

IJM CORPORATION BERHAD (104131-A)

34th AGM Minutes dd 28 August 2018

Page 1 of 8

EXTRACT of the **MINUTES** of the **34th Annual General Meeting {AGM}** of **IJM CORPORATION BERHAD (“IJM”) (104131-A)** held at the Victorian Ballroom, Level 1, Holiday Villa Hotel & Suites Subang, 9 Jalan SS12/1, 47500 Subang Jaya on Tuesday, 28 August 2018, at 3.00 p.m.

DIRECTORS & SECRETARY PRESENT:-

1. Tan Sri Abdul Halim bin Ali, *Independent Non-Executive Chairman*
2. Tan Sri Dato’ Tan Boon Seng @ Krishnan, *Deputy Non-Executive Chairman*
3. Dato’ Soam Heng Choon, *Chief Executive Officer (“CEO”) & Managing Director (“MD”)*
4. Mr Lee Chun Fai, *Deputy CEO & Deputy MD*
5. Datuk Lee Teck Yuen, *Senior Independent Non-Executive Director*
6. Datuk Ir. Hamzah bin Hasan, *Independent Non-Executive Director*
7. Mr Pushpanathan a/l S A Kanagarayar, *Independent Non-Executive Director*
8. Mr Goh Tian Sui, *Independent Non-Executive Director*
9. Dato’ David Frederick Wilson, *Independent Non-Executive Director*
10. Tunku Alina Binti Raja Muhd Alias, *Independent Non-Executive Director*
11. Tan Ting Min, *Independent Non-Executive Director*
12. Ms Ng Yoke Kian, *Company Secretary*

MEMBERS AND PROXIES PRESENT:-

135 members and 68 proxies (excluding Directors and Secretary)

BY INVITATION:-

1. Ms Loh Lay Choon, *Partner, PricewaterhouseCoopers PLT (“PwC”)*
 2. Ms Hew Chooi Yoke, *Partner, PwC*
 3. Mr David Toh Kim Hou, *Manager, PwC*
-

The Chairman welcomed all the members and proxies present at the meeting. He introduced the members of the Board of Directors (“Board”), the Company Secretary, the Auditors from PricewaterhouseCoopers PLT (“PwC”), the Poll Administrator from Tricor Investor & Issuing House Services Sdn Bhd (“Tricor”) as well as the Independent Scrutineers from Deloitte Enterprise Risk Services Sdn Bhd (“Deloitte”) who were in attendance.

It was noted that the notice of AGM was given to the members 28 days prior to the meeting. The Chairman called the meeting to order after confirming that the requisite quorum was present.

1.0 AUDITED FINANCIAL STATEMENTS

Before considering the 2018 Audited Financial Statements, the Chairman requested the CEO & MD to present to the meeting a brief on the Review of Group Performance for the financial year ended 31 March 2018 and Prospects of the Group. The CEO&MD in his briefing covered the following:-

- a) the Group performance’s review, which included income statement, statement of financial position and revenue and profit before tax by divisions;
- b) the performance of core businesses, namely Construction, Property, Industry, Infrastructure and Plantation, including project highlights such as West Coast Expressway, New Deep Water Terminal at Kuantan Port and Malaysia-China Kuantan Industrial Park; and
- c) the business driver of each core business of the Group.

The CEO & MD also presented the responses (Annexure I) of the Company to questions raised by the Minority Shareholder Watchdog Group *vide* letter dated 17 August 2018 in relation to the strategies and financial matters of the Group.

After the presentation of the CEO & MD, the Chairman invited questions and comments from the floor in connection with the 2018 Audited Financial Statements and the presentation, and the questions were responded to by the Chairman, Deputy Non-Executive Chairman, CEO & MD, Deputy CEO & Deputy MD, Audit Committee Chairman and/or the Chief Financial Officer accordingly (Annexure II).

The audited financial statements for the year ended 31 March 2018, Directors' Report and Statement together with the Independent Auditors' Report thereon were received, following the completion of the clarifications to members in connection with the audited financial statements.

2.0 POLL VOTING

The Chairman informed that all the resolutions to be considered at the meeting would be put to vote by poll via e-voting system.

3.0 RESOLUTIONS OF THE MEETING

3.1 Re-election of Directors

The Chairman informed that Resolutions 1, 2 and 3 were on the re-elections of Tan Sri Dato' Tan Boon Seng @ Krishnan ("Tan Sri Krishnan Tan"), Datuk Ir. Hamzah bin Hasan and Mr Goh Tian Sui, who were retiring by rotation in accordance with Article 90 of the Company's Articles of Association; and being eligible for re-election, they had offered themselves for re-election.

The Chairman also informed that Resolutions 4 and 5 were on the re-elections of Tunku Alina Binti Raja Muhd Alias and Ms Tan Ting Min, who were appointed to the Board on 1 November 2017 and were retiring in accordance with Article 94 of the Company's Articles of Association; being eligible for re-election, they had offered themselves for re-election.

It was noted that the performance of each Director who was subject for re-election had been assessed through the Board annual evaluation, and the Nomination & Remuneration Committee ("NRC") and the Board were satisfied with the performance and effectiveness of the Directors.

3.2 Re-appointment of Auditors

The Resolution 6 related to the re-appointment of external Auditors. The Chairman informed that PwC had expressed their willingness to continue in office and the Board had endorsed the recommendation of the Audit Committee for PwC to be reappointed as Auditors.

3.3 Retention of Independent Non-Executive Director

The Chairman handed over the Chair to Tan Sri Krishnan Tan in view that Resolution 7 is pertaining to his retention as an Independent Non-Executive Director ("INED") after serving for more than nine (9) years as an INED.

Tan Sri Krishnan Tan took over the Chair and informed that the Board via its NRC had reviewed and assessed the performance and independence of Tan Sri Abdul Halim, and was of the opinion that his length of service on the Board did not impair his independence.

The justification for the retention of Tan Sri Abdul Halim provided in the notes to the Notice of AGM in the Annual Report was reproduced as follows:-

Tan Sri Abdul Halim, had completed his 9-year tenure on 25 April 2016, and was retained as an Independent Non-Executive Chairman by the shareholders of the Company at the AGMs held on 24 August 2016 and 23 August 2017. Tan Sri Abdul Halim contributes constructive views and criticism during Board discussions. Tan Sri Abdul Halim always engages in constructive challenge within the Board room for effective decision making. He also demonstrates the values and principles associated with independence in the Board room. He seeks clarifications and raises pertinent questions to the Management on its assumptions, including challenging Management on the Group's strategies. As an Independent Chairman, Tan Sri Abdul Halim always promotes good corporate governance practices, besides providing leadership for the Board and facilitate the Board to perform its responsibilities effectively through his independent and objective chairmanship. Furthermore, the insight and good understanding of the Group's various core business operations acquired by Tan Sri Abdul Halim over time would continue to facilitate him to discharge the duties and role as an Independent Director effectively. The experience and stability brought by Tan Sri Abdul Halim due to his long-service on the Board and as an active participant in the corporate community will serve the interest of the Company and its shareholders.

With the above justification, the Board recommended that the members vote in favour of Resolution 7. It was noted that Tan Sri Abdul Halim would abstain himself from voting on Resolution 7.

Upon completion of the briefing on the Resolution 7, Tan Sri Krishnan Tan handed over the Chair back to the Chairman.

3.4 Directors' Fees

The Chairman informed that Resolution 8 was to authorise the payment of Directors' fees of RM1,223,166 for the year ended 31 March 2018 to be divided amongst the Directors in such manner as the Directors may determine.

3.5 Directors' Benefits

The Chairman informed that Resolution 9 was to authorise the payment of Directors' benefits to the Non-Executive Directors up to an amount of RM425,000 for the period from 29 August 2018 until the next AGM.

3.6 Directors' Fees and meeting allowance of the Subsidiaries

The Chairman further informed that Resolution 10 was to authorise the payment of Directors' fees of RM359,750 for the year ended 31 March 2018; and the Directors' meeting allowance of up to an amount of RM29,000 from 29 August 2018 until the next AGM, by the subsidiaries to several Directors.

The Chairman also informed that the interested Directors would abstain themselves from voting on Resolutions 8, 9 and 10.

3.7 Authority to Issue Shares under Sections 75 and 76

The Resolution 11 related to Authority to Issue Shares under Sections 75 and 76 of the Companies Act, 2016. The Chairman informed that the Board wished to seek the approval of members and proxies present to renew the mandate to issue not more than 10% of the total number of issued shares of the Company for purposes of funding future investment projects, working capital and acquisitions and/or so forth. The approval was sought to provide flexibility and avoid any unnecessary delay and cost in convening a general meeting for such issuance of shares should the need arise.

The Company would make an announcement accordingly, of the actual purpose and utilisation of proceeds should there be a decision to issue new shares. The approval of the relevant authorities would be still required before any share could be issued by the Company.

3.8 Proposed Renewal of Share Buy Back Authority

The Chairman indicated that Resolution 12 was on the Proposed Renewal of Share Buy-Back Authority. The proposed renewal was to enable the Company to purchase its shares from Bursa Malaysia at prices which the Board views as favourable, so as to support its fundamental value, should the need arise. The Board was of the opinion the proposed renewal was in the best interest of the Company.

3.9 Proposed Adoption of the New Constitution of the Company

The Chairman then proceeded with Special Resolution 13, which related to the Proposed Adoption of the New Constitution of the Company. He explained that the proposed adoption of the new Constitution was to replace the existing Memorandum and Articles of Association of the Company after taking into account the new Companies Act, 2016 and the updated Main Market Listing Requirements. The Board was of the opinion the proposed adoption was in the best interest of the Company.

The Chairman informed that Resolution 13 required not less than 75% of the total approval of members who vote in person or by proxy.

The Chairman invited questions and comments from the floor in connection with all the resolutions tabled at the AGM. After attending and/or providing the clarification sought on some of the resolutions (Annexure II), the Chairman proceeded to the poll voting.

4.0 POLL PROCESS

Ms Lilian Low from Tricor was invited to explain the poll procedures to the members and/or proxies present. The members and/or proxies were advised to cast their votes either using the e-Vote apps or at the iPad e-voting kiosk.

After the voting, the Chairman adjourned the meeting and invited the members and proxies for refreshments while the votes were being verified by Tricor (as Poll Administrator) and Deloitte (as Independent Scrutineers).

5.0 POLL RESULTS

The Chairman welcomed the members and proxies back to the meeting. Mr Anthony Tai from Deloitte was invited to announce the results of the poll. Based on the poll results, the Chairman declared that the following Resolutions 1 to 13 were carried:-

IJM CORPORATION BERHAD (104131-A)

34th AGM Minutes dd 28 August 2018

Page 5 of 8

5.1 Re-election of Tan Sri Krishnan Tan as Director

<u>Resolution 1</u>	<u>Number of Shares</u>	<u>%</u>
Voted FOR	2,448,101,416	98.686
Voted AGAINST	32,591,189	1.314
	<u>2,480,692,605</u>	<u>100.000</u>

(ABSTAINED: 15,710,300 shares)

It was resolved that Tan Sri Krishnan Tan be re-elected as Director pursuant to Article 90 of the Articles of Association.

5.2 Re-election of Datuk Ir. Hamzah bin Hasan as Director

<u>Resolution 2</u>	<u>Number of Shares</u>	<u>%</u>
Voted FOR	2,472,857,819	99.684
Voted AGAINST	7,834,786	0.316
	<u>2,480,692,605</u>	<u>100.000</u>

(ABSTAINED: 15,710,300 shares)

It was resolved that Datuk Ir. Hamzah bin Hasan be re-elected as Director pursuant to Article 90 of the Articles of Association.

5.3 Re-election of Mr Goh Tian Sui as Director

<u>Resolution 3</u>	<u>Number of Shares</u>	<u>%</u>
Voted FOR	2,480,677,319	99.999
Voted AGAINST	15,286	0.001
	<u>2,480,692,605</u>	<u>100.000</u>

(ABSTAINED: 15,710,300 shares)

It was resolved that Mr Goh Tian Sui be re-elected as Director pursuant to Article 90 of the Articles of Association.

5.4 Re-election of Tunku Alina Binti Raja Muhd Alias as Director

<u>Resolution 4</u>	<u>Number of Shares</u>	<u>%</u>
Voted FOR	2,480,677,319	99.999
Voted AGAINST	15,286	0.001
	<u>2,480,692,605</u>	<u>100.000</u>

(ABSTAINED: 15,710,300 shares)

It was resolved that Tunku Alina Binti Raja Muhd Alias be re-elected as Director pursuant to Article 94 of the Articles of Association.

5.5 Re-election of Ms Tan Ting Min as Director

<u>Resolution 5</u>	<u>Number of Shares</u>	<u>%</u>
Voted FOR	2,480,677,319	99.999
Voted AGAINST	15,286	0.001
	<u>2,480,692,605</u>	<u>100.000</u>

(ABSTAINED: 15,710,300 shares)

IJM CORPORATION BERHAD (104131-A)

34th AGM Minutes dd 28 August 2018

Page 6 of 8

It was resolved that Ms Tan Ting Min be re-elected as Director pursuant to Article 94 of the Articles of Association.

5.6 Re-appointment of Auditors

<u>Resolution 6</u>	<u>Number of Shares</u>	<u>%</u>
Voted FOR	2,484,704,819	99.920
Voted AGAINST	1,977,886	0.080
	<u>2,486,682,705</u>	<u>100.000</u>

(ABSTAINED : 9,720,200 shares)

It was resolved that PricewaterhouseCoopers PLT be re-appointed as Auditors and that the Directors be authorised to fix their remuneration.

5.7 Retention of Independent Non-Executive Director

<u>Resolution 7</u>	<u>Number of Shares</u>	<u>%</u>
Voted FOR	771,056,651	74.768
Voted AGAINST	260,208,704	25.232
	<u>1,031,265,355</u>	<u>100.000</u>

(ABSTAINED : 1,465,137,550 shares)

It was resolved that Tan Sri Abdul Halim bin Ali shall continue to serve as an Independent Non-Executive Director of the Company notwithstanding that his tenure as an independent director has exceeded a cumulative term of nine (9) years.

5.8 Directors' Fees

<u>Resolution 8</u>	<u>Number of Shares</u>	<u>%</u>
Voted FOR	2,479,798,623	99.998
Voted AGAINST	37,816	0.002
	<u>2,479,836,439</u>	<u>100.000</u>

(ABSTAINED : 16,566,466 shares)

It was resolved that the Directors' fees of RM1,223,166 for the year ended 31 March 2018 be approved to be divided amongst the Directors in such manner as they may determine.

5.9 Directors' Benefits

<u>Resolution 9</u>	<u>Number of Shares</u>	<u>%</u>
Voted FOR	2,200,933,601	99.998
Voted AGAINST	34,566	0.002
	<u>2,200,968,167</u>	<u>100.000</u>

(ABSTAINED : 295,434,738 shares)

It was resolved that the payment of Directors' benefits to the Non-Executive Directors up to an amount of RM425,000 for the period from 29 August 2018 until the next Annual General Meeting be approved.

IJM CORPORATION BERHAD (104131-A)

34th AGM Minutes dd 28 August 2018

Page 7 of 8

5.10 Directors' Fees and Meeting Allowance of the Subsidiaries

<u>Resolution 10</u>	<u>Number of Shares</u>	<u>%</u>
Voted FOR	2,200,925,751	99.998
Voted AGAINST	38,416	0.002
	<u>2,200,964,167</u>	<u>100.000</u>

(ABSTAINED : 295,438,738 shares)

It was resolved that the payment of Directors' fees and/or meeting allowance by the subsidiaries to several Directors be approved:-

- i) Directors' fees of RM359,750 for the year ended 31 March 2018; and
- ii) Directors' meeting allowance of up to an amount of RM29,000 from 29 August 2018 until the next Annual General Meeting.

5.11 Authority to Issue Shares under Sections 75 and 76

<u>Resolution 11</u>	<u>Number of Shares</u>	<u>%</u>
Voted FOR	2,158,685,651	95.543
Voted AGAINST	100,689,554	4.457
	<u>2,259,375,205</u>	<u>100.000</u>

(ABSTAINED : 237,027,700 shares)

It was resolved that the Directors be and are hereby authorised, pursuant to Sections 75 and 76 of the Companies Act 2016, to allot and issue not more than ten percent (10%) of the total number of issued shares of the Company at any time, upon such terms and conditions and for such purposes as the Directors in their absolute discretion deem fit or in pursuance of offers, agreements or options to be made or granted by the Directors while this approval is in force, and that the Directors be and are hereby further authorised to make or grant offers, agreements or options which would or might require shares to be issued after the expiration of the approval hereof.

5.12 Renewal of Share Buy-Back Authority

<u>Resolution 12</u>	<u>Number of Shares</u>	<u>%</u>
Voted FOR	1,798,109,539	99.988
Voted AGAINST	213,586	0.012
	<u>1,798,323,125</u>	<u>100.000</u>

(ABSTAINED : 698,079,780 shares)

It was resolved that the Directors be and are hereby authorised to purchase the ordinary shares of the Company through the stock exchange of Bursa Malaysia Securities Berhad at any time upon such terms and conditions as the Directors in their absolute discretion deem fit provided that:-

- i) the aggregate number of shares purchased (which are to be treated as treasury shares) does not exceed ten per cent (10%) of the total number of issued shares of the Company; and
- ii) the funds allocated for the purchase of shares shall not exceed its retained profits;

IJM CORPORATION BERHAD (104131-A)

34th AGM Minutes dd 28 August 2018

Page 8 of 8

and that the Directors be and are hereby further authorised to deal with the treasury shares in their absolute discretion (which may be distributed as dividends, resold, transferred, cancelled and/or in any other manner as prescribed by the Companies Act 2016, and the relevant rules, regulations and/or requirements) and that such authority shall continue to be in force until:-

- a) the conclusion of the next Annual General Meeting (“AGM”);
 - b) the expiration of the period within which the next AGM is required by law to be held; or
 - c) revoked or varied in a general meeting,
- whichever occurs first.

5.13 Adoption of the New Constitution of the Company

<u>Resolution 13</u>	<u>Number of Shares</u>	<u>%</u>
Voted FOR	2,486,667,419	99.999
Voted AGAINST	15,286	0.001
	<u>2,486,682,705</u>	<u>100.000</u>

(ABSTAINED : 9,720,200 shares)

It was resolved that the new Constitution as set out in Appendix I of the Circular to Shareholders dated 30 July 2018 be and is hereby adopted as the Constitution of the Company in place of the existing Memorandum and Articles of Association (“Proposed New Constitution”);

and that the Directors be and are hereby authorised to give full effect and to do all acts and things as may be required for or in connection with the Proposed New Constitution.

6.0 CONCLUSION

There being no other business, the meeting concluded at 5.40 p.m. with a vote of thanks to the Chair.

Reply to the enquiries from Minority Shareholder Watchdog Group *vide* letter dated 17 August 2018

Strategy & Financials Matters

(1) Construction (pages 70 - 73 of the Annual Report 2018)

Q1 : Construction Division's outstanding order book surpassed RM9.41 billion, which is all-time high in FY2017. With the change of new Government, would there be any impact on the secured order book of the Group?

A1 : The major portion of the Construction Division's order book consists of private sector-led infrastructure and building projects.

Currently, the Construction Division, together with the Project Delivery Partner of the LRT3 project and other consultants, are conducting an assessment on the underground package of the LRT3 that was awarded to IJM Construction on 13 March 2018 for RM1.16 billion. The assessment is being undertaken with the view of reducing the overall project cost as instructed by the new Government. IJM would make the necessary public communication upon being formally notified by the Project Delivery Partner of any material change to the project scope.

Q2 : As reported on page 73 of the Annual Report 2018, the Division will prioritise the tendering of projects in overseas markets such as India and Vietnam.

What is the Group's current overall tender book value for overseas projects? How much contract value that the Division intends to bid in those countries?

A2 : At present, the Construction Division remains focused on executing its high level of outstanding order book while it will soon commence the construction of its largest contract to-date in India – the Vijayapura – Solapur BOT tollway at the project cost approximately RM1.4 billion, after having recently obtained the financial close for the concession.

The Division will resume its bid for other overseas projects upon reaching a sufficient stage of construction progress for the above mentioned BOT tollway.

(2) Property (pages 76 - 79 of the Annual Report 2018)

Q1 : How would the Board strategise the Division's business amid the challenging environment in our country?

A1 : In the past few years, the Property Division has been tailoring its product offerings to cater to the affordability and needs of the market while working closely with financial institutions to offer suitable financing packages to encourage home ownership, especially amongst first-time homebuyers. In order to ensure healthy take up rates for new launches, the Property Division undertakes extensive market studies and detailed demand analysis to gauge market response to the new launches. The Division has also been very focused on marketing and selling its completed unsold units through active sales promotions and campaigns.

The challenging property market has also presented certain opportunities, which the Division has capitalised on. During the year, the Division undertook the development of Menara Prudential, a Grade A office building at TRX for recurrent income streams. The Division continues to win customers with differentiated product and customer experience at its established and award winning residential projects.

Q2 : What is the total gross development value for existing property developments?

Q3 : How many acres of development land does the Group currently have? How long would it take for the Division to sustain the development if the landbank is not further replenished?

A2 : The Group has net attributable remaining land bank totalling 4,038 acres with a GDV of & RM33.7 billion. Based on present levels of property sales, the land bank is expected to last for more than 15 years.

Q4 : Please update on the progress and take up rates for all current development projects.

A4 : The Group's numerous property projects are at various stages of development and are on schedule. Being mindful of the challenging market in the last few years, the Group undertakes market assessments before launching new products. As a result, the average take up rates for launches undertaken in the past 2 financial years ended 31 March 2017 and 2018 is 73%.

Q5 : How would the Board address the issue of unsold inventories?

A5 : The Board has been closely monitoring the level of unsold inventories, of which a substantial proportion is under Bumi quota for which we are actively seeking release from the authorities. The various strategies employed to reduce unsold inventories involve customising solutions according to the individual projects and targeted buyer needs i.e. bulk sales, price discounts, rent-to-own and deferred payment schemes.

(3) Port (pages 98 - 99 of the Annual Report 2018)

Q1 : Kuantan Port has kicked off a rebranding project in February 2018 to introduce the New Deep Water Terminal ("NDWT") and increase its customer engagement,

(i) How successful is the branding exercise?

A1 (i) : The rebranding exercise was initiated to prepare the Kuantan Port for the eventual commencement of the New Deep Water Terminal. The exercise is ongoing. Thus far, a brand audit has been carried out with various internal and external stakeholders followed by initiatives to internally align the brand identity across the Port employees and processes to its strategies.

(ii) What is the expected future contribution from NDWT to the top and bottom-line of the Division?

A1 (ii): The NDWT will double the capacity of the existing Kuantan Port from 26 million tons to 52 million tons over 2 phases. Future revenue and profits from the NDWT would depend considerably on its utilisation rate, cargo type and various cost components over the 60 year concession.

Q2 : Kuantan Port expects to receive the approval to operate as a Free Zone Port by third quarter of 2018.

What is the status of the approval and when is the approval expected to be obtained?

A2 : The preliminary approval has been obtained and the Port is now awaiting the gazetting of the Free Zone status.

(4) Industry (pages 82 - 85 of the Annual Report 2018)

Q1 : On the overseas front, the Company is looking forward to continue the momentum gained in FY2018 through marketing efforts made in Singapore, Myanmar, Indonesia, Brunei and Bangladesh.

What are the prospects for the Division business in these countries in FY2019?

A1 : As stated on page 82 of the Annual Report, the Division exported a record volume of 248,589 tons of spun piles in FY2018. The Division hopes to build on the encouraging export performance and has tendered for the supply of spun piles for numerous projects in the region which include ports, oil storage terminals, manufacturing factories, a power plant and a submarine base.

Q2 : How much did the Group spend on the Division's Research & Development initiatives? What sorts of breakthroughs are expected to be achieved in the next few years that could potentially help to improve the Group's top and bottom-line performance?

A2 : The Division incurred Research and Development ("R&D") expenditure of around RM600 thousand in FY2018. Examples of R&D results that the Division aims to achieve include improving the concrete mix design to enhance concrete quality and strength at a lower cost, a reduction in the spinning duration for medium-diameter piles, a reduction in steam temperature and achieving a cost-effective concrete mix for IBS precast panels, among others.

(5) The Group's share of losses of Scomi Group amounted to RM56.01 million (FY2017: Loss of RM28.38 million) was attributable to operational and unrealised foreign exchange losses, losses on disposal of assets and asset impairments.

Could the Board share the plan on the Group's 21.43% stake in Scomi Group Berhad?

The IJM Board will evaluate the outcome of Scomi Group Berhad's recent efforts to turn its business performance around before making any decision. Scomi Group Berhad recently announced top management changes and a proposed private placement of up to 10% of its share capital to raise funds while at the same time, strengthen its capital base.

Pertinent Questions and Answers, and Comments at the Annual General Meeting

Q1 It was noted that the Group had a poor financial performance for the financial year ended (“FY”) 2018 with a reduction in earnings before interest, taxes and amortisation (EBITA), return on equity (ROE), return on assets (ROA) and normalised earnings. The stock market had also reacted to the financial performance of the Group with a fall in the share price of the Company. What are the plans for the Group to improve the financial performance within the next three (3) years?

A1 The construction, property and infrastructure (tolls) businesses had recorded steady performance for the last two (2) years. Other than the Mass Rapid Transit 2 (“MRT2”) and Light Rail Train 3 (“LRT3”) projects, the order book of the Group was mainly secured from the private sector. The Industry Division is expected to encounter some headwinds due to the increase in raw material prices, lesser new construction projects coupled with increasing market competition. Plantation is a cyclical business and is largely dependent on the crude palm oil (“CPO”) prices. However, more plantation acreage is coming into maturity in Indonesia and the Plantation Division is expected to achieve one (1) million tonnes of fresh fruit bunches (FFB) by next year. Barring any unforeseen circumstances, the Group is expected to achieve a reasonable performance in the next financial year.

Q2 Could the Board provide some insights in relation to the following news reports:-

- (i) review of toll rates and/or removal of tolls by the Government;
- (ii) review of construction contracts by the Government; and
- (iii) the possible cancellation of the East Coast Rail Link (“ECRL”) project by the Government and its impact on Malaysia-China Kuantan Industrial Park (“MCKIP”) and Kuantan Port, if any?

A2 In relation to the review of toll rates and/or removal of tolls by the Government, the Toll Division had provided all the information requested to the Government for its review. To-date, no definite outcome has been communicated from the Government to the Group; thus the Toll Division is carrying out its business as usual.

The Government is currently reviewing the LRT3 and the MRT2 projects for further cost reduction. However, the Company has yet to receive any updates from the Government for both the projects. The work for the MRT2 project is in progress.

The cancellation of the ECRL project is not expected to have a major impact on the Group as most of the current investors in MCKIP are planning to export their products through Kuantan Port instead of via railway.

Q3 Does the Company intend to dispose its interests in IJM Plantations Berhad (“IJMP”)?

A3 The Company builds and nurtures its businesses to deliver sustainable value to its stakeholders, which may include, from time to time, exploring various investment proposals or initiatives. The Company is committed to good corporate disclosure and appropriate announcements, if any, would be made to Bursa in accordance with the Main Market Listing Requirements as and when required.

Q4 Why was there a substantial drop in the performance compared to the previous financial year ended 31 March 2017 (“FY 2017”)?

A4 In FY 2017, the Group recorded a foreign exchange gain and the Property Division had a substantial one-off gain from the disposal of a piece of land in Penang. However, in FY 2018, the Group recorded foreign exchange losses and had also incurred some capital expenditure, for example, the TRX Commercial Tower and the New Deep Water Terminal (“NDWT”) at Kuantan Port. Based on the core profit before tax, the Divisions that under performed were the Industry and Plantation Divisions. The Plantation Division was adversely affected by the lower CPO price and foreign exchanges losses.

Q5 There may be no more tunneling works for LRT3 project due to cost reduction by the Government. What would be the strategy or plan of IJM as many projects have been curtailed by the Government and IJM was involved in some of the projects?

A5 The Group is working on two (2) Government controlled projects, namely the LRT3 and MRT2 projects. For the LRT3 project, a proposal to build an overhead instead of tunnel had been proposed to Prasarana Malaysia Berhad by the Project Delivery Partner (“PDP”). To-date, the PDP has not given any instructions to IJM for any variation. Whereas for the MRT2 project, the works are still on-going as usual and if there are any cost saving initiatives to be implemented, the Government or PDP will inform IJM.

Q6 There is already a manifesto by the new Government to abolish toll. Going forward, the Government may either increase the toll rate or abolish the toll. How much would be the exposure of IJM as far as toll concessions in Malaysia were concerned, in terms of revenue?

A6 In the event that the Government decides to expropriate the toll concessions, the concession holder would be compensated accordingly pursuant to the Concession Agreement. In FY 2018, the revenue contribution by the Toll Division was slightly less than 10%.

Q7 How long has PricewaterhouseCoopers PLT (“PwC”) been the Auditors for IJM? It is believed that there was a Bursa standing that Auditors should not stay for more than five (5) years. It was suggested that, for good corporate governance, the Board should appoint a new Auditors.

A7 PwC have been the Auditors for IJM for more than 10 years. There is no requirement from Bursa for audit firm rotation. However, there is a requirement for audit partner rotation by the Malaysian Institute of Accountants and the requirement has been adhered to.

Q8 Sands from the East Coast were shifted very much and very often due to the NDWT. During the recent erosion in Kelantan, some property owners found their houses and swimming pools were claimed by the sea. How would IJM prevent such happening on the properties?

A8 There was a 4.6 km breakwater to prevent high waves from coming in during the monsoon season so that the port can be operational throughout the year. The draft of the port basin, must be of consistent depth to ensure ships of up to certain sizes are able to come in. The breakwater prevents the shifting of sand from the sea coming into the port area. Furthermore, maintenance dredging would be carried out every five (5) to six (6) years; while slope protection was also instituted at the wharf area.

Q9 Has IJM overpaid income tax? Does Inland Revenue Board (“IRB”) owe IJM money?

A9 There would be some tax refund due to IJM and Management has been following-up closely with IRB. Sometimes when there were disputes arising from tax audits, IRB would hold back the tax refund.

Q10 The Prime Minister has announced that some lumpy construction projects would be cancelled. How would the cancellation, if any, impact the Group in FY 2019?

A10 Based on the latest reported news, the Prime Minister has mentioned that only the ECRL project might be cancelled or deferred. We are unable to make any comments until there is further clarification made by the Government.

Q11 The administrative expenses had increased significantly from RM339 million to RM365 million, whereas other operating expenses had increased from RM66 million to RM79 million. Amidst that, the income has come down significantly. Recognition of rewards to staff has also been consistent. Could the Board share its view on this?

A11 The administration expenses includes normal staff cost and foreign exchange losses arising from the Plantation Division as part of the foreign exchange losses were classified as administration expenses and not as finance costs under the accounting standards.

The vesting of shares to employees was in accordance to the Long Term Incentive Plan of the Group. The award of the incentive shares would be vested over a period of two (2) years, if the targets for two (2) financial year results were achieved. There is a lag effect of the vesting in terms of financial year results and the release of the vesting which was normally in June. A large portion of the performance share grants were aligned with the shareholders whereby it was measured based on the total return to shareholders which included the dividend payout yield and one (1) year weighted average price movement for the current year compared to the previous year.

Q12 The concessions in Vietnam and Argentina are coming to an end. Could the Board share the development for the two (2) investments?

A12 There is one (1) more year left for the concession of the Binh An water treatment plant. Efforts are being undertaken to obtain an extension of the concession for the water treatment plant but so far there are no updates from the authorities.

Whereas for the toll concession in Argentina, an extension of the concession period until 31 December 2030 had been obtained. The extension of the toll concession has been granted by the Argentinian government as a settlement amounting to USD247 million for breaches of covenant on toll rate increases which should have been given in the past. Grupo Concesionario del Oeste S.A. (“Grupo”), a 20% associate, was allowed to manage the toll collection for 12 more years to recover the USD247 million. During the FY 2018, Grupo had received a toll increase of 56% which would contribute to the future revenue growth. The Company had received USD4 million to USD5 million of dividend last year, and would probably be receiving another USD3 million of dividend this year. These were actually dividends which were declared much earlier but there was a freeze on export of funds in the past and the payments had just been released.

Q13 The dividend payout from FY 2015 until FY 2018 were 15 sen, 10 sen, 7.5 sen and 6 sen respectively. Why was the dividend payout decreasing annually?

A13 The dividend payout was dependent on the funding required especially for current investments such as the NDWT and TRX Commercial Tower. The Company has also sold some of the non-core assets to fund the capital investment. The Board would like to pay dividend as much as possible to the shareholders. However, the quantum of the dividend payout could only be determined after taking into account, inter alia, the level of available funds, capital expenditure commitments and other investment planning requirements.

Q14 The international ventures include Argentina, Vietnam, Indonesia, Pakistan, Middle East and India. Can the Board share some information about the international ventures of the Group?

A14 There is a Build-Operate-Transfer (BOT) toll road project in India. For the Middle East, there were some payments to be collected from the remnants of the contract that was done previously. In Pakistan, there was the Karachi Expressway claim and also the concrete business. There are oil palm plantations in Indonesia, Binh An water treatment plant and property development in Vietnam, and toll concession in Argentina.

Q15 Most of the borrowings were Islamic term loans. Why was there an owing interest expense as it was not in compliance with the requirements of Islamic financing? What was the average interest rate that was incurred for the financing?

A15 Most of the loans of IJM are actually Sukuk and that is why IJM is classified as a shariah counter. However, IJM is not an Islamic financial institution or an Islamic institution, where profit rates instead of interest have to be disclosed. As IJM is a conventional company, the numbers could be collated and categorised as interest. Under Note 16 on pages 271 and 272, the disclosures did actually reflect the profit rates applicable for the Islamic funding. The disclosures made by IJM have met the requirements of the accounting standards. The average interest rate that was incurred for the financing of USD, INR and RM loans was less than 6%.

Q16 What was the reason for the significant increase of the defined benefit retirement plan from RM2 million in FY2017 to almost RM13 million in FY2018?

A16 The increase in retirement benefit was mainly attributable to the Plantation Division which had converted many temporary workers to permanent workers during the FY 2018 in its Indonesian operations. The permanent workers were entitled to retirement benefits.

Q17 The profit margin was less than 10% for FY 2018, but it did not match with the employee benefits cost whereby it has increased, especially the directors' remuneration which had exceeded by 10%. Perhaps it was about time to award loyal shareholders with better door gifts.

A17 It is the Company's policy not to give door gifts.

Q18 Has the Board held any meetings to discuss the disposal of IJMP or has IJM been approached by any parties wanting to purchase IJMP?

A18 All the operations and assets of the Group would be deliberated upon by the Board from time to time as part of the Group's strategic review. About the disposal of IJMP, the Company has not been approached by any parties to-date. The Board would accordingly discuss the disposal should the Company receive a formal proposal.

Q19 Someone approached the Prime Minister to build the ECRL for RM10 billion. Was IJM involved in that proposal?

A19 IJM was not involved in the proposal to build the ECRL for RM10 billion.

Q20 How much would IJM be compensated if the Government needs to take over all the toll concessions?

A20 We are not in the position to disclose any numbers. However, the formula generally includes the cost of construction of the highway and a return on equity to the highway promoters depending on the provisions of the concession agreement.

Q21 How much was the outstanding tax refund from IRB?

A21 The outstanding tax refund from IRB was about RM135 million.

Q22 Did IJMP have mass orders from China and have the orders increased as the export tax has been reduced?

A22 IJMP does not sell palm oil directly to China. The CPO is being sold to oil purchasers, who then export to other countries.

Q23 Did the industry division manufacture steel? Was it true that the raw material steel price in Malaysia was higher than the market rate and steel could have been bought cheaper from China but because there was additional tax or tariff on it?

A23 The Industry Division does not manufacture steel. We produce pre-stressed concrete bars for our own usage. The major activities of the Industry Division are production and sale of spun piles, quarry products and ready-mixed concrete. There could be a possibility that steel prices in Malaysia are higher compared to other countries depending on the types of steel. One (1) of the reasons for higher prices is due to the safeguard duty imposed by the Government since April 2017 for three (3) years until 2020 to protect the local steel industry.

Q24 What was the impairment of property development cost amounting to RM21 million under Note 13 of the Notes to the Audited Financial Statements for the FY 2018 on Segmental Reporting (Page 255 of the Annual Report 2018)? Were there still a lot of unsold properties?

A24 The impairment of property development cost was from a project in Penang. There were some completed stocks but the bulk of it were Bumi quota lots which have not been released. The issue of the release of Bumi quota lots has been conveyed to the various State authorities.

Q25 What would be the implications of the NDWT and MCKIP projects arising from the uncertainties due to the change in Government? Was IJM a shareholder which invested in the NDWT and MCKIP projects or just a contractor constructing both the projects? With the change in Government, would Kuantan still be sustainable for doing business? With so much development going-on, would Kuantan be overbuilt?

A25 MCKIP is a project between the Malaysian Government and the Chinese government. There is also a park in Qinzhou of Nanning province known as China-Malaysia Qinzhou Industrial Park. In Malaysia, the MCKIP project has three (3) phases. IJM has 20% effective interest in MCKIP 1, while the Chinese counterpart has 49% equity interest. Whereas for MCKIP 2 and MCKIP 3, IJM is a 60% shareholder while the Chinese counterpart has 40% equity interest. IJM is also involved in the development of the MCKIP project. The first factory being built in MCKIP is Alliance Steel from China, which is due for commercial production towards the third quarter of 2018. The throughput coming from Alliance Steel to Kuantan Port is expected to be about 7 million tonnes. Management and the Board will closely monitor the changes given that the new Government has just been in-place. IJM will abide with the policies that the new Government implements. Going forward, the throughput of Kuantan Port would increase due to the increase in capacity via the NDWT. Efforts would also be made to bring in more investors to MCKIP.

Q26 What are the new launches and the current planning for the property segment, and would these be sustainable in the near future as most are medium high end property projects, especially in Penang? Does IJM have any new plans to cater for more affordable projects in the market?

A26 The Property Division has a mixture of affordable and medium high-end products in the pipeline of upcoming launches. A new project called The 3 Residence comprising 478 units and priced about RM550,000 would be launched in Penang in the third quarter of FY 2018. The pre-registration for The 3 Residence is now more than 400 registrants. The affordable homes in Pantai Sentral Park, Kuala Lumpur called Suria Pantai will be launched at RM275,000 per unit. Whereas in Seremban, a 242-unit apartment project will be launched at RM280,000 per unit. For landed properties in Johor, the Austin Duta link semi-detached project will be launched at RM700,000 per unit. The average take-up rate of the property projects for FY 2017 and FY 2018 was 73%.

Some of the projects in Seremban, Bandar Rimbayu and Shah Alam 2 are selling well. Management is aware of the market and has always been cautious in launching new projects. New projects will only be launched if strong responses are received from the pre-launch registrations as part of the measures of the Group to manage the level of the unsold stocks.

Q27 IJM is the largest shareholder of Scomi Group Berhad (“Scomi”). Did IJM have any plans to help the underperforming SGB?

A27 There was a change in Management of Scomi and a proposed private placement is currently being undertaken by Scomi. An appropriate decision would be made on Scomi in due course.

Q28 What would be the impact of the abolishment of the Goods and Services Tax (“GST”) and the implementation of the Sales and Services Tax (“SST”) on the Group?

A28 The Group has analysed the impact of the transition from GST to SST, and the two (2) taxes would have minimum impact on the Group.

Q29 Could you highlight the major changes to the Constitution for the benefit of the shareholders?

A29 Some of the major changes to the Constitution are as follows:-

- (i) the abolishment of the concept of the authorised capital and no longer having a par value;
- (ii) the use of electronic means to send notices and documents to shareholders;
- (iii) an alternate director to be appointed shall not be a director of the company; and
- (iv) a person cannot be an alternate director to more than one (1) director at any point in time.

Comment 1

In relation to the comment of shareholders on door gifts, shareholders should realise that it would be more important for them to take care of their investment rather than going to meetings just for the door gifts. IJM did not give door gifts to all its shareholders and yet so many shareholders still make an effort to attend the meeting.