


Plantations


Infrastructure

The year 2003 has been a very eventful one. Many milestones were achieved amidst a very challenging business environment. Simultaneously, the repositioning of the Group's businesses to meet the rapidly changing conditions for the Group's core activities had to be put in place to sustain future growth.


Dato' Tan Boon Seng @ Krishnan
CEO & Managing Director

REVIEW OF OPERATIONS • CONSTRUCTION

Left to right: Tan Gim Foo (Project Director), Tuan Haji Mohd Razin Ghazali (Senior Manager - Business Development), Debojit Chowdhury (Project Director), Goh Chye Koon (Deputy CEO & Deputy MD), Tan Kiam Choon (Project Director), Phoon Wai Weng (General Manager), Kok Fook Yu (Senior Manager - East Malaysia), How See Hock (Project Director), Soo Heng Chin (Senior General Manager & Executive Director) & Ng Chin Meng (Country Director - India)

"The Construction Division continued to be the largest contributor to the Group's performance in 2003."

"Procurement of new projects in the country is expected to become increasingly competitive...

...The Group will intensify its efforts to carve niches in new overseas markets while repositioning its market strategies towards private sector business."

Positive growth in the Malaysian construction sector was maintained at 2.5% (2002: 2.3%) despite the adversities of the war in Iraq and the SARS outbreak. Government spending on public projects was still the main driving force in maintaining construction activities in the country.

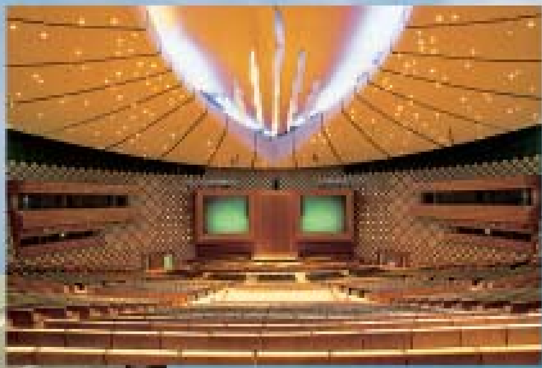
The Construction Division continued to be the largest contributor to the Group's performance in 2003. The Construction Division's revenue and pre-tax profits breached the RM1 billion and RM100 million marks respectively for the second consecutive year. The Division's revenue reached its highest level yet in 2003, improving marginally by 1.04% to RM1,132.27 million (2002: RM1,120.67 million). Despite changes in the product-mix with the division undertaking a greater proportion of lower margin building projects and rising prices of construction materials such as steel bars, diesel and bitumen, the Division achieved a pre-tax profit of RM101.60 million (2002: RM104.61 million), achieving a margin of 8.98%.

The Group handed over all projects scheduled for completion in 2003 in a timely manner to our clients. Among them was the RM603 million Putrajaya Convention Centre which was the Group's largest ever construction contract. Named an "icon for the country", it was completed in time to host the 10th Organisation of Islamic Countries Conference.

The Perdana Leadership Foundation Building, Putrajaya

Head of States Hall

The restaurant at the concourse perimeter



The column free Plenary Hall with a seating capacity of 3,000

One of the largest column free banquet halls in Malaysia

The Putrajaya Convention Centre

This project, which was awarded the CIDB Excellence Award under the Major Buildings category, bears testimony to the Group's continued ability to execute sophisticated turnkey projects within very tight deadlines and to excellent quality standard.

Other notable projects completed by the Group during the year include the Jelutong Expressway (Stage 1) in Penang, the Perdana Leadership Foundation Building in Putrajaya, and the Mentari Condominium, the Taman Wahyu and Bukit Baru apartments, all in Kuala Lumpur.

In India, the completion of our section of the Tada-Nellore Toll Expressway valued at RM184.45 million three months ahead of schedule marked another milestone for the Group as it is the Group's first tolled road privatisation project in India.

Despite the difficult business conditions in the local construction industry, the Group managed to secure new projects totaling RM935 million in 2003 to shore up our order book which is expected to keep the Group busy for the next 1 to 2 years. Among the major projects secured locally include the Cahaya Alam mixed development project in Shah Alam (RM272.00 million), the Butterworth Outer Ring Road Package 1B (Section 1, 2 & 3) and Package 3 in Penang (RM224.27 million) and the Phase 2 & 3 of the Alam Warisan projects in Putrajaya (RM172.94 million). In India, contract for the construction of the Delhi Metro viaduct line was secured at a contract value of RM128 million.

Procurement of new projects in the country is expected to become increasingly competitive as the Government attempts to address the budget deficit over the next few years by curtailing development expenditure and deferring several major projects. The construction sector will be further challenged by the impact of rising material prices. The anticipated world economic growth of 4% and the surging growth levels seen in China, and now India, will further strain capacities and fuel price increases of inputs. Currency fluctuation will add a further dimension of uncertainty.

Mentari Condominium, Kuala Lumpur

The Group will intensify its efforts to carve niches in new overseas markets while repositioning its market strategies towards private sector business. In this regard, the Group is increasingly repositioning itself to offer "total solutions" including land acquisition, design approvals and construction to win jobs. Some measure of success has been seen in this connection with the Commerce Asset Holding Berhad building and Tesco hypermarket projects. On the cost front, management will be very vigilant to hedge some of the risks as well as proactively manage these risks.

CONSTRUCTION SUPPORT SERVICES

Seated left to right: Soo Heng Chin (Senior General Manager & Executive Director), Choo Lai Fong (Senior Manager - Purchasing & Store) & Pang Sek Loh (Senior Manager - Technical)

Standing left to right: Ng Yock Yin (General Manager - Contracts), Mohammad Albakri Bin Tajuddin (Manager - Safety & Health), Toh Teck Soon (Senior Manager - M&E), Tuan Haji Mohd Razin Ghazali (Senior Manager - Business Development), Chang Khee @ Chang Pheng Kee (Senior Manager - Workshop), Siva Kumar s/o Rajappan (Manager - Quality System) & Wee Kee Hong (Senior Manager - Accounts & Finance)

REVIEW OF OPERATIONS • PROPERTIES

The Division achieved creditable results with an improved pre-tax profit of RM35.77 million.

The Division will also be seeking to carve a niche in providing "purpose-built developments" to potential clients.

Overseas, the Division will continue its focus on India to enhance its participation in the expanding mass housing market.

Seated left to right: Lee Phaik See (Sales & Marketing Manager), Low Eng Bee (Senior Marketing Manager), Teh Kean Ming (Group General Manager - Property), Karam Singh a/l Sadhu Singh (Senior Manager) & Ng Hay Lian (Manager)
Standing left to right: Toh Chin Leong (Senior Engineer), Tan Aik Hong (Senior Manager), Colin Ivan Samson (Manager - Liaison), Khoo Kah Hock (Manager - Finance), Ch'ng Ewe Ghee (Asst. Manager - Contracts), Tham Hueng Cheong (Branch Manager) & Oye Kheng Hoon (Branch Manager)

The Division experienced a challenging year in 2003. During the 1st quarter of 2003, market sentiments were dampened by the uncertainties of war in Iraq and then SARS closer to home. The government's economic stimulus package announced on 21 May 2003 was the turning point for the property market. The package includes stamp duty exemption for properties below RM180,000, tax deductibility of interest cost for first -time house buyers and the one-year waiver on Real Property Gains Tax with effect from 1 June 2003. Market sentiments continued to improve from the 3rd Quarter following containment of SARS, improving global and local economies and positive run-up in the stock market.

Riana Green Phase 4, Petaling Jaya

In line with the improving market condition, the Division achieved creditable results with an improved pre-tax profit of RM35.77 million (2002: RM19.73 million) on a turnover of RM204.38 million (2002: RM160.65 million), representing increases of 81.34% and 27.22% respectively. Overall profit margin was higher due to better product mix with higher contribution coming from higher margin projects as well as sale of several pieces of non-strategic land in the northern region.

In Penang, development projects such as Bandar Sri Pinang mixed development project and Fortune Park industrial factories along the newly completed Stage 1 of Jelutong Expressway in Bandar Georgetown, E-Gate retail-cum-office building along Jalan Udini and the Taman Idaman housing scheme in Simpang Ampat contributed to the Division's improved performance. Contributions from the Klang Valley development projects came from Desa Latania housing scheme in Klang and Riana Green Phase 4 in Petaling Jaya. Other contributors to the Division during the year include the NS Central Market in Seremban, the Bistari Impian shops in Johor and the Taman Utama housing scheme in Sandakan, Sabah.

Alpine Tower, the 1st e-Condo in Penang

New projects launched during the year include the Casa Impiana super-link houses in Johor, Shop 15 in Bandar Sri Pinang, the new phases of Taman Idaman, Taman Utama and Desa Latania housing schemes, and Fortune Park industrial project. The take up rates in all these launches were good.

Progress on the overseas front also gives grounds for optimism for the future. In Australia, subsidiary IJM Australia has commenced development of a 10,000 square meter industrial property in Sydney. Construction is expected to be completed in 2004. Meanwhile, 50% associate, OSW Properties has completed a 6,573 square meter office and retail complex in Sydney. Sales and letting is expected to be booked in 2004.

The Group's maiden property venture in India, the Kukatpally mixed development project in Hyderabad – a joint venture with the government of Andra Pradesh – was launched towards the end of 2003. The take-up rate surpassed our expectations and is expected to contribute positively to future earnings.

The Malaysian property market is expected to show further signs of improvement in 2004 with the improving global and local economic outlook and a conducive low interest environment. The Division, nonetheless, expects the operating environment to remain challenging with ample new supply coming into the market, and costs rising.

Progress billings on committed sales of current on-going projects are expected to contribute substantially to the Division's performance in 2004. In addition to the Division's intensified efforts to sell existing units from the current on-going projects, the Division will also embark upon several new projects at strategic locations. New projects to be launched in 2004 will include a mixed development project to be built on a recently-acquired 66 acres land situated in a mature suburb in Cheras, Kuala Lumpur and Bayswater condominium project in MetroEast which forms part of the Jelutong Development Scheme in Penang. The Division will also continue to launch new phases of some of the existing on-going projects.

The Division has also embarked on "build & lease" developments on long leases for reputed clients. A maiden project is a hypermarket building in Penang to be leased to Tesco Stores, a leading hypermarket operator, over a period of 30 years. This project is expected to contribute recurring rental income to the Division commencing late 2004.

The Division will also be seeking to carve a niche in providing "purpose-built developments" to potential clients. This involves offering "total solutions" of searching for land as well as obtaining development approval and the construction of the properties, specific to the needs and preferences of clients.

As with the Construction Division, 2003 has seen the Division repositioning its strategies. In Malaysia, the Division will continue to expand its land bank especially in high growth and strategic areas whilst divesting or disposing non-core land stocks which do not fit into the Division's strategic plans. The Division will also continue to explore joint ventures with landowners for high value developments. The purpose-built segments would continue to be emphasised. Overseas, the Division will continue its focus on India to enhance its participation in the expanding mass housing market.

The Division, with its in-house construction expertise and committed quality policies, will continue to emphasise on timely delivery of quality products of innovative designs at competitive prices complemented with professional property management services to give property owners and investors greater assurance of a livable home and long term capital appreciation.

REVIEW OF OPERATIONS • INDUSTRIES

"The Division improved on last year's pre-tax profit of RM8.25 million by 153.11% to RM20.89 million."

"The Division is optimistic of improved performance in 2004."

Seated left to right: Yeo Poh Meng (Managing Director - Torsco), Mah Teck Oon (Director - Industries Division), William Anthony Ho (General Manager - Quarries), & Chee Kok Phoon (Manager)
Standing left to right: Tan Khuan Beng (Manager - Credit Control), Low Hong Imm (Manager - Accounts & Finance), Chan Choy Ping (Manager - Accounts & Finance) & Leong Yew Kuen (General Manager - Ready-Mixed)

The year 2003 was another good year for the Division. Growing in tandem with the improved construction sector, the Division improved on last year's pre-tax profit of RM8.25 million by 153.11% to RM20.89 million. Discounting the impact of an impairment adjustment of RM10.80 million in 2002, pre-tax profit rose by a healthy 9.64% from RM19.05 million last year. The good performance was achieved as a result of a higher turnover of RM222.85 million (2002: RM192.82 million) and better all-round performance from the quarries and ready-mixed concrete operations.

Completed assembly of scrap buckets for Megasteel

The quarrying sector performed well in 2003 with all our quarries in Selangor, Negeri Sembilan, Johor and Pahang registering better results. Led by Malaysian Rock Products Sdn Bhd (MRP), the sector recorded a 2.0% increase in turnover to RM55.12 million and a 15% jump in pre-tax profit to RM4.10 million. Overall, sales volume for aggregates rose to 4.15 million tons (2002: 3.76 million tons) while premix sales fell to 219,000 tons (2002: 257,000 tons). The increased profitability came from better margins obtained from higher selling prices and lower costs at all quarries. The Kuantan quarry, in its first full year of operations, also performed to expectations.


Main roof steel structures fabricated by Torsco for Putrajaya Convention Centre

During the year, MRP acquired 100% equity interest in Warga Sepakat Sdn Bhd (WSSB) which owns a 10-acre land adjoining our quarry in Labu, Negeri Sembilan. In addition, MRP also entered into a 15-year lease agreement to lease another 10 acres of land neighbouring the WSSB's existing land. With the acquisition and lease, the rock reserve at Labu quarry area will now increase to an estimated 13 million tons.

Strong Mixed Concrete Sdn Bhd (SMC), which manufactures and sells ready-mixed concrete also enjoyed a good year with a record turnover of RM63.74 million, 28% better than last year. As a result, pre-tax profit also increased by 27%.

The increase in turnover is attributed mainly to the additional 24 mixer trucks purchased during the year. On the other hand, the number of batching plant was maintained at seven, with changes only in the location of plants. The plant located at Danau Kota and Kedah were closed and replaced by new ones in Kajang and Wangsa Maju. SMC intends to increase the number of plant it operates and will be continuously looking for good locations, including overseas. Looking ahead, SMC expects tougher business conditions in 2004, with supply disruptions expected in the construction sector while uncertainties in the supply and price of material inputs possibly affecting performance.

Faced with stiff competition locally and overseas and a reduction in in-house jobs, the steel fabrication business under Torsco Berhad registered a turnover of RM50.63 million and a pre-tax profit of RM5.09 million, down by 25.48% and 26.55% respectively. Torsco has intensified its marketing efforts targeting palm oil mills, hydropower, bridges and container crane sectors to replenish its current order book. In addition, the Company is seeking strategic partnerships with Chinese fabricators to take advantage of the low production cost there in its effort to be more competitive. Despite the intense competition worldwide, we are hopeful that Torsco would better its results with these strategies.


Breakwater at Royal Langkawi Yacht Club using ICP Piles

Revenue at Scaffold Master Sdn Bhd dropped by 15.39% to RM6.54 million after reaching new heights in 2002 due to decreased in-house rental demand. This was, however, mitigated by a significant increase in external rental following more intense marketing efforts. During the year, average rental rates increased by 10%, and with lower depreciation charges, pre-tax profit jumped 51.95% to RM3.89 million. The performance is expected to be maintained for 2004.

Kemena Industries Sdn Bhd, located in Bintulu, Sarawak, manufactures precast concrete products. It achieved significantly improved results with a turnover of RM5.95 million and a pre-tax profit of RM1.21 million, up 66% and 128% respectively. This was attributed to the supply of culvert and spun pipes to the Coastal Highway Project and supply of U-drain and RC piles to Bintulu Development Authority.

The major associates within the Division, namely Industrial Concrete Products Berhad, Spirolite (M) Sdn Bhd, Sin Kean Boon Group Berhad and Cofreth Sdn Bhd performed reasonably contributing a lower combined turnover of RM72.33 million (2002: RM80.96 million) and a pre-tax profit of RM3.90 million (2002: RM4.57 million).

The Division is optimistic of improved performance in 2004.

"IJM Plantations Berhad (IJMP) was listed on the Main Board of the Malaysia Securities Exchange Berhad on 2 July 2003."

"The good performance in both operating revenue and profitability was attributable to higher commodity prices and increased production."

"Great pride is taken in the Division in incorporating the basic tenets of sound environmental management and responsibility in its business activities."

Left to right: P.K. Venugopal (Controller - Agri Services), Ng Chun Yin (Senior Plantation Controller), Ling Ah Hong (Group General Manager - Plantations Division), Velayuthan Tan (CEO & Managing Director - IJMP), Purushothaman a/l Kumaran (Financial Controller), David Sudhir Kumar Das (Group Planting Advisor) & Sia Thiam Teck (Chief Engineer)

As detailed in note 48 to the financial statement, IJM Plantations Berhad (IJMP) was listed on the Main Board of the Malaysia Securities Exchange Berhad on 2 July 2003 by acquiring the listing status of Rahman Hydraulic Tin Berhad. As part of the listing exercise, the Company distributed 148,442,024 IJMP shares to the shareholders of the Company for free by way of capital distribution.

Though the Group's investments in IJMP was diluted from 100% to 49.4% in July 2003, the Division was still able to contribute higher revenue of RM 152.38 million and pre-tax profits of RM34.85 million to the Group, representing increases of 16.70% and 17.11% respectively.

The good performance in both operating revenue and profitability was attributable to higher commodity prices and increased production. Average CPO price for the year moved up to RM 1,522 per tonne (2002: RM 1,358 per tonne), an increase of 12.08% over 2002. Total tonnage of fresh fruit bunches (FFB) processed increased to 619,000 tonnes, a new record for the Division (2002: 472,000 tonnes). The increased tonnage of FFB milled was mainly due to a 27% increase in the Division's own FFB harvested to

Overview of Sugut oil palm estate

335,000 tonnes (2002: 264,000 tonnes) as well as an aggressive purchasing strategy to secure outside fruits. This helped to increase capacity utilisation at all the mills, bringing milling costs down.

Although the increased tonnage of FFB harvested is mainly from the new Sugut region as young palms moved into maturity, crops harvested in the more mature Sandakan region also registered higher yields to exceed an average of 28 tonnes per hectare. The mills maintained good oil and kernel extraction rates to finish the year at average rates of 21.4% and 4.4% respectively (2002: 21.7% and 4.7%).

Harvesting of ripe palm fruits

At the end of the financial year, the Division had a total land bank of 29,559 hectares (2002: 32,783 hectares) in Sabah, a decrease of 3,224 hectares compared with 2002 due to disposal of an associated company during the year. Of the total land bank, 10,158 hectares are located in the Sandakan region while the remaining areas are in the Sugut region. The Division's estate that had achieved matured status totaled 16,135 hectares while immature hectarage stands at 7,425. Plantable reserves stood at 4,420 hectares as at the end of 2003 and are expected to be planted in the near future.

The Division has a total processing capacity of 135 tonnes of FFB per hour in its three palm oil mills, namely Desa Talisai Palm Oil Mill (DTPOM), Minat Teguh Palm Oil Mill (MTPOM) and Sabang Palm Oil Mill (SPOM). During the year, DTPOM processed 269,000 tonnes (2002: 251,000 tonnes) of FFB, an increase of 7%; MTPOM processed 187,000 tonnes (2002: 159,000 tonnes), an increase of 17%; and SPOM, in its second year of milling, processed 163,000 tonnes (2002: 61,800 tonnes), an increase of 164%. The volume of own crops processed is expected to increase in the coming years as more young areas move into maturity, particularly in the Sugut region.

During the year, the kernel crushing plant with a capacity of 250 tonnes per day commenced operation. It produced some 12,900 tonnes of crude palm kernel oil and 15,700 tonnes of palm kernel expellers.

Adequacy of skilled workers and sustainability of high productivity levels continue to be the main challenges for the Division. These difficulties are mitigated through continuous training of the work force and structured supervision of workers. To sustain high FFB yield, improved water conservation measures and irrigation have been adopted. Cost efficiency measures will be intensified to realise greater benefit.

Great pride is taken in the Division in incorporating the basic tenets of sound environmental management and responsibility in its business activities. 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 Division to ensure long-term sustainable plantation development.

Based on the expectation that favourable palm product prices will continue and higher crop production from the increased area of prime and young palms, the Division is optimistic of good performance for financial year 2004.

Bulk storage facilities, Sugut, Sabah

REVIEW OF OPERATIONS • INFRASTRUCTURE

"As these new investments are just into the first year of operations, the Group anticipates any improvement in earnings in 2004 for this Division to be modest."

Western Access Tollway in Buenos Aires, Argentina

In 2003, the Division recorded a pre-tax profit of RM4.53 million, a reduction of 85.24% compared to RM30.70 million achieved in 2002 as the 2002 results included the Group's share of exceptional gain of Grupo Concesionario del Oeste S.A. (GCO), amounting to RM25.89 million, arising from inflation adjustments.

In 2003, contribution from the Group's 20.1%-associate in Argentina, GCO, was nominal compared to year 2002 despite higher revenue, due to higher amortisation charge in respect of previously inflation-adjusted fixed assets and higher financial charges. Operational performance continues to improve with traffic growth of 15% seen in 2003. GCO's management is currently in negotiation on some of the terms of its Concession Contract with the Argentine Government and its credit facilities contract with its creditor banks. Further details concerning the Groups investment in GCO are explained in Note 24(b) to the Financial Statements.

Binh An Water Treatment Plant in Ho Chi Minh City, Vietnam

The Group's 36%-associate in Vietnam, Binh An Water Corporation Limited (BAWC) contributed a net profit of RM4.82 million (2002: RM5.24 million). The local water supply company only purchased its contractual volume as it had commissioned a new water treatment plant of its own.

Tada-Nellore Toll, India

Swarna Tollway Pte Ltd, the 35%-associate in India, which is undertaking the privatisation of two highways (along NH5 and NH9, a total of 156 km in length) under a 30-year concession agreement in Andhra Pradesh state has successfully completed substantially all the construction work by the end of 2003. Tolling of the highways is expected to commence in the second quarter of 2004.

The Group's two 100%-owned Build-Operate-Transfer toll-road projects in India, namely the Rewa-Jaisinghnagar-Shahdol-Amarkantak Road and the Satna-Maihar-Parasi More-Umaria Road, are expected to complete construction in 2004 and commence tolling thereafter. Costs are well within budgets and construction completion in one segment is expected ahead of schedule.

As these new investments are just into the first year of operations, the Group anticipates any improvement in earnings in 2004 for this Division to be modest.

CONCLUSION

After half a decade of ample opportunities and a benign cost environment due to low capacity utilisation following the Asian financial crisis and the slow down in the West, the environment for our core business is turning turbulent and challenging. Some have characterised the environment as one akin to 'white water' rafting conditions. It will be a true test of management skills to navigate through these conditions and perform creditably.

DATO' TAN BOON SENG @ KRISHNAN
CEO & Managing Director

IJM gets nod to sell shares in China

IJM Corp, Malaysia's fourth-largest contractor by market value, became China's second overseas investor after billionaire George Soros to get approval to sell non-tradable shares in a mainland company.

China's stock regulator will let IJM Overseas Ventures Sdn trade 45 million shares of Guangdong Provincial

China said in August 2002 it would consider applications to convert untradable stock to market shares.

Soros, allowed to trade his 14.8 per cent stake in Hainan Airlines Co since Jan 30, hasn't sold.

IJM aims to finish India jobs on time

IJM secures project in India

India ops set to add 30% to IJM revenue