

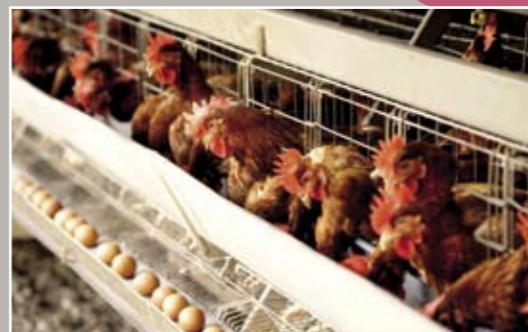


**TEO SENG CAPITAL BERHAD**

(Company No : 732762-T)

(Incorporated in Malaysia under the Companies Act, 1965)

PROSPECTUS



TEO SENG CAPITAL BERHAD

**“HATCHING FOR THE FUTURE”**

Lot 7850, Mukim Tg. Sembrong, Batu1, Jalan Muar, 83700 Yong Peng, Johor, Malaysia.

Tel: 607 467 2289 Fax: 607 467 2923 Email: tscb@teoseng.com.my

www.teoseng.com.my

PUBLIC ISSUE OF 38,610,000 NEW ORDINARY SHARES OF RM0.20 EACH IN TEO SENG CAPITAL BERHAD (“SHARES”) AT AN ISSUE PRICE OF RM0.45 PER SHARE PAYABLE IN FULL ON APPLICATION COMPRISING:

- 15,000,000 NEW SHARES AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC
- 6,110,000 NEW SHARES BY WAY OF PRIVATE PLACEMENT TO IDENTIFIED INVESTORS
- 10,000,000 NEW SHARES AVAILABLE FOR APPLICATION BY THE ELIGIBLE DIRECTORS, EMPLOYEES AND BUSINESS ASSOCIATES OF TEO SENG CAPITAL BERHAD AND ITS SUBSIDIARIES
- 7,500,000 NEW SHARES TO BE PLACED TO BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY

OFFER FOR SALE OF 42,000,000 SHARES AT AN OFFER PRICE OF RM0.45 PER SHARE TO BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY

IN CONJUNCTION WITH THE LISTING OF TEO SENG CAPITAL BERHAD ON THE SECOND BOARD OF BURSA MALAYSIA SECURITIES BERHAD

Adviser, Underwriter and Placement Agent



**HWANGDBS INVESTMENT BANK BERHAD** (14389-U)  
(A Participating Organisation of Bursa Malaysia Securities Berhad)

**FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE “RISK FACTORS” IN SECTION 3 OF THIS PROSPECTUS.**

THIS PROSPECTUS IS DATED 26 SEPTEMBER 2008



THIS PROSPECTUS HAS BEEN SEEN AND APPROVED BY THE DIRECTORS, PROMOTERS AND THE OFFEROR OF TEO SENG CAPITAL BERHAD (“TEO SENG” OR “THE COMPANY”) AND THEY COLLECTIVELY AND INDIVIDUALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF ALL INFORMATION CONTAINED HEREIN AND CONFIRM, AFTER HAVING MADE ALL REASONABLE ENQUIRIES THAT TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, THERE ARE NO FALSE OR MISLEADING STATEMENT OR OTHER FACTS THE OMISSION OF WHICH WOULD MAKE ANY STATEMENT HEREIN FALSE OR MISLEADING.

HWANGDBS INVESTMENT BANK BERHAD (“HWANGDBS”), BEING THE ADVISER, UNDERWRITER AND PLACEMENT AGENT OF OUR PUBLIC OFFERING, ACKNOWLEDGES THAT, BASED ON ALL AVAILABLE INFORMATION, AND TO THE BEST OF ITS KNOWLEDGE AND BELIEF, THIS PROSPECTUS CONSTITUTES A FULL AND TRUE DISCLOSURE OF ALL MATERIAL FACTS CONCERNING THE PUBLIC OFFERING.

THE SECURITIES COMMISSION (“SC”) HAS APPROVED THE ISSUE, OFFER OR INVITATION IN RESPECT OF THE PUBLIC OFFERING AND THAT THE APPROVAL SHALL NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS THE PUBLIC OFFERING. THE SC SHALL NOT BE LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF THE COMPANY AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS DOCUMENT, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS. **INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, INVESTORS WHO ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN SHOULD CONSULT THEIR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.**

ADMISSION TO THE OFFICIAL LIST OF BURSA MALAYSIA SECURITIES BERHAD (“BURSA SECURITIES”) IS NOT TO BE TAKEN AS AN INDICATION OF THE MERITS OF THE INVITATION, COMPANY OR OF ITS SECURITIES.

A COPY OF THIS PROSPECTUS HAS BEEN REGISTERED WITH THE SC. A COPY OF THIS PROSPECTUS, TOGETHER WITH THE FORM OF APPLICATION, HAS ALSO BEEN LODGED WITH THE REGISTRAR OF COMPANIES WHO TAKES NO RESPONSIBILITY FOR ITS CONTENTS.

THE CONTENTS OF THE ELECTRONIC PROSPECTUS AND THE COPY OF THIS PROSPECTUS REGISTERED WITH THE SC ARE THE SAME. YOU MAY OBTAIN A COPY OF THE ELECTRONIC PROSPECTUS FROM THE WEBSITES OF BURSA SECURITIES AT [www.bursamalaysia.com](http://www.bursamalaysia.com) AND CIMB INVESTMENT BANK BERHAD AT [www.eipocimb.com](http://www.eipocimb.com). YOU MAY ALSO OBTAIN A COPY OF THE ELECTRONIC PROSPECTUS FROM THE WEBSITES OF MALAYAN BANKING BERHAD AT [www.maybank2u.com.my](http://www.maybank2u.com.my) OR RHB BANK BERHAD AT [www.rhbbank.com.my](http://www.rhbbank.com.my) VIA HYPERLINK TO THE WEBSITE OF BURSA SECURITIES.

THE INTERNET IS NOT A FULLY SECURE MEDIUM. YOUR INTERNET SHARE APPLICATION MAY BE SUBJECT TO RISKS IN DATA TRANSMISSION, COMPUTER SECURITY THREATS SUCH AS VIRUSES, HACKERS AND CRACKERS, FAULTS WITH COMPUTER SOFTWARE AND OTHER EVENTS BEYOND THE CONTROL OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS. THESE RISKS CANNOT BE BORNE BY THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS. IF YOU DOUBT THE VALIDITY OR INTEGRITY OF AN ELECTRONIC PROSPECTUS, YOU SHOULD IMMEDIATELY REQUEST FROM THE COMPANY, THE ADVISER OR THE ISSUING HOUSE, A PAPER/PRINTED COPY OF THE PROSPECTUS. IF THERE IS ANY DISCREPANCY BETWEEN THE CONTENTS OF THE ELECTRONIC PROSPECTUS AND THE PAPER/PRINTED COPY OF THIS PROSPECTUS, THE CONTENTS OF THE PAPER/PRINTED COPY OF THIS PROSPECTUS WHICH ARE IDENTICAL TO THE COPY OF THE PROSPECTUS REGISTERED WITH THE SC SHALL PREVAIL.

IN RELATION TO ANY REFERENCE IN THIS PROSPECTUS TO THIRD PARTY INTERNET SITES (REFERRED TO AS "THIRD PARTY INTERNET SITES"), WHETHER BY WAY OF HYPERLINKS OR BY WAY OF DESCRIPTION OF THE THIRD PARTY INTERNET SITES, THE APPLICANT ACKNOWLEDGES AND AGREES THAT:

- (i) THE COMPANY AND THE ADVISER DO NOT ENDORSE AND ARE NOT AFFILIATED IN ANY WAY TO THE THIRD PARTY INTERNET SITES. ACCORDINGLY, THE COMPANY AND THE ADVISER ARE NOT RESPONSIBLE FOR THE AVAILABILITY OF, OR THE CONTENT OR ANY DATA, FILE OR OTHER MATERIAL PROVIDED ON THE THIRD PARTY INTERNET SITES. THE APPLICANT BEARS ALL RISKS ASSOCIATED WITH THE ACCESS TO OR USE OF THE THIRD PARTY INTERNET SITES;
- (ii) THE COMPANY AND THE ADVISER ARE NOT RESPONSIBLE FOR THE QUALITY OF PRODUCTS OR SERVICES IN THE THIRD PARTY INTERNET SITES, PARTICULARLY IN FULFILLING ANY OF THE TERMS OF ANY OF THE APPLICANT'S AGREEMENTS WITH THE THIRD PARTY INTERNET SITES. THE COMPANY AND THE ADVISER ARE ALSO NOT RESPONSIBLE FOR ANY LOSS OR DAMAGE OR COST THAT THE APPLICANT MAY SUFFER OR INCUR IN CONNECTION WITH OR AS A RESULT OF DEALING WITH THE THIRD PARTY INTERNET SITES OR THE USE OR RELIANCE ON ANY DATA, FILE OR OTHER MATERIAL PROVIDED BY SUCH PARTIES; AND
- (iii) ANY DATA, FILE OR OTHER MATERIAL DOWNLOADED FROM THE THIRD PARTY INTERNET SITES IS DONE AT THE APPLICANT'S OWN DISCRETION AND RISK. THE COMPANY AND THE ADVISER ARE NOT RESPONSIBLE, LIABLE OR UNDER OBLIGATION FOR ANY DAMAGE TO THE APPLICANT'S COMPUTER SYSTEM OR LOSS OF DATA RESULTING FROM THE DOWNLOADING OF ANY SUCH DATA, INFORMATION, FILES OR OTHER MATERIAL.

WHERE AN ELECTRONIC PROSPECTUS IS HOSTED ON THE WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTION, APPLICANTS ARE ADVISED THAT:

- (i) THE LIABILITY OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTION IN RESPECT OF THE INTEGRITY OF THE CONTENTS OF AN ELECTRONIC PROSPECTUS, IS ONLY TO THE EXTENT OF THE CONTENTS OF THE ELECTRONIC PROSPECTUS ON THE WEB SERVER OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTION WHICH MAY BE VIEWED VIA THE APPLICANT'S WEB BROWSER OR OTHER RELEVANT SOFTWARE. THE INTERNET PARTICIPATING FINANCIAL INSTITUTION IS NOT RESPONSIBLE FOR THE INTEGRITY OF THE CONTENTS OF AN ELECTRONIC PROSPECTUS WHICH HAS BEEN OBTAINED FROM THE WEB SERVER OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTION AND SUBSEQUENTLY COMMUNICATED OR DISSEMINATED IN ANY MANNER TO APPLICANTS OR OTHER PARTIES.
- (ii) WHILE ALL REASONABLE MEASURES HAVE BEEN TAKEN TO ENSURE THE ACCURACY AND RELIABILITY OF THE INFORMATION PROVIDED IN AN ELECTRONIC PROSPECTUS, THE ACCURACY AND RELIABILITY OF AN ELECTRONIC PROSPECTUS CANNOT BE GUARANTEED BECAUSE THE INTERNET IS NOT A FULLY SECURE MEDIUM.

THE INTERNET PARTICIPATING FINANCIAL INSTITUTION IS NOT LIABLE (WHETHER IN TORT OR CONTRACT OR OTHERWISE) FOR ANY LOSS, DAMAGE OR COSTS SUFFERED OR INCURRED BY THE APPLICANT OR ANY OTHER PERSON DUE TO, AS A CONSEQUENCE OR IN CONNECTION WITH ANY INACCURACIES, CHANGES, ALTERATIONS, DELETIONS OR OMISSIONS IN RESPECT OF THE INFORMATION PROVIDED IN AN ELECTRONIC PROSPECTUS WHICH MAY ARISE IN CONNECTION WITH OR AS A RESULT OF ANY FAULT WITH THE WEB BROWSERS OR OTHER RELEVANT SOFTWARE, ANY FAULT ON THE APPLICANT'S OR ANY THIRD PARTY'S PERSONAL COMPUTER, OPERATING SYSTEM OR OTHER SOFTWARE, VIRUSES OR OTHER SECURITY THREATS, UNAUTHORISED ACCESS TO INFORMATION OR SYSTEMS IN RELATION TO THE WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTION, AND/OR PROBLEMS OCCURRING DURING DATA TRANSMISSION WHICH MAY RESULT IN INACCURATE OR INCOMPLETE COPIES OF INFORMATION BEING DOWNLOADED OR DISPLAYED ON THE APPLICANT'S PERSONAL COMPUTER.

THIS PROSPECTUS HAS NOT BEEN AND WILL NOT BE MADE TO COMPLY WITH THE LAWS OF ANY JURISDICTION OTHER THAN MALAYSIA, AND HAS NOT BEEN AND WILL NOT BE LODGED, REGISTERED OR APPROVED PURSUANT TO OR UNDER ANY APPLICABLE SECURITIES OR EQUIVALENT LEGISLATION OR WITH OR BY ANY REGULATORY AUTHORITY OR OTHER RELEVANT BODY OF ANY JURISDICTION OTHER THAN MALAYSIA.

THIS PROSPECTUS IS NOT INTENDED TO BE AND WILL NOT BE ISSUED, CIRCULATED OR DISTRIBUTED AND OUR PUBLIC OFFERINGS WILL NOT BE MADE OR DEEMED TO BE MADE IN ANY COUNTRY OR JURISDICTION OTHER THAN MALAYSIA OR TO PERSONS WHO ARE OR MAYBE SUBJECT TO THE LAWS OF ANY COUNTRIES OR JURISDICTION OTHER THAN THE LAWS OF MALAYSIA. THE PUBLIC ISSUE TO WHICH THIS PROSPECTUS RELATES IS ONLY AVAILABLE TO PERSONS RECEIVING THIS PROSPECTUS ELECTRONICALLY OR OTHERWISE WITHIN MALAYSIA.

INVESTORS ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE OR MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THE PROSPECTUS IS DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CAPITAL MARKETS AND SERVICES ACT 2007.

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**INDICATIVE TIMETABLE**

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The following events are intended to take place on the tentative dates set out below:

<b>Event</b>	<b>Tentative Date</b>
Opening of Applications	26 September 2008
Closing of Applications	16 October 2008
Balloting of Applications	20 October 2008
Allotment of the new Teo Seng Shares	21 October 2008
Despatch of notices of allotment to successful applicants	28 October 2008
Listing of the Company's entire enlarged issued and paid-up share capital on the Second Board of Bursa Securities	29 October 2008

*The above timetable is only indicative and is subject to changes which may be necessary to facilitate implementation procedures. Our Directors, Offeror and Underwriter may mutually decide, at their absolute discretion, to extend the closing date and time for applications to a further date or dates. If the closing date of the application is extended, the dates for the despatch of notices of allotment and our listing will be extended accordingly. We will announce any extension of time on the closing date of application in a widely circulated English and Bahasa Malaysia newspaper within Malaysia.*

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## DEFINITION

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The following terms in this Prospectus bear the same meanings as set out below unless the term is defined otherwise or the context requires otherwise:

9MP	: Ninth Malaysia Plan 2006-2010
Act	: Companies Act, 1965
ADA	: Authorised Depository Agent
ADA Code	: ADA (Broker) Code
ATM	: Automated teller machine
Board	: Board of Directors of Teo Seng
Bursa Depository	: Bursa Malaysia Depository Sdn Bhd (165570-W)
Bursa Securities	: Bursa Malaysia Securities Berhad (635998-W)
CDS	: Central Depository System
CDS Account	: An account established by the Bursa Depository for a Depositor for the recording of deposit of securities and for dealing in such securities by the Depositor
Central Depositories Act	: The Securities Industry (Central Depositories) Act, 1991
CMSA	: Capital Markets and Services Act 2007
Dato' Dr Ma'amor	: Dato' Dr Ma'amor Bin Osman
Deposited Security	: Security in the Company standing to the credit of a CDS Account of a Depositor subject to the provision of the Central Depositories Act and the Rules of Bursa Depository
Depositor	: A holder of a CDS Account
Dr 'Aidawani	: Dr 'Aidawani Binti Abd Latif
EBITDA	: Earnings before interest, taxation, depreciation and amortisation
EGM	: Extraordinary general meeting
Electronic Share Application	: Application for the Public Issue Shares through a Participating Financial Institution's ATM
EPS	: Earnings per share
FYE	: Financial year ended/ending
GDP	: Gross domestic product
Government	: Malaysian Government
HwangDBS	: HwangDBS Investment Bank Berhad (14389-U)
IMRR	: Independent Market Research Report prepared by Dun & Bradstreet (D&B) Malaysia Sdn Bhd (527570-M)
IPO	: Our initial public offering, consisting of the Public Issue and the Offer for Sale
IPO Price	: RM0.45 per Teo Seng Share, being the Issue Price and Offer Price
IPO Shares	: Public Issue Shares and Offer Shares, collectively
Issue Price	: Issue price of RM0.45 per Public Issue Share
LHH	: Leong Hup Holdings Berhad (51316-D)



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**DEFINITION (Cont'd)**


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LHM	: Leong Hup Management Sdn Bhd (163695-A)
Listing	: Admission to the Official List and the listing of and quotation for our entire enlarged issued and paid-up share capital of RM40,000,000 comprising 200,000,000 Teo Seng Shares on the Second Board of Bursa Securities
LPD	: 12 August 2008, being the latest practicable date prior to the issuance of this Prospectus
Malaysian Public	: Citizens of Malaysia and companies, societies, co-operatives and institutions incorporated or organised under the laws of Malaysia but excludes our Directors, promoters, substantial shareholders and persons connected to them
Market Day	: Any day on which Bursa Securities is open for trading of securities
MI	: Minority interest
MIDFCCS	: MIDF Consultancy and Corporate Services Sendirian Berhad (11324-H)
MITI	: Ministry of International Trade and Industry
Nam Family	: Na Hap Cheng, Nam Yok San, Na Yok Chee, Nam Hiok Yong, Nam Hiok Yok and Nam Hiok Joo, collectively
NA	: Net assets
NBV	: Net book value
NTA	: Net tangible assets
NL	: Net liabilities
Offer for Sale	: Offer for sale by the Offeror of the Offer Shares at the Offer Price, payable in full upon application
Offeror or AVSB	: Advantage Valuations Sdn Bhd (729867-V)
Offer Price	: Offer price of RM0.45 per Offer Share under the Offer for Sale
Offer Shares	: 42,000,000 Teo Seng Shares offered for sale by the Offeror to Bumiputera investors approved by MITI at the Offer Price
Participating Financial Institution	: The participating financial institutions for Electronic Share Applications as referred to in Section 14 of this Prospectus
PAT	: Profit after tax
PATMI	: Profit after tax and minority interest
PBT	: Profit before tax
Pink Form Shares	: 10,000,000 Public Issue Shares reserved for our eligible Directors, employees and business associates who have contributed to our success
Public Issue	: Public issue of 38,610,000 Public Issue Shares at the Issue Price payable in full on application comprising: <ul style="list-style-type: none"> <li>(i) 15,000,000 Public Issue Shares made available for application by the Malaysian Public;</li> <li>(ii) 6,110,000 Public Issue Shares placed with institutional investors and/or individual investors by the Placement Agent;</li> <li>(iii) 10,000,000 Public Issue Shares reserved for our eligible Directors, employees and business associates who have contributed to our success; and</li> <li>(iv) 7,500,000 Public Issue Shares placed to Bumiputera investors approved by MITI</li> </ul>

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**DEFINITION (Cont'd)**


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Public Issue Shares	: 38,610,000 new Shares at the Issue Price payable in full upon application pursuant to the Public Issue
RCPS	: Redeemable convertible preference share
R&D	: Research and development
Re-organisation	: Acquisition by Teo Seng of: <ul style="list-style-type: none"> <li>(i) 1,500,000 ordinary shares of RM1.00 each in TSPP representing the entire equity interest therein for a consideration of RM4,162,951;</li> <li>(ii) 1,000,000 ordinary shares of RM1.00 each in TSFM representing the entire equity interest therein for a consideration of RM7,432,985; and</li> <li>(iii) 100,000 ordinary shares of RM1.00 each in Ritma representing the entire equity interest therein for a consideration of RM1,150,564.</li> </ul> <p>The Re-organisation was completed on 19 June 2008, and the aggregate purchase consideration equivalent to RM12,746,500 was accounted for as an amount owing by Teo Seng to TSF</p>
Ritma	: Ritma Prestasi Sdn Bhd (629010-U)
ROC	: Registrar of Companies of Malaysia
Rules of Bursa Depository	: Rules of Bursa Depository as issued pursuant to the Central Depositories Act
SC	: Securities Commission
sq.ft.	: Square feet
Success Century	: Success Century Sdn Bhd (346210-A)
Teo Seng or Company	: Teo Seng Capital Berhad (732762-T)
Teo Seng Group or Group	: Teo Seng and its subsidiaries, collectively
Teo Seng Share or Share	: Ordinary share of RM0.20 each in Teo Seng
TSF	: Teo Seng Farming Sdn Bhd (111937-P)
TSF Acquisition	: Acquisition by Teo Seng of 5,366,000 ordinary shares of RM1.00 each in TSF, representing its entire equity interest, for a purchase consideration of RM32,277,900, which was fully satisfied by the issuance of 161,389,500 Teo Seng Shares at an issue price of RM0.20 per Share, which was completed on 18 June 2008
TSFM	: Teo Seng Feedmill Sdn Bhd (474189-H)
TSPP	: Teo Seng Paper Products Sdn Bhd (299992-H)
Underwriter	: HwangDBS
US	: United States of America

**Technical Terms**

AIAO	: All-in-all-out system
AVA	: Agri-Food and Veterinary Authority, Singapore
CHS	: Closed-house system
CPS	: Central packing station



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**DEFINITION (Cont'd)**

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DOC	: Day-old-chick
DOSH	: Department of Occupational Safety and Health
DVS	: Department of Veterinary Services, Malaysia
NAP3	: Third National Agricultural Policy 1998-2010
NASCEP	: National Salmonella Control and Eradication Program
SALT	: Good Farming Practices Scheme

**Currency**

RM and sen	: Ringgit Malaysia and sen respectively
USD	: US Dollar

Any references to “we”, “us” and “our” in this Prospectus is a reference to our Company, our Group or any member of our Group as the context requires.

In this Prospectus, words denoting the singular shall include the plural number and vice versa, words denoting any gender shall include all genders, words denoting persons shall include natural persons, firms, companies, bodies corporate and unincorporated bodies, and a reference to a Section is a reference to the relevant section of this Prospectus. Any reference in this Prospectus to any enactment is a reference to that enactment as for the time being amended or re-enacted.

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**CORPORATE DIRECTORY**


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**BOARD OF DIRECTORS**

<b>Name (Designation)</b>	<b>Address</b>	<b>Occupation</b>	<b>Nationality</b>
Lau Jui Peng <i>(Non-Executive Chairman)</i>	No. 10-1, Pangsapuri Maharani Jalan Sulaiman 84000 Muar Johor Darul Takzim	Director	Malaysian
Nam Yok San <i>(Managing Director)</i>	No. 38, Jalan Panti Taman Bandar 83000 Batu Pahat Johor Darul Takzim	Director	Malaysian
Lau Joo Han <i>(Non-Executive Director)</i>	No. 31 Jalan TR8/3 Tropicana Golf & Country Resort 47410 Petaling Jaya Selangor Darul Ehsan	Director	Malaysian
Na Yok Chee <i>(Executive Director)</i>	No. 42, Jalan Melawati 4 Taman Melawati 83700 Yong Peng Johor Darul Takzim	Director	Malaysian
Loh Wee Ching <i>(Non-Executive Director)</i>	No. 58, Jalan Nobat Taman Bahagia 83700 Yong Peng Johor Darul Takzim	Director	Malaysian
Choong Keen Shian <i>(Independent Non-Executive Director)</i>	No. 25, Jalan SS3/52 University Garden 47300 Petaling Jaya Selangor Darul Ehsan	Director	Malaysian
Frederick Ng Yong Chiang <i>(Independent Non-Executive Director)</i>	No. 13, Jalan Kasawari 5 Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan	Director	Malaysian

**AUDIT COMMITTEE**

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Choong Keen Shian	Chairman of Committee	Independent Non-Executive Director
Lau Jui Peng	Member of Committee	Non-Executive Chairman
Frederick Ng Yong Chiang	Member of Committee	Independent Non-Executive Director

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**CORPORATE DIRECTORY (Cont'd)**

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**COMPANY SECRETARIES**

Wong Wei Fong (MAICSA 7006751)  
No. 20, Lorong Burung Upih 1  
Taman Bukit Maluri, Kepong  
52100 Kuala Lumpur  
Telephone No.: 03 2264 8888  
Facsimile No.: 03 2282 2733

Lim Meng Bin (LS 005798)  
No. 4, Jalan Flora 4  
Taman Flora  
83000 Batu Pahat  
Johor Darul Takzim  
Telephone No.: 06 951 9992  
Facsimile No.: 06 952 4882

**REGISTERED OFFICE**

No. 201-203, Jalan Abdullah  
84000 Muar  
Johor Darul Takzim  
Telephone No.: 06 951 9992  
Facsimile No.: 06 952 4882

**HEAD OFFICE**

Lot 7850, Mukim Tanjung Sembrong  
Batu 1, Jalan Muar  
83700 Yong Peng  
Johor Darul Takzim  
Telephone No.: 07 467 2289  
Facsimile No.: 07 467 2923  
Website: [www.teoseng.com.my](http://www.teoseng.com.my)

**AUDITORS AND REPORTING  
ACCOUNTANTS**

**Deloitte KassimChan (AF0080)**  
No. 21, Jalan Tun Abdul Razak  
Susur 1/1  
80000 Johor Bahru  
Johor Darul Takzim  
Telephone No.: 07 222 5988  
Facsimile No.: 07 224 7508

**SOLICITORS**

**Enoil Loo**  
No. 3-3, Jalan 26/70A  
Desa Sri Hartamas  
50480 Kuala Lumpur  
Telephone No.: 03 6203 2381  
Facsimile No.: 03 6203 2359

**INDEPENDENT MARKET  
RESEARCHER**

**Dun & Bradstreet (D&B) Malaysia Sdn Bhd (527570-M)**  
Level 9-3A, Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
50490 Kuala Lumpur  
Telephone No.: 03 2080 6000  
Facsimile No.: 03 2080 6001

**REGISTRAR**

**PFA Registration Services Sdn Bhd (19234-W)**  
Level 17, The Gardens North Tower  
Mid Valley City  
Lingkaran Syed Putra  
59200 Kuala Lumpur  
Telephone No.: 03 2264 3883  
Facsimile No.: 03 2282 1886



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**CORPORATE DIRECTORY (Cont'd)**

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**ISSUING HOUSE**

**MIDF Consultancy and Corporate Services Sendirian Berhad (11324-H)**  
Level 8, Menara MIDF  
No. 82, Jalan Raja Chulan  
50200 Kuala Lumpur  
Telephone No.: 03 2173 8888  
Facsimile No.: 03 2173 8677

**PRINCIPAL BANKERS**

**OCBC Bank (Malaysia) Berhad (295400-W)**  
Menara OCBC  
No. 18, Jalan Tun Perak  
50050 Kuala Lumpur  
Telephone No.: 03 2034 5034  
Facsimile No.: 03 2698 4363

**Malayan Banking Berhad (3813-K)**  
Menara Maybank  
No. 100, Jalan Tun Perak  
50050 Kuala Lumpur  
Telephone No.: 03 2074 7269  
Facsimile No.: 03 2026 5267

**CIMB Bank Berhad (13491-P)**  
UL Wisma Amanah Raya Berhad  
Jalan Semantan  
Damansara Heights  
50490 Kuala Lumpur  
Telephone No.: 03 2084 8888  
Facsimile No.: 03 2095 5818

**United Overseas Bank (Malaysia) Berhad (271809-K)**  
No. 2, Jalan Wong Ah Fook  
80000 Johor Bahru  
Johor Darul Takzim  
Telephone No.: 07 219 6300  
Facsimile No.: 07 221 5006

**ADVISER, UNDERWRITER AND  
PLACEMENT AGENT**

**HwangDBS Investment Bank Berhad (14389-U)**  
Suite 23A-01, 23A Floor  
Menara Keck Seng  
No. 203, Jalan Bukit Bintang  
55100 Kuala Lumpur  
Telephone No.: 03 2143 7888  
Facsimile No.: 03 2148 2989

**LISTING SOUGHT**

Second Board of Bursa Securities

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## 1. INFORMATION SUMMARY

This section is only a summary of the salient information about us and the IPO and is extracted from the full text of this Prospectus. You should read and understand this section together with the whole Prospectus before you decide whether to invest in us.

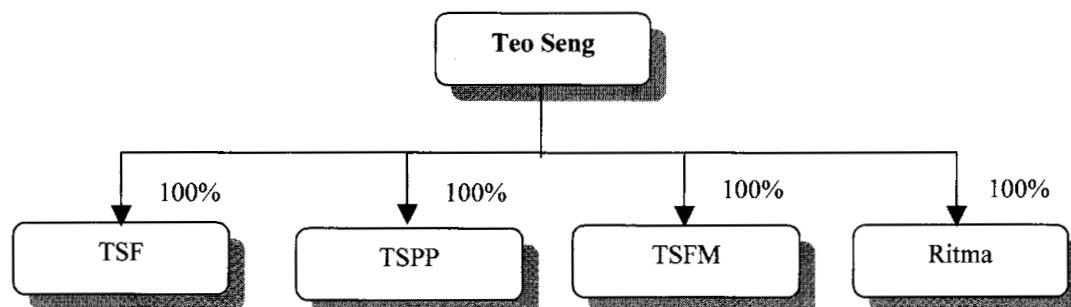
### 1.1 OVERVIEW OF OUR GROUP

Our Company was incorporated in Malaysia under the Companies Act, 1965 on 8 May 2006 as a private limited company under the name of Teo Seng Capital Sdn Bhd. Our Company was converted into a public limited company on 31 May 2006 and assumed our present name. As at the LPD, our authorised share capital is RM50,000,000 comprising 250,000,000 Teo Seng Shares, of which 161,390,000 Teo Seng Shares have been issued and fully paid-up.

We are principally involved in investment holding. The principal activities of our subsidiaries are as follows:

Subsidiaries	Date / country of incorporation	% effective equity interest	Issued & paid-up capital RM	Principal activities
TSF	22.12.1983 / Malaysia	100.0	5,366,000	Investment holding and poultry farming
TSPP	13.05.1994 / Malaysia	100.0	1,500,000	Manufacturing and marketing of egg trays
TSFM	19.12.1998 / Malaysia	100.0	1,000,000	Manufacturing and marketing of animal feeds
Ritma	24.09.2003 / Malaysia	100.0	100,000	Distribution of pet food, medicine and other related products

Our Group's corporate structure is depicted as follows:



Please refer to Section 4 of this Prospectus for further details on the history and business overview of our Group.

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## 1. INFORMATION SUMMARY (Cont'd)

## 1.2 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND TECHNICAL PERSONNEL

The direct and indirect beneficial interests of our promoters, substantial shareholders, Directors, key management and technical personnel in our Company before and after the IPO is are illustrated below:

Designation	Before IPO			After IPO		
	No. of Shares '000	%	No. of Shares '000	Direct	Indirect	No. of Shares '000
<b>Promoters</b>						
AVSB	144,246	89.4	-	102,246	-	102,246
LHH	3,128	1.9	144,246 <sup>1</sup>	3,128	102,246 <sup>1</sup>	102,246 <sup>1</sup>
Na Hap Cheng	602	0.4	-	982	-	982
Nam Yok San	571	0.4	-	951	-	951
Na Yok Chee	571	0.4	-	951	-	951
Nam Hiok Yong	421	0.3	-	445	-	445
Nam Hiok Joo	421	0.3	-	671	-	671
<b>Substantial shareholders</b>						
AVSB	144,246	89.4	-	102,246	-	102,246
Dr 'Aidawani	9,173	5.7	-	18,323	-	18,323
Dato' Dr Ma'amor	1,835	1.1	-	18,285	-	18,285
LHH	3,128	1.9	144,246 <sup>1</sup>	3,128	102,246 <sup>1</sup>	102,246 <sup>1</sup>
LHM	-	-	147,374 <sup>2</sup>	-	105,374 <sup>2</sup>	105,374 <sup>2</sup>
Datin Heng Ah Pee	-	-	147,374 <sup>3</sup>	-	105,374 <sup>3</sup>	105,374 <sup>3</sup>
Datin Chua Ah Nia @ Chua Kah Nui	-	-	147,374 <sup>3</sup>	-	105,374 <sup>3</sup>	105,374 <sup>3</sup>

## 1. INFORMATION SUMMARY (Cont'd)

Designation	Before IPO^		After IPO^^	
	Direct	Indirect	Direct	Indirect
	No. of Shares '000	%	No. of Shares '000	%
<b>Directors</b>				
Lau Jui Peng	-	-	150	0.1
Nam Yok San	571	0.4	951	0.5
Lau Joo Han	-	-	150	0.1
Na Yok Chee	571	0.4	951	0.5
Loh Wee Ching	-	-	150	0.1
Choong Keen Shian	-	-	150	0.1
Frederick Ng Yong Chiang	-	-	150	0.1
<b>Key management and technical personnel</b>				
Na Hap Cheng	602	0.4	982	0.5
Nam Hiok Yong	421	0.3	445	0.2
Nam Hiok Joo	421	0.3	671	0.3
Ku Leong Choon	-	-	20	*
Dr. Kee Sze Lean	-	-	10	*
Wong Lee Peng	-	-	8	*
Nam Ya Jun	-	-	8	*
Dr 'Aidawani	9,173	5.7	18,323	9.2
Dato' Dr Ma'amor	1,835	1.1	18,285	9.1

## 1. INFORMATION SUMMARY *(Cont'd)*

### Notes:

- ^ Based on the issued and paid-up share capital immediately before the Public Issue of 161,390,000 Shares.
- ^^ Based on the assumption that their respective entitlements to the Pink Form Shares are fully taken up by the respective parties.
- \* Negligible.
- 1. Deemed interest by virtue of its shareholding in AVSB, pursuant to Section 6A of the Act.
- 2. Deemed interest by virtue of its shareholding in LHH, pursuant to Section 6A of the Act.
- 3. Deemed interest by virtue of her shareholding in LHM, pursuant to Section 6A of the Act.

Please refer to Section 5 of this Prospectus for further details on our promoters, substantial shareholders, Directors, key management and technical personnel.

## 1.3 FINANCIAL HIGHLIGHTS

### 1.3.1 Historical financial information

The following is a summary of our proforma consolidated results for the past three (3) FYE 31 March 2008. The proforma consolidated results are presented for illustrative purposes only and have been prepared on the assumption that our Group structure has been in existence throughout the financial years under review. The table should be read in conjunction with the accompanying notes and assumptions set forth in Section 8.4 of this Prospectus.

FYE 31 March	2006	2007	2008
	RM'000	RM'000	RM'000
Revenue	101,264	112,641	159,343
Gross profit	21,056	19,828	25,605
EBITDA	18,481	17,549	21,862
Depreciation	(3,732)	(4,124)	(4,526)
Amortisation	(20)	-	-
Finance costs	(1,459)	(2,223)	(2,466)
PBT	13,270	11,202	14,870
Taxation	(3,308)	(2,252)	(2,343)
PAT	9,962	8,950	12,527
Paid-up capital of proforma Group ('000)	161,390	161,390	161,390
Gross EPS (sen)*	8.22	6.94	9.21
Net EPS (sen)*	6.17	5.55	7.76
Paid-up capital of TSF ('000)	5,366	5,366	5,366
Gross EPS (sen)*	247.30	208.76	277.12
Net EPS (sen)*	185.65	166.79	233.45
Gross profit margin (%)	20.79	17.60	16.07

### Notes:

- (i) The Group's proforma consolidated income statements for the three (3) FYE 31 March 2008 are prepared for illustrative purpose only and on the assumption that the acquisitions of TSF Group (comprising of TSF and its subsidiary companies, TSFM, TSPP and Ritma), by Teo Seng were completed on 1 April 2005. The proforma consolidated income statements of the proforma Teo Seng Group are based on the audited financial statements of Teo Seng and of its subsidiary companies for the three (3) FYE 31 March 2008 and have been prepared based on the accounting policies consistent with those adopted in the preparation of the statutory financial statements of Teo Seng and of its subsidiary companies acquired subsequent to 31 March 2008.

## 1. INFORMATION SUMMARY (Cont'd)

- (ii) The results of Ritma for the financial period 1 January 2005 to 31 March 2006 was consolidated with the financial statements of the proforma Teo Seng Group without adjustment for the effect of different FYE as the effect of the difference in FYE is not material.
- (iii) The paid-up capital of Teo Seng represents issued and fully paid ordinary shares issued amounting to RM32,278,000 comprising of 161,390,000 Teo Seng Shares, pursuant to the acquisition of the subsidiary companies.
- (iv) The paid-up capital of TSF represents issued and fully paid ordinary shares of 5,366,000 upon the completion of the acquisition of the remaining 30% equity interest in Ritma on 5 July 2006.
- (v) The gross EPS and net EPS of the proforma Teo Seng Group and TSF are calculated based on PBT and PAT over the number of shares of 161,390,000 and 5,366,000 respectively.
- (vi) There is no extraordinary item, exceptional item and minority interest for the financial years under review.
- (vii) All significant inter-company transactions are eliminated.
- \* No diluted EPS is presented as the proforma Teo Seng Group has no dilutive potential ordinary shares.

### 1.3.2 Proforma consolidated balance sheets

We have prepared our proforma consolidated balance sheets below for illustrative purposes only, based on our audited consolidated balance sheet as at 31 March 2008 to show the effects of the Public Issue and the use of proceeds arising from the Public Issue on the assumptions that the transactions were completed on 31 March 2008. We advise you to read the proforma consolidated balance sheets together with the accompanying notes and assumptions included in the full set of the proforma consolidated balance sheets set out in Section 8.4 of this Prospectus.

	Balance Sheet as of 31 March 2008 RM'000	Adjustments for TSF Acquisition and Re-organisation ** RM'000	Proforma I RM'000	Adjustments for Public Issue and Utilisation of Proceeds RM'000	Proforma II RM'000
<b>ASSETS</b>					
<b>Non-current Assets</b>					
Property, plant and equipment	-	57,438	57,438	15,348	72,786
Other investments	-	3	3	-	3
Goodwill on consolidation	-	1,696	1,696	2,235	3,931
<b>Total Non-current Assets</b>	-		59,137		76,720
<b>Current Assets</b>					
Inventories	-	22,583	22,583	2,826	25,409
Trade receivables	-	15,321	15,321	735	16,056
Other receivables, deposits and prepaid expenses	-	1,334	1,334	242	1,576
Amount owing by immediate holding company	-	5	5	-	5
Amount owing by other related companies	-	556	556	-	556
Tax recoverable	-	55	55	-	55
Cash and bank balances	*	12,328	12,328	2,607	14,935
<b>Total Current Assets</b>	*		52,182		58,592
<b>TOTAL ASSETS</b>	*		111,319		135,312

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## 1. INFORMATION SUMMARY (Cont'd)

	Balance Sheet as of 31 March 2008 RM'000	Adjustments for TSF Acquisition and Re-organisation ** RM'000	Proforma I RM'000	Adjustments for Public Issue and Utilisation of Proceeds RM'000	Proforma II RM'000
<b>EQUITY AND LIABILITIES</b>					
Share capital	*	5,366	5,366	7,722	13,088
Share premium	-	834	834	7,853	8,687
Asset revaluation reserve	-	4,175	4,175	-	4,175
(Accumulated losses)/Retained earnings	(9)	31,851	31,842	-	31,842
<b>(Capital Deficiency)/Total Equity</b>	<b>(9)</b>		<b>42,217</b>		<b>57,792</b>
<b>Non-Current Liabilities</b>					
Amount owing to intermediate holding company	-	4,211	4,211	-	4,211
Hire-purchase payables – non-current portion	-	3,138	3,138	574	3,712
Borrowings – non-current portion	-	3,737	3,737	-	3,737
Deferred tax liabilities	-	6,305	6,305	1,055	7,360
<b>Total Non-current Liabilities</b>	<b>-</b>		<b>17,391</b>		<b>19,020</b>
<b>Current Liabilities</b>					
Trade payables	-	11,995	11,995	5,344	17,339
Other payables and accrued expenses	4	2,845	2,849	217	3,066
Amount owing to intermediate holding company	-	4	4	-	4
Amount owing to a director	5	-	5	-	5
Amount owing to other related companies	-	1,013	1,013	-	1,013
Dividend payable	-	2,705	2,705	-	2,705
Hire-purchase payables	-	1,722	1,722	614	2,336
Borrowings	-	30,785	30,785	614	31,399
Tax liabilities	-	633	633	-	633
<b>Total Current Liabilities</b>	<b>9</b>		<b>51,711</b>		<b>58,500</b>
<b>Total Liabilities</b>	<b>9</b>		<b>69,102</b>		<b>77,520</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>*</b>		<b>111,319</b>		<b>135,312</b>
Number of ordinary shares in issue	500		161,390,000		200,000,000
(NL)/NTA	(9)		40,521		53,861
(NL)/NTA per ordinary share (RM)	(18.00)		0.25		0.27

**Notes:**

\* Represents RM100.

\*\* The adjustments made represent TSF Acquisition and Re-organisation. Significant inter-company balances are eliminated. Goodwill on consolidation represents the excess of cost of the business combination over the acquirer's interest in the fair value of identifiable net assets of acquiree as of 31 March 2008.

### 1.3.3 Auditors' qualification

The following financial statements have been reported by our auditors without any qualification:

- (i) audited financial statements of Teo Seng for the financial period from 8 May 2006 (date of incorporation) to 31 March 2007 and the past one (1) FYE 31 March 2008;
- (ii) audited financial statements of TSF for the past three (3) FYE 31 March 2008;

## 1. INFORMATION SUMMARY *(Cont'd)*

- (iii) audited financial statements of TSFM for the past three (3) FYE 31 March 2008;
- (iv) audited financial statements of TSPP for the past three (3) FYE 31 March 2008; and
- (v) audited financial statements of Ritma for the financial period from 1 January 2005 to 31 March 2006 and the past two (2) FYE 31 March 2008.

### 1.4 RISK FACTORS

Before investing in our Shares, you should pay particular attention to the fact that we, and to a large extent our activities, are subject to the legal, regulatory and business environment in Malaysia. Our business is subject to a number of factors, many of which are outside our control. Prior to making an investment decision, you should carefully consider, along with the other matters in this Prospectus, the risks set out below. The risk factors set out below are not an exhaustive list of the challenges that we currently face or that may develop in the future. Additional risks, whether known or unknown, may in the future have a material adverse effect on us or our Shares. Please refer to Section 3 of this Prospectus for detailed information on the risks in investing in our Company.

- (i) Risk of diseases
- (ii) Supply and price of raw materials
- (iii) Dependence on single product and pricing
- (iv) Competition
- (v) Dependence on key personnel and skilled professionals
- (vi) Dependence on LHH for sourcing of DOC and raw material
- (vii) General economic, political, legislative and social conditions
- (viii) Inadequate insurance coverage
- (ix) Control by promoters
- (x) Borrowing risks and restrictive covenants
- (xi) Investment risks
- (xii) Forward-looking statements
- (xiii) No prior market for our Shares
- (xiv) Delay or failure to list
- (xv) Capital market risk

### 1.5 PRINCIPAL STATISTICS RELATING TO THE IPO

#### 1.5.1 Share capital

	<b>RM</b>
<i>Authorised:</i>	
250,000,000 Shares	<u>50,000,000</u>
<i>Issued and fully paid-up as at the date of this Prospectus:</i>	
161,390,000 Shares	32,278,000

## 1. INFORMATION SUMMARY (Cont'd)

<i>To be issued and credited as fully paid-up pursuant to the Public Issue:</i>	
38,610,000 Shares	7,722,000
<i>Enlarged issued and fully paid-up share capital upon the Listing:</i>	
200,000,000 Shares	<u>40,000,000</u>
<i>To be offered for sale pursuant to the Offer for Sale:</i>	
42,000,000 Shares	<u>8,400,000</u>
<i>Market capitalisation</i>	
200,000,000 Shares x IPO Price	<u>90,000,000</u>

### 1.5.2 Class of shares and ranking

We have only one class of shares in Teo Seng namely ordinary shares of RM0.20 each. The Public Issue Shares will, upon allotment and issue, rank equally in all respects with our existing issued Shares which are fully paid-up, including voting rights and rights to all dividends and distributions, the entitlement date of which is subsequent to the date of their allotment.

Further information on the share capital of our Company is set out in Section 2.5 of this Prospectus.

### 1.5.3 IPO Price (RM)

The IPO Price has been fixed at RM0.45 per Share. The factors taken into consideration in the pricing of the IPO Shares are set out in Section 2.6 of this Prospectus.

### 1.5.4 Proforma consolidated NTA

Proforma consolidated NTA as at 31 March 2008 (after taking into account the IPO and estimated listing expenses of RM1.8 million) (RM'000)	53,861
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Proforma consolidated NTA per Share (based on the enlarged share capital of 200,000,000 Shares) (RM)	0.27
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Further information on the proforma consolidated NTA of our Group is set out in Section 8.4 of this Prospectus.

### 1.5.5 Dividend policy

Our Board intends to pay dividends of between 20% to 50% of our PAT after taking into consideration our retained profits, cash flow as well as the funding requirements of our Group. It is a policy of our Board in recommending dividends to allow shareholders to participate in the profits of our Group whilst retaining adequate reserves for its future growth.

Notwithstanding the above, all the foregoing statements are merely statements of our present intention and no inference should or can be made from any of the foregoing statements as to our actual future profitability or our ability to pay dividends in the future. Actual dividends proposed and declared may vary depending on the financial performance, cash flow and funding requirements of our Group, and may be waived if the payment of the dividends would adversely affect the cash flow and operations of our Group.

## 1. INFORMATION SUMMARY *(Cont'd)*

### 1.6 USE OF PROCEEDS

The gross proceeds of RM17.37 million from the Public Issue accruing to the Company will be used in the following manner:

Purpose	Amount RM '000	To be used by FYE 31 March
Acquisition of Success Century	7,500	2010
Repayment of certain term loans in Success Century	6,210	2010
Working capital	1,865	2010
Estimated listing expenses*	1,800	2010
	<u>17,375</u>	

Note:

\* The proceeds to be used for working capital will be adjusted accordingly in the event of any variation in the actual listing expenses from the estimated amount.

Please refer to Section 2.7 of this Prospectus for further information on the use of proceeds.

### 1.7 WORKING CAPITAL

We are of the opinion that after taking into account the cash flow position including the net proceeds from the Public Issue and the banking facilities available, we have adequate working capital for a period of twelve (12) months from the date of this Prospectus to meet our present and foreseeable requirements.

### 1.8 BORROWINGS

The following sets out our Group's total outstanding borrowings (which is interest bearing) as at the LPD:

	Payable within 12 months RM'000	Payable after 12 months RM'000	Total RM'000
Term loan	1,763	2,417	4,180
Bank overdraft	3,068	-	3,068
Hire purchase payable	1,731	2,851	4,582
Amount owing to substantial shareholder, LHH	-	2,120	2,120
Trade line	32,094	-	32,094
Total	<u>38,656</u>	<u>7,388</u>	<u>46,044</u>

Our Board is of the opinion that, there are no unusual or onerous covenants in nature imposed under the borrowing facilities against us.

Our Group has not defaulted on payments of interests and/or principal sums in respect of any borrowings throughout the past one (1) financial year and the financial period since then until the LPD.

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## 2. PARTICULARS OF THE IPO

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### 2.1 INTRODUCTION

This Prospectus is dated 26 September 2008 and a copy of this Prospectus has been registered with the SC. We have also lodged a copy of this Prospectus, together with the application forms, with the ROC. Neither the SC nor the ROC takes any responsibility for the contents of this Prospectus.

**Pursuant to Section 14(1) of the Central Depository Act, Bursa Securities has prescribed Teo Seng Shares as a prescribed security. Therefore, we will deposit the Teo Seng Shares directly with Bursa Depository. Any dealings in Teo Seng Shares will be carried out in accordance with the Central Depository Act and the Rules of Bursa Depository. We will not issue share certificates to successful applicants.**

We have obtained approval from the SC for the listing of our Company on the Second Board of Bursa Securities on 31 March 2008. We have also obtained approval-in-principle from Bursa Securities on 16 July 2008 for our admission to the Official List of the Second Board, permission to deal in and for the listing of and quotation for the entire enlarged issued and paid-up share capital of our Company, including the IPO Shares which are the subject of this Prospectus, on the Second Board of Bursa Securities.

**The approval of the SC and the admission to the Second Board is not an indication of the merit of our Company or that the SC recommends the IPO, and you should rely on your own evaluation to assess the merits and risks of our IPO.**

Pursuant to the Listing Requirements of Bursa Securities, at least 25% of our total issued and paid-up share capital must be held by a minimum number of 1,000 public shareholders holding not less than 100 Teo Seng Shares each upon completion of the IPO and at the point of admission to the Second Board. Upon completion of the IPO and at the point of admission to the Second Board, our Company is expected to have the necessary number of shareholders for our Company to be listed on the Second Board of Bursa Securities. In the event that the above requirement is not met pursuant to the IPO, our Company may not be allowed to proceed with our listing on the Second Board of Bursa Securities. In the event thereof, monies paid in respect of application for the IPO Shares will be returned in full without interest if the said permission for Listing is not granted six (6) weeks from the date of issue of this Prospectus or such longer period as may be specified by the SC, provided that our Company is notified by or on behalf of Bursa Securities within the aforesaid timeframe. If any such monies are not returned in full within fourteen (14) days after we become liable to do so, then the provision of sub-section 243(2) of the CMSA shall apply accordingly.

Teo Seng Shares will be admitted to the Official List of the Second Board and official quotation will commence after receipt of confirmation from Bursa Depository that all CDS Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants.

**You must have a CDS Account when applying for the IPO Shares.** In the case of an application by way of Application Form, you should state your CDS Account number in the space provided in the Application Form. In the case of an application by way of Electronic Share Application or Internet Share Application, only an **individual who has a CDS Account** can make an Electronic Share Application or Internet Share Application.

For an application by way of Electronic Share Application, an applicant shall furnish his CDS Account number to the Participating Financial Institutions by keying in his CDS Account number if the instruction on the ATM screen at which he enters his Electronic Share Application requires him to do so. In the case of an application by way of Internet Share Application, only an applicant who has an existing account with access to the Internet financial services facilities with the Internet Participating Financial Institution can make an Internet Share Application. The applicant shall furnish his CDS Account number to the Internet Participating Financial Institution by keying in his CDS Account number into the online application form. A corporation or institution cannot apply for the Public Issue Shares by way of Electronic Share Application or Internet Share Application.

## 2. PARTICULARS OF THE IPO (Cont'd)

No person is authorised to give any information or to make any representation not contained herein in connection with the IPO and if given or made, such information or representation must not be relied upon as having been authorised by us. Neither the delivery of this Prospectus nor any sale made in connection with this Prospectus shall, in any circumstances, and at any time constitute a representation or create any implication that there has been no change in our affairs since the date hereof.

The distribution of this Prospectus and the IPO are subject to Malaysian laws. We and our advisers take no responsibility for the distribution of this Prospectus (in preliminary or final form) outside Malaysia. We and our advisers have not taken any action to permit the public issue or the distribution of this Prospectus outside Malaysia. This Prospectus shall not be used for the purpose of an invitation to subscribe for the IPO Shares in any jurisdiction in which such invitation is not authorised or lawful or to any person to whom it is unlawful to make such invitation. We and our advisers require you to keep yourself informed of and to observe all such restrictions at your own expense and without liability to our advisers and us.

No Teo Seng Shares will be allotted or issued on the basis of this Prospectus later than twelve (12) months after the date of this Prospectus.

**You should rely on your own evaluation to assess the merits and risks of the IPO. In considering the investment, if you are in doubt as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or any other professional adviser.**

### 2.2 INDICATIVE TIMETABLE

The following events are intended to take place on the tentative dates set out below:

<b>Event</b>	<b>Tentative Date</b>
Opening of Applications	26 September 2008
Closing of Applications	16 October 2008
Balloting of Applications	20 October 2008
Allotment of the new Teo Seng Shares	21 October 2008
Despatch of notices of allotment to successful applicants	28 October 2008
Listing of the Company's entire enlarged issued and paid-up share capital on the Second Board of Bursa Securities	29 October 2008

*The above timetable is only indicative and is subject to changes which may be necessary to facilitate implementation procedures. Our Directors, Offeror and Underwriter may mutually decide, at their absolute discretion, to extend the closing date and time for applications to a further date or dates. If the closing date of the application is extended, the dates for the despatch of notices of allotment and our listing will be extended accordingly. We will announce any extension of time on the closing date of application in a widely circulated English and Bahasa Malaysia newspaper within Malaysia.*

### 2.3 PURPOSE OF THE IPO

The purposes of the IPO are to:

- (i) enable us to gain access to the capital market to raise funds for future expansion and continued growth of our Group;



## 2. PARTICULARS OF THE IPO (Cont'd)

- (ii) provide an opportunity for our Directors, eligible employees and business associates who have contributed to our success as well as the investing public and institutions to participate in our continuing growth by way of equity participation;
- (iii) enhance our corporate profile which will increase our Group's future prospects; and
- (iv) obtain the listing of and quotation for the entire enlarged issued and paid-up share capital of our Company on the Second Board of Bursa Securities, which is expected to enhance our Group's stature and business in the marketing of our products and services, and to retain and attract skilled employees.

### 2.4 DETAILS OF THE IPO

Our IPO is subject to the terms and conditions of this Prospectus and there will be no minimum subscription level for the IPO Shares in respect of the IPO. Upon acceptance, the IPO will be allocated in the following manner:

#### 2.4.1 Public Issue

The Public Issue is made at an issue price of RM0.45 per Public Issue Share, payable in full upon application, which will be allocated in the following manner:

(i) **Eligible Directors, employees and business associates**

10,000,000 Public Issue Shares representing 5.0% of our enlarged issued and paid-up share capital are made available for application by our eligible Directors, employees and business associates who have contributed to our success.

The allocation of the Pink Form Shares to our eligible Directors, employees and business associates is determined at the discretion of our Board. The criteria for allocation of our Pink Form Shares to our eligible employees include seniority in ranking, length of service and performance merit. The allocation of Pink Form Shares to our business associates is based, amongst others, on the degree of their contribution to our success.

The Pink Form Shares will be allocated as follows:

(a) For eligible Directors of our Company:

Name	Designation	No. of Pink Form Shares
Lau Jui Peng	Non-Executive Chairman	150,000
Nam Yok San	Managing Director	380,000
Lau Joo Han	Non-Executive Director	150,000
Na Yok Chee	Executive Director	380,000
Loh Wee Ching	Non-Executive Director	150,000
Choong Keen Shian	Independent Non-Executive Director	150,000
Frederick Ng Yong Chiang	Independent Non-Executive Director	150,000

(b) As at the LPD, a total of 210 employees of our Group and our Directors listed above are eligible to subscribe for the allocation of an aggregate of 5,860,000 Pink Form Shares; and

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## 2. PARTICULARS OF THE IPO (Cont'd)

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(c) 140 business associates of our Group are eligible to subscribe for the allocation of an aggregate of 4,140,000 Pink Form Shares.

**(ii) Malaysian Public**

15,000,000 Public Issue Shares representing approximately 7.5% of our enlarged issued and paid-up share capital are made available for application by the Malaysian Public to be allocated via ballot.

**(iii) Private placement**

6,110,000 Public Issue Shares representing 3.0% of our enlarged issued and paid-up share capital are made available for application by way of private placement to selected investors ("Placement Shares").

**(iv) Bumiputera investors approved by MITI**

7,500,000 Public Issue Shares representing 3.8% of our enlarged issued and paid-up share capital will be placed to Bumiputera investors approved by MITI.

Public Issue Shares which have been reserved for our eligible Directors, employees and business associates described in paragraph (i) above and not subscribed for by them ("Unsubscribed Shares") will be made available to other eligible employees. In the event that the Unsubscribed Shares are not fully taken up under the subsequent offer, the Unsubscribed Shares will be made available for application by the Malaysian Public described in paragraph (ii) and/or by way of private placement to selected investors described in paragraph (iii) above.

The unsubscribed portion of the Public Issue Shares under paragraph (i) above, Public Issue Shares under paragraph (ii) above and the Placement Shares have been fully underwritten by the Underwriter. In the event of an overall under-subscription of our eligible Directors, employees and business associates in paragraph (i) above or Public Issue Shares reserved for Malaysian Public in paragraph (ii) above or the Placement Shares, such Public Issue Shares not applied for will be made available for subscription by the Underwriter under the Underwriting Agreement dated 5 September 2008. Details on the brokerage, placement and underwriting expenses relating to the Public Issue are set forth in Section 2.8 of this Prospectus.

### ***Clawback and reallocation***

The allocation of Public Issue Shares under paragraph (i) above or paragraph (ii) above ("Public Ballot Portion") and the Placement Shares ("Underwritten Placement Portion") is subject to adjustment. In the event of over-application in the Public Ballot Portion and a corresponding under-application in the Underwritten Placement Portion and/or unsubscribed portion under paragraph (i), the Public Issue Shares may be clawed back from the Underwritten Placement Portion and/or unsubscribed portion under paragraph (i) to the Public Ballot Portion. If there is an under-application in the Public Ballot Portion and a corresponding over-application in the Underwritten Placement Portion, the Public Issue Shares may be clawed back from the Public Ballot Portion to the Underwritten Placement Portion. The clawback and reallocation set out in this paragraph will not apply in the event of over-application in the Public Ballot Portion and Underwritten Placement Portion and a full subscription under paragraph (i) above.

### **2.4.2 Offer for Sale**

The Offeror will offer for sale 42,000,000 Teo Seng Shares at the offer price of RM0.45 per Offer Share, representing 21.0% of our enlarged issued and paid-up share capital, which will be placed to Bumiputera investors approved by MITI.

## 2. PARTICULARS OF THE IPO (Cont'd)

### 2.5 SHARE CAPITAL AND RIGHTS ATTACHING TO SHARES

	RM
<b>Authorised:</b>	
250,000,000 Shares	<u>50,000,000</u>
<b>Issued and fully paid-up as at the date of this Prospectus:</b>	
161,390,000 Shares	32,278,000
<b>To be issued and credited as fully paid-up pursuant to the Public Issue:</b>	
38,610,000 Shares	7,722,000
<b>Enlarged issued and fully paid-up share capital upon the Listing:</b>	
200,000,000 Shares	<u>40,000,000</u>
<b>To be offered for sale pursuant to the Offer for Sale:</b>	
42,000,000 Shares	<u>8,400,000</u>
<b>Market capitalisation</b>	
200,000,000 Shares x IPO Price	<u>90,000,000</u>

#### **Class of shares and ranking**

We have only one class of shares in Teo Seng namely ordinary shares of RM0.20 each. The Public Issue Shares will, upon allotment and issue, rank equally in all respects with our existing issued Shares which are fully paid-up including voting rights and rights to all dividends and distributions, the entitlement date of which is subsequent to the date of their allotment.

Subject to any special rights attached to any shares that may be issued by our Company in the future, the ordinary shareholders of our Company shall, in proportion to the amount paid-up on the shares held by them, be entitled to share in the whole of the profits paid out by us as dividends and other distributions, and the whole of any surplus in the event of liquidation of our Company, such surplus to be distributed amongst the members in proportion to the capital paid-up at the commencement of the liquidation, in accordance with the Articles of Association of our Company.

At any of our general meetings, only the person who is registered as our shareholder shall be entitled to vote in person or by authorised representative or proxy or by attorney, and, on a show of hands, every person present who is a shareholder or representative or proxy or attorney of a shareholder shall have one vote, and, on a poll, every shareholder present in person or by authorised representative or by proxy or by attorney or other duly authorised representative shall have one vote for each Share held. A proxy may but need not be a member and the provisions of Section 149(1)(b) of the Act shall not apply to our Company.

### 2.6 PRICING OF THE IPO SHARES

We, together with the Offeror and HwangDBS, as our Adviser, Underwriter and Placement Agent, have determined the IPO Price at RM0.45 per IPO Share, after taking into consideration the following factors:

- (i) our financial and operating history

We took into consideration our proforma Group's historical net EPS of 6.26 sen and the historical price to earnings ratio of approximately 7.19 times, computed based on the proforma consolidated PAT of approximately RM12.53 million for FYE 31 March 2008 and the enlarged issued and paid-up share capital of 200,000,000 Shares. Further details on our financial and operating history are described in Sections 4, 8 and 10 of this Prospectus;

## 2. PARTICULARS OF THE IPO (Cont'd)

(ii) prevailing market conditions

Inherently, the prevailing market conditions, which include amongst others, current market trends, investor sentiments, and subscription rates and valuation of recent initial public offering launches, have to be considered in pricing our IPO Shares;

(iii) our proforma consolidated NTA and NTA per Share after the IPO and utilisation of proceeds of approximately RM0.27 based on the latest proforma consolidated NTA as at 31 March 2008 of RM53.86 million and the enlarged issued and paid-up share capital of 200,000,000 Shares;

(iv) the future plans and outlook of our Group as set out in Section 4.8 of this Prospectus; and

(v) the prospects and outlook of the industry in which we operate as set out in Section 4.5.10 of this Prospectus.

Prior to the IPO, there has been no trading market for our Shares within or outside Malaysia. You should note that the market price of our Shares upon and subsequent to the Listing is subject to the vagaries of market forces and other uncertainties which may affect the market price of our Shares.

### 2.7 PROCEEDS OF THE PUBLIC ISSUE AND USE OF PROCEEDS

The gross proceeds of RM17.37 million from the Public Issue accruing to our Company will be used in the following manner:

Purpose		Amount RM '000	To be used by FYE 31 March
Acquisition of Success Century	2.7.1	7,500	2010
Repayment of certain term loans in Success Century	2.7.2	6,210	2010
Working capital	2.7.3	1,865	2010
Estimated listing expenses*	2.7.4	1,800	2010
		<u>17,375</u>	

Note:

\* The proceeds to be used for working capital will be adjusted accordingly in the event of any variation in the actual listing expenses from the estimated amount.

#### 2.7.1 Acquisition of Success Century

We have allocated a total of RM7.50 million for the cash acquisition of 500,000 ordinary shares of RM1.00 each in Success Century, representing 100% equity interest thereon, from Ooi Kok Lye and Tan Sock Luang ("Success Century Vendors"), both of whom are parties who are unrelated to our Group, our Directors, substantial shareholders, key management and technical personnel.

On 19 March 2007, a share purchase agreement (as amended by a Deed of Variation dated 6 May 2008) was signed between Teo Seng and the Success Century Vendors for the acquisition of Success Century's entire equity interest of 500,000 ordinary shares of RM1.00 each for a cash consideration of RM7.50 million. There will be no liabilities to be assumed by our Group, save for the liabilities already in the books of Success Century, and the shares will be acquired free from all charges, pledges or liens or any other encumbrances and with all rights attached including, but without limitation to, all bonuses, rights, dividends and distributions declared paid or made from the date of the agreement.

The purchase consideration was agreed upon on a willing buyer-willing seller basis, taking into consideration the future earnings potential of Success Century and the profit guarantee given by the Success Century Vendors. In the agreement, the Success Century Vendors have guaranteed that Success Century shall have a PAT of not less than RM1.10 million for the period from 1 April 2008 to 31 March 2009.

## 2. PARTICULARS OF THE IPO (Cont'd)

The agreement is conditional upon, amongst others, the successful completion of our IPO and the listing of our Shares on the Second Board, as well as the completion of a legal, operational and financial due diligence on the company by our advisers, the results of which shall be to our satisfaction.

Without the proceeds raised from the IPO, the said acquisition would have to be financed via bank borrowings. The utilisation of proceeds to finance the said acquisition will result in interest savings for our Group of approximately RM0.57 million per annum, assuming an interest rate of 7.61%.

### Further information on Success Century

#### *History and principal activity*

Success Century was incorporated on 10 June 1995 in Malaysia under the Act as a private limited company under the name Motif Daya Sdn Bhd, and assumed its present name on 8 February 2005. The company is principally involved in poultry farming, and commenced its business operations in October 2005. The company was dormant prior to its commencement.

Success Century is solely involved in the business of layer farming, and currently produces chicken eggs for our Group under contract. Under the terms of the contract farming agreement between our Group and Success Century dated 28 October 2005, Success Century purchases layer chickens from TSF, which will then be reared according to our requirements, procedures and quality standards. All of the eggs produced by Success Century, as well as old chickens, are then sold back to our Group.

The company currently has two (2) farms with a total capacity of 510,000 layer chickens. Success Century only commenced operations at its first farm in November 2005 and its second farm in September 2006.

For the FYE 30 September 2007, Success Century achieved RM0.45 million in PAT on the back of RM27.39 million in revenue, whilst its NTA at the end of the financial year was RM2.23 million.

As at the LPD, the share capital of Success Century is as follows:

As at the LPD	< ----Ordinary shares of RM1.00 each---- >	
	No. of shares	Amount (RM)
Authorised	500,000	500,000
Issued and fully paid-up	500,000	500,000

#### *Board of Directors and substantial shareholders*

The Board of Directors and substantial shareholders of Success Century, and their respective shareholdings therein as at the LPD are as follows:

Directors/Substantial shareholders: Designation	< -----Direct----- >		< -----Indirect----- >	
	No. of shares	%	No. of shares	%
Ooi Kok Lye: Director	255,000	51.0	-	-
Tan Sock Luang: Director	245,000	49.0	-	-

### Reasonableness of the purchase consideration of Success Century

#### *Basis of arriving at the purchase consideration*

As extracted from the share purchase agreement dated 19 March 2007 between Teo Seng and the Success Century Vendors, the basis of the purchase price of RM7.5 million is as follows:

*“The Purchase Price is arrived at based on a willing buyer-willing seller basis, taking into consideration the future earnings potential of the Company and the Profit Guarantee by the Vendors as set out in Clause 7.6 hereof.”*

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## 2. PARTICULARS OF THE IPO (Cont'd)

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The Success Century Vendors have guaranteed that Success Century shall have a PAT of not less than RM1.1 million for the period from 1 April 2008 to 31 March 2009. Details of the said profit guarantee, as extracted from Clause 7.6 of the share purchase agreement, are as follows:

- “(i) *The Vendors hereby irrevocably covenant, warrant and guarantee to the Purchaser that the Company shall have an audited profit after tax of at least RM1,100,000 for the financial period commencing 1 April 2008 and ending 31 March 2009 (“Profit Guarantee”).*
- (ii) *If the Company shall achieve at least ninety per cent (90%) of the Profit Guarantee (based on the audited financial statements of the Company), the Security Deposit (being the sum of RM500,000 from the total purchase consideration of RM7,500,000 held by Teo Seng’s Solicitors as stakeholders pursuant to Clause 2.3(b) of the Agreement) shall be released to the Vendors, together with all interest accrued thereon, within one (1) month from the date the said audited financial statements having become available.*
- (iii) *If the Company shall achieve less than ninety per cent (90%) of the Profit Guarantee:*

  - (a) *in the event the amount of shortfall is equivalent to or less than the Security Deposit including all interests accrued thereon, (based on the audited financial statements of the Company), the Purchaser’s Solicitors shall deduct the total shortfall amount from the Security Deposit (including all interests accrued thereon), and pay the same to the Company, and release any balance thereof (if any) together with all interest accrued on the Security Deposit (if any) to the Vendors within one (1) month from the date the said audited financial statements having become available;*
  - (b) *in the event the amount of shortfall is more than the Security Deposit including all interests accrued thereon (based on the audited financial statements of the Company), the Purchaser’s Solicitors shall release the Security Deposit (together with all interest accrued thereon) to the Company and the Vendors shall promptly make good all amounts still remaining due and owing to the Company thereafter within one (1) month from the date the said audited financial statements having become available.”*

The provisions of the share purchase agreement, including the profit guarantee, may not be amended, varied, revoked, cancelled, substituted or waived, added or supplemented, unless it is in writing and signed by all the parties hereto.

Taking into consideration the said profit guarantee, Success Century will contribute at least RM990,000 (being 90% of RM1.10 million) of PAT to our Group for FYE 31 March 2009.

### **Conditions precedent**

The conditions precedent, amongst others, as extracted from the share purchase agreement (as amended by a Deed of Variation dated 6 May 2008), are as follows:

*“the Company having a Net Tangible Asset Value of at least Ringgit Malaysia Two Million Three Hundred Thousand (RM2,300,000) as at 31 March 2008, as confirmed in writing by a due diligence auditor to be appointed by the Purchaser”;*

and

*“the Company’s fixed assets (i.e. the Properties together with all fixtures, fittings, plant and machinery, equipment, motor vehicles and buildings thereon, and all other fixed assets relating to the Business of the Company capitalised in accordance with generally accepted accounting principles in Malaysia) having a fair value of at least Ringgit Malaysia Fourteen Million (RM14,000,000) as at 31 March 2008 as confirmed in writing by a due diligence auditor to be appointed by the Purchaser”.*



## 2. PARTICULARS OF THE IPO (Cont'd)

Colliers, Jordan Lee & Jaafar (M'cca) Sdn Bhd, the independent professional valuer appointed by our Group, has valued Success Century's freehold lands and farm buildings of two (2) layer farms at approximately RM9.45 million as at 9 May 2008. In arriving at the fair value of the said freehold lands and farm buildings of two (2) layer farms, the valuer has adopted the Cost Method. After taking into consideration the revaluation surplus of the abovementioned layer farms, Success Century's NTA is RM5.26 million and its fixed assets have a fair value of approximately RM15.35 million as at 31 March 2008, based on the audited interim report for the financial period from 1 October 2007 to 31 March 2008.

### NA approach

For illustrative purposes only, the historical price to NA ratios ("P/NAs") of selected comparable companies listed and traded on Bursa Securities, which are involved in similar or closely similar industry to those of Success Century ("Selected Companies"), are set out below. It should be noted however that the Selected Companies may not be directly comparable to Success Century due to various factors which include, amongst others, the marketability of its shares, size and diversity of businesses, profit track record, management strength, shareholders' profile, financial strength and future prospects.

Company	Principal activities	As at	Market price per share <sup>1</sup> (RM)	Audited NA per share (RM)	P/NA (times)
Huat Lai Resources Berhad ("HLRB")	Poultry farming, manufacture and sale of fertilisers, manufacture and trading of paper egg trays, production and sale of liquid eggs, manufacture of animal feed	31.12.2007	0.47	1.57	0.30
Lay Hong Berhad ("LHB")	Investment holding, poultry farming, organic fertiliser processing, poultry processing and marketing, liquid egg processing	31.03.2008	0.70	1.63	0.43
LTKM Berhad ("LTKM")	Investment holding, provision of management services, production and sale of chicken eggs and chickens, manufacturing and trading of organic fertilisers	31.03.2008	1.10	2.17	0.51
TPC Plus Berhad ("TPC")	Investment holding, provision of management services, poultry farming, manufacturing of poultry feeds, cultivation of fruits and oil palms	31.12.2007	0.12	0.43	0.28
High					0.51
Low					0.28
Average					0.38

## 2. PARTICULARS OF THE IPO (Cont'd)

	Purchase consideration per share (RM)	Audited NA per share (RM)	P/NA (times)
Success Century	15.00 <sup>2</sup>	10.53 <sup>3</sup>	1.42

(Sources: Bursa Securities and the latest audited financial statements of the Selected Companies.)

**Notes:**

- 1 Based on the closing market prices on LPD.
- 2 Calculated based on the purchase consideration of RM7.50 million divided by the number of shares of 500,000 as at 31 March 2008.
- 3 Calculated based on the special audited financial statements of Success Century as at 31 March 2008.

Based on the audited balance sheet of Success Century as at 31 March 2008, the audited NA per share of Success Century is approximately RM10.53 per share. Accordingly, the purchase consideration per share of RM15.00 represents a premium of approximately RM4.47 or 42.45% to the audited NA per share of Success Century. The purchase consideration represents a P/NA of 1.42 times.

In terms of P/NA ratio (based on the latest audited NA of Success Century and the Selected Companies), the purchase consideration per share of Success Century which represents a P/NA of 1.42 times lies above the P/NAs of the Selected Companies ranging from 0.28 times to 0.51 times. It also lies above the simple average of the P/NAs of the Selected Companies of 0.38 times. However, the analysis using NA approach is only meaningful in so far as it shows the extent to which the value of each share in Success Century is backed by net assets, and would be a relevant indication only in the event that Success Century is liquidated. We have no plan or intention to liquidate Success Century and intend to continue and maintain the going concern of the existing business operations of Success Century after the acquisition. Hence, analysis using the earnings approach is more appropriate in evaluating the reasonableness of the purchase consideration.

Further, from the above table, it is seen that the Selected Companies are all trading below their respective NA.

### **Earnings approach**

For illustrative purposes only, the historical price to earnings ratios ("PEs") of the Selected Companies, are set out below. It should be noted however that the Selected Companies may not be directly comparable to Success Century due to various factors which include, amongst others, the marketability of its shares, size and diversity of businesses, profit track record, management strength, shareholders' profile, financial strength and future prospects.

Company	FYE	Market price per share <sup>1</sup> (RM)	EPS (RM)	PE (times)
HLRB	31.12.2007	0.47	0.03	14.24
LHB	31.03.2008	0.70	0.03	23.10
LTKM	31.03.2008	1.10	0.16	7.02
TPC	31.12.2007	0.12	(0.09)	Not applicable
High				23.10
Low				7.02
Average				14.79

## 2. PARTICULARS OF THE IPO (Cont'd)

	Purchase consideration per share (RM)	EPS (RM)	PE (times)
Success Century	15.00 <sup>2</sup>	2.20 <sup>3</sup>	6.82

(Sources: Bursa Securities and the latest audited financial statements of the Selected Companies.)

*Notes:*

- 1 Based on the closing market prices on LPD.
- 2 Calculated based on the sale consideration of RM7.50 million divided by the number of shares of 500,000 as at 31 March 2008.
- 3 Calculated based on the PAT guaranteed by the Success Century Vendors of not less than RM1.10 million for the period from 1 April 2008 to 31 March 2009, divided by the number of shares of 500,000 as at 31 March 2008.

From the above table, it is noted that the PE of Success Century based on the EPS of RM2.20 calculated from the said PAT guaranteed by the Success Century Vendors represents a PE of 6.82 times. The PE of 6.82 times is below the range of PEs of the Selected Companies ranging from 7.02 times to 23.10 times and also below the average PE of 14.79 times.

Whilst from the NA perspective, the purchase consideration lies above the range of P/NAs of the Selected Companies, our Board and HwangDBS are of the opinion that the purchase consideration for Success Century is reasonable, after taking into consideration the basis of arriving at the purchase consideration, some of the conditions precedent imposed and the analysis using earnings approach.

### 2.7.2 Repayment of certain term loans in Success Century

Upon completion of the proposed acquisition of Success Century, we intend to utilise RM6.21 million to repay two term loans taken by Success Century in the following manner:

Bankers: Facility	Purpose	Interest rate	Balance as at LPD RM	Amount to be repaid from proceeds RM
Hap Seng Credit Sdn Bhd: Term loan 1 <sup>^</sup>	Working capital for layer operation	1.25% per annum above the base lending rate	2,275,082	2,212,000
United Overseas Bank (Malaysia) Bhd: Term loan 2 <sup>*</sup>	Working capital and reimbursement of capital expenditure	1.25% per annum below the base lending rate for the first two (2) years and thereafter at 0.75% per annum above base lending rate	4,141,199	3,998,000
<b>Total</b>			<b>6,416,281</b>	<b>6,210,000</b>

*Notes:*

- <sup>^</sup> Term Loan 1 is for the amount of RM3,000,000, with a tenure of seven (7) years.
- <sup>\*</sup> Term Loan 2 is for the amount of RM4,750,000, with a tenure of five (5) years.

The re-payment of the term loans upon the successful acquisition of Success Century by our Group will result in interest savings for our Group of RM0.36 million per annum.

The actual amount to be repaid from the IPO proceeds will depend on the actual date of payment. In the event that the amount to be repaid from the IPO proceeds is revised at a later stage, the difference shall be adjusted against the proceeds allocated for our Group's working capital purposes.

## 2. PARTICULARS OF THE IPO (Cont'd)

### 2.7.3 Working capital

We plan to set aside RM1.87 million of the proceeds for the day-to-day working capital requirements. The additional working capital will be used for, amongst others, the reduction of trade facilities extended to our Group, as well as to finance the additional working capital requirements as a result of the increase in the size of our operations, such as the increase in debtors, stocks and the payment to our suppliers.

### 2.7.4 Estimated listing expenses

The expenses of our Public Issue are estimated to be RM1.80 million, shown as follows:

	RM'000
Professional fees	740
Fees payable to authorities	108
Advertisement and printing	150
Underwriting commission, brokerage and placement fees	426
Issuing house fees	100
Contingencies	276
Total estimated listing expenses	<u>1,800</u>

## 2.8 BROKERAGE, UNDERWRITING COMMISSION AND PLACEMENT FEES

### 2.8.1 Brokerage

Brokerage is payable by us at the rate of 1% of the issue price of RM0.45 per Public Issue Share in respect of successful applications bearing the stamp of HwangDBS, a Participating Organisation, a member of the Association of Banks in Malaysia, a member of the Malaysian Investment Banking Association or MIDFCCS.

### 2.8.2 Underwriting Commission

The Underwriter has agreed to underwrite up to 31,110,000 Public Issue Shares to be made available for application by the eligible Directors, employees and business associates of our Group, the Malaysian Public and the Placement Shares. We will pay underwriting commission at the rate of up to 1.50% of the issue price per Public Issue Share.

### 2.8.3 Placement Fees

The Placement Agent has agreed to place out up to 6,110,000 Public Issue Shares which are reserved for identified investors. We will pay a placement fee to the Placement Agent at a rate of up to 1.50% of the issue price per Public Issue Share placed out by them.

## 2.9 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

On 5 September 2008, we have entered into an underwriting agreement with the Underwriter ("Underwriting Agreement"), for the underwriting of up to 31,110,000 Public Issue Shares.

The terms used in this section are as defined in the Underwriting Agreement, and the salient terms are summarised as follows:

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## 2. PARTICULARS OF THE IPO (Cont'd)

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### **Clause 4.1: Conditions Precedent**

The obligations of the Underwriter under this Agreement shall further be conditional upon the following being satisfied on or before the Closing Date:

- (a) **SC and Registrar of Companies:** the acceptance for registration and lodgement with the SC and the Registrar of Companies respectively of the Prospectus together with copies of all documents required under Section 42 of the Companies Act, Sections 232, 233 and 234 of the CMSA prior to the issuance of the Prospectus to the public;
- (b) **Issue of Prospectus:** the issuance of the Prospectus (including summary advertisement of the Prospectus and all other procedures, requirements, letters and documents required under the Listing Requirements) to the public have been complied with within six (6) months from the date hereof or such extension as consented by the Underwriter;
- (c) **Bursa Securities Approval for Quotation:** Bursa Securities agreeing in principle to the listing of and quotation for (on terms satisfactory to the Underwriter) the entire issued and paid up share capital of the Company within three (3) months from the date hereof or such later date as consented by the Underwriter prior to the issuance of the Prospectus, and the Underwriter being reasonably satisfied that such listing and quotation will be granted two (2) Market Days (or such other days as Bursa Securities may permit) after the submission to Bursa Securities of the relevant documents required for such listing and quotation for the entire issued and paid up share capital of the Company have been accepted and the respective Public Issue Shares are deposited in or transferred to the securities account maintained by the entitled shareholders under the Securities Industry (Central Depositories) Act, 1991;
- (d) **Material Adverse Condition:** the Underwriter being reasonably satisfied that there has been, no material adverse change, or any development involving a prospective material adverse change, in the condition, financial or otherwise of the Company and its subsidiaries (which in the reasonable opinion of the Underwriter are or will be material in the context of the issue of the Public Issue Shares) from that set forth in the Prospectus, nor the occurrence of any event nor the discovery of any fact rendering inaccurate, untrue or incorrect any of the representations, warranties and undertakings contained in **Clauses 3.1 and 3.2** if they are repeated on and as of the Closing Date;
- (e) **No Prohibition by Laws on IPO:** the issue, offering and subscription of the Public Issue Shares in accordance with the provisions hereof and the Prospectus are not being prohibited by any statute, order, rule, regulation, directive or guideline (whether or not having the force of law) promulgated or issued by any legislative, executive or regulatory body or authority of Malaysia (including Bursa Securities);
- (f) **Approvals:** all necessary approvals and consents required in relation to the IPO including but not limited to governmental approvals having been obtained and are in full force and effects;
- (g) **Payment of Expenses:** the Underwriter having been satisfied that arrangements have been made by the Company to ensure payment of the expenses referred to in **Clause 13**;
- (h) **Resolutions:** the delivery to the Underwriter prior to the date of registration of the Prospectus of (aa) a copy certified as true copy by an authorised officer of the Company of all the resolutions of the directors of the Company and the shareholders in general meeting approving this Agreement, the Prospectus, the IPO and authorising the execution of this Agreement and the issuance of the Prospectus; (bb) a certificate dated the date of the Prospectus signed by duly authorised officers of the Company stating that, to the best of their knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence as referred to in Clause 4.1(d);

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## 2. PARTICULARS OF THE IPO (Cont'd)

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- (i) **Report & Confirmation:** the delivery to the Underwriter on the Closing Date of such reports and confirmations dated the Closing Date from the board of directors of the Company as the Underwriter may reasonably require to ascertain that there is no material change subsequent to the date of this Agreement that will adversely affect the performance or financial position of the Company or its subsidiaries nor the occurrence of any event rendering, untrue or incorrect, to a material extent any representations and/or warranties contained in Clause 3 as though they have been given and/or made on such date; and
- (j) the Underwriter being satisfied that the Kuala Lumpur Composite Index has not, consecutively on the three (3) Market Days prior to the or up to the Closing Date, fallen by 10% or more (as compared to the index as at 5.00p.m on the date of this Agreement).

### **Clause 4.2: Non-Fulfillment of Conditions Precedent**

In the event any of the conditions set forth in **Clause 4.1** are not satisfied on or before the Closing Date or Extended Closing Date, the Underwriter shall, subject as mentioned below, thereupon be entitled but not bound to terminate this Agreement by notice given to the Company not later than three (3) Market Days after the Closing Date and upon such termination, the liabilities of the Company and the Underwriter shall become null and void and none of the party shall have any claims against the other save for antecedent breaches by the parties and claims arising therefrom and that each party shall return any and all moneys paid to the other under this Agreement within seventy-two (72) hours of the receipt of such notice (except for monies paid by the Company for the payment of the expenses as provided in **Clause 13**). The Underwriter reserves the right to waive or modify any of the conditions aforesaid and such waiver or modification shall not prejudice the Underwriter's rights under this Agreement.

### **Clause 14.1: Events of Termination**

Notwithstanding anything herein contained, if there shall have occurred, happened or come into effect, any of the following circumstances, on or before the Closing Date or the Extended Closing Date as the case may be, the Underwriter may by notice in writing to the Company terminate, cancel and withdraw its commitment to underwrite the Underwritten Shares:

**Clause 14.1.1: Breaches in Representations, Warranties or Undertakings:** there is any breach by the Company of any of the representations, warranties or undertakings, which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated within the notice (Provided Always that such period of days shall be not less than 14 days) after notice of such breach shall be given to the Company or by the Closing Date, whichever is earlier, or withholding of information of a material nature from the Underwriter, which is required to be disclosed pursuant to this Agreement which, in the opinion of the Underwriter, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the success of the IPO, or the distribution or sale of the Public Issue Shares; or

**Clause 14.1.2: Information Withheld:** there is withholding of information of a material nature from the Underwriter, which, if capable of remedy, is not remedied within such number of days as stipulated within the notice after notice of such breach shall be given to the Company, which, in the opinion of the Underwriter, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the success of the IPO, or the distribution or sale of the Public Issue Shares; or

**Clause 14.1.3: Material and/or Adverse Changes:** there shall have occurred, happened or come into effect any material and/or adverse change to the business or financial condition of the Company or the Group; or

**Clause 14.1.4: Force Majeure / Lapse of Agreement:** there shall have occurred, happened or come into effect any of the following circumstances:

- (a) any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited

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**2. PARTICULARS OF THE IPO (Cont'd)**

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to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the foregoing; or

- (b) any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of the Underwriter (including without limitation, acts of God, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage or acts of war) which, (in the reasonable opinion of the Underwriter), would have or can reasonably be expected to have, a material adverse effect on and/or materially prejudice the business or the operations of the Company or the Group, the success of the IPO, or the distribution or sale of the Public Issue Shares, or which has or is likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms; or
- (c) if in the reasonable opinion of the Underwriter that the success of the IPO is seriously and/or materially jeopardised by the Kuala Lumpur Composite Index, consecutively on the three (3) Market Days prior to the or up to the Closing Date, falling by 10% or more (as compared to the index as at 5.00 p.m. on the date of this Agreement);

whereby the obligations of the parties to this Agreement that remain executory at such time shall be suspended unless otherwise agreed in writing by the parties, and the parties shall agree to an Extended Closing Date.

In the event the obligations of the parties to this Agreement are suspended, the parties shall endeavour to proceed with the underwriting of the Underwritten Shares on terms as may be mutually agreed between the parties; or

In the event the obligations of the parties to this Agreement are suspended and the parties fail to agree to proceed with the underwriting of the Underwritten Shares before the Extended Closing Date, this Agreement shall be terminated and shall become null and void and of no further force and effect and none of the parties shall have a claim against the other save and except in respect of any antecedent breaches and any ancillary expenses incurred by the Underwriter under or pursuant to the terms of this Agreement.

**Clause 14.1.5: Withdrawal or Non-Procurement of Approval for Listing by Bursa Securities:** the approval in principle of Bursa Securities for the admission of the Company to the Official List of Bursa Securities or for the listing of and quotation for the entire issued and paid-up share capital of the Company on the Second Board of Bursa Securities is withdrawn or not procured within six (6) weeks from the date of issue of Prospectus or such other period as may be specified by the SC; or

**Clause 14.1.6: Failure to Perform Obligations:** there is failure on the part of the Company to perform any of its obligations herein contained.

**Clause 14.2: Underwriter's Obligations Discharged:** Upon such notice(s) being given under Clause 14.1, the Underwriter shall be released and discharged of its obligations without prejudice to its rights whereby this Agreement shall be of no further force or effect and no Party shall be under any liability to any other in respect of this Agreement, except that the Company shall remain liable in respect of its obligations and liabilities for the payment of the costs and expenses already incurred prior to or in connection with such termination and for the payment of any taxes, duties or levies and for any antecedent breach.

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### **3. RISK FACTORS**

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Before investing in our Shares, you should pay particular attention to the fact that we, and to a large extent our activities, are subject to the legal, regulatory and business environment in Malaysia. Our business is subject to a number of factors, many of which are outside our control. Prior to making an investment decision, you should carefully consider, along with other matters in this Prospectus, the risks and investment considerations set out below. The risks and investment considerations set out below are not an exhaustive list of the challenges that we currently face or that may develop in the future. Additional risks, whether known or unknown, may in the future have a material adverse effect on us or our Shares.

#### **3.1 RISK OF DISEASES**

The main risk factor which affects the poultry industry, including the commercial layer industry which our Group is involved in, is the risk of diseases that may afflict our livestock, including the risk of Avian Influenza. The Avian Influenza (or more commonly referred to as bird flu) has broken out in various countries including Malaysia. As at the LPD, there is no report on any case of Avian Influenza in Malaysia.

In the event that Avian Influenza and/or any other diseases afflict our livestock, it will have an adverse impact on our productivity and mortality of our layer stocks, which would then have an adverse effect on the revenue and profitability of our Group.

Recognising the importance of this risk factor, our management has taken active risk management measures to counter this risk. Our Group only sources DOC from our holding company, LHH group of companies, which have been proven to be reliable and secure. Also, our Group practices timely and proper vaccination on our livestock in order to keep resistance levels high.

Further, our Group implements the CHS for most of its farms and the AIAO for all of its farms. Under the CHS, the risk of migratory birds and other airborne diseases afflicting our livestock is minimised as the chicken houses are secured with shelters and netting. Further, all vehicles and persons entering the layer farms are required to be sprayed with disinfectant to minimise the risk of diseases being carried into our farms. The mortality rate of the livestock is also monitored closely whereby any unusual increase in mortality rate will be investigated thoroughly on a timely basis.

The AIAO is a risk management system whereby for a particular farm, all the livestock are moved in and out of a particular farm at the same time (as opposed to more traditional methods whereby livestock are progressively added to a particular farm until full capacity is reached). Before and after a batch of livestock is moved in/out of the particular farm, the chicken houses are thoroughly cleaned and disinfected, and left empty for a specified period of time (up to one (1) month) before the next batch of livestock is moved in.

The fact that our Group's livestock are spread over many farms (seven (7) layer, five (5) pullet and two (2) brooding farms) also mitigates the risk of disease outbreaks. Due to the different geographical locations of our farms, in the event one farm is afflicted with any disease, it can easily be isolated from the rest and the Group's operations at other farms can still continue.

All of the above steps show that our Group and management have implemented strict farm hygiene policies and farm management methods which effectively reduces the risks of diseases afflicting our livestock to an acceptable level. However, notwithstanding the above, the risk of disease outbreak and its impact on our operations and profitability cannot be totally eliminated.

#### **3.2 SUPPLY AND PRICE OF RAW MATERIALS**

The main raw materials in our Group's operations are soya bean and maize. Our Group acquires such raw materials from the local as well as international markets, thus subjecting our Group to foreign exchange risks (especially USD to which such raw materials prices are based upon). In addition, the prices of such raw materials are also subject to fluctuations as they are commodity-based.



### **3. RISK FACTORS (Cont'd)**

Recognising this risk, our management has taken steps to mitigate the impact of this risk on our operations and profitability. Most of the purchase of feed raw materials is contracted forward up to a period of three (3) months to hedge against price movements. In addition, our management has had many years of experience in this field and therefore is better equipped to deal with this risk.

Although our Group does not practice foreign currency hedging, management believes that there is no material impact of movements of USD against RM as the movements have been gradual since the removal of the RM to USD currency peg. In the event that such currency movements become volatile, our management will evaluate the need to hedge against such movements and implement the necessary measures accordingly.

#### **3.3 DEPENDENCE ON SINGLE PRODUCT AND PRICING**

The bulk of our external revenue is contributed by the sale of chicken eggs. Any adverse changes in the demand for chicken eggs, over-supply situations and/or price movements will have a direct impact on our revenue and profitability.

The dependence on a single product is mitigated by the fact that chicken eggs can be viewed as a necessity good for the population. Eggs are a cheap source of protein and is consumed by a significant majority of the population. As such, the risk of a material change in demand conditions is reduced.

Notwithstanding the above, the price of eggs may be affected by events such as negative publicity on poultry and poultry related products (including eggs), excess supply and seasonal/cyclical demand. For example, negative publicity such as outbreaks of Avian Influenza may affect the price of eggs. Also, discounts may need to be given in order to clear existing stocks if an over-supply situation occurs in order to minimise stocks as eggs are perishable goods which have to be sold while they are still fresh.

Egg prices are determined on a weekly basis by the Federation of Livestock Farmers' Association of Malaysia, of which our Group is also a member. As such, the determination of the weekly price of eggs takes into account our views and opinion. Furthermore, in view of the effective cost management procedures adopted by our Group, we are able to withstand adverse egg price movements better than most of our competitors. In addition, based on our track record, we have been able to clear all our egg stocks within forty-eight (48) hours of production.

However, despite the above mitigating factors, there can be no assurance that any adverse movements in demand or price of eggs will not have an adverse material effect on the operations and/or profitability of our Group.

#### **3.4 COMPETITION**

Our Group faces competition from various competitors in respect of our products. There are many players in the commercial layer business while our Group may also face competition from existing competitors who may expand their business.

Our management is conscious of the competitive environment that we operate within and has taken steps to mitigate the risk of competition. Our Group is an integrated commercial layer farming group, with operations ranging from feedmilling, paper tray production, egg farming and trading of animal health products. Such integration contributes towards better cost management which in turn allow our Group to withstand competition better as compared to other non-integrated players in the industry.

In addition, we are constantly growing the size of our business to achieve better economies of scale. As stated in the IMRR, the Group is currently ranked second (2<sup>nd</sup>) in terms of size among the industry players in Peninsula Malaysia in 2007. We are expecting to grow the size of our Group with the acquisition of Success Century, which will add to the production capacity of our Group.

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### **3. RISK FACTORS (Cont'd)**

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Our Directors also take active measures to stay abreast of the competition by ensuring the quality and freshness of our produce, providing reliable and on-time deliveries, forging and maintaining good relationships with our customers and managing our costs well to ensure that our Group is price competitive.

Further, while the threat of new entrants to the industry may arise, for a new competitor to grow to the size of our Group will require a significant amount of capital outlay, bio-technical expertise, farm management knowledge, effective distribution channels and strict demand conditions and high quality standards imposed by customers. Such factors can reduce the risk of new entrants to the industry.

Although no assurance can be given that our Group will be able to maintain our existing market share in the future, our Board is confident that our Group will be able to meet the competition presented by our competitors. Such confidence is based on the strength of our Group's relationships with customers and our captive market share, our past ability to meet standards required by customers particularly in areas of delivery and quality, effective cost management methods, including the implementation of the CHS and the AIAO.

Despite the aforementioned strategies, there can be no assurance that our Group will not be affected by the competitive strategy adopted by other industry players within the same industry.

#### **3.5 DEPENDENCE ON KEY PERSONNEL AND SKILLED PROFESSIONALS**

As with any business, we believe that our continued success depends to a certain extent upon the abilities and continued efforts of our existing Directors, key management and technical personnel. The loss of a number of our Executive Directors and members of the key management and technical personnel could negatively affect our Group's continued ability to manage the operations effectively and competitively.

Our Directors recognise the importance of our Group's ability to attract and retain its key personnel. As such, we have in place a suitable remuneration package for staff, especially key management and key technical personnel. Further, in conjunction with the listing of and quotation for our Shares on the Second Board of Bursa Securities, we have allocated a portion of the Public Issue Shares to eligible employees, including Executive Directors, members of key management and key technical personnel. Should employees subscribe for our Shares, they will also become our shareholders and therefore is expected to be motivated to work even harder for our Group's success and maintain their loyalty to our Group. In addition, efforts are constantly made to continuously develop a new generation of management to gradually take over the operations of our Group in the future. However, there can be no assurance that the above measures will be successful in retaining key management and/or personnel or ensuring a smooth transition should changes occur.

#### **3.6 DEPENDENCE ON LHH FOR SOURCING OF DOC AND RAW MATERIAL**

Currently, our Group only sources DOC from our holding company, LHH group of companies, which have been proven to be reliable and secure. Any adverse changes in the operation of LHH group of companies will have an impact on our sourcing of DOC. We also source some of the main raw materials for our feedmill, especially soya bean and maize, via Gymtech Feedmill (Malacca) Sdn Bhd, an associated company of LHH, as this allows greater flexibility in price negotiations as a result of bulk purchase by Gymtech Feedmill (Malacca) Sdn Bhd. Gymtech Feedmill (Malacca) Sdn Bhd will pass the bulk purchase discount to us and thereby allowing us to enjoy cheaper cost of raw materials.

Nonetheless, we recognise the said risk and are of the view that the said risk is mitigated by the following factors:

- (i) as for the availability DOC, there are other suppliers of DOC in Malaysia;

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### **3. RISK FACTORS (Cont'd)**

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- (ii) as the soya bean and maize are commodities, these materials can be sourced from other suppliers, locally and overseas; and
- (iii) after the IPO, our Group will still be a subsidiary of LHH group. As LHH will still shares the results of our Group, LHH will ensure the continuity of their supply of DOC to our Group in order to ensure the operation and hence financial performance of our Group is not adversely affected.

Notwithstanding the above, there can be no assurance that the aforementioned mitigating factors will be able to mitigate the risk arising from dependence on LHH for sourcing of DOC and raw materials.

### **3.7 GENERAL ECONOMIC, POLITICAL, LEGISLATIVE AND SOCIAL CONDITIONS**

As with any business, our business is not impervious to adverse developments in the economic, socio-economic, political, legislative and social conditions both on the domestic and international front, and/or other countries which we have and/or may have (in future) business links. Any adverse developments of such nature could materially and adversely affect our business, operations and financial performance.

Amongst the political, economic and social uncertainties include, but are not limited to, the changes in political leadership, war, global economic downturn, expropriation, nationalisation, and unfavourable change in Government policy and regulations on foreign exchange rates and methods, taxation and exchange control restrictions. Our business is also vulnerable to certain risks inherent in the industry in which we operate. We may be affected by entry of new players, constraints in skilled labour supply and increase in labour costs, changes in law, tax legislation, business and credit conditions.

We seek to mitigate these risks through prudent management policies, securing and maintaining good business relationships with our customers and suppliers, expansion of our client base in the local market and effective human resource management. However, we cannot provide any assurance that our business and operations will not be adversely affected by any change in any of the environment which are beyond our control.

### **3.8 INADEQUATE INSURANCE COVERAGE**

We are aware of the unfavorable consequences arising from inadequate insurance coverage that could impair our business operations. In ensuring that such risks are minimised, we review and ensure adequate coverage for our assets on a continuous basis. At present, our Directors are of the opinion that we are adequately insured against unforeseen events such as fire and lightning, malicious damage, theft and burglary. Further, the diverse locations of our operations also reduce risk of inadequate insurance coverage, as such risk is spread over the various farms and other business locations.

Although we have taken the necessary steps to mitigate the risk of fire hazards and insure our assets adequately, there can be no assurance that the insurance coverage would be adequate for the replacement cost of our assets or any resulting loss arising from the damage or loss of our assets.

### **3.9 CONTROL BY PROMOTERS**

The promoters, namely AVSB, LHH and the Nam Family (except for Nam Hiok Yok), collectively own approximately 54.6% of our issued and paid-up capital after the IPO. Because of the size of their shareholdings, they will be able to influence the outcome of certain transactions and matters, including the election of our Directors, by exercising the voting rights attached to their shares. They may be in a position to determine the outcome of transaction matters requiring our shareholders' approval unless they are required to abstain from voting by law and/or the relevant authorities.

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### **3. RISK FACTORS (Cont'd)**

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With the introduction of corporate governance that requires the formation of the Audit Committee, we have appointed two (2) Independent Non-Executive Directors and a Non-Executive Director as a step towards good corporate governance. The above promoters would also be required to abstain from voting if there is any related-party transaction, which may pose as a conflict to the interest of our Company.

#### **3.10 BORROWING RISKS AND RESTRICTIVE COVENANTS**

Our total borrowings as at LPD, amounted to approximately RM46.04 million all of which are domestic borrowings and are interest-bearing. As such, any additional borrowings and/or increase in interest rates may result in an increase in interest expense and affect the profitability of our Group. There can be no assurance that the interest rates will be maintained in the future and/or that any increase in our borrowings will not have a material effect on the performance of our Group.

Our credit facilities may also be subject to periodic review by the banks or financiers and contain certain covenants which may limit our operating and financial flexibility. Any act or omission by us that breaches such covenants may give rise to rights by the banks or financiers to terminate the relevant credit facilities and/or enforce any security granted in relation to those credit facilities. This may in turn cause a cross default of other credit facility agreements. These covenants are commonly contained in credit facility agreements in Malaysia. Our Group will endeavour to monitor the compliance with all such covenants. There can be no assurance that our performance will not be adversely affected should we breach such covenants of any of our facility agreement.

#### **3.11 INVESTMENT RISKS**

We may from time to time invest in new equipment or new ventures which we believe to be beneficial to our business or is synergistic with our current operations. Among others, part of the proceeds from our IPO will be used to acquire the entire issued and paid-up share capital of Success Century. Although we exercise prudence in our decision-making, there is always the potential risk that the returns from these investments may have a longer payback period than expected or the investments may fail.

Our Board and management will however take active steps to mitigate such investment risks. For example, the proposed acquisition of Success Century is being undertaken after due and extensive evaluation. Further, the proposed acquisition is subject to a legal and financial due diligence enquiry as one of the conditions precedent. From an operational viewpoint, Success Century is already our contract farmer and adheres to the strict operational procedures that other farms in our Group operate under.

Although we will mitigate our investment risks by exercising due care in the evaluation of our investments, there can be no assurance that all our future investments will yield positive returns and would not have any adverse material effect on our future financial performance.

#### **3.12 FORWARD-LOOKING STATEMENTS**

Certain statements in this Prospectus are based on historical data which may not be reflective of the future results, and others are forward-looking in nature which are subject to uncertainties and contingencies. Such forward-looking statements are based on estimates and assumptions made by our Board, and although believed to be reasonable, are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied by such forward-looking statements. Although we believe that the expectations reflected in such forward-looking statements are reasonable at this point in time, there can be no assurance that such expectations will prove to be

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### 3. RISK FACTORS (*Cont'd*)

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correct. Any deviation from the expectations may have adverse effects on our Group's financial and business performance.

#### 3.13 NO PRIOR MARKET FOR OUR SHARES

Prior to this IPO, there has been no public market for our Shares. The IPO Price of RM0.45 per Share was determined after taking into consideration several factors, including but not limited to, our financial and operating history and conditions, our future plans and outlook, and the prospects and outlook of the industry in which we operate, the proforma consolidated NTA per Share and the prevailing market conditions. The price at which our Shares would trade on the Second Board of Bursa Securities after the IPO may be influenced by a number of factors, including the liquidity of the market for our Shares, changes in securities analysts' estimates of our financial results or recommendations and the perception of investors of us. Therefore, there can be no assurance that the IPO Price will correspond to the price at which our Shares will trade on the Second Board of Bursa Securities upon or subsequent to our listing, or that an active market for our Shares will develop and continue upon or subsequent to our listing. The price at which our Shares will be traded may be higher or lower than the IPO Price.

#### 3.14 DELAY OR FAILURE TO LIST

The occurrence of any one (1) or more of the following events may cause a delay in or abortion of our Listing:

- (i) the Underwriter exercising its rights under the Underwriting Agreement and discharges itself from its obligations thereunder;
- (ii) the identified investors fail to subscribe for the portion of the Public Issue Shares to be placed to them under the private placement;
- (iii) the identified Bumiputera investors fail to subscribe for the portion of the Public Issue Shares and/or acquire the Offer Shares allocated to them and thereby resulting in Teo Seng's inability to meet the minimum Bumiputera holdings of at least 30% of the enlarged share capital; and
- (iv) we are unable to meet the public spread requirement, that is, at least 25% of the issued and paid-up share capital of the Company be held by a minimum number of 1,000 public shareholders (including employees) holding not less than 100 Shares each.

In the event our Company may not be allowed to proceed with our listing on the Second Board of Bursa Securities, monies paid in respect of application for the Public Issue Shares will be returned in full without interest if the said permission for Listing is not granted six (6) weeks from the date of issue of this Prospectus or such longer period as may be specified by the SC, provided that our Company is notified by or on behalf of Bursa Securities within the aforesaid timeframe. If any such monies are not returned in full within fourteen (14) days after we become liable to do so, then the provision of sub-section 243(2) of the CMSA shall apply accordingly.

Although our Directors will endeavour to ensure compliance by our Company of the various listing requirements, including, inter-alia, the public spread requirement imposed by Bursa Securities for our successful listing, no assurance can be given that the abovementioned events will not occur and cause a delay in or abortion of our listing.

#### 3.15 CAPITAL MARKET RISK

It is to be noted that Teo Seng will be listed on the Second Board of Bursa Securities. The performance of Bursa Securities is dependent on various factors, including external factors such as performance of

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**3. RISK FACTORS (Cont'd)**

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the regional and global bourses and the inflow and outflow of foreign funds, among others. Sentiments are also largely driven by internal factors such as the economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes on Bursa Securities, thus adding risk to the market price of Teo Seng. Nevertheless, it shall be noted the profitability of Teo Seng is not dependent on the performance of Bursa Securities.

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#### 4. INFORMATION ON OUR GROUP

##### 4.1 HISTORY AND BUSINESS

##### 4.1.1 Teo Seng

Our Company was incorporated in Malaysia under the Companies Act, 1965 on 8 May 2006 as a private limited company under the name of Teo Seng Capital Sdn Bhd. Our Company was converted into a public limited company on 31 May 2006 and assumed our present name. As at the LPD, our authorised share capital is RM50,000,000 comprising 250,000,000 Teo Seng Shares, of which 161,390,000 Teo Seng Shares have been issued and fully paid-up as at the LPD. Teo Seng was incorporated to be the listing vehicle to undertake the IPO of our Group.

The changes in our issued and paid-up share capital since our incorporation are as follows:

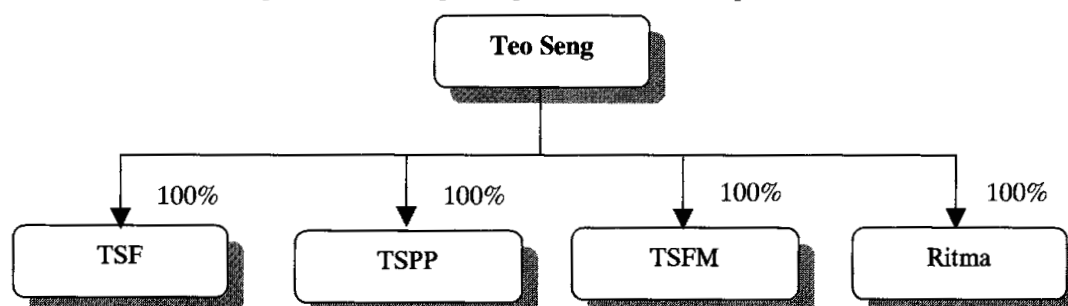
Date of allotment	No. of Shares	Par value RM	Consideration	Cumulative issued and paid-up capital RM
08.05.2006	200	0.50	Cash (Subscribers' shares)	100
23.01.2007	500	0.20	Share split entailing the subdivision of every two (2) ordinary shares of RM0.50 each into five (5) Teo Seng Shares	100
18.06.2008	161,389,500	0.20	Issued as consideration for the TSF Acquisition	32,278,000

Our issued and paid-up share capital will subsequently be increased to RM40,000,000 comprising 200,000,000 Shares pursuant to the Public Issue.

We are principally involved in investment holding. The principal activities of our subsidiaries are as follows:

Subsidiaries	Date / country of incorporation	% effective equity interest	Issued & paid-up capital RM	Principal activities
TSF	22.12.1983 / Malaysia	100.0	5,366,000	Investment holding and poultry farming
TSPP	13.05.1994 / Malaysia	100.0	1,500,000	Manufacturing and marketing of paper egg trays
TSFM	19.12.1998 / Malaysia	100.0	1,000,000	Manufacturing and marketing of animal feeds
Ritma	24.09.2003 / Malaysia	100.0	100,000	Distribution of pet food, medicine and other related products

As at the date of this Prospectus, our Group's corporate structure is depicted as follows:



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#### 4. INFORMATION ON OUR GROUP (*Cont'd*)

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##### 4.1.2 Our Group

##### 4.1.2.1 TSF

The history of our Group began in 1978 with the rearing of broiler chickens under sole proprietorship in Batu Pahat, Johor. In the beginning, the operations involved one (1) broiler farm which produced between 5,000 to 6,000 broiler chickens a week. Subsequently, as the business grew and expanded it was converted into a partnership under Nam Yok San and Na Yok Chee in 1979.

On 22 December 1983, with the ever-increasing size of the broiler farming operations, TSF was incorporated, and in 1984, the company invested and constructed its first broiler farm in Yong Peng, Johor, with a rearing capacity of 60,000 chickens, which was later increased to 90,000 chickens within a year. Under the continued stewardship of the original founding members from the Nam Family, TSF continued to expand its poultry farming business and, in 1986, a second farm was constructed in Yong Peng, with a rearing capacity of 60,000 chickens, followed by the construction of a third in 1987, which increased the capacity of TSF by another 60,000 chickens. At that time, TSF was exporting most of its broiler chickens to Singapore.

Despite the successes achieved with the broiler farms, the founding members eventually began to shift their focus towards layer farming instead. This was due to price instability in the broiler market, as well as changes in Singaporean regulations on the slaughtering of chickens, which affected the margins for the sale of broiler chickens to that country. Hence, in 1992, TSF ceased broiler operations at all of its farms and began the foray into the layer farming business, beginning with the conversion of the three (3) broiler farms in Yong Peng into pullet farms for layer chickens. Pullet farms house layer chickens between five (5) and 16 weeks old, when they are still unable to lay eggs. Together with the conversion of the broiler farms, TSF constructed its first layer farm in 1992, with a rearing capacity of 120,000 layer chickens. By 1994, TSF had expanded its operations through the construction of an additional three (3) layer farms, with a total capacity of 360,000 layer chickens and the construction of a fourth pullet farm. The rapid expansion undergone during the space of two (2) years highlights the potential for growth afforded by the layer farming industry, simultaneously justifying the wisdom of the initial decision to venture into layer farming.

It was at this time that TSF began exploring potential business partnerships to further enhance its competitive edge in order to compete with the bigger players and to increase its market share in Peninsula Malaysia, as well as to penetrate the overseas egg market. Therefore, in 1994, the original founding members of TSF sold 51% equity stake in the company to one of the key players within the Malaysian poultry farming industry, LHH, with the aim of tapping into LHH's extensive knowledge in the poultry industry and technical resources. Since then, in close co-operation with LHH, the company steadily grew in terms of the size of its operations, as well as market share. Soon after TSF became a subsidiary of LHH, the company constructed its fifth layer farm in 1995; sixth layer farm in 1996; and seventh layer farm in 1998.

Part of TSF's strategy for success has always been to explore and adopt innovative, yet prudent and practical, business ideas. In 1995, TSF began testing CHS on poultry farm Layer 2. CHS involves a closed system with high biosecurity and strict entrance control which is different from the method commonly used in the country at that time, which was open house, because the system allows for the easy maintenance of a more hygienic environment, whilst ensuring that the layer chickens are isolated from other animals, rodents and wild birds which may be predators or disease-carriers. The results from the initial test run proved very encouraging, increasing production capacity by 15% and reducing the mortality rate to less than 4%, and the decision was made to convert the majority of its farms to the CHS in 1997. As at the LPD, TSF has implemented the CHS for six (6) layer farms and both of the brooding farms. Our Group is planning to convert all of the layer farms to CHS in the future. However, there are currently no plans to convert our pullet farms to CHS as we have found, after undertaking several trial runs, that the implementation of the system for pullet farms is not cost efficient.

Further, in 1999, being one of the major layer farming producers in the commercial layer farming industry, the Group started the AIAO for all its farms. The AIAO has been adopted by the poultry



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#### 4. INFORMATION ON OUR GROUP (*Cont'd*)

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farming industry world wide, where full clean-out and disinfection are practised for all breeding birds and many laying and commercial meat birds in various countries. Today, all of TSF's farms utilise the AIAO. The AIAO not only helps TSF prevent its chicken from being infected with diseases and viruses, it has also helped increase egg production.

With the continued expansion of its egg production capacity, another strategic move by TSF was the setting-up of CPS in 1994, complete with an automated system for the grading and packing of eggs. The CPS began with an initial grading machine that could grade 50,000 eggs per hour. This was subsequently replaced with the acquisition of a high-speed computerised egg grading machine from Holland with a grading capacity of 150,000 eggs per hour in 1996. Going forward, we have completed construction of a second CPS in 2006 and started its operation in February 2007. It has been equipped with a new egg-grading machine from Holland with a maximum grading capacity of 120,000 eggs per hour.

To further expand its business and market share, TSF entered into a contract agreement in October 2005 with Success Century to produce chicken eggs for TSF under contract. Under this contract, our Group sells pullet chickens, layer feed, paper egg trays as well as provides technical assistance to Success Century. The pullet chickens will then be reared according to TSF's requirements, procedures and strict quality standards. All the eggs produced in the contract farms of Success Century are sold back to TSF for distribution. Success Century only commenced operations at its first farm in November 2005 and its second farm in September 2006.

In 2005, as a testament to the quality of our products, TSF successfully obtained export approval status from AVA through DVS for our Group's poultry farms Layer 2 and Layer 5 to export eggs to Singapore.

With the pragmatism of its management and its strategic partnership with LHH, over the years, the company has rapidly developed into one of the largest layer farming companies in Malaysia, growing from just one (1) layer farm with a capacity of 120,000 layer birds to seven (7) farms with more than 1.3 million layer birds, producing an average of 1 million eggs daily. Teo Seng Group was ranked number two (2) in terms of market share ranking in Peninsula Malaysia, capturing about 6.5% of market share with a production of 508.4 million eggs in 2007 by the Independent Market Researcher. Teo Seng Group operates seven (7) layer farms, five (5) pullet farms, and two (2) brooding farms, all of which are located in Johor, Malaysia.

Apart from the continued growth in our operations to produce generic chicken eggs, we have also successfully diversified our products to include the production of our own premium class eggs under the brand name, "Happy Egg". These premium eggs have a higher nutrient value compared to the normal chicken eggs produced. The production of premium eggs first began in 1998, and by 2007, "Happy Eggs" constitutes about 8.7% of the total premium egg production in Malaysia.

From the very beginning, the management of our Group has been fully aware that the company would need to constantly explore and adopt new business strategies and options in order to remain competitive in the market. The two-pronged approach underpinning the strategic decisions undertaken thus far has always been to continuously grow the size of its operations in a practical and controlled manner in order to achieve economies of scale, as well as to establish our Group as an integrated egg producer, with its own in-house support operations.

With this in mind, throughout the past fifteen (15) years, our Group had undertaken several strategic business decisions to diversify its capabilities from being a mere producer of chicken eggs into a layer farming entity with its own set of complimentary support activities, such as the setting up of its own paper egg tray and feedmill manufacturing plants in 1994 and 2001, respectively, as well as the acquisition of a company which supplies veterinary medical products in 2005. Notwithstanding the fact that the activities of these subsidiaries are distinct and unique from each other, the effective integration of their capabilities has resulted in a more efficient management of the supply chain, lower cost of production and improved productivity for our Group.

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#### **4. INFORMATION ON OUR GROUP (Cont'd)**

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The history and the background of these support subsidiaries, namely TSPP, TSFM and Ritma are described hereunder.

##### **4.1.2.2 TSPP**

TSPP was incorporated in Malaysia under the Act on 13 May 1994 under the name Barisan Data Sdn Bhd. On 21 July 1994, it assumed its present name. The company commenced its business operation in April 1995, manufacturing environmentally-friendly paper egg trays using recycled papers, such as old magazines, old newspapers and used cartons boxes. The horizontal diversification of the business enables the Group to be more cost effective, reduce its dependency on the supply of paper egg trays from other suppliers, and has a better control over the quality of the paper egg trays.

##### **4.1.2.3 TSFM**

One unpredictable factor facing the commercial layer industry is the fluctuation in the prices of feed ingredients like corn and soya bean used in the feedmills, owing to the extreme volatility of grain prices. The presence of a feedmill assists to control costs in the Teo Seng Group's operations. It was for this reason that TSFM was incorporated in Malaysia under the Act on 19 December 1998 under the name Best Swallow Sdn. Bhd. On 9 March 2000, it assumed its present name.

TSFM commenced its operation in the first quarter of 2001, by adopting automated and computerised auto-mixing technology in the manufacturing the animal feeds products. This technology enables TSFM to formulate premium and high-quality feeds, especially suitable for the consumption of commercial layers at their different growing stages. With this upstream operation, TSF has become more cost effective and efficient in its production output.

##### **4.1.2.4 Ritma**

In September 2005, TSF acquired a 70% equity stake in Ritma, which was incorporated in Malaysia under the Act on 24 September 2003 and commenced its business in the distribution of pet food, medicine and other related products in May 2004. On 5 July 2006, TSF acquired the remaining 30% equity interest in Ritma. The acquisition of Ritma was done with the goal of providing the Group with a dedicated subsidiary to source and supply animal health products required for the Group's operations.

On 1 April 2004, Ritma was appointed as the sole agent by the well-known multinational company, Bayer Thai Company Ltd to distribute some of its animal health products, such as insecticide, anticoccidia, antibiotic, dewormer, vitamin and fatty acid in Malaysia, Singapore and Brunei. In addition, Ritma has also obtained another distributorship from Farm Care GB Ltd from the United Kingdom to distribute disinfectants in Malaysia, Singapore and Indonesia. Furthermore, Ritma obtained the sole distributorship from Vetpharm Laboratories (S) Pte Ltd, Singapore to distribute some of its animal antibiotics and supplements in Malaysia. Ritma also assists other suppliers, such as Nutri-Ad International N.V. from Belgium and Bayer CropScience (M) Sdn Bhd from Malaysia, in distributing their animal feed additives and insecticides respectively in Malaysia.

#### **4.2 LISTING SCHEME**

As an integral part of the Listing, the Company undertook a restructuring scheme, which was approved by the SC on 31 March 2008 and MITI on 4 January 2008 and 26 March 2008. The restructuring scheme entailed the following:

##### **4.2.1 TSF Acquisition**

On 19 March 2007, Teo Seng entered into a share purchase agreement with the shareholders of TSF to acquire 5,366,000 TSF Shares representing the entire equity interest in TSF for a purchase consideration of RM32,277,900, which was fully satisfied by the issuance of 161,389,500 new Teo Seng Shares at an issue price of RM0.20 per Share. The TSF Acquisition was completed on 18 June 2008.

#### 4. INFORMATION ON OUR GROUP (Cont'd)

The Teo Seng Shares issued rank equally in all respects with the then existing Teo Seng Shares, including voting rights and rights to all dividends and/or distributions that may be declared, paid or made subsequent to the TSF Acquisition.

The purchase consideration of RM32,277,900 for the TSF Acquisition was arrived at based on a price to earnings ratio of 3.80 times over the audited consolidated PATMI of TSF as at 31 March 2006 of RM8,503,392. The purchase consideration is at a price-to-NTA ratio of 1.52 times, based on TSF's audited consolidated NTA as at 31 March 2006 of RM21,208,264.

##### 4.2.2 Re-organisation

In addition, upon the exercise of an option granted to Teo Seng by TSF pursuant to an option agreement dated 19 March 2007, Teo Seng had on 18 June 2008 entered into a share acquisition agreement with TSF to acquire:

- (i) 1,500,000 ordinary shares of RM1.00 each in TSPP representing the entire equity interest therein for a consideration of RM4,162,951;
- (ii) 1,000,000 ordinary shares of RM1.00 each in TSFM representing the entire equity interest therein for a consideration of RM7,432,985; and
- (iii) 100,000 ordinary shares of RM1.00 each in Ritma representing the entire equity interest therein for a consideration of RM1,150,564.

The Re-organisation was completed on 19 June 2008, and the aggregate purchase consideration equivalent to RM12,746,500 was accounted for as an amount owing by Teo Seng to TSF.

##### 4.2.3 IPO

After the TSF Acquisition and Re-organisation, and in conjunction with the Listing, the Offeror and our Company are undertaking the Offer for Sale of 42,000,000 Teo Seng Shares and Public Issue of 38,610,000 new Teo Seng Shares, respectively at the IPO Price each, representing 21.0% and 19.3% of the enlarged issued and paid-up share capital of Teo Seng, respectively.

###### 4.2.3.1 Public Issue

The 38,610,000 Public Issue Shares will be allocated as follows:

- (i) 15,000,000 Public Issue Shares representing 7.5% of our enlarged issued and paid-up share capital are made available for application by the Malaysian Public to be allocated via ballot;
- (ii) 10,000,000 Public Issue Shares representing approximately 5.0% of our enlarged issued and paid-up share capital are made available for application by our eligible Directors, employees and business associates who have contributed to our success;
- (iii) 6,110,000 Public Issue Shares representing 3.0% of our enlarged issued and paid-up share capital are made available for application by way of private placement to selected investors; and
- (iv) 7,500,000 Public Issue Shares representing 3.8% of our enlarged issued and paid-up share capital will be placed to Bumiputera investors approved by MITI.

The Public Issue Shares shall rank equally in all respects with our existing Shares in issue, including voting rights and rights to all dividends and/or distributions that may be declared, paid or made subsequent to the date of this Prospectus.

#### 4. INFORMATION ON OUR GROUP *(Cont'd)*

##### 4.2.3.2 Offer for Sale

The Offeror will offer for sale 42,000,000 Teo Seng Shares at the Offer Price of RM0.45 per Offer Share, representing 21.0% of our enlarged issued and paid-up share capital, which will be placed to Bumiputera investors to be approved by MITI.

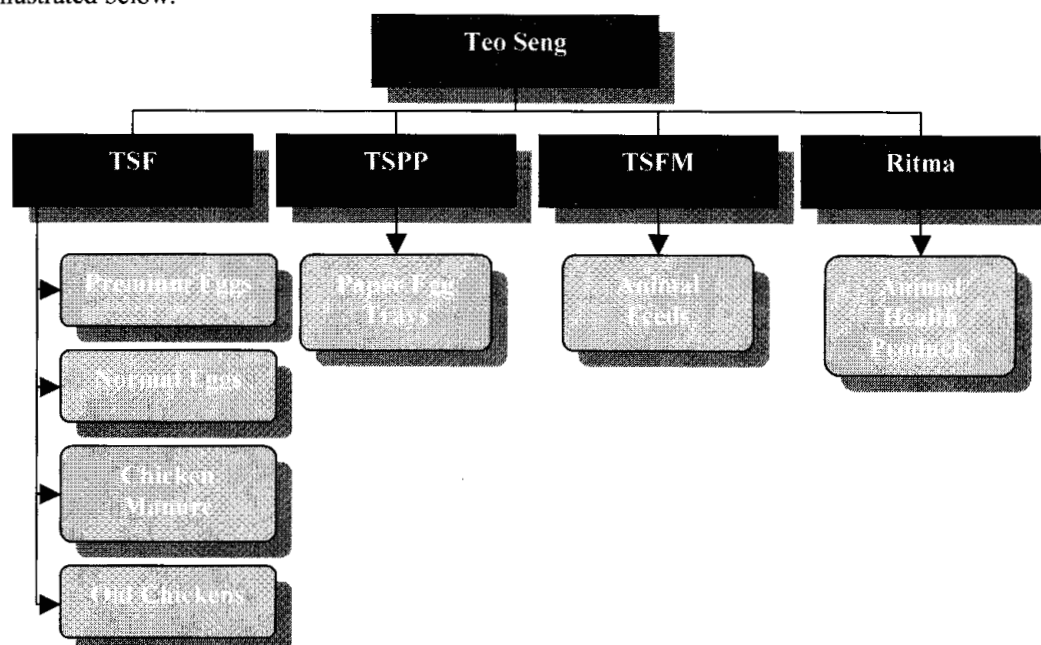
##### 4.2.4 Listing

Thereafter, we will seek admission to the Official List of Bursa Securities and the listing of and quotation for our entire enlarged issued and paid-up share capital of RM40,000,000 comprising 200,000,000 Teo Seng Shares on the Second Board of Bursa Securities.

#### 4.3 BUSINESS OVERVIEW

##### 4.3.1 Principal activities

Our Group's business activities can be divided into four (4) divisions, according to our subsidiaries, as illustrated below:



Our Company is principally involved in investment holding, whilst our principal subsidiary, TSF, is involved in the operation of a poultry farm for the production and sale of chicken eggs, which is divided into normal and premium grades.

The operations of TSF are supported by the activities of the other three (3) subsidiaries of our Group, which have been successfully integrated with the farming activities of TSF to create an integrated layer farming business that affords the Group a more efficient management of the supply chain, lower cost of production and improved productivity. These subsidiaries are involved in the following activities:

- TSPP - Manufacturing and marketing of paper egg trays;
- TSFM - Manufacturing and marketing of animal feeds; and
- Ritma - Distribution of pet food, medicine and other related animal health products.

#### 4. INFORMATION ON OUR GROUP (Cont'd)

In summary, the products that are produced, marketed and distributed by our Group can be categorised into four (4) main categories, namely eggs, paper egg trays, animal feeds and animal health products, as disclosed in Section 4.3.2 hereunder.

##### 4.3.2 Principal products

As at the LPD, the products that are produced, marketed and distributed by our Group are shown in the table below.

Subsidiary	Product category	Product	Description
TSF	Eggs	Happy Eggs	Premium eggs with high nutrient value
		Normal eggs	Ordinary eggs Grade: AA – for eggs with 70 grams and above A - for eggs between 66 grams and 69 grams B - for eggs between 61 grams and 65 grams C - for eggs between 56 grams and 60 grams D - for eggs between 51 grams and 55 grams E - for eggs between 45 grams and 50 grams F - for eggs between 40 grams and 44 grams
	Chicken manure	Chicken manure	Chicken manure
	Old chicken	Old chickens	Chickens aged above 75 weeks
TSPP	Paper egg trays	AA paper egg trays	For eggs over 70 grams in weight
		Universal egg trays	For eggs between 40 and 70 grams in weight
TSM	Animal feeds	Animal feeds	Feed for layer chickens, including Layer Starter Feed, Layer Grower Feed, Layer Feed (2 types)
Ritma	Animal health products	Anticoagulant (2 types)	Used to prevent the clotting of blood
		Antibiotic (31 types)	Used in the prevention and treatment of infectious diseases
		Anticoccidia (4 types)	Prevent and cure chicken and rabbit coccidiosis
		Anti-inflammatory (1 type)	Used as an aid in the relief of fever associated with slight and moderate pain and rheumatoid inflammation
		Antimold (1 type)	Prevent anti-fungus for animal feeds and raw materials
		Antiparasitic (1 type)	Prevent parasites
		Dewormer (3 types)	Assists the body in killing and expelling parasites from animals digestive tract
		Disinfectant (6 types)	Inhibits the growth of disease-carrying micro-organisms
		Electrolytes (1 type)	Used in the restoration of the balance of the body fluids, acidity and alkalinity and body fluid electrolytes
		Feed additive (7 types)	To add to animal feeds and raw materials
		Hormone (1 type)	Stimulants of oestrus and ovulation
		Insecticide (19 types)	Used to kill or repel insects
		Iron (1 type)	Supplement
		Vitamin (6 types)	A group of organic micronutrients, present in minute quantities in natural foodstuffs, that is essential to normal metabolism

#### **4. INFORMATION ON OUR GROUP (Cont'd)**

Of the products above, old chickens and chicken manure are by-products of our Group's layer farming operations. Even though the revenue contributions from the sale of these by-products are minimal, their marketability still serves to reduce wastage and maximise our Group's return on costs. Our Group sells old chickens and chicken manure to agents and external contractors who will distribute the old chickens to canned food manufacturers, and the chicken manure to fertilizer manufacturers and vegetable farmers.

None of our Group's products are seasonal or cyclical in nature.

##### **4.3.3 Technology**

Technology is applied to a production process in order to achieve greater efficiency, as well as to enhance productivity. Within our Group, the technologies adopted to achieve these goals relate to the farming practices, technical know-how and machinery that we employ. These are described hereunder:

###### **4.3.3.1 AIAO**

In 1999, being one of the major layer farming producers in the commercial layer farming industry, our Group started the "all-in-all-out" stocking system for all of our farms. The AIAO has been adopted in poultry farming industry world wide, where full clean-out and disinfection are practised for all breeding birds and many laying and commercial meat birds in various countries. This system is practised mainly for the control of diseases.

Under this system, an entire farm is populated by the same flock of chickens and no new birds are added to the flock in order to avoid the introduction of any new diseases. When a farm is de-populated, it will undergo decontamination procedures lasting a few weeks to a month. During the decontamination period, the farms are strictly kept in an environment free of livestock and the area will be sprayed with disinfectants in order to kill any germs, bacteria or viruses present. Consequently, the farm would be free of many types of bacteria, virus, and poultry disease when the next flock of birds is moved in.

The AIAO not only results in higher egg production and quality, but also most importantly it is a highly effective and efficient system for disease control. However, this system requires enormous effort in cost planning, farm site planning, flock planning, and production planning.

Our management believes that TSF is the only layer farming corporation in Malaysia that has successfully applied the AIAO to its layer farming operations. Today, all of TSF's farms utilise the AIAO, which has helped to reduce the risk of diseases and viruses, and consequently improved egg production by 2% to 3% compared to the period before the implementation of the system.

###### **4.3.3.2 CHS**

The CHS of farming involves the breeding of chickens in a closed system/farm with high biosecurity and built-in ventilation, which allows for the easier maintenance of a more hygienic environment, whilst ensuring that the layer chickens are isolated from other animals, rodents and wild birds which may be predators or disease-carriers.

The advantages of the CHS are, of course, the isolation of the flock from predators and potential disease carriers, as well as the ability to control and maintain an external environment that is conducive for the growth and productivity of the birds.

In 1995, TSF began testing the CHS of layer farming on poultry farm Layer 2. The results from the initial test run proved very encouraging, increasing production capacity by 15% and reducing the mortality rate to less than 4%. Consequently, the decision was made to convert the majority of the farms to CHS in 1997. Today, a total of six (6) layer farms and both of the brooding farms have been converted to the CHS and only poultry farm Layer 1 is still operating under the open house system.

#### 4. INFORMATION ON OUR GROUP (Cont'd)

Since it was introduced, the mortality rate of chickens at TSF's layer and brooding farms has dropped. It is a good animal husbandry system which generally ensures healthy and disease-free chickens. Under the CHS, our farms employ automatic feeders and drinkers, and tunnel ventilation systems. At the end of each farm shed, there are powerful exhaust fans which suck out air from inside, while pulling fresh air in from the other end. By controlling the environment, the chickens will not be subject to outside weather changes and the extremes of tropical heat which can affect their growth and performance.

Despite the successful implementation of the CHS for the layer farms and brooding farms, TSF does not currently have any plans to implement the system for the five (5) pullet farms that it owns as, after undertaking several trial runs at poultry farm Pullet 5, it was discovered that the system was not cost efficient for the rearing of pullet chickens. However, should there be any improvements in CHS practices and related technologies in the future, TSF may reconsider the feasibility of its implementation for the pullet farms.

##### 4.3.3.3 Feed formulation technology and premium eggs

Another key ingredient in ensuring optimum productivity in layer farming is the feed factor, as the nutritional content of the layer feeds will have a bearing on the health and nutritional level of the layer chickens, the effects of which would flow down to the number and quality of eggs produced. Healthy layer chickens will lay more eggs that are of a better quality with higher nutritional content.

This is a key reason for the setting-up of its own feedmill, via TSFM, in order for the Group to have better control over the feed formulation, which involves the combination of various ingredients and feed additives such as vitamins, minerals, antioxidants, and growth promoters, in the optimum proportions. As a result of the setting up of our own feedmill and the ability to produce feed based on our own formulation, we have seen an overall increase in the productivity of our farms as well as the reduction in mortality rate.

In TSFM, different feed formulas are constantly explored to enhance the productivity of the birds and the quality of the eggs. In addition, different feed formulations are required at the various stages of a layer chicken's lifespan. From time to time, new feed formulations are experimented and the birds' responses to the different formulations are also closely monitored.

Within our Group, a team of three (3) experts are involved in the formulation. In addition, we also tap into the technical know-how and experience of our parent company, LHH, wherein, technical experts from the LHH group are brought in to aid in the formulation and, in the process, transferring their skills and expertise in feed formulation technology.

Further, in attempting to break out of the low margin business of generic eggs, our Group had taken our application of feed formulation technology a step further, by producing feed specifically for the production of the Group's premium eggs, known as "Happy Eggs". The nutritional content of such feed, which first began in 1998, is substantially higher than that of normal feed, resulting in the production of eggs with higher nutritional value. For this reason, "Happy Eggs", like other premium eggs, command a premium in the market compared to generic chicken eggs. Based on the IMRR, our Group is one of only seven (7) layer farmers producing premium eggs in Malaysia, illustrating the strength of our Group's feed formulation capabilities.

##### 4.3.3.4 Machinery

Apart from farming practices and technical expertise, our subsidiaries have also invested in various machinery and equipment in order to achieve a higher level of automation in our production processes, hence improving efficiency. Brief descriptions of such machinery are as provided below:

###### **Grading machines:**

Eggs from our farms are graded according to their weight. With the large volume of eggs being produced by our farms (approximately 1 million a day), the task of grading the eggs cannot be performed manually.

#### 4. INFORMATION ON OUR GROUP (Cont'd)

For this purpose, our Group has four (4) automated grading machines. Egg grading machines are usually combined with a packing machine which will automatically pack the graded eggs into the egg trays.

##### **Caging system:**

The caging system is a vital part of the operations in a layer farm, being the system in which the chickens are housed and produce their eggs. The modern and hygienic caging systems employed by our Group comprise of more than just cages, but also automatic feed distribution systems, nipple drinking systems, and automatic egg-collecting conveyer belt systems.

Such automation not only increases the efficiency of the production process, but also reduces contact between the farm workers and the birds, thus aiding in reducing the risk of diseases being introduced to a flock.

##### **Paper egg tray forming machines:**

The forming machine is the heart of the paper egg tray manufacturing process. A forming machine has the role of turning paper pulp into egg trays, through a vacuum and moulding process. TSPP has four (4) forming machines for the manufacturing paper egg trays.


##### **Feedmill plant:**

In the manufacturing of feed, TSFM has an animal feedmill system. We have also added additional feed mixer in the production of feed in 2007.

Please refer to Section 9.3 of this Prospectus for further details of the machinery of our Group.

#### 4.3.4 Patents and trade marks

The Group has one registered trademark in Malaysia with the Intellectual Property Corporation of Malaysia, namely "Happy Egg" for our premium grade eggs. The "Happy Egg" logo and trademark have been duly registered in TSF's name as proprietor, for a period of ten (10) years commencing 16 October 2001 and expiring on 16 October 2011.

Trademark name	Proprietor	Class	Trademark number	Logo	Valid period
Happy Egg	Malaysia	35	01013600		16.10.2001 to 16.10.2011

Save for the above, we currently do not hold any franchises from any third party nor any trade marks or patents registered with the Malaysian authorities.

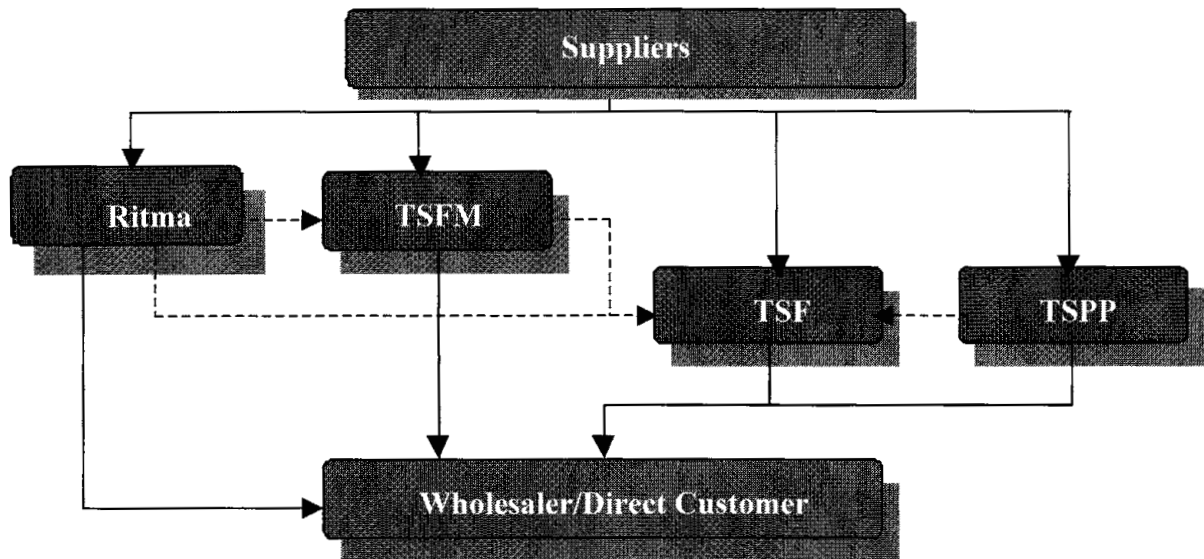
#### 4.3.5 Production process

As an integrated commercial farming business, the core production process of our Group is in the layer farming of eggs conducted by TSF and supported by the production processes of the other subsidiaries involved in the manufacturing of paper egg trays, feed for the layer chickens, and also sourcing of animal health products.

The overall business operation flowchart of our integrated Group is as follows, clearly illustrating the roles played by the other subsidiaries in supporting our layer farming operations in TSF.



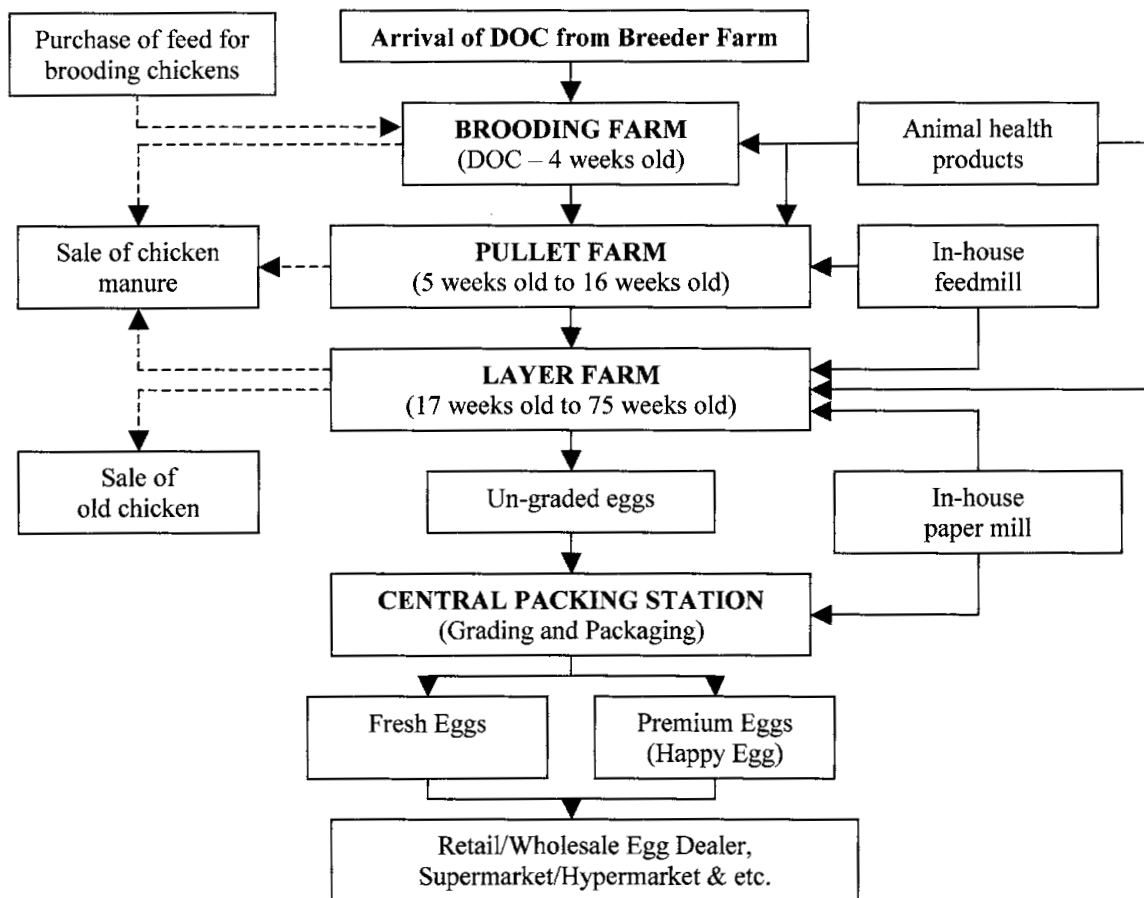
**4. INFORMATION ON OUR GROUP (Cont'd)**



Ritma is in the business of trading in medicine, pet food and animal health products, which does not involve any production processes. The production processes of the three (3) other subsidiaries are described hereunder.

**4.3.5.1 Layer farming**

The processes involved in layer farming, as conducted by TSE, can be illustrated with the process-flow chart below:



#### 4. INFORMATION ON OUR GROUP (Cont'd)

TSF divides its poultry farming operation into three (3) separate types of farms. Currently, TSF is operating two (2) brooding farms, five (5) pullet farms, and seven (7) layer farms. There are three (3) stages to the lifespan of the chickens and the chickens at each stage are kept in a different farm house. This is illustrated in the table below:

Age (weeks)	Stage	Farm House
0 to 4 weeks (Brooding chicken)	Brooding period	Brooding farm
5 to 16 weeks (Pullet chicken)	Growing period	Pullet farm
17 to 75 weeks (Layer chicken)	Laying period	Layer farm
>75 weeks (Old chicken)	Old chicken	-

The layer farming process begins with the acquisition of layer DOCs, which will be kept in the brooding farm for a period of four (4) weeks. Our brooding farms are equipped with automatic feeders and nipple drinkers, whilst the ventilation inside the chicken house is controlled by a system of exhaust fans.

When the chicks turn four (4) weeks old, they will be transferred to the pullet farms. All the pullet farms, except Pullet 5, are kept and raised in slatted floor houses, fully covered with wire netting to prevent the entry of wild birds. The pullet chickens will be kept in the pullet farm, starting from five (5) weeks old to 16 weeks old.

For chickens that are 17 weeks old, they will be transferred to the layer farm. The layer farms utilise the CHS, with tunnel ventilation and layer caging systems. The ventilation inside the house is controlled by exhaust fans. TSF uses a modern, hygienic and automated egg production system, equipped with machinery such as an automatic egg-collecting conveyer belt system, auto feeders and nipple drinkers, so as to ensure the eggs are produced under sanitary conditions. During the laying period, each chicken is able to lay about 329 eggs per lifespan. Chickens which are over the age of 75 weeks will be disposed off and sold to the wholesalers.

Eggs collected are transported to the CPS, where they will be graded and packed for sale. Every batch of ungraded eggs received will undergo a quality checking process carried out by the Quality Controllers. Two (2) Quality Controllers are allocated per machine to check for broken eggs, cracked eggs, dirty and spotted egg shells. These eggs will be removed and sold as second grade eggs.

For the egg grading process, all the eggs are graded according to their weight, using the egg grading machines. TSF has four (4) egg grading machines, of which the largest one has a total grading capacity of approximately 150,000 eggs per hour, and is located in the CPS 1. The grading machine, with a capacity of 120,000 eggs per hour, is located at CPS 2. The other two (2) grading machines are located in poultry farms Layer 2 and Layer 5 with a total grading capacity of 26,000 eggs per hour. These two (2) grading machines are used for grading of eggs which are for export to Singapore only.

After the grading process, all the graded eggs will be packed in trays and transferred to the storage area. When a sales order is issued, the packed eggs will be sent to the loading bay where the customers/wholesaler will come to collect them.

#### **Premium eggs**

TSF has allocated certain farms to produce its premium eggs, "Happy Egg". The feed consumed by the layer chickens that produce premium eggs is different from those fed to the birds producing generic eggs. TSF uses young layer chickens in the production of its premium eggs. When the layer chickens have matured, TSF will change the layer chickens' feed formulation and use them to produce ordinary eggs. TSF will monitor the performance of these chickens regularly by examining the quality of the eggs.

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#### **4. INFORMATION ON OUR GROUP (Cont'd)**

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##### **AIAO**

TSF practises the AIAO for all of its farms, whereby each farm is populated by the same flock of chickens, and no new birds will be introduced to an existing flock. Whenever a farm is de-populated, the entire farm is left empty for up to a month. During that time, the area will be sprayed with disinfectants in order to kill any germs, bacteria or viruses present. This system applies to all of the Group's farms and it is practised mainly for the control of diseases.

##### **Feeds**

TSF uses feed from its own feedmill, TSFM, for its chickens. By using our own feeds, our Group is assured that the feed is of optimum quality to produce the desired quality of eggs. It also allows our Group to become more cost effective and efficient in our production output.

Feed samples are sent to the external laboratory regularly for routine Salmonella Isolation ("SI") as well as Total Plate Count ("TPC"). TSFM's feed is produced from pure plant base ingredients such as soya bean, maize, wheat pollard, rice bran, etc (without any animal product, such as fish meal, meat bone meal, etc.). When the feed is delivered to the poultry farm, it will be stored in the closed silo for not more than five (5) days to prevent contamination, so as to maintain its freshness and optimum quality.

##### **Disposal of chicken manure**

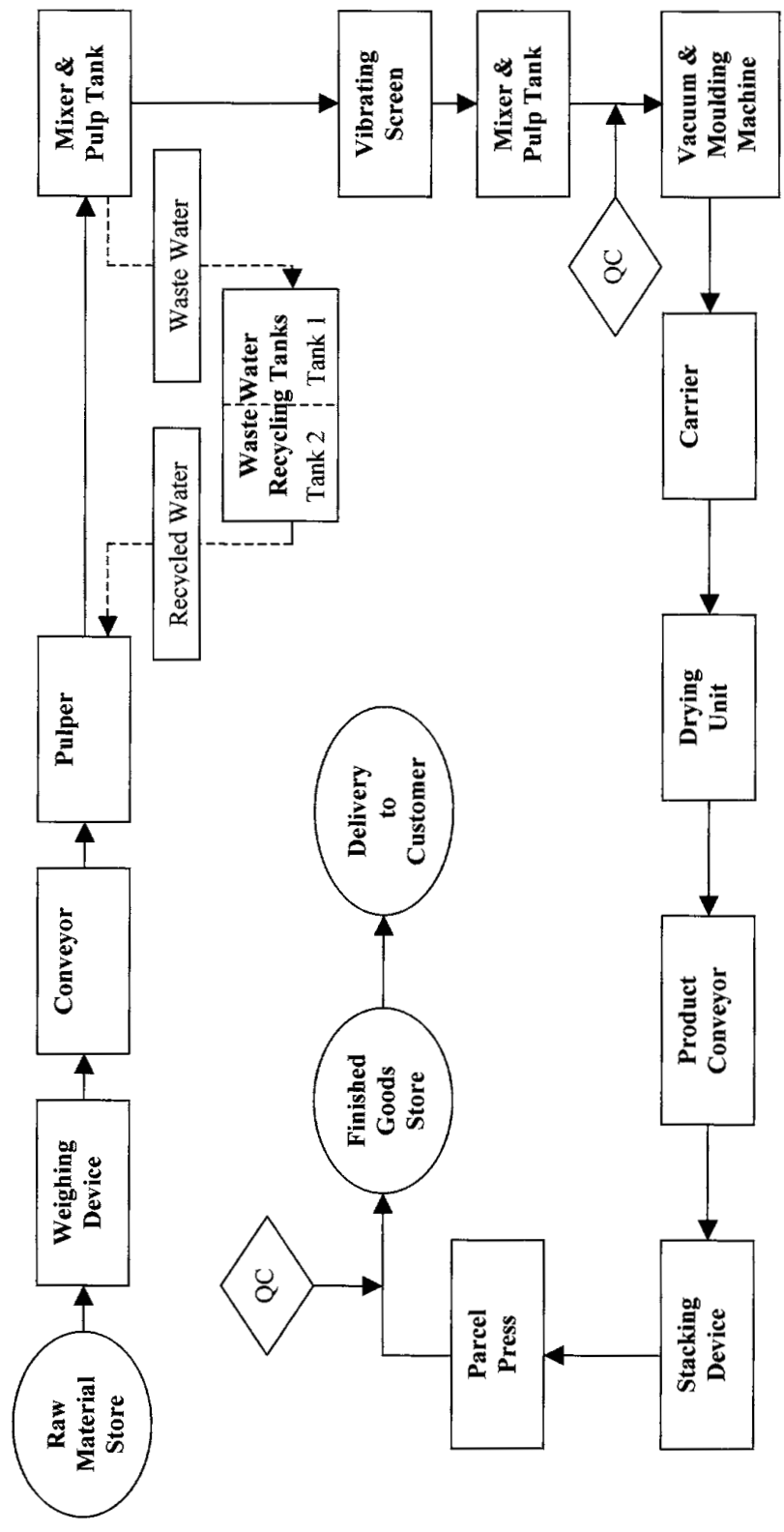
Chicken manure will be collected from the chicken sheds once every four (4) to five (5) days and transported to the manure collection house. Subsequently, TSF will sell the chicken manure to external contractors who will distribute them to fertiliser manufacturers and vegetable farmers.

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4. INFORMATION ON OUR GROUP (Cont'd)

4.3.5.2 Manufacturing of paper egg trays

The process of manufacturing paper pulp egg trays, as conducted by TSPP, is illustrated in the process-flow chart below:



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#### 4. INFORMATION ON OUR GROUP (Cont'd)

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TSPP only purchases old newspapers and used carton boxes as raw materials for the manufacturing of its paper egg trays. When the raw materials are delivered to the factory, it will be stored in the Raw Material Store. The contents of the paper egg trays consist of 90% old newspaper and 10% used carton boxes. The raw materials will be weighed, placed in a Conveyor and transferred to the Pulper. The Pulper is used to convert the raw materials into pulp form by beating up and softening the raw materials, using hot water.

After the raw materials are in pulp form, they will be pumped to another Mixer and Pulp Tank for mixing and rotating the pulp flowing in the water. The next process is to filter out any other hard residual in the pulp using a vibrating process in the Vibrating Screen. Upon completion, the raw materials are pumped into another Mixer and Pulp Tank for further rotation. Subsequently, the pulp is transferred to the Vacuum and Moulding Machine for the moulding and forming of paper egg trays. A quality check will be conducted at this point to ensure that all the paper egg trays are formed according to the required size and shape. The wet paper egg trays are transferred by the Carrier to the Drying Unit for the drying process. The paper egg trays will go through a drying unit at temperatures between of 200°C and 275°C.

All dry paper egg trays will be placed in the Product Conveyor for another quality check. If there is no damage to the paper egg trays, they will be collected and stacked by the Stacking Device for packaging. The paper egg trays are stacked into a bundle, with 140 pieces of paper egg trays per bundle. Each bundle will be pressed and wrapped with a plastic cover using the Parcel Press. After wrapping, the factory staff will place the bundle of paper egg trays in a pallet. Each pallet will hold 50 bundles of paper egg tray and they will be delivered to the Finished Goods Store. A pick-up truck will come to collect 700 bundles of paper egg tray on each delivery to the end-users.

For cost savings and environmental concern, TSPP has its own water recycling process. The waste water generated from the Mixer and Pulp Tank is transferred to the Waste Water Recycling Tank for water recycling. The recycled water is re-used in the Pulper, as illustrated in the diagram above.

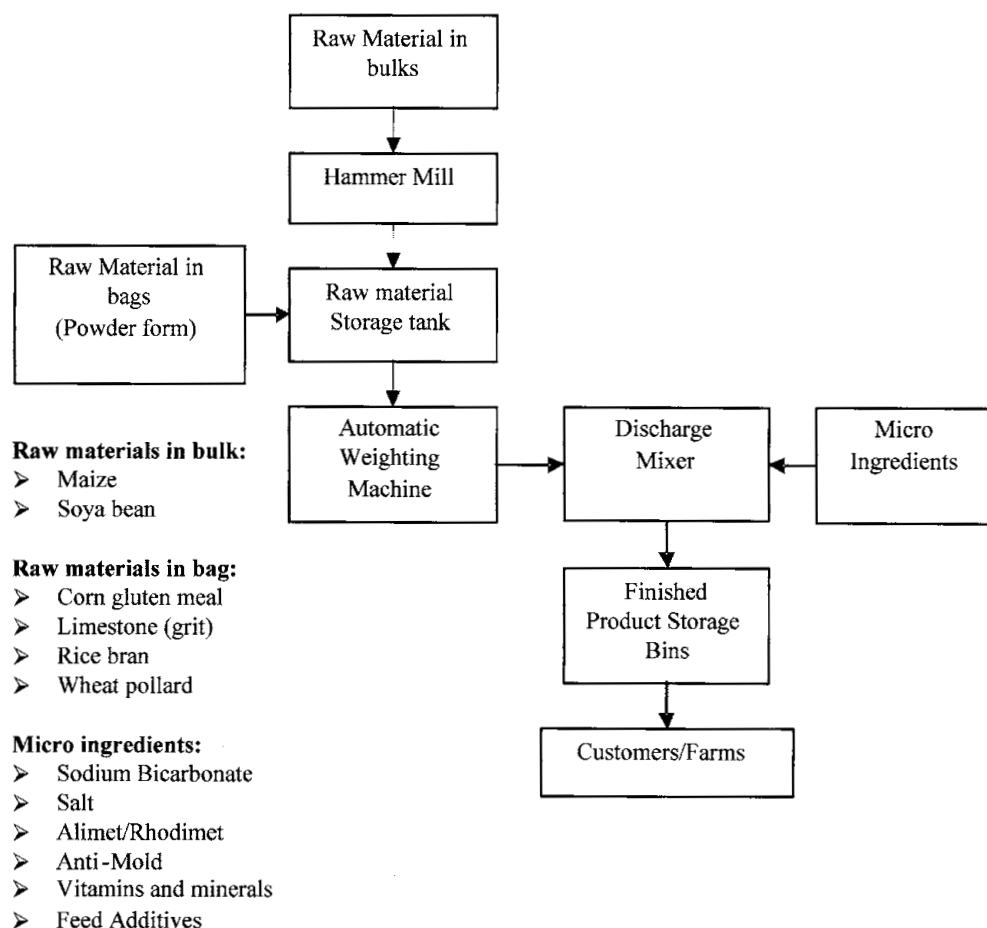
TSPP will conduct two quality checks in the entire paper egg tray production. The first check is conducted after the recycle papers go through the mixer and pulper tank for mixing. The workers will check whether the recycle paper is mixed and pulped evenly. The second check will be conducted on the finished products before they are packed and stored in the storage room. The supervisor of TSPP will examine the weight and the shape of the paper egg trays. Any defective paper trays will be discarded and be reused as recycled paper for the production of further paper egg trays.

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#### 4. INFORMATION ON OUR GROUP (Cont'd)

##### 4.3.5.3 Manufacturing of feedmill

The manufacturing process involved in the production of feed by TSFM is illustrated in the process-flow chart below:



When the raw materials are delivered to TSFM's factory by delivery trucks, they will be weighed in the factory weight-bridge and they will also be checked to ensure the specifications of the raw materials are within the company's requirements, quantity and quality. After they are weighed and checked, each consignment of raw materials will be stored at their dedicated areas in the raw material warehouse. For example, raw materials in bags will be unloaded and stacked on pallets for intake to the storage tanks; raw materials in bulk will be stored in the silos with blower fans for ventilation; and palm oil will be stored in oil tanks. Raw material samples are sent to an independent laboratory for examination on the moisture, mould count and aflatoxin. Our Group uses an agent, Gymtech Feedmill (Malacca) Sdn Bhd, to source a qualified laboratory so as to perform the examination on the raw materials. We also conduct our own internal quality checking, such as visual checks on the raw materials upon delivery to the feedmill.

During the production process, TSFM's employees are required to ensure that the correct formula and raw materials are used in the manufacturing of the animal feeds. Chickens at different growing stages use different formulas of animal feed. The Control Panel Operator/Supervisor has the responsibility to check the formula input into the production control process. The raw materials are required to be weighed to ensure that the quantity used is correct.

#### 4. INFORMATION ON OUR GROUP (Cont'd)

Initially, staff will transfer the maize and soya bean into the Hammer Mill to be crushed in the powder form. Then the maize and soya bean will go through a mixing process along with the raw materials in bags, such as corn gluten meal, limestone (grit), rice bran, wheat pollard, and micro-ingredients, such as sodium bicarbonate, salt, alimet/rhodimet, anti-mould, vitamins and minerals, in the Mixer. After the mixing, the final product will be stored in the storage tanks for future distribution.

The Storekeeper/Supervisor's duty also includes monitoring feed movement to ensure compliance with a "first-in-first-out" basis. When TSFM receives an order from a customer, the factory staff will load the correct feed and quantity into a tank for delivery to the customer. All outgoing tankers are weighed before leaving the factory.

TSFM maintains a clean and hygienic environment in the factory to not only provide a good working environment for the staff but also to ensure a bacterial-free environment. There is a clean-up of the production area after every production period. Both the raw material and finished product areas also require cleaning on a weekly basis. A weekly fogging is required to prevent insect infestation and disinfection is also carried out to reduce bacterial load. There is also regular cleaning of the feed silo and silo trucks.

#### 4.3.6 Production output and capacity

The table below sets out the production capacity and output of our Group's three (3) subsidiaries mentioned above:

FYE 31 March	2008
<b>Eggs Output/Capacity</b>	<b>Unit ('000)</b>
<b>Output</b>	
Normal Eggs	345,823
Premium Eggs	20,579
Contract Farm	146,361
<b>Capacity</b>	
Our Farm Capacity	392,452
Contract Farm Capacity	150,432
<b>Paper Egg Trays Output/Capacity</b>	<b>Tray ('000)</b>
Output	42,497
Capacity	52,704
<b>Animal Feeds Output/Capacity</b>	<b>Metric Tonnes ('000)</b>
Output	79
Capacity	144

Based on our existing operation, we do not foresee any constraints on our production capacity.

#### 4.3.7 Raw materials

Our Group acquires raw materials from the local as well as international markets for our three (3) types of production lines, namely egg production, paper egg tray production and layer chicken feed production.

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#### 4. INFORMATION ON OUR GROUP *(Cont'd)*

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Within our integrated operations, some of the raw materials used within our Group are produced by our own subsidiaries. The feed used by TSF to feed the pullet chickens and layer chickens are produced by TSFM. In addition, TSF also sources some animal health products from Ritma as well as most of the paper egg trays from TSPP.

The raw materials used to manufacture paper egg trays are mainly old newspapers, used carton boxes and old magazines. TSPP acquires all its raw materials locally.

Maize, soya bean, and corn gluten are essential ingredients in the manufacturing of animal feeds for TSFM. The main sources of these materials are from overseas, such as Argentina, China and the US. The Group is able to source such overseas' raw materials from either the local agents of foreign suppliers or from the overseas suppliers directly. Other raw materials such as crude palm oil, wheat pollard and bran are sourced locally.

When dealing with raw materials or commodities from foreign suppliers, foreign exchange and price fluctuations play an important factor in our Group's financial performance. Most of the purchase of feed raw materials is contracted forward up to a period of three (3) months to hedge against price movements. All foreign purchases are traded in USD.

Ritma, on the other hand, is involved in the distribution of animal health products; thus, it does not have a manufacturing arm that requires raw materials. Other than Malaysia, Ritma also sources its trading goods from other countries including Thailand, Singapore, China, United Kingdom, Belgium and France.

Our Group has not experienced any disruptions in raw material supplies over the past twelve (12) months.

##### 4.3.8 Quality assurance

As the key product of our Group is chicken eggs, we put much effort into ensuring that the layer chicken is healthy and hence the eggs produced are of good quality. This is done through effective quality control and farm management system, as described hereunder.

For the layer farming operations, quality control begins with the DOC. If a layer chicken is healthy and free of diseases, the productivity of the bird as well as the quality of its eggs are virtually ensured. Therefore, it is absolutely imperative to achieve a breeding environment that is hygienic, with minimal risk of disease proliferation. There are various diseases that afflict layer chickens, resulting in reduced productivity, increased mortality and, in the worst-case scenario, population culling which is extremely costly to a layer farmer. The most deadly disease, however, is the notorious Avian Influenza, which can be fatal to humans. Diseases, such as the Avian Influenza, are usually spread through carriers such as wild animals and migratory birds.

Hence, the quality control measures implemented by TSF are mainly to isolate and quarantine its flocks from disease carriers and mediums, as well as to maintain a hygienic and sanitary environment wherein germs and bacteria will not fester and thrive.

TSF practises the AIAO for breeding our chickens in order to achieve better production efficiency and disease control. The AIAO is implemented on a "farm-to-farm" basis. Basically, the system entails rearing the chickens in isolated groups, and no new chickens are allowed to be added to each group. This reduces the risk of diseases being introduced into a population. When the chickens reach the age of 75 weeks old, all the chickens within a particular facility will be moved out of the shed as a group at the same time. At the same time, chicken manure will be disposed from the shed as soon as the chickens are removed. The sheds and the equipments in the farm will then be cleaned thoroughly, disinfected and quarantined for a minimum period of one (1) month before the next restocking. Our management believes that TSF is the only layer farming corporation in Malaysia that has successfully implemented the AIAO.



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#### 4. INFORMATION ON OUR GROUP (Cont'd)

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Currently, six (6) layer farms and both our brooding farms practise the CHS. The CHS involves a closed system with high biosecurity, a tunnel ventilation system and strict entrance control. The system allows for the easy maintenance of a more hygienic environment, whilst ensuring that the layer chickens are isolated from other animals, rodents and wild birds which may be predators or disease-carriers.

During the chickens' life-cycle, TSF provides multi-vitamins to the chickens routinely to increase their immune system as well as to improve their overall health condition. TSF also provides a vaccination programme which is scheduled by the farm veterinarian, based on the need of the layer chickens. This programme is designed to control the most common diseases during the laying period, such as Newcastle Disease, Infectious Bronchitis, Egg Drop Syndrome, Infectious Coryza, etc. The in-house veterinarian and the senior farm manager will conduct a routine check on each farm. In case of any suspected disease outbreak, a post-mortem will be carried out by the veterinarian and related samples will be sent to the laboratory for diagnosis. Subsequently, the veterinarian will prescribe medication to the chickens accordingly.

TSF has been awarded with NASCEP certification since 2001/2002 and in 2004 this programme was converted into a new scheme called SALT by DVS. All of TSF's brooding farm, pullet farms and layer farms have been certified with the SALT certifications.

NASCEP certificates were awarded to TSF for effectiveness in the implementation of salmonellosis control and eradication system to protect the chicken from poultry disease contaminations and accreditation for export to Singapore. Meanwhile, the SALT certificates are awarded to TSF for producing quality and safe livestock for consumption based on the healthy livestock and good animal practice from having good animal health management, bio-security, good infrastructure and prudent use of drugs. With these certification and due compliance with other conditions imposed, AVA has granted import approval status for TSF for exporting eggs to Singapore.

TSF will conduct a routine blood sample collection from the DOC until the end of production, according to the SALT standard. Veterinarians and officers from the DVS will visit each of the farms twice a year, two (2) months apart, for SALT verification and to conduct a Rapid Whole Blood Test. It is conducted on 300 birds per flock to identify the salmonella positive reactor.

Records of bird performance from the DOC until depopulation are also maintained. This includes feed consumption, body weight, mortality, daily egg production, average egg weight, medication and vaccination records, disinfection records, etc.

TSF also provides good management skills in breeding its chickens. All precautions and quality management are utilised in the management of the farm area and the feeds. The farm areas are totally surrounded by a chain-linked fence and the gate at the entrance is kept closed at all time. At the entrances of the production areas of every farm, there is a wheel dip with disinfectant sprayer. All vehicles must dip their wheels and be thoroughly sprayed with an approved disinfectant before entering the production areas. The disinfectant solution for the wheel dip is replaced every alternate day or even more frequently when it is too contaminated.

Additionally, only authorised personnel of TSF are allowed to enter the farms, as well as the production area. TSF has disinfection showers and changing rooms at the entrance of the production area and all staff and visitors are required to go through the processes of disinfectant sprinkle, shower and changing into the clothing and boots supplied by the farm before entering the production area. This method is to minimise the presence of any harmful bacteria and diseases that can infect the chicken. There is also a footbath with disinfectant at the entrance of each chicken shed. All staff and visitors are required to dip their boots into the footbath before entering the shed. The disinfectant in the footbath will be replaced frequently, either everyday or every alternate day, depending on the level of contamination.

The company also takes all necessary steps in the prevention and controlling of rodent, fly, wild bird and weed problems. A proper rodent control programme with full recording and checking is adopted by