

Company No: 442942-H

## PROSPECTUS



### **LTKM BERHAD**

*(Company No: 442942-H)*

(Incorporated in Malaysia under the Companies Act, 1965)

**PUBLIC ISSUE OF 10,000,000 NEW ORDINARY SHARES OF RM1.00 EACH  
AT AN ISSUE PRICE OF RM1.35 PER SHARE  
PAYABLE IN FULL ON APPLICATION**

**AND**

**OFFER FOR SALE OF 2,000,000 ORDINARY SHARES OF RM1.00 EACH  
AT AN OFFER PRICE OF RM1.35 PER SHARE  
PAYABLE IN FULL ON APPLICATION**

**Adviser and Managing Underwriter  
PERWIRA AFFIN MERCHANT BANK BERHAD**

*(Company No: 9999-V)*



**This Prospectus is dated 17 February 2000**

THE APPROVAL OF THE SECURITIES COMMISSION ("SC") SHALL NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS THE INITIAL PUBLIC OFFERING ("IPO") OF 12,000,000 ORDINARY SHARES OF RM1.00 EACH IN LTKM BERHAD ("LTKM") AT AN IPO PRICE OF RM1.35 PER ORDINARY SHARE. INVESTORS ARE ADVISED TO MAKE THEIR OWN INDEPENDENT ASSESSMENT OF LTKM, THE MERITS OR OTHERWISE OF INVESTING IN THE IPO.

THE IPO PRICE OF RM1.35 PER ORDINARY SHARE WAS ENTIRELY DETERMINED AND AGREED UPON BY THE ISSUER AND PERWIRA AFFIN MERCHANT BANK BERHAD AS THE ADVISER AND MANAGING UNDERWRITER BASED ON VARIOUS RELEVANT FACTORS.

A COPY OF THIS PROSPECTUS HAS BEEN LODGED WITH AND REGISTERED BY THE REGISTRAR OF COMPANIES, MALAYSIA WHO TAKES NO RESPONSIBILITY FOR ITS CONTENTS.

THE VALUATION OF THE PROPERTY APPROVED BY THE SC PURSUANT TO THE IPO SHALL ONLY BE UTILISED FOR THE PURPOSE OF THE CORPORATE PROPOSAL SUBMITTED, AND SHALL NOT BE CONSTRUED AS AN ENDORSEMENT BY THE SC ON THE VALUE OF THE SUBJECT PROPERTY FOR ANY OTHER PURPOSES.

THE KUALA LUMPUR STOCK EXCHANGE ("KLSE") ASSUMES NO RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENTS MADE OR OPINIONS OR REPORTS EXPRESSED IN THIS PROSPECTUS. ADMISSION TO THE OFFICIAL LIST OF THE SECOND BOARD OF THE KLSE IS NOT TO BE TAKEN AS AN INDICATION OF THE MERITS OF LTKM OR ITS ORDINARY SHARES.

THE REPORTING ACCOUNTANTS' RESPONSIBILITY WITH REGARD TO THIS PROSPECTUS DOES NOT EXTEND BEYOND THE ACCOUNTANTS' REPORT, LETTERS RELATING TO THE CONSOLIDATED PROFIT ESTIMATE AND FORECAST AND PROFORMA CONSOLIDATED BALANCE SHEETS AND THAT, APART FROM THE SAID REPORT/LETTERS, THE REPORTING ACCOUNTANTS HAVE HAD NO INVOLVEMENT IN THE PREPARATION OF THIS PROSPECTUS.

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## DEFINITIONS

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In this Prospectus, unless specifically stated otherwise, the words and abbreviations below have the following meanings:

Acquisition	:	Acquisition of 100% equity interest in L(M) for an aggregate consideration of RM38,985,000 satisfied by the issue of 30,000,000 new ordinary shares of RM1.00 each in LTKM at an issue price of approximately RM1.30 per ordinary share
ADA	:	Authorised Depository Agent
ADA Code	:	ADA (Broker) Code
Application	:	Application for the IPO Shares by way of Application Forms or by way of Electronic Share Application
Application Form	:	Application of the IPO Shares by way of a printed Application Form
ATM	:	Automated Teller Machine
BNM	:	Bank Negara Malaysia
CDS	:	Central Depository System
Electronic Share Application	:	Application for the IPO Shares through a Participating Financial Institution's ATM
EPS	:	Earnings per share
FIC	:	Foreign Investment Committee
KLSE	:	Kuala Lumpur Stock Exchange (Company No. 30632-P)
LTKM or Company	:	LTKM Berhad (Company No. 442942-H)
LTKM Group or Group	:	LTKM and its subsidiary companies, namely L(M) and LTKB
L(M)	:	LTK (Melaka) Sdn Bhd (Company No. 156852-X), a wholly-owned subsidiary of LTKM
LTKB	:	LTK Bio-Fer Sdn Bhd (Company No. 271978-M), a wholly-owned subsidiary of L(M)
LTK or Offeror	:	Ladang Ternakan Kelang Sdn Berhad (Company No. 26837-A)

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**DEFINITIONS (Cont'd)**

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MARDI	:	Malaysian Agriculture Research and Development Institute
Marditech	:	Marditech Corporation Sdn Bhd (Company No. 241148-A)
MCD	:	Malaysian Central Depository Sdn Bhd (Company No. 165570-W), a subsidiary company of the KLSE.
MIH	:	Malaysian Issuing House Sdn Bhd (Company No. 258345-X)
MITI	:	Ministry of International Trade and Industry
NTA	:	Net tangible assets
Participating Financial Institution (s)	:	The participating financial institutions for Electronic Share Application as listed in paragraph (o) of Section 16.9 of this Prospectus
Public Issue	:	Public issue of 10,000,000 new ordinary shares of RM1.00 each in LTKM at an issue price of RM1.35 per share, subject to the terms and conditions of this Prospectus
PE Multiple	:	Price earnings multiple
Offer for Sale	:	The offer for sale of 2,000,000 ordinary shares of RM1.00 each in LTKM at an offer price of RM1.35 per share by LTK, subject to the terms and conditions of this Prospectus
Public Issue Shares	:	The 10,000,000 new ordinary shares of RM1.00 each in LTKM being subject of the Public Issue
Offer Shares	:	The 2,000,000 ordinary shares of RM1.00 each in LTKM being subject of the Offer for Sale
Initial Public Offer or IPO	:	Public Issue and Offer for Sale collectively
IPO Shares	:	Public Issue Shares and Offer Shares collectively
RM and sen	:	Ringgit Malaysia and sen respectively
ROC	:	Registrar of Companies
SC	:	Securities Commission
Shares	:	Ordinary shares of RM1.00 each in LTKM
US	:	United States of America
USD	:	US Dollar

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## 1. PROSPECTUS SUMMARY

The summary information set out below is derived from this Prospectus and should be read in conjunction with the full text of this Prospectus.

### 1.1 History and Business

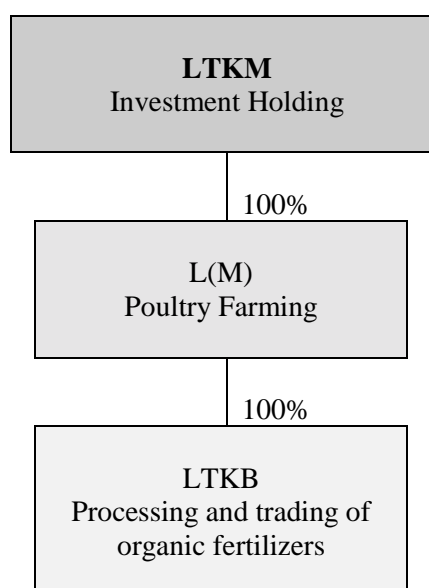
LTKM was incorporated in Malaysia on 14 August 1997 under the Companies Act, 1965 as a private limited company, under the name LTKM Sdn Bhd. On 10 November 1997, it was converted to a public limited company and adopted its present name.

The present authorised capital of LTKM is RM50,000,000 comprising 50,000,000 ordinary shares of RM1.00 each of which 30,000,002 ordinary shares have been issued and fully paid-up.

LTKM is an investment holding company with two (2) subsidiary companies, of which their principal activities are briefly described below:

Subsidiary Company	Date and Place of Incorporation	Issued and paid-up capital RM	Principal Activities
L(M)	16.10.1986 Malaysia	1,000,000	Operation of a poultry farm for the production and sale of chicken eggs and chickens
LTKB	02.08.1993 Malaysia	50,000	Processing and trading of organic fertilizers

The structure of the LTKM Group is set out below:



**1. PROSPECTUS SUMMARY (Cont'd)****1.2 Financial Highlights**

The following table is extracted from the Accountants' Report as set out in Section 13 and should be read in conjunction with the notes and assumptions thereto.

The following table sets out a summary of the proforma results of the LTKM Group for each of the five (5) years ended 31 March 1999 and seven (7) month period ended 31 October 1999, prepared based on the audited accounts of LTKM, L(M) and LTKB and on the assumption that the current structure of the Group had been in existence throughout the period under review:

	<-----Year ended 31 March----->					Seven (7) month period ended 31 October 1999
	1995 (RM'000)	1996 (RM'000)	1997 (RM'000)	1998 (RM'000)	1999 (RM'000)	(RM'000)
Turnover	30,518	33,673	44,920	45,760	55,907	41,240
Profit before taxation	3,249	2,046	6,563	4,715	6,956	8,559
Taxation	(1,024)	(633)	(1,091)	(102)	(338)	(2,442)
Profit after taxation	2,225	1,413	5,472	4,613	6,618	6,117
Minority interests	-	-	-	-	-	-
Profit after taxation after minority interests	2,225	1,413	5,472	4,613	6,618	6,117
Number of Shares assumed to be in issue ('000)	30,000	30,000	30,000	30,000	30,000	30,000
Gross EPS (sen)	10.83	6.82	21.88	15.72	23.19	48.91 *
Net EPS (sen)	7.42	4.71	18.24	15.38	22.06	34.95 *
Dividend rate (%)	-	-	-	-	-	-

*Notes:*

\* *Annualised*

1. *The net EPS is calculated based on the profit after taxation and minority interests and on the number of fully paid-up ordinary shares of RM1.00 each assumed to be in issue.*
2. *The turnover of the Group increased gradually from the year ended 31 March 1995 to the year ended 31 March 1996 mainly because of the increase in production output. The turnover of the Group for the year ended 31 March 1997 increased by approximately 33% compared to the year ended 31 March 1996 because of the 31% increase in the average selling price of eggs from 13 sen to 17 sen. The turnover of the Group for the year ended 31 March 1999 increased by approximately 22% compared to the previous corresponding period because of improvement in the market conditions.*



**1. PROSPECTUS SUMMARY (Cont'd)**

3. *The profitability of the Group varied between financial years ended 31 March 1995 and 1999. The variation is mainly due to the changes in the selling price of the eggs and the feed costs. Although production increased in 1996, the gross profit ("GP") margin was the lowest. This was due to the decrease in the average selling price from 14 sen in 1995 to 13 sen in 1996 and the increase in the cost of maize and soya bean meal which are two of the major feed ingredients. The GP for the financial year 1997 improved substantially by 58% which is attributed to the increase in the average selling price of eggs from 13 sen to 17 sen, an increase of 31%. In 1998, the decrease in the GP was mainly caused by the drop of 2 sen in the average selling price of eggs and the higher feed cost due to the depreciation of Ringgit against USD. In 1999, the GP improved by approximately 32% as compared to 1998. The improvement is mainly due to the increase in the average of selling price of eggs from 15 sen in 1998 to 17 sen in 1999 and the decrease in the cost of maize and soya bean meal.*
4. *There were no extraordinary items during the years under review.*

**1.3. Principal Statistics Relating to the IPO**

The following statistics relating to the IPO are derived from and should be read in conjunction with the full text of this Prospectus.

<b>(i) Share Capital</b>	<b>RM</b>
<b>Authorised:</b>	
50,000,000 ordinary shares of RM1.00 each	<u>50,000,000</u>
<b>Issued and fully paid up:</b>	
Ordinary shares of RM1.00 each	30,000,002
<b>Public Issue pursuant to this Prospectus</b>	
10,000,000 new ordinary shares of RM1.00 each	<u>10,000,000</u>
	<u>40,000,002</u>
<b>Offered for Sale pursuant to this Prospectus</b>	2,000,000
<b>(ii) IPO price per ordinary share</b>	RM1.35
<b>(iii) Proforma Consolidated NTA as at 31 October 1999</b>	
Proforma Consolidated NTA (after taking into account the Acquisition, Public Issue and estimated listing expenses of RM1,500,000)	56,092,000
Proforma Consolidated NTA per share (based on the enlarged issued and paid-up share capital of 40,000,002 ordinary shares of RM1.00 each after the Public Issue and Offer for Sale)	RM1.40

**1. PROSPECTUS SUMMARY (Cont'd)****(iv) Estimate and Forecast Consolidated Earnings**

<b>Year ending 31 March</b>	<b>2000 Estimate</b>	<b>2001 Forecast</b>
Consolidated profit before taxation but after minority interests (RM'000)	10,212	10,500
Consolidated profit after taxation and minority interests (RM'000)	7,799	7,572
Gross EPS (sen)	34.04 *	26.25 **
Net EPS (sen)	26.00 *	18.93 **
Gross PE Multiple based on IPO price of RM1.35 per share (times)	3.97	5.14
Net PE Multiple based on IPO price of RM1.35 per share (times)	5.19	7.13

\* Based on the weighted average number of share in issue of 30,000,002 ordinary shares of RM1.00 each assuming the IPO is to be completed in end March 2000. The Acquisition is based on the merger method of accounting.

\*\* Based on the weighted average number of shares in issue of 40,000,002 ordinary shares of RM1.00 each.

**Estimate and Forecast Dividend**

<b>Year ending 31 March</b>	<b>2000 Estimate</b>	<b>2001 Forecast</b>
Gross dividend per share (sen)	8.00	8.00
Net dividend per share (sen)	5.76	5.76
Gross dividend yield (%) (based on the IPO price of RM1.35 per share)	5.93	5.93
Net dividend yield (%) (based on the IPO price of RM1.35 per share)	4.27	4.27
Net dividend cover (times)	3.38	3.29

## **2. INVESTMENT CONSIDERATIONS**

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Before making an investment decision, potential investors should carefully consider, in light of their own financial circumstances and objectives, all of the information in this Prospectus and in particular, the following investment considerations and risk factors which may not be exhaustive:

**(i) No Prior Market for Shares in LTKM**

Prior to the IPO, there has been no public market for shares in LTKM. There can be no assurance that an active market for LTKM shares will develop upon its listing on the Second Board of the KLSE or, if developed, that such market will be sustained. The IPO price of the RM1.35 for each IPO Share has been determined after taking into consideration a number of factors, including but not limited to the Company's financial and operating history and conditions, the prospects of the industry in which the Company operates, the management of the Company, the market prices for shares of companies engaged in business similar to that of the Company and the prevailing market conditions at the time the application for listing of LTKM shares was submitted to the SC. There is no assurance that the IPO price will correspond to the price at which LTKM's shares will trade on the Second Board of the KLSE upon or subsequent to its listing or that an active market for LTKM's shares will develop and continue to develop upon or subsequent to its listing.

**(ii) Business Risks**

The business activities of the LTKM Group consist of investment holding, operation of a poultry farm for the production and sale of chicken eggs and processing and trading in organic fertilisers. Hence, the LTKM Group is subject to certain risks inherent in the livestock industry. These include, inter alia, raw material shortages, increases in labour and material costs, decreases in the selling price, changes in general economic, business, credit and interest rate conditions and changes in the legal and environmental framework within which the industry operates.

The LTKM Group has been in the egg industry for more than 20 years. For the past years, the Group has been accustomed to buying its raw materials in bulk. This has enabled the Group to reduce its cost and to gain better purchasing power. In addition, the Group has its own feedmill plant where it can process its own poultry feed which will enable it to have proper control in terms of quality production of eggs. Other steps taken are in the areas of research and development and flock health management programme. However, there is no assurance that changes to the above factors will not have adverse effects on the Company's business and financial conditions.

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## **2. INVESTMENT CONSIDERATIONS (Cont'd)**

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### **(iii) Dependence On Key Personnel**

The abilities and the continued efforts of its existing Directors and senior management are crucial to the continuous success of the LTKM Group. The invaluable experience accumulated by the key personnel is of great significance to the success of the Group. The Tan family has approximately three (3) decades of hands-on experience in the egg industry. The Tan family is backed by a group of experienced and dedicated management team. The loss of any key member of the Board of Directors or senior management team could affect the Group's continued ability to compete in the egg industry. However, every effort is presently made to groom the younger members of the management team to slowly take over from the seniors to ensure continuity in the management team. The Group's future success will also depend upon its ability to attract and retain skilled personnel.

### **(iv) Competition**

Presently, the egg industry comprises many players which include private and public listed companies. In terms of listed companies having similar business activities, the competition is relatively minimal as compared to most of the other industries. In addition, the LTKM Group has embarked on the expansion programme which brings higher automation in the farm operation activities. The Group has a landbank of 448 acres of freehold land at its Melaka farm to allow further expansion. Hence, the LTKM Group will be able to capture a bigger market share in the local market as well as the export market. Despite such competitive advantage which the LTKM Group has in the egg industry, no assurance can be given that the Group will be able to maintain its favourable position in the market or its competitive advantage in the future.

### **(v) Research and Development**

The Group's research and development efforts are geared towards improving productivity and quality of eggs not only through quality feeds but also through proper selection of layer hens. The Group also continuously strives to improve the nutritional content of its eggs in line with the development in science and technology. A milestone by the Company was the successful launching of its Omega-3 eggs on 14 July 1999. Pursuant to the signing of a Technology Licensing Agreement with Marditech on 1 August 1998, L(M) was given the exclusive rights to produce Omega-3 eggs using MARDI's feed formulation for a period of 5 years, with the option to renew for another 5 year period.

### **(vi) Control by substantial shareholders**

Following the IPO, LTK will own approximately 51% of the issued and paid-up capital of LTKM. As a result, it is likely that the shareholders will be able to control the outcome of certain matters requiring the vote of the Company's shareholders unless they are required to abstain from voting by law and/or the relevant authorities.

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## 2. INVESTMENT CONSIDERATIONS (Cont'd)

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### (vii) Diseases and Changes in Weather Condition

The poultry industry is also subject to risk of diseases outbreak and adverse changes in weather condition. In anticipation of these risks, LTKM implements proper and timely vaccination of its birds so as to keep its resistance level high. In addition, the spatial distribution of its poultry sheds and stringent flock health policy also reduces the possibility of any major disease outbreak. Moreover, LTKM has a team of experienced and knowledgeable personnel who are well-versed in disease prevention and control. Therefore, LTKM is confident of minimising the mortality rate of its birds due to major disease outbreaks and changes in weather condition. However, there will be no assurance that any adverse change of these factors will not have a material effect on the Group's business.

### (viii) Foreign Exchange Fluctuation

In the poultry industry, a very high percentage of the feed contents such as maize and soya bean meal are imported. As these commodities are quoted in USD in the world market, any fluctuation in the currency will have an impact on the cost of procurement of these raw materials. Although the Company seeks to limit these risks, no assurance can be given that any fluctuation in the currency will not have a material adverse impact on the Company's business.

### (ix) The Millennium Bug

The use of computer system in the Group is limited owing to the nature of its business i.e. poultry farming. Nevertheless, the Directors of LTKM are aware and have taken necessary measures to ensure that the software applications currently used for its operations have overcome the Year 2000 ("Y2K") problem. In this respect, a system analyst was engaged to conduct a detailed study on the impact of the Y2K problem on the computer system of the Group which could affect its accounting, financial and business operations. The findings revealed that the Group's computer system, both hardware and software are Y2K compliant on 15 July 1999. The upgrading and replacement cost of the computers and software programmes was approximately RM20,000.

There is no known exposure arising from third parties who have dealings with the Group as the computer systems are not linked to any external source. With the potential problems arising from the Y2K problem minimised, the impact of the Y2K problem on the Group's business is expected to be negligible. Accordingly, as at 31 January 2000, the Group does not find any material legal implications arising from the Y2K issue. In addition, Signet & Co Sdn Bhd, the Share Registrar of LTKM, confirmed that its Share Registration System was certified by its vendor to be Y2K ready on 24 September 1998. As at 31 January 2000, Signet & Co Sdn Bhd does not find any material legal implications arising from the Y2K issue.

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**2. INVESTMENT CONSIDERATIONS (Cont'd)**

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After the review of all computer hardware and software in use, the Directors of LTKM are of the opinion that it is unnecessary to develop a contingency plan or obtain independent verification of the Group's Y2K activities.

Nonetheless, no assurance can be given that the Y2K problem will not have an adverse effect on the Group's operations.

### 3. INTRODUCTION

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This Prospectus is dated 17 February 2000.

A copy of this Prospectus has been lodged with and registered by the Registrar of Companies, Malaysia who takes no responsibility for its contents.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991 and Section 39(1)(j) of the Companies Act, 1965, the KLSE has prescribed LTKM as a prescribed security. In consequence thereof, the shares offered through this Prospectus will be deposited directly with MCD and any dealings in these Shares will be carried out in accordance with the aforesaid Acts and the Rules of MCD.

Approval has been obtained for the flotation exercise of the LTKM Group from the SC on 26 August 1999. The approval of the SC shall not be taken to indicate that the SC recommends the Public Issue of 10,000,000 new ordinary shares of RM1.00 each in LTKM at an issue price of RM1.35 per ordinary share and Offer for Sale of 2,000,000 ordinary shares of RM1.00 each at an offer price of RM1.35 per ordinary share. Investors should rely on their evaluation to assess the merits and risks of the investment.

Approval-in-principle has been obtained from the KLSE on 11 February 2000 for admission to the Official List of the Second Board of the KLSE and for permission to deal in and quotation for the entire issued and fully paid-up ordinary shares of RM1.00 each in LTKM including the Public Issue Shares which are the subject of this Prospectus on the Second Board of the KLSE. These ordinary shares will be admitted to the Official List of the Second Board of the KLSE and official quotation will commence after receipt of confirmation from MCD that all CDS accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants.

An applicant should state his CDS account number in the space provided in the Application Form if he presently has such an account. Where an applicant does not presently have a CDS account, he should state in the Application Form his preferred ADA Code.

The SC and KLSE assume no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus. Admission to the Official List of the Second Board of the KLSE is not to be taken as an indication of the merits of LTKM or of its ordinary shares.

No person is authorised to give any information or to make any representation not contained herein in connection with the Public Issue and Offer for Sale and if given or made, such information or representation must not be relied upon as having been authorised by LTKM. Neither the delivery of this Prospectus nor any Public Issue and Offer for Sale made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of LTKM or the Group since the date thereof.

This Prospectus does not constitute and may not be used for the purpose of an offer to sell or invitation to buy any IPO Shares in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

### **3. INTRODUCTION (Cont'd)**

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The distribution of this Prospectus and the offering for sale of any part of the IPO Shares in certain other jurisdictions outside Malaysia may be restricted by law. Persons into whose possession this Prospectus may come are required to inform themselves of and to observe such restrictions.

**If you are in any doubt about this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser.**



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**4. CORPORATE INFORMATION**


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**BOARD OF DIRECTORS**

<b>Name</b>	<b>Address</b>	<b>Occupation</b>	<b>Nationality</b>
Ahmad Khairuddin bin Ilias <i>Chairman/Independent non-executive Director</i>	14, Jalan Kenanga 2/1 40000 Shah Alam Selangor Darul Ehsan	Businessman	Malaysian
Tan Kok <i>Vice Chairman/ Managing Director</i>	11, Lorong Selar 18 Off Jalan Tepi Sungai 41100 Klang Selangor Darul Ehsan	Managing Director	Malaysian
Tan Kim Hock <i>Executive Director</i>	11, Lorong Selar 18 Off Jalan Tepi Sungai 41100 Klang Selangor Darul Ehsan	Director	Malaysian
Tan Kark Bin <i>Executive Director</i>	28, Jalan Haji Abas 41300 Klang Selangor Darul Ehsan	Director	Malaysian
Tan Wah <i>Non-executive Director</i>	11, Lorong Selar 18 Off Jalan Tepi Sungai 41100 Klang Selangor Darul Ehsan	Director	Malaysian
Lim Hooi Tin <i>Non-executive Director</i>	11, Lorong Selar 18 Off Jalan Tepi Sungai 41100 Klang Selangor Darul Ehsan	Director	Malaysian
Syed Abdul Rani bin Syed Abdullah <i>Independent non-executive Director</i>	13, Jalan Bunga Kemunting 2/10 40000 Shah Alam Selangor Darul Ehsan	Director	Malaysian
Kamarudin bin Md Derom <i>Independent non-executive Director</i>	49, Jalan USJ 6/2D UEP Subang Jaya 47610 Subang Jaya Selangor Darul Ehsan	Director	Malaysian

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**4. CORPORATE INFORMATION (Cont'd)**

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**AUDIT COMMITTEE**

<b>Name</b>	<b>Responsibility</b>	<b>Directorship</b>
Ahmad Khairuddin bin Ilias	Chairman	Independent Non-Executive Director
Kamarudin bin Md Derom	Member	Independent Non-Executive Director
Tan Kark Bin	Member	Executive Director

**COMPANY SECRETARIES** : Ng Yim Kong (LS00198)  
97, Jalan USJ2/4R  
UEP Subang Jaya  
47600 Subang Jaya  
Selangor Darul Ehsan

Ooi Hoy Bee @  
Ooi Hooi Bee (MIA 1835)  
67 Jalan Ibus, Southern Park  
41200 Klang  
Selangor Darul Ehsan

**REGISTERED OFFICE** : 10th Floor - Tower Block  
Kompleks Antarabangsa  
Jalan Sultan Ismail  
50250 Kuala Lumpur

**PRINCIPAL BANKERS** : Public Bank Berhad (6463-H)  
(i) Kuala Lumpur City Main Office  
146, Jalan Ampang  
50450 Kuala Lumpur

(ii) Melaka Branch  
60-62, Jalan Laksamana  
75000 Melaka

Hong Leong Bank Berhad (97141-X)  
Wisma Amsteel Securities  
No. 1, Lintang Pekan Baru  
Off Jalan Meru  
41050 Klang  
Selangor Darul Ehsan

**AUDITORS AND REPORTING ACCOUNTANTS** : Ernst & Young  
Public Accountants  
4th Floor, Kompleks Antarabangsa  
Jalan Sultan Ismail  
50250 Kuala Lumpur

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**4. CORPORATE INFORMATION (Cont'd)**

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- SOLICITORS FOR THE IPO** : Majid & Chen  
No. 15A, Jalan Kepayang  
Off Jalan Meru  
41050 Klang  
Selangor Darul Ehsan
- REGISTRARS AND TRANSFER OFFICE** : Signet & Co Sdn Bhd (118382-V)  
11th Floor- Tower Block  
Kompleks Antarabangsa  
Jalan Sultan Ismail  
50250 Kuala Lumpur
- ISSUING HOUSE** : Malaysian Issuing House Sdn Bhd (258345-X)  
27th Floor, Menara Multi-Purpose  
Capital Square  
No. 8 Jalan Munshi Abdullah  
50100 Kuala Lumpur
- VALUER** : Colliers, Jordan Lee & Jaafar (M'cca) Sdn Bhd  
(136816-K)  
No. 669 & 669A  
Taman Melaka Raya  
75000 Melaka
- ADVISER AND MANAGING UNDERWRITER** : Perwira Affin Merchant Bank Berhad (9999-V)  
27th Floor, Menara Boustead  
69, Jalan Raja Chulan  
50200 Kuala Lumpur
- UNDERWRITERS** : Perwira Affin Merchant Bank Berhad (9999-V)  
27th Floor, Menara Boustead  
69, Jalan Raja Chulan  
50200 Kuala Lumpur
- OSK Securities Berhad (14152-V)  
10th Floor, Plaza OSK  
Jalan Ampang  
50450 Kuala Lumpur
- Kuala Lumpur City Securities Sdn Bhd (126994-W)  
Lot 3.07, Level 3  
Bangunan Angkasa Raya  
Jalan Ampang  
50450 Kuala Lumpur

**4. CORPORATE INFORMATION (Cont'd)**

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**UNDERWRITERS** (*Cont'd*) : K & N Kenanga Berhad (15678-H)  
8th Floor, Pernas International Building  
801, Jalan Sultan Ismail  
50250 Kuala Lumpur

Affin-UOB Securities Sdn Bhd (431338-P)  
Level 3, Menara Keck Seng  
55100 Kuala Lumpur

**LISTING SOUGHT** : Second Board of the Kuala Lumpur Stock Exchange

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**5. SHARE CAPITAL**


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	RM
<b>Authorised:-</b>	
50,000,000 ordinary shares of RM1.00 each	50,000,000
<b>Issued and paid-up:-</b>	
30,000,002 ordinary shares of RM1.00 each	30,000,002
To be issued and fully paid-up pursuant to the Public Issue:	
10,000,000 new ordinary shares of RM1.00 each	10,000,000
Enlarged issued and paid-up share capital	40,000,002
<b>Offered for Sale pursuant to this Prospectus</b>	
2,000,000 ordinary shares of RM1.00 each	2,000,000

The IPO price of RM1.35 for each IPO Share is payable in full on application.

There is only one class of shares in the Company, being ordinary shares of RM1.00 each. The Public Issue Shares will rank pari passu in all respects with one another and the other existing issued and paid-up ordinary shares of the Company including voting rights and the right to all dividends and other distributions that may be declared subsequent to the date of this Prospectus.

Subject to any special rights attaching to any shares which may be issued by the Company in the future, the shareholders of ordinary shares in the Company shall, in proportion to the amount paid up on the shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions and the whole of any surplus in the event of liquidation of the Company.

Each ordinary shareholder shall be entitled to vote at any general meeting of the Company in person or by proxy or by attorney, and, on a show of hands, every person present who is a shareholder or representative or proxy or attorney of a shareholder shall have one vote, and, on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each ordinary share held. A proxy may but need not be a member of the Company.

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## **6. PARTICULARS OF THE INITIAL PUBLIC OFFER**

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### **6.1 Details of the Public Issue and Offer for Sale**

The Public Issue and Offer for Sale is an invitation by the Company and the Offeror to Bumiputra investors approved / nominated by MITI, eligible employees as well as customers and suppliers of the LTKM Group, its holding company and the Malaysian public, to apply for the 10,000,000 Public Issue Shares and 2,000,000 Offer Shares at an IPO price of RM1.35 per share payable in full.

The IPO Shares are subject to the terms and conditions of this Prospectus and, upon acceptance, the IPO Shares shall be allocated in the following manner:

**(a) Bumiputera investors approved/nominated by MITI**

6,000,000 Shares will be made available to the Bumiputera investors approved/nominated by MITI.

**(b) Eligible Employees**

2,000,000 Shares have been reserved for all eligible employees as well as customers and suppliers of the LTKM Group.

**(c) Malaysian Investing Public**

4,000,000 Shares will be made available for application by Malaysian citizens, companies, co-operatives, societies and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, co-operatives, societies and institutions.

The IPO Shares represent approximately 30% of the enlarged issued and paid-up share capital of LTKM of RM40,000,002 comprising 40,000,002 ordinary shares of RM1.00 each.

The IPO Shares made available to the Malaysian Public as in paragraph (c) above have been fully underwritten by the Managing Underwriter and Underwriters as set out in Section 4.0 of this Prospectus. The ordinary shares referred to in paragraph (a) and (b) above will not be underwritten. In the event that any of the Shares under paragraph (b) above is not taken up by the eligible employees, customers and suppliers of the LTKM Group, such number of unsubscribed shares will be made available for application by the Malaysian public and will be underwritten.

### **6.2 Opening and Closing of Application Lists**

The Application Lists will open at 10.00 am on 2 March 2000 and will remain open until 8.00 p.m. on the same day or for such further period or periods as the Directors of LTKM in their absolute discretion may decide.

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**6. PARTICULARS OF THE INITIAL PUBLIC OFFER (Cont'd)**

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**6.3 Basis of Arriving at the IPO Price**

The IPO price of RM1.35 per LTKM ordinary share was determined based on various factors after taking into account, inter alia, the following:

- The prospective net PE Multiple of 5.19 times and 7.13 times based on estimate and forecast net EPS of 26.0 sen and 18.9 sen for the years ending 31 March 2000 and 2001 respectively;
- The proforma NTA per share of the LTKM Group of RM1.40 as at 31 October 1999.
- The forecast gross dividend yield of 5.93% based on the forecast dividend of 8 sen per share for the years ending 31 March 2000 and 2001; and
- The prospects of LTKM as set out in Section 10 of this Prospectus.

**6.4 Purposes of the IPO**

The purposes of the IPO are as follows:

- (a) To provide the Company access to the capital market to raise funds to finance its future expansion and continued growth;
- (b) To provide an opportunity for the Malaysian investing public and all eligible employees of the LTKM Group to participate in the continuing growth of the Group by way of equity participation;
- (c) To obtain the listing of and quotation for the entire issued and paid-up ordinary shares of LTKM on the Second Board of the KLSE; and
- (d) To comply with National Development Policy requirements in respect of Bumiputera equity participation.

**6.5 Proceeds of the Offer for Sale**

The gross proceeds of the Offer for Sale of RM2,700,000 shall accrue to the Offeror and no part of the proceeds of the Offer for Sale is receivable by LTKM. The Offeror shall bear all expenses such as brokerage, stamp duty (if any), registration and share transfer fees relating to the Offer Shares estimated at RM80,000.

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**6. PARTICULARS OF THE INITIAL PUBLIC OFFER (Cont'd)**


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**6.6 Proceeds of the Public Issue**

The Public Issue is expected to raise gross proceeds of RM13,500,000 for LTKM Group and will be utilised for the following:

	<b>(RM'000)</b>
(i) To refinance the acquisition of machinery	1,000
(ii) To part finance business expansion programmes	6,000
(iii) Repayment of bank borrowings	2,000
(iv) Working capital	3,000
(v) Estimated listing expenses	1,500
<b>Total</b>	<u><u>13,500</u></u>

- (i) Under its recent expansion programme, the Group had acquired in August 1999 an egg-grading machine from Holland, costing approximately RM2.2 million. The new grading machine increased the total capacity from 110,000 eggs per hour to more than 200,000 eggs per hour. The mechanism of this new grading machine is similar to the existing ones except that it can be linked directly to the layer sheds where the collection of eggs can be automated. Hence, this has enabled the Group to automate the farming operation fully.

Currently, the acquisition of the grading machine is being part-financed by a term loan of RM1.0 million. The balance of RM1.2 million is financed via internally generated funds. A portion of the proceeds obtained from the Public Issue of RM1,000,000 will be utilised to repay the term loan. The repayment of the term loan would enable the Group to save interest cost of approximately RM80,000 per annum.

- (ii) The Group will be utilising RM6,000,000 of the proceeds to part finance their expansion and modernisation program as detailed in the following table.

Description	Size and built-up area per unit	Quantity	Total RM	Allocated proceeds from the Public Issue RM
Layer Sheds	560' x 66' x 18'	22	7,500,000	6,000,000

With the construction of additional 22 layer sheds, the total layer sheds will increase from 8 to 30. The new modern sheds can house more than 30,000 birds per shed compared to the conventional sheds that can only house up to 4,000 birds per shed. The construction of sheds is an ongoing project and therefore, will be implemented in stages. However, it is expected to be completed before the financial year ending 31 March 2002.



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**6. PARTICULARS OF THE INITIAL PUBLIC OFFER (Cont'd)**

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- (iii) The Group will be utilising RM2,000,000 of the proceeds to repay the bank borrowings i.e. trade bills, obtained for the current expansion programme as mentioned in (ii) above. As at 9 February 2000, the Group has total bank borrowings of approximately RM8,417,596 with an average rate of interest of approximately 7.3% per annum. The repayment of bank borrowings would enable the Group to save interest cost of approximately RM146,000 per annum.
- (iv) Proceeds of RM3,000,000 will be utilised in the following manner as working capital:
- (a) Settlement of trade purchases such as feed materials. These items are mostly imported and are currently settled through bankers acceptance and trust receipt. These trade purchases are forecast to increase in line with the increase in sales.
- (b) Advertising and promotion on the Omega-3 eggs via local media coverage. On 1 August 1998, L(M) signed a Technology Licensing Agreement with Marditech. Under this agreement, L(M) will have the exclusive rights to produce eggs having higher Omega-3 polyunsaturated fatty acids content using MARDI's feed formulation for a 5 year period, with the option of renewing it for another 5 year period. In addition, the exclusive right is subject to achieving the total annual sales target of 6.3 million eggs.
- Omega-3 eggs contain up to five (5) times more Omega-3 polyunsaturated fatty acids and up to four (4) times more Vitamin E. To ensure consistency in the Omega-3 content, tests are conducted on regular basis by Marditech's representatives. As the product is new in the domestic market, the Group will be promoting the new nutritionally enhanced eggs in order to create awareness amongst the local consumers.
- (c) In line with the increase in production capacity, the level of trade debtors is also expected to increase. Therefore, the proceeds for the working capital would assist the Group in the holding cost of these debtors.
- (v) The expenses for the Public Issue comprising underwriting commission, professional fees, brokerages, stamp duty, registration fees and all other expenses incidental to the listing of and quotation for the entire enlarged issued and paid-up share capital of LTKM on the Second Board of the KLSE, estimated at RM1,500,000, shall be borne by the Company.

## 6. PARTICULARS OF THE INITIAL PUBLIC OFFER (Cont'd)

### 6.7 Brokerage and Underwriting Commission

Brokerage relating to the IPO Shares is payable by the Company and the Offeror, at the rate of 1% on the IPO price of RM1.35 per share in respect of successful applications bearing the stamp of PAMB, member companies of the KLSE, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIH.

The Managing Underwriter and Underwriters set out in Section 4 of this Prospectus have agreed to underwrite the 4,000,000 Shares which are available for application by the Malaysian public at an underwriting commission of 1.5% on the IPO price of RM1.35 per share. Any shares not taken up by the eligible employees of the LTKM Group will be underwritten proportionately by the underwriters.

Premised on the foregoing, the Company and PAMB have determined and agreed that the IPO price will be RM1.35 per ordinary share. The IPO price is considered fair and reasonable in the light of the factors mentioned above.

However, the shareholders should also note that the market prices of LTKM shares upon listing on the KLSE, are subject to the vagaries of the market forces and other uncertainties which may affect the price of LTKM shares traded.

### 6.8 Information on the Offeror

The details of the Offeror are as follows:-

Name	Registered Address	Number of Shares Offered for Sale	Percentage of share capital (%)
LTK	Room 101, 2nd Floor, Wisma Hup Tai, 1, Lorong Raja Bot, 41400 Klang, Selangor Darul Ehsan	2,000,000	5

*Note:*

*Other relevant details of LTK are as follows:*

*Incorporation* : *Incorporated in Malaysia under the Companies Act 1965 on 19 March 1976.*

*Authorised share capital* : *RM100,000,000*

*Issued and paid-up share capital* : *RM13,464,000*

*Principal activities* : *Investment holding; broiler farming, broiler contract farming, breeding of chicks for broiler farming, production and sale of broiler day-old chicks; manufacturing, processing and trading of feeds, vaccines, vitamins, nutrients for livestock and human consumption.*

**6. PARTICULARS OF THE INITIAL PUBLIC OFFER (Cont'd)***Substantial shareholders:*

<i>Name</i>	<i>←---Direct ---→</i>		<i>←--- Indirect ---→</i>	
	<i>No. of ordinary shares held</i>	<i>(%)</i>	<i>No. of ordinary shares held</i>	<i>(%)</i>
<i>Tan Kok</i>	<i>5,579,200</i>	<i>41.44</i>	<i>-</i>	<i>-</i>
<i>Lim Hooi Tin</i>	<i>1,152,800</i>	<i>8.56</i>	<i>-</i>	<i>-</i>
<i>Tan Wah</i>	<i>3,366,000</i>	<i>25.00</i>	<i>-</i>	<i>-</i>
<i>Tan Kim Hock</i>	<i>3,366,000</i>	<i>25.00</i>	<i>-</i>	<i>-</i>

*Directors and Directors' shareholdings:*

<i>Name</i>	<i>←---Direct ---→</i>		<i>←--- Indirect ---→</i>	
	<i>No. of ordinary shares held</i>	<i>(%)</i>	<i>No. of ordinary shares held</i>	<i>(%)</i>
<i>Tan Kok</i>	<i>5,579,200</i>	<i>41.44</i>	<i>-</i>	<i>-</i>
<i>Lim Hooi Tin</i>	<i>1,152,800</i>	<i>8.56</i>	<i>-</i>	<i>-</i>
<i>Tan Wah</i>	<i>3,366,000</i>	<i>25.00</i>	<i>-</i>	<i>-</i>
<i>Tan Kim Hock</i>	<i>3,366,000</i>	<i>25.00</i>	<i>-</i>	<i>-</i>

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## 7. MORATORIUM ON THE SALE OF SHARES

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The SC, in approving the flotation of LTKM, has imposed that a moratorium be placed on the disposal of shares in LTKM by a substantial shareholder of LTKM. It is also a condition of the approval-in-principle obtained from the KLSE on 11 February 2000 that a moratorium be imposed on the sale of 18,000,000 ordinary shares representing 45.0% of the enlarged issued and paid-up share capital of LTKM held by LTK, a substantial shareholder of LTKM.

	<b>Shareholdings after IPO</b>	<b>Percentage of the enlarged issued and paid-up share capital</b>	<b>No. of ordinary shares placed under moratorium</b>	<b>Percentage of enlarged issued and paid-up share capital</b>
LTK	20,250,002	50.62	18,000,000	45.00

The moratorium means that the above substantial shareholder is not allowed to sell, transfer or assign the shares under the moratorium within 1 year from the date of admission of LTKM to the Official List of the Second Board of the KLSE. LTK is permitted to divest or transfer in every subsequent year up to a maximum of one-third per annum (on a straight line basis) of its shareholding in the Company which is under moratorium.

The restriction, which is fully accepted by the aforesaid shareholder, is specifically endorsed on the share certificates representing the respective shareholdings of the aforesaid shareholder which are under moratorium to ensure that LTKM's registrar do not register any transfer not in compliance with the restriction imposed by the SC and KLSE.

The remarks to be endorsed on these share certificates are as follows:-

“The shares comprised herein are not capable of being sold, transferred or assigned for a period as determined by the Securities Commission (“Moratorium Period”). The shares comprised herein will not constitute good delivery pursuant to the Rules of the Exchange during the Moratorium Period. No share certificate or certificates will be issued to replace this certificate during the Moratorium Period unless the same shall be endorsed with this restriction”.

## **8. INDUSTRY OVERVIEW**

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The activities of the LTKM Group can be related to the livestock industry, and therefore its prospects can be linked to the following factors:

### **8.1 Economic Conditions**

The Malaysian economy has recovered in 1999 from severe deflationary impact of the regional financial crisis in 1998. Real Gross Domestic Product (“GDP”), which had contracted by an unprecedented 10.9% and 10.3% in the third and fourth quarters of 1998, registered a smaller contraction of 1.3% in the subsequent first quarter before recovering with a positive growth of 4.1% in the second quarter of 1999. The real GDP is expected to further accelerate to an average annual rate of 7.2% during the second half of 1999, against 1.4% real growth in the first half.

*(Source: Economic Report 1999/2000)*

The Malaysian economy grew by 8.1% in the third quarter of 1999, the highest growth since the onset of the economic crisis in 1997. It is the highest third quarter growth in the region with the exception of South Korea. The 8.1% growth, compared to 4.1% in the second quarter of 1999 showed that the Malaysian economy was out of recession and that prospects for long term growth were high.

*(Source: The Star, 25 November 1999)*

Malaysia's economy is expected to grow by 5% in 2000, with strengthening domestic demand from improved private consumption and a recovery in private sector investment. Underlying this positive outlook is an economy that is becoming increasingly resilient to external shocks and systemic risks, made possible by recent policy measures to strengthen the nation's external reserves position, financial system and the corporate sector.

*(Source: The Star, 30 October 1999)*

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## 8. INDUSTRY OVERVIEW (Cont'd)

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### 8.2 Poultry and Egg Industry

The poultry industry contributed RM2.8 billion (poultry meat RM1.6 billion and eggs RM1.2 billion) in 1998. The export of live poultry and poultry meat, mainly to Singapore, in 1998 was 12 - 15% of the total output, while for eggs was approximately 10 - 12%.

The growth for the poultry and egg industry has been encouraging attributed mainly to the following factors:-

- the egg is a rich source of nutritional food for the population at a reasonable cost;
- the price of chicken is relatively cheaper than other meat; and
- active participation of the private sector.

*(Source: Federal Agriculture and Marketing Authority)*

In the recent years, there has been an emphasis on the improvement of nutrients of the eggs. Extensive research by MARDI has successfully improved the egg quality through formulating the feed ingredients to improve the egg composition in terms of fatty acids and other nutrients, for example, enhancing the eggs nutritional level by increasing a type of polyunsaturated fatty acids called Omega-3, basically an ingredient found in fish oils and plant seeds such as soya bean, canola and flaxseed. The Omega-3 polyunsaturated fatty acids are known to have the following benefits:-

- reduce the risk of heart and cardiovascular disease;
- reduce risk of hypertension and stroke;
- reduce the bad cholesterol (LDL) level;
- reduce the risk of certain types of cancers such as breast and colon cancers; and
- essential in brain and retina growth and development of the foetus and infants.

*Sources:*

1. *Kinsella, JE et. al. 1990 Dietary n-3 polyunsaturated fatty acids and amelioration of cardiovascular disease: possible mechanisms. AM. J. Clin. Nutr. 52:1-28*
2. *Simopoulos, A.P. 1991. Omega-3 fatty acids in health and disease and in growth and development. AM. J. Clin. Nutr. 54:438-463*
3. *Morris, M.C. et. al. 1993. Does fish oil lower blood pressure ? A meta-analysis of controlled trials. Circulation, 88:523-533*
4. *Bao, D.Q. et. al. 1998. Effects of dietary fish and weight reduction on ambulatory blood pressure in overweight hypertensives. Hypertension. 32:710-717*
5. *Simon, J.A. et. al. 1995. Serum fatty acids and the risks of stroke. Stroke, 26:778-782*

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**8. INDUSTRY OVERVIEW (Cont'd)**

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6. *Illingworth, D.T., et. al. 1984. Inhibition of low density lipoprotein synthesis by dietary omega-3 fatty acids in humans. Arteriosclerosis, 4:270-275*
7. *Schloss, I., al. 1977. Dietary factors associated with a low risk of colon cancer in coloured west coast fishermen. S Afr. Med. J.87(2):152-158*
8. *Caygill, C.P. and Hill, M.J. 1995. Fish, n-3 fatty acids and human colorectal and breast cancer mortality, Eur. J. Cancer Prev. 4(4):329-332*
9. *Nettleton, J.A. 1993. Are n-3 fatty acids essential nutrients for fetal and infant development ? J. Am. Diet. Assoc., 93:58-64*
10. *Makrides, M.et. al. 1995. Are long chain polyunsaturated fatty acids essential nutrients in infancy ? 1995. Lancet. 345(8963):1663-1468*

## 9. INFORMATION ON LTKM GROUP

### 9.1 Incorporation

LTKM was incorporated in Malaysia on 14 August 1997 as a private limited company under the Companies Act, 1965. On 10 November 1997, it was converted into a public limited company and adopted its present name. Its principal activity is investment holding. Prior to the restructuring exercise mentioned below, LTKM was a dormant company.

### 9.2 Restructuring Exercise

In conjunction with the listing of LTKM shares on the Second Board of the KLSE, the Company has undertaken a restructuring scheme. This involved the following:

#### (i) Revaluation of Landed Property

As part of its listing exercise, the Group undertook a revaluation exercise of landed property owned by L(M) as follows:

Description of landed property/ Existing Use number of acres	Tenure	Date and method of valuation	Open market valuation by independent valuer RM	Net book value as at 31/10/99 RM	Open market valuation approved by the SC RM	Revaluation surplus RM
Lot No. 372, 1378 (new lot no. 3268) and 3266, Mukim of Durian Tunggal, District of Alor Gajah, State of Melaka (Including buildings* erected thereon)	Freehold	8 June 1999  Comparison Method and Cost Method	24,925,000	11,879,287	24,925,000	13,045,713

\* *Two (2) adjoining blocks of egg grading stores, a toilet block, three (3) units of chicken dung houses, fifty (50) units of single-storey terrace worker's quarters, four (4) units of old semi-detached worker's quarters, a Tenaga Nasional Berhad ("TNB") sub-station, twenty nine (29) units of double-deck layer chicken houses, eight (8) units of flat-deck layer chicken houses, and twenty four (24) units of flat-deck grower chicken houses.*

The above landed properties which are owned by L(M) were revalued on 8 June 1999 by an independent and professional firm of valuers, Colliers, Jordan Lee & Jaafar (M'cca) Sdn Bhd, resulting in a revaluation surplus of RM13,045,713 using the Comparison Method and Cost Method of valuation. The revaluation surplus was approved by the SC on 26 August 1999. The revaluation surplus of RM13,045,713 was incorporated into the accounts of L(M) for the seven (7) month period ended 31 October 1999.



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**9. INFORMATION ON THE LTKM GROUP (Cont'd)**


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**(ii) Acquisition**

As part of its restructuring exercise, LTKM acquired the entire issued and paid-up capital of L(M) comprising 1,000,000 ordinary shares of RM1.00 each for a total purchase consideration of RM38,985,000 satisfied by an issuance of 30,000,000 new ordinary shares LTKM at an issue price of approximately RM1.30 per ordinary share.

The LTKM shares rank pari passu in all respects with one another and the other existing issued and paid-up ordinary shares of the Company including voting rights and the right to all dividends and other distributions that may be declared subsequent to the date of this Prospectus.

The purchase consideration for L(M) was arrived based on the adjusted consolidated NTA of L(M) as at 31 March 1999 after adjusting for the revaluation surplus of the company's landed properties (as set out in the preceding section). Details of the computation of the adjusted NTA are as follows:

	<b>RM</b>
Audited consolidated NTA of L(M) as at 31 March 1999	25,939,784
Add: Revaluation surplus	13,045,713
Adjusted NTA	<u>38,985,497</u>

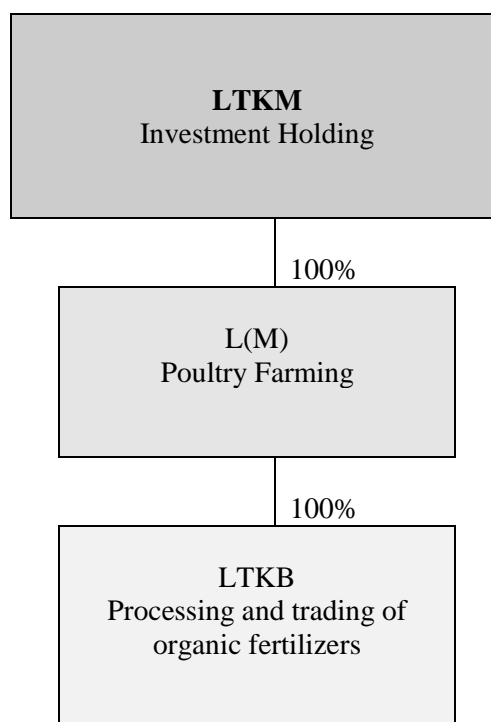
The issue price of RM1.30 per ordinary share LTKM was arrived at based on a willing-buyer willing-seller basis and other relevant factors.

The number of new ordinary shares issued by LTKM to the vendors of L(M) pursuant to the Acquisition is as follows:-

<b>Vendor</b>	<b>No. of L(M) shares held ('000)</b>	<b>Equity interest (%)</b>	<b>No. of LTKM shares issued ('000)</b>
LTK	790	79.0	23,700
Ahmad Khairuddin bin Alias	50	5.0	1,500
Syed Abdul Rani bin Syed Abdullah	150	15.0	4,500
Tan Kark Bin	10	1.0	300
<b>Total</b>	<b>1,000</b>	<b>100.0</b>	<b>30,000</b>

## 9. INFORMATION ON THE LTKM GROUP (Cont'd)

The restructuring scheme was approved by the FIC on 13 August 1999, MITI on 13 August 1999 and the SC on 26 August 1999. The scheme was effectively completed on 24 September 1999. With the completion of the restructuring exercise, LTKM became an investment holding company with two (2) subsidiary companies, namely L(M) and LTKB which is a wholly owned subsidiary of L(M). The resulting group structure of LTKM is diagrammatically illustrated below:



### 9.3 Offer to Several Key Senior Executives

Subsequent to the completion of the above restructuring exercise, LTK had offered to sell 1,450,000 ordinary shares of RM1.00 each representing 4.83% of LTKM's existing issued and paid-up share capital to several key senior executives of L(M) and its subsidiary company at an offer price of RM1.35 per LTKM share. The purpose for the offer was to reward these key executives who in the view of the Board of Directors of LTK, have assisted in the growth of L(M) and its subsidiary company. Details of the offer are as follows:

Name of Executive	No. of LTKM shares offered
Lee Chee Gaip	450,000
Kok Chiew Heng	350,000
Loo Eng Seng	300,000
Tan Boon In	250,000
Tan Kark Bin	100,000
<b>Total</b>	<b>1,450,000</b>

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**9. INFORMATION ON THE LTKM GROUP (Cont'd)**


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The offer was approved by the SC on 11 November 1999 and was completed on 20 January 2000.

**9.4 Flotation Exercise**
**(i) Public Issue**

LTKM shall carry out a Public Issue of 10,000,000 new ordinary shares of RM1.00 each in LTKM at an issue price of RM1.35 per share. The Public Issue Shares represent approximately 25.0% of the enlarged issued and paid-up share capital of LTKM of 40,000,002 ordinary shares of RM1.00 each, upon completion of the IPO. The utilisation of the proceeds arising from the Public Issue is detailed in Section 6.6 of this Prospectus.

**(ii) Offer for Sale**

The Offeror, LTK, shall carry out an Offer for Sale of 2,000,000 ordinary shares of RM1.00 each in LTKM at an offer price of RM1.35 per share. The Offer Shares represent approximately 5.0% of the enlarged issued and paid-up share capital of LTKM of 40,000,002 ordinary shares of RM1.00 each, upon completion of the IPO.

**(iii) Listing and Quotation**

The listing of and quotation for the entire enlarged issued and paid-up share capital of LTKM comprising 40,000,002 ordinary shares of RM1.00 each on the Second Board of the KLSE.

**9.5 Changes in Share Capital**

The changes in the issued and paid-up capital of LTKM since its incorporation are as follows:

<b>Date of allotment</b>	<b>No of ordinary shares of RM1.00 each allotted</b>	<b>Consideration</b>	<b>Cumulative issued and paid-up share capital (RM)</b>
14.08.97	2	Cash	2
24.09.99	30,000,000	Issued pursuant to the acquisition of L(M) at approximately RM1.30 per share	30,000,002

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## 9. INFORMATION ON THE LTKM GROUP (Cont'd)

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### 9.6 Business Overview

#### (i) History

The involvement of the Tan family in the egg industry started in the mid-1970s through LTK. LTK was incorporated on 19 March 1976. The company operated a layer farm on a piece of 10-acre land in Kampung Jawa, Klang. This farm soon reached its maximum capacity of 50,000 eggs per day.

In 1981, the directors embarked on an expansion program. LTK acquired a 40-acre piece of land in Kundang, Rawang, Selangor Darul Ehsan and began a new layer farm. A year later, two (2) adjacent lots measuring 22 acres were acquired to accommodate LTK's expansion program. The Rawang farm expanded into a fully integrated unit complete with its own in-house feedmill. By 1983, the Rawang farm had reached its maximum capacity of 350,000 birds producing 200,000 eggs per day.

In 1984, the directors embarked on their next expansion phase by acquiring 182 acres of freehold land in the district of Durian Tunggal, Melaka. This land is strategically located with easy access to the North-South Highway and the slightly elevated terrain was ideal for the set up of the new farm. As part of their corporate plans, a new company, namely Ladang Ternakan Kelang (Melaka) Sdn Bhd, was incorporated on the 16 October 1986. This company subsequently changed its name to LTK (Melaka) Sdn Bhd and is now a subsidiary of LTKM. In 1991, the daily egg production had reached a level of at least 500,000 eggs with a flock of at least 900,000 birds.

Throughout these years, the Group had shown significant growth in its results. The management opines that presently, after taking into consideration the egg production level of its major competitors such as, inter alia, Consolidated Farms Berhad, Lay Hong Berhad and QL Resources Berhad, the Group is one of the few leading egg producers in the country with a fully integrated poultry farming activity which involves, feed processing, production of eggs, processing and trading of organic fertilizers.

Presently, the Group has 1.8 million birds which based on their existing age profile, produce approximately 1,000,000 eggs daily. Out of this total output, approximately 20% is exported to Singapore and occasionally to Hong Kong. The rest of the eggs are sold to wholesalers all over West Malaysia. The production of organic fertilizer is mostly sold to wholesalers in Melaka, Johor, Pahang and Perak who in turn sell it to fruit plantations.

## 9. INFORMATION ON THE LTKM GROUP (Cont'd)

The production of the poultry products and contribution to the LTKM Group turnover is shown in the following table:-

	←----- Year ended 31 March -----→										Seven (7) month period ended 31 October 1999	
	1995		1996		1997		1998		1999		Turnover (RM'000)	(%)
	Turnover (RM'000)	(%)	Turnover (RM'000)	(%)	Turnover (RM'000)	(%)	Turnover (RM'000)	(%)	Turnover (RM'000)	(%)		
Eggs	27,751	91	30,882	92	41,116	92	41,377	90	49,207	88	37,452	91
End of Lay Hens	1,345	4	1,230	4	1,834	4	1,307	3	1,969	4	1,547	4
Chicken manure and organic fertilizers	851	3	1,167	3	1,619	3	1,882	4	2,046	3	1,820	4
Others	571	2	394	1	351	1	1,194	3	2,685	5	421	1
Total	30,518	100	33,673	100	44,920	100	45,760	100	55,907	100	41,240	100

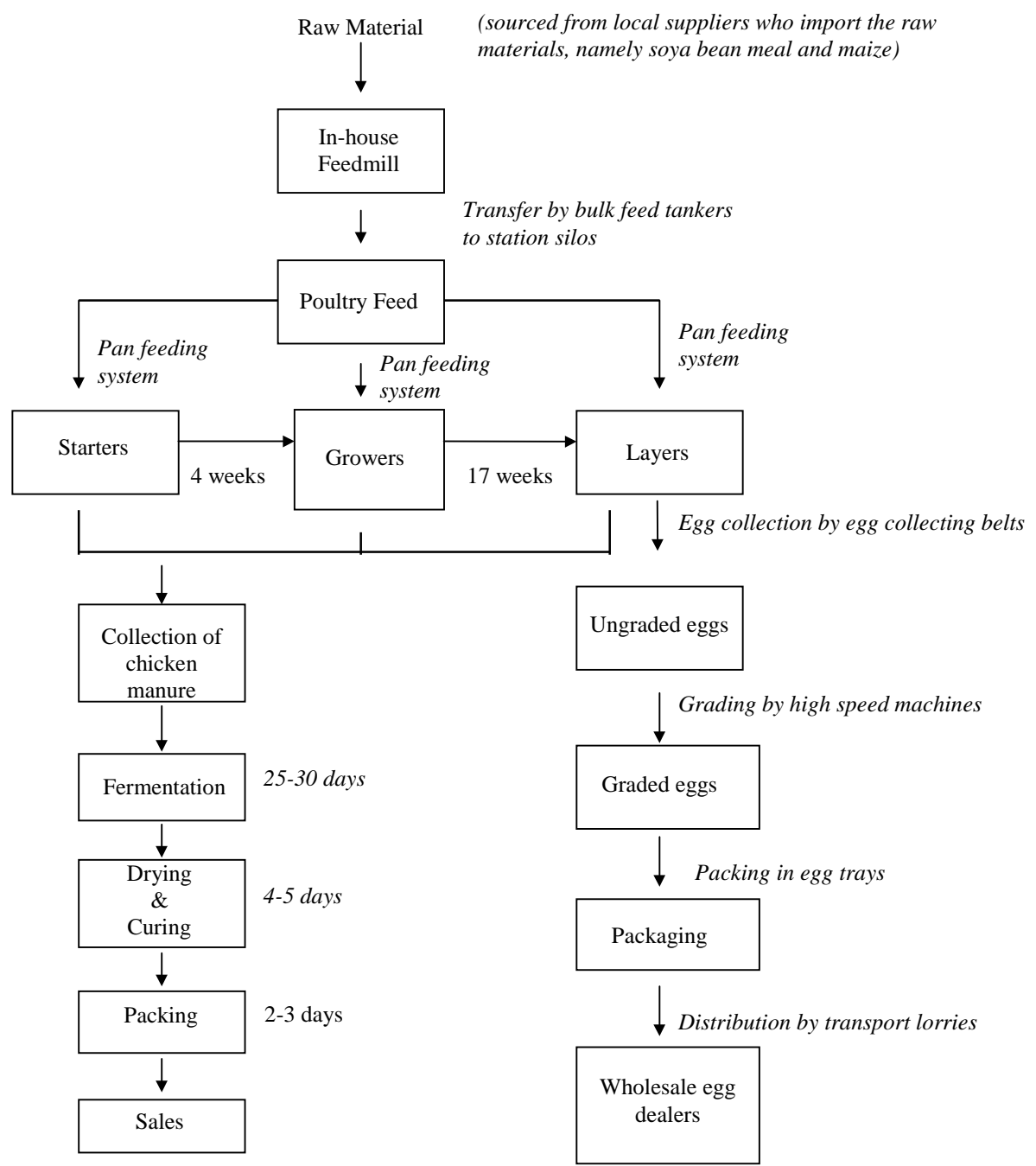
The contribution to the LTKM Group profit before tax ("PBT") by product is shown in the following table:

	←----- Year ended 31 March -----→				Seven (7) month period ended 31 October 1999	
	1998		1999		PBT (RM'000)	(%)
	PBT (RM'000)	(%)	PBT (RM'000)	(%)		
Eggs	3,852	82	6,340	91	7,803	91
End of Lay Hens	(1,317)	(28)	(1,223)	(17)	(731)	(9)
Chicken manure and organic fertilizers	1,401	29	1,261	18	1,264	15
Others	779	17	578	8	223	3
Total	4,715	100	6,956	100	8,559	100

**9. INFORMATION ON THE LTKM GROUP (Cont'd)**

**(ii) Production Operation**

The various processes involved in LTKM's operations are illustrated in the diagram below:



Note: The production processes including grading and packaging of the Omega-3 enriched eggs follow the same procedures as above except that they are separated from the normal eggs and using different feed formulation.

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**9. INFORMATION ON THE LTKM GROUP (Cont'd)**


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The process is detailed below:

(a) Feed Processing

L(M) produces feeds for its own chickens. By having its own processing plant which is located in the farm, L(M) is able to enhance the quality of feeds. The feed formula differs in each stage of the chicken's life cycle, that is from starter to layer stage. Subsequent to the processing, the feeds will be stored in station silos.

The current monthly production output, size and built-up area, number of production lines and number of working shifts per day for the processing plant are shown in the table below:-

	<b>Monthly production capacity</b>	<b>Monthly production output</b>	<b>Size and built-up area</b>	<b>No. of production lines</b>	<b>No. of shifts per day</b>
Feed	5,000 mt	5,000 mt	300' x 120'	1	1

(b) Breeding

The life span of its hens is categorised as follows:

<b>Stage</b>	<b>Age (Weeks)</b>
Starter	0-4
Grower	5-16
Layer	17-78
End of Lay Hen	>78

L(M) buys day-old chicks and breeds them till the end of lay hen. The end of lay hen will be sold to buyers, in particular, wholesalers who would then sell to food processing companies.

Hens will start to lay eggs at the layer stage. The layer's peak productive level is between 25 and 76 weeks old in a productive cycle of approximately 78 weeks. During this period, they lay approximately 90% of their total egg production capacity.

(c) Collecting and grading of eggs

The eggs will be collected from the sheds and transported to the grading house. They are then graded according to their weight using the grading machines. The graded eggs will be packed in trays and transferred to the loading bay where the wholesalers will collect them.

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**9. INFORMATION ON THE LTKM GROUP (Cont'd)**

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(d) Processing of chicken manure

Chicken manure, a by-product of the chicken farm, is collected from the poultry sheds on a daily basis and transported to the fertilizer plant. The fertilizers will be fermented for about 25 to 30 days. Then it will be transferred to the “transparent house”, a shed where the roof is made of plastic and transparent material to allow sunlight into the shed, for drying for approximately 4 to 5 days. Finally, it will be packed for distribution to the wholesalers to be resold to fruit and vegetable farms to be used as organic fertilizer.

(iii) **Seasonality**

Based on management’s past experience, demand for eggs normally increases towards the end of the year when prices of vegetables and fishes are relatively higher. Contrary to normal belief, egg consumption during festive periods is lower due to the closure of businesses and schools during these periods.

The seasonal demands by wholesalers has been effectively anticipated through the experiences and knowledge of poultry industry gathered over the past three decades by the Tan family. Even in times of slight fluctuations in the egg market, L(M)’s management had successfully monitored the supply of its egg production to cater to its customers’ orders and prevailing market condition.

(iv) **Research and Development**

Formulation of feed

The health and quality of the chickens will determine the quality of the eggs produced. Hence the eggs are very much dependent on the feeds given to them. L(M) formulates and processes its own livestock feeds, thus reducing feed costs through bulk purchases of feed ingredients like maize, soya bean meal and canola meal. Skillful management of bulk purchases of raw materials would minimise the Company’s exposures to fluctuations in feed prices and ensures better control over feed quality. Through years of experience accumulated in feed formulations, the management has been able to formulate feeds that are most suitable for the breed of chickens stocked at its farm.



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**9. INFORMATION ON THE LTKM GROUP (Cont'd)**

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Omega-3 enriched eggs

On 1 August 1998, L(M) signed a Technology Licensing Agreement with Marditech whereby L(M) is given an exclusive rights to produce Omega-3 eggs for a period of 5 years, with the option to renew another 5 years thereafter. Under this agreement, L(M) was given the exclusive right to use Marditech's feed formulation in the production of Omega-3 eggs. This makes it distinct from the normal eggs where the layers are fed with different feed formulation. Regular checks are carried out by Marditech's representatives to ensure the consistency of the Omega-3 content. This has led L(M) to emerge as the only producer of such eggs licensed by Marditech in the local market.

Monitoring and selection of superior Layer Breeds

The Group's research and development efforts are geared towards improving productivity and quality of eggs not only through quality feeds but also through selection of superior breeds of layer hens. This requires data compilation and detailed analysis at each and every stage of the birds' life cycle, such as:

- the average weight of the birds in each shed at every month end;
- daily record of the bird population in each shed;
- the daily record of the eggs collected in each shed;
- daily mortality rate of hens;
- daily number of white eggs; and
- daily number of cracked eggs due to less resilient eggshells.

The data compiled would be used as a basis to select the breed which is hardy, resilient to diseases and capable of maintaining good production levels under adverse circumstances and environment such as extremes in climate and variable feed. A monthly report is generated from the data compiled.

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**9. INFORMATION ON THE LTKM GROUP (Cont'd)**


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**(v) Landbank**

L(M) currently owns 266 acres of freehold landbank in Melaka and rents 182 acres of freehold land adjoining to its own landbank from LTK. To-date, approximately 248 acres of land have been utilised by the Group for its eggs production activity. The rented portion of the land is agreed between LTK and L(M) for a four (4) term period based on the following rental schedule, which represented a duration of 10 years expiring in the year 2007.

<b>Duration</b>	<b>Monthly rental</b>
1 April 1997 to 31 March 2000	RM18,200
1 April 2000 to 31 March 2003	RM20,020
1 April 2003 to 31 March 2006	RM21,840

Thereafter, the monthly rental will be at the prevailing market rate, subject to mutual agreement, to March 2007.

On 18 March 1999, L(M) has entered into a supplementary agreement with LTK to extend the rental period of the said land by an additional 5 years to 31 March 2012. The terms and conditions stated in the earlier agreement remain the same except that subsequent to 31 March 2006, the monthly rental will be as follows:

<b>Duration</b>	<b>Monthly rental</b>
1 April 2006 to 31 March 2009	RM24,024
1 April 2009 to 31 March 2012	RM26,426

The above rental terms are at normal commercial terms and on arm's length basis.

In conclusion, having **266** acres in L(M)'s possession coupled with at least a twelve year rental agreement on **182** acres of adjoining land, the management of L(M) is of the view that L(M) has sufficient landbank to cater for its future expansion.

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**9. INFORMATION ON THE LTKM GROUP (Cont'd)**

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**(vi) Centralised Operations and Economies of Scale**

Generally, most of the other layer farm operators decentralise their operations into various locations. This is a common practice in the poultry industry especially during the earlier years where farms were operated on smaller land areas.

However, this traditional practice is less efficient and not cost effective as economies of scale cannot be fully achieved. With the development in science and medicine, coupled with the advancement in farming methods, the likelihood of outbreak of contagious diseases has been reduced.

In view of the above, L(M) opts to centralise its farm operation in one location, ie. on a piece of 448 acres of land in Melaka. The spatial location of its poultry sheds and stringent flock health policy will also reduce the possibility of any disease outbreak.

The centralisation of its operation will enable the Group to reap the benefits of the economies of scale such as bulk discounts and lower transportation, labour and administrative costs. Moreover, centralisation will enable the Group to have a better control system over all aspects of its operations. This will lead to better efficiency and also substantial cost savings.

**(vii) Experience**

The founding members of the L(M) have been involved in commercial layer farming and its management since the early 1970s. Most of the pioneer members of the management and employees are still working with the Company. One of the hallmarks of a successful commercial layer farm is its ability to produce good quality eggs and achieve high production yields from its flock. The strong foundation for the Group's continued success is due to the invaluable experience amongst L(M)'s management and its long-serving employees as these experiences can only be gained through years of working on the farm.

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**9. INFORMATION ON THE LTKM GROUP (Cont'd)**

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**(viii) Good clientele relationship**

Over the years, L(M) has established a good rapport with its customers due to their efficiency and promptness in meeting their requirements. This has resulted in the high number of repeat sales besides continually securing new ones. To date, L(M) has a network of over 60 wholesale customers who conduct repeat business with the Group.

**(ix) Export Market**

Knowing the demand for eggs in the neighbouring countries, L(M) has for the past decade been supplying eggs to countries such as Singapore. The export ranges from 20% to 30% of the total sales of L(M). Furthermore, if there were any oversupply of eggs in the local market, it has always been the company's policy to increase its export to maximize its profits.

**(x) Effective trade debt collections**

The trade debtors' position of the LTKM Group has always been monitored strictly to ensure that the credit terms of 30 days are observed by all its customers, which comprise wholesalers. This prudent credit policy, has enabled the Group to achieve a better cash flow position.

**(xi) Geographical coverage**

In terms of location, L(M) has a comparative advantage in terms of its geographical location in Melaka enabling it to cater for the egg demand of the central and southern regions of West Malaysia which are the most populous areas in Malaysia. The strategic location of its farm in Melaka also enables it to have easy access to the export market in Singapore.

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**9. INFORMATION ON THE LTKM GROUP (Cont'd)**


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**9.7 Subsidiary and Associated Companies**

The information on the subsidiary companies of LTKM is briefly set out below:

Company	Date & place of incorporation	Issued & paid-up capital ('000)	Effective LTKM shareholding (%)	Principal activities
L(M)	16.10.86 Malaysia	1,000	100	Operation of a poultry farm for production and sale of chicken eggs and chickens
LTKB	02.08.93 Malaysia	50	100*	Processing and trading of organic fertilizers

\* *Held through L(M)*

As at the date of this Prospectus, LTKM does not have any associated company.

**9.7.1 Information on L(M)**
**History and Business**

L(M) was incorporated on 16 October 1986 in Malaysia under the Companies Act, 1965 under the name of Ladang Ternakan Kelang (Melaka) Sdn Bhd. L(M) is engaged in the business of operating a poultry farm for the production and sale of chicken eggs and chickens. It commenced business on 1 April 1988.

L(M) has a staff strength of 367 employees as at 9 February 2000.

It has one wholly-owned subsidiary, LTKB, but does not have any associated company.

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**9. INFORMATION ON THE LTKM GROUP (Cont'd)**


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**Changes in the Issued and Paid-Up Share Capital**

The present authorised share capital of L(M) is 2,000,000 comprising 2,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital is 1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each.

The changes in the issued and paid-up capital of L(M) since its incorporation are as follows:

<b>Date of Allotment</b>	<b>No. of Ordinary Shares of RM1.00 each Allotted</b>	<b>Consideration</b>	<b>Cumulative Issued and Paid-Up Share Capital (RM)</b>
16.10.86	2	Cash	2
23.02.89	199,998	Cash	200,000
20.04.90	800,000	Cash	1,000,000

**Profit and Dividend Records**

The audited profit and dividend records of L(M) for the past five (5) financial years ended 31 March 1999 and the seven (7) month period ended 31 October 1999 are summarised as follows:

	<-----Year ended 31 March----->					Seven (7) month period ended 31 October 1999 (RM'000)
	1995 (RM'000)	1996 (RM'000)	1997 (RM'000)	1998 (RM'000)	1999 (RM'000)	
Turnover	30,426	33,365	44,348	45,143	54,883	40,199
Profit before taxation	3,230	2,007	6,118	4,358	6,716	8,075
Taxation	(1,012)	(633)	(1,001)	(31)	(254)	(2,310)
Profit after taxation	2,218	1,374	5,117	4,327	6,462	5,765
Issued and paid-up share capital ('000)	1,000	1,000	1,000	1,000	1,000	1,000
Net EPS (sen)	221.8	137.4	511.7	432.7	646.2	988.3 *
Gross dividend per share (sen)	-	-	-	500	147	-

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**9. INFORMATION ON THE LTKM GROUP (Cont'd)**

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Notes:

\* Annualised

1. *The net EPS is calculated based on the profit after taxation and on the number of fully paid-up ordinary shares of RM1.00 each in issue.*

*The turnover of L(M) increased gradually from the year ended 31 March 1995 to the year ended 31 March 1999. The increase in 1996 was due to the increase in the production of eggs from 650,000 in 1995 to 700,000 in 1996. These increases were more than offset by the reduction in the average selling price which fell from 14 sen per egg in 1995 to 13 sen per egg in 1996. Although egg production decreased slightly by approximately 1% in 1997, the increase in turnover was contributed by a 31% increase in the average selling price which is from 13 sen per egg in 1996 to 17 sen per egg in 1997. However in 1998, despite the increase in production of 10% compared to 1997, the overall turnover rose only by approximately 1.7% to RM45.1 million. This was due to the decline in the average selling price from 17 sen per egg to 15 sen per egg, a 12% drop in value terms. The turnover increased in 1999 as a result of improvement in the market conditions and a 13% increase in the average selling price to 17 sen per egg.*

2. *The decline in the PBT of the financial year 1996 was mainly due to the decline in the GP margin. Despite the increase in the overall egg production from 650,000 eggs to 700,000 eggs, the decrease in the average selling price from 14 sen to 13 sen per egg and the escalating feed cost had affected the GP margin. However, the increase in the production had more than offset the declining selling prices and the escalating costs, enabling the business to remain profitable. In 1997, the increase in PBT was contributed by a 31% increase in the average selling price, from 13 sen per egg in 1996 to 17 sen per egg in 1997. In 1998, the GP margin decreased by 14%, mainly due to a drop in the average selling price of eggs from 17 sen in 1997 to 15 sen in 1998. In 1999, the PBT improved by approximately 54% as compared to 1998. The improvement is mainly due to the increase in the average selling price from 15 sen in 1998 to 17 sen in 1999 and the decrease in the cost of major feed ingredients.*

3. *There were no extraordinary items for the years under review.*

4. *No dividends were declared for the financial periods under review except in the financial years 1998 and 1999 where L(M) declared gross dividends of 500% and 147% respectively.*

## 9. INFORMATION ON THE LTKM GROUP (Cont'd)

### 9.7.2 Information On LTKB

#### History And Business

LTKB is a wholly-owned subsidiary of L(M). It was incorporated on 2 August 1993 in Malaysia under the Companies Act, 1965 under its present name. The principal activity of LTKB is processing and trading of organic fertilizers. It commenced business on 1 April 1994.

LTKB has a staff strength of 4 employees as at 9 February 2000.

LTKB does not have any subsidiary or associated company.

#### Changes in the Issued and Paid-Up Share Capital

The present authorised share capital of LTKB is RM100,000 comprising 100,000 ordinary shares of RM1.00 each. The issued and paid-up share capital is RM50,000 comprising 50,000 ordinary shares of RM1.00 each.

The changes in the issued and paid-up capital of LTKB since its incorporation are as follows:

Date of Allotment	No. of Ordinary Shares of RM1.00 each Allotted	Consideration	Cumulative Issued and Paid-Up Share Capital (RM)
02.08.93	2	Cash	2
18.05.94	49,998	Cash	50,000

The audited profit and dividend records of LTKB for the past five (5) financial years ended 31 March 1999 and the seven (7) month period ended 31 October 1999 are summarised as follows:

	<-----Year ended 31 March----->					Seven (7) month period ended 31 October
	1995 (RM'000)	1996 (RM'000)	1997 (RM'000)	1998 (RM'000)	1999 (RM'000)	1999 (RM'000)
Turnover	169	419	1,041	1,404	1,869	1,637
Profit before taxation	18	40	445	404	298	492
Taxation	(12)	-	(90)	(95)	(84)	(157)
Profit after taxation	6	40	355	309	214	335
Issued and paid-up share capital ('000)	50	50	50	50	50	50
Net EPS (sen)	12.0	80.0	710.0	618.0	428.0	1148.6 *



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## 9. INFORMATION ON THE LTKM GROUP (Cont'd)

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*Notes:*

\* *Annualised*

1. *LTKB's turnover has increased significantly from 1995 to 1999, mainly due to the increase in the number of customers from 14 in 1995 to 86 in 1999. Selling price per tonne of fertilizers has remained stable at approximately RM300-375 per tonne during these periods.*

*LTKB's PBT has increased substantially in 1996 to 1997 due to increase in sales by 148%. In 1999, despite the increase in turnover by 33%, the PBT dropped by 26% due to higher depreciation charge as a result of purchase of new fixed assets..*

2. *No dividends were declared for the financial period under review.*

3. *There were no extraordinary items for the periods under review.*

### 9.8 Directors, Senior Management and Employees

#### 9.8.1 Board of Directors

**Ahmad Khairuddin bin Ilias**, aged 41, is the Chairman of LTKM. He was appointed to the Board of LTKM on 23 December 1999. He graduated with a Diploma in Architecture from Universiti Teknologi Malaysia in 1982. He started his career in Lembaga Letrik Negara (now known as Tenaga Nasional Berhad) in 1983 as a Technical Assistant. He left in 1988 to start his own business, Intissar Sdn Bhd which is principally active in the oil palm industry. Currently, he is the Vice Chairman of TCL Premier Holdings Bhd where he joined in 1996. The company is involved in the stock broking business and listed on the Main Board of the KLSE. He also sits on the Board of several other companies involved in property development activities as well as investment holdings.

**Tan Kok**, aged 48, is the Vice Chairman/Managing Director of LTKM. He was appointed to the Board on 23 December 1999. He has been a director of L(M) since its inception on 16 October 1986 and LTK since March 1976. He was appointed Managing Director of L(M) on 1 April 1989 and became its Chairman on 30 September 1992. Mr Tan has more than 25 years of experience in poultry sector, particularly in the layer farming. He participated actively in the development of the layer industry and was appointed Chief of the Egg Board Committee of the Selangor Livestock Farmers' Association. He is also the Honorary Treasurer of the Association since 1995 and sits on the Board of several private limited companies.

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**9. INFORMATION ON THE LTKM GROUP (Cont'd)**

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**Tan Kim Hock**, aged 45, is an Executive Director of LTKM and was appointed to the Board of Directors on 23 December 1999. He was appointed to the Board of L(M) on 23 February 1989 and LTK on 8 May 1981. He has more than 20 years experience in poultry farming. He was responsible for planning and overseeing the development of the Melaka farm since its inception. He is currently in charge of farm development and implementation of the Group's future expansion programmes. He also sits on the Board of various private companies.

**Tan Kark Bin**, aged 50, is an Executive Director of LTKM and was appointed to the Board of LTKM on 24 December 1999. He has been a director of L(M) since 5 April 1995 and is a Public Accountant by profession. He graduated from the University of Western Australia in 1973 and is a member of the Malaysian Institute of Accountants and the Institute of Chartered Accountants in Australia. He operates his own practice, K B Tan & Co, a public accounting firm since 1984 and also sits on the Board of several private companies.

**Tan Wah**, aged 51, was appointed to the Board of LTKM on 23 December 1999. He has been a Director of L(M) since 23 February 1989 and LTK since 16 February 1979. Mr Tan has more than 20 years experience in poultry farming. He also sits on the Board of several private limited companies.

**Lim Hooi Tin**, aged 47, was appointed to the Board of LTKM on 23 December 1999. She has been a director of L(M) since 16 October 1986 and LTK since 28 May 1980. Madam Lim has wide experience in the layer industry from participating actively in the farm and involved in administration and operation in the early stage of the business and management of LTK's layer farm. Madam Lim is now involved in administrative and treasury functions of L(M). She also sits on the Board of LTKB and several other private limited companies.

**Syed Abdul Rani bin Syed Abdullah**, aged 54, was appointed to the Board of LTKM on 23 December 1999. He graduated with a Bachelor of Science (Hons) degree in Mechanical Engineering from Brighton Polytechnic, United Kingdom in 1972. He started out as an Assistant Engineer in Lembaga Letrik Negara (now known as Tenaga Nasional Berhad) in 1972 and was appointed Project Engineer in 1975. He then joined Federal Power Sdn Bhd, a company involved in the manufacturing of cable for electrical utilities in 1977 as the Assistant Factory Manager and was later promoted to General Manager. He left the company in 1992 and started his own business, Consolidated Cable Sdn Bhd which manufactures cables for electrical utilities. Presently, he is the managing director of Consolidated Cable Sdn Bhd group of companies. He is also the Chairman and Director of Sumatec Corporation Sdn Bhd, which is a construction company.

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## 9. INFORMATION ON THE LTKM GROUP (Cont'd)

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**Kamarudin bin Md Derom**, aged 41, was appointed to the Board of LTKM on 23 December 1999. He graduated with a Bachelor of Science degree in Civil and Environmental Engineering from University of Wisconsin in Madison, US in 1983. He started his engineering career with Promet Construction Sdn Bhd as a civil engineer in 1983. He then joined Energoprojekt Engineering & Contracting Co., a company involved in the Expressway Project between Ayer Keroh and Pagoh between 1986 and 1989. He then became the Sales Manager of Senju (M) Sdn Bhd, a multinational company from Japan involved in the manufacturing of industrial solders for electronics until 1991.

From 1991 to 1994, he was engaged as a project manager in Pembinaan TLN Sdn Bhd, a construction firm based in Klang. In 1995, he then became a Director of Able Bonded Warehouse Sdn Bhd, a company involved in warehouse services .

He is also presently the Managing Director of Stork Comprimo (Malaysia) Sdn Bhd where he joined in 1999. The company is a joint-venture company between Stork NV of the Netherlands and several Malaysians which involved in oil and gas engineering business. He is also a director of few private limited companies including Hai San group of companies involved in ice-making and warehousing.

### 9.8.2 Senior Management

**Lee Chee Gaip**, aged 36, is the Farm Manager in charge of the day-to-day operation of the farm. He holds a Diploma in Marketing Management from Institute of Marketing Malaysia which was obtained in November 1998. He joined L(M) in October 1986 and is one of the pioneer staff and has been with LTK for more than 15 years. He has accumulated vast experience in all aspects of layer farming. He is in charge of the overall management of the farm and feedmill operations and manages the farm production. Through years of experience, he played a major role in the development and improvement of organic fertilizer produced by LTKB. He was instrumental in introducing environmental-friendly organic additives to chicken dung for processing into organic fertilizers with longer active shelf life and less odour. His other areas of expertise include production and mortality control and poultry feed formulation.

**Kok Chiew Heng**, aged 40, is another pioneer staff of LTK who joined in 1984 and is currently the Marketing Manager. He played a key role in establishing the network of loyal customers in L(M) through his good rapport with the customers. In his current capacity as Marketing Manager, he is principally responsible for all aspects of marketing including development of new markets and market survey for both local and overseas.

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**9. INFORMATION ON THE LTKM GROUP (Cont'd)**

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**Loo Eng Seng**, aged 39, is the Administration and Development Manager of the Group and he joined L(M) in October 1986. He holds a Diploma in Civil Engineering from the Federal Institute of Technology which was obtained in 1981. He is a qualified quantity surveyor and is currently responsible for various aspects of the farm's operations including human resources management, management of by-products, property maintenance and development. His prior experience as a quantity surveyor has benefited the Group with his implementation of effective management and control in property management overheads and construction costs of its expansion programme.

**Tan Boon In**, aged 36, is the Marketing Manager for LTK Omega-Plus eggs. He is responsible for the promotion and the development of this product. Prior to the Group's involvement in this product, he was involved in the financial matters of the Group. He holds a Bachelor Degree in Economics (Hons) majoring in Business Administration from University of Malaya which was obtained in 1987. Prior to joining the Group in 1991, he was attached to Southern Bank Berhad from June 1987 to December 1988 and from January 1989 to June 1991, he was with Unilever (Malaysia) Holdings Sdn Bhd (formerly known as Lever Brothers Malaysia Sdn Bhd).

**Loo Leng Fong**, aged 27, is the Accounts Manager in charge of the Accounts Department of the Group. She graduated with a Bachelor Degree in Business Administration majoring in Finance from the University of Nebraska-Lincoln, US in 1994. Prior to joining the Group in April 1998, she was an accounts executive in Amsteel Mills Sdn Bhd, a company involved in the manufacturing of steel bars and wire rods, from November 1994 to June 1997. Subsequent to June 1997, she was attached to Dijaya Enterprise Bhd, a company listed on the KLSE, until March 1998.

**Dr Mazila bt Mokhtar**, aged 30, is the Veterinarian of the farm. She holds a Doctorate of Veterinary Medicine and Animal Science from Universiti Putra Malaysia (formerly known as Universiti Pertanian Malaysia) which was obtained in 1993. Prior to joining the Group in 1996, she worked for Broiler Farm Sdn Berhad, a company involved in broiler farming, as a Farm Veterinarian for two months and subsequently, as a Research Assistant in Veterinary Pathology and Microbiology, Faculty of Veterinary Medicine and Animal Science, University Putra Malaysia for a tenure of two years. With her experience in this field of poultry farming, she is currently responsible for the research and the health management of the flock and feed formulation programme.

**Wong Kim Chin**, aged 38, joined in 1982, as the Accounts Supervisor of the Group. She holds a Certificate in Accounting from the Klang Institute, Klang in 1983. Her current responsibility is in all aspects of data processing, accounting and management information functions of the Group. She is also assisting other treasury functions.

## 9. INFORMATION ON THE LTKM GROUP (Cont'd)

**Lim Kian Kee**, aged 40, joined in 1993 as an Administrative Executive. In September 1994, he was transferred to LTKB as a sales executive for the marketing of organic fertilizer processed by the Group. He was promoted to Sales Manager of LTKB in 1997 and is currently in charge of developing the market for the Group's organic fertilizers.

### 9.8.3 Family Relationship

Save as disclosed below, there is no other relationship among the Directors and Senior Management of the Group:

- (i) Tan Kok, Tan Kim Hock and Tan Wah are brothers;
- (ii) Lim Hooi Tin is the spouse of Tan Kok;
- (iii) Lee Chee Gaip, Loo Eng Seng and Tan Boon In are the nephews of Tan Kok, Tan Kim Hock and Tan Wah;
- (iv) Lim Kian Kee is the cousin brother of Lim Hooi Tin; and
- (v) Kok Chiew Heng is the brother-in-law of Tan Kim Hock.

### 9.8.4 Audit Committee

LTKM has set up an Audit Committee on 2 February 2000. The Committee comprises the following Board members:-

Name	Designation	Directorship
Ahmad Khairuddin bin Ilias	Chairman of Committee	Independent Non-Executive Director
Kamarudin bin Md Derom	Member of Committee	Independent Non-Executive Director
Tan Kark Bin	Member of Committee	Executive Director

The main functions of the Audit Committee include the review of the audit plan and audit report with the Auditors, review the Auditors' evaluation of internal accounting controls, review of the scope of internal audit procedures, review of balance sheet and profit and loss account and nomination of Auditors.

### 9.8.5 Employees

As at 9 February 2000, the Group employed a total of 371 employees and todate, the Group has not encountered any major problem in staff turnover. The employees of the Group do not belong to any union. The relationship between management and employees is excellent and the majority of the supervisory and management staff has been with the Group for more than 5 years.

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**9. INFORMATION ON THE LTKM GROUP (Cont'd)**


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**9.9 Property**

Location	Existing use/ (Description)	Land area (acres)	Built -up area	Tenure	Age of building (years)	Open market value (RM'000)	Net book value as at 31.10.99 (RM'000)
Lot Nos. 372, 1378 (new lot no. 3268) and 3266, Mukim of Durian Tunggal, District of Alor Gajah, Melaka (Including buildings* erected thereon)	Agriculture land/ (Freehold)	266.13	*	Freehold	Generally 2 to 7 years	24,925	11,879

\* *Two (2) adjoining blocks of egg grading stores, a toilet block, three (3) units of chicken dungs houses, fifty (50) units of single-storey terrace worker's quarters, four (4) units of old semi-detached worker's quarters, a TNB sub-station, twenty nine (29) units of double-deck layer chicken houses, eight (8) units of flat-deck layer chicken houses, and twenty four (24) units of flat-deck grower chicken houses. These farm buildings have a total built-up area of 94,846.95 square meters.*

The above landed properties which are owned by the L(M) were revalued at RM24,925,000 on 8 June 1999 by an independent and professional firm of valuers, Colliers, Jordan Lee & Jaafar (M'cca) Sdn Bhd resulting in a surplus of RM13,045,713 using the Comparison Method and Cost Method of valuation. The revaluation surplus was approved by the SC on 26 August 1999. The revaluation surplus of RM13,045,713 which was based on the net book value as at 31 March 1999 was incorporated into the accounts of L(M) for the seven (7) month period ended 31 October 1999. The letter from the valuers on the above is set out in Section 14 of this Prospectus.

## 10. FUTURE PROSPECTS (Cont'd)

### 10. Future Outlook And Prospects

#### (i) Prospects of the Poultry Industry

The poultry industry in Peninsular Malaysia is highly commercialised. It has gone through four decades of rapid technological, breeding, management and structural changes, resulting in the improvement of production efficiency.

Generally, in the developed and developing countries, the poultry industry is characterised by the dynamism in its growth from a small-scale agricultural activity to become a sophisticated, highly specialised industry, and by the ever-changing structural developments that are constantly and continually occurring in the industry. In many of these countries, structural changes have occurred in the industry over the years and great progress has been attained in increasing productivity in poultry and reducing cost of labour per unit of the products produced. Management systems of poultry have been revolutionised through automation and technological innovations; marked genetic improvements in egg laying and meat conversion performance have been made in recent years and also large farm production units have been established.

Malaysia has the capability to specialise and be competitive in the production of certain livestock products. The poultry sub-sector is expected to integrate and consolidate further to become more efficient and productive. Given this scenario, production of chicken eggs is projected to grow at an average rate of 3.3 per cent per annum for the 1996 – 2000 period. Poultry meat is projected to register a higher average growth rate of 5.5 per cent per annum during the period as can be seen below:

Item	1996		1997		1998		1999*		2000+	
	Qty	RM Mil	Qty	RM Mil	Qty	RM Mil	Qty	RM Mil	Qty	RM Mil
Beef (M.t)	14,915	174.89	16,196	189.91	17,545	205.72	19,051	223.38	20,691	242.61
Mutton (M.t)	529	10.48	558	11.05	587	11.63	618	12.23	653	12.93
Pork(M.t)	242,772	1,489.41	244,033	1,497.14	246,473	1,512.12	248,938	1,527.24	251,313	1,541.81
Poultry (M.t)	584,400	1,640.26	617,217	1,732.37	650,547	1,825.92	685,677	1,924.52	723,863	2,031.70
Milk (Mil' ltr)	32	33.78	34	35.65	36	37.69	37	36.70	39	40.74
Chicken eggs (Mil' pieces)	6,015	1,109.08	6,229	1,148.60	6,434	1,186.34	6,644	1,224.97	6,862	1,266.21
Duck eggs (Mil' pieces)	115	26.43	119	26.36	123	27.17	127	28.17	131	28.98
Others	4,612	3.09	5,088	3.27	5,264	3.36	5,461	3.50	5,648	3.63
<b>Total</b>		<b>4,486.42</b>		<b>4,644.35</b>		<b>4,809.96</b>		<b>4,982.73</b>		<b>6,167.61</b>

(Source: Jabatan Perkhidmatan Haiwan dated 1998)

\* Estimate

+ Forecast

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## 10. FUTURE PROSPECTS (Cont'd)

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*Notes:*

*M.t* : *Metric tonnes*  
*Ltr* : *Litre(s)*  
*Mil* : *Million*

### (ii) Prospects of the LTKM Group

Eggs are known to be one of the most affordable basic food nourishment which not only is a good source of protein but also rich in vitamins, essential polyunsaturated fatty acids, minerals and lecithin. As a result, egg is recommended to be consumed by all age groups but within their respective limits to the quantity of intake. Its popularity is not only confined to being consumed as table eggs but also used in many dishes which ranges from appetisers to desserts. Moreover, in times of recession, eggs which are relatively cheap, are excellent substitutes to some other food items. In Malaysia, where the consumption of eggs forms a major part of the dietary supplement, the demand for eggs is expected to increase in tandem with the increase in population.

The recent research and development by MARDI on the Omega-3 eggs, that is eggs with higher level of Omega-3 polyunsaturated fatty acids which are found in fish oils and plant seeds such as soya bean, canola and flaxseed, will further enhance the quality of the eggs. The Omega-3 eggs, marketed under the brand name LTK-Omega Plus, was successfully launched on 14 July 1999 by the Minister of Agriculture. These eggs are produced under sole licensing from Marditech, a commercial arm of MARDI. To date, the production of Omega-3 eggs total approximately 150,000 eggs per day, represents approximately 15 per cent of the total daily eggs production. In order to create awareness among the population on the benefits of the Omega-3 eggs, LTKM together with MARDI had made much effort to promote the eggs via wide media coverage in the local television and radio as well as major daily newspapers.

In years ahead, the poultry industry will become increasingly important in the country due to population growth and as an important source of cheap and readily available animal protein. With the advantage of being the sole producer of Omega-3 eggs, the Company is able to maintain the selling price and margin as opposed to the threat of price fluctuation in the generic eggs segment. Furthermore, it also enhances the existing wholesalers/distributors loyalty as well as attracting new wholesalers to become LTKM's distributors due to its product uniqueness which cannot be found elsewhere in the current market.



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## 10. FUTURE PROSPECTS (Cont'd)

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### (iii) Future Plans of the LTKM Group

#### Upgrading and Expansion Programme

In its effort to keep abreast with the latest technology available in the layer farm industry, L(M) will continue to upgrade its poultry houses and its egg collecting and grading system.

The automated egg collecting and grading system is an ongoing project which will involve all future expansion plans and, therefore, will be implemented in stages.

In the initial stage, the Group will be investing approximately RM5.3 million in the construction of additional 10-12 sheds and the acquisition of a few cages systems. The construction and acquisition are in line with the expected increase in demand. In addition, the Group plans to build an additional egg store and acquire another grading machine in the next financial year which would cost approximately RM3.2 million to separate the sorting and grading of Omega-Plus eggs and eggs for exports. Currently, the production approximates 150,000 LTK-Omega Plus eggs per day. This amount is insufficient to meet the present demand.

The Group will be increasing the production of organic fertilizer to capture greater market share and to meet the demand from its customers. To achieve this, the Group will be constructing additional fertilizer plants and acquiring additional processing machines. This will enable the Group to increase the total capacity from approximately 700 tonnes per month to above 1,000 tonnes per month in the year 2001.

#### Product development

To create awareness on the LTK-Omega Plus eggs, the Group has embarked on the strategy to imprint its name on each egg. This will enabled easy identification by customers of the Company's eggs. The production of LTK-Omega Plus has enabled the Company to penetrate further into the current market where high emphasis is being placed on the quality of food intake. Under the licensing by Marditech, L(M) has an exclusive right to produce Omega-3 eggs using the feed formulation designed by MARDI for a period of 5 years, with the option to renew another 5 years thereafter. However, the exclusive right given is subject to L(M) achieving an annual production of 6.3 million eggs. Regular tests are being conducted by Marditech to ensure that the omega content in each egg is consistent. Thus, the Group is the first to introduce Omega-3 enriched eggs, marketed under the brand name, LTK-Omega Plus which carries the Marditech's certification of the Omega-3 content.

## **10. FUTURE PROSPECTS (Cont'd)**

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### Productivity improvement

The Group will continuously improve the productivity and quality of the eggs by closely monitoring the life cycle of the birds. The research team of L(M) will monitor the birds' responses to the formulated feeds and also the conditions during the growth stages.

### Feed formulation

A well formulated feed mix will increase the productivity level and enhance the quality of the eggs. As the Group produces its own feed mix, the research team will constantly explore different feed formula in order to optimise the productivity level.

### Measures to control diseases

Early prevention and detection of any outbreak of diseases and viruses is of great importance. Therefore, as a precautionary measure, the team will continue to monitor and implement preventive programs for its flocks. This includes giving additional nutrients such as vitamins and supplements so as to boost the chicken's resistance level against diseases.

Furthermore, with the experience and knowledge of its management, the incidence of major disease outbreak has been reduced in the past ten years. Armed with these qualities, LTKM is confident of minimising the risk of future major disease outbreaks.

## 11. FINANCIAL INFORMATION

### 11.1 Profit and Dividend Record

#### (i) LTKM

LTKM was incorporated on 14 August 1997. The Company was dormant from the date of incorporation until it became an investment holding company pursuant to the implementation of the restructuring scheme as mentioned in Section 9 of this Prospectus. Accordingly, it does not have any profit or dividend record.

#### (ii) LTKM Group

The following sets out the proforma consolidated results of the LTKM Group for the past five (5) financial years ended 31 March 1999 and seven (7) month period ended 31 October 1999 based on the audited accounts of LTKM, L(M) and LTKB and on the assumption that the structure of the Group had been in existence throughout the period under review.

	←-----Year ended 31 March----->					Seven (7) month period ended 31 October 1999
	1995 (RM'000)	1996 (RM'000)	1997 (RM'000)	1998 (RM'000)	1999 (RM'000)	(RM'000)
Turnover	30,518	33,673	44,920	45,760	55,907	41,240
Profit before taxation	3,249	2,046	6,563	4,715	6,956	8,559
Taxation	(1,024)	(633)	(1,091)	(102)	(338)	(2,442)
Profit after taxation	2,225	1,413	5,472	4,613	6,618	6,117
Minority interests	-	-	-	-	-	-
Profit after taxation after minority interests	2,225	1,413	5,472	4,613	6,618	6,117
Number of Shares assumed to be in issue ('000)	30,000	30,000	30,000	30,000	30,000	30,000
Gross EPS (sen)	10.83	6.82	21.88	15.72	23.19	48.91 *
Net EPS (sen)	7.42	4.71	18.24	15.38	22.06	34.95 *
Dividend rate (%)	-	-	-	-	-	-

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## 11. FINANCIAL INFORMATION (Cont'd)

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Notes:

- \* *Annualised*
1. *The net EPS is calculated based on the profit after taxation and minority interests and on the number of fully paid-up ordinary shares of RM1.00 each assumed to be in issue.*
  2. *The turnover of the Group increased gradually from the year ended 31 March 1995 to the year ended 31 March 1996 mainly because of the increase in production output. The turnover of the Group for the year ended 31 March 1997 increased by approximately 33% compared to the year ended 31 March 1996 because of the 31% increase in the average selling price of eggs from 13 sen to 17 sen. The turnover of the Group for the year ended 31 March 1999 increased by approximately 22% compared to the previous corresponding period because of the improvement in the market conditions.*
  3. *The profitability of the Group varied between financial years ended 31 March 1995 to 1999. The variation is mainly due to the changes in the selling price of the eggs and the feed costs. Although production increased in 1996, the GP margin was the lowest. This was due to the decrease in the average selling price from 14 sen in 1995 to 13 sen in 1996 and the increase in the cost of maize and soya bean which were two of the major ingredients. The GP for the financial year 1997 improved substantially by 58% which is attributed to the increase in the average selling price of eggs from 13 sen to 17 sen, an increase of 31%. In 1998, the decrease in the GP was mainly caused by the drop of 2 sen in the average selling price of eggs and the higher feed cost due to the depreciation of Ringgit against USD. In 1999, the GP improved by approximately 32% as compared to 1998. The improvement is mainly due to the increase in the average of selling price of eggs from 15 sen in 1998 to 17 sen in 1999 and the decrease in the cost of maize and soya bean meal.*
  4. *There were no extraordinary items during the years under review.*

### 11.2 Working Capital, Borrowings and Contingent Liabilities

The Directors are of the opinion that barring any unforeseen circumstances and after taking into consideration the cash flow projections and the banking facilities available, the Group will have adequate working capital for its present and foreseeable requirements.

As at 9 February 2000, being the last practicable date prior to the printing of this Prospectus, the total borrowings and overdrafts of the Group amounted to approximately RM8,417,596.

As at 9 February 2000, being the last practicable date prior to the printing of this Prospectus, the Group does not have any contingent liabilities, loan capital or convertible debt securities outstanding or created but unissued nor any mortgages or charges outstanding or guarantees.

**11. FINANCIAL INFORMATION (Cont'd)****11.3 Consolidated Profit Estimate and Forecast and Assumptions**

The Directors of LTKM Group estimate and forecast that, barring unforeseen circumstances, the consolidated profit before taxation and profit after tax and minority interests of the Group for the years ending 31 March 2000 and 2001 will be as follows:-

<b>For the financial year ending 31 March</b>	<b>2000 Estimate (RM'000)</b>	<b>2001 Forecast (RM'000)</b>
Consolidated profit before taxation but after minority interests	10,212	10,500
Consolidated profit after taxation and minority interests	7,799	7,572

The forecast gross and net earnings per share and price earnings multiples for the year ending 31 March 2000 and 2001 are as follows:-

<b>For the financial year ending 31 March</b>	<b>2000 Estimate</b>	<b>2001 Forecast</b>
Gross EPS (sen)	34.04 *	26.25 **
Net EPS (sen)	26.00 *	18.93 **
Gross price earnings multiple based on the IPO price of RM1.35 per share ( times )	3.97	5.14
Net price earnings multiple based on the IPO price of RM1.35 per share ( times )	5.19	7.13

\* Based on the weighted average number of shares in issue of 30,000,002 ordinary shares of RM1.00 each.

\*\* Based on the weighted average number of shares in issue of 40,000,002 ordinary shares of RM1.00 each.

The principal bases and assumptions upon which the consolidated profit estimate and forecast have been prepared are as follows:-

- (i) There will be no material changes in the structure and principal activities of the Group.
- (ii) There will be no material changes in the management, trading and accounting policies currently adopted.

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**11. FINANCIAL INFORMATION (Cont'd)**

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- (iii) There will be no significant changes in the current demand and in prevailing market conditions in Malaysia and overseas which will adversely affect the Group's performance and businesses of its major customers and suppliers.
- (iv) It is assumed that the statutory income tax rate will remain at 28%. There will be no material changes in the present legislation or regulations, rates and basis of duties, levies and other taxes affecting the Group's activities.
- (v) There will be no major industrial disputes, economic and political changes or any abnormal circumstances which will adversely affect the operations of the Group.
- (vi) Existing financing facilities will remain available to the Group and interest rates will not change significantly from those presently prevailing.
- (vii) Exchange rates of foreign currencies will not substantially and adversely change from their present levels.
- (viii) There will be no significant changes in the prevailing selling price of eggs and cost of feed ingredients consumed by the chickens.
- (ix) There will be no major outbreak of diseases or major weather changes affecting the productivity and mortality of bird stock.
- (x) Inflation will remain at its current level.
- (xi) Capital expenditure programme will take place as planned.
- (xii) Flotation Scheme

- (a) Acquisition

Prior to the Public Issue, LTKM completed an Acquisition of 100% equity interest in L(M) for a total purchase consideration of RM38,985,000 which was satisfied by way of the issuance of 30,000,000 new ordinary shares of RM1.00 each at an issue price of approximately RM1.30 per ordinary share in LTKM.

- (b) Public Issue

On completion of the Acquisition, LTKM will make a Public Issue of 10,000,000 new ordinary shares of RM1.00 each at an issue price of RM1.35 per share for total cash proceeds of RM13,500,000.

It is assumed that the Public Issue will be completed and the gross cash proceeds arising therefrom of RM13.5 million will be received by 31 March 2000.

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**11. FINANCIAL INFORMATION (Cont'd)**

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**11.4 Reporting Accountant's Letter On The Consolidated Profit Estimate and Forecast**

(Prepared for inclusion in this Prospectus)

ERNST & YOUNG  
Public Accountants  
4th Floor  
Kompleks Antarabangsa  
Jalan Sultan Ismail  
50250 Kuala Lumpur

9 February 2000

The Board of Directors  
LTKM Berhad  
102 Jalan Meru  
41050 Klang  
Selangor Darul Ehsan

Dear Sirs

**CONSOLIDATED PROFIT ESTIMATE FOR THE YEAR ENDING 31 MARCH 2000 AND PROFIT FORECAST FOR THE YEAR ENDING 31 MARCH 2001**

**FLOTATION ON THE SECOND BOARD OF THE KUALA LUMPUR STOCK EXCHANGE**

We have reviewed the accounting policies and calculations for the consolidated profit estimate and forecast for the year ending 31 March 2000 and 2001 respectively of LTKM Berhad and its subsidiary companies, for which the Directors are solely responsible, for the purpose of inclusion in the Prospectus to be dated 17 February 2000.

In our opinion, the consolidated profit estimate and forecast so far as the accounting policies and calculations are concerned, have been properly compiled on the basis of the assumptions made by the Directors, as set out in the accompanying statement, and are presented on a basis consistent with the accounting policies normally adopted by the Group.

Yours faithfully

ERNST & YOUNG AF: 0039  
Public Accountants

Yeo Eng Seng 1212/12/00(J)  
Partner