



APPENDIX 'A'

QUESTIONS FROM MSWG



OPERATIONAL & FINANCIAL MATTERS

Question 1

The attempt to dispose of the plantation assets in Kalimantan, Indonesia, was aborted in 3Q 2021, resulting in steeply rising losses from the discontinued operations and leading to a total comprehensive loss for TDM in FY2021. However, in 1Q2022, the Group has accepted a new offer for the proposed disposal of its loss-making Indonesian assets for RM115 million cash. TDM has already impaired the investment of its Indonesian assets since FY2017, amounting to RM729 million, and the Indonesian subsidiaries of the Group have also been classified as assets held for sale since FY2019.



OPERATIONAL & FINANCIAL MATTERS

Question 1: Cont'd

The two loss-making subsidiaries have been unprofitable since their incorporation and are not expected to be profitable in the near term. The proposed disposal allows TDM and its subsidiaries to exit its Indonesian operations and focus its resources on its Malaysian operations. *(Page 27 and 34 of Annual Report (AR) 2021)*



a) What are the reasons for the huge impairment totalling RM729 million since FY2017? What has gone wrong?

Answer:

The impairment consists of: -

- 1) Cost of investment of RM48 million (fully impaired); and
- 2) Amount due from PT Rafi Kamajaya Abadi (“PTRKA”) and PT Sawit Rezki Abadi (“PTSRA”) of RM681 million.

FY2017 and 2018: Impairment of RM423 million, as TDM advanced an additional RM394.3 million to PT RKA to retire the Indonesian Rupiah Notes Programme (“IDR Notes”) held by PT RKA. *Further details can refer to Note 22(b) in Annual Report FY2018.*



a) What are the reasons for the huge impairment totalling RM729 million since FY2017? What has gone wrong?

Answer: Cont'd

FY2019 Impairment of RM159 million, PT RKA & PT SRA is now classified under disposal group and impairment losses were derived as the fair value less costs to sell (“FVLCTS”) of the assets are lower than its carrying amount. The FVLCTS is based on the resale value of the assets, taking into consideration on the offer letter received from a purchaser at that time.

FY2020: Impairment of RM18 million is due to additional impairment resulted from current year advance from Holding company to PT RKA & PT SRA.

FY2021: Impairment of RM81 million due to the Group has a new buyer with lower resale value.



b) When did the Group first invest in these Indonesian subsidiaries and how much have you invested since then?

Answer:

TDM first invested in PTRKA in FY2007 and PTSRA in FY2015. TDM has invested totalling RM818 million as follows:

	PT RKA	PT SRA	TOTAL
	RM	RM	RM
Cost of investments	44,351,194	3,839,727	48,190,921
Advances	761,368,901	9,189,680	770,558,581
	805,720,095	13,029,407	818,749,502



c) Why have they not been profitable since their incorporation?

Answer:

What happened in Kalimantan is truly unfortunate and a big learning curve for TDM in terms of managing international ventures and we are truly humbled by the experience. Unexpected and huge cost outside normal investment expectation has weighed down prospects for profitability from day one. This includes major land preparation in compliance to ever changing regulations in the early stages of planting resulting in inconsistent production as well as socialization challenges with local communities which impacted operational activities and FFB productions.



C) Why have they not been profitable since their incorporation?

Answer: Cont'd

Just when things are improving, the fire incident case happened impacting more than 1,900 hectares of matured plantations and also covid lockdown further rubbing salt to the injury.

Post lockdown, our Kalimantan assets has started to show promises which attracted buyers' attention. Further committing to PT RAFI and PT SRA would mean further injecting resources to the enterprises - the same resources which are perhaps better redirected to strengthening our execution in SBP. The best option forward given the situation is to sell and to get a buyer willing and ready to undertake the risks.



DETAILS ANSWER FOR QUESTION NO. 1

(A) Total cost of investment in Kalimantan subsidiaries as at 31 December 2021:

	PT RKA	PT SRA	TOTAL	
	RM	RM	RM	
Cost of investments	44,351,194	3,839,727	48,190,921	
Less: Impairment	(44,351,194)	(3,839,727)	(48,190,921)	
	-	-	-	
Advances	761,368,901	9,189,680	770,558,581	
Less: Impairment	(672,068,069)	(9,189,680)	(681,257,749)	
	89,300,832	-	89,300,832	(B)



DETAILS ANSWER FOR QUESTION NO. 1

(B) Breakdown of advances to PTRKA and PTSRA by year are as follows:

	ADVANCES TO PT RKA RM	ADVANCES TO PT SRA RM	TOTAL ADVANCES RM	IMPAIRMENT RM	CARRYING AMOUNT RM	
FY2007	399,004	-	399,004	-	399,004	
FY2008	3,684,505	-	3,684,505	-	3,684,505	
FY2009	3,744,681	-	3,744,681	-	3,744,681	
FY2010	11,177,496	-	11,177,496	-	11,177,496	
FY2011	50,493,665	-	50,493,665	-	50,493,665	
FY2012	75,569,716	-	75,569,716	-	75,569,716	
FY2013	(106,393,124)	-	(106,393,124)	-	(106,393,124)	(C)
FY2014	26,605,650	-	26,605,650	-	26,605,650	
FY2015	104,857,177	-	104,857,177	-	104,857,177	
FY2016	108,315,631	-	108,315,631	-	108,315,631	
FY2017	67,234,208	317,366	67,551,574	(317,366)	67,234,208	(i)
FY2018	395,173,702	8,110,539	403,284,241	(422,807,976)	(19,523,735)	(i) (D)
FY2019	7,911,418	538,563	8,449,981	(158,924,853)	(150,474,872)	(ii)
FY2020	7,779,623	71,301	7,850,924	(17,969,564)	(10,118,640)	(iii)
FY2021	4,815,551	151,911	4,967,463	(81,237,990)	(76,270,527)	(iv)
	761,368,901	9,189,680	770,558,581	(681,257,749)	89,300,832	



DETAILS ANSWER FOR QUESTION NO. 1

(C) due to the repayment made by PTRKA.

Reasons for the impairment, are as follows:

- (i) Impairment of RM423 million, as TDM advanced an additional RM394.3 million to PT RKA to retire the Indonesian Rupiah Notes Programme (“IDR Notes”) held by PT RKA. Further details can refer to Note 22(b) in Annual Report FY2018.
- (ii) Impairment of RM159 million, PT RKA & PT SRA is now classified under disposal group and impairment losses were derived as the fair value less costs to sell (“FVLCTS”) of the assets are lower than its carrying amount. The FVLCTS is based on the resale value of the assets, taking into consideration on the offer letter received from a purchaser at that time.
- (iii) Impairment of RM18 million is due to additional impairment resulted from current year advance from Holding company to PT RKA & PT SRA.
- (iv) Impairment of RM81 million due to the Group has a new buyer with lower resale value.



DETAILS ANSWER FOR QUESTION NO. 1

(D) Total advance to PTRKA of RM395 million in FY2018 is mainly consist of advance for settlement of IDR Notes in PTRKA books with total of RM394 million.

The IDR notes was redeemed by TDM Berhad using Foreign Currency Revolving Credit Facility-i (FCRC-i) from OCBC worth USD100mil. Subsequently TDM Berhad redeemed its investment in the Credit Linked Notes (CLN) with OCBC and the proceed was used to repay the USD100mil FCRC-i. The redemption of IDR Notes was made at that time because TDM want to dispose the Company and the condition agreed with the potential buyer at that time is the settlement of IDR notes by the Company.



DETAILS ANSWER FOR QUESTION NO. 1

(E) (Loss)/profit after tax for PTRKA and PTSRA by year are as follows:

(Loss)/Profit after Tax	PT RKA RM	PT SRA RM	TOTAL RM
FY2007	(358,456)	-	(358,456)
FY2008	(3,108,948)	-	(3,108,948)
FY2009	(1,413,761)	-	(1,413,761)
FY2010	(4,517,572)	-	(4,517,572)
FY2011	(9,824,394)	-	(9,824,394)
FY2012	(26,628,872)	-	(26,628,872)
FY2013	(45,677,842)	-	(45,677,842)
FY2014	(50,863,793)	-	(50,863,793)
FY2015	(46,069,966)	-	(46,069,966)
FY2016	(49,718,848)	75,670	(49,643,178)
FY2017	(125,167,412)	(7,480,687)	(132,648,099)
FY2018	(81,556,536)	(109,266)	(81,665,802)
FY2019	(46,784,644)	(179,919)	(46,964,563)
FY2020	(139,956,145)	(112,661)	(140,068,805)
FY2021	9,408,658	(3,371,495)	6,037,163 (E)

(E) Profit at PTRKA in FY2021 is mainly contributed by the following:

- Reversal of impairment in value of assets amounting to RM16.84 million; and
- Gain on foreign exchange rate difference amounting to RM16.67 million.



OPERATIONAL & FINANCIAL MATTERS

Question 2

To grow its business sustainably, the Group has embarked on a five-year (2021- 2025) Strategic Business Plan (SBP) towards its 'Vision FY2025' to achieve a combined RM108 million in Profit After Tax (PAT) for the combined Plantation and Healthcare Divisions, and a Group PAT of RM78 million. However, the SBP was rolled out during a year when the enduring pandemic continued to impact initiatives and operations. *(Page 31-33 of AR 2021)*



a) Is the Group still sticking to this SBP? If not, what are new PAT targets for these divisions?

Answer:

As of to-date, the Group is still sticking to this SBP and the targeted PAT remains as per existing 5-years SBP.



b) The Group's existing target for the Healthcare division is to reach a capacity of 1,121 beds in FY2025 compared to 394 at the end of FY2021. Are there any changes to this target? How many additional medical facilities do you plan to build over the next 4 years? What is the total capex?

Answer:

There is no major change to the target of number of beds. However, we are reviewing the progress year by year and if necessary, may produce a revised 5-year plan.

Two hospitals are planned for the next four years, namely in Kota Bharu and Kemaman with a Capex of about RM200 million.



OPERATIONAL & FINANCIAL MATTERS

Question 3

As a response to labour shortage, TDM Plantation Sdn. Bhd. (TDMP) introduced a mechanisation drive at its estates beginning in 3Q2020 by purchasing 7 units of mechanical buffalo for the evacuation and transportation of FFB.

The subsequent increase in productivity and cost savings prompted the Company to accelerate this programme. As at the end of FY2021, TDMP has successfully introduced mechanisation to an estimated 3,000 ha representing 12% of its mature area and 7% of its total planted area. *(Page 49 of AR 2021)*



What is the total cost for the 7 units of mechanical buffalo? How many more does the Company plan to purchase in FY2022 and FY2023?

Answer:

We are happy to update to our shareholders today that the use of mechanical buffalo, being part of our mechanisation drive has shown positive results in mitigating labour shortages and improving productivity. Initially, the Actual Cumulative Hectare Covered applying our mechanisation initiative from 3Q2020 up to 4Q2021 was 3,266 ha.

To-date, cumulative area covered by mechanical buffalo has reached 5,000 hectares and is expected to hit 6,500 hectares by this year-end. As per the Company's 5-year mechanisation plan (2021 -2025), we are targeting 50% of total planted area to be mechanised, either through mechanical buffalo, mini tractor or mechanised wheelbarrow for the purpose of FFB evacuation.



What is the total cost for the 7 units of mechanical buffalo? How many more does the Company plan to purchase in FY2022 and FY2023?

Answer: Cont'd

So right now, with the increase hectarage coverage, we have 22 units of mechanical buffalo with a total yearly payment of RM 520,000, inclusive of maintenance and 7 spare units for immediate replacement.



OPERATIONAL & FINANCIAL MATTERS

Question 4

The Group's on-going programme to manage the age profile of oil palm trees encountered pandemic-related roadblocks in FY2021 with the replanting of only 2,123 ha or 6.4% (FY2020: 2,751 ha or 8.2%) of its total planted area.

The programme, which was introduced in 2012, sets out to lower the average age to 12 to sustain optimum yields and quality of FFB year after year. At the close of FY2021, mature trees covered a combined 35,319 ha at its estates in Malaysia as well as Kalimantan. The cumulative area for immature trees was 8,771 ha. *(Page 52 of AR 2021)*



What is the average age of your palm trees in Malaysia?

Answer:

TDMP's current average planting age profile is 18 years based on 25,404 hectares of mature area.



How about for Indonesia?

Answer:

Overall, average age profile oil palms in Indonesia stood at 9.5 years old which is basically considered high productive palms. However, FFB production is very low due to reasons stated in point number 1 (c).



OPERATIONAL & FINANCIAL MATTERS

Question 5

TDMP is poised to ramp up the replanting of oil palm trees in 2022 as the second major focus. The target is to achieve a minimum of 40% of young trees by 2024. *(Page 63 of AR 2021)*

Last year, TDMP replanted 2,123 ha or 6.4% of its total planted area in Malaysia.



What is your target for replanting in FY2022 and what is the estimated capex?

Answer:

For FY2022, the Company has deferred its replanting program in FY2022 due to the following justification: -

1. We initially targeted to plant another 2,478 hectares this year, thus making the immature hectarage at 31%, which is double the industry average of 15%. Too high immature hectarage would negatively impact our cashflow as well.



What is your target for replanting in FY2022 and what is the estimated capex?

Answer: Cont'd

2. The current CPO price of above RM 5,000.00 per MT is lucrative, and the Company should take advantage from the current high price trend for extra revenue.
3. Vast area of replanting and immature is known to give a direct impact to mill utilisation where a lower crop volume would affect the mill operation and its processing cost.
4. The one (1) year rest will give the Company more time to concentrate more on its immature fields standard via implementation of excellent agriculture



OPERATIONAL & FINANCIAL MATTERS

Question 6

In October 2021, KMI Healthcare signed an MoU with the Kemaman Municipal Council (MPK) to develop a first-ever private specialist hospital in Chukai, Kemaman. The proposed greenfield development marks a synergistic partnership between KMI Healthcare and the MPK to provide a network of Shariah-compliant hospitals to serve the local community.

Under the joint venture (JV), KMI Healthcare will construct a specialist hospital on a 5.4-acre piece of land (owned by MPK) to house 100 beds and other facilities. Construction is expected to begin early next year and is slated to be operational in 2025. *(Page 35 of AR 2021)*



a) What is the total investment for this new specialist hospital? Please provide a breakdown of the total investment including construction cost, equipment cost etc?

Answer:

Currently, the process is for the land acquisition. Thereafter a request for proposal shall be issued. Only then shall we have an estimate of the total investment.



b) Could you please elaborate more on the structure of this JV? What is your ultimate shareholding in this JV? Is there any capital outlay by MPK?

Answer:

- As per announcement dated 25th October 2021, KMI and MPK signed an MOU to collaborate on the development project of a private hospital on a parcel of land owned by MPK. At the date of the MOU, no joint venture structure has been agreed.
- We wish to update here that KMI has expressed its intent to acquire the land at a price to-be-determined, pending valuation of the land. If the acquisition is completed, this would ultimately bring KMI full control and ownership of the project. We will make a proper announcement to Bursa in the event of any material development.



OPERATIONAL & FINANCIAL MATTERS

Question 7

Average bed occupancy rate for KMI Kelana Jaya Medical Centre (KJMC) was only 11% in FY2021, down from 21% in FY2020.

(Page 55 of AR 2021)



a) Why the bed occupancy rate at KJMC so low?

Answer:

All our hospitals were affected by the pandemic. However, our KMI KJMC was particularly affected due to the stiff competition in the surrounding area.



b) What are your plans for KJMC?

Answer:

There is a transformation plan for KMI KJMC which is already in progress. This includes among others, replacement of the CT Scan, additional specialties (such as orthopedic and rehab services), rebranding of the hospital and refurbishment of the wards.



c) At what occupancy rate can it break even?

Answer:

Breakeven point is not entirely on bed occupancy. It is also affected by average length of stay and revenue per inpatient and outpatient. Breakeven point is about RM1.2 million monthly revenue.



CORPORATE GOVERNANCE MATTERS

Question 8

Practice 5.8 of the Malaysian Code of Corporate Governance stipulates that the Nominating Committee should be chaired by an Independent Director or the Senior Independent Director. For FYE 2021, the company did not apply Practice 5.8.



Does the Company intend to apply Practice 5.8, and if yes, by when?

Answer

As stated in Page 44 of the CG Report, the Company is in compliant with Paragraph 15.08A of the Main Market Listing Requirements which requires nominating committee comprises exclusively of non-executive directors, a majority of whom must be independent.

The Board did not set any timeline to comply with Practice 5.8 of the MCCG.



CORPORATE GOVERNANCE MATTERS

Question 9

Practice 5.9 of the Malaysian Code of Corporate Governance stipulates that 30% of the Board should comprise women. As of FYE 2021, there was no woman director out of the 7 directors on the Board.



Does the Company intend to apply Practice 5.9, and if yes, by when?

Answer

As stated in the Annual Report Page 242 and Page 45 of the CG Report, the Board through NRC will continue to consider gender diversity as part of its future selection and will look into having female Board representation.

The Board also cognisant on the Paragraph 15.02 (1) (b) of the Main Market Listing Requirements that requires for at least 1 women director to sits on the Board by 1 June 2023.

The Board did not set any timeline to comply with Practice 5.9 of the MCCG.