

CORPORATE GOVERNANCE STATEMENT



The founders of the IJM Group recognised that high standards of corporate governance are imperative to safeguard the interests of all stakeholders and to enhance shareholders' value. In view of this, all companies within the Group have established the basic framework of good corporate governance practices within its organisation and operations long before the promulgation of the Malaysian Code of Corporate Governance.

The Board of Directors ("the Board") fully supports and is committed to ensure that the highest standards of corporate governance are practised throughout the Group. The Board continues to encourage professionalism, integrity and good governance as the corporate culture and way forward for the Group to provide an environment for good performance by its people and to provide better returns to its shareholders.

I. BOARD OF DIRECTORS

1. Composition of the Board

Of the eleven (11) Board members, eight (8) are Non-executive Directors. Amongst the Non-executive Directors, four (4) are Independent Non-executive Directors. The Chairman is one of the Independent Non-executive Directors. Y. Bhg. Tan Sri Dato' (Dr) Haji Murad bin Mohamad Noor is the Senior Independent Non-executive Director.

The role of the Independent Non-executive Chairman and the Chief Executive Officer & Managing Director ("CEO & MD") are distinct and separate. The Independent Non-executive Chairman avails himself to provide clarifications on issues that are raised by the shareholders and investors to ensure the integrity and effectiveness of the governance process of the Board. The Independent Non-executive Chairman also maintains regular dialogues with the CEO & MD on all operational matters and acts as the facilitator at the Board meetings. The CEO & MD has overall responsibility for the day-to-day management of the business and implementation of the Board's policies and decisions. The CEO & MD is responsible to duly ensure execution of strategic goals, effective operation within the Group, and to explain, clarify and inform the Board on matters pertaining to the Group.

The profile of each Director is presented on pages 14 to 17.

CORPORATE GOVERNANCE STATEMENT *(Continued)*

2. Duties and Responsibilities of the Board

An effective Board leads, provides strategic direction and manages the IJM Group. The Directors are professionals in the field of engineering, finance, accounting, economics, legal or experienced senior civil administrators. Together, they bring a wide range of competencies, capabilities, technical skills and relevant business experiences to ensure that the Group continues to be a competitive leader in the construction industry with a strong reputation for technical and professional competence.

The Non-executive Directors bring independent judgement on issues of strategy, business performance, resources and standards of conduct. The Independent Non-executive Directors provide independent and constructive views in ensuring that the strategies proposed by the management are fully studied and deliberated in the interest of the Group and also all stakeholders.

The Board is primarily responsible for the Group's overall strategic plans for business performance, succession planning, risk management, investor relations programs, internal control and management information systems. While the Board is responsible for creating the framework and policies within which the Group should be operating, the management is accountable for the execution of the expressed policies and attainment of the Group's expressed corporate objectives. This demarcation complements and reinforces the supervisory role of the Board.

There is a balance of executive, non-executive and independent non-executive Directors. This ensures that there is an effective representation for its stakeholders, and further ensures that issues of strategy, performance and resources are fully discussed and examined to take into account the long-term interest of the shareholders, employees, customers, suppliers and the many communities in which the Group conducts its business.

The Company may from time to time use the services of retired Executive Directors for specific roles in the Company's operations for specific periods. These Directors are paid remuneration for their services.

3. Board Meetings

The Board conducts at least four (4) regularly scheduled meetings annually, with additional meetings convened as and when necessary. During the financial period, seven (7) Board meetings were held.

The attendance record of each Director was as follows:

	Number of Meetings Attended	Percentage
Executive Directors		
Dato' Tan Boon Seng @ Krishnan	7 out of 7	100%
Dato' Goh Chye Koon	6 out of 7	86%
Soo Heng Chin	7 out of 7	100%
Independent Non-executive Directors		
Tan Sri Dato' Ir (Dr) Wan Abdul Rahman bin Wan Yaacob	6 out of 7	86%
Tan Sri Dato' (Dr) Haji Murad bin Mohamad Noor	7 out of 7	100%
Datuk Oh Chong Peng	6 out of 7	86%
Datuk Yahya bin Ya'acob	6 out of 7	86%
Non-executive Directors		
Dato' Goh Chye Keat	6 out of 7	86%
Dato' Ismail bin Shahudin	6 out of 7	86%
Dato' Abdullah bin Mohd Yusof (Appointed on 18 August 2004, resigned on 5 July 2005)	2 out of 2	100%
Abd Hamid bin Othman (Appointed on 25 March 2004)	4 out of 5	80%

Besides these Board meetings, the Directors also attend several tender adjudication meetings and investment briefings where members deliberated on the Group's participation in major project bids and/or investments. Informal meetings and consultations are frequently and freely held to share expertise and experiences. Directors also attend the annual senior management dialogue where operational strategies, performance progress and other issues are extensively presented, discussed and communicated to senior managers of the Group.

4. Supply of Information

As a general rule, Board reports are circulated to all the Directors ahead of the scheduled meetings to give them the opportunity to seek clarification or seek additional information on the financial performances of the entities and business units, and other issues which may require discussions and decisions.

Amongst others, the report provides information on major operational, financial and corporate issues, activities and performance of projects, divisional performance and reasons for significant diversions from the budgets and major changes in the Company structure and securities transactions (including the summary of dealings of securities of the Directors).

In addition to the quarterly Board meetings, briefings are conducted for the Board on various issues such as the changes to the companies and securities legislations, rules and regulations from time to time to inform them of the latest developments in these areas.

The Directors are also notified of any corporate announcements released to the Bursa Malaysia Securities Berhad ("BMSB"). They are also notified of the impending restriction in dealing with the securities of the Company at least one month prior to the release of the quarterly financial result announcement.

In addition, there is a schedule of matters reserved specifically for the Board's deliberation, such as the approval of corporate plans and annual budgets, acquisitions and disposals of undertakings and properties of a substantial value, and changes to the management and control structure within the Group, including key policies, delegated authority limits and participation in the adjudication of tenders for construction project in excess of established limits.

All Directors have access to the advice and services of a full time Company Secretary appointed by the Board, and they have been issued with Bursa Securities Listing Manual, the Code, Statement on Internal Control: Guidance for Directors of Public Listed Companies and Code of Ethics for Directors and Secretaries, updates on company and securities legislations and other relevant rules and regulations, including the availability of a Director's Manual.

5. Committees established by the Board

The Board has delegated certain functions to the committees it established to assist in the execution of its responsibilities. The Committees operate under clearly defined terms of reference. The Chairman of the respective Committees reports to the Board on the outcome of the Committee meetings and such reports are included in the Board papers.

A. Executive Committee

The Executive Committee was established on 31 March 1995 and its membership consists of the Executive Directors of the Board. The Executive Committee meets monthly to review the performance of the Group's operating Divisions. In attendance are the Finance Director, Head of Divisions, the Company Secretary and relevant Departmental Heads.

CORPORATE GOVERNANCE STATEMENT (Continued)

The terms of reference of the Executive Committee include the following:-

- to decide on all transactions and matters relating to the Group's core businesses or existing investments within the restricted authority given by way of limits determined by the Board; and
- to decide on all matters relating to banking facilities as may be required in the conduct of the Group's operations.

During the 2004/05 financial period, thirteen (13) Executive Committee meetings were held. The attendance record of each member of the Committee was as follows:

Executive Directors	Number of Meetings Attended	Percentage
Dato' Tan Boon Seng @ Krishnan	13 out of 13	100%
Dato' Goh Chye Koon	12 out of 13	92%
Soo Heng Chin	13 out of 13	100%

B. Audit Committee

The Audit Committee was established on 31 January 1994 and is chaired by Y. Bhg. Tan Sri Dato' (Dr) Haji Murad bin Mohamad Noor. Other members of the Audit Committee are Y. Bhg. Tan Sri Dato' Ir. (Dr) Wan Abdul Rahman bin Wan Yaacob, Y. Bhg. Datuk Yahya bin Ya'acob and Y. Bhg. Datuk Oh Chong Peng. The terms of reference and summary of activities of the Audit Committee are set out on pages 62 to 65.

C. Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprises four (4) members. Three (3) of the members are Independent Non-executive Directors, namely Tan Sri Dato' (Dr) Haji Murad bin Mohamad Noor (Chairman), Tan Sri Dato' Ir (Dr) Wan Abdul Rahman bin Wan Yaacob and Datuk Yahya bin Ya'acob. The other member is Dato' Goh Chye Keat.

The terms of reference of the Nomination and Remuneration Committee include the following:-

- (i) to establish and review the terms and conditions of employment and remuneration of the Executive Directors and senior executives of the Group;
- (ii) to review and approve the annual salary increments and bonuses of the Executive Directors and senior executives of the Group;
- (iii) to review, recommend and consider candidates to the Board of the Company, subsidiaries and associates of the Group, including committees of the Board;
- (iv) to review and determine the mix of skills, experience and other qualities, including core competencies of Non-executive Directors on an annual basis; and
- (v) to assess the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual Director on an annual basis.

The Nomination and Remuneration Committee will meet as required. Three (3) meetings were held during the 2004/05 financial period. All recommendations of the Nomination and Remuneration Committee are subject to the ratification of the Board.

D. Share Committee

The Share Committee was established on 3 September 1986 and is responsible for regulating and approving the securities transactions and registrations. The Share Committee comprises Dato' Tan Boon Seng @ Krishnan (Chairman), Dato' Goh Chye Koon and Mr Soo Heng Chin.

E. Employees Share Option Scheme (ESOS) Committee

A new ESOS Committee was established on 30 October 2003 and is responsible for the implementation and administration of the new Employee Share Option Scheme of the Company. The ESOS Committee comprises Tan Sri Dato' (Dr) Haji Murad bin Mohamad Noor (Chairman), Dato' Goh Chye Koon and Mr Soo Heng Chin.

6. Appointments to the Board

The Nomination and Remuneration Committee is responsible for making recommendations to the Board, including those of subsidiaries and associated companies. In making these recommendations, the Nomination and Remuneration Committee considers the required mix of skills and experience, which the Directors should bring to the Board. Directors are informed and aware that they may take independent advice, where necessary, in furtherance of their duties at the Group's expense.

7. Re-election

The Articles of Association provides that all Directors should submit themselves for re-election at least every three (3) years in compliance with the listing requirements of the BMSB. The Articles of Association of the Company also provide that one third of the Board shall retire from office and be eligible for re-election at every Annual General Meeting.

Directors over seventy years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965 (the Act).

8. Directors' Training

All the Directors have attended the Director's Mandatory Accreditation Programme organised by the BMSB. Directors also receive further training from time to time, particularly on relevant new laws and regulations and changing commercial risks. A brief induction course is provided to newly appointed Directors.

In 2005, 2 in-house seminars had been organised for the directors and senior management as follows:-

- i. Strategic and Operational Risk Management; and
- ii. Board Room Finance for Directors.

The Company will on a continuous basis, evaluate and determine the training needs of its Directors.

Where possible and when the opportunity arises, Board meetings may be held at locations within the Group's operating businesses to enable the Directors to obtain a better perspective of the business and enhance their understanding of the Group's operations.

CORPORATE GOVERNANCE STATEMENT *(Continued)*

II. REMUNERATION

The remuneration policy of the Company is based on the philosophy that the Group does not aspire to be a market leader for basic salary but will give a heavy weightage on performance-related bonuses. These are also entrenched in the remuneration policy for Executive Directors.

The Nomination and Remuneration Committee reviews annually the remuneration policy of the Group to ensure that staff are rewarded appropriately for their contributions to the Group's growth and profitability.

The performance of Directors is measured by the Directors' contribution and commitment to both the Board and the Group. The Executive Directors remuneration will depend on the achievement of the goals (including quantified organisational targets and personal achievement) set at the beginning of each year.

In the case of Non-executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the particular Non-executive Director.

The Board determines the remuneration of the Executive and Non-executive Directors. The Company reimburses reasonable expenses incurred by these Directors in the course of their duties as Directors.

Fees

Fees payable to Non-executive Directors are determined by the Board with the approval of the shareholders at the Annual General Meeting. Fees are payable based on attendances at meetings and the Directors level of responsibility within the Board and its Committees.

Basic Salary

The Nomination and Remuneration Committee conducts an annual review of the basic salary for all senior executives taking into account the performance of the individual and the company and the practices within the industry. The Group participates in industry specific surveys by independent professional firms to obtain current data in benchmarking the Group.

Bonus and Incentive Scheme

The Group operates a bonus and incentive scheme for all its employees, including the Executive Directors. The criterion for the scheme is the financial performance of the Group based on an established formula. Bonus and incentives payable to the Executive Directors are reviewed by the Nomination and Remuneration Committee and is approved by the Board.

Benefits-In-Kind

Other customary benefits such as private medical care and car are made available in accordance with the guidelines laid out in the IJM Scheme and Conditions of Service.

Pension Arrangements

Contributions are made to the Employees Provident Fund, the national mandatory defined contribution plan, in respect of all employees and Malaysian-resident Executive Directors. In addition, all employees and Executive Directors participate in the Group's funded final salary defined plan, known as the IJM Retirement Scheme, with the objective of providing a reasonable lump sum upon retirement and on grounds of chronic ill-health. The scheme also provides for lump sum payments in the event of death in service.

Directors' Share Options

The Group also rewards staff with a share option under its Employee Share Option Scheme.

The movement in Directors' share options during the financial period are set out on page 22.

Directors' Remuneration

The details of the remuneration of Directors during the period are as follows:

- Aggregate remuneration of Directors categorised into appropriate components:

	Salaries RM'000	Fees RM'000	Bonus, Incentives & Others RM'000	Retirement Benefits RM'000	EPF RM'000	Benefits- in-kind RM'000	Total RM'000
Executive Directors	1,468	0	2,959	80	724	58	5,289
Non-executive Directors	0	287	0	0	0	41	328

- Aggregate remuneration of each Director:

Executive Directors

Name	RM'000
Dato' Tan Boon Seng @ Krishnan	2,092
Dato' Goh Chye Koon *	2,354
Soo Heng Chin	843

* Includes payment of retirement benefit at the age of 55.

Remunerations above include performance based incentives in respect of prior years.

Non-executive Directors

Name	RM'000
Tan Sri Dato' Ir. (Dr) Wan Abdul Rahman bin Wan Yaacob	77
Tan Sri Dato' (Dr) Haji Murad bin Mohamad Noor	63
Datuk Oh Chong Peng	40
Datuk Yahya bin Ya'acob	48
Dato' Goh Chye Keat	42
Dato' Ismail bin Shahudin	4 *
Dato' Abdullah bin Mohd Yusof (Appointed on 18 August 2004, resigned on 5 July 2005)	0
Abdul Hamid bin Othman (Appointed on 25 March 2004)	0
Tan Sri Dato' Haji Ahmad Azizuddin bin Haji Zainal Abidin (resigned on 28 February 2003)	33
Lai Meng (resigned on 30 September 2003)	21

* The fee of RM4,000 was paid to Tronoh Mines Malaysia Berhad.

III. INVESTOR RELATIONS AND SHAREHOLDERS' COMMUNICATION

Dialogue between the Company and Investors

The Company places great importance in ensuring the highest standards of transparency and accountability in the disclosure of information of interest to its shareholders as well as to potential investors or even the public.

Various announcements and disclosures to BMSB made during the year, including the timely release of financial results on a quarterly basis, provide the shareholders and the investing public with an overview of the Group's performance and operations.



Regular briefings are held as part of the Group's IR programs

CORPORATE GOVERNANCE STATEMENT (Continued)

At every Annual General Meeting, a presentation is made by the CEO & MD to explain the Group's strategy, performance and major developments to shareholders. Any information that may be regarded as material would not be given to any single shareholder or shareholder group on a selective basis except to the extent of their representation in the Board.

The Group conducts dialogues with financial analysts from time to time as a means of effective investors relationship. At least two scheduled analysts briefing are held each year, usually co-inciding with the release of the Group's second and final quarter results to explain the results achieved and the strategies going forward. A Press conference is normally held after the Annual General Meeting and/or Extraordinary General Meeting of the Company. The Company had also participated in several institutional investors forums during the financial year both locally and outside Malaysia.

A summary of the Group's Investor Relations activities during the financial period are as follows:-

	Number of meetings
Regular meetings with investors/fund managers/analysts, etc	
1. Company Briefings	4
2. Press Conferences	5
3. Meetings with visiting investors/fund managers/analysts	78
Participation at Local Road Shows/Exhibitions	
1. Conferences	4
Overseas Investors Conferences	
1. Hong Kong	4
2. London	1

The Annual Report contains commentaries on business, financial and operational aspects of the Group's performance, a brief description of the Group's services and products and the financial statements of the Group.

In addition, the Group has established a very comprehensive and current website at <http://www.ijm.com> to further enhance investor relations and shareholders' communication, including their access to information about the Company and the Group. Among others, the website provides information on the daily movement of the securities of the Company, corporate announcements released to the Bursa Securities, what others say of the Company, annual reports, minutes of general meetings, distribution of dividends, unclaimed dividends, securities dealings of Directors and substantial shareholders, and profiles of the companies in the Group.

Annual General Meeting

The Annual General Meeting is the principal forum for dialogue with shareholders. The notice of meeting and the annual report are sent out to shareholders at least 21 days before the date of the meeting in accordance with the Company's Articles of Association.

At each Annual General Meeting, the Board encourages the shareholders to participate in the question and answer session. The Chairman and, where appropriate, the CEO & MD respond to shareholders' questions during the meeting. Where appropriate, the Chairman will undertake to provide a written answer to any significant question that cannot be readily answered at the meeting.

In the case of the re-election of Directors, the notice of meetings will state which Directors are standing for election or re-election.

Each item of special business included in the notice of the meeting is accompanied by an explanation for the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting, and the Chairman will declare the number of proxy votes received both for and against the resolutions prior to voting of each of the resolutions.

IV. ACCOUNTABILITY AND AUDIT

Financial Reporting

In presenting the annual financial statements and quarterly announcements to the shareholders, the Board aims to present a balanced and understandable assessment of the Group's position and prospects. This also applies to other price sensitive public reports and reports to regulators.

Directors' Responsibility Statement

The Directors are required by the Act to prepare the financial statements for each financial year in accordance with the applicable approved accounting standards to give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and of the results and cash flows of the Group and the Company for the financial year.

In preparing the financial statements, the Directors have:

1. adopted appropriate accounting policies which are consistently applied;
2. made judgements and estimates that are reasonable and prudent;
3. ensured that all applicable accounting standards have been followed; and
4. prepared financial statements on the going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Group and the Company have adequate resources to continue in operational existence in the foreseeable future.

The Directors are responsible for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Group and the Company and which enable them to ensure that the financial statements comply with the Act.

The Directors have overall responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Group and the Company, and to prevent fraud and other irregularities.

Internal Control

The Group's Internal Control Statement is set out on pages 66 and 67.

Relationship with the Auditors

The role of the Audit Committee in relation to the external auditors is set out on pages 62 to 65.

Signed on behalf of the Board of Directors in accordance with their resolution dated 27 June 2005.



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

AUDIT COMMITTEE REPORT

Membership and Meetings

The Audit Committee met on five (5) occasions during the period ended 31 March 2005 and the attendance of each member of the Audit Committee is as follows:

	No. of meetings attended
Tan Sri Dato' (Dr) Haji Murad bin Mohamad Noor <i>Chairman of the Audit Committee</i> <i>(Senior Independent Non-executive Director)</i>	5
Tan Sri Dato' Ir. (Dr) Wan Abdul Rahman bin Wan Yaacob <i>Member (Independent Non-executive Director)</i>	3
Datuk Yahya bin Ya'acob <i>Member (Independent Non-executive Director)</i>	4
Datuk Oh Chong Peng <i>Member (Independent Non-executive Director)</i>	5

Summary of Activities for the Financial Period

During the period, the Audit Committee carried out its duties, which are set out in the terms of reference on page 63 to 65.

Aside from these duties, the main activities performed by the Audit Committee during the financial period ended 31 March 2005 were as follows:

- reviewed the quarterly financial result announcements and the year-end financial statements of the Group;
- reviewed the audit strategy and plan with the external auditors;
- reviewed the findings of the external auditors in relation to audit and accounting issues arising from the audit, and updates of new developments on accounting standards issued by the Malaysian Accounting Standards Board;
- reviewed the related party transactions that arose within the Company or Group;
- reviewed and approved the annual audit plan proposed by the Internal Auditors;
- reviewed the audit reports presented by the Internal Auditors on their findings and recommendations with respect to system and control weaknesses;
- reviewed the Risk Management Committee's reports and findings; and
- the verification of options' allocations conducted by the Internal Auditors in relation to the Employee Share Option Scheme ("ESOS") of the Company. The Audit Committee was satisfied that the allocation of options pursuant to ESOS during the financial period ended 31 March 2005, is consistent with the criteria set out in the Bye-Laws of the ESOS and by the ESOS Committee.

Internal Audit Function

The Group's internal audit function is carried out by the Internal Audit Department, which reports to the Audit Committee on its activities based on the approved annual Internal Audit Plan.

The Internal Audit Department adopts a risk-based auditing approach taking into account global best practices and industry standards. The main role of the Internal Audit Department is to provide the Audit Committee with independent and objective reports on the effectiveness of the system of internal control within the Group.

During the period, the system of internal controls that encompass the Group's governance, operations and information systems of major areas of the Group's operation, were evaluated by the Internal Audit Department.

The Audit Committee then deliberated on the internal audit reports and recommendations from the reports were duly acted upon by management.

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

Membership

The Audit Committee shall be appointed by the Board of Directors from amongst the Directors and shall consist of not less than three members. The majority of the Audit Committee members must be independent Directors. The members of Audit Committee shall elect a chairman from among their number who shall be an independent director. An alternate director must not be appointed as a member of the Audit Committee.

At least one (1) member of the Audit Committee:

- (i) must be a member of the Malaysian Institute of Accountants; or
- (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years working experience and:
 - (a) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - (b) he must be a member of one (1) of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.
- (iii) (a) must have a degree/masters/doctorate in accounting or finance and at least three (3) years post qualification experience in accounting or finance; or
- (b) must have at least seven (7) years experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.

The Board of Directors must review the term of office and performance of the Audit Committee and each of its members at least once every three years to determine whether the Audit Committee members have carried out their duties in accordance with the terms of reference.



MEMBERS OF THE AUDIT COMMITTEE

Left to right: Datuk Oh Chong Peng, Tan Sri Dato' (Dr) Haji Murad Bin Mohd Noor, Tan Sri Dato' Ir (Dr) Wan Abdul Rahman Bin Wan Yaacob and Datuk Yahya Bin Ya'acob

AUDIT COMMITTEE REPORT

(Continued)

Meetings and Minutes

Meetings are held at least four (4) times a year, and will normally be attended by the Finance Director and Head of Internal Audit, and if required, the external auditors. Other Board members may also attend meetings upon the invitation of the Audit Committee. At least once a year, the committee shall meet with the external auditors without any executive officer of the Group being present. The auditors, both internal and external, may request a meeting if they consider that one is necessary.

A quorum consists of two (2) members present and a majority of whom must be independent directors.

The Company Secretary acts as secretary to the Audit Committee. Minutes of each meeting are distributed to each Board member and the Chairman of the Committee reports on key issues discussed at each meeting to the Board.

Authority

The Audit Committee shall have the following authority as empowered by the Board:

- to investigate any activity within its term of reference;
- full, free and unrestricted access to any information pertaining to the Group;
- direct communication channels with the external and internal auditors, as well as all employees of the Group; and
- to obtain external independent professional advice as necessary.

Duties

The following are the main duties and responsibilities of the committee collectively:

- 1) To review the quarterly results to Bursa Malaysia Securities Berhad ("BMSB") and year-end financial statements of the Group before submission to the Board, focusing particularly on:
 - (i) the going concern assumption;
 - (ii) any changes in accounting policies and practices;
 - (iii) significant issues arising from the audit;
 - (iv) compliance with accounting standards, regulatory and other legal requirements; and
 - (v) major judgmental areas.
- 2) To consider the nomination and appointment of external auditors, as well as their audit fee.
- 3) To consider any letter of resignation from the external auditors, and any questions of resignation or dismissal.
- 4) To discuss with the external auditors, prior to the commencement of audit, their audit plan, which states the nature of the audit, and to ensure co-ordination of audit where more than one audit firm is involved.
- 5) To review with the external auditors, their evaluation of system of internal controls, their management letter and the managements response.
- 6) To review the assistance given by the employees of the Company to the external auditors.

- 7) To review the following in respect of internal audit:
 - (i) the adequacy of the audit scope and resources of the internal audit function and that it has the necessary authority to carry out its functions;
 - (ii) the internal audit plan and programme;
 - (iii) the major findings of internal audit investigations and management's responses, and ensure appropriate actions are taken on the recommendations of the internal audit function;
 - (iv) assessment of the performance of the staff of the internal audit function;
 - (v) appointment or termination of senior staff members of the internal audit function; and
 - (vi) resignations of internal audit staff members and provide resigning staff member an opportunity to submit his/her reason for resignation.
- 8) To monitor any related party transactions and situations where a conflict of interest may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity. They are also required to ensure that Directors report such transactions annually to the shareholders via the annual report.
- 9) To review the reports of the Risk Management Committee in relation to the adequacy and integrity of the Group's internal control system.
- 10) To review all prospective financial information provided to the regulators and/or the public.
- 11) To report promptly to the BMSB on any matter reported by it to the Board of Directors, which has not been satisfactorily resolved resulting in the breach of the BMSB Listing Requirements.
- 12) To consider other matters as may be directed by the Board from time to time.



The internal auditors in discussion. They are (L-R) Su Cheong Ling, Susan Sim Yen Li, Tan Heng Meng and Lyndon Alfred Felix

INTERNAL CONTROL STATEMENT

Responsibility

The Board of Directors recognises the importance of sound internal control and risk management practices to good corporate governance. The Board affirms its overall responsibility for IJM Group's systems of internal control and risk management, and for reviewing the adequacy and integrity of those systems. It should be noted, however, that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives. In addition, it should be noted that such systems can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Group has put in place an ongoing risk management process of identifying, documenting, evaluating, monitoring and managing significant risks affecting the achievement of its business objectives.

Risk Management Framework

The Board has established an organisational structure with clearly defined lines of accountability and delegated authority. It has extended the responsibilities of the Audit Committee to include the work of monitoring all internal controls on its behalf, with the assistance of the Internal Audit Department (refer Audit Committee Report).

The Group has put in place a Risk Management Committee (RMC), which is chaired by the Group's Finance Director and includes representatives from all the divisions. Each business division's risk management function is led by the respective head of the division. The RMC is tasked to develop and maintain an effective risk management system in the Group. Its reviews cover matters such as responses to significant risks identified, changes to internal control systems and output from monitoring processes. It reports regularly to the Audit Committee, which dedicates separate time for discussion of this subject.



The Group's risk management system has been developed with the help of external experts. Risk assessment and evaluation take place as an integral part of the annual strategic planning cycle. Having identified the risks to achievement of their strategic, financial, operational and other business objectives, each business or functional unit is required to document the management's mitigating actions for each significant risk. New areas are introduced for assessment as the business risk profile changes.

Under this system, each business or functional unit, excluding associates and joint ventures, prepares annually a risk map which summarises the risks, the controls and processes for managing them and the means for assuring management that the processes are effective. The Group's Head Office also considers the risks to the Group's strategic objectives, which are not addressed by the business or functional units. The risk maps and any proposed changes to the controls and processes are reported to the RMC which summarises them for consideration by the Audit Committee.

Other Key Elements of Internal Control

The other key elements of the Group's internal control system include:

- clearly defined delegation of responsibilities to committees of the Board and to operating units, including authorisation levels for all aspects of the business which are set out in an authority mix;
- clearly documented standard operating policies and procedures which are subject to regular review and improvement;
- regular and comprehensive information provided to management, covering financial performance and key business indicators, such as staff utilisation and cash flow performance;
- a detailed budgeting process where operating units prepare budgets for the coming year which are approved both at divisional unit level and by the full Board;
- monthly monitoring of results against budget, with major variances being followed up and management actions taken, where necessary; and
- visits to operating units by members of the Board and senior management.

During the year, all the divisions within the Group have carried out their annual reviews on their risk profiles and accordingly certain changes to the risk management and internal control process have been made. The changes were reviewed by the RMC and were subsequently reported to the Audit Committee. A number of minor internal control weaknesses were identified during the period, all of which have been, or are being, addressed. None of the weaknesses have resulted in any material losses, contingencies, or uncertainties that would require disclosure in the Group's annual report.



RISK MANAGEMENT COMMITTEE

Left to right (clockwise): Raw Koon Beng (Assistant Manager – Accounts), Khoo Kah Hock (Manager – Finance), Sivakumar s/o Rajappan (Senior Manager – Quality System), Tan Hock Chien (Manager – Accounts), Loy Boon Chen (Finance Director), Pang Sek Loh (Senior Manager – Technical), Khor Kiem Teoh (Chief Operating Officer – ICP Berhad), Low Hong Imm (Senior Manager – Accounts, MRP) and Purushothaman s/o Kumaran (Financial Controller – IJM Plantations Berhad)

STATEMENT ON QUALITY

Pursuit of Excellence Through Quality

Deeply rooted in its motto "Excellence Through Quality", the IJM Group has successfully created a reputation for providing quality products and services. It is the Group's objective to continuously seek superior standards in its quality to ensure that the Group's products and services gain strong recognition from its customers and continues to remain competitive in the business.

Policy on Quality

In its continuous pursuit for superior standards in the quality of its products and services, the IJM Group has adopted the following policies:

- all projects and services undertaken by the IJM Group will be implemented in such a manner that they exceed the customers' expectations;
- the standard of quality of the final products and services will be enhanced through continuous review and advancement of construction processes and quality assurance system; and
- the skills of qualified and dedicated employees at all levels will be nurtured and enhanced to deliver quality customer service.

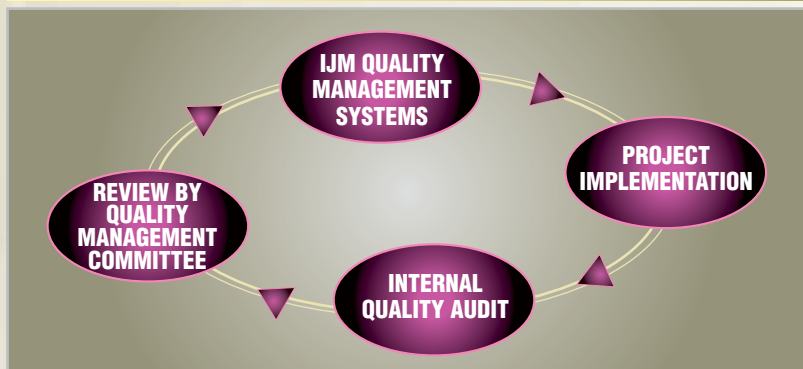
IJM Quality and Safety Assessment System (IQSAS)

The Group has developed a Quality Management System that was certified to the ISO 9002:1994 in 1996. Since then, the Group has successfully renewed its certification annually.

The Group has developed a standard known as IJM Quality and Safety Assessment Assurance System ("IQSAS") to further improve the quality standards of its completed buildings. IQSAS is a self-regulated assessment system of procedures and testing methods in which standards are set out for the various quality and safety aspects of the building construction such as the structures, the architecture and the mechanical and engineering works.

Working with challenge of lesser-trained and transient migrant workforce, the introduction of IQSAS is intended to enable the Group to maintain further the quality and safety performance standards in its building projects.

CONTINUOUS QUALITY IMPROVEMENT CYCLE



Continuous Quality Improvement

The Group is committed to superior quality standards for its end products in keeping with its *Mark of Excellence* branding. Therefore, maintaining a culture of "Excellence Through Quality" is accorded high priority, as evident by the following continuous efforts:

- enhancement of the Quality Manual by introducing flow charts to conceptualize the procedures;
- introduction of the Quality System Department's ("QSD") manuals in the Group's server system for easy accessibility by all the staff;
- incorporation of the Quality Policies and Procedures in the Project Manager Handbook;
- IQSAS civil work assessment was carried out for all infrastructure projects;

Checking of door frame alignment



Checking of electrical switch position





Meter testing of concrete cover

5. staff development through regular training, which includes both in-house and external seminars; and
6. knowledge-sharing concept via a defects analysis database system.

IJM's project quality management systems are continuously assessed through internal quality audits conducted by the auditors from QSD. Each project and relevant head office department is normally audited twice a year.



...Butterworth Outer Ring Road 3 & 4 Project (Civil Works Category)

The results of all audits are tabled and presented to the Quality Management Committee ("QMC"), headed by the CEO & MD. The QMC in return, makes the necessary recommendations on the action to improve the IQSAS and the quality practices.

The Group also runs a Quality Award competition where the projects are assessed annually under the Civil and Building categories. The projects are assessed based on 10 major criteria, which include an independent

survey based on customers' feedback. The project that achieves the highest score in each of the Civil and Building categories is rewarded with the QMC Chairman's Trophy, prize money and enhanced bonuses for the project staff.

ISO Certification

The Group targets all its businesses to work towards the achievement of the ISO 9000 certification. To date, the companies within the Group which have attained the ISO certification are as follows:-

1. IJM Corporation Berhad
2. IJM Construction Sdn Bhd
3. IJM Properties Sdn Bhd
4. IJM (India) Infrastructure Ltd.
5. IJM Building Systems Sdn Bhd
6. Industrial Concrete Products Berhad
7. Strong Mixed Concrete Sdn Bhd
8. Prebore Piling & Engineering Sdn Bhd

Winners of Quality Awards...



...Desa Pinang Project (Building Works Category)

Annual Survey

Annually, survey forms to invite feedback on IJM's performance are sent to clients or the clients' representatives. The feedback serves to chart the steps leading to the improvement of quality service to satisfy its customers.

STATEMENT ON SAFETY AND HEALTH

Pursuit of Excellence through Occupational Safety and Health Practices

The IJM Group is fully committed to perform its operations in an environmentally responsible manner while pursuing excellence through safe and healthy work practices. Its motto "Health, Safety and Environment is Everyone's Responsibility" has been the guiding principle to inculcate a high level of occupational safety and health practices and to create environmental awareness into its work culture. Concerted efforts are continually made to create awareness of the collective responsibility among its employees for the prevention of injuries and occupational health hazards, and the assurance of public safety when carrying out its business activities at all the locations of the Group's operations.

The IJM Group continually strives to prevent injury and occupational hazards to its employees and the public by placing high importance on the safety of its systems and processes in the conduct of its business activities. The systems and processes were tested and certified by SIRIM in November 2000. The OHSAS 18001:1999 certification was issued to IJM Corporation Berhad and IJM Construction Sdn Bhd. These two companies became the first Malaysian companies to be conferred the internationally recognised certification in the construction industry. The companies have successfully maintained this certification since.



Tan Sri Wan presenting the Best Safety Practice Award to Kg. Serantau's Project Manager, Tan Cho

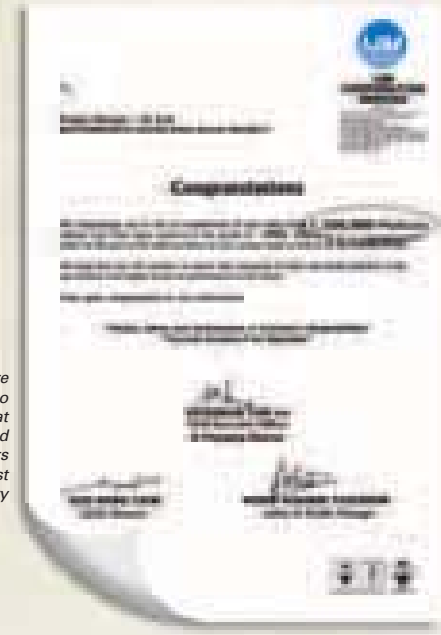
Policy Statement on Health, Safety and Environment

The IJM Group continually strives to improve its environmental, safety and health practices with the objectives of achieving a healthy work environment and prevent accidents and occupational illnesses.

Guided by its motto, "Health, Safety and Environment is Everyone's Responsibility", the Group is committed to:

- comply with all the applicable safety, health and environmental legislations and other occupational health and safety requirements;
- familiarise all its employees and related parties on safety, health and environment by providing training, information and facilities;
- increase awareness and accountability at all levels of the organization; and
- monitor and regularly review the set objectives and its achievement.

Certificates are awarded to projects that achieved targeted manhours without Lost Time Injury



Safety and Health Management System

In its efforts to enhance safety and health in the working environment, various committees and practices were set up.

I. The Occupational Health and Safety Management Committee ("OHSMC")

The Group's Occupational Health and Safety Management Committee is headed by its Chief Executive Officer & Managing Director. The Committee comprises senior managers from the various operating units and representatives from the Safety and Health Committee. The OHSMC meets periodically to review the operations of the safety and health management systems to ensure the effectiveness of the occupational safety and health practices at the work sites.

II. The Safety and Health Committee ("SHC")

The Safety and Health Committee is formed at the Head Office and for every project. The purpose of the Committee is to:

- assist the development of safety and health rules and a safe system of works;
- review the effectiveness of the existing safety and health program;
- carry out investigations on the trends of accidents, near-miss accidents, dangerous occurrences, occupational poisoning or occupational diseases, if any, which occurs at the work place and recommends immediate corrective actions; and
- review the safety and health policies at the place of work and make recommendations to management if such practices were inconsistent with established policies.

The SHC also conducts regular inspection of work sites and holds meetings at least once a month to present and highlight possible improvement to the existing level of safety and health practices.

III. The Safety and Health Department ("SHD")

A manual "Occupational Health and Safety Manual and Procedure" was formulated by the Safety and Health Department and is endorsed by the Occupational Health and Safety Management Committee. A copy of this manual is given to every project site and department.

During the period 2004/05, the SHD carried out a total of 43 safety and health audits, covering all existing active projects at different stages of construction. Corrective and preventive actions, where necessary, were recommended and immediate actions taken to rectify any identified weaknesses and deficiencies.



The Group achieved improved safety performance during the period ended 31 March 2005, with the frequency rate achieved each month well below the targeted 0.5. Frequency rate is calculated by multiplying the number of Lost Time Injury cases in a month against 1,000,000/number of man-hours worked.

It is a self-regulated assessment system of procedures and testing methods in which standards are established for the various safety aspects of construction works undertaken, including foundation and piling, building and civil engineering.

IV. The Project Safety and Health Plan

Prior to the execution of construction works, every project is required to put up their respective Project Safety and Health Plan. The implementation of this plan is to ensure that the Group's operations adhere fully to the Occupational Safety and Health Act, 1994.

V. Performance Indicator

The Group has also put in place a performance indicator to monitor the level of safety and health at all its project sites and workplaces. This reactive monitoring system is carried out through the compilation and analysis of a number of identified key performance indicators, i.e. it records Occupational Health & Safety management system failures which includes accident, incident, man-hours worked without lost time injury ("LTI"), frequency rate and severity rate.

VI. IJM Health and Safety Assessment System ("IHSAS")

In line with its efforts to improve the safety aspects of all of its activities, the Group has developed the IJM Health and Safety Assessment Systems. IHSAS is developed based on the OHSAS 18001 standards and all other relevant applicable laws such as the Occupational Safety and Health Act, 1994 and the Factories and Machinery Act, 1967.

Continuous Training and Awareness

In line with its efforts to achieve "Zero Accident" within the Group, IJM recognises the need to impart education and disseminate essential knowledge on safety and health. The Safety & Health Department and the Human Resource & Administration Department have developed a training matrix as the basis for the selection of IJM employees for training. IJM employees are regularly selected to attend the training sessions and courses organised by both internal and external trainers.



Safety trainings are held regularly

During the period, the departments have introduced new training courses on safety and health such as the Hazard Identification, Risk Assessment & Risk Control ("HIRARC") and the Chemical Handling courses, amongst others. These courses serve to provide guidance to the employees and enhance their standard of safety and health practices at the workplace.

STATEMENT ON ENVIRONMENT

Environment Policy

The Group is fully committed towards its social responsibility on the environmental issues in the conduct of its business. It would combine its social responsibility with its business objectives for long-term sustainable development.

Environmental Management

The Group recognises that the environmental issues are both long-term and complex. There are environmental issues in many of our operations and there is a need to apply common principles and basic structures to the rapidly expanding IJM Group.

The Group constantly monitors areas of environmental concern with the view of taking pre-emptive measures to prevent irreversible damage to the environment. Sensibly designed environmental management systems are therefore, a pre-requisite for efficient environmental control.

I. CONSTRUCTION DIVISION

Environmental management of the construction operations follows the outline of an Environmental Management Plan ("EMP"), which includes but not necessarily limited to:

- how emerging environmental issues will be addressed during engineering design, and
- how applicable environmental protection and mitigation measures are to be implemented from construction to operational phases.

An EMP incorporates the following components:

- **Project Description:**
Outline of project features, components and major development activities during construction.
- **Environmental Impact:**
Summary of potential environmental impacts and their significance. The area of impact encompasses air, noise and water quality vis-à-vis their effects to human and ecology.
- **Amelioration:**
Identifying specific measures to be applied in order to control or ameliorate potential adverse impacts and, in the case of amelioration, the extent to which the measures taken will reduce the adverse impact.
- **Monitoring:**
Devise programs to monitor the identified potential impacts and effects, thereby the effectiveness of proposed amelioration measures are assessed.

An awareness training program was conducted for the management staff of the Group during the financial period with the view to seek certification by SIRIM QAS for the ISO 14001:2004.



*Silt trap built at the
Bukit Cahaya Alam
project in Shah Alam,
Selangor*



Turfing to prevent slope failure

Environmental Monitoring and Compliance Report

Environmental monitoring is continually being carried out at project level, often with the help of external consultants. The purpose of monitoring is to evaluate the effectiveness of mitigating measures undertaken to ensure adverse environmental effects are kept to a minimum. The main areas under environmental monitoring include environmental management system, air quality control, erosion, sediment and flood control, traffic control, waste management, water quality control, noise level control, sewage effluent and sanitary facilities, and other ecological issues.

Environmental audit is regularly conducted and the findings thereof are used to compile the Environmental Monitoring and Compliance Report. The Report generally incorporates the following elements:

1. analysis of results derived from environmental studies;
2. evaluation of the anticipated environmental impact and the effectiveness of the implemented amelioration measures;
3. report on work status on the implementation of amelioration measures;
4. status of compliance to approved standards and/or regulatory requirements; and
5. recommendations for further action, if any.

The Report is intended to provide the contractor and/or relevant authorities with feedback on the status of the EMP implementation, which includes an assessment on effectiveness. Due recognition is given to its recommendation and necessary actions are immediately taken where non-compliance report has been filed.

STATEMENT ON ENVIRONMENT

(Continued)

II. PROPERTIES DIVISION

Environmental Practices

In line with the Group's motto "Excellence Through Quality", the Division is committed to create a holistic quality and creatively stimulating living environment in all its development and to safeguard our eco-system. Be they homes or offices, the Division's developments are thoughtfully planned and designed, integrating form and function for an optimal environment.

The Division's environmental-friendly initiatives includes the creation of green havens amidst the concrete cityscape through generous use of landscaping and lush open surrounds. The Division also incorporate energy efficient features in its development including natural lightings, cross ventilation and energy saving light bulbs.

In planning for our projects, the Division incorporates design features which embrace the environment. The projects along Jelutong Expressway shoreline were designed to maximise the views of the sea from every possible angle to allow panoramic views of the sea as well as Penang Bridge. Special consideration was paid to selection of species of trees and plants for their shape, size, flower, colour, character and tolerance to soil condition, sea breezes to ensure practical and visually pleasing landscaping features in all our development. Water features such as cascading pool, eco-pond and fountains complete the aural and visual experience.

Environment Monitoring

In all our projects, the Division is fully committed to the need to protect and safeguard our environment and ecosystem. It is our responsibility to ensure that we take adequate measures to preserve our environment in all our projects through proper planning implementation of an Environment Management System especially in project with fragile eco-system such as hill land projects in Bukit Jambul, Penang and Bukit Manda'rina, Kuala Lumpur and shore-line projects along Jelutong Expressway, Penang.

Mitigation measures adopted by the Division to preserve the environment includes the following:

- (i) phased development to help minimise the exposure of bare soil to rain. This will help reduce soil erosion as well as to implement measures such as turfing to be carried out;
- (ii) maintenance of vegetation strips to act as natural sediment traps;
- (iii) sedimentation ponds to trap the silt and to regulate the flow before discharging into the streams;
- (iv) turfing of all slopes to ensure they are kept to acceptable gradient to prevent slope failure;
- (v) controlled earthworks to prevent flooding of surrounding low-lying areas;
- (vi) detention ponds to regulate flow of rain water to avoid flooding;
- (vii) prevent open burning at all project sites;
- (viii) proper piling method during foundation works to mitigate noise pollution; and
- (ix) effective solid waste management i.e. to ensure regular and effective method of disposing all debris from the site regularly.

All aspects of environment monitoring are carefully planned and implemented during the construction of the projects. All staff involved in the project are briefed on the need to protect the environment and to take the necessary mitigating measures to ensure that there is no adverse impact on the environment. Regular monitoring is also done with the assistance of external independent consultants who are required to monitor and submit regular reports on the findings to the relevant authorities. The findings of the independent consultants are used to audit the effectiveness of the system assisting in improving the environment.

III. INDUSTRIES DIVISION

In all our operations, the Division has undertaken various environment practices to protect the environment. These include:

- 1) Adoption of noise reduction measures by using rubberised mesh in its screening operations and insulated noise protection materials in control rooms at our quarries. Independent consultants are also engaged to review the level of permissible noise whilst staff are required to wear noise protective equipments, where necessary.
- 2) Installation of sprinkler systems on all the crushers, conveyors and along quarry access and internal roads to reduce dust pollution generated from the crushing process.
- 3) Turfing of cut hillsides to prevent landslides and other adverse effects to the environment. Other preservation measures include garden landscaping and installation of fish pond and water fall system to create an aesthetic environment.
- 4) Building of proper water discharge drainage system on the quarry face including silt traps, bunkers and discharge ponds to prevent silt and wastes being discharge into rivers during heavy rainfalls.

IV. PLANTATIONS DIVISION

Sustainability of the business is about ensuring long-term economic success whilst caring for the environment. In line with this, the IJM Plantations Berhad Group ("IJMP Group") uses sound agronomic principles and implements the current best management practices throughout its operations. Following the signing of the Malaysian Palm Oil Association's Environmental Charter, the IJMP Group subsequently became a member of the **Roundtable on Sustainable Palm Oil (RSPO)** in 2004, recognising the importance of such global forum in providing a platform for multistakeholders to deliberate on the growth and use of sustainable palm oil.

Outlined below are some of IJMP Group's key policies and initiatives on sustainable agricultural practices and endeavours to manage the impact of the business activities on the environment in which the IJMP Group operates.

ZERO BURNING

The IJMP Group adopts a zero-burn policy for all the replantings. This policy is written into land clearing contracts where the services of third party contractors are used. In new plantation developments, zero-burn is the preferred policy, but where the situation warrants it, controlled burning is undertaken with prior approval from the relevant authorities.

OIL PALM CARBON SEQUESTRATION

There are over three (3) million oil palm trees in the planted areas of 24,401 hectares (as at March 2005) within the IJMP Group. Beside oil palm trees, the IJMP Group has sizeable portions of unplanted areas, which are either covered with timber trees left as conservation plots or planted with timber saplings. The total carbon fixed by the oil palm trees against their age groups was estimated using the methodology developed by Malaysian Palm Oil Board. The total carbon content of the standing biomass is calculated to be at 40% and 57.6% for the vegetative and reproductive portions respectively. Based on the age groups and total area covered, the oil palm trees in the IJMP Group had sequestered some 467,000 tons of carbon last year.



Carbon sequestering oil palm trees

STATEMENT ON ENVIRONMENT

(Continued)

BIODIVERSITY, RIPARIAN, CATCHMENT AND FOREST RESERVES

The IJMP Group implements a 'green' policy of minimal weeding in the estates. Blanket spraying of groundcover plants is prohibited. This contributes to the overall biodiversity of both the flora and fauna in the estate ecosystem. This also helps to keep the environment in the estates 'green' and moist, conserving water and help to moderate the effects of dry periods. In addition, it also minimises the amount of topsoil lost as a result of surface runoff following heavy rains.

Riparian reserves are maintained along rivers and major waterways or water-bodies while steep lands are set-aside. In some of these steep areas, tree planting has been carried out. Water catchments in all the estates are set aside to supply

operational needs and for the consumption of the resident employees. The original vegetation is usually left intact in the catchment reserves, with minimal clearing for the necessary access and installation of infrastructures. Where possible, tree species are also planted. Pockets of natural forests have been set aside as conservation sites. The largest of these is a 127.5 hectares plot surrounding an oxbow lake in Sugut.



Oxbow lake 117 in Sugut

INTEGRATED PEST MANAGEMENT



IPM using predator-pest relationship

The IJMP Group has adopted and implemented integrated pest management ("IPM") in which the use of pesticides is only resorted to when all other measures fail. The integrated approach calls for an amalgam of different techniques to maintain a high level of biodiversity in the estates, which in turn serves to keep the level of pest population below the established thresholds.

In addition to the diverse natural vegetation already being preserved, specific beneficial plants acting as effective alternative food source that encourages the breeding of the predators of pests are being propagated and planted throughout the estates. A

census system is used to monitor the population levels of pests and the presence of their natural enemies in the estates. In incidences when the pest population exceeds the threshold hence necessitating pesticide application, the type of pesticide and method of its application are then carefully chosen to minimise the impact on the ecosystem.

LEGUMES, SOIL AND WATER CONSERVATION

Legume cover crops are established immediately after land clearing in all the new plantation developments and replanting areas to minimise soil loss. The cover crops also have other benefits including conversion of atmospheric nitrogen into a form usable by plants, addition of organic matter to the soil, improvement in both the soil physical and chemical properties and help to lower soil temperature and conserve moisture.

Additional measures are being practiced to conserve soil wherever there is the need. Soil surveys have been conducted in all estates to establish the physical characteristics of the soils and their fertility status. These surveys facilitate the formulation of development and management plans. In areas where the slope of the land exceeds 5°, contour terracing is done at various intensities appropriate for the particular situation. This helps minimise surface runoff and also helps to entrap moisture in the soil in areas where it is most needed. Rainfall readings are routinely captured in each estate. This database has many uses in plantation management, including irrigation planning.



Water catchment pond

Reservoirs are created in selected areas in the estates using natural water sources such as rivers and streams, and taking advantage of the natural contours of the land. These become the source of irrigation water for the surrounding fields during dry periods.

MILLS WASTE MANAGEMENT

The IJMP Group has set the goal of 'zero waste' for its palm oil mills. Palm oil mill effluent ("POME") is applied to the land principally as irrigation after going through the normal process of treatment. As a result of this practice, the pollution load on the land where the POME is applied is minimised. The areas in the estates where irrigation with the treated POME can be carried out are carefully selected, based on site suitability assessments conducted by qualified professional consultants.



Biocomposting

Empty fruit bunch ("EFB") is systematically applied as organic mulch in the estates where it promotes both soil and water conservation. As the EFB mulch decomposes, plant nutrients are returned to the soil. Rotary driers installed in the mills produce dried decanter cake. This has since been used as a soil amendment to improve the ultrabasic soils in Meliau estate. The biocomposting plant in Sabang was commissioned in April 2004. The plant converts the shredded EFB fibres and POME into organic compost for use in the Sugut estates.

RESEARCH & DEVELOPMENT, AND INNOVATION

The Business Environment

IJM recognises that it operates in a competitive business environment. Thus IJM has placed its focus on quality, and innovative products and services, which are produced at lower costs and greater speed to face the challenges of intense competition.

IJM's Business Culture

Our business culture of producing quality, innovative products and services will continue to be our foundation for growth. We will continue to allocate our resources in a synergistic manner to eliminate duplication, to benchmark our processes against the highest international standards and to embrace the state-of-the-art technology to stay ahead. Dedicated investment in research and development, and developing innovative approaches will be the key to our sustainable growth in businesses. We will move forward with a focus to shape and assure our future by practising the art of constant reengineering and invention, and producing the highest quality products through investment in research and development.

Pursuit of Excellence through Innovation

The Group has established itself as a leading player in the construction industry, particularly through innovatively designed quality construction works that are carried out in the shortest possible time. We believe in harnessing the latest tools and technologies to create products and to build structures of the highest quality. This is carried out in a speedily and efficiently manner to meet today's needs and to serve the needs of the country well into the future.

Examples of the Group's innovative works include the construction of the RM603 million Putrajaya Convention Centre (PCC) on a turnkey basis. It was completed within 22 months with strategic planning, coordination and execution. Sophisticated state-of-the-art equipment that required integration to function in a seamless fashion was applied. A world-class landmark, the PCC is a symbol of IJM's ability to harness its multi disciplinary skills and capabilities to produce world class buildings.

OUR FOOTPRINTS IN THE WORLD



We have established ourselves as an international player in the construction and construction-related industries. We were among the first Malaysian contractors to venture and succeed in the overseas markets such as Argentina, Australia, Bangladesh, Chile, China, Florida (USA), Hong Kong, India, Mauritius, Namibia, Pakistan and Singapore. We have secured the first BOT water treatment plant concession in Vietnam when few investors were venturing there. We also had the distinction of becoming the first Malaysian company to embark on a privatised housing scheme in India besides being the first consortium of Malaysian construction companies to undertake the BOT highway project in India. In each of these markets, new skills are required to adapt to the local conditions, to cooperate effectively and to deliver on the promises expeditiously.

Innovative Products

The Group has also received acclaim for the development of innovative products and processes.

Through a joint-venture undertaken by IJM Building Systems Sdn Bhd, the production of the first lightweight oil palm fibre reinforced cement composite panels was accredited by the Malaysian Book of Records Award as the first of such product in Malaysia.

Its subsidiary Industrial Concrete Products Berhad was also accredited by the Malaysian Book of Records for the manufacture of the longest precast concrete pile of 46 metres. The piles are now widely used in ports and maritime terminals in Port Klang, Penang and Lumut.



R&D programs targeted at maintaining competitive edge

Research and Development

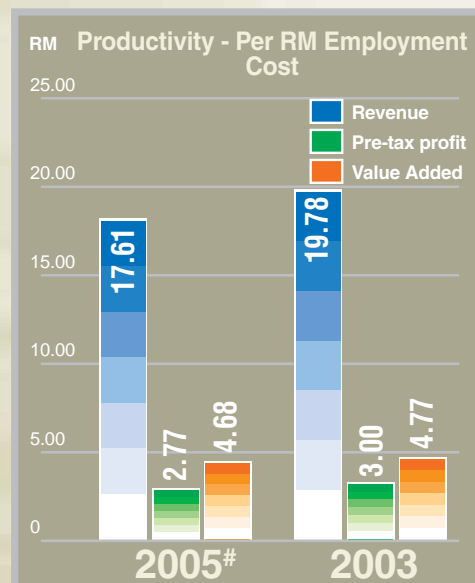
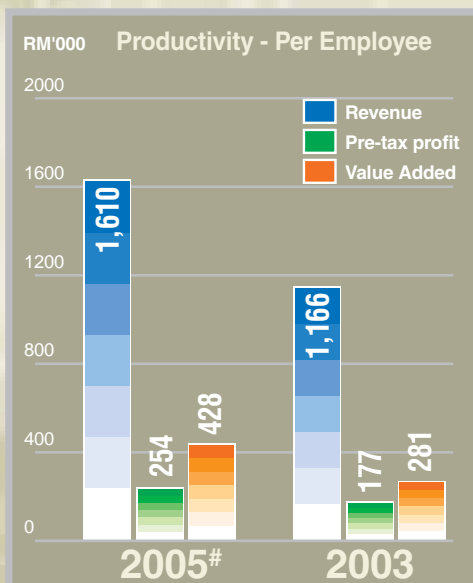
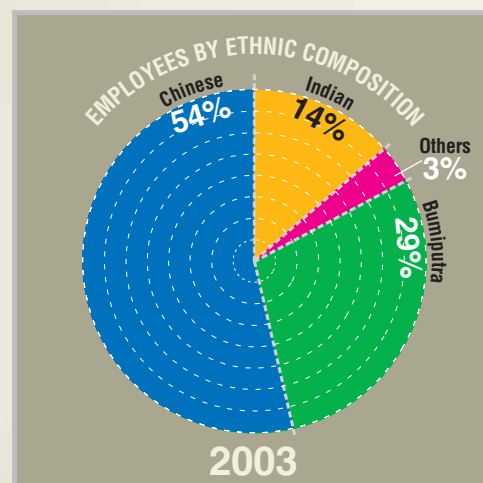
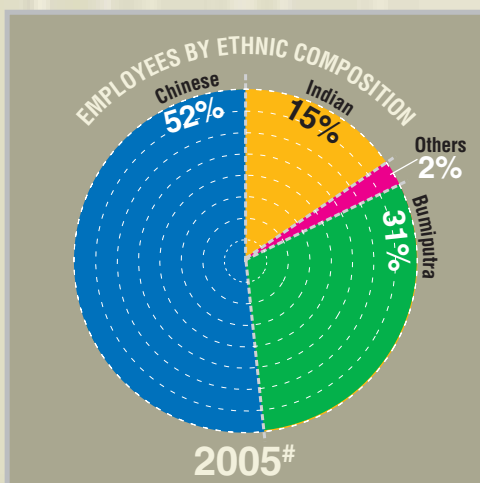
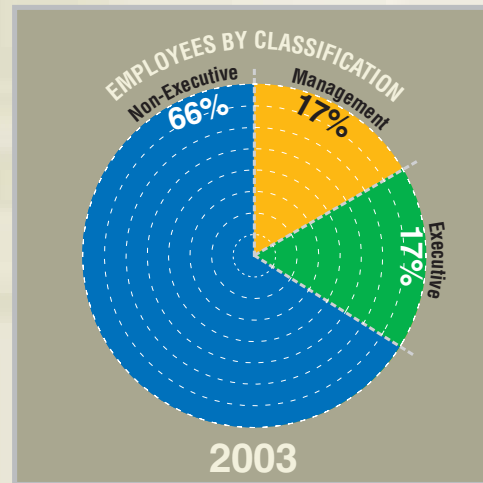
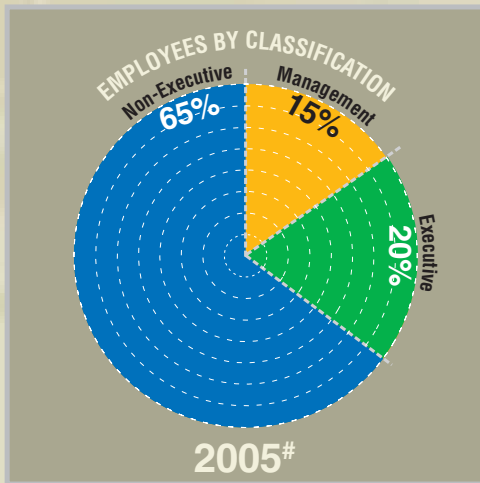
The Group continues to place high importance on research and development ("R&D") in its Plantations Division as it strives to maintain the business edge well into the future. Significant investments have been made in R&D and training as proven by the official opening of its Quality, Training and Research Centre ("QTR") in 2002.

The main R&D activities are oil palm breeding and seed production. The positive result of the investment in R&D is that the division now produces its own quality hybrid seeds to meet the demands of its expansion.

Continuing research into the use of biological controls to reduce the use of pesticides by converting mill wastes into natural fertilisers, are also being carried out.

The QTR centre continues to house various research and training activities and this is expected to further contribute towards the improvement of the productivity level of the division in the coming years.

EMPLOYEES & PRODUCTIVITY



Represents 15 months ended 31 March 2005

OUR PEOPLE

IJM recognises that its people are its most valuable resource. The Group takes great pride in investing in them by fostering in them a culture where they are empowered and self-motivated by a passion to excel. This pool of employees, competent in knowledge management, forms the building blocks to support the Groups long-term growth.

Training and Competency Skills Program

For the reported period ended 31 March 2005, a total of RM483,557 in third party costs was expended on a wide array of staff developmental activities to cater for the training, retraining and developmental needs of the Group's employees to further enhance their core competencies. These programs include on-the-job skills, information technology, safety and health management, soft skills such as management, supervisory development, accounts and finance, communication and interpersonal skills, presentation skills, project marketing, public relations and writing. In all, a total of 21,170 man-hours of training were provided to its employees.



Training programs are held regularly to hone employee skills & performance

Developing, managing and nurturing of the newly recruited talents continue to take precedence. Besides work place mentoring, orientation programs and induction courses are organised to ensure a smooth assimilation of new employees to the Group's core beliefs and values.

The period 2004/05 saw the Group's first in-house course being conducted on Project Management wherein a total of 20 participants successfully completed the program. The course covered 3 phases including an implementation stage where participants were assigned to a project and their progress is monitored. Besides working on a challenging budget and developing project plans, the participants had to identify irking issues, managing project resources and sustaining project communication and relationships throughout.

The IJM Toastmaster Club was formally chartered in July 2004. Establishment of this Club, with its sole aim to create platforms for improving one's communication skills, will increase employees effectiveness in presentation skills, leadership skills and ability to motivate and persuade.



The IJM Toastmaster Club was formally chartered in 2004

Staff Welfare

Staff welfare remains an integral part of the Group's commitment to its resources. Whilst the Group strives to create more wealth for its shareholders, it balances its commitment to its employees. Planned insurance coverage is provided for all employees thus ensuring peace of mind and security in the form of 24-hour worldwide personal accident coverage, term assurance with critical illness cover, hospitalisation and surgical insurance. In addition, the IJM Retirement Scheme provides a welcome lump sum of cash to employees who have attained retirement age. This Scheme has the added benefit of providing safety nets to employees who succumb to the misfortune of ill health or die while in the service of the Group.



Staff retiring at the age of 55 are recognised with a token of appreciation

OUR PEOPLE

(Continued)

Sports and Social Activities



At the summit of Mount Kinabalu

Staying in shape, both mentally, emotionally and physically is an integral aspect that empowers staff at IJM to excel both in the workplace and in social activities. Kelab Sukan IJM and its active committee members continue to organise a host of events, including sports competitions (IJM Regional Games, Friendship Games,



5th IJM Regional Games

bowling, golf, badminton and jazzercise, etc), social gatherings ("Deepa-Raya-X'Mas" get-together, CNY celebrations, IJM Family Day, etc) and outdoor activities (climbing trips up Mount Kinabalu and Gunung Tahan, visits to IJM Plantations Berhad, Paya Indah Wetlands and a night trip to Zoo Negara, etc). Encouraging participation in these social activities and sports competitions underline the enthusiasm, sense of belonging and *esprit de corps* of the IJM people.



Netball players in action at the IJM Regional Games



Jazzercise - to promote healthy lifestyle



Staff of IJM coming together to celebrate a festivity

Long Service Awards

The Group continues to applaud its people for their loyalty. During the Group's 21st Annual Dinner at the Putrajaya Convention Centre, 13 employees who have attained 20 years of service with the Group were presented with the Long Service Award.



Recipients of the 20-Year Service Award with Chairman and CEO & MD

COMMUNITY SERVICE

Caring for our Community

IJM takes great pride in its role as a socially responsible corporate citizen. As part of its philanthropic efforts, the Group continues to respond to the needs of several charitable organisations, contributing cash donations to Women's Aid Organisation, Malaysian AIDS Foundation, MAA-MEDicare Kidney Charity Fund, Selangor & FT Association for Retarded Children, Majlis Kebangsaan Orang-orang Buta, Persatuan Untuk Orang-orang Pekak Selangor & WP, amongst others.



Recipients of IJM donations with Dato' Krishnan Tan

Along with the rest of the world, the Group was deeply moved by the Asian tsunami devastation on Boxing Day 2004. Pitching in, the Group and its staff raised cash to assist the victims and the recovery efforts. The Group made significant donations to the recovery efforts in Penang as well as India and Sri Lanka.

Mindful of its social responsibility, the Group continues to organise community activities including blood donation drives to support University Hospital's call for blood supply, and collection drives for the Orang Asli at the Bera Settlement in Pahang and Kajang Women's Prison.



Making a difference... blood donation campaign by IJM



Four more recipients of the IJM Scholarship Awards in 2004



IJM continues to support sports development...

The Group continues to lend its support towards sports development in the country, especially at grass root level. IJM was the official sponsor of the Schools Rugby 10s Tournament, a side-event of the prestigious 35th TIME-COBRA Invitational Rugby 10s Tournament, featuring 8 top rugby schools from around the country. It is also actively involved in rugby development programs for schools in Peninsular Malaysia and Sabah.



...in rugby...

IJM was also the main sponsor for the inaugural Angel Cup, an international rhythmic gymnastic championship featuring young and upcoming gymnasts from Malaysia and countries across Asia-Pacific, Africa and Europe.



...& in gymnastics

The Group also, from time to time, sponsors other sporting events for the benefit of the community.

IJM Scholarship Award 2004

IJM continues its tradition of providing financial assistance to needy and meritorious students by awarding scholarships to 4 undergraduates to pursue local tertiary education in 2004. It is the Groups belief that these awards will provide a stream of bright young professionals to sustain and reinvigorate the Group's long-term growth.