

Bangsar Linkages, Kuala Lumpur



Review of Operations

CONSTRUCTION

The strong pick up in construction activities relating to civil engineering works, especially those promoted by the Government, as well as higher construction starts in low and medium cost housing mitigated the contraction of the Malaysian construction sector in 1999 to 3.6% after experiencing a major contraction of 23% in 1998.

Reflecting the combined impact of improved trading conditions coupled with improved liquidity and low interest rates in the market, the Group's Construction Division registered a rise in pre-tax profits in 1999 to RM42.1 million, an increase of 175% from 1998, despite a 3.8% drop in turnover to RM612.1 million.

With improved liquidity, clients have been able to expedite payments which ensured recovery of debts and faster progress of construction projects. Certain projects which stalled at the height of the financial crisis have also been revived by clients.

Notable projects completed by the Division during the year are the Mid-Valley Megamall, Rantau Panjang Low Cost Housing, Riana Green Phase 2, Putrajaya Health Clinic, all in Malaysia, and the Binh An Water Treatment plant in Vietnam.



Putrajaya Health Clinic, Putrajaya

During 1999, the Division managed to secure RM600 million worth of contracts locally and overseas. At present, the Division has a healthy order book and these works will keep the Division busy in the next two years while it actively seeks new contracts.

After two consecutive years of contraction, the continuous positive steps taken by the Government to sustain public sector spending on infrastructure projects and the increasing private sector housing starts are expected to help the construction industry to register positive growth in the year 2000. Underpinning the recovery will be the acceleration of civil engineering works, following higher Government allocations for the construction and upgrading of roads, bridges, ports, airports, schools, hospitals, and drainage and irrigation schemes. Private sector initiatives in mass housing and capacity expansion in the manufacturing sector should provide a further fillip to the construction industry. The Division, with its

current healthy order book and a positive industry outlook, is expected to continue to contribute positively to earnings in the year 2000.

IJM is very committed to performance and quality control and continues to nurture a culture of excellence in an industry long prone to shoddy workmanship and unsafe work environment. In addition to encouraging a quality conscious workforce, enforcement measures continue to be intensified to reinforce this commitment. The Division's Quality and Safety Systems Unit intensified internal quality audits during 1999 while also holding training programmes to bring about greater awareness and increased commitment amongst our



Closing ceremony of safety campaign, Kuala Lumpur

workforce. The year also saw the Division's success in the third reassessment audit resulting in renewal of the ISO 9002 certification by SIRIM (Standards and Industrial Research Institute of Malaysia). In 1999, IJM Construction Sdn Bhd, the Group's flagship for construction activities, was included in the ISO 9002 certification and all its activities are now

conducted in compliance with the requirements of the international standard. On 2 October 1999, both IJM Corporation Berhad and IJM Construction Sdn Bhd were officially accredited by UKAS (United Kingdom Accreditation Service), making them internationally recognised ISO 9002 certified companies.



Mustafa Centre, Singapore



*Gardenville,
Singapore*



Double Storey Terrace Houses, Taman Idaman, Butterworth, Penang

Safety issues remain paramount. During 1999, six projects achieved their targeted manhours without lost time incidents. Rather than resting on its laurels, the Division continues to emphasize on safety at work sites and reinforced this by in-house safety campaigns and regular internal inspections.

PROPERTIES

The local property market staged a mixed recovery during 1999 with mainly the residential sector recovering from its recent slump. Most other sectors are still suffering from the ill effects of oversupply. The low interest rate environment, relaxation of lending guidelines by Bank Negara Malaysia, Government support in Home Ownership Campaign and Civil Servant Home Ownership Scheme and impressive recovery of the stock market have brought back the confidence that was necessary to revive the housing industry.

During the year, the Division achieved a turnover of RM250 million and a pretax profit of RM23 million, representing increases of 38% and 170% respectively over 1998. Beside better contribution from projects in Malaysia, 1999 also saw contributions from 50% associate OSW Properties Pty Ltd following the completion of Horden Tower Apartments project in Sydney.



Bukit Jambul Indah Apartments, Penang

In response to the recovery mode of the property market, the Division has revived some of its shelved projects and is planning to launch new projects in locations such as Georgetown, Klang Valley, Johor Bahru and to a lesser extent, Ipoh, Kuching and Sandakan.

The products to be launched vary from location to location. In general, low to low medium cost housing would be the emphasis in Ipoh, Kuching, Jelutong area of Penang, Johor Bahru and Gombak in Kuala Lumpur. Medium to higher cost housing projects are being planned for Bukit Jambul, Jalan Udini and Simpang Ampat in Penang, Petaling Jaya and Bandar Tun Razak in Klang Valley as well as Johor Bahru and Sandakan.

Established flagship projects such as Riana Green and Bukit Jambul Indah will see launches of the next phases of luxurious condominiums where the IJM hallmark of quality has already set a new benchmark to the satisfaction of the purchasers of earlier phases.

Also being planned are certain small scale commercial and light industrial units in a few selected locations where real demand has not been met. These projects are mostly along the proposed Jelutong Expressway in Penang.

Higher standards of design and technology will be incorporated in many of the new projects where the market dictates higher expectation particularly in the area of home IT and greater emphasis on long term maintenance and serviceability of strata-titled buildings.

With the current economic recovery anticipated to continue, the Division plans to launch all these projects in time to meet the expected demand whilst market conditions are still favourable and to complete these projects within the targeted development time frame.