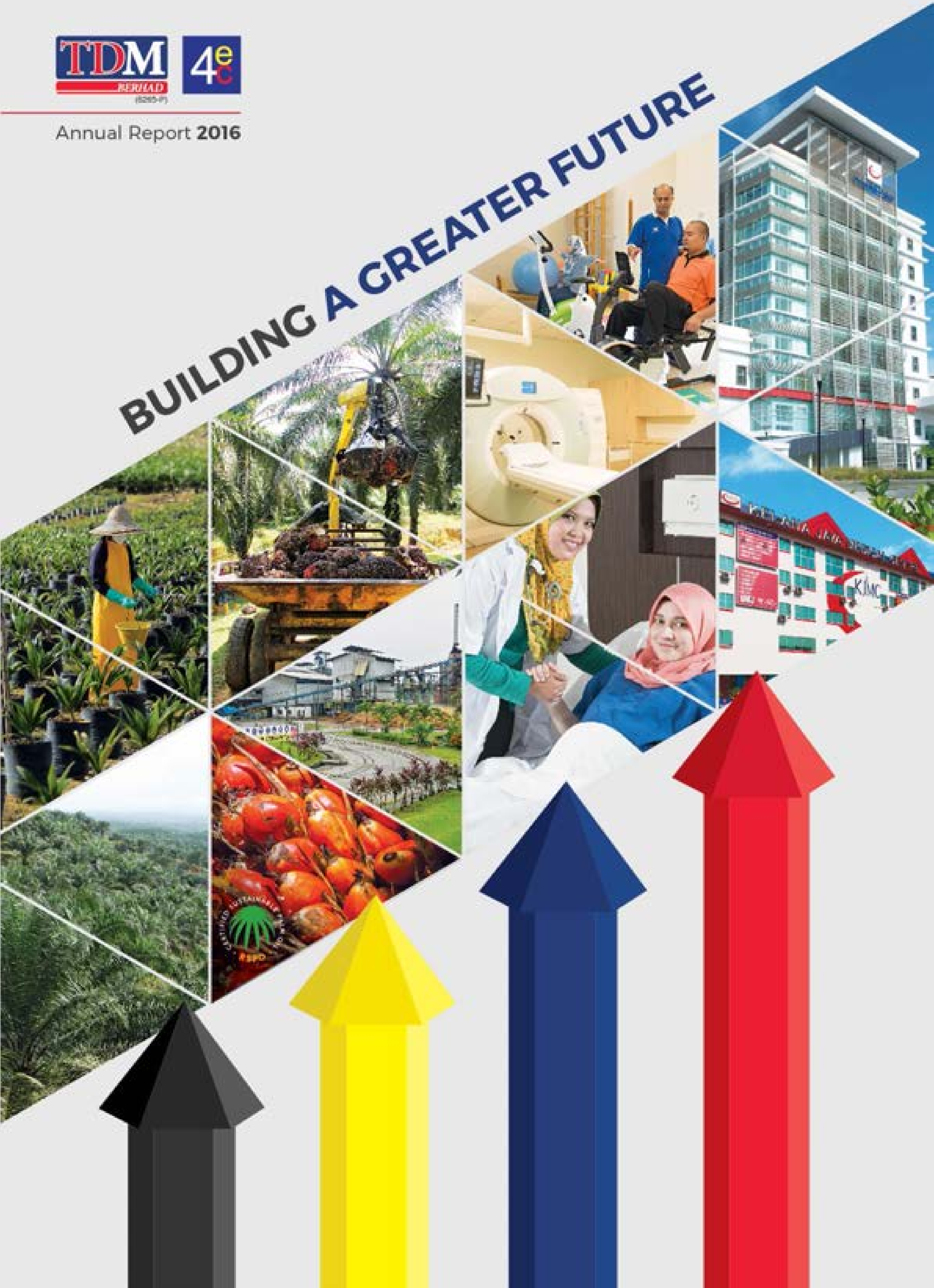
Annual Report **2016**

BUILDING A GREATER FUTURE



Cover Rationale

Building a greater future is the aim of our Transformation Model of our plantation and healthcare businesses. This is manifested in our company's vision to inspire our people to improve their lives.

Contents

About TDM

WHO WE ARE

Incorporated on 1 December 1965, TDM Berhad (TDM or the Group) was listed on the Main Market of Bursa Malaysia Securities Berhad (formerly known as the Kuala Lumpur Stock Exchange) under the Plantations Sector in 1970. Following a successful restructuring exercise and new strategic direction in 2004, TDM has grown into a leading player in the oil palm plantation and healthcare sectors.

Plantation Division

TDM develops and manages 12 estates at the following locations:

- Sungai Tong Complex – Estates : Jaya, Fikri, Tayor and Pelung
- Bukit Besi Complex – Estates : Gajah Mati, Majlis Agama Islam, Pinang Emas and Jerangau
- Kemaman Complex – Estates : Air Putih, Tebak, Jernih and Pelantoh

In 2007, TDM expanded its plantation business to Kalimantan Barat, Indonesia. Currently, the Group has a total of 44,451 hectares of planted oil palm land for its plantations in Terengganu, Malaysia and Kalimantan Barat, Indonesia.

The Group also operates two palm oil mills, which are located in Sungai Tong, Setiu and Kemaman, Terengganu.

In 2011, the Group opened its first bio-composting plant to convert empty fruit bunches (EFB) of oil palm into bio-organic fertilizer for use in its estates. The plant, which is located in Sungai Tong, Terengganu is able to produce up to 15,000 metric tonnes of fertilizer per annum.

The second bio-composting plant in Kemaman, Terengganu, has a capacity to produce up to 24,000 metric tonnes of fertilizer annually.

The two plants will be able to reduce the Group's dependency on chemical fertilisers and help to manage waste in a more sustainable manner.

Advance Imaging Technology - TDMC Hospital

Manuring - Gajah Mati Estate

About TDM

Healthcare Division

The Group's Healthcare division, Kumpulan Medic Iman Sdn Bhd (KMI) manages four specialist hospitals which offer affordably priced secondary healthcare services to the community. Hospitals under KMI are ;-

1. Kelana Jaya Medical Centre (KJMC) in Petaling Jaya, Selangor
2. Kuantan Medical Centre (KMC) in Kuantan, Pahang
3. Kuala Terengganu Specialist Hospital (KTS) in Kuala Terengganu, Terengganu
4. TDMC Hospital in Kuala Lumpur

The vision of the healthcare division is to be the community specialist hospital of choice where every individual will have an access to high standard of healthcare services similar to any developed countries in the world.

The services offered at all of our hospitals cover key disciplines such as general medicine, paediatrics, orthopaedic, general surgery, radiology, obstetrics and gynaecology, ENT, dermatology, ophthalmology, urology, anaesthesiology and gastroenterology.

OUR VISION

Inspiring our people to improve their lives.

OUR MISSION

TDM wants to be a model corporate citizen, enhancing the wealth of Shareholders and improving the well-being of all stakeholders.

OUR VALUES

- Integrity
- Professionalism
- Transparency
- Passion
- Diligence
- Care

Milestones and Achievements

1965

TDM Berhad (TDM) was incorporated.

1970

TDM was listed under the Plantation Sector on the Main Market of the Kuala Lumpur Stock Exchange.

1996

- Kelana Jaya Medical Centre (KJMC) was established
- Kuantan Medical Centre (KMC) was established

1997

- Acquisition of Kumpulan Ladang-Ladang Trengganu Sdn. Bhd.

2002

Awards
TDM Plantation Sdn Bhd (TDMP) was awarded the Best Crude Palm Oil (CPO) Supplier in Kuantan by Cargill Palm Products Sdn Bhd.


FFB Evacuation - Jaya Estate

2004

Streamlining of our business to focus on Plantation and Healthcare

Plantation
Total area planted: 33,527 hectares.

Healthcare
- Number of hospitals: 2
- Number of beds: 71
- Number of clinics: 3

Sold & closed down
- Fast-food/Restaurant: A&W restaurants
- Property
- Poultry
- Air Ambulance
- Rubber Processing
- Transportation
- Travel Agency
- Hotel
- Fiber Mattress

Awards
TDMP was awarded the Most Preferred CPO Supplier by Cargill Palm Products Sdn Bhd.

2005

Plantation
Housing facilities for the estate workers
- The initiative takes an annual cost of approximately RM4 million and 10 years to complete.

Awards
TDMP was awarded the Most Preferred CPO Supplier by Cargill Palm Products Sdn Bhd.

2006

Corporate
First Financial Year dividend declared to shareholders.

Healthcare
Kuala Terengganu Specialist Hospital (KTS) was established.

Milestones and Achievements

2007

Corporate
TDM expanded its plantation business to Indonesia
- Entered into joint venture agreement to develop 10,000ha in Kalimantan.

Plantation
- Introduction of RM1,000 as a minimum wage for the Group
  - This policy is being progressively implemented in stages.
- Field Assistant Trainee Programme
  - Introduced to enhance the life of the estate workers and eradicate poverty among the estate communities.


Oil Palm Nursery - Gajah Mati Estate

2008

Corporate
Introduction of the MBA Scholarship Programme
- To encourage staff to further develop their knowledge, skill and capabilities.

Plantation
- Entered into joint venture agreement to develop an addition of 30,000ha in Kalimantan.

Awards
- KPMG/The EDGE Shareholder Value Award
  - TDM was ranked 87 out of the top 100 ranking companies on the percentage returns as calculated by Economic Profit/Invested Capital.

2010

Corporate
- Introduction of the Vendor Development Programme (VDP) for Local Entrepreneurs
  - To support the local businesses and entrepreneurs.
  - To develop sustainable local businesses and in turn, can contribute to the betterment of the community.
- Implementation of e-Procurement
  - To promote healthy competition, fairness and transparency where only the most competitive and qualified vendors are selected.

Plantation
Total area planted: 33,374 hectares.

Milestones and Achievements

New building of Kuala Terengganu Specialist Hospital

2011

Corporate

Introduction of e-Bidding

- The electronic system where vendors bid electronically, where each competing party has an equal and fair chance to participate.
- To reduce the level of human intervention throughout the procurement and bidding processes from start to completion.

Plantation

- Total area planted: 39,034 hectares.
- Highest FFB production for the past 10 years.
- First bio-composting plant started operations in Sungai Tong, Setiu, Terengganu.

Healthcare

- Number of hospitals: 4
- Number of beds: 204
- Acquisition of Taman Desa Medical Centre (TDMC), Kuala Lumpur.
- Construction work started on the new KMC in Indera Mahkota, Pahang.

Awards

- Awarded a pioneer status for five years by the Ministry of International Trade and Industry Malaysia (MITI) for the bio-composting mill in Sungai Tong, Setiu, Terengganu.
  - The award entitles the company to 100% tax exemption on statutory income for five years.
- Malaysian Corporate Governance Report - published by the MSWG.
  - TDM was ranked 118 out of 820 public listed companies.
- Awarded the Certificate of the Code of Good Agricultural Practices for Palm Oil Estates (CoGAP) and Certificate of the Code of Good Milling Practices for Palm Oil Mills (CoGMP) from the Malaysian Palm Oil Board (MPOB).

2012

Plantation

- Total area planted: 40,518 hectares.
- Construction work started on the second bio composting plant at Kemaman, Terengganu.

Healthcare

Ground breaking ceremony of KTS new building in Batu Burok, Kuala Terengganu, Terengganu. Construction work started in December.

Awards

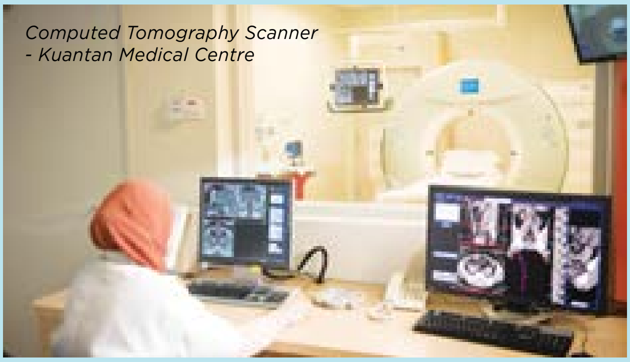
- The Longest Loyal Members Recognition Award
  - Conferred by the Federation of Public Listed Companies (FPLC) Berhad.
  - TDM became a member of the FPLC since 1987.
- The EDGE Billion Ringgit Club
  - Exclusive club for public listed companies with a stock market capitalisation of at least RM1 billion as at 31 March 2012.
  - Ranked among the top 150 public listed companies by market capitalisation.
- ISO 9001:2008 Certification for the Provision of Healthcare Services : KMC
  - Lloyd's Register Quality Assurance Ltd.
- ISO 9001:2008 Certification for the Provision of Healthcare Services : KTS
  - Moody International Certification (Malaysia) Sdn Bhd and Moody International Certification Ltd.

Milestones and Achievements

2013

Plantation
Total area planted: 44,005 hectares.

Awards
- Roundtable on Sustainable Palm Oil (RSPO)
  - TDMP became the first plantation company in Terengganu and among the few elite companies in Malaysia to achieve 100% RSPO certified for its estates and mills operations.
- ISO 9001:2008 Certification for the Provision of Healthcare Services : KJMC
  - Moody International Certification (Malaysia) Sdn Bhd and Moody International Certification Ltd.
- ISO 9001:2008 Certification for the Provision of Healthcare Services : TDMC
  - Moody International Certification (Malaysia) Sdn Bhd and Moody International Certification Ltd.



Computed Tomography Scanner - Kuantan Medical Centre

2014

Healthcare
Completion of the new KMC.

Awards
- Association of Chartered Certified Accountants' (ACCA) Approved Employer - Trainee Development Status (Gold standard)
  - First corporate company in the East Coast to be awarded with this globally recognised certification.
- The Edge Billion Ringgit Club
  - Top award in the plantation sector.
- Employees Provident Fund
  - TDMP recognised as Best Employer 2014 in Kuala Terengganu.

2015

Plantation
March
- Completion of Front-End Upgrading Project Sungai Tong Palm Oil Mill.

2016

Plantation
Total area planted: 44,451 hectares. (Malaysia & Indonesia)

April
- Completion of Front-End Upgrading Project at Kemaman Palm Oil Mill.

Healthcare
- Numbers of hospitals : 4
- Numbers of beds : 297

Award
April
- Certificate of Achievement from MPC to Kuantan Medical Centre
  - "Quality Environment Management System"

Corporate Structure

PLANTATION

- TDM Plantation Sdn Bhd (100%)
- Kumpulan Ladang-Ladang Trengganu Sdn Bhd (100%)
- TDM Trading Sdn Bhd (100%)
- TDM Capital Sdn Bhd (100%)
- PT. Rafi Kamajaya Abadi (93.75%)
- PT. Rafi Sawit Lestari (95%)
- PT. Sawit Rezki Abadi (95%)

HEALTHCARE

- Kumpulan Medic Iman Sdn Bhd (99.28%)
  - TDMC Hospital Sdn Bhd (100%)
  - Kuantan Medical Centre Sdn Bhd (92.33%)
  - Kuala Terengganu Specialist Hospital Sdn Bhd (100%)
  - Kelana Jaya Medical Centre Sdn Bhd (99.29%)

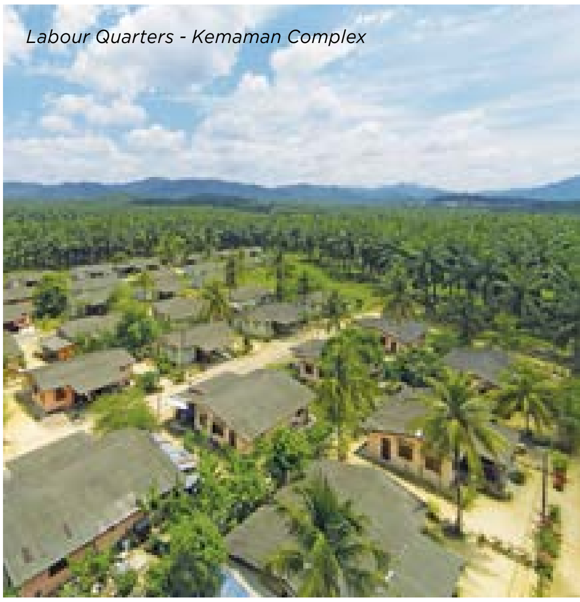
- Kumpulan Mediiman Sdn Bhd (90.49%)

OTHERS

- *Indah Sari Travel & Tours Sdn Bhd (70%)*
- *TD Gabongan Sdn Bhd (51%)*

**italic = Dormant*

Labour Quarters - Kemaman Complex



Diagnosis of osteoporosis with Bone mineral densitometry - Kuantan Medical Centre

2016
Key Highlights

Manages **44,451**
hectares of oil palm plantation
Owns two palm oil mills

Operates **4** community
Specialist Hospitals

100%
RSPO Certified

Revenue
RM 428.5 million
(2015: RM 380.8 million)

2016

Earning Per Share
1.34 sen
(2015: 3.53 sen)

A leading
Private healthcare provider
in the East Coast

Dividend
0.5 sen
(2015: 1.2 sen)

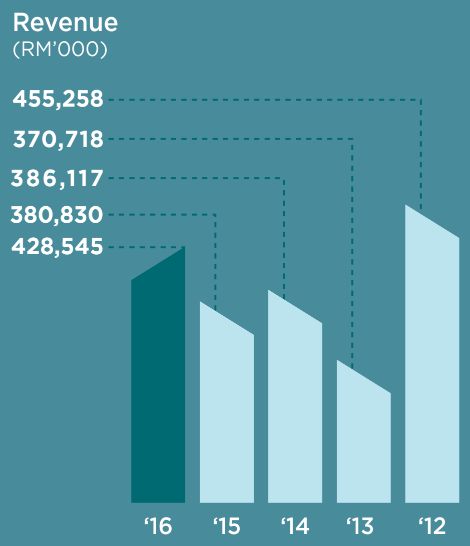
Profit before tax
35.1 million
(2015: RM49.6 million)

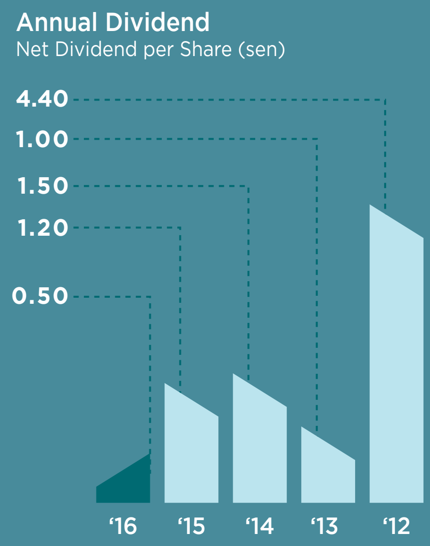
Market Capitalisation
RM 1.0 billion
(2015: RM 1.0 billion)

Financial Calendar

ANNOUNCEMENTS ON QUARTERLY RESULTS	**31 May 2016**	Announcement of the unaudited consolidated results for the 1^{st} quarter ended 31 March 2016.
	29 Aug 2016	Announcement of the unaudited consolidated results for the 2^{nd} quarter ended 30 June 2016.
	28 Nov 2016	Announcement of the unaudited consolidated results for the 3^{rd} quarter ended 30 September 2016.
	28 Feb 2017	Announcement of the unaudited consolidated results for the 4^{th} quarter ended 31 December 2016.
DIVIDENDS	**31 Mar 2016**	Announcement of the first and final dividend of 1.2 sen per ordinary share tax exempt under the single-tier system for the financial year ended 31 December 2015.
	30 May 2016	Announcement on the Dividend Reinvestment Scheme – Electable Portion
	29 June 2016	Announcement of Notice of Book Closure. Date of Entitlement : 19 July 2016 Date of Payment : 16 August 2016
	05 Apr 2017	Announcement of the first and final dividend of 0.50 sen per ordinary share tax exempt under the single-tier system for the financial year ended 31 December 2016.
ANNUAL GENERAL MEETING	**28 Apr 2017**	Date of notice of 52^{nd} Annual General Meeting and date of issuance of the 2016 Annual Report
	25 May 2017	52^{nd} Annual General Meeting

Financial Highlights

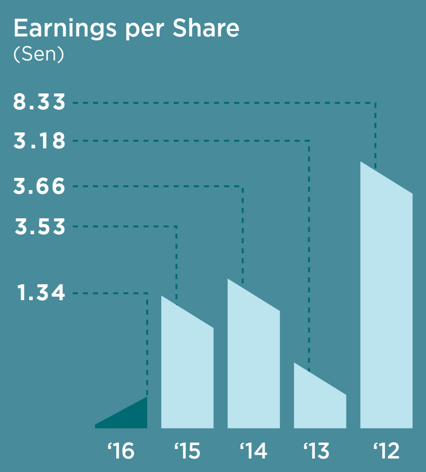




Income Statement	2012	2013	2014 Restated	2015 Restated	2016
Revenue (RM'000)	455,258	370,718	386,117	380,830	**428,545**
Profit before tax (RM'000)	149,025	67,125	65,903	49,615	**35,096**
Profit after tax (RM'000)	103,356	46,620	51,919	49,691	**17,068**
Statement of Financial Position					
Total assets (RM'000)	1,524,854	1,769,213	2,024,117	2,496,054	**2,559,809**
Total liabilities (RM'000)	265,396	519,836	758,238	1,165,729	**1,246,043**
Shareholders' equity (RM'000)	1,234,267	1,242,605	1,264,847	1,332,470	**1,318,971**
Total equity (RM'000)	1,259,458	1,249,377	1,265,879	1,330,325	**1,313,766**
Key Financial Indicators					
PBT margin (%)	32.73	18.11	17.07	13.03	**8.19**
Return on average shareholders' equity (%)	8.64	3.76	4.14	3.83	**1.28**
Return on average shareholders' equity (%) (without assets revaluation reserve)	14.59	6.45	7.59	7.45	**2.36**
Earnings per share (sen)	8.33*	3.18	3.66	3.53	**1.34**
Net assets per share (RM)	1.02*	0.84	0.85	0.90	**0.87**
Net dividends per share (sen)	4.40*	1.00	1.50	1.20	**0.50****
Gearing ratio (times)	0.02	0.22	0.36	0.55	**0.64**
Current ratio (times)	2.34	1.33	1.14	1.18	**1.16**
Price to earnings ratio (times)	8.07*	29.87*	22.68	19.69	**50.75**
Price to book ratio (times)	0.66*	1.13	0.98	0.77	**0.78**

*Figures are adjusted for share split.
**Subject to shareholders' approval at the 52nd Annual General Meeting.

Financial Highlights

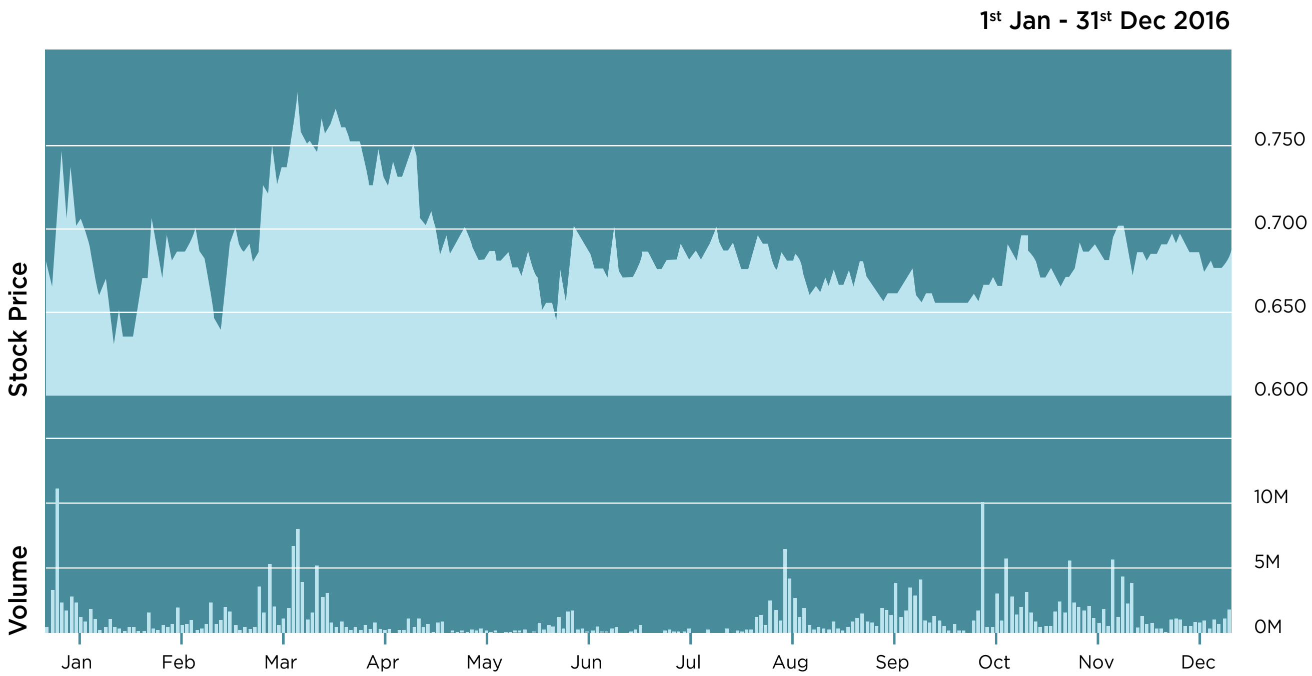


2016 Profit Before Tax

	RM'000	Percentage (%)
Plantation	27,700	78.93
Healthcare	7,360	20.97
Others	36	0.10
	35,096	100.00

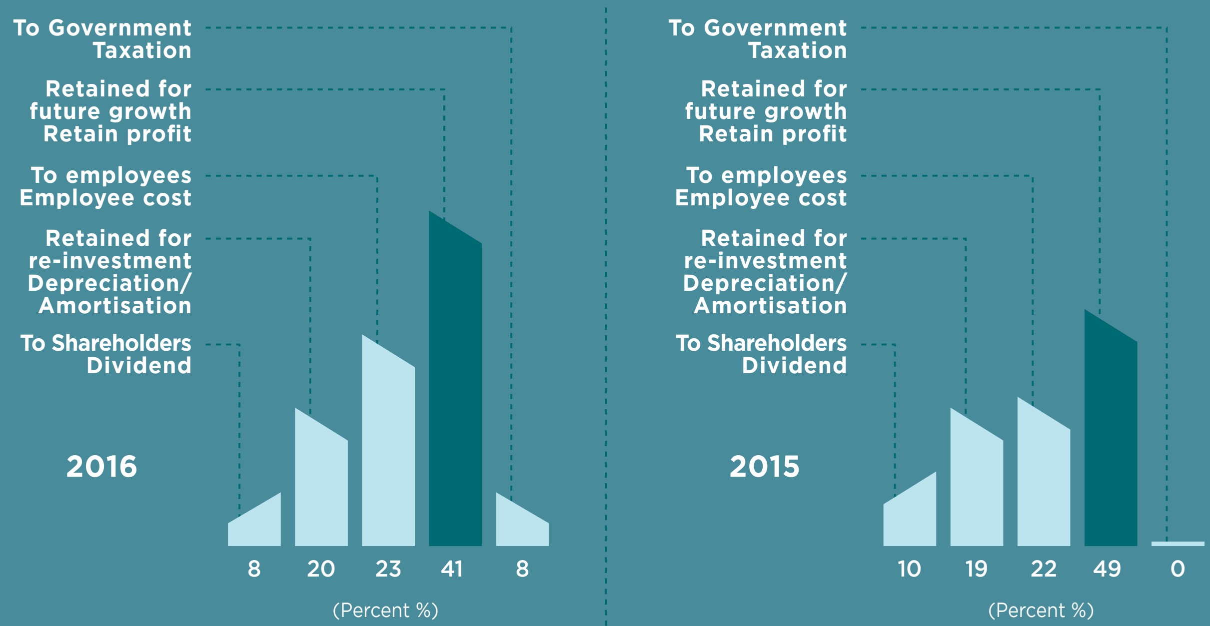
2015 Profit Before Tax

	RM'000	Percentage (%)
Plantation	39,030	78.67
Healthcare	10,572	21.31
Others	13	0.02
	49,615	100.00



Financial Highlights

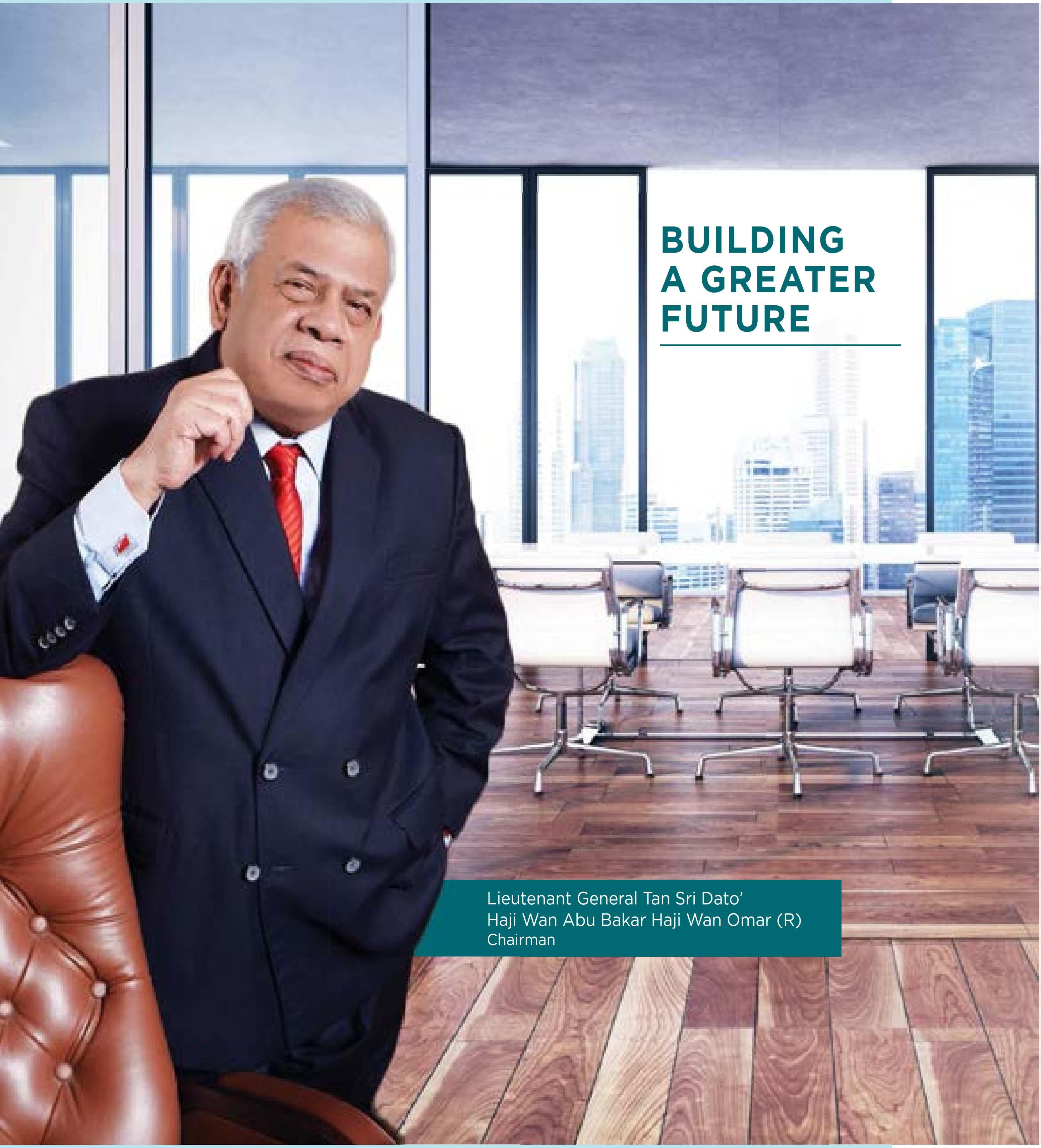
STATEMENT OF VALUE ADDED



Distribution	**2016 RM'000**	2015 RM'000 Restated
Revenue	**428,545**	380,830
Purchases of goods and services	**(257,849)**	(240,397)
Value added by the group	**170,696**	140,433
Other income	**65,738**	77,387
Finance expense	**(21,413)**	(8,588)
Value added available for distribution	**215,021**	209,232

Distribution	**2016 RM'000**	2015 RM'000 Restated	**2016 %**	2015 % Restated
To employees				
Employee cost	**49,449**	46,985	**23.00**	22.46
To Government				
Taxation	**18,028**	(76)	**8.38**	(0.04)
To Shareholders				
Dividend	**17,780**	22,225	**8.27**	10.62
Non-controlling interests	**(3,060)**	(2,677)	**(1.42)**	(1.28)
Retained for re-investment				
Depreciation/Amortisation	**43,485**	39,625	**20.22**	18.94
Retained for future growth				
Retained profit	**89,339**	103,150	**41.55**	49.30
Total distribution	**215,021**	209,232	**100.00**	100.00

Message From Our Chairman



BUILDING A GREATER FUTURE

Lieutenant General Tan Sri Dato' Haji Wan Abu Bakar Haji Wan Omar (R)
Chairman

Message From Our Chairman

Dear Esteemed Shareholders,
Assalamualaikum Warahmatullahhi Wabarokatuh and Salam Sejahtera

Despite a truly difficult year, I am pleased to announce that TDM Berhad (TDM or the Group) successfully managed to overcome the challenges by leveraging on our strong fundamentals to deliver a commendable performance. 2016 saw a weak global environment accentuated by low commodity prices, a prolonged slowdown in the oil and gas industry, sluggish growth in China and a weaker US economy. Compounding these, were major political uncertainties like BREXIT and the US Presidential election which impacted further global economic landscape in more ways than one. On the domestic front, the Malaysian ringgit continued to slide against major currencies while GDP grew at a slower 4.2% against 5.0% in 2015.

FINANCIAL PERFORMANCE

The Group's revenue totalled RM428.5 million in 2016 representing a 13% increase over the previous year's total of RM380.8 million. The Plantation Division registered a revenue of RM245.9 million compared to RM215.6 million in 2015. This was mainly a result of higher of CPO and PK prices by 23% and 43% respectively. The Healthcare Division recorded a total revenue of RM182.7 million in 2016 which represents an increase of 11% compared to RM165.2 million in 2015 primarily due to an increase in total number of patients by 3% compared to the previous year.

The Group's PBT decreased by 29% to RM35.1 million in 2016 from RM49.6 million the year before. The Plantation Division recorded lower PBT of 29%, mainly from impairment of assets amounting to RM47.2 million at the Indonesian operation. The Healthcare Division registered a PBT of RM7.4 million which is 30% lower than RM10.6 million in 2015 mainly due to higher operating costs and impairment of receivables and goodwill.

RESPONSIBLE CORPORATE PRACTICES

TDM continues to enhance its relationships with stakeholders and is actively engaged in various activities in the communities where we operate. 2016 saw a number of initiatives being undertaken under the Group's Corporate Social Responsibility (CSR) banner. The Board of Directors recognises its duty to ensure sustainable value creation for our shareholders and as such, will continue to prioritise responsible management and sustainable development across the Group.

NEW LEADERSHIP

Allow me to extend a warm welcome to Dato' Haji Mohamat Muda, the new Group Managing Director and our recently appointed Board of Director Dato' Dr. Ahmad Shukri Md Salleh @ Embat who together bring added strength and a wealth of experience to the TDM leadership.

PROSPECTS

2017 is expected to be a good year driven by our Transformation Model and investments that we put in our business and people. Our plantation and healthcare businesses are expected to deliver good performances with the establishment of the four Strategic Reform Initiatives (SRI) i.e. Expansion, Efficient, Enhance People Development and Empower & Engage. This will be implemented through the Entry Point Projects (EPP), supported by TDM's four fundamental values namely:

i. Good governance;
ii. Strive for excellence;
iii. Integrity and transparency; and
iv. Teamwork.

At the same time we continue to remain committed to improve operational efficiencies and profitability through prudent financial management and cost control initiatives.

APPRECIATION

In closing, allow me to express my utmost appreciation to all our shareholders for your unwavering support and confidence in the Group. My sincere gratitude is also extended to our customers, bankers and financiers, partners, business associates, suppliers, various government bodies and regulators and our committed management team and employees. I would also wish to thank the Board of Directors for their direction and guidance in 2016 and look forward to another successful year ahead.

Thank You and Salam,

Lieutenant General Tan Sri
Dato' Haji Wan Abu Bakar Haji Wan Omar (R)
Chairman

Group Managing Director Management Discussion and Analysis

Y. Bhg. Dato' Haji Mohamat Muda
Group Managing Director

Dear Shareholders,

In my maiden year as the newly appointed Managing Director for TDM Berhad (TDM or the Group), I am delighted to present to you the Management Discussion and Analysis Statement of TDM for the financial year ended 31st December 2016 (FY2016).

FFB Loading - Pinang Emas Estate

Group Managing Director
Management Discussion and Analysis

DESCRIPTION OF OUR GROUP'S BUSINESSES

PLANTATION

The Group is involved in the oil palm plantation business and has a planted landbank of 31,807ha in Terengganu and 12,645ha in Kalimantan, Indonesia. We operate two mills in Terengganu with milling capacity of 60mt/hour for each mill. Our new 60mt/hour mill in Kalimantan is slated for completion in Q3 2017.

Our competitive advantage is that our entire Terengganu estates and mills are certified sustainable by the Roundtable on Sustainable Palm Oil (RSPO). Being a 100% producer of Certified Sustainable Palm Oil (CSPO), we are able to command a premium price for our production whilst upholding the key values of the 3P Philosophy – People, Planet and Profit.

HEALTHCARE

We own and operate "Secondary Care Community Hospitals" that provide patients with value for money quality healthcare services. We have a total of four (4) hospitals with 297 beds. Our hospitals are conveniently located nearby residential neighbourhoods for easy access.

The hospitals that we own and operate are:-

- Kelana Jaya Medical Centre, Selangor (KJMC) - 44 beds
- Kuantan Medical Centre, Pahang (KMC) - 167 beds
- Kuala Terengganu Specialist Hospital, Terengganu (KTS) - 33 beds
- Taman Desa Medical Centre, Kuala Lumpur (TDMC) - 53 beds

OUR 5-YEAR PLAN

The Group has recently launched the TDM Transformation Model, a 5-year plan that outlines the direction for the Group. The ultimate objective is for TDM to achieve a market capitalization of RM2 billion, revenue of RM1 billion, profit before tax of RM200 million[1] and annual dividend of RM100 million, by the year 2022.

[1]This is an internal target and not a forecast or projection of our future earnings.

OUR STRATEGY

	PLANTATION DIVISION	HEALTHCARE DIVISION
WHERE WE PLAY	**Upstream :** • Oil palm plantation • Milling	**Secondary care**
HOW WE WIN	**Strategic Intent:** "Leading producer of certified sustainable palm oil"	**Strategic Intent:** "Leading secondary care community hospital"
	Competitive Advantage • Co-branding strategy to improve trust by our customers • High quality of oil – produced based on good environmental social and economics standards.	**Competitive Advantage** • Convenient location – within the customers locality, where they come regularly • Mid price hospital – customer pay for good care, not for the luxury without compromising quality of care

Group Managing Director
Management Discussion and Analysis

STRATEGIES IN CREATING VALUE

Plantation Division
Over the next 5 years, we aim to grow our planted landbank in Terengganu to 52,000ha. This will be achieved via series of new planting activities as well as acquisitions of other greenfield or brownfield landbank.

On 27th February 2017, we entered into a Heads of Agreement with Terengganu Incorporated Sdn. Bhd. to increase our stake in Ladang Rakyat Trengganu Sdn Bhd (Ladang Rakyat) from 19.1% to 61.8%. Ladang Rakyat has a planted oil palm area of 11,467ha in Terengganu with an average palm age profile of 9 years. The completion of this proposed acquisition, slated in Q4 2017, will bring us closer to achieve our planted landbank target.

In addition to that, we will also be focusing on improving the efficiencies at our plantations through key performance indicators by year 2022 as follows:-

- achieving a Fresh Fruit Bunch (FFB) yield of 22mt/ha (from 15.04 mt/ha in 2016);
- achieving an Oil Extraction Rate of 22% (from 19.57% in 2016);
- lowering production costs by 10%; and
- maintaining our RSPO certifications.


Fabrication & Installation Works of New Vertical Clarifier Tank - Kemaman Palm Oil Mill

As a result of consistent replanting activities carried out in Terengganu over the last few years, the average age profile of our palms now stand at 15.4 years. Upon completion of the proposed acquisition of Ladang Rakyat, our palms age profile will be further improved to 13.9 years.

The replanting program of approximately 5% per annum, is a rejuvenation exercise for our Terengganu estates, through replanting of old and unproductive palms to improve oil palm productivity. The usage of superior planting materials and higher planting density will help to improve productivity of the replanting areas. In addition, the replanting exercise allows us to re-design the estates layout to improve mechanization for efficient crops evacuation.

On the milling side, we have upgraded the front-end system in 2015 and 2016 for Sungai Tong Palm Oil Mill (STPOM) and Kemaman Palm Oil Mill (KPOM) respectively. Moving forward, we are going to upgrade various stations in both mills to further enhance our mills through-put and efficiency.

The above expansion, rejuvenation of estates and upgrading of mills are part of Plantation Division transformation plan. In this connection we have identified 24 Entry Point Projects (EPP) with 57 projects to be implemented within 5 years.

Healthcare Division
Under the Transformation Model, we aim to grow the number of beds at our hospitals to 1,000 beds by 2022, from 297 beds currently.

The expansion over the next 5 years will be carried out by increasing the number of beds at our existing hospitals as well as building and acquiring of new hospitals.

The new hospitals that we plan to build and acquire would have to fit in with our value proposition of providing affordable secondary healthcare services and the location will be within the surrounding communities.

Over the immediate term, the opening of our new 143-bed KTS will raise our total beds to 407 beds. The number of beds at our existing hospitals namely, TDMC, KJMC and KMC will also be increased in stages through the years. There is sufficient space available to carry out further expansion at these hospitals to accommodate the increase in number of beds.

To ensure that we provide a comprehensive suite of healthcare services, we will also be introducing new service modalities at our hospitals. We will introduce new services in 2017, such as diabetes care, endovascular & angioplasty and eye care services.

We are planning to establish a Center of Excellence (COE) for each of our hospital as a next frontier of growth for Healthcare Division. The COE will focus on the need of local community as well as expert care which are available in our respective hospital.

We are also heading towards a more efficient admission and discharge processes at our hospitals.

Over the long term, we aim to maintain a Bed Occupancy Rate (BOR) at more than 80% level, up from the current 60% level.

Group Managing Director
Management Discussion and Analysis

GROUP FINANCIAL PERFORMANCE

In FY2016, revenue increased by 12.5% to RM428.5 million, from RM380.8 million a year ago. 57.4% of the Group's revenue was contributed by the Plantation Division whilst the Healthcare Division contributed the remaining 42.6%.

Both of the Group's Plantation and Healthcare Divisions reported a rise in revenue, attributed to higher CPO prices and increase in number of patients respectively.

Gross profit margins increased to 39.8% from 36.9%, mainly driven by the Plantation Division which enjoyed higher average selling prices of CPO. Profit before tax however declined by 48.1% to RM36.0 million as compared to RM69.4 million a year ago, mainly due to an impairment charge of RM53.2 million.

In line with the accounting policies, the Group assess at each reporting date whether there is an indication that an asset may be impaired. The assessment resulted in recognition of impairment charges on the palm oil mill and biological assets in Kalimantan, Indonesia amounting to RM41.7 million and RM5.5 million respectively. This is partly due to the strengthening of USD against Ringgit Malaysia and Indonesian Rupiah which resulted in higher costs of mill's proprietary equipment. Subsequently, this has further increased the import duty on these equipment. Meanwhile, for biological assets, the impairment was mainly due to the proposed conversion of existing Inti (Plantation area owned by the company) area measuring approximately 492ha into Plasma (Plantation area developed by the company for the small holders) and re-measurement of productive areas which resulted in reduction of Inti planted area.

The Group also assessed the fair value of goodwill and receivables at the reporting date whether there is an indication of impairment. Based on the assessment, the Group has recognised an impairment of goodwill and receivables both amounting to RM3.0 million each.

Plantation Division	2016	2015	% change
Revenue (RM '000)	245,893	215,624	14.0
Profit before tax (RM'000)	27,700	39,030	29.0
CSPO production (mt)	78,494	90,552	-13.3
CPO average price (RM)	2,696	2,184	23.4

higher CPO price by 23.4%. In addition, during the year we also sold 36,566mt of Identity Preserved CSPO and 10,387mt of Mass Balance CSPO at premium of RM124/mt and RM78/mt respectively.

Profit before tax however declined by 51.3% to RM27.7 million as compared to RM39.03 million in the previous year, mainly due to:

- Impairment of assets in Kalimantan, Indonesia plantation amounting to RM47.2 million;
- Decline in other income to RM28.5 million from RM40.9 million as we reported lower unrealized gain on the foreign exchange of investment in fixed income securities; and
- Higher finance costs of RM21.4 million, from RM8.6 million in the previous year.

Healthcare Division	2016	2015	% change
Revenue (RM '000)	182,652	165,206	10.6
Profit before tax (RM'000)	7,360	10,572	-30.4
No. of inpatients	21,706	20,985	3.4
No. of outpatients	164,093	159,328	3.0

The Healthcare Division's revenue increased by 10.6% compared to the previous year contributed by higher number of inpatients and outpatients by 3.4% and 3.0% respectively.

However the profit before tax decreased by 30.4% due to higher operating costs by RM17.1 million, partly due to impairment of goodwill of RM2.5 million and impairment of receivables of RM3.0 million. The higher operating costs was due to the higher staff costs pursuant to the new regulatory requirements by Ministry of Health pertaining to staff to bed ratio which has increased from 1:6 to 1:2.

Group Managing Director
Management Discussion and Analysis

Excluding the impairment, the Healthcare Division profit before tax would be RM12.9 million which is RM2.3 million higher than previous years.

The Group's total finance costs increased by RM12.8 million to RM21.4 million mainly attributed to the increase in borrowings of RM86.1 million.

During the year, the Group incurred income tax expenses of RM18.0 million, as compared to a positive tax charge of RM76,000 in the year before. The effective tax rate of 51% was higher than the statutory tax rate of 24% due to non-allowable expense mainly from impairment of assets in Kalimantan, Indonesia. Profit after tax and minority interests (PATAMI) decreased by 61.6% to RM20.1 million, from RM52.4 million.

Total assets increased by 2.6% to RM2.6 billion during the financial year. This was primarily due to:

- Increased in property, plant and equipment by RM4.4 million due to completion of palm oil mill upgrading, construction of mill and revaluation surplus of the assets, partly offset with impairment of assets in Kalimantan plantation of RM41.7 million;
- Increased in biological assets by RM25.0 million from revaluation surplus and capitalization of finance cost, partly offset with impairment of biological assets in Kalimantan plantation of RM5.5 million;
- Increased in other investments by RM24.1 million from increase in fair value of investment in fixed income securities; and
- Increased in trade and other receivables by RM32.1 million, mainly due to interest receivable from fixed income securities.


Replanting Area - Jernih Estate

Total liabilities increased by 6.9% to RM1.2 billion during the financial year. This was primarily due to drawdown of financing facilities amounting to RM86.1 million and increased in deferred tax liabilities by RM16.2 million. The increase was partly offset with the decreased in trade and other payables by RM11.7 million.

Total borrowings increased by 11.7% to RM824.3 million from RM738.2 million in the previous year. The additional borrowings were mainly utilized for replanting, plantation development expenditure and construction of mill carried out during the year. As at 31st December 2016, our gearing level stood at 62.7%, up from 55.5% in the previous year.

RM'000	2016	2015	2014	2013	2012
Revenue	428,545	380,830	386,117	370,718	455,258
PBT	35,096	49,615	65,903	67,125	149,025
Net Assets	1,313,766	1,330,325	1,265,879	1,249,377	1,259,458

REVIEW OF OPERATION

Plantation Division

Due to the effect of the dry spell El Nino phenomenon, production of FFB, CPO and PK reduced by 14.1%, 13.3% and 13.4% respectively.

Production (mt)	2016	2015	% change
Fresh Fruit Bunch (FFB)	403,618	469,772	-14.1
Crude Palm Oil (CPO)	78,494	90,552	-13.3
Palm Kernel (PK)	20,262	23,388	-13.4

However, higher average CPO prices boosted FY2016 plantation revenue by 14.1% to RM245.9 million from RM215.6 million a year ago. As all of our Malaysian production are CSPO, we achieved a higher selling price than the Malaysian Palm Oil Board's 2016 CPO price average of RM2,656.

Average Selling Prices (RM)	2016	2015	% change
CPO	2,696	2,184	23.4
PK	2,258	1,578	43.1

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The Replanting Program has been planned as such, to achieve average age profile of 13 years by 2022. The table below shows the replanting hectarage for the past 5 years.

2016	2015	2014	2013	2012
1,133.28Ha	1,158.97Ha	1,102.64Ha	1,596.46Ha	1,548.65Ha

The Plantation Division has also achieved shorter maturity period from 36 months to 30 months through usage superior planting materials, good nursery and agricultural practices.

Front-End upgrading at STPOM and KPOM in Terengganu was completed in 2015 and middle of year 2016 respectively. This has enabled us to reduce our mills maintenance and labour costs as well as improving efficiency of the operation. For year 2017 onwards, we are looking forward to optimise our milling capacity of 60mt/hour thus reducing overall processing cost.

Plantation in Kalimantan, Indonesia
In 2007, we made our maiden venture into Kalimantan Barat, at Nanga Pinoh, Kabupaten Melawi, in order to expand our planted hectarage via PT. Rafi Kamajaya Abadi (PTRKA), PT. Sawit Rezki Abadi and PT. Rafi Sawit Lestari. Todate we have planted 12,645ha of oil palm and with one palm oil mill currently under construction, targeted to be completed in Q3 2017.

During the year, plantation operation activities were temporarily affected by a stop work order issued arising from a peaceful demonstration by the villagers. The stop work order was issued on 16th August 2016 by Bupati Melawi and lifted on 9th November 2016. The demonstration was mainly due to the villagers' demands as follows:

a. Payment of outstanding claims by the local contractors;
b. Employment priority to the local community;
c. Distribution of new Plasma scheme by converting partly Inti into Plasma totaling 492ha;
d. Socialization to Plasma participants on new Plasma scheme; and
e. Rehabilitation of new Plasma scheme totalling 2,385ha.

We have mutually resolved the above demands with the villagers and local government except for the rehabilitation of new Plasma scheme totalling 2,385ha which is still in progress. We are committed to be a valuable part of the community by proactively engaging with the community in ensuring our operations create values and enhance the social environment. For example, we have built infrastructure that improved connectivity between surrounding villagers and our operation created more than 1,000 jobs opportunities.


Continuous Sterilizer - Kemaman Palm Oil Mill

On 11th January 2017, Modipalm Engineering Sdn Bhd (Modipalm) - our main contractor appointed for the construction of the palm oil mill at Nanga Pinoh - filed an application for Suspension of Obligation For Payment of Debt (PKPU) against PTRKA, to the Court of Jakarta Pusat, Indonesia. The application was made on the ground that PTRKA had failed to settle the outstanding amount which, Modipalm claims, was due and payable. The Court has on 9th February 2017 decided to reject Modipalm's petition against PTRKA on the basis that the claims cannot be simply proven in accordance to the PKPU requirements. With the decision, the matter is now closed and PTRKA has not suffered any losses.

On 25th January 2017, PTRKA had also received a suit filed by Ibu Suryati, an Indonesian national, who claims that PTRKA had allegedly encroached on her lands of approximately 15ha. We have been advised by PTRKA's solicitors, based on the documentary evidence, her claims have no basis and is confident that her claims will be rejected.

Healthcare Division
Due to the slowdown in economy, intense competition, regulatory requirement and rising costs of living have impacted the healthcare industry in 2016. Our Healthcare Division endured a challenging year which saw the PBT decreased by 30.4% compared to the previous year.

Be the above as it may, the revenue has improved by 10.6% compared to the previous year contributed by higher number of inpatients and outpatients by 3.4% and 3.0% respectively. Further, our effort to introduce new and high value services has contributed towards improvement of the case-mixed of patients at our hospitals.

Group Managing Director
Management Discussion and Analysis

In addition, our single bed differentiation approach at KMC (all rooms are single bedded) is gaining popularity amongst the locals, which saw the bed occupancy rate hit at all time of 82% with total inpatients number jumped from 11,325 to 12,377. Our new KTS building will also adopt the same differentiation approach which will be the first of its kind in Kuala Terengganu.

Advance 1.5T Magnetic resonance imaging - Kuala Terengganu Specialist Hospital

Healthcare Division	2016	2015	2014	2013	2012
No. Beds	297	297	284	284	284
Key Drivers of Growth :-					
Consultants - Resident	45	44	38	43	41
No. of Inpatient	21,706	20,985	17,100	14,508	14,589
No. of Outpatient	164,093	159,328	153,101	141,239	149,688
Average Length of Stay	2.8	2.92	3.0	2.99	2.97

In 2016, we continued to strengthen and introduce additional services with new doctors joining our hospitals. KMC has additional specialists with service offerings in field of neurology, orthopedics, spine surgery, pediatrics, cardiology and obstetrics & gynecology. KTS also recruited additional specialists to provide services in pediatrics, diabetes, and obstetrics & gynecology.

In addition, KTS has been equipped with the new capability in cardiac imaging with its state of the art Magnetic Resonance Imaging (MRI). KJMC is also poised to increase its number of beds from 42 to 50 with the purchase of an additional building lot, thus allowing us to meet the growing demand for our hospital's services. The hospital also upgraded its radiology equipment with a latest ultrasound machine to better serve the local community.

RISK

A sound risk management framework and internal control system is vital to safeguard the shareholders' investments and assets. We are committed to nurture and preserve through the Group a sound risk management and internal control system as well as a good corporate governance practices. Our Risk and Compliance department is tasked to execute and maintain the Group risk management system to ensure corporate objectives and strategies are achieved within the acceptable risk appetite of the Group.

TDM Board has, on 27th November 2016, approved the 'Risk & Control Self-Assessment Handbook' (RCSA) as one of the risk management tools that provide guidelines; to register risk profiles and controls; to self-assess risks and effectiveness of controls; promote awareness of risk and control; and as a reporting platform for the stakeholders.

RCSA will provide departments and subsidiaries with a systematic approach in identifying its current and potential risks and to identify control gaps in its various operations. It also complements the knowledge gap from historical risk loss events, audit findings, compliance issues etc. It is also a platform for continuous process of risk assessment, formulating necessary controls and provides opportunities for process improvements. Ultimately, RCSA will promote the compliance and integrity culture within the Group.

Labour Risk (Plantation Division)

Plantation Division are bracing labour shortage with Indonesian workers staying away due to an increase opportunities in their country. On top of that, both governments have imposed strict employment regulation for foreign workers recruitment. In mitigating the issues, Plantation Division is taking proactive measures by sourcing out foreign workers from other country, increase productivity through mechanization, provide better working environment and encouraging local participation. In addition, we have introduced an EPP called RFW (Reduce dependency of Foreign Workers) which aimed to develop and source for local workers.

Group Managing Director
Management Discussion and Analysis

Competition Risk (Healthcare Division)
In 2016, the healthcare landscape appears to be more competitive with the opening of new private hospitals in Kuala Terengganu, Kuantan and Klang Valley. Despite the increased competitive environment, with our unique positioning in the secondary care segment, multi-disciplinary specialist community hospital and mid-range pricing will strengthen our value proposition. Our approach of single bedded, well-credentialed medical team and modern equipment will further enhance patient's recovery.

DIVIDEND

In line with our commitment to provide a sustainable return to shareholders, the Group had adopted a dividend policy to pay out dividends of at least 30% of PATAMI. Pursuant to this policy, the Board proposed a final dividend of 0.5 sen for FY2016. This proposed dividend payout amounting to RM7.5 million (FY2015 : RM17.8 million), representing a 35% dividend payout ratio of our FY2016 PATAMI.

BONUS ISSUE

On 28th February 2017, the Board had also proposed a 1-for-10 bonus issue to reward our shareholders for their continuous support and loyalty. The proposed bonus issue will increase TDM's share capital base and is expected to enhance the marketability and trading liquidity of TDM shares on Bursa Securities.

OUTLOOK

Plantation
The recent correction in palm oil prices is due to the expectation of stronger production in second half of 2017 as palms recover from the El Nino effect.

The Group is optimistic on the long term fundamental of the industry and will remain focused in improving productivity and optimising production costs. We are also steadfast towards responsible agriculture practices which focus on sustainability and good governance, manifested by our continued commitment on RSPO certification for our estates and mills.

Healthcare
Slowing economy and challenging environment pace will continue to weigh on the healthcare sector. Nevertheless, we are cautiously optimistic that our Healthcare Division growth will remain supported by our capacity expansion and introduction of new service modalities.


FFB Loading - Pinang Emas Estate

We remain committed to strengthen our core businesses and financial position in line with our 5-year TDM Transformation Model.

I wish to thank the Board, the management and all the employees for their tremendous effort, perseverance and passion in contributing to this year's results. Finally, my sincere thanks and appreciation to the state government, our customers, business partners, shareholders and stakeholders for their confidence and continuous support to TDM.

Dato' Haji Mohamat Muda
Group Managing Director