The Industries Division manufactures products ranging from ready-mixed and pre-cast concrete and bituminous products to HDPE pipes and tanks. Steel engineering and fabrication, and production of aggregates and rock products are other core activities of the Division.

The Division is one of Malaysia's largest quarrying groups, with an annual capacity exceeding 6.5 million tons of granite and industrial-use stones. It is the first quarry in Malaysia to be awarded the ISO 9002 certificate for its quality management in aggregate and premix production.

The year 2002 was a good year for the Industries Division. The Division returned its best ever results with an operational pre-tax profit of RM19.05 million. This surpassed last year's performance by 9.61%. This performance was achieved despite a lower turnover of RM192.82 million (2001: RM237.71 million) due to higher efficiency achieved through good management practices and lower depreciation charges. However, this good performance was negatively impacted by an allowance made for impairment loss in value of investment in Sin Kean Boon Group Berhad amounting to RM10.80 million which reduced pre-tax profit to RM8.25 million.

The quarrying sector, spearheaded by Malaysian Rock Products Sdn Bhd, did well in 2002 with a pre-tax profit of RM3.56 million on the back of a turnover of RM54.25 million. Although turnover dropped marginally by 2.9%, pre-tax profits rose by 12.3% due mainly to the closure of the quarry in Sabah which had been incurring losses, and better performances from the quarries in Kuang, Selangor and Labu, Negri Sembilan. Overall, sales

Industries Division Management Team

William Anthony Ho
General Manager - Quarry

Chee Kok Phoon
Manager

Mah Teck Oon
Director-Industries Division

Low Hong Imm
Manager-Accounts & Finance

Tan Khuan Beng
Manager-Credit Control

Yeo Poh Meng
Managing Director-Torsco

Leong Yew Kuen
General Manager -Ready mixed

Chan Choy Ping
Manager-Accounts & Finance

SMSB's revenue from scaffold rentals reached new heights in 2002

volume for aggregates rose to 3.76 million tons (2001: 3.63 million tons) but premix sales slipped to 257,000 tons (2001: 283,000 tons). Prices had remained stable for aggregates but premix prices were higher due mainly to the higher bitumen and diesel prices.

During the year, the Division started a new quarry in Kuantan which commenced operation in November 2002. Meanwhile, the Division would be losing its jewel with the closure of Damansara Rock Products in February 2003 due to depleted rock reserves and the rapid property development within its vicinity. To negate the impact of this closure, the Division purchased the remaining 50% shares in Kuang Rock Products Sdn Bhd which operates the granite quarry in Kuang and is now upgrading the plant capacity from 60,000 tons to 100,000 tons per month to keep its presence in the Klang Valley. We are hopeful that this quarry would do well in the near future.

Sales of ready-mixed concrete under Strong Mixed Concrete Sdn Bhd slowed to RM49.76 million from RM53.86 million. This was due mainly to the drop in construction activity levels following the repatriation of foreign workers in the third quarter of 2002. The remobilisation of plants from locations that had completed their projects to new locations had also affected sales. Pre-tax profit fell to RM3.21 million (2001: RM4.20 million) as new plants had to absorb higher costs due to mobilization and other start-up costs. Overall, selling prices remained relatively unchanged, whilst cost of sales had gone up mainly due to the hike in diesel prices. Looking ahead, we are targeting to add 2 new plants. With 24 new mixer trucks purchased during the year, the company will have increased capacity to do more commercial sales. With this, better results can be achieved in 2003.

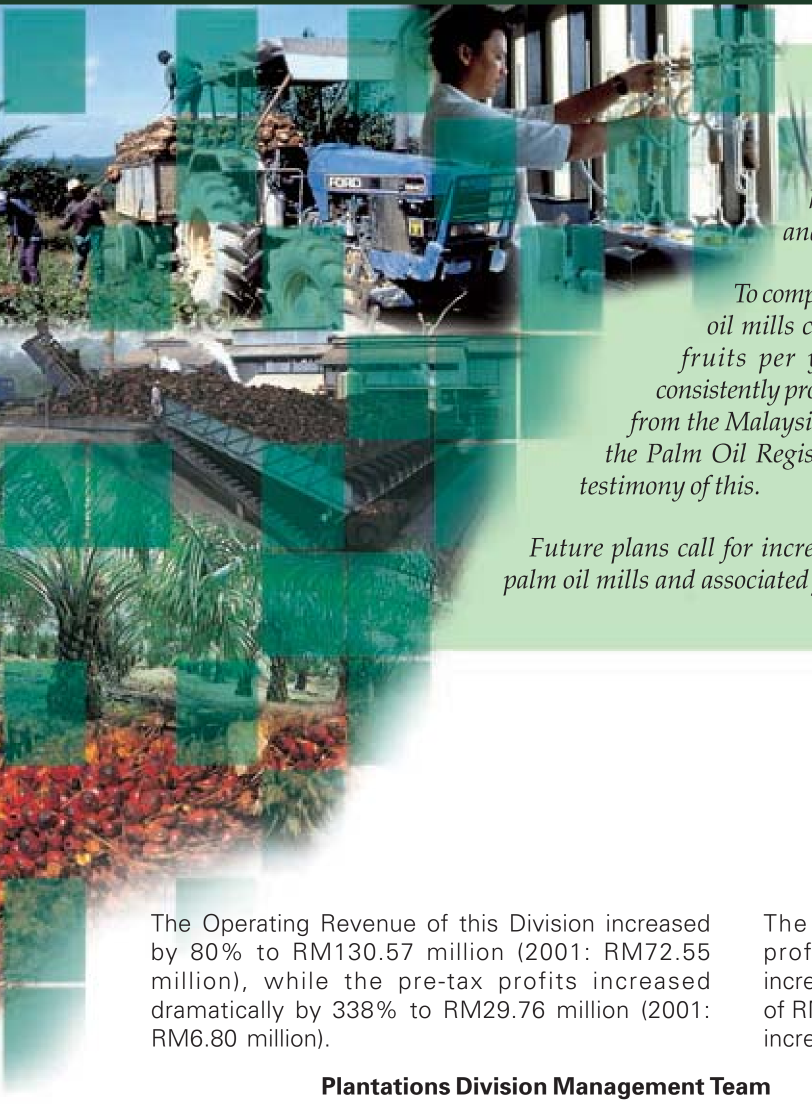
The steel fabrication business under Torsco Berhad continued to anchor the Division with a turnover of RM67.94 million and a pre-tax profit of RM6.93 million. Both turnover and pre-tax profit recorded were the highest since its incorporation. The most significant job carried out in 2002 was the fabrication of the steel roof-frame and structure of the Putrajaya Convention Centre. In keeping with its continuous capacity upgrading programme, Torsco invested RM2.0 million to upgrade its auto blasting plant and RM0.5 million for a CNC plasma profile cutting machine. With a RM40 million order book in hand, Torsco would continue to record healthy growth in 2003.

Buoyed by better demand from the Construction Division, Scaffold Master Sdn Bhd (SMSB) reached new heights achieving a turnover of RM7.73 million and a pre-tax profit of RM2.56 million, up 56.2% and 89.6% respectively. In anticipation of rising steel prices, SMSB purchased RM3 million worth of scaffoldings in 2002. During the year, rental rates for external customers increased by 5% to 10% in tandem with the increase in scaffolding costs brought about by higher steel prices. The outlook for 2003, however, looks tough with reduced in-house demand and a very competitive construction market outside.

Associates within the Division, namely Industrial Concrete Products Berhad, Spirolite (M) Sdn Bhd, and Cofreth Sdn Bhd performed credibly and contributed a combined turnover of RM80.96 million (2001: RM76.74 million) and a pre-tax profit of RM4.57 million (2001: RM2.86 million) to the Division.

The Division is cautiously optimistic of improved performance in 2003, barring a dramatically slower domestic construction sector should pump priming measures be eased.

Loading of 'Produced Water Package' for Offshore Process Module



Incorporated in 1985, the Plantations Division has an extensive area of well-managed oil palm plantations of over 22,000 hectares comprising 14 estates in Sandakan, Sabah and a plantable reserve of 8,000 hectares.

To complement the plantation, the Division has three palm oil mills capable of processing 750,000 tonnes of oil palm fruits per year. This state-of-the-art processing mills consistently produce results above the industry's average. Awards from the Malaysia Palm Oil Board (MPOB, previously known as the Palm Oil Registration and Licensing Authority, PORLA) are testimony of this.

Future plans call for increased planted hectarage and the creation of new palm oil mills and associated facilities.

The Operating Revenue of this Division increased by 80% to RM130.57 million (2001: RM72.55 million), while the pre-tax profits increased dramatically by 338% to RM29.76 million (2001: RM6.80 million).

The improvements in operating revenue and profitability were attributable to substantial increases in the selling price of CPO to an average of RM1,358 per tonne (2001: RM838 per tonne) and increase in the total tonnage of fresh fruit bunches (FFB) processed to 472,000 tonnes (2001: 337,000 tonnes). The increased tonnage of FFB milled was due to the 12% increase in the Division's own FFB harvested to 266,000 tonnes (2001: 237,000 tonnes) and also very intensive purchasing of crops from neighbouring plantations. This helped increase capacity utilisation in all our mills.

The increased tonnage of FFB harvested was mainly from the new Sugut region as the palms have reached productive age. The Division also achieved improvements in the mill extraction rates. The oil and kernel extraction rates improved to an average of 21.7% and 4.7% (2001: 20.1% and 4.2%) respectively.

At the end of the financial year, the Division had a total landbank of 32,783 hectares (2001: 31,354 hectares), an

Plantations Division Management Team

Ng Chung Yin
Plantation Controller

Kunjumman Thomas
Plantation Controller

Chistopher Richard Donough
Research Controller

Siah Heng San
Plantation Controller

Soong Fong Shoo @ Joseph
Admin. & IT Manager

Raw Koon Beng
Accounts & Finance Manager

Khoo Choom Kwong
HR Manager

Sia Thiam Teck
Chief Engineer/ Mill Controller

Ling Ah Hong
Group General Manager

Velayuthan Tan
Managing Director

David Sudhir Kumar Das
Group Planting Advisor

P.K. Venugopal
Controller-Agri. Services

increase of 1,429 hectares. Of this total, 10,158 hectares are located at the Sandakan region, and the remaining areas are in the Sugut region in Sabah. The Division's estates that had achieved maturity status totalled 12,295 hectares (2001: 8,994 hectares). The additional 3,301 hectares (2001: nil) were attributable to estates in the Sugut region attaining maturity status. Immature hectarage stands at 10,396 and this Division expects more of these planted areas to come into production in the near future.

The balance of land bank approximates 8,209 hectares (2001: 11,439 hectares), all of which are located in the Sugut region, will be planted within the next two years.

The Division operates three palm oil mills namely, Desa Talisai Palm Oil Mill (DTPOM), Minat Teguh Palm Oil Mill (MTPOM) and Sabang Palm Oil Mill (SPOM) with a total processing capacity of 120 tonnes of FFB per hour. During the financial year, DTPOM processed 251,000 tonnes (2001: 220,000 tonnes) of FFB, an increase of 14.1%, MTPOM processed 159,115 tonnes (2001: 117,000 tonnes) of FFB, an increase of 36.0% and SPOM processed 61,800 tonnes (2001: nil) of FFB in its first year. SPOM commenced operation in January 2002 and caters for FFB processing within the Sugut region. The volume of crop processed is expected to increase in the coming years as mature acreage increase in the region.

In addition to palm oil processing, this Division has embarked on palm kernel processing. A palm kernel crushing plant located in Sandakan with a capacity of 250 tonnes per day was commissioned in early 2003.

Challenges facing this Division continues to be the adequacy of skilled workers and sustainability of high productivity levels. This Division will continue

Healthy young palms grown from IJM DxP hybrid seeds.

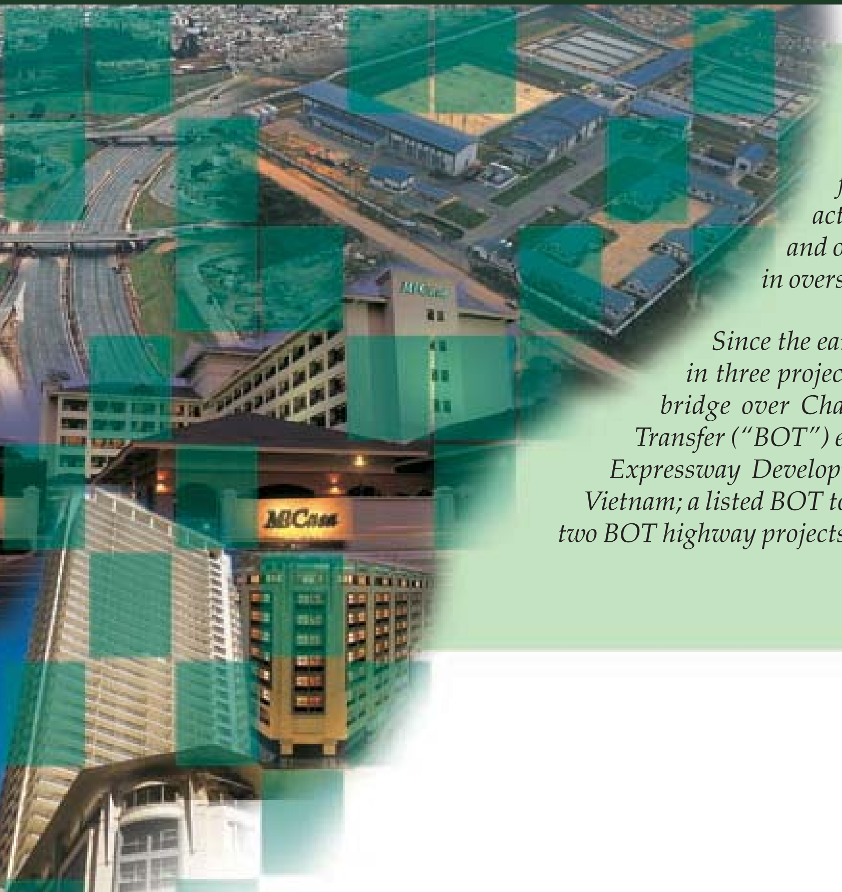
to mitigate these difficulties. Training of workers and supervisors had been intensified. To sustain high FFB yield, improved water conservation measures and irrigation have been adopted. This Division is also intensifying measures to achieve greater cost efficiencies in the coming year.

The outlook for financial year 2003 appears to be good and this Division hopes for further improvement in performance. The optimistic outlook is based on higher CPO and palm kernel oil production, as significant planted areas will reach maturity coupled with favourable forecast for palm products prices.

The Division takes great pride in incorporating the basic tenets of sound environmental management and responsibility in its business activities. Amongst others, the Division has undertaken several environment friendly practices including soil and water conservation, mill waste management, integrated pest management, soil conditioning and enrichment and zero-burning methods. These practices, along with its continuous efforts to improve current practices, will ensure the long-term sustainable plantation development of the Division.

Palm kernel crushing plant, Sandakan, Sabah

IJM DxP nursery
at QTR Centre,
also in Sandakan



The steady accumulation of skills gained from the Group's steady overseas construction activities, combined with its strong managerial and organisational expertise, led to its investment in overseas infrastructure projects.

Since the early 1990's, the Group has taken active stakes in three projects in China: [a co-generation power plant, a bridge over Changjiang river and a listed Built-Operate-Transfer ("BOT") expressway company, Guangdong Provincial Expressway Development Co. Ltd]; a water treatment plant in Vietnam; a listed BOT tolled expressway in Argentina and currently, two BOT highway projects in India.

In 2002, the Division achieved a net profit of RM30.70 million (2001: RM99.29 million).

Included in the 2002 result is the Group's share of exceptional gain of Grupo Concesionario del Oeste S.A. (GCO) amounting to RM25.89 million. Pursuant to the Presidential Decree No 214 in Argentina, certain loans of GCO denominated in US dollars were converted into peso at the rate of US$1 to 1 Peso and adjusted by a Reference Stabilisation Rate (CER) of approximately 40.53% in 2002, whilst interest was capped at 8%per annum. Meanwhile, certain assets and liabilities of GCO were also adjusted by an inflationary index of approximately 118%.

The Group's share of operating pre-tax profit from GCO dropped significantly to RM3.41 million from RM12.29 million of 2001 due to the severe devaluation of the Argentine Peso since the beginning of 2002.

B3

BUSINESS TIMES

30pc target: Plans to tap potential in Sri Lanka, West Asia

IJM to expand overseas business ventures

IJM Corp to bank on proven track record

IJM'S PRESENCE IN INDIA

The Group's 36%-associate in Vietnam, Binh An Water Corporation Limited (BAWC) (held through Emas Utilities Corporation Sdn Bhd) contributed a net profit of RM5.24 million (2001: RM4.80 million) due to lower operational costs and higher water off-take.

Swarna Tollway Pte Ltd, the 32.5%-associate in India, which is undertaking the privatization of two highways (along NH5 and NH9, a total of 156 km in length) under a 30-year concession agreement in Andhra Pradesh state is expected to complete construction by the end of 2003 and commence tolling thereafter.

During the year, the Group also saw the award of two Build-Operate-Transfer road projects in India, namely the Rewa-Jaisinghnagar-Shahdol-Amarkantak Road and the Satna-Maihar-Parasi More-Umaria Road. Construction has commenced and tolling is expected in 2004.

Western Access Tollway, Argentina

Chilakaluripet-Vijayawada highway, India

CONCLUSION

Good results were achieved amid tough business conditions in 2002. The Senior Management and Staff of the Group are well-motivated individuals and we continue to prepare and take on the challenges presented by the more uncertain and therefore very competitive environment in 2003.

Krishnan Tan
Group Managing Director