

IJM CORPORATION BERHAD (104131-A)

EGM Minutes dd 8 January 2015

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EXTRACT of the **MINUTES** of the **Extraordinary General Meeting {EGM}** of **IJM CORPORATION BERHAD (104131-A)** held at the Victorian Ballroom, Level 1, Holiday Villa Hotel & Suites Subang, 9 Jalan SS12/1, 47500 Subang Jaya on Thursday, 8 January 2015, at 10.00 a.m.

DIRECTORS & SECRETARY PRESENT:-

1. Tan Sri Abdul Halim bin Ali, *Independent Non-Executive Chairman*
2. Tan Sri Dato' Tan Boon Seng @ Krishnan [TSKT], *Deputy Non-Executive Chairman*
3. Dato' Teh Kean Ming [DTKM], *Chief Executive Officer ("CEO") & Managing Director ("MD")*
4. Dato' Soam Heng Choon [DSHC], *Deputy CEO & Deputy MD*
5. Datuk Lee Teck Yuen [DLTY], *Senior Independent Non-Executive Director*
6. Datuk Ir. Hamzah bin Hasan, *Independent Non-Executive Director*
7. Pushpanathan a/l S A Kanagarayar, *Independent Non-Executive Director*
8. Dato' David Frederick Wilson, *Non-Executive Director*
9. Ng Yoke Kian, *Company Secretary*

MEMBERS AND PROXIES PRESENT:-

36 members and 20 proxies (excluding Directors and Secretary)

1.0 BRIEFING

Before considering the resolution, the Chairman requested Mr Suren Raj Nadarajah ("Mr Suren"), the Director of Maybank Investment Bank Berhad, to present to the meeting a brief on the proposed privatisation of IJM Land Berhad ("IJM Land") by IJM Corporation Berhad ("IJM" or the "Company") to be undertaken by way of a members' scheme of arrangement pursuant to Section 176 of the Companies Act, 1965 ("the Act") ("Proposed Privatisation" or "Proposal") for the benefit of members present at the meeting. The areas covered included the overview of the Proposed Privatisation, basis and justification for the offer price and issue price, valuation of the material real estate, rationale and benefits of the Proposed Privatisation, effects of the Proposed Privatisation, tentative timeline and the approvals required.

Mr Suren also presented the responses (Annexure I) of the Company to questions raised by the Minority Shareholder Watchdog Group *vide* its letter dated 5 January 2015 in relation to the Proposed Privatisation.

After the presentation by Mr Suren, the Chairman invited questions and comments from the floor in connection with the Proposed Privatisation and the presentation, and the questions were responded to by the CEO&MD and/or Mr Suren accordingly (Annexure II).

2.0 VOTING BY INTERESTED DIRECTORS

The Chairman informed that TSKT, DTKM, DSHC, DLTY and himself ("Interested Directors") were deemed interested in the Proposal and notwithstanding that the Interested Directors are allowed to vote on the Resolution pertaining to the Proposal, they have voluntarily abstained from voting on the Resolution.

3.0 POLL VOTING

The Chairman informed that the resolution to be considered at the meeting would be put to vote by poll, as stated in Note 2 of the Notice of the EGM dated 24 December 2014.

Poll voting on the resolutions would be conducted concurrently by Tricor Investor Services Sdn Bhd, the appointed Official Independent Scrutineers.

4.0 PROPOSED PRIVATISATION

It was resolved that, subject to all relevant approvals being obtained including but not limited to the sanction of the High Court of Malaya of the Scheme as described hereunder, the Company approved to implement the Proposed Privatisation by way of a members' scheme of arrangement between IJM Land, IJM and/or its nominee(s) and all the shareholders of IJM Land other than IJM ("Scheme Shareholders") pursuant to Section 176 of the Act, involving the acquisition by IJM and/or its nominee(s) and transfer of all the ordinary shares of RM1.00 each in IJM Land held by the Scheme Shareholders ("Scheme Shares") to IJM and/or its nominee(s), at a price of RM3.55 for each Scheme Share which shall be satisfied in the following manner:-

- (i) the issuance of zero-point-five (0.5) IJM Share at RM6.66 per IJM Share ("Consideration Share(s)"); and
 - (ii) RM0.22 in cash,
- for every one (1) Scheme Share held ("Scheme")

and that the Consideration Shares shall, upon allotment and issuance, rank pari passu in all respects with the then existing IJM Shares except that the Scheme Shareholders shall not be entitled to any dividends, rights, allotments and/or any other distributions, the entitlement date of which is prior to the date of allotment and issuance of the Consideration Shares.

It was further resolved that the Directors of the Company be and are hereby authorised to:-

- (a) allot and issue the Consideration Shares pursuant to and in accordance with the terms of the Scheme, subject to any conditions, modifications, variations and/or amendments as may be agreed to/required by any relevant regulatory authority in respect of the Scheme or as a consequence of any such requirement; and
- (b) take such steps, execute such documents and enter into any arrangements, agreements and/or undertakings with any party or parties as they may deem fit, necessary, expedient or appropriate in order to implement, finalise and/or give full effect of the Proposed Privatisation with full powers to assent to any terms, conditions, modifications, variations and/or amendments as may be agreed to/required by any relevant regulatory authority or as a consequence of any such requirement or as may be deemed necessary and/or expedient in the best interests of the Company.

The poll result was noted as follows:-

	<u>Number of Shares</u>	<u>%</u>
Votes FOR	927,434,228	100
Votes AGAINST	-	-
	<u>927,434,228</u>	<u>100</u>

ABSTAINED: 6,870,768 shares

Prior to voting on the resolution, members were informed that 99.48% (690.7 million shares) of the total votes received from members appointing proxies have indicated support for the resolution, and none against.

5.0 TERMINATION

There being no other business, the meeting was terminated at 11.25 a.m. with a vote of thanks to the Chair.

Reply to the enquiries from Minority Shareholder Watchdog Group *vide* letter dated 5 January 2015

Q1 : As stated on Page 1 of the Circular, pursuant to the waiver obtained from Bursa Securities from having to comply with Para. 10.08 of the Listing Requirements, the independent adviser is no longer required for the Proposed Privatisation.

- (i) Please explain for the benefit of shareholders the reason or rationale for seeking a waiver and on what basis was the waiver granted.
- (ii) Would the non-requirement of an independent adviser not deprive shareholders an access to an independent view and recommendation and, therefore, may be detrimental to their interests?
- (iii) However, on Page 18 (S.9(a)(2)), it was also stated that the grant of the waiver by the SC pursuant to PN 44 of the Code from certain provisions was subject to, among others, obtaining the SC's consent for an independent advice circular. Please explain.

A1 : Reply to Question 1 (i)

The Proposed Privatisation is a related party transaction ("RPT") pursuant to Paragraph 10.08 of the Listing Requirements in view of EPF's interests in both IJM and IJM Land as EPF is a major shareholder of IJM and held more than 5% in IJM Land at the time of the initial announcement on the Proposed Privatisation on 9 June 2014.

A waiver was sought from complying with Paragraph 10.08 of the Listing Requirements based on, inter-alia, the following justifications:-

- (a) EPF did not initiate and is not the promoter of the Proposed Privatisation, and had no knowledge of the Proposed Privatisation prior to the release of the initial announcement of the Proposed Privatisation on 9 June 2014. In other words, EPF's position is no different from the other shareholders of IJM who would have only known about the Proposed Privatisation via the same announcement;
- (b) given that EPF does not have any control or influence on the Boards of IJM and IJM Land in relation to the Proposed Privatisation since it does not have any representative on both the Boards of IJM and IJM Land, and the Proposed Privatisation cannot be approved by EPF solely, it may not be fair to preclude or deprive EPF from exercising its right as a shareholder, similar to any other non-interested shareholders of IJM, especially when EPF is a statutory institution that manages funds belonging to the general public and hence, is accountable to its contributors; and
- (c) there is no preferential treatment being extended to EPF pursuant to the Proposed Privatisation because all the non-interested shareholders of IJM Land are extended the same terms and conditions under the Proposed Privatisation.

Reply to Question 1 (ii)

Due to reasons stated in the Reply 1(i) above, the non-availability of an independent view and recommendation on the Proposed Privatisation would not be detrimental to the interests of the non-interested shareholders of IJM, especially when EPF's position is no different from the other shareholders of IJM and EPF is not extended any preferential treatment pursuant to the Proposed Privatisation.

Reply to Question 1 (iii)

The condition as set out in Section 9(a)(2) on page 18 of the Circular in relation to obtaining the SC's consent for an independent advice circular is a condition imposed by the SC to be fulfilled by IJM Land and not by IJM.

Q2 : We also noted from Page 19 of the Circular that IJM's interested major shareholder, EPF, and certain IJM directors also have shareholdings in IJM Land. In view of their interests in the Proposed Privatisation, a waiver had been sought and obtained from Bursa Securities which would allow them to vote on the resolution pertaining to the Proposed Privatisation to be tabled at the forthcoming EGM.

Please explain for the benefit of shareholders the reason or rationale for seeking a waiver and on what basis was the waiver granted.

A2 : Based on the justifications as set out in the responses to Q1(i) and Q1(ii), Bursa Securities had granted a waiver from compliance with Paragraph 10.08 of the Listing Requirements, so that EPF would be allowed to vote on the resolution pertaining to the Proposed Privatisation.

On the other hand, the Interested Directors are allowed to vote on the resolution pertaining to the Proposed Privatisation because the Proposed Privatisation is not regarded as RPT (notwithstanding the interests of the Interested Directors) by virtue of Paragraph 10.08(11)(c) of the Listing Requirements. Notwithstanding that Interested Directors are allowed to vote, they have voluntarily abstained from voting on the resolution pertaining to the Proposed Privatisation.

Q3 : As shown on Page 8 of the Circular, the Offer Price of RM3.55 for each Scheme (IJM Land) Share is at price-to-book ratio (PBR) of 1.68 times.

In the case of the Consideration (IJM) Share, based on the Issue Price of RM6.66 for each IJM Share, what is the PBR?

If the valuation of Material Real Estate were to be factored in for both IJM Land and IJM, what would be respective revised PBRs?

A3 : Based on the IJM Group's audited net assets ("NA") attributable to owners of IJM as at 31 March 2014 of RM6.74 billion, the Issue Price represents a PBR of 1.41 times.

If the net revaluation surplus arising from the valuation of the Material Real Estate were taken into account, the adjusted audited NA of the IJM Group and IJM Land Group as at 31 March 2014 would be RM8.27 billion and RM5.67 billion respectively. Accordingly, the PBRs of the Issue Price and Offer Price would be 1.15 and 0.98 respectively.

Q4 : Page 8 of the Circular also states that the Offer Price of RM3.55 for each of IJM Land Share represents price-to-earnings ratio (PER) of 17.22 times.

In the case of the Consideration (IJM) Share, based on the Issue Price of RM6.66 for each IJM Share, what is the PER?

At an Issue Price of RM6.66 per share, how does it fare or stand in comparison with other comparable companies in terms of PBR and PER?

A4 : Based on the IJM Group's adjusted net profit attributable to the owners of IJM for the financial year ended 31 March 2014 of RM686.71 million (after excluding RM142.89 million, being IJM's share of the gain on re-measurement arising from the acquisition of additional

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equity interest in Radiant Pillar Sdn Bhd by IJM Land), the Issue Price represents a PER of 13.62 times, which falls within the range of trading PERs of IJM's selected comparable companies, namely Sunway Berhad, WCT Holdings Berhad and Gamuda Berhad, of between 7.63 times and 16.15 times based on the closing share prices of these comparable companies on the Last Trading Day (i.e. 5 June 2014).

Based on the IJM Group's audited NA attributable to owners of IJM as at 31 March 2014 of RM6.74 billion, the Issue Price represents a PBR of 1.41 times, which falls within the range of trading PBRs of IJM's selected comparable companies of between 1.03 times and 2.16 times based on the closing share prices of these comparable companies on the Last Trading Day.

Q5 : Apart from having Maybank Investment Bank as the Principal Adviser, IJM also appointed a Financial Adviser, Newfields Advisors. Please enlighten shareholders why Maybank Investment Bank's role could not be expanded to include that of a Financial Adviser. Shareholders may also wish to have a better understanding of what specifically are the areas and differences in work scope performed by the two different advisers.

A5 : The primary responsibilities of the Principal Adviser in relation to the Proposed Privatisation are as follows:

- assist IJM with the overall management and co-ordination of the transaction;
- advise on compliance with the guidelines and disclosure requirements of the various regulatory authorities including but not limited to the SC and Bursa Securities; and
- submit the necessary applications pertaining to the Proposed Privatisation to the SC and Bursa Securities on behalf of IJM and liaise with the various regulatory authorities on these applications on behalf of IJM.

On the other hand, Newfields, who had been exploring ideas/proposals with the Management on restructuring of IJM's property division for this transaction, their primary role as Financial Adviser had encompassed advising on the appropriate strategies, including methods and the corresponding terms, to privatise IJM Land. In its capacity as Financial Adviser, together with the Principal Adviser, Newfields also co-ordinates the workstreams of the other professional advisers appointed by IJM to ensure an expeditious completion of the Proposed Privatisation.

Pertinent Questions and Answers at the Extraordinary General Meeting

Q1 If IJM Land Berhad (“IJML”) is delisted upon the successful completion of the Proposed Privatisation, will IJML be listed again on the Main Market of Bursa Malaysia Securities Berhad (“Bursa Securities”) in the future?

A1 The re-listing of IJML is possible and would depend on the future considerations on a number of factors such as capital requirements and market conditions.

Q2 By making IJML a wholly-owned subsidiary, will IJML become a burden of IJM Corporation Berhad (“IJM”) or the Company should there be a property market downturn?

A2 IJML is presently already a 64.15% subsidiary of IJM. No doubt property business is a cyclical industry, however, the Company takes a long term view on all our businesses. The Company has proven to be resilient in the past few economic downturns, thus the Company is confident of overcoming challenges arising from any slowdown in the economy.

Q3 The Offer Price of RM3.55 and the Issue Price of RM6.66 represented a premium of 13% and 0.9% respectively based on the last traded IJML and IJM share prices on 5 June 2014. What was the rationale for the big difference in premium for the Offer Price compared to the Issue Price?

A3 The higher premium for the Offer Price of IJML was to entice the shareholders of IJML to accept the offer pursuant to the Proposed Privatisation. The Company felt that the 13% premium is a fair incentive for them to accept the offer. However, the premium to the Issue Price of IJM was lower than the Offer Price of JML as it was the intention of the Company to fix the Issue Price at the market price.

Q4 Since the Proposed Privatisation appears to be imminent, what will be the financial impacts of the Proposed Privatisation to the IJM Group for the financial year ending 31 March 2015? Did the Company perform any financial simulation to forecast the results? Would the earnings of the IJM Group be improved post privatisation?

A4 There was no financial simulation undertaken as it is not the policy of the Company to disclose future earnings of the Group. The Proposed Privatisation is in line with the intention of the Company to obtain full control of IJML by making it a wholly-owned subsidiary. The Proposed Privatisation would enable the IJML Group to leverage on the financial standing and the resources of the IJM Group to assist in the growth of the IJML Group. Barring unforeseen circumstances, the Proposed Privatisation is expected to contribute positively to the future earnings of the IJM Group.

Q5 Why was the route of Section 176 of the Companies Act, 1965 opted to privatise IJML instead of other routes, such as the takeover offer?

A5 The members’ scheme of arrangement pursuant to Section 176 of the Companies Act, 1965 was selected after considering various factors such as approval required and timeframe for completion of the corporate exercise. One of the primary factors was that the Proposed Privatisation required valuation exercise to be undertaken pursuant to the Listing Requirements of Bursa Securities and compliance of the Securities Commission’s Asset Valuation Guidelines (Paragraph 10.04(3) and(4) of the Listing Requirements). Pursuant to the Malaysian Code on Take-Overs & Mergers 2010 (“the Code”), offer document must be issued within 21 days from the announcement of

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takeover offer. It was challenging for the Company to comply with the Code while complying with the requirements of Bursa Securities and Securities Commission for the valuation exercise. As such, the Company has opted the route via members' scheme of arrangement pursuant to Section 176 of the Companies Act, 1965 for the Proposed Privatisation.

Q6 How does the Board look at the dividend policy of IJM post-privatisation of IJML? Would IJM be able to improve its yield after the Proposed Privatisation and become a more dynamic entity?

A6 The Company has been consistently paying reasonable rate of dividends in the past. The Proposed Privatisation was not expected to have any impact on the dividend policy of the Company. Going forward, the Board would continue to take a balanced approach in the quantum of dividend by considering factors such as the financial performance, the retained earnings of the Company and capital expenditure requirements.

Q7 What is the performance outlook of IJML under the wings of the Company? Will there be any new dynamism for IJML to propel further in particular with the stiff competition from the competitors?

A7 The Proposed Privatisation would enable the IJML Group to leverage on the financial standing and the resources of the IJM Group to assist in the growth of the IJML Group going forward and strengthen its position to undertake larger scale projects in the future. In this context, IJML will have greater means at its disposal to develop its land bank while it continues to find and employ innovative ways to constantly improve its products and services.

Q8 Would there be any benefit for the merged entity from the perspective of savings from the upcoming implementation of Goods and Services Tax ("GST")?

A8 IJM and IJML are operating as separate entities. Both the companies have to comply with the requirements of the Goods and Services Tax Act 2014. Hence, there would not be any saving arising from the implementation of GST after the Proposed Privatisation.