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annual report 2005

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Eighth Annual General Meeting of the Company will be held at Kelab Golf Sultan Abdul Aziz Shah, 1 Rumah Kelab, Jalan Kelab Golf 13/6, 40100 Shah Alam, Selangor Darul Ehsan on **Monday, 29 August 2005 at 10.00 a.m.** for the purpose of transacting the following business:

AGENDA

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the year ended 31 March 2005 together with the Directors' and Auditors' Report thereon. *(Resolution 1)*
2. To approve a final dividend of 6% less 28% income tax for the year ended 31 March 2005. *(Resolution 2)*
3. To approve the payment of Directors' fees for the year ended 31 March 2005. *(Resolution 3)*
4. To re-elect the following Directors who are retiring in accordance with Article 83 of the Company's Articles of Association :
 - i. Encik Ahmad Khairuddin bin Ilias *(Resolution 4)*
 - ii. Mr. Tan Kok *(Resolution 5)*
 - iii. Encik Kamarudin bin Md Derom *(Resolution 6)*
5. To re-appoint Messrs. Ernst & Young as Auditors, and to authorise the Board of Directors to fix their remuneration. *(Resolution 7)*

SPECIAL BUSINESS

6. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

"THAT pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares to be

issued does not exceed 10% of the issued share capital of the Company at the time of issue, subject always to the approval of all relevant regulatory bodies being obtained for such allotments and issues."

(Resolution 8)

ANY OTHER BUSINESS

7. To transact any other business of the Company for which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965.

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN THAT a final dividend of 6% less 28% income tax in respect of the financial year ended 31 March 2005, if approved by the shareholders, will be payable on 15 September 2005 to Depositors registered in the Record of Depositors at the close of business on 29 August 2005.

A Depositor shall qualify for entitlement only in respect of:

- a. Shares transferred to the Depositor's Securities Account before 4.00 p.m. on 29 August 2005 in respect of ordinary transfers;

- b. Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

By Order Of The Board
LTKM BERHAD

NG YIM KONG
OOI HOY BEE @ OOI HOOI BEE
Company Secretaries

Selangor Darul Ehsan
Dated: 5 August 2005

Notes:

- a) A member of the Company entitled to attend and vote at the meeting is entitled to appoint Proxy/Proxies to attend and vote on his (her) behalf. Where a member appoints two (2) or more Proxies to attend the same meeting, the appointment shall be invalid unless he(she) specifies the proportion of his(her) holdings to be represented by each Proxy.
- b) A Proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply.
- c) A Proxy Form shall be signed by the appointor or his(her) attorney duly authorised in writing or, if the member is a corporation, must be executed under its common seal or by its duly authorised attorney or officers.
- d) The instrument appointing a Proxy must be deposited at the Registered Office of the Company at Unit 07-02, Level 7, Menara Luxor, 6B Persiaran Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time appointed for

holding the meeting or any adjournment thereof at which the person named in the instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.

Explanatory Notes On Special Business

The Ordinary Resolution No. 8 proposed under item (6) above, if passed, will give powers to the Directors to issue ordinary shares in the capital of the Company up to an aggregate amount not exceeding 10% of the issued share capital of the Company for the time being. This authority unless revoked or varied at a general meeting will expire at the next Annual General Meeting.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. Directors who are standing for re-election at the Eighth Annual General Meeting of the Company.
 - i. Encik Ahmad Khairuddin bin Ilias *(Resolution 4)*
 - ii. Mr. Tan Kok *(Resolution 5)*
 - iii. Encik Kamarudin bin Md Derom *(Resolution 6)*

2. Details of attendance of Directors at Board Meetings.

There were five Board of Directors' meetings held during the financial year ended 31 March 2005. Attendance for each Director is shown below:

| Name of Director | Attendance |
|----------------------------------|------------|
| Encik Ahmad Khairuddin bin Ilias | 4/5 |
| Mr. Tan Kok | 5/5 |
| Mr. Tan Kark Bin | 5/5 |
| Mr. Tan Kim Hock | 5/5 |
| Mr. Tan Wah | 5/5 |
| Madam Lim Hooi Tin | 5/5 |
| Encik Kamarudin bin Md Derom | 5/5 |
| Mr. Ooi Chee Seng | 5/5 |

3. Place, date and time of the Eighth Annual General Meeting.

| Date of Meeting | Time of Meeting | Place of Meeting |
|-----------------|-----------------|--|
| 29 August 2005 | 10.00 a.m. | Kelab Golf Sultan Abdul Aziz Shah 1 Rumah Kelab Jalan Kelab Golf 13/6 40100 Shah Alam Selangor Darul Ehsan |

Profile of Directors

Ahmad Khairuddin bin Ilias

Chairman, Independent Non-Executive Director, Chairman of Audit Committee & Member of Nomination Committee

A Malaysian, aged 47, he was appointed to the Board on 23 December 1999. He graduated with a Diploma in Architecture from University Teknologi Malaysia. Prior to joining the Company, he had his own business related to oil palm industry. Currently, he also sits on the board of several private limited companies.

Tan Kok

Managing Director, Chairman of Remuneration Committee & Chairman of Employees' Share Option Scheme (ESOS) Committee

A Malaysian, aged 54, he was appointed to the Board on 23 December 1999. He has more than 30 years of experience in poultry sector, particularly in the layer farming. He participated actively in the development of the layer industry and was appointed as a Committee Member of the Selangor Livestock Farmers' Association. He also sits on the Board of several private limited companies.

Tan Kark Bin

Executive Director, Member of Audit Committee & Member of ESOS Committee

A Malaysian, aged 55, he was appointed to the Board on 24 December 1999. He graduated with a degree in Accounting from the University of Western Australia and is a Chartered Accountant with the Malaysian Institute of Accountants and with the Institute of Chartered Accountants in Australia. He has his own public accounting firm and also sits on the Board of several private companies.

Tan Kim Hock

Non-Independent Non-Executive Director & Member of Nomination Committee

A Malaysian, aged 51, he was appointed to the Board on 23 December 1999. He has more than 20 years experience in poultry farming. He also sits on the Board of various private companies.

Tan Wah

Non-Independent Non-Executive Director

A Malaysian, aged 57, he was appointed to the Board on 23 December 1999. He has more than 20 years experience in poultry farming. He also sits on the Board of several private limited companies.

Lim Hooi Tin

Non-Independent Non-Executive Director

A Malaysian, aged 53, she was appointed to the Board on 23 December 1999. She has wide experience in the administration and management of layer farm. She also sits on the Board of several private limited companies.

Kamarudin bin Md Derom

*Independent Non-Executive Director,
Chairman of Nomination Committee,
Member of Audit Committee &
Member of Remuneration Committee*

A Malaysian, aged 47, he was appointed to the Board on 23 December 1999. He graduated with a degree in Civil and Environmental Engineering from University of Wisconsin in Madison, United States of America. Prior to joining the Company, he worked as a civil engineer, sales manager and project manager in several private limited companies. Currently, he is also the Executive Chairman of Haisan Resources Berhad and sits on the Board of several private limited companies.

Ooi Chee Seng

*Independent Non-Executive Director,
Member of Audit Committee &
Member of Remuneration Committee*

A Malaysian, aged 59, he was appointed to the Board on 20 June 2001. He graduated with a degree in Science (Hons.) and Master in Agriculture Science from University of Malaya. Prior to joining the Company, he was an Associate Professor in the Institute of Biological Sciences, University of Malaya. He has wide technical knowledge in animal breeding and improvement, population and quantitative genetics, ecological and evolutionary genetics.

General Information

Mr Tan Kok, Mr Tan Wah and Mr Tan Kim Hock are brothers. Mdm Lim Hooi Tin is the wife of Mr Tan Kok. Other than as disclosed, none of the other Directors have any family relationship with any Director and or substantial shareholders of the Company.

None of the Directors have:

- a. any conflict of interest with the Company and
- b. any convictions for offences within the past 10 years other than traffic offences.

All Directors attended all five Board meetings held during the financial year ended 31 March 2005 except for En Ahmad Khairuddin bin Ilias who did not attend one meeting for which he had extended his apology.

Chairman's Statement

On behalf of the Board of Directors of LTKM Berhad, it is a great pleasure to present to you our Annual Report and the Audited Financial Statements of the Company and its subsidiaries (the Group) for the financial year ended 31 March 2005.

FINANCIAL REVIEW

The Group completed its financial year with a turnover of RM76.28 million, an increase of 7.2% above the previous year's RM71.15 million. The profit before tax however dropped to RM5.55 million, a reduction of 32.3% from last year's RM8.20 million. The decrease in profit was partly caused by the detection of the Avian Flu in the state of Kelantan in August 2004. Because of that, the Singapore Authorities banned the export of eggs from Malaysia for slightly over a month. This ban together with the temporary decline in consumption in the local market as Malaysian consumers exercised caution, had a negative effect on the selling prices of eggs during that period. We also encountered intense competition from other egg producers.

Our ability to achieve the abovementioned results were due to:-

- i. our continuing monitoring of the production yields during the year under review
- ii. the higher average selling prices of eggs achieved prior to and after the Kelantan Avian Flu
- iii. our continuing monitoring of our costs exercises, and continue emphasis on good animal husbandry practices.

Exports to Singapore increased marginally again this year, especially after the ban was lifted. The demand for our LTK Omega Plus eggs continue to receive good response from consumers. However, we were unable to increase production for this range of eggs because of increasing cost of raw material (namely, flaxseed) and packaging costs.

Capital expenditure for the 2005 financial year was within our budgeted amount of RM8 million. We plan to set aside RM15 million for the financial year ending March 2006. We expect to finance half of the RM15 million from internal funding.

Approximately RM5 million will be allocated for our new Jasin Farm at Bukit Senggeh, Mukim of Jasin, Melaka. The balance will be for the building of additional layer sheds at our existing Ayer Keroh Farm and for environmental control applications; which includes the installation of additional Ammonia Gas Scrubbers. SIRIM Environmental & Bioprocess Technology Centre, in its March 2005 Report, confirmed that the Scrubber currently in place at our Ayer Keroh Farm, has a 100% ammonia removal efficiency.

Profit after tax was RM4.81 million, as compared to previous year's RM7.25 million. The Group's net earnings per share dropped from 18.07 sen achieved in the financial year ended 2004 to 11.98 sen. The net tangible asset backing per share however rose to RM1.77, as compared to RM1.61 as at 31 March 2004. The Group's net borrowings amounted to only 8.43% of shareholders' funds as at 31 March 2005.

In addition to the periodic testing of the content of the Omega 3 in our LTK Omega Plus eggs conducted by Marditech Corporation Sdn Bhd, we also engage independent laboratories to carry out quarterly tests. A recent report dated 16 March 2005 from the Agri-Food & Veterinary

Authority of Singapore confirmed that, in a batch of LTK Omega Plus eggs tested, the Omega 3 content stood at approximately 300mg (Normal eggs contain about 50mg of Omega 3).

DIVIDEND

The Board of Directors is pleased to recommend a final dividend of 6 sen per share, less tax for the financial year ended 31 March 2005. This is subject to the approval of shareholders at the forthcoming Annual General Meeting.

PROSPECTS FOR THE FINANCIAL YEAR ENDING 2006

As we mentioned before, we will continue to focus our attention on prudent financial management and good animal husbandry practices. In May 2005, our Ayer Keroh Farm received an accreditation from the Department of Veterinary Services, Ministry of Agriculture, Malaysia for Good Animal Husbandry Practices under its "Skim Amalan Ladang Ternakan". We would be focusing on the expansion of our new Jasir Farm. Our plans for that Farm will be in stages, depending on the economic prospects of the layer industry.

We expect the costs of feeds to stabilize during the coming financial year. We also anticipate the selling prices of eggs to remain favourable. Prospects for our organic fertilizers for the next financial year are expected to be better than the current financial year. We will continue to explore and implement alternative methods of improving productivity and enhance efficient employment of our resources. We expect this industry to remain competitive and, to be prepared for difficult economic prospect, should the Avian Flu issues reappear. Barring unforeseen circumstances, we expect to perform better than this financial year and would also like to continue to maintain our good dividend policies.

NOTE OF APPRECIATION

On behalf of the Board of Directors, I wish to express my sincere appreciation and gratitude to the Management and Staff, whose tireless contribution, dedication and commitment have made our Group performed very well throughout this very difficult and challenging year.

I would also like to extend our sincere appreciation and gratitude to the dedicated staff at the Department

of Veterinary Services, Malaysian Agriculture Research and Development Institute (MARDI), Marditech Corporation Sdn Bhd, SIRIM Berhad and those at the various other government authorities for their continuing supports and guidance. Last but not least, I would like to thank our valued customers, suppliers, financiers and our shareholders for their confidence and continued supports to our Group.

Thank you.

AHMAD KHAIRUDDIN BIN ILIAS
Chairman

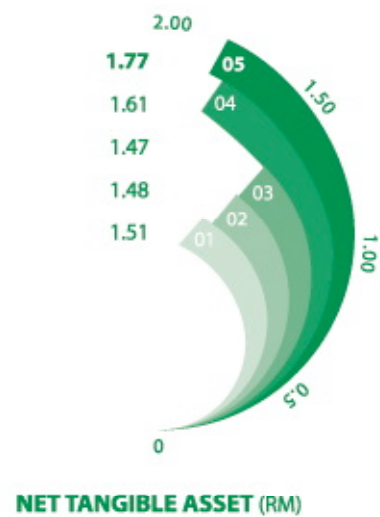
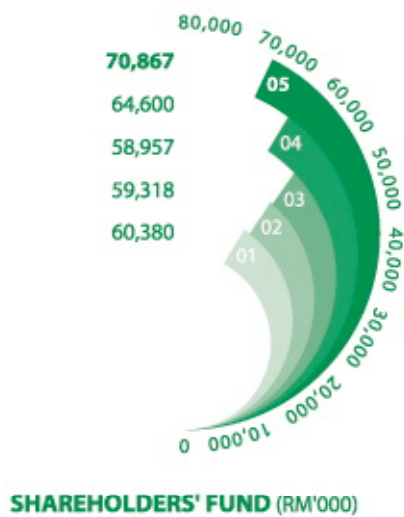
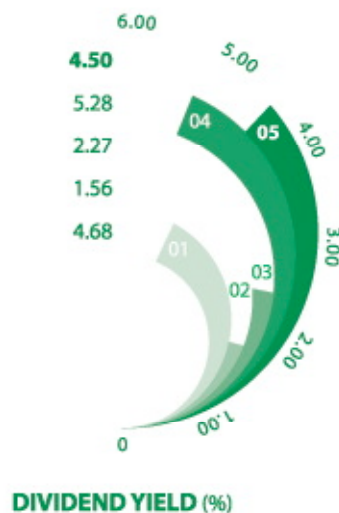
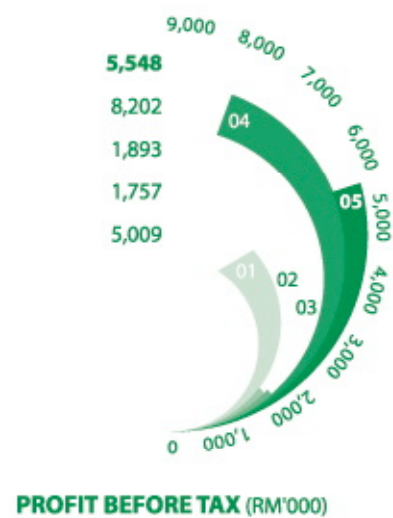
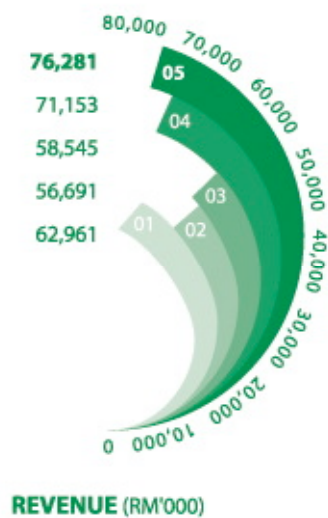
Financial Highlights

| Year Ended 31 March | | 2005 RM'000 | 2004 RM'000 | 2003 RM'000 | 2002 RM'000 | 2001 RM'000 |
|--|-------|----------------|----------------|----------------|----------------|----------------|
| Revenue | | 76,281 | 71,153 | 58,545 | 56,691 | 62,961 |
| Profit from operations | | 6,148 | 8,996 | 2,637 | 2,571 | 5,699 |
| Finance costs | | (600) | (794) | (744) | (814) | (690) |
| Profit before tax | | 5,548 | 8,202 | 1,893 | 1,757 | 5,009 |
| Profit after tax | | 4,806 | 7,249 | 1,221 | 1,138 | 4,342 |
| Share capital | | 40,116 | 40,116 | 40,116 | 40,099 | 40,000 |
| Shareholders' fund | | 70,867 | 64,600 | 58,957 | 59,318 | 60,380 |
| | | | | | | |
| Net earnings per share - basic and diluted | sen | 11.98 | 18.07 | 3.04 | 2.84 | 10.85 |
| Net dividend per share | sen | 4.32 # | 5.60 | 2.00 | 2.00 | 5.76 |
| Dividend yield | % | 4.50 # | 5.28 | 2.27 | 1.56 | 4.68 |
| | | | | | | |
| Net tangible asset | RM | 1.77 | 1.61 | 1.47 | 1.48 | 1.51 |
| Price-earnings ratio * | times | 8.01 | 5.87 | 28.95 | 45.07 | 11.34 |
| Net debt / shareholders' fund ** | % | 8.43 | 18.28 | 15.63 | 13.95 | 7.46 |
| | | | | | | |
| Closing share price | RM | 0.96 | 1.06 | 0.88 | 1.28 | 1.23 |

includes final dividend which is subject to the approval of shareholders at the forthcoming Annual General Meeting.

* represents share price as at 31 Mar / net earnings per share.

** net debt represents total borrowings from financial institutions - cash and bank balances - short term deposits.



Corporate Information

BOARD OF DIRECTORS

Ahmad Khairuddin bin Ilias
(Chairman)

Tan Kok
(Managing Director)

Tan Kark Bin
(Executive Director)

Tan Kim Hock

Tan Wah

Lim Hooi Tin

Kamarudin bin Md Derom

Ooi Chee Seng

AUDIT COMMITTEE

Ahmad Khairuddin bin Ilias
(Chairman & Independent
Non-Executive Director)

Kamarudin bin Md Derom
(Independent Non-Executive Director)

Ooi Chee Seng
(Independent Non-Executive Director)

Tan Kark Bin
(Executive Director)

REMUNERATION COMMITTEE

Tan Kok
(Chairman & Managing Director)

Ooi Chee Seng
(Independent Non-Executive Director)

Kamarudin bin Md Derom
(Independent Non-Executive Director)

NOMINATION COMMITTEE

Kamarudin bin Md Derom
(Chairman & Independent
Non-Executive Director)

Ahmad Khairuddin bin Ilias
(Independent Non-Executive Director)

Tan Kim Hock
(Non-Independent Non-Executive
Director)

EMPLOYEES' SHARE OPTION SCHEME COMMITTEE

Tan Kok (Chairman)

Loo Leng Fong (Secretary)

Tan Kark Bin (Member)

Tan Boon In (Member)

COMPANY SECRETARIES

Ng Yim Kong
Ooi Hoy Bee @ Ooi Hooi Bee

REGISTERED OFFICE

Unit 07-02, Level 7, Menara Luxor,
6B Persiaran Tropicana
47410 Petaling Jaya
Selangor Darul Ehsan
Tel : 03-7804 5929
Fax : 03-7805 2559

REGISTRAR

Symphony Share Registrars Sdn Bhd
Level 26, Menara Multi-Purpose
Capital Square
8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel : 03-2721 2222
Fax : 03-2721 2530

CORPORATE OFFICE & PLACE WHERE REGISTER OF OPTIONS IS KEPT

102, Jalan Meru
41050 Klang
Selangor Darul Ehsan
Tel : 03-3342 2830
Fax : 03-3341 1967
www.ltkm.com.my

AUDITORS

Ernst & Young

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad

Audit Committee Report

COMPOSITION

| Members of The Committee | Designation in The Company |
|--|---|
| Ahmad Khairuddin bin Ilias (<i>Chairman</i>) | Chairman / Independent Non-Executive Director |
| Kamarudin bin Md Derom (<i>Member</i>) | Independent Non-Executive Director |
| Ooi Chee Seng (<i>Member</i>) | Independent Non-Executive Director |
| Tan Kark Bin (<i>Member</i>) | Executive Director |

TERMS OF REFERENCE

Objective

The committee shall:

- assist the Board of Directors in fulfilling its fiduciary responsibilities relating to accounting and reporting practices of the Company and the Group
- oversee and appraise the quality of the audits conducted both by the Company's internal and external auditors
- maintain open lines of communication between the Board of Directors, the internal auditors and the external auditors for the exchange of views and information, as well as to confirm their respective authorities and responsibilities
- determine the adequacy of the Group's administrative, operating and accounting controls.

Members

- The Committee shall be appointed by the Board of Directors from amongst the Directors of the Company and shall comprise not less than three members, of whom a majority shall be independent directors.
- At least one member of the Committee:
 - must be a member of the Malaysian Institute of Accountants; or
 - if he is not a member of the Malaysian Institute of Accountants, he must have at least three years' working experience and:

- he must have passed the examinations specified in part I of the 1st Schedule of the Accountants Act 1967; or
- he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.

- No alternate director shall be appointed as a member of the Committee.
- The members of the Committee shall elect a Chairman from among their number who shall be an independent director.
- The Board of Directors shall review the term of office and performance of the Committee and each of its members at least once every three years to determine whether such Committee and members have carried out their duties in accordance with their terms of reference.
- If a member of the Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced to below three, the Board of Directors shall, within three months of

Audit Committee Report

(cont'd)

that event, appoint such number of new members as may be required to make up the minimum number of three members.

Rights

The Committee shall, whenever necessary and reasonable for its performance and in accordance with a procedure to be determined by the Board of Directors and at the Company's cost:-

- a) have authority to investigate any matter within its terms of reference
- b) have resources which are required to perform its duties
- c) have full and unrestricted access to any information pertaining to the Company
- d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any)
- e) be able to obtain independent professional advice or other advice
- f) be able to convene meetings with the external auditors, excluding the attendance of the executive members of the Committee, whenever deemed necessary.

Functions

The Committee shall discharge the following functions:

- a) review the following and report the same to the Board of Directors of the Company:
 - i) with the external auditor, the audit plan
 - ii) with the external auditor, his evaluation of the system of internal controls
 - iii) with the external auditor, his audit report
 - iv) the assistance given by the employees of the Group to the external auditor
 - v) the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work
 - vi) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function
 - vii) the quarterly results and year end financial statements focusing particularly on the changes in accounting policy, significant unusual events, and compliance with the requirements of the applicable approved accounting standards, Bursa Malaysia Securities Berhad (BMSB) and other statutory authorities
 - viii) any related party transaction and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity
 - ix) any letter of resignation from the external auditors of the Group
 - x) whether there is reason (supported by grounds) to believe that the Group's external auditor is not suitable for re-appointment
- b) recommend the nomination of a person or persons as external auditors
- c) prepare an audit committee report at the end of each financial year
- d) report promptly to the Exchange where the Committee is of the view that a matter reported by it to the Board of Directors of the Company has not been satisfactorily resolved resulting in a breach of the BMSB's Listing Requirements
- e) any other functions as may be agreed to by the Committee and the Board of Directors.

Attendance and Meeting

- a) The quorum of the Committee shall be two of whom the majority of members present shall be independent directors.
- b) Apart from the members of the Committee who will be present at the meetings, the Committee may invite any member of the management, employees, other directors and representatives of the external auditors to be present at meetings of the Committee.
- c) The Committee shall meet at least four times a year and such additional meetings as the Chairman shall decide in order to fulfill its duties. In addition, the Chairman may call a meeting of the Committee if a request is made by any Committee member, the Company's Managing Director, or the internal or external auditors.

Minutes

Minutes of each Committee meeting are to be prepared and sent to its members. The Secretary shall also circulate the minutes of meetings of the Committee to all members of the Board of Directors.

Secretary

The Company Secretary or his assistant shall be the Secretary of the Committee.

Statement on ESOS

There was no additional allocation of option during the financial year under review.

General Information

The Committee, through the assistance of the Group internal audit department, has carried out the above functions during the year under review.

Please refer to the Statement of Corporate Governance for the Group internal audit department's functions and activities during the year under review.

Summary of attendance of Audit Committee meetings for the financial year ended 31 March 2005.

| Member | No. of meetings attended |
|----------------------------|--------------------------|
| Ahmad Khairuddin bin Ilias | 4 of 5 |
| Kamarudin bin Md Derom | 5 of 5 |
| Ooi Chee Seng | 5 of 5 |
| Tan Kark Bin | 5 of 5 |

Statement on Corporate Governance

The directors are accountable to shareholders for the business and affairs of the Company. The directors support high standard of corporate behaviour and accountability. Set out herewith is the manner in which the Board has applied the Principles ("the Principles") and Best Practices ("the Best Practices") of the Malaysian Code on Corporate Governance ("the Code").

A. BOARD OF DIRECTORS

(i) The Board

The Board consists of persons of various professional fields, business and commercial experience. The information of all the directors is set out in the Profile of Directors.

The Board has eight directors, three of whom are independent non-executive directors. The independent non-executive directors are independent of management and free from any business which could interfere with their independent judgment and their ability to act in the Group's best interest.

The Board has nominated Mr Ooi Chee Seng, a senior independent non-executive director, to whom any concern may be conveyed.

(ii) Board Responsibilities

The Board is responsible for the following:

- * Reviewing and adopting a strategic plan for the Group
- * Overseeing the conduct of the Company's business to evaluate whether the business is being properly managed
- * Identifying principal risks and ensure the implementation of appropriate systems to manage these risks
- * Succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing senior management
- * Developing and implementing an investor relations program or shareholder communications policy for the Company
- * Reviewing the adequacy and the integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The role of Chairman and the Managing Director are distinct and separate; the Chairman being the non-executive, is not involved in the management and day-to-day operations of the Company.

(iii) Appointments of the Board and Re-election

The Board has appointed a Nomination Committee comprising two independent non-executive directors and a non-executive director.

The Nomination Committee's function, amongst others, is to recommend to the Board candidates for all directorship to be filled. In addition, the Committee reviews the profile of the required skills of each individual Director and assesses the effectiveness of the Board as a whole. This is to ensure that the Board has an appropriate balance of expertise and abilities.

One third of the Board members are required to retire at every Annual General Meeting ("AGM") and be subject to re-election by shareholders. Newly appointed directors shall hold office until the next following AGM and shall then be eligible for re-election by shareholders. All Directors, including the Managing Director shall retire from office at least once in every three years but shall be eligible for re-election.

(iv) Board Meeting and Supply of Information

The Board held five meetings during the financial year to control and monitor the development of the Group. The agenda for each Board meeting is circulated to all the Directors for their perusal well in advance of the Board meeting date. They are given sufficient time to enable the directors to obtain further explanations, where necessary, in order to be briefed properly before the meeting.

Further, all Directors have access to all information within the Company and the advice and services of the Company Secretary. This is augmented by regular informal dialogue between independent directors and management on matters pertaining to the state of the Group's affair. Where necessary, the Directors may engage independent professionals in discharging their duties at the Group's expense, provided that the director concerned seek the Board's prior consent before incurring such expense.

(v) Directors' Training

All Directors have successfully completed the Mandatory Accreditation Programme prescribed by BMSB during the financial year ended 31 March 2002 and are in compliance with the listing requirements in relation to Continuing Education Programme.

B. BOARD COMMITTEES

The Board has set up Board Committees with clear terms of reference and specific authority delegated by the Board.

Board Committees

Audit Committee (AC)

The terms of reference of the AC are set out under the AC Report. The AC meets at least four times a year.

Remuneration Committee (RC)

The responsibilities of the RC are set out in this Statement on Corporate Governance. The RC meets whenever necessary.

Statement on Corporate Governance

(cont'd)

Nomination Committee (NC)

The responsibilities of NC are set out in this Statement on Corporate Governance. The NC meets whenever necessary.

ESOS Committee (EC)

The EC is responsible for the administration of the Company's ESOS in accordance with its approved By-Laws. The EC comprises the Managing Director, an Executive Director and two senior management staff. The EC meets whenever necessary.

C. DIRECTORS' REMUNERATION

The Board has appointed the RC comprising two independent non-executive directors and the managing director. The RC reviews and recommends to the Board the remuneration of the executive and non-executive directors. The respective director would abstain from participating in decisions regarding his/her own remuneration package.

The remuneration of executive director is linked to corporate and individual performance. The remunerations of non-executive directors are related to their experience and level of responsibilities and would be subject to the approval of the Board.

The details of the remuneration of Directors on Group basis for the financial year ended 31 March 2005 are as follows:

| | Fees RM | Salaries * RM | Benefits- in-kind RM | Total RM |
|-------------------------|--------------------|--------------------------|-------------------------------------|---------------------|
| Executive directors | 100,000 | 614,096 | 60,956 | 775,052 |
| Non-executive directors | 69,000 | - | - | 69,000 |
| Total | 169,000 | 614,096 | 60,956 | 844,052 |

* Salaries include defined contribution plan and bonus

| Range of Aggregate Remuneration | Executive directors | Non-executive directors |
|--|----------------------------|--------------------------------|
| Below RM50,000 | - | 3 |
| RM100,001 to RM150,000 | 2 | - |
| RM150,001 to RM200,000 | 2 | - |
| RM200,001 to RM250,000 | 1 | - |
| | 5 | 3 |

D. ACCOUNTABILITY AND AUDIT

(i) Internal Control

Internal Control Statement in respect of the state of Internal Control of the Company pursuant to Paragraph 15.27 (b) of the Listing Requirements

The Board acknowledges its responsibilities for establishing a sound system of internal control to safeguard shareholders' investment and the Group's assets, and to provide reasonable assurance on the reliability of the financial statements. However, any such system can only provide reasonable but not absolute assurance against material misstatement or loss. The components of the Group's internal financial control include:

- Business system
The information systems operated within the Group have been developed with controls to safeguard the integrity of financial data.
- Financial and operational reporting
The Group undertakes a detailed budgeting process each year. Financial and operational reports are reported monthly to the Executive Directors and to the Board on a quarterly basis. The Group's management team communicates regularly to monitor performance.
- Authorisation limits
The Group has a well-defined organizational structure with a clear line of accountability, segregation of duties and strict authorization, approval and control procedures within which senior management operate.
- Financial controls and procedural compliance reporting
The Group Internal Audit regularly reports on the compliance with the internal financial control and procedures to the AC. The department also ensures that recommendations to improve controls are followed through by management.

The AC, through the Group internal audit department, regularly reviews and reveals to the Board on the adequacy and effectiveness of the accounting and operating control systems. There were no material internal control failures nor have any of the reported weaknesses resulted in material losses or contingencies during the financial year.

Statement on Corporate Governance

(cont'd)

(ii) Financial Reporting

Directors' Responsibility Statement in respect of Audited Financial Statements pursuant to Paragraph 15.27 (a) of the Listing Requirements

The Board of Directors is responsible for preparing financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and the results and cash flows of the Group and of the Company for the year then ended. The Board of Directors is also responsible in ensuring that the financial statements of the Group and the Company are drawn up in accordance with applicable approved accounting standards in Malaysia, consistently applied and supported by reasonable and prudent judgments and estimates.

In presenting the annual financial statements and quarterly announcements of its results, the Board has ensured that the financial statements present a fair assessment of the Group's position and prospects.

(iii) Relationship with Auditors

The Company has always maintained a transparent relationship with both the internal and external auditors in seeking professional advice and towards ensuring compliance with the accounting standards in Malaysia.

E. RELATIONSHIP WITH SHAREHOLDERS

The annual report and the quarterly announcements are the primary modes of communication to report on the Group's business activities and financial performance.

The AGM is the main forum where dialogue with shareholders can be effectively conducted. Shareholders are notified of the meeting with a copy of the Company's Annual Report sent to the shareholders at least 21 days before the meeting. At each AGM, shareholders are given ample time and opportunity to ask for more information, without limiting the type of queries asked, prior to seeking approval from the shareholders. During the meeting, the Managing Director and the Executive Director are prepared to provide responses to queries and to receive feedback from the shareholders during the meeting. The external auditors are also present to provide their professional and independent clarification on issues of concern raised by the shareholders, if any.

F. OTHER INFORMATION

There were no material contracts entered into by the Company and its subsidiaries involving Directors' and substantial shareholders' interest which were still subsisting at the end of the financial year or entered into since the end of the previous financial year.

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Financial Statements

annual report 2005

Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 March 2005.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services.

The principal activities of the subsidiaries are the operation of a poultry farm for the production and sale of chicken eggs, chickens and organic fertilizers.

There have been no significant changes in the nature of the principal activities during the financial year under review.

RESULTS

| | Group RM | Company RM |
|-------------------------|-------------|---------------|
| Net profit for the year | 4,806,445 | 2,118,933 |

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the statements of changes in equity.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDEND

The dividend paid by the Company since 31 March 2004 was as follows:

| | RM |
|---|-----------|
| In respect of the financial year ended 31 March 2004 as reported in the directors' report of that year: | |
| Final dividend of 5% less 28% taxation, on 40,116,002 ordinary shares, declared on 16 August 2004 and paid on 15 September 2004 | 1,444,176 |

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 March 2005, of 6% less 28% taxation on 40,116,002 ordinary shares, amounting to a dividend payable of RM1,733,011 (4.3 sen net per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 March 2006.

Directors' Report

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Ahmad Khairuddin bin Ilias
Tan Kok
Tan Kark Bin
Tan Kim Hock
Tan Wah
Lim Hooi Tin
Kamarudin bin Md Derom
Ooi Chee Seng

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 4 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 23 to the financial statements.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and options over shares in the Company and its related corporations during the financial year were as follows:

| | Number of Ordinary Shares of RM1 Each | | | |
|---|---------------------------------------|----------|------|-------------------|
| | 1.4.2004 | Acquired | Sold | 31.3.2005 |
| (a) Interest in shares of the Company: | | | | |
| LTKM Berhad | | | | |
| Direct Interest: | | | | |
| Tan Kim Hock | 65,000 | - | - | 65,000 |
| Tan Kark Bin | 450,000 | 8,000 | - | 458,000 |
| Ahmad Khairuddin bin Ilias | 801,000 | - | - | 801,000 |
| Indirect Interest: | | | | |
| Tan Kok | 22,579,302 | 491,300 | - | 23,070,602 |
| Lim Hooi Tin | 22,579,302 | 491,300 | - | 23,070,602 |
| Tan Wah | 22,579,302 | 491,300 | - | 23,070,602 |
| Tan Kim Hock | 22,579,302 | 491,300 | - | 23,070,602 |

Directors' Report

DIRECTORS' INTERESTS (Cont'd)

| | Number of Options Over Ordinary Shares of RM1 Each | | | |
|---|--|---------|-----------|----------------|
| | 1.4.2004 | Granted | Exercised | 31.3.2005 |
| Interest in share options of the Company: | | | | |
| LTKM Berhad | | | | |
| Indirect Interest: | | | | |
| Tan Kok | 400,000 | - | - | 400,000 |
| Lim Hooi Tin | 200,000 | - | - | 200,000 |
| Tan Wah | 200,000 | - | - | 200,000 |
| Tan Kim Hock | 200,000 | - | - | 200,000 |
| Tan Kark Bin | 180,000 | - | - | 180,000 |

| | Number of Ordinary Shares of RM1 Each | | | |
|--|---------------------------------------|----------|------|------------------|
| | 1.4.2004 | Acquired | Sold | 31.3.2005 |
| (b) Interest in shares of the holding company: | | | | |
| Ladang Ternakan Kelang Sdn. Bhd. | | | | |
| Direct Interest: | | | | |
| Tan Kok | 5,579,200 | - | - | 5,579,200 |
| Tan Kim Hock | 3,366,000 | - | - | 3,366,000 |
| Tan Wah | 3,366,000 | - | - | 3,366,000 |
| Lim Hooi Tin | 1,152,800 | - | - | 1,152,800 |

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

EMPLOYEES' SHARE OPTION SCHEME

The LTKM Berhad Employees' Share Option Scheme ("ESOS") is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 25 September 2001. The ESOS is in force for a period of 5 years and expires on 17 October 2006.

The salient features and other terms of the ESOS are disclosed in Note 19(a) to the financial statements.

Details of options granted to directors are disclosed in the section on Directors' Interests in this report.

Directors' Report

OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action has been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) it necessary to write off any bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors.

TAN KOK

TAN KARK BIN

Klang, Selangor Darul Ehsan
18 July 2005

Statement by Directors

Pursuant to Section 169(15) of The Companies Act, 1965

We, TAN KOK and TAN KARK BIN, being two of the directors of LTKM BERHAD, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 26 to 58 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2005 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors.

TAN KOK

TAN KARK BIN

Klang, Selangor Darul Ehsan
18 July 2005

Statutory Declaration

Pursuant to Section 169(16) of The Companies Act, 1965

I, TAN KARK BIN, being the Director primarily responsible for the financial management of LTKM BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 26 to 58 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed TAN KARK BIN at
Klang in the State of Selangor
Darul Ehsan on 18 July 2005

TAN KARK BIN

Before me,

CHEW KIM SWEE @ CHEW TOO NYAAH (B102)
Commissioner for Oaths
Klang

Auditors' Report

to the Members

We have audited the financial statements set out on pages 26 to 58. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia so as to give a true and fair view of:
 - (i) the financial position of the Group and of the Company as at 31 March 2005 and of the results and the cash flows of the Group and of the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

ERNST & YOUNG
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia
18 July 2005

YEO ENG SENG
No. 1212/12/06(J)
Partner

Income Statements

For The Year Ended 31 March 2005

| | | Group | | Company | |
|--|------|---------------------|--------------|------------------|------------|
| | Note | 2005 RM | 2004 RM | 2005 RM | 2004 RM |
| Revenue | 3 | 76,281,429 | 71,152,557 | 3,060,000 | 3,760,000 |
| Cost of sales | | (65,232,692) | (57,914,996) | - | - |
| Gross profit | | 11,048,737 | 13,237,561 | 3,060,000 | 3,760,000 |
| Other operating income | | 320,783 | 818,348 | 243,191 | 272,348 |
| Distribution costs | | (1,318,701) | (1,239,207) | - | - |
| Administrative expenses | | (3,902,325) | (3,820,093) | (361,058) | (377,887) |
| Profit from operations | 4 | 6,148,494 | 8,996,609 | 2,942,133 | 3,654,461 |
| Finance costs | 5 | (599,977) | (794,534) | - | - |
| Profit before taxation | | 5,548,517 | 8,202,075 | 2,942,133 | 3,654,461 |
| Taxation | 6 | (742,072) | (953,435) | (823,200) | (778,851) |
| Profit attributable to shareholders | | 4,806,445 | 7,248,640 | 2,118,933 | 2,875,610 |
| Earnings per share (sen): | 7 | 12.0 | 18.1 | | |
| Net dividend per ordinary share in respect of the year (sen): | 8 | 3.6 | 4.0 | 3.6 | 4.0 |

The accompanying notes form an integral part of the financial statements.

Balance Sheets

As at 31 March 2005

| | | Group | | Company | |
|-------------------------------|-------------|--------------------|--------------------|--------------------|--------------------|
| | Note | 2005 RM | 2004 RM | 2005 RM | 2004 RM |
| NON-CURRENT ASSETS | | | | | |
| Property, plant and equipment | 9 | 71,258,981 | 63,957,598 | 53,191 | 64,296 |
| Investments in subsidiaries | 10 | - | - | 31,003,002 | 31,003,000 |
| Other investments | 11 | 1,300,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| | | 72,558,981 | 64,957,598 | 32,056,193 | 32,067,296 |
| CURRENT ASSETS | | | | | |
| Inventories | 12 | 12,537,473 | 17,378,178 | - | - |
| Trade receivables | 13 | 4,081,425 | 4,437,134 | - | - |
| Other receivables | | 426,108 | 430,609 | 7,400 | 1,040 |
| Tax recoverable | | 109,010 | 359,814 | 1,224 | - |
| Amount due from subsidiaries | 14 | - | - | 8,935,759 | 8,820,636 |
| Cash and bank balances | 15 | 6,552,445 | 5,247,129 | 4,755,808 | 4,205,417 |
| | | 23,706,461 | 27,852,864 | 13,700,191 | 13,027,093 |
| CURRENT LIABILITIES | | | | | |
| Trade payables | | 5,433,448 | 4,726,632 | - | - |
| Other payables | 16 | 677,951 | 657,000 | 96,715 | 106,977 |
| Amount due to holding company | 14 | 10,237 | - | - | - |
| Hire purchase payables | 17 | 825,659 | 551,588 | - | - |
| Borrowings | 18 | 7,262,402 | 10,357,154 | - | - |
| Taxation | | 18,000 | - | - | 2,500 |
| | | 14,227,697 | 16,292,374 | 96,715 | 109,477 |
| NET CURRENT ASSETS | | | | | |
| | | 9,478,764 | 11,560,490 | 13,603,476 | 12,917,616 |
| | | 82,037,745 | 76,518,088 | 45,659,669 | 44,984,912 |
| FINANCED BY: | | | | | |
| Share capital | 19 | 40,116,002 | 40,116,002 | 40,116,002 | 40,116,002 |
| Share premium | | 2,008,551 | 2,008,551 | 2,008,551 | 2,008,551 |
| Asset revaluation reserve | 20 | 2,904,965 | - | - | - |
| Retained profits | 21 | 25,837,749 | 22,475,480 | 3,535,116 | 2,860,359 |
| SHAREHOLDERS' FUNDS | | | | | |
| | | 70,867,267 | 64,600,033 | 45,659,669 | 44,984,912 |
| LONG TERM LIABILITIES | | | | | |
| Hire purchase payables | 17 | 822,462 | 987,085 | - | - |
| Borrowings | 18 | 3,616,785 | 5,159,103 | - | - |
| Deferred taxation | 22 | 6,731,231 | 5,771,867 | - | - |
| | | 82,037,745 | 76,518,088 | 45,659,669 | 44,984,912 |

The accompanying notes form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

For The Year Ended 31 March 2005

| | | | (Non-Distributable) | Asset (Distributable) | | |
|--|------|------------------------|------------------------|------------------------------|---------------------------|-------------------|
| | Note | Share Capital RM | Share Premium RM | Revaluation Reserve RM | Retained Profits RM | Total RM |
| At 1 April 2003 | | | | | | |
| As previously reported | | 40,116,002 | 2,008,551 | - | 17,630,540 | 59,755,093 |
| Prior year adjustment | 24 | - | - | - | (798,720) | (798,720) |
| At 1 April 2003 (restated) | | | | | | |
| | | 40,116,002 | 2,008,551 | - | 16,831,820 | 58,956,373 |
| Net profit for the year | | - | - | - | 7,248,640 | 7,248,640 |
| Dividends | 8 | - | - | - | (1,604,980) | (1,604,980) |
| At 31 March 2004 | | | | | | |
| | | 40,116,002 | 2,008,551 | - | 22,475,480 | 64,600,033 |
| At 1 April 2004 | | | | | | |
| | | 40,116,002 | 2,008,551 | - | 22,475,480 | 64,600,033 |
| Revaluation surplus: | | | | | | |
| Freehold land, short leasehold land and buildings | 20 | - | - | 2,904,965 | - | 2,904,965 |
| Net profit for the year | | - | - | - | 4,806,445 | 4,806,445 |
| Dividend | 8 | - | - | - | (1,444,176) | (1,444,176) |
| At 31 March 2005 | | | | | | |
| | | 40,116,002 | 2,008,551 | 2,904,965 | 25,837,749 | 70,867,267 |

The accompanying notes form an integral part of the financial statements.

Statement of Changes in Equity

For The Year Ended 31 March 2005

| | <i>Note</i> | Share Capital RM | (Non- Distributable) Share Premium RM | (Distributable) Retained Profits RM | Total RM |
|-------------------------|-------------|---------------------------------|--|--|---------------------|
| At 1 April 2003 | | 40,116,002 | 2,008,551 | 1,589,729 | 43,714,282 |
| Net profit for the year | | - | - | 2,875,610 | 2,875,610 |
| Dividends | 8 | - | - | (1,604,980) | (1,604,980) |
| At 31 March 2004 | | 40,116,002 | 2,008,551 | 2,860,359 | 44,984,912 |
| At 1 April 2004 | | 40,116,002 | 2,008,551 | 2,860,359 | 44,984,912 |
| Net profit for the year | | - | - | 2,118,933 | 2,118,933 |
| Dividend | 8 | - | - | (1,444,176) | (1,444,176) |
| At 31 March 2005 | | 40,116,002 | 2,008,551 | 3,535,116 | 45,659,669 |

The accompanying notes form an integral part of the financial statements.

Cash Flow Statements

For The Year Ended 31 March 2005

| | Group | | Company | |
|---|--------------------|-------------|--------------------|-------------|
| | 2005 | 2004 | 2005 | 2004 |
| | RM | RM | RM | RM |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Profit before taxation | 5,548,517 | 8,202,075 | 2,942,133 | 3,654,461 |
| Adjustment for: | | | | |
| Depreciation of property, plant and equipment | 4,426,529 | 4,209,961 | 11,105 | 10,497 |
| Provision for doubtful debts | - | 186,734 | - | - |
| Bad debts written off | - | 460 | - | - |
| Write off of property, plant and equipment | 343,684 | 89,518 | - | - |
| Gain on disposal of property, plant and equipment | (11,876) | (69,395) | - | - |
| Interest expense | 599,977 | 794,534 | - | - |
| Interest income | (119,380) | (127,539) | (234,791) | (263,948) |
| Operating profit before working capital changes | 10,787,451 | 13,286,348 | 2,718,447 | 3,401,010 |
| Decrease/(increase) in inventories | 4,840,705 | (4,887,540) | - | - |
| Decrease/(increase) in receivables | 360,210 | (158,374) | (6,360) | 260 |
| Increase/(decrease) in payables | 727,767 | 2,261,003 | (10,262) | 29,761 |
| Increase in intercompany indebtedness | 10,237 | - | (2,059,123) | (2,639,799) |
| Cash generated from operations | 16,726,370 | 10,501,437 | 642,702 | 791,232 |
| Dividend paid | (1,444,176) | (1,604,980) | (1,444,176) | (1,604,980) |
| Income tax paid | (99,164) | (89,734) | (826,924) | (789,523) |
| Income tax recovered | - | 201,997 | - | - |
| Interest paid | (729,305) | (790,842) | - | - |
| Interest received | 119,380 | 127,539 | 234,791 | 263,948 |
| Net cash generated from/(used in) operating activities | 14,573,105 | 8,345,417 | (1,393,607) | (1,339,323) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Acquisition of a subsidiary company (Note 10) | - | - | (2) | (999,998) |
| Purchase of property, plant and equipment (Note A) | (7,629,773) | (9,383,161) | - | (6,609) |
| Purchase of other investment | (300,000) | - | - | - |
| Proceeds from disposal of property, plant and equipment | 12,050 | 70,250 | - | - |
| Dividend received | - | - | 1,944,000 | 2,700,000 |
| Net cash (used in)/generated from investing activities | (7,917,723) | (9,312,911) | 1,943,998 | 1,693,393 |

Cash Flow Statements

For The Year Ended 31 March 2005

| | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2005 | 2004 | 2005 | 2004 |
| | RM | RM | RM | RM |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Drawdown of term loan | - | 5,000,000 | - | - |
| Repayment of term loans | (1,858,022) | (1,875,101) | - | - |
| Net (repayment)/drawdown of other bank borrowings | (2,695,000) | 370,000 | - | - |
| Repayment of hire purchase | (712,996) | (251,420) | - | - |
| Net cash (used in)/generated from financing activities | (5,266,018) | 3,243,479 | - | - |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 1,389,364 | 2,275,985 | 550,391 | 354,070 |
| CASH AND CASH EQUIVALENTS AT 1 APRIL | 5,158,587 | 2,882,602 | 4,205,417 | 3,851,347 |
| CASH AND CASH EQUIVALENTS AT 31 MARCH (Note 15) | 6,547,951 | 5,158,587 | 4,755,808 | 4,205,417 |

Note to the Cash Flow Statements

(A) Property, plant and equipment acquired during the year were financed by:

| | | | | |
|---|------------------|------------|---|-------|
| Cash | 7,629,773 | 9,383,161 | - | 6,609 |
| Hire purchase | 822,444 | 1,655,397 | - | - |
| | 8,452,217 | 11,038,558 | - | 6,609 |
| Add: Interest expense capitalised in freehold land (Note 9(d)) | 129,328 | - | - | - |
| | 8,581,545 | 11,038,558 | - | 6,609 |

The accompanying notes form an integral part of the financial statements.

Notes to the Financial Statements

31 March 2005

1. CORPORATE INFORMATION

The principal activities of the Company are investment holding and provision of management services.

The principal activities of the subsidiaries are the operation of a poultry farm for the production and sale of chicken eggs, chickens and organic fertilizers.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Second Board of the Bursa Malaysia Securities Berhad. The registered office of the Company is located at Unit 7-02, Level 7, Menara Luxor, 6B, Persiaran Tropicana, 47410 Petaling Jaya, Selangor.

The holding company of the Company is Ladang Ternakan Kelang Sdn. Bhd., a company incorporated in Malaysia.

The number of employees in the Group and in the Company at the end of the financial year were 366 (2004: 388) and 2 (2004: 2) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 18 July 2005.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention modified to include the revaluation of certain property, plant and equipment, (unless stated otherwise in the summary of significant accounting policies below), and comply with the provisions of the Companies Act 1965 and applicable MASB Approved Accounting Standards in Malaysia.

(b) Basis of Consolidation

Subsidiaries

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Subsidiaries are consolidated, where appropriate using the merger method of accounting or the acquisition method of accounting. Under the merger method of accounting, the results of the subsidiary company are presented as if the subsidiary had been owned by the Company throughout the current and previous accounting periods. The excess in the carrying value of the investment over the nominal value of the share capital of the subsidiary is treated as a reduction of reserves. Under the acquisition method of accounting, the results of the subsidiaries acquired or disposed of during the financial year are included in the consolidated financial statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of the subsidiaries are measured at their fair values at the date of acquisition. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

Intra-group transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

Notes to the Financial Statements

31 March 2005

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(b) Basis of Consolidation (cont'd)

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences.

(c) Investment in Subsidiaries

The Company's investment in subsidiaries are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(l).

On disposal of such investment, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

(d) Other Investments

Other investments, which are held on a long term basis, are stated at cost less provision for any permanent impairment losses. Such provision is made when there is a decline other than temporary in the value of investments and is recognised as an expense in the period in which the decline occurred. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged or credited to the income statement.

(e) Property, Plant and Equipment, and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(l).

Freehold land, leasehold land and buildings are stated at cost or valuation less impairment losses. Revaluations of freehold land and buildings are made at least once in every five years on an existing use basis. Any revaluation increase is credited to equity as a revaluation surplus, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is recognised in the income statement to the extent of the decrease previously recognised. A revaluation decrease is first offset against an increase on unutilised earlier valuations in respect of the same asset and is thereafter recognised as an expense. Upon the disposal of revalued assets, the attributable revaluation surplus remaining in the revaluation reserve is transferred to retained profits.

Freehold land is not depreciated. Leasehold land is depreciated over the remaining period of the respective leases which ranges from 36 years to 52 years. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates:

| | |
|-----------------------------------|-----------|
| Farm buildings | 2% - 7% |
| Renovation | 10% |
| Furniture, fittings and equipment | 10% - 20% |
| Plant and machinery | 10% |
| Motor vehicles | 20% |

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement and the unutilised portion of the revaluation surplus on that item is taken directly to retained profits.

Capital work-in-progress is stated at cost. Cost includes earthworks and other direct costs incurred during the period of expansion of the poultry farm and is not depreciated until the expansion is significantly completed and ready for use.

Notes to the Financial Statements

31 March 2005

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(f) Inventories

Consumable goods, produce inventories and spare parts are valued at the lower of cost and net realisable value on the weighted average basis.

Cost includes actual cost of materials and incidentals in bringing the items to its present location and condition. In arriving at net realisable value, due allowance has been made for obsolete and slow moving items.

Livestocks are valued at the original cost of purchase, plus the cost of bringing the inventories to its present location and condition.

(g) Cash and Cash Equivalents

For the purpose of the cash flow statements, cash and cash equivalents include cash on hand and at bank, short term deposits and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

(h) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(i) Employee Benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

Notes to the Financial Statements

31 March 2005

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(j) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

(i) Sale of produce inventories, livestock, organic fertilizers and consumable goods

Revenue from sales of produce inventories, livestock, organic fertilizers and consumable goods is recognised when goods are delivered based on the invoiced value of goods sold less returns and discounts allowed.

(ii) Interest income

Interest income on short term deposits is recognised on an accrual basis.

(iii) Dividend income

Dividend income from subsidiaries is included in the income statement of the Company when the Company's right to receive the payment is established.

(iv) Rental income

Rental income is recognised on an accrual basis.

(v) Management fee income

Management fee income from subsidiaries is recognised on an accrual basis.

(k) Foreign Currency Transactions

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of the transaction. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date. All exchange rate differences are taken to the income statement.

The principal exchange rate used for each unit of foreign currency ruling at the balance sheet date is as follows:

| | 2005 RM | 2004 RM |
|-------------------|------------|------------|
| Singapore Dollars | 2.303 | 2.238 |

(l) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset.

Notes to the Financial Statements

31 March 2005

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(m) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in equity. Financial instruments are offset when the Group has a legal enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) Other Non-Current Investment

Non-current investments other than investments in subsidiaries are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(l).

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

(ii) Trade Receivables

Trade receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

(iii) Trade Payables

Trade payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(iv) Interest-Bearing Borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

Borrowing costs are recognised as an expense in the income statement in the period in which they are incurred.

(v) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

Notes to the Financial Statements

31 March 2005

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(n) Finance Lease

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2(e).

3. REVENUE

| | Group | | Company | |
|--|-------------------|-------------|------------------|-------------|
| | 2005 | 2004 | 2005 | 2004 |
| | RM | RM | RM | RM |
| Sales of produce inventories, livestock and consumable goods, less returns and discounts allowed | 76,281,429 | 71,152,557 | - | - |
| Dividend income from a subsidiary company | - | - | 2,700,000 | 3,400,000 |
| Management fee from a subsidiary company | - | - | 360,000 | 360,000 |
| | 76,281,429 | 71,152,557 | 3,060,000 | 3,760,000 |

4. PROFIT FROM OPERATIONS

Profit from operations is stated after charging/(crediting):

| | | | | |
|---|------------------|-----------|------------------|-----------|
| Staff costs (excluding directors) (Note a) | 5,615,759 | 5,862,178 | 151,332 | 154,981 |
| Directors' remuneration (Note b) | 844,052 | 843,682 | 69,000 | 69,000 |
| Auditors' remuneration | 32,000 | 31,500 | 9,000 | 9,000 |
| Depreciation of property, plant and equipment | 4,426,529 | 4,209,961 | 11,105 | 10,497 |
| Provision for doubtful debts | - | 186,734 | - | - |
| Bad debts written off | - | 460 | - | - |
| Rental of farm paid to holding company | 262,080 | 262,080 | - | - |
| Rental of office | 38,400 | 38,400 | 38,400 | 38,400 |
| Write off of property, plant and equipment | 343,684 | 89,518 | - | - |
| Goodwill on consolidation of subsidiary written off | 9,370 | - | - | - |
| Realised gain on foreign exchange | (237,750) | (237,742) | - | - |
| Gain on disposal of property, plant and equipment | (11,876) | (69,395) | - | - |
| Rental income | (73,960) | (101,140) | (8,400) | (8,400) |
| Interest income on: | | | | |
| - fixed deposits | (119,380) | (127,539) | (116,854) | (124,986) |
| - loan to subsidiary companies | - | - | (117,937) | (138,962) |

Notes to the Financial Statements

31 March 2005

4. PROFIT FROM OPERATIONS (Cont'd)

| | Group | | Company | |
|-------------------------------|------------------|-----------|----------------|---------|
| | 2005 | 2004 | 2005 | 2004 |
| | RM | RM | RM | RM |
| (a) Staff costs | | | | |
| Wages and salaries | 4,820,481 | 4,989,688 | 129,782 | 129,150 |
| Termination benefits | - | 4,500 | - | - |
| Social security costs | 43,995 | 47,513 | 820 | 820 |
| EPF | 415,838 | 439,286 | 15,945 | 15,936 |
| Other staff related expenses | 335,445 | 381,191 | 4,785 | 9,075 |
| | 5,615,759 | 5,862,178 | 151,332 | 154,981 |
| (b) Directors' remuneration | | | | |
| Fees | 169,000 | 169,000 | 69,000 | 69,000 |
| Salaries and other emoluments | 548,300 | 553,500 | - | - |
| EPF | 65,796 | 66,420 | - | - |
| Benefits-in-kind | 60,956 | 54,762 | - | - |
| | 844,052 | 843,682 | 69,000 | 69,000 |

5. FINANCE COSTS

| | | | | |
|--|------------------|---------|---|---|
| Interest | | | | |
| - bank overdrafts | 15,483 | 25,883 | - | - |
| - bankers' acceptances | 154,518 | 172,911 | - | - |
| - revolving credits | 93,071 | 123,451 | - | - |
| - bank term loans | 395,000 | 439,882 | - | - |
| - hire purchase | 71,233 | 32,407 | - | - |
| | 729,305 | 794,534 | - | - |
| Less: Interest expense capitalised in freehold land (Note 9(d)) | (129,328) | - | - | - |
| | 599,977 | 794,534 | - | - |

Notes to the Financial Statements

31 March 2005

6. TAXATION

| | Group | | Company | |
|---------------------------------------|------------------|------------|----------------|------------|
| | 2005 RM | 2004 RM | 2005 RM | 2004 RM |
| Income tax: | | | | |
| Malaysian income tax | 384,232 | 531,735 | 823,200 | 777,000 |
| (Over)/underprovision in prior years: | | | | |
| Malaysian income tax | (16,264) | 1,949 | - | 1,851 |
| | 367,968 | 533,684 | 823,200 | 778,851 |
| Deferred tax (Note 22): | | | | |
| Relating to origination and reversal | | | | |
| of temporary differences | 604,551 | 533,351 | - | - |
| Overprovision in prior years | (230,447) | (113,600) | - | - |
| | 374,104 | 419,751 | - | - |
| | 742,072 | 953,435 | 823,200 | 778,851 |

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2004: 28%) of the estimated assessable profit for the year.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:-

| | Group | | Company | |
|---|------------------|-------------|------------------|------------|
| | 2005 RM | 2004 RM | 2005 RM | 2004 RM |
| Profit before taxation | 5,548,517 | 8,202,075 | 2,942,133 | 3,654,461 |
| Taxation at Malaysian statutory tax rate of 28% (2004 : 28%) | 1,553,585 | 2,296,581 | 823,797 | 1,023,249 |
| Effect of different tax rate for qualified small and medium enterprises | (55,144) | (49,962) | - | - |
| Effect of income not subject to tax | - | - | - | (252,000) |
| Effect of expenses not deductible for tax purposes | 222,411 | 218,949 | 2,997 | 2,157 |
| Utilisation of tax incentives | (732,069) | (1,404,076) | (3,594) | - |
| Deferred tax assets not recognised in respect of current year's unabsorbed capital allowances | - | 3,594 | - | 3,594 |
| (Over)/underprovision of income tax expense in prior years | (16,264) | 1,949 | - | 1,851 |
| Overprovision of deferred tax expense in prior years | (230,447) | (113,600) | - | - |
| Tax expense for the year | 742,072 | 953,435 | 823,200 | 778,851 |

Notes to the Financial Statements

31 March 2005

7. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares in issue during the financial year.

| | Group | |
|---|-------------------|-------------|
| | 2005 | 2004 |
| | RM | RM |
| Net profit for the year (RM) | 4,806,445 | 7,248,640 |
| Weighted average number of ordinary shares in issue | 40,116,002 | 40,116,002 |
| Basic earnings per share (sen) | 12.0 | 18.1 |

There is no dilutive effect on the earnings per share of the Group arising from the assumed exercise of the share options into new ordinary shares.

8. DIVIDEND

| | GROUP/COMPANY | | | |
|---|----------------------|-------------|----------------------|-------------|
| | Amount | | Net Dividends | |
| | 2005 | 2004 | 2005 | 2004 |
| | RM | RM | RM | RM |
| Interim | | | | |
| Tax exempt dividend of 2%, on 40,116,002 ordinary shares, declared on 10 November 2003 and paid on 9 January 2004 | - | 802,320 | - | 2.0 |
| Final | | | | |
| Tax exempt dividend of 2%, on 40,116,002 ordinary shares, declared on 28 August 2003 and paid on 28 October 2003 | - | 802,320 | - | 2.0 |
| Dividend of 5% less 28% taxation, on 40,116,002 ordinary shares, declared on 16 August 2004 and paid on 15 September 2004 | 1,444,176 | - | 3.6 | - |
| | 1,444,176 | 1,604,640 | 3.6 | 4.0 |
| Underprovision of dividend in respect of financial year ended 31 March 2003 | - | 340 | - | - |
| | 1,444,176 | 1,604,980 | 3.6 | 4.0 |

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 March 2005, of 6% less 28% taxation on 40,116,002 ordinary shares, amounting to a dividend payable of RM1,733,011 (4.3 sen net per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 March 2006.

Notes to the Financial Statements

31 March 2005

9. PROPERTY, PLANT AND EQUIPMENT

| Group | Freehold Land | Long Leasehold Land | Short Leasehold Land | Farm Buildings | Renovation | Plant and Machinery | Furniture, Fittings and Equipment | Motor Vehicles | Capital Work-in-Progress | Total |
|---------------------------------|---------------|---------------------|----------------------|----------------|------------|---------------------|-----------------------------------|----------------|--------------------------|--------------|
| | RM | RM | RM | RM | RM | RM | RM | RM | RM | RM |
| Cost/ Valuation | | | | | | | | | | |
| At 1 April | 22,126,775 | - | 582,943 | 46,541,756 | 73,334 | 11,564,197 | 1,493,353 | 3,418,142 | 2,746,762 | 88,547,262 |
| Additions | 233,232 | 1,159,641 | - | - | - | 767,437 | 9,560 | 28,250 | 6,383,425 | 8,581,545 |
| Adjustment on revaluation | 1,707,759 | - | (14,943) | (15,497,916) | - | - | - | - | - | (13,805,100) |
| Reclassifications | 243,591 | 1,000 | - | 3,228,009 | - | 693,899 | (11,897) | - | (4,154,602) | - |
| Write-offs | - | - | - | (596,847) | - | - | - | (48,000) | (68,240) | (713,087) |
| Disposals | - | - | - | - | - | - | (3,300) | (21,000) | - | (24,300) |
| At 31 March | 24,311,357 | 1,160,641 | 568,000 | 33,675,002 | 73,334 | 13,025,533 | 1,487,716 | 3,377,392 | 4,907,345 | 82,586,320 |
| Accumulated Depreciation | | | | | | | | | | |
| At 1 April | - | - | 39,041 | 14,927,850 | 29,333 | 6,500,366 | 842,576 | 2,250,498 | - | 24,589,664 |
| Charge for the year | - | 3,708 | 16,254 | 2,860,867 | 7,333 | 1,046,310 | 127,720 | 364,337 | - | 4,426,529 |
| Adjustment on revaluation | - | - | (53,851) | (17,241,474) | - | - | - | - | - | (17,295,325) |
| Reclassifications | - | - | - | 3,965 | - | - | (3,965) | - | - | - |
| Write-offs | - | - | - | (321,482) | - | - | - | (47,921) | - | (369,403) |
| Disposals | - | - | - | - | - | - | (3,127) | (20,999) | - | (24,126) |
| At 31 March | - | 3,708 | 1,444 | 229,726 | 36,666 | 7,546,676 | 963,204 | 2,545,915 | - | 11,327,339 |

Notes to the Financial Statements

31 March 2005

9. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

| Group | Freehold Land RM | Long Leasehold Land RM | Short Leasehold Land RM | Farm Buildings RM | Renovation RM | Plant and Machinery RM | Furniture, Fittings and Equipment RM | Motor Vehicles RM | Capital Work-in-Progress RM | Total RM |
|-------------------------------------|---------------------|---------------------------|----------------------------|----------------------|------------------|---------------------------|---|----------------------|--------------------------------|-------------|
| Net Book Value | | | | | | | | | | |
| At 31 March 2005: | | | | | | | | | | |
| At cost | - | 1,156,933 | - | - | 36,668 | 5,478,857 | 524,512 | 831,477 | 4,907,345 | 12,935,792 |
| At valuation | 24,311,357 | - | 566,556 | 33,445,276 | - | - | - | - | - | 58,323,189 |
| | 24,311,357 | 1,156,933 | 566,556 | 33,445,276 | 36,668 | 5,478,857 | 524,512 | 831,477 | 4,907,345 | 71,258,981 |
| At 31 March 2004: | | | | | | | | | | |
| At cost | 6,383,303 | - | 543,902 | 25,234,906 | 44,001 | 5,063,831 | 650,777 | 1,167,644 | 2,746,762 | 41,835,126 |
| At valuation | 15,743,472 | - | - | 6,379,000 | - | - | - | - | - | 22,122,472 |
| | 22,126,775 | - | 543,902 | 31,613,906 | 44,001 | 5,063,831 | 650,777 | 1,167,644 | 2,746,762 | 63,957,598 |
| Details at 1 April 2003 | | | | | | | | | | |
| Cost | - | - | 582,943 | 33,680,267 | 73,334 | 11,450,978 | 1,484,884 | 3,610,494 | 2,328,284 | 53,211,184 |
| Valuation | 15,743,472 | - | - | 9,170,287 | - | - | - | - | - | 24,913,759 |
| Accumulated depreciation | - | - | 22,886 | 12,324,693 | 21,998 | 5,460,013 | 722,641 | 2,353,338 | - | 20,905,569 |
| Depreciation charge for 2004 | - | - | 16,155 | 2,603,157 | 7,335 | 1,040,353 | 128,363 | 414,598 | - | 4,209,961 |

Notes to the Financial Statements

31 March 2005

9. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

| | Renovation RM | Furniture, Fittings and Equipment RM | Total RM |
|---|------------------|---|---------------|
| Company | | | |
| Cost | | | |
| At 1 April/31 March | 73,334 | 31,119 | 104,453 |
| Accumulated Depreciation | | | |
| At 1 April | 29,333 | 10,824 | 40,157 |
| Charge for the year | 7,333 | 3,772 | 11,105 |
| At 31 March | 36,666 | 14,596 | 51,262 |
| Net Book Value | | | |
| At 31 March 2005 | 36,668 | 16,523 | 53,191 |
| At 31 March 2004 | 44,001 | 20,295 | 64,296 |
| Details at 1 April 2003 | | | |
| Cost | 73,334 | 24,510 | 97,844 |
| Accumulated depreciation | 21,998 | 7,662 | 29,660 |
| Depreciation charge for 2004 | 7,335 | 3,162 | 10,497 |
| Analysis of cost and valuation:- | | | |
| | At Cost RM | At February 2005 Valuation RM | Total RM |
| Group | | | |
| At 31 March 2005 | | | |
| Freehold lands | - | 24,311,357 | 24,311,357 |
| Long leasehold land | 1,160,641 | - | 1,160,641 |
| Short leasehold land | - | 568,000 | 568,000 |
| Farm buildings | - | 33,675,002 | 33,675,002 |
| Renovation | 73,334 | - | 73,334 |
| Plant and machinery | 13,025,533 | - | 13,025,533 |
| Furniture, fittings and equipment | 1,487,716 | - | 1,487,716 |
| Motor vehicles | 3,377,392 | - | 3,377,392 |
| Capital work-in-progress | 4,907,345 | - | 4,907,345 |
| | 24,031,961 | 58,554,359 | 82,586,320 |

Notes to the Financial Statements

31 March 2005

9. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Analysis of cost and valuation:-

| | At Cost RM | At June 1999 Valuation RM | Total RM |
|-----------------------------------|---------------|---------------------------------|-------------|
| Group | | | |
| At 31 March 2004 | | | |
| Freehold lands | 6,383,303 | 15,743,472 | 22,126,775 |
| Short leasehold land | 582,943 | - | 582,943 |
| Farm buildings | 37,371,469 | 9,170,287 | 46,541,756 |
| Renovation | 73,334 | - | 73,334 |
| Plant and machinery | 11,564,197 | - | 11,564,197 |
| Furniture, fittings and equipment | 1,493,353 | - | 1,493,353 |
| Motor vehicles | 3,418,142 | - | 3,418,142 |
| Capital work-in-progress | 2,746,762 | - | 2,746,762 |
| | 63,633,503 | 24,913,759 | 88,547,262 |

- (a) Freehold land, short leasehold land and buildings were revalued based on present market values on 28 February 2005 by an independent valuer, Lee Thiam Sing, a partner with Colliers Jordan Lee & Jaafar (M'cca) Sdn Bhd and also a member of Institution of Surveyors, Malaysia.

Had the revalued property, plant and equipment been carried at historical cost less accumulated depreciation and impairment losses, the net book value of each class of property, plant and equipment that would have been included in the financial statements of the Group as at 31 March 2005 would be as follows:

| | Group | |
|----------------------|--------------|------------|
| | 2005 RM | 2004 RM |
| Freehold land | 12,774,747 | 6,174,199 |
| Short leasehold land | 527,745 | - |
| Buildings | 29,091,802 | 3,544,393 |
| | 42,394,294 | 9,718,592 |

- (b) Net book values of property, plant and equipment held under hire purchase arrangements are as follows:

| | Group | |
|---------------------|--------------|------------|
| | 2005 RM | 2004 RM |
| Buildings | 4,299,570 | 1,578,599 |
| Plant and machinery | 371,181 | - |
| | 4,670,751 | 1,578,599 |

Notes to the Financial Statements

31 March 2005

9. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

(c) The net book values of property, plant and equipment pledged for borrowings (Note 18(c)(i) and 18(c)(ii)) are as follows:

| | Group | |
|---------------------|-------------------|-------------|
| | 2005 | 2004 |
| | RM | RM |
| Freehold land | 24,311,357 | 22,162,590 |
| Buildings | 3,128,979 | 2,792,379 |
| Plant and machinery | 1,323,431 | 1,571,574 |
| | 28,763,767 | 26,526,543 |

(d) Interest expense capitalised during the financial year under freehold land of the Group amounted to RM129,328 (2004: NIL), as disclosed in Note 5.

10. INVESTMENTS IN SUBSIDIARIES

| | Company | |
|--------------------------|-------------------|-------------|
| | 2005 | 2004 |
| | RM | RM |
| Unquoted shares, at cost | 31,003,002 | 31,003,000 |

(a) Details of the subsidiary companies, which are all incorporated and domiciled in Malaysia, are as follows:-

| Name of Company | Equity Interest Held | | Principal Activities |
|---|-----------------------------|-------------|--|
| | 2005 | 2004 | |
| | % | % | |
| LTK (Melaka) Sdn. Bhd. | 100 | 100 | Production and sale of chicken eggs and chickens |
| LTK Bio-Fer Sdn. Bhd. | 100 | 100 | Manufacturing and trading of organic fertilizers |
| LTK Breeder Farm Sdn. Bhd. | 100 | 100 | Dormant |
| LTK Omega Plus Sdn. Bhd. | 100 | 100 | Dormant |
| LTK Jasin Sdn. Bhd. (formerly known as LTK Omega 3 Sdn. Bhd.) | 100 | - | Dormant |

Notes to the Financial Statements

31 March 2005

10. INVESTMENTS IN SUBSIDIARIES (Cont'd)

(b) Acquisition of a subsidiary company in the current financial year

On 22 December 2004, the Group acquired 100% equity interest in LTK Jasin Sdn. Bhd. (formerly known as LTK Omega 3 Sdn. Bhd.), a company incorporated in Malaysia, for a total cash consideration of RM2. The subsidiary company has not commenced operations during the financial year.

(i) The acquisition had the following effect on the Group's financial results for the year:-

| | 2005 RM |
|-------------------------|--------------------|
| Revenue | - |
| Administrative expenses | (2,425) |
| Loss for the year | (2,425) |

(ii) The acquisition had the following effect on the financial position of the Group as at the end of the year:-

| | |
|--------------------------------|-----------------|
| Amount due to holding company | (10,237) |
| Other payables and accruals | (500) |
| Group's share of net liability | (10,737) |

(iii) The fair value of the liability assumed from the acquisition of the subsidiary was as follows:-

| | |
|---|----------|
| Amount due to immediate holding company | (1,056) |
| Amount due to ultimate holding company | (10,237) |
| Other payables and accruals | (500) |
| Current year loss | 2,425 |
| Goodwill on consolidation | 9,370 |
| Total purchase consideration | 2 |
| Net cash payment on acquisition of subsidiary company | 2 |

There were no acquisitions in the financial year ended 31 March 2004.

Notes to the Financial Statements

31 March 2005

11. OTHER INVESTMENTS

| | Group | | Company | |
|---|------------|------------|------------|------------|
| | 2005 RM | 2004 RM | 2005 RM | 2004 RM |
| In Malaysia: | | | | |
| Quoted unit trust, at cost | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Guaranteed return savings plan (Note a) | 300,000 | - | - | - |
| | 1,300,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| In Malaysia: | | | | |
| Market value of quoted unit trust | 1,106,000 | 1,079,200 | 1,106,000 | 1,079,200 |

- (a) This is a non-participating endowment policy with a guaranteed return at a rate of 5.25% per annum at the end of ten (10) years. The capital value of the single premium is guaranteed throughout the term of the policy. A withdrawal benefit is payable from the first year onwards based on a prescribed accumulated value.

12. INVENTORIES

| | Group | | Company | |
|---------------------|------------|------------|------------|------------|
| | 2005 RM | 2004 RM | 2005 RM | 2004 RM |
| Cost: | | | | |
| Livestocks | 9,047,868 | 11,809,377 | - | - |
| Consumable goods | 3,209,964 | 5,112,369 | - | - |
| Produce inventories | 168,580 | 346,004 | - | - |
| Spare parts | 111,061 | 110,428 | - | - |
| | 12,537,473 | 17,378,178 | - | - |

13. TRADE RECEIVABLES

| | | | | |
|------------------------------------|-----------|-----------|---|---|
| Trade receivables | 4,668,159 | 5,023,868 | - | - |
| Less: Provision for doubtful debts | (586,734) | (586,734) | - | - |
| | 4,081,425 | 4,437,134 | - | - |

Notes to the Financial Statements

31 March 2005

14. AMOUNT DUE FROM/TO SUBSIDIARIES AND HOLDING COMPANY

The amount due from LTK (Melaka) Sdn. Bhd. is unsecured, has no fixed term of repayment and interest is charged at a rate of 2% (2004: 2%) per annum.

The amount due from LTK Breeder Farm Sdn. Bhd. is unsecured, has no fixed term of repayment and interest is charged at a rate of 2% (2004: 2%) per annum.

The amount due to holding company is unsecured, interest free and has no fixed term of repayment.

15. CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|----------------------------|-----------|-----------|-----------|-----------|
| | 2005 | 2004 | 2005 | 2004 |
| | RM | RM | RM | RM |
| Fixed deposits with: | | | | |
| Licensed banks | 1,867,496 | 1,108,963 | 1,800,000 | 1,043,875 |
| Licensed finance companies | 2,792,884 | 2,843,811 | 2,792,884 | 2,843,811 |
| | 4,660,380 | 3,952,774 | 4,592,884 | 3,887,686 |
| Cash on hand and at banks | 1,892,065 | 1,294,355 | 162,924 | 317,731 |
| Cash and bank balances | 6,552,445 | 5,247,129 | 4,755,808 | 4,205,417 |
| Bank overdrafts (Note 18) | (4,494) | (88,542) | - | - |
| Cash and cash equivalents | 6,547,951 | 5,158,587 | 4,755,808 | 4,205,417 |

Fixed deposits with a licensed bank of a subsidiary company amounting to RM67,496 (2004: RM65,088) are pledged to the licensed bank as security for a bank guarantee facility granted to the subsidiary company.

The interest rates of fixed deposits at the balance sheet date were as follows:

| | Group | | Company | |
|----------------------------|-------------|-------------|-------------|-------------|
| | 2005 | 2004 | 2005 | 2004 |
| | % | % | % | % |
| Licensed banks | 2.70 - 3.70 | 3.00 - 4.00 | 2.70 - 3.70 | 3.00 |
| Licensed finance companies | 3.00 | 2.65 - 3.00 | 3.00 | 2.65 - 3.00 |

The maturities of fixed deposits as at the end of the financial year were as follows:

| | Group | | Company | |
|----------------------------|----------|----------|----------|------|
| | 2005 | 2004 | 2005 | 2004 |
| | Days | Days | Days | Days |
| Licensed banks | 30 - 365 | 30 - 365 | 30 - 365 | 30 |
| Licensed finance companies | 30 | 30 | 30 | 30 |

Notes to the Financial Statements

31 March 2005

16. OTHER PAYABLES

| | Group | | Company | |
|----------------|----------------|------------|---------------|------------|
| | 2005 RM | 2004 RM | 2005 RM | 2004 RM |
| Other payables | 79,780 | 61,661 | 16,188 | 13,850 |
| Accruals | 598,171 | 595,339 | 80,527 | 93,127 |
| | 677,951 | 657,000 | 96,715 | 106,977 |

17. HIRE PURCHASE PAYABLES

Minimum hire purchase payments:

| | | | | |
|---|----------------|---------|---|---|
| Not later than 1 year | 907,416 | 607,020 | - | - |
| Later than 1 year and not later than 2 years | 779,664 | 607,020 | - | - |
| Later than 2 years and not later than 5 years | 123,417 | 479,270 | - | - |

1,810,497 1,693,310 - -

| | | | | |
|------------------------------|------------------|-----------|---|---|
| Less: Future finance charges | (162,376) | (154,637) | - | - |
|------------------------------|------------------|-----------|---|---|

| | | | | |
|---|------------------|-----------|---|---|
| Present value of hire purchase payables | 1,648,121 | 1,538,673 | - | - |
|---|------------------|-----------|---|---|

Present value of hire purchase payables:

| | | | | |
|---|----------------|---------|---|---|
| Not later than 1 year | 825,659 | 551,588 | - | - |
| Later than 1 year and not later than 2 years | 709,567 | 551,588 | - | - |
| Later than 2 years and not later than 5 years | 112,895 | 435,497 | - | - |

1,648,121 1,538,673 - -

Analysed as:

| | | | | |
|----------------------|----------------|---------|---|---|
| Due within 12 months | 825,659 | 551,588 | - | - |
| Due after 12 months | 822,462 | 987,085 | - | - |

1,648,121 1,538,673 - -

The hire purchase payables bore interest at the balance sheet date at rates ranging from 3.10% to 3.35% (2004: 3.35%) per annum.

Notes to the Financial Statements

31 March 2005

18. BORROWINGS

| | Group | | Company | |
|------------------------------|------------|------------|---------|------|
| | 2005 | 2004 | 2005 | 2004 |
| | RM | RM | RM | RM |
| Short Term Borrowings | | | | |
| Secured: | | | | |
| Revolving credits | 2,500,000 | 2,000,000 | - | - |
| Bank term loans | 1,308,129 | 1,525,206 | - | - |
| | 3,808,129 | 3,525,206 | - | - |
| Unsecured: | | | | |
| Bank overdrafts | 4,494 | 88,542 | - | - |
| Bankers' acceptances | 3,210,000 | 6,405,000 | - | - |
| Bank term loans | 239,779 | 338,406 | - | - |
| | 3,454,273 | 6,831,948 | - | - |
| | 7,262,402 | 10,357,154 | - | - |
| Long Term Borrowings | | | | |
| Secured: | | | | |
| Bank term loans | 3,616,785 | 4,919,330 | - | - |
| Unsecured: | | | | |
| Bank term loans | - | 239,773 | - | - |
| | 3,616,785 | 5,159,103 | - | - |
| Total Borrowings | | | | |
| Bank overdrafts | 4,494 | 88,542 | - | - |
| Revolving credits | 2,500,000 | 2,000,000 | - | - |
| Bank term loans | 5,164,693 | 7,022,715 | - | - |
| Bankers' acceptances | 3,210,000 | 6,405,000 | - | - |
| | 10,879,187 | 15,516,257 | - | - |

Notes to the Financial Statements

31 March 2005

18. BORROWINGS (Cont'd)

Details of borrowings are as follows:-

(a) Maturity periods

| | Group | | Company | |
|---|------------|------------|---------|------|
| | 2005 | 2004 | 2005 | 2004 |
| | RM | RM | RM | RM |
| Within one year | 7,262,402 | 10,357,154 | - | - |
| More than 1 year and less than 2 years | 595,912 | 1,547,902 | - | - |
| More than 2 years and less than 5 years | 1,993,651 | 1,878,482 | - | - |
| 5 years or more | 1,027,222 | 1,732,719 | - | - |
| | 10,879,187 | 15,516,257 | - | - |

(b) Interest rates

| | Group | | Company | |
|----------------------|-------------|-------------|---------|------|
| | 2005 | 2004 | 2005 | 2004 |
| | % | % | % | % |
| Bank overdrafts | 7.00 - 7.50 | 7.00 - 7.50 | - | - |
| Revolving credits | 4.60 | 4.45 - 4.65 | - | - |
| Bankers' acceptances | 2.91 - 3.20 | 2.90 - 3.25 | - | - |
| Bank term loans | 5.00 - 8.50 | 4.00 - 8.50 | - | - |

(c) Security

- (i) charges over the freehold land of the subsidiary companies as disclosed in Note 9(c);
- (ii) charges over buildings and plant and machinery of a subsidiary company as disclosed in Note 9(c); and
- (iii) corporate guarantees of a subsidiary company and of the Company.

19. SHARE CAPITAL

| | Number of Ordinary Shares of RM1 Each | | Amount | |
|-------------------------|---------------------------------------|------------|------------|------------|
| | 2005 | 2004 | 2005 | 2004 |
| | | | RM | RM |
| Authorised: | | | | |
| At 1 April and 31 March | 50,000,000 | 50,000,000 | 50,000,000 | 50,000,000 |
| Issued and fully paid: | | | | |
| At 1 April and 31 March | 40,116,002 | 40,116,002 | 40,116,002 | 40,116,002 |

Notes to the Financial Statements

31 March 2005

19. SHARE CAPITAL

(a) Employees' Share Options Scheme ("ESOS")

The LTKM Berhad Employees' Share Option Scheme ("ESOS") is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 25 September 2001. The ESOS is in force for a period of 5 years and expires on 17 October 2006.

The salient features of the ESOS are as follows:-

- (i) The total number of shares to be offered shall not exceed ten percent (10%) of the issued and paid-up share capital of the Company at any point of time during the existence of the ESOS.
- (ii) Eligible persons who are confirmed employees (including executive directors) of the Group who have been employed for periods as prescribed by the By-Laws before the date of offer. The eligibility for participation in the ESOS shall be at the discretion of the ESOS committee appointed by the Board of Directors.
- (iii) No option shall be granted for less than 1,000 shares nor more than 400,000 shares to any eligible employee.
- (iv) The option price for each share shall be at the weighted average market price of the shares for the 5 market days preceding the offer date less a discount of not more than 10%. The price so determined shall not be less than the par value of the shares.
- (v) An option granted under the ESOS shall be capable of being accepted by the grantee by notice in writing to the Company before the expiry of 30 days period from the date of offer.
- (vi) No more than 50% of the shares to be offered are allotted to eligible employees who are Executive Directors and members of the Senior Management of the LTKM Berhad Group of companies.
- (vii) No more than 10% of the shares to be offered are allotted to eligible employees who, either singly or collectively through his associates, holds 20% or more of the issued and paid-up share capital of the Company.

No additional share option was granted or exercised during the current and previous financial years.

The terms of share options outstanding as at the end of the financial year are as follows:

| Exercise Period | Exercise Price per Ordinary Share RM | No. of Outstanding Options Over Ordinary Shares of RM1 each | |
|-------------------------|--|---|-----------|
| | | 2005 | 2004 |
| 26.11.2001 - 17.10.2006 | 1.05 | 3,484,000 | 3,484,000 |

Notes to the Financial Statements

31 March 2005

20. ASSET REVALUATION RESERVE

| | Group | | Company | |
|--|------------------|------------|------------|------------|
| | 2005 RM | 2004 RM | 2005 RM | 2004 RM |
| Revaluation Reserve | | | | |
| - Freehold land, short leasehold land and buildings | | | | |
| Balance at 1 April | - | - | - | - |
| Revaluation increase, net of deferred tax | 2,904,965 | - | - | - |
| Balance at 31 March | 2,904,965 | - | - | - |

The asset revaluation reserve includes the cumulative net change, net of deferred tax effects, arising from the revaluation of freehold land, short leasehold land and buildings above their cost.

21. RETAINED PROFITS

The Company has sufficient tax credit under Section 108 of the Income Tax 1967 and the balance in the tax-exempt income account to frank the payment of dividends out of its entire retained profits as at 31 March 2005.

In addition, the Group has an estimated tax exempt account balance of RM16.6 million (2004: RM13.7 million) available for distribution as tax exempt dividends subject to agreement of the Inland Revenue Board.

22. DEFERRED TAXATION

| | Group | | Company | |
|---|------------------|------------|------------|------------|
| | 2005 RM | 2004 RM | 2005 RM | 2004 RM |
| At 1 April | 5,771,867 | 5,352,116 | - | - |
| Recognised in income statement (Note 6) | 374,104 | 419,751 | - | - |
| Recognised in equity | 585,260 | - | - | - |
| At 31 March | 6,731,231 | 5,771,867 | - | - |

Presented after appropriate offsetting as follows:

| | | | | |
|--------------------------|------------------|-----------|---|---|
| Deferred tax assets | (488,440) | (317,389) | - | - |
| Deferred tax liabilities | 7,219,671 | 6,089,256 | - | - |
| | 6,731,231 | 5,771,867 | - | - |

Notes to the Financial Statements

31 March 2005

22. DEFERRED TAXATION (Cont'd)

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred Tax Liabilities of the Group:

| | Revaluation Surplus RM | Property, Plant and Equipment RM | Total RM |
|--------------------------------|------------------------------|---|------------------|
| At 1 April 2004 | 1,151,495 | 4,937,761 | 6,089,256 |
| Recognised in income statement | (48,199) | 593,354 | 545,155 |
| Recognised in equity | 585,260 | - | 585,260 |
| At 31 March 2005 | 1,688,556 | 5,531,115 | 7,219,671 |
| At 1 April 2003 | 1,210,940 | 4,471,017 | 5,681,957 |
| Recognised in income statement | (59,445) | 466,744 | 407,299 |
| At 31 March 2004 | 1,151,495 | 4,937,761 | 6,089,256 |

Deferred Tax Assets of the Group:

| | Property, Plant and Equipment RM | Provision for Doubtful Debts RM | Unutilised Reinvestment Allowances RM | Total RM |
|--------------------------------|---|--|--|------------------|
| At 1 April 2004 | (19,998) | (112,000) | (185,391) | (317,389) |
| Recognised in income statement | (230,447) | - | 59,396 | (171,051) |
| At 31 March 2005 | (250,445) | (112,000) | (125,995) | (488,440) |
| At 1 April 2003 | (217,841) | (112,000) | - | (329,841) |
| Recognised in income statement | 197,843 | - | (185,391) | 12,452 |
| At 31 March 2004 | (19,998) | (112,000) | (185,391) | (317,389) |

Deferred tax assets have not been recognised in respect of the following item:

| | Group | | Company | |
|------------------------------------|------------------|------------|------------|------------|
| | 2005 RM | 2004 RM | 2005 RM | 2004 RM |
| Unutilised reinvestment allowances | 5,031,988 | 6,303,939 | - | - |

The unutilised reinvestment allowances are available indefinitely for offset against future taxable profits of the subsidiary company.

Notes to the Financial Statements

31 March 2005

23. SIGNIFICANT RELATED PARTY TRANSACTIONS

| | Group | | Company | |
|--|------------|------------|-------------|-------------|
| | 2005 RM | 2004 RM | 2005 RM | 2004 RM |
| Rental of farm paid to holding company | 262,080 | 262,080 | - | - |
| Rental of office paid to a director, Lim Hooi Tin | 36,800 | 19,200 | 36,800 | 19,200 |
| Dividend income received from a subsidiary company, LTK (Melaka) Sdn. Bhd. | - | - | (2,700,000) | (3,400,000) |
| Management fee received from a subsidiary company, LTK (Melaka) Sdn. Bhd. | - | - | (360,000) | (360,000) |
| Interest income from subsidiary companies | | | | |
| - LTK (Melaka) Sdn. Bhd. | - | - | (106,132) | (127,220) |
| - LTK Breeder Farm Sdn. Bhd. | - | - | (11,805) | (11,742) |
| Office rental income received from holding company | (8,400) | (8,400) | (8,400) | (8,400) |

The above transactions have been entered into in the normal course of business based on negotiated and mutually agreed terms.

24. PRIOR YEAR ADJUSTMENT

The prior year adjustment relates to tax applicable on the surplus arising from revaluation of farm buildings in 1999 pursuant to the adoption of MASB 25 - Income Taxes.

The effect of the prior year adjustment is as follows:

| | Group | |
|----------------------------------|------------|------------|
| | 2005 RM | 2004 RM |
| Effect on retained profits: | | |
| At 1 April, as previously stated | 22,475,480 | 17,630,540 |
| Effect of adopting MASB 25 | - | (798,720) |
| At 1 April, as restated | 22,475,480 | 16,831,820 |

25. CAPITAL COMMITMENTS

| | Group | | Company | |
|-----------------------------------|------------|------------|------------|------------|
| | 2005 RM | 2004 RM | 2005 RM | 2004 RM |
| Authorised and contracted for | | | | |
| Property, plant and equipment | 243,406 | - | - | - |
| Authorised but not contracted for | | | | |
| Property, plant and equipment | 15,000,000 | 8,000,000 | - | - |
| | 15,243,406 | 8,000,000 | - | - |

Notes to the Financial Statements

31 March 2005

26. CONTINGENT LIABILITIES - UNSECURED

| | Group | | Company | |
|---|-------|------|------------|------------|
| | 2005 | 2004 | 2005 | 2004 |
| | RM | RM | RM | RM |
| Guarantees to licensed financial institutions in respect of credit facilities granted to subsidiary companies | | | | |
| - LTK (Melaka) Sdn. Bhd. | - | - | 8,121,200 | 11,789,969 |
| - LTK Bio-Fer Sdn. Bhd. | - | - | 239,779 | 578,179 |
| - LTK Omega Plus Sdn. Bhd. | - | - | 4,166,329 | 4,686,782 |
| | - | - | 12,527,308 | 17,054,930 |

27. FINANCIAL INSTRUMENTS

The Group's exposure to financial risks arising in the normal course of business are as set out below. The Group is not engaged in speculative transactions.

(i) Interest Rate Risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities.

The Group monitors the interest rate on borrowings closely to ensure that the borrowings are maintained at favourable rates.

(ii) Credit Risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. The Group does not have any significant concentration of credit risk that may arise from exposures to a single debtor.

(iii) Currency Risk

The Group is not exposed to significant foreign currency risk as majority of the Group's transactions are denominated in Ringgit Malaysia.

The Group does not use any forward contracts to hedge against its exposure to foreign currency risk.

(iv) Liquidity Risk

The Group ensures that there are adequate funds to meet all their obligations in a timely and cost-effective manner.

(v) Fair Value

The carrying amounts of the financial assets and financial liabilities as reflected in the balance sheet approximate their respective net fair values.

Notes to the Financial Statements

31 March 2005

28. SEGMENT INFORMATION

The Group is organised into two major business segments:

(i) Production and Sale of Poultry and Related Products

This segment consists of the subsidiary companies which are engaged in the production and sales of chicken eggs, chickens and organic fertilisers.

(ii) Investment Holding

This segment refers to investment activities in quoted and unquoted securities held by the Group on a long term basis.

Other business segment refers to inactive companies.

The directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

There is no disclosure of geographical segment as the Group operates principally within Malaysia.

31 March 2005

Production and Sale of Poultry and Related

[illegible]

List of Properties

As at 31 March 2005

| Location | Existing use & description | Approximate Area (Acres) | Tenure | Remaining Lease Period (Expiry Date) | Age of buildings | Net Book Value As At 31.3.05 (RM000) | Date of Revaluation / Acquisition |
|--|--------------------------------|-----------------------------|-----------|---|--------------------------|---|--------------------------------------|
| Lot Nos. 372, 1378 (new lot No. 3268) and 3266, Mukim of Durian Tunggal, District of Alor Gajah, Melaka | Poultry Farm | 266.8 | Freehold | - | Less than 15 years | 48,146 * | Feb 2005 (Revaluation) |
| Lot Nos. 863 and 864, Mukim of Ayer Pa'abas, District of Alor Gajah, Melaka | Rubber estate leased out | 23.7 | Leasehold | 32 years (29.11.2037) | - | 567 | Feb 2005 (Revaluation) |
| Lot Nos. 105, 106, 233, 758, 150, 1333, Mukim of Bukit Senggeh, District of Jasin, Melaka | Vacant | 199.8 | Freehold | - | - | 7,011 | Feb 2005 (Revaluation) |
| Lot Nos. 270, 271 and 272, Mukim Jus, District of Jasin, Melaka | Vacant | 32.3 | Leasehold | 52 years (21.03.2057) | - | 1,157 | Oct 2004 (Acquisition) |

* Net book value of both land and farm buildings

Analysis of Shareholdings

As at 30 June 2005

| | | |
|-------------------|---|--------------------------------|
| CLASS OF SHARES | : | ORDINARY SHARES OF RM1.00 EACH |
| NUMBER OF HOLDERS | : | 2,300 |
| VOTING RIGHTS | : | ONE VOTE PER ORDINARY SHARE |

ANALYSIS BY SIZE OF SHAREHOLDINGS AS AT 30 JUNE 2005

| Size of Shareholdings | No. of Shareholders | % | No. of Shares | % |
|--------------------------|---------------------|---------------|-------------------|---------------|
| Less than 100 | 1 | 0.04 | 50 | 0.00 |
| 100 to 1,000 | 1,220 | 53.04 | 1,214,950 | 3.03 |
| 1,001 to 10,000 | 907 | 39.44 | 3,800,036 | 9.47 |
| 10,001 to 100,000 | 139 | 6.04 | 3,625,764 | 9.04 |
| 100,001 to 2,005,799 (*) | 29 | 1.26 | 9,699,302 | 24.18 |
| 2,005,800 and above (**) | 4 | 0.18 | 21,775,900 | 54.28 |
| Total | 2,300 | 100.00 | 40,116,002 | 100.00 |

* Less than 5% of issued and paid-up shares capital

** 5% and above of issued and paid-up shares capital

SUBSTANTIAL SHAREHOLDERS AS AT 30 JUNE 2005

| Name | Direct | Shareholdings % | Indirect | % |
|------------------------------------|------------|--------------------|--------------|-------|
| Ladang Ternakan Kelang Sdn. Berhad | 23,112,602 | 57.61 | - | - |
| Tan Kok | - | - | *23,112,602 | 57.61 |
| Lim Hooi Tin | - | - | **23,112,602 | 57.61 |
| Tan Wah | - | - | *23,112,602 | 57.61 |
| Tam Kim Hock | 65,000 | 0.16 | *23,112,602 | 57.61 |

* Deemed interest by virtue of his substantial shareholdings in Ladang Ternakan Kelang Sdn Berhad under Section 6A(4) of the Companies Act, 1965

** Deemed interest by virtue of being the spouse of Tan Kok, a substantial shareholder of Ladang Ternakan Kelang Sdn Berhad, which is a substantial shareholder of LTKM Berhad

Analysis of Shareholdings

As at 30 June 2005

DIRECTORS' SHAREHOLDINGS AS AT 30 JUNE 2005

| Name | Direct | Shareholdings | | % |
|----------------------------|-----------|---------------|---------------|-------|
| | | % | Indirect | |
| Ahmad Khairuddin bin Ilias | # 801,000 | 2.00 | - | - |
| Tan Kok | - | - | * 23,112,602 | 57.61 |
| Tan Kark Bin | 464,000 | 1.16 | - | - |
| Tan Kim Hock | 65,000 | 0.16 | * 23,112,602 | 57.61 |
| Tan Wah | - | - | * 23,112,602 | 57.61 |
| Lim Hooi Tin | - | - | ** 23,112,602 | 57.61 |
| Kamarudin bin Md Derom | - | - | - | - |
| Ooi Chee Seng | - | - | - | - |

As beneficial owner held through OSK Nominees (Tempatan) Sdn Berhad

* Deemed interest by virtue of his substantial shareholdings in Ladang Ternakan Kelang Sdn Berhad under Section 6A(4) of the Companies Act, 1965

** Deemed interest by virtue of being the spouse of Tan Kok, a substantial shareholder in Ladang Ternakan Kelang Sdn Berhad, which is a substantial shareholder of LTKM Berhad

DIRECTORS' SHAREHOLDINGS IN RELATED CORPORATION AS AT 30 JUNE 2005

| Name | Direct | Shareholdings | | % |
|------------------------------------|-----------|---------------|----------|---|
| | | % | Indirect | |
| LADANG TERNAKAN KELANG SDN. BERHAD | | | | |
| Tan Kok | 5,579,200 | 41.4 | - | - |
| Tan Kim Hock | 3,366,000 | 25.0 | - | - |
| Tan Wah | 3,366,000 | 25.0 | - | - |
| Lim Hooi Tin | 1,152,800 | 8.6 | - | - |

OPTIONS ALLOCATED TO THE DIRECTORS PURSUANT TO THE EMPLOYEES' SHARE OPTION SCHEME

| Name | Granted | Exercised as at 30-Jun-2005 | Balance as at 30-Jun-2005 | Percentage |
|--------------|---------|--------------------------------|------------------------------|------------|
| Tan Kok | 400,000 | - | 400,000 | 1.00 |
| Tan Kark Bin | 180,000 | - | 180,000 | 0.45 |
| Tan Kim Hock | 200,000 | - | 200,000 | 0.50 |
| Tan Wah | 200,000 | - | 200,000 | 0.50 |
| Lim Hooi Tin | 200,000 | - | 200,000 | 0.50 |

Analysis of Shareholdings

As at 30 June 2005

THIRTY (30) LARGEST SHAREHOLDERS AS PER THE RECORD OF DEPOSITORS AS AT 30 JUNE 2005

| NAME | NO. OF SHARES | PERCENTAGE (%) |
|---|-------------------|----------------|
| 1. Ladang Ternakan Kelang Sdn Berhad | 7,081,000 | 17.65 |
| 2. Ladang Ternakan Kelang Sdn Berhad | 6,000,000 | 14.96 |
| 3. Ladang Ternakan Kelang Sdn Berhad | 6,000,000 | 14.96 |
| 4. Ladang Ternakan Kelang Sdn Berhad | 2,694,900 | 6.72 |
| 5. Lembaga Tabung Angkatan Tentera | 1,480,000 | 3.69 |
| 6. OSK Nominees (Tempatan) Sdn Berhad -OSK Capital Sdn Bhd For Ahmad Khairuddin bin Ilias | 801,000 | 2.00 |
| 7. Ladang Ternakan Kelang Sdn Berhad | 750,002 | 1.87 |
| 8. Malaysia Nominees (Tempatan) Sendirian Berhad -Malaysian Trustees Berhad For Alliance Vision Fund | 678,700 | 1.69 |
| 9. Mayban Securities Nominees (Tempatan) Sdn Bhd -Pledged Securities Account For Ladang Ternakan Kelang Sdn Berhad | 586,700 | 1.46 |
| 10. Fawziah Bt Hussein Sazally | 570,000 | 1.42 |
| 11. Phuah Chai Tin | 479,000 | 1.19 |
| 12. Tan Kark Bin | 464,000 | 1.16 |
| 13. Wong Lok Jee @ Ong Lok Jee | 358,000 | 0.89 |
| 14. Kok Chiew Heng | 350,000 | 0.87 |
| 15. Koperasi Polis Diraja Malaysia Berhad | 310,000 | 0.77 |
| 16. Chop Cheong Bee Sdn Bhd | 300,000 | 0.75 |
| 17. Lee Chee Gaip | 230,000 | 0.57 |
| 18. Lee Chee Gaip | 220,000 | 0.55 |
| 19. Ang Tin Foo | 198,000 | 0.49 |
| 20. Malacca Equity Nominees (Tempatan) Sdn Bhd -Pledged Securities Account For Loo Eng Seng | 177,000 | 0.44 |
| 21. Tan Ah Moi | 176,000 | 0.44 |
| 22. Siew Gaik Hong | 170,000 | 0.42 |
| 23. Wong Hok Yim | 167,000 | 0.42 |
| 24. Teh Teaw Kee | 161,400 | 0.40 |
| 25. Lim Sze Ying | 144,000 | 0.36 |
| 26. Calibre Portfolio Sdn Bhd | 130,000 | 0.32 |
| 27. Ho Long Miao | 125,000 | 0.31 |
| 28. Ng Hooi Kim @ Ooi Hooi Kim | 124,000 | 0.31 |
| 29. Yong Nget Min | 122,000 | 0.31 |
| 30. Ng Chu Peng | 110,000 | 0.28 |
| TOTAL | 31,157,702 | 77.67 |

Form of Proxy



I/We _____ (NRIC No.) _____
(Full Name in Capital Letters)

of _____
(Full Address)

being a Member of LTKM BERHAD, do hereby appoint _____
(Full Name in Capital Letters)

_____ (NRIC No.) _____

of _____
(Full Address)

or failing him/her, _____ (NRIC No.) _____
(Full Name in Capital Letters)

of _____
(Full Address)

or failing him/her, the CHAIRMAN OF MEETING, as *my / our proxy to attend and vote for *me / us and on *my / our behalf at the Eighth Annual General Meeting to be held at Kelab Golf Sultan Abdul Aziz Shah, 1 Rumah Kelab, Jalan Kelab Golf 13/6, 40100 Shah Alam, Selangor Darul Ehsan on Monday, 29 August 2005 at 10.00 a.m. and at any adjournment thereof.

Please indicate with an "X" in the space provided below how you wish your votes to be casted. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his / her discretion.

| No. | Resolutions | For | Against |
|-----|-----------------------|-----|---------|
| 1. | Ordinary Resolution 1 | | |
| 2. | Ordinary Resolution 2 | | |
| 3. | Ordinary Resolution 3 | | |
| 4. | Ordinary Resolution 4 | | |
| 5. | Ordinary Resolution 5 | | |
| 6. | Ordinary Resolution 6 | | |
| 7. | Ordinary Resolution 7 | | |
| 8. | Ordinary Resolution 8 | | |

* Strike out whichever is not applicable.

Dated this _____ day of _____ 2005

| |
|-----------------------|
| Number of shares held |
| |

Signature of Member/Common Seal

Notes :

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint Proxy/Proxies to attend and vote on his (her) behalf. Where a member appoints two (2) or more Proxies to attend the same meeting, the appointment shall be invalid unless he(he) specifies the proportion of his(her) holdings to be represented by each Proxy.
2. A Proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply.
3. A Proxy Form shall be signed by the appointor or his(her) attorney duly authorised in writing or, if the member is a corporation, must be executed under its common seal or by its duly authorised attorney or officers.
4. The instrument appointing a Proxy must be deposited at the Registered Office of the Company at Unit 07-02, Level 7, Menara Luxor, 6B Persiaran Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof at which the person named in the instrument proposes to vote, and in default the instrument of Proxy shall not be treated as valid.

please fold along this line (1)

Stamp

The Company Secretary

LTKM BERHAD

(442942-H)

Unit 07-02, Level 7
Menara Luxor
6B Persiaran Tropicana
47410 Petaling Jaya
Selangor Darul Ehsan

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- Added with **organic selenium & natural carotenoids**
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Head Office: 102, Batu 1 1/2, Jalan Meru, 41050 Klang, Selangor, Malaysia
Tel: 03-3342 2831 Fax: 03-3341 1967
www.LTKM.com.my

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