



# 52<sup>nd</sup> Annual General Meeting

**25 May 2017**

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**WHERE WE ARE**

# Plantation Division

## Business activity: Oil Palm Plantation and Palm Oil Milling

- **Malaysia:**
  - Planted Area: 32,108 ha
  - 2 mills (60mt/ha each)
- **Indonesia:**
  - Planted Area: 13,000 ha (including plasma)
  - 1 mill under construction (60mt/ha)

Total Planted area : 45,108 ha



# A leading community specialist hospital


- Kuala Terengganu Specialist Hospital
- Kuantan Medical Centre
- Taman Desa Medical Centre
- Kelana Jaya Medical Centre



## TDM Site

 Hospital

 Plantation Estate

 Palm Oil Mill

STPOM: Sungai Tong Palm Oil Mill

KPOM: Kemaman Palm Oil Mill

KJMC  
Kuala Lumpur

TDMC

KMC

STPOM

KPOM

KTS

Nanga Pinoh

# HIGHLIGHTS

# 2016 Progress Highlights

- ✓ We are rejuvenating Malaysia plantation (replanting exercise)
- ✓ We are upgrading our mills with the latest technology in Terengganu.
- ✓ We have a young plantation in Kalimantan that will contribute to good FFB growth in the next 10-15 years
- ✓ **Our state of the art mill in Kalimantan will be completed by end of 2016**
- ✓ We are investing in capacity (bed size) and capability (services) at our healthcare. Bed size to increase to 407 beds by end of 2017 (from 297 beds)

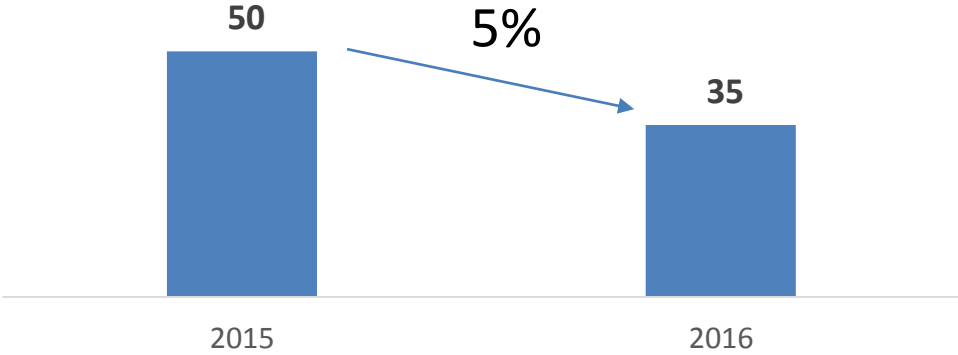
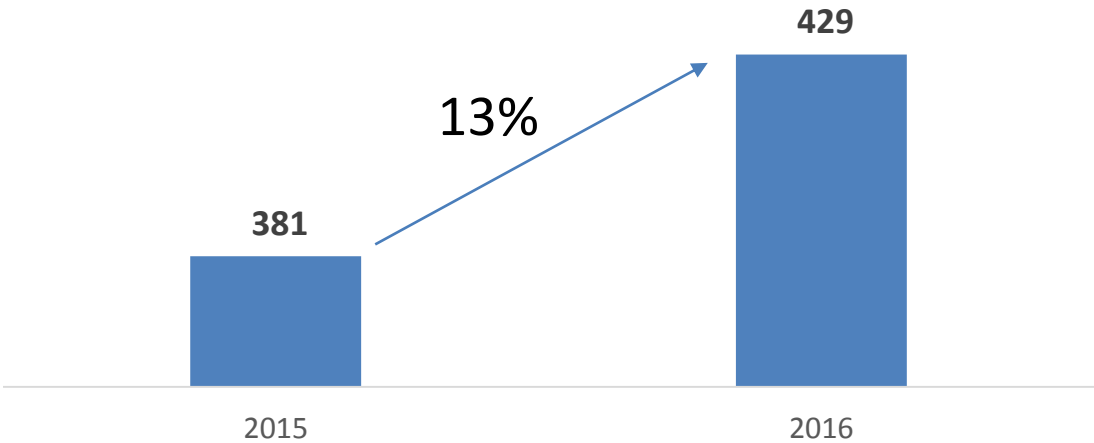


# **FINANCIAL HIGHLIGHTS**

# 2016 Financial Performance

## Revenue

## PBT



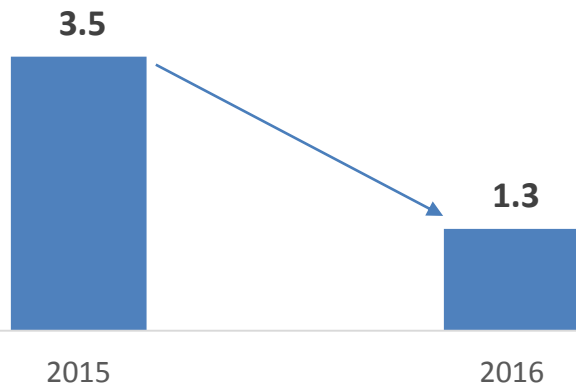
■ Revenue (RM'mil)

■ PBT (RM'mil)

Mainly due to higher CPO price by 23%

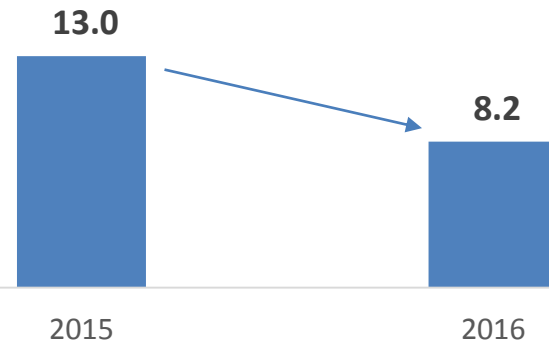
# 2016 Financial Performance

## EPS



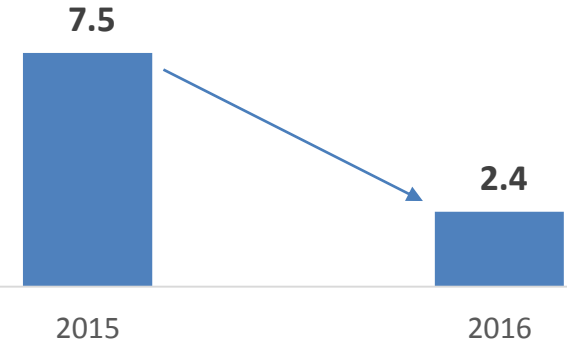
■ EPS (sen)

## PBT Margin



■ PBT Margin (%)

## ROE\*

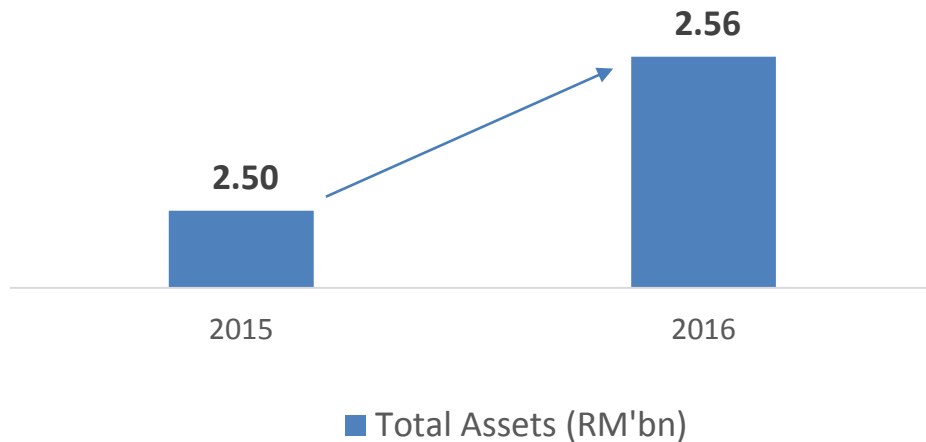


■ ROE (%)

\* Exclude revaluation reserves

# 2016 Financial Position

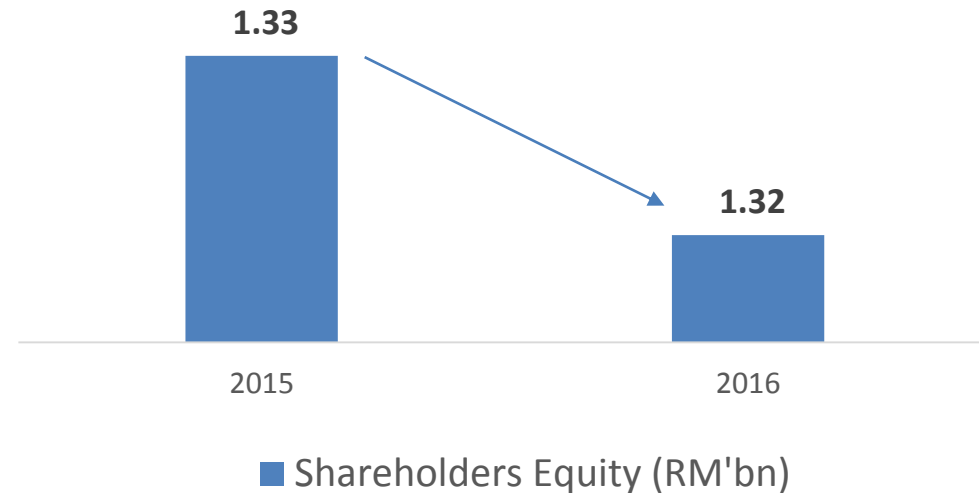
## Total Assets (RM'bn)



We have been investing in our business since 2004, and **our assets value have grown 237%** from RM760 million in 2004 to RM2.56 bn in 2016.

## Shareholders Equity (RM'bn)

← Representing the company's net worth



Our shareholders' equity or **the company's net worth, has more than tripled** since 2004, from RM454 million in 2004 to RM1.32 bn in 2016.

# **PLANTATION PERFORMANCE**



# 100% RSPO Certified (elite few)

Our estates and mills are managed in accordance with good environmental, social & economic standards.

**(Our SG CSPO is sold at USD30/mt premium)**



# TDM's better CPO price contributes to better profit

YEAR	MPOB	TDM
2016	RM2,656	RM2,696
2015	RM2,158	RM2,184

2016: MPOB to TDM difference is 2% (RM2,696 - RM2,656 = RM40, 40/2000 = 2%)

2015: MPOB to TDM difference is 1% (RM2,184 - RM2,158 = RM26, 26/2600 = 1%)

Year-over-year change (2015 to 2016): MPOB is 23% (RM2,656 - RM2,158 = RM498, 498/2158 = 23%) and TDM is 23% (RM2,696 - RM2,184 = RM512, 512/2184 = 23%)

# Towards World Class Replant

- High density planting SPH 148/160.
- Upgrade planting material into new and improved progenies.
- Construct silt pits in both straight-line and terrace plantings for moisture retention and rain water harvesting.
- Incorporate TDMP bio-organic fertilizer to new plantings for moisture retention, nutrient conservation and improving soil structure
- Improving replanting design via GIS
- Early maturity period to 30 months
- Enjoyed MPOB replanting grant at RM1,500/ha of that totalling more than RM1,249,097 (to-date).



# Air Putih Estate Replanting Water Management

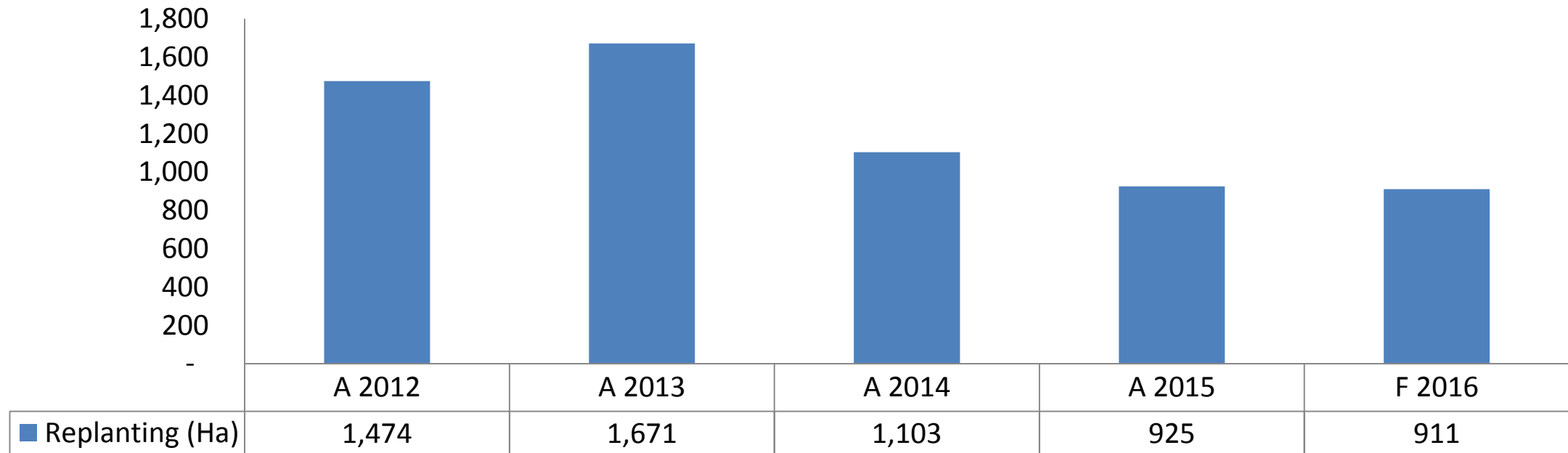


**Bunding of river  
and stream to  
reduce moisture  
deficit**

# Rejuvenation of Terengganu Estates

( **Replanting Policy @ 4 - 5% p.a.** )

Replanting (Ha)



**Replacing low yield, old trees with new high-yielding seedlings and high planting density and better irrigation system - to improve oil palm productivity**

# Terengganu mill rejuvenation program

## 2nd Bio-Composting plant KPOM



- ✓ First plant (in STOM) operational since 2011
- ✓ 2<sup>nd</sup> is completed (*target operational in Q4 2016*)
- ✓ STOM produces 15,000t organic compost, while KPOM will produce 24,000t per annum.

# Terengganu mill rejuvenation program

## Continuous sterilizer in KPOM and STOM



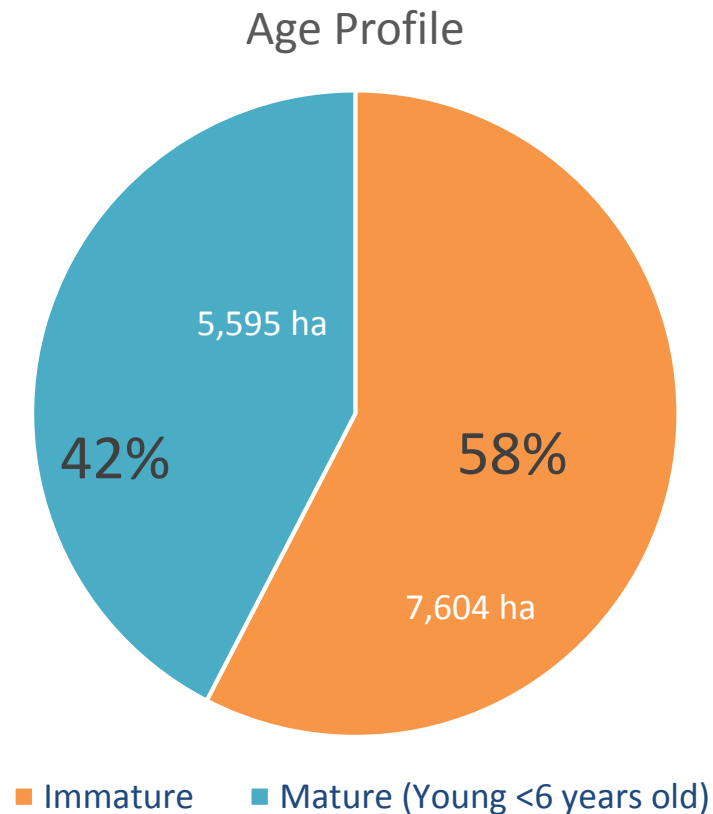
✓ Will reduce cost of processing FFB by about 25%

# Terengganu mill rejuvenation program

**Front end in operation - STOM**



# Kalimantan Plantation (planted 13,200 ha)



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Good FFB growth  
for the next 10-  
15 years

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# Over view Kalimantan Plantation



South 1 Estate



South 2 Estate

# Over view Kalimantan Plantation



North 1 Estate



North 2 Estate



# Kalimantan Mill

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## State of the art mill

Scheduled to be completed  
by end of 2016

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# Mill Specifications

- Capacity: 60mt / hour
- Designed to meet RSPO's requirements
- Continuous Sterilizer System (automated & efficient, better oil recovery)
- With bio-gas (methane-captured from mill effluent)
- With bio-composting plant (for production of bio-fertilizer from waste)



**Continuous sterilizer system**

# PALM OIL MILL PROGRESS (Photos as at 15 May 2016)



Main Road & Main Gate



Weightbridge



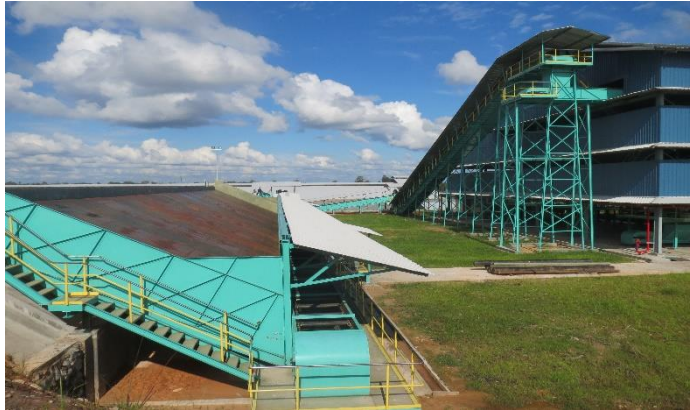
Mill Office



Surau

# PALM OIL MILL PROGRESS

(Photos as at 15 May 2016)



Loading Ramp



Apron Loading Ramp



Continuous Sterillizer



Thresher & Empty bunch  
Crusher

# PALM OIL MILL PROGRESS (Photos as at 15 May 2016)



EFB Station



Nut Plant



Kernel Plant



Kernel Bunker

# PALM OIL MILL PROGRESS

(Photos as at 15 May 2016)



Press & Digester



Unit Boiler



Kernel Recovery



Bulk Kernel Silo

# PALM OIL MILL PROGRESS



Workshop & Store



Water treatment Plant



Engine Generator Set



Raw water intake pump

# PALM OIL MILL PROGRESS

## Bio-Compost Plant



Bio-Compost Plant Area



Shredder & Conveyor



Biomass Conveyor



Turner



# PALM OIL MILL PROGRESS

## Biogas Plant Foundation



Cooling Ponds & Biogas Area



Reactor Tank Foundation



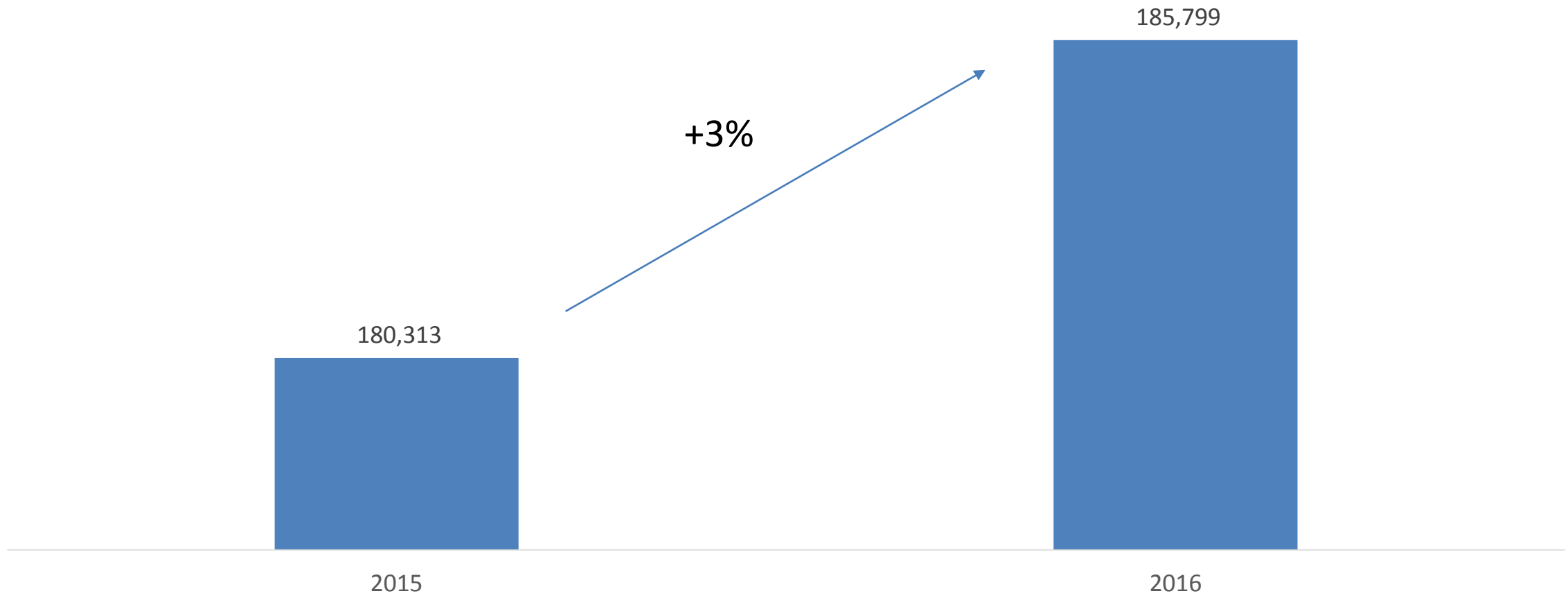
Centrifuge Foundation



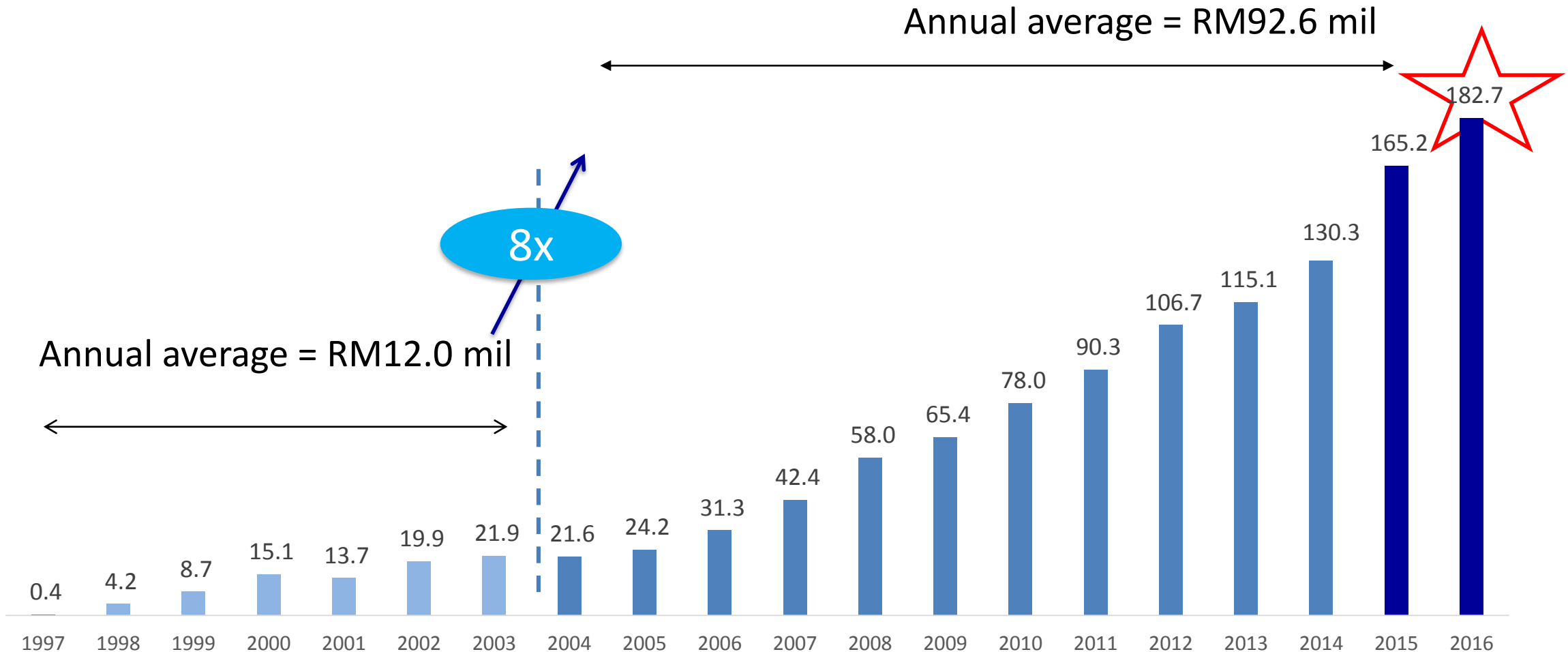
Airator Foundation

# HEALTHCARE PERFORMANCE

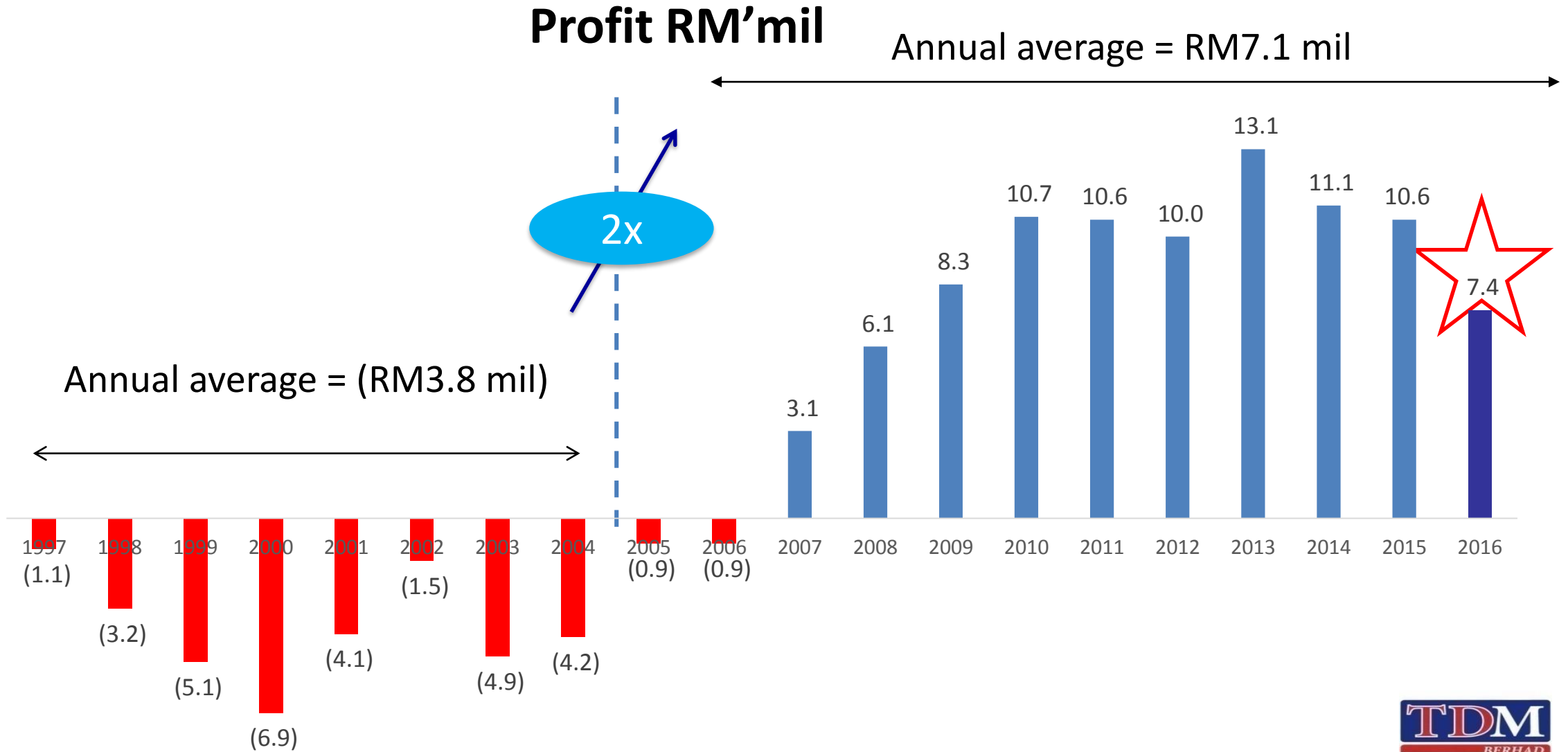
# No. of Patient



# Healthcare Revenue (RM'mil)



# Profits declined by 30%



# Double capacity by 2017

Hospital	Current (Bed No.)	Target (Bed No.)
Kuantan Medical Centre		
Kuala Terengganu Specialist		
Taman Desa Medical Centre		
Kelana Jaya Medical Centre		
Total	297	450



Commencement of new KMC



Commencement of new KTS



Expansion for TDMCH

New  
Hospital





THERE ARE NO CLASSES  
IN OUR HOSPITALS.  
EVERYONE IS IMPORTANT

# New KMC in 2015

In operation 2015





# New KTS, Target Operation in Q3 2017



# New KTS, Target Operation in Q3 2017

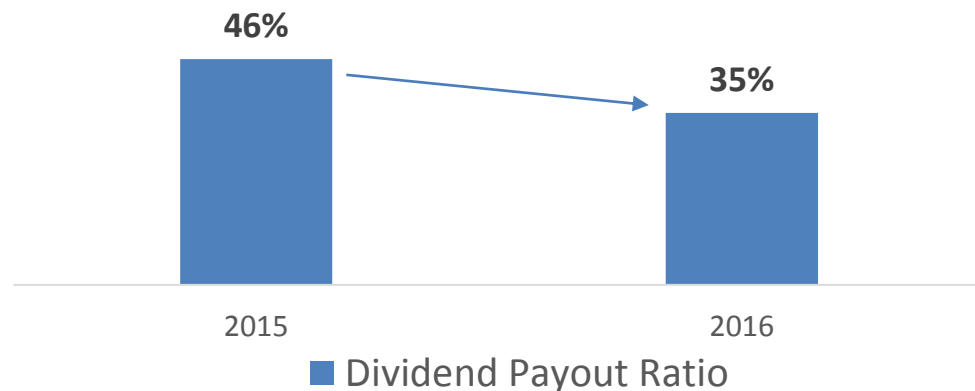


**DIVIDEND**

# Dividend

## Final Dividend of 0.5 sen per share

(or equivalent to dividend payout of 35% of the core\* PATAMI)

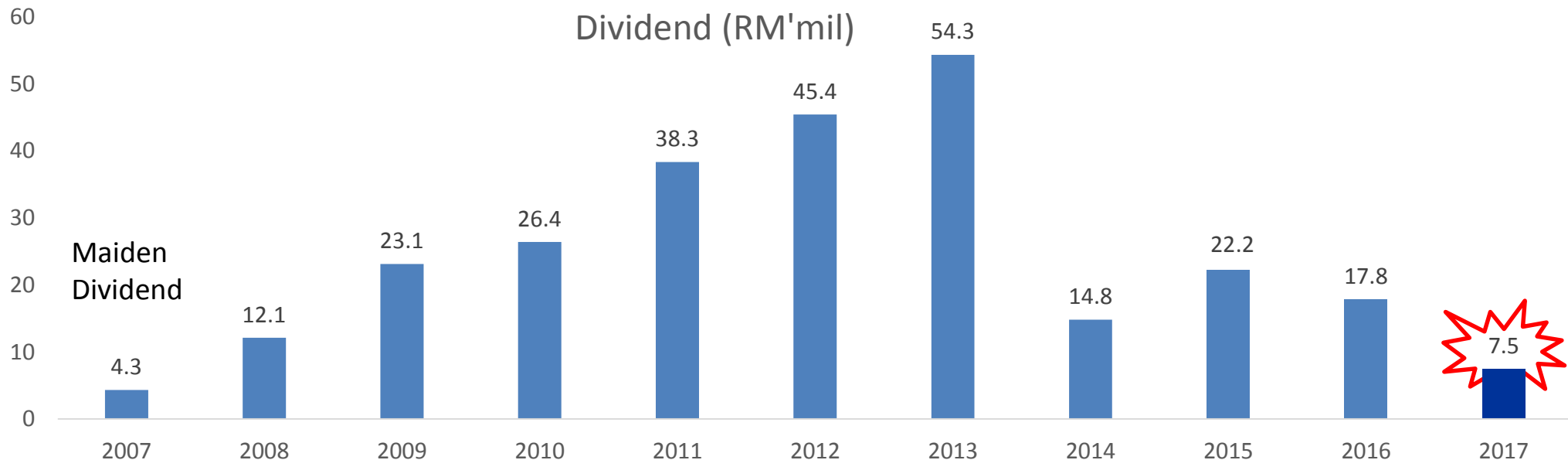


Even though absolute dividend is smaller (due to lower core PATAMI), however the company still pays higher payout ratio, reflecting commitment to shareholders' wealth.

\*Core PATAMI does not include the unrealized gain on the foreign exchange of investment in fixed income securities

# Recommend 0.5 sen dividend per share

Total payout of RM266.2 mil (2007-2016)



Thank you

# **Q & A (FROM MSWG)**

# **FINANCIAL & STRATEGIC MATTERS**



# Question 1

Q1: As reported the second bio composting plant in Kemaman is expected to start operation in October 2016. This would further reduce fertilizer and production cost.

- a. What is the current fertilizer cost per year and the percentage to total production cost?

## Answer:

**Currently in 2016, our fertilizer cost is RM1,700.00 per hectare per year which translates to 40% of the estate's production cost.**

# Question 1 (cont'd)

b. To what extent the second bio composting plant is expected to reduce the fertilizer cost of the company and what is the cost to operate this plant?

## Answer:

**The second bio composting plant would supply approximately 24,000 mt of bio organic fertilizer per year when it operates fully. Our target is to allocate 20.0 kg/palm/year of bio-organic fertilizer which allows us to reduce 15 – 20% of total fertilizer cost.**

**The cost to produce a ton of bio-organic fertilizer is RM380.00.**

# Question 1 (cont'd)

c. Would there be any excess fertilizer for sale to third parties to generate additional source of revenue?

**Answer:**

**All of our organic fertilizer production is for internal usage and there will be no excess for sale to third party.**

## Question 2

Q2:As disclosed in Note 21, the amount due from Plasma increased substantially from RM13.133 million in FY 2014 to RM31.512 million in FY 2015. As stated in the same Note, the amount will be recovered upon maturity of the plantation under Plasma before the profits are distributed to Plasma.

(a): What is the average age of palms under Plasma and when the Company would expect to recover the first payment?

### Answer:

- **The average age of the palms under plasma is 2 years old.**
- **We expect to recover the first payment in Year 2020 ( about average age of 7 years old).**

## Question 2 (Cont'd)

Q2(b):What would be the additional amount expected to be incurred in the coming years ?

### Answer:

- **We budgeted cost to maturity of RM19,000 per hectare.**
- **The actual additional amount to be incurred will be subject to actual hectares to be developed for Plasma.**

# Question 3

Q3: As stated in the “Message from Our Chairman”, transformation change in mill process flow and control via front end upgrade involving latest technology in sterilization process would help to reduce cost and improve automation. To what extent the upgrade would help to reduce labour force and production cost?

## Answer:

**The transformational change in mill process flow via upgrading sterilization process is capable to:**

- **reduce labour requirement by 15 - 20%**
- **the processing cost by 20 – 30% as compared to the old system.**

# Question 4

Q4: We noted that TDM was dropped out from the List of Shariah-Compliant Securities by the Shariah Advisory Council of the Securities Commission Malaysia dated 27 November 2015.

What was the reason for TDM to be dropped out from the list and what are measures taken for TDM to be listed?

## Answer:

- **When we started the structured finance program, the percentage of interest income from fixed income securities was 1%.**
- **In November 2013, Securities Commission revised its shariah screening methodology, for activity based benchmark limit, from the initial 10% to 5% (more stringent requirement).**

## Question 4 (Cont'd)

### Answer (cont'd):

- **Based on audited 31 December 2014, our income from fixed income securities was at 5.35% (of total revenue). It exceeded the revised limit and therefore we have been excluded from the shariah list in November 2015.**
- **We are now working with the same financial institution to convert the fixed income securities into shariah compliant instrument.**



# **CORPORATE GOVERNANCE**

# Question 1

Q1: As reported in the statement on Corporate Governance, two of the subsidiaries are led by the female Chairman and there are eight female directors within the Group. However, there is no woman representative on the Board of TDM.

We hope the Board would also implement gender diversity by having woman representative on the Board of TDM as well.

## Answer:

- **The Company adopts non-discriminatory policy in employing talents to fulfill its human resource needs at all levels including Board especially in ensuring gender diversity.**

# Question 1 (Cont'd)

## Answer (cont'd):

- **Presently, the Board is of the opinion that the current size and composition of the Board is appropriate to commensurate the group's business skill requirement and effective decision making.**
- **However, the Board takes note of the comments in making future decision.**

# Question 2

Q2: The recent amendments to Chapter 9, Paragraph 9.21(2) of the Main Market Listing Requirements requires companies to publish the summary of key matters discussed at the AGMs onto the companies website for AGMs held on or after 1 July 2016. In line with this, we hope the Board would publish the summary of preceeding for this AGM on the Company's website.

## Answer:

**The Board takes note of the requirement and the summary of key matters discussed at AGM will be published onto TDM's website with immediate effect.**

# Question 3

Q3: We also hope the Board would publish the Company's Memorandum and Articles of association ("M&A") of the Company's website for the benefits of all shareholders.

**Answer:**

**The Board takes note of the recommendation.**

# Question 4

Q4: We noted that Haji Mohd Nasir Ali had attend only 9 out 13(69%) Board meetings in 2015.

Please share with the shareholders the reasons for his inability to attend all the other meetings?

## Answer:

- **Firstly, it should not be Tuan Haji Nasir but Tuan Haji Kamaru Al-Amin as Tuan Haji Nasir was appointed only on 28 February 2016.**
- **Tn Hj Kamaru had attended all scheduled meetings for the year 2015.**

**However, he was not able to attend the four special meetings called urgently as he had to attend prior engagements including overseas.**

Written questions from a shareholder - Dr Surjit  
a/l Balwant Singh

Letter dated 9 May 2016, received from Dr Surjit a/  
Balwant Singh (Shareholder)

Q1 : Is there a policy by the company on the dividend payout ratio based on its profits? I note that the payout ratio is rather low (just about 25% of net profit) and is there a reason for this low payout, especially with the TDM Group having substantial retained earnings?

**Answer:**

- ***TDM Berhad has dividend policy of at least 30% of its consolidated annual net profit after taxation and minority interest (PATAMI) annually, established and approved by the Board on 12 April 2009. Where the applicable PATAMI does not include the extraordinary income.***
- ***For FY2015, the dividend of 1.2 sen represents a payout ratio of 46% of PATAMI as compared to only 42% for FY2014.***



Letter dated 9 May 2016, received from Dr Surjit a/  
Balwant Singh (Shareholder)

Q2 : What is the status on the lease renewal by PMINT to TDM of the land under the Kemaman Trengganu Oil Palm scheme and which is currently being harvested.

***Answer:***

- ***We are currently in the process of renewing the (main) lease agreement with PMINT.***
- ***Since this is a related party transaction, we need to ensure full compliance with the Bursa Listing Requirement.***
- ***We hope to complete the entire process within this financial year***

Thank you