

CONSTRUCTION

The Malaysian construction sector registered a moderate growth of about 3% in 2000 (1999: -5.6%), underpinned by higher domestic demand in selected segments of the property market and continued implementation of public infrastructure and privatised projects.

The continuing emphasis by the Group on cost control without sacrificing quality was helped by an environment of high liquidity and lower interest rates, cheaper labour and lower building material costs. With these improved local trading conditions and offshore contributions, the Division registered a rise in pre-tax profit to RM64.04 million, an increase of 52.1% from 1999, despite achieving only a marginal growth in turnover of 1.5% to RM621.38 million.

During the year, notable projects completed by the Division in Malaysia are Putrajaya Hospital, Hampshire Park Condominiums, Colmar Village, Riana Green Phase 3 and sub-contracting works for the 1st Silicon Wafer Plant, and in India, the Mumbai-Pune Expressway project.

During 2000, the Division secured RM250 million worth of contracts locally and overseas. Recent awards, subsequent to year end, of a road project and a building project in Putrajaya improved the local construction portfolio by a further RM700 million.

To mitigate the impact of a widely expected downturn in the economic growth of major trading partners, the Government is expected to ensure early implementation of more development projects to achieve the multiplier effects on consumption and investment. The Division would concentrate its efforts to win some of these projects, particularly those on infrastructure and low and medium-cost housing. On the overseas front, the Division would continue to focus on India in view of the vast opportunities available there.

IJM recognises that in a dynamic environment characterized by rapid changes in information technology and a surge in e-commerce, it is equally important to respond to changes just as quickly. In this context, the Company has teamed up with some of the other major players in the industry to set up a business-to-business (B2B) portal to handle the full range of processes in the construction industry. This includes, amongst others, on-line tendering, procurement of equipment, material and services, sub-contracting, financial transactions, information exchange and document management.

The Division continues to reinforce a strong commitment towards safety and quality control amongst its staff, sub-contractors and suppliers. Continuous in-house training of construction personnel is emphasised to achieve the desired

results particularly in view of our dependence on a transient migrant labour force. To put in place a culture for quality assurance, all companies in the Group are required to work towards ISO 9002 certification. In this regard, on 24 November 2000, Prebore Piling & Engineering Sdn Bhd (PPE), a subsidiary of IJM Construction Sdn Bhd (IJMC), achieved the MS ISO 9002:1994 certification. In addition, on 19 May 2000, the IJM Quality and Safety Assessment System (IQSAS) was officially launched by the Honourable Minister of Housing and Local Government, Dato' Seri Ong Ka Ting. IQSAS is a system of procedures and testing methods formulated by the Group to set out standards for the various quality and safety aspects of building construction works which can lead towards zero defects. IQSAS complements the ISO 9002 quality compliance requirements that have been in place since 1996.



Official launching of the IJM Quality and Safety Assessment System (IQSAS) by the Minister of Housing and Local Government, Dato' Seri Ong Ka Ting

Safety at work sites remains a priority. Testimony of this commitment is seen in IJM Corporation Berhad and IJMC securing the OHSAS 18001:1999 certification by SIRIM on 3 November 2000. The internationally acclaimed certification is a first for a Malaysian company in the construction industry.

IJM's long history of exporting construction services abroad was given due recognition. The Construction Industry Development Board presented the Company with the first Malaysian International Contractor of the Year Award in September 2000.



IJM was awarded the first Malaysian International Contractor of the Year Award

On the corporate scene, some equity restructuring was carried out. On 23 August 2000, IJMC disposed of its 50% shareholding in IJM Binamaju Sdn Bhd which undertook the construction of the civil works of Kuala Lumpur monorail project. With this, IJM's role in the project will now be significantly reduced. On 30 December 2000, IJMC acquired a further 999,999 ordinary shares in PPE for RM1.80 million raising its interest in PPE to 70%.

PROPERTIES

During the year, the Division achieved a pre-tax profit of RM13.41 million on a turnover of RM97.25 million, representing decreases of 42% and 61% respectively over 1999.

The property market, during 2000, turned cautious on general economic uncertainties of a slowing economy, declining local stock market, falling CPO prices and other sentiments affecting consumer confidence despite a very favourable interest rate environment.

For the Group, the situation was aggravated by some delays in approvals for development which delayed new launches. Contributions from the Australian projects under associate OSW Properties Pty Ltd also tapered as the project, completed in 1999, saw only residual profits in 2000. Overall, performance was below expectations.

The spacious living hall



Desa Sri Puteri Apartments Parcel B, Kuala Lumpur

In response to the challenging market conditions, the Division has intensified its planning on projects which are still feasible to launch in the coming year. The focus is on creating affordable units with better value for customers. Design review on layout, facilities and technical specifications, coupled with value engineering to bring costs down is continuously being undertaken to compete in an increasingly difficult and competitive market. Elements of the K-economy are being addressed by providing IT/internet infrastructure in our residential and commercial buildings. More professionalism is being emphasized in our property management services to give investors a greater degree of assurance of the long-term capital value of their properties under our management.

Whilst our flagship condominium project, the Riana Green, Petaling Jaya and many of the low medium cost housing projects already launched in Johore Bahru, Ipoh, Klang Valley, Kuching and Penang are continuing to sell reasonably well, the Division is preparing to launch more innovative projects. These include an exciting mixed development project on the strategic 30-acre parcel at Udini along the Jelutong Expressway, the next series of e-Condominiums in Bukit Jambul and a new housing project in Klang.



2-storey terrace show house at Taman Utama, Sandakan, Sabah

INDUSTRIES

In tandem with an improving construction sector, the division's turnover improved by 21% to RM188.71 million and pre-tax profits rose by 34% to RM11.72 million. All sectors in the Division contributed positively to the better performance of the Division.

The steel engineering business carried out by subsidiary Torsco Berhad continued to record good results with a turnover of RM42.39 million (1999: RM42.03 million) and a pre-tax profit of RM5.49 million (1999: RM5.95 million). Torsco has commenced intensive efforts to broaden its market base by adding the pipe spools business with the setting up of Torsco Overseas Sdn Bhd. The third fabrication plant and the jetty facilities at Lumut have also been expanded to take on more work.

The companies in the quarrying sector performed creditably with an improved turnover of RM48.56 million (1999: RM40.04 million) and pre-tax profits of RM2.48 million (1999: loss of RM0.46 million). After two years of declining turnover, quarry operations rebounded with a higher aggregate sales volume of 3.66 million tons. This represented a hefty 52% increase over 1999's sales volume. The quarries in South Johor saw better demand, resulting in higher utilisation of plant capacity. Selling prices improved towards the later part of the year to give profitable results after recording losses in the previous years. The demand at Damansara Rock Products Sdn Bhd, Kuala Lumpur remained at a comfortable level throughout the year, whilst the Kuang operations were able to reach breakeven volumes. However, the demand in the Labu vicinity remained weak.

Premix sales, however, recorded a slight decrease in volume to 252,000 tons (1999: 273,000 tons). Tighter credit control measures had to be taken in this sector as margins eroded significantly. The rapid rise in bitumen prices made the selling process extremely difficult as prices had to be moved up.

The ready-mixed concrete sector's turnover improved to RM36.58 million from RM30.60 million in 1999 spurred by in-house demand. However, selling prices remained low and with higher material costs, pre-tax profits grew only slightly to RM0.45 million (1999: RM0.22 million). The industry had to contend with frequent movements in raw material prices throughout the year. Pricing for long-term projects became tricky and this was not helped by the difficult conditions faced during debt collection.

The total billings for scaffolding rentals in 2000 rose by 42% to RM2.92 million compared to RM2.05 million in 1999. In-house usage amounted to some 50%. Despite the higher turnover, pre-tax profits increased by only 11% to RM0.98 million due to lower rental rates at the beginning of the year. During the year, the Company invested in additional scaffoldings worth RM1.8 million. These purchases are expected to continue in the year 2001. Supply contracts were signed with suppliers to lock in prices to safeguard against volatility.

The outlook for 2001 remains one of cautious optimism. There are synergistic opportunities for the Industries Division in line with the larger order book of the Construction Division. However, the external market is fraught with challenges, ranging from credit-worthiness of customers to competitive pricing decisions. The Division is tasked with maintaining a reasonable performance in these difficult times.



Fabrication of Shell and Tube Heat Exchangers at Torsco's Lumut Plant No.2 for CTOC Cakerawala, a Malaysian-Thai joint-development project in South China Sea

PLANTATIONS

The Division's turnover decreased by 43% to RM65.12 million compared to RM114.96 million in 1999. Pre-tax profit achieved of RM4.79 million represents a decrease of 80% over the previous year. The decrease in turnover and pre-tax profit was mainly attributable to the lower crude palm oil (CPO) prices achieved which averaged approximately RM897 per tonne compared to RM1,332 per tonne in 1999. In terms of key industry parameters of yield and costs, the Division continues to do well.



Healthy young palm trees at Meliau Estate, District of Labuk/Sugut, Sabah

The Division's land bank totalled 70,520 acres at the end of 2000, an increase of 13,726 acres over the previous year. The matured estates, which increased to 22,289 acres (1999: 20,903 acres) produced a total of 219,039 tonnes of fresh fruit bunches (FFB) in 2000 compared to 199,815 tonnes in 1999. The increase in FFB production was mainly due to increased matured acreage.

As at 31 December 2000, immature planted acreage of the Division, located mainly at Labuk Sugut Region, was 22,678 acres and a small percentage of these acreages are expected to mature in the third quarter of 2001. The balance of the land bank of 25,553 acres represent newly acquired acreage which will be planted over the next few years.

The Desa Talisai Palm Oil Mill processed 213,466 tonnes of FFB in 2000 compared to 303,632 tonnes of FFB in 1999. The 30/45 tonne-per-hour palm oil mill of 35%



Plantation Head Office building, Sandakan, Sabah

associate Minat Teguh Sdn Bhd which commenced in January 2000 processed 90,433 tonnes of FFB in the year. Earthworks for a third 30/60 tonne-per-hour palm oil mill under 100% subsidiary Sabang Mills Sdn Bhd to be located at Labuk Sugut region commenced in the middle of 2000. This mill is scheduled for completion in the last quarter of 2001, in time for the fruits from the newly mature acreage in the region.

The Division is proactively addressing the cost issues facing the Plantations Division while it is hoped that the strategies undertaken by the Malaysian Government and better co-operation with Indonesia would stabilise CPO prices for 2001 at a better level. Consequently, we are hopeful of improved performance from the division.



Exchange of documents between Dato' Siti Balkish bte Shariff and Mr Krishnan Tan during the signing ceremony of MOU among Worldwide Ventures Sdn Bhd, Sheffield Enterprise Sdn Bhd with Inti Universal Holdings Bhd, witnessed by Tan Sri Dr Koh Tsu Koon

EDUCATION

New directions were set for the Education Division in 2000. An agreement was signed on 15 March 2000 between INTI Education Sdn Bhd and Sheffield Enterprise Sdn Bhd to enable INTI Universal Group to acquire a 70% interest in International College Penang. The new college, renamed INTI International College Penang (IICP), was formally established after the agreement. IJM group now has an effective 15% interest in the venture.

With this initiative, INTI College brings to Penang 14 years of experience in offering quality tertiary education with more than 20 academic programmes linked to more than 250 participating universities worldwide. With its commitment to offer quality, holistic education, INTI's presence in Penang will benefit students from the northern part of the country.

With this development, INTI would spearhead the college's direction, allowing the Group to refocus on our core operations.

INFRASTRUCTURE

The Group's current infrastructure projects are located in Argentina, China and Vietnam. In 2000, the division turned in a lower pre-tax profit of RM27.91 million, a drop of 23%. Results in 1999 were higher due to non-recurring exceptional items.

In Argentina, Grupo Concesionario del Oeste S.A. (GCO), a 20% associate, the concession holder of the 55.45 km Western Access Tollway Project in Buenos Aires, contributed a pre-tax profit of RM16.71 million (1999: RM8.70 million for seven months) before allowing for the Group's holding cost. In 1999, the Group made an exceptional gain when it placed out 30% of its shareholding in GCO in conjunction with GCO's initial public offering in July 1999 but this was not repeated in 2000.

From China, associate Guangdong Provincial Expressway Development Co. Ltd. (GPED) contributed a pre-tax profit of RM12.62 million, a drop of 43% compared with the result of 1999. This is mainly attributable to a non-recurring exceptional gain of RMB76.44 million made by GPED on its disposal of a long-term investment in 1999. Another associate, Yangzhong Changjiang Great Bridge Co. Ltd., which operates a tolled bridge near Nanjing, marginally improved upon its level of earning in 2000.

From Vietnam, the Group's 36% associate Binh An Water Corporation Limited contributed RM2.23 million (1999: RM0.71 million for 5 months) in pre-tax profit.

In India, Gautami Power Limited (GPL) which holds a concession to operate a 350 MW power plant in Andra Pradesh, is going through a scheme of

amalgamation which would see it merge with NCC Power Corporation Pte Limited, resulting in our Group's interest in GPL being reduced to 36%. The merged entity will now build a 460 MW gas-based plant, with a second phase of 150 MW available to the company.

TRAINING

The Group provides regular trainings to its workforce in areas related to their respective professions. This will equip them with the necessary knowledge and skills needed to attain a higher level of performance and improve services to our customers.

Training courses were organised throughout the year and each course was carefully designed to suit staff at all levels. The Group has made sufficient allocations to enable its staff to attend training courses, either conducted in-house or organised by external organisations to enable them to keep abreast with the latest development in their respective fields.

In addition, scholarships to local and overseas institutions are regularly granted to ensure a steady stream of young professionals joining the Group.

COMMUNITY SERVICE

The Company, as a caring corporate citizen, strives continuously to support the underprivileged through various community care programmes. We continue to make contributions to charitable, educational, cultural, health and sports organisations. The Group also made monetary contributions to the victims of India's devastating earthquake.



A section of the Mumbai-Pune Expressway, India