



“We shall duplicate
another IJM in India.”

review of operations



Infrastructure

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: [one co-generation power plant, one 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, a BOT highway project in India.



Binh An Water Treatment plant, Vietnam

In 2001, the Division achieved a record pre-tax profit of RM99.29 million (2000: RM27.91 million) despite a major provision made in respect of its investment in Argentina.

During 2001, the Group partially cashed out from its investment in Guangdong Provincial Expressway Development Co. Ltd. (GPED) and made a capital gain of RM122.26 million. The decision was carefully taken after considering the future growth potential of this investment and the state of the stock market in Shenzhen. The proceeds of RM249.18 million from the disposal enabled the Group to prepay most of its foreign currency borrowings, with the balance earmarked for investment in other profitable ventures. Arising from this, the Company rewarded its shareholders with a special dividend of 10%, less income tax. The Group still holds a 5.2% equity stake (65 million shares) in GPED. It is the intention of the Group to exit completely from the investment profitably at an opportune time in the future.

The severe economic crisis in Argentina finally led the Government to abandon the decade-old peg between the peso and the US dollar. The flotation of the peso required the Group to make an allowance of RM47.00

million for diminution in the value of its investment in Grupo Concesionario del Oeste S.A. (GCO), in which it holds a 20.1% equity stake. Though traffic volume of the expressway has seen a decline but now remains relatively stable, the devaluation of peso would, however, significantly reduced GCO's profit contribution in ringgit terms to the Group in 2002.

The Group's 36%-associate in Vietnam, Binh An Water Corporation Limited (BAWC) contributed a net profit of RM5.37 million (2000: RM2.23 million), a vast improvement over 2000 due to higher volume of treated water supplied and maximisation of production capacity. BAWC expects to maintain this performance in 2002 with improved profitability from higher water off take and lower bank debts.

In the beginning of 2001, the Group secured its first BOT (Built-Operate-Transfer) project in India. The Group holds an effective 31.9% of Swarna Tollway Pte Ltd, which will undertake the privatisation of two highways (on NH5 and NH9, a total 156 km in length), with a concession period of 30 years, in Andhra Pradesh State. Work has started in the second quarter of 2001 and is scheduled to be completed by end 2003.



Chennai Bypass, India

Corporate Governance Statement

DIRECTORS

The Board places great importance and is committed to ensuring that the highest standard of corporate governance are practiced throughout the Group so as to ensure greater transparency and protection of shareholders' interests. To this end, the Board fully supports the recommendations of the Malaysian Code of Corporate Governance ("the Code"). The Board is pleased to confirm that the Group has complied with the principles and best practices set out in the Code throughout the year ended 31 December 2001.

The corporate governance practices that were in place during the financial year ended 31 December 2001 were as follows:-

The Board

An effective Board leads and controls the Group. Besides the statutory duties, the Board is also responsible for the Group's overall strategic plans, business performance, succession planning, risk management, investor relations, internal control and management information systems.

The Board has at least four (4) regularly scheduled meetings annually, with additional meetings for particular matters convened as and when necessary. Informal meetings and consultations are frequently and freely held to share expertise and experiences. Directors also attend the semi annual senior management dialogue where operational strategies, performance progress and other issues are extensively presented, discussed and communicated to senior managers of the Group. Four (4) Board meetings were held during the year 2001. The attendance record of each Director is as follows:

	Number of Meetings Attended	Percentage
Executive Directors		
Tan Boon Seng @ Krishnan	4	100%
Goh Chye Koon	3	75%
Soo Heng Chin	4	100%
Velayuthan a/l Tan Kim Song	4	100%
Independent Non-Executive Directors		
Tan Sri Dato' (Dr) Haji Ahmad Azizuddin bin Haji Zainal Abidin	4	100%
Tan Sri Dato' (Dr) Haji Murad bin Mohamad Noor	4	100%
Datuk Yahya bin Ya'acob	4	100%
Oh Chong Peng (<i>Appointed on 12 April 2002</i>)	-	-
Non-Executive Directors		
Tan Sri Dato' Ir (Dr) Wan Abdul Rahman bin Wan Yaacob	4	100%
Dato' Goh Chye Keat	4	100%
Dato' Arthur Tan Boon Shih (<i>Resigned on 4 April 2002</i>)	4	100%
Choo Choon Yeow	4	100%
Lai Meng	4	100%
Haji Osman bin Haji Ismail (<i>Appointed on 5 January 2001</i>)	3	75%

Of the thirteen Board members, nine are non-executive Directors. Amongst the non-executive Directors, four (4) are considered by the Board to be independent and the Chairman is one of the independent non-executive Directors. The independent non-executive Directors make up one third of the membership of the Board.

The Company from time to time uses 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. The two (2) Directors are Y. Bhg. Dato' Goh Chye Keat and Mr Choo Choon Yeow. Y. Bhg. Tan Sri Dato' (Dr) Haji Murad bin Mohamad Noor was appointed as the Senior Independent Non-Executive Director. Any concerns or queries concerning the Group may be conveyed to him.

The Directors are professionals in the field of engineering, finance, accounting, economics, and experienced senior civil administrators. Together, they bring a wide range of technical skills and relevant experience 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 judgment to bear on issues of strategy, business performance, resources and standards of conduct.

A brief description of the background of each Director is presented on pages 18 to 20.

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

There is a division of responsibility between the Chairman and the Group Managing Director to ensure that there is a balance of power and authority. The responsibilities of the Chairman include representing the Board to shareholders; ensuring the integrity and effectiveness of the governance process of the Board; maintaining regular dialogues with the Group Managing Director on all operational matters; and act as facilitator at the meetings of the Board. The Group Managing Director is responsible to duly ensure execution of strategic goals, effective operation within the Group, explain, clarify and inform the Board on matters pertaining to the Group.

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

1. Executive Committee

The Executive Committee was established on 31 March 1995 and its members consist 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 and Head of Properties and Industries Divisions besides the Company Secretary.

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 with 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 for the conduct of the Group's operations.

Eleven (11) Executive Committee meetings were held during the year 2001. The attendance record of each member of the Committee is as follows:

	Number of Meetings Attended	Percentage
Executive Directors		
Tan Boon Seng @ Krishnan	11	100%
Goh Chye Koon	11	100%
Soo Heng Chin (<i>Appointed on 17 May 2001</i>)	6	85%
Velayuthan a/l Tan Kim Song (<i>Appointed on 17 May 2001</i>)	7	100%
Ooi Poay Lum (<i>Resigned on 31 July 2001</i>)	6	85%

2. 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. Datuk Yahya bin Ya'acob, Mr Oh Chong Peng and Y. Bhg. Tan Sri Dato' Ir. (Dr) Wan Abdul Rahman bin Wan Yaacob. The terms of reference and summary of activities of the Audit Committee are set out on pages 48 and 49.

3. Nomination & Remuneration Committee

The Remuneration Committee was established on 2 December 1998 and was renamed Nomination & Remuneration Committee on 16 May 2001. The Nomination & Remuneration Committee comprises four members; two of them are independent non-executive Directors, namely Y. Bhg. Tan Sri Dato' (Dr) Haji Murad bin Mohamad Noor (Chairman) and Y. Bhg. Datuk Yahya Bin Ya'acob, and the other members are Y. Bhg. Tan Sri Dato' Ir. (Dr) Wan Abdul Rahman bin Wan Yaacob and Y. Bhg. Dato' Goh Chye Keat.

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

1. to establish and review the terms and conditions of employment & remuneration of Executive Directors and senior executives of the Group;
2. to review and approve annual salary increments and bonuses of Executive Directors and senior executives of the Group;
3. to review, recommend and consider candidates to the Board of the Company, subsidiaries and associates of the Group, including committees of the Board;
4. to review and determine the mix of skills, experience and other qualities, including core competencies of non-executive Directors, on an annual basis; and
5. 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 & Remuneration Committee will meet as required and for year 2001, three (3) meetings were held. All recommendations of the Nomination & Remuneration Committee are subject to the endorsement of the Board.

4. Share Committee

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

5. ESOS Committee

The ESOS Committee was established on 13 March 1992 and is responsible for implementing and administering the Employees Share Option Scheme (ESOS) of the Company. The ESOS Committee comprises Y. Bhg. Tan Sri Dato' (Dr) Haji Murad Bin Mohamad Noor (Chairman), Mr Goh Chye Koon and Mr Loy Boon Chen. The Scheme expired on 12 March 2002.

Supply of Information

All Directors are provided quarterly Board reports prior to the Board meeting. As a general rule, papers on specific subjects are sent to the Board in advance and are issued in a timely manner to enable the Directors to obtain further explanations where necessary and that they are adequately informed prior to the meeting.

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

In addition to quarterly Board meetings, briefings are conducted for the Board on various issues such as changes to companies and securities legislations, rules and regulations from time to time to inform them of the latest developments in these areas. The Board of Directors are also invited and do attend the semi-annual Senior Management Dialogue wherein operational review and management strategies are presented and discussed.



The Senior Management Dialogue in session

The Directors are also notified of any corporate announcements released to the Kuala Lumpur Stock Exchange ("KLSE"), and 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 any construction project in excess of RM500 million (or RM250 million for overseas contracts).

All Directors have access to the advice and services of the full time Company Secretary appointed by the Board, and they have been issued with the KLSE Listing Manual, the Code, Statement on Internal Control: Guidance for Directors of Public Listed Companies and Code of Ethics for Directors and Secretaries.

Appointments to the Board

The Nomination & Remuneration Committee is responsible for making recommendations to the Board, including those of subsidiaries and associated companies. In making these recommendations, the Nomination & Remuneration considers the required mix of skills and experience which the Directors should bring to the Board.

Directors are informed and aware they may take independent advice, where necessary, in furtherance of their duties and at the Group's expense.

Directors' Training

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

Re-election

The Articles of Association was amended on 27 June 2001 to provide for all Directors (including Group Managing Director and Deputy Group Managing Director) to submit themselves for re-election at least every three (3) years in compliance with the listing requirements of the KLSE. The new Articles of Association of the Company provides 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").

REMUNERATION

Directors' Remuneration

The remuneration of each Director reflects the level of responsibility and commitment that goes with the Board's membership.

In the case of Executive Directors, the component parts of the remuneration are structured so as to link rewards to the individual and Group performance. Performance is measured by the Directors' contribution and commitment to both the Board and the Group. 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 Nomination & Remuneration Committee recommends to the Board the framework of the executive Directors' remuneration and the remuneration package for each executive Director.

The determination of the remuneration of the executive and non-executive Directors is a matter for the Board as a whole. The Company reimburses reasonable expenses incurred by these Directors in the course of their duties as Directors. Directors do not participate in decisions on their own remuneration packages.

Fees

Fees payable to non-executive Directors is determined by the Board with the approval from shareholders at the Annual General Meeting.

Basic Salary

The Nomination & Remuneration Committee conducts an annual review of the basic salary for all senior executives of the Group, including each executive Director, taking into account the performance of the individual and practices within the industry.

Bonus & Incentive Scheme

The Group operates a bonus & incentive scheme for all employees, including the Executive Directors. The criterion for the scheme is dependent on the financial performance of the Group based on an established formula. Bonus and incentives payable to the executive Directors are reviewed by the Nomination & Remuneration Committee and approved by the Board. Payments in respect of 2001 are shown below.

Benefits-In-Kind

Other customary benefits (such as private medical care and car) are made available as appropriate in accordance with the guidelines laid out in the Human Resource & Administration Procedure Manual.

Pension Arrangements

Contributions are made to the Employees Provident Fund, the national mandatory defined contribution plan, in respect of all Malaysian-resident executive Directors. In addition, all 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, including early 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 and Warrants

The movement in Directors' share options and warrants during the financial year ended 31 December 2001 are set out on pages 68 and 69.

Directors' Remuneration

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

- Aggregate remuneration of Directors categorised into appropriate components:

	Salaries RM'000	Fees RM'000	Bonus & Incentives RM'000	Benefits -in-kind RM'000	Total RM'000
Executive Directors	1,412	0	522	37	1,971
Non-executive Directors	343	150	98	40	631

- Aggregate remuneration of each Director:

Executive Directors	RM'000 (In successive band of RM50,000)									
	≤200	>200 ≤250	>250 ≤300	>300 ≤350	>350 ≤400	>400 ≤450	>450 ≤500	>500 ≤550	>550 ≤600	>600 ≤650
Tan Boon Seng @ Krishnan										✓
Goh Chye Koon								✓		
Soo Heng Chin			✓							
Velayuthan a/l Tan Kim Song				✓						
Ooi Poay Lum (Resigned on 31 July 2001)	✓									

Non-Executive Directors	RM'000 (In successive band of RM50,000)					
	>0 ≤50	>50 ≤100	>100 ≤150	>150 ≤200	>200 ≤250	>250 ≤300
Tan Sri Dato' (Dr) Haji Ahmad Azizuddin bin Haji Zainal Abidin		✓				
Tan Sri Dato' (Dr) Haji Murad bin Mohamad Noor	✓					
Datuk Yahya Bin Ya'acob	✓					
Tan Sri Dato' Ir. (Dr) Wan Abdul Rahman bin Wan Yaacob		✓				
Dato' Goh Chye Keat	✓					
Dato' Arthur Tan Boon Shih (<i>Resigned on 4 April 2002</i>)	✓					
Choo Choon Yeow						✓
Lai Meng	✓					
Haji Osman bin Haji Ismail	✓					
Khoo Chew Meng (<i>Resigned on 15 August 2001</i>)			✓			

INVESTOR RELATIONS & SHAREHOLDERS COMMUNICATION

Dialogue between the Company and Investors

In line with good corporate governance, the Group encourages the adoption of an open and transparent policy in respect of its relationship with its shareholders and investors. The Board acknowledges the need for shareholders to be informed of all material business matters affecting the Group.

In addition to various announcements made during the year, the timely release of financial results on a quarterly basis provides shareholders with an overview of the Group's performance and operations.

The Group conducts dialogues with financial analysts from time to time as a means of effective communication that enables the Board and Management to convey information about Company performance, corporate strategy and other matters affecting shareholders' interests. A Press conference is normally held after the Annual General Meeting and/or Extraordinary General Meeting of the Company.

As for 2001, presentation was made by the Group Managing Director to explain the Group's strategy, performance and major developments to shareholders during the Annual General Meeting. However, any information that may be regarded material would not be given to any single shareholder or shareholder group.

The Company had participated in some institutional investors' forums during the financial year both locally and outside Malaysia. The Company also participated in the Investors' Week 2001 organised by the KLSE in September 2001.

The Annual Report contains commentaries on business review, financial and operational review and a brief description of the Group's services and products. In addition, the Group has established a website at <http://www.ijm.com> (which has been revamped in March 2002) to further enhance investors relations and shareholders communications, including their access to information about the Company and the Group. Among others, the website provides daily movement of the securities of the Company, corporate announcements released to the KLSE, what others say of the Company, annual reports, and a profile of the Group, including the Memorandum & Articles of Association of the Company.



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 shareholders to participate in the question and answer session. The Chairman and, where appropriate, the Group Managing Director 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 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.

ACCOUNTABILITY AND AUDIT

Financial Reporting

In presenting the annual financial statements and quarterly announcement to shareholders, the Directors aim 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 financial statements for each financial year which have been made out in accordance with the applicable approved accounting standards and give a true and fair view of the state of affairs of the Group and Company at the end of the financial year and of the results and cash flows of the Group and Company for the financial year.

In preparing the financial statements, the Directors have:

- used appropriate accounting policies which are consistently applied;
- made judgements and estimates that are reasonable and prudent;
- ensured that all applicable accounting standards have been followed; and
- 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 for the foreseeable future.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Group and 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 and detect fraud and other irregularities.

Internal Control

The Group's Internal Control Statement is set out on pages 50 and 51.

Relationship with the Auditors

The role of the Audit Committee in relation to the external auditors is set out on pages 47 to 49.

Audit Committee Report

Membership and Meetings

The Audit committee met on four (4) occasions during year 2001 and the attendance of each member of the Audit Committee are as follows:

	No. of meetings held during the year	No. of meeting attended
Tan Sri Dato' (Dr) Haji Murad bin Mohamad Noor Chairman of the Audit Committee (Senior Independent Non-Executive Director)	4	4
Tan Sri Dato' Ir. (Dr) Wan Abdul Rahman bin Wan Yaacob Member (Non-Executive Director)	4	4
Tan Boon Seng @ Krishnan Member (Group Managing Director) (Resigned on 12 April 2002)	4	4

The Internal Audit Manager and the Finance Director attended relevant meetings of the Audit Committee when required to do so. The external auditors attended three of the meetings during the year.

Y. Bhg. Datuk Yahya bin Ya'acob and Mr Oh Chong Peng were appointed as independent non-executive members of the Audit Committee on 12 April 2002.

Activities

During the year, the activities of the Audit Committee include the review and deliberation of:

- the quarterly financial result announcements;
- the year end financial statements of the Group;
- the external auditors' reports 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;
- annual audit strategy and plan of the external auditors;
- related party transactions that arose within the Company or Group;
- annual audit plan proposed by the Internal Auditors; and
- audit reports presented by the Internal Auditors on findings and recommendations with respect to system and control weaknesses.

Internal Audit Function

The Internal Audit function is now formalised and is being undertaken by the Internal Audit Department (IAD), which was established by the Audit Committee during the year. The main role of IAD is to provide the Audit Committee with independent and objective reports on the effectiveness of the system of internal control within the Group.

The Internal Audit Department had conducted the evaluation of the system of internal controls that encompass the Group's governance, operations, and information systems of major areas of the Group operation. The internal audit reports were deliberated by the Audit Committee and recommendations were duly acted upon by the management.



Datuk Yahya
bin Ya'acob

Oh Chong Peng

Tan Sri Dato' (Dr)
Haji Murad bin
Mohamad Noor

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

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

Membership

The Audit Committee shall be appointed by the Board of Directors amongst the Directors and shall consist of not less than three members. A majority of the audit committee members must be independent Directors. The members of an 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 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 3 years' working experience and:
 - (aa) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - (bb) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.

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

Meetings and minutes

Meetings shall be held not less than four times a year, and will normally be attended by the Finance Director and Head of Internal Audit. The presence of the external auditors will be requested, if required. Other Board members may 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 board members present. The auditors, both internal and external, may request a meeting if they consider that one is necessary.

A quorum shall be two members present and majority of whom must be independent directors.

The Secretary to the Audit Committee shall be the Company Secretary. Minutes of each meeting shall be distributed to each member of the Board. The Chairman of the Committee shall report on each meeting to the Board.

Authority

The Committee is authorised by the Board to investigate any activity within its term of reference and shall have unrestricted access to any information pertaining to the Group, both external and internal auditors and to all employees of the Group. The Committee is also authorised by the Board to obtain legal or independent advice as necessary.

Duties

- 1) To discuss with the external auditors, prior to the commencement of audit, the audit plan, which state the nature of the audit, and to ensure co-ordination of audit where more than one audit firm is involved.
- 2) To review the assistance given by the employees of the Company to the external auditor.
- 3) To review quarterly reporting to Kuala Lumpur Stock Exchange ("KLSE") and year end financial statements of the Group before submission to the Board, focusing on:
 - (i) going concern assumption;
 - (ii) any changes in accounting policy changes;
 - (iii) significant issues arising from the audit;
 - (iv) compliance with accounting standards, regulatory and other legal requirements; and
 - (v) major judgmental areas.
- 4) To monitor any related party transactions and conflict of interest situation that 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 the Directors report such transactions annually to the shareholders via the annual report.
- 5) To review any letter of resignation from the external auditors, and any questions of resignation or dismissal.
- 6) To consider the nomination and appointment of external auditors, as well as audit fee.
- 7) To review with the external auditors, his evaluation system of internal controls, his management letter and management's response.
- 8) To review the following in respect of internal audit:
 - (i) adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work;
 - (ii) internal audit 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.
 - (vi) resignations of internal audit staff members and provide resigning staff member an opportunity to submit his/her reason for resignation.
- 9) To consider the major findings of internal investigations and management's response.
- 10) To discuss problems and reservations arising from the interim and final external audits, and any matters the external auditors may wish to discuss (in the absence of Management, where necessary).
- 11) To review the reports of the Risk Management Committee in relation to the adequacy and integrity of the Group's internal control system.
- 12) To consider other topics as defined by the Board.
- 13) To report promptly to the KLSE on any matter reported by it to the Board of Directors, which has not been satisfactorily resolved resulting in the breach of the KLSE Listing Requirements.
- 14) To review all prospective financial information provided to the regulators and/or the public.

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 any system can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Group had in place an ongoing process of identifying, evaluating, monitoring, and managing significant risks affecting the achievement of its business objectives throughout the period. This process is reviewed by the Audit Committee, which dedicates separate time for discussion of this subject. With the help of external experts, the Group is currently reviewing, restructuring, and documenting its risk management practices to further enhance them.

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.

The Group has put in place a Risk Management Committee (RMC), which is chaired by the Group's Finance Director. The RMC, at the moment, includes the Group's Internal Audit Manager and representatives from relevant business units in the Construction division. The RMC meets regularly to consider what changes to the risk management and control process should be recommended. Its reviews cover matters such as responses to significant risks identified, output from monitoring processes and changes made to internal control systems. It reports to the Audit Committee. It is the intention of the RMC to put all divisions of the Group's business under its coverage within 2002.



Risk Management Committee

From left to right: Mr Raw Koon Beng (Asst. Manager - Accounts), En Md. Ghazali bin Ali (Project Manager), Mr Loy Boon Chen (Finance Director), Mr Wong Choong Ming (Manager - Internal Audit), Ms Pang Sek Loh (Sr. Manager - Technical) & Mr Liew Chee Khong (Sr. Manager - Accounts)

Control Self Assessment

Central to the Group's internal control and risk management system is its Control Self-Assessment (CSA) process, which it has recently developed with the help of the external experts. Risk assessment and evaluation will take place as an integral part of the annual strategic planning cycle. Having identified the risks to achievement of their strategic 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 CSA, each business or functional unit, excluding associates and joint ventures at the moment, 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, and develops its own risk map. The risk maps 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 utilization and cash flow performance;
- a detailed budgeting process where operating units prepare budgets for the coming year which are approved both at operating 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.

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.

Statement on Quality

JOURNEY TOWARDS EXCELLENCE THROUGH QUALITY

The IJM Group has built a reputation for quality and is firmly committed to its motto "Excellence Through Quality". It is the Group's objective to continuously improve on the level of Quality Performance to ensure that the Group is successful in business. To this end, the Group strives to conduct its operations in such a manner that all projects and services carried out meet clients' requirements whilst it continuously equips itself with the necessary methodology and tools to improve quality systematically.

Policy on Quality

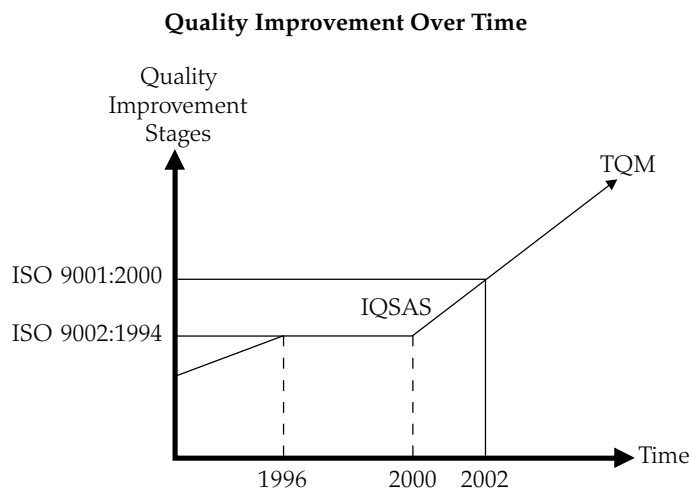
It is IJM Group's policy that:

- All projects and services undertaken will be implemented in such a manner that they exceed customer's expectation.
- The quality of the final products and services will be improved through continuous review and advancement of construction processes and quality assurance system.
- The skills of our qualified and dedicated workers at all levels will be enhanced to serve our customers better.

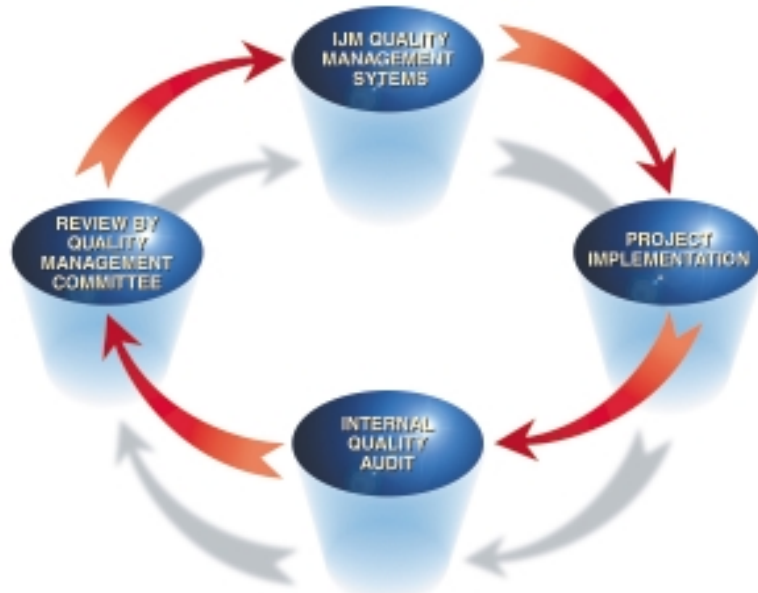
IJM Quality and Safety Assessment System (IQSAS)

The IJM Group has developed a quality management system that is certified to ISO 9002:1994 starting in 1996. Since then, the Group has successfully renewed its certification every year. To further improve the quality of its finished buildings, the Group has developed a standard known as IJM Quality and Safety Assessment System (IQSAS).

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 structures, architecture, and mechanical and engineering works.



The above chart explains the quantum leap in IJM's quality achievements over the last few years.



Continuous Quality Improvement Cycle

In an environment of poor skills and a transient migrant workforce, the introduction of IQSAS will enable the Group to enhance the quality and safety performance standards in its building projects.

IJM projects' quality management systems are continuously assessed through Internal Quality Audits conducted by the auditors from Quality System and Safety Department (QSSD) based at the Head Office. Each project is normally audited twice a year. During 2001, QSSD carried out a total of 50 audit assignments. Once the non-conformance report (NCR) is issued, projects are expected to rectify the weaknesses in quality performance.

The results of all audits are tabled and presented to the Quality Management Committee (QMC), headed by the Group Managing Director, for management review regularly. The QMC in return, where necessary, makes recommendations on steps to improve the IQSAS.

This continuous improvement process ensures that enhancement of end product quality is given utmost importance.

The Group also has a Quality Award competition where the projects are assessed annually for customers' satisfaction through independent surveys. The project with the top score are rewarded with the QMC Chairman's Challenge Trophy and prize money, and enhanced bonuses for project staff.



Quality Management Committee meeting, chaired by the GMD Mr Krishnan Tan, in progress

Statement on Safety and Health

Safety and Health Policy

The Group views pre-emptive measures to prevent injury and occupational health hazards to ensure public safety as paramount when carrying out its business activities.

Over the years, the Group has also inculcated into its work culture the need to maintain and enhance a high level of safety awareness.

Our motto "Health, Safety and Environment Is Everyone's Responsibility" has been our guiding principle in achieving group-wide compliance. A concerted effort is expected of everyone to prevent accidents and occupational health hazards.

Strategies to implement policy

- Comply with all applicable legislative requirements;
- Commit itself to achieve higher standards of compliance;
- Increase awareness and accountability at all levels of management and employees on their responsibilities for safety and health;
- Provide information, training and facilities to every employee and interested parties;
- Monitor performance and review the system regularly to achieve higher health and safety standards.

Safety And Health Management System

A Safety and Health Committee (SHC) is formed at every project and IJM Head Office for the purpose of:

- assisting in the development of safety and health rules and safe systems of work;
- reviewing the effectiveness of safety and health programmes;
- carrying out investigations on the trends of accident, near-misses accident, dangerous occurrence, occupational poisoning or occupational disease, if any, which occurs at the place of work, and report to the management of any unsafe or unhealthy condition or practices at the place of work together with recommendations for corrective actions; and
- reviewing the safety and health policies at the place of work and make recommendations to the management for any revision of such policies.



First Aid Training

The SHC meets regularly and inspects the place of work once a month to ascertain if there is anything prejudicial to the safety and health of persons working in that area. Thereafter, SHC ensures that all recommendations are acted upon expeditiously. The Group observes and complies fully with the Occupational Safety And Health Act, 1994.



GMD Mr Krishnan Tan addressing guests during the presentation of OHSAS 18001: 1999 award at the Sheraton Hotel, Subang Jaya

Training

IJM employees also undergo regular safety management system training programmes organised by the Department of Occupational, Safety and Health (DOSH). Induction training is given to all new employees or workers joining the worksite. In a proactive move to raise the level of safety awareness, in 2001, IJM has jointly organised a Safety and Health Officer course with the National Institute of Occupational Safety and Health (NIOSH).

OHSAS 18001:1999

On 3 November 2000, IJM Corporation Berhad and IJM Construction Sdn Bhd received the OHSAS 18001:1999 certification by SIRIM, thus becoming the first Malaysian companies in the construction industry to be conferred this internationally acclaimed certification.

During 2001, at least two safety and health audits were conducted on every project. Appropriate actions for improvement and preventive actions were recommended and taken to rectify any weakness or deficiency identified.

The Group Occupational Health and Safety Management Committee, headed by the Group Managing Director, and comprising senior management from various business and functional units, meet periodically to review the safety and health management systems as part of the efforts to ensure effective practice of occupational health and safety at the work places.



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Shortage in workforce foreseen

Certain sectors like financial services may experience excess labour

By Chow Kam Hor and Shahabudeen Adam Shah

PETALING JAYA, Fri. — The country is expected to face an over all shortage in workforce despite the forecast slowdown in this year's economic growth, but certain sectors are likely to experience excess labour.

Human Resources Minister Datuk Dr Fong Chan Oen said although this year's economic growth was expected to grow at seven per cent compared to more than eight per cent last year, unemployment rate would still be below four per cent.

Under international standards, a country with employment rate of four per cent and below is deemed to have achieved full employment.

"The country is expected to face full employment this year. The Human Resources Ministry does not anticipate serious problems will reappear after previous OHSAS 18001 management and health award to IJM Bhd."

"The impact on IJM is such that there will be shortage of manpower. He added that global...

...members of large companies would result in companies like financial institutions facing excess workers.

With the bank mergers, Fong said some staff would be rendered redundant but this was normal in any consolidation exercise.

In the agriculture and manufacturing sectors however, he said demand for workers was expected to exceed supply this year.

"The Ministry will be stepping in to have more intensive training and retaining programmes to address this mismatch. "We are looking at the new growth areas of the information technology sector."

Meanwhile, Fong said the National Institute of Occupational Safety and Health would be setting up four more branches in Johor, Pahang, Sarawak and Sabah under the Kuala Lumpur Plan.

Since the Occupational Safety and Health Act was passed in 1994, IJM Corporation has been a pioneer in work safety and health.

Fong complimented IJM Corporation for its work safety record. IJM Corporation is the first local construction company to be awarded the OHSAS 18001 certification, an internationally-recognised standard in work safety and health.

ALA Winners of IJM Corporation's safety awards (standing from left): Dabari Zaiduddin (best safety pilot), Abdul Razak (best safety improvement suggestion), Eusden Mohd Yusoff (best safety performance — safety health supervisor), Michael (best safety performance — project manager) and Mahdi Fairuddin Abdul Hameed (best safety slogan); (seated from left): Weng (best safety performance — sub-contractor), Chan Pao Kheng (best safety performance — office staff) and Jimmy (best safety performance — site supervisor).