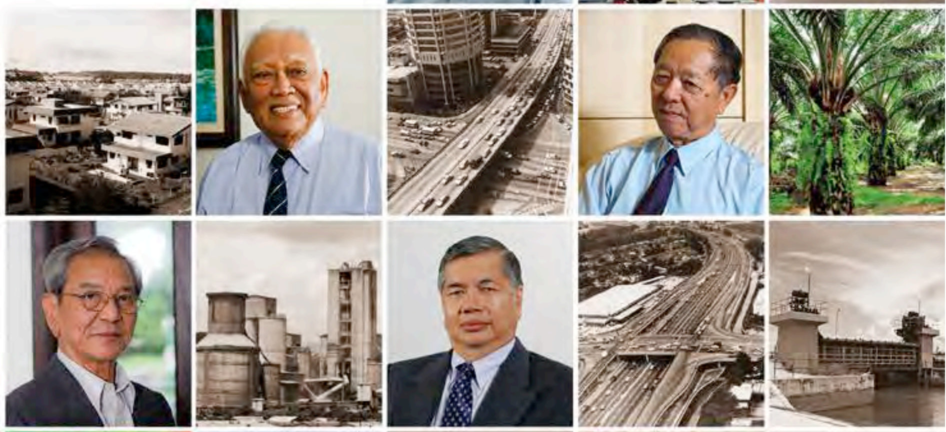
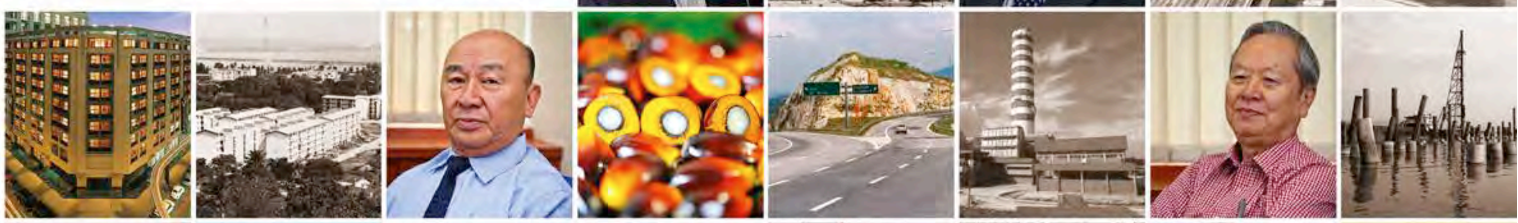
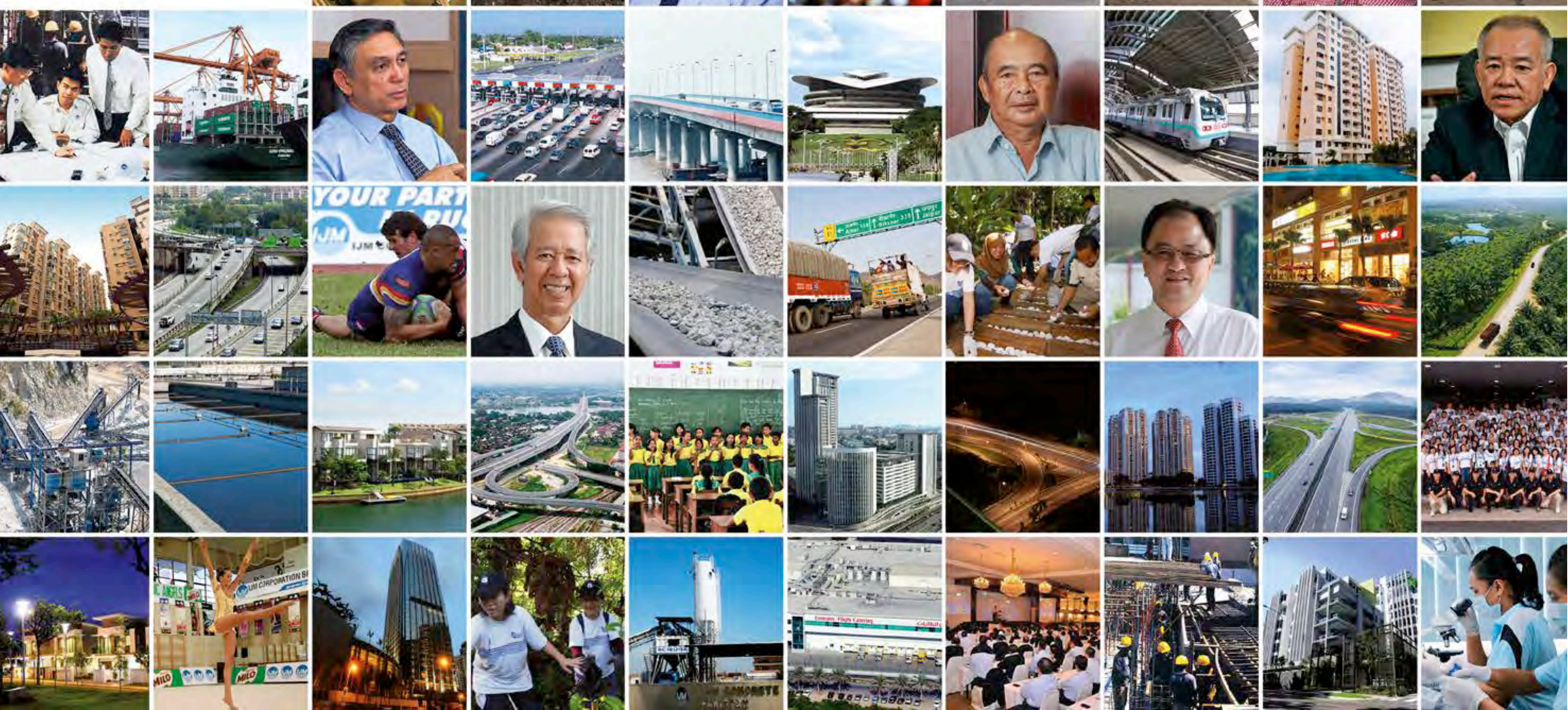
the IJM story

30 years of Distinction & Pride

1983-2013







In 1982, a group of professional engineers, many of them buddies from Technical College, Kuala Lumpur, met to map out a way to compete as equals with well-capitalised foreign players who had entered the growing Malaysian construction industry.

The result was the merger of their three companies in 1983. They named the new company after their initials, written in alphabetical order: IGB Construction Sdn Bhd, Jurutama Sdn Bhd and Mudajaya Construction Sdn Bhd. In 1986, IJM was listed on the Kuala Lumpur Stock Exchange.

The formative years were difficult, and as a result, IJM diversified – into property development, manufacturing, plantations and overseas.

The IJM story had just started…

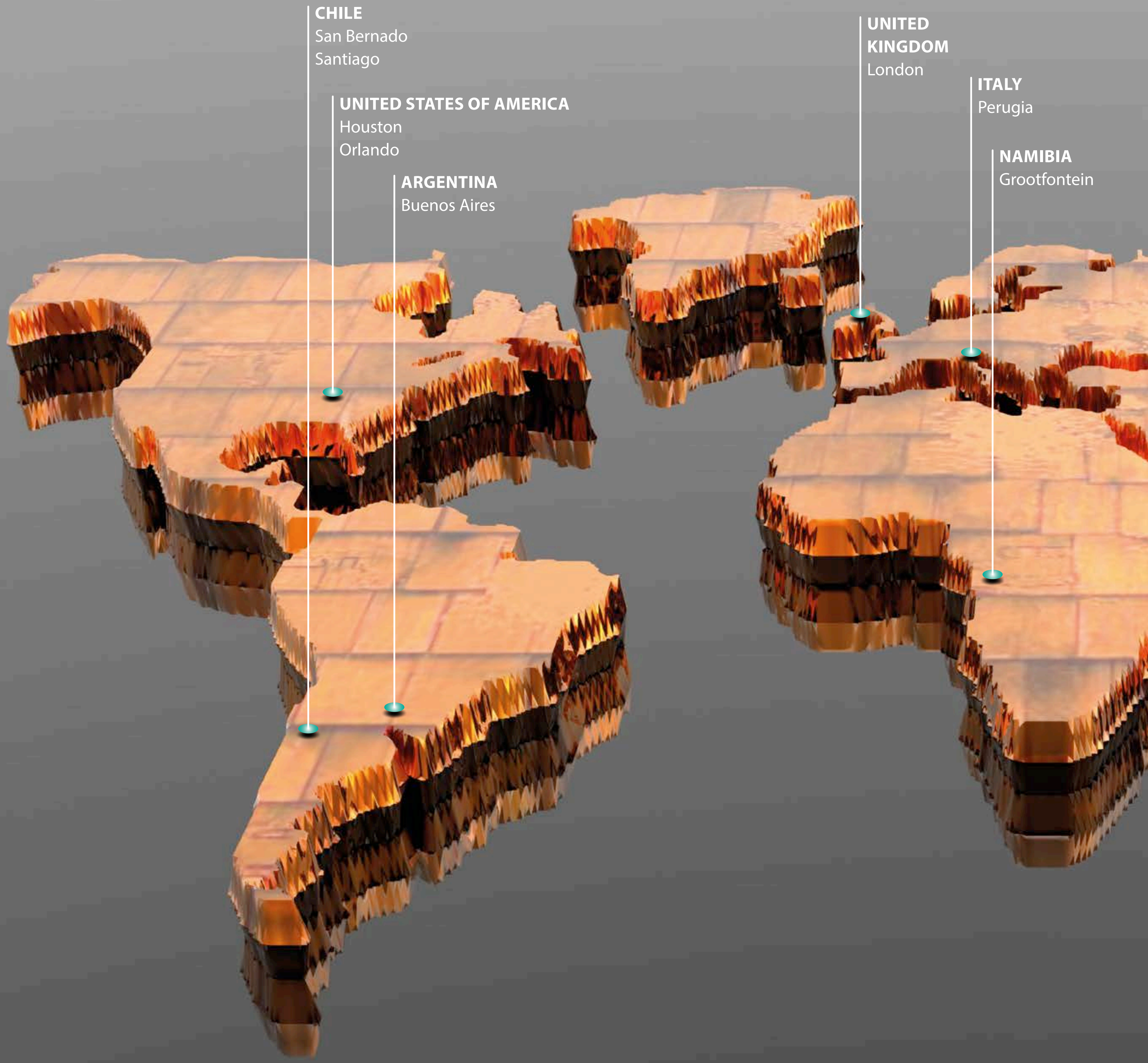
THE IJM STORY

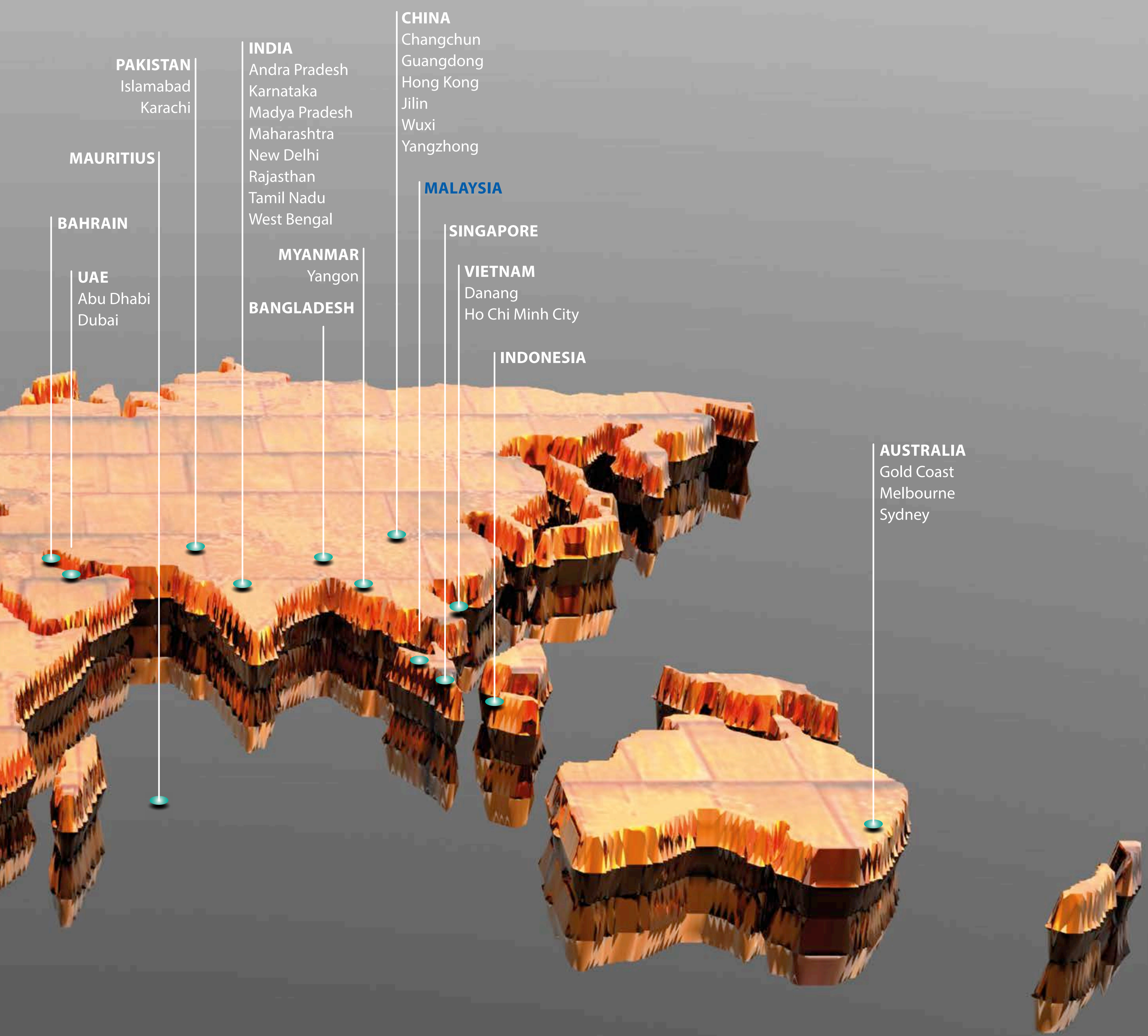
30 years of Distinction & Pride

1983-2013

IJM CORPORATION BERHAD

THE IJM FOOTPRINT

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Wuxi
Yangzhong
MALAYSIA
SINGAPORE
VIETNAM
Danang
Ho Chi Minh City
INDONESIA
AUSTRALIA
Gold Coast
Melbourne
Sydney

Moving with the Times

Original Logo (1983-1989)

Current Logo (since 1989)

The IJM Motto

Big, Strong and Caring

(1983-1990)

Excellence through Quality

(1990-2000)

We Deliver

(2000-to date)

IJM Managing Directors 1983-2013

Left to right: Koh Boon Chor (1983-1988), Goh Chye Keat (1988-1996), Krishnan Tan Boon Seng (1997-2010) and Teh Kean Ming (2011-to date)

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CONTENTS

Malaysia's first prime minister Tunku Abdul Rahman Putra's famous cheer "Merdeka, Merdeka, Merdeka!" to mark the nation's independence from Great Britain on 31 August 1957.

1

The Birth of a Nation… and Three Companies

In 1959, Tunku Abdul Rahman declared: "I am the happiest Prime Minister in the world." Money was pouring into the country, business boomed, new industries grew up and there was complete peace and harmony in the country, he explained later in his book *Political Awakening* (Pelanduk, 1986). Two years earlier in 1957, the Tunku had led the Federation of Malaya to independence after 171 years of British colonial rule, starting with Penang in 1786, and became the nation's first prime minister.

The future held a lot of promise for the citizens of the fledgling nation. First, there was the Malayanisation programme that created wide-ranging jobs, especially in high ranking positions in administrative and professional services following the departure of British officers. There was a dire need for qualified Malayans to fill these positions. Education and training became a top priority, with tertiary and technical education taking precedence as "nation-building" became the rallying call of the young federation.

There was no better time for high achieving school leavers aspiring to become engineers, especially civil engineers who were needed to implement public works projects. To pursue an engineering degree, it became necessary for many to attend a foreign university. The University of Malaya, the first university in the country, began with the establishment of the engineering faculty in 1958, but it had only 40 places available. The rite of passage for most was to attend the diploma programme offered by the Technical College in Kuala Lumpur before travelling abroad. Upgraded from a technical school to a college in 1946, it forged a close-knit community of students in the early years, many from relatively poor families fired by the burning desire to realise their ambition to become engineers and rise above their current station in life. This shaped the outlook and values of many Technical College graduates from the 1950s and 1960s, a few of whom later joined forces to start IJM Corporation in 1983.

The main agent of nation building was the Public Works Department (PWD), which was responsible for both federal and state projects. In the course of the implementation of the first Malaya Plan (1955-60), the PWD suffered a shortage of planning staff, and it began to engage with private sector consultants. Despite severe technical manpower shortages, the nation continued to speed ahead with development projects aimed at narrowing the divide between urban and rural Malaya; the latter had been neglected by the colonial administration. Revenues earned on the back of rubber, tin and other agricultural exports were ploughed back into building new roads, water supply networks, sewerage works, hospitals and clinics, schools, power generation stations, transmission & distribution lines, and drainage and irrigation works. Many of these projects received strong financial and technical support from international agencies such as the World Bank and United Nations affiliates that championed poverty reduction and self-sufficiency in Third World nations.

The country's building industry flourished, and it attracted contractors of every stripe and colour. Historically, contractors were hardy and enterprising migrant Chinese with the street

Technical College: old school tie @work

The old school tie was at work when Mudajaya Construction Sdn Bhd and Jurutama Sdn Bhd were born. Most of the pioneers were alumni of the Technical College, which was upgraded to a college in 1946 after having served as a technical school since 1904.

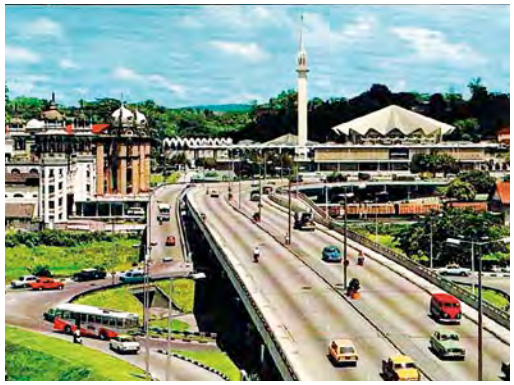
As a school, it served the needs of the British colonial administration that needed personnel to man and maintain infrastructure. Students who passed their examination were awarded the certificate of civil engineering that enabled them to pursue professional examinations conducted by the City and Guilds of London Institute in the United Kingdom. Successful candidates could then proceed to sit for the Part 1 and Part 11 professional examinations conducted by the Institution of Civil Engineers, United Kingdom. With this, they qualified as pupil or graduate engineers.

The school became a college to meet the growing demand for more competent technical personnel, and it began by offering a 3-year diploma in civil, mechanical and electrical engineering, architecture, town and country planning, land and quantity surveying. The engineering diploma exempted its graduates from the Part 1 examination conducted by the Institution of Civil Engineers since 1967.

Originally located in High Street (now Jalan Tun HS Lee), the college moved to its new campus in 1955, a sprawling 18-hectare location in Jalan Gurney (now Jalan Semarak). Among the early undergraduates at this campus were the founding fathers of IJM – Yap Lim Sen, Koon Yew Yin and Koh Boon Chor. Following in their footsteps a few years later were Lim Choong Kong, Lim Yong Keat and Goh Chye Keat.

It was the salad days of these young men, raised in hard times and who valued hard work. The ties of friendship sown during their college years became their point of reference for future collaborations that ultimately led to the formation of IJM.





Landmark buildings that celebrate the birth of a new nation (left to right): Subang International Airport, Parliament House and National Mosque.

smarts to work well under the direction of engineers and architects. They were essentially tradesmen, who ran businesses that were paternalistic, clannish, frugal, and had an appetite for the high-risk contracting world. Typically, these businesses consisted of the "kepala" who would assemble a team, usually family and clan members, who gained experience through an apprenticeship system.

Surprisingly, few of these tradesmen survived the colonial building frenzy during the tin and rubber boom of the 19th century and early 20th century. Those who did were late entries such as Low Yat and Lim Goh Tong who became contractors in the closing years of the British colonial administration. Lim Goh Tong was a true pioneer, a contractor ahead of his time. His company, Kien Huat Construction secured the Kemubu Irrigation project in Kelantan that was funded by the World Bank. After the completion of this project, Lim moved all his resources to build the now famous Genting Highland Resort in Pahang. These early stalwarts of the Malaysian construction industry who earned their spurs in the colonial years proceeded to cultivate the patronage of the new leadership of independent Malaya to strengthen their positions. In the heady days leading up to independence, Low Yat and his team worked furiously to build the 10-storey Federal Hotel along Jalan Bukit Bintang that was to be used to house foreign guests and diplomats invited to attend Malaya's independence celebrations. Another contractor, Lim Chong Hin constructed the Merdeka Stadium, the venue of the celebration, from where the Tunku officially proclaimed independence with his famous cheer: *"Merdeka! Merdeka! Merdeka!*

> "The hallmarks of a successful traditional contractor in the early days of the building industry were a Merc, a gun and a mistress."
>
> ***Lim Yong Keat**, co-founder of Jurutama Sdn Bhd*

Other prestigious projects to proclaim the new nation's sovereignty followed: the National Mosque, Parliament House, Subang International Airport, University of Malaya, to name a few. Meanwhile, Tan Chin Nam won hearts, including that of the Tunku, when he built the country's first low cost housing in Kampung Congo in Kuala Lumpur, making the prospect of home ownership among the poor a reality.

Rural development projects, on the other hand, were a different ball game altogether. They tended to be driven by international aid agencies who preferred dealing with their

The year 1966 marked the beginning of the First Malaysia Plan (prior to this they were called Malaya Plans, beginning in 1955). This is a new era where the Jabatan Kerja Raya (JKR) was completely staffed by local officers.

Source: Commemorating 123 Years of JKR (Jabatan Kerja Raya, known as the Public Works Department before 1965).

own community of consultants. Here's the rub: local contractors lacked the professional expertise to engage with them. They barely spoke English, essential to deal with foreign consultants, avoided paperwork, were disorganised by Western standards and were often under capitalised. In short, they did not have the professional competencies to meet international requirements. This did not deter the contractors, who persevered, overcoming their limitations by hiring professional engineers.

For an engineer, one of the best places to work in the 1960s and 1970s was the public service. Many had stepped into the shoes of departing colonial officers, positions that were accorded much respect. In addition, the government adopted the British model for public works projects, which involved appointing a consulting firm to draw engineering designs for contractors whose function was to "build only", supervised by the consultant. As a client, the government engineer was often treated deferentially, even delicately. The salary structure was also attractive, with perks and lurks along the way. To work in the private sector was not an option considered by many then.

Yet a few did, stepping out of the comfort zone and high status associated with government jobs for less pay in the construction business. Perhaps, it was the spirit of enterprise, the desire for change, or from their commanding positions in the public service, these engineers could see that day by day that the grass was growing greener on the other side – the annual public expenditure for construction was outstripping other economic sectors. The prospects were likely to be bright for those who went "private" at the start of the construction curve. In all probability, it is the combination of all these factors that prompted a few civil engineers, later the founding fathers of IJM, to cross over to the private sector.

Technical College Hostel in 1957

First among them to take the leap were Yap Lim Sen from the Department of Drainage & Irrigation and Koon Yew Yin, a Public Works Department engineer whose credentials included the construction of Merdeka Stadium. Technical College mates, they joined a consulting firm in Ipoh in 1962, before venturing into the construction industry, reputedly not for the faint-hearted. As Yap puts it, "We were Chinamen who did not want to work for people for a few RM100. We were not afraid to lose our pensions."

In 1965, Koon joined Chye Hin Construction Ltd in Ipoh that was founded by wealthy tin miner Choong Chin Liang, who was its chairman. To boost the company's professional expertise, Koon invited Technical College buddy and PWD engineer Koh Boon Chor into the fold. The pooling of resources enabled Chye Hin to qualify as a sub-contractor for the Muda Irrigation Project, a coveted World Bank-funded project of the Department of Drainage & Irrigation that consisted of a variety of large and small civil engineering packages awarded on an open tender basis.

Chye Hin picked up a few lucrative packages, and proved that engineers could run a construction company well, if not better. As a tribute to the successful completion of its inaugural project, the company changed its name to Mudajaya Construction Sdn Bhd (a Malay phrase that translates as "success in Muda"), with Koon Yew Yin and Koh Boon Chor as joint managing directors. They were a good match, the entrepreneurial and outgoing Koon squared off by the methodical technocrat Koh.

Mudajaya's new identity also served to distance the company from being associated with the rough and tumble world of the "Chinaman" contractor. In all likelihood, the name change was also a strategic exercise in a Malaysia that was recovering from the 1969 race riots, the worst in the nation's record. In its aftermath, the New Economic Policy was launched in 1971, and this affirmative action programme sent ripples of unease particularly among the Chinese business community. Chye Hin must have found it timely to move beyond its communal name to project a more national image.

Yap, meanwhile, ventured into property development, enticed as a consultant to work on a housing project for the newly established Ipoh Garden Sdn Bhd or IGB in 1964 by influential entrepreneur Tan Chin Nam, a rising star both in Malaysia and Singapore. Yap delivered well, and was appointed managing director, and started to take the company to new heights with trailblazing projects. In 1981, IGB became one of the earliest real estate companies to become public listed in Malaysia.

In Kuala Lumpur, another professional construction company was being constituted by another group of Technical College alumni. They too vied to work on the Muda Irrigation project, but the birth of their company was complicated.

This team was led by Lim Choong Kong, who had dabbled with construction jobs since he was a teenager, and gained insight into project management when he interned with Wimpey Construction of London, one of the largest contractors in the United Kingdom, as part of an industrial training scholarship. With his hands-on experience, Lim Choong Kong was accepted for a Masters engineering programme at Southampton University. He was in the midst of it when he received news of the impending Muda Irrigation Project tender. Ever the entrepreneur, Lim Choong Kong took a break from his studies to bid for the Muda Irrigation Project.

His entry point was Soon Tat Construction, a sole proprietorship that belonged to Chow Soon Tat, a tailor. Chow Soon Tat's tailoring shop in Jalan Bangsar was in the neighbourhood of the Drainage & Irrigation Department, whose officers were his regular customers. Through his friendship with them, Chow Soon Tat secured a Class A Contractor's licence, and won a

Muda, here we come!

The Muda Irrigation Project is one of the biggest World Bank projects in post-independence Malaysia. Valued at US$45 million, it was approved for implementation in 1965 and completed in 1973. It involved the construction of three dams, a tunnel connecting two reservoirs, ancillary structures and a system of irrigation canals in the states of Kedah and Perak to facilitate double cropping of padi on 261,000 acres. The area was previously served by an irrigation system that supplied water for a single crop; the rest of the acreage was entirely dependent on the monsoon rain. The project was designed to increase rice output, increase rural income and reduce Malaysia's dependence on rice imports.

Malaysian engineers who cut their teeth on the Muda Irrigation Project honed their project management skills and gained exposure to new western technologies. Best of all, the project gave them the grounding to be confident of their own ability to handle projects that were large, specialised and international.

few contracts. When the Muda Irrigation Project was tendered, Soon Tat won a few packages. However, one of the stipulations of the contract was the employment of professional engineers. Soon Tat Construction found it expedient to join forces with Lim Choong Kong, who had professional credentials as well as a few drainage & irrigation projects under his belt.

Lim Choong Kong recognised the need to bulk up Soon Tat Construction's engineering muscle, and he did exactly what Koon Yew Yin did at Mudajaya Construction: turn to friends from the Technical College. He found Goh Chye Keat, a PWD engineer looking for a break in the private sector, and they made a fine pair, the enterprising Lim Choong Kong complemented by the engineering excellence of Goh Chye Keat.

As the Muda Irrigation project drew to a close in the early 1970s, the sole proprietorship was converted to a private limited company called Soon Tat Construction Sdn Bhd. Chow became the main shareholder and Lim Choong Kong, the second shareholder. The company established its principal premises at No. 36, Jalan Bangsar, Kuala Lumpur, and began tendering for new jobs. Ironically, Soon Tat Construction came undone by success, when it won the bid for the construction of the coastal bund for the North Klang Straits Industrial Estate. It was a pyrrhic victory that posed one challenge after another.

Soon Tat won because its tender was cheaper; RM1.6 million compared to second bidder Chye Hin's RM2.4 million. As a result of the price disparity, the client Perbadanan Kemajuan Negeri Selangor (PKNS) had its reservations about Soon Tatt's ability to deliver. To safeguard its interest, PKNS raised the performance bond from 5% as stipulated in the tender document to 30%. Soon Tat Construction did not have the funds, and needed fresh working capital. The notion of eating humble pie and exiting from the project was too shameful to consider. To resolve the crisis, a partnership was offered to senior engineer Goh Chye Keat. Lim Choong Kong also invited Ong Yeng Tian, a resident engineer at the Muda Irrigation project, to join the company as a partner. Also invited was his brother Lim Yong Keat, a Technical College graduate and PWD engineer who was then employed at United Asbestos Cement. As partners/shareholders, each invested RM100,000.

Even so, Soon Tat's money woes were far from over – there were operational costs and overheads to be borne, and cash flow issues and pay cuts became the order of the day. Accustomed to being a one-man show, Chow Soon Tat did not share the same approach to business as his partners did. The inevitable happened within the first year – a friendly departure by Chow Soon Tat who went on to start another construction company. The remaining shareholders then proceeded to change the company's name to Jurutera Pertama Sdn Bhd, shortened to Jurutama Sdn Bhd in 1973. The name is an acronym of Jurutera Pertama (First Engineers) to mark the entry of professional engineers into the construction business. The partners deliberately omitted "Construction" from their name as they planned to grow beyond this function, and did. It was a difficult birth, but Jurutama rode on the goodwill and track record of the Soon Tat name to move forward, diversifying into manufacturing along the way.

By the seventies, a clutch of reputable professionally-run construction companies emerged on the Malaysian scene. The building industry continued on the uptrend, with projects continuing to grow in magnitude and contract value.

Professional outfits such as Mudajaya and Jurutama shored up their portfolio of jobs and capabilities. However, one thing irked them: they were always the bridesmaid, never the bride. Twenty years after the Muda Irrigation Project and diverse civil engineering projects later, they remained subcontractors of international companies, not main contractors. To these professionals with internationally recognised engineering qualifications and World Bank project experience, this state of affairs was unacceptable.

Radical Restructuring with the New Economic Policy (1971-1990)

The New Economic Policy was launched following the race riots of 13 May1969 that exposed cracks in nation-building. It highlighted that after more than a decade of independence, while the Malays held the reins of political power, the economy of the nation was in the hands of immigrant communities, especially the Chinese.

The race riots were followed by the dissolution of Parliament and emergency rule for two years. Malaysia's image suffered, and foreign investment inflows slowed. There was a change of leadership, from Tunku Abdul Rahman to Abdul Razak Hussein, who became the second prime minister of Malaysia. In 1971, the latter launched the New Economic Policy that adopted a two-pronged approach for the radical restructuring of the Malaysian economy. The first prong was to reduce and eventually eradicate poverty by raising income levels and increasing employment opportunities for all Malaysians, irrespective of race. The second prong aimed to accelerate the process of restructuring Malaysian society to correct economic imbalances, so as to reduce and eventually eliminate the identification of race with economic function.

In Crossroads, A Popular History of Malaysia and Singapore (Times, 1999), Jim Baker writes:

The political leadership did not preclude the Chinese and Indians from maintaining their cultural identities. It did not preclude Chinese and Indian political participation, and it did not preclude the immigrants from prospering, but all these had to take place in the context of Malay goals."

Still, the status quo was challenged and it caused anxiety among the immigrant communities. What unsettled them most was the 30% bumiputera ownership of the corporate and business sector and the quota system in education and employment, particularly in the government sector, which was now required to reflect the national racial composition – 60% Malay, 30% Chinese, 7% Indian and 3% others.

Confidence gradually returned with the implementation of one Malaysia Plan after another that became regarded as a model for the developing world by the United Nations and other international development agencies. The success of the plans resulted in an ever-enlarging economic pie, with rich pickings to be had by all Malaysians. This has been validated by the fact that non-bumiputeras continue to dominate the list of wealthiest Malaysians published every year by the local magazine *Malaysian Business* and *Forbes Asia*.

The New Economic Policy was followed by the New Development Policy (1991-2020) that emphasised assistance only to "bumiputeras with potential, commitment and good track record" rather than the previous blanket measures to redistribute wealth and employment. The New Development Policy is part of the longer term programme called Vision 2020 to transform Malaysia into a fully industrialised country and quadruple per capita income by 2020.

JURUTAMA SDN BHD

MUDAJAYA

PART 1
The First 30 Years

2

The Meeting of Minds

IJM is the result of the meeting of minds at the crossroads of ambition and frustration. It represents the ambition of men helming two contracting companies who wanted to lead, not play second fiddle to international giants. They were men who wanted their outfits to stand out and be counted as first generation professional construction companies, not hereditary family businesses. But they were frustrated because despite their considerable credentials, they were relegated to the role of professional workhorses to main contractors who basked in the glory of jobs well done. Worse, the Look East policy launched by prime minister Dr Mahathir Mohamad in 1981 did not bode well for them.

Mahathir's rationale for "Looking East" was simple, writes Hng Hung Yong in *CEO Malaysia, Strategy in Nation Building (Pelanduk 1998):* After decades of following Western work practices, he felt it was time to learn from those who had succeeded where the West had failed. In the 1960s and 1970s, the Japanese economic machine was chugging along nicely in Europe and America, outperforming homegrown economies in many sectors. Japan was No. 1, and its admirers went trooping to Tokyo to study the Japanese Miracle. Mahathir thought it was time Malaysians did the same. "Look East" was thus his wake up call to Malaysians. The Japanese had shown how competitive advantage could be achieved. The Koreans and Taiwanese were following suit. It was time to learn discipline, application and innovation from those who had succeeded."

While justified in some sectors, the Look East policy undermined the local construction industry. It pitted local firms against well-capitalised Japanese and Korean construction giants that had surplus capacity and concessionary government loans in bids for multi-million ringgit construction projects. Two voices of the building industry, the Housing Developers' Association and the Master Builders' Association Malaysia, diplomatically expressed their dismay, with an oblique criticism of Malaysian Government awards of most of its larger construction projects to the foreign firms.

Looking East

Construction Projects By Japanese And Korean Companies in 1980s

Project	Foreign Construction Companies
Dayabumi	Takenaka Komuten & Kumagai Gumi (J)
UMNO Headquarters	Takenaka Komuten, Kumagai Gumi, Shimizu (J)
Permodalan Nasional Berhad Headquarters	Shimizu (J)
Headquarters UBN Shangrila Hotel	Taisei (J)
Employees Provident Fund Headquarters	Taisei (J)
PKNS Low Cost Housing	Hazamagumi, Taisei (J)
Urban Development Authority Bukit Nanas Project	Taisei-Marubeni (J)
Penang Bridge	Hyundai (K)
Maybank 58-storey Headquarters	Keang Nam/DaeWoo Construction (K)
Kenyir Dam	Hyundai (K)
Sabah Natural Gas Project	Daelim (K)
Prefabricated Housing Pahang/KL Housing	Samick (K)
Resins Project, Pahang	Young Dong (K)

Source: Star, 27 March 1984, "Nightmare for Local Builders"; and Far Eastern Economic Review, 14 June 1984, Seoul builds bridges". (J) Japanese main contractor; (K) Korean main contractor

The main area of conflict was large construction projects. However, Japanese and Korean contractors were also perceived as trying to win "even comparatively small construction jobs, which they didn't compete for in the past." This meant that the market for local contractors shrank even further. This was clearly unacceptable to an industry that had experienced significantly high growth rates in the past 14 years; the construction sector had grown four fold since 1970.

By 1981, there were 4,584 construction firms, providing employment to almost a quarter of a million Malaysians. Most were family businesses, with Mudajaya and Jurutama the notable exceptions. Modeled after international engineering construction companies, the latter were mid-size professionally operated businesses with an annual turnover of RM60-100 million, and staffed by qualified personnel from a broad spectrum of engineering and allied disciplines. They represented the way forward for Malaysia's construction industry, yet they were heading nowhere.

The owners of both companies found a staunch ally in their old Technical College mate Yap Lim Sen, the managing director of prominent property developer Ipoh Garden Berhad (IGB). He says: "It was absurd that professional companies such as Mudajaya and Jurutama were working for big ones at half price and not allowed to tender. They had the experience and the track record but were undercapitalised and could not qualify for big jobs that required substantial performance bonds." Bold and daring, he decided the time for change had come.

IGB became a public listed company on the Malaysian bourse in 1981, which would gave it access to the capital market to fund its expansion plans. Ever the visionary, Yap recognised the bright prospects for a well-managed and efficient construction company for IGB. Fresh from the listing of IGB, Yap proposed an acquisition exercise that would serve the interest of all three parties: Mudajaya, Jurutama and IGB Construction, the young construction arm of his company.

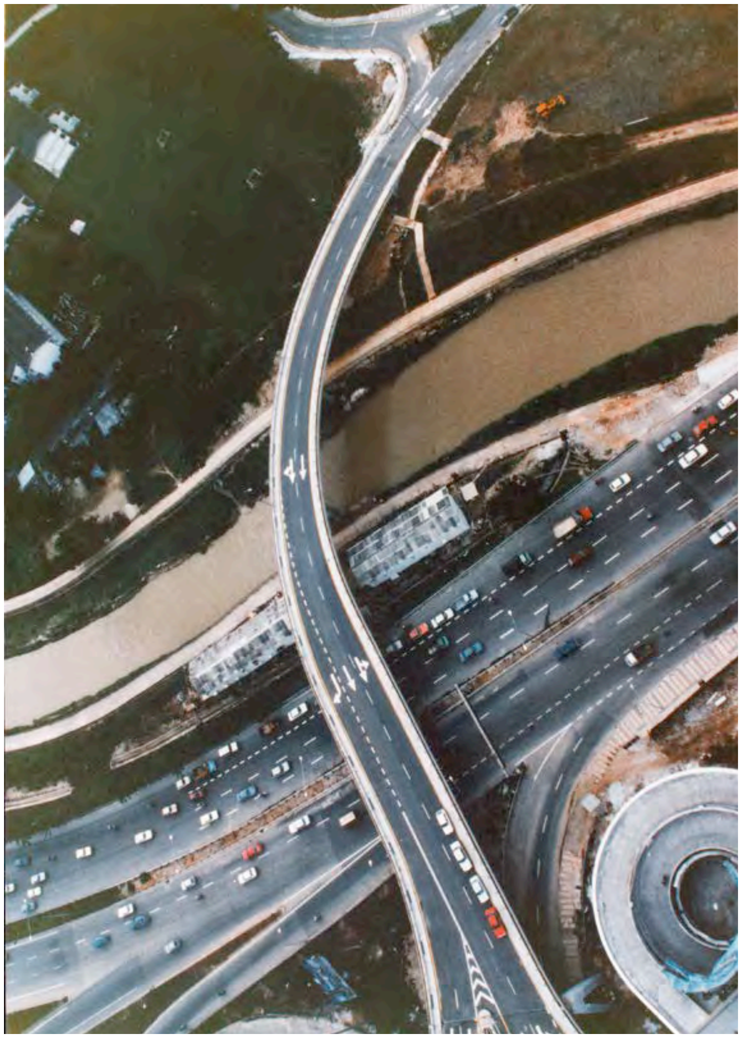
The merger & acquisition (M&A) was to be the prelude to the listing of a new entity that would give it access to capital markets. Yap is said to have reasoned that this route will enable engineers to concentrate on what they knew best – engineering – while public listing will give the company the financial clout to grow.

The idea of public listing had crossed the mind of the successful Mudajaya, but it was too small to go it alone. Jurutama's growth, unfortunately, was stymied by money woes. Yap played the role of matchmaker with vested interests. "I knew both sides, and thought why not bring these companies together as a group that would evolve into a public listed company. The merger also fitted well into IGB's construction agenda. IGB was an urban property developer that could grow better with the professional experience and skills of Mudajaya and Jurutama."

He won the confidence of Mudajaya's management, with whom he had a long association. Next, he approached Jurutama's managing director Lim Choong Kong with: "Outsiders are getting good jobs and good money. We should as well!" It worked.

All three companies aspired to build Malaysia's largest professional engineering and construction firm with the resources to ride the construction boom they could see coming in Malaysia. It was an exciting proposition, with each company bringing to the table different skills sets and experience. Indeed, the merger would create an entity with capabilities that covered the entire engineering and construction spectrum, backed by the financial muscle of IGB. It would catapult them to the league of foreign competitors, to work hand-in-hand with them, not for them. Better still, it would have the financial and operational might to bid for large scale projects on merit.

Mudajaya came with a strong track record for infrastructure projects such as irrigation, interstate highways and water supply networks. After the Muda Irrigation Project, it had ventured to the East Coast where few contractors were willing to go. It participated in joint ventures with Japanese and Korean companies, and forged a strong relationship with the Japanese Development Corporation, who later became its international partner.



Jalan Kuching ramps in Kuala Lumpur, one of Jurutama's urban projects in the Klang Valley.

In Pahang, it constructed the first package of the Bahau-Keratong Highway while in Terengganu, it built the petroleum supply base for the Kemaman Port. It was also appointed by a Korean turnkey contractor to build a tank farm for the newly formed Petronas. Another Terengganu project was the construction of hydroelectric saddle dams with the Japanese. The company later went on to build the Upper Pierce Dam in Singapore, the Lumut Naval Dockyard and the APMC cement plant in Rawang.

Jurutama's areas of specialisation were urban infrastructure, housing and manufacturing. In the post-Muda Irrigation Project period, it used its Kedah experience to secure contracts to build urban roads and schools in the state capital of Alor

Setar. The drainage and irrigation experience proved useful in securing contracts for reclamation works in Sungai Perai, Penang and the coastal bund for the North Klang Straits Industrial Estate. The latter resulted in the usage of an 8-km long conveyor belt system, the longest and the first of its kind for a reclamation project in Malaysia.

Other Klang Valley projects included the Jalan Ipoh overpass, the Federal Highway upgrading works in Selangor, the parking apron of Subang International Airport and the Kuala Lumpur sewerage system. In Sarawak, it was awarded the civil works contract for Shell's crude oil terminal in Bintulu, where it also built the MLNG staff housing; in Miri, it built the Shell head office.

At times, Jurutama was the principal subcontractor and at other times, the joint venture partner of Mitsui Construction Co. of Japan, with whom it forged a strong relationship. Mitsui introduced Jurutama to the manufacture of pre-stressed spun concrete piles, a new piling system that was beginning to revolutionise the construction industry. The Mitsui connection was instrumental in Jurutama diversifying into manufacturing with the establishment of Industrial Concrete Products Sdn Bhd (ICP) in 1977 – one of Jurutama's biggest assets.

IGB Construction Sdn Bhd began as the in-house construction division of the parent company. Its successful completion of the 20-storey Plaza Pekeliling in Kuala Lumpur resulted in its incorporation as a limited liability company in 1981. The start-up company highlighted to IGB the need for a strategic partnership with companies with a longer and richer history.

The M&A corporate exercise began in 1982, and was completed in two phases. First, there was the acquisition of Mudajaya and Jurutama by IGB, which paid approximately RM30 million that was settled with the issuance of IGB shares at RM2.00 per share.

There were misgivings about the valuation exercise conducted by IGB. Jurutama's Lim Choong Kong felt that his company was undervalued, especially their profitable subsidiary ICP. It took some negotiation to bring this to pass. On the Mudajaya front, joint managing director Koon Yew Yin had reservations about the share swap arrangement. There was a moratorium on the sale of IGB shares, and by the time it was lifted, IGB share prices had fallen substantially. Both issues left a bitter aftertaste that lingers till this day.

In their best interest

"Consulting firm Minconsult's founder P. Ganendra once remarked that if Jurutama wants to cheat you, it will ask your permission first. We had become known for operating on trust and doing the best for our clients, including saving costs for them."

***Lim Choong Kong**, managing director of Jurutama Sdn Bhd*

Nation-building kicked off with large infrastructure projects that aimed to improve the quality of life in Malaysia. Picture here shows an official visit by prime minister Tun Hussein Onn to a project site in Johor.

PROJECT PORTFOLIO

MUDAJAYA

Kemaman Port in Terengganu

Lumut Naval Dockyard in Perak

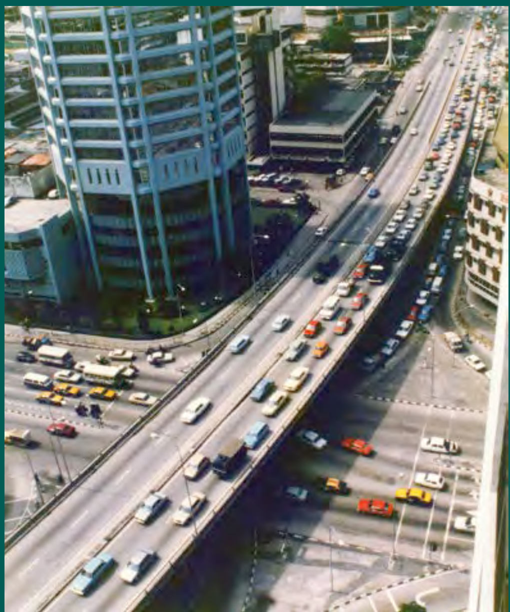
APMC cement plant in Rawang, Selangor

Peninsular Gas Utilisation Export Terminal in Terengganu

Connaught Bridge Power Station Gas Turbine Extension Stage II in Klang, Selangor

Kuala Terengganu Water Supply Plant in Terengganu

JURUTAMA



Jalan Ipoh Overpass in Kuala Lumpur

Alor Setar urban roads

Sungai Perai barrage and reclamation project in Penang

Federal Highway II in Petaling Jaya, Selangor

Bintulu Development Authority housing project in Sarawak

IGB

Plaza Pekeliling in Kuala Lumpur

IGB Plaza in Kuala Lumpur

Regardless, the M&A proceeded as planned, with common sense and pragmatism as its hallmark.

In 1984, the second and final phase was completed with an internal restructuring that led to the reactivation of a dormant IGB company called Solidstate Sdn Bhd. IGB transferred all its equity interests in Mudajaya and Jurutama and IGB Construction in exchange for 31 million shares in Solidstate, which became its wholly owned subsidiary. To celebrate their union, the company adopted a new name – the initials of their names in alphabetical order to create IJM Engineering & Construction Sdn Bhd.

Meanwhile, senior management and Maraputra Sdn Bhd, a 100% bumiputera construction company that was previously the partner of Mudajaya, were invited to join as shareholders of the newly-incorporated company, with the latter taking up five million shares while the senior management team of the combined entity was allocated 10 million shares. IJM began with an authorised capital of RM200.0 million, and a paid up capital of RM46.0 million.

Overnight, IJM became a strong, robust and competitive company with the largest pool of experienced construction engineers and managers in the country. This was just the beginning, as it had set its sight on becoming the best managed and most reputable construction group in the country.

All shareholders of the component companies were appointed to the Board of Directors to enable IJM to realise the mission and goal of the merger. IJM's first Board of Directors were:

- **IGB:** Yap Lim Sen, Tan Boon Seng with Goh Nan Kioh and Krishnan Tan as alternates
- **Jurutama:** Lim Choong Kong and Goh Chye Keat, with Ong Yeng Tian and Lim Yong Keat as alternates
- **Mudajaya:** Koh Boon Chor and Koon Yew Yin, with Chay Kwok Thong as an alternate.
- **Maraputra:** Ahmad Azizuddin bin Haji Zainal Abidin
- **Independent Director:** Mohd Tahir bin Haji Abdul Rahim

Mudajaya's Koh Boon Chor was appointed as the first managing director of IJM, with Jurutama's Lim Choong Kong as his deputy. Ahmad Azizuddin bin Hj Zainal Abidin from Maraputra Sdn Bhd was appointed as IJM's first chairman.

What's in a Name?

"Before the merger, all partners of the three companies met for a brainstorming workshop in Ipoh with one primary item on the agenda: the naming of the new company," recalls Goh Chye Keat, a partner of Jurutama who became the second group managing director of IJM.

"After much deliberation, it was decided to name the company using the initials of each. We toyed with JIM, but it was shot down. Finally, we settled for IJM – it was the alphabetical order of our company initials and therefore did not ruffle feathers. We also liked it because it sounded like IBM, a much admired company.

"At that point in time, we also decided on the slogan: "Big, Strong and Caring", inspired by the Standard Chartered tagline "Big, Strong and Friendly". We agreed it was critical for senior management to be caring, especially since the merger would result in the convergence and consolidation of different work styles and corporate cultures."

IJM Engineering & Construction began to prepare for its first corporate milestone: public listing on the KL Stock Exchange, now known as Bursa Malaysia. At the end of 1984, it applied to the Foreign Investment Committee and Capital Issues Committee for public flotation. It obtained approval from the former but the application to the Capital Issues Committee was delayed. In IJM's 1985 Annual Report, the chairman's statement reported: "The application to the Capital Issues Committee is pending. It has been affected by the freeze on approvals for new listings imposed during the year. With the recent change in policy to give selective approvals, I am confident that our application will be reconsidered by the Capital Issues Committee."

Unfazed, IJM pressed on in an economy that had slowed as a result of a global recession. Government cutbacks in capital expenditure for civil and building works meant less jobs. Profit margins were thin, and unemployment was on the rise. The situation was compounded by the continued presence of foreign contractors who made bidding extremely competitive.

The company proved that it was made of sterner stuff, and against this gloomy backdrop, it boldly diversified – venturing offshore for construction projects in Hong Kong, Bangladesh and Pakistan. It also bought stakes in local building material companies and entered joint ventures partnerships for property development in Malaysia, Australia and the USA. It also made an unexpected move: it entered the plantation sector in Sabah, amidst protests from a few directors who questioned the wisdom of the

IGB's construction arm seeks KL listing

THE CONSTRUCTION arm of IGB Corporation Bhd, IJM Engineering and Construction, has applied for an official listing on the Kuala Lumpur Stock Exchange.

According to IGB, the IJM group of companies, led by wholly-owned subsidiaries, Jurutama Sdn Bhd, Mudajaya Construction Sdn Bhd and IGB Construction Sdn Bhd, will have its paid-up capital raised to M$60 million from $46 million upon approval being obtained for the formal listing.

It is understood the increase of $14 million comprising 28 million shares will be on offer once approval is given.

Of the 28 million shares, 7.4 million shares are being reserved for bumiputra investors, three million shares for staff and the balance of 17.6 million as restricted offer to IGB shareholders.

The IJM shares, which are to be offered at 70 cents, will give it a price/earnings ratio of 5.1 times (based on its pre-tax profit of $15 million).

According to IGB, the IJM group of companies has the track record, technical competence and the financial and manpower resources to play a major role in national development as well as seek new opportunities in construction-related activities in Malaysia and abroad.

It is understood that the submission for a listing was made to the authorities towards the end of last year and if all goes well, it could come to the market later this year. Application will also be made to the SES for listing.

IJM Engineering and Construction Sdn Bhd was established in 1983 as the holding company for IGB's investments in construction and related industries.

It is understood that the group has some $500 million contracts at hand.

Its component companies — Jurutama, Muda Jaya Construction and IGB Construction, are all established contracting companies and together constitute the largest civil engineering group in Malaysia.

Jurutama, incorporated in 1970, has a yearly turnover of about $100 million.

The activities of the company range from construction of urban roads, bridges, and piling to prefabricted building systems.

It was recently awarded a turnkey prefabricated school and housing project worth about $150 million by the government.

Mudajaya Construction, incorporated on Dec 9, 1965 as Chye Hin Construction Sdn Bhd, adopted its present name in 1972 after the completion of the Muda irrigation scheme in Kedah.

The company, with a yearly turnover of about $100 million, recently won the award for a 540-bed turnkey hospital project.

IGB Construction started as the in-house construction department of IGB and was converted into a limited liability company in December 1981.

The company is the high-rise building specialist within the group and is expected to increase its activities substantially following the recent award of several major contracts.

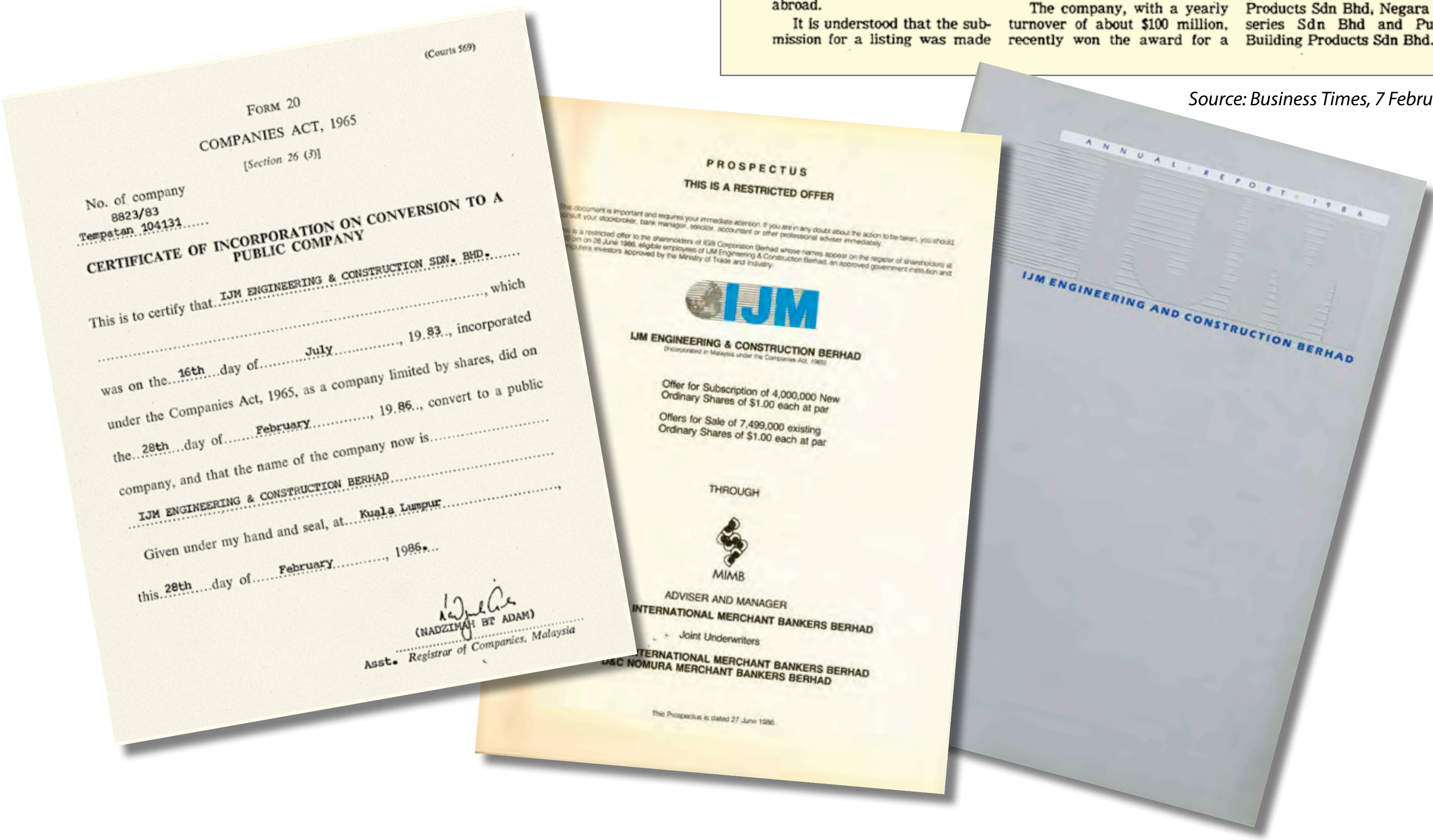
Other subsidiaries under the IJM group are Camino Sdn Bhd and BDA-Kidurong Development Sdn Bhd.

Camimo has a paid-up capital of $2 million and will be the subholding company for IJM's property development ventures. Its wholly-owned subsidiary, Chen Yu Land Sdn Bhd, owns a 14.3-hectare piece of land with approved development plans for terrace and detached residential houses and shophouses. Preliminary work has commenced and sales are expected this year.

BDA-Kidurong Develepent, a joint-venture with Bintulu Development Authority of Sarawak, is 53 per cent owned by Jurutama and is currently involved in developing shophouses and a commercial centre in Bintulu.

IJM has several associates: Hexacon Construction Pte Ltd (Singapore), Crendon Holding (UK) Ltd, Industrial Concrete Products Sdn Bhd, Negara Nurseries Sdn Bhd and Pucung Building Products Sdn Bhd.

Source: Business Times, 7 February 1985



An office to call our own

Before the merger, Mudajaya was based in Ipoh, where it had an office at 76, Jalan Gopeng. Jurutama occupied a bungalow at No. 9 Jalan Timur, Petaling Jaya. Once IJM was incorporated in 1983, some staff were based temporarily at the IGB premises before moving to the rented annexe of the Sharidal Complex. IJM bought the entire complex in 1985 and all staff came under one roof, and the building was renamed Wisma IJM. It has served as the head office of the IJM Group since then.

venture that had burnt the fingers of more seasoned players. Yet, the majority ruled in favour, and IJM became a planter in the remote state of Sabah that was off the radar of investors from Peninsular Malaysia. Looking back, it was a fortuitous decision that paid off, especially whenever the construction business hit the down cycle.

The first two years tested the company's strength. It bore the challenges well, and IJM delivered a post tax profit of RM7.2 million in 1984 and RM6.0 million in 1985. It also invested in an office building, the Sharidal Complex in Petaling Jaya that became Wisma IJM, the group head office.

Then came the much-awaited news – the approval for public flotation by the Capital Issues Committee of the KL Stock Exchange. The offer for sale of 7,499,000 ordinary shares and for the subscription of 4,000,000 ordinary shares, both at par of RM1.00 each was oversubscribed by 1.98 times. In line with the New Economic Policy, 30% of shares were allocated for bumiputera individuals and organisations. On 29 September 1986, IJM Engineering & Construction Berhad was listed on the KL Stock Exchange with an authorised capital of RM200 million and a paid up capital of RM50.0 million. The share closed at RM1.10 per share on that day.

The roll-out of the Fifth Malaysia Plan (1986-1990) had started and there was optimism. But as a company born during an economic downturn IJM remained cautious. By sheer dint of hard work, financial prudence and a healthy respect for risk management, it managed to keep its head above water. These formative years shaped the character of IJM, which has been a profitable company since Day 1, in spite of all the slings and arrows of outrageous economic downturns and meltdowns.

Sticky Moment: ICP Valuation

Manufacturing company Industrial Concrete Products Sdn Bhd was the pride of Jurutama. It had a winning product – pre-tensioned spun concrete piles (ICP) that was introduced to Malaysia as a result of its joint venture with Mitsui Construction Co of Japan during the piling project for the Prai Power Station Phase 3. The Japanese set up an onsite manufacturing operation, and upon the completion of the project, sold the facility at a good discount to Jurutama. In 1977, Jurutama incorporated ICP to manufacture and supply pre-stressed concrete piles. The product rapidly gained market acceptance, both locally and overseas, and ICP expanded its manufacturing operations to meet demand.

Jurutama's main point of contention during the pre-merger valuation exercise was the valuation of ICP, in which Jurutama had a 20% stake (the rest was held privately by its shareholders). ICP was raking in strong profits, yet the valuation team from IGB priced it at book value and gave it a poor forecast. The shareholders were upset.

Eventually, they accepted an improved though not wholly satisfactory valuation. This reconciliatory act is a proud testament of the commitment of Jurutama shareholders Lim Choong Kong, Goh Chye Keat, Ong Yeng Tian and Lim Yong Keat to the merger and the future of IJM.

On 9 December 1996, ICP was listed on the Main Board of the KL Stock Exchange, and in 2004, IJM took control of the company. Later in December 2008, it was taken private because of its subdued share price and the lack of liquidity for the stock despite good earnings.

Mudajaya pioneers, Koon Yew Yin (far left) and Koh Boon Chor (far right) with Ahmad Azizuddin (seated left), the first chairman of IJM. Standing to the right is Yap Lim Sen, who initiated the merger that resulted in the formation of IJM.

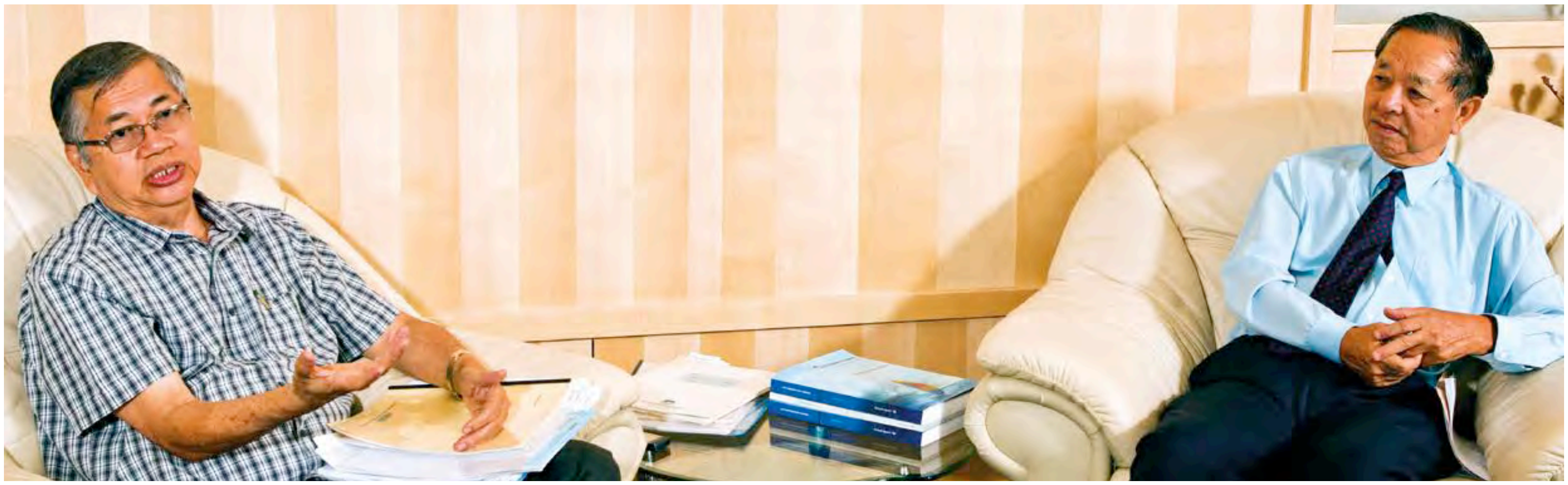
3

The Founding Fathers, 30 years on

All the key players from the three companies that merged to become IJM Engineering and Construction in 1983 were appointed to the first board of directors. The board also represented the largest collection of Technical College graduates ever assembled for a business venture. By chance, it consisted of men in their 40s and 50s, which facilitated the smooth transition of leadership from within the ranks of the founding fathers for more than 20 years. This helped mould an IJM that till this day reflects their values.

Parent company IGB left the management of IJM to the other partners, civil engineers with substantial experience; its stewardship occurred from behind the scenes. With their hands-on approach, the directors from Mudajaya and Jurutama led project teams to build IJM into a construction powerhouse in Malaysia and overseas. Inventive and imaginative, they also explored new horizons that took them far and wide to ensure the sustainability of the company.

Thirty years on, IJM pays homage to the directors of the first board who laid the foundation of a company that has grown from a RM46 million firm in 1983 to become the premier diversified group in Malaysia, with a market capitalisation of RM7.78 billion at the end of 2012.



Left to right: Goh Chye Keat and Lim Choong Kong, Jurutama shareholders who became the co-founders of IJM.

Ipoh Garden Berhad


Yap Lim Sen


Tan Boon Seng


Goh Nan Kioh


Krishnan Tan Boon Seng

IPOH GARDEN BERHAD (IGB)

Yap Lim Sen

Yap Lim Sen made IJM happen. This is the unanimous view held by the rest of IJM's founders. The visionary Yap was the managing director of IGB, a property development company that was going places. It needed a strong construction arm and instead of reinventing the wheel, he proposed a merger between IGB's construction subsidiary and two companies led by men who were his college mates. The result is a company built on familiarity, trust and ambition.

"The formation of IJM involved the meeting of men with a similar background and similar aspirations. We wanted to break new ground and build a reputable construction company run by professional engineers. We invited Azizuddin, a mining engineer, to join us as chairman because the government wanted Malays to do business.

"IJM, which began as a wholly owned subsidiary of IGB, is now bigger than the parent company. It shows the dynamism of our model. IJM today is a corporate democracy, too large to be owned by individuals. It is a truly public company run by professionals, with no owner operator. It is an ideal model the Malaysian government wants to promote, and also an international model where large companies are run by professionals, with no single substantial shareholder.

IJM today is a corporate democracy, too large to be owned by individuals. It is a truly public company run by professionals, with no owner operator.

"IJM expanded overseas, but it made the best money here in Malaysia. As with any business, there are challenges but we coped with the government policies here, and came out well. This country is good to non Malays.

"As I see it now, if given a second chance, I will do exactly the same all over again. I have a sentimental attachment to IJM, but do not believe in clinging to it. I hope IJM will last long."

Yap retired from the board of IJM in 1989, and now divides his time between his hometown of Ipoh and Sydney. He has diverse interests that range from investment and publishing to food and art.

Goh Nan Kioh

Employed as the treasurer of IGB, Goh Nan Kioh was 31 years old when he was appointed as the alternate director of the IJM board. A business graduate, he joined IGB after having worked in the banking sector, and led the IGB pre-merger valuation team in what he calls a 'merger of talents'.

"IGB was happy with the valuation, and it acquired Jurutama and Mudajaya via a share swap that cost less than RM30 million *(refer to chapter 2)*. However, there was unhappiness when IJM shares grew faster than that of IGB. But having entered the "marriage", the partners of Jurutama and Mudajaya were determined to live together. They were a passionate lot, who took pride and joy in the ownership and management of IJM. They were men with great capabilities who wanted IJM to succeed; money was not their primary motivation. They would be a hard act to follow these days.

"IGB wanted IJM to become one of the biggest construction companies in Malaysia, one that could ride on the country's construction and infrastructure boom. IJM met our expectations, except that I felt that it had deviated from its original goal as a construction company. Soon after the merger, it diversified into property development, manufacturing and plantations. There was a difference of opinion, but the management's decision prevailed. On hindsight, it has proven to be the right thing to do.

"The success of IJM has served as an example for other engineers to strike out to establish their own construction firms, for example, Gamuda, was once a subsidiary of Mudajaya.

Goh Nan Kioh left the IJM board in 1990, and is now a businessman with substantial equity interest in Mega First Corporation Berhad. He also has business interests in Indo-China.

Tan Boon Seng

Tan Boon Seng, the son of IGB Berhad founder and owner Tan Chin Nam, was the general manager of IGB since 1980. He was appointed to the IJM board as the representative of the single largest shareholder of IJM. Tan served as a board member from 1984 to 1989, and was instrumental in the purchase of Sharidal Complex in Petaling Jaya to accommodate the newly incorporated IJM. The building was renamed Wisma IJM, and serves the head office of IJM till this day.

A Master of Arts graduate from Cambridge University, United Kingdom, Tan Boon Seng served as the managing director of IGB from 1991, and has been its joint managing director since 1995. He has extensive experience in property development, corporate finance and trading, and currently serves as the chairman and managing director of Lee Hing Development Limited based in Hong Kong. He is also a director of Wo Kee Hong (Holdings) Limited and Genting Hong Kong Limited. All three companies are plcs listed on the Hong Kong Stock Exchange.

Krishnan Tan Boon Seng

Krishnan Tan was a 31-year old accountant hired by Yap Lim Sen for IGB. Tan chose to move to the newly established construction group, where he became the first financial controller of IJM, with the blessings of Yap who gave him the sage advice: "Let the engineers do what they know best, while you look after the money." Tan says, "The merger created the largest pool of construction professionals under one roof in Malaysia. IJM was a consortium with huge technical capabilities, an excellent track record and at the same time it met the bumiputera equity requirement to bid for government projects.

"Trust was the underlying principle at work among the founders. They shared a common background, and there was a lot of give and take. Even though a wholly owned subsidiary of IGB, Yap left IJM to be run independently by the engineers, which gave the new company room to grow and grow. This has been the key to our success."

Tan rose to become IJM's third group managing director, the first non engineer to hold the position. The last of the founding board in IJM employment, he relinquished the reins of the group in 2010, and now serves as the executive deputy chairman. He has several directorships within and outside the IJM Group, including one at Malaysia Airlines *(more on Krishnan Tan as group managing director in Chapter 10).*

Lim Choong Kong

Goh Chye Keat

Jurutama Sdn Bhd

Ong Yean Tian

Lim Yong Keat

JURUTAMA SDN BHD

Lim Choong Kong

Jurutama managing director Lim Choong Kong was appointed as the first deputy managing director of IJM following the merger. Lim had his first taste of the volatile construction business while still a teenager helping his father, a small contractor. The business ran into financial difficulty, and Lim Choong Kong took over, only to become embroiled in a legal wrangle with suppliers. It was back to books, and he enrolled at the Technical College and upon graduation, returned to construction. An industrial training scholarship to the United Kingdom opened his eyes to the need for a more professional and systematic approach to the construction business.

The benefits of the merger, however, outweighed the differences, which were eventually ironed out. Like any good marriage, we worked out difficult situations to lay a strong foundation for the company.

"Most contractors in Malaysia then were not very educated or efficient. In the United Kingdom, there were many specialists and much knowledge-sharing between contractors, consulting engineers and clients who worked together on models and simulation tests in laboratories. I felt Malaysia needed this kind of working environment that empowers contractors to utilise their skills and knowledge for the client's benefit. It called for professionalism, systems and dedication to quality and integrity. Malaysians are more versatile, but this is not enough.

"The seed of the merger was sown by Yap at a time when Jurutama was facing money problems and the partners had to make many personal sacrifices. The intent and prospects of the merger appealed to us and we agreed to sell Jurutama to IGB.

"The biggest challenge after the merger was integration. We had different work cultures and teamwork was not easy. Jurutama was the smallest of the three companies, and by virtue of its size, it was more flexible and decisions were made quickly. We had to adjust to the more hierarchical structure introduced by IGB; Mudajaya fared better than us because they were familiar with the IGB organisational structure given its long association with Yap Lim Sen.

"I liked the well-defined chain of command but was distressed whenever it was undermined. More upsetting was the treatment of Jurutama staff by IGB personnel, who tended to be condescending. We also suffered the indignity of being a low cost entry company as a result of the poor valuation of Jurutama.

"The benefits of the merger, however, outweighed the differences, which were eventually ironed out. Like any good marriage, we worked out difficult situations to lay a strong foundation for the company. We moved into the IGB office first, before setting up home at Wisma IJM, previously known as Sharidal Complex that was occupied by Tractors Malaysia. IGB negotiated the sale of the building, and it was a good move to have our head office in the heartland of Malaysia's industrial and commercial belt.

"In terms of business, the early years were difficult. There were very few jobs and we put a lot of effort to get some contracts. I left before the economy recovered.

"All of us co-founders remained loyal to the company goals, and are good friends till this day. I used to feel a sense of pride whenever people made the observation that IJM partners tend to stick together and rarely quarrel like those in other companies, where there are quarrels even with subcontractors."

Lim Choong Kong retired from IJM in 1988, the same year as Koh Boon Chor and Koon Yew Yin. However, the Mudajaya pair continued to serve as IJM directors while Lim chose to pursue other business interests.

Goh Chye Keat

Krishnan Tan describes his predecessor Goh Chye Keat, who became the second group managing director of IJM, as a prominent player from Day 1. A Technical College graduate and PWD civil engineer who became a senior partner of Jurutama at the behest of Lim Choong Kong, Goh joined the first board of directors at the age of 43. Under his watch from 1988-1996, IJM struggled out of hard times to soar with the Malaysia's infrastructure & construction boom of the early 1990s. A strategic thinker who stressed on team play, Goh is recognised for ramping up IJM's five core businesses – construction, property development, manufacturing & quarrying, plantation and infrastructure.

He says, "The merger was initiated by Yap Lim Sen, who read the cards right. He recognised that the country needed bigger construction companies, and advised us to merge into a bigger entity to compete with Japanese and Korean construction giants who were here because of the Look East Policy.

"When IGB acquired the three companies it paid us with the issuance of its shares. The valuation of the companies was based on net assets and three years of guaranteed profits by the principals. As a result, after the merger, we continued to work independently on projects already in hand for the first three years. We just had to make sure we delivered the agreed profits.

We embarked on a business and geographical diversification strategy that resulted in downward integration into building materials, vertical integration into property development and geographical expansion into overseas markets.

"New projects were scarce then since Malaysia was in the throes of an economic recession. As a professional construction company, IJM had higher overheads than traditional contractors who were mainly family-owned businesses with lower overheads. Our primary concern was whether we could be competitive enough to secure sufficient contracts to pay for overheads without slipping into the red.

Our survival was at stake, and we embarked on a business and geographical diversification strategy that resulted in downward integration into building materials, vertical integration into property development and geographical expansion into overseas markets. We were one of few Malaysian companies that pre-qualified for World Bank and Asian Development Bank projects abroad. We also took the unprecedented step of moving into the plantation business, which incidentally has construction potential – building roads, housing and utilities.

"Under Koh Boon Chor's leadership, IJM was in the consolidation mode, trying to get people to work together and manage our resources in tough times. When I took over as group managing director, there was organic growth as well as business building. Krishnan Tan continued with the organic growth and bulked up the company with mergers & acquisitions during his term of office."

Goh retired as IJM group managing director in 1996 and in his inimitable management style prepared a comprehensive set of hand-over notes for Krishnan Tan to ensure a smooth transition of leadership. Like the rest, he is in active retirement pursuing a range of business interests. *(More on Goh Chye Keat as group managing director in Chapter 7)*

Ong Yeng Tian

Ong Yeng Tian was one of the resident engineers of the Muda Irrigation project when he met Lim Choong Kong. A student of Penang's Chung Ling High School, he graduated as a civil engineer from RMIT, Australia. This was followed by a stint with the Drainage & Irrigation Department before he was invited by Lim Choong Kong to become a founder partner of Jurutama.

He says, "One of the main benefits of the merger was growth at a rapid rate that would have been impossible had Jurutama not merged with the other two companies and become listed. With an enlarged capital, we could diversify into other businesses, which in a way is a risk-spreading strategy. There were some sacrifices to be made to become a part of a larger entity, but not significant enough compared to the benefits.

"IJM dispelled the myth that local contractors were unprofessional and technically unsound. The company slowly but surely and muscled its way to gain the trust of local authorities and was awarded very challenging projects. On the other hand, it did not seize opportunities to enter China when it first opened its doors to foreign investors and participate in construction and development projects."

Ong is a quiet achiever, recognised as the board director instrumental for IJM's foray into plantations in Sabah. Less known is his role in property development. He says, "I was keen for IJM to enter oil palm plantations and property development, and had a difficult time trying to convince sceptics amongst my colleagues and major shareholders since we were contractors with no experience in both these fields. Fortunately, I had the support of some other directors who believed we should not be putting all our eggs in one basket. We felt that the way forward for IJM was to grow and diversify into other sectors or else we will be trouble in times of recession when construction projects are scarce. We sought out businesses that would cushion the impact of downturns in the construction business that is cyclical by nature, and closely tied to the troughs and peaks of the country's economy.

He says, "I never doubted that we would be successful in both. The plantation business is not rocket science. And I have not met successful developers who are super geniuses. I believed that with good management and control, hard work, honesty and common sense, we would prevail, and I was right. I thank other colleagues who believed in me and stood by me at board level. I felt vindicated when the plantation division helped IJM weather the storms of a few recessions. Of course, it was very satisfying to see both IJM Plantations and IJM Land listed."

Of IJM today, he says, "IJM has grown tremendously since the early days. It has evolved into a different animal with a different corporate culture. Although it retains the professionalism and aspiration to do a good job, the interpersonal relationship among staff is different. In my time, the relationship among staff was almost family-like. Now, the atmosphere I observe is almost impersonal. I suppose this tends to happen with a company that has grown to such a huge size so rapidly. In my time, most staff joined at entry level and there was time to assimilate the company culture. It is not so now."

Ong retired from IJM in 1990, and currently provides oversight for a few companies, mainly in his favourite sectors, plantations and property development. He has ongoing property development projects in Ipoh, Bukit Mertajam and is planning another in Australia. He describes them all as "small scale ventures."

Lim Yong Keat

Lim Yong Keat is credited with turning Industrial Concrete Products Sdn Bhd (ICP) from a company with a seed capital of RM30,000 in 1977 into the largest pre-tensioned spun concrete piles manufacturer in Southeast Asia. In 1981, there was a further cash injection that raised the paid-up capital to RM550,000. In 1994, ICP's value grew to RM72 million following the asset injection of Hume factories, valued at RM48 million. In 2004, IJM bought Hume's 33% stake in ICP, and injected its quarry and ready mixed concrete assets, valued at RM130 million. Apart from the initial cash capital of RM550,000 and two injections of assets totalling RM178 million, there were no other capital call up. Today, ICP's shareholders' fund stands at RM700 million.

The building materials manufacturer has also evolved from a single product company to a group of companies involved in multiple product manufacture, marketing and investments - ICP that now has an international presence.

Lim Yong Keat was a Technical College graduate who became a PWD civil engineer. Meticulous and detailed, he brought to IJM several invaluable qualities, given his predisposition for engineering design and technical sales & marketing experience. His contributions to IJM at its inception were in the areas of administrative and personnel systems and computerisation. He resigned as a director of IJM in 1994 to concentrate on building up ICP.

Lim's previous experience came in handy. He recalls, "Before joining Jurutama as a partner, I worked as a marketing engineer at the Australian-owned United Asbestos Cement Bhd (UAC) for a year and a half, at a time when few engineers wanted to do marketing. I liked it, and worked in the pipes division selling pipes to the JKR, state government water authorities and these contacts were useful when I joined Jurutama, later a part of IJM. The UAC experience gave me the skills sets to grow ICP into a profitable business for the IJM Group. The importance of credit control in marketing cannot be overemphasised, and it became central to the ICP business management process.

With the merger, ICP had an in-house buyer. But we never stopped looking for new markets and today our pre-tensioned spun concrete pipes is a market leader in Malaysia and also earning export ringgit for the company.

"With the formation of IJM, ICP had an in-house buyer. But we never stopped looking for new markets and today our pre-tensioned spun concrete piles is a market leader in Malaysia and also earning export ringgit for the company.

On the merger with IGB, Lim had this to say: "The statement put to us by Yap Lim Sen in 1982 was that most of big corporations were helmed by accountants and lawyers. Why can't engineers be given similar opportunities? The idea was to gather capable engineers to build and run bigger companies. Much has been said about low valuations given to Jurutama and ICP. Thanks to this low valuation, 80% of ICP shares remained in the hands of the founders at the time of the merger. For the acquisition of Jurutama and Mudajaya, IGB issued about 15 million shares at RM2 each, equivalent to about 10% of its paid up capital then. From the proforma Consolidated Profit and Loss Account at December 1983, Mudajaya and Jurutama contributed about 40% of the group profit of IGB. Unfortunately, for the principals, just months after getting their IGB shares, the price went down to RM1.

"After the merger, we had great expectations of learning from a bigger company. As Yap left us alone to manage the new entity, we had to put together a management system by adapting the best practices from both Jurutama and Mudajaya," says Lim.

"It was Yap's hands-off policy that enabled IJM to grow and diversify its business. But a time came when IJM was perceived to be going 'out of control'. One day in the early 1990s, Yap called a crucial meeting with all the principals and put this question to them: 'Are you ready to be on your own?' To maintain our independence, we had no choice but put up a brave front and said 'yes'. His parting remark was: 'We will act accordingly.' Shortly after this, IGB started diluting its equity interest in IJM, from 51% to 20%. Yap was definitely visionary and ahead of his time."

Lim says the pioneers of IJM belong to the generation that participated in open tender government projects. He explains, "They treated the Government General Order and Financial Order as bibles when bidding for jobs, and we were diligent in meeting all the criteria stipulated in tender documents. We were also trained to deliver according to the terms and conditions of the contract as there were government audits being conducted throughout the project. The pioneers, the last of whom is Krishnan Tan, were raised on this tradition of governance."

Lim Yong Keat was the executive director and shareholder of ICP, which became a public listed company in 1996. It was taken private in 2008, and became a wholly owned subsidiary of IJM. After his retirement in 2004, Lim was appointed as an advisor of the ICP Group and continues in this role till today.

Mudajaya Construction Sdn Bhd


Koh Boon Chor


Koon Yew Yin


Chay Kwok Thong

MUDAJAYA CONSTRUCTION SDN BHD

Koh Boon Chor

Koh Boon Chor was appointed as the first group managing director of IJM. Together with Koon Yew Yin, he was instrumental in professionalising Chye Hin Construction, later renamed Mudajaya Construction, where he served as joint managing director. Described as "a quiet technocrat who squared off with the business zeal of Koon Yew Yin", the duo built up Mudajaya into a mid-size company with an annual turnover of RM80 million.

Our early annual reports were all about savings and cost-cutting. I believe this approach may have rubbed off and the management became prudent and IJM has never reported a loss till this day.

"Those days, few local contractors could compete with foreign contractors. To do so, we needed a larger paid up capital, and this led to the merger. My first task as managing director was to prepare the company for public listing. With public trust, we will have the capital to grow bigger. At the same time, I was entrusted to integrate the staff of Mudajaya and Jurutama, and win their confidence to work together. These challenges were compounded by the fact that the country was in a recession, and money was scarce. We attracted professional engineers and retained them with our staff policies and incentive system. This gave us an advantage in better times.

"Our early annual reports were all about savings and cost-cutting. I believe this approach may have rubbed off and the management became prudent and IJM has never reported an operating loss till this day."

The soft spoken Koh retired in 1988 but continued to serve as an executive director, a position he relinquished in 1994. He cherishes his friendship with the IJM pioneers, especially his old partners from Mudajaya, and spends much of his time travelling to be with his children who live abroad.

Koon Yew Yin

Koh Boon Chor describes his Mudajaya partner Koon as "an enterprising businessman who charged ahead with the 'boleh' approach to get jobs, sometimes with low tenders." This is the quintessential Koon, with the DNA of an entrepreneur and an appetite for calculated risks. Koon was 50 years old when he became a member of the first IJM board of directors.

Says Koon, "Most of us were poor boys from the Technical College, with nothing much to lose. We stuck together, and the need to succeed became our mother of invention, and it led to the formation of IJM.

Each of our companies had its own track record, and this was important for listing, which took account of the financial health, operational capabilities and prospects of the company.

"Yap Lim Sen is the prime mover of the merger and the listing of IJM. Each of our companies had its own track record, and this was important for listing, which took account of the financial health, operational capabilities and prospects of the company.

"When we joined IJM, Mudajaya was a cash rich company and had RM17 million in reserves. We were acquired with the issuance of eight million IGB shares at RM2 each. We were not happy, but the survival of the fledgling company was what mattered most.

"There was a recession when IJM started, so we kept our overheads low and managed to stay afloat because we owned it, led it and were the main performers. We also hired unemployed graduates, giving them jobs when they had little hope elsewhere. Some remained with us when good times came.

"Looking back, IJM has always managed to survive one economic crisis after another. Our chairman Azizuddin was a politician, but we did not win jobs because of his connections. We got them on merit and took chances when no one else did. The company diversified and entered the plantation business in Sabah. It was a state scheme that offered us good terms and it has worked out well for IJM."

Koon did not take up any management position after a heart bypass operation but remained as a board director until 1994. Widely respected in the investment community for his "good picks" on Bursa Malaysia, he is also a philanthropist known for giving scholarships to poor students. His charitable work won him recognition in the 2011 Forbes Asia Philanthropy Issue.

Chay Kwok Thong

Chay was an executive director of Mudajaya Construction, and a minority shareholder in the company. The affable pipe-smoking civil engineer from Singapore was in charge of the Bahau-Keratong highway and later the Upper Pierce dam, both Mudajaya projects. His senior manager Tan Sin Leong describes him as "my first boss who is a quiet and calm person, and does not get excited easily when faced with difficult problem. He never raises his voice with staff, and his door was always open to us."

In 1988, Chay was appointed deputy managing director when Goh Chye Keat (Jurutama) became the group managing director, the second in IJM. Chay retired from IJM in 1993 but remained a director of IJM's Singapore associated company, Hexacon Construction Pte Ltd until his demise in 2010.

Mudajaya's Terengganu hydroelectric saddle dam project that was completed in1983.

The North Klang Valley Expressway is an infrastructure project that represented the turning point for the group, after the setback caused by the 1980s global recession.

4

Lessons in Leadership-1

Koh Boon Chor
Managing Director, 1984-1988

Mudajaya's Koh Boon Chor became the first managing director of IJM. The board was unanimous in its choice, and stood solidly behind Koh, who alongside his deputy Lim Choong Kong from Jurutama, engaged in consultative management to realise the goals of the founding fathers. They were a well-suited pair, who put aside individual interests to serve the group's top priority: the post-merger integration of the diverse resources, especially people management.

A technocrat, Koh was adept at laying the foundation of a professionally run organisation, with emphasis on computerisation, process and systems excellence, which was second nature to the professional engineers who led the management team. Equal emphasis was given to good governance, which was fundamental to the realisation of IJM's desire to become a public listed company while gaining recognition as a world-class professional engineering construction firm.

To forge a sense of belonging and cohesion among staff, the integration exercise kicked off with the transfer of 200 staff – about 100 from Mudajaya, 80 from Jurutama and 20 from IGB Berhad to the newborn IJM Group. A common salary scheme was unveiled for all staff, and payroll, accounting and tender processes rationalised into a standard operating system that was undeniably IJM. This was implemented despite a condition of the merger that provided for the valuation of the three companies to be based on their individual net assets and three years of guaranteed profits by the principals. It allowed Jurutama, Mudajaya and

IGB Construction to work independently on projects in hand for the first three years as long as they delivered the guaranteed profits.

However, they could not bid individually for government jobs since the Jabatan Kerja Raya (previously PWD) required them to surrender their individual licences. Instead, the JKR issued a Class A Construction Licence to IJM on the back of the track record of its constituent companies. This ruling did not apply to private sector projects. As a result, Jurutama and Mudajaya who had built long term relationships with technology partners and private clients, invoked their individual licences to make inroads into private projects.

The biggest challenge came from people management. "To merge three companies and get their staff to work harmoniously was tough," acknowledges Koh Boon Chor. "Each company had its own history and philosophy, and as managing director I wanted to bring out the best in staff for the best of IJM. It is like building a bridge. To build a strong and sturdy one, the project head not only has to make both sides meet but also has to ensure the bridge can withstand the test of time. Otherwise the bridge won't last. To achieve this, I knew I had to be firm and fair at all times.

"First on my agenda was to address staff all at once, which I did it together with the rest of my management team because through them all three merging companies were well-represented. This I felt was the right approach because if we met them as individual groups, the perception of favouritism and discrimination is more likely to arise.

"We faced staff without fear or favour – to provide reassurances, dispel disquiet and instill loyalty to the new company. Sometimes it was like walking on eggshells, and delicate situations had to be handled with care and compromise. I would seek the advice of Jurutama directors whenever necessary to resolve grievances of staff previously under their employ. However, while conciliatory, we did not wish to be intimidated, and I made it clear that no one was indispensable.

"At these forums, I explained to staff that the merger would enable IJM to bid for bigger projects and they stood to benefit from a more profitable company. I also assured them that their jobs were safe as the management was committed to retaining all staff. There would be no shedding of staff even though the business environment was gloomy.

"The economy had slowed as the country grappled with its first ever recession in 1985, which was caused by the sharp fall in commodity prices, the main revenue generator for Malaysia then. A large number of local contractors were without adequate work volume and the continued presence of foreign contractors compounded the problems in the industry, making competitive

The Group's Resources

"Construction management is most exacting in that it requires thorough planning, close coordination and communication, and absolute control of manpower, material and financial resources. It is precisely in these respects that the IJM Group excels.

Computerisation of all the company's activities ensures better planning and control and at the same time significantly benefits productivity. In addition to its versatile and dedicated team of professionals, the group has some $30 million worth of plant and equipment resources, which enables the group to be self-sufficient."

Source: IJM Engineering & Construction Sdn Bhd Corporate Profile 1985

bidding extremely difficult. Public capital expenditure for infrastructure and construction, the lifeline of our business, shrank and unemployment hit an all time high of 8%. Against this harsh backdrop, IJM managed to secure a few new projects, but the main contributors to revenue were older contracts belonging to Mudajaya and Jurutama that were still a work-in-progress. There was also the pressure to remain profitable as IJM needed to stay on course to meet its deadline for public flotation in 1985.

"Money was scarce but I am proud to say IJM did not retrench staff. Our overheads were high because in our desire to become a professional construction company, we employed only professional engineers. IJM had the largest pool of construction professionals on its payroll given its multi-disciplinary approach to construction to ensure physical and financial success. However, it also meant that we were management intensive unlike other construction companies that were family businesses. This affected our competitiveness, but we refused to take the easy route of reducing staff numbers. As a new company, retrenchment may appear to be the obvious solution. IJM, however, did not want to be tainted by the stigma of a heartless company that does not care for its staff. From the outset, we made it clear that staff welfare counts.

During Koh's term in office, IJM embarked on geographical diversification because of the recession. Picture here shows Hong Villa Apartment in Hong Kong built by IJM.

"Instead, we tightened our belt and cost cutting became our mantra. Several members of the senior management were men of Hokkien or Hakka origin, known for their frugal ways, and this may have had some bearing on the company's prudent practices. Fortunately, we had the systems in place to closely monitor our cash flow, balance sheet and income and expenditure, and they helped us to take the necessary pre-emptive measures to avoid slipping into the red.

"Management did not pay itself excessively; instead IJM continued to allocate reserve funds to invest for growth. It was a matter of sound corporate practice for good governance and sustainability, which was close to the heart of the founders. As group managing director, my monthly salary was RM12,000 while that of my deputy was RM11,000, considered modest by industry standards. I had no increase in salary for the duration of my five year term in office. We did not have any entertainment allowance, which is common for the top management in the construction business, and travel was restricted to economy class flights, and even then, only when deemed essential.

"A leader is good when he gets things done; better when people know he exists; best when people exclaim: we did it ourselves!"

***Lao Tze**, Chinese sage*

"Things came to a head in 1986, when the management had no choice but to resort to a voluntary pay cut to contain costs. This was implemented across the board, barring the lower income group that was spared. Everyone felt it was a better alternative to retrenchment. Then we did the unexpected. When the company's financial position improved, IJM returned every sen sacrificed by staff. I think staff were taken aback because it is not the norm in business.

I think the action boosted the company's image and engendered staff loyalty. This pre-emptive action and reaction has become a part of IJM's unique way of dealing with threats to its profitability. When pay cuts were introduced in the aftermath of the 1997 Asian Financial Crisis and 2008 global economic meltdown, I was told staff took it in their stride. They knew that IJM would pay back the money when the economy improved.

"There was underemployment but company time was put to good use with staff development programmes. We conducted in-house training for human relations skills, computer applications and financial & engineering practices. We also launched a scholarship scheme to sponsor bumiputera students to local universities to increase bumiputera participation in the construction industry.

"Our engineers were encouraged to pursue the Advanced Management Development Program conducted by the Golden Gate University of the USA that was sponsored by the company. The management rationalised that this approach would strengthen our in-house capabilities to bid for big jobs when the economy bounced back. We wanted to be in a state of readiness when good times came instead of putting a team together only after winning contracts. By 1986, we had 12 staff with the Master in Business Administration from the Golden Gate University.

"Notwithstanding our own financial hardship, IJM also responded to the government's call to hire the unemployed. In 1987, we launched the Unemployed Graduates Training Programme, which saw 11 new civil engineering graduates completing a one year internship that involved six months of field work, three months in the tender department and three months in the accounts department. Upon completion of their internship, seven were offered permanent employment by IJM.

The management of IJM consists of hands-on engineers, each with his own portfolio of projects. In addition to his

List of Firsts

First office: at parent company IGB Berhad's premises in Jalan Pekeliling, Kuala Lumpur before moving to current head office building in Wisma IJM

First motto: "Big, Strong and Caring"

First chairman: Ahmad Azizuddin bin Haji Zainal Abidin

First managing director: Koh Boon Chor

First deputy managing director: Lim Choong Kong

First engineer: Goh Chye Koon, a senior PWD civil engineer who was hired in 1984 and rose to become the group's deputy managing director. Prior to him, engineers in the company were either from IGB, Mudajaya or Jurutama.

First corporate acquisition: Pucung Building Products Sdn Bhd (49%) in 1984 for quarry operations

First wholly owned subsidiary (excluding three merging companies): Chen Yu Land Sdn Bhd in 1984

First major contract: construction of three major interchanges (Package 1) for the KL-Seremban Toll Expressway with a contract value of $40.2 million awarded in 1984.

Interchanges at the Kuala Lumpur-Seremban Toll Expressway.

First international joint venture: IJM-Degremont Sdn Bhd formed in 1985 with Lyonnaise de Eaux, Degremont SA of France and local bumiputera partners for water projects.

First plantation: Desa Talisai, a 10,000-acre oil palm plantation near Sandakan, Sabah role as group managing director, Koh Boon Chor was in charge of a few Malaysia-based construction projects and one in Sydney, Australia - the construction of the head office of the St George's Building Society.

He says: "Project engineers were the pulse and profit centre of IJM. They could make or break the company. Working from site offices, hundreds, even thousands, of miles away, they are essentially running satellite operations. So, it was vital to accord them their due recognition while aligning them to the head office work practices and ethics.

"We thus introduced a project incentive scheme that involved drawing up a budget for each project, irrespective of the tender price. When the project team delivers savings on this, 20% of it is ploughed back to the team, not the head office. At times, we had project heads earning more than the senior management. At the head office, staff received bonuses based on work performance. I believe these incentives resulted in a low staff turnover.

The Connaught Bridge Power Station in Selangor is a Mudajaya inheritance that enriched IJM's construction track record.

"To keep abreast with what was happening on the ground, I felt the American-style management where the CEO goes on walkabouts was more appropriate than the hierarchical British management style with its more rigid reporting structure. Every now and then, I would travel to site offices to meet the No. 1, 2 and 3 of project teams and engage them in small talk while obtaining updates on the work in progress. I made a conscientious effort not to undermine anyone, especially senior personnel, when fraternising with their project staff.

"On my visits, I never failed to tire of reminding project teams of the golden rule of IJM: 'A promise is a promise. If you cannot fulfil it, you must explain it to the client.' These men were the face of IJM and it was important that they represent the values of the company.

"Face-to-face engagements helped create a congenial and caring working environment. During these sessions, I learned about their problems and sought ways to resolve them. Some of these men were away from home for long periods of time, and their children were raised entirely by their wives. I discovered their strengths and sought ways to harness them for the benefit of the company. My best moments at IJM were those spent with site staff. We had a good team, who were open to discussion to tackle problems and solve them.

In 1988, Koh Boon Chor retired as the group managing director at the age of 55. Businesswise, his years in office were characterised by the constant struggle for survival because of low profit margins and high overheads, especially the cost of hiring professionals in a difficult economic environment. However, he had laid the foundation for a public listed professional construction company that was the first of its kind in Malaysia. In terms of capabilities, the group had grown from its initial staff strength of 200 to more than 500 trained personnel. He acknowledges their invaluable contribution to the group's success and profitability throughout the difficult years. In recognition of their loyalty and dedication, IJM issued a significant portion of its equity upon public listing in 1986 to staff "to allow them an active participation in its growth".

Koh set the precedent for the leadership succession plan that was deliberated and adopted by the board of directors in the early days of the formation of the IJM Group.

The board had set 55 as the age of retirement using the government benchmark. After stepping down, Koh remained as a non executive board director with two functions. First, was to serve as a sitting board member who had recent knowledge of the group's activities to help chart strategic directions for the group while ensuring a smooth transition of power and responsibilities to the new leadership. Second, was to continue his role as a project director to ensure continuity as well as enhance client goodwill for his portfolio of projects.

This leadership succession plan continues to serve IJM till this day. The leadership team of Koh Boon Chor and his deputy Lim Choong Kong ended in 1988, when both retired. They were succeeded by Goh Chye Keat as the group managing director, with Chay Kwok Thong as the deputy.

Another international project: excavation works at World Square in Sydney, Australia.

Koh provided oversight for Australia-based projects such as the St George's Building Society head office in Kogarah, Sydney.

5

Slowdown after Take-Off

The start of Malaysia Plans is usually a cause for optimism for the construction industry that receives a substantial allocation of government expenditure given its role as one of the top drivers of the national economy. The 5th Malaysia Plan of 1986-90 sadly did not bring much cheer. In the I986 Annual Report, IJM chairman Ahmad Azizuddin bin Haji Zainal Abidin writes:

"There are some signs that the country's economic outlook is improving. Continued recovery, however, will depend on sustained improvement in commodity prices. For the construction sector, recovery is expected to be slower. Private sector expenditure on residential and commercial buildings can be expected to remain weak and government infrastructure investments will at best be modest. It will take some time before improvements in government revenue from rising commodity prices are translated into increased government spending for infrastructural development. Prospects for the group in 1987 can be expected to be satisfactory."

"Satisfactory" is corporate-speak for disappointing. It was a trying year indeed, with statistics confirming that the construction sector remained depressed for the third consecutive year, recording a 5.4% decline. Group pre-tax profit declined 38% to RM7.6 million in 1987, only to slump further by another 54% to an all-time low of RM3.5 million in 1988 – accounting for a mere 1.93% of the group turnover of RM207 million. Profit margins were alarmingly slim, and if the trend continued, the group was in danger of slipping into the red.

When the economy hit the skids, IJM has just taken off with a share capital of RM46 million that grew to RM50 million following the public flotation exercise in 1986. Serious soul-searching within the ranks of management on how best to maximise returns on shareholder funds resulted in the adoption of a diversification strategy to ensure their dreams don't turn to dust.

Since pickings were poor in recession-ridden Malaysia, IJM decided to explore greener pastures in the USA, UK, Australia, Singapore and developing countries. The geographical diversification occurred on the coat-tails of directors, who pulled out all stops to activate contacts in their respective spheres of influence. Happily, they met with some success.

The first project to kick-off was the joint venture JMD Development Inc. for a 37-acre residential development called South Fork in Orlando, Florida that involved the construction and sale of 107 bungalows. In Australia, the unknown IJM scored big, when it won a major project management contract for the basement and substructure works for the Anthony Horden Project in Sydney. It also took an option to purchase loan stocks convertible into 19% equity in Paynter Dixon Holdings Ltd, an Australian public listed construction group. In Hong Kong, it was awarded a residential building project, while in the United Kingdom, it picked up a few building jobs through a newly acquired associate Crendon Holdings Ltd, a company with vast experience in precast building systems. Meanwhile, IJM's associate, Hexacon Construction Pte Ltd Singapore secured a few civil engineering and contracting jobs in the island republic.

As one of few Malaysian contractors to have pre-qualified for World Bank and Asian Development projects, the group bid for projects in developing countries that came under the aegis of these funding agencies that were known as reliable paymasters. IJM won jobs in Pakistan (irrigation works) and Bangladesh (road building).

By 1988, the group's overseas contracting activities accounted for 48% of the order book, with Bangladesh as its latest market, where IJM formed a joint venture with a local partner for road contracts valued at RM60 million. The overseas contracting ventures generally proved to be costly mistakes that later prompted group managing director Krishnan Tan to remark: "Never go overseas when you are hungry. In that state, these opportunities look inviting and you are likely to miss providing adequately for local conditions. When they don't work, you have to book losses at a time when the company can least afford them."

For incoming group managing director Goh Chye Keat, who took office in 1988, it was a baptism of fire. Looking back, he says, "Our concern then was whether the company would become a dinosaur and fade into extinction." He describes the Bangladesh experience as his worst lesson in IJM. He recalls, "After tendering for several highway contracts in Bangladesh without success, the company allowed the local partner to play the lead role in tendering and securing some highway projects in the country. However, the local partner could not perform and IJM had no choice but to step in and complete the project in order to avoid paying liquidated damages and blemishing its track record with

Survival Strategies

In a paper entitled *"Survival Strategies of Construction Companies in Malaysia during Two Periods of Recession" (International Journal of Academic Research Vol 3, No 4, July 2011)*, Abu Hassan Abu Bakar writes that during the 1985-1987 recession: "Construction companies used the flexible management style as the number one strategy of survival. Since the government froze some national and international construction projects in a bid to reduce public spending, they were forced to adopt innovation in market penetration to survive. Companies that had strong financial standing were able to do so. Meanwhile, some companies tried to develop new project areas."

Spot on – precisely what IJM did.

South Fork in Orlando, Florida, an IJM property development project in USA.

Avillion Hotel, Horden Tower in Sydney, Australia, another IJM property development overseas.

1980s: CONSTRUCTION HIGHLIGHTS

Restoration of MPH building in Singapore

Jalan Mesjid Negeri Flyover in Penang

Vocational Institute for the Singapore Vocational and Industrial Training Board

Office buildings in Taman Melawati, Kuala Lumpur

Kelab Darul Ehsan Taman Tun Abdul Razak in Selangor

Lincoln Lodge Condominium in Singapore.

1980s

The Commodity Shock 1985-86

The economic downturn in developed countries triggered by the US high interest rate policy (the 'Volker shock') in the early 1980s resulted in a massive collapse of world commodity trade. Between 1984 and 1986, Malaysia's overall export price index declined by 30% reflecting a sharp decline in tin and palm oil prices. The terms of trade deteriorated by almost 20% and remained virtually at that level for the next two years. The economic collapse caused problems for new industries, many of whom had just begun production.

Earlier in November 1980, the minister of international trade and industry Dr Mahathir Mohamad (who became prime minister a year later) announced a state-sponsored heavy industry project with the stated objective of "strengthening the foundation of the manufacturing sector". The Heavy Industries Corporation of Malaysia (HICOM), a public-sector holding company, was incorporated to act as the apex government body for the implementation of the new policy. HICOM's mission was to establish industries, often with the participation of foreign partners in HICOM projects. As a policy, the government provided the lion's share of capital.

The recession dealt a severe blow to HICOM that suffered heavy losses. In addition, there was a drain on state coffers as a result of the debt repayment burden of firms associated with yen loans following the appreciation of the yen in 1985. At the end of 1988, 37% (or US$6.1 billion) of total public sector debt was attributable to public enterprise loans.

On the general business front, the sharp downturn in aggregate demand created massive excess capacities and a rising number of corporate bankruptcies. The unemployment rate grew to 8% in 1986, from an average level of 4.5 during the first half of the decade. The recession also precipitated a severe banking crisis, with non-performing loan (NPL) ratio of commercial banks reaching a historical height of 30% in 1987 and 1988.

Source: Governance Re-invented: Progress, Constraints, and Remaining Agenda in Banking and Corporate Restructuring in Malaysia by Mohamed Ariff, Azmi Setapa and Elayne Yee Siew Lin (http://www.unescap.org/drpad/publication/fin_2148/chap3.pdf)

delays in completion. The company had to suffer some losses in supporting the local partner. The lesson learnt is never to rely on a local partner in a developing country to play a lead role in the execution of contracts as IJM would invariably have to step in to complete the project in the event of a default by the local partner."

A housing project in Bintulu, Sarawak.

Another solution to boost business was forward and backward integration. Put simply, quarrying & manufacturing and property development.

Subsidiary Jurutama had already set the precedent in manufacturing with its Industrial Concrete Products Sdn Bhd (ICP) that produced pretensioned spun concrete piles and poles. Through Crendon Building System Sdn Bhd, it also specialised in pre-cast buildings systems, and made headway in Taman Brown, Penang, where it built 1,005 units using the Crendon technology. Its joint venture with the Bintulu Development Authority, BDA-Kidurong Development Sdn Bhd, resulted in several residential units and commercial buildings being developed.

Between 1985 and 1987, IJM spearheaded a series of acquisitions to establish its quarrying and manufacturing business. Its stake in Pucung Building Products Sdn Bhd (49%) enabled

Quarrying in Selangor

ICP's factory in Kapar marked its entry from Penang to the Klang Valley in the 1980s.

it to gain a foothold in quarrying in Selangor via Pucung's wholly owned subsidiary Kamad Quarry Sdn Berhad.

For manufacturing, ICP expanded its pre-tensioned spun concrete piles business by setting up factories in Penang, Perak, Selangor and Terengganu. The building material base was widened further when the company invested in Styrobilt Sdn Bhd (65%) to produce and market Styrocon and Stryroplast dry wall panels. Patented in the United Kingdom and manufactured under licence in Malaysia, these panels were particularly suited for external and internal drywall construction in industrial, commercial, institutional and residential buildings.

More products and services entered the IJM stable when the company bought stakes in Glass Reinforced Cement Sdn Bhd (reinforced cement products) Cofreth (M) Sdn Bhd (electro-mechanical services) and Ulbon Sdn Bhd (high frequency induction heat treated bars for pre-stressed concrete).

The manufacture of building materials helped improve the efficiency and competitiveness of the group. With the economies of scale provided by in-house purchases, these companies were able to compete and expand their market presence.

Source: Business Times, 1 December 1990

IJM in $7.29m deal to buy Malaysian Rock Products

By L.C. KAM

IJM Corp has entered into an agreement to acquire the entire share capital of Malaysian Rock Products (MRP) for $7.289 million cash.

The proposed acquisition is in line with the IJM group's objective of acquiring control over cri-

IJM's principa... those of an inve... company, a civil... building contract... property develop...

The group is pri... in civil engineerin... property developm...

Source: Business Times, 19 June 1991

DEAL WITH SPS GROUP

IJM buys 50pc of firm

By C.S. TAN

IJM Corp has acquired a 50 per ...

"We formed Precast Technology in 1984 after having seen the ...

The SPS group was started by Mr Song Pang Seng as a building contractor some 40 years ago. He is the father of Mr Song Sow Fee and Mr Alex Song.

The group owns Wisma SPS at Jalan Imbi, where some of the floors are rented to the Lion group as its head office.

IJM Corp announces several acquisitions, gives details

By OUR REPORTER

IJM CORP Bhd has announced several acquisitions in a statement yesterday.

Its wholly-owned subsidiary, Malaysian Rock Products Sdn Bhd (MRP), has acquired the entire 25,000 ordinary shares of RM1 each of Oriental Empire Sdn Bhd for a cash price of RM1.25 million.

The purchase was made through internal funds pursuant to a sale and purchase agreement and approved by the Foreign Investment Committee (FIC).

Oriental Empire, incorporated in 1993 with an authorised capital of RM25,000 of RM1 each, is the registered owner of about 14ha of leasehold land in Negri Sembilan approved for quarry operations.

Together with adjoining land owned by another wholly-owned subsidiary, Azam Ekuiti Sdn Bhd, the combined land has an estimated rock reserve in excess of 30 million tons of granite.

MRP has also subscribed at par 550,000 ordinary shares of RM1 each representing 55 per cent of Highway Master Sdn Bhd through internal funds pursuant to a joint venture shareholders' agreement executed with Golden Hiapfatt Sdn Bhd and Norwest Holdings Sdn Bhd.

Highway Master, incorporated in 1993 with an authorised capital of RM1 million of RM1 each, will be used as the joint venture company for the purpose of undertaking road pavement and related works.

In addition, MRP has acquired a further 200 shares at par in Aggregate Marketing Sdn Bhd through internal funds.

This is in addition to the earlier subscription of 10,000 ordinary shares of RM1 each, representing 50 per cent of Aggregate Marketing.

Aggregate Marketing, now a 51 per cent subsidiary of MRP, was appointed the exclusive marketing company to market quarry products in Johor and Singapore for all quarry products produced by shareholders' quarries at Masai, Kulai and Uloh Choh.

Finally, MRP has subscribed at par 200,000 ordinary shares of RM1 each representing 50 per cent of Renovator Asphalt Sdn Bhd through internal funds pursuant to a letter of understanding executed with Renovator Sdn Bhd.

Formerly known as Ellsworth Ventures Sdn Bhd, Renovator Asphalt was incorporated in 1993 with an authorised capital of RM500,000 of RM1 each.

Renovator Asphalt, which owns and operates a premix batch plant in Malacca, will be used as the joint venture company for the purpose of sale of premix and undertaking of road pavement works in Malacca.

IJM Properties Sdn Bhd, a wholly-owned subsidiary, has subscribed at par 510,000 ordinary shares of RM1 each representing 51 per cent of Jalinan Masyhur Sdn Bhd through internal funds.

Jalinan Masyhur, incorporated in 1992, is a joint venture company established to undertake development and sale of condominium units on its 5.48ha of land in the vicinity of Tropicana Golf & Country Resort in Petaling Jaya.

IJM has also acquired at par, the remaining 102,000 ordinary shares of RM1 each, representing 51 per cent of Scaffold Master Sdn Bhd (SMSB) through internal funds.

Scaffold Master, now a wholly-owned subsidiary, was incorporated in 1985 and is involved in the sale and rental of steel scaffoldings.

The transactions are not expected to have any significant effect on the earnings or net tangible assets per share of the company for the financial year ending December 31 1994.

Source: Business Times, 31 May 1994

Building material manufacturing was a timely move, encouraged by the government as part of the national industrialisation programme that anointed the private sector as the engine of economic growth. According to the *Malaysian Economy in Three* Crises by Premachandra Athukorala (ANU 2010), government capital expenditure as a percentage of GDP declined from an average level of 23.5% during 1980-85 to 14.2% in the second half of the decade.

A raft of incentives such as pioneer status tax exemptions and tariff protection was unveiled to provide the necessary impetus. It resulted in the inflow of foreign direct investments while spurring imaginative local businesses to seize the day. The majority of the IJM board viewed the diversification into manufacturing as a win-win situation. While its quarrying and manufacturing business helped improve the company's bottom line, its portfolio included products favoured for government special incentives in the aggressive export-oriented Malaysian economy.

Like quarrying and manufacturing, IJM's entry into property development was initially aimed at stimulating construction activity. It was an option worth considering in the absence of public construction opportunities and a private sector experiencing high payment risks. Medium cost housing, in particular, emerged as a low risk proposition with relatively attractive margins compared to construction.

New Straits Times, 3 April 1991

IJM clinches 12 land, property deals

IJM Corporation Bhd yesterday announced 12 deals to buy several pieces of land and property in Penang for $29.39 million.

It also announced its acquisition of property company Maxharta Sdn Bhd for $35 million, a special issue to Bumiputeras, an employees' share option scheme and a restricted offer for sale to existing shareholders the irredeemable convertible unsecured loan stock by the vendors of the property and Maxharta.

IJM said in its announcement to the Kuala Lumpur Stock Exchange that these company to own prime land with potential for development in areas where its activities are concentrated.

The purchase of land and property is to be satisfied by the issue of a total of $29.39 million nominal value of seven per cent irredeemable convertible unsecured loan stocks (ICULS).

Four of the deals are with Penang Garden Sdn Bhd which involve a total of $20.06 million that will be satisfied by the issue of the same nominal value of ICULS.

The deals are:

- six pieces of land in ... Penang
- office space on the ninth and 10th floors of Wisma Penang Garden for $1.8 million;
- office complex in Jalan Sultan Ahmad Shah in Penang for $10.71 million; and
- five pieces of land in Butterworth for $1.2 million.

From IGB Corporation Bhd, IJM is acquiring land and properties for a total of $6.71 million which will also be satisfied by the issue of the same nominal value of ICULS.

They are:

- land together with buildings in Butterworth ... land in Butterworth for $1.17 million;
- vacant development land in Batu Ferringhi, Penang, for $1.6 million; and
- vacant development land in Butterworth for $3.71 million.

IJM is also acquiring from Hai Aun Co Sdn Bhd two pieces of development land in Butterworth for $674,000 to be satisfied by the same nominal value of ICULS; from Bagan Ajam Estate Sdn Bhd, vacant development land in Butterworth for $1.21 million, also to be satisfied by the same nominal value of ICULS; and ... land in Batu Ferringhi for $745,000 and satisfied by the issue of $745,000 nominal value of ICULS.

Maxharta will be acquired from Sze Choon Holdings Sdn Bhd, Glendale Corporation Sdn Bhd, Datuk Mohd Nor Haji Ismail, Southern Sphere Sdn Bhd and Ho Hup Development Sdn Bhd.

These vendors of the 1.5 million Maxharta shares will be issued $35 million nominal value ICULS.

Upon completion of these acquisitions, the vendors will each make a restricted offer for sale to existing IJM shareholders 15 per cent of

In the beginning: a prefabricated affordable housing project in Taman Brown, Penang.

IJM's first property privatisation project: PKNS housing development in Ampang (now Wangsa Maju), Selangor.

A casting yard for pre-fabricated housing.

First property privatisation project in Penang: Batu Lancang Apartments, affordable-medium cost housing.

The beginnings were humble. With no land bank to call its own and cash very tight, IJM sought out privatisation projects of state governments. Typically, government land was alienated to the private sector for the development of subsidised affordable housing and medium cost housing, both with strong sales uptake. Development costs pumped into subsidised affordable housing by the private sector were recovered through tidy profits made in the sale of medium cost housing. For the government, this arrangement was an expedient solution to home ownership by low income groups since the public purse no longer had any allocations for low cost housing.

The first such opportunity presented itself in Selangor where Jurutama had initially been awarded a turnkey construction contract for 1,600 residential units in Ulu Kelang (now Wangsa Maju), Kuala Lumpur by the Selangor Economic Development Corporation (PKNS). Due to funding issues and the introduction of privatisation policy initiatives, Jurutama was requested to convert this construction contract into a property venture with the risks and rewards transferred to Jurutama in exchange for subsidised housing and price control.

Encouraged by the success of this project, IJM began to aggressively pursue privatisation or joint venture development projects because they involved low capital investment in equity or land cost. Moreover, the projects were usually in prime urban locations that ensured relatively quick sales. Due to their high density, they provided ample construction work as well.

IJM then made its debut in Penang, where it achieved considerable success with this formula. It won a privatisation bid to develop 20-plus acres of government land in Batu Lancang at a relatively low premium of RM6.1 million from the Penang Development Corporation. Regarded as a strategic piece of land in a new growth area, the project involved building low cost and medium cost apartments, supported by some commercial development. All units were fully sold within a reasonable period of time. This project marked the beginning of the group's property division and the establishment of IJM Properties Sdn Bhd as the group's property vehicle.

IJM's strong execution capabilities and its reputation for quality brought quick market acceptance and also recognition from the Penang Government that opened more doors to the company. A string of other developments followed, with the state government as well as with the Penang Development Corporation. Another break came when IJM bought IGB's land bank when the latter chose to exit Penang, and with this, IJM was able to strike outside the low cost-medium cost privatisation paradigm. Meanwhile, in Perak, subsidiary Chen Yu Land Sdn Bhd launched a 34.5- acre residential development for bungalows, terrace and shop houses in Ipoh.

To enhance its property development business, IJM took up a stake in Negara Nurseries Sdn Bhd (50%), a pioneer in landscape consultancy and contracting whose credentials included prestigious projects such as Subang International Airport, the US Embassy, Taman Melawati, Istana Kinta and the Dayabumi Complex.

In 1985, IJM took the unusual step of diversifying into oil palm plantations in Sabah. The decision, including the venture into Sabah, took the business community by surprise as it was a path that had been trodden by more seasoned players, some of whom had returned hurt. It was not without its detractors in the board, and difficult boardroom discussions ensued. They argued that plantation agriculture veered from the group's "stick to the knitting" strategy of familiarity. Their contention was that the group was clueless about agriculture. The counter argument was that there was a need for a business that provided revenues to offset down times in the cyclical construction business. The detractors were outnumbered and the motion to carry was passed. Apart from reflecting the democracy of the board, the decision also reflected the entrepreneurial DNA of the pioneers. They were engineers willing to take calculated risks, and not to be stifled easily. An agro-economist of good standing in oil palm agriculture was engaged to do the necessary research and math. He was KP Lim, a friend of Lim Choong Kong, with impressive credentials in plantations economics, especially oil palm. Better still, he was familiar with conditions in Sabah.

IJM ventured into the landscaping business to enhance its property development proposition as well as serve as an independent revenue stream. Picture shows the landscaping at Subang International Airport in Selangor.

1987: The beginning of planting Desa Talisai Estate

An abandoned cocoa estate being transformed to an orderly and profitable oil palm plantation.

Selecting the location of the plantation business occurred by chance – IJM happened to be in the right place at the right time. While in Sandakan to bid for a road building job, project director Ong Yeng Tian came across an abandoned plantation on the outskirts of Sandakan that belonged to the state government. It had seen better days as a cocoa plantation, regarded as a sunset crop, and the terrain was considered suitable for oil palm.

Oil palm was then on its ascendancy as the golden crop of Malaysia, with plantation owners rushing to replant rubber estates with oil palm. The best land in Peninsular Malaysia had been taken up by established plantation owners, and Sabah was more or less the last bastion for new investors. IJM approached the state agency Koperasi Pembangunan Desa (KPD, or Rural Development Corporation in English), the landowner of the abandoned plantation, and it led to the birth of Desa Talisai Sdn Bhd, named after the 10,000 acre estate.

Krishnan Tan, who was involved in the negotiations recalls, "We did not have the money to buy the land that was valued at RM700 per acre, an investment of RM7 million. The owner, KPD, also wanted to continue in the venture instead of outright sale. We proposed a

Malaysia Plans (1966-2000)

The goals of the Malaysia Plans reflected the changing direction of the economy. In a nutshell, they are:

First Malaysia Plan (1966-70) that promoted agricultural and industrial activities so as to diversify the economy and create employment. Accordingly, the focus was on labour-intensive import substitution and export

Second Malaysia Plan (1971-75) paid much attention to export-oriented industrialisation, in addition to increasing direct government participation in commercial and industrial activities, a radical departure from the earlier practices.

Third Malaysia Plan (1976-80) focused on resource-based industries that were given a boost, thanks primarily to the discovery of oil and gas. Education and training in the field of industrial engineering were given much emphasis to relieve the shortage of skilled manpower.

Fourth Malaysia Plan (1981-85) aimed to boost productivity, expand the industrial base and modernise the services sector. In addition, small-scale industries were promoted through the provision of training and financing facilities.

Fifth Malaysia Plan (1986-90) was launched to restructure the economy in the face of a recession, introduced reforms such as the removal of restrictions on private investment and foreign equity participation in the economy. R&D activities were given new emphasis, especially in high technology areas including microelectronics, laser technology and electro-optics, biotechnology, and materials technology.

Sixth Malaysia Plan (1991-95) aimed to enhance the competitiveness of Malaysian manufactures through technological upgrading, industrial restructuring and innovation in production, design and marketing.

Seventh Malaysia Plan (1996-2000) stressed productivity-driven growth via integrated production in higher-value added activities, especially technology-intensive and knowledge-based industries.

Reference must also be made to the two **Industrial Master Plans (IMP 1 &2).** The IMP1 (1986-95) was a long-term indicative plan for the development of 12 industrial subsectors, comprising seven resource-based industries and five non resource based industries. The IMP2 (1996-2005) has adopted a Manufacturing ++ concept to integrate all the components of the value-added chain, combined with the cluster concept whereby related industries are geographically grouped to maximise intra-industry synergies.

Source: Tan & Ariff, 1997

50:50 joint venture with KPD contributing land, and we contribute our share of RM7 million to fund the plant-up that would occur over a period of time. This would enable us to raise funds progressively, internally and through bank loans. IJM has always appreciated the great leap of faith on the part of KPD, which entered into a partnership with a company that had no previous experience in plantations and probably no immediate money to meet its obligations. As it turned out two decades later, Desa Talisai is probably one of the most profitable investments made by KPD."

Oil palm has a gestation period of three years after which it provides regular income for a period of 20 years. Goh Chye Keat describes the foray into plantations as a "fantastic success story whose growth has been beyond our wildest imagination. The founding fathers had no experience and brought in KP Lim as a consultant and Velayuthan Tan as the manager. Vela had previously worked in oil palm estates and was a confident and good operator. With good management to ensure high yields, we started to get back our investment in five years."

Through sheer dint of work, prudence and out-of-the-box thinking, things began to look up for the group by the late 1980s. Staff morale and business prospects were boosted in 1988, when IJM won a RM103.76 million contract for the construction of the North Klang Valley Expressway (NKVE) from Klang to Subang. This is the first package of the North-South Expressway, a massive highway privatisation concession awarded to United Engineers Malaysia Berhad (UEM). Although the award had its critics who claimed IJM had underpriced the bid and would suffer huge losses since the closest competitor had quoted a considerably higher price, IJM and its people remained confident as it was later borne out. IJM and its subsidiaries went on to successfully construct the NKVE as well as many other sections of the North South Expressway.

By the end of the recession, IJM emerged with four core businesses that became the group's pillars of growth, profitability and sustainability. A name change occurred in 1989, when IJM Engineering & Construction adopted IJM Corporation Berhad "to better reflect the changing concentration of the group's activities." A new logo was created and it remains in use till this day.

Source: New Straits Times, 15 December 1989

New name reflects activity profile

IJM Engineering & Construction Bhd, which is changing its corporate name to reflect its activity profile, has more than $750 million contracts in hand, 40 per cent of which relate to contracts overseas.

The value of outstanding contracts stands at about $450 million.

IJM managing director Goh Chye Keat told reporters yesterday after the unveiling of IJM's new corporate logo by chairman Datuk Haji Ahmad Azizuddin Haji Zainal Abidin, that from early this year to November, the company secured contracts worth $320 million.

Earlier, shareholders approved the change of its name to IJM Corporation Bhd at an extraordinary general meeting. The change is subject to the approval of the Registrar of Companies.

At the meeting, shareholders also approved the acquisition of Torsco Sdn Bhd, a company dealing in steel fabrication and installation involving unfired pressure vessels and welded steel pipes.

Its proposed rights issue of 17.62 million new shares on the basis of one-for-three at $1.90 each was also approved.

Mr Goh said although IJM is also involved in property development and management, manufacturing, plantation and investment, construction would remain the core area of activities.

He said IJM is waiting for results of tenders submitted, some of them with Japanese consortiums, for eight to nine big projects, mainly in the oil and gas sector.

IJM, which is already present in Australia, Bangladesh, Singapore, United States, United Kingdom and Hong Kong, is trying to break into Papua New Guinea and Mauritius.

Said Mr Goh: "We had tendered for several projects in Papua New Guinea over the last two to three years but were unsuccessful. We are now talking about a housing project there. The tender, however, has not been sub-

North Klang Valley Expressway: on the road to recovery.

The North Klang Valley Expressway is a 35-kilometre toll highway built from Kuala Lumpur to Klang. It serves one of the densest corridors of Malaysia that consists of residential and industrial clusters.

6

On a Roll

IJM entered the 1990s more confident after a bruising start, a rite of passage that built the character and culture of the group. As the economy turned the corner, it was in a state of preparedness with the right mindset, talent and stamina to ride on the wave of a buoyant economy that occurred under the leadership of prime minister Dr Mahathir Mohamad who entered his third term in office after a decisive electoral victory in November 1990. The election results left him virtually unchallengeable and gave him an unencumbered opportunity to consolidate the programme of modernisation, industrialisation and deregulation that he had started when he became prime minister in 1981.

They became the pillars of his working paper *Malaysia: The Way Forward* popularised as Vision 2020 and unveiled in 1991. Vision 2020 mapped out the national agenda to transform Malaysia into a fully developed nation by the year 2020. It was an exhilarating start to the new decade and included an instructive note that "since no nation can achieve full progress with only half its human resources harnessed… bumiputeras must play their part in the achievement of this national goal. Indeed, the entire population was to be mobilised to make the 1990s the most economically productive decade in our history."

Vision 2020 urged accelerated privatisation to make a "flourishing reality" of Malaysia Incorporated, the productive partnership between the public and private sectors that was deemed vital for the realisation of national aspirations. Even as early as 1984, Dr Mahathir had declared in a paper entitled "Malaysia Incorporated and Privatisation":

"The time has come for all managers in the private sector to stop thinking of progress and development only in terms of what their own companies and firms intend to do. Malaysia has the resources. It has the manpower. It has the basic skills. It is rich enough to buy the technology if home-grown technology is not available. Malaysia is stable, prosperous and strategically situated. Indeed, the list of positive assets of Malaysia is long and impressive. But to succeed, we must have the right attitude. We must cultivate the right values and ethics.

Privatisation – stated and implied goals

The Economic Planning Unit's booklet on privatisation spelt out in black and white what this meant and what it implied:

"The privatisation policy forms an integral part of the Government's strategy in realising active participation by the Bumiputera in the corporate sector since the policy encompasses also the transfer of Government trust companies to the Bumiputera. The programme will also be used as a vehicle to correct the imbalances in the corporate sector by providing Bumiputera wider opportunities to participate in the privatisation of non-trust companies."

In other words, this was a restatement of the aims of the New Economic Policy as they had first been set out in the preamble of the Second Malaysia Plan in 1971. Privatisation was to serve as a vehicle for ensuring that the declared target of a one third bumiputera stake in the national equity would be achieved. This is a point worth bearing in mind when considering the manner in which the privatisation of the North-South Expressway Project was actually carried out. The framers of the policy reckoned that everybody would benefit from privatisation in one way or another.

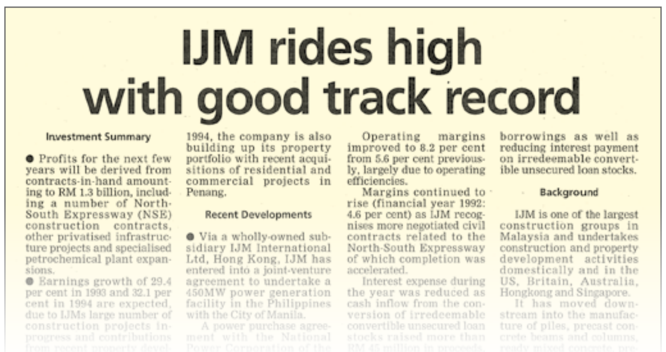
Source: Projek Lebuhraya Utara-Selatan: The Anatomy of an Expressway (Muzaffar Tate, 1994)

We must have the right principles and approaches. The government believes it has the right formula now. In the Malaysia Incorporated and Privatisation concepts we have the right combination to propel Malaysia to greater heights of achievement for both the spiritual and material well-being of her people. It is up to us now. Let us join hands and work together so that we will not be ashamed of the legacy we bequeath our beneficiaries, the future Malaysians."

If there was one painful lesson that the 1985 recession had taught, it was that it is not the business of the government to be in business. The government abandoned its eight year commitment to the heavy industry policy and sold several public enterprises to private owners. In addition, in 1991 it published the Privatisation Master Plan that listed privatisable government-owned enterprises. Meanwhile, there was a renewed emphasis on FDI, and the Investment Coordination Act 1975 was amended to make Malaysia a more attractive haven for investors, especially export manufacturers. To entice them, the government gave priority to building world-class infrastructure, and allocated substantial resources for the implementation of privatised mega infrastructure projects in the Sixth Malaysia Plan (1990-1995). These projects involved large civil engineering works and triggered a construction and infrastructure boom.

Outlining the prospects for 1990, the IJM Annual Report of 1989 stated: "The domestic construction and property sectors are currently experiencing a strong upsurge and this is expected to continue in 1990. Surging foreign investments in the domestic manufacturing sector will continue to provide the necessary impetus for increased investments in infrastructure facilities by the government while the improving demand for residential properties, improving rentals and occupancy levels of commercial properties should see demands for new building construction."

For IJM, this was the sorely needed kiss of life to awaken the giant within. It had the capacity as a result of investments in plant and equipment; it had the skilled manpower as a result of retaining key staff and training programmes during the recession; it had the working capital as a result of the implementation of rights issues and the setting up of more banking facilities; and it had a reliable supply of downstream products as a result of the expansion of its quarrying and manufacturing capacities. The group was ready to seize the bullish economy by the horns.



IJM rides high with good track record

Investment Summary

● Profits for the next few years will be derived from contracts-in-hand amounting to RM 1.3 billion, including a number of North-South Expressway (NSE) construction contracts, other privatised infrastructure projects and specialised petrochemical plant expansions.

● Earnings growth of 29.4 per cent in 1993 and 32.1 per cent in 1994 are expected, due to IJMs large number of construction projects in-progress and contributions from recent property devel-

1994, the company is also building up its property portfolio with recent acquisitions of residential and commercial projects in Penang.

Recent Developments

● Via a wholly-owned subsidiary IJM International Ltd, Hong Kong, IJM has entered into a joint-venture agreement to undertake a 450MW power generation facility in the Philippines with the City of Manila.

A power purchase agreement with the National Power Corporation of the

Operating margins improved to 8.2 per cent from 5.6 per cent previously, largely due to operating efficiencies.

Margins continued to rise (financial year 1992: 4.6 per cent) as IJM recognises more negotiated civil contracts related to the North-South Expressway of which completion was accelerated.

Interest expense during the year was reduced as cash inflow from the conversion of irredeemable convertible unsecured loan stocks raised more than RM 45 million in proceeds,

borrowings as well as reducing interest payment on irredeemable convertible unsecured loan stocks.

Background

IJM is one of the largest construction groups in Malaysia and undertakes construction and property development activities domestically and in the US, Britain, Australia, Hongkong and Singapore.

It has moved downstream into the manufacture of piles, precast concrete beams and columns, ready mixed concrete, pre-

Source: The Sun, 20 September 1994

1990s

The group's construction business was the golden child, filling the order book with project after project to breach the RM1 billion mark in 1991. It was unstoppable over the next few years, delivering sterling performances that saw the group's market capitalisation soaring from 260.8 million in 1990 to RM1 billion in 1993 (when the share price hit a high of RM11.80) and peaked at RM1.88 billion in 1996. According to group managing director Goh Chye Keat: "From 1991 onwards, Profit Before Tax grew substantially, from RM31 million in 1991 to RM51 million in 1993, RM81 million in 1994, RM97 million in 1995 and RM116 million in 1996. No serious challenges or hurdles were encountered during that period."

They were heady days indeed, not just for IJM but for the rest of the nation and countries in the region, hailed as Asian miracle workers, Tiger Nations roaring away with double digit growth and whose eastern management philosophies and work ethic were lauded by western management gurus, business schools and books. The Gulf War of 1991 failed to dampen their zeal.

For IJM, the up cycle began in 1988 when it landed the first package for the construction of the 847.7 km North-South Highway, a privatised build-operate-transfer project awarded to United Engineers (Malaysia) Berhad, the private concessionaire of the dual carriage toll highway. More construction packages followed. The group also succeeded in winning substantial packages in other landmark projects such as the Mid Valley Megamall (initially called the Grand Bazaar), the KL International Airport, Putrajaya and the Commonwealth Games Village to be built by the host nation for the XVI Commonwealth Games held in Kuala Lumpur in 1998.

Source: The Star, 19 May 1995

IJM turnover poised to reach RM1bil

IJM Corp Bhd's turnover stands a chance of touching RM1 billion once its foreign projects start generating revenue and provided the local construction market continues to boom.

IJM managing director Goh Chye Keat said yesterday the company's overseas operations had not begun generating revenue, adding that he expected these projects to start contributing in the next two years.

"We are currently looking at South Africa, India and Myanmar," Goh said after the company AGM in Petaling Jaya yesterday.

He said IJM would seek out infrastructure projects in India and Myanmar but would concentrate on housing projects in South Africa.

While IJM has been expanding its horizons to establish a foothold in these countries, Goh said the bulk of the RM2 billion worth of projects tendered are in Malaysia.

Its land bank, with a development value of RM1 billion, is heavily stocked in Penang, Sabah, Sarawak, Selangor and Perak.

Among its properties, IJM is happy with its position in Seberang Prai which Goh claimed possessed potential for the development of housing and industrial projects.

He said that IJM had an order book of contracts worth RM1.2 billion and that the company would continue to acquire land.

Another big contributor to IJM's performance has been the favourable price of palm oil, which contributes 15.5 per cent to group profit.

With IJM planning to increase its hectarage of oil palm estates in Sabah coupled with the high price that palm oil fetches, Goh is optimistic IJM's the plantation division would contribute 20 per cent to group profit this year.

IJM was awarded the contract for earthworks at the main terminal and construction of the second runway at KL International Airport.

1990s: PROJECT HIGHLIGHTS

Petaling Jaya-Bangsar Linkage

Double tracking rail project from Rawang to Seremban

Tampines Avenue 12 Interchange in Singapore

Gleneagles Hospital in Singapore

Le Morne Beach Resort Hotel in Mauritius

Micasa Hotel Apartments in Yangon, Myanmar

Renaissance Hotel and New World Hotel in Kuala Lumpur.


Tropicana Golf & Country Club House in Selangor


National Heart Centre (Institut Jantung Negara) in Kuala Lumpur

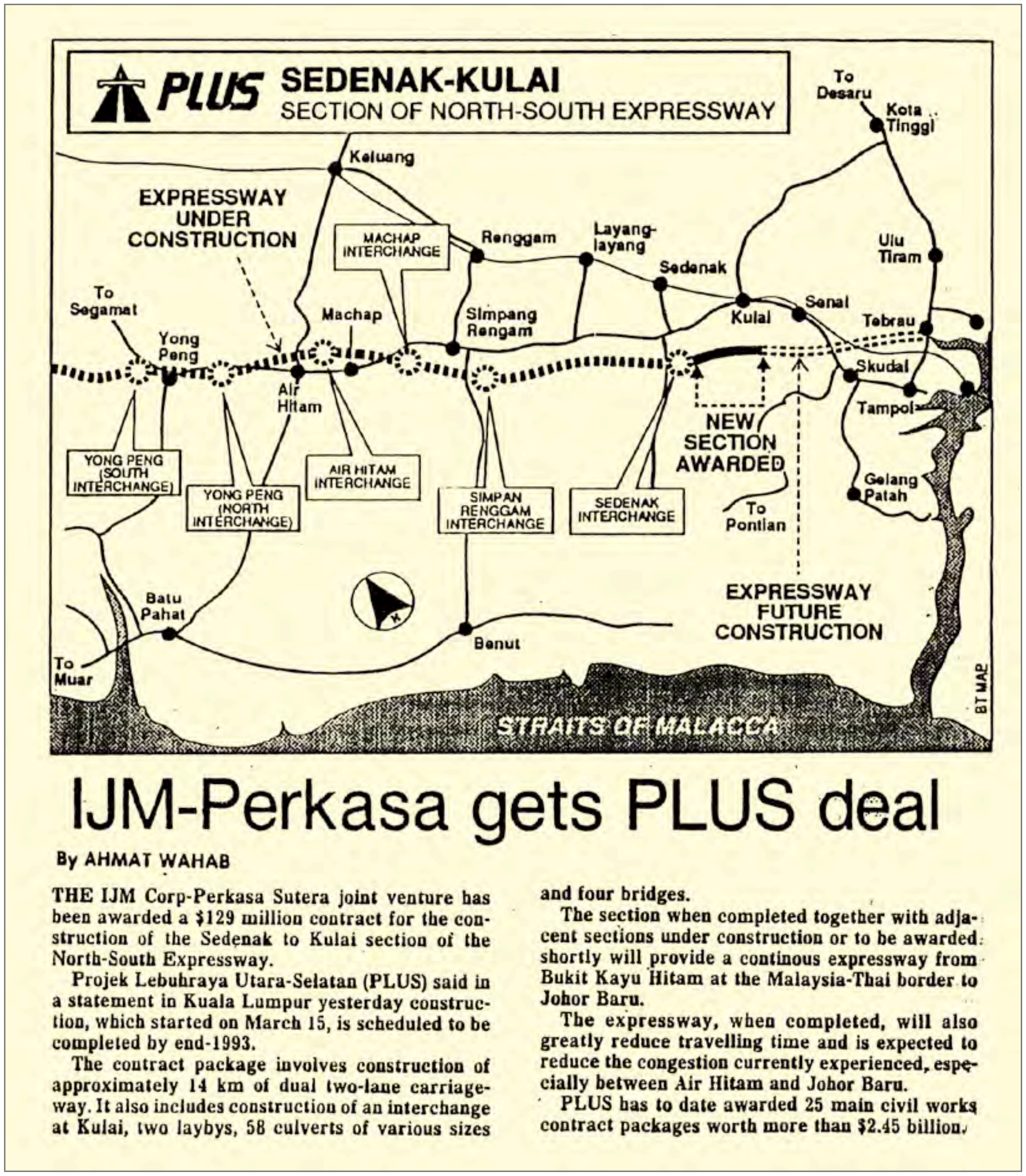

Bukit Raja Industrial Park in Klang, Selangor


Santubong Bridge in Kuching, Sarawak


Pantai Puteri Hospital in Ipoh, Perak


Jasmine Towers Condominium in Petaling Jaya, Selangor


Bukit Jambul Indah in Penang



IJM-Perkasa gets PLUS deal

By AHMAT WAHAB

THE IJM Corp-Perkasa Sutera joint venture has been awarded a $129 million contract for the construction of the Sedenak to Kulai section of the North-South Expressway.

Projek Lebuhraya Utara-Selatan (PLUS) said in a statement in Kuala Lumpur yesterday construction, which started on March 15, is scheduled to be completed by end-1993.

The contract package involves construction of approximately 14 km of dual two-lane carriageway. It also includes construction of an interchange at Kulai, two laybys, 58 culverts of various sizes and four bridges.

The section when completed together with adjacent sections under construction or to be awarded shortly will provide a continous expressway from Bukit Kayu Hitam at the Malaysia-Thai border to Johor Baru.

The expressway, when completed, will also greatly reduce travelling time and is expected to reduce the congestion currently experienced, especially between Air Hitam and Johor Baru.

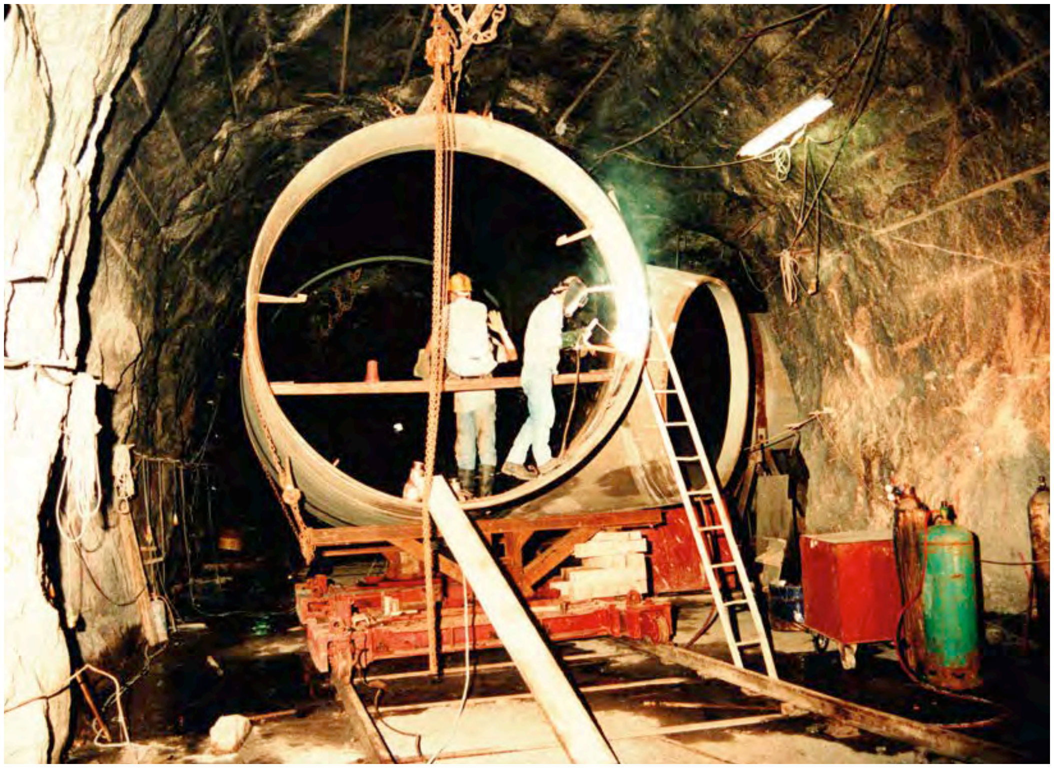
PLUS has to date awarded 25 main civil works contract packages worth more than $2.45 billion.

Source: Business Times, 20 March 1991

The Sedenak-Kulai stretch of the North-South Expressway is one of many packages of the 772-km highway built by IJM. This is the longest expressway in Malaysia.

Curiously, while achieving considerable success as a contractor, IJM did not succeed in securing any significant privatised infrastructure project to call its own, even though bids were made. Still, IJM was not out on a limb. While it failed to win privatisation projects (due to lack of "know who"), typically multi-million or billion ringgit Build-Operate-Transfer concessions for highways, ports and independent power plants with promises of recurrent income, it secured projects from these concessionaires, mainly start-ups with little expertise and track record. The latter made up for the shortfall by appointing experienced players such as IJM as contractors and subcontractors. This resulted in the mobilisation of professionals, para-professionals, technicians and support service providers across the board. Privatisation truly enlarged the proverbial economic pie, with slices of varying sizes distributed to anyone worth his salt. The construction of the North-South Highway and the development of the green field KL International Airport and federal administrative city of Putrajaya are classic examples.

Never in the history of Malaysia has so much development occurred in so little time. IJM was flush with jobs, and under pressure to meet tight deadlines to build fast-track world class infrastructure as the nation rushed to have iconic landmarks "to put Malaysia on the world



Steel fabrication works for the Pergau hydroelectric dam in Kelantan was undertaken by IJM subsidiary Torsco.

map" Dr Mahathir's famous phrase, which became an oft-repeated quote, to attract trade and investments. Demand outstripped supply, and manpower and material shortages became critical. IJM took comfort in the fact that it could leverage on its first-rate talent pool of professionals and in-house quarrying and building materials business.

The quarrying and manufacturing division was expanded with new acquisitions to feed construction demand. The move also represented the group strategy to broaden and enhance the earnings base of all its revenue streams. While quarrying & manufacturing division's direct contribution to the bottom line was middling because of intense competition and shrinking margins, it played a vital role in supporting the construction and property divisions.

Two companies stood out as top performers, pretensioned spun concrete pile manufacturer Industrial Concrete Products Sdn Bhd (ICP) and steel fabricator Torsco Sdn Bhd, both market leaders in their respective fields. In 1996, ICP was listed on the Kuala Lumpur Stock Exchange and Torsco was next in line. The IJM Annual Report 1996 states: "The listing of ICP and the proposed listing of Torsco will enable both companies to access cheaper funds from the capital markets to spur their respective company's expansion plans. It will also greatly enhance the market value of the group's investments."

IJM's property business began to shine when it ventured into high end residential and the industrial markets with Riana Green Condominium, PJ Industrial Park and Bukit Raja Industrial Park, all in the Klang Valley, Sri Pangkor and Bukit Jambul satellite town in Penang. Adopting the motto "Excellence through Quality" (later adopted group-wide in 1994 when IJM began to pursue ISO certification for its core businesses), it began to gain market acceptance

Ministry of Public Works in Kuala Lumpur

Deal on PWD complex

By P.S. Gondara

Kuala Lumpur, Fri: In the first project of its kind, a company will build, operate, and transfer to the government the RM 96 million Public Works Complex.

After 16 years, it will be handed to the government for RM 1. In the meantime, the government has to pay about RM 288 million in rent.

The works ministry now spends RM 5.3 million a year in rent.

The new complex at Jalan Sultan Salahuddin and Jalan Chan Sow Lin will take 30 months to complete.

The signing of the concession agreement between the government and Nilai Cipta Sdn Bhd today was witnessed by Works Minister Datuk Leo Moggie.

Ministry secretary-general Yahya Yaacob and PWD director-general Tan Sri Wan Abdul Rahman Yaacob signed on behalf of the government.

Nilai Cipta was represented by its chairman Datuk Jaffar Mohd Ali and Goh Chye Keat, managing director of IJM Corporation Bhd.

Nilai Cipta is 70 per cent owned by IJM and 30 per cent by Syarikat Jasatera Sdn Bhd.

Moggie said the rental which includes maintenance is cheaper than market rates.

The complex will be refurbished before it is handed to the government.

On the new government centre in Perang Besar, he said the government approved the privatisation of the Public Works Complex on condition the ministry moves to Perang Besar when directed to do so.

To comply with this condition the agreement signed today allows the ministry to find a replacement tenant on the same terms and conditions.

However, he said that departments having numerous public dealings could relocate to Perang Besar later.

Moggie also said toll collection at Slim River stopped in February when the North-South Highway was completed.

Moggie looks at a scale model of the new Public Works Complex. – Sunpix by FATHIL ASRI

Source: The Sun, 27 August 1994

as a reliable and quality-conscious developer. A string of developments began to take shape in the island of Penang, which became the jewel in IJM's property crown in later years. In Kuala Lumpur, it landed the 16-year old BOT concession of the first privatised government building in the country – the RM96 million office complex of the Ministry of Works.

During this period, the group's land bank was also expanded selectively through direct purchases, acquisitions, joint ventures and state government privatised housing projects. By the end of 1996, IJM had land banks in Penang, Perak and the Klang Valley, Johor and Sarawak. Located in strategic urban locations with good infrastructure, property sales were unaffected by government measures introduced to curb excessive speculation that caused prices to spiral out of control. The real estate mantra "Location, Location, Location" proved right. For IJM, this was a period of brand building, to establish itself as a preferred developer, and the division's contributions to the group's coffers varied from year to year, depending on product launches. Progress achieved meant that the group had strengthened and enhanced yet another of its revenue streams, just like it did with quarrying and manufacturing.

Desa Talisai palm oil mill in Sandakan, Sabah

The plantations business also witnessed growth and enhancements, notably from the expansion of plantation acreage to diversification into palm oil milling, trading of agrochemicals and fertilisers and agri-management services. IJM plantations had established a reputation for their consistently high yields and productivity in Sabah. In 1996, the division was awarded the Certificate of Merit by the Palm Oil Registration and Licensing Authority for achieving excellent rates of palm oil extraction at its Desa Talisai palm oil mill, regarded as an industry benchmark in milling efficiency. Not a bad performance by a newcomer to agriculture. This business recorded its maiden profit in 1992, and thereon its contributions grew from strength to strength.

Then, in 1992, IJM chose to enter yet another business: education, which occurred on the back of its Bukit Jambul development in Penang. Even at the height of the building frenzy and record-breaking profits, IJM did not lose its focus to plan for the future. Down-to-earth and realistic, it continued to explore for recession-proof businesses that would sustain the company through thick and thin. Private tertiary education had emerged as a growth industry with bright prospects, encouraged by government incentives. An earlier attempt to enter education was nipped in the bud; this time it saw fruition.

On 27 August 1997, the Penang International Education and Technology Centre held its ground-breaking ceremony that was officiated by the prime minister Dr Mahathir Mohamad. A privatised joint venture project with the Penang Development Corporation, PIETC aimed to raise further the status of the island as a regional higher education hub with its Kolej Antarabangsa, which offered matriculation, undergraduate and post graduate courses through a twinning arrangement with the prestigious University of Sydney, Australia. Campus construction was completed in 1993, and the college commenced with its first intake of students in 1994.

IJM ventured into the education business that culminated in the Penang International Education and Technology Centre in Bukit Jambul. It exited from the business in 2009.

IJM's Kolej Antarabangsa in Penang offered twinning programmes with the University of Sydney, Australia.

IJM celebrated its 10th anniversary in 1993 with three defining announcements. One was the renewal of its international thrust. This time around, IJM was not desperate; it had the winning combination of deep pockets and a sound reputation as a leader in heavy engineering. Two, was the appointment of two deputy group managing directors instead of one given the growth of the group and the magnitude of projects under the helm of the hands-on group managing director. Goh Chye Keat's new lieutenants were career civil engineer Tan Sin Leong and Krishnan Tan, an enterprising accountant with a flair for diversification and deal-making, a significant advantage when venturing into new investments. Three, the divestment of Mudajaya because the "price was right" according to Goh Chye Keat, illustrating the pragmatism of IJM that did not allow itself to be clouded by sentimental attachments.

In the early 1990s, IJM's overseas expansion occurred as a response to the government call for Malaysian companies to globalise through South-South cooperation. *In Paradoxes of Mahathirism* (Oxford University Press, 1995), Khoo Boo Teik writes:

"Mahathir denounced the 'insincerity' and manipulations of the rich industrialised nations which have brought us to a stage where we don't believe in meaningful North-South relations

"MASSCORP sees itself as a catalyst for Malaysian trade promotion and investment in South countries," said Malaysia South-South Corporation chairman, Azman Hashim. According to him, there is tremendous potential for trade and investment in South countries. Trade and investment among South countries only came into focus in recent years, and Malaysia's external trade with them accounts for only 8% of its total trade. Our trade statistics show that Malaysia's external trade is skewed towards Singapore, the US and the European Community. Together, they account for 70.6% of external trade of RM195.8 billion, he said.

Business Times (Anna Taing, 14 June 1993)

1997: Signing ceremony between IJM and the City of Windhoek in Namibia for the development of Freedom Square.

any more. On behalf of those nations, "still overwhelmed by unbeatable external debts, strait-jacketed by protectionism and beggared by volatile interest and exchange rates" he pronounced the North-South dialogue dead, and dismissed the New Economic World Order as a "non-starter". His alternative was South-South Cooperation, and offered facilities for establishing the South-South Commission which might help to expand it. His defence against the manipulation of the G-7 was the solidarity of the G-77. He took the initiative of practising South-South Cooperation of a kind and embarked on a campaign of befriending and assisting of the very small countries of the Pacific and Africa whose levels of economic development was not as advanced as Malaysia's."

Goh Chye Keat recalls, "The prime minister led trade & investment missions to South countries, accompanied by captains of industry. Most were members of the Malaysia South-South Corporation Bhd (MASSCORP), the investment arm of the Malaysia South-South Association that consisted of 48 of the biggest companies in Malaysia. IJM was one of them because we were one of the largest construction companies in the country. The delegation to China in 1993, for example, had representatives from half the companies listed on the Kuala Lumpur Stock Exchange, including us. Bilateral trade and investment agreements often culminated in Malaysian companies signing Memorandums of Understanding to implement government-to-government projects. Through MASSCORP, IJM entered Vietnam, Namibia, Argentina, Chile, the Philippines, Myanmar, Mauritius, India and China.

"They were mainly privatisation projects. In Malaysia, we had tendered for utility and other concessions but were unsuccessful. However, the experience was invaluable, and we put it to good use in Vietnam and secured a Built-Operate Transfer (BOT) water treatment plant in Ho Chi Minh City that had a 25 year concession. In Philippines, we spent a lot of time promoting BOT of a power generation facility in Manila but it was in vain. However, we met with success in China, where IJM became a partner in the Wuxi 90 MW co-generation plant in Jiangsu Province, our first project in the country.

The Sale of Mudajaya Construction Sdn Bhd

Wholly owned subsidiary Mudajaya Construction Sdn Bhd, one of the three original component companies of IJM, was sold in two first phases.

In 1990, an agreement was finalised for the sale of 60% of IJM's equity interest in Mudajaya to United Engineers (Malaysia) Berhad and PATI Sdn Bhd. Malaysian daily *Business Times* (30 October 1990) reported: "Mudajaya's principal activities are those of civil engineering and building contractors. UEM's board considers the proposed acquisition to be in the long term interest of the company in view of the business synergies between Mudajaya and UEM. The IJM Board also sees this proposal as a positive step towards Mudajaya's potential involvement in projects undertaken by UEM."

For IJM, Mudajaya was an empty shell, with its staff and other resources transferred to IJM. It did not have a contracting licence to bid for government jobs, which had to be surrendered when IJM obtained its own contracting licence. Mudajaya's contracting licence could only be used when bidding for private projects, but it had lost its bite and become redundant since IJM's was also acceptable when bidding for private sector jobs. For IJM, it was more expeditious to sell down its stake in Mudajaya and forge a strategic alliance with UEM. For the fledgling UEM, equity in Mudajaya enabled the concessionaire to ride on the latter's impressive construction credentials.

UEM was the concessionaire-contractor with large infrastructure projects such as the North-South Highway, KL International Airport, Commonwealth Games Sports Complex and the Second Link Bridge between Nusajaya and Singapore. IJM was previously awarded several contracts by UEM and there were more to come. The sale was a win-win transaction since UEM undertook to provide its new subsidiary, Mudajaya, with new contracts from its vast array of concessions and it was hoped, with Mudajaya's past track record and steady profit stream, it would become a good candidate for listing on the Kuala Lumpur Stock Exchange (KLSE).

The sale was finalised in 1991, and Mudajaya became an associate company of IJM. While the contracts and profitability materialised, the introduction of "chain listing" rules by the KLSE killed any possibility of the public listing of Mudajaya so long as it was owned by UEM or IJM, both public listed companies. Eventually, in April 1993, IJM and UEM sold their entire 100% equity to Tiararibu (M) Sdn Bhd for RM60 million in cash. IJM reaped an extraordinary gain of RM8.95 million from the divestment. In a strange twist, within days Tiararibu sold its entire stake in Mudajaya to Mulpha International Bhd for RM3 million in cash.

With its impressive track record that dates back to the Chye Hin days in the 1960s, Mudajaya was a perfect vehicle for a company seeking public listing. In 1997, Mulpha listed Mudajaya on the KLSE. The onset of the Asian Financial Crisis that July, when the share market crashed, resulted in the dilution of Mulpha's shareholding in Mudajaya. A management buyout in 2003 resulted in another change of ownership. The company has since been relisted and rebranded as the Mudajaya Group.

UEM and Pati to buy big stakes in Mudajaya

By OUR REPORTER

UNITED Engineers (Malaysia) (UEM) and Pati will acquire substantial stakes in Mudajaya Construction, a wholly-owned subsidiary of IJM.

UEM and Pati will subscribe to 12 million and 6 million shares respectively in Mudajaya, UEM announced yesterday. Pati is 50 per cent-owned by UEM.

It has been agreed that IJM will subscribe for 2.2 million new Mudajaya shares.

After this exercise, the shareholding structure in Mudajaya will be a stake of 12 million shares or 40 per cent held by IJM, 12 million shares or 40 per cent by UEM and six million shares or 20 per cent by Pati.

Mudajaya's principal activities are those of civil engineering and building contractors.

UEM's board considers the pro- ...on to be in the long ...of the company in ...iness synergies be- ...ya and UEM.

...d acquisition does ...proval from UEM's ...s it is not a sub- ...ction.

...IJM said in a state- ...directors feel the ...the interest of Mu- ...onsidering the busi- ...es between IJM,

...IJM also sees this ...a positive step ...jaya's potential in- ...rojects undertaken

...dajaya shares will ...e par value of $1 each of which, a first call of 50 sen a share is payable on sub-

Source: Business Times, 30 October 1990

Tiararibu to buy Mudajaya for RM60m

By OUR REPORTER

UNITED Engineers (Malaysia) (UEM) and Pati Sdn Bhd, together with IJM Corp, have proposed to sell their entire 100 per cent equity in Mudajaya Construction to Tiararibu Sdn Bhd for RM60 million cash.

Mudajaya, which was formed in 1965 under the name of Chye Hin Construction, has a paid-up capital of RM30 million. UEM, Pati and IJM hold stakes of 40 per cent, 20 per cent and 40 per cent respectively in Mudajaya. The price of RM2 per share was arrived at after taking into account the net tangible asset backing and earnings potential of Mudajaya.

Ten per cent of the price has been paid. The balance of 90 per cent will be paid within 14 days on completion of the sale and purchase agreement or, at the option of Tiararibu, for 40 per cent to be paid on completion of the sale and purchase agreement and the remaining 50 per cent to be paid within three months together with 12 per cent interest (subject to Tiararibu providing a bank guarantee for the balance).

The proposed sale is subject to the approval of the Foreign Investment Committee. IJM is expected to reap an extraordinary gain of RM8.955 million from its divestment.

Meanwhile, UEM has announced the appointment of Datuk Ernest Zulliger as an additional director of the company.

Source: Business Times, 12 April 1993

1990s

There was some pressure for companies expanding under the South-South "prosper thy neighbour" thrust. The de facto ambassadors of Malaysia's foreign policy, they embarked on projects that were not necessarily profit-motivated but rather undertaken as goodwill or "national service", as described by corporate chieftains. IJM did its share of "national service" projects' that included building affordable housing, construction technology transfer and training & skills development, especially in Africa.

Source: New Straits Times 17 June 1994

IJM eyeing deals in China and India

By Charles Raj

IJM Corporation Bhd, having ventured into 10 countries, is hoping to secure contracts in the lucrative Chinese and Indian markets.

Managing director Goh Chye Keat said yesterday, IJM is currently negotiating with various Chinese parties.

"We are interested in privatisation, highways, power generation, water supply and housing projects. Both markets are too big for us to

Source: Business Times, 17 June 1994

IJM takes over Viet water treatment plant project

By CHEONG HENG WENG

IJM Corp Bhd and its Malaysian partners have taken over 100 per cent equity in the Ho Chi Minh City water treatment plant project, following the withdrawal of the Vietnamese party.

The company has increased its stake in the US$30 million (US$1 = RM2.60) project from 24 per cent to 36 per cent.

IJM participation is through Emas Utilities Sdn Bhd which was formed last July with Malaysia South-South Corp Sdn Bhd and Kumpulan Emas Bhd to take up a 70 per cent majority stake in the project. The remaining ... Ho Chi Minh City Water Supply Company.

With the exit of the Vietnamese party, Emas Utilities has taken over the remaining 30 per cent stake. Thus the entire project will be developed on a build-operate-transfer (BOT) basis.

Speaking to reporters after IJM annual general meeting in Petaling Jaya yesterday, managing director Goh Chye Keat said the Vietnamese city water supply company has cited failure to raise capital for the project as the reason for its pullout.

This has resulted in delays in getting the project approved as new and addition- ... authorities due to the changes.

However, Goh said these issues are already in its final stages and that all the groundwork for the project, such as planning and design, are already being worked out.

He said it is difficult to predict when all the approvals will be given but he hopes the project will be able to take off by the third quarter of this year.

The project involves the development of a water treatment plant with a capacity to treat 100,000 cu metres of water a day on a BOT basis for a concession period of 25 years. IJM is involved

On IJM's plans for other overseas ventures, Goh said IJM will maintain a prudent stance and will prefer to go abroad mostly in collaboration with other Malaysian companies.

The managing director said this alleviates the pressure on the company to come out with too large of an investment and enables risks to be shared.

Areas that IJM will concentrate on in overseas ventures are in power generation, highways, water supply and housing.

Goh said IJM's absence in China, despite the presence of many other Malaysian companies there, is not an

The well-capitalised IJM also became an investor, taking up equity in joint venture companies and concessionaires implementing privatisation projects. "There was a quantum leap in overseas investments," states the 1996 Annual Report, and most were undertaken by wholly owned subsidiary IJM Overseas Sdn Bhd. Two investments paid off handsomely – the Western Access Tollway in Buenos Aires, Argentina, a BOT concession and the Guangdong Provincial Expressway, a toll concession in China.

Managing director Goh Chye Keat says, "One of our best investments was the Guangdong Provincial Expressway Development Company Ltd, which owned the Guangzhou-Foshan Expressway in the Guangdong Province and invited foreign investors to take up equity stakes to fund the extension to Kaipeng. At that time, the capital market was in its infancy and the Chinese government wanted overseas companies to participate in infrastructure projects. IJM was accepted as an investor because of our track record in heavy construction. This was in July. A month later, in August 1996, the concessionaire was listed on the Shenzhen Stock Exchange. We bought our shares at HK3.52 and it cost us RM100 million. We sold our shares over a period of 10 years and made more than RM240 million in profits. I consider this as IJM's most successful overseas project.

The Indian subcontinent was also on the radar, and IJM pursued construction projects that involved multilateral agencies such as the World Bank and the Asian Development Bank. Progress, however, was slow.

There were a few missteps. In Chile, a mixed development in San Bernardo, Santiago did not pan out as planned. "We built houses that were sold out," says Goh. "However, when it came to the commercial component, the government designated the old buildings that were to be redeveloped on the site as heritage buildings, and therefore not for development and sale. It was a good learning experience on how policies can change. Another lesson was a tannery project in Argentina. We invested in a company that was said to produce the best leather for the export markets of Europe. Unfortunately, the management was weak and its

1994: Chile's president Eduardo Frei Ruiz-Tagle and Malaysian prime minister Dr Mahathir Mohamad at the official launch of the San Bernardo project in Chile.

The launch of IJM's Horden Tower, a mixed development in the heart of Sydney that was built in time for the Sydney Olympics 2000.

1996: Malaysia's minister of international trade and industry Rafidah Aziz (centre) officiated the launch of Horden Tower. Left, the Mayor of Sydney, Frank Sartor.

Malaysia's IJM unveils $165m Sydney complex

By Florence Chong
in Sydney

LISTED Malaysian company IJM Corporation Bhd unveiled a A$150 million (S$165 million) development project in Sydney yesterday.

IJM, through its Australian offshoot OSW Properties Pty Ltd. plans two hotels, an apartment block, retail space and a car park on the Liverpool/Pitt Streets quadrangle of the World Square site at Haymarket on the edge of Sydney's Chinatown.

The ground-breaking ceremony yesterday was attended by visiting Malaysian Minister or International Trade and Industry, Datuk Seri Rafidah Aziz, and the Mayor of Sydney, Mr Frank Sartor.

IJM's deputy group managing director, Mr Krishnan Tan Boon Seng, told The Straits Times that negotiations were under way with a South-east Asian hotel owner and operator to acquire the two hotels, which will have a total of 472 rooms.

"We are likely to retain a minority equity interest in the hotels because we are reasonably bullish about the prospects of three- and four-star hotels in Sydney.

"But we don't see ourselves as investors. We are developers." Mr Tan said the impending sales of the hotels will "anchor" the project, allowing the company to proceed with the construction of all components of the complex.

The project will include a 278-unit apartment block. Mr Tan said the company would seek approval from the Foreign Investment Review Board to sell half these units off-plan to foreign investors.

He hopes a "soft" sales campaign could begin in about three months to sell the apartments overseas. The block will be ready by the third quarter of 1999.

"The residential market for units in the city centre appears to be quite strong. Even without marketing, we have a lot of expressions of interest in our apartments."

IJM International Ltd, a wholly owned subsidiary of IJM Corp Bhd, acquired OSW Properties Pty Ltd — the company that owned the site — from Shimizu Corp of Japan in 1993 for A$15 million.

Shimizu paid A$24 million in 1988 for the site, earmarked originally for a Pan Pacific Hotel before the Australian and Japanese property markets collapsed.

IJM has a 50 per cent interest in OSW Properties. The balance is held by Yorkville Ventures Sdn Bhd, owned by a consortium of private Malaysian investors.

Mr Tan said IJM has small residential developments under way in Melbourne and on the Gold Coast.

IJM, one of the largest development companies in Malaysia with a market capitalisation of A$685 million, operates Singapore firm Hexacon Construction, which carries out refurbishment projects. These included MPH House and Elizabeth Hotel.

Mr Tan said the group's construction arm has operations in 10 countries, including Argentina where it has the concession for a toll road, the Indian sub-continent and the US.

Source: Singapore Paper, 8 August 1996 marketing and financials were poor. The company was declared a Chapter 11. It taught me that we should only invest in businesses we knew and in which we had better control."

There were also investments in the developed world. Goh says, "In the West, they don't need us as a contractor but they welcome us as a developer. This is what happened in the housing project in Orlando, Florida. It was a small development but we learnt about good home designs from this experience."

In Australia, the group took up a 50% equity interest in the ASX-listed DEM, an architectural practice that had several property development projects in Sydney and Melbourne. Another investment, OSW Properties Pty Ltd (50% equity) had a mixed development of luxury apartments, commercial and retail space and a hotel in World Square in inner city Sydney that was scheduled for completion in time for the 2000 Olympic Games.

In 1989, IJM was one of the most favoured stocks by foreign institutional investors in the infrastructural and construction-related sector. This year, some other foreign institutional investors suddenly paid attention to this counter and a re-rating of IJM is currently underway. This renewed interest is certainly not without merit, especially since IJM continues to rake in construction contracts worth hundreds of millions of ringgit in the construction sector.

Business Times *(SN Lock, 31 October 1990)*

"Excellence Through Quality"

During this period, IJM laid the foundation of a sustainable group. There was vigorous organic growth, with the seeds sown in the 1980s flowering and bearing fruit in varying intensity. IJM became the benchmark for the construction and building industry, and was awarded the ISO 9002 certification in 1996 for the "Provision of Construction Services in Building and Civil Engineering Works". The group was also recognised as one of Malaysia's largest and most diversified construction groups both in terms of project type and geographical spread.

Once a nonentity, IJM became a regular newsmaker, hailed as a "construction giant" by the media reporting on its expansion, investments and robust results. The group's share capital was expanded with bonus share issues, bumiputera share issues, ESOS issues, and ICULS issues to fund investments. Offshore borrowings were made on the back of strong balance sheets. Investors, meanwhile, were rewarded with good dividends and rising share prices. In an atmosphere of intense share market speculation and flamboyance, IJM Corporation Berhad was not a speculative counter. It was described as "practising a conservative income recognition policy with profits recognised progressively based on the percentage of completion – starting only when more than 50% of the project was completed."

The 1985 recession that occurred during its formative years, had left an indelible mark and IJM had not forgotten the pain. As a result it did not rush in where angels feared to tread. A *Schroders Report (11 September 1996)* described IJM's expansion as "prudent management making safe investments." It was a policy that saved the day for what came next: the 1997 Asian Financial Crisis.

Part of the 55-km Western Access Tollway in Buenos Aires, Argentina, an IJM infrastructure concession asset.


Old Bridge
COLCHONES
Cannon
INICIO
AUSA

7

Lessons in Leadership-2

Goh Chye Keat

Group Managing Director, 1988-1996

Goh Chye Keat was 47 years old when he took over the reins of IJM Group from Koh Boon Chor in 1988. To him, a good leader is one who can take the company and its people to greater heights of achievement in terms of financial success while at the same time build its reputation, capabilities and capacity. He did his best to live up to his personal expectations.

Not new to change and challenges, the founder partner of Jurutama steered the group through difficult times as well as the best of times in IJM's corporate history. He led IJM on a meteoric rise to become a Malaysian construction giant with a growing international presence, matched only by a handful in the industry.

The group, which posted double digit growth in earnings every year throughout his term, was recommended by investment analysts as a 'buy' stock with strong fundamentals and relatively low gearing for a construction giant. Market capitalisation grew from RM206.1 million in 1988 when he took office to RM1.88 billion in 1996, when Goh Chye Keat stepped down as its chief executive.

Mr Goh stressed that selectivity would remain the keyword in IJM's direction and that the group would not take unnecessary risks venturing into unfamiliar ground overseas. "We want to conserve our capacity for Malaysia. The country is going through a boom period and with our track record and expertise, we are well-placed to do a lot."

New Straits Times, 15 December 1989

Two factors favoured Goh Chye Keat with the Midas touch. One, the post-merger integration of IJM that came to an end, and the group began to move ahead, thinking and acting as one. Two, the time had arrived for heavy construction companies to soar on the wings of a surging Malaysian economy.

Goh recalls: "In the first three years of IJM, the component companies were allowed to work independently based on work in hand as long as they delivered guaranteed profits. This period had ended, and the first thing I did as the CEO was to take stock of business operations and arrange to draw up a new organisational structure and the group's first "Strategic Business Plan 1988-90. Subsequently, there was one every three years.

"I subscribe to the participative management philosophy that encourages an egalitarian approach of shared responsibility and reward. Information is to be shared and corporate objectives and targets jointly drawn up. I thus had the pleasure of being involved in the setting up of the organisational structure together with other members of senior management and we are all proud it worked well in the implementation of all our construction activities and other business ventures.

"The Strategic Business Plan was drawn up in the context of the organisational structure, and it defined the roles of directors and senior managers and the key performance indicators of their respective profit or cost centre. Copies of the plan that addressed the company's position, weaknesses and set targets and future thrusts were circulated to senior management for deliberation. With the plan in hand, everyone became involved, and targets set were based on feedback gathered.

"Unit heads were empowered to carry out their roles and functions independently, with oversight by the management committee. The committee, which consisted of executive directors and senior managers, held weekly or fortnightly meetings, usually on a Friday, to discuss and resolve issues and monitor progress and minutes were kept diligently. This facilitated a proper check-and-balance of work at hand. Frankly, I think IJM is one of few companies to be rigorous about this process that enabled us to work out if we had made or lost money at any point in time. It also enabled us to spot weaknesses and fix them quickly. As a result, losses were either contained, mitigated or avoided.

"The efficacy of the our Strategic Plans was proven with the success of our first Strategic Plan (1988-90) that was implemented when the group was threatened by a "shape-up" or "ship out" state of affairs in the aftermath of the 1985 recession. Happily, the actual performance of group turnover and PBT exceeded targets during this critical period.

"Every six months, we held a Senior Management Dialogue, also unique in the industry then. I would make a kind of 'State of the Union' address of the group's plans and status, and announce the actual performance of each division against the targets

1988-90 Strategic Plan Results

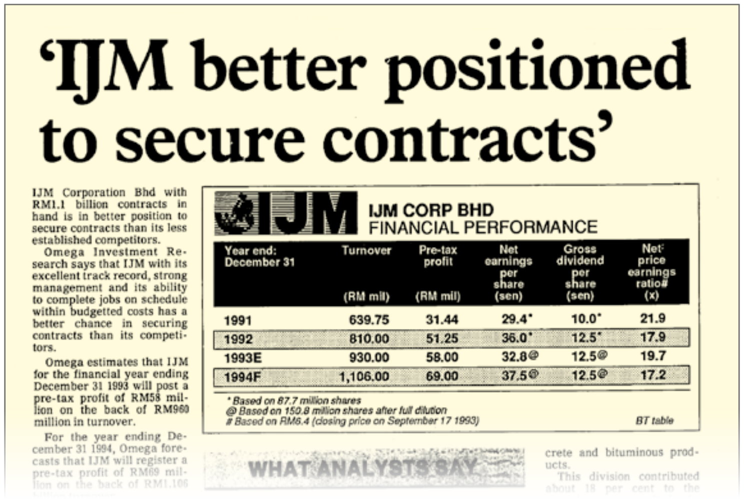
Year	1988 (RM million)	1989 (RM million)	1990 (RM million)
Targeted Group Turnover	200.0	250.0	250.0
Actual Group Turnover	207.0	375.0	502.0
Targeted Group PBT	3.5	7.0	10.0
Actual Group PBT	4.0	8.0	13.0

Inspired by Kenichi Ohmae

"One of the best management books to inspire me is Kenichi Ohmae's The Mind of a Strategist – the *Japanese Art of Business*," says Goh Chye Keat. Here, Ohmae explains the Three Cs or Strategic Triangle and states: 'In the construction of any business strategy, three main players must be taken into account: the Corporation itself, the Customer, and the Competition. Only by integrating these three in a strategic triangle can sustained competitive advantage exist.'"

Kenichi Ohmae was voted by *The Economist* as "one of the world's top five management gurus" who changed the landscape of management strategy in *The Mind of the Strategist*. In this compelling account of global business domination, Ohmae reveals the vital thinking processes and planning techniques of prominent companies, showing why they work, and how any company can benefit from them. Filled with case studies of strategic thinking in action, Ohmae's classic work inspires today's managers to excel to new heights of bold, imaginative thinking and solutions. In many ways, Ohmae can be considered the modern reincarnation of a much older guru, Adam Smith.

Source: Business Times, 27 September 1993



'IJM better positioned to secure contracts'

IJM Corporation Bhd with RM1.1 billion contracts in hand is in better position to secure contracts than its less established competitors.

Omega Investment Research says that IJM with its excellent track record, strong management and its ability to complete jobs on schedule within budgetted costs has a better chance in securing contracts than its competitors.

Omega estimates that IJM for the financial year ending December 31 1993 will post a pre-tax profit of RM58 million on the back of RM960 million in turnover.

For the year ending December 31 1994, Omega forecasts that IJM will register a pre-tax profit of RM69 million on the back of RM1.106

IJM CORP BHD
FINANCIAL PERFORMANCE

Year end: December 31	Turnover (RM mil)	Pre-tax profit (RM mil)	Net earnings per share (sen)	Gross dividend per share (sen)	Net price earnings ratio# (x)
1991	639.75	31.44	29.4*	10.0*	21.9
1992	810.00	51.25	36.0*	12.5*	17.9
1993E	930.00	58.00	32.8@	12.5@	19.7
1994F	1,106.00	69.00	37.5@	12.5@	17.2

* Based on 87.7 million shares
@ Based on 150.8 million shares after full dilution
\# Based on RM6.4 (closing price on September 17 1993)

BT table

WHAT ANALYSTS SAY

crete and bituminous products.

This division contributed about 18 per cent to the

set out in the Strategic Business Plan. It usually ended with a celebration as we kept growing from strength to strength."

During this period, the composition of the board of directors began to change with the resignation and retirement of the pioneers who had played a pivotal role in the formation of the group. First to step down was Lim Choong Kong in 1988 followed by Yap Lim Sen in 1989. The latter was the mastermind who led the group from behind the scenes. His departure was followed by the resignation of Goh Nan Kioh in 1990. That same year, Jurutama founder partner Ong Yeng Tian retired and left; he had played a defining role in the establishment of the plantation and property divisions. In 1993, Mudajaya principal Chay Kwok Thong retired, followed by the resignation of long serving directors Koon Yew Yin, Koh Boon Chor (both Mudajaya principals) and Lim Yong Keat (Jurutama). Substantial shareholder IGB Berhad's equity also dwindled, from 51% to 18.97% in 1992.

Except for two independent directors, the rest were replaced by insiders promoted from within the ranks of senior management. With this, IJM continued its tradition of having a board composed of hands-on executives. The new appointments resulted in a greater democratisation as the board moved from owner-centric to become management & stakeholder-centric.

Source: The Sun, 26 August 1995

IJM gets Mid Valley City road contract

Kuala Lumpur: Mid Valley City Sdn Bhd, a subsidiary of IGB Corp Bhd, has awarded a contract to IJM Construction Sdn Bhd to construct the Bangsar-Petaling Jaya/Petaling Jaya-Bangsar main road linkages forming part of the huge road infrastructure for the Mid Valley Megamall here.

The estimated total cost of the 2 linkages is RM 105 million with the work to be undertaken by IJM Construction, a wholly-owned subsidiary of IJM Corp Bhd, valued at RM 83.4 million.

IJM Construction had earlier completed related works to these alignments valued at RM 6 million.

Mid Valley City managing director M.K. Sen said the contract award signifies the commencement of 2 major infrastructural linkages within the overall traffic circulation plan for MVC and the megamall and will fulfil an important requirement of the joint venture agreement with Kuala Lumpur City Hall.

Sen (left) exchanging documents with IJM Construction managing director Goh Chye Keat.

"The road linkages are expected to be completed by March 1996, just in time for the operation of phase 1 of the megamall project," said Sen.

He said when completed, the infrastructural linkages will provide alternative routes to commuters travelling from Petaling Jaya to Bangsar and vice-versa.

He said the linkages are also expected to be used extensively by other residents of the neighbouring suburbs and would ease traffic flow along Jalan Pantai Baru and Jalan Bangsar.

Phase 1 of the development will include 6 office towers with about 1 million sq ft of nett office space and 26 professional offices, each 10 storeys high with about 500,000 sq ft of space and a 4-star 350-room business hotel.

Like his predecessor Koh Boon Chor, Goh regarded human resource management as a priority. The administration & personnel department established during Koh's watch reported directly to the group managing director. Goh is a firm believer of performance-based rewards. He says, "Recommendations for salary increments, promotions and bonuses are based on merit. We have an elaborate process in place to safeguard against nepotism, favouritism or victimisation. Bonuses are paid based on the performance of the company, project and individual. Proper guidelines were drawn up to establish the total bonus pool for head office staff and project bonuses to ensure that there is a fair and equitable distribution of bonus payments. Through the years from 1991, when IJM had turned the corner and no longer in danger of posting a loss, the company took pride in paying high performers bonuses that are higher than the industry norm.

"IJM also took pride that staff turnover was low, a reflection of high staff morale. Of course, we also recognised that even with personnel policies based on best practices, you cannot make everyone happy. You can only make them less unhappy."

HR policies and processes aside, Goh feels a leader should also display a caring attitude to staff and be prepared to listen and consider issues and problems faced by them. "It is a good practice to build on the strengths of an individual and help him address his or her weaknesses by providing the necessary support. The company should also make provisions for medical assistance and education benefits for staff and their children.

It is not all about carrots, because the stick will come down hard when there are lapses in conduct that threaten to besmirch the reputation of IJM, especially since its businesses involve industries riddled by dubious perks and lurks. Goh is vehement with: "As managing director, I made it clear that I will not tolerate corruption or any other form of malpractice. The company must always practice integrity at every level of management. Corruption in a company is like having cancer, and it will lead to its slow or fast death. Fortunately, I had the support of the rest of the board and management who were committed to good corporate governance and transparency and recognised that bad practices will affect the survival and sustainability of the company. It must be borne in mind that is very difficult to build up a good company but very easy to destroy it. "

1996: Managing director Goh Chye Keat receiving the ISO 9002 certification on behalf of IJM from works minister S Samy Vellu.

10 Characteristics of a Good Leader

1. **Professionalism,** he must ensure that the company and its people offer the best of services in terms of quality and timely delivery, especially in the service industry. The IJM slogan *Excellence through Quality* must be practised always.
2. **Visionary,** he must be able to see and plan ahead the growth of the company in the short (1-3 years), medium (3-5 years) and long term (beyond 5 years) and position the company as a market leader in the national and international arena.
3. **Corporate governance,** he must ensure the company practices good corporate governance and transparency, free from corruption, nepotism, favouritism and victimisation. The company and its people must adopt best practices of world standards.
4. **Leadership by example,** he must set the highest standards for himself in terms of integrity, diligence and hard work and the highest level of professionalism so that staff can emulate him.
5. **Knowledge of macro and micro aspects of the business,** he must have a good working knowledge of both macro and micro aspects of his business(es) so that he can set realistic targets to be achieved. He must be pragmatic and understand the strength and weaknesses of the company and its people.
6. **SWOT Analysis,** he must ensure that proper SWOT analysis is carried out before venturing into any overseas project. Care must be taken to ensure that any venture, in Malaysia and overseas is *viable, profitable, bankable and manageable*. One bad mistake can prove fatal to the well being of the company.
7. **Caring,** he must display a caring attitude to staff and the community by implementing suitable Corporate Social Responsibility projects.
8. **Team player,** he should be a team player and inspire others in the top and middle management to do the same.
9. **Succession planning,** he will plan and identify his successor well in advance to ensure smooth and seamless transition when it is time for him to pass the baton. His successor should be well prepared to take over the job and take the company to greater heights of achievement.
10. **Passion,** he must be passionate about his work and the company, and inculcate this value across the management hierarchy so that everyone will strive for the best and deliver the best. This is the only way to make the company grow and remain on the radar screen of institutional and foreign investors, thus increasing its share price and market capitalisation.

according to Goh Chye Keat

1994 Executive Committee: Seated (left to right): Krishnan Tan, Tan Sin Leong and Goh Chye Keat. Standing (left to right): Choo Choon Yeow and Khoo Chew Meng.

1995 IJM Board of Directors: *Seated (left to right):* Murad bin Mohamad Noor, Ahmad Azizuddin bin Haji Zainal Abidin (chairman), Goh Chye Keat (managing director) and Krishnan Tan. *Standing (left to right):* Jeremie Ting Keng Fui (secretary), Ooi Poay Lum, Lai Meng, Mior Abdul Rahman bin Miou Mohd Khan, Choo Choon Yeow, Khoo Chew Meng, Chay Kwok Thong, Sim Quan Seng, Mohamed Feisal bin Ibrahim, Goh Chye Koon, Chee Wan Yee, Tan Sin Leong and Choy Chee Keong (secretary).

A gathering of IJM pioneers who were feted for their services to the group. Left to right: Goh Chye Keat, Lim Yong Keat, Tan Sin Leong, Chay Kwok Thong and Chee Wan Yee.

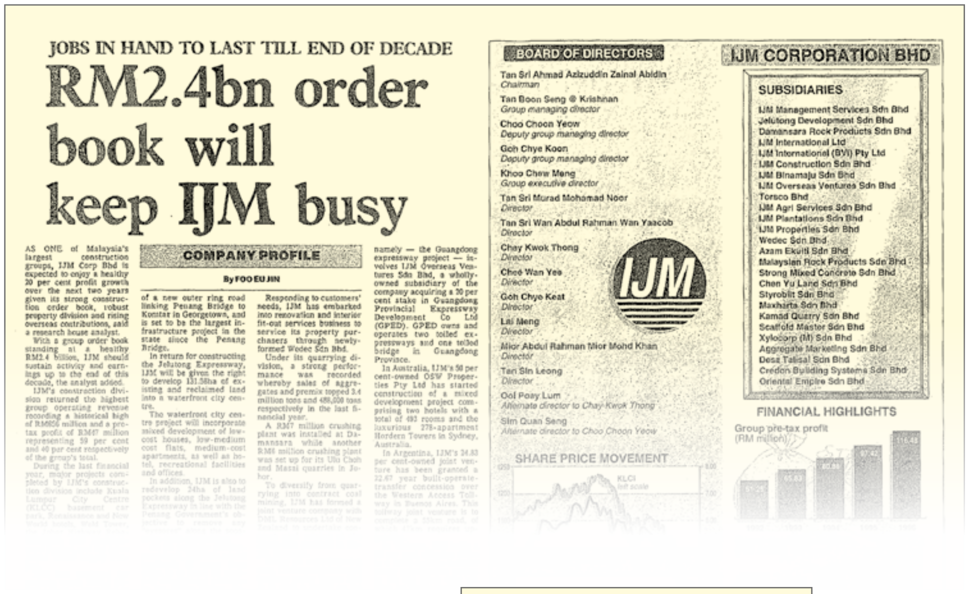
Goh also courted the investment community because he says, "It is important for IJM to be on the radar screen of fund managers, institutional investors and analysts of foreign and local research houses. Investor relations is paramount for a public listed company such as IJM. We must have good stories to tell and remain 'sexy' to ensure that the shareholdings of foreign and institutional investors remain high and the share price is well supported. In order to achieve this, the managing director and the chief financial officer must be approachable and available to meet and impress fund managers and analysts."

For customers, Goh has one word: Quality. In its pursuit of quality and excellence, the group adopted the slogan "Excellence through Quality" that had evolved from the original "Big, Strong and Caring". He says, "For IJM to stand out as a professionally run company, all customers, business ventures, contracts and investments, have to be successfully managed to the highest standards of quality. The pursuit of quality culminated in the group's ISO 9002 certification for the "Provision of Construction Services in Building and Civil Engineering Works" months before the end of his term in office. He also set in motion the ISO journey of quarrying & manufacturing subsidiaries to make their products more attractive to export markets while simultaneously helping the group's construction and property divisions deliver on their "quality" promise.

> IJM Corporation Bhd with RM1.1 billion contracts in hand is in a better position to secure contracts than its less established competitors. Omega Investment Research says that IJM with its excellent track record, strong management and its ability to complete jobs on time within budgeted costs has a better chance in securing contracts than its competitors.
>
> *Business Times, What Analysts Say by Azizul Shamsuddin, 27 September 1993*

Overtures were also made in community service. "Every successful company must give something back to society and the community," says Goh. "We gave scholarships to poor and needy students with good academic qualifications and encouraged staff to donate blood and undertook road beautification projects, built bus stops, contributed to charitable institutions and sponsored social events."

Source: Business Times, 19 September 1997


JOBS IN HAND TO LAST TILL END OF DECADE

RM2.4bn order book will keep IJM busy

COMPANY PROFILE

By FOO EU JIN

BOARD OF DIRECTORS

Tan Sri Ahmad Azizuddin Zainal Abidin
Chairman
Tan Boon Seng @ Krishnan
Group managing director
Choo Choon Yeow
Deputy group managing director
Goh Chye Koon
Deputy group managing director
Khoo Chew Meng
Group executive director
Tan Sri Murad Mohamad Noor
Director
Tan Sri Wan Abdul Rahman Wan Yaacob
Director
Chay Kwok Thong
Director
Chee Wan Yee
Director
Goh Chye Keat
Director
Lai Meng
Director
Mior Abdul Rahman Mior Mohd Khan
Director
Tan Sin Leong
Director
Ooi Poay Lum
Alternate director to Chay Kwok Thong
Sim Quan Seng
Alternate director to Choo Choon Yeow

IJM CORPORATION BHD

SUBSIDIARIES

IJM Management Services Sdn Bhd
Jelutong Development Sdn Bhd
Damansara Rock Products Sdn Bhd
IJM International Ltd
IJM International (BVI) Pty Ltd
IJM Construction Sdn Bhd
IJM Binamaju Sdn Bhd
IJM Overseas Ventures Sdn Bhd
Torsco Bhd
IJM Agri Services Sdn Bhd
IJM Plantations Sdn Bhd
IJM Properties Sdn Bhd
Wedec Sdn Bhd
Azam Ekuiti Sdn Bhd
Malaysian Rock Products Sdn Bhd
Strong Mixed Concrete Sdn Bhd
Chen Yu Land Sdn Bhd
Styrobilt Sdn Bhd
Maxharta Sdn Bhd
Kamad Quarry Sdn Bhd
Scaffold Master Sdn Bhd
Xylocorp (M) Sdn Bhd
Aggregate Marketing Sdn Bhd
Desa Talisai Sdn Bhd
Credon Building Systems Sdn Bhd
Oriental Empire Sdn Bhd

FINANCIAL HIGHLIGHTS

Group pre-tax profit (RM million)

SHARE PRICE MOVEMENT

A more defined CSR policy began to emerge in 1994, when IJM entered into a sponsorship agreement with the National Sports Council of Malaysia and the Malaysia Rugby Union to donate RM500,000 a year for five consecutive years for the development and promotion of the sport in Malaysia under the Rakan Sukan Programme. This annual grant was considered a meaningful investment that would support the government's effort to promote national unity through sports.

There were some disappointments, the most significant being the group's failure to secure infrastructure privatisation projects in Malaysia that was attributed to the lack of political patronage and bumiputera connections. Another was the difficulty to persuade staff to relocate overseas. "IJM staff were not keen to work overseas. If pressured, there was a good chance that we would lose experienced staff as they were spoilt for choice in a booming Malaysian economy. Malaysian staff tend to be homing birds, unlike those from Korean, Japanese and European companies that have been more successful internationally because they have personnel based in overseas offices for better management and control. We could have done better overseas in countries that had good prospects as profit centres if only our managers had been willing to live and work there. I believe this culture has to change."


IJM expects good returns from overseas ventures

By ZULKIFLI OTHMAN

IJM Corp Bhd expects its overseas ventures to provide a large slice of its earnings within three years — contributing up to 30 per cent of its income.

The construction sector, however, will remain its main income earner for some years to come, managing director Goh Chye Keat told reporters yesterday after the company's annual general meeting.

Though the current contribution to earnings from its overseas ventures in Australia, China, Vietnam, Argentina and Chile is an insignificant 3 per cent, Goh said a combination of conducive conditions and maturity of the projects in these countries will make these ventures pay off.

Goh also announced that the company expects its subsidiary, Industrial Concrete Product Bhd, to be listed by the end of the year.

He also expressed the board's confidence that group turnover for the current year will reach the RM1 billion mark which was targeted last year.

The group is now actively pursuing property development in Australia, investing a total of RM280 million in hotels and apartments in Sydney, Melbourne and the Gold Coast.

Among the on-going projects are the development of a RM150 million export processing zone in Danang, Vietnam, power plant and bridge projects in China and a tollway project in Buenos Aires, Argentina.

Its other overseas ventures include a bid for a World Bank-funded highway project in India and the setting up of a trading company in Myanmar where it is finalising a deal for a RM75 million water supply project.

Source: Business Times, 17 May 1996

Looking back, Goh recalls his proudest moments in the company. They include the introduction of the Strategic Plan that continues to serve the company well till this day. Another is having raised "great children". The civil engineer chieftain did not indulge his first born, the construction division, which contributed about 60% of earnings. During his term, he also poured his energies into strengthening each division within the group and they turned out well. Best of all, is his choice of successor.

"A year before I left, everyone knew that Krishnan Tan would take over from me. I was pleased that my selection of an accountant to helm the construction giant was approved by the board. I vacated my seat with peace of mind that comes from knowing that what I have done will not come undone. When I stepped down, I gave Krishnan a copy of *The Future of the Group into the 21st Century' Strategic Plan* as part of my hand over notes. I am a firm believer in putting my thoughts on paper. And I am delighted that Krishnan has completely outperformed all my expectations."

Goh retired as group managing director on 31 December 1996 and continued to serve as a non-executive director on the board for the next 10 years. In 2003, he was awarded with The Prominent Player Award by the Construction Industry Development Board (CIDB) for his contribution to the construction industry.

IJM headed to India when the going got tough in Malaysia to take advantage of the infrastructure boom in the subcontinent.

8

When the Going gets Tough... the Tough get Going

Seven months into his term of office, group managing director Krishnan Tan had to grapple with a destabilised IJM in the wake of the brutal Asian Financial Crisis that unleashed its fury on the region in June 1997, and whose aftershocks continued for more than a year. He had inherited a group on its ascendancy, with prospects shining bright. Now, this.

The speed and ferocity of the Asian Financial Crisis was nothing short of startling. What was at the time perceived to be a localised currency and financial crisis in Thailand ravaged the rising tiger economies of Malaysia, Singapore, Indonesia, the Philippines, Hong Kong and Korea, and rippled across to Mexico, Brazil and Argentina. All were caught dead on their tracks.

A paper entitled *"Corporate Governance and Debt in the Malaysia Financial Crisis of 1997"* by Tommy Thomas, a senior consultant with the United Nations Development Programme, quotes Linda Lim, the associate professor of International Business at the University of Michigan Business School as reporting that after 12 robust years of uninterrupted GDP growth averaging about 8% per annum, the Malaysian economy nose-dived into a recession with a GDP of about minus 8% in 1998 – the worst on record for independent Malaysia. According to Lim, the ringgit depreciated almost 50% against the dollar between the first week of July 1997 (at RM2.50 = US$1.00) and January 1998 (at RM4.88 = US$1.00). The stock market collapse was even greater. In the same six month period, the composite index experienced the biggest plunge of all the Asian crisis countries, descending 54%, from 1,230 points to 574 points. It lost over 65% of its capitalisation, wiping almost US$225 billion off share values. The worse was yet to come for the Kuala Lumpur Stock Exchange (KLSE).

To contain the slide, Malaysia pondered over International Monetary Fund (IMF) measures at the suggestion of then finance minister Anwar Ibrahim, and it included currency devaluation and high interest rates. IMF intervention, however, came with strings attached that prime minister Dr Mahathir Mohamad dismissed as untenable given the socio-economic aspirations of the government. It led to a fall-out between the finance minister and prime minister, who prescribed another recovery plan. On 1 September 1998, Bank Negara (Central

Bank) announced currency controls on foreign capital flows to curb the speculative demand for the ringgit, and prevent its internationalisation. The following day, the ringgit was pegged at RM3.80 to USD1. The ringgit was thus officially devalued by 34%, 10% higher in value than if left to market forces of the time. It was an unorthodox approach denounced by international business circles, and they retaliated. The KLSE hit rock bottom and sank to 269.42 points. Malaysia pressed on regardless. The cheaper ringgit stimulated demand for Malaysian exports and FDI inflows while curbing the outflow of capital. In addition, a cheap money policy took the place of the year-long rising interest rate to jump-start the domestic economy. The government also instituted austerity measures that included substantial cuts in public expenditure, deferment of infrastructure projects, freezing of reverse investments and restructuring stressed financial institutions through mergers and take-overs.

A key feature of the 1997-98 crisis in Malaysia was the scale and magnitude of corporate debt, principally borrowings by companies listed on the KLSE, and sometimes, short-term borrowings to fund long-term projects. It exposed poor or ineffective corporate governance that involved ill-advised investment decisions. The weakness was traced back to the ownership structure, with little or no separation of power between owner and management. The situation was exacerbated by the listing rule that required only a minimum of 25% of equity to be held by the public that resulted in several plcs being controlled by an individual or family. The Governor of Bank Negara then, Ali Abu Hassan, condemned the cavalier approach to borrowings displayed by both directors and shareholders of several listed companies. He said, "Many, for instance, utilised their borrowings for purposes other than those declared to the banks. Loans for working capital were used for share financing, to finance new business ventures or became a complex web of inter-company advances. By the time the annual review of the loans are carried out, the level of leverage in the company had ballooned and the business focus of the group had expanded so much that it altered significantly the risk profile of the group.

"There were also instances when borrowers purposely reneged on their loans although they had the capability and capacity to repay their loans. Whilst there had been many initiatives to improve the credit culture in banking institutions, similar efforts should be initiated to promote a more responsible credit behaviour among borrowers."

Several heavyweights collapsed when the screws were tightened. With little reserves set aside for rainy days, share prices in the doldrums and the ringgit-peg burdening them with exorbitant foreign loan repayments, they keeled over and fell.

Source: New Straits Times, 6 November 1997

Building sector to slow down

WITH the Government earnestly addressing the country's current account deficit and outflow of foreign exchange, construction is one of the economic sectors which would likely slow down under prevailing economic constraints.

Treasury officials have projected that growth in the construction sector would slow down to nine per cent next year from an anticipated 11 per cent this year and 14.2 per cent last year because of fewer construction jobs.

...

Lumpur Linear City project, Cameron Highlands-Frasers Hill-Genting Highlands road project and the Malaysia-Indonesia Bridge.

Adding to their woes is the hike in import duties on heavy machinery and equipment as well as construction materials.

The rationale behind the tax on heavy machinery was to encourage contractors to use their existing serviceable equipment rather going for new ones which would consequently cause a drain on the for-

...

Sarawak construction-related companies like Ekran, Sarawak Concrete, Cahaya Mata Sarawak and Hock Seng Lee may be at a disadvantage due to the deferment of the Bakun Hydroelectric project.

Earnings will no longer be attractive as potential job opportunities will not come by in large numbers in the near term.

Other companies that may be affected by the deferment of major projects are Transwater, MRCB, Syarikat Pembinanan Se-

...

and 1998 financial years were anticipated to be largely derived from construction, engineering and property development.

Its construction jobs are largely highway construction which contributes a higher profit margin of between 15 and 20 per cent.

Its property development would spin another RM2 billion in revenue derived from its joint-venture project with Hicom on the Kota Kemuning township near Shah Alam.

It was envisaged that

...

would only be completed in March next year.

Its Damansara-Puchong Highway will only be operational next year.

As for IJM Corporation its construction business is contributing 40 per cent of its group's profit before tax on the back of present order book value of RM2.5 billion.

In financial year 1996, construction alone secured RM1.2 billion in profit.

It is now on the verge of completing projects such as the KLIA Second Run-

IJM took a beating but good governance, an intrinsic value embedded by the pioneers, kept it out of harm's way. Market capitalisation dropped by more than 60% in tandem with the overall decline of the local bourse, from a healthy RM1.88 billion in 1996 to a worrisome RM441 million in 1997. It dipped further to RM201 million in September 1998, the lowest when the full impact of the crisis was felt. During the same period, share prices plunged from RM5.95 to RM1.29 and to an all-time low of RM0.59 in September before closing at RM2.39 at the end of 1998. Turnover shrank 22.2% from RM1.47 billion in 1997 to RM1.15 billion in 1998 and Profit Before Tax dropped from a peak of RM131 million in 1996 to RM94 million in 1997 and RM71 million in 1998. Staying profitable was indeed an achievement.

The construction, property and manufacturing & quarrying divisions took the brunt of the fall. With the outflow of funds, liquidity shrivelled and banks began to withdraw facilities. It had serious consequences on the access to working capital, a situation that was worsened by the steep rise in interest rates, leading to clients stopping work and failing to pay. The fall of the ringgit, meanwhile, resulted in the ballooning of foreign debt and import costs. Krishnan Tan recalls, "We were experiencing big hits from all corners on on-going projects and businesses. On the debt side, we had funded all our overseas investments with US dollar debt that now translated to much bigger numbers in ringgit terms. Meanwhile, we had just won the Putrajaya Hospital project worth RM282.7 million, more than half of which was for plant and equipment mainly from overseas and the costs had escalated by more than 50% for these equipment. We faced the immediate prospect of a huge losses."


Binh An Water Treatment Plant, IJM's build-operate-transfer concession in Vietnam.

There was also a loss of confidence in Malaysian companies among the investment community and international financial institutions, with many withdrawing funding lines for offshore projects. IJM was hit by the withdrawal of the funding line for its Binh An Build-Operate-Transfer water supply project in Vietnam where construction had reached peak intensity

IJM quickly stepped into damage-control mode, assessing the damage and adopted measures to address issues, particularly those relating to contracts, debts, funding and overheads.

The collection of receivables became a priority with the abrupt stoppages of construction work due to the lack of liquidity among clients Work schedules on some jobs were reprogrammed to suit the client's payment capabilities. Rising costs were closely monitored and acted upon. The glut in the property led to the deferment of new launches. For works in progress, there was a contraction of demand, defaults by buyers and high carrying costs. The manufacturing & quarrying division went into the red and a series of austerity measures were put into effect to turnaround the division. The planned public flotation of IJM steel fabricating subsidiary Torsco was aborted in 1998 because of the poor performance by companies to be acquired by Torsco as part of the listing exercise. As to be expected, the KLSE toughened its rules on initial public offerings as part of its post-crisis housekeeping.

One of most serious challenges faced by the group were bank debts and the liquidity crunch caused by the outflow of funds from the country, rising interest rates and fluctuating

IJM's first investment in China, the Wuxi Co-generation Plant in Nenda.

Yangzhong Changjiang Bridge, one of IJM's infrastructure assets in China.

Source: The Star, 21 May 1998

Plantations the top earner for IJM

IJM Corp Bhd expects its plantation division to be the main earnings driver for the group until the economy turns around.

IJM chairman Tan Sri Ahmad Azizuddin Zainal Abidin said in the company's latest annual report that with increased mature acreage and high prices for palm oil, the division would continue to perform well.

The plantation division registered record results for the financial year ended Dec 31, 1997, with pre-tax profits up 125% to RM36.6mil.

"For the first time, the division became the main profit generator for the IJM group," Azizuddin said.

He also said the company's overseas investments and projects were expected to perform better.

"With few property launches and construction starts in the country, the group will continue to actively look for projects overseas while working through existing projects," he added.

Offshore projects have realised higher contributions and are very likely to continue into the future with recent successes in securing construction contracts in India.

"Investments in privatised infrastructure projects, locally and overseas, have started contributing to earnings and could continue to increase into the futures," Azizuddin said.

As for the local construction industry and the property market, he said these two sectors were expected to go through a tough year in 1998.

He also said the management had begun to rationalise the various business units within the group to reduce overheads and improve efficiency.

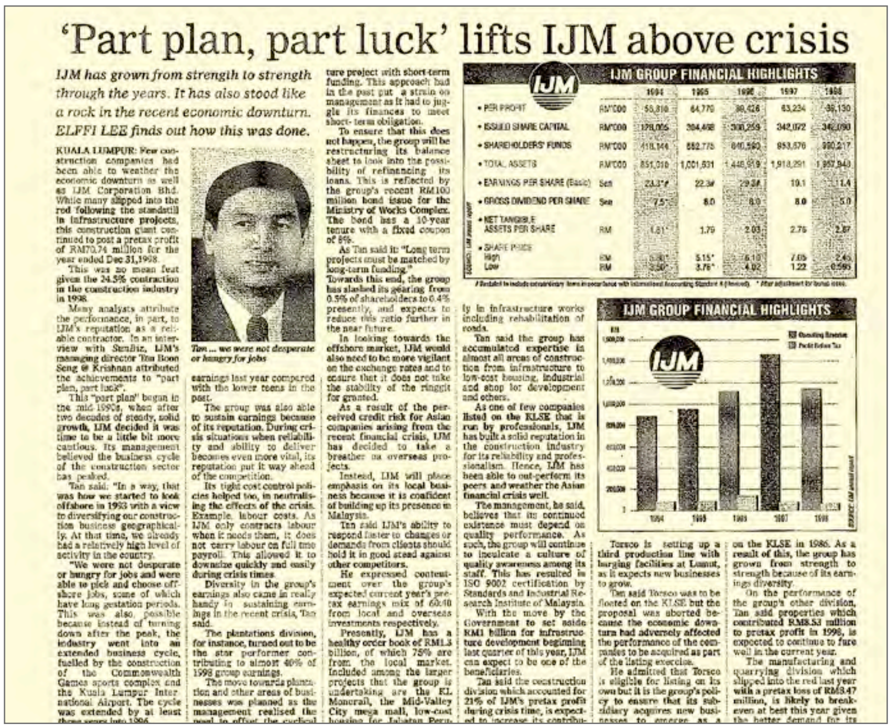
"Overall, we expected to be able to sustain earnings at current level," he said.

For the year ended Dec 31, 1997, IJM's group pre-tax profit declined 29% to RM93.8mil, despite a 32% increase in turnover to RM1.47bil. — Bernama

foreign exchange rates. After the ringgit peg, the volatility subsided but businesses with foreign bank borrowings were overburdened by debt. Though not overgeared by any standard, IJM earnestly worked at reducing bank borrowings and restructuring the maturity profile of certain short-term debts incurred in funding long term investment in infrastructure-based projects. It divested its investment in Wuxi co-generation plant to the local Chinese partner, and the proceeds were used to reduce foreign bank borrowings.

Despite the dismal scene, one knight in shining armour brought good tidings. Plantations delivered the highest PBT contribution to the group for two consecutive years, 1997 and 1998, as a result of higher crude palm oil prices. The performance of the plantations division during dark times vindicated diversification into this sector, a corporate strategy that had its detractors.

Source: The Sun, 18 October 1999



'Part plan, part luck' lifts IJM above crisis

IJM has grown from strength to strength through the years. It has also stood like a rock in the recent economic downturn. ELFFI LEE finds out how this was done.

KUALA LUMPUR: Few construction companies had been able to weather the economic downturn as well as IJM Corporation Bhd. While many slipped into the red following the standstill in infrastructure projects, this construction giant continued to post a pretax profit of RM70.74 million for the year ended Dec 31,1998.

This was no mean feat given the 24.5% contraction in the construction industry in 1998.

Many analysts attribute the performance, in part, to IJM's reputation as a reliable contractor. In an interview with SunBiz, IJM's managing director Tan Boon Seng @ Krishnan attributed the achievements to "part plan, part luck".

This "part plan" began in the mid-1990s, when after two decades of steady, solid growth, IJM decided it was time to be a little bit more cautious. Its management believed the business cycle of the construction sector has peaked.

Tan said: "In a way, that was how we started to look offshore in 1993 with a view to diversifying our construction business geographically. At that time, we already had a relatively high level of activity in the country.

"We were not desperate or hungry for jobs and were able to pick and choose offshore jobs, some of which have long gestation periods. This was also possible because instead of turning down after the peak, the industry went into an extended business cycle, fuelled by the construction of the Commonwealth Games sports complex and the Kuala Lumpur International Airport. The cycle was extended by at least

Tan ... we were not desperate or hungry for jobs

earnings last year compared with the lower teens in the past.

The group was also able to sustain earnings because of its reputation. During crisis situations when reliability and ability to deliver becomes even more vital, its reputation put it way ahead of the competition.

Its tight cost control policies helped too, in neutralising the effects of the crisis. Example, labour costs. As IJM only contracts labour when it needs them, it does not carry labour on full time payroll. This allowed it to downsize quickly and easily during crisis times.

Diversity in the group's earnings also came in really handy in sustaining earnings in the recent crisis, Tan said.

The plantations division, for instance, turned out to be the star performer contributing to almost 40% of 1998 group earnings.

The move towards plantation and other areas of businesses was planned as the management realised the

ture project with short-term funding. This approach had in the past put a strain on management as it had to juggle its finances to meet short-term obligation.

To ensure that this does not happen, the group will be restructuring its balance sheet to look into the possibility of refinancing its loans. This is reflected by the group's recent RM100 million bond issue for the Ministry of Works Complex. The bond has a 10-year tenure with a fixed coupon of 8%.

As Tan said it: "Long term projects must be matched by long-term funding."

Towards this end, the group has slashed its gearing from 0.5% of shareholders to 0.4% presently, and expects to reduce this ratio further in the near future.

In looking towards the offshore market, IJM would also need to be more vigilant on the exchange rates and to ensure that it does not take the stability of the ringgit for granted.

As a result of the perceived credit risk for Asian companies arising from the recent financial crisis, IJM has decided to take a breather on overseas projects.

Instead, IJM will place emphasis on its local business because it is confident of building up its presence in Malaysia.

Tan said IJM's ability to respond faster to changes or demands from clients should hold it in good stead against other competitors.

He expressed contentment over the group's expected current year's pretax earnings mix of 60:40 from local and overseas investments respectively.

Presently, IJM has a healthy order book of RM1.3 billion, of which 75% are from the local market. Included among the larger projects that the group is undertaking are the KL Monorail, the Mid-Valley City mega mall, low-cost

IJM GROUP FINANCIAL HIGHLIGHTS

		1994	1995	1996	1997	1998
• PBT PROFIT	RM'000	55,810	64,770	89,426	63,234	38,130
• ISSUED SHARE CAPITAL	RM'000	178,005	304,468	308,259	342,072	342,090
• SHAREHOLDERS' FUNDS	RM'000	418,144	882,775	840,580	853,676	990,217
• TOTAL ASSETS	RM'000	851,010	1,001,531	1,446,919	1,918,291	1,957,940
• EARNINGS PER SHARE (Basic)	Sen	23.3*#	22.3#	29.3#	19.1	11.4
• GROSS DIVIDEND PER SHARE	Sen	7.5*	8.0	8.0	8.0	5.0
• NET TANGIBLE ASSETS PER SHARE	RM	1.81*	1.79	2.03	2.76	2.87
• SHARE PRICE High	RM	5.80*	5.15*	6.10	7.05	2.45
Low	RM	3.50*	3.76*	4.02	1.22	0.595

Source: IJM annual report

Restated to include extraordinary items in accordance with International Accounting Standard 8 (Revised). * After adjustment for bonus issue.

ly in infrastructure works including rehabilitation of roads.

Tan said the group has accumulated expertise in almost all areas of construction from infrastructure to low-cost housing, industrial and shop lot development and others.

As one of few companies listed on the KLSE that is run by professionals, IJM has built a solid reputation in the construction industry for its reliability and professionalism. Hence, IJM has been able to out-perform its peers and weather the Asian financial crisis well.

The management, he said, believes that its continued existence must depend on quality performance. As such, the group will continue to inculcate a culture of quality awareness among its staff. This has resulted in ISO 9002 certification by Standards and Industrial Research Institute of Malaysia.

With the move by the Government to set aside RM1 billion for infrastructure development beginning last quarter of this year, IJM can expect to be one of the beneficiaries.

Tan said the construction division which accounted for 21% of IJM's pretax profit during crisis time, is expected to increase its contribu-

IJM GROUP FINANCIAL HIGHLIGHTS

Torsco is setting up a third production line with barging facilities at Lumut, as it expects new businesses to grow.

Tan said Torsco was to be floated on the KLSE but the proposal was aborted because the economic downturn had adversely affected the performance of the companies to be acquired as part of the listing exercise.

He admitted that Torsco is eligible for listing on its own but it is the group's policy to ensure that its subsidiary acquires new businesses to emerge as a

on the KLSE in 1986. As a result of this, the group has grown from strength to strength because of its earnings diversity.

On the performance of the group's other division, Tan said properties which contributed RM8.53 million to pretax profit in 1998, is expected to continue to fare well in the current year.

The manufacturing and quarrying division which slipped into the red last year with a pretax loss of RM3.47 million, is likely to break-even at best this year given the better demand for its

In addition, overseas operations proved their worth. The international ventures division's interests in Australia (Horden Tower with OSW Properties Pte Pty Ltd), China (equity in Guangdong Provincial Expressway Development Co Ltd and Yangzhang Changjiang Bridge Co Ltd) and Argentina (equity in Grupo Concessionario del Oeste SA) had started to pay off, with China investments posting their maiden profit in 1996, followed by Australia in 1997 and Argentina in 1999. Their contributions, enhanced by a weaker ringgit, further helped the group remain in the black in the aftermath of the 1997-98 Asian Financial Crisis.

Tan recalls the aftermath of the Asian Financial Crisis, "What saved us was our good risk management practices in the choice of clients, conservative and prudent debt financing policies, pragmatic quick action and, the loyalty and commitment of proactive staff. There was also the tinge of good luck. The biggest sacrifice was made by

2000s

staff when we were able to convince them to volunteer for immediate pay cuts for those earning above RM3,000, with senior management taking the highest percentage cut. It was not so much the cost savings but how it got our people focused on the challenges ahead. This was not the first time in IJM history. We had a similar exercise in hard times during the 1985 global recession when lost wages were repaid in their entirety when IJM recovered. We are indeed proud that in 1999 we were able to repay all the pay cuts. As with all things with good intentions, we were blessed with an added bonus it was a tax free year. Similar pre-emptive action was to be repeated without much fuss in 2008 with the onset of the Global Financial Crisis. This is a "shared destiny" human resource policy hallmark of IJM till this day."

Perils of International Business

In 2001, the Argentine peso was devalued following its failure to make a debt repayment to the World Bank that was due on 14 November. It was not the first time the country had defaulted on debts to private lenders but multilateral credit organisations are more stringent.

Pegged at par value to the US dollar since 1991, the peso could not keep pace with the US dollar given the vastly different economic conditions between the two countries. It became a burden because it made Argentina more expensive than neighbouring Brazil. Industrial activity and exports declined, while unemployment and underemployment rose sharply. The government borrowed heavily to make up for the shortfall in revenue.

Then the inevitable happened. In 2001, the Argentine peso was devalued and it ended the decade-long fixed link with the dollar. The peso fell about 70% against the dollar.

IJM's portion of the operating pre-tax profit from the BOT investment Grupo Concessionario del Oeste shrank substantially to RM3.41 million in 2002, from RM12.29 million the previous year. IJM Annual Report 2002 notes: "The flotation of peso required the group to make an allowance of RM47.0 million for diminution in value of its investments in GCO, in which IJM holds 20.1% equity stake." IJM had earlier placed out 4.8% of its shareholding in GCO in conjunction with its initial public offering in 1999 and booked a substantial profit. The investment remains with IJM and is profitable, well looked after by our representatives Adam Eleod and Marcello Santurio since inception.

Government pump priming initiatives to nurse the battered economy back to health took time, and besides there were too many casualties about. In IJM's view, the domestic scene had too many contractors chasing too few jobs. With one foot firmly on home ground, completing existing jobs and bidding for new contracts, it decided to step up its international ventures. Immediate interest was on construction contracts that will generate quick profits without major long term commitments.

On the horizon, India was waking up from a slumber, lifting the shutters of the closed economy that had been off limits to foreigners for decades. Having tasted the fruits of success with its "first mover" strategy that caught the rising tide of prosperity in China, IJM made a beeline to yet another economic powerhouse in the making.

IJM managing director, Krishnan Tan (left) with Indian prime minister Manmohan Singh during the 11th ASEAN Summit that was held in Malaysia in 2005.

On 24 July 1991, Indian finance minister Manmohan Singh presented a startlingly bold budget to the nation with the memorable words (paraphrasing Victor Hugo): "No power on earth can stop an idea whose time has come." Delivered to a nation teetering on the brink of bankruptcy, the budget marked the liberalisation and deregulation of the Indian economy. It opened the door, sector by sector, to welcome foreign participation in the modernisation of India. Initially, there was no rush to take up the invitation with multinationals recalling how IBM and Coca Cola Co were expelled from India by nationalisation pursued by the leadership of Indira Gandhi in the late 1970s. There was also uncertainty if the rigid wall of controls

Pioneering in India

Life in India was certainly no bed of roses for the few IJM staff who volunteered or requested to oversee projects in the subcontinent. Most of them were stepping onto Indian soil for the first time.

As Krishnan Tan acknowledges, "Doing business in India is tough. Navigating through the myriad of obstacles ranging from the legendary bureaucracy, political interferences and challenging logistics in a foreign land even before considering economic issues takes immense patience, tremendous humility, sheer stamina and hard work. In the construction business, you need to deal with these challenges on a daily basis and it takes men of character with true grit and forbearance to persevere in the face of these difficulties and deliver. For this, I have great admiration for our early Indian team comprising people such as Liew Hau Seng who headed the Mumbai-Pune Expressway, country head Ng Chin Meng, ably supported by Liew Chee Khong in finance, chief operating officer Pankaj Agrawal, Sanjay Agrawal, and DS Rao, the company secretary and also head of legal & administration, and those hands-on construction managers.

"We were fortunate and grateful to receive the selfless guidance of Deepak Dasgupta, who is our independent director, RC Sinha, Ramaraju, Dr T Subbarami Reddy, Brij Mohan Reddy and many others, who proferred advice that enabled us to understand and map out our game plan across the trying Indian infrastructure construction landscape."

and regulations that typified the Indian bureaucracy and business environment would be dismantled. Another barrier was Indian tariff duties, one of the highest in the world at 112%, and investors awaited the relaxation of tariff duties as promised by Manmohan Singh. A blitz of breakthrough reforms later, the trickle of foreign investments became a swift stream, and they helped transform the economy from a sluggish growth of minus 3% to a robust 8% plus in the decade and a half that followed.

By the mid 1990s, India became the favoured destination of multinationals and emerging Asian companies seeking new markets. To attract investments, India set out to overhaul its creaking road, railway and power sectors, long seen as a drag on growth in Asia's third largest economy.

For IJM, the going continued to be tough back home, while investments in Vietnam and Argentina would take time with their returns. China was racing ahead, but it had developed its own massive construction expertise and capacity, all state-owned, and the development of the capital market started to give it access to funds. IJM had seen better days there and it was time to move on – it began to ease out of the China market to concentrate on an India rising.

There were several pull factors. Unlike China, India then lacked the construction capacity and skills to undertake huge infrastructure projects. By the mid-1990s, many Malaysian companies emerged as pre-qualified bidders for Indian road projects funded by international multilateral agencies. IJM was one of them. The widespread use of the English language in Indian government and business circles made communication easier, not only at official

IJM's debut in India was a partnership in Gautami power plant, a build-operate-transfer concession in Andra Pradesh.

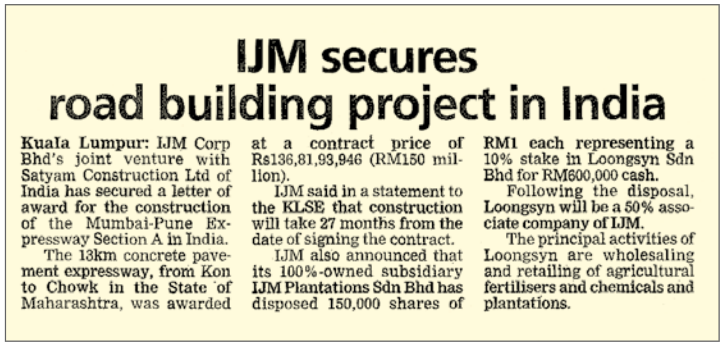
discussions but also in the interpretation of legal and financial documents. Technical standards and contract documents were very similar to Malaysia. Furthermore, India had a functional legal system and an established banking system that provided working capital as well as non recourse long term debt for up to 80% of project cost compared to nil project financing in China at that time.

IJM entered India armed with recent knowledge, experience and expertise acquired during a boom in Malaysia that had ended abruptly with the Asian Financial Crisis of 1997. IJM had another trump card – Indian staff who were familiar with both the Indian business landscape and the IJM work culture. Group managing director Krishnan Tan explains, "In the 1980s and 90s, government-to-government trading arrangements between the two countries included Malaysian palm oil exports in exchange for Indian railway expertise. Many Indian engineers arrived to work on the project to overhaul Malaysia's antiquated rail system. IJM was employed as a subcontractor to the Indian Railway Company. When their work was done, many Indian expatriate engineers were hired by IJM. They remained with us, some for as long as a decade, and then joined us in India when the construction sector there took off. Our Indian expatriates like Pankaj Agrawal, Sanjay Agrawal, Lahori and others were appointed to key engineering positions in our India operations."

IJM launched itself as a contractor and later as an investor, vying for privatisation projects that would keep its construction order book full while earning recurrent income from its equity in concessions. The first success occurred in 1997, when wholly owned subsidiary IJM Overseas Ventures Sdn Bhd took up a 60% equity interest in Gautami Power Limited that had been awarded the 360MW concession to build and operate a power plant in Andra Pradesh. In 1998, IJM was awarded a two contracts, one for the construction of the Mumbai-Pune Expressway and the other, a bypass road in Chennai in a joint venture with Satyam Construction, an Indian partner. Encouraged, IJM was on the prowl for more. Several more road projects were won in Andra Pradesh in joint ventures with another Indian partner, Gayatri Construction.

IJM was determined to make its mark in India, to emblazon its name on the Indian landscape, just as it had in Malaysia. With the rallying call to "replicate an IJM in India", a subsidiary named IJM India Infrastructure Limited (IJMI) was incorporated in 2001 to lead business in the subcontinent. IJM's FDI was routed via Mauritius, a common international practice since the island republic had OECD-compliant legal and financial frameworks and an avoidance of double taxation treaty with India. IJM's deputy managing director was assigned to oversee this important market, and a senior management staff was dispatched from Kuala Lumpur as a country manager to be based in Hyderabad, Andra Pradesh, where IJM had the most number of projects. First to lead the charge was deputy managing director Goh Chye Koon, and when he retired, his successor, Teh Kean Ming. The first country manager was Ng Chin Meng. As a multinational, IJM was committed to upholding its corporate culture and brand values of quality and excellence on Indian soil. By 2000, IJM had gained recognition as

Source: The Sun, 8 January 1998



IJM secures road building project in India

Kuala Lumpur: IJM Corp Bhd's joint venture with Satyam Construction Ltd of India has secured a letter of award for the construction of the Mumbai-Pune Expressway Section A in India.

The 13km concrete pavement expressway, from Kon to Chowk in the State of Maharashtra, was awarded at a contract price of Rs136,81,93,946 (RM150 million).

IJM said in a statement to the KLSE that construction will take 27 months from the date of signing the contract.

IJM also announced that its 100%-owned subsidiary IJM Plantations Sdn Bhd has disposed 150,000 shares of RM1 each representing a 10% stake in Loongsyn Sdn Bhd for RM600,000 cash.

Following the disposal, Loongsyn will be a 50% associate company of IJM.

The principal activities of Loongsyn are wholesaling and retailing of agricultural fertilisers and chemicals and plantations.

Mumbai-Pune Expressway, IJM's first privatised toll highway project in India.

The Malaysian Standard Bearer

In responding to the national call to "go global", IJM became one of few Malaysian builders to prove its prowess in winning competitive bids and delivering quality off-shore. For its role in projecting the good name of the country, it was given due recognition:

2000: The Construction Industry Development Board presented the company with the first Malaysian International Contractor of the Year Award in September 2000. In 2005, CIDB again honoured IJM with this award.

2001, 2006 and 2007: IJM won the Malaysian Construction Industry Excellence (International Achievement) award.

2003 and 2007: IJM won the Malaysian Ministry of International Trade & Industry's Excellence Award for Export of Services.

IJM was the first Malaysian company to be awarded a construction contract for the Delhi Metro. Subsequently, IJM undertook several other packages for this project.

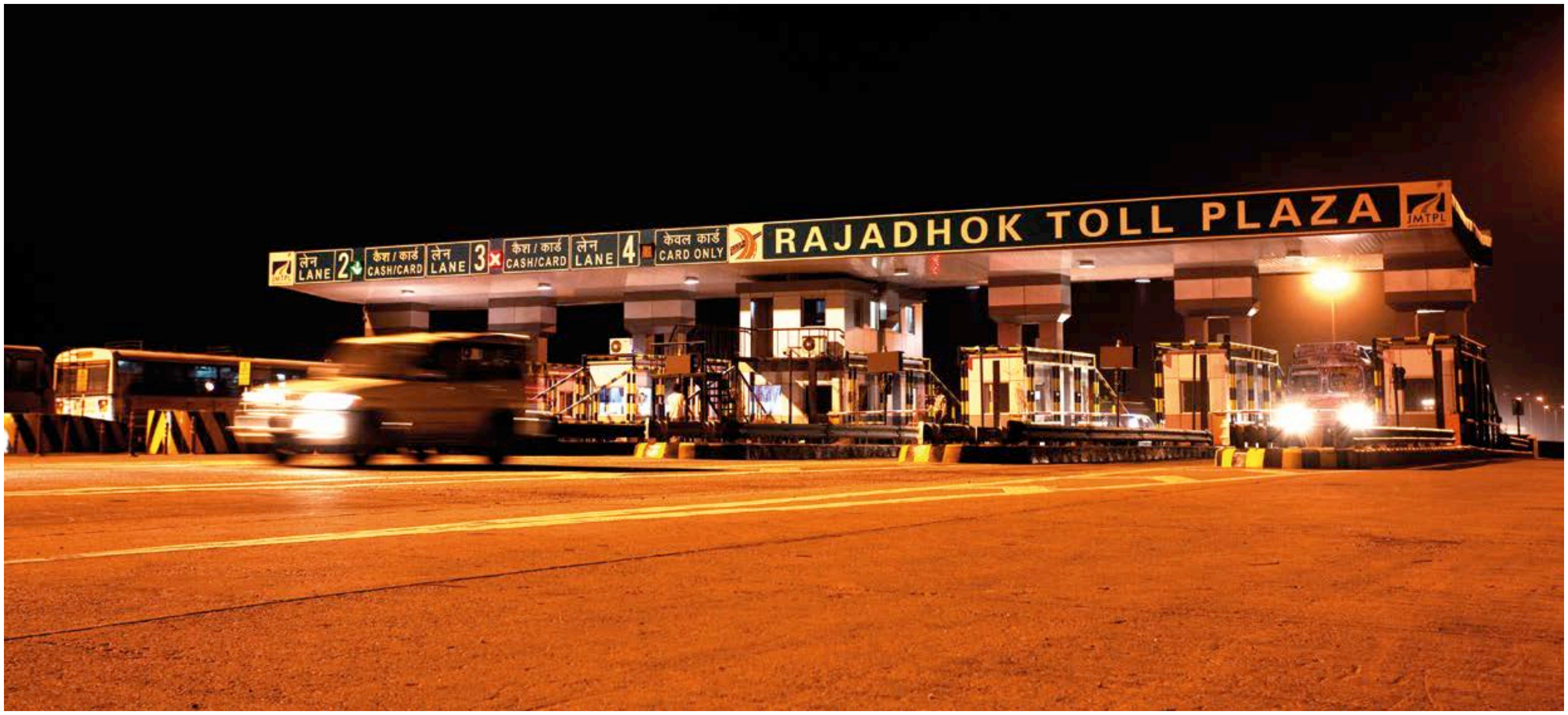
> "In India, land acquisition falls under the jurisdiction of the state government. Farmlands are affected, and there is also the relocation of temples. In one instance, there were as many of 127 temples involved, and the local community appreciated the relocation."
>
> ***James Wong Tet Foh**, managing director, infrastructure division (tolls)*

the pioneering Malaysian contractor that had carved a niche for itself in the emerging Indian construction market.

The group's top management cultivated good relationships with their India partners and state governments who had rallied to the union government's call for the privatisation of development projects. Group managing director Krishnan Tan became a frequent visitor, diligently networking with Indian officialdom to bring things to pass. Tan says, "Our business is all about bidding. It is important to become involved in the market to win new jobs. My visits were also to show our boys in IJMI that the head office is with them."

IJM's first point of entry was the state of Andra Pradesh, where IJM had made its presence felt with the investment in a power project. This is also where IJM was awarded its first BOT highway project in India that involved a 31.9% equity interest in the Swarna Tollway Pte Ltd,

IJM built the 28-storey headquarters of the Municipal Corporation of Delhi, currently the tallest building in the Indian capital.



Rajadhok toll plaza along the 108km four lane Jaipur Mahua Tollway

Chennai Bypass Highway, part of a circular transportation corridor to reduce traffic congestion in the city.

a project negotiated on a "government to government" basis in 2001. It was a 30-year concession for two toll highways. It went on to build several other road projects in the state.

With the slogan "IJM – Mark of Excellence", IJM doggedly pursued the Indian market. Tan acknowledges, "India is a tough place to operate in many ways. We completed our first project, part of a six lane state-of-the-art concrete highway between Mumbai and Pune on schedule. It was a milestone for us in India, and it enhanced our reputation substantially. Over the next few years, IJM grew its footprint on the subcontinent, employing more than 500 staff to manage large construction jobs and concession assets in the states of Andra Pradesh, Tamil Nadu, Madya Pradesh, Rajasthan, Karnataka, West Bengal, Maharashtra and the municipality of Delhi. They boosted construction revenues immediately, while returns from infrastructure concession investments that typically involved heavy borrowings were realised gradually with the build-up of toll traffic volumes."

The India push continued unabated when it became clear that prime minister Abdullah Ahmad Badawi who replaced Dr Mahathir Mohamad in 2002 did not share his predecessor's approach to development. The new leader focused on "soft" infrastructure centred on human capital development, and relegated costly "hard" infrastructure projects to the back burner. Within months into his term of office, Badawi announced the cancellation of several mega infrastructure projects causing more heartache for the already strapped construction industry. Instead, he urged Malaysian contractors to go global.

Commercial Crescent in Prestige Shantiniketan, a fully integrated township developed in Whitefield, Bangalore, India.

By then, IJM had diversified into property development in India, where it created several "firsts." It was the first foreign property developer in India under the new FDI guidelines announced in 2003. It was the first to build an integrated township in the rapidly developing state of Andra Pradesh; and the first to develop more than 100 units of housing at any one time in the state. IJMI property manager Manjit Singh recalls, "Since 2000, IJM was ready to enter the real estate market in India. Following the opening up of the highway sector to FDI inflows, we felt that the real estate sector would be next. The union government formulated and announced the first set of FDI guidelines in 2001. They were very stringent, and one in particular blindsided us – it stipulated 100 acres as the minimum acreage for development.

"IJMI had by then entered into a joint venture agreement with Andra Pradesh Housing Board to develop 35 acres in Hyderabad, 65 acres short of the 100-acre development criteria. We decided to present our case to the Foreign Investment Promotion Board (FIPB) in Delhi to convince officials of our proposal. We were rejected twice but did not give up. Eventually, the FIPB relaxed its guidelines provided foreign developers build no less than 2,000 housing

Kukatpally Raintree Park, often referred to as Malaysian township or IJM township, is a major residential and commercial suburb of Hyderabad.

Source: Business Times, 3 April 2003

■ **14ha site:** Maiden project awaits Andhra State Govt's nod

IJM teams up with Indian firm to develop township

■ By KAMARUL YUNUS

A MALAYSIAN-INDIAN joint-venture company has been incorporated to undertake a township project on a 14ha site in Andhra Pradesh, India.

IJM Corp Bhd, through its subsidiary IJM India Infrastructure Ltd (IJMII), has teamed up with Indian company Swarnandhra to set up the joint-venture Swarnandhra-IJMII Integrated Development Co Pte Ltd (Sitco) of India.

"Sitco has been incorporated in India on March 25 2003 for the proposed township development in Andhra Pradesh," IJM said in a statement to the Kuala Lumpur Stock Exchange recently.

The proposed development is pending the approval from the Andhra Pradesh State Government for the holders' agreement, it said

According to IJM, the proposed initial paid-up capital of Sitco is RM7,840. Sitco will be a 51 per cent subsidiary of IJMII.

Sources said the proposed development, if approved, is being planned over 14ha of land and will consist about 2,200 apartment units, inclusive of commercial development.

While the sources could not ascertain when the approval would be obtained, they noted that the construction is expected to take 24 months.

"We understand that the site survey works have been completed and they are working on the architectural design development," the sources said.

Meanwhile IJMII Mauritius Ltd (IJMIIML) has subscribed a further 25.2 per cent, or 29.4 million equity RM8.16), each in IJMII at 32.5 rupees per share.

With the subscription, IJMII will be a 95.2 per cent subsidiary of IJMIIML. IJMIIML is a wholly-owned subsidiary of IJM Investments (M) Ltd, which in turn is a wholly-owned subsidiary of IJM Corp. The principal activity of IJMII is construction.

It was understood that the proposed joint venture would be IJM Corp's maiden housing project in India.

The company already has a considerable presence in road building in India, and is reportedly working on a number of projects there.

IJM Corp was established following the merger of three Malaysian construction companies. In 1982, in a friendly takeover, IGB Corp Bhd acquired all the shares in Jurutama Sdn Bhd. Following this acquisition, Solidstate Sdn Bhd was incorporated and, in 1984, its name was changed to IJM Engineering and Construction Sdn Bhd. IGB then transferred all its equity interests in Jurutama and Mudajaya together with that of IGB Construction Sdn Bhd in exchange for shares in the newly incorporated company.

IJM Corp then became IGB's holding company for its construction interests. In 1986, IJM Corp turned public.

The activities of the company are concentrated in construction, properties, manufacturing and quarrying, plantations and international ventures. Its operations are currently located in Penang, Perak, Selangor, Johor, Sabah, and Sarawak, as well as in Australia, Argentina, Chile, India, Sin-

units on the 35 acres. IJMI subsequently became the first foreign company to enter the real estate market in India under the new FIPB guidelines that was announced in February 2003.

"Back in Hyderabad, we recommended that the client allocate 400 units for low income earners based on the Malaysian model of creating affordable housing for poorer segments of society. Our proposal was well received by the state government. For the state, we were trailblazers for having built an entire township of 2,200 units (including 400 units of affordable housing) at one time, and at one location. Housing projects in India then consisted of 50 to 100 units in any one scheme.

"The biggest challenge we faced was dealing with authorities and buyers. Their expectations of foreign developers were high, maybe because they are well travelled and seen or lived in quality buildings in developed countries. We did our best to deliver the best while continuously battling with Indian construction workers' lackadaisical attitude to safety and quality."

"We signed the joint venture agreement with the Andra Pradesh Housing Board in the presence of the state's chief minister Chandrababu Naidu and IJM group managing director Krishnan Tan. When addressing guests, Tan said, "I don't want Indian class. I want a Malaysian class development." We worked at living up to this expectation. The chief minister, a great admirer of Dr Mahathir, was pleased with the outcome."

***Manjit Singh**, IJM property manager*

With its in-house construction expertise, innovative designs and competitive pricing, IJM properties became desirable buys. The success of the maiden housing project, Raintree Park in Hyderabad, led to other township developments, enhanced versions of the first one, with retail and commercial components. Locals began to refer to them as Malaysian townships or IJM townships because they introduced a whole new way of living in urban India. Better still, IJM properties were treated as quality assets with strong capital appreciation potential.

The difficult business climate at home led another IJM division to seek out opportunities in India. In 2004, Industrial Concrete Products' subsidiary, Strong Mixed Concrete (SMC) arrived to provide management services to IJMI's ready mixed concrete subsidiary that principally supplied the IJM construction division. SMC helped set up and operate a ready mixed concrete plant in Hyderabad to provide in-house supplies as well as sell to third parties, and within a year of increasing sales to third parties, the plant delivered its maiden pre-tax profit. It was a promising start, and ICP decided to buy the subsidiary from IJMI, and quickly proceeded to set up one plant after another to support and take advantage of the volume generated by IJMI's ever-growing construction activities in the subcontinent as well as to penetrate the market for third party business. By 2007, earnings from these plants exceeded those in Malaysia.

The industry division's quarry operations in Hyderabad, Andra Pradesh.

IJM continued to be upbeat about India, while exploring another booming market: the Gulf States. In 2004, it won its first project, the construction of the Emirates Catering Centre and it was followed by the RM120 million Fortune Tower in Dubai. Others followed, in Abu Dhabi and Bahrain, countries in a hurry to outshine each other with super structures, funded by petrodollars derived from surging oil prices.

In 2005, JP Morgan singled out IJM as one of the five homegrown Malaysian companies poised to become "world beaters" as it ventures abroad. It stated: "These companies possess formidable local expertise that appears replicable worldwide as well as globally attractive and unique business models with high entry barriers. We place great faith in the management to deliver significant earnings growth over the next three to five years, which should result in price earnings multiple expansion as well as significant share price performance over the next three years." JP Morgan added that IJM could leverage on its overseas expertise to bid for projects in countries such as India and the Middle East.

Marina Square, the first community development to be completed on Al-Reem Island, Abu Dhabi.

Overseas operations began to account for more than half the group's construction order book by 2006. Most were Indian contracts with total values exceeding RM1.0 billion. IJM properties were popular with Indian buyers while the ready mixed business exceeded ICP's expectations. By 2008, the plantations division was also in India, through a joint venture with Godrej Agrovet Limited and Godrej Gokarna Oil Palm Limited. However, this investment was sold when IJM Plantations decided to focus its attention in Indonesia, where it had acquired substantial acreage of plantable land.

In less than ten years, IJMI was a mini IJM, with principal activities that paralleled that of its parent company: construction, property, manufacturing and oil palm processing. However, it trumped the parent with concessions, something that had eluded the parent company on its home turf (a sore point that was sorted out with the acquisition of Road Builder – *refer to Chapter 9*). The earlier catch-cry to create another IJM in India was no empty boast.

Malaysian newspapers reported that IJM planned to list its India operations. Krishnan Tan side-stepped with: "Listing will take some time, and we may when our assets mature and our order book is replenished and increased to the levels of our peers in India."

But, all this was not to be, at least for now. IJM was at the peak of its activity level, both in order book and property development in early 2008, when the impact of surging worldwide commodity prices began to be felt.

The Indian economy began to slow following the surge in commodity prices and it deteriorated further with the 2009 global meltdown. The once aggressive economy was injured by the backlash, as were the economies of the Middle East. With galloping material prices, projects costs soared as did interest rates in India that rose as high as 20%, projects stalled, collections became a nightmare and austerity measures were instituted. In an urgent message to all staff in 2009, Tan urged the Indian team to "finish off most of our projects by year end and perhaps with the start of new projects and restructuring of working capital, better times will prevail and a reassessment can be done in January." He reassured them with: "IJM is committed to a long term Indian strategy. Do not be disheartened, your time will certainly come and we will be fair." However, conditions deteriorated further and IJM's Indian construction business suffered losses. For the first time in the history of the IJM Group, the construction division reported a loss of RM79 million in the financial year 2011, mainly due to projects in India and the Middle East.

Meanwhile, Malaysia was becoming the land of opportunity once again with a change of leadership. The new prime minister Mohd Najib Tun Abdul Razak who took office in April 2009 unveiled his Economic Transformation Plan to achieve a high income economy by 2020. Under this plan, big ticket infrastructure projects were back on the national agenda, and IJM had the resources to participate in this new road map for the nation.

Exit from China

IJM pulled out of China gradually, disposing its three investment assets over a period of ten years. It began with the divestment of its equity interest in Wuxi Co-Generation plant in 1998 ostensibly to reduce the group's foreign bank borrowings after the Malaysian ringgit peg that caused foreign borrowing in ringgit terms to balloon.

Next was the disposal of the Guangdong Provincial Expressway Development Co Ltd (GPED). When IJM took a 20% equity interest in GPED, it was with an understanding that the company will seek a listing on the Shenzhen Stock Exchange. The shares owned by foreigners including IJM would be quoted as 'B' shares to be traded in Hong Kong Dollars (HKD). IJM's equity holdings was divided into 2 tranches – one that would be tradeable as 'B' shares and another 'non tradeable' tranche which required approval of authorities to be converted to tradeable shares.

In 1996, GPED was listed. Except for a small disposal at the initial listing, IJM did not dispose any shares until 2001 as the volume of trading was thin and, with GPED continuing to do well, IJM was receiving good dividends.

In 2000, GPED stock prices hit record prices with record trading volumes. Krishnan Tan recalls, "I remember that P/Es were over 70 times when the toll concession had 20 years life. It was a no brainer to start selling especially with the market showing good signs of absorbing the huge share volumes. We sold into the market at good prices till we hit the Kuala Lumpur Stock Exchange (KLSE) listing rule limits requiring shareholder approval for further disposal. At this stage, we had made RM122 million of profits from disposal. Sensing that the market would not last, we sought an exemption from KLSE but to no avail as the post Asian Financial Crisis environment needed strict adherence to governance rules.

"We had to wait a another seven years until 2007 for market conditions to return to dispose the remaining shares.

Meanwhile in 2003, we obtained approval from the Chinese authorities to convert the non tradeable shares to tradeable ones, and became the second overseas investor after billionaire investor, George Soros, to be granted this concession. We were then ready for any market opportunity, and this took another five years. The disposal in 2007 netted a gain of RM118 million. A RM100 million investment returned more than RM240 million excluding dividends received. What's important was also that we had an excellent relationship with our Chinese partners throughout so much so that they retained Loy Boon Chen, our key man for Chinese ventures, to remain as an independent director on the board of GPED."

IJM's third China investment, in a toll bridge concession company in Yangzhong China was sold in 2006, when IJM's associate company JWS Projects Sdn Bhd sold its equity interest in the concessionaire.

Earnings and profits from these divestments were used to release cash flow for operations, pre-pay or pay off foreign currency borrowings and plough money into new investments.

IJM has since returned to China. In 2004, ICP initiated an investment into a pile manufacturing plant in Jiangmen in the Guangdong Province. It started operations in 2006. Meanwhile, IJM Land is starting a development project in Changchun.

Source: Business Times, 20 August 2001

IJM likely to sell more of its equity in GPED

By NORZUHAIRA RUHANIE

BUILDER IJM Corp Bhd is likely to sell more of its interest in Guangdong Provincial Expressway Development Co Ltd (GPED) after its disposal of a 2.8 per cent stake in the company for RM58.67 million announced last Friday.

GPED is listed on the Shenzhen Stock Exchange, which had changed its rulings regarding transactions of 'A' and 'B' shares on the exchange, resulting in the locals now being able to buy 'B' shares once reserved for foreign transactions.

According to an industry analyst, prices of 'B' shares are usually lower so the new ruling will see more local investors buying these shares which will result in more market movement and shares changing hands.

"This will be good for investors holding these stocks," the analyst said.

Another analyst from a local research house said that IJM's intention to dispose of its stake in GPED is not entirely new and as long as GPED stocks continue to trade at its current price of nearly HK6.00 (HK$100 = RM48.23), it will profitable for IJM to sell.

"The move is good for the company as there will be a cash inflow."

At group level, IJM stated that it made a gain of RM17.69 million from the disposal.

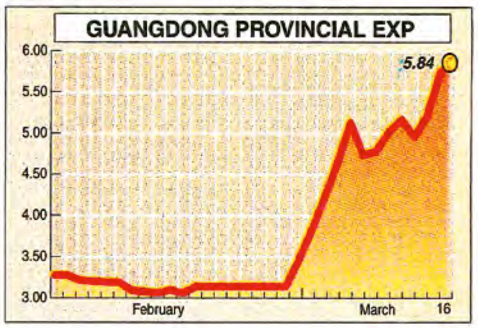
GPED 'B' shares closed last Friday's trading at its highest price this year of HK5.84. The counter has been trading above the HK3.10 level before climbing steadily since the end of February.

Reducing offshore bank loans was stated as the main reason for the disposal of GPED shares.

Inside sources said that although the company's loans are not very significant at about RM114 million, proceedings from the sale will help to reduce its borrowings by almost half.

IJM still has an 11 per cent equity interest in the Chinese highway operator acquired through subsidiary IJM Overseas Venture Sdn Bhd, and with a representative on the GPED board of directors.

IJM shares on the local Kuala Lumpur Stock Exchange will resume trading today afer being suspended. The closing price of its shares last Friday was RM2.89.



IJM's debut in the Gulf States: construction of the Emirates Catering Centre, the largest flight kitchen in the world.


Emirates | Flight Catering
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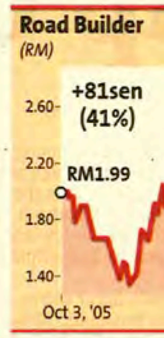
Emirates
Flight Catering

RBH takeover target

By IZWAN IDRIS
izwan@thestar.com.my



PETALING JAYA: Road Builder Holdings Bhd (RBH) shares rose to their highest in more than a year after a large stake in the company changed hands in an off-market trade yesterday.

The large amount of shares transacted added to the already intense speculation that RBH is a takeover target of larger rival IJM Corp Bhd.

At least 68 million RBH shares, or a 13% stake in the company, were crossed out for RM204mil, or RM3 each yesterday, according to *Reuters* data. Neither the seller nor buyer was disclosed.

The stock closed two sen higher at RM2.80 yesterday on volume of 6.5

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Source: The Star, 10 October 2006

IJM to acquire Road Builder

BY C.S. TAN
cstan@thestar.com.my

PETALING JAYA: IJM Corp Bhd says it will acquire stakes in Road Builder Holdings Bhd and RB Land Holdings Bhd, an event widely speculated in the media, including *StarBiz*, earlier.

In a one-paragraph statement yesterday, IJM said it requested for a trading suspension of its securities today pending announcement of a proposed material transaction of an acquisition of interests in Road Builder and RB Land.

RB Land is included in this corporate exercise as it is a public-listed subsidiary and property division of Road Builder, which owns almost 70% of the company.

In separate announcements, Road Builder and RB Land said their shares would be suspended from trading today pending IJM's announcement. IJM will hold a press conference at 4pm when managing director Datuk Krishnan Tan will announce the acquisition proposal.

It is believed the company may make a general offer for all the shares of Road Builder and RB Land through a share swap. "I think they'll go for a full merger with the Road Builder group," a dealer said.

It would be a large acquisition for IJM which had a total market value of RM3.2bil. Its share price rose 10 sen to an eight-year high of RM6.45 yesterday while IJM-warrant climbed 6 sen to a record high of RM1.51.

The target companies of Road Builder had a market value of RM1.47bil and RB Land's market value was RM290mil.

Road Builder's share price was 9 sen higher at RM2.89 yesterday while RB Land was 0.5 sen lower at 51 sen.

It was earlier reported that IJM might value Road Builder at RM3.00 a share as that was the highest price at which former executive vice chairman Tan Sri Chua Hock Chin sold his shares.

Road Builder announced on Oct 4 that Chua sold his 13% stake in the company and resigned from his post on the same day.

If IJM were successful in its acquisition proposal, its business base would be greatly expanded. IJM itself has businesses ranging from construction to property development, manufacture of building materials and plantations in Malaysia. In addition, it has large operating assets in construction, toll road concessions and property development overseas, especially in India.

Datuk Krishnan Tan

A merger with Road Builder would combine this group's range of businesses in construction, property development, toll roads and ports into an enlarged IJM group.

IJM is on a roll. It also has a proposal pending for the purchase of a 25% stake in Kumpulan Europlus Bhd, a construction and property development group, which has a major stake in Talam Corp Bhd, a large property developer that had faced financial difficulties.

It was announced on Monday that IJM received two letters of award from Talam to complete the remaining construction works for six of its property development projects at a cost of RM717mil, a move viewed by observers as tapping business synergies with Talam as well as lending a helping hand to the latter.

Krishnan described IJM's role there as "a beneficiary" as a contractor at the moment, and would not be drawn into commenting on its potential role as an owner. "We will take it one step at a time," he told *StarBiz* yesterday, adding that the construction works would be profitable for IJM.

Some analysts reported that IJM might face collection risks in the construction job.

The construction award, Krishnan said, was part and parcel of Talam's debt-restructuring scheme in which "we get paid first" from the bank loans drawn down by house buyers.

In a conventional system, the money paid by house buyers would be held in a housing development account operated by the developer.

Following Talam's debt-restructuring scheme, the sale proceeds would be ring-fenced in a special-purpose vehicle
pay the main contracto
stockholders. "We will
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said.

Prior to Talam's debt-
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By Chong Jin Hun
jinhun@nstp.com.my

ROAD Builder (M) Holdings
does not expect any staff re
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executive chairman Datuk
Md Dubi said yesterday.

He said the enlarged IJM
merger, will have close to
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"All our (RBH) staff will ke
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The Game Changer

Source: The Star, 4 October 2006

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Oct 3, '06

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the best proxy

for the expected resurgence of the construction sector after a two-year lull," CIMB Securities said in a recent report.

The company's current order book stands at RM1.1bil, boosted by the recent award of a RM348mil contract to develop railway line in Perak. Analysts expect RBH's order book to grow to around RM1.5bil soon.

The company's attraction also lies in its strong recurrent income base. Analysts said toll concessions and port operations made up about 70% of the group's revised net asset value.

"This could make it an attractive merger and acquisition (M&A) target for larger companies wanting to dilute their exposure to the construction cycle," JP Morgan said.

RBH is the toll concession holder for the New Pantai Expressway and Besaraya Highway, both in the Klang Valley.

It also has port operations in Kuantan, Pahang and in Kemaman, Terengganu.

The two ports are strategically positioned to provide support services to the fast growing oil and gas industry.

Source: Business Times, 26 January 2007

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Shamsudin told reporters after RBH's shareholders meeting in Kuala Lumpur approved the IJM purchase.

IJM is taking RBH private in an all-share deal worth RM1.56 billion or RM3 per RBH share.

At a press conference on 18 October 2006, IJM announced its proposed takeover of rival Road Builder Holdings Berhad (RBH), lock stock and barrel for a whopping RM1.56 billion based on a price of RM3.00 per share. It was hailed as the biggest and boldest merger & acquisition (M&A) in the construction sector as indeed it was.

There had been media speculation of the M&A a couple of weeks prior to the official announcement and the news grabbed many by surprise. The conservative IJM was better known for growing its business organically or buying equity in individual companies with promise rather than buying up whole group of companies. Intriguingly, the take-over of the construction giant occurred without any boardroom drama, making it the stuff of corporate dreams that IJM had the luck to live out.

The man of the hour was managing director Krishnan Tan who recalls: "I could only give very short notice to the board of directors to buy Road Builder as rumours began to fan out of control and affected the share prices of the two companies. The directors knew that I would have done my homework. Usually, I would talk things over, especially the numbers, with Oh Chong Peng, the chairman of our Audit Committee, someone very well versed with corporate matters and who would not hesitate to pour cold water on any deal with the faintest shadow of doubt. He gave me the green light, and I proceeded to speak to the chairman and the board about the M&A. This brought into fruition the strategy of "growth by acquisition" that the group had as its strategic agenda for over three years."

Describing it as a game changer, he said the acquisition was an opportunity not to be missed. Tan gave four reasons for the acquisition. "One, word began to circulate that the founder and largest shareholder of Road Builder, Chua Hock Chin wanted to retire and may sell his shareholdings. It was an opportune moment for us to move as there was unlikely to be much resistance from owner-managers for a takeover. The rest of the shareholdings were fragmented, which made it easier to proceed with the acquisition. Moreover, many of the significant shareholders were also shareholders of IJM, and it made the consolidation story easier to sell.

"Two, and more importantly, Road Builder represented a good fit for an IJM keen to ramp up its capabilities, especially in the light of the impending 9th Malaysia Plan (2006-2010) rollout, where some RM200 billion had been allocated for large scale civil engineering infrastructure. There were also opportunities arising in the economic corridors in the north, east and Iskandar Malaysia in the south. We wanted to be out there in front, prepared. I also felt that Road Builder's businesses, management and professionals could be integrated into our group relatively well.

"Three, organic growth is slow, and building a management team comprising a big number of new talented individuals would take too long. With RBH in our stable, we would instantly inherit a good and experienced management team, bulk up our construction and property divisions and add the sorely lacking Malaysian infrastructure assets to complement IJM's overseas ones.

"Finally, the acquisition price was cheap. RBH share price had been declining because of slow order book build-up. The concession assets were still early into maturity producing low profits or incurring losses that were dragging their group earnings. This will change dramatically once inflexion point is reached. As for its property arm, earnings were, in my view, sedentary. It could be dramatically accelerated with a push."

Rumours had been rife for some time that the public listed RBH was up for sale. In the first week of October, there was heavy off market trading of RBH shares, and it sent the business media into an overdrive. The next few days were eventful, RBH shares were heavily traded

The Big Picture

"Going international as many of us have done in the past is like going deep sea fishing in a motorised *sampan*. Some, like us in IJM, had been lucky but others not so because clearly the odds are stacked against us. We rarely come across negotiated contracts. We compete like mad for jobs offshore, not surprisingly on many occasions among Malaysians. We don't have big balance sheets to take on the less competitive but better margin bigger jobs because they normally carry added responsibilities such as arranging financing. With thin margins, heavy investments in people, equipment and working capital, we invariably take a hit on profit & loss on some jobs. This gets noticed quickly by the investment community and our share price gets punished. More importantly, our people are also in the transition of skills. Or skills set that are not adequate to navigate the difficult, uncertain and sometimes stormy waters of international contracting. We may be *jaguh* Malaysia but out there in the international waters it is a different game being played altogether.

"Malaysian construction companies are at a major crossroad. We can sit back with comfort that we are still making profits, albeit small relative to our balance sheet or take some calculated risk, plan for the future, and grow. Thus our merger with Road Builder must be seen as a response to changing market conditions and plan for our own future survival. It is a strategy to build a strong ocean going vessel to take us to opportunities within our shores as well as the emerging markets of Asia, which have just commenced on their explosive growth journey. If we believe that this 21st century will be the Asian Century as I do, we have a chance now to ride the wave as early movers and establish a strong foothold quickly for ourselves in these markets. The time is right now when they need us and we are ahead of the curve. With our combined financial and people resources and our combined skills and experiences, I strongly believe we can achieve great success in these markets because in a limited way, we in IJM have been succeeding there."

***Krishnan Tan**, group managing director*

An extract of his address at the IJM Annual Dinner 2007 (post RBH merger)

Kuantan Port in Pahang entered the IJM fold following the acquisition of Road Builder Holdings Berhad.

and culminated in a notice of resignation filed to Bursa Malaysia by executive vice chairman and director Chua Hock Chin on 5 October 2006 after selling his 68 million RBH shares (13% equity interest). Chua was the substantial shareholder of RBH.

The bet was on MMC Berhad as the likely buyer given its penchant for infrastructure concessions with the potential of generating recurrent income. IJM's name hovered in the shadows, as an indirect candidate via MMC subsidiary Zelan Berhad, one of IJM's largest substantial shareholders. RBH came with concessions; the two toll highways of Besraya and New Pantai Expressway and two ports of Kuantan and Kemaman, and a listed property subsidiary. The concessions were the piece de resistance for IJM, which had a long history of misses with infrastructure investment concessions in Malaysia. Having failed to score on its own bat, it decided to buy them in the marketplace.

The acquisition, however, was part of a bigger agenda as far as IJM was concerned. It was a logical progression, one deemed necessary for both companies to move forward. The shrinking addressable domestic construction market in Malaysia, with its political constraints and maturing economy relative to the growing sizes of both companies meant that construction giants such as IJM (second largest in Malaysia) and RBH (third largest) had to look beyond the national border to sustain their principal activity of construction. The days of a one-market focus were well and truly over for both of them. Merged, they would

Besraya Highway is a toll concession that came with Road Builder. The 15.5km highway is the alternative route for south-bound traffic between Kuala Lumpur and Seri Kembangan, Balakong and Putrajaya.

have the financial and operational clout to compete in the global market place, especially in the booming construction and infrastructure markets of the economic powerhouses of China, India and the oil rich Gulf States. It was an intensely competitive arena of seasoned international players, where negotiated contracts were a rarity and margins thin. Only companies of substance stood to gain in these theatres of action.

Major shareholder Chua Hock Chin started Road Builder (M) Sdn Bhd in 1985, listed it in 1993 and transformed the company into a construction conglomerate with an order book in excess of RM1.0 billion, with projects in Malaysia and overseas, particularly India. RBH had also diversified into property development, toll roads and ports and had a market capitalisation of RM1.4 billion. Businesswise, it was an IJM rival. Chua's unexpected exit from the company he founded after more than two decades was interpreted as part of his plan to call it a day while the company was riding high.

Krishnan Tan said to the press at that time, "The acquisition, which I prefer to call a merger, is not an ego trip for me or IJM. Yes, it put me and IJM in the news for quite some time, and it helped raise the share prices of both companies. Initially though, the response of the investment community was subdued. Most could not appreciate the big picture behind the deal, and some even questioned why pay RM1.6 billion when you could just employ another 50 people. When we explained, many began to appreciate the implications the deal had in the consolidation of industry players and the firepower it gave the enlarged IJM in the context of development and opportunities not just in Malaysia but also in the region. Not surprisingly, the rating of our stock went from 'neutral' (analysts initially said there will be a large overhang of new shares arising from the deal) to a 'buy' rating with a forecast target of as much as RM11.00!"

There was strong buying support from foreign funds, underscoring their confidence in the pumped up IJM. The winner of the Asia Money "Best Managed Malaysian Company" in 2006, IJM was recognised in the marketplace for its foresight, professional management and strong fundamentals. IJM share prices began to climb, outperforming the benchmark index, and for the financial year ending 31 March 2007, hit RM8.65, an increase of almost 70% from RM5.10 at the close of the previous financial year. Market capitalisation almost tripled, from RM2.45 billion at end of FY2006 to RM7.00 billion at end of FY2007. Meanwhile, the asset portfolio swelled from RM4.12 billion to RM10.00 billion.

By 26 February 2007, IJM announced that it had received acceptances for 90.41% interest in RBH following the mandatory general offer to shareholders to buy their shares. It then invoked Section 34 of the Securities Commission Act 1993 to compulsorily acquire the remaining RBH shares. The acquisition was completed in April 2007 and paid in shares, with one new IJM share issued at RM6 per share for every two existing RBH shares. Investment holding company Road Builder (M) Holdings Bhd was taken private and it became a subsidiary of the parent company, along with its 50 plus subsidiaries and more than 20 associate companies.

RBH chairman of the day, Tengku Ahmad Rithaudeen bin Tengku Ismail, recalls events leading up to the acquisition, which he prefers to call a "merger" because discussions were conducted in a transparent and professional manner. He notes that both companies were in the same kind of business, although RBH was more of a contractor while IJM had a more diversified base. RBH's construction business during this period was quiet. So were its ports, especially Kuantan Port.

"In my assessment, the offer price was fair," he says. "It was based on one IJM share in exchange for two RBH shares. I was proven right later because RBH shares began to appreciate after the merger.

"The merger benefited IJM because it gained good assets such as RB Land, the port and toll highway concessions. It also inherited RBH's talent pool of experienced and dedicated management executives and engineers. Among those who come to mind are David Wilson, an experienced engineer with sound project management expertise. Wilson and Lee Teck Yuen (TY Lee) both board members of the holding company, were appointed to the IJM board. TY Lee played a key role in ensuring the smooth transition of RBH staff to IJM.

Naturally, there were some reservations about the merger but most senior executives recognised the light that shone at the end of the merger tunnel. They included Soam Heng Choon who headed RB Land, Wong Soon Fah and Ho Phea Keat who helmed Kuantan Port, Neoh Soon Hiong who led the toll division and Lee Chun Fai from the finance division.

"IJM behaved very professionally, acknowledging the talent of these men who were appointed as members of the group's senior management team. The IJM chairman invited me to join the board but I declined because I felt I was getting too old. However, I was retained as chairman of Kuantan Port Consortium and Besraya Sdn Bhd that have been under my watch since their incorporation."

IJM Land's Board of Directors originally comprised former Road Builder board members (italics), left to right: *Soam Heng Choon, Lee Teck Yuen,* Krishnan Tan Boon Seng, *Raymond Tan,* Teh Kean Ming, Jeremie Ting Keng Fui (Secretary), *Boey Tak Kong* and *Nasruddin bin Bahari.*

Another board member who concurs with these views is former RB Land board member Boey Tak Kong, who was appointed as a director of the IJM Land board. He was previously a board member of RB Land. "IJM's policy of being transparent during the entire exercise prevented a brain drain. It won the talent war," says Boey Tak Kong, who is no newcomer to M&A. Referring to his own career as "transformation journey" of take-overs, he traces his first experience at Econstates Berhad that was absorbed into RBH following a reverse take-over.

Econstates was subsequently renamed RB Land Berhad, and Boey appointed to the board. Following the IJM acquisition, the public listed RB Land was renamed IJM Land, and the assets of IJM's property division were injected into it. Boey was retained in the IJM Land board, and stepped down in 2012.

Boey credits RBH board member TY Lee for keeping the RB team intact when they moved to IJM. TY Lee called for meetings and kept everyone informed on the progress of the acquisition. Through regular dialogue, he ensured seamless interfacing of assets, especially human capital. As a result, IJM succeeded in inheriting well-performing staff from RBH. There was little sabotage during the transition.

"Meanwhile, the entire RB Land board migrated to IJM Land. This is success story, from the perspective of both companies. Prior to the takeover, RB Land had cash flow but struggled with its hotel business. Its dividend pay-out was modest but it came with good assets and experience in township development. In the amalgamation that followed, IJM injected income-yielding assets such as its high end condominiums and build-and-lease properties into the public listed company. IJM Land, meanwhile, inherited a sizeable land bank from RB Land, and gained a presence in key urban areas in Malaysia, especially in Johor, Negeri Sembilan and Melaka. Turnover rose sharply, from RM295 million in FY 2008 prior to the take-over to more than RM1 billion in FY 2010.

Another strategic move was appointing Krishnan Tan as the chairman of IJM Land. He served as the bridge, linking IJM and RB senior executives. His oversight instilled confidence in former RB Land board members and management, who found comfort in having guidance from someone who had led the acquisition and was also the managing director of the holding company. Boey says Krishnan Tan is adept at communicating well with directors and keeping them well-informed of decisions taken at board level. "Under his stewardship, IJM Land grew to become one of the top five developers in the country, with a national property portfolio. Its turnover grew and so did its bottom-line and the ability to pay dividends. That makes institutional investors happy."

With the acquisition behind them, the process of integration occurred swiftly to enable staff to settle down to business as usual. Each company had projects in hand and the reputation for timely delivery to safeguard. IJM was no newcomer to this, as its entire existence is based on the integration of three companies. Many old hands were still there, including Tan who had worked through the ups and downs of integration of the merger of IGB Construction, Jurutama and Mudajaya in the 1980s. The experience and the existence of proven systems and processes made the task relatively painless this time around.

It was a merger of equals, and the result was the doubling of almost everything – staff numbers, assets, market capitalisation, construction order book, property development projects and land bank. IJM now had a diversified order book by category and region. For the first time in the group's history, turnover and profits more than doubled. Turnover soared from RM2.31 billion in 2007 to RM4.64 billion in 2008, with the RBH acquisition acknowledged

Seremban 2 is an integrated township in Negeri Sembilan, sprawling over 2,300 acres.

New Pantai Expressway, Kuala Lumpur, one of two Malaysian toll concessions in IJM's stable following the RBH acquisition. The 19.6 km expressway in the Klang Valley eases traffic flow between the densely populated suburbs of Subang Jaya and Bandar Sunway and the city of Kuala Lumpur.

as having played a contributory role in this sterling result. Operational profits rose 2.5 times during the same period, from RM319.0 million to RM796 million. It was a great 25th anniversary present for IJM.

Three IJM divisions came under the radar during the period of integration and asset rationalisation – construction, property development and infrastructure. RBH core companies were rationalised and fitted into the existing organisational structure of IJM; two became part of the construction division, three entered property development (each came with their respective realty companies) and five into infrastructure.

In his address at the first post-merger IJM annual dinner held in 2007, Tan said that the IJM order book of RM4.70 billion was given a hefty shot in the arm when RBH's own order book of RM1.1 billion was injected into it. The result was an all time high of RM5.8 billion, pushing up IJM as the nation's second biggest builder. "That's an average of RM250 million a month in construction billings and that needs working capital of at least RM500 million. That's something the group has never seen. Now picture the new jobs in the pipeline such as the Karachi Expressway in Pakistan, jobs in India as well as local prospects such as the West Coast Expressway, National Cancer Institute and so on."

Integration at work: the IJM Senior Management Dialogue in 2008 saw several new faces; they were previously directors and senior management of RBH.

The land bank of the property division was enlarged from 7,200 acres to 10,000 in fast growth urban regions that included prize developments such as Seremban 2. The biggest winner was the infrastructure division, which welcomed four Malaysian concessions – two tolled highways and two profitable ports – and posted its maiden profit. By the end of 2007, this burgeoning division boasted a total of five operational toll highways (two in Malaysia and two in India and one in Argentina), two ports (both in Malaysia), one power plant (India) and one water treatment facility (Vietnam). Two more toll highways were under construction in India, with operations scheduled in the near future.

Staff strength almost doubled across all levels, from management, executive to non-executive. Overall, it stood at 4,314, up from the pre-merger total of 2,674. Tan's annual dinner address allayed fears of job loss. He said, "Let me declare that there is no intention to downsize people as we need every pair of hands that is able and willing to work. In fact, I promise you that you will be so busy the next few years that you will not have time to dream of the past or fear losing your job or position, unless you are not able and not willing to rise to the challenges ahead.

"There are very few positions of conflict between the two organisations. In those instances, both parties must make accommodations but let me assure you that I will act fairly as I need all you guys for the bigger agenda."

Managing director Krishnan Tan addressing staff at the annual dinner.

The merger created two sets of leadership in three divisions. Again IJM's personal history helped steer this corner with relative ease. In construction, the principal activity of both titans, the acquisition resulted in two heads, but it was resolved when the RBH Construction head called it a day and departed. In the property division, RB Land's managing director Soam Heng Choon was appointed as the head of the IJM property division following the promotion of the IJM property head Teh Kean Ming as deputy group managing director, following the timely retirement of incumbent Goh Chye Koon. Infrastructure leadership was based on concessions, and RBH heads continued to provide oversight for their respective portfolios.

The first post-merger annual report proudly proclaimed a sharp increase in productivity, with revenue per employee increasing by more than 41%, PBT per employee by 76% and value addition per employee by about 50% of value. These results vindicated the decision to acquire RBH and the success of the integration exercise.

While on all counts, the acquisition was a positive move, profit & loss-wise it had serious repercussions, resulting in IJM's first loss ever. The shadow was cast by the merger goodwill write-off. IJM was hit by the *application* of the FRS 3: Business Combination of the Malaysian Standards Accounting Board that regulates the financial accounting of public listed companies in Malaysia. Instead of the standard practice of determining the purchase consideration based on the share price at the *time of the acquisition*, it required the value at time of *completion of the transaction* that occurred six months later. As the investing public began to appreciate the acquisition better, IJM's share price began to climb. The share price of IJM had increased markedly during this period, from RM6.00 per share to RM8.80. In the CEO's Review of Operations in the IJM Annual Report 2008, Tan explained the situation:

"Though the merger was well-received by the investment community, the resultant increase in IJM's share price brought new challenges in the form of the FRS 3: Business Combination that required the purchase consideration to be valued at the IJM share price at the date of completion, thus artificially creating a goodwill item that cannot be sustained going forward without encumbering future earnings. When this predicament became obvious, I quickly sought views of fund managers and shareholders. Surprisingly, the response was unanimous. They said, 'KT, take the hit and don't encumber your future earnings. After all, it is a non-cash item.' It was extremely comforting."

Thus the group had booked in a one-off impairment of merger goodwill amounting to RM940.86 million that resulted in the group's current financial year loss before tax and after tax of RM144.85 million and RM300.16 million respectively. This resulted in negative retained earnings at company level and subsequently the company obtained a court sanction to off-set the negative retained earnings against the share premium account to the extend of RM922.26 million, thus reinstating a positive earning position. The impairment written off is a non-recurrent and no-cash transaction, and the group's future earnings and operational strengths are not expected to be impaired by the write-off."

Known for paying dividends even during hard times, IJM did not pay any dividends to shareholders in 2008, the first in its 25-year corporate history.

IJM celebrated its 25th silver anniversary in 2008 in the afterglow of the biggest coup of its lifetime, the acquisition and successful merger of RBH into its ranks, PBT loss notwithstanding. The group also had other corporate milestones under its belt, the most significant being the listing of three of the group's five divisions. They had maturity, a track record of profitability and strong leadership, and the parent company reckoned it was time to recover some hard-earned investments ploughed into making them stalwarts in their respective industries.

IJM plans to list plantation unit

By HASNI MOHD NASIR

IJM Corp Bhd expects to list its wholly-owned subsidiary IJM Plantations Bhd (IJMP) in three months, the timeframe usually taken by the courts to grant approval for a capital reduction exercise.

Its group managing director Krishnan Tan Boon Seng said the company would submit an application to the High Court tomorrow – the final step for it to proceed with the listing exercise.

"We have received the green light from all other parties concerned for us to proceed with the listing – the Foreign Investment Committee, the Securities Commission and shareholders," Krishnan told reporters after the company's EGM in Petaling Jaya yesterday.

At the EGM, shareholders approved the distribution of 176.9 million IJMP shares on the basis of two IJMP shares for every five IJM shares held, and the proposed listing of IJMP in place of Rahman Hydraulics Bhd.

The share distribution is to comply with the 25% public shareholding spread requirement for a public-listed company.

To facilitate the capital distribution, IJM has proposed reducing up to RM96.689mil from its share premium account.

IJM had earlier proposed to acquire the listing status of Rahman Hydraulics for RM25mil and an exchange of one IJMP share for every 40 Rahman Hydraulics shares. Upon the listing, IJM will hold a 49% stake in IJMP.

Krishnan said the listing of IJMP was aimed at unlocking the value of the investments and to even out the mismatch between assets and returns.

"When the two businesses of plantation and construction are lumped together, there would always be the question of huge assets as opposed to returns," he said.

Krishnan said that following the listing IJMP could proceed to be a significant player in the oil palm industry.

IJMP has a total of 80,000 acres of plantation land in Sandakan, of more or less equal acreage of mature and immature trees, and unplanted areas.

"We plan to double that acreage in 10 years' time," he said.

Krishnan said IJMP was also looking at mobilising its construction experience into the plantation sector.

"IJMP is planning to invest between RM30mil and RM40mil to construct a jetty and a tank farm to serve all the oil palm plantations in the area," he said. "Financing is already in place and we would be able to start construction in the 1st quarter of 2003."

On IJM, Krishnan said the outlook for 2003 would very much depend on the government pump-priming the economy through the construction industry.

"The measures have been a blessing for contractors like us. We should be able to sustain our operations. Of course, competition will be greater, but if you are up the learning curve and keep your focus, then you should be okay," he said. "Overall, it will be a decent year."

Krishnan said IJM's order books currently stood at RM1.4bil, with 20% of the projects coming from India.

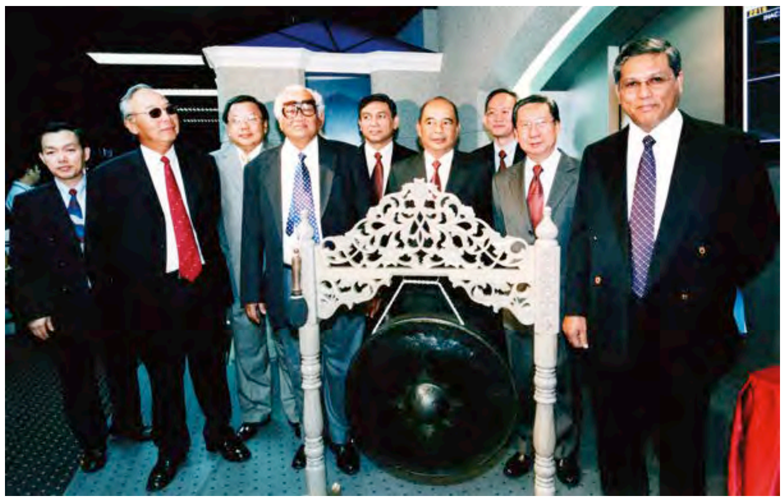
He said that even though there were opportunities in construction activities in territories like Sri Lanka, China and the Middle East, India remained familiar ground to IJM.

"We have a reasonably good record and an existing team in India," he said.

Krishnan said that the RM1.4bil order book could be completed in one year, but he was confident as had been proven a number of times of securing more projects along the way.

Source: The Star, 1 January 2003

First cab off the rank was the plantations division, the outsider that was the group's saving grace during construction doldrums. On 2 July 2003, the wholly owned subsidiary was listed as IJM Plantations Berhad (IJMP) on the Main Board of the Kuala Lumpur Stock Exchange following the acquisition of the listing status of Rahman Hydraulic Tin Berhad. The public flotation resulted in the dilution of the group's investments to 49.4%, mainly as a result of distribution of IJMP shares to IJM shareholders (it also held RM50 million in RCULs that it could convert to 100 million shares) making IJMP an associate company. Still, IJMP continued to be a strong revenue contributor, posting an increase of 16.70% in revenue and 17.11% in pre tax profit that year.



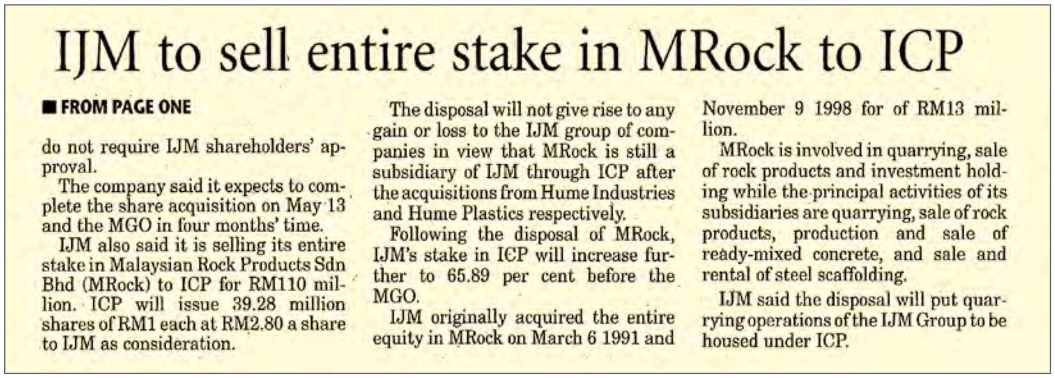
2003: Listing of IJM Plantations Berhad on Bursa Malaysia.

In 2004, operations in the industry division were rationalised with an internal merger that culminated in the indirect listing of IJM's quarrying arm, Malaysian Rock Products Sdn Bhd and its subsidiaries. The group's 20% associate, Industrial Concrete Products Berhad (ICP), a public listed company since 1996, served as the vehicle of this exercise. In 2004, IJM acquired control over ICP following the acquisition of Hume Industries Bhd's shares in ICP and making a mandatory general offer for the rest of the shares. This was followed in 2005 with IJM disposing its entire interest in the Malaysian Rock Products Group to ICP for shares in the company. The group then reduced its equity interest in ICP to 66.3% through placements to institutions to comply with the public shareholding spread requirement. Thus ICP emerged as the flagship of the group's industry division in 2005.

A somewhat similar scenario was played out in the property division following the acquisition of RBH that came along with the public listed RB Land Holdings Berhad. On 25 July 2007, IJM announced the disposal of its wholly owned subsidiary IJM Properties Sdn Bhd to RB Land, a 70% indirect subsidiary via RBH. This proposal was approved by the Securities Commission and at the Extraordinary General Meeting held on 16 June 2008. Three days later, on 19 June 2008, RB Land Holdings Berhad was officially renamed IJM Land Berhad.

The media speculated over the listing of the India operations, but it proved

Source: Business Times, 7 May 2004



IJM to sell entire stake in MRock to ICP

■ FROM PAGE ONE

do not require IJM shareholders' approval.

The company said it expects to complete the share acquisition on May 13 and the MGO in four months' time.

IJM also said it is selling its entire stake in Malaysian Rock Products Sdn Bhd (MRock) to ICP for RM110 million. ICP will issue 39.28 million shares of RM1 each at RM2.80 a share to IJM as consideration.

The disposal will not give rise to any gain or loss to the IJM group of companies in view that MRock is still a subsidiary of IJM through ICP after the acquisitions from Hume Industries and Hume Plastics respectively.

Following the disposal of MRock, IJM's stake in ICP will increase further to 65.89 per cent before the MGO.

IJM originally acquired the entire equity in MRock on March 6 1991 and November 9 1998 for of RM13 million.

MRock is involved in quarrying, sale of rock products and investment holding while the principal activities of its subsidiaries are quarrying, sale of rock products, production and sale of ready-mixed concrete, and sale and rental of steel scaffolding.

IJM said the disposal will put quarrying operations of the IJM Group to be housed under ICP.

IJM's quarrying business is managed by Malaysian Rock Products that has quarries in strategic locations in Kedah, Selangor, Negeri Sembilan, Pahang and Johor.

wishful thinking. Then suddenly, the fair weather turned gloomy with the onslaught of the global credit crisis that began when Lehmann Brothers filed a Chapter 11 Notice of Bankruptcy on 15 September 2008. The celebratory tone of the 2008 Annual Report made way for a more sombre mood in the 2009 Annual Report where the Chairman's Statement said: "The global economy grew at 3.4% in 2008. This figure, however, belies the extent of the worst global decline seen since the 1930s, although this may only become evident in 2009." He painted a picture of a world tainted by widespread wealth destruction, rising delinquencies and deteriorating business and consumer confidence, and forecast a challenging year ahead.

Structural reforms instituted in Malaysia's banking and financial system in the aftermath of the 1997 Asian Financial Crisis helped break the fall of the Malaysian economy. In addition, a safety net was thrown by the new government of the day led by Mohd Najib Tun Abdul Razak, who took office in mid-2008. To arrest the slowdown of the economy, the government implemented two stimulus packages totalling RM67 billion. Subsequently, the government launched the national Economic Transformation Programme (ETP) to fast-track Malaysia's goal to become a high-income economy by 2020. The starting point of the ETP was the implementation of concrete changes in specific sectors and areas of the economy. Twelve national key economic areas were identified and given special attention: oil, gas and energy; palm oil & rubber; financial services; tourism; business services; electrical and electronics; wholesale and retail; education; healthcare; communications content and infrastructure; agriculture; and Greater Kuala Lumpur/Klang Valley. The 10th Malaysia (2011-2015) translated several of them into concrete action plans, together with budgets. Among others, priority was given to improve public transportation systems, rural road networks and public utilities and the creation of vibrant liveable cities.

The home market became bullish again, what Krishnan Tan described as "an oasis of positive economic activity blessed with a sound financial system." It presented a feast of opportunities for the pumped up and regrouped IJM, the much vaunted silver lining in otherwise grey skies that hovered over its international operations in the post-2008 global meltdown. As expected, IJM landed a few coveted jobs under the 10th Malaysia Plan (2010-2015), notably the West Coast Expressway and a substantial package for the construction of the multi-billion 156-km KL Mass Rapid Transit, the biggest infrastructure project in Malaysia budgeted under the 10th Malaysia Plan.

IJM-MRCB Merger Called Off

"For IJM, acquisition is about fuelling growth, not buying revenues," says managing director Krishnan Tan. When IJM launched the M&A of MRCB in 2010, it was to tap the synergies that existed between our two organisations. The fact that they shared a common substantial shareholder, Employee Provident Fund (EPF), helped ease the passage of the take-over. However, the two parties could not agree over the leadership roles following the merger.

Tan shared the inside story: "In any merger, there will be two sets of leaders, but we believe it cannot have two chief executives and two chief financial controllers. IJM has a good history of post-merger integration, handling human resource issues sensitively. Besides, when IJM acquires a company, it intends to have strong management control – that's non-negotiable. Ultimately, our goal is to integrate quickly and move forward without becoming embroiled in battling egos."

Months after the official announcement, the IJM-MRCB merger was called off.

Trawling for tolls

IJM had been trawling the market place for toll highway concessions in Malaysia, with which it had considerable success in China, Argentina and India. "It was difficult to explain to foreign clients and the investor community why IJM did not have a track record of toll concessions in Malaysia. It became embarrassing," says Krishnan Tan, group managing director (1997-2010).

Eventually, the bad streak ended in 2005, when IJM bought stakes in the concessionaires of the West Coast Highway (later renamed West Coast Expressway) and Lebuhraya Kajang-Seremban. Both were troubled companies.

On 30 May 2005, IJM entered into a share purchase agreement to acquire a 25% stake in Kumpulan Europlus Berhad, with a call option to acquire a further 5%. Kumpulan Europlus was then finalising its concession agreement for the proposed West Coast Expressway. First awarded in 2007, the concession could not be implemented because of the escalation in building material prices and the global financial crisis of 2008/9 that made it unbankable. The concession was subsequently re-negotiated and a revised agreement signed on 2 January 2013, in which Kumpulan Europlus owned 80% equity interest and IJM the remaining 20% stake in the West Coast Expressway Sdn Bhd.

On 30 September 2005, IJM entered a Definitive Agreement with Antah Holdings Berhad, KASEH Lebuhraya Sdn Bhd and Lebuhraya Kajang-Seremban Sdn Bhd (LEKAS) to participate in the concession for the 44.3-km-highway linking Kajang to Seremban for a period of 33 years. The project dates back to 1997, when the concession was awarded. Highway construction began in 2002 but stalled when the original concessionaire KASEH faced financial problems. The project was revived in November 2006 following a takeover by the new concessionaire LEKAS, the special purpose vehicle incorporated to replace KASEH. IJM Corporation Berhad and KASEH Sdn Bhd are both equity shareholders of LEKAS.

10

Lessons in Leadership-3

Krishnan Tan Boon Seng
Group Managing Director, 1997-2010

Krishnan Tan Boon Seng has the distinction of being the first non engineer to be appointed as group managing director of IJM. The accountant took office on 1 January 1997 and his term ended on 31 December 2010, making him the longest serving chief executive of the group. He had been with the company for 28 years, the last 14 as chief executive. One of the youngest in the first board of directors, he was the last of the founding board when he took office. He thus assumed the leadership with an amazing overview of the business.

"While I was the most junior of the newly formed senior management team, I was no listening post," says Krishnan Tan who joined IJM when it was formed in 1983. "The pioneers gave me room to talk, accepted me from an early stage as one of them, and treated me like a principal even though I was not an owner-operator like them. They appointed me an alternate director early. As the only accountant amidst engineers, I became almost omnipresent. I was kept in the loop because of the corporate financial and tax implications of the business, and participated in most of the negotiations especially during IJM's period of diversification and internationalisation that occurred during the tenure of my predecessors. By the time I took over, I had a good grasp of IJM's construction, property, industry, plantations and infrastructure businesses.

"While not hands-on in engineering projects like my predecessors, I was involved in strategising and chasing for jobs. I had a decent macro view of the construction business. From the finance vantage point, one tends to have a bird's eye view of the entire business.

The construction division had the biggest number of staff and their acceptance was important. With the strong backing of the engineering team headed by Choo Choon Yeow and Goh Chye Koon, who become my deputy managing directors, I was comfortable in the driver's seat," says Tan.

"I was 44 years old when I stepped into the large and impeccable boots of Goh Chye Keat who had transformed IJM from a mid-size construction company to a billion ringgit construction conglomerate. While overwhelmed by the honour, I was also overwhelmed by the expectation that came with it. The board had entrusted me to take IJM to the next level of sustainable growth, a new orbit so to speak."

Out in the field: Krishnan Tan at the ground breaking ceremony of Suriamas Service Apartments in Kampung Serantau, Johor.

IJM *sifu* Yap Lim Sen could pick a winner from afar. He had met the up-and-coming financial controller of Kumpulan Perangsang at board meetings of Negara Properties, a joint venture real estate company between IGB Corporation Berhad and Kumpulan Perangsang, a Selangor state corporation. Upon completion of a 7-year scholarship bond to the Selangor government in 1982, Tan was ready to take on the challenges of the real world of business in the private sector. A chance meeting with Yap led him to the IGB Group, where Tan says he fell for Yap's charm and the Volvo company car that Yap promised as a fringe benefit of the IGB employment package.

In 1982, Tan joined IGB as a financial controller, and in a farewell address to staff in 2010, jestingly declared he had "bragging rights for being involved in the merger negotiations leading to the formation of IJM, talking to founders such as Yap Lim Sen, Koh Boon Chor, Lim Choong Kong, Koon Yew Yin, Goh Chye Keat, Ong Yeng Tian, Lim Yong Keat, and Chay Kwok Thong." They left a strong impression on the 30-something Tan, who, with the blessings of Yap, quickly switched from IGB to join IJM. He was impressed the founders practised "a cordial, practical and common sense approach to important issues at hand." It was an approach he admired and chose to emulate during his leadership.

Tan became IJM's first financial controller, the only outsider in the owner-operator management team. His first responsibility was to draw up a new and common scheme of service for staff and a common accounting and reporting system. He noted that "the entire exercise involved a consultative, practical, open door and no ego approach that had come to characterise the leadership of his predecessors." It was another lesson in leadership that he chose to adopt during his tenure.

The Accountant as CEO

The universal model for business is to deliver the bottom line. Accountants play an important role in this respect as they have a good overview of the business. An accountant who can *turun padang* (go down to the shop floor) gains invaluable insights that help strengthen his understanding of the business. An accountant with both the macro view as well as the ground view has the makings of a good chief executive.

Site visits provide invaluable insights of the group's operations.

Source: The Sun, 8 January 1999

IJM's nurturing skills yield results

Group's overseas projects help to build solid earnings growth

By Elffi Lee

PETALING JAYA: IJM Corporation Bhd's knack for nuturing infrastructure projects overseas has strengthened its reputation as a solid and dependable construction giant.

The flotation of 24.5% associate Grupo Concesionario del Oeste SA on the Argentinian Stock Exchange in August is a case in point. It demonstrates IJM's ability to pick the right investment.

This was not IJM's first success in a foreign land. In the early 1990s, it took a 20% stake in Guangdong Provincial Expressway Development Co Ltd (GPEDC), a company involved in toll road operations in the

Tan ... group has been selective in investments

timed its overseas diversification when it was doing well at home."

As he put it: "One should not venture overseas when

One of the projects undertaken by IJM includes this highway in Argentina

Source: Business Times, 15 May 1999

IJM expects core divisions to perform better

By OUR REPORTER

IJM Corp Bhd expects its core businesses such as construction, property development, manufacturing and quarrying to show better performances because of the improving confidence in the Malaysian economy's recovery prospects.

Earnings from the plantations division, with increasing matured acreage, will continue to be the main contributor to the group in 1999, despite the recent decline in the crude palm oil price.

Senior Management Dialogue, which is held every year.

Speaking to analysts at a signing ceremony to raise RM300 million to fund growth and expansion.

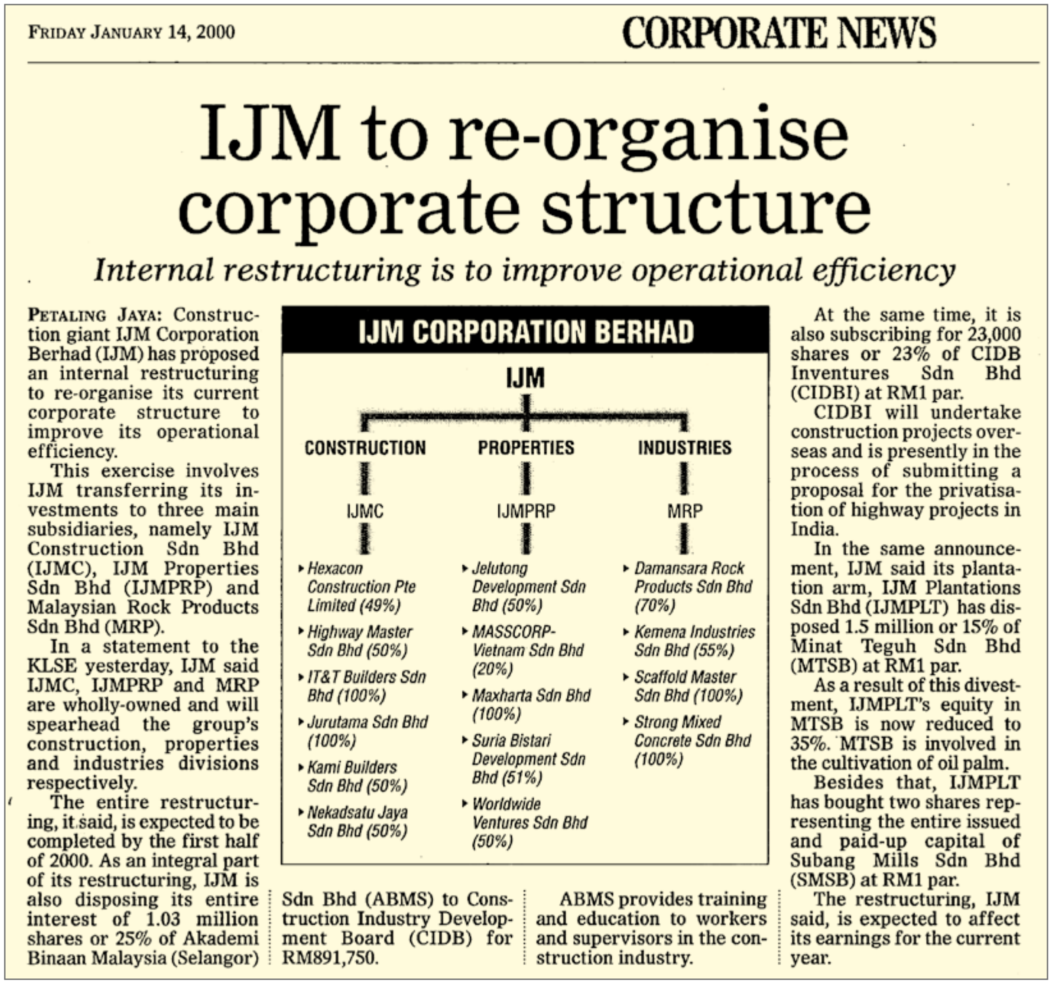
Tan had inherited a professional organisation with an entrepreneurial spirit. IJM had survived turbulent times and matured into a robust and diversified group. His predecessor had left behind his own mark of excellence. Now it was Tan's turn, and he planned to do so without diluting or diminishing the legacy of the past that had groomed and moulded him. Fortunately, the management-driven IJM gave Tan a free hand to push his own barrow. Fortunately too, he had the support and confidence of the board that had watched Tan in action over the years, and recognised his potential to take IJM to new highs.

Times had changed, and IJM was no longer one of few professional construction outfits. Competition was intense in the new normal where business at home had increasing overtones of political patronage. Tan set out to challenge the status quo, to prevent IJM from sliding into a has-been, a prospect that was an anathema to everyone associated with the birth and growth of the group.

With the term "bulk-up" as his mantra, Tan became a man with the mission, zealously building IJM's business platforms for immediate and long term growth. As he explained to English weekly *The Edge (27 July 2009),* "Each of the operating divisions has the opportunity to lead depending on the market environment."

He employed his proven talent in deal-making and corporate restructuring that resulted in investments, divestments, public flotation exercises and mergers & acquisitions. He was the prime mover in the public listing of IJM subsidiaries so that the group's balance sheet was more liquid than asset-heavy. Listing also meant the subsidiaries could raise funds in the capital market for growth. In 2003, IJM Plantations Berhad went public, followed by the 'back door' listing of the industry division through acquisition of control and the injection of IJM's quarrying and manufacturing assets into its 20% owned public listed Industrial Concrete Products Berhad in 2004 and 2005. ICP was later taken private in 2008 when share prices stagnated despite good earnings. Tan's star shone brightest when he won board approval for what he calls "the crazy idea of launching a RM1.6 billion take-over bid of Road Builder at short notice." *(refer to chapter 9)*

Source: The Sun, 14 January 2000



FRIDAY JANUARY 14, 2000 — CORPORATE NEWS

IJM to re-organise corporate structure

Internal restructuring is to improve operational efficiency

PETALING JAYA: Construction giant IJM Corporation Berhad (IJM) has proposed an internal restructuring to re-organise its current corporate structure to improve its operational efficiency.

This exercise involves IJM transferring its investments to three main subsidiaries, namely IJM Construction Sdn Bhd (IJMC), IJM Properties Sdn Bhd (IJMPRP) and Malaysian Rock Products Sdn Bhd (MRP).

In a statement to the KLSE yesterday, IJM said IJMC, IJMPRP and MRP are wholly-owned and will spearhead the group's construction, properties and industries divisions respectively.

The entire restructuring, it said, is expected to be completed by the first half of 2000. As an integral part of its restructuring, IJM is also disposing its entire interest of 1.03 million shares or 25% of Akademi Binaan Malaysia (Selangor) Sdn Bhd (ABMS) to Construction Industry Development Board (CIDB) for RM891,750.

ABMS provides training and education to workers and supervisors in the construction industry.

At the same time, it is also subscribing for 23,000 shares or 23% of CIDB Inventures Sdn Bhd (CIDBI) at RM1 par.

CIDBI will undertake construction projects overseas and is presently in the process of submitting a proposal for the privatisation of highway projects in India.

In the same announcement, IJM said its plantation arm, IJM Plantations Sdn Bhd (IJMPLT) has disposed 1.5 million or 15% of Minat Teguh Sdn Bhd (MTSB) at RM1 par.

As a result of this divestment, IJMPLT's equity in MTSB is now reduced to 35%. MTSB is involved in the cultivation of oil palm.

Besides that, IJMPLT has bought two shares representing the entire issued and paid-up capital of Subang Mills Sdn Bhd (SMSB) at RM1 par.

The restructuring, IJM said, is expected to affect its earnings for the current year.

IJM CORPORATION BERHAD

IJM

CONSTRUCTION	PROPERTIES	INDUSTRIES
IJMC	IJMPRP	MRP
Hexacon Construction Pte Limited (49%)	*Jelutong Development Sdn Bhd (50%)*	*Damansara Rock Products Sdn Bhd (70%)*
Highway Master Sdn Bhd (50%)	*MASSCORP-Vietnam Sdn Bhd (20%)*	*Kemena Industries Sdn Bhd (55%)*
IT&T Builders Sdn Bhd (100%)	*Maxharta Sdn Bhd (100%)*	*Scaffold Master Sdn Bhd (100%)*
Jurutama Sdn Bhd (100%)	*Suria Bistari Development Sdn Bhd (51%)*	*Strong Mixed Concrete Sdn Bhd (100%)*
Kami Builders Sdn Bhd (50%)	*Worldwide Ventures Sdn Bhd (50%)*	
Nekadsatu Jaya Sdn Bhd (50%)		

During Tan's term of office, the business landscape was far from accommodating as the countries where IJM operated lurched from one challenge to another – from the aftermath of the 1997 Asian Financial Crisis to the fall-out of the 9/11 World Trade Centre bombing and the 2008 global financial meltdown. Along the way, petroleum prices spiralled out of control, the cost of raw materials and labour surged, currency devaluation hit hard, and changes in political leadership threatened the letter of the law in contractual agreements. Singly, in parts, or collectively, these stingers threatened profitability at every turn. There were many moments of anxiety, agony, even hopelessness. It was a roller-coaster ride, but with Tan at the helm, IJM pulled itself out of the dips and troughs, energised to seek new thrills. Throughout, Tan clung to IJM's unblemished record of never having retrenched a single staff since its formation.

"I'm a strong advocate of the concept of 'shared destiny'. Our people are key to our good performance and governance. They volunteered pay cuts in the advent of crises to ride out tough times. They must be acknowledged and rewarded accordingly. We thus paid decent salaries and good bonuses. During my tenure, we also had good employee (not just

Risk Management Committee

executive) share option issues and there were even two issues of warrants to staff, which is unprecedented in corporate Malaysia. More importantly, we gave them a good environment to put their skills to work and take risks in an entrepreneurial way to grow our group."

A perennial optimist, Tan saw opportunities in threats, and like the founding fathers before him, dared to take risks to move IJM forward. The devastating 1997 Asian Financial Crisis that unfolded shortly after he took office instigated the Malaysian government to adopt a regime of fiscal discipline and fiscal consolidation. Put simply, it meant construction jobs were scarce. Worse, in repairing the economy, the government priority was to resuscitate the fallen heroes of the New Economic Policy, and IJM was not one of them. With the support of the board, Tan pressed on with IJM's "first mover strategy" of catching the growth potential of Asia's emerging markets. To him, the 21st century was the Asian Century of promise, not one to be approached with trepidation.

"There was potential and we took the necessary risks," says Tan. "The key is good risk management, to deal with changing circumstances precipitated by political changes or economic problems. With this mindset, IJM ventured into the newly liberalised India and the oil rich Middle East. This time around, IJM was not starving; we had a full stomach. We had strong balance sheets and could absorb losses. We could afford to be choosy, and run when there was doubt. Initially, IJM positioned itself for construction and infrastructure investments in India. Later, we diversified into property, industry and plantations, a replication of IJM in the subcontinent."

Tan advocates looking beyond the group's construction focus for long term growth sustainability. "Previously, the risk-reward equation favoured construction because we operated in a more regulated environment where the Malaysian government fixed the price of key building materials. Traders gave good credit terms. So with a small capital outlay it was possible to make big money. Things changed in the 1990s, when market forces began to dictate the price of goods and services in the industries we operated. Contract conditions were getting more onerous and projects became technically and financially more

Source: The Star, 18 April 2005

IJM among JPMorgan's top five stock picks in Malaysia

■ From P1

cially from the India front," RHB Research Institute Sdn Bhd said in a recent update.

It was recently reported that IJM will jointly develop Talam Corp Bhd's 90 acres in Ulu Klang, which has a gross development value of RM408mil, over a five-year period. Separately, IJM is to acquire 43 acres in Puchong from Talam for RM33mil.

IJM's manufacturing unit, which was expanded with the inclusion of Industrial Concrete Products Bhd as its subsidiary since May last year, also reported a strong 123% increase in pre-tax profit last year.

"Growth in ICP will likely continue, driven by overseas demand and its Chinese plant, expected to be completed by year-end," JPMorgan said.

IJM is among the research house's top five stock picks in Malaysia, along with Maxis Communications Bhd and PLUS Expressways Bhd. Tenaga Nasional Bhd and Malaysian International Shipping Corp Bhd have been added to the list, at the expense of Hong Leong Bank Bhd and SP Setia Bhd.

A local brokerage, which had recently re-initiated its coverage on IJM is, however, "neutral" on the stock, with a year-end price target of RM5.50.

"Its success in India is neutralised by the slowdown in the local construction industry," its analyst said, adding that construction stocks would likely trade sideways pending the unveiling of the 9th Malaysia Plan, slated for the first quarter next year.

At yesterday's closing price of RM4.82, the stock has risen 1.69% since the start of the year, outperforming its peers in the industry and the broader market by a good margin. During the same period, the KL Construction Index has fallen 5.2% and the KL Composite Index, 3.6% lower.

Notable support for this stock has come from US-based investment fund The Capital Group Companies Inc, which has increased its stake in IJM to 30.5 million shares or 6.63% as of Thursday.

The fund held 5.3% equity interest in IJM at the end of 2004.

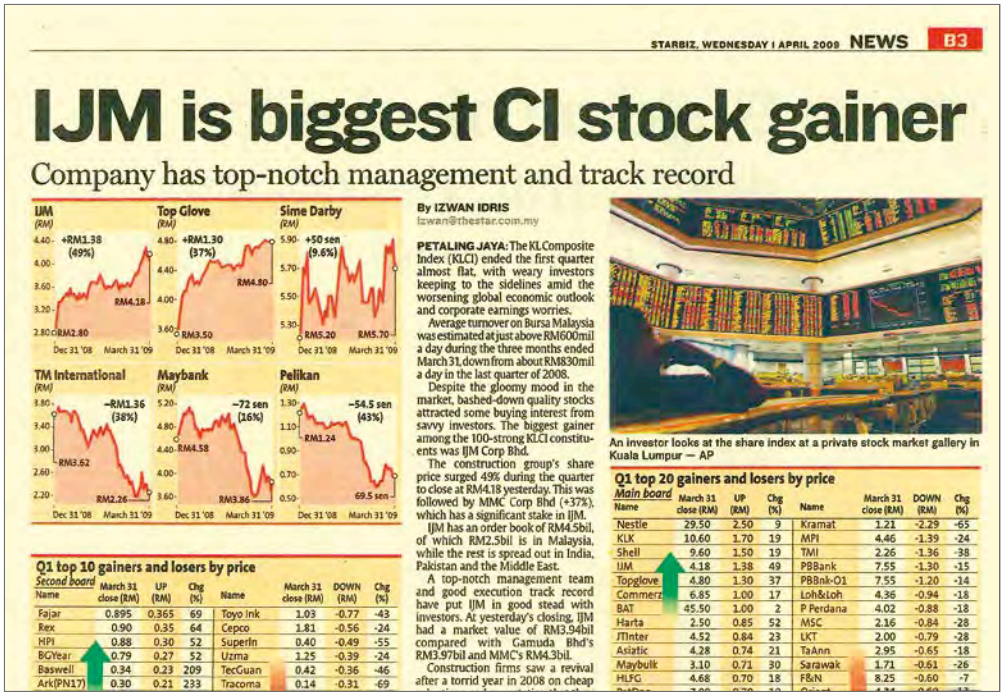
demanding. And we had to move to overseas markets to grow. As a result, we had to take bigger risks to enjoy rewards. My training said that if IJM focuses solely on construction, the group would become vulnerable. In the world of hedge funds and volatile commodity prices, it was vital to grow our other businesses to diversify contributions to our bottom line. While the construction division must be recognised and acknowledged for the earnings and platform it gave for us to grow, the new realities of the business must be accepted.

"My predecessor Goh Chye Keat led IJM into the property game," says Tan. "I had a healthy attachment for the palm oil plantation business. Industry was already a part of IJM since Day 1. Our international ventures resulted in infrastructure concessions, an asset class that could provide order book, recurrent income and increasingly easily monetised. While construction turnover was big, profit margins were becoming more and more compressed. Over time, construction could no longer drive the group's bottom line significantly without taking greater levels of risk.

Managing director Krishnan Tan providing a company briefing to investors at the KLSE Investors Week.

"History has proven time and time again that when there is an economic slowdown, construction takes a big hit. It happened in the aftermath of the 1985, 1997 and 2008 recessions. The lessons of 2008 were insightful. We had the highest construction order book ever in early 2008. As the commodity prices ravaged through, we were counting losses in millions by the day. Fortunately, the collapse of Lehmann Brothers brought a respite to this but it also brought other challenges such as escalating debt costs. It has taken us more than four years to recover from its aftermath. Thankfully, the performance of our plantations, industry and infrastructure divisions put the smile back on our faces. That is why I was almost evangelical about ramping up capacity and capability across all divisions notwithstanding the clamour that we are a construction company and it should get greater attention."

Source: The Star, 1 April 2009



STARBIZ, WEDNESDAY 1 APRIL 2009 NEWS B3

IJM is biggest CI stock gainer

Company has top-notch management and track record

By IZWAN IDRIS
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PETALING JAYA: The KL Composite Index (KLCI) ended the first quarter almost flat, with weary investors keeping to the sidelines amid the worsening global economic outlook and corporate earnings worries.

Average turnover on Bursa Malaysia was estimated at just above RM600mil a day during the three months ended March 31, down from about RM830mil a day in the last quarter of 2008.

Despite the gloomy mood in the market, bashed-down quality stocks attracted some buying interest from savvy investors. The biggest gainer among the 100-strong KLCI constituents was IJM Corp Bhd.

The construction group's share price surged 49% during the quarter to close at RM4.18 yesterday. This was followed by MMC Corp Bhd (+37%), which has a significant stake in IJM.

IJM has an order book of RM4.5bil, of which RM2.5bil is in Malaysia, while the rest is spread out in India, Pakistan and the Middle East.

A top-notch management team and good execution track record have put IJM in good stead with investors. At yesterday's closing, IJM had a market value of RM3.94bil compared with Gamuda Bhd's RM3.97bil and MMC's RM4.3bil.

Construction firms saw a revival after a torrid year in 2008 on cheap

An investor looks at the share index at a private stock market gallery in Kuala Lumpur — AP

Q1 top 10 gainers and losers by price
Second board

Name	March 31 close (RM)	UP (RM)	Chg (%)	Name	March 31 close (RM)	DOWN (RM)	Chg (%)
Fajar	0.895	0.365	69	Toyo Ink	1.03	-0.77	-43
Rex	0.90	0.35	64	Cepco	1.81	-0.56	-24
HPI	0.88	0.30	52	SuperIn	0.40	-0.49	-55
BGYear	0.79	0.27	52	Uzma	1.25	-0.39	-24
Baswell	0.34	0.23	209	TecGuan	0.42	-0.36	-46
Ark(PN17)	0.30	0.21	233	Tracoma	0.14	-0.31	-69

Q1 top 20 gainers and losers by price
Main board

Name	March 31 close (RM)	UP (RM)	Chg (%)	Name	March 31 close (RM)	DOWN (RM)	Chg (%)
Nestle	29.50	2.50	9	Kramat	1.21	-2.29	-65
KLK	10.60	1.70	19	MPI	4.46	-1.39	-24
Shell	9.60	1.50	19	TMI	2.26	-1.36	-38
IJM	4.18	1.38	49	PBBank	7.55	-1.30	-15
Topglove	4.80	1.30	37	PBBnk-O1	7.55	-1.20	-14
Commerz	6.85	1.00	17	Loh&Loh	4.36	-0.94	-18
BAT	45.50	1.00	2	P Perdana	4.02	-0.88	-18
Harta	2.50	0.85	52	MSC	2.16	-0.84	-28
JTInter	4.52	0.84	23	LKT	2.00	-0.79	-28
Asiatic	4.28	0.74	21	TaAnn	2.95	-0.65	-18
Maybulk	3.10	0.71	30	Sarawak	1.71	-0.61	-26
HLFG	4.68	0.70	18	F&N	8.25	-0.60	-7

Tan does not believe in micro-managing. When he became chief executive, IJM was into its 15th year of business and had its talent pool of managers, the best of whom had been selected to lead divisions. "I had highly motivated, very experienced, long serving generals like Choo Choon Yeow and Goh Chye Koon in construction; Ooi Poay Lum, followed by Teh Kean Ming in properties; Sim Quan Seng, later Mah Teck Oon, Harry Khor Kiem Teoh and

Meet the press: a media briefing on the proposed privatisation of Road Builder (M) Holdings Bhd following the acquisition by IJM.

Leong Yew Kuen in quarry & manufacturing; and Velayuthan Tan, Joseph Tek and Purushothaman Kumaran in plantations. All of them knew how to grow their businesses and ensure profitability. They had great cohesive people working under them," says Tan, "and I did not want to stifle them. I concentrated on providing the strategic direction. Towards the end of my term, I also presided over a generational change sweeping across all divisions with the retirement of the old guard.

"New leaders have to be encouraged not only to manage but also to take risks to expand their businesses, while ensuring that the appropriate risk management processes were in place. Not too many big risks and not ones that cannot be cleaned up. This would sharpen their entrepreneurial skills and make the board listen to exciting proposals fielded by them."

Second generation IJM Plantations chief executive Joseph Tek confirms this, quoting Tan's advice to his senior management team: "Out of 10 new business decisions made, you may fail or not do well in seven, but make sure the remaining three more than make up for them."

While giving them latitude, Tan also provided guidance. "Every month, we would meet at executive committee meetings where major decisions affecting the group were discussed before taking them to the board of directors for approval. At this point too, all operational issues and doubts were cleared. In addition, I have always been vigilant about ensuring process excellence within our organisation because winning jobs or making an investment is just one half of the business. The money is in ensuring that staff can execute and deliver results according to IJM's high standards.

"I am pleased that the next generation leadership is well trained to take risks as well as to execute. It is important to continue to building confidence and concentrate on the big picture exposure to fire their businesses into the next orbit. They have to look beyond contracts and profits and keep an eye on their balance sheet and market capitalisation. They have to manage perceptions and expectations of the investment community and media to keep share prices performing. This way, they can fund investments with paper rather than cash and avoid big borrowings to buy big assets when appropriate."

Krishnan Tan created a lot of buzz during his term, not by design but by results. The strong performance of the group and its subsidiaries

Yap says…

Yap Lim Sen's advice to me on matters when dealing with staff during the formation of IJM: "You can't make everyone happy, you can only try to make them less unhappy." So I promise to try, if I can't make you happy, I will try to make you less unhappy.

***Krishnan Tan** in 2007, on staff integration after the RBH merger.*

received generous column inches in business media. Milestone events such as the public listing of the divisions, international achievements and the Road Builder acquisition became headline news, and journalists hankered for interviews about the man himself. He avoided direct media interviews, but was diligent in responding to queries about IJM and its businesses. In a profile article with *Peak* magazine, the only one Tan had consented, journalist Diana Khoo acknowledges, "Having finally acquiesced to an interview after being deluged with requests for almost two years, it's clear that he is still a most reluctant interviewee. Tan is an extremely private man who's desperate not to appear in the news unless absolutely necessary and, even so, always exclusively on business-related matters." He is also agreeable to media exposure to promote his favourite sport rugby and the Combined Old Boys' Rugby Association (COBRA).

"Tan has definitely provided IJM with the leadership to take on the world. He is far sighted and can literally smell opportunities. He might be mild mannered, but he's smart, robust and gets things done fast."

S Samy Velu, *Malaysia's works minister, quoted in Peak magazine (2007)*

He is also a sought-after speaker at conferences on globalisation, where Tan often shared IJM's experiences in the international arena, particularly India and on corporate governance. The publicity generated a lot of goodwill, projecting IJM as a sure-footed, ambitious and result-oriented group that does not squander shareholders' money. The media wryly observed that IJM did not move into the spanking new office tower in Petaling Jaya that was developed by its subsidiary IJM Land. Instead, Tan chose to retain the head office in a 1980s building in a sedate neighbourhood, preferring to sell the building for a good price. In the same article, the journalist obliquely commented on another construction group, also a plc, that was preparing to move its corporate offices to a plush new building in a prestigious suburb. Tan says, "Every step IJM makes must add value. For instance, if we move into another building, it must be to add further value to the company such as redeveloping the existing office space."

Krishnan Tan became the second IJM managing director to be honoured with the Malaysian Construction Industry Excellence Awards 2008 – "Prominent Player Award". The other recipient is managing director Goh Chye Keat, who was honoured in 2003.

As chief executive of a plc, Tan knows it is imperative to court the investment community. They are kept abreast with regular updates of internal corporate developments, pre-empting news coverage, making IJM one of the most well-tracked companies on Bursa Malaysia. He notified them when he was about to step down and introduced his successor before it became public knowledge.

His approach is that investors are the lifeline of the company, whose fundamental needs must be met. The needs are the same for all investors – earnings, capital growth and a management team that delivers peace of mind to investors with decent governance. Indeed, he made "We Deliver" the IJM slogan because "it subjects IJM's performance to scrutiny in a wider sense, embracing all divisions that are made accountable to honour the IJM promise of quality and excellence." Tan considers the diversification of the IJM profile as his greatest achievement. When he called it a day, IJM was a well-diversified group, with a firm and growing Malaysia and regional footprint.

A gift for prime minister Mohd Najib Tun Abdul Razak, the guest of honour who delivered the keynote address at the Malaysia-India Business Council Seminar in 2010. Another guest of honour was Indian Union minister in charge of commerce, industry and textiles, Anand Sharma (beige suit). IJM Managing director Krishnan Tan was the president of the business council then.

Bulking-up: signing ceremony for the privatisation of the Lebuhraya Kajang-Seremban, a tollway infrastructure asset. The 2006 function was witnessed by works minister S Samy Vellu (centre).

2006: The opening ceremony of the ICP plant in Jiangmen, China.

The construction division had a large order book that would keep it busy for the next five years, and Tan predicts a "new construction boom in Malaysia for which IJM is well placed."

The property division has the biggest land bank in company history, with real estate bought cheap at prime locations. The industry division's stellar performance in the last three years of Tan's leadership was unprecedented in its history. According to Tan, "the ICP ship had caught the 9th Malaysia Plan wind, and should be sailing strongly." Plantations had expanded its oil palm acreage into Indonesia, the largest palm oil producer in the world, with more contributions from this business due from 2014. Most remarkable was the bulk-up that occurred in infrastructure investments, which generate both construction work and recurrent income. It was an asset class that IJM understands well and has the in-house expertise to operate efficiently. When well managed they provide recurrent income that attract institutional investors, and provide handsome exit opportunities when required as evident from the sale of GPED in China, the Second Vivekananda Bridge and the Trichy Tollway in India. Many are already profitable, with more cash flow and earning contributions due as the rest mature, but they remain probably the least understood and most undervalued of IJM's assets.

Then, in the same breath, in quintessential IJM style, Tan throws a damper, forewarning that the heavily laden apple cart may be upset by the economic contagion in Europe that could stymie Asian ambition as well as by political changes that could cause government concession agreements to be rewritten. "In Malaysia, the government has a good record of honouring concession agreements; it is not the same elsewhere in the region, and in pursuing recourse, IJM might get embroiled in protracted legal processes that are not good for business and the IJM image."

He also stressed the importance of good governance and maintaining the strong confidence of the board and shareholders. He says, "For management to continue having the freedom to manage, we have to show that we have good governance and risk management practices in place and we won't let them down. Once they lose this faith in you, managing becomes a lot more difficult, especially in this new corporate governance environment. We would be busy battling within the organisation instead of in the market place."

Krishnan Tan at his farewell dinner in 2010; he stepped down as managing director and was appointed as executive deputy chairman of the board.

In his farewell speech at the 2010 Annual Dinner, Tan shared extracts of the Senior Management Dialogue themed *IJM in the Next Decade*, "Broadly speaking, we have concluded that the fundamentals of our businesses are strong and we should be able to continue our growth path into the next decade. However, the greatest challenge facing our companies today is adapting to change and uncertainty in what is a very volatile and increasingly complicated business environment. Not all things about change are bad. It also brings great opportunities, which, if we are quick to catch, can bring opportunistic gains."

He also cautioned against complacency, saying, "We can be our own enemy. In this connection, one key factor will be the ability of our leadership to promote the right people from within and bring talent that is lacking internally from outside. There has been a general lethargy in this direction, by me included, preferring the status quo of familiarity and loyalty in choices versus a critical mission focus. This must change for our good. The sooner we realise that not all our *jaguh kampung* (local heroes) can play division one, the better. I know this will be hard to accept but the market will punish us for complacency."

Source: The Edge, 27 July 2009


COVER STORY

IJM transformation &CHANGING OF THE GUARD

Datuk Krishnan Tan, who has been the face of IJM for more than a decade, announced a succession plan out of the blue. His successor Teh Kean Ming will inherit the most successful professionally run construction company in the country.

Long before Krishnan Tan stepped down, he strengthened the leadership of the finance department "because unlike myself, my successor is not a finance person and he must get the best possible support in this discipline to succeed."

His retirement marked the end of an era for IJM that had witnessed a group-wide changing of the guard. The recent years also bade farewell to Goh Chye Koon as deputy managing director and head of the construction division, Velayuthan Tan as managing director of IJM Plantations and Wong Soon Fah as managing director of Kuantan Port. Earlier on, the first ICP managing director Lim Yong Keat had retired. Each had built up their respective portfolios and internationalised their business along the way.

In the tradition of pioneers, theirs was a legacy of grit, gumption and pragmatism. At IJM, however, retiring leaders don't fade away; they continue to serve on the board for business continuity before making their final exit a few years later. Upon his retirement, Krishnan Tan was appointed as executive deputy chairman in 2011. He was succeeded by Teh Kean Ming, a civil engineer with construction and property leadership credentials.

11

Lessons in Leadership-4

Teh Kean Ming

Group Managing Director, 2011-to date

On 1 January 2011, Teh Kean Ming was appointed as the chief executive and group managing director of IJM, a position vacated by Krishnan Tan. By the time Tan left after more than 14 years at the helm, he had become the face and voice of IJM, and Teh had big shoes to fill. Yet, Teh was in exactly in the same spot as Tan when the latter took over from his predecessor, Goh Chye Keat, who had built a towering reputation for IJM during his eight years at the helm. Teh was hand-picked by Tan and the board because of his track record and trusted to lead, which he did with a healthy dose of trepidation, deemed desirable since "security is mortal's chiefest enemy", as immortalised by the Bard in *Macbeth*.

Teh is the first of the second generation of leadership of IJM, taking charge of a multi-billion-ringgit group with a turnover of RM4.5 billion and more than 100 companies to its name in 2010. Market capitalisation stood at RM8.4 billion, supported by an investment community accustomed to Tan, an accountant. It was a great inheritance by any measure. In an organisation known for consistent growth since inception, it was now Teh's turn to take IJM to new heights.

He must have given it deep thought while waiting in the wings as deputy managing director for two years because within months of assuming leadership, he unveiled his game plan to take IJM to the next level. In September 2011 Teh announced the introduction of the high performance culture declaring: "A successful company may risk a regression if we allow complacency or arrogance to set in. Even though it is not a burning platform for us at this juncture, I definitely see the urgency to steer our focus and effort to build on our strengths, overcome the areas that need improvement to deliver even greater results. To grow from strength to strength, we need to nurture a high performance culture. It serves to integrate the younger generation of the staff population and provides a platform to nurture core values and culture that have made IJM so successful today."

The high performance culture was widely welcomed as timely especially by the second generation of management since IJM had moved on cruise control on an organisational platform established when it was a rising construction company. After decades of vertical and horizontal integration that focused on the external environment, it was time for introspection – to look within the organisation that had grown to have a presence in several economic sectors, and institute reforms to avoid becoming an aging dowager, respected but no longer relevant.

Kuala Lumpur's signature Mid Valley Megamall that opened in November 1999. It is a 4.5 million square feet complex comprising a shopping mall, an office tower, a hotel, convention, entertainment and recreational facilities.

Teh is no newcomer to challenging the status quo. He was the lone voice of an underling who offered a contrarian view at a meeting of luminaries to discuss the design of the upcoming Mid Valley City, with the project name Grand Bazaar. Teh recalls, "I joined IJM in 1989 as a project engineer for the Grand Bazaar, a prestigious urban renewal project by IGB, which was both an IJM related company and client. At one meeting chaired by IGB managing director Yap Lim Sen, everyone was informed that prime minister Dr Mahathir Mohamad felt that the design of the Grand Bazaar was too much like that of the historic Sultan Abdul Samad Building. Yap said the design had to be modified. The architect, a well-established name in the industry, suggested a variation of the original design, and everyone else at the table agreed. They did not wish to be different from the architect who was the project head. The project team then continued with extensive deliberation and everyone was pleased with the outcome. At this juncture, I decided to speak up, and suggested a design that should be modern and futuristic. The team was not expecting a comment from me. But Yap probed further and asked what I meant.

"I hesitated at first because my boss had nudged me to caution against having a different view. However, encouraged by Yap, I painted a picture of a building with lots of glass and stainless steel and other kinds of metal. Yap asked if I had seen one and could give examples, to which I responded,, "Sir, I cannot do so, but if you give me a world round ticket, I will travel and report to you. Everyone laughed."

"Three months later, the project team went on a world tour to visit and study prominent mall designs. I was not invited to join the tour, but my respect for Yap grew because he

When Teh assumed the helm of the property division, he spared no effort in building the IJM brand name in the property market.

had listened to me, even though I was a young, inexperienced and an unknown member of the team." It struck Teh then that listening is an important facet of leadership, and the high performance culture stresses on this with its employee engagement initiatives such as *myVoice* surveys that aim to find out what staff value most and improvements they desire in the company.

The construction of Mid Valley eventually took off in July 1996, after years of being in the doldrums, One problem was the site, an abandoned tin mine that had a relatively high water table. It was also next to a river and proved to be a difficult building site. Nine months into construction, Teh was seconded to the project team to assist in the construction of the basement since the team was struggling to build up the basement due to extreme ground conditions. The entire basement kept flooding and Teh came up with a solution: "I suggested that we emulate the padi field, and build bunds to divide the site, and drain the flood water segment by segment. We applied this technique to the large Mid-Valley site, and it worked." The project helped Teh gain recognition as an adept trouble shooter.

Teh spent nine months with the RM900 million Mid Valley Megamall project and established the routine of meeting contractors every evening to plan the schedule for the following day, addressing issues that cropped up. "This routine saved the client a lot of money because it enabled us to pre-empt problems and resolve issues ahead of time. Cost savings and value engineering initiatives reduced the cost drastically because construction problems were solved on an hourly basis literally. When I left the project nine months later, my relationship with the IGB chief Robert Tan was good. He appreciated what we had done."

Teh's lateral thinking was noted by the top management and he was entrusted with prime projects. Unbeknown to him, they had other plans for the young civil engineer, and he was taken aback when asked to leave the construction division to helm the property division in 2001, replacing Ooi Poay Lum who was leaving. The property division was considered a poor cousin, and Teh recalls, "I wondered what I had done wrong to deserve this punishment. My construction track record was good, and I was instrumental in securing the Tanjung Pelepas rail link, the single largest civil works contract then for IJM. I was heading the Strategic Business Unit 5 in the construction division and doing pretty well. So, when my direct report Goh Chye Koon told me that I was to be transferred to the property division, I was devastated. I countered by asking him, "Why me?" He said the management felt that my knowledge of and experience in buildings was sorely needed in the property division that was moving into high end condominiums. I was also told it was also due to my passion for things beautiful, flair for architectural concepts and details, and the leadership shown in the construction division. This had prompted the management to take me out of construction and move me into property.

"In my previous jobs, I had worked as a resident engineer for Dayabumi, my first experience working with a steel structure, and later Menara Maybank, the tallest building in Kuala Lumpur then. Unhappy and disappointed as I was, I accepted the job, but with one caveat: if I cannot handle the new job after two years, I was to be transferred back to construction. It was my safety net. I joined the property division and have never looked back"

Unwittingly, it marked the beginning of the end of the silo-mentality in IJM, with the floodgates gradually raised to facilitate the cross-flow of staff between divisions. Still, construction ranked higher in the scale of preference for civil engineers. For Teh, a steep learning curve lay ahead.

CONFESSIONS OF A CEO

Teh Kean Ming, managing director, IJM Properties Sdn Bhd

What is your management style?

One word — teamwork.

Henry Ford once said, "Coming together is a beginning. Keeping together is progress. Working together is success."

IJM Properties Sdn Bhd, through our motto of 'Excellence through Quality', believes very strongly that excellence will only be thoroughly achieved through dedication and teamwork. I am very keen on every member participating fully in every project that they are involved in, and as the managing director, I am always ready to roll up my sleeves and give full support to the members of my team. It is very important to me that the team feels that I am always responsive to their needs because success is a two-way street. You can never achieve excellence and success without the help of your team.

One of IJM Properties' strategies for 2008 is to further expand our foothold in other parts of the world. To achieve this vision, it is imperative that every member of the team grows with us. Hence, I am constantly encouraging the members of my team to attend the training programmes that we provide at IJM so that each and every member has an equal opportunity to grow, improve and expand their product and industry knowledge, skills as well as personal development. I also encourage any form of feedback from my team as this will help me learn and grow with them.

I also believe in rewarding my staff based on their performance. As IJM Properties is a results-oriented organisation, we believe that with just rewards, it will motivate our team members to reach beyond what they are accustomed to and therefore, allowing them to grow in ways that they never would expect.

What is your best management decision?

I must say that one of the best management decisions I have assisted in making would be to lead IJM Properties into the international property market.

IJM has a long story and commitment to the Penang market. We have been a part of Penang's legacy since 1983 and have helped nurture this island from a quaint holiday destination into the booming metropolis that it is now. We have contributed, in our own little ways, such as the building of the Jelutong Expressway, which has helped this island head towards achieving its full potential.

Recently, through our subsidiary, Jelutong Development Sdn Bhd, we launched a world-class economic and residential hub, The Light Waterfront. This mixed residential and commercial development will help propel Penang island into the national property arena and compete with other similar developments such as the Canary Wharf.

We strongly believe that The Light will contribute significantly to the country, its economy and also to Penang and its residents.

On hindsight, what is the one management decision you wish you could change and why?

I wish I could have foreseen how IT would be such an enabling force in our property industry. Technology is such an important element in businesses today.

Although we are in the process of implementing selected suites of solutions, like automated workflow and CRM [customer relationship management] to assist in day-to-day business operations, it would certainly benefit us more if we had had these systems implemented and running a few years ago. We are also planning to implement an online payment system for the future benefit of our customers.

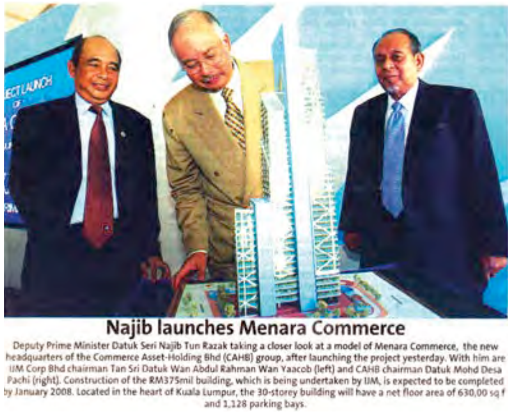
IJM Properties is one of the leading property developers in Malaysia and as soon as we have everything in place, we could certainly continue to provide the ultimate long-term competitive advantage and the best in quality and performance — with an edge. — *By Joyce Au-Yong* E

Source: The Edge, 25 February 2008

Riana Green, a class act by the property division under Teh's watch.

Accomplished as he was as a civil engineer, Teh fumbled in his first year in the property division. "I was inexperienced and did not know the processes and had staff who were very clued up. I spent a lot of time listening to them and picking up tips on the property business from them."

It was a lesson in humility for the engineering graduate who had trodden on a rosy career path till then. It dawned upon him that technical challenges could be easily overcome, but people are more difficult to manage. He recognised then the importance of clarity and alignment of purpose to the main vision so that everyone thinks and acts as one. This has now become the foundation of his high performance culture that introduced the Balanced Scorecard system, an enhancement of the previous system, to measure performance by setting clear strategies, aligning to group objectives, priorities and stretching targets for better performance year on year.



Najib launches Menara Commerce

Deputy Prime Minister Datuk Seri Najib Tun Razak taking a closer look at a model of Menara Commerce, the new headquarters of the Commerce Asset-Holding Bhd (CAHB) group, after launching the project yesterday. With him are IJM Corp Bhd chairman Tan Sri Datuk Wan Abdul Rahman Wan Yaacob (left) and CAHB chairman Datuk Mohd Desa Pachi (right). Construction of the RM375mil building, which is being undertaken by IJM, is expected to be completed by January 2008. Located in the heart of Kuala Lumpur, the 30-storey building will have a net floor area of 630,00 sq f and 1,128 parking bays.

As the property head bent on building IJM's credentials as a serious developer, Teh had to battle for funds from the construction chaps who ran the group. He echoed the views of his predecessor

The purpose built Menara CIMB (previously Menara Commerce) is a another significant project that elevated IJM Properties to the top league.

The development of the upscale Sentosa Cove in Singapore (above) gave IJM the essential experience to pursue similar waterfront developments such as The Light in Penang.

Ooi Poay Lum of an IJM entrenched in a "contractor developer" mindset while trying to make inroads in commercial real estate. "IJM needed to make a mark in industry and prove itself as a serious property developer. There was an urgent need to brand ourselves with flagship projects, especially in the Klang Valley, the epicentre of well-known developers then. Teh made a strategic move to turn Riana Green Condominium in Petaling Jaya into a flagship project as part of brand building for IJM Properties. This positioning gained Riana Green instant recognition for its well-designed units amidst well-manicured lawns and landscaped gardens. It also showcased IJM's arrival as a developer's developer, especially in the Klang Valley. In the early 2000s, Riana Green was the single largest condominium under one management title, with more than 1,300 well designed units that commanded respectable prices and capital appreciation due to its good after sales and responsible management services. With the runaway success of Riana Green, the property division began to expand its horizon in different market segments.

The division's crowning glory is still a work in progress, The Light along the Penang eastern shoreline. For Teh it is a project close to his heart and mind, creating a brand new luxury statement with a development rising from a mud flat, with emphasis on distinctive architecture, innovative designs, exceptional contemporary finishes and an ambiance of indolence. The Light is planned to bring to the fore the human relationship with the environment, something he passionately believes should occur as a rule of thumb in property development.

Envisioned to transform Penang into a world class destination, The Light was a project in which Teh engaged brand consultants to position and promote regionally. Much thought went into naming the development, and eventually The Light was chosen because "it rolls off the tongue easily, and is related to an expression of joy, success and vibrancy," says Teh. It took some convincing of senior members of the company before 'The Light' was approved and adopted as the name of the development.

"Property development is a fragmented business and there are 300 to 500 developers in Malaysia. The barrier of entry is not high, and as a result, we have a lot of players.

***Teh Kean Ming**, second general manager of IJM Properties*

2011: Managing director Teh Kean Ming (left) presenting a gift to Malaysia's deputy prime minister Muhyiddin bin Mohd Yassin, who officiated IJM's Delhi Metro Rail Corporation's Metro Express Line (Package C2) in India. Looking on are Krishnan Tan, IJM executive deputy chairman (centre) and Shaziman Abu Mansor, Malaysia's minister of works (right). Top: Making a presentation at the function.

Another feather in the cap was bringing Tesco Hypermarket to Penang on a build-and-lease arrangement that leapfrogged IJM Properties to the top league of property players.

Several other successes followed, including the purpose-built Menara CIMB in Jalan Raja Laut in Kuala Lumpur that was sold at RM375 million, the single largest transaction for IJM Properties at that time. Another milestone was the Sentosa Cove development in Singapore, the first awarded to a Malaysian company.

By 2006, Teh had succeeded in transforming IJM Properties into a division with projects worth more than RM1 billion. Goh Chye Keat, who had retired as managing director, called to congratulate Teh on a job well done. By then, Teh was at the cross roads once again, following the IJM acquisition of Road Builder in 2007. In the corporate exercise that followed, the property division was injected into RB Land, the public listed real estate arm of Road Builder. Overnight, there were two heads of the property division; Teh was promoted to become IJM's deputy managing director. Given his talent as a turnaround specialist, he was entrusted to stabilise IJM operations in India while awaiting his turn to take over the top job. He did so at the age of 55.

Teh is a case of a rolling stone that defied convention and gathered invaluable moss, with the propensity to learn, challenge and establish new boundaries, and the humility to defer to others when the need arises. He had a firm grip of running a division and how to move things forward, both in Malaysia and internationally, especially in India, IJM's largest overseas venture. Best of all, he had shown his capability to embrace change without upsetting the apple cart.

Teh now considers himself a bridge, linking the past with the present and future – honouring the traditions and values of the pioneers while meeting the expectations and goals of the next generation, typically from Generation X and Y. There was also another connection to be made – between IJM staffers and those who once belonged to Road Builder, now a part of IJM. The latter were readily absorbed into IJM during the integration process, but Teh recognised the need for them to internalise the IJM culture.

IJM board member, David Wilson, previously from Road Builder, welcomes this move because it will encourage greater teamwork and enrich further the human capital of IJM. He is of the view that the affable, people-centric Teh is the right person to bring to pass this "soft infrastructure development" within the group.

In terms of leadership, IJM has come full circle. As a second generation leader, Teh recognised that it was imperative to strengthen further the inner core of IJM – its staff, its culture, and its shared values. This may not be the stuff of dreams, but it was a fundamental need that had to be addressed for IJM to move up to the next level.

Says Teh, "The pioneers established a very strong foundation, but many second generation staff have no memory of them. We hear complaints from older staff that the younger ones are different from them. This is understandable since IJM now has a new demographic, with a different outlook and expectations. We need to change to meet these new challenges. I felt that IJM needed to revisit the internal environment and take the appropriate actions so that we continue to remain relevant today and tomorrow.

"At the same time, we had to take stock of the existing operating landscape. Economic cycles are getting shorter, and things are moving fast. When the 2008 global financial meltdown occurred, we were in a state of shock. Krishnan Tan, my predecessor, called for an emergency meeting with divisional heads to map out our plan of action. It highlighted the need for fleet-footedness, and IJM has to nurture staff with a sense of preparedness. Only with knowledge and experience can staff have the wherewithal to react appropriately to external conditions beyond our control.

Continuing an IJM tradition: Teh presenting a scholarship to a needy high-achieving student to pursue his education, witnessed by IJM chairman Abdul Halim Ali. The IJM Scholarship was introduced in the 1990s.

"When I became the chief executive officer, I took a step back, and studied what lay before me objectively. It is not a work in isolation or from an ivory tower, but one that involved a lot of sharing of views with management and independents. The outcome is the High Performance Culture that uses the culture platform to recondition the minds of staff across all generations so that the company will continue to perform well, and in turn, staff will prosper.

"IJM is staffed by baby boomers (born 1946-64), many of whom are nearing retirement, and the Generation X (born 1965-80) and Generation Y (born 1981-2000) who represent the future of IJM. Generation X and Y are focused on short term cash incentives, and for those employed in the higher levels, the Employee Share Option Scheme (ESOS) ranks high in their remuneration wish-list. The baby boomers, while desiring cash, also place emphasis on job security, and tend to remain in their jobs longer. The younger set, in contrast, value personal time and space, and will change jobs when working conditions don't suit them. Our challenge is to nurture and retain them."

Teh sharing his thoughts on his brainchild, the High Performance Culture, which seeks to lift IJM to the next level of performance and excellence.

In a staff address to launch the High Performance Culture, Teh wrote: "Preserving our business model and core competencies is undoubtedly the key to our continued growth and success. Equally critical, we need to be agile in steering ourselves ahead of time in this competitive and constantly changing terrain. What is important is that IJM remains relevant, and stays ahead of the game. We need to continue pushing boundaries like our pioneers did, to make good better, each and every time.

Teh joins staff for Give Day Out, when staff across the organisation volunteer a day for community service. In addition to serving the community, the occasion helps to build team spirit.

"There are no short cuts when dealing with people," acknowledges Teh. "You cannot use the line – I am the boss, and you work for me – with the younger generation. It does not work. Instead, you have to engage them with the endgame."

The High Performance Culture repackaged IJM's winning ways into today's context, and adopted a formal framework to continuously communicate them to staff across the group. Champions were appointed in each division to mentor staff on how to operationalise the High Performance Culture.

The tone was set, and staff have their courses charted to improve the quality of human capital in the group. They attend workshops, budget exercises, coaching sessions to familiarise themselves with the refreshed vision and mission, enhanced clarity of strategy and priorities, core values, leadership competencies and employee engagement factors. Gaps in skill sets are identified, and training programmes mapped out so that every staff member becomes an invaluable asset in the IJM talent pool.

The balanced scorecard became the benchmark of staff performance. It spells out the goals and targets to be delivered. "This is particularly important for the younger generation," says Teh. "There must be no ambiguity, and their roles and functions need to be made crystal clear, and the results well-defined. Generation X and Y don't live to work like previous generations;

IJM enters O&G sector

"In 2012, IJM added another new revenue stream: oil & gas, when it acquired a 10% stake and an additional 15% in convertible bonds in 2013 in the Scomi Group. As an engineering-based company, IJM has the capabilities, resources and confidence to participate in the oil & gas sector that will move IJM up the value chain to high value engineering. The O&G sector is a big ticket business, with immense potential not only in Malaysia but also the region. Scomi is a big player and a technological company with capabilities in the supply of drilling fluids, waste management, and monorail public transportation business. With this acquisition, IJM also aims to become involved in oil & gas downstream activities, and possibly turn this into an important revenue stream.

"One lesson I learnt from the Scomi acquisition is that we must never take the investment community for granted. Although the quantum of investment was small, when we announced it, IJM's share price fell sharply. We were taken aback by the reaction, and realised that we should have handled better the communication with investors and explain clearly to them the reasons for our decision. Subsequently, we met key investors several times, and our share prices recovered."

instead they work well to live well. It is a good philosophy that must be harnessed for the mutual benefit of the company and staff."

Teh is an active participant in the staff engagement process, and hosts Luncheons with the CEO, Morning Coffee with the CEO and town hall sessions. He says, "People appreciate face-to-face contact with the CEO. I believe in participative management that was promoted by my predecessors, and spend time listening to my "generals". Sometimes, a leader can be stonewalled by issues. As a leader, you cannot be egoistic and think you know all. IJM has a presence in different economic sectors, so it is important to seek out those who know better for advice.

"In IJM, some things remain non-negotiable," says Teh, "Foremost among them is trust, reliability and integrity, the foundation of IJM's motto, We Deliver. When trusted to do a job, IJM staff are expected to deliver it in an honest and credible way. When there is proof of misdemeanour or irregularity, we will not hesitate to take action, and will not shy away from reporting cases to the police."

Remuneration remain a sticky issue, especially with the middle management desiring instant rewards and incentives. Stating IJM salaries are slightly above industry norm, Teh says, "IJM has been paying consistently good bonuses to staff. As such, total payout (fixed and variable) commensurates with market practices. In terms of numbers, salaries account for a substantial percentage of operating costs. We acknowledge that we have low performers on our payroll. I believe the High Performance Culture will address this issue because the balanced scorecard system will help to ensure that every staff pulls his or her weight. Their enhanced performance will have a multiplier effect – it will enhance revenue, profit, shareholder value, and translate into better staff rewards. We believe in pay-for-performance. This has been the hallmark of IJM."

Like his predecessors, Teh is a firm advocate of the shared destiny principle. "IJM is not a single industry company, and when one industry does not perform well due to an economic downturn, the others save the day. History has shown that each division has had its own good times and bad, but as a group, IJM has performed relatively well. We are like a family, where members close ranks to support the one in trouble. This simple act of faith in each other has helped IJM remain in the black in the past 30 years. This is the legacy of our founders, who in their wisdom chose to diversify the group without splitting it apart as self-sufficient units, especially when they became listed. This united front defines the character of IJM, and has helped the group grow into a sustainable, international conglomerate. It is a priceless legacy that we should cherish."

The Scorecard, 30 years on

IJM has emerged as a market leader in all its businesses, and the prospects ahead are bright. Thirty years on, this is our scorecard:

- IJM is reputed as a well-managed conglomerate with very strong delivery capabilities.
- IJM is one of the top construction companies in Malaysia. In 2012, the order book stood at RM4.36 billion. The West Coast Expressway concession was awarded in January 2013, and IJM hopes to pick up sizeable construction jobs from the West Coast Expressway that stretches from Banting in Selangor to Taiping in Perak. It will be IJM's single largest contract.
- IJM Land is in the Top 10 of property development companies in Malaysia, with a sizeable land bank in strategic locations in Malaysia. It is reputed to be a strategic developer.
- IJM is a market leader in pretensioned spun concrete (PSC) piles and it continues to look for opportunities to expand to serve the buoyant construction industry, economic corridors of Malaysia and regional markets.
- IJM Plantations is reputed to be a well-managed plantation company, with good sustainability initiatives. With accelerated planting underway in Indonesia, earnings are expected to double in 2017.
- IJM is the second largest infrastructure company in Malaysia in terms of tolled kilometres. There are three tolled highways, and with the inclusion of the West Coast Expressway five years on, the 'toll bank' will surge by another 233 km.
- IJM is well recognised as a reputable Malaysian company in India.
- IJM-owned Kuantan Port is being expanded to a megaport to serve growing bilateral trade between Malaysia-China as well as Asia-Pacific markets.

12

The Board, 30 years on

IJM has been blessed with a board that since its incorporation in 1983 has provided sound oversight and subscribed to the principles of good governance to build a group with strong fundamentals that garners respect not only in Malaysia but also in the region.

As IJM pioneers retired one after another, the board departed from its original owner-management profile to welcome representatives of the largest shareholders as well as enlarge the team of non executive independent directors, all experienced professionals. Thirty years on, the IJM Board bears little resemblance to the first. The only link with the past is executive deputy chairman Krishnan Tan, who provides continuity to an organisation that has grown beyond the wildest dreams of its founding fathers.

When IJM celebrated its 25th anniversary in 2008, it consisted of 13 directors. Today, it is a leaner and more streamlined board with nine members, including the chairman, who bring to the table a breadth of knowledge and experience deemed indispensable in an intensely globalised and competitive world.

Chairmen

Tan Sri Dato' Dr Haji Ahmad Azizuddin bin Haji Zainal Abidin

First Chairman

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

Second Chairman

Tan Sri Abdul Halim bin Ali

Third Chairman

First Chairman, 1984-2003

Tan Sri Dato' Dr Haji Ahmad Azizuddin bin Haji Zainal Abidin

A mining engineering graduate from the University of Otago in New Zealand, Azizuddin served as a senior inspector of mines with the Perak State Mines Department before he left to start his own business. He also entered politics and rose to become an UMNO senator, and has the distinction of being a speaker in the Perak State Legislative Assembly, a position he held for one term before retiring to the back bench as the assemblyman for the Belanja constituency in Parit. He left politics when prime minister Tun Hussein Onn introduced the policy requiring politicians to declare their business interests. Azizuddin chose business over politics.

Azizuddin was the principal shareholder of Maraputra Sdn Bhd and a director of Mudajaya Construction at the time of the formation of IJM. Yap Lim Sen, who refers to him as "a Malay gentleman" invited him to become the chairman of IJM Engineering & Construction. Azizuddin remained as chairman of IJM until 2003, stepping down at the age of 70.

"I was the only mining engineer on the board and I think they wanted someone neutral to manage the civil engineers," says Azizuddin. "My job was to make sure there was no clash of personalities. One good thing about IJM is that no individual, family or company controlled us. IGB was the single largest shareholder and eventually sold its last remaining block of 20% to Tronoh Mines Berhad, later Zelan Berhad (a MMC subsidiary). Throughout, the board retained its independence.

"Our priority was to be vigilant about the financial health and survival of the company at all times. The early days were difficult because of the recession and we also had to compete with Japanese contractors for jobs. Our share price hovered around 0.70 sen and was going down. We struggled until we expanded overseas aggressively, encouraged by prime minister Dr Mahathir Mohamad who urged Malaysian companies to venture abroad. We also diversified into plantations, and were very successful.

"IJM came about as a result of friendship and loyalty. In life, we must share a common goal – and every one of us wanted IJM to do well. It had to be well run, and for this to happen, everyone must belong to the same team, same club, to succeed.

"We wanted this culture in the company. We gave emphasis to treating staff well to cultivate loyalty – to the job, to each other and to friendships. This is the stamp of the IJM we wanted to shape. I became good friends with the pioneers – we got to know each other's families, and the children by name, and continue to keep in touch even after we had left the company.

"IJM has grown big, and it now competes locally and internationally. Those days, we could not even compete locally; we had to joint venture with the Japanese for jobs. The company has come very far."

Second Chairman, 2003-2011

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

Wan joined the IJM board in 1996 as an independent non executive director before being appointed as chairman when IJM's pioneer chairman Tan Sri Dato' Dr (Ir) Ahmad Azizuddin bin Haji Zainal retired in 2003.

Previously with the Public Works Department where he served the last six years before retirement in 1996 as the director general, Wan held directorships in Lingkaran Trans Kota Holdings (chairman), Lysaght Galvanised Steel Berhad (chairman), Bank of America Malaysia Berhad, MDF, NCB Holdings Berhad and Northport (Malaysia) Berhad. He retired from the IJM Board in 2011.

His observation of IJM is that it is one of few public listed companies where the board is well represented by the senior management. At one time, the managing director, deputy managing director and another senior executive were executive directors, unlike most companies where only the managing director represents management. "This set-up," he says, "enables the board to have a good understanding of management proposals and arrive at sound decisions.

"I also sit on several other boards, where members do not become involved in projects. At IJM, every large project, both local and international, must be presented to the board for approval. This system of check-and-balance entrusts the board to assume responsibility for big ticket projects, and not allow management to shoulder the blame when they falter. Time is also factored in to provide for quick decision making. This entire process is an integral part of the IJM culture since it was formed, and survives till this day."

Third and current Chairman, 2011-to date

Tan Sri Abdul Halim bin Ali

Appointed in 2007 as an independent non executive director, Halim became IJM's chairman in 2011. He says, "IJM's strength lies in the fact that there is no dominant individual or family influencing board decisions. The board functions efficiently, deliberating on policy, discussing issues and making decisions, always mindful of corporate governance practices. That is why IJM is a popular counter with institutional investors such as the Employees Provident Fund, Malaysia's pension fund that invests only in companies with strong fundamentals and offer good dividends.

"IJM is a Malaysian conglomerate with an excellent track record and a good management team. It has bright prospects, not only in Malaysia but also overseas." Tan Sri Halim is a career diplomat, who has served in diplomatic missions in India, Indonesia, Japan, New York and Vietnam. He says, "My exposure helps in strategic planning for overseas business expansion.

"IJM is also ranked as one of the top 20 companies in Malaysia in terms of corporate governance by the Minority Shareholders Watchdog Group (MSWG). I am conscious of the conflict of interest as chairman of IJM as well as of MSWG. So, when it comes to IJM matters, I recuse myself."

Halim served as chief secretary to the government of Malaysia in 1998. Following his retirement from government service, he served as chairman of the Employees Provident Fund. He is currently also the chairman of Malaysian Building Society Berhad and Malakoff Corporation Berhad.

Managing Directors

Koh Boon Chor

First Chief Executive Officer/ Managing Director

Dato' Goh Chye Keat

Second Chief Executive Officer/ Managing Director

Tan Sri Dato' Krishnan Tan Boon Seng

Third Chief Executive Officer/ Managing Director

Dato' Teh Kean Ming

Fourth Chief Executive Officer/ Managing Director

Executive Deputy Chairman, 2011-to date

A position that was created in 2011

Tan Sri Dato' Krishnan Tan Boon Seng

On 1 January 2011, Krishnan Tan was appointed as the first Executive Deputy Chairman of IJM, a position created by the board to tap into his vast experiences and knowledge of the group, especially when crafting policies and setting new directions for the future.

Refer to his profile in Chapters 3 and 10

Chief Executive Officers/Managing Directors

Each CEO/MD is profiled under "Lessons in Leadership."

First Managing Director, 1984-1988

Koh Boon Chor

A founding father of IJM

Refer to his profile in Chapters 3 and 4

Second Managing Director, 1988-1996

Dato' Goh Chye Keat

A founding father of IJM

Refer to his profile in Chapters 3 and 7

Third Managing Director, 1997-2010

Tan Sri Dato' Krishnan Tan Boon Seng

A member of the first board

Refer to his profile in Chapters 3 and 10

Fourth and current Managing Director, 2011-to date

Dato' Teh Kean Ming

The first of the second generation of leadership

Refer to his profile in Chapter 11

Deputy Managing Directors

Lim Choong Kong

First Deputy Managing Director

Chay Kwok Thong

Second Deputy Managing Director

Tan Sin Leong

Third Joint Deputy Managing Director

Choo Choon Yeow

Fourth Joint Deputy Managing Director

Dato' Goh Chye Koon

Fourth Joint Deputy Managing Director

Dato' Tan Gim Foo

Sixth Deputy Managing Director

NOTE

Tan Sri Dato' Krishnan Tan Boon Seng
Third Joint Deputy Managing Director

Dato' Teh Kean Ming
Fifth Deputy Managing Director

Deputy Managing Directors

First Deputy Managing Director, 1984-1988
Lim Choong Kong

One of the founding fathers from Jurutama, Lim became the first deputy managing director of IJM.
Refer to his profile in Chapter 3

Second Deputy Managing Director, 1988-1993
Chay Kwok Thong

A director of Mudajaya, Chay is one of the founding fathers of IJM.
Refer to his profile in Chapter 3

Third Joint Deputy Managing Directors

- **1993-1997: Tan Sri Dato' Krishnan Tan Boon Seng**
  He was promoted to CEO/GMD
  Refer to his profile in Chapters 3 and 10.

- **1993-1995: Tan Sin Leong**
  Tan is a British-trained civil engineer who worked with an engineering consultancy firm before joining Mudajaya Construction, later a part of IJM. He distinguished himself as the "man on the field" especially for construction projects in the East Coast such as the Kemaman Supply Base in Terengganu in the early years and the North-South highway packages in the 1990s. He says, "There is succession planning and mentoring in IJM that provides for engineers to move up the ranks." He rose to become the head of the construction division, a portfolio he continued to hold while serving as joint deputy managing CEO/Deputy MD in 1993. Upon retirement, he continued as a director on the board until 1998.

Fourth Joint Deputy Managing Directors

- **1997-1999: Choo Choon Yeow**
  Choo joined IJM as a technical manager in 1985 after a distinguished career as a structural engineer in an engineering consultancy firm. He rose to become a project director overseeing several projects such as turnkey hospitals and high rise buildings. He joined the board as an alternate director in 1988, became group executive director in 1994 and was appointed group deputy managing director in 1997. Choo Choon Yeow retired in 1999 but remained as a non-executive director and technical advisor until May 2002.

- **1997-2008: Dato' Goh Chye Koon**

Goh was the first "direct entry" engineer to join the newly formed IJM group in 1984. He was appointed deputy managing director when Krishnan Tan took over the helm of IJM in 1997. In the IJM tradition, Goh was appointed a board member. The civil engineer also retained his portfolio as the head of the construction division.

His tenure coincided with IJM's international expansion, especially to India and the Middle East. Goh became a pioneer of IJM in India, providing oversight for construction activities in the subcontinent. He says, "We were IJM flag bearers in India, and I wanted to ensure that there was professionalism in all that we did there. I would travel to India every four to five weeks, stay for a week to get to know what's happening on the field, and provide support for the team."

He credits country head Ng Chin Meng for good public relations with Indian staff and networking well with clients. Another advantage was IJM's Indian team that comprised Indian engineers who had previously worked in IJM. "They knew the local Indian culture and were also familiar with IJM work ethics. We completed the first few projects on time and won the recognition of the National Highway Authority of India. IJM-built highways became the benchmark of quality.

"Ng was like the glue that held the locals together," says Goh. "When he left, the team spirit faded and the chain of command became less clear. Competition was tough, and it became difficult to get good staff. Things began to unravel, and in 2012, the construction division suffered its first ever loss.

"Still, in my opinion, IJM should continue exploring the India market. We must learn from our mistakes and move on. We can ride on our reputation as highway builders with a record number of projects, and be more selective in future undertakings."

As construction head, Goh also provided oversight when IJM expanded to the Middle East. "We built the Emirates flight kitchen, the biggest of its kind in the world," he says.

Goh handed over the reins of deputy managing director to incoming Teh Kean Ming in 2010. He continues to serve as an executive director.

Fifth Deputy Managing Director, 2008-2010

Dato' Teh Kean Ming

He was promoted to CEO/GMD

Refer to his profile in Chapter 11

Sixth and current Deputy Managing Director, 2011-to date

Dato' Tan Gim Foo

Civil engineer Tan joined Mudajaya Construction that later became a part of IJM. He rose from project manager and helms the construction division, a position he continues to hold while serving as deputy CEO/MD.

Tan says that construction projects with a threshold of RM500 million in Malaysia and RM250 million overseas need board approval. "Our role as executive directors is to table comprehensive and detailed proposals to win board support to proceed. The upshot is to ensure projects are viable.

"This check-and-balance helps to ensure we pursue the path of profitability for the benefit of stakeholders. The non-executive independent directors might spot something we did not at management level. At times, we have had to review and revise, before tabling it to the board again.

"India is unfortunate. It is a legacy issue, and if we pursue India in the future, we must send a good team of Malaysians to be based there. We need at least 10 key staff there, from project manager and project accountant to quantity surveyor and purchasing personnel. Construction is a team effort, and we need people nurtured by IJM's core values that can be filtered down to staff in our overseas offices and project sites."

Executive Directors

Chee Wan Yee

Executive Director

Sim Quan Seng

Executive Director

Khoo Chew Meng

Executive Director

Ooi Poay Lum

Executive Director

Soo Heng Chin

Executive Director

Executive Directors

Chee Wan Yee, *Executive Director, 1988-1997*

Chee joined Mudajaya Construction in 1981 as a project director involved in IJM's power and water projects. He was also involved in projects in Vietnam and China. Appointed as alternate director in 1988, he became an executive director in 1990. He retired in 1993 and continued to serve on the board till 1997.

Sim Quan Seng, *Executive Director, 1995-1998*

A graduate in mechanical engineering from the Technical College in 1972, Sim joined Mudajaya Construction in 1976 as an engineer responsible for the maintenance of earth-moving, crushing and asphalt plants. He was instrumental in developing the in-house capabilities of IJM's quarrying activities and asphalt production. He is credited for successfully turning these in-house operations into successful enterprises that gained the group market recognition.

Appointed as an alternate director in 1995, he resigned from the board in 1998 to pursue his own interests.

Khoo Chew Meng, *Executive Director, 1988-1998*

Technical College alumni Khoo joined Jurutama in 1976 as a senior engineer after serving the Jabatan Kerja Raya (JKR). He joined the IJM Board as an alternate director in 1988, and was made executive director in 1994. His area of specialisation was pre-fabricated housing and projects in Sarawak. He was instrumental in leading IJM on the road towards attaining ISO 9001 certification.

The MBA graduate from Golden Gate University in USA retired as an executive director in 1998, and remained on the board as a non executive director until August 2001.

Ooi Poay Lum, *Executive Director, 1995-2001*

Ooi joined Jurutama in 1980 as a senior engineer and gained extensive experience in the construction industry while serving as an engineer and project manager prior to taking the leap into the property business. He became the first general manager of IJM's property division in 1988, and is credited for transforming IJM's positioning from an affordable housing developer to a multi-faceted developer with a presence in every market segment. In 1995, he was appointed as an alternate director of the IJM board, and promoted to executive director in 1997. Ooi retired as group executive director in July 2001.

Soo Heng Chin, *Executive Director, 1998-2010*

Soo joined Mudajaya Construction in 1979, after having served in the Drainage & Irrigation department of Pahang. As a senior engineer in IJM, he was in charge of infrastructure projects and gained recognition for his good implementation skills, and was adept at completing tough projects. He was made an alternate director in 1998, and elevated to executive director in 2001. He also helmed construction services at the head office, overseeing various support services such as the engineering, tendering and purchasing departments under the construction division.

An engineering graduate from University Malaya with an MBA from Golden Gate University in USA, Soo retired from IJM in January 2010.

Long Serving Non Executive Directors

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

Senior Independent Non Executive Director

Datuk Yahya bin Ya'acob

Senior Independent Non Executive Director

Datuk Oh Chong Peng

Independent Non Executive Director

Datuk Lee Teck Yuen

Non Executive Director

Dato' David Frederick Wilson

Non Executive Director

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

Senior Independent Non Executive Director, 1985-2008

He joined the IJM Board as an independent director after he had retired as Director General of Education, and was instrumental in IJM venturing into education in the mid 1980s. He was the longest serving board member until his demise at the age of 78, while still a board member. During his long tenure as senior independent director, he ably served in the Board Audit Committee as well as the Nomination and Remuneration Committee.

Datuk Yahya bin Ya'acob

Senior Independent Non Executive Director, 1999-2012

After 32 years in the civil service, the last five as secretary general of the Ministry of Works, Yahya was appointed to the IJM Board in 1999 upon his retirement from government service. A long serving member of IJM board, Yahya retired from the IJM board in 2012.

Yahya pays tribute to executive directors for providing comprehensive information for decision-making. "They play a critical role in ensuring that the board makes sound decisions because eventually the buck stops with the board."

He singles out managing director Krishnan Tan for "knowing his stuff and being articulate in presenting proposals. As a result, the board gave him full backing. His nomination as executive deputy chairman is a reflection of our faith in him and the professionalism of IJM executive directors.

"The board focuses on ensuring a healthy balance sheet," he says. "However, when necessary, we were prepared to bite the bullet. This happened rarely. The only time I recall was when IJM had to write off debts for construction activities in India and the Middle East during my last year as a board member. Still, IJM completed the projects and its reputation in India remains intact."

The economist also notes that the board is represented by a wide cross section of professionals, from accountants to engineers. "I learnt a lot from other board members, especially Oh Chong Peng who asks searching and pertinent questions, and David Wilson, who provided good insights of India.

"I also find the IJM practice of bringing board members to project sites useful. I visited India and Argentina, met with local staff, and obtained first hand insights of work on the ground. IJM's independent non executive directors also engage with external auditors to ensure everything is prim and proper, a legacy from the days of the pioneers."

As chairman of the Nomination & Remuneration Committee and the Securities & Options Committee, he says, "We need to attract and retain staff to build a strong line of succession. Good remuneration is key, and this subject was being deliberated when I left the board."

Datuk Oh Chong Peng

Independent Non Executive Director, 2002-2012

Oh is another long serving board member, and the highly respected chairman of the Audit Committee. A qualified chartered accountant and former senior partner of Coopers and Lybrand (now PricewaterhouseCoopers), Oh was appointed a board member in 2002 and retired in 2012. During his tenure, he also served as a member of the Nomination and Remuneration Committee.

Given his background, Oh's opinion is sought out for proposals relating to mergers & acquisitions. "The most significant was the acquisition of Road Builder," says Oh. "My advice was to go ahead with it. The price was good, and it came with good people.

"Road Builder staff shared similar backgrounds," says Oh. "However, they were better paid and enjoyed better benefits than IJM staff. Consultants engaged in the integration process recommended that IJM remuneration be raised to match those of Road Builder staff. The acquisition thus helped to push up IJM salaries, which were lagging behind the industry.

"IJM senior management benefited from ESOS allocations that compensated for the shortfall in basic salaries. However, staff at lower levels did not have this benefit. As I see it, the Road Builder acquisition helped raise basic pay across the group. It was a win-win situation for all staff.

"IJM has been frugal since the days of the pioneers. When I joined the board in 2002, I pushed for higher directors' fee, and other board members benefited.

"I also proposed a dividend policy based on profitability. The board had to ensure shareholders are rewarded accordingly while being cognisant of the fact that IJM's businesses are cyclical. I devised a formula for this, and it has seen IJM dividends going up over time. Now, even the Minority Shareholders Watchdog Group insists that shareholders should be rewarded based on profitability.

"As chairman of the audit committee, I ensured that IJM and its subsidiaries have in place good controls. The internal audit function was strengthened, and I am particularly pleased with its performance in the industry and plantations divisions. In construction and property, operations are based on projects, and there have been some improvements."

Datuk Lee Teck Yuen

Non Executive Director, 2007-to date

A civil engineer by profession, Lee was appointed as non executive director of the IJM board in 2007 following the IJM-Road Builder merger. He is a member of the Nomination and Remuneration Committee. His other directorships include Road Builder (M) Holdings Berhad, IJM Land Berhad, Malaysian South-South Corporation Berhad and the Asean Business Forum.

In his view, the Road Builder acquisition was more of a merger rather than a take-over. "The process was mutual and transparent. Many Road Builder board members were retained and senior management continued in their jobs, with a few given a bigger portfolio. Beginning July 2013, Soam Heng Choon, previously from Road Builder, will become IJM's deputy managing director. Looking back, I regard the IJM-Road Builder merger as a good M&A model."

In a strategic move, RB Land, the listing vehicle of IJM's property division that was renamed IJM Land, invited Krishnan Tan to become its chairman. "We requested Krishnan Tan to chair IJM Land when he was the managing director of the holding company. Our reason was simple: we wanted someone to steer the property plc to greater success. On hindsight, it was the right move. Today, IJM Land (previously RB Land) has grown several times since 2008. It is now bigger than that of developer IGB, once the parent company of IJM.

"Naturally, when two work cultures merge, there are bound to be differences. There were difficulties adapting to IJM ways among some Road Builder staff but overall performance and staff productivity results show that decisions made then were right."

Dato' David Frederick Wilson

Non Executive Director, 2007-to date

Wilson is a British citizen who was appointed as a board member in 2007, and serves in the Securities & Options Committee. An engineer by profession, Wilson has worked in Malaysia since 1980, and his credentials include the management and construction of the North-South Highway. In 2002, he became a non executive director on the Road Builder board, and later became a director responsible for construction operations in India. He is one of two former Road Builder directors on the IJM board. The India hand also serves as the technical advisor for IJM and Road Builder projects in India.

He says, "Things take a long time in India particularly when you are seeking to recover outstanding payments. There are still projects in arbitration after 12 years. This has happened not only to Road Builder and IJM but also to others in India. IJM has also suffered losses in the Middle East. It shows that we have to re-evaluate our construction business model when exporting our services to overseas markets."

The former Road Builder director notes that the integration process between staff of Road Builder and IJM is a work in progress. When Road Builder staff migrated to IJM, the priority was project implementation, especially in the construction division. Each project team thus continued with its previous projects to meet delivery times. As a result, there was minimal collaboration between staff of the two companies.

"The High Performance Culture launched by Teh in 2012 is timely," says Wilson. "It seeks to address this issue, especially the importance of teamwork, which is fundamental to the success of IJM's businesses, especially in construction. The High Performance Culture also seeks to break the silo mindset and make staff more adept at managing different operating environments."

1983-2013 IJM Board Members • The Full List

No	Name of Director	Nationality	Appointed	Retired / Resigned
1	**Tan Gaik Hoon**	Malaysian		
	First Director		16 July 1983	21 December 1983
2	**Rajabee Mohd Yusoff**	Malaysian		
	First Director		16 July 1983	21 December 1983
3	**Lim Choong Kong**	Malaysian		
	Director		21 December 1983	30 September 1988
4	**Koh Boon Chor**	Malaysian		
	Director		21 December 1983	17 February 1995
5	**Dato' Yap Lim Sen**	Malaysian		
	Director		16 April 1984	18 September 1989
6	**Tan Boon Seng**	Malaysian		
	Director		16 April 1984	3 April 1989
7	**Dato' Goh Chye Keat**	Malaysian		
	Director		16 April 1984	1 November 1988
	Managing Director		1 November 1988	27 March 1996
	Group Managing Director		27 March 1996	31 December 1996
	Non-Executive Director		31 December 1996	16 August 2006
8	**Tan Sri Dato' (Dr) Haji Ahmad Azizuddin bin Haji Zainal Abidin**	Malaysian		
	Independent Non-Executive Chairman		16 April 1984	28 February 2003
9	**Dato' Mohd Tahir bin Haji Abdul Rahim**	Malaysian		
	Director		16 April 1984	18 January 1986
10	**Koon Yew Yin**	Malaysian		
	Director		16 April 1984	17 February 1995
11	**Ong Yeng Tian**	Malaysian		
	Alternate to Goh Chye Keat		12 June 1984	1 November 1988
	Director		1 November 1988	10 April 1990
12	**Lim Yong Keat**	Malaysian		
	Alternate to Lim Choong Kong		12 June 1984	30 September 1988
	Director		1 November 1988	1 October 1994
13	**Chay Kwok Thong**	Singaporean		
	Alternate to Koon Yew Yin		12 June 1984	31 October 1988
	Deputy Managing Director		1 November 1988	1 November 1993
	Director		1 November 1988	5 May 1997
14	**Tan Sri Dato' Tan Boon Seng @ Krishnan**	Malaysian		
	Alternate to Tan Boon Seng		12 June 1984	3 April 1989
	Alternate to Lim Yong Keat		3 April 1989	10 April 1990
	Director		10 April 1990	
	Deputy Group Managing Director		1 November 1993	1 January 1997
	Group Managing Director		1 January 1997	26 February 2004
	Chief Executive Officer & Managing Director		26 February 2004	31 December 2010
	Executive Deputy Chairman		1 January 2011	

No	Name of Director	Nationality	Appointed	Retired / Resigned
15	**Goh Nan Kioh**	Malaysian		
	Alternate to Dato' Yap Lim Sen		12 June 1984	18 September 1989
	Director		18 September 1989	10 April 1990
16	**Tan Sri Dato' (Dr) Haji Murad bin Mohamad Noor**	Malaysian		
	Independent Non-Executive Director		25 July 1985	16 May 2001
	Senior Independent Non-Executive Director		16 May 2001	22 January 2008
17	**Chee Wan Yee**	Malaysian		
	Alternate to Koon Yew Yin		1 November 1988	10 April 1990
	Director		10 April 1990	15 May 1997
18	**Tan Sin Leong**	Malaysian		
	Director		1 November 1988	10 April 1990
	Alternate to Koh Boon Chor		10 April 1990	30 September 1998
	Deputy Managing Director		1 November 1993	28 December 1995
19	**Khoo Chew Meng**	Malaysian		
	Alternate to Ong Yean Tian		1 November 1988	10 April 1990
	Alternate to Lim Yong Keat		10 April 1990	1 October 1994
	Group Executive Director		1 October 1994	5 September 1998
	Non-Executive Director		5 September 1998	15 August 2001
20	**Choo Choon Yeow**	Malaysian		
	Alternate to Chay Kwok Thong		1 November 1988	1 October 1994
	Group Executive Director		1 October 1994	1 January 1997
	Deputy Group Managing Director		1 January 1997	24 March 1999
	Non-Executive Director		24 March 1999	22 May 2002
21	**Chong Wai Lin (f)**	Malaysian		
	Director		18 September 1989	23 June 1994
22	**Ping Kok Koh**	Malaysian		
	Alternate to Chong Wai Lin (f)		18 September 1989	23 June 1994
23	**Tan Kim Poh**	Malaysian		
	Director		10 April 1990	13 September 1991
24	**Mohamed Feisal bin Ibrahim**	Malaysian		
	Director		12 March 1992	28 November 1996
25	**Mior Abdul Rahman bin Miou Mohd Khan**	Malaysian		
	Director		7 July 1993	5 January 2001
26	**Lai Meng**	Malaysian		
	Non-Executive Director		23 June 1994	30 September 2003
27	**Sim Quan Seng**	Malaysian		
	Alternate to Choo Choon Yeow		25 July 1995	16 April 1998
28	**Ooi Poay Lum**	Malaysian		
	Alternate to Chay Kwok Thong		25 July 1995	15 May 1997
	Group Executive Director		15 May 1997	31 July 2001

No	Name of Director	Nationality	Appointed	Retired / Resigned
29	**Dato' Goh Chye Koon**	Malaysian		
	Alternate to Khoo Chew Meng		25 July 1995	1 January 1997
	Deputy Group Managing Director		1 January 1997	26 February 2004
	Deputy Chief Executive Officer & Deputy Managing Director		26 February 2004	29 June 2008
	Executive Director		29 June 2008	29 June 2009
	Non-Executive Director		30 June 2009	
30	**Tan Sri Dato' Ir. (Dr) Wan Abdul Rahman bin Wan Yaacob**	Malaysian		
	Independent Non-Executive Director		1 July 1996	28 August 2003
	Independent Non-Executive Chairman		28 August 2003	24 August 2011
31	**Velayuthan a/l Tan Kim Song**	Malaysian		
	Alternate to Choo Choon Yeow		12 June 1998	17 May 2001
	Group Executive Director		17 May 2001	21 May 2003
32	**Soo Heng Chin**	Malaysian		
	Alternate to Ooi Poay Lum		12 June 1998	17 May 2001
	Group Executive Director		17 May 2001	22 September 2003
	Senior Group General Manager cum Group Executive Director		22 September 2003	26 February 2004
	Senior General Manager & Executive Director		26 February 2004	30 January 2010
33	**Dato' Arthur Tan Boon Shih**	Malaysian		
	Non-Executive Director		1 October 1998	4 April 2002
34	**Datuk Yahya bin Ya'acob**	Malaysian		
	Independent Non-Executive Director		31 Mar 1999	26 February 2008
	Senior Independent Non Executive Director		26 February 2008	28 August 2012
35	**Haji Osman bin Haji Ismail**	Malaysian		
	Non-Executive Director		5 January 2001	30 January 2004
36	**Datuk Oh Chong Peng**	Malaysian		
	Independent Non-Executive Director		12 April 2002	28 August 2012
37	**Dato' Ismail bin Shahudin**	Malaysian		
	Non-Executive Director		30 October 2003	16 October 2006
38	**Abd Hamid bin Othman**	Malaysian		
	Non-Executive Director		25 March 2004	13 September 2005
39	**Dato' Abdullah bin Mohd Yusof**	Malaysian		
	Non-Executive Director		18 August 2004	5 July 2005
40	**Dato' Teh Kean Ming**	Malaysian		
	Alternate to Dato' Goh Chye Keat		1 September 2005	16 August 2006
	Alternate to Dato' Goh Chye Koon		16 August 2006	1 July 2008
	Deputy Chief Executive Officer & Deputy Managing Director		1 July 2008	31 December 2010
	Chief Executive Officer & Managing Director		1 January 2011	
41	**Dato' Tan Gim Foo**	Malaysian		
	Alternate to Soo Heng Chin		1 September 2005	30 January 2010
	Alternate to Dato' Goh Chye Koon		30 January 2010	31 December 2010
	Deputy Chief Executive Officer & Deputy Managing Director		1 January 2011	6 Jun 2013

2010s

No	Name of Director	Nationality	Appointed	Retired / Resigned
42	**Dato' (Dr) Megat Abdul Rahman bin Megat Ahmad**	Malaysian		
	Non-Executive Director		31 October 2005	25 August 2009
43	**Ayyaril Karikulath Feizal Ali**	Malaysian		
	Non-Executive Director		5 January 2007	21 April 2008
44	**Tan Sri Abdul Halim bin Ali**	Malaysian		
	Independent Non-Executive Director		25 April 2007	24 August 2011
	Independent Non-Executive Chairman		24 August 2011	
45	**Datuk Hj Hasni bin Harun**	Malaysian		
	Alternate to Ayyaril Karikulath Feizal Ali		9 May 2007	21 April 2008
	Non-Executive Director		21 April 2008	24 August 2011
46	**Datuk Lee Teck Yuen**	Malaysian		
	Non-Executive Director		30 May 2007	9 November 2012
	Senior Independent Non Executive Director		9 November 2012	
47	**Dato' David Frederick Wilson**	British		
	Non-Executive Director		30 May 2007	
48	**Pushpanathan a/l S A Kanagarayar**	Malaysian		
	Independent Non-Executive Director		9 November 2012	
49	**Datuk Ir. Hamzah bin Hasan**	Malaysian		
	Independent Non-Executive Director		16 November 2012	
50	**Dato' Soam Heng Choon**	Malaysian		
	Deputy Chief Executive Officer & Deputy Managing Director		07 Jun 2013	


CONSTRUCT
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INFRASTRUC

PART 2

Pillars of Distinction and Pride

Putrajaya International Convention Centre that was built by IJM was described by Jurutera magazine (November 2006) as "a masterpiece, a marvel of engineering and the pride and glory of the Malaysian engineering sector."

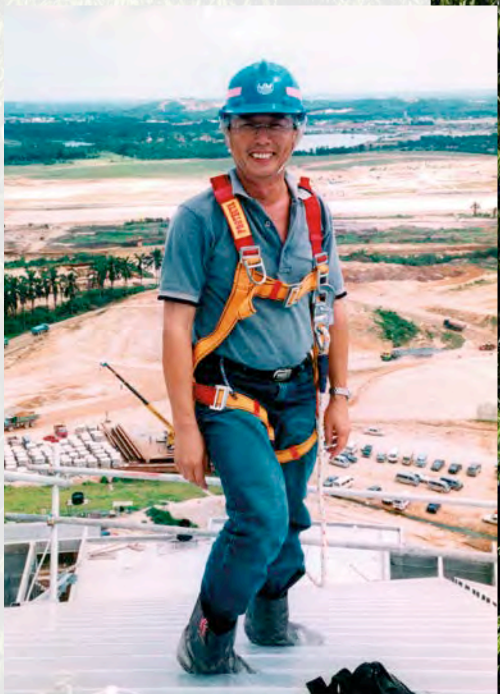
13

CONSTRUCTION
The Leader of the Pack

On 9 June 2003, the Putrajaya International Convention Centre was officially launched by the prime minister of Malaysia, Dr Mahathir Mohamad amidst much pride and exultation. It was a futuristic building like no other in the country, perhaps in the world: it was imaginative, distinctive and involved innovative technologies. It also represented the coming of age of Malaysian professionals who had planned, designed and built it.

For guests from IJM in the audience the biggest surprise of the evening occurred when the prime minister acknowledged IJM as the contractor of the state-of-the-art building in his speech. It was a rare public recognition accorded to a contractor, usually the unsung hero of any landmark project. But Dr Mahathir saw it fit to do so on this occasion because the iconic structure, which even to the untrained eye represented an architect's dream and a builder's nightmare, was constructed according to design specifications, on budget and in time for the Organisation of Islamic Conference (OIC) that Malaysia was hosting later that year. The head of the construction division then, Goh Chye Koon, and his project directors, Tan Gim Foo (current head of construction) and Soo Sik Sang, remember this as the proudest moment in their respective careers. "It gave me the job satisfaction of being a builder," says Goh.

IJM had finally arrived as a contractor of choice in Malaysia. The Putrajaya International Convention Centre project was a turning point for IJM. The company had cut its teeth as a main contractor with large scale



The building's project director, Tan Gim Foo, who was in charge of the steel truss roof describes it as challenging given the complicated geometry and long span.

The column-free Plenary Hall at Putrajaya International Convention Centre can seat 2,800 people.

IJM subsidiary Torsco fabricated the main roof steel structures.

projects such as Mid Valley Megamall and KLCC for private clients and chalked up an impressive track record at home and abroad. However, it continued to languish as a subcontractor for public projects. Eventually, it took an economic crisis to give the company a big break with the government.

Even though IJM was formed in 1983 to break the cycle of being a subcontractor to Japanese and Korean multinationals, the company failed to make headway with government projects. Instead, it merely shifted from being a subcontractor to foreign construction giants to becoming a subcontractor of privatised Malaysian concessionaires, typically bumiputera-led companies incorporated to realise the government's New Economic Policy. Among other things, this affirmative action programme sought to raise bumiputera (mainly Malay) participation across all sectors of the economy where they were under-represented. One vehicle was the government privatisation programme that favoured bumiputera companies who were awarded large turnkey developments to groom them into becoming significant players in the national economy. By the late 1980s, a class of post-NEP bumiputera professionals had emerged, many of them educated in the best of schools and the best of universities abroad, and privatisation sought to make entrepreneurs out of them. Called the *bumi baru* (new bumiputeras), these ambitious young men were entrusted to lead massive privatisation projects that triggered an infrastructure and construction boom in the 1990s. They founded companies that were quickly public listed to raise capital to fund billion-ringgit projects (a primary reason for privatisation). Short on expertise, they sought out high achievers from at home and abroad to deliver their end of the deal to the government. Against this operating landscape, IJM became a trusted subcontractor and joint venture (JV) partner.

Then, the viral 1997 Asian Financial Crisis swept across the region, and many of these ambitious captains of industry became undone. Their companies keeled over and many collapsed under the burden of debt servicing and shortage of rainy day reserves. IJM was shaken but adjusted and recovered quickly.

While seeking solutions, the government put several major projects on hold. One project, however, was deemed too critical to postpone: the development of Putrajaya, the federal administrative capital that was being built to accommodate government offices, together with commercial and residential components, to relieve pressure in an overcrowded and costly Kuala Lumpur. In fact, this real estate development, the largest in the country, was the only beacon of hope for the construction industry during the dark days then. The government had an even more pressing commitment in Putrajaya – to build a spanking new convention centre to serve as the venue for the 10th OIC Conference that Malaysia was hosting in October 2003. An active and vocal member of the OIC, the prime minister, referred to as the architect of Putrajaya, sought to showcase the federal administrative capital to the Muslim world as a modern city built on the Islamic design principles of sustainability. For the convention centre, he envisioned a building that symbolised the convergence of heritage, science & technology, and functionality.

Engineering consultants Chong Thin Hooi and Lau Kok Loong from Perunding Mahir Bersatu Sdn Bhd wrote in the engineering magazine *Jurutera (November 2006)*:

"The commitment to host this conference resulted in a 22-month design and build contract. The brief from the employer required not only a state-of-the art world class conference centre, but also an iconic building that can be a landmark for the country. Being sited on top of the highest hill in the Federal Administration Centre of Putrajaya, nothing less than an iconic building justifies its position. The brief also required a 2,800 numbers of uninterrupted view seating in the plenary hall, a 70m column-free banquet hall below the plenary hall and a Head of State conference hall in between. This offered a challenge to the structural engineer and the contractor

Seven (7) tenderers were pre-qualified and a competitive bid was held. Finally, IJM won and the tendered sum was close to the estimated budgetary cost submitted earlier by Putrajaya independent quantity surveyor. The client Putrajaya Holdings Sdn Bhd was satisfied that the column-free Banquet Hall, uninterrupted view of the Plenary Hall and budgetary cost met their requirement."

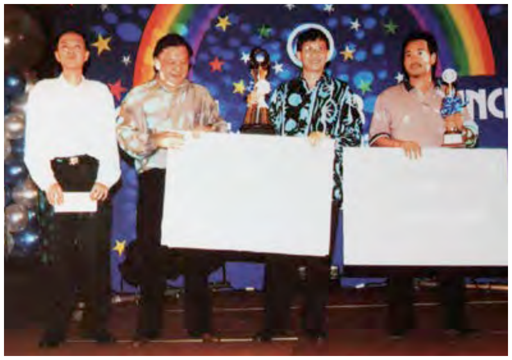
IJM adhered strictly to the Putrajaya local authority's noise pollution levels. Picture here shows project staff measuring noise generated by construction machinery near a residential area in Jalan Lingkaran, Putrajaya.

"When IJM was formed, Mudajaya and Jurutama brought along a whole generation of young engineers such as Soo Sik San, Tan Gim Foo and Ooi Poay Lum. These pioneers who led projects provided a lot of mentoring to their young charges who have worked their way up the corporate ladder. Today, several occupy leadership positions in IJM. Mentoring is an integral part of the culture of IJM's construction business."

Tan Sin Leong, project manager who became construction head, and later deputy managing director

A selection of IJM projects in Putrajaya (left to right): Attorney General's Office, Alam Warisan Hotel (now Pullman Putrajaya) and Saujana Bridge.

IJM built the steel-clad façade of the head office of Putrajaya Corporation.



Deputy managing director Goh Chye Koon presenting trophies and cash prizes to winners of the Annual Quality and Safety Award.

For IJM project directors Tan Gim Foo and Soo Sik Sang, the construction of the Putrajaya International Convention Centre was challenging in terms of time and roof structure. "Delay was not an option in the RM604 million project. Otherwise our company's head would be on the chopping board," says Tan Gim Foo "We worked day and night, and sometimes the prime minister would arrive, riding on a horse early in the morning, to inspect work in progress. We also heard he used a telescope to check on the progress from his office in Perdana Putra directly opposite the convention centre, five kilometres away.

"I was in charge of the steel truss roof, a unique structure with its complicated geometry and long span. The shape of the roof resembles a "pending" the carved buckle on the belt worn to secure the gold-spun sarong worn by Malay royal bridegrooms. The spine truss spanned 80 metres and had a depth that varied between 3.60 metres and 7.50 metres. This spine truss supported the centre roof, inner roof and part of the outer roof.

"The roof required 5,000 tons of steel and had about 20,000 trongs. IJM's steel fabricating subsidiary Torsco had the technical expertise but we were racing against time, all the time. An

Australian site supervisor from Chadwick that did the roof covering estimated it would take about four to five years to complete a project like this in his country. He did not know that the convention centre was a fast track project, and we had to complete construction in two years. I am proud to say we were able to hand over the project ahead of schedule in June 2003."

In concluding its cover story entitled "Design and Construction of the Putrajaya International Convention Centre", *Jurutera* magazine said; "The completion of the Putrajaya International Convention Centre on time and on budget has not only made the Malaysian Government proud but has also shown that local contractors and engineers are able to deliver a mega project within 22 months. It has become a masterpiece, a marvel of engineering and the pride and glory of the Malaysian engineering sector."

The construction supermarket

Since its formation, IJM has positioned itself as a construction supermarket, with in-house capabilities to undertake different types of construction projects, from heavy engineering to specialised construction, from simple to complex works. The three companies that merged to form IJM, each had their own track records and proven capabilities, and IJM represented the single largest gathering of civil engineering skills assembled under one roof in the 1980s. It is a competitive edge that IJM has never ceased to build on.

Today, IJM has made a name for itself in heavy engineering, building bridges and highways, public utilities, railway systems, airports and transit systems. It has also made a mark as a builder of choice for quality housing, corporate head offices, hotels, hospitals, and restoration and refurbishment projects. In all that it does, it stands by its motto, "We Deliver".

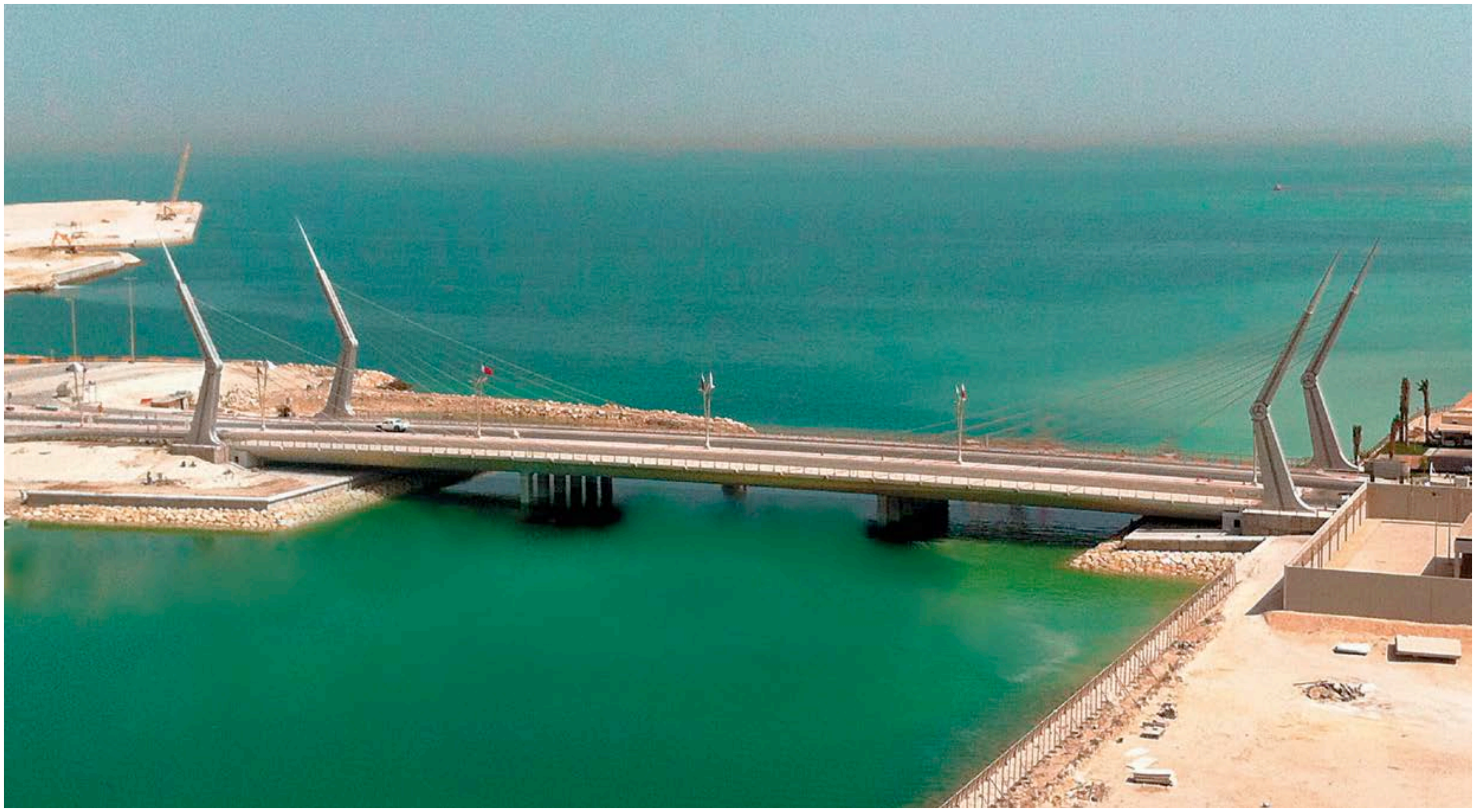
Thirty years on, its portfolio makes it more of a construction hypermarket, and a sought after builder, not only in Malaysia but also in the region.

While IJM may pride itself as a diversified conglomerate with five core businesses, it is essentially identified as a professional construction company led by civil and structural engineers. It is listed under the "Construction" category on the Bursa Malaysia while a recent Google search entry starts with: "IJM is one of Malaysia's leading construction groups…" There is no question as to who is the leader of the pack in IJM: construction. The acquisition of Road Builder Holdings Berhad (RBH) in 2007 greatly enhanced the capabilities and capacity of the division. Until 2009, the construction division was the biggest contributor to the group's turnover and profits. Although profit contributions have been shrinking since, IJM continues to be judged by the performance of its construction business whose order book has grown from tens of millions of ringgit at the time of incorporation to breach RM6 billion at its peak in 2008. Construction projects are also the most influential ambassadors of the IJM brand, raising the company's visibility and potency not only in Malaysia but also in the landscapes of India, Pakistan, China, Vietnam, Hong Kong, Singapore and Middle East. Three factors account for the rise of IJM as Malaysia's premier builder. One, the comprehensive set of processes and systems that the founders introduced to breathe professionalism into every fibre of the organisation's being, from the simplest task of a fax transmission to complex tender proposals, from job hire procedures to income & expenditure entries. The pioneers had worked alongside international contracting firms and aid agencies and recognised the value of embedding proper systems and processes in the organisation to monitor work flow as well as to enhance performance and cost efficiency. The management continues to keep abreast with developments in management and technology that have been deployed to give IJM an edge as a competitive contractor.

IJM chairman Wan Abdul Rahman bin Wan Yaacob receiving the KLSE Corporate Merit Award (Construction Sector) from deputy prime minister Abdullah Ahmad Badawi in 2002.

"IJM has been to Bangladesh, Vietnam, India, Pakistan, Hong Kong, Dubai, Bahrain and Abu Dhabi. The success story is that we completed all the projects and left lasting landmarks. The failure is that we were sometimes unable to make money from them."

***Tan Gim Foo**, site manager who became construction head and later deputy managing director*



A Gulf project: Lulu Reef Access Bridge that links mainland Bahrain and the reclaimed Reef Island, a mixed-use development off the coast of Manama.

The devil is in the detail, and IJM paid (and still pays) close attention to it. As a result, IJM functions like a well-oiled machine, with the confidence and agility to manoeuvre in tight corners and ride on rocky roads, which included three destabilising global recessions. "The recessions are tests that separated the men from the boys," says Goh Chye Koon, head of construction (1997-2009). "Our zealous attention to processes and systems enabled us to come up with a game plan quickly to bounce back. We were serious players, with the tools to survive a beating."

Professionalism also means the quality of hires, and IJM prides itself for attracting well-qualified engineers, technical specialists and professionals from other related construction disciplines, who currently account for 73% of the workforce. The company promotes itself as a construction hypermarket, with in-house skills sets to undertake jobs of different complexities and magnitude. IJM is also well-positioned to take advantage of changes occurring in the construction industry. According to the Master Builders Association Malaysia's *50 Years in Nation Building*

In praise of Professionalism

The success of the construction division can be attributed to construction professionals who made their mark for IJM since its formation. Apart from the founders, we acknowledge the contributions of Chay Kwok Thong, Chee Wan Yee, Tan Sin Leong, Khoo Chew Meng, Ng Aik Pang, Koay Poon Hock, Richard Fong, Teng Chong Meng, Goh Chye Koon, Choo Choon Yeow, Loy Boon Chen, Soo Heng Chin, Ooi Poay Lum, Tan Gim Foo, Soo Sik Sang, Mani, Liew Hau Seng, Ong Teng Cheng and many, many others.

publication: "There is now a move for closer integration of construction activities and smart partnering among various industry players for Design & Build contracts and Build-Operate-Transfer contracts that are gaining popularity. This is attributed to the fact that the separation of design and construction functions under the traditional approach could result in mistakes at the design stage that needed rectification at construction stage, leading to project delays and cost over-runs due to re-works."

There is also a trend to employ of high achieving graduates in IJM. A few first class honours graduates, who after proving themselves on the job, have risen to helm divisions such as construction, property and plantations.

One of them is Tan Gim Foo, appointed the head of the construction division in 2010, and deputy managing director in 2011. He says, "There is a structured career path for engineers in IJM. I started as a site engineer, and in the field, you cannot adopt the silo approach. A site engineer has to be attentive to the delivery schedule, and often ends up doing a lot of things. My site training covered five years, and I moved from conducting surveys to quality analysis & control, then site supervision and eventually preparing tenders & contracts. After this, I was promoted to construction manager, and then elevated to project manager and eventually to project director overseeing several projects.

"Once you become a project manager, it becomes a numbers game. It is about profit margins and management of cash flows, coupled with tight construction schedules to complete projects."

Life on the site is no bed of roses, especially with green-field highway projects and developments such as Putrajaya and KL International Airport. Project engineer Tan Sin Leong, later deputy managing director (1993-1995), recalls: "When I was working in the East Coast of Peninsular Malaysia, my family was based in Singapore. I used to see my wife and children on some weekends and the school holidays. My children were raised single-handedly by my wife for about 12 years. It was the same with other project engineers, who had to be away from home for extended periods of time. We worked day and night as if we owned the company."

Tan's successor Goh Chye Koon says that the founder directors, mainly civil engineers, encouraged senior engineers to become intrapreneurs – entrepreneurs within the IJM system. "We were given a lot of freedom within the corporate body that consisted of strategic business units. Each unit head took ownership of it, and ran it like his own business, tendering for jobs, entering the market, networking with relevant people and organisations. When a project was profitable, the unit enjoyed the rewards. IJM's basic salary for engineers was pretty average, but the incentives were great.

"I represented IJM in several government delegations overseas. It took us to countries such as Kazakhstan, Ghana, Guinea, Mongolia and Libya. We did not win jobs there but we became known. This is the time to network with each other for jobs back in Malaysia. I also represented IJM in industry organisations such as the Master Builders' Association Malaysia and the Construction Industry Development Board. Again, the results are neither quantifiable nor felt immediately. However, the contacts are useful and their influence is felt over time."

***Goh Chye Koon**, head of construction division, and later deputy managing director*

Record Breakers

IJM was awarded the contract to build the basement & foundation of the renowned Kuala Lumpur City Centre Project, with the highest twin towers in the world then. Valued at RM105 million, the project began in mid July 1994 and was completed in April 1996. The project has the distinction of setting several records for IJM, namely:

- the largest concrete volume of 185,685m³
- the largest quantity of formwork ie 271,800m²
- the largest quantity of steel reinforcement ie 21,527t
- the first project to incorporate grade 60 and grade 80 concrete in structure
- the biggest single concrete pour volume of 6,800m³
- the site with the most number of concrete cranes ie 8 units
- the project, with the most number of concrete pumps stationed on site, 3 units of boom pumps and 2 units of static pumps
- the biggest single grade 80 concrete pour volume of 430m³
- the deepest and biggest basement car park with 5 basement levels for 5,000 cars.

(Extracted from IJM News, May 1996)

"The incentive-driven philosophy created a sense of ownership among the senior management. As a result, the company became management-driven rather than personality-driven like many other construction companies in Malaysia. The founders had sold their equity interest and moved on, but IJM continues operating in the traditions laid down by them. This is the fundamental difference between IJM and other builders. We have always been about a team, and no one is indispensable. The "father of IJM" Yap Lim Sen was never in the forefront; he preferred to operate from behind the scenes, letting the rest run the show.

"Working as a contractor is humbling for an engineer," says Goh, who joined IJM after 12 years in the Jabatan Kerja Raya or Public Works Department. "There are four classes of engineers – the government engineer, the consulting engineer, the contractor/engineer and supplier/engineer. We are at the lower rungs of the ladder and it's a dog eat dog world out there. Malaysia has the largest number of construction companies per capita, with about 60,000 of different sizes. It is easy to start up a construction company, with the lowest in the hierarchy issued a Class F licence that qualifies them for RM50,000 jobs such as house renovations. All contracting companies are required to register with the Pusat Khidmat Kontraktor (Contracting Services Centre), and now with the Construction Industry Development Board (CIDB)."

The Binjai, KLCC, also known as The Binjai On The Park, is a luxury condominium overlooking the KLCC Park.

IJM began to shed its "Chinaman" Image when the New Economic Policy in the construction sector was implemented aggressively in the 1990s. The first board of directors was completely Chinese save one, the chairman who was a bumiputera. IJM's second group managing director Goh Chye Keat (1988-96) conscientiously sought out well-qualified bumiputeras to replace board members who had either retired or resigned from government service.

In 1985, educationist Murad bin Mohd Noor, was appointed as an independent non executive director following his retirement as the director general of the Ministry of Education. He was instrumental in IJM's diversification into private education, when it built and operated Penang International College, now known as Inti College. Two other influential public servants joined the board: Wan Abdul Rahman bin Wan Yaacob, previously the director general of the Jabatan Kerja Raya, who was appointed an independent non-executive director in 1996, and chairman of IJM (2002-11); Yahya bin Ya'acob became an independent non-executive director in 1999 after his retirement as the secretary general of the Ministry of Works.

Changes also occurred in the shareholdings of IJM when IGB began to sell its shares, which were bought by institutions. By the late 1990s, government linked institutions such as the Employee Provident Fund, Permodalan Nasional Berhad and foreign pension funds emerged as substantial shareholders. The biggest shift occurred when IGB, the single largest shareholder of IJM, relinquished its interest to Tronoh Mines Malaysia Berhad (later renamed Zelan, a subsidiary of MMC Corporation Berhad) in 2003.

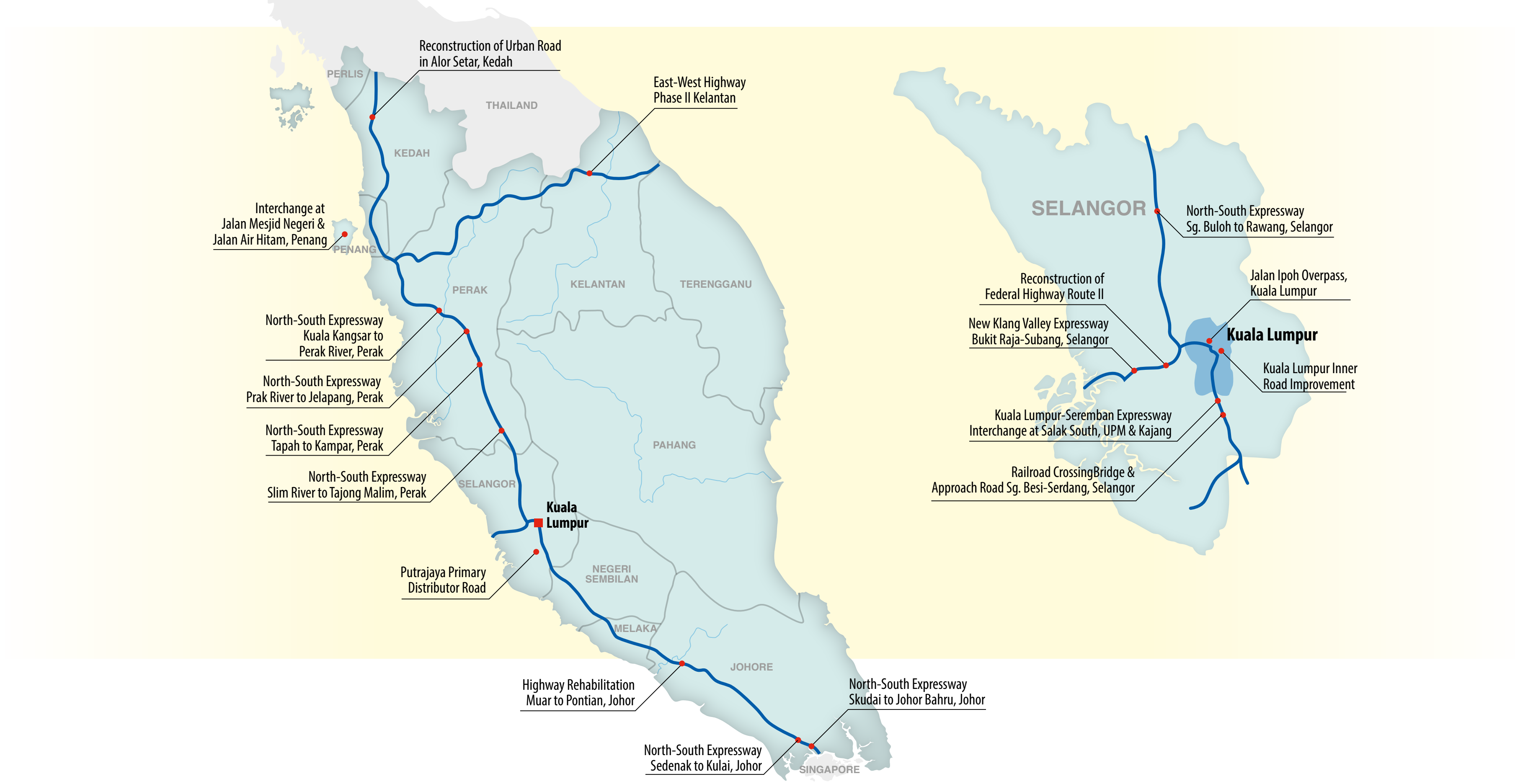
Opinion is divided over these changes, with critics opining that the government linked company culture will seep into IJM, making it more bureaucratic, with the board undermining management

The Islamic Arts Museum Malaysia extension that is also the head office of the Albukhary Foundation.

The Butterworth Outer Ring Road in Penang was constructed to serve the metropolitan areas of Butterworth and Bukit Mertajam that have seen a surge in vehicular traffic with intense industrial and urban development. The 14-kilometre expressway has six elevated interchanges and a bridge over Sungei Perai.

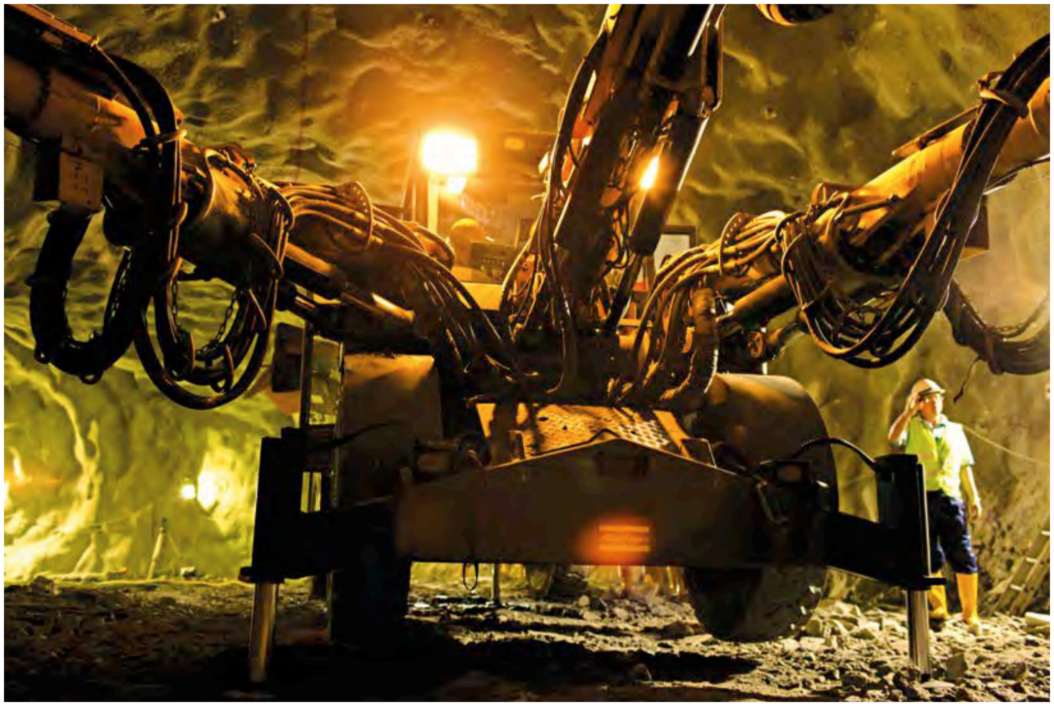
Road to Prosperity

IJM was awarded six major packages for the construction of the 775km North South Expressway, Malaysia's longest toll highway that was officially opened in 1994. It was also a key player in other civil engineering works such roads, highways and bridges, deemed vital for Malaysia's growth and development.



decisions. However, IJM founder Yap Lim Sen, disagrees. He believes that IJM is exactly where it should be as a professional construction company: a shareholder-driven board with an autonomous management entrusted to deliver results. IJM managing directors, past and present, are unanimous in their praise of a board that has always respected and supported management decisions. Krishnan Tan confirms with: "Throughout my time on the board, there was mutual respect and trust. The board was supportive and management always delivered. Management was always mindful that it needed the trust and confidence of the board to perform and in return it must deliver to keep that confidence intact. The case in point was the RM1.6 billion acquisition of RBH at short notice."

This is the defining character of IJM, a privilege that few construction companies in Malaysia seem to enjoy. And one that has been fundamental in the rise of IJM from a mid-size contractor to a premier and diversified construction company in country.



Crawler drill used in Pahang-Selangor Raw Water Transfer Tunnel.

Tunnel boring machine used in Pahang-Selangor Raw Water Transfer Tunnel.

The Pahang-Selangor Raw Water Transfer Tunnel in Hulu Langat-Karak, Malaysia.

IJM's construction division has survived three recessions that have seen rivals shrink, sold or vanish. The only black spot in an otherwise clean slate of profits occurred in 2011, described as the "saddest day" for the division by Tan Gim Foo. "We lost money for the first time even though our Malaysia projects were doing well."

He attributes this sad turn of events to "the legacy of our international projects". Bluntly speaking, India let IJM down. The overheated economy melted from the impact of the ruthless commodity price escalation of 2008 and subsequent international financial breakdown at a time when IJM's international order book was at a historic high. Inflation reared its ugly head, and labour, material and energy costs spiralled out of control. The advent of the global financial crisis in late 2008 made money scarce and interest rates shot through the roof. Worse, IJM had won projects through highly competitive bids. In the climate of rising costs and poor liquidity, payment and collection became problematic.

The construction division had high hopes for the rising India, which delivered well until then, accounting for about 50% of the construction order book until 2008. The sudden turn of events was both a heartache and headache for IJM, which decided to take the hit once and for all. The construction division wrote off the losses and went into the red in 2011. Goh Chye Koon refers to it as "kitchen sinking."

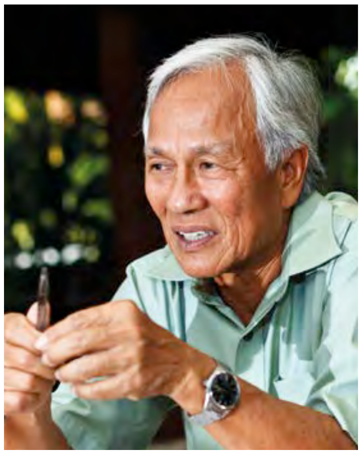
Upgrading of Senai Airport in Johor: IJM constructed the runway extension and built the airport terminal.

It only proved the vulnerability of the construction industry, and IJM's ability to navigate choppy waters well. When seas were rough at home, it boldly ventured across the high seas to emerging economies, taking risks that few Malaysian companies were willing to take. It made a name for itself abroad, and now that the winds of fortune have shifted back home, it has returned its focus to the domestic front, stronger than ever. The 2012 Annual Report announced an order book of RM4.4 billion, which includes contracts in the Klang Valley, and the Mass Rapid Transit project, the largest infrastructure project in Malaysia to date. The division is awaiting the finalisation of contracts for the construction of the RM6 billion West Coast Expressway, when the construction order book is expected to breach its record yet again.

The division and its key players' role in the moulding and growth of the entire group must be recorded for posterity. It built the culture of trust, teamwork, good governance and entrepreneurship into the IJM corporate DNA. Its completed landmarks dot the many geographies through which IJM has journeyed in the last three decades, and are concrete testimonials of IJM for generations to come. And it provided the platform of respectability and the earnings to support IJM's growth into other businesses and expand regionally.

"The Japanese are smart in the way they internationalise their construction business. They start by establishing trading companies in new markets. This gives them the opportunity to survey the business environment, establish contacts and find partners slowly. They don't rush it. When IJM entered India, we were opportunistic."

***Tan Sin Leong**, project manager who became construction head, and later deputy managing director*



Jaipur Mahua Tollway in Rajasthan, India

The upscale Prestige Shantiniketan township in Bangalore, India

The luxury condominium Troika KLCC in Kuala Lumpur.

OTHER PROJECT HIGHLIGHTS

National Theatre in Kuala Lumpur

Avillion Resort Hotel in Port Dickson, Negeri Sembilan

Pan Pacific Resort Pulau Pangkor

Teluk Intan District Hospital in Perak

Riverside Condominium in Singapore

KL-Seremban Toll Expressway Interchange

Port Klang Power Station Phase II in Selangor

Colmar Tropicale in Bukit Tinggi, Pahang

First Silicon semiconductor factory in Kuching, Sarawak

OTHER PROJECT HIGHLIGHTS

Jelutong Expressway in Penang

Grand Hyatt Kuala Lumpur

Menara CIMB in Kuala Lumpur

The Lumiere in Singapore

Putrajaya Hospital in Putrajaya

National Science Centre in Kuala Lumpur

Prestige Shantiniketan in Bangalore, India

Fortune Tower Dubai, UAE

Delhi Metro Rail in New Delhi, India

Marina Square in Al Reem Island, Abu Dhabi, UAE

Ipoh Railway Station restoration and upgrading works

Kuala Lumpur Monorail

Senai Aeromall Terminal in Johor

Poolside panorama: view from the swimming pool of Light Point, a luxury condominium in The Light mixed development along Penang's eastern foreshore.

14

PROPERTY
On the Ascendancy

IJM has the enviable position of owning one of the largest waterfront land banks on the island of Penang – 324.9 acres of real estate on the eastern shoreline that greets motorists cruising into the island along Penang Bridge. Once a sleepy knoll of vegetable farms fronted by mud flats inhabited by crabs and other marine life, this coastline came under the radar of the state's urban planners when they wanted to build an alternative route to convey motorists living in the industrial belt of Bayan Lepas and new population centres in the southeast to the city centre of Georgetown in the eastern tip of the island. The existing arterial road was overburdened with traffic congestion.

On 22 April 1997, the Penang State Government entered a privatisation agreement with IJM's Jelutong Development Sdn Bhd (JDSB) for the construction of the Jelutong Expressway, from Jalan Udini to Weld Quay near Penang Port. One thing was clear, the coastal highway that sliced through densely populated suburbs of Georgetown must be toll-free.

According to *EQ newsletter* (September 1997) published by IJM Property Division, "Statistically speaking, the project is noteworthy from a social, environmental and political point of view. It has captured the attention of millions of Malaysians because it is widely viewed as a project that will 'rescue' Penang island, its people and its businesses from the kind of traffic gridlock that is choking Kuala Lumpur's progress."

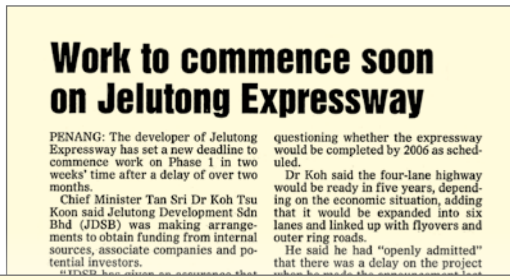
Since this was not a toll concession, the agreement provided for the cost of construction of the 4.7 km six-lane expressway, subsidised affordable housing for displaced residents as well as land reclamation along the project corridor to be recovered with property development. As a result, the state alienated a total of 324.9 acres of the foreshore, including a sizeable chunk to be reclaimed, to JDSB for property development. *EQ newsletter* also says, "The development of such a large tract of land, within proximity of Georgetown, literally from the ground up, is unprecedented in the island's history. As a measure of comparison, the total development of the state's iconic Komtar covers 57 acres, or 17.5% of the area defined for JDSB's development."

An artist impression of The Light, Penang that is set to transform the eastern shoreline of this World Heritage island with a collection of upscale developments, from luxury residential units to leisure/retail/entertainment components.

The toll-free Jelutong Expressway was built in exchange for rights to develop the expressway corridor and land reclaimed alongside it.

Managing director Krishnan Tan briefing prime minister Mahathir Mohamad and chief minister Koh Tsu Koon on the Jelutong Expressway Project in Penang.

Source: The Star, 13 August 1999



Work to commence soon on Jelutong Expressway

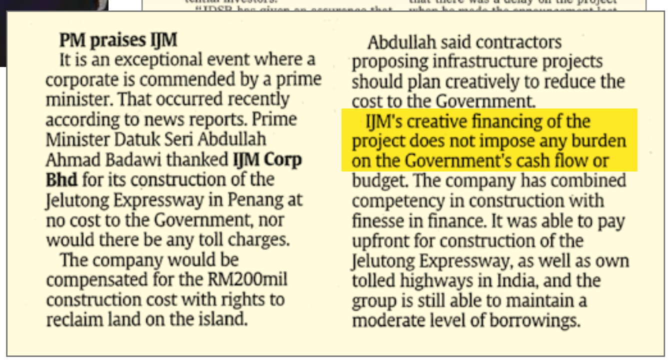
PENANG: The developer of Jelutong Expressway has set a new deadline to commence work on Phase 1 in two weeks' time after a delay of over two months.

Chief Minister Tan Sri Dr Koh Tsu Koon said Jelutong Development Sdn Bhd (JDSB) was making arrangements to obtain funding from internal sources, associate companies and potential investors.

questioning whether the expressway would be completed by 2006 as scheduled.

Dr Koh said the four-lane highway would be ready in five years, depending on the economic situation, adding that it would be expanded into six lanes and linked up with flyovers and outer ring roads.

He said he had "openly admitted" that there was a delay on the project



PM praises IJM

It is an exceptional event where a corporate is commended by a prime minister. That occurred recently according to news reports. Prime Minister Datuk Seri Abdullah Ahmad Badawi thanked **IJM Corp Bhd** for its construction of the Jelutong Expressway in Penang at no cost to the Government, nor would there be any toll charges.

The company would be compensated for the RM200mil construction cost with rights to reclaim land on the island.

Abdullah said contractors proposing infrastructure projects should plan creatively to reduce the cost to the Government.

IJM's creative financing of the project does not impose any burden on the Government's cash flow or budget. The company has combined competency in construction with finesse in finance. It was able to pay upfront for construction of the Jelutong Expressway, as well as own tolled highways in India, and the group is still able to maintain a moderate level of borrowings.

Source: The Star, 18 September 2006

Group CEO and managing director Teh Kean Ming, previously head of the Property Division (2001-2007), describes the Jelutong Expressway project as a breakthrough for the property division. The ambitious development project represents the convergence of IJM's construction and property arms, working side by side in the transformation of the eastern foreshore of Penang. After years of being in the shadow of the construction division, the property division shared equal billing with its "parent".

"The project take-off was bumpy, but on hindsight this was a blessing. Three months after signing the agreement, the 1997 Asian

Financial Crisis struck, and the toll-free expressway was no longer bankable. It needed a massive infusion of internal funds from the group, whose financial resources had shrunk when share prices plunged and the ringgit was devalued. Key infrastructure projects were cancelled and collection of receivables became the order of the day as a result of the crisis. In this harsh economic environment, it was impossible to proceed with construction as it would affect sorely needed cash flow and banks were not funding infrastructure projects," recalls Teh.

The Jelutong Expressway project stalled, and IJM wondered how to resolve the impasse. As a solution, it boldly proposed restructuring the concession agreement. The proposition caused a stir but the state government acknowledged the need for a meaningful compromise to bring to fruition the original goals of the concession. A supplementary agreement followed. Teh pays tribute to his predecessor in the property division, Ooi Poay Lum, and group managing director Krishnan Tan who played key roles in renegotiating for more flexible terms that were consistent with the prevailing economic environment in the supplementary agreement.

Following the success of the Batu Lancang privatisation project, IJM was awarded the Harbour Trade Centre privatisation project by the Penang Development Corporation. The centre, which was completed in 1993, was built to accommodate commercial tenants affected by the Komtar development.

> "IJM's property development business had its roots in Jurutama that won a public tender to develop a parcel of land in Batu Lancang, next to Green Lane in Penang. This was in the 1980s."
>
> *Source: Organisation Study of Jurutama Sdn Bhd, 31 July 1986*

In October 2002, the supplementary agreement was signed and it provided for the Jelutong Expressway to be constructed in three stages, with property development funding construction. The phasing of the originally approved 28 million sq ft of development was revised to enable better cash flow management. Ooi says, "We strategised the construction sequence to allow for sufficient time to generate revenue from property development and reduce as much as possible the holding costs of the expressway land bank."

The division started the new millennium with a bang, and the property division took centre-stage in Penang. The first item on the agenda after the signing of the supplementary agreement was the land swap that permitted the development of certain medium cost apartment parcels while the expressway construction was in progress. "As luck would have it, land value had appreciated substantially since," recalls Ooi. "Nowadays, land is transacted by square feet, and in hundreds of ringgit, not in acres anymore. When we did our sums, the cost of land to us was RM42 per square feet gross in 1997, at a time when comparable land was transacted at a price lower than this. In 2012, the state government tendered a parcel of 103 acres near the Penang Bridge that was not even fully reclaimed at RM240 square feet gross. When reclaimed, it would be RM300 per sq feet or more."

For the first time in the property division's history, IJM approached the Jelutong Expressway development with the mindset of a real estate developer. Still, there was the problem of public perception, which still saw IJM as a contractor. Ooi's successor Teh says, "We knew we had to brand IJM properties and promote them aggressively. Since we had three development parcels

e-Gate in Penang is a commercial development along the Jelutong Expressway, overlooking the sea.d

involving every segment of the property market, we decided to market our properties like Toyota that had models for different market segments. Our strategy was to promote IJM Properties as the "Toyota of real estate," represented in every segment, and excelling in each."

Stage 1 of the Jelutong Expressway consisted of the construction of 3.7 km (about 80%) of the expressway to be funded by two key developments. One, the integrated 90-acre township Bandar Sri Pinang consisting of low to medium cost high rise housing, light industrial spaces, schools, recreational parks and other public amenities. All squatters along the road corridor and development areas needed to be relocated and housed. "The repeal of the Rent Control Act created an urgent demand for urban redevelopment to meet housing shortages for city dwellers," explains *EQ newsletter (2000).* Typically, rent-controlled homes were located in the inner city, where rentals were capped at pre-war rates by the British Colonial Government as an acknowledgement of the occupants' loyalty and services to them, especially during World War 2. However, inflation and the rising cost of living as well as the dilapidated condition of these homes led to the repeal of the Rent Control Act by the state.

"We are continuously looking for opportunities in our characteristic aggressive yet prudent manner that has worked well for us in the past. Currently on our radar are the emerging economies of Indonesia, Cambodia and Myanmar. Our property division, meanwhile, entered a joint venture with a British developer to build homes near the Tower Bridge in London. Motivated by a strong desire to become an internationally known developer, our strategic move to enter the UK market was based on capitalising the favourable exchange rates and strong Malaysian demand for overseas properties, especially in London. The weakening of the pound sterling and stringent lending requirements for local London developers provided us with a window of opportunity to enter this much sought after market."

***Teh Kean Ming**, CEO/managing director of IJM*

Two, was the transformation of Udini Junction at the start of the expressway with a collection of medium cost and luxury condominiums alongside upscale commercial and retail spaces. This is where the property division earned its spurs as a reputable developer. "There was a dramatic shift in our sales and marketing strategies," says Teh. "Our greatest achievement was luring Tesco, which we knew, from the beginning, would be the pull factor in enhancing our development as the anchor tenant of Metro East on a 30-year lease. The Tesco property was treated as an investment property with recurrent income stream and capital gains prospects. Three years later, we sold the property to monetise our investment to fund ongoing development and realised a good return. The strategy had worked well, and since then, we have sought out other investment properties.

"The e-Gate building is another example of sharp sales with a strategic approach. We had an attractive offer from a very keen buyer for the entire ground floor units. As first floor units are normally difficult to sell compared to ground floor units, we bundled them with the ground floor units as a condition for the buyer. He agreed to purchase all."

Fifteen years since the watershed concession agreement of 1997, the spin-offs of the Jelutong Expressway can both be seen and felt. It has resulted in the resuscitation of a decaying part of Georgetown while the bridgehead has been energised with residential, retail and commercial buzz.

The jewel in the crown has started to shimmer – this is The Light, which is taking shape after the completion of Stage 2 and 3 of the Jelutong Expressway project. The pride of IJM Land, The Light is being developed as a global village described by the website as "a picture-perfect 152 acres of integrated waterfront living, with residential, recreational, entertainment, business, hospitality, education and commercial components all in one dynamic hub."

Principally a construction company, IJM entered property development during the 1985 recession when the construction sector was hard hit. During this period, the construction business was tough and collections difficult. IJM reasoned that instead of building houses for other people and hoping they would pay, why not build and sell on our own. Then the company would not have to worry about payments. Since it did not have any land bank of its own and cash was tight, it decided to venture into privatisation projects, developing affordable and medium-cost housing for state governments. The first project was 1,600 units in Ulu Kelang, Kuala Lumpur, followed by 1,500 units in Batu Lancang, Penang. Development costs pumped into subsidised affordable housing were recovered through profits made in the sale of medium cost housing. Encouraged by success, IJM incorporated IJM Properties Sdn Bhd to realise its property development ambitions.

"It made sense for IJM to diversify its business as a strategy for growth and protection against overexposure to the cyclical construction sector," says Ooi Poay Lum, a construction engineer assigned to oversee IJM's thrust into property development. He was

"Jurutama is also one of the first wholly Malaysian owned companies to venture into prefabricated housing when it undertook a RM12 million project in Penang. The project involved 1,005 units of low cost flats in the present day Taman Tun Sardon."

***Ooi Poay Lum**, first general manager of IJM Properties Sdn Bhd*

Construction versus property development

"In the early years, there was always the pull and push factor between the construction and property business in the allocation of capital within the group. Since IJM was principally a construction company running a tight cash flow business, it did not have the luxury to allocate large capital into its property arm, especially since construction projects are constantly short of funds due to large amounts of money being stuck in accounts receivables from progress claims and retention sums. It was thus not willing to put in higher equity or shareholders funds to reduce the amount of interest-bearing type of finance needed to acquire land banks and pay for development costs."

"I am proud of my idea to create an in-house property management subsidiary, Liberty Heritage Sdn Bhd to add after-sales value to IJM properties. Malaysia is a country that pays little importance to maintenance and the service culture is weak. I can see today that the building maintenance industry is developing much faster than before and many buildings today have invested heavily in expensive plants, equipment and technology because good maintenance is essential to preserve the value of property assets.

***Ooi Poay Lum**, first general manager of IJM Properties Sdn Bhd*

Nusa Duta in Iskandar Malaysia is a freehold development of approximately 127.73 acres. It is a mixed signature development comprising of medium-high to high end properties.

later appointed to head the property office in the north, and became the general manager of IJM Properties Sdn Bhd, which was established in 1995. "There was synergy between the two businesses especially since property development could ride on IJM's construction division's history of delivering high quality projects, on time and on budget. Not many contractors turned developers enjoyed this level of professionalism and reputation as technically competent and trusted builders.

"However, the mindset and business culture of a successful contractor versus a successful developer are different, and it took time for IJM to develop the essential skill sets and market sophistication to evolve into a successful developer. IGB, our parent company, had earlier accomplished this under its managing director Yap Lim Sen, a construction man who became the sophisticated face behind the successes of IGB in the 1980s."

It took about 20 years for IJM to arrive at this destination, but the journey provided useful lessons and experiences. It began with humble privatised housing projects in Penang and

Selangor that involved affordable and medium cost housing in safe locations. "We pursued aggressively privatisation projects as well as joint ventures with land owners for projects that involved low equity and guaranteed sales. Basically, our aim was to keep the construction boys busy during the recession," says Ooi. "The division gathered steam and had a string of developments in Penang, the Klang Valley and Sarawak."

During the 1990s, the focus in the northern and central regions was on high rise strata developments because of land constraints and the cosmopolitan lifestyle of Penang and Kuala Lumpur. It built a condominium in Johor Bahru – Sri Mulia – but found it difficult to sell. Thereafter, it concentrated on landed properties in Johor, Sarawak and Sabah.

During this period, the property division began to take shape and a sales team was appointed to market properties in Penang. Sales offices were also established in Kuala Lumpur and Sandakan. Fully staffed, and designed with tastefully furnished showrooms, they aimed to project IJM's image as a serious nationwide developer.

The newly completed Taman Utama in Sandakan, Sabah.

Nestled on the Bukit Jambul hillside is the low density Sierra Vista development that consists of studio and semi-detached residential units.

"Initially, my northern team learnt the ropes from our parent company IGB," says Ooi. "We had a good working relationship with our IGB counterparts Ray Cheah, Tan Boon Gark, Er Ah Huat and PK Poh. They were our mentors, and supported us as peers in a sister organisation. Personally, my biggest role model was Yap Lim Sen, who I saw as the perfect professional engineer turned property developer and self-made entrepreneur. This healthy relationship is another unique feature of the IJM-IGB history.

"After going through the first learning curve as a play-safe developer, the property division was ready to try high end projects that produce higher profits but also carry higher marketing risks.

INTERNATIONAL CREDENTIALS

IJM has good credentials as a developer overseas. It began modestly with two residential projects in Orlando, Florida in the late 1980s. One was called South Fork, named after the property in the "Dallas" television series that was the rage of the day, and another was Conway Place. It consisted of 107 bungalows that taught IJM the importance of good planning and design.

The big break came in 1993, when IJM acquired a 50% interest in OSW Properties Pty Ltd, which had the rights for a commercial, hotel and residential development on one quadrant of the famous World Square Project in Sydney, Australia. Tan Joo Kee was engaged to lead and manage this project which had many sceptics as it had stalled for many years prior to IJM's acquisition.

The main challenge for this project, in addition to getting the necessary building approvals, was funding the project. In markets like Australia, 90% of payment for residential units is made upon completion. The residential tower sat on the hotel and commercial podium, which meant the company had to raise over A$180 million for the project. Bankers then were not kind to developers. The breakthrough came when a deal was made with the Malaysian group, Reliance, to acquire a controlling interest in the hotel and to pay for the construction progressively. OSW went on to complete the landmark Avillion Hotel (now Rydges) and the Horden Towers in time for the Sydney Olympic Games.

Horden Tower in Sydney, Australia

Conway Place in Orlando, Florida, USA

Orchid Park in the Gold Coast, Australia.

Raintree Park in Hyderabad, India.

Several other projects such as the redevelopment of the heritage Manning Building was subsequently successfully undertaken in Sydney.

Another country where IJM made its mark as a developer is India, where it pioneered integrated townships in the state of Andra Pradesh and Karnataka. They became known as Malaysian townships or IJM townships. Some of the best known developments are Raintree Park in Kukatpally, Hyderabad and Raintree Park in Vijayawada. *(More on IJM in India in Chapter 8)*

IJM recently entered the United Kingdom as a developer, and is on the look-out for property projects in the emerging economies of Asia.

Riana Green, Petaling Jaya, a flagship condominium that helped build IJM's brand equity in the competitive Klang Valley market.

Community Counts

"In IJM townships, our role goes beyond sales, and our job does not end with the handover of keys. We are here to build relationships with buyers, because a happy property owner is our best salesperson.

"We invest much time and resources in community engagement, which is a part of our CSR programme. We usually liaise with the Residents' Association that represents the interests of the community, and became involved in issue-management such as beefing up security and anti dengue campaigns. We also involve schools in our environment projects."

***Soam Heng Choon**,*
CEO/managing director of IJM Land

Penang's Sri York marked IJM's entry into premium condominium development.

"Our first big break came when IGB decided to exit Penang altogether to concentrate in more lucrative markets in the Klang Valley and overseas. It sold its northern land bank to us, and offered us 30% equity in the Sri York condominium project. Sri York gave us the first taste of a high end development and can be put down on record as IJM's first condominium project. It came with facilities, and involved a lot of upfront planning for eventual handover to the body corporate for building management.

IJM Corp to commence on various projects in Penang

By ANGIE NG in Penang

IJM CORP Bhd has lined up various projects comprising condominiums, apartments and commercial development in Penang.

Sri Pangkor Condominium, a luxury condominium project on a 2.3ha site along Pangkor Road and Kelawei Road, would be launched in September.

The project would comprise one 28-storey and two five-storey blocks with a total of 171 condominium units, priced from RM370,000 each.

"Response has been good from local buyers who have registered for at least 70 per cent of the units," IJM property division director Ooi Poay Lum told *Star Business*.

The project's best selling points are its strategic location, low density and large built-up areas, he said, adding that maximum security and full condominium facilities would also be provided.

These included two tennis courts, a squash court, swimming pool with jacuzzi, children's wading pool, steam bath rooms, cafetaria, gymnasium, convenience store, games room and child care centre.

Ooi said IJM would also be developing *Bukit Jambul Indah*, a resort project on a 31.1ha site on Bukit Jambul.

Phase one of the project would be launched by September and expected to be completed by 1998.

Ooi with the model of Bukit Jambul Indah Phase 1.

With built-up areas from 800 to 1,600 sq ft, the medium-cost apartments are priced from RM129,000 to RM280,000.

"A club house with full club facilities including a swimming pool, tennis courts, squash court and a gymnasium will also be built and membership is by subscription," he said.

... rey block of 120 low cost units would also be built. Ooi said a 13.6ha nature reserve land adjacent to the project site would be maintained as a recreational park with natural parks and jogging trails to be opened to the public.

IJM will also be developing a 20-storey retail/office complex along Penang Road with construction expected to ...

"Sri York also taught us a lot about high rise strata developments and issues pertaining to them. We learnt about the importance of trust, goodwill and a good reputation that will only manifest itself when owners and tenants move in and experience the impact of good and bad planning decisions made by the developer."

Exhilarated by the success of Sri York, the property division embarked on other condominiums, notably niche private projects such as Sri Pangkor in Penang and Riana Green

PJ8 is an integrated service apartment and office development in Petaling Jaya.

The retail development SStwo Mall in Petaling Jaya, Selangor

in the Klang Valley, flagship projects to build brand equity. The contractor mindset was receding as IJM Properties adopted the developer's approach in making decisions for long term benefits rather than short term gains.

By the end of the 1990s, IJM had grown from the builder of affordable homes to a reputable developer of integrated residential, commercial and industrial projects. Its portfolio included projects across the country, but its biggest achievements occurred in Penang, where it outlasted most competitors who failed because they were either undercapitalised or failed to deliver. Meanwhile, the who's who of real estate, shunned Penang in the 1990s, preferring to concentrate in the booming Klang Valley, where the total value of property transactions per annum was RM12 billion in Kuala Lumpur and RM51 billion in

An artist impression of the residential development Laman Granview in Puchong, Selangor.

The exclusive Laman Baiduri condominium overlooks Subang Jaya Lake in Selangor.

Menara IJM Land in Penang

Selangor. In contrast, the Penang platter was a modest RM18 billion. In all probability, the big timers were also discouraged by Penang's outdated development guidelines that tended to burden developers with extra obligations as a part of the approval process.

The proclamation of Georgetown as a *UNESCO World Cultural Heritage Site* in 2008 has revitalised the Penang property market. Suddenly, the charm of a heritage city began tugging the heartstrings of those who had left its shores in search of fame and fortune decades earlier. Cashed up by foreign earnings, many headed back to their place of birth, and were not coy about investing in multi-million ringgit luxury homes and condominiums. The big boys of real estate did not wish to pass off on this golden opportunity, and rushed to stake their claim on

> "We sold assets because the timing was good, and profits were ploughed back for future investments. Recent divestments include Menara IJM Land and Tesco in Penang, and AEON Bandaraya Melaka.
>
> ***Teh Kean Ming****, managing director of IJM*

Tesco in Penang

Lessons from the Field

LESSON #1: The Bukit Jambul township development in Penang was most problematic because it involved a combination of factors that had not been taken into account at the time of negotiations with the Penang Development Corporation that privatised the project. The main challenge was in having to develop the hilly terrain with minimum earthworks. Infrastructure development was an additional financial burden and there were also upfront costs involved in the development of the Penang International Education and Technology Centre, now Inti College. Further developable land was reduced following the collapse of Highland Tower, a hill slope condominium that resulted in several fatalities in 1993." – ***Ooi Poay Lum***, *general manager of IJM Properties*

An artist impression of Fairway Bukit Jambul, Penang.

LESSON #2: "We had 300 acres in Sandakan, and found it difficult to sell our properties under Phase 1. When we sought answers, we discovered that local developers were bad mouthing us. They said we came from Peninsular Malaysia to make money from Sabahans. Another perception was that we were planters (IJM Plantations is big Sandakan) and could not build homes. Moreover, since the development was a joint venture with the Majlis Ugama Islam Sabah (MUIS), rumours circulated that the residential area would have many religious buildings.

To address these misgivings, we met with the community and shared with them our masterplan. We showed the entire master plan using a scale model that displayed no religious building was to be built in this development. We also appeased them with CSR projects to prove that IJM was a caring and trusted developer, here for the long term. We also showcased our track records prominently in the showroom and at roadshows to prove that we are a credible developer.

These overtures worked, and our terrace houses priced at RM168,000 against the local developers' RM128,000-RM148,000 were fully sold. Now the word in Sandakan is that if you are willing to pay for quality and well-designed houses, go for IJM. Locals have also moved up with us. We set the standards in Sandakan.

"Like in Penang, IJM brought a hypermarket chain store to the town of Sandakan in Sabah on a long term lease. It is an investment property, desirable for its recurrent income that generates cash flow and, equally important, to enhance the marketability of our shop lots in the area and turn it into a flourishing commercial precinct." ***Teh Kean Ming***, *managing director of IJM Properties*

Taman Utama in Sandakan, Sabah.

LESSON #3: "In Taman Utama, Sandakan, IJM pioneered a higher standard of housing and external roads infrastructure design with the hope of setting a new benchmark in this plantation town. It failed to hit home. Initially, the market did not seem to appreciate the nice streetscape, and some sidewalks and roads have not been maintained by the local council despite IJM setting a new standard for the town." ***Teh Kean Ming***, *managing director of IJM Properties*

An evening view of the sprawling Seremban 2 in the distance, as seen from Hill Park in S2 Heights, also an IJM development.

"IJM Land has this vision of bringing life to ordinary spaces. The essence of this message is conveyed in our tagline, *We make good better*, which cuts across all that we do, deliver and follow-up."

***Soam Heng Choon**, CEO/managing director of IJM Land*

the island's buoyant property market, where million ringgit luxury condominium units were selling like hot cakes.

Well-entrenched in Penang, IJM Properties was ready to welcome high end buyers with The Light project, designed as a tribute to the sun, sea and heritage culture of Penang. It is a fitting climax to the Jelutong Expressway project, which set IJM Properties' star clearly on the ascendancy.

The year 2008 was described as a "momentous year" for the property division by group CEO/managing director Krishnan Tan in the first annual report released by IJM Land, the outcome of the injection of IJM Properties into RB Land, a listed company on Bursa Malaysia, on 16 June 2008.

In the IJM universe, the construction and property divisions are inextricably linked. This is clearly demonstrated in the property division's road to public listing. It occurred on the back of IJM Corporation Berhad's acquisition of Road Builder (M) Holdings Berhad in 2007, ostensibly to ramp up construction capabilities and vie for international projects *(refer to Chapter 9).* Road Builder came with several gems, among them the public listed RB Land Holdings Berhad, a reputable township developer with a portfolio that includes Seremban 2 and Shah Alam 2 and niche high end developments in the Klang Valley such as Bayu Segar (Cheras), Bayu Sri Bintang (Kepong), 10 Baiduri (Subang Jaya), the en bloc SStwo Mall and Nusa Duta (Johor Bahru).

In the rationalisation exercise that followed, IJM Properties was injected into RB Land, and the enlarged listed entity renamed IJM Land Berhad. The merger resulted in the doubling of the number of projects, staff and the size of the land bank. The 2008 Annual Report declared: "The rationalisation exercise is expected to propel IJM from a mid size developer into one of the largest property developers on Bursa Malaysia in terms of asset size."

2008: The launch of the new corporate identity of IJM Land, flagged off by minister of housing and local development, Ong Ka Chuan, witnessed by (left to right): deputy managing director Teh Kean Ming, IJM Land managing director Soam Heng Choon and IJM managing director Krishnan Tan.

A year later, IJM Land Berhad's chairman Krishnan Tan stated in the 2009 Annual Report. "This year marks a new chapter in the history of the company, with the completion of our transformation into one of the largest property developers in Malaysia. This new force, now known as IJM Land Berhad, is expected to spearhead the group's ambition to become one of the most recognisable and reputable names in the Malaysian property market similar to its achievement in the construction arena. Towards achieving this goal, IJM Land undertook a major rebranding exercise that commenced with the unveiling of its new name and logo on 11 September 2008. In conjunction with this, its new vision and mission were communicated to staff nationwide so as to align them to the group's new corporate objectives."

Shah Alam 2 township in Selangor

There was a changing of the guard at the top since the merger meant there were now two leaders. The issue was resolved with the promotion of IJM Properties' managing director Teh Kean Ming as deputy group managing director of IJM following the retirement of incumbent Goh Chye Koon. RB Land's head Soam Heng Choon, an industry hand, became the first managing director of the newly enlarged IJM Land.

"It was a good fit," says Soam of the merger. "Both companies were focused on property development in high-growth urban centres but in different geographies. IJM Properties has a strong presence in the Klang Valley, Penang, Johor and Sabah while RB Land is well known in the Klang Valley as well as Negeri Sembilan, Melaka, Johor and Sarawak. Together, we pretty much have the entire country covered except for the East Coast of the Peninsular."

The merger boosted the bottom line, and IJM Land registered bumper revenues – RM0.67 billion in 2009 that grew to RM1.10 billion in 2010. Soam says, "We are not only about driving sales but also about cash flow management and cost control. As a listed company, we keep a close watch on costs and performance." Business magazine *The Edge Weekly* ranked IJM Land as No. 3 in terms of market capitalisation in 2012.

The Ampersand in KLCC is a low rise luxury condominium tucked away on a stylishly landscaped two acre block in the heart of bustling Kuala Lumpur.

"As an IJM subsidiary, we have to breathe quality into everything we do, and it is evident in our developments," says Soam. "Like our construction division that calls itself a 'supermarket' offering expertise in every field, IJM Land is also a 'supermarket' with projects in every segment, from affordable housing for the less privileged sections of society to exclusive properties such as the Ampersand @ Kia Peng, a stone's throw from KLCC, that targets the millionaire's club. Low end or high end, we do not compromise on quality.

"IJM Land has this vision of bringing life to ordinary spaces. The essence of this message is conveyed in our tagline, *We make good better*, which cuts across all that we do, deliver and follow-up. It calls upon us to be more daring, innovative and keep up with changing times. We commission consumer research to study different geographies and demographics to design products and environments to suit different lifestyles. For example, we found that prospective buyers of The Light in Penang are likely to be influenced by green certification. As a result, three residential developments – Linear, Collection and Light Point – are being built to comply with the criteria of the Green Building Index. Our biggest achievement is in the development of our first green township in Malaysia at Bandar Rimbayu (previously called Canal City) in Shah Alam. It is also a township that will carry the trademark of IJM's promise of building quality homes to suit every budget."

In a world of nano-seconds and instant gratification, the biggest challenge faced by the industry is ever-shortening of market cycles. "Cycles are getting shorter and shorter, and we need to second-guess the latest trends and consumer reactions quickly," says Soam. "We are living in a globalised world, and with increased travel, consumer demand is beginning to reflect international tastes. The demographics have also changed, with increased strong foreign buying interest especially with the international promotion of the Malaysia My Second Home programme."

IJM Land plans to follow in the footsteps of its "parent" IJM and venture beyond Malaysian shores. On the cards are niche projects in China, Vietnam, the United Kingdom (London), but from the look of things, it has miles to go before it sleeps in Malaysia.

Two upscale condominiums by the sea, a part of IJM's development The Light in Penang. Light Linear (top) consists of two 17-storey condominium blocks while Light Point (above) consists of 88 units in a 28-storey tower block on a 2.87 acre site.

Moving forward: An artist impression of Rimbayu linear-park in Bandar Rimbayu that is being developed by IJM Land.

IJM is one of the largest quarry operators in Malaysia. The business is managed by Malaysian Rock Products, the first quarry operator in the country to be awarded the ISO 9002 certificate for quality management. Picture here shows the quarry in Labu, Negeri Sembilan.

15

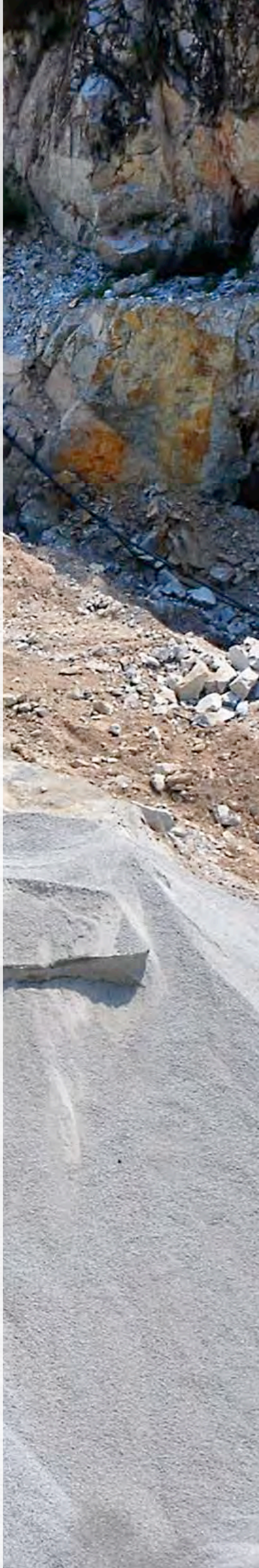
INDUSTRY
Manufacturing a Stronger Base

IJM's track record for competitive costing, quality and timely delivery owes in no small measure to the fact that it has its own in-house building materials operations. What began as an in-house operation grew with the acquisition of assets and companies of other building materials such as quarrying products, ready-mixed concrete, steel fabrication and scaffolding to give IJM a better control of supply and quality. In time, the initial objective of serving in-house needs evolved into one of supplying the open market to achieve economies of scale. The business blossomed into an attractive revenue for the group, culminating in the birth of the quarrying and manufacturing division in 1991 under the leadership of Sim Quan Seng.

The prime mover of the division was wholly owned subsidiary Malaysian Rock Products Sdn Bhd (MRP), a granite quarry operator with a lineage that dates back to 1962. It became the launching pad for IJM's expansion into quarry products such as aggregates, pre-mix and ready mixed concrete, the bread and butter of the housing and building industry. MRP went on a quarry buying trail, and by 1993, it had profitable quarrying operations in strategic locations in the Klang Valley, Johor and Negeri Sembilan. Emboldened by success, it even ventured into contract coal mining in Sarawak, but retreated quickly to concentrate on what it knew best. Throughout its history, MRP became the behind-the-scenes pillar of support providing a stable supply of granite and industrial-use stones for IJM's construction and property divisions.

Another subsidiary, Kuang Rock Products Sdn Bhd (KRP), operating in Klang Valley, together with MRP, gave IJM market leadership in quarrying. KRP has the distinction of being one of the first quarry operators in Malaysia to be awarded the ISO 9002 certificate for quality management. The aggregates of both subsidiaries were consistent top sellers in this market segment.

Another manufacturing company, Torsco Sdn Bhd, began to outshine MRP. The 90%-owned steel fabricator was acquired in 1989, when steel began to emerge as the building



The Hume Connection

Hong Leong Berhad subsidiary Hume Industries entered PSC piles manufacture when it won a contract to supply the North-South Highway project that needed about RM500 million worth of piles. The newcomer set up two plants, one in Ipoh and another in Nilai. When the highway project was completed in 1994, it began to dump its products in the market. This affected ICP sales.

ICP proposed an M&A with Hong Leong that enabled the former to acquire Hume's PSC pile plants. In exchange, Hume Industries was given a 40% equity interest in the company. "The M&A was timely, a good way to expand quickly," says Khor Kiem Teoh, second managing director of industry division. "We needed additional capacity to meet surging demand. This was the time of Malaysia's infrastructure boom and we wanted to ride the wave. It was a great sellers' market."

IJM later bought Hume shares as part of a rationalisation exercise of its manufacturing & quarrying division in 2005.

IJM's quarries produce more than seven million tons of granite and industrial-use stones annually.

material of choice for several mega projects such as the Commonwealth Games Village and KL International Airport. It also had a strong international clientele for its fabrication services. The remaining 10% was held by managing director, Loo Ah Hooi. Torsco delivered one sterling performance after another prompting IJM to prepare it for public listing on the buoyant Kuala Lumpur Stock Exchange (KLSE) to gain access to cheaper capital market funds for expansion. Alas, listing hopes were crushed when the Asian Financial Crisis decimated the stock market and serious money fled. The Torsco listing was aborted in 1998. Torsco's shine also began to fade when licensing realities of the oil and gas sector, an important addressable market for the company, began to relegate it to subcontractor status with a consequent squeeze on profit margins.

Instead, associate company Industrial Concrete Products (ICP) stole the march when it pipped Torsco at the finishing line to become IJM's first manufacturing-based public listed company. On 9 December 1996, ICP became a listed entity on the KLSE; it was an associate company of IJM, which had a 20% equity interest, with the rest of the shareholdings held by Jurutama founders, Hume Industries and the public.

The post 1997 Asian Financial Crisis was a time for consolidation at IJM following the collapse of the construction industry. Money was scarce, domestic demand for building materials plunged and the manufacturing & quarrying division was in the red in 1998, a first for an IJM division. Reprieve came following the devaluation of the ringgit when the Malaysian government pegged the ringgit to the US dollar to heal the economy. Export markets revived the division, which also instituted measures for better capacity utilisation and debt collection. The result was a leaner and more competitive division, which accelerated its overseas thrust.

Source: The Star, 16 October 1998

IJM given approval for the listing of Torsco

IJM Corp Bhd has obtained approval from the authorities, including the Securities Commis-

Perak — one in Lumut and the other in Lahat.

Apart from catering for the

At its peak, IJM's steel fabrication subsidiary Torsco had two state-of-the-art plants in Ipoh and Lumut to fabricate large container cranes and pressure vessels, heat-transfer and hydroelectric equipment for local and international clients.

"In ICP, there is succession planning for all key posts. The line-up is in place, and when someone leaves, the vacuum is filled almost instantly. We have been fortunate to have been led by the co-founder Lim Yong Keat for 27 years. He is someone who enjoys challenges. At the age of 68, he climbed Mount Kinabalu and again, three years later at the age of 71. He continues to be our advisor, but gives us the latitude to manage as we see fit. That is one thing about the IJM pioneers – they know when to let go!"

***Harry Khor Kiem Teoh**, second managing director of industry division*

Parent company IJM never abandoned hopes of owning a listed vehicle for its quarrying & manufacturing division. The opportunity came in 2004, an excellent year for the division, when IJM acquired the Hume Industries stake in ICP, which became a subsidiary. The group's manufacturing and quarrying companies were injected into the public listed ICP Group in 2005, two years after the listing of the plantation division.

The ICP Group continued to deliver strong results, but there was little trading in its shares although it performed well and gave good dividends. Share prices remained stagnant. The lack of liquidity was discouraging, and defeated the purpose of public listing. IJM decided to take ICP private and made a general voluntary offer to buy back shares it did not already own in the group. In 2008, ICP was delisted and the group reverted to its original name – Industrial Concrete Products Sdn Bhd (ICP), The same year, steel star Torsco, which failed to penetrate the oil & gas sector due to licensing and other impediments, was sold at an attractive RM21.97 million gain.

ICP did not adopt the IJM name because the ICP brand name was an established one, the result of decades of sales and marketing goodwill since the company's incorporation in 1977, before the formation of IJM. Moreover, its customers included IJM's construction rivals. "IJM is not our only customer," says ICP founder and first managing director Lim Yong Keat. "Several of them are IJM competitors and it did not make business sense to use the IJM name. So the management agreed to retain our original red logo on our business cards and promotional materials. It also reflected the autonomy of our sales and marketing team. The pragmatism

Source: The Star, 9 March 2005

ICP expands with IJM support

BY C.S. TAN

THE earnings of Industrial Concrete Products Bhd (ICP), a manufacturer of concrete piles, have been moderate in recent years. This is against a backdrop of slow construction activity and one of ICP's public-listed competitors even operating in the red.

It was, therefore, out of the norm for ICP to post a net profit of RM18.9mil in the first six months ended Dec 31, 2004, an increase of more than 100% over the previous corresponding period.

In a meeting with *StarBiz*, IJM managing director Datuk Krishnan Tan said that ICP's product had become increasingly competitive. Its round, small-diameter piles use less steel than square piles, which ICP does not make.

In addition, ICP's piles offer better

instance, supplying piles to Iran.

"There is a lot of port development in the Middle East and Asia," Krishnan said.

After ICP joined the group, IJM gave it leeway to seek export orders. In fact, soon after the takeover, observers were surprised that ICP announced it would set up a plant to make piles in China.

"After we took over, we gave the go-ahead for the China plant," Krishnan said.

Given IJM's international operations, it is not surprising that it is

acquired from IJM for RM110mil and settled through an issue of new ICP shares. MRP has been a good investment for IJM, which had bought it for RM13mil between 1991 and 1998.

MRP, an operator of quarries, was earlier forecast to make a net profit of RM12mil last year.

While all these factors point to higher earnings for ICP, Krishnan said the earnings could not be extrapolated from the first half. This is mainly because January–March is normally a slow period due to the Chinese New Year. Even so, ICP will

■ RM95m deal: Additional 32.56pc acquired

IJM raises stake in ICP, to make general offer

■ By ALICE CHIA

IJM Corp Bhd will make a general offer for shares it does not own in Industrial Concrete Products (ICP) after announcing two corporate transactions yesterday.

IJM said it was buying an additional 32.56 per cent stake in ICP for RM95.1 million cash or RM2.80 a share to add to the 20.48 per cent it owned before, making it mandatory for it to make a general offer.

The 32.56 per cent will be bought from Hume Industries (Malaysia) Bhd and Hume Plastics (Malaysia) Sdn Bhd.

The company said it will pay for the latest acquisition and the mandatory general offer (MGO) with its own funds and/or borrowings.

In a statement to Bursa Malaysia Securities Bhd, IJM said that it will be the beneficial owner of a 53.04 per cent stake, or 55.3 million shares, in ICP upon completion of the acquisition.

IJM also said it intends to maintain the listing status of ICP.

"Accordingly, in the event that ICP does not have the necessary public spread after the MGO, IJM will explore various options to address the shareholding spread requirement," it added.

The company said it is buying the additional stake in ICP as the unit currently has three groups of major shareholders — the Hume group, IJM and Jurutama Holdings Sdn Bhd.

"The existing shareholding structure gives rise to some differences as to the future strategic direction of ICP in view of the differing interests and objectives of each of the major group of shareholders," IJM said.

It added that the acquisition and the MGO will allow IJM to be the controlling shareholder and set the strategic direction for ICP.

IJM views the prospects of ICP positively, given the improving outlook for the construction industry, especially in the international market.

"With the acquisition, ICP will be a 53.04 per cent subsidiary of IJM and is, therefore, expected to derive greater synergies from this relationship, for example, in the area of bulk purchasing," it added.

The acquisition is expected to enhance the future earnings of the IJM group, the company said.

According to Bank Negara Malaysia's 2003 annual report, the construction sector is expected to grow at a moderate rate of 1.5 per cent.

Demand for concrete products may also grow as the construction and housing industries benefit from infrastructure development such as the RM2.1 billion SMART Intelligent Tunnel for Flood Mitigation Project and the RM603 million Putrajaya Convention Centre.

Bank Negara expects the economy to grow by as much as 6.5 per cent this year, the fastest in four years as demand for computer chips and palm oil leads manufacturers to expand their production.

IJM has appointed Commerce International Merchant Bankers Bhd as adviser for the acquisition and MGO.

The company said the Ministry of International Trade and Industry has approved the acquisition. Both the acquisition of ICP and the MGO

■ See B8, Col. 1

Source: Business Times, 7 May 2004

ICP piles were used in Berths 11 and 12 of Port of Tanjung Pelepas in Iskandar Malaysia.

2007 Board of Directors, Industrial Concrete Products Berhad:

Seated, left to right: Chew Kong Seng, Mah Teck Oon (managing director), Rahmat bin Jamari (chairman) and Khor Kiem Teoh. Standing, left to right: Krishnan Tan Boon Seng, Goh Chye Keat, Lim Yong Keat, Aziz bin Bahaman and Jeremie Ting Keng Fui (secretary)

is one of many reasons why ICP remains unchallenged as the market leader for pre-tensioned spun concrete (PSC) piles till this day, not only in Malaysia but also in the region."

Culturally though, ICP bore the trademark of an IJM company since it was previously a Jurutama subsidiary. Founded by IJM pioneers Lim Choong Kong, Goh Chye Keat, Ong Yeng Tian and Lim Yong Keat who jointly owned 40% of ICP in 1994, it was closely aligned to the IJM way of doing business. It shared the parent company's dedication to quality and timely delivery, financial prudence for better profit margins, and a willingness to explore new products and markets to stay ahead. It was also headquartered in Wisma IJM.

"Unlike the construction division that survives on the award of projects, ICP relies on a strong sales and marketing team to deliver profits. Goodwill is the hallmark of successful salesmanship. Besides product knowledge, we need to understand the market and second guess their needs," says Lim, a JKR civil engineer who chose to become a marketing engineer when it was unfashionable to do so. "I joined United Asbestos Cement as a marketing engineer in the pipes division. There, I learnt the importance of market and product research as well as quality and credit control to run a profitable business. The experience provided me with the foundation to grow ICP, incorporated in 1977, following the end of a joint venture between Jurutama and Mitsui Construction Company of Japan to undertake piling works for Prai Power Station Phase 3 (3 x 120MW).

ICP traces its beginnings to the Prai Power Station Phase III project (April 1976 to May 1977), where it acquired experience in the pre-tensioned spun concrete pile technology.

"When Malaysia was hit by a recession for the first time in 1985, I felt like it was the end of the world. I was then a young engineer, and my sales manager told me that there was no future in Malaysia and migrated to Australia. I was taken aback. When the recession blew over, and good times came I realised how wrong my ex-boss was. When the 1997 Asian Financial Crisis occurred, it was difficult, but I was older and wiser and knew that the turnaround would be upon us again."

"The best advice I received as a sales engineer came from my predecessor Lim Yong Keat. He told me to attend a Dale Carnegie course on 'How to Win Friends and Influence People' that was being conducted in the Federal Hotel in Kuala Lumpur. Every week for three months, I would attend the class after work. It is the best course I have ever attended because it taught me how to handle staff, management and crisis. It also taught me the importance of memorising the names of people and relate to them well. This is a course I would recommend to every manager."

***Harry Khor Kiem Teoh**, second managing director of industry division*

"The partnership was a breakthrough for Jurutama. For the first time, we had a strong and reputable foreign contractor for a big World Bank job that we could not have done on our own. Our joint proposal recommended the use of PSC piles, a new piling system in Malaysia. They were to be manufactured on site, with Mitsui providing the technology. As a back-up, we submitted an alternative proposal for the conventional square pre-stressed concrete piles since there were no British standards for PSC piles. We were heartened when engineering consultant MINCO chose PSC piles, until then used only in harbour projects in Malaysia.

"We sent staff for training to Japan to learn about PSC piles manufacturing. It was an eye opener as the manufacturing process was completely new to us. I arrived in Japan to finalise the factory layout and check on the progress of our staff training. As the depth of the piles was between 37m and 40m, I requested for them to be manufactured up to 20m lengths so that we needed only one in-situ joint at the site. However, the Japanese International Standards only provides for the manufacture of 15m lengths; we reached a compromise with Mitsui, who agreed to our suggestion and the factory layout in Prai was designed accordingly.

"We completed the contract in June 1977, one and a half months ahead of the 15-month contract. Mitsui had low expectations for the project, and it was pleasantly surprised when we made more than a million ringgit each. When the project was completed, the plant was dismantled."

Jurutama had its own ideas. It formed Industrial Concrete Products in April 1977, and the first item on its agenda was to buy land in Bukit Tengah, Penang to build a factory to be fitted with Mitsui's machinery bought on deferred payment terms. ICP was ready for business five months later on 1 September 1977. Co-founder Lim Yong Keat was appointed as its first managing director.

Factory managers conduct regular health and safety briefing sessions for staff.

INSTITUT PIAWAIAN DAN PENYELIDIKAN PERINDUSTRIAN MALAYSIA
Standards and Industrial Research Institute of Malaysia

No. PENDAFTARAN
Registration No : AR 0061

REGISTERED

MALAYSIA

SIJIL PENDAFTARAN SISTEM KUALITI
Quality Systems Registration Certificate

DISAHKAN BAHAWA
This is to certify that

INDUSTRIAL CONCRETE PRODUCTS SDN. BHD.,
(Prai Factory),
Lot 267, Tingkat Perusahaan 6,
Prai Industrial Estate,
13600 Prai.

TELAH MELAKSANAKAN SISTEM KUALITI YANG MENEPATI
has implemented a quality system complying with

MS ISO 9002:1991 Quality System - Model for Quality Assurance in Production and Installation.

SKOP PENDAFTARAN
Scope of Registration

The manufacture of pretensioned spun concrete pipe piles.

TARIKH TAMAT
Expiry Date: 30 March 1993

PENGAWAL SIRIM
Controller of SIRIM

No. Siri: A 0002
Serial No.

1st ISO certificate received from SIRIM in 1992

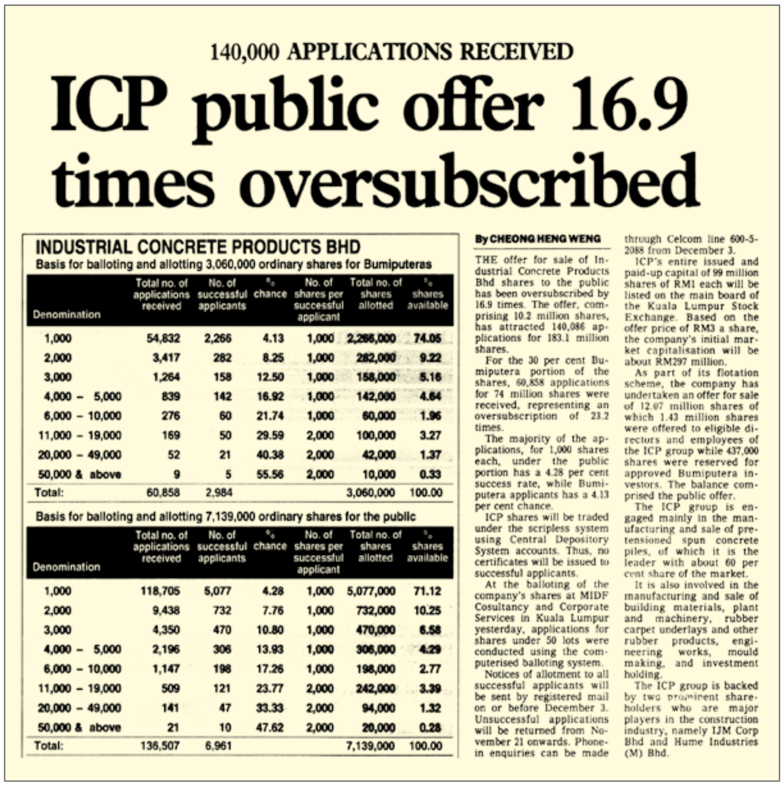
By the time IJM was formed in 1983, ICP had a strong order book and making "super profits," according to the financial controller of the time, Krishnan Tan. The low valuation of ICP during the Jurutama-IGB merger generated some unhappiness, resulting in IGB owning only the 20% held by Jurutama being transferred to the merged entity. The remaining 80% interest remained with Jurutama founders, who did not relinquish their individual interests.

ICP continued to make waves in the market, promoting the use of PSC piles. It obtained ISO Quality Management System accreditation in 1992, ahead of the government call making it conditional for suppliers. To meet Singapore market requirements, ICP ensured its concrete batching operations met the compliance criteria of the EN206 European Standards. While it failed to make headway in Europe, PSC piles gained market acceptance in the more lucrative emerging markets that had bigger infrastructure budgets.

In 1996, the profitable ICP was listed on the Kuala Lumpur Stock Exchange under the "Industrial" counter, one of few manufacturing companies to do so.

"PSC piles account for about 60% of the precast concrete piles business, and ICP controls 80% of this market," says Harry Khor Kiem Teoh who took over the reins of ICP from Lim in 2007. "Many competitors had faded away from the marketplace resulting in very few spun pile players. This also goes to show that ICP is a competitive and efficient operator. This is a highly technical business that needs one to keep up with new technologies. That is our strength. Our sales come mainly from external customers; in-house sale to IJM is about 5% of total volume."

Source: Business Times, 19 November 1996



140,000 APPLICATIONS RECEIVED

ICP public offer 16.9 times oversubscribed

INDUSTRIAL CONCRETE PRODUCTS BHD

Basis for balloting and allotting 3,060,000 ordinary shares for Bumiputeras

Denomination	Total no. of applications received	No. of successful applicants	% chance	No. of shares per successful applicant	Total no. of shares allotted	% shares available
1,000	54,832	2,266	4.13	1,000	2,266,000	74.05
2,000	3,417	282	8.25	1,000	282,000	9.22
3,000	1,264	158	12.50	1,000	158,000	5.16
4,000 – 5,000	839	142	16.92	1,000	142,000	4.64
6,000 – 10,000	276	60	21.74	1,000	60,000	1.96
11,000 – 19,000	169	50	29.59	2,000	100,000	3.27
20,000 – 49,000	52	21	40.38	2,000	42,000	1.37
50,000 & above	9	5	55.56	2,000	10,000	0.33
Total:	60,858	2,984			3,060,000	100.00

Basis for balloting and allotting 7,139,000 ordinary shares for the public

Denomination	Total no. of applications received	No. of successful applicants	% chance	No. of shares per successful applicant	Total no. of shares allotted	% shares available
1,000	118,705	5,077	4.28	1,000	5,077,000	71.12
2,000	9,438	732	7.76	1,000	732,000	10.25
3,000	4,350	470	10.80	1,000	470,000	6.58
4,000 – 5,000	2,196	306	13.93	1,000	306,000	4.29
6,000 – 10,000	1,147	198	17.26	1,000	198,000	2.77
11,000 – 19,000	509	121	23.77	2,000	242,000	3.39
20,000 – 49,000	141	47	33.33	2,000	94,000	1.32
50,000 & above	21	10	47.62	2,000	20,000	0.28
Total:	136,507	6,961			7,139,000	100.00

By CHEONG HENG WENG

THE offer for sale of Industrial Concrete Products Bhd shares to the public has been oversubscribed by 16.9 times. The offer, comprising 10.2 million shares, has attracted 140,086 applications for 183.1 million shares.

For the 30 per cent Bumiputera portion of the shares, 60,858 applications for 74 million shares were received, representing an oversubscription of 23.2 times.

The majority of the applications, for 1,000 shares each, under the public portion has a 4.28 per cent success rate, while Bumiputera applicants has a 4.13 per cent chance.

ICP shares will be traded under the scripless system using Central Depository System accounts. Thus, no certificates will be issued to successful applicants.

At the balloting of the company's shares at MIDF Cosultancy and Corporate Services in Kuala Lumpur yesterday, applications for shares under 50 lots were conducted using the computerised balloting system.

Notices of allotment to all successful applicants will be sent by registered mail on or before December 3. Unsuccessful applications will be returned from November 21 onwards. Phone-in enquiries can be made through Celcom line 600-5-2088 from December 3.

ICP's entire issued and paid-up capital of 99 million shares of RM1 each will be listed on the main board of the Kuala Lumpur Stock Exchange. Based on the offer price of RM3 a share, the company's initial market capitalisation will be about RM297 million.

As part of its flotation scheme, the company has undertaken an offer for sale of 12.07 million shares of which 1.43 million shares were offered to eligible directors and employees of the ICP group while 437,000 shares were reserved for approved Bumiputera investors. The balance comprised the public offer.

The ICP group is engaged mainly in the manufacturing and sale of pretensioned spun concrete piles, of which it is the leader with about 60 per cent share of the market.

It is also involved in the manufacturing and sale of building materials, plant and machinery, rubber carpet underlays and other rubber products, engineering works, mould making, and investment holding.

The ICP group is backed by two prominent shareholders who are major players in the construction industry, namely IJM Corp Bhd and Hume Industries (M) Bhd.

Hollow, lighter, faster, more durable and easier to handle than conventional piles due to pre-stressing, PSC piles are favoured in the construction of ports, marinas, bridges, highways, railways and airports They are also competitively priced and the installation process needs lighter equipment; there is also less noise and vibration. With its long and credible history in Malaysia, PSC piles have become the preferred choice of customers for high rise buildings, marine structures, railway, bridge and other infrastructure projects. ICP's biggest export market is Singapore. It also succeeded in exporting piles to Canada and the USA, where the piles have been used in marinas in the Gulf of Mexico, around Pensacola, New Orleans and Mobile. Modest sales have also been made to Brunei, Vietnam, Yemen and Myanmar.

Today, the ICP Group's best seller is pre-tensioned spun piles, which the market refers to as ICP piles. "Our brand has become the generic name, just like Colgate is to toothpaste," says Khor.

Once a single product company, the ICP Group now has four distinct products, each has its own market appeal. PSC piles

ICP's first overseas plant in Jiangmen, China

One of the industry division's overseas ventures: a ready mixed plant in Islamabad, Pakistan.

PC bars manufactured by Durabon.

manufacturing is supported by wholly owned subsidiary Durabon that processes prestressing steel bars at its factories in Klang and Senai for ICP. Durabon also sells its products to other domestic customers and export markets.

Wholly owned subsidiary MRP operates six quarries across Malaysia and one in India. Its subsidiary Strong Mixed Concrete Sdn Bhd specialises in the production and supply of ready mixed concrete to IJM's construction and property projects in Malaysia, India and Pakistan. Another MRP subsidiary, Scaffold Master Sdn Bhd is principally involved in the rental of steel scaffolding.

In 2007, the ICP Group established its first overseas plant in Jiangmen, China to meet spun pile demand for port development, ICP built a jetty to load the piles on barges here. The division also entered the Indian ready mixed business, slowly expanding from Hyderabad to

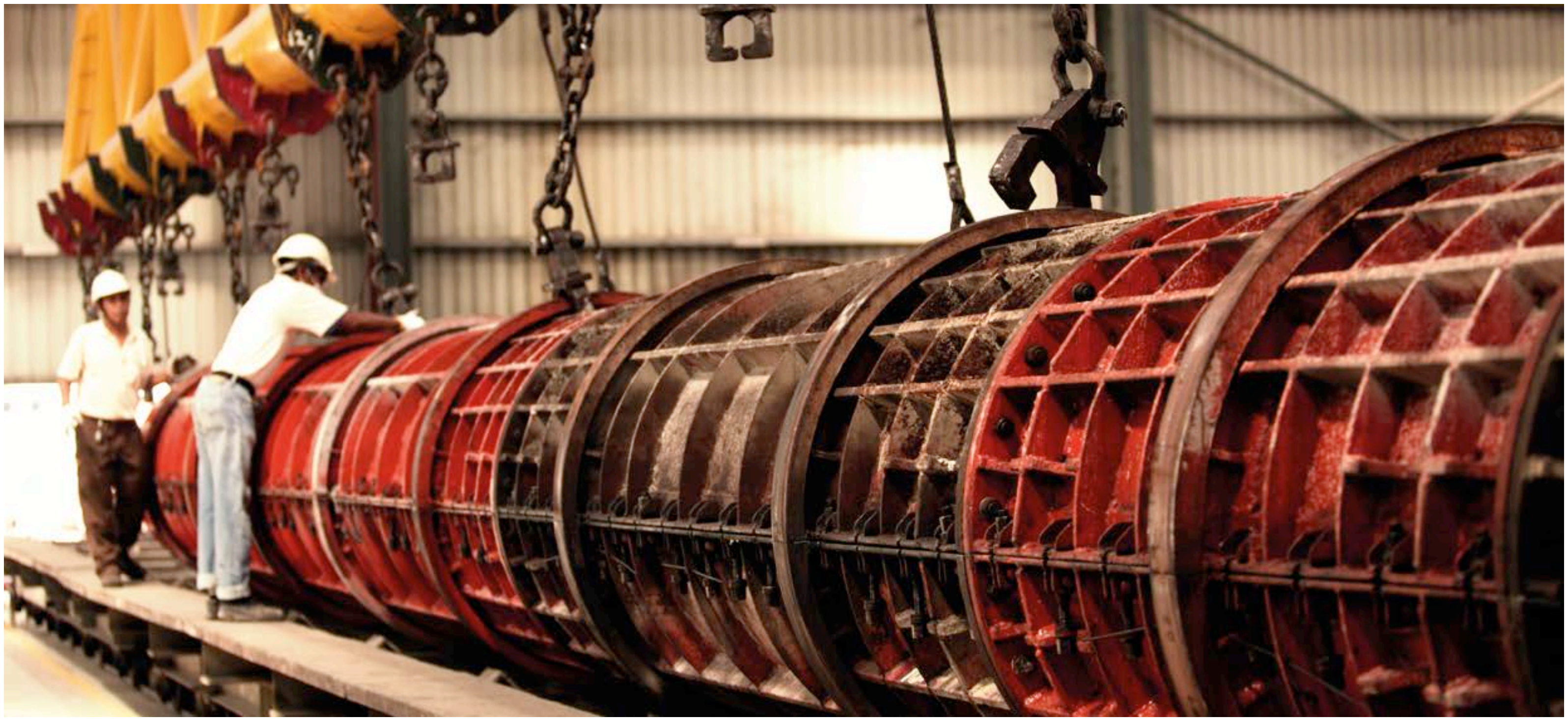
IJM provided the scaffolding during roofing and ceiling works at the Tentera Laut DiRaja Malaysia training facility.

A ready mixed plant in Sungai Besi, Kuala Lumpur.

Bangalore, Chennai and Mumbai. In 2011, it added a maiden quarry in Hyderabad for the open market there as well as to support IJM's construction activities on the subcontinent.

The group made its debut in Pakistan in 2008, with a ready mixed plant in Islamabad, described in the IJM Annual Report 2008 as "the jewel among our ready mixed plants that generated a pre-tax profit of RM4.05 million on a turnover of RM29.90 million." Buoyed by this result, ICP invested in a second plant in Karachi the following year. Unfortunately, the early gains were negated by political instability and the credit crunch that took the world by surprise in 2008.

The 2008 global economic meltdown caused much hardship, and IJM profits slumped from the downturn in overseas operations, notably in India. However, in this gloomy environment, the industry division delivered its best ever performance. "Turnover crossed the RM1 billion mark in 2009, and recorded a profit before tax of RM170 million, a rise of 44% from the previous year," says Khor. "ICP, Durabon and Malaysian Rock Products posted record results due to better product pricing, strong demand from large scale construction projects and improved overseas contributions. The market was down, but we were



A PSC piles factory in Lumut.

delivering orders taken earlier." For Khor, who joined ICP as a sales engineer in 1984, there was the personal satisfaction of sharing this good result with his team and IJM management during his first year as managing director.

The largest pile with a diameter of 1,400mm manufactured by ICP in Jiangmen, China.

IJM Annual Report 2009 elaborates further, "ICP Jiangmen plant in China made a remarkable turnaround during the financial year. Its PSC piles delivery and revenue increased by 160% and 190% respectively over last year. Improved market acceptance and early implementation of infrastructure projects were major factors contributing to the growth of the plant and the achievement of a PBT of RM3.9 million. Despite the global financial crisis, the outlook for China operations remains positive as ICP Jiangmen expects to secure port development projects in the southern and eastern Guangdong regions under China's economic stimulus package."

Khor is upbeat about the prospects of the ICP Group. "At this point in time, I forecast growth to exceed 10% per annum over the next few years. We are undergoing capacity expansion to

A 1,000mm diameter ICP pile being driven at the Second Penang Bridge project.

meet demand based on the past few years of growth. A new PSC pile factory has just been commissioned in Jawi, Penang. It will be the most modern of its kind in the world and will be automated to save on manpower, our biggest challenge, and improve efficiency and energy consumption.

"With the tremendous growth in the construction activities in Iskandar Malaysia in Johor lately, we are putting up a new factory with two production lines in the economic corridor, with the same technology as our new plant in Jawi.

"The group's research & technology development efforts have paid off. By utilising the latest in concrete technology, we have been able to manufacture a super high strength grade 90 concrete, a milestone in the region.

"China's fast expansion in the last 20 years has resulted in rising costs. Foreign direct investments are flowing back to Malaysia, which is well-positioned to play a bigger role in regional transport and logistics. Our investor-friendly outlook, competitively priced land, excellent infrastructure, good legal framework and concerted efforts to reduce red tape in recent years has helped make Malaysia attractive to foreign investors. In 2011, Malaysia recorded 32 billion in FDI, which is reported to be a historical high.

"Malaysia's Economic Transformation Plan has been rolling out high impact projects in several sectors. The widely known Greater Singapore Bunkering Hub (that includes Johor), the biggest of its kind in the world will include the RAPID project of Petronas that has a development value of RM50 billion. These developments are time-lined over the next 20 years, and for ICP, they represent strong business prospects," says Khor.

"In the IJM tradition, we will continue with geographical diversification, and are exploring Cambodia and Myanmar as future markets. We have studied Indonesia, and will enter when the time is right."

Capacity expansion to meet demand: the new Kapar 2 factory.

AKREDITASI SAMM MALAYSIA

ISO/IEC G 25

Certificate of Accreditation

No: SAMM 200 Valid Till: 20 December 2002

This is to certify that

INDUSTRIAL CONCRETE PRODUCTS BERHAD
RESEARCH AND DEVELOPMENT LABORATORY
KLANG, SELANGOR
MALAYSIA

has been granted a Certificate of Accreditation in respect of the scope of accreditation described in the SCHEDULE attached, subject to the terms and conditions governing the Laboratory Accreditation Scheme of Malaysia (SAMM)

([illegible] MOHAMMAD)
Director General
Department of Standards Malaysia
Date of Issue: 20 December 2000

ICP's Central R & D Lab received its accreditation from the Department of Standards Malaysia in 2000.

Industry division's research & development centre in Klang, Selangor

IJM has a total of 19 oil palm estates – 11 in Malaysia and eight in Indonesia. Picture here is Sungai Sabang Estate in Sugut, Sabah.

16

PLANTATIONS

Vive la Différence

IJM ranks as a mid-size Malaysian plantation company that operates on 60,000 hectares of plantation land. Less than half of this acreage consists of 11 estates in Sabah, Malaysia, The remaining half sprawls over eight estates located across the border in East Kalimantan and Sumatra in Indonesia. In terms of maturity, they are a generation apart. IJM started transplanting its Sabah experience and expertise of 25 years on to Indonesian soil, where the first oil palm trees were planted in 2008.

According to the 2012 IJM Plantations Annual Report, plantations in Sabah enjoy a favourable maturity profile, with 85% or about 21,500 hectares planted with palms classified as young or of prime age (between 4-20 years). Still, the limited planted area of its Sabah plantations was cause for concern, and prompted IJM to seek out new land banks to sustain the growth of its plantation division. Such land is scarce in Sabah, and IJM then turned its attention to Indonesia, which since 2006 had overtaken Malaysia as the world's largest producer of crude palm oil since 2006. Almost six times the size of Malaysia, it has vast tracts of land ideal for the crop. Another push factor to Indonesia was plantation labour. IJM had always depended on Indonesian migrant labour as plantation workers in Sabah. With accelerated oil palm cultivation in Indonesia, experienced labourers chose to remain behind, enticed by better salaries and, better still the advantage of living with their families, and not a life of isolation, cut off from loved ones when working in Malaysia.

IJM succeeded in acquiring land in Bulungan and Kutai Timur in East Kalimantan and Lampung in Sumatra, and embarked on a programme of aggressive planting. By the end of 2012, it had planted more than 27,000 hectares overtaking Sabah's total planted area of 25,441 hectares. It took IJM five years to accomplish in Indonesia what took about 20 years in Sabah.

Using a combination of experience, expertise and R&D, IJM succeeded in fast-tracking its plantation interests in Indonesia. In contrast, it had no experience, no expertise and no R&D support when it entered the plantation industry in Malaysia, where it began from ground zero.

List of Firsts

According to IJMP's longest serving staff Thomas Kunjumman, hired as an assistant manager in 1986 and currently plantation controller.

First estate: Desa Talisai, since 1986

Velayuthan Tan

First manager: Velayuthan Tan

First staff: Chief Clerk Maruthia

First planting advisor: Jonny Wong

First assistant manager: Thomas Kunjumman; second was Siah Heng San, third was Ng Chung Yin

First secretary: Irene Soo

First nurse: Neneng

First office clerk: Fe

First plantation worker: Jimior, a Kadazan

First driver: Jamindar

First handyman: Sudirman, a wireman who is now a mill staff

First mechanic: Ismail Tujuh

First visiting medical officer: Dr Harcharan Singh; the second VMO Dr Edmund Fernandez still serves today

First bungalow: It was built in three days in 1987 for Vela, the first manager, using remnant logged timber left behind in the estate. There was a temporary sawmill operated by building contractor Ng Ba Ba who was employed for all housing. The bungalow also had rooms for visitors and meetings. It is currently occupied by Thomas.

First office: A two-storey building that KPD had previously used as its cocoa estate office. The main office was downstairs, and there was also a meeting room, library, separate offices for the manager, assistant manager and chief clerk. There was also a nurses section, and a clinic adjoining the building. The manager, Vela, lived upstairs during the early days.

First labour line: There were three lines; the main one was located opposite the first office, and is now the site of the fertiliser store; the second Sabah Taiwan, named after the contractor; the third was Agrosa, named after the timber contracting company of Xavier Gopal.

First nursery: Started in 1986 by contractor Agriculture Incorporated Development (AID) Sdn Bhd

First planting: February/March 1987

First palm oil mill: Earthworks started in 1991 in Desa Talisai for the mill that was ready for operations in 1993.

The First Board

The plantation division's first board had representatives from IJM and its joint venture partner, the government agency Koperasi Pembangunan Desa (KPD). It consisted of:

- Chairman – Felix Golingi
- Dr Richard S Gunting
- Jason Kong Liok Sen
- Benjamin Lee
- Ong Yeng Tian
- Lim Kian Peng @ Lim Keng Peng
- Krishnan Tan Boon Seng

The move into oil palm agriculture began as an adventure in itself because it was totally unrelated to IJM's principal activity of construction. The board was divided, but supported the management decision given the latter's history of calculated risk management for every new "experiment". In the management's estimation, IJM needed a business with a different boom-bust cycle from the construction and building industry. IJM pioneer Ong Yeng Tian, acknowledged as the director who alerted the first IJM board to consider entering the plantation business, says, "Palm oil has been dubbed the golden crop. The world population was growing and so too was the standard of living. In good times or bad, food is a basic necessity. I was keen for IJM to enter plantations because there will be a continuous growing demand for edible oil and it would not be subjected to the same economic cycles as construction. I think those of us who favoured entering the plantation business have been proven right time and again in the past few recessions."

Indeed, the IJM's plantation division lifted the group's financial performance with its stellar performance in the aftermath of the 1997 Asian Financial Crisis. It did so again when the 2008 global economic eroded group profit margins.

Sabah is the last frontier of plantation agriculture. Ong recalls, "When IJM Plantations Sdn Bhd was formed, I was appointed as the director in charge of the subsidiary, to nurture the fledgling company. I was assisted by Thye Fook Keong, who was my alternate director in the subsidiary. We had no experience, and recruited plantation expert KP Lim as a consultant and advisor and Velayuthan Tan as the project manager. I credit them for the good work they put in making our first plantation a success."

When IJM braved into this unchartered territory in 1985, it was watched with amusement by some quarters. "When I arrived to start work as a manager in our first estate, the timber guys laughed," recalls Velayuthan Tan. The Sandakan region is the stronghold of the timber industry and bred many timber tycoons. A Boustead visiting agent wished him a cautionary, "Good luck to you!" because the land was considered a 'goner' by locals and the industry."

The strapping 31-year old Velayuthan, known as Vela, was determined to have the last laugh. In the pioneering spirit of frontiersmen, he set out to convert the desolate 10,000-acre abandoned cocoa plantation and degraded forest into a successful business for IJM that had appointed him as its first estate manager. He started as a one-man show at the estate belonging to Desa Talisai Sdn Bhd (DTSB), a 50:50 joint venture between IJM and Koperasi Pembangunan Desa in

The abandoned cocoa plantation in Desa Talisai that was transformed into a profitable oil palm plantation, now into the second planting cycle.

3 must-haves for every estate staff

#1: Must love nature.
#2: Must learn to live in isolation, and draw strength from that.
#3: Must be proactive, initiating things or doing it yourself, because often there is no one else to turn to.

***Velayuthan Tan,** managing director of IJM Plantations*

Meliau Estate in Sandakan, Sabah

Sabah (KPD – Rural Development Corporation) established in 1985. As land owner, KPD's stake was the land, while IJM's equity was in the development of the plantation.

When the Klang Valley lad landed in Sandakan in 1986, he was given a 4-wheel drive as transportation and RM80,000 as start-up expenses. With plantation consultant Lim Kian Peng (aka KP Lim) as the company-appointed advisor, Vela swung into action, digging deep into his 6-year experience in Multipurpose Plantations in Pahang Tenggara. He cultivated a strong relationship with suppliers to make things happen, from Kian Hiung the chemical and hardware store owner "who extended credit when we could not pay the bills during hard times in 1989 to 1991" to Han Siew King, an agronomist and turnkey contractor. "Han was more than a contractor. He taught me so much about agronomy that I did not need to turn to others. His free service was enough," recalls Vela.

"The microclimate in this part of Sandakan, with its rolling hills is well-suited for oil palm. CPO prices hovered around RM700 to RM800 per ton then, considered good; today it averages RM2,500 per ton. Remnants of timber on the estate were used for staff housing, and the first bungalow doubled as an office.

"In the first two years, KP Lim would touch base with me every now and then to see how I was progressing. It was a tough and lonely life, cut away from civilisation as we know it. On a good day, it took four to five hours on the road to reach Sandakan, 54 km away. It was a dirt track, now sealed, but still tends to become rutted because of heavy rain and traffic. There were living adjustments to be made, but since I grew up in a village in Sungai Renggam, near Shah Alam, without electricity and water from a well, the absence of basic utilities was not an issue for me."

Life Cycle of an a Oil Palm

The oil palm has a 25-year life span, but after about 13 years, yields begin to plateau, and then decline. To arrest falling output, aging palms are felled and replanting occurs. It takes about another three years before the new trees can be harvested. "There is a temptation not to replant when CPO prices are high," says Joseph Tek. "While it may be profitable in the short term, in the longer term it results in tracts of aging trees with low yields.

"Our Sabah plantations are into the second cycle, with replanting occurring at the rate of encirca 5% of the area every year; replanting began when the trees had peaked at about 20 years of age. IJM's Indonesian operations will keep up the momentum of production during the replanting period in Sabah. Given the size of the estates, modernised operations and the zealous pursuit of high yields, we expect higher outputs from them."

Oil palm plantations with their perennial green cover and closed canopy are efficient carbon sinks, mitigating carbon dioxide emissions.

In the second year, Vela began to hire staff, with an imaginative recruitment campaign that positioned IJM as the choice employer. He achieved a considerable measure of success, and engaged Sabahans as permanent staff, and Indonesian migrant labour as plantation workers. Senior management positions were allocated to experienced planters from West Malaysia, mainly Indians and Malays who arrived here as a part of the Transmigration Fund Board that encouraged resettlement in Sabah.

"My first staff was Maruthia, the chief clerk who stood by me through thick and thin. We had highly motivated men willing to put in long hours. To keep up morale, we provided good housing, and 24-hour electricity, a novelty in rural Sabah then."

"Time and time again, IJM has proven that it truly cares for its people. In 1988, my wife was pregnant, and the road was cut off by floods. Vela visited her, and arranged for a helicopter to airlift my wife, together with a nurse, to Sandakan and onward to Kuala Lumpur."

***Thomas Kunjumman**, IJMP's long serving staff, hired as an assistant manager in 1986 and currently plantation controller.*

Some of the early pioneers of IJM Plantations who were involved in the opening of estates in Sandakan and Sugut include Kunjumman Thomas, Siah Heng San and Ng Chung Yin; later, as the plantation division grew, the palm oil mills had the service of Veloo Karupayah and others. The R&D programme and facility was spearheaded by Christopher Richard Donough while the agri-services department had Francis Chai Min Fah and subsequently PK Venugopal, now country director of IJM Indonesia. Other pioneering personnel included Gunasaker Ponnusamy, Nagarajan Thangaraju and Alan Khoo Choom Kwong.

Pioneering staff lived in temporary accommodation, near a water source, and were deployed in cutting roads, clearing the bush, and planting legumes to prevent soil erosion. "Legumes also provide nitrogen fixation that result in greener and healthier trees, and help retain soil moisture," explains Vela. "We started planting with germinated oil palm DxP seeds from research stations from the Peninsular in our nursery. It takes about eight to 12 months for seeds to grow into seedlings ready for field planting.

New planting with leguminous cover crop

Legume cover crops established immediately after land clearing minimises soil loss

Superior quality oil palm DxP seeds developed by IJM's research centre.

1990: Sabah chief minister Joseph Pairin Kitigan (far left) pays a visit to Desa Talisai estate.

During floods, this innovative cable system is used to transfer fresh fruit bunches from the fields to a collection point across the river.

"Planting occurred in four phases, with the first 2,000 acres completed in 1987. Another 2,000 acres was planted by 1988 and 4,000 in 1989-90; by 1991, planting on the 10,000- acre Desa Talisai plantation was completed. Once planting was done, we devote ourselves to rigorous maintenance.

"At the end of Phase 2, I remember a visit by Sabah chief minister Joseph Pairin Kitigan, accompanied by officers from our joint venture partner KPD. They were shown around by DTSB chairman, the late Felix Golingi, who challenged the visitors with: "If you see a blade of lalang in our plantation, we will give RM10 per blade. We had planted 4,000 acres then, and it reflected the confidence the chairman had in IJM. We were known to be sticklers for thoroughness."

Phase 2 of the planting matured in 24 months and delivered a record yield of 6.25 tons per acre in the first year of harvesting, something few in the industry had achieved. Says Vela, "Standard maturity then was 36 months after planting, but 24 months is do-able." It was a source of pride for IJM since it had turned a wasteland into a profitable plantation. Detractors were silenced.

1992 was a watershed year. The plantation division delivered its maiden profit, five years after the first planting, considered an accomplishment in the industry. Since then, the division has never been in the red. That year, DTSB invested in a palm oil mill in the estate to serve in-house needs and external customers. The group's plantation land bank was expanded with the acquisition of Sijas Plantations Sdn Bhd that owned 1,011 hectares of land near Desa Talisai estate.

Over the next few years, IJM aggressively expanded its acreage, and its workforce grew in tandem. By 1996, it had more than 24,000 acres, mainly in the Sandakan region, and a workforce in excess of 1,000. The performance of upstream operations hinges largely on the price of crude palm oil over which IJM has no control since it is determined by market forces. On its part, IJM pursued a strategy of high yields to enjoy good margins when CPO prices were high, and still deliver profits when CPO prices were down. For its milling business, the focus was on maximum extraction, which earned the division the PORLA Certificate of Merit for achieving excellent rates of extraction at the Desa Talisai palm oil mill in 1995 and 1997, a benchmark of milling efficiency in Sabah.

The rigorous attention to high yields and productivity resulted in record profits in 1997, the year the Asian Financial Crisis brought the construction industry down on its knees. The plantation division rallied to become the highest pre-tax contributor in 1997 and again in 1998 riding on the back of high CPO prices and the devalued ringgit. If anything, this performance

In the remote Sugut region, landing crafts ply the river, transporting plantation supplies and palm produce.

vindicated IJM's decision to enter a business in Sabah that few dared to tread.

For Vela, the moment of personal recognition came in 1989, when he was invited to address the Incorporated Society of Planters where he spoke on yield potential. It was an unofficial induction into the exclusive planters 'club'. In 2010, he received the Lifetime Achievement Award from the Malaysian Oil Scientists and Technologists Association (MOSTA) for his contributions to the industry.

Vela proved to be a dark horse amidst the IJM pantheon of professionals. The high school graduate gained the recognition of the IJM leadership as an astute and tough trailblazer, well-qualified to lead a division. He had built the division from scratch, established systems and procedures, and nurtured a team of planters and workers with single-minded focus: for IJM Plantations to become one of the best managed oil palm plantation companies in Malaysia.

The division rolled with the punches, continuing to deliver profits year after year. With its good track record, IJM deemed the time was right to list the wholly owned subsidiary to keep up the momentum of growth and expansion. On 2 July 2003, the division was listed on the Kuala Lumpur Stock Exchange (now Bursa Malaysia) as IJM Plantations Berhad, following the acquisition of the listing status of Rahman Hydraulic Tin Berhad, incorporated in 1907 as a limited liability company. The plantation assets were injected into Rahman Hydraulic Tin en-route to listing.

The listing exercise, which involved the acquisition of shares of minority shareholders in subsidiaries and distribution of IJMP shares to the shareholders of IJM diluted IJM's investment from 100% to 49.4%. Yet, even as an associate company, IJM Plantations contributed a higher revenue of RM152.38 million and pre-tax profits of RM34.85 million, representing increases of 16.70% and 17.11% respectively. The IJM Annual Report 2003 attributed "the good performance in both operating revenue and profitability to higher commodity prices and increased production". It also paid tribute to "the great pride taken by the division to incorporate the basic tenets of sound environmental management and responsibility to its business activities."

An oil palm with fruits in different stages of maturity.

IJM Plantations head office in Sandakan

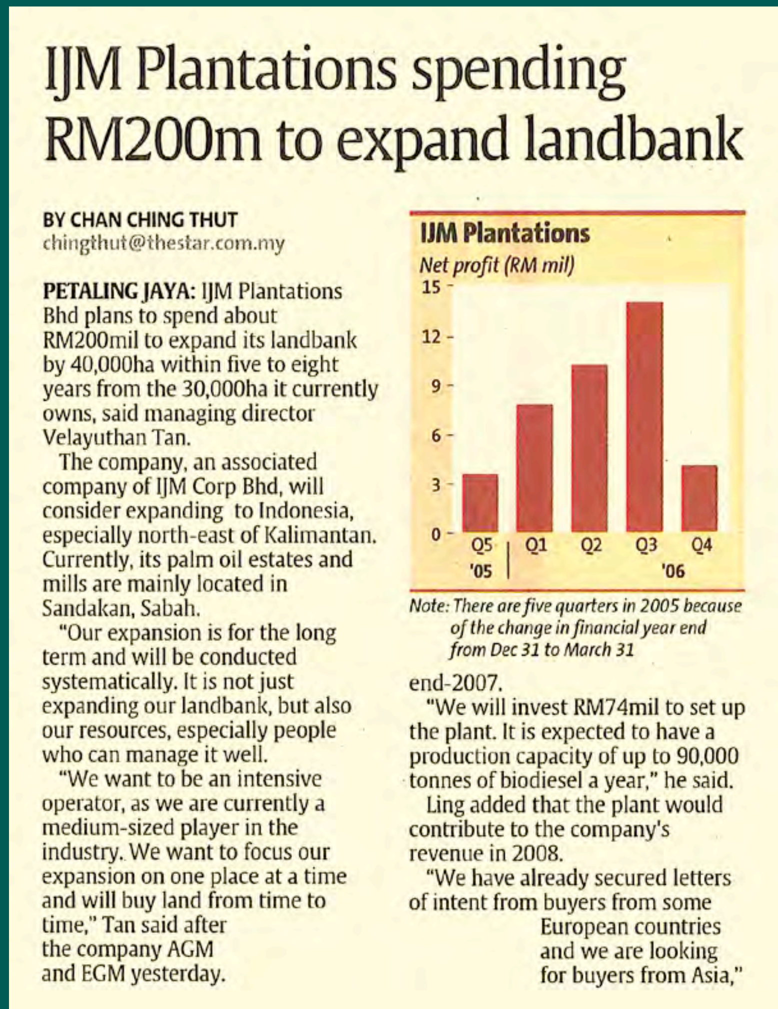
2008 Board of Directors of IJM Plantations: *Seated, left to right*: Velayuthan Tan (managing director), Wong See Wah (chairman) and Ling Ah Hong; *Standing, left to right*: Khoo Khee Ming, Krishnan Tan Boon Seng, Oh Chong Peng. M Ramachandran, Goh Chye Koon, Joseph Tek Choon Yee and Jeremie Ting Keng Fui (secretary)

INDONESIA: IJM'S NEW GROWTH FRONTIER

Indonesia is the new growth frontier of IJM Plantations, which has a substantial plantation land bank in Kalimantan and Sumatra, gentle rolling hills that are ideal for high yield crops. The rigorous planting regimen pursued in the past few years resulted in 93% of oil palms that were three years old or less as at end-March 2012. Another 4% were between four and seven years old while the balance of 3% was more than eight years old. This age profile prompted an Amsearch Report (17 April 2013) to note that "IJM Plantations is expected to benefit from more areas coming into maturity in Indonesia in the coming few years." It had a "Buy" option for IJM Plantations stocks.

Yields from the Indonesia palms are expected to be higher than those in Sabah because of the availability of labour, the hands-on approach of experienced IJM staff who are directly supervising the establishment of new estates, and usage of IJM's in-house R&D planting materials. In 2012, the first palm oil mill began operations. IJM is expected to realise significant contributions from its Indonesia operations from 2015.

2009: Maiden planting (*tanaman perdana*) in Permata Estate by Velayuthan Tan (third from right).



IJM Plantations spending RM200m to expand landbank

BY CHAN CHING THUT
chingthut@thestar.com.my

PETALING JAYA: IJM Plantations Bhd plans to spend about RM200mil to expand its landbank by 40,000ha within five to eight years from the 30,000ha it currently owns, said managing director Velayuthan Tan.

The company, an associated company of IJM Corp Bhd, will consider expanding to Indonesia, especially north-east of Kalimantan. Currently, its palm oil estates and mills are mainly located in Sandakan, Sabah.

"Our expansion is for the long term and will be conducted systematically. It is not just expanding our landbank, but also our resources, especially people who can manage it well.

"We want to be an intensive operator, as we are currently a medium-sized player in the industry. We want to focus our expansion on one place at a time and will buy land from time to time," Tan said after the company AGM and EGM yesterday.

IJM Plantations
Net profit (RM mil)

Note: There are five quarters in 2005 because of the change in financial year end from Dec 31 to March 31

end-2007.

"We will invest RM74mil to set up the plant. It is expected to have a production capacity of up to 90,000 tonnes of biodiesel a year," he said.

Ling added that the plant would contribute to the company's revenue in 2008.

"We have already secured letters of intent from buyers from some European countries and we are looking for buyers from Asia,"

Source: The Star, 15 August, 2006

First nursery established in Binai Estate.

"The sizeable expansion into Indonesia and replanting programme in Sabah are part of our strategy for longer term growth and continuity of the business. Expansion into Indonesia has progressed very well, and within five years we have more than doubled our planted area. We have the first palm oil mill operating and constructing a second one. Significant plantation housing and infrastructure have also been established. There are more than 4,000 people working for us.

In the next few year, our focus will shift from cultivation to crop production. The shift is needed to enable us to realise the objective of expansion, that is, profitability."

***Wong See Wah**, chairman of IJM Plantations*

A nursery in PT Prima Alumga, Lampung, Sumatra.

First year planting in Manubar Estate

First palm oil mill under construction in IPS.

IPS mill that began operations in October 2012.

PLANTATION OPERATIONS

PLANTATION

Malaysia

1 Minat Teguh Estate
2 Sijas Estate
3 Desa Talisai South Estate
4 Desa Talisai North Estate
5 Meliau Estate
6 Sungai Sabang Estate
7 Berakan Maju Estate
8 Excellent Challenger I Estate
9 Excellent Challenger II Estate
10 Rakanan Jaya South Estate
11 Rakanan Jaya North Estate

Indonesia

12 Sajau Estate
13 Binai Estate
14 Pertama Estate
15 Belidan Estate
16 Manubar Estate
17 Kaliorang Estate
18 Mengenai Estate
19 Alumga Estate

PROCESSING

1 IJMEO Kernel Crushing Plant
2 Minat Teguh Palm Oil Mill
3 Desa Talisai Palm Oil Mill
4 Sabang Palm Oil Mill I
5 Sabang Palm Oil Mill II
6 IPS Palm Oil Mill

SERVICES

1 Wisma IJM Plantations
2 Quality, Training and Research Centre
3 Sugut Training Centre

Velayuthan Tan

The call of the wild beckoned Vela once again in 2005, when IJM gave him the mandate to repeat history in a new theatre of action: the wilds of Kalimantan and Sumatra. Older and wiser, he set out to tame the jungle into systematic, well-run estates that are second to none. He handed over the reins of IJM's Sabah plantations to researcher Joseph Tek Choon Yee, a first class honours botany graduate who had specialised in oil palm breeding and agronomy. Tek recalls Vela's hand-over messages:

- Safeguard quality in all that we do;
- Promote sports to harness the character of people;
- Nurture the family spirit.

Tek describes taking over from Vela as the most thought-provoking moment of his career. "Vela is a risk taker and an entrepreneur while I am a systems person, who concentrates on putting things in place. Fortunately, Vela had laid a firm foundation with his pioneering and development work, and it was time for me to build on this with what I know best."

Tek was hired by Vela in September 2004 as a research controller to manage the Quality, Training and Research Centre (QTRC) located in Sijas estate. The centre and the IJM oil palm breeding programme had been established earlier by Christopher Donough. Tek was put in charge of research, seed production and training.

First planting of IJM's own planting material in Excellent Challenger I Estate in 2003.

Tek describes QTRC as "a notable R&D investment given the size of the IJM land bank". He had previously been an agronomist and plant breeder who later headed an aeroponics and landscaping business entity for Sime Darby before joining the Malaysian Palm Oil Association as the R&D Manager. It was a rapid rise up the management ladder for the young lad with a MPhil from Cambridge University. Tek was quickly promoted to general manager plantations in 2008 and then chief operating officer in 2009, shadowing Vela. At the age of 44, he became the youngest CEO and managing director of a listed plantation company in Malaysia. To render steadfast support, another senior executive Purushothaman Kumaran also joined the group in 2004 as financial controller, was appointed the chief financial officer and executive

Controlled pollination for seed production.

"To date, only about 10% of the palm is being commercially utilised, mainly for crude palm oil and crude palm kernel oil. There is still plenty of value left in the rest of the 90% biomass."

Joseph Tek Choon Yee*,*
CEO / managing director of IJM Plantations Berhad

director in 2010. Purushothaman brought his vast working experience with the Unilever Group, where he had served in various finance and commercial capacities in Malaysia, England and Indonesia. Prior to that, Ling Ah Hong, who joined IJM from 1999 to 2005 as group general manager and later as executive director, had also contributed his vast experience to the growth of IJM Plantations.

Tek is raised in the tradition of continuous learning that typifies Generation X, while Vela belongs to the baby boomer generation of defiance and dare. The traits and outlook of these generations are invaluable at IJM Plantations, where pioneering operations in Indonesia harnessed the strengths of Vela, with scientist Tek in the driver's seat in Sabah, steering the estates into their second cycle of growth. In Tek's second year, IJM Plantations delivered a record performance, with revenue growing by 22% to RM538.26 million and pre-tax profits registering a remarkable growth of 75% to RM196.01 million. It showed that he was the right man, at the right place, at the right time.

Bio-compost using empty fruit bunches that become organic mulch. The compost also helps in soil and water conservation. This is a part of the "zero waste" management programme at palm oil mills.

IJM invests in research & development to improve yield and agronomy practices.

Recycled bridge

IJM built a Bailey bridge across the Sugut River to reduce travelling time and distances for crop delivery to the mill between North and South regions of the six estates in the area – Excellent Challenger 1, Excellent Challenger 2, Rakan Jaya North, Rakan Jaya South, Sabang and Berchan Maju. The portable, pre-fabricated truss bridge is reportedly built using metal from four dismantled Bailey bridges from Scandinavia.

Tek's mission is to establish IJM Plantations as a high yield operation. He uses the analogy of a three-legged stool of interdependence to elaborate this. The three legs are the estates, mills and service providers. He sought to maximise synergies between well-managed estates and well-operated mills to achieve maximum output of fresh fruit bunches, crude palm oil and palm kernel. The service providers, primarily research, was the third leg of the stool, that provided essential support to all other levels to achieve high yield at every turn. In Tek's mind, estates and mills are the production houses and breadwinners, while the service providers continuously render support. Tek started exploring and introducing mechanisation. "The focus now is on innovation. We will pursue with mechanisation wherever we can," he says.

To engender the staff and management loyalty and support, Tek passionately promotes the 5Cs of operational excellence: **C**rop and oil quality, **C**ondition of fields and mills, **C**ost-effectiveness of operations, **C**ontrols and compliance, and **C**orporate Social Responsibility. Like Vela, he personally engages with staff to embed 5Cs into the IJM Plantations' work culture, making regular visits to meet employees in the 11 estates in the Sandakan and Sugut regions, and the four mills (each region had two mills).

Profitability is largely dependent on the price and volume of CPO produced, and productivity is measured by oil yield derived from fresh fruit bunches (FFB) from the estates and oil extraction achieved by the mills. IJM had achieved an oil yield extraction rate that exceeds the industry norm. The Malaysian average is about 4 mt/hectare, while the IJM average is 5 mt/hectare. Set against the weighted palm age profile of around 12 to 14 years old, in Tek's first year, oil yield was 5.1 mt in 2011, and in 2012, it rose to 5.4 mt. and in 2013, it hit 5.5 mt. Tek's aspiration is to hit six tons.

Tariffs Prior to Profit

It is estimated that for every RM1 earned in the oil palm estate, 40% is deducted for a variety of state and government tariffs:

- Corporate tax is 25%
- Sabah sales tax is 7.5%
- Windfall Tax is 7.5% for a CPO price that is above the threshold of RM3,000 /ton
- Palm oil cess of RM15/ton for CPO and kernel oil that is payable to the Malaysian Palm Oil Board

Industry players view it as the heaviest taxation structure for any industry in Malaysia, a situation aggravated when competing with farmers in USA and Europe who are highly subsidised. "It is not a level playing field for commercial commodity cultivation in Malaysia," say sources.

AFTER THE HARVEST...

Desa Talisai Mill, first mill in the first estate, where palm oil is extracted from fresh fruit bunches.

Fresh fruit bunches on a ramp waiting to be loaded and sent to mill for processing.

Palm oil storage tanks in Sugut Jetty.

Minat Teguh Palm Oil Mill.

Minat Teguh Estate office.

One of two palm oil mills in Sugut (Sabang I and II).


HUMP
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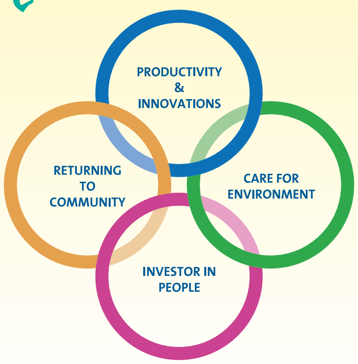
He also concentrates on expanding the oil palm breeding programme and upgrading the research facility, one of few owned by a mid-size planter in Malaysia. The oil palm seed production unit in QTRC, established in collaboration with the Malaysian Palm Oil Board, was accredited with the SIRIM MS157:2005 certification. The unit selects parental mother and father palms from genetic blocks for certification by SIRIM and subsequent commercial oil palm seed production. In the early days, IJM used to source its commercial oil palm planting materials from other research stations. Today, it has its own seed production unit, which sent consignments of germinated seeds for planting in its Indonesian estates.

Based in Sijas Estate, Sandakan, QTRC has a sub-station in Sugut. Apart from seed breeding and production, it also provides agronomic and technical advisory services to the estates, from fertiliser recommendations to pest management. QTRC technical staff regularly conduct quality checks on crops received in the palm oil mills, estate field audits, pest and disease census and soil-foliar sampling for analysis. They also train staff and executives on estate management and agronomy.

The four interlocking circles of action



Posters of IJM Plantations holistic approach based on the tagline "Nurturing Sustainability" appear on the walls of offices – four interlocking circles that determine immediate and long term success. They are: Productivity & Innovations for operational excellence, Care for the Environment with green practices, Returning to the Community with its CSR initiatives, and Investor in People to bring out the best in people employed by the company.

Saved from extinction: the ancient seraya is a part of 100 Acre Wood, a conservation area in Sugut, Sabah.

Tucked away in the splendid isolation of Sugut is IJM Plantations' 100 Acre Wood, the name coined by Tek for a conservation area that he likens to the magical locale created by the imagination of author AA Milne in *The Many Adventures of Winnie the Pooh.* The IJM version is far from fictional. It is a real rainforest wonderland of towering dipterocarps, with herbs, pitcher plants, medicinal species and other types of flora and fauna thriving below expansive canopies. 100 Acre Wood epitomises IJM Plantations' efforts in conservation and sustainability.

"We plant only on land designated for agriculture," says Vela. "However, when we find parcels not suitable for planting, we set them aside as forest reserves. IJM has a relatively high percentage of forest reserves in its estates. One of them is 100 Acre Wood in Sugut that also serves as a showcase for learning about the rainforest."

An ancient seraya, wide in girth and wise in years, stands tall, saved from extinction by IJM Plantations that chose to preserve it for posterity. "This tree is the soul of 100 Acre Wood," says Tek. "High in conservation value, given the biodiversity of flora and fauna here, 100 Acre Wood is priceless land sited on a ridge. If we are profit-driven, we would have planted here. This is a part of our environmental stewardship, and we have chosen to keep the rainforest here as a piece of paradise for future generations. I would love to welcome stakeholders including boy scouts and girl guides to come here and commune with Mother Nature at its best in this rainforest nook." 100 Acre Wood is encircled by mangrove thickets that are home to more than 100 species of birds. Like Vela, Tek encourages and promotes engagement with relevant stakeholders. Familiarisation trips are regularly organised for journalists, researchers, analysts, NGOs and other stakeholders as forums to strengthen dialogue and exchange of views on sustainability.

IJM's preferred choice for biological pest management involves breeding predatory insects to prey on pests; this reduces dependency on chemical pesticides.

Cassia cobanensis is cultivated to sustain beneficial insects used in biological pest control.

There is also a research sub-station for integrated pest management that involves biological controls to eliminate insects that threaten oil palm trees. "IJM introduced biological control of pests, and till this day we breed predatory species that prey on pests," says Vela. There is also an insectarium, arboretum, herbarium here for cadet planters to learn about the rainforest, and familiarise themselves with global concerns about the environment so that they will manage estates without impinging on the habitat of forest dwellers."

Top and above: Stakeholder engagement, when IJM Plantation briefs invited guests on estate operations, performance and new developments.

Environmental stewardship became a priority following growing agitation from the green lobby following forest fires in Borneo attributed to El Nino, the harbinger of global warming. In 2002, IJM marshalled ad hoc initiatives into a definitive environmental management framework that spelt out green practices to be adopted in IJM estates and mills. They included environmentally friendly practices such as soil and water conservation, mill waste management, integrated pest management, soil conditioning and enrichment and zero-burning techniques for replanting and new plantings. Empty fruit bunches were composted, in combination with effluent released from mills, and the end-result used to enhance soil conditions and nutrient uptake in the fields.

The shortage of labour continues to remain a cause for concern, despite mechanisation. "Oil palm estates are labour intensive since machinery cannot be used in all terrains. It is difficult to use machines to harvest the fruit, and the job is time consuming. Harvesting, frond pruning, loose fruit collection and in-field crop evacuation are labour intensive," says Tek. IJM has 4,000 plantation workers, an average of one worker for every seven to eight hectares.

One of the biggest obstacles to attracting and retaining plantation workers is the fate of their dependents. They are mainly Indonesian migrants who arrive, accompanied by their

A school for children of foreign plantation workers in South Estate, Desa Talisai.

wives and children. When the children are old enough to go to school, they cannot be enrolled in Malaysian schools. Education is the universal birthright of every child, and in 1989, IJM set up a kindergarten for them, the first of its kind in a Sabah estate. There is also the Project Humana 120 that involved building a primary school for more than 100 students in Desa Talisai. IJM engaged the services of non government organisation Borneo Child Aid to secure teachers who could use the Indonesian syllabus and teach the children on the estate. In 2013, two more Humana schools were established in Sugut estates.

A cultural centre has been built in Sugut for staff to remain connected to their own heritage. This building is made entirely out of bamboo, and does not have a single nail – a traditional construction method in the Malay archipelago. The centre is the venue of festivals and other culturally defining celebrations to forge social and cultural ties among the community that is living away from home.

"Sport is used to bridge the gap between migrant workers and Malaysian staff," says Vela, a keen sportsman. "Playing sport together is a great leveller, and it also it brings out innate qualities such as leadership, discipline, and team play. IJM Plantations once had the strongest football team in Sandakan, but the focus now is on rugby, which IJMP promotes throughout Sabah as part a part of its CSR initiative. I was the president of the Rugby Union in Sabah, and today, five assistant managers are state players. One is an ex-national.

"It is important for the top management to meet field staff, and not remain in their corporate offices in our head office in Sandakan. In this business, you need to *turun padang* to make workers feel closer."

There is increasing emphasis on team-building, and IJM Plantations has another inventive approach to it. Each operating unit be it an estate or mill is designated as a 'centre of excellence' with a special focus such as for buffalo breeding, fish breeding, poultry rearing, vegetable and tree cultivation, landscaping and heritage preservation. Tek says, "These centres of excellence require estate staff, many of them cut off from the town, to exchange groceries, knowledge and personal experiences with each other. It keeps them connected, brings them closer and shows their independence. On the estate itself, managers work shoulder to shoulder with staff of different ranks to grow vegetables or raise ducks. This helps foster the team spirit. Our goal is the make IJMP the best place to work in Sabah."

Change of Focus

Long an upstream specialist, IJM Plantations took tentative steps overseas in 2008 when it entered into a joint venture with Godrej Agrovet Limited and Gokarna Oil Palm Limited. This was a part of the division's expansion plans in India, and would involve purchasing oil palm fresh fruit bunches and milling in the states of Goa and Karnataka. The plan was aborted in 2011 because there was not enough critical mass to support it. Another reason is timing – the division chose to concentrate on the expansion of its Indonesia footprint to take advantage of the rally in CPO prices.

Another project terminated in 2010 was the 2006 joint venture with CTI Biofuels, Malaysia, LLC (CTIBM) of USA to own, build and operate a biodiesel plant in Sandakan. IJM held a 60% equity interest in the company. Again, the reason was to concentrate resources on expansion into Indonesia, IJM Plantations new growth frontier.

Cadet planters from Malaysia and Indonesia attend on-the-job training as well as classroom lessons.

There has been a discernible shift in demographics, with Sabahans outstripping Peninsular Malaysians at executive level. They account for 95% of the 500 executive staff, with many of them running estate operations or being managers or persons in charge of mills. "Vela always wanted to build up Sabahans for management positions," says Thomas Kunjamman, the assistant manager when Vela was the estate manager in the 1980s. "Vela introduced the buddy system to nurture high calibre estate managers."

Senior staff mentored upcoming talent, and the results have been good. Sundang Jaafar, the manager of Rakanan Jaya North, the largest estate in IJMP, is a Vela protégé. So is Putun Diman, the manager of Desa Talisai North and Jefflis Janis, the person in-charge of Berakan Maju, who was trained by pioneering managers such as Thomas Kunjumman, Ng Chung Yin, Siah Heng San and Gunasaker Ponnusamy.

One thing stands out among the new young breed of estate and mill managers: they are all sportsmen, with a love of the outdoors. Estate and mill persons-in-charge, Lee Wei Ming and Ardyaffendy bin Mohd Ariffin are both rugby stars, and high achievers at work. Ardy's mill has the reputation of delivering the best oil extraction in the company, well above the national average. Assistant manager Jesford Majalap from Rakanan Jaya North estate, an accredited diver, is a team-member of the "High Performers of 2011" recognised for producing fresh fruit bunches with yields of 31.2 mt/hectare in his plantation, a record in Sugut. This record was broken again in 2012 when Rakanan Jaya North achieved 33.7 mt/hectare in its 9,000 acre estate. These athletic young men have a deep appreciation of nature,

Road to Rugby

"We touched lives of youths in Sabah through sport, especially rugby that is a part of our initiative. We started from ground zero, something I am accustomed to, by reviving the sport in Sabah. We took over the Sabah Rugby Union that was on the verge of deregistration, and turned it around in four years.

"IJMP made rugby big in Sabah, where we started by introducing the sport to four schools. Today, rugby is the sport of choice in more than 70 schools, primary and secondary. Girls are also playing the sport. We also reached out to correctional institutions such as the Henry Gurney School because I felt strongly that as a team sport, rugby would inculcate discipline that is important in one's personal life.

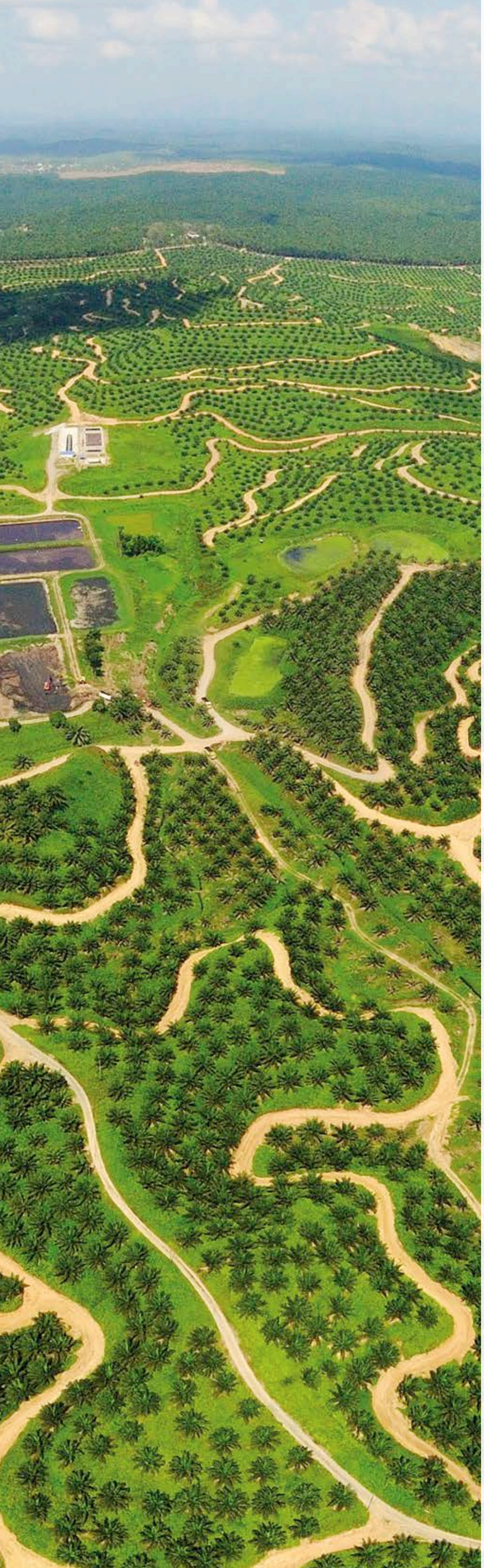
"We don't only coach them on the sport but also to apply the principles associated with it to life – discipline, hard work and team play. We conduct coaching clinics, 10-day residential camps where the players stay in dormitories in our estate. There are also weekend clinics to brush up on the finer points of the game.

"From nothing, the IJMP rugby team became champions in 24 months. From nothing, an IJMP-coached school became the state champion in four years. Our relationship does not end on the sports field. When players wish to pursue their education, we assist in finding places in universities where they can continue playing rugby." – Velayuthan Tan

In 2009, Velayuthan Tan was honoured as Tokoh Sukan Sabah by the state government. The Rugby Union that he heads plans to set up a Sports College in Sabah, in a twinning arrangement with universities in New Zealand and Australia, both international rugby sporting nations.

IJM Plantations Spearheads Rugby Development In Sabah, as reported in IJM News November 2002

IJM's first estate Desa Talisai, now into its second planting cycle.



in its cultivated best as well as in its pristine state. They are seduced by the greenery that surrounds them and regular regimen of estate life, akin to regular sports training. Those who work in Sugut, which is more isolated than the estates in Sandakan, have little communication with the outside world. Here, mobile phone usage is a balancing act on a wobbly lookout ladder, and Internet access is poor. The trappings of modern youth are absent, but these young men have made a conscientious decision to choose a less complicated life, away from the pressures and impositions of corporate life. In the mould of estate men of yore, they are weekend husbands, leaning on their wives to raise their children single-handed.

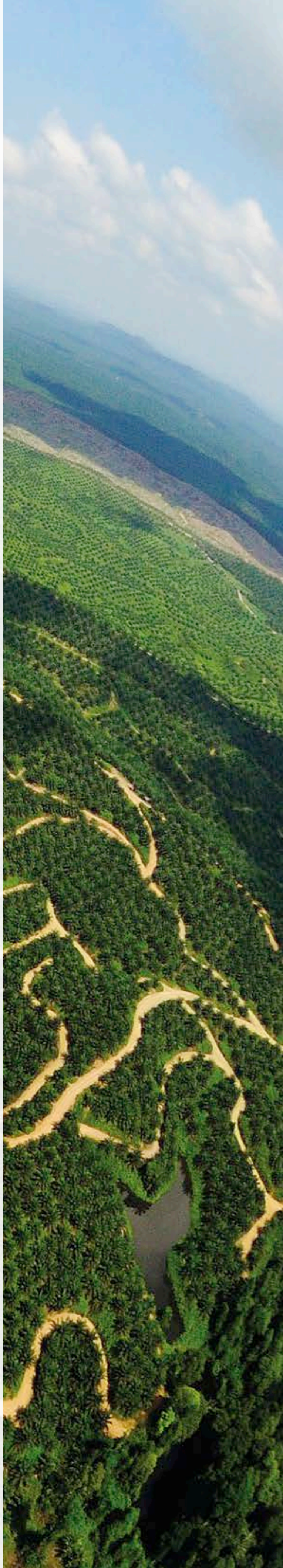
There is also a discernible shift in the employment profile of Indonesians on IJMP's payroll. "It is no longer restricted to labourers but now includes expatriate planters, hand-picked from Indonesian universities to attend IJMP's cadetship programme at the QTRC and training centre in Sugut, accommodated in a dormitory in the remote 100 Acre Wood, where they are given a foretaste of estate life before assuming executive duties in IJMP's Indonesian estates.

Plantation manager Murugan Munusamy sums up the dilemma estate men frequently face. "I joined IJM in 1988 and worked in estates, both in Sandakan and Sugut. My family lived with me until the children started school, and we were together on weekends and holidays. My children have grown up and want me to retire and join them in Peninsular Malaysia. I am torn because I have grown to love life in Sabah, where I own a house in the remote town of Meliau, surrounded by greenery, just like in an estate.

"Estate life is relatively free of crime, unlike city life. When I read the newspapers, I become alarmed at the killing, robberies and shooting occurring in the city. It is peaceful in the estate, with plenty of fresh air, the sound of birds chirping and time for yourself. Most of us rise with the sun for the 5.30 am muster, and there is a lot of walking in the estate. Daily life is a routine, but it calls for attention to detail.

"There are a lot of things you can learn from estate life. When clearing the jungle for planting in Sugut, I began to find out how to build roads, terrace the land, and identify good wood when felling logs for housing. Along the way, I discovered things I never knew I could do.

"There are sacrifices such as limited family time, and little contact with the outside world. In emergencies, we can use the telephone in the manager's office. Cut off, estate staff become a close-knit family, who look out for each other. It is the kind of workplace that is hard to find nowadays."



Western Access Tollway, Buenos Aires, Argentina – main toll plaza at Ituzaingo

17

INFRASTRUCTURE
Assets that can be Monetised

The infrastructure division grew out of the international ventures division when it became obvious that the latter was an asset class in its own right, with recurrent revenue generation capabilities and investments that could be monetised. The division posted its first substantial profit in 1997, and the profit trend continued. The initial contributions could not have come at a better time. The group was recovering from the after effects of the 1997 Asian Financial Crisis that took its toll on the construction, property and industry divisions. Jobs were scarce, revenues were down and debt collection was a nightmare. It was time to monetise some of the international infrastructure assets, and they did not let IJM down.

IJM's international thrust began very early in its history, adopted to counter the negative impact of the 1985 global economic recession that ravaged Malaysia. The group was then two years old, and preparing to list on the Kuala Lumpur Stock Exchange to fund expansion plans. There was a lack of liquidity and a lack of jobs in Malaysia. In the face of hardship in the home market, the founding partners of IJM opted to take its construction business overseas. They were familiar with developed economies, and the group strategy of geographical diversification took IJM to Australia, United Kingdom, the USA, Singapore and Hong Kong. A few jobs gave some relief to the construction division, but by and large, IJM made headway more as an investor rather than a contractor, especially in the West – they needed money, not expertise.

A discernible shift occurred in the 1990s, when prime minister Dr Mahathir Mohamad vigorously promoted South-South cooperation, encouraging Malaysian companies to enter developing countries. IJM heeded the call, and ventured into emerging markets such as China, Vietnam, Namibia, Chile, and Argentina. There were hits and misses, with the biggest strides made in China, Vietnam and Argentina.

On an investment mode, IJM entered the China market when few international players did. The first major infrastructure investment occurred in 1994, when IJM took up a 37.5% equity

interest in the Wuxi Nenda Co-Generation Company Ltd that had a 50 year concession to build, operate and maintain a co-generation plant in the County of Wuxi in the Jiangsu Province of China. In early 1996, IJM took up a 25.5% stake in the Zhongma Yangzhong Changjiang Bridge Corporation Limited that had the concession for toll collection, management, operation and maintenance of Yangzhong Changjiang Bridge for a period of 25 years. IJM Annual Report 1996 states: "Toll collections on the bridge had commenced and toll income to the present day has surpassed expectations."

Also in 1996, IJM became a shareholder of Guangdong Province Expressway Development Co Ltd, when it took up a 20% equity interest in the company that was a prospective candidate to be listed on the Shenzhen Stock Exchange. The Guangdong Province Expressway Development Company is a Build-Operate-Transfer concessionaire that owned two tolled expressways, one operating and the other to be built, and a bridge.

Yangzhong Changjiang Bridge in China was sold in the aftermath of the 1997 Asian Financial Crisis to meet the rising cost of foreign borrowings caused by the ringgit peg.

IJM sold these assets in the aftermath of the Asian Financial Crisis to reduce foreign currency debt, and later to fund expansion plans. IJM's third managing director, Krishnan Tan, who was in the pioneering team spearheading international investments, explains, "Chinese concessions needed continuous reinvestment due to strong growth and the funding structure of these companies was based on shareholder contributions. There was no bank debt, and this imposed a burden on our own financial resources since our funding strategy to finance investments was based on a 70:30 ratio of non recourse debt to equity, with IJM relying on the debt market to also fund its 30% equity. The infrastructure debt market in China then was almost non-existent and it was hard to raise funds externally. Due to this and the pressures of the Asian Financial Crisis, we decided to exit China, and concentrate in the rising India, where the capital market was mature by comparison. Proceeds from our Chinese investments were used to pre-pay foreign borrowings as well as to plough into future investments, especially in India."

IJM cashed out its 37.5% equity in Wuxi Co-Generation Plant in 1998 and 25.5% equity in Yangzhong Changjiang Bridge in 2006. The Guangdong Province Expressway Development Ltd shareholding was sold in stages, and IJM continued to rake in attractive dividends from the investment over the next few years. In 2001, it cashed out 12.5% of its equity, and the remaining equity was eventually sold in 2008, marking IJM's departure from China. The Guangdong Expressway Development Ltd investment disposal resulted in a profit of over

Western Access Tollway in Buenos Aires, another infrastructure investment that brought respite during hard times. Still in the IJM stable, it has been a steady revenue contributor.

RM240 million, and was described by second managing director Goh Chye Keat as "the most profitable international venture in IJM history." IJM had entered China early and exited when the field was getting crowded. It was a calculated risk that had served the company well.

IJM entered Argentina about the same time as China and the route was somewhat similar. In 1996, IJM took up 24.5% equity in Grupo Concessionario del Oeste SA (GCO) that had the concession to build, own and operate 55.45 kilometres of the Western Access Tollway in Buenos Aires. When GCO was en-route to public listing in 1998, IJM had placed 5.96 million shares for initial public offering in July 1999. The USD11.8 million encashment became GCO's maiden profit contribution of RM14.5 million to the group.

IJM will get US$11.8mil from sale of Grupo shares

IJM Corporation Bhd said the disposal of its 5.96 million shares in the 55.45km Western Access Tollway Project in Buenos Aires, Argentina, will generate US-$11.88mil in cash and an exceptional profit of RM14.5mil.

In a statement, IJM said the disposal would contribute 4.2 sen to its earnings per share and net tangible asset per share for the year ending Dec 31, 1999.

IJM said the cash proceeds would be fully utilised to reduce offshore borrowings.

The shares disposed of comprised 30% of IJM's 24.833% equity interest in the tollway concessionaire, Grupo Concesionario del Oeste SA, in Argentina.

The disposal was to accommodate an initial public offering by the four shareholders of Grupo Concesionario in order to comply with the clause in the Concession contract.

The listing for the tollway, which was fully opened for traffic on Sept 1, 1998, is expected to take place on July 22, 1999.

The four shareholders will undertake the initial public offering of a total of 24 million shares of 1 peso each (30% of the equity capital of Grupo) at 2.1 peso (RM7.98) per share.

Beside Argentina, IJM also has business ventures in Australia, China as well as Vietnam.

In Australia, IJM's 50% owned subsidiary — OSW Properties Ltd — is involved in construction of a mixed development project comprising two hotels and luxurious apartments in downtown Sydney.

In China, the group owns and operates two tolled expressways and one tolled bridge in Guangdong province, through its 20% equity stakes in Guangdong Provincial Expressway Development Co Ltd.

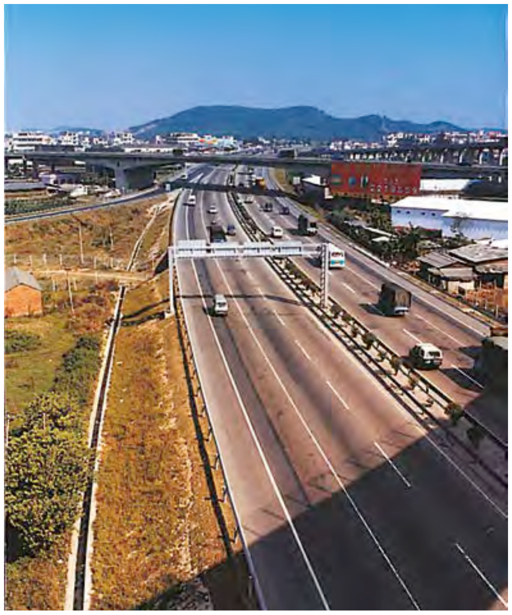
The group owns a 36% effective stake in a build-operate-transfer in a water privatisation project in Ho Chi Minh City, Vietnam.

IJM has also bid for road construction projects in India.

Source: The Star, 20 July 1999

The ability to monetise infrastructure investments represents a major catalyst for the growth of this privatisation model. Tan says, "In the early years of privatisation, companies could get in but had difficulty cashing out of BOT concessions. Privatised infrastructure incurred a heavy debt burden during construction, and the gestation period, especially for tollways, was often long. The plus side of this equation is that the concession company's debt was often non recourse, with little or no risk involved to shareholders beyond their equity investment. The down side was that there was no flexibility – the owners of the concession

The privatised Binh An Water Supply Project in Ho Chi Minh City is the first Build-Operate-Transfer clean water supply project signed between the Vietnamese and Malaysian governments. IJM is the investor and builder of the project that began in 1995.



Guangzhou-Foshan Expressway (above) is one of many toll highways operated by the Guangdong Provincial Expressway Development Co Ltd. IJM divested its shares in the public listed company for a profit of more than RM240 million.

company could not easily exit their shares at will. This equation changed with the development of the private equity market as well as the opening of public listing opportunities for these investments that enabled owners of concessionaires to encash their investments any time before the end of the concession period.

"Concessions thus became a distinct asset class, with the potential to generate recurrent income during operations, which appealed to long term investors such as pension funds. They were also assets that could be listed." To better exploit the potential of this business and accord the attention it required, the international ventures division was renamed as the infrastructure division in 1999. It began with five infrastructure assets – two toll highway concessions in China, one toll highway in Argentina, one water treatment plant in Vietnam and one power plant in India. Except in Vietnam and India where IJM was involved in construction as well, the rest were investments.

Fourteen years later, IJM's infrastructure portfolio consists of 13 BOT concessions – nine toll highway concessions (three in Malaysia, five in India, one in Argentina), two ports in Malaysia (Kuantan Port and Kemaman Port), a water treatment plant in Vietnam and a power plant in India.

IJM has always pursued BOT infrastructure concessions. Tan explains, "For IJM, infrastructure investments had twin benefits – the "Build" mode filled the construction order book while the "Operate" mode gave steady returns on the investment as well as capital gains when sold."

Build-Operate-Transfer concessions are the emerging world's solution to owning modern infrastructure, without causing an undue strain on the public purse. Once, infrastructure such as transportation – roads, ports and airports – and utilities such as electricity, water and sanitation were considered public amenities to be provided by the government. But the high cost of infrastructure construction imposed an undue burden of public coffers, and governments around the world chose to privatise these national assets. It is a worldwide trend that took off in the early 1980s, and Malaysia was one of the earliest nations in the world to embrace the concept.

Typically, the government appoints a private company, which can fund infrastructure construction with its own equity contributions and long term borrowings (soft loans from the government and grants are sometimes provided as viability gap funding). In return, the private company is awarded the concession to operate the infrastructure for a fixed period of time. Construction, financing and other related costs are recovered during operations, with charges for usage. Since BOT involve strategic public assets built for the benefit of the public, concessionaires seldom have the liberty to set the tariff – this falls within the jurisdiction of the government, the ultimate owner of the infrastructure. Toll and utility charges are political hot potatoes, and given their universal usage can become electoral issues when not properly managed. As such, governments tend to tread on eggshells when determining tariffs for these public amenities.

One thing is clear, the privatisation of infrastructure is here to stay, especially in emerging economies where they account for an increasing proportion of development expenditure. IJM read the cards well, and bid for Build-Operate-Transfer concessions, both in Malaysia and overseas. Its first award was a 16-year concession in 1994 for the design, construction, financing and management of the Komplex Kementerian Kerja Raya – Public Works Building Complex, the first privatised government building in the country. The concession was a success and has ended, and the building was transferred back to the government in 2012.

Regrettably, IJM failed in its bids for big ticket infrastructure concessions in Malaysia, frequently selectively awarded to bumiputera companies to increase their participation in the economy and others. Disappointed for not making much headway in Malaysia, it went on an acquisitions trail for BOT investments overseas. Apart from China and Argentina, it met with a measure of success in Vietnam and India.

In 1996, IJM entered Vietnam, by taking up a 36.0% equity interest in a BOT water project in Ho Chi Minh City through the Binh An Water Corporation Limited. In 1997, IJM made its debut in India, as an investor and contractor in the 60:40 joint venture partnership in Gautami Power Limited that had the concession to operate a 360 MW power plant in the state of Andra Pradesh. It took some time to take off, giving IJM first hand experience of the rocky road to privatisation in the newly liberalised India.

"Toll roads operate on the principle of choice – they are the alternative to toll-free roads. Frequently, toll-free roads are older, single lane roads that are congested. Road users have the option of paying tolls for convenience and time savings."

***Neoh Soon Hiong**, director of Besraya and New Pantai Expressway*

The company was not discouraged because it saw possibilities in India as it had done earlier in China. In 2001, IJM won its first BOT highway project in India, when it invested in 31.9% in Swarna Tollway Pte Ltd, which was awarded a 30-year concession for two highways in Andra Pradesh. This investment heralded IJM's entry as a pioneering toll road investor-contractor in India, for the construction of the NH5 and NH9, a total of 156 km. Construction was completed by 2003, positioning IJM as a builder of quality infrastructure, completed on time and within budget. Tolling of the highways began in 2004.

Sikandra Toll Plaza in Jaipur, Rajasthan, India

Infrastructure (toll) general manager James Wong Tet Foh says, "IJM's strength was that it is a construction supermarket that could control the entire building chain. We also had strong backing from banks and internal reserves. This removed construction risks that frequently delay the take-off of toll highways. After construction, the infrastructure becomes an asset for us to manage. And we had the professional expertise for toll operations."

The first decade of 2000 was the turning point for the infrastructure division. It started on a high, with IJM gaining ground as a sought-after BOT concessionaire in India, and the company quickly expanded its footprint across the subcontinent. By 2002, it had two 100% owned toll highway projects under its belt – the Rewa-Jaisinghnagar-Shahdol-Amarkantak Road and the Satna-Maihar-Parasi More-Umaria toll highways, both in Madya Pradesh. In his Review of Operations, Annual Report 2002, group managing director Krishnan Tan stated: "It is envisaged that the heavy spending on infrastructural development in India, particularly on roads, would provide a good opportunity to expand our activities and anchor our presence in this vast country."

Three other BOT concessions followed– the wholly owned Jaipur Mahua Tollway, 50% owned Trichy Tollway and 33%-owned Second Vivekananda Bridge Tollway Company. By 2007, IJM had five toll highways and one power plant in India.

As expected, revenues took time to trickle in and the division slipped into the red between 2004/5 and 2007. The group's India hand, Tan, explains: "In India, we started from scratch, using foreign borrowings to finance our equity interest while construction was funded by non recourse local borrowings, unlike in the past when we used internal funds. It takes time to see returns on a toll road investment. As a guide, privatised highways see the lowest revenue and highest debt cost at the start of the concession period. Profitability generally sets in about five to seven years after opening for tolling. Toll highways in India are relatively new and incur higher interest rates compared to Malaysia, and public acceptance also takes longer."

In his Review of Operations in the 2007 Annual Report, Tan sums up the anticipated poor performance of the infrastructure division, attributing it to "interest cost incurred on offshore borrowings to finance the group's equity investments in toll concessions in India, some of which were still under construction and low initial traffic volume in the group's operating concessions. These concessions are currently in their third year of operations and with improving traffic volumes and mandatory toll rate increases, better performance levels are expected from them in the coming years."

Still, India was not off the IJM radar. In 2008, the group invested in another highway, the 50%-owned Chilkaluripet-Vijayawada Tollway for 82 kilometres in Andra Pradesh. Meanwhile, an opportunity arose to encash one of its investments following its completion. IJM sold its stake in the Second Vivekananda Bridge in Kolkata for a profit of RM65 million. It was in the second year of operations and anticipated to make operating losses for the next 6 years. It was a good sale that helped lift and expose the present value potential of the infrastructure division's assets.

The biggest shot in the arm for the division came with the strategic acquisition of Road Builder (M) Holdings Berhad (RBH). After years of languishing in a "BOT concession drought" in Malaysia, the division struck big in 2007, when it inherited four infrastructure assets that forever changed the complexion of the infrastructure division, until then ruled by foreign assets. With this inheritance, the infrastructure division bounced back with a vengeance to post an impressive pre-tax profit of RM88.60 million in 2008.

All RBH assets were injected into the IJM Group and their financial performance reflected in the 2008 accounts. The new additions – two toll highways and two ports – were potential money spinners that gave the infrastructure division the big break it sorely needed. It consisted of one profitable wholly owned highway – the 16-km Besraya Highway that had a

Trichy Tollway in Tamil Nadu was divested in 2012.

Besraya Highway in Kuala Lumpur

New Pantai Expressway in Kuala Lumpur

IJM has the management and operational expertise for toll highways. Picture shows the New Pantai Expressway Central Monitoring Station.

37-year concession and was operating for 10 years. "It came with almost no debt," says Tan. The other was the 20-km New Pantai Expressway with a 35 year concession. It had been operating for five years and the inflexion point had yet to be reached, according to Tan. Both highways were located in the Klang Valley, where road users were accustomed to toll highways and the prospects of growing traffic volume were promising. The Besraya alignment is currently being extended to connect it to the Middle Ring Road at Pandan Indah, an extra 13 km, to improve connectivity on the Eastern side of the Klang Valley.

Besraya and New Pantai Expressway director Neoh Soon Hiong, previously from Road Builder, says that when IJM took over these tollways, both faced stiff competition from alternative toll free roads, and traffic was below targeted projections. IJM proposed the removal of the Salak South toll plaza and the Kampung Medan toll plaza for Besraya and New Pantai Expressway. The abolition of tolls for local road users and reduction of toll charges for long haul motorists accelerated traffic growth for both highways and placed them on better financial footing.

Neoh says, "As paid alternatives to non-toll roads, toll highways have to ensure that they are well maintained and user friendly. We have to ensure that they are safer and remain the more cost-effective and convenient choice at all times."

Curiously, IJM's prolonged bad spell for domestic concessions had ended the previous year, before the entry of RBH's assets. In its quest for infrastructure investments, IJM spotted a couple of concession companies in distress in 2007. It took over the 50% equity interest of the ailing shareholder of Lebuhraya Kajang-Seremban Sdn Bhd, which had the concession for the 48km new highway linking Kajang to Seremban for a period of 33 years. IJM's construction division swung into action to complete building the highway, previously mired in financial problems. In 2008, the eponymous LEKAS commenced tolling.

Similar circumstances led to another investment, this time the financially-strapped West Coast Expressway concessionaire. The 240-km expressway is the alternative to the popular and increasingly congested North-South Highway. At the time of writing, a new concession agreement for the West Coast Expressway had been signed and construction had yet to commence. When it does, it will be a boon to the construction division's order book. Contribution to the infrastructure division's profit centre will take some years. The West Coast Expressway concession is for 50 years, with a conditional extension of another 10 years. This is a new generation agreement with an equitable mechanism for upside sharing with the government.

"The view that ports don't make money is wrong. The port business is a 24/7 industry. Those days, capital expenditure was huge and it was borne by the government. The industry was heavily unionised, and processes took longer. When staff performed well, it was difficult to reward them because salaries were tied to the government remuneration structure. Privatisation addressed these issues, and we can now literally run a tight ship and be profitable. Profitability depends of capturing traffic plying this route; it is very much a volume game."

***Wong Soon Fah**, first managing director of IJM infrastructure division (ports)*

Source: The Star, 10 December 2007

By SHARIDAN M.ALI
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Big plans for expansion

Kuantan Port aims to support ECER development

KUANTAN Port Consortium Sdn Bhd has a massive expansion plan to support the development of the East Coast Economic Region (ECER).

Managing director Wong Soon Fah said there are plans to transform Kuantan Port into a mega port.

"Kuantan Port plans to embark on a massive expansion that includes a new container berth with a total length of 4km with 18m draft as well as a 120 hectares container yard in the first and second phase of development," he told StarBiz.

"The third phase of expansion will include berths for bulk cargo, depending on market needs".

With the expansion, Wong said, Kuantan Port would be able to bring in main line operators and large vessels to support the needs of users sited in the planned free zone, palm oil industry cluster, logistics activities centre, petrochemical hub, and the plastics hub in Kertih.

Wong said Kuantan Port would benefit from higher cargo throughput and revenue with additional activities under the ECER project.

"Due to higher volume of cargo and vessels calling at Kuantan Port, the freight rates and the connectivity to a greater number of destinations will help to induce industries to locate in the east coast which in turn would facilitate development of the port in the future.

"This is because Kuantan Port is not only to serve Pahang but the whole of the east coast including Terengganu and Kelantan," he said.

Wong added that the port would become a hub for oil and gas, agriculture development, a centre for educational excellence and human capital development.

Wong Soon Fah

much growth this year as compared with last year.

"This is because there has been a slowdown in the steel pipe industry.

"In terms of container handling, we are expecting only a slight growth to 131,000 TEUs this year from 125,000 TEUs in 2006.

"This should pick up when the two biodiesel plants are commissioned and a large investor, Lynas starts production," said Wong.

The main port operations area at Kuantan Port

keting and getting new investors as its main priority.

Wong said the port needed new investors to provide it with a quantum leap to boost its cargo and ship-

will then have the capability to handle the large ships," he said.

Wong added that increasing operating cost was a major concern as oil was almost US$100 per barrel.

and capital dredging has to be financed by the government.

"The berths, equipment and software will be borne by the terminal operator," said Wong.

Kuantan Port: the Dark Horse

Malaysia's second prime minister Tun Abdul Razak Hussein envisaged a port in his home state of Pahang, and it led to the construction of Kuantan Port in 1976. "It was difficult to get ships to call on Kuantan Port," recalls Wong Soon Fah, the first managing director of Infrastructure (Ports). Kuantan Port's primary cargo was palm oil and timber, and this was controlled by Singapore traders, who would buy from Malaysia and repackage the products and sell them as Made-in-Singapore goods. Worse, during our marketing rounds, we found that traders were bad-mouthing Kuantan Port. We had to use other tactics to lure ships, and convinced ship-owners from Korea and Japan to come to Kuantan because our warehouses were cheaper. Slowly, we won them over.

Initially designed to handle general cargo, Kuantan today manages newer shipping trends and cargo packaging, from break bulk to palletisation, unitisation, dry bulk, containerisation and liquid handling. It has dedicated facilities for liquid chemical products and container handling operations. Currently, 10 types of container shipping services are provided by seven liner operators. For the chemical trade, major tanker operators such as Stolt Nielsen, MISC, Odfjell Tankers call at Kuantan Port regularly.

IJM became a port operator in 2007, with the multipurpose Kuantan Port and the industrial port of Kemaman, both located in the East Coast of Peninsular Malaysia. With this, IJM Group enlarged its Malaysian footprint – from Penang in the North to Johor in the south, the East Coast, Sarawak and Sabah. The group now had a strategic presence in every key development zone of Malaysia.

IJM was lucky to have picked up Kuantan Port at this juncture. The aging Kuantan Port had taken centre-stage in the vigorous industrialisation of the East Coast economic corridor, branded as East Coast Economic Region (ECER), which began in 2006.

Located at the edge of the Pacific Rim and within the ECER Special Economic Zone, Kuantan Port is being envisioned by the government as the "Gateway of the East", for international trade with the markets of ASEAN and the Far East, particularly China, which became Malaysia's largest trading partner in 2011, with cargo volumes growing exponentially since then. Kuantan Port offers the shortest, quickest and most direct route between Peninsular Malaysia and the ports of South China, compared to any other port in Malaysia. It is also being positioned as transshipment centre for the redistribution of manufactured goods, particularly in ASEAN, China, Japan and West Coast USA.

Kuantan Port's second managing director Ho Phea Keat.

IJM is expanding Kuantan Port into a megaport, and embarked on the construction of a new deep water terminal to accommodate panamax and super panamax vessels. Cargo volumes are forecast to surge with the rapid industrialisation of ECER and fast-growing bilateral trade with China. In February 2013, IJM signed a Memorandum of Understanding with the Guangxi Beibu International Port Group (GBIPG) of China, which operates four ports in southwest China, that will take up a 40% equity interest in the Kuantan Port concession.

Kuantan Port has some 500 staff, many of them seasoned players in the port industry. It is headed by managing director Ho Phea Keat who recalls the growth of Kuantan Port since it began operations in 1984: "It was a modest start, with cargo volumes of

Source: Nanyang Siang Pau, 6 February, 2013

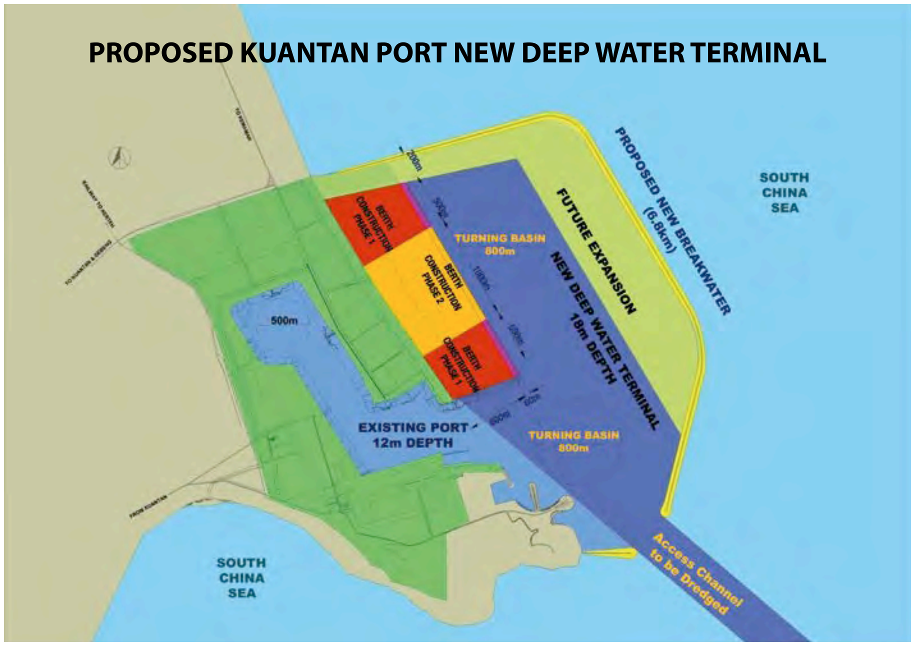
IJM 集团
广西北部湾国际港务集团

合作扩建关丹港口

IJM（IJM，3336，主板建筑股）向马交所报备，与广西北部海湾国际港务集团联营发展关丹港口以及工业地段。IJM 子公司以 3 亿 1000 万令吉，脱售关丹港口财团 40%股权予广西北部海湾国际港务集团。IJM 指出，子公司 Road Builder（马）控股公司与广西北部海湾国际港务集团签署了解备忘录，计划以上述价码脱售 4800 万股或 40%股权予后者。这项脱售价仍属初步脱售价码。

IJM 集团总执行长拿督郑建民和广西北部湾国际港务集团董事长叶时湘交换开发和扩建关丹港口的了解备忘录。

2013: IJM's managing director Teh Kean Ming exchanging documents with Ye Shixiang, president of Guangxi Beibu International Port Group, after the MOU signing ceremony.



Kuantan Port is being positioned as Malaysia's "Gateway to the East" and expanded to accommodate panamax and super panamax vessels.

An oil rig berthed at Kuantan Port, which is located in the oil, gas and petrochemical belt of Peninsular Malaysia.

less than one million tonnes per annum," says the port veteran. "Kuantan Port started by handling five types of cargo – latex, timber, iron ore, manganese and later palm oil. When rubber and timber became sunset industries in Malaysia, the port began to concentrate on liquid chemicals, especially petrochemicals following the oil & gas boom in Malaysia in the 1990s.

"In 1998, Kuantan Port was privatised to Road Builder Holdings Berhad. By then, several oil & gas majors had established bases in the East Coast, attracted by the availability of oil & gas, palm oil, minerals and other raw materials. Land was, and still is, relatively cheap here and there is a pool of skilled labour. Our hinterland includes customers such as BHP Amoco, BASF Petronas, MTBE, Eastman Chemicals. Hazmat handling became Kuantan Port's niche, and we gained international recognition for this.

"The 2000s was a relatively quiet decade, and things started picking up in 2010, when we noticed a sharp rise in exports to China, especially iron ore. Since privatisation 12 years ago, Kuantan Port has expanded from the original four wharves and two berths to a total of 20 wharves and seven berths in 2010 to meet rising demand.

Port revenue comes from cargo handling (40%), ship revenue – piloting, dockage and port dues (35%), lease of land – for industries and support facilities (20%) and ancillary facilities – fire-fighting,

fork-lifting and security (5%). Revenues were steady for much of the 2000s until the launch of ECER in 2006.

Today, Kuantan Port handles about 15 million tonnes of cargo annually. The industrialisation of ECER represents the next boom for the port. In 2012, ECER exceeded its investment target of RM10 billion, by recording RM12 billion investments that year. Many of them are for export-oriented industries, which require port facilities.

"The prospects are bright for Kuantan megaport, which will become more container-based when the expansion is completed in 2015," says Ho. "It will then have the capacity to handle cargo volumes of between 60-80 million tonnes per annum, and the new deep water terminal will be able to accommodate panamax and super panamax vessels."

The early years of aggressive sales and marketing to promote Kuantan Port's unique selling points, especially its resource-rich hinterland.

Since 2008, the infrastructure division has made respectable gains, and its contributions to the group's coffers have helped offset shrinking profit margins suffered by the construction division. In 2009, it delivered a PBT of RM27 million, 5% of the group's profits, and its contribution climbed steeply to RM128 million (18% of Group PBT) in 2011 before slipping to RM86 million (11% of group PBT) in 2012 due to the addition of new and immature Indian concessions that were in the loss making stage. While the bulk of profits come from mature Malaysian concessions, foreign assets in Argentina, Vietnam and India make regular, albeit modest, contributions.

The biggest setback for foreign assets is US-denominated borrowings and foreign exchange fluctuations that tend to devalue their contributions to the group from time to time. However, over time, their impact has been positive. Still, IJM had made substantial profits from BOT concessions, especially from construction, recurrent income and the occasional disposal of assets.

The prospects are bright for Kuantan Port, especially with the growth of bilateral trade between Malaysia and China.

Conclusion

"Daring ideas are like
chessmen moved forward.
They may be beaten,
but they may start a winning game."

Johann Wolfgang von Goethe

IJM began as a daring dream of a group of civil engineers who were ahead of their time. The formative years were full of hardship, sacrifices, even despair. But these determined men never gave up hope, and remained committed to realising their dream of building a professional group of companies that were equals to well-capitalised foreign construction players who had made inroads into Malaysia's construction industry.

IJM now celebrates 30 years of a winning game, with a footprint that has grown across the world. It has delivered one sterling performance after another, and gained recognition as a reputable Malaysian brand with a string of awards. There have been setbacks and mistakes, but they pale in the brightness of achievements.

The IJM of today owes much to its founders, who bequeathed upon the company the fundamental principles of a sustainable business: the culture of good governance, quest for excellence and the philosophy of a shared destiny.

For them, business must be conducted in a fair and ethical manner. Only then will the company be there for the long haul. In their relationship with staff, suppliers, subcontractors and other third parties they emphasised transparency, integrity and accountability. These values have become embedded into the IJM work and business culture. Faithful adherence to these practices have propelled the rise and rise of IJM, a company with the reputation for taking the road not taken, emerging more refreshed and energised by the decision.

The founders were hands-on managers who led by example. They pursued excellence so that IJM could stand out and be counted in the increasingly competitive and crowded construction business. "Excellence" was more than systems and procedures. It was a state of mind, and the culture of excellence has permeated across all levels of staff, and strengthened the core of the company.

People will always remain the lifeline of IJM, and the founders in their wisdom practised the concept of a "shared destiny". It has a simple, potent message. It urges staff to remain steadfast and committed to the company goals because when the company prospers, so will they. And when the going gets tough, sacrifices will have to be made by everyone. IJM is blessed that its workforce has risen to the many challenges thrown at it, and the company emerged stronger each time.

Now, as IJM stands on the threshold of another new decade, a new generation of leaders have embarked on their journey to drive the company forward. They have inherited a company with good genes. It is also well-capitalised, and has an enviable track record and strong order books. The prospects are bright, but nothing can be taken for granted. As with any journey, there are likely be obstacles, sometimes beyond one's control. It is now the turn of IJM's second generation to seek solutions. The baton has been passed. And the next leg of the race is theirs to run. ■


"New people need to take the baton and run the next leg."
Krishnan Tan
Source: The Star, 12 June 2009

INDEX

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