




33rd Annual General Meeting

Review of Group Performance & Prospects
Financial Year Ended 31 March 2017

Dato' Soam Heng Choon,
Chief Executive Officer & Managing Director

23 August 2017

Contents

FY2017 Group Income Statement

	FY2017 (RM mil)		
	FY2017	FY2016	% Δ
Revenue	**6,065.3**	**5,128.2**	**18.3** ↑
EBITDA	**1,457.7**	**1,588.7**	**(8.2)** ↓
Operating profit	**1,081.6**	**1,301.4**	
Finance cost	(144.7)	(169.2)	
Operating profit after finance cost	**936.9**	**1,132.2**	
Share of results from JV & associates	73.1	23.6	
Profit before tax	**1,010.0**	**1,155.8**	**(12.6)** ↓
Taxation	(243.2)	(274.3)	
Profit after tax	766.8	881.5	
Profit after tax & MI	**653.8**	**793.6**	
EPS (basic) sen	**18.16**	**22.22**	**(18.3)** ↓
EPS (fully diluted) sen	17.94	21.81	
Proposed/declared DPS sen	**7.50**	**7.00**	
Proposed special DPS sen	-	3.00	

FY2017 Group Balance Sheet

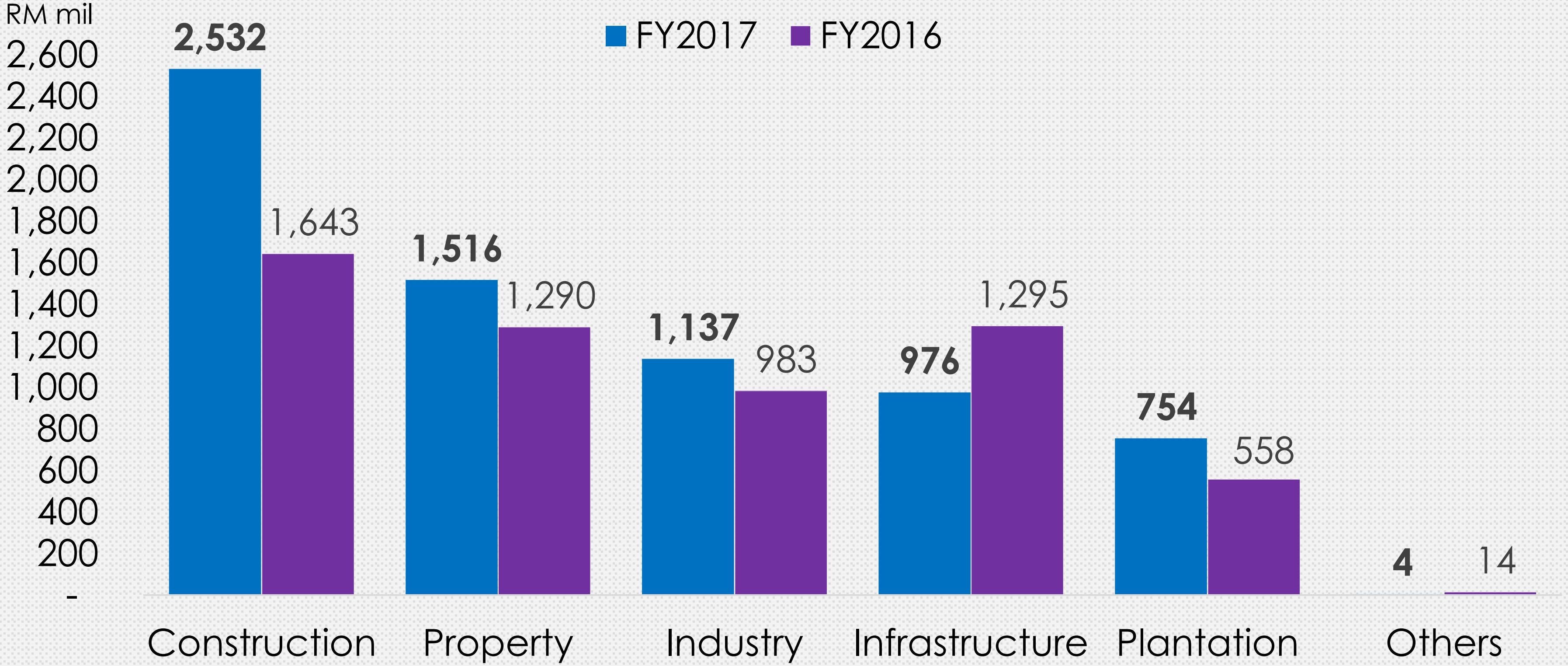
RM Mil	31-Mar-17	31-Mar-16
Share capital	6,022.7	3,584.8
Shareholders' funds	9,497.3	9,028.4
Total assets	20,892.7	19,835.5
Net assets per share (RM)	2.63**	2.52

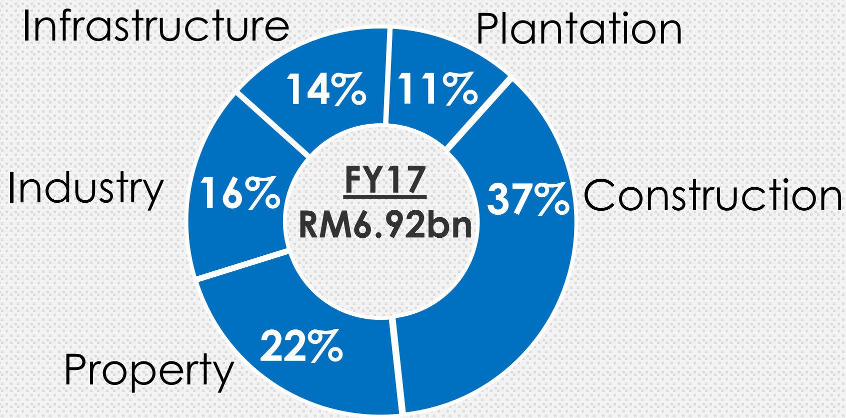
Total cash	2,147.8	1,679.5
Total borrowings	6,003.8	5,844.7
Net cash / debt*	(3,856.0)	(4,165.2)
Net debt / shareholders' funds (%)	40.6	46.1

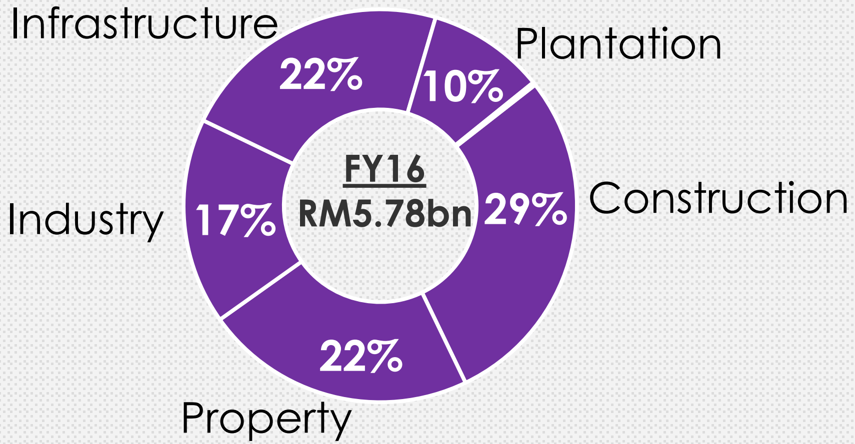
* Recourse debt	RM'mil	804.0	21%
Non-recourse debt	RM'mil	3,052.0	79%
Net debt	RM'mil	3,856.0	100%

** Net assets per share is derived based on 3,613,386,720 shares

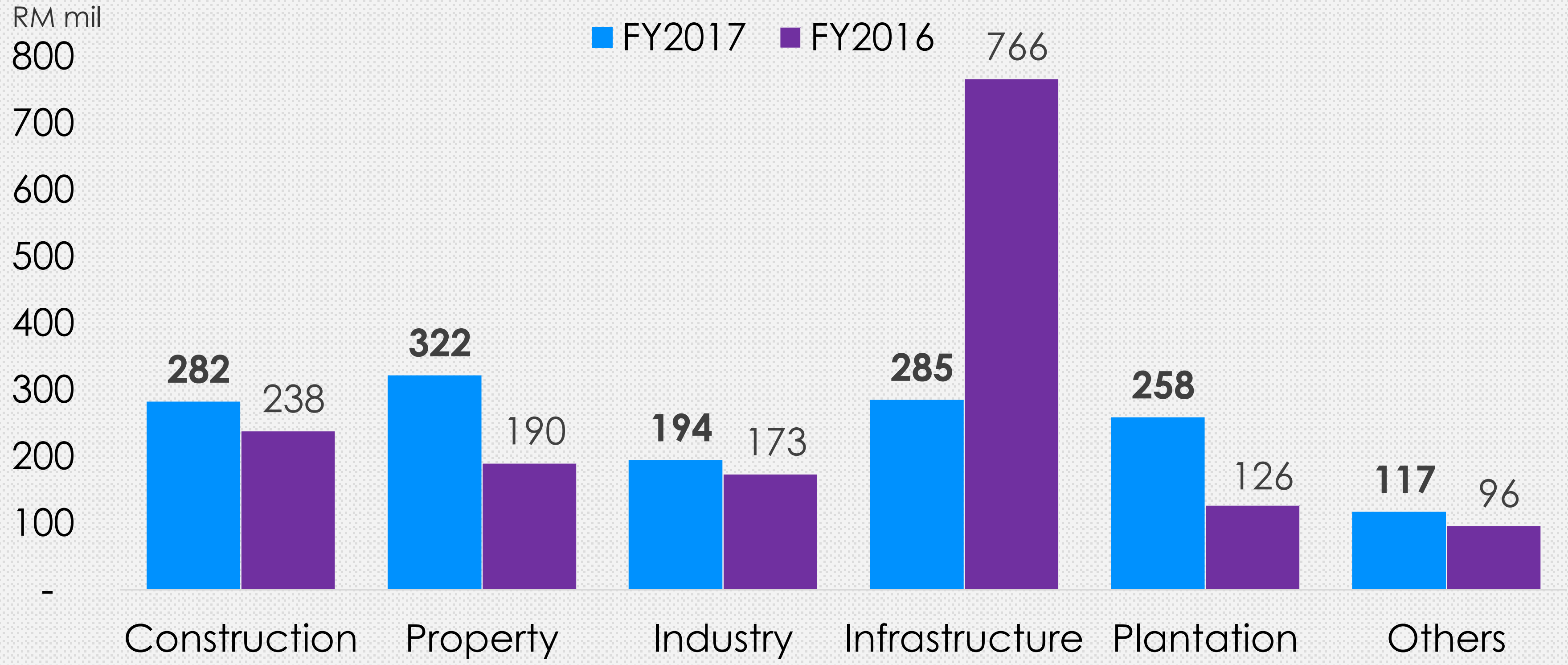
FY2017 Group Revenue by Division

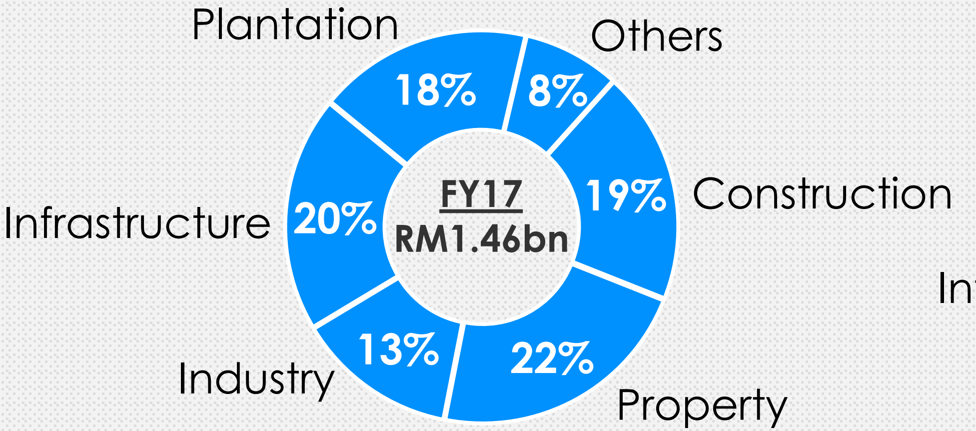


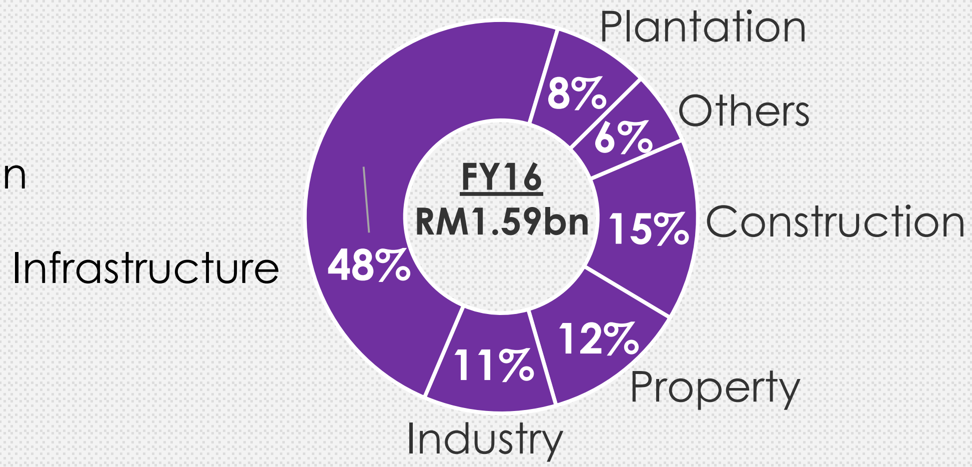




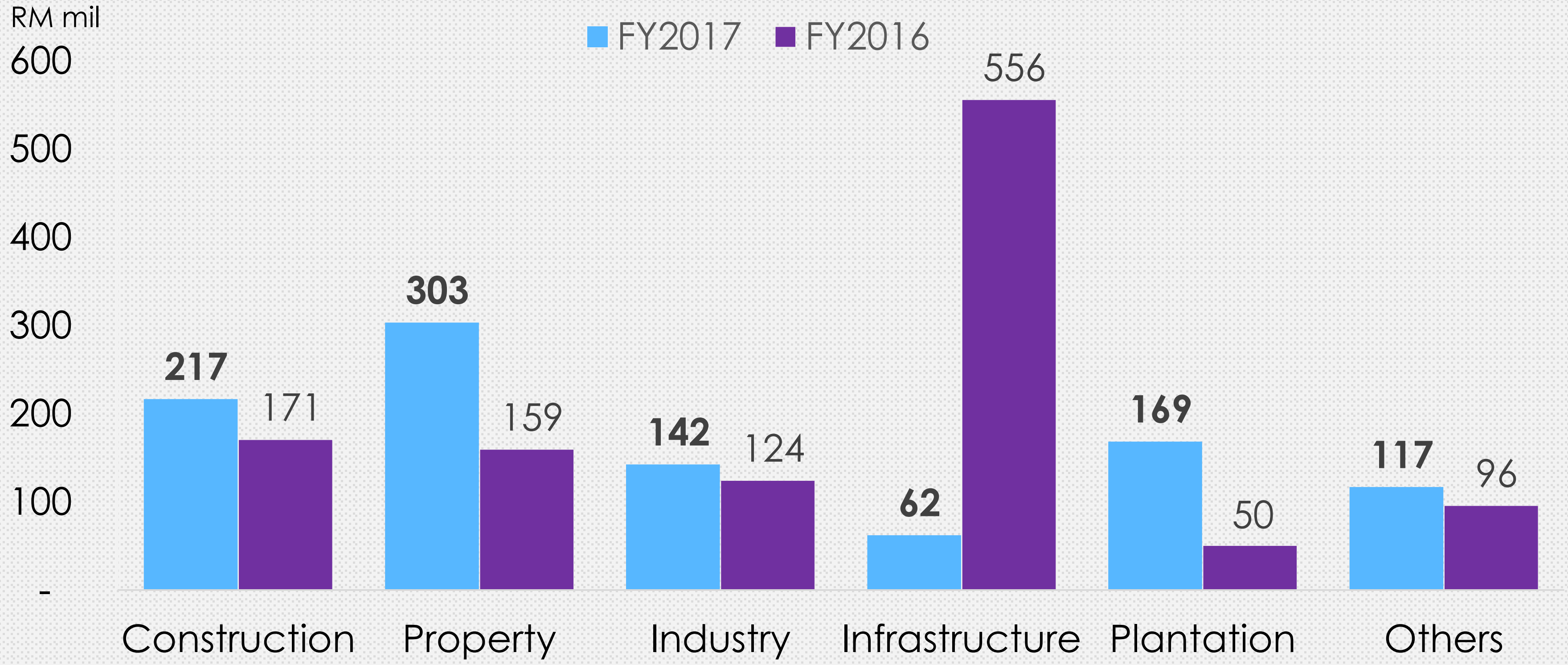
FY2017 Group EBITDA by Division

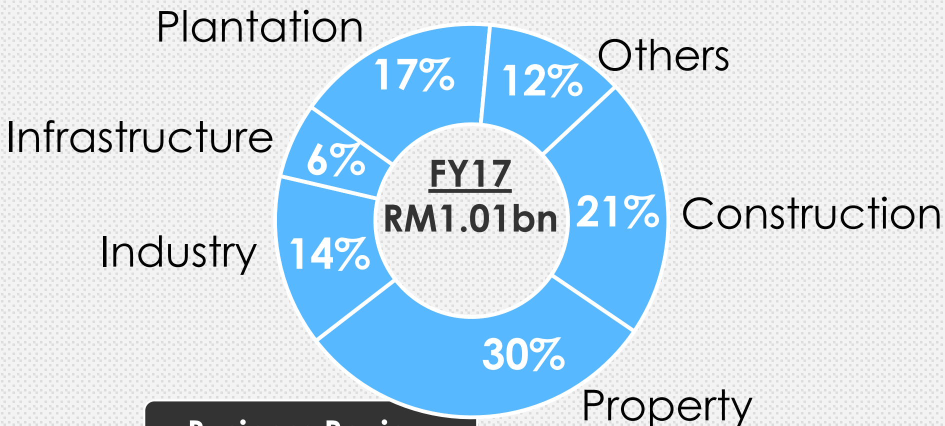


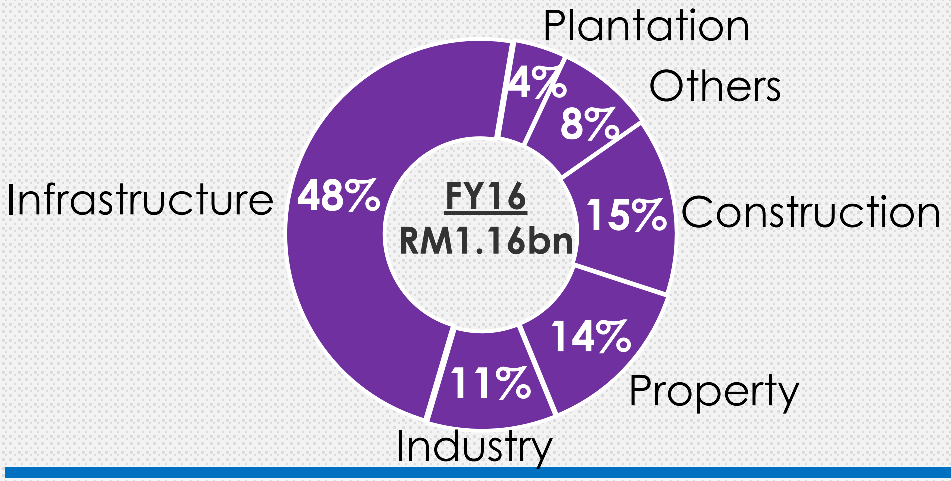




FY2017 Group PBT by Division







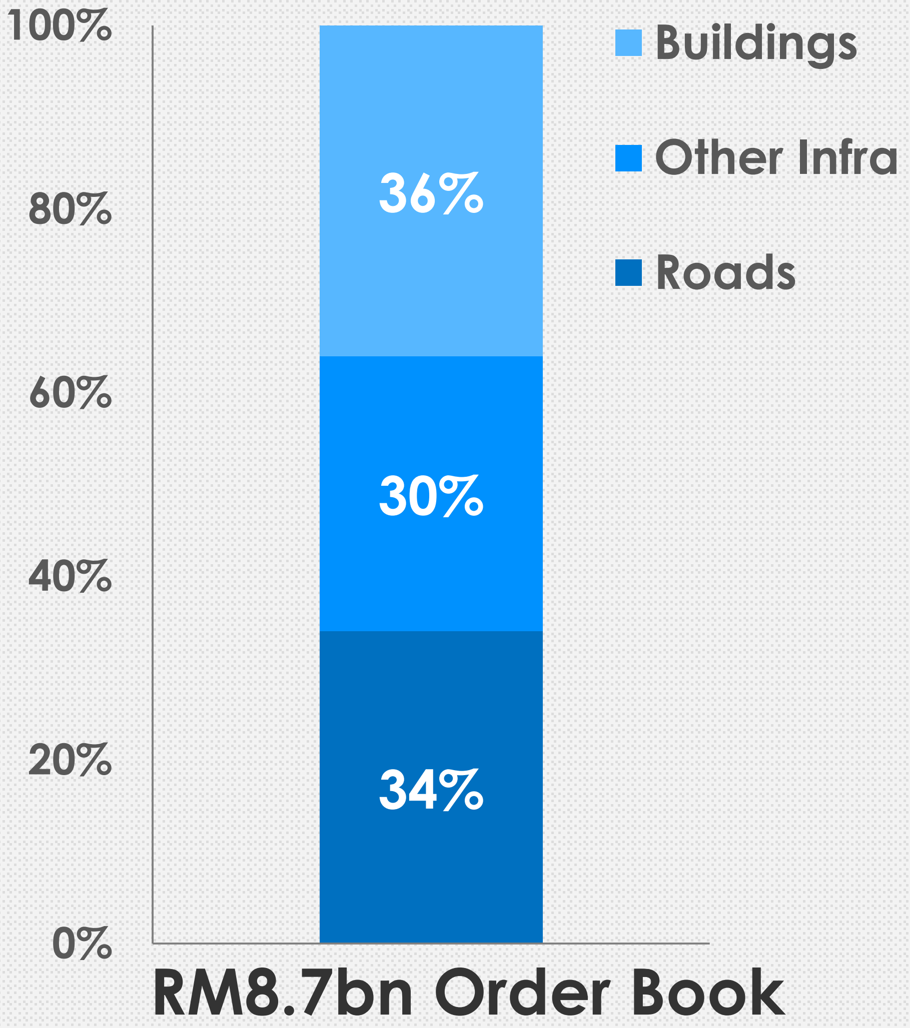
Construction Snapshot

	FY2017		
	RM mil		
	FY2017	FY2016	%Δ
Revenue	2,532.1	1,643.0	54.1 ↑
EBITDA	282.0	237.8	18.6 ↑
Profit before tax	216.7	170.6	27.1 ↑
PBT %	8.6	10.4	

Comments

- Revenue and PBT increased over the corresponding period as the physical progress of certain major projects continued to contribute significantly

Order Book at near Record High



FY18 Contracts Awarded

July 2017

- ❑ IJM-CHEC JV Kuantan Breakwater
  Contract Value: RM280m
- ❑ UOB Tower 2
  Contract Value: RM450.9m

Outlook

- ❑ Outlook for order book replenishment is encouraging. We can therefore be more selective
- ❑ Malaysian government's continued emphasis on infrastructure spending to meet demographic and economic needs as unveiled in the 11MP

MRT 1 Phase 2 – Launched 17 July 2017

Taman Connaught Station

Taman Midah Station

Taman Mutiara Station

Taman Pertama Station

Puteri Cove Residences, Johor

70% completed with target completion by end-2018

Construction

Equatorial Plaza, Kuala Lumpur

Equatorial Plaza at Level 52,
Projected Structure Topping Out on 25 August 2017

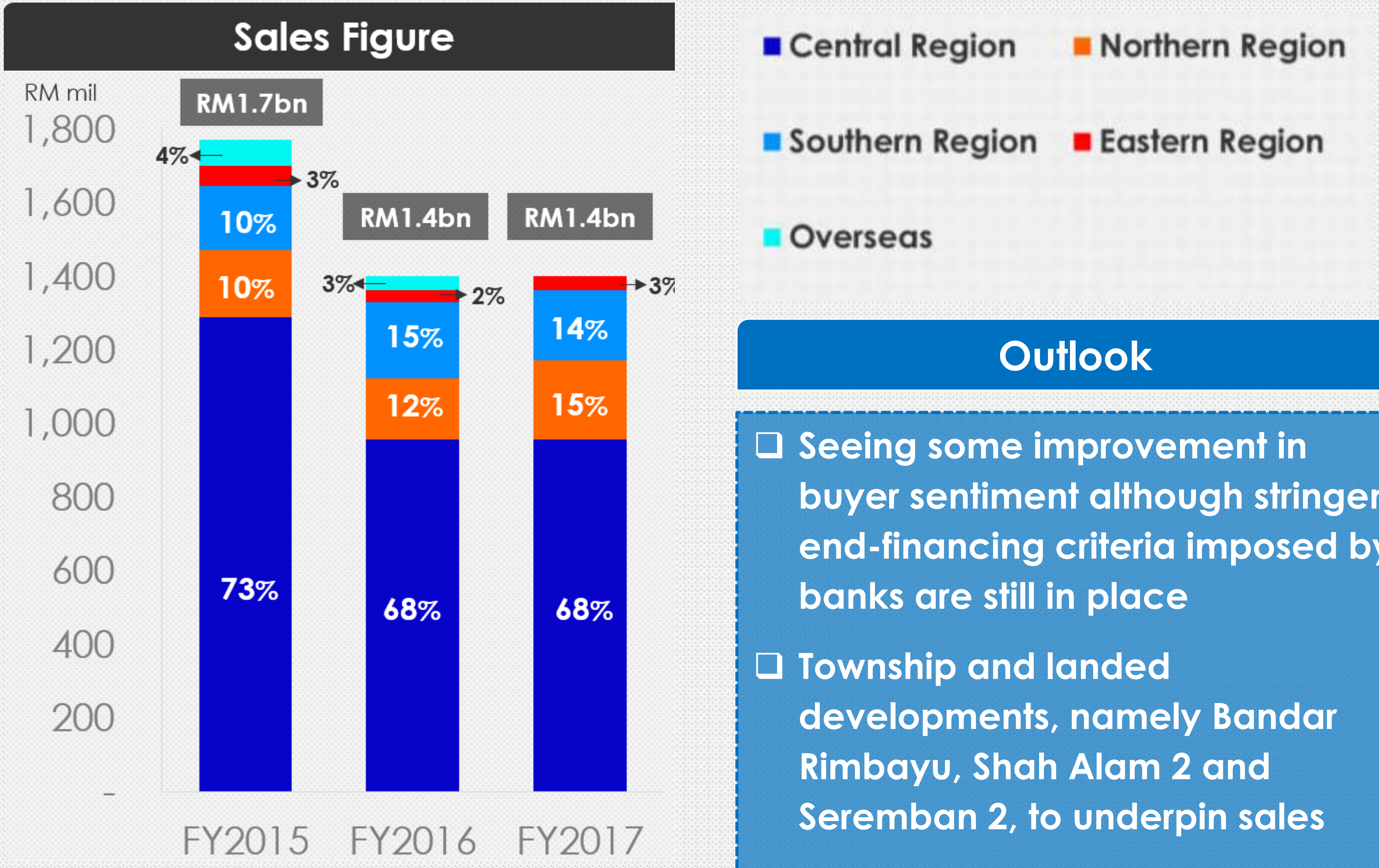
Property Snapshot

	FY2017		
	RM mil		
	FY2017	FY2016	%Δ
Revenue	1,516.2	1,290.0	17.5 ⬆
EBITDA	321.7	189.5	69.7 ⬆
Profit before tax	303.3	159.3	90.4 ⬆
PBT %	20.0	12.3	

Comments

- ❑ Revenue and PBT increased significantly due to contribution from the recognition of the sale of a 32-acre land situated at the Light Waterfront Penang (Phase 2) as well as the completion of higher margin projects

Property Sales Achieved



Outlook

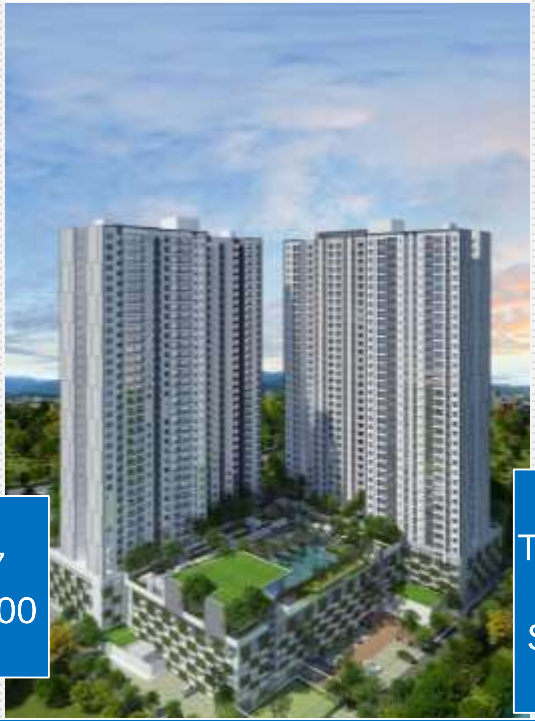
- ❑ Seeing some improvement in buyer sentiment although stringent end-financing criteria imposed by banks are still in place
- ❑ Township and landed developments, namely Bandar Rimbayu, Shah Alam 2 and Seremban 2, to underpin sales

Rimbayu,Riana Dutamas & Riana South Klang Valley & The Waterside Residence, Penang

Livia Double-Storey, Phase A, Rimbayu

Total - 118 units
Launched – May 2017
Price starts at RM621,800
Take up rate ~ 90%

Riana Dutamas, Segambut



Total – 1,018 units
Target launch – Jan 2018
Price starts at RM350,000
Seeing encouraging interest and registration

Riana South, Cheras

Total – 536 units
Target launch – Oct/Nov 2017
Price starts at RM561,000
Seeing encouraging interest and registration

The Waterside Residence, The Light Waterfront, Penang

Total - 256 units
Launched - Jan 2017
Price starts at RM749,000
Take up rate ~ 60%

Launching the right product at the right location

The Light Waterfront, Penang

Iconic Integrated Development

The Light City, Penang (Phase 2)

Joint Venture between IJM Corp (50%) and Perennial Real Estate (50%), with a total GDV of RM4.5bn

Industry Snapshot

	FY2017		
	RM mil		
	FY2017	FY2016	%∆
Revenue	1,136.6	982.8	15.7 ↑
EBITDA	194.1	173.2	12.1 ↑
Profit before tax	142.4	124.1	14.8 ↑
PBT %	12.5	12.6	

Comments

- ❑ Revenue and profit before tax increased, mainly due to increases in the delivered tonnage of piles and quarry products

Capacity

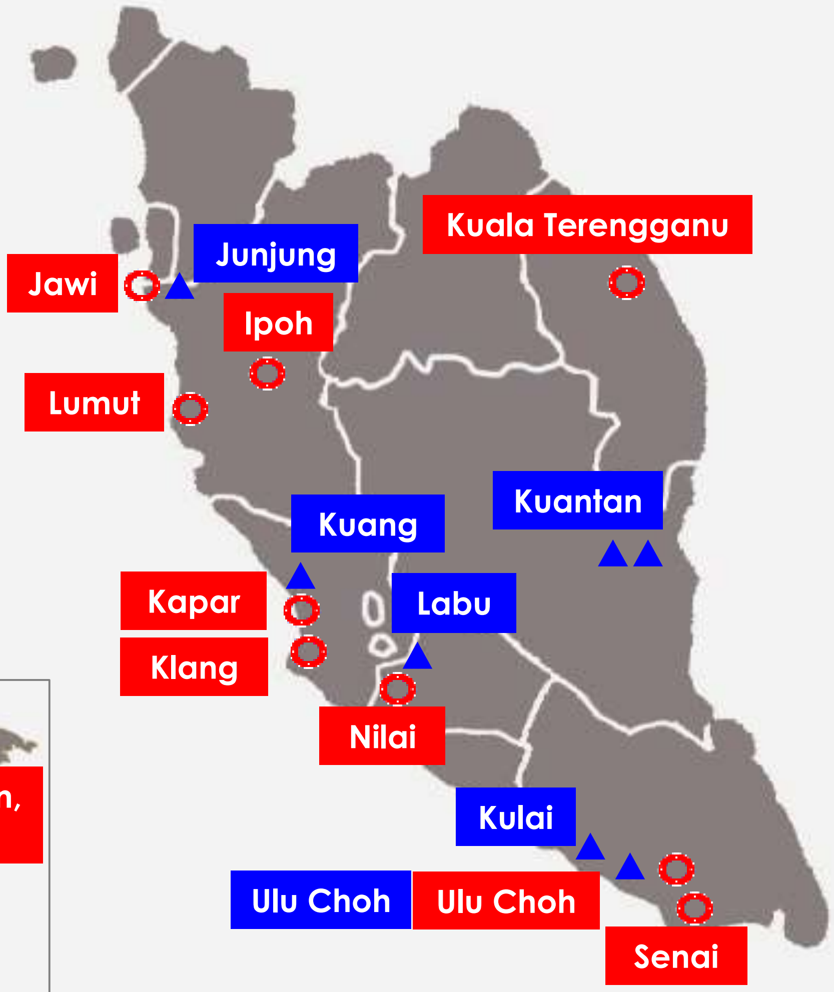
Capacity

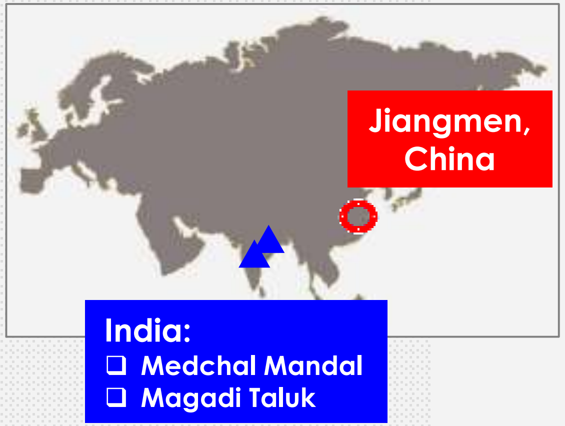
10 Pile Factories

2.0m tonnes p.a

9 Quarries

8.0m tonnes p.a





Outlook

- Record order book for piles
- Division to continue to benefit from large scale infrastructure projects in Malaysia
- Potential supply orders from Infrastructure and Property Divisions
- Competitive small diameter piles market

Projects

ICP Piles used at Ferry Terminal, Sanya, Hainan

Temburong Bridge, Brunei

Ready Mixed Concrete Plant at Whitefield, India

Armour Rocks at Gebeng Quarry

Industry

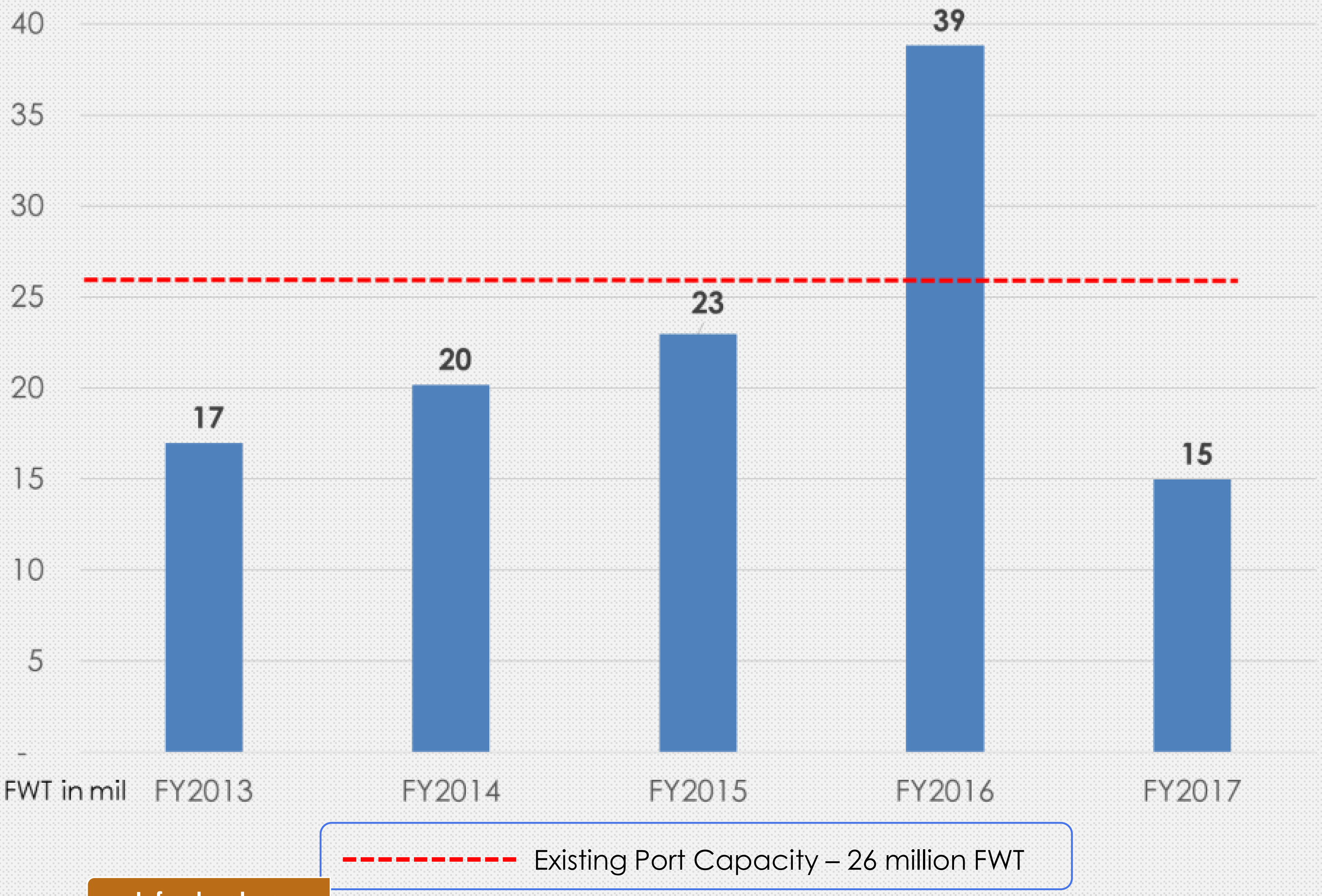
Infrastructure Snapshot

	FY2017 (RM mil)		
	FY2017	**FY2016**	%Δ
Revenue	**975.5**	**1,295.0**	**(24.7)** ↓
EBITDA	**284.8**	**766.4**	**(62.8)** ↓
- Malaysian Tollways	210.5	220.9	
- Port	102.0	277.7	
- Overseas Infrastructure	(27.7)	267.8	
Profit before tax	**62.3**	**555.8**	**(88.8)** ↓
- Malaysian Tollways	93.1	114.1	
- Port	66.4	250.6	
- Overseas Infrastructure	(97.2)	191.1	

Comments

- **Revenue declined mainly due to 61% drop in cargo throughput at the Port**
- **PBT decreased largely due to one-off gain totalling to RM301.9m from the disposals of 70% and 74% equity interest in Swarna Tollway and Jaipur Mahua Tollway respectively, coupled with the drop in Port cargo throughput**

Kuantan Port 5-Year Throughput



Infrastructure

Concession Assets Portfolio

	Assets	Type	% Share	Concession Period
Operating				
Malaysia	New Pantai Expressway, Selangor	Tollway 20 km	100%	1996 – 2030
	Besraya & Extension, Selangor	Tollway 29 km	100%	1996 – 2040
	LEKAS, Kajang-Seremban	Tollway 44 km	50%	2007 – 2039
	Kuantan Port, Pahang	Port	60%	1998 – 2045
Vietnam	Bihn An Water Corporation	Water Treatment	36%	1999 – 2019
India	Swarna, Andra Pradesh	Tollway 145 km	29%	2001 – 2031
	Rewa, Madhya Pradesh	Tollway 387 km	100%	2004 – 2019
	Chilkaluripet – Vijayawada, Andra Pradesh	Tollway 79 km	100%	2008 – 2025
	Gautami, Andra Pradesh	Power 460 MW	20%	2009 – 2024
Argentina	Western Access Tollway, Buenos Aires	Tollway 56 km	20%	1997 – 2018
Under Construction				
Malaysia	West Coast Expressway	Tollway 233 km	40%	2013 - 2073
India	Dewas, Madhya Pradesh	Tollway 19.8 km	100%	2017 – 2042

Infrastructure

Rationale for NDWT Expansion

1. Nearing existing port capacity of 26m FWT

2. Rapid industrial developments in MCKIP

3. Need for deeper port to accommodate carriers up to 150,000 DWT

4. Development of transhipment capabilities

New Deep Water Terminal

Public-Private Partnership Initiative

Artist Impression

Government of Malaysia

- 4.63 km Breakwater
- External infrastructure
- Road, Water, Electricity Supply and Telecommunications Services

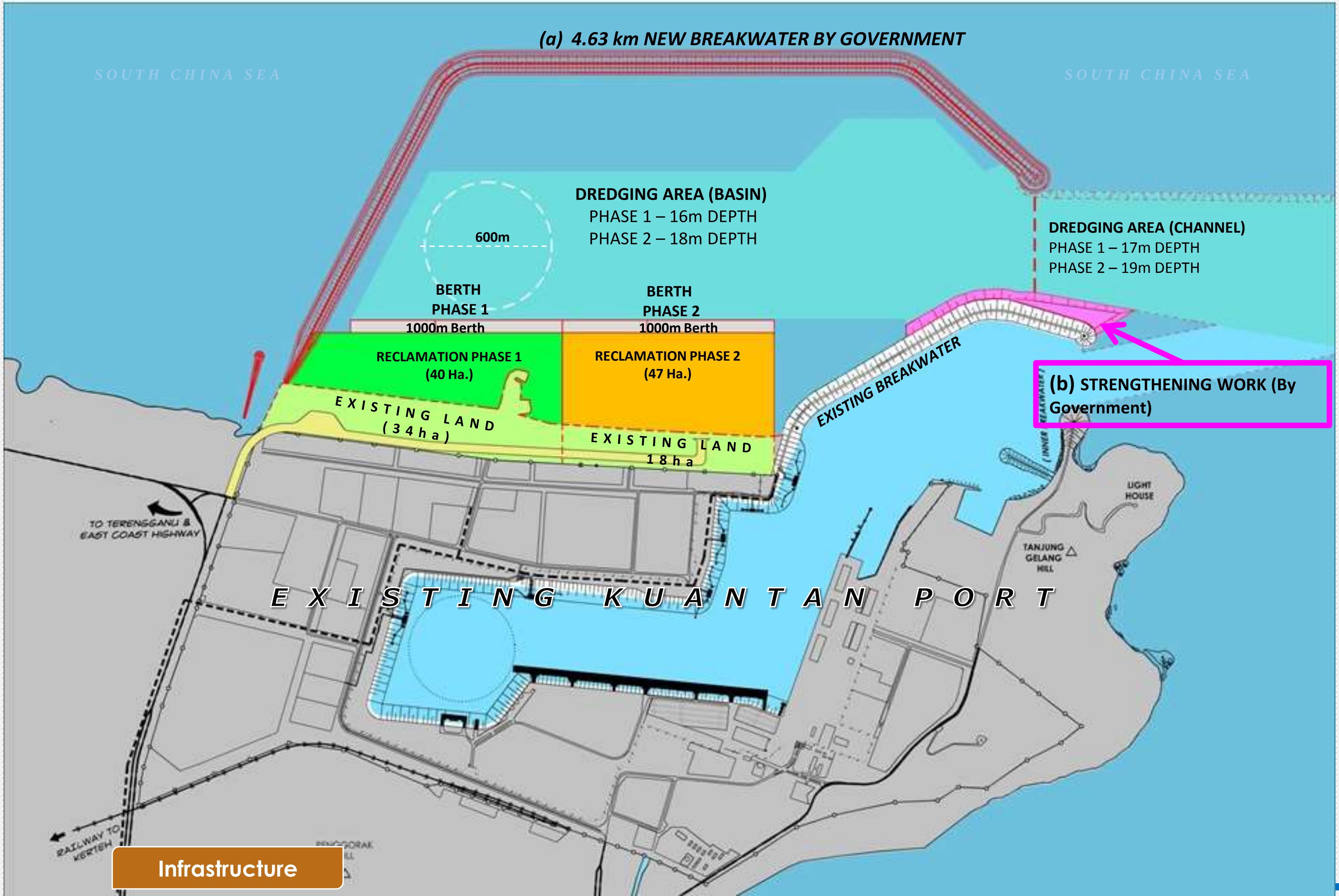
RM1.1 Billion

Kuantan Port Consortium

- Capital Dredging
- Land Reclamation
- Berth Wall Construction
- Port Infrastructure and Facilities

RM3.0 Billion in 2 phases

New Deep Water Terminal Layout



Infrastructure

New Deep Water Terminal Progress

Reclamation and Dredging works

Berth construction

Kuantan Port Proximity to China

Synergy creation between Kuantan Port & Qinzhou Port

Estimated shipping time from Kuantan Port to:

- Qinzhou Port 3–4 days
- Other Chinese Ports 4–8 days

Infrastructure

Malaysia-China Kuantan Industrial Park

Rationale

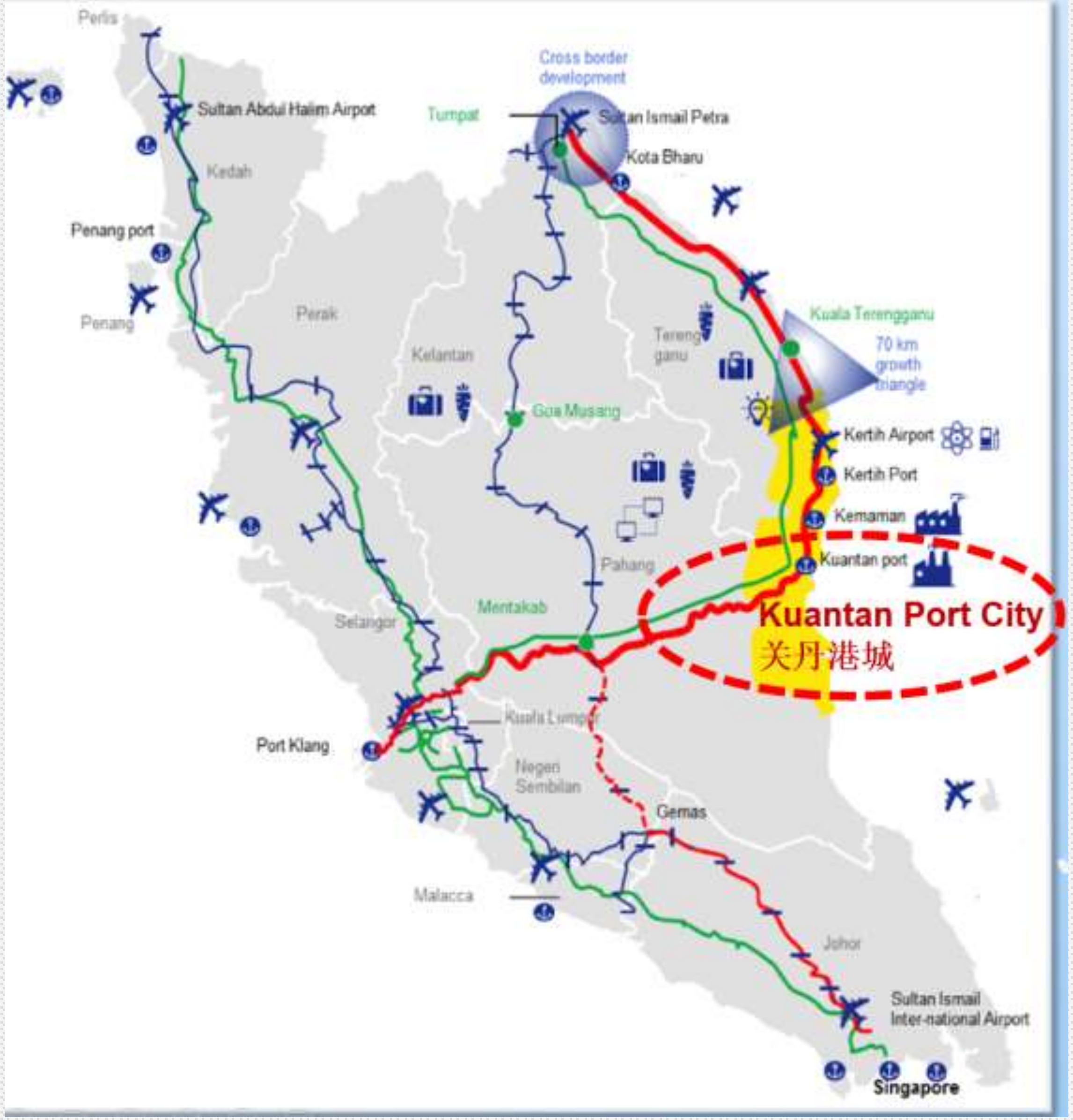
- 1st Malaysia National Industrial Park
- G2G Industrial Park, with sister park of China-Malaysia Qinzhou Industrial Park
- One Belt One Road
- "Go Global" strategy by Chinese government
- Gateway to the growth potential of ASEAN and Asia Pacific market

MCKIP

Malaysia Consortium 51%		China Consortium 49%	
IJM Land	40%	Guangxi Beibu	95%
Sime Darby	30%	Qinzhou Investment	5%
Pahang State	30%		

Total = 3,000 acres

East Coast Rail Line ("ECRL")



MCKIP 1 Phase 1 - 1st Investment Project

Alliance Steel (M) Sdn Bhd, a modern iron and steel plant is currently under construction.

710 acres Modern Integrated Steel Mill

High Carbon Steel and H-shape Steel

Total Production Output 3.5 million tonnes annually

RM5.6 billion Investment

Infrastructure

Alliance Steel Progress

Investors in MCKIP & Kuantan Port

Alliance Steel
Steel Mill
Investment Value:
RM5.6bn

Zkenergy (Yiyang) New Resources Science & Technology Co., Ltd.
Renewable Energy
Investment Value:
RM0.2bn

LJ Hightech Material Sdn. Bhd. LJ
Concrete Panels
Investment Value:
RM1.0bn

Maxtrex Tyre Limited
Production of Passenger Car Radial Tyres
Investment Value:
RM1.6bn

NewOcean Energy Holdings
Oil Refinery
Investment Value:
RM5.0bn

Guangxi Zhongli Enterprise Group Co., Ltd.
Clay Porcelain
Investment Value:
RM2.0bn

Guangxi Investment Group Co., Ltd.
Aluminium Processing Plant
Investment Value:
RM0.6bn

Wuxi Suntech Power Co., Ltd.
Crystalline Silicon Solar Cells & Modules
Investment Value:
RM4.0bn

Sichuan Migao Chemical Fertilizer
Production of compound fertilizers
Investment Value:
RM0.3bn

Infrastructure

Total Investment = RM20.3bn

Plantation Snapshot

	FY2017 RM mil		
	FY2017	FY2016	%Δ
Revenue	753.7	557.6	26.8 ↑
EBITDA	258.4	126.2	104.7 ↑
Profit before tax	168.5	50.4	179.0 ↑
PBT %	22.4	9.0	
CPO Price*	2,753	2,142	
FFB Yield	20.0	20.8	
OER %	20.5	21.2	

Comments

- ❑ Revenue and PBT increased mainly due to higher CPO prices that have risen compared to previous year's corresponding period, coupled with gains on crude palm oil swap contracts (FY17:RM5.0m; FY16:-RM15.0m)

*Average CPO Price Per Tonne for Malaysian operations

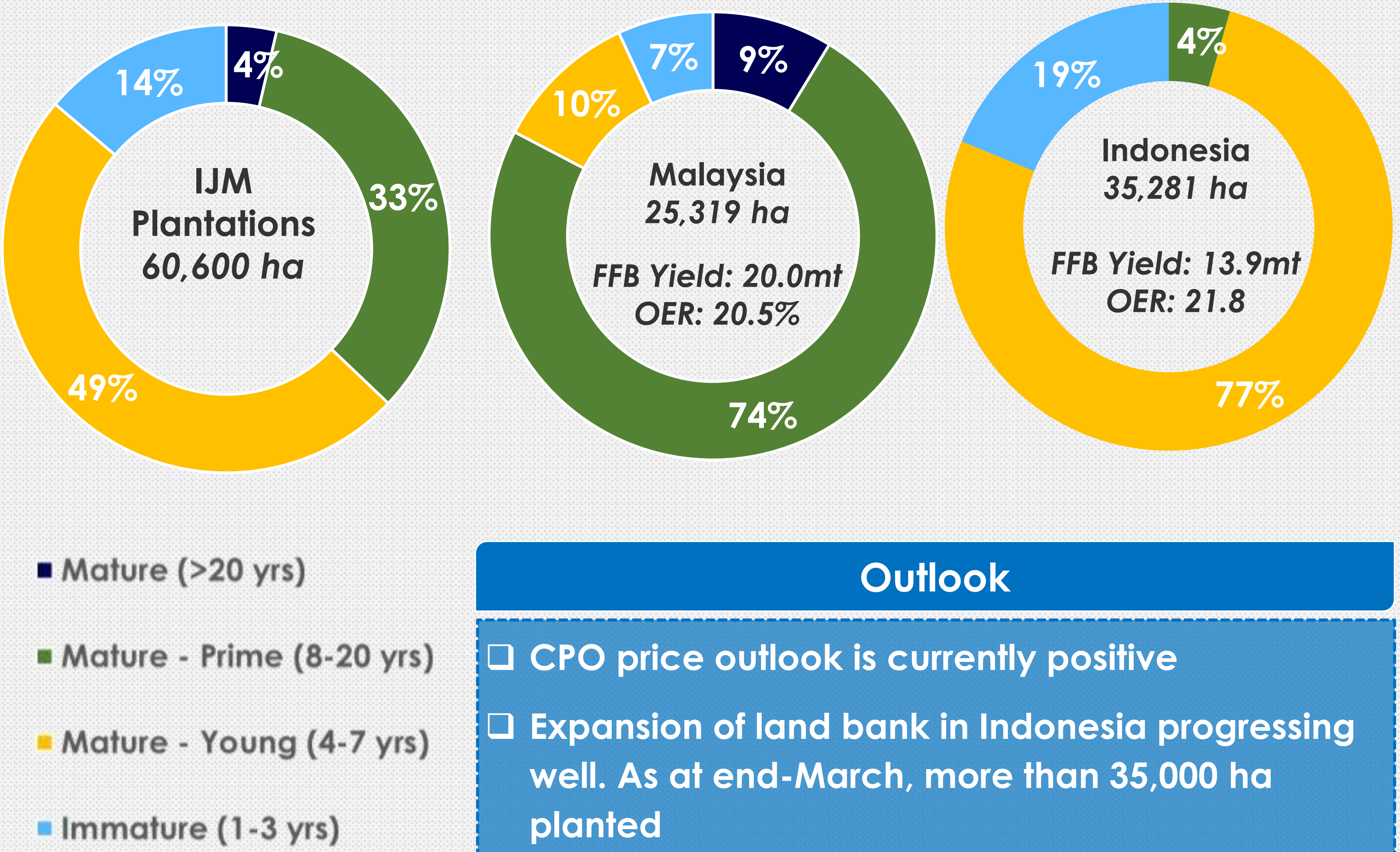
Operations Profile

60,600 ha
Total Planted Area

862,435 mt
FFB Production (FY17)

211,680 mt
Crude Palm Oil (FY17)

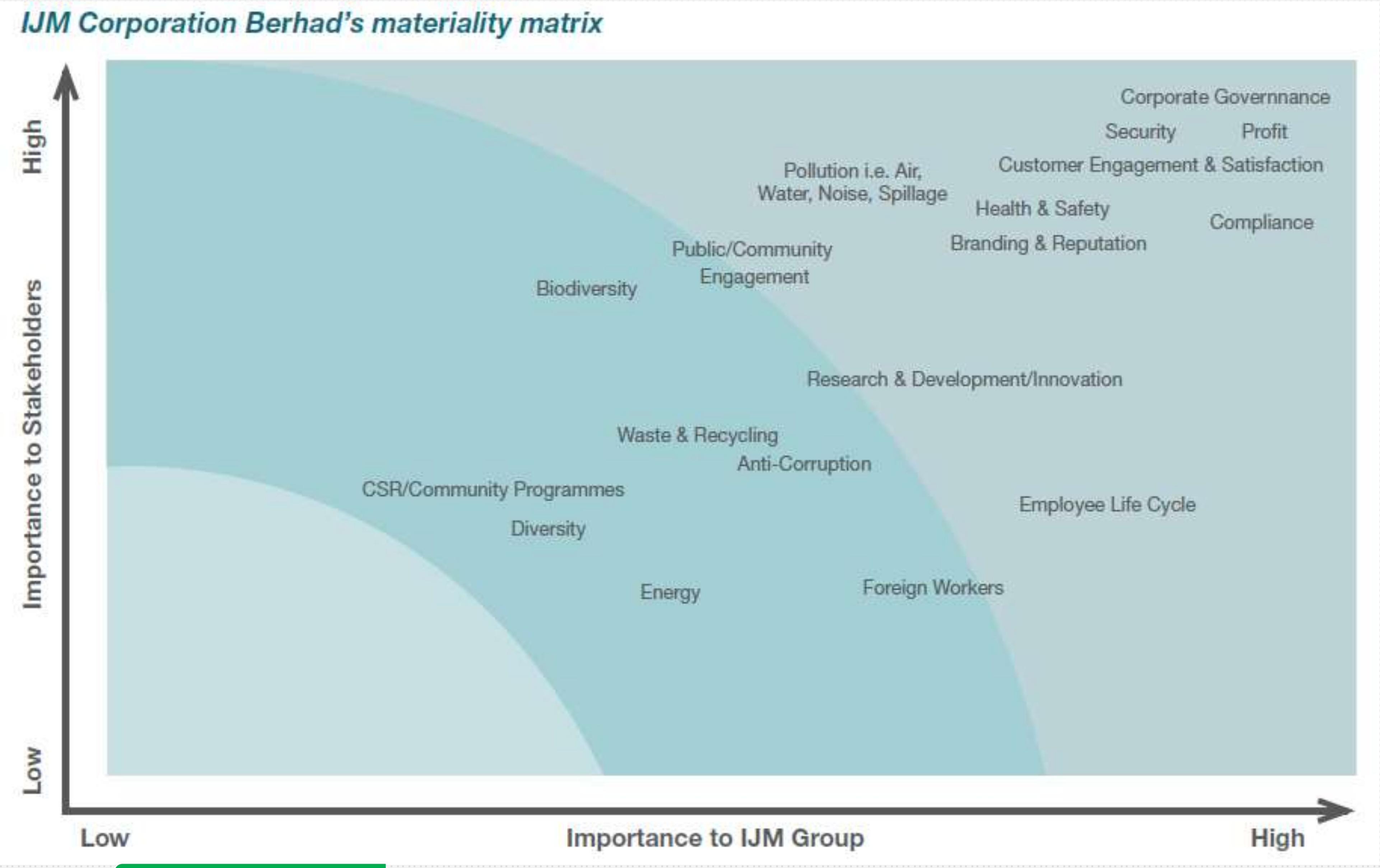
Plantation Age Profile



Outlook

- ❑ CPO price outlook is currently positive
- ❑ Expansion of land bank in Indonesia progressing well. As at end-March, more than 35,000 ha planted

Sustainability at IJM



Sustainability Process

Sustainability targets

TARGET	FINANCIAL YEAR
Corporate Establish a Group Board-approved sustainability roadmap to drive policy developments, implementation and strategy	2018
Marketplace Establish robust customer engagement measurement system	2018
Environment Perform a carbon footprint assessment	2018
Perform an energy and water footprint assessment	2018
Adopting new technologies to manage waste	2018 – 2022
Community Develop a Group-level community investment strategy	2018
Workplace Zero fatalities at the workplace for all business divisions	Ongoing
5% overall reduction in accidents	2018
Review leadership competencies to enable business growth	2018
Improvement measures following the feedback from Employee Engagement Survey	2018 - 2020

Stakeholder Engagement

Various stakeholders (local and foreign) visited
Kuantan Port & MCKIP
as it is a significant infrastructure project,
being undertaken by Chinese investors
under G2G initiative

Marketplace

Security is High on the Group Matrix

Property	Crime prevention through environmental design
Industry	Handling explosives at quarry sites
Port	International Ship and Port Facility Security (ISPS)
Toll	Rest area security

Marketplace

Environmental Concerns

Facilities enhancements, such as dedicated washing bays, sedimentation ponds and drainage facilities, were also introduced. Specific measures implemented at the Port, including best practices for bauxite handling and facilities such as washing bays, have been used as references by Government authorities.

Managing Our Environmental Footprint

Solar Panels installed on Jawi Factory Rooftop

LED Streetlights installed at Besraya Highway

Concrete Reclaimer installed at Ulu Choh Factory

We strive to be custodians of the ecosystems we operate in

Environmental

Contribution To Community

IJM land Half Marathon

RHB-Shimano Highway Ride

Give Day Out

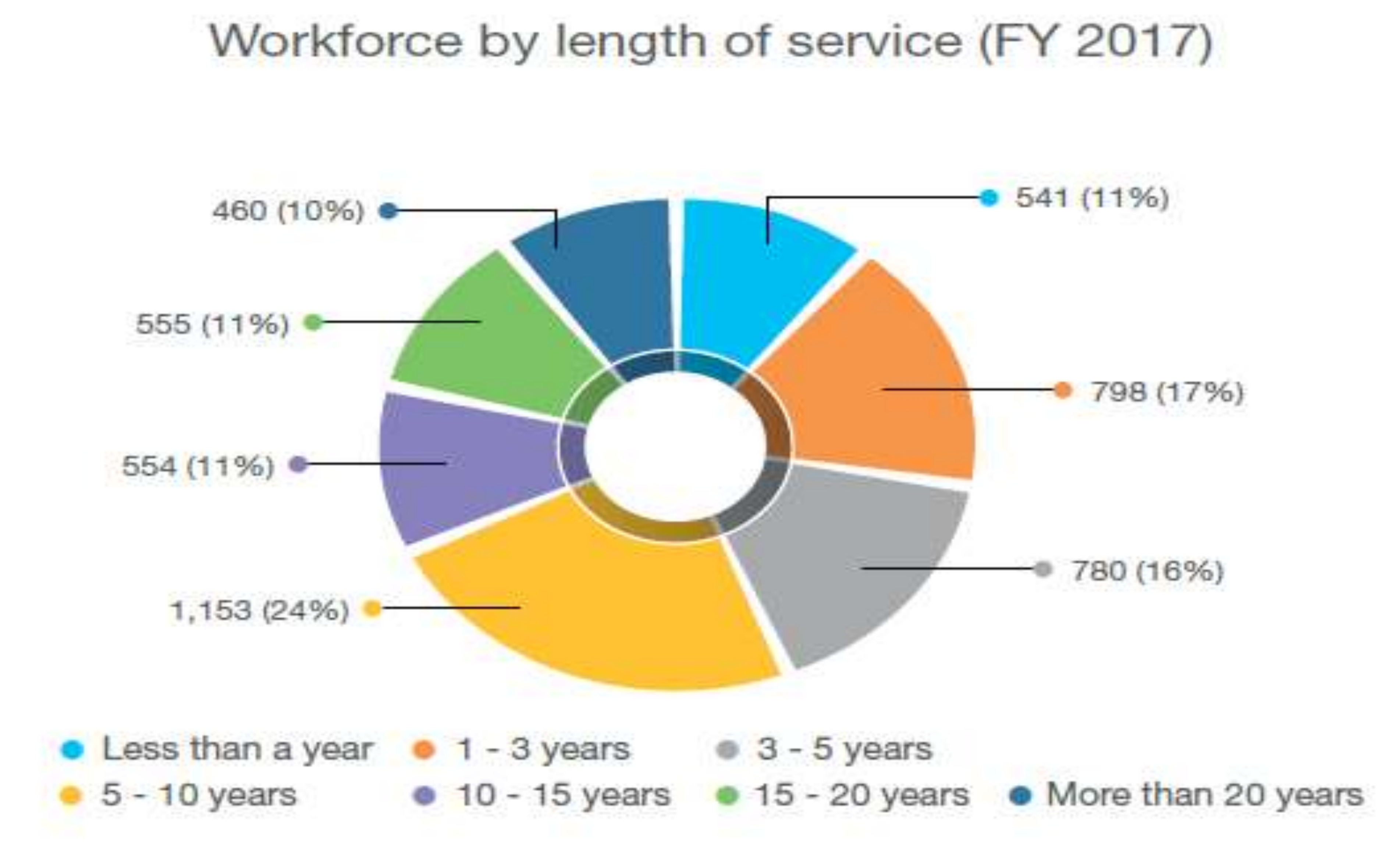
Before

Home Rehabilitation Programme

After

Community

Stable & Engaged Workforce



Workplace

Health, Safety and Environment (HSE)

On Job Training

Safety Net Fan installed at Equatorial Plaza

Signing the Pledge during HSE Campaign

Workplace

Health, Safety And Environment Is Everyone's Responsibility

Innovation

Innovation Partners

MDEC

MaGIC
MALAYSIAN GLOBAL INNOVATION AND CREATIVITY CENTRE

Microsoft

pwc

Workplace

Concluding Remarks

- Malaysian market outlook is encouraging
  - Short-term – buoyed by active construction sector
  - Long-term – expanding capacity eg. Kuantan Port, WCE and The Light Phase 2
- Executing the high construction order book
- Selective participation in overseas construction tenders
- Diversity in earnings base to provide sustainable growth in shareholder value over the long term

Minority Shareholder Watchdog Group

Questions & Answers

Question 1a

As reported recently, the government is mulling the enactment of a new law to make it a mandatory requirement for the construction sector to switch to industrialised Building System (IBS) within the next four years.

a) What are the expected challenges to the Group in applying the IBS within the four years deadline and what are the Initiatives to be taken to ensure that the Group is ready to switch to IBS when the new law is enforced?

Answer 1a

The Group is already using IBS, which is a technique of construction whereby components are prefabricated and later assembled at the construction site. IJM's IBS journey started about 30 years ago through the adoption of the Crendon Building System (a modular steel formwork system) for mass housing production. In the early 1990's, we acquired the capability to produce precast hollow core slabs and other precast concrete components for buildings. For more than 10 years now, IJM has been using system form (which is part of IBS) extensively in its projects. In addition, IJM has started structural steel construction (another form of IBS) for high rises. IBS components such as roof trusses, door and window frames, glass panels and façade cladding are also widely used at our construction projects.

Answer 1a continued

There are 2 main challenges faced by construction industry players:

i. The understanding of IBS varies not just among industry players but also stakeholders such as developers and consultants who may not adopt designs that are IBS friendly;

ii. The lack of capabilities in the supply chain i.e. insufficient support from the upstream activities to ensure the implementation of IBS initiatives and shortage of skilled labour for IBS system.

IBS has always been the preferred option in our operations and our exposure to various type of IBS methodologies over the last 2 decades has helped to build our expertise in IBS. Our extensive experience and resources puts us in a good position to embrace the new law that will compel the usage of IBS in 4 years.

Question & Answer 1b

As reported recently, the government is mulling the enactment of a new law to make it a mandatory requirement for the construction sector to switch to industrialised Building System (IBS) within the next four years.

b) Would the requirement of IBS change the business strategies for the construction Division of the Group?

We do not foresee any shift in strategy for the Construction Division as it has already been using IBS in many projects. We are already achieving high IBS compliance for commercial buildings with proper structural design. For example, the National Cancer Institute project achieved an IBS score of above 70%. Going forward, an area of interest may be the usage of precast technology and wall panelling systems where there are already component suppliers in the market.

Question & Answer 2a

During the financial year (FY) 2017, the Property Division focused on customising their products to match the needs of their customers and disposing off the current inventories on hand.

a) Considering weak market sentiment, stringent loan requirements, increasing cost of living and economic uncertainties, what are the products, in terms of price, location, size and types, that would best match with the needs of the customers and what would be the main focus of the Property Division of the Company moving forward?

The present market demand is for reasonably priced homes given the large demography of first time home buyers. As such, the Property Division has focused its efforts towards launching more mass market products, particularly landed property and mid-range condominiums in the Klang Valley and Seremban.

Question & Answer 2b & 2c

During the financial year (FY) 2017, the Property Division focused on customising their products to match the needs of their customers and disposing off the current inventories on hand.

b) What is the latest take-up rate for the projects launched in FY2017?

The latest take-up rates for projects or phases launched in FY2017 averaged 65% across the Property Division's projects in Malaysia.

c) What was the percentage of the completed buildings in the inventories as at 31 March 2016 disposed off in FY2017?

Completed units in inventory accounted for 20% of sales in FY2017.

Question & Answer 3a

For FY2017, the New Pantai Expressway (NPE) recorded a revenue of RM164.83 million and a profit before tax (PBT) of RM94.38, representing a profit margin of 57% whereas the Besraya Highway (Besraya) recorded a revenue of RM119.31 million and a PBT of RM28.71 million, representing a profit margin of 24%.

a) What was the reason for the wide disparity in the profit margin for both highways?

Refer to Note 16 (A) on page 257 of the Annual Report – the Sukuk Mudharabah Notes issued by Besraya and Junior Bai Bithaman Ajil ("BBA") Notes by NPE had outstanding amounts of RM700 million and RM128.77 million respectively at the start of FY2017. The higher PBT margin reported by NPE as compared to Besraya was mainly attributable to relatively lower interest expense incurred during the year. Furthermore, as stated in Note 16 (B)(c) on page 258 of the Annual Report, the Junior BBA Notes were fully repaid during FY2017.

Question & Answer 3b

For FY2017, the New Pantai Expressway (NPE) recorded a revenue of RM164.83 million and a profit before tax (PBT) of RM94.38, representing a profit margin of 57% whereas the Besraya Highway (Besraya) recorded a revenue of RM119.31 million and a PBT of RM28.71 million, representing a profit margin of 24%.

b) Would the radio-frequency identification (RFID) toll collection technology to be implemented in the coming financial year expected to further enhance the profit margin of these highways?

The Group does not expect any material direct impact on toll revenues or profit margins after the installation of RFID on our highways. The RFID toll collection technology has been initiated by the Government with the objective of improving the efficiency of toll collection and management thereof.

Question & Answer 4a

During the FY2017, moratorium on bauxite mining in Kuantan had caused significant drop in cargo throughput for Kuantan Port. The revenue of Kuantan Port was 60% lower than FY2016 and its pre-tax profit declined by 73%.

a) With further extension of moratorium period on bauxite mining to 31 December 2017, what would be the expected impact on the financial performance of Kuantan Port in FY2018?

With the moratorium in effect throughout FY2017 and for the majority of FY2018, the adverse impact on cargo throughput at the Port is expected to continue in FY2018.

Question & Answer 4b

During the FY2017, moratorium on bauxite mining in Kuantan had caused significant drop in cargo throughput for Kuantan Port. The revenue of Kuantan Port was 60% lower than FY2016 and its pre-tax profit declined by 73%.

b) What are the steps or measures taken to mitigate the risk of further extension of the bauxite mining ban?

The Port is not in a position to directly mitigate the risk of further extension to the bauxite mining moratorium. Instead, the Port is working towards broadening its customer base by leveraging on China's Belt and Road Initiative and is undergoing an expansion programme to double its berth capacity over 2 phases. Phase 1 is currently underway and is progressing well. Coupled with growing foreign direct investments at nearby industrial estates, in particular the Malaysia-China Kuantan Industrial Park ("MCKIP"), the long term prospects of the Port are encouraging.

Question & Answer 5a

Durabon Sdn Bhd (DSB), an indirect subsidiary, involves in processing and sales of steel bars, achieved a revenue of RM112.4 million, an increase of 13% from FY2016. However, PBT was lower by 9% to RM4.07 million due to competition from imported Chinese PC Bars. DSB will continues its cost cutting Initiatives to enhance its competitiveness?

a) Was the definitive safeguard duties imposed on the import of steel bars and rods benefited the Company in any way?

The safeguard duties do not apply to the type of steel product processed by DSB.

Question & Answer 5b

Durabon Sdn Bhd (DBS), an indirect subsidiary, involves in processing and sales of steel bars, achieved a revenue of RM112.4 million, an increase of 13% from FY2016. However, PBT was lower by 9% to RM4.07 million due to competition from imported Chinese PC Bars. DBS will continues its cost cutting Initiatives to enhance its competitiveness?

b) Could the Board share the insight of the demand, capacity and the price trend of the steel bars in the coming years before and after the safeguard duties end in 2020?

The price of steel bars are influenced by many global factors - demand, supply, currency fluctuations and prices of commodities such as crude oil, iron ore etc. In Malaysia, the price of rebar was below RM2,000 per ton before the safeguards were introduced whereas the current price is about RM2,500 per ton.

Question & Answer 5c

Durabon Sdn Bhd (DBS), an indirect subsidiary, involves in processing and sales of steel bars, achieved a revenue of RM112.4 million, an increase of 13% from FY2016. However, PBT was lower by 9% to RM4.07 million due to competition from imported Chinese PC Bars. DBS will continues its cost cutting Initiatives to enhance its competitiveness?

c) To what extend the cost cutting initiatives would continue to be carried out? Other than the cost-cutting initiatives, what are the measures or strategies for the Company to maintain or enhance its competitiveness?

As DSB mainly supplies its products in-house, it would continue to seek ways to optimise its cost structure to the extent that its products are competitive versus the market so as to keep the input cost of the Industry Division as low as possible.

Question 6

Under Resolution 9, the Company tabled for payment of Directors' benefits to the Non-Executive Directors up to an amount of RM520,000 for the period from 31 January 2017 until the next Annual General Meeting for shareholders' approval.

Could the Board provide the breakdown of the amount RM520,000 to the types of benefits payable to the Non-Executive Directors, illustrate by comparing the breakdown of RM181,000 for FY2017?

Answer 6

In accordance with the provisions of the Companies Act 2016, the Directors' benefits for all the Non-Executive Directors are being presented for shareholder approval in Resolution 9. Whilst there has been no change in the rate of these benefits to the Non-Executive Directors, the amount of RM520,000 is a maximum provision for Directors' benefits covering the period of 19 months from 31 January 2017 until the next AGM in 2018. The amount is derived from the following:-

Details	Amount (RM)
Meeting Allowances	150,000*
Travel Claims	275,000*
Car Benefits	95,000**
Total	520,000

* for all the seven (7) Non-Executive Directors

** for the Chairman and Deputy Chairman only

Answer 6 continued

The amount of RM181,000 for FY 2017 (as shown on page 106 of the 2017 Annual Report) consists of actual benefits-in-kind paid for both Executive Directors (RM79,000) and Non-Executive Directors (RM102,000) comprising the travel claims of Non-Executive Directors and the car benefits for the Chairman and Deputy Chairman.

Upon the shareholders' approval, the Non-Executive Directors' benefits in arrears from 31 January 2017 up to the date of AGM will be paid. The balance of the above mentioned provision will be paid as and when incurred in the intervening period until the next AGM in 2018.

Thank You